

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

Case No. 13-53846

CITY OF DETROIT, MICHIGAN

Chapter 9

Debtor.

Hon. Thomas J. Tucker

**AMENDED
APPELLANT POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY
OF DETROIT'S DESIGNATION OF RECORD ON APPEAL AND
STATEMENT OF ISSUES PURSUANT TO FEDERAL RULES OF
BANKRUPTCY PROCEDURE 8009**

Appellant the Police and Fire Retirement System of the City of Detroit (the "PFRS"), hereby submits the enclosed for its Designation of Record and Statement of Issues Pursuant to Federal Rules of Bankruptcy Procedure 8009, regarding the appeal currently pending before the United States District Court for the Eastern District of Michigan, Case No. 23-cv-13159-BAF-APP, the Honorable Bernard Friedman, presiding.

Respectfully submitted,

/s/ Jennifer K. Green

Jennifer K. Green

Clark Hill PLC

220 Park Street, Ste. 200

Birmingham, MI 48009

(248) 321-8525

Attorneys for Appellant PFRS

Date: December 21, 2023



Statement of Issues Presented on Appeal

- I. Whether the Bankruptcy Court erred in granting the City of Detroit's Motion to Enforce the Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan, where, *inter alia*, the Court's Opinion: (i) fails to enforce the 10-year injunction in the Plan of Adjustment (the "Plan"), which expressly permits changes to the pension contribution terms after that 10-year period, and never reconciled that Plan injunction provision with its ruling that a 30-year amortization applied; (ii) erroneously credits financial projections as controlling the amortization issue and elevated those to the force and effect of the Plan, even though the express terms of the Plan are contrary to those projections; (iii) rests upon a sentence in the Court's original confirmation opinion from 2013 that is at odds with the express language of the Plan and which contains a blatant factual error that even the City admits exists; (iv) creates an internal inconsistency on the amortization issue because the Plan only enjoins the PFRS from setting its own funding policies for a 10-year period but the Court's Opinion effectively enjoins the PFRS from setting its own funding policies for a 30-year period; and (v) never considered controlling state law cited by the PFRS that interpreted the same pension plan language as granting PFRS the sole right to determine amortization?

Appellant Answers: Yes

Appellee Answers: No

- II. Whether the Bankruptcy Court erred in denying the Police and Fire Retirement System's Motion to Alter or Amend Pursuant to Federal Rules of Bankruptcy Procedure 9023, and Pursuant to 9024-1 for Reconsideration of, the Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan, where, *inter alia*, the Court (i) erroneously failed to rule upon at least two dispositive arguments raised the PFRS—*i.e.*, that the Plan expressly permits changes to contribution amounts and pension terms after 10 years, and that the governing documents, as already ruled upon by a Michigan state court, expressly grant the exclusive authority to the PFRS to set the amortization period,

and (ii) erroneously ignored two admissions by the City that support the PFRS' position but that were not made until *after* the hearing and therefore qualified as newly discovered evidence?

Appellant Answers: Yes

Appellee Answers: No

DESIGNATION OF RECORD ON APPEAL

Item No.	Rec. No.	Date	Description of Document
1	4391	5/5/14	Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit
2	4392	5/5/14	Fourth Amended Plan for the Adjustment of Debts of the City of Detroit
3	4401	5/5/14	Order Approving the Proposed Disclosure Statement
4	7617	9/21/14	Transcript regarding Hearing Held 09/15/14
5	7819	10/3/14	Transcript regarding Hearing Held 09/29/14
6	8045	10/22/14	Eighth Amended Plan for the Adjustment of Debts of the City of Detroit, including all Exhibits thereto.
7	8272	11/12/14	Order Confirming Eighth Amended Plan for the Adjustment of Debts for the City of Detroit
8	8649	12/10/14	Entry of Order (I) Confirming Eighth Amended Plan for the Adjustment of Debts for the City of Detroit, and (II) Occurrence of Effective Date
9	8993	12/31/14	Supplemental Opinion Regarding Plan Confirmation, Approving Settlements, and Approving Exit Financing
10	13602	8/3/22	Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
	13602	8/3/22	Exhibit 6, Part 1 Ex. 1 – Declaration of Mayor Michael Duggan Ex. 2 – Gabriel Roeder’s March 4, 2021, PFRS Funding Policy

			<p>Ex. 3 – March 4, 2021 PFRS Board minutes approving 20-year amortization</p> <p>Ex. 4 – Detroit CFO’s July 21, 2021</p> <p>Ex. 5 – Gabriel Roeder’s August 2, 2021 Memo Objecting to 20-Year Amortization</p> <p>Exhibit 6 – Oct. 1-14, 2021 Emails between Ms. Brader and Mr. Raimi</p> <p>Ex. 7 – Oct. 18, 2021 PFRS IC Meeting Minutes Approving 20-Year Amortization</p>
	13602	8/3/22	<p>Exhibit 6, Part 2</p> <p>Ex. 8 – Oct. 18, 2021 PFRS IC Resolution Approving 20-Year Amortization</p> <p>Ex. 9 – Nov. 18, 2021 PFRS Board Minutes Ratifying 20-Year Amortization</p> <p>Ex. 10 – Stout Report dated Oct. 13, 2021</p> <p>Ex. 11 – Michigan Tax Tribunal Order dated June 11, 2021</p> <p>Ex. 12 – Cheiron Report dated June 6, 2022</p> <p>Ex. 13 – Gabriel Roeder’s June 17, 2022 Letter re: Restoration Reserve Account</p> <p>Ex. 14 – Excerpt from 40-Year Projection</p>
11	13634	9/9/22	Response to Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
	13634	9/9/22	Exhibit A (part 1) - Order No. 44 and PFRS Report
	13634	9/9/22	Exhibit A (part 2) - Order No. 44 and PFRS Report
	13634	9/9/22	Exhibit B - Bowen Dep Transcript - July 1, 2014
	13634	9/9/22	Exhibit C - Kermans Dep Transcript - August 8, 2014
	13634	9/9/22	Exhibit D - Thomas Dep Transcript - July 15, 2014
	13634	9/9/22	Exhibit E - Hearing Transcript - September 15, 2014
	13634	9/9/22	Exhibit F - M Kopacz Supplemental Report 8-27 - FINAL
	13634	9/9/22	Exhibit G - Hearing Transcript - September 29, 2014
	13634	9/9/22	Exhibit H - Moore Dep Transcript - July 24, 2014
	13634	9/9/22	Exhibit I - Legacy Report
	13634	9/9/22	Exhibit J - GRS Report 9.28.2020

	13634	9/9/22	Exhibit K - Crains Article dated March 7, 2022
12	13663	10/31/22	<p>Reply in Support of City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan</p> <p>Exhibits:</p> <p>Ex. 15 – Excerpts of the Confirmation Opinion (524 B.R. 147)</p> <p>Ex. 16 – Excerpts of the Confirmation Order (Court Doc. 8272)</p> <p>Ex. 17 – Trial Exhibit 793</p> <p>Ex. 18 – Trial Exhibit 723</p> <p>Ex. 19 – Trial Exhibit 111</p> <p>Ex. 20 – Trial Exhibit 734</p> <p>Ex. 21 – Trial Exhibit 779</p> <p>Ex. 22 – Expert Report of Martha Kopacz re: POA Feasibility (excerpts)</p> <p>Ex. 23 – Combined Plan for the Police and Retirement System (excerpts)</p> <p>Ex. 24 – Detroit News Article, 8/31/22</p> <p>Ex. 25 – Detroit News Article, 9/30/22</p> <p>Ex. 26 – Testimony of Ron Bloom</p>
		10/31/22	Exhibits 15-26, part 1
		10/31/22	Exhibits 15-26, part 2
		10/31/22	Exhibits 15-26, part 3
13	13675	1/26/23	Ex Parte Motion for Leave to File Sur-Reply
14	13677	2/3/23	Order Addressing Two Recent Ex Parte Motions, And Adjourning The February 8, 2023 Telephonic Hearing On The City Of Detroit's Motion To Enforce Plan Of Adjustment, Etc. (Docket #13602).
15	13678	2/6/23	Supplement to Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan filed by Debtor In Possession City of Detroit, Michigan) City of Detroit's

			Supplement Filed in Connection with the City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
	13678	2/6/23	Exhibit 1 - Forty-Year Financial Projections and Explanation of Projected Financial Information
	13678	2/6/23	Exhibit 2 - Version of State Contribution Agreement Attached to Disclosure Statement
	13678	2/6/23	Exhibit 3 - Revised Version of State Contribution Agreement Attached to Plan
16	13681	2/14/23	Sur-Reply in Support of Response to City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
17	13690	3/23/23	Transcript regarding Hearing Held 03/15/23 RE: Motion to Enforce Plan of Adjustment.
18	13704	6/26/23	Opinion Regarding the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
19	13706	6/26/23	Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
20	13707	7/10/23	The Police and Fire Retirement System's Motion to Alter or Amend Pursuant to Federal Rules of Bankruptcy Procedure 9023, and Pursuant to 9024-1 for Reconsideration of, the Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
21	13715	8/10/23	Response to The Police and Fire Retirement System's Motion to Alter or Amend Pursuant to Federal Rules of Bankruptcy Procedure 9023, and Pursuant to 9024-1 for Reconsideration of, the Court's Order Granting the City of

			Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
22	13723	8/24/23	Ex Parte Motion for Leave to File Reply to the City of Detroit's Response to Motion for Reconsideration Filed by Creditor Police and Fire Retirement System
	13723	8/24/23	Exhibit A – Proposed Reply Brief
23	13832	11/22/23	Order: (1) Granting The Motion By The Police And Fire Retirement System For Leave To File A Reply (Docket #13723); And (2) Denying The Motion By The Police And Fire Retirement System For Reconsideration, And To Alter Or Amend The Court's June 26, 2023 Order (Docket #13707) (RE: Related Doc # <u>13707</u>), (Related Doc # <u>13723</u>).

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

Case No. 13-53846

CITY OF DETROIT, MICHIGAN

Chapter 9

Debtor.

Hon. Thomas J. Tucker

APPENDIX – Items 1 through 23

**TO THE AMENDED
APPELLANT POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY
OF DETROIT’S DESIGNATION OF RECORD ON APPEAL AND
STATEMENT OF ISSUES PURSUANT TO FEDERAL RULES OF
BANKRUPTCY PROCEDURE 8009**

Item No.	Rec. No.	Date	Description of Document
1	4391	5/5/14	Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit
2	4392	5/5/14	Fourth Amended Plan for the Adjustment of Debts of the City of Detroit
3	4401	5/5/14	Order Approving the Proposed Disclosure Statement
4	7617	9/21/14	Transcript regarding Hearing Held 09/15/14
5	7819	10/3/14	Transcript regarding Hearing Held 09/29/14
6	8045	10/22/14	Eighth Amended Plan for the Adjustment of Debts of the City of Detroit, including all Exhibits thereto.

7	8272	11/12/14	Order Confirming Eighth Amended Plan for the Adjustment of Debts for the City of Detroit
8	8649	12/10/14	Entry of Order (I) Confirming Eighth Amended Plan for the Adjustment of Debts for the City of Detroit, and (II) Occurrence of Effective Date
9	8993	12/31/14	Supplemental Opinion Regarding Plan Confirmation, Approving Settlements, and Approving Exit Financing
10	13602	8/3/22	Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
	13602	8/3/22	<p>Exhibit 6, Part 1</p> <p>Ex. 1 – Declaration of Mayor Michael Duggan</p> <p>Ex. 2 – Gabriel Roeder’s March 4, 2021, PFRS Funding Policy</p> <p>Ex. 3 – March 4, 2021 PFRS Board minutes approving 20-year amortization</p> <p>Ex. 4 – Detroit CFO’s July 21, 2021</p> <p>Ex. 5 – Gabriel Roeder’s August 2, 2021 Memo Objecting to 20-Year Amortization</p> <p>Exhibit 6 – Oct. 1-14, 2021 Emails between Ms. Brader and Mr. Raimi</p> <p>Ex. 7 – Oct. 18, 2021 PFRS IC Meeting Minutes Approving 20-Year Amortization</p>
	13602	8/3/22	<p>Exhibit 6, Part 2</p> <p>Ex. 8 – Oct. 18, 2021 PFRS IC Resolution Approving 20-Year Amortization</p> <p>Ex. 9 – Nov. 18, 2021 PFRS Board Minutes Ratifying 20-Year Amortization</p> <p>Ex. 10 – Stout Report dated Oct. 13, 2021</p> <p>Ex. 11 – Michigan Tax Tribunal Order dated June 11, 2021</p> <p>Ex. 12 – Cheiron Report dated June 6, 2022</p>

			Ex. 13 – Gabriel Roeder’s June 17, 2022 Letter re: Restoration Reserve Account Ex. 14 – Excerpt from 40-Year Projection
11	13634	9/9/22	Response to Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
	13634	9/9/22	Exhibit A (part 1) - Order No. 44 and PFRS Report
	13634	9/9/22	Exhibit A (part 2) - Order No. 44 and PFRS Report
	13634	9/9/22	Exhibit B - Bowen Dep Transcript - July 1, 2014
	13634	9/9/22	Exhibit C - Kermans Dep Transcript - August 8, 2014
	13634	9/9/22	Exhibit D - Thomas Dep Transcript - July 15, 2014
	13634	9/9/22	Exhibit E - Hearing Transcript - September 15, 2014
	13634	9/9/22	Exhibit F - M Kopacz Supplemental Report 8-27 - FINAL
	13634	9/9/22	Exhibit G - Hearing Transcript - September 29, 2014
	13634	9/9/22	Exhibit H - Moore Dep Transcript - July 24, 2014
	13634	9/9/22	Exhibit I - Legacy Report
	13634	9/9/22	Exhibit J - GRS Report 9.28.2020
	13634	9/9/22	Exhibit K - Crains Article dated March 7, 2022
12	13663	10/31/22	Reply in Support of City of Detroit’s Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan Exhibits: Ex. 15 – Excerpts of the Confirmation Opinion (524 B.R. 147) Ex. 16 – Excerpts of the Confirmation Order (Court Doc. 8272) Ex. 17 – Trial Exhibit 793 Ex. 18 – Trial Exhibit 723 Ex. 19 – Trial Exhibit 111 Ex. 20 – Trial Exhibit 734 Ex. 21 – Trial Exhibit 779 Ex. 22 – Expert Report of Martha Kopacz re: POA Feasibility (excerpts)

			Ex. 23 – Combined Plan for the Police and Retirement System (excerpts) Ex. 24 – Detroit News Article, 8/31/22 Ex. 25 – Detroit News Article, 9/30/22 Ex. 26 – Testimony of Ron Bloom
		10/31/22	Exhibits 15-26, part 1
		10/31/22	Exhibits 15-26, part 2
		10/31/22	Exhibits 15-26, part 3
13	13675	1/26/23	Ex Parte Motion for Leave to File Sur-Reply
14	13677	2/3/23	Order Addressing Two Recent Ex Parte Motions, And Adjourning The February 8, 2023 Telephonic Hearing On The City Of Detroit's Motion To Enforce Plan Of Adjustment, Etc. (Docket #13602).
15	13678	2/6/23	Supplement to Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan filed by Debtor In Possession City of Detroit, Michigan) City of Detroit's Supplement Filed in Connection with the City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
	13678	2/6/23	Exhibit 1 - Forty-Year Financial Projections and Explanation of Projected Financial Information
	13678	2/6/23	Exhibit 2 - Version of State Contribution Agreement Attached to Disclosure Statement
	13678	2/6/23	Exhibit 3 - Revised Version of State Contribution Agreement Attached to Plan
16	13681	2/14/23	Sur-Reply in Support of Response to City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan
17	13690	3/23/23	Transcript regarding Hearing Held 03/15/23 RE: Motion to Enforce Plan of Adjustment.

18	13704	6/26/23	Opinion Regarding the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
19	13706	6/26/23	Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
20	13707	7/10/23	The Police and Fire Retirement System's Motion to Alter or Amend Pursuant to Federal Rules of Bankruptcy Procedure 9023, and Pursuant to 9024-1 for Reconsideration of, the Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
21	13715	8/10/23	Response to The Police and Fire Retirement System's Motion to Alter or Amend Pursuant to Federal Rules of Bankruptcy Procedure 9023, and Pursuant to 9024-1 for Reconsideration of, the Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)
22	13723	8/24/23	Ex Parte Motion for Leave to File Reply to the City of Detroit's Response to Motion for Reconsideration Filed by Creditor Police and Fire Retirement System
	13723	8/24/23	Exhibit A – Proposed Reply Brief
23	13832	11/22/23	Order: (1) Granting The Motion By The Police And Fire Retirement System For Leave To File A Reply (Docket #13723); And (2) Denying The Motion By The Police And Fire Retirement System For Reconsideration, And To Alter Or Amend The Court's June 26, 2023 Order (Docket #13707) (RE: Related Doc # <u>13707</u>), (Related Doc # <u>13723</u>).

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT MAY BE REVISED TO REFLECT EVENTS THAT OCCUR AFTER THE DATE HEREOF BUT PRIOR TO THE BANKRUPTCY COURT'S APPROVAL OF THE DISCLOSURE STATEMENT.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----X
In re : Chapter 9
CITY OF DETROIT, MICHIGAN, : Case No. 13-53846
Debtor. : Hon. Steven W. Rhodes
-----X

**FOURTH AMENDED DISCLOSURE STATEMENT WITH RESPECT TO FOURTH
AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT**

DAVID G. HEIMAN
HEATHER LENNOX
THOMAS A. WILSON
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
tawilson@jonesday.com

BRUCE BENNETT
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539
bbennett@jonesday.com

JONATHAN S. GREEN
STEPHEN S. LAPLANTE
MILLER, CANFIELD,
PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE DEBTOR

**FOURTH AMENDED DISCLOSURE STATEMENT, DATED MAY 5, 2014
SOLICITATION OF VOTES WITH RESPECT TO FOURTH
AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT, MICHIGAN**

Preamble

The City of Detroit ("Detroit" or the "City") believes that the Plan for the Adjustment of Debts of the City of Detroit (the "Plan") attached as Exhibit A to this Disclosure Statement (this "Disclosure Statement") is in the best interests of creditors. All creditors entitled to vote thereon are urged to vote in favor of the Plan. A summary of the voting instructions is set forth beginning on page 1 of this Disclosure Statement. Additional instructions are contained on the ballots distributed to the creditors entitled to vote on the Plan. To be counted, your ballot must be duly completed, executed and received by the City at or before 5:00 p.m., Eastern Time, on July 11, 2014 (the "Voting Deadline"), unless the Voting Deadline is extended.

The effectiveness of the proposed Plan is subject to material conditions precedent, some of which may not be satisfied. See Section III.D.1 of this Disclosure Statement. There is no assurance that these conditions will be satisfied or waived.

All capitalized terms used in this Disclosure Statement and not otherwise defined herein shall have the meanings given to them in the Plan.

This Disclosure Statement is the only document that the Bankruptcy Court has approved for use in connection with the solicitation of votes on the Plan. No entity is authorized by the City to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits attached hereto or incorporated by reference or referred to herein in connection with the Plan or the solicitation of acceptances of the Plan. Information or representations derived from any other source may not be relied upon as having been authorized by the City.

ALL CREDITORS (INCLUDING RETIREES) ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT A AND THE RISK FACTORS DESCRIBED UNDER SECTION VI, PRIOR TO SUBMITTING BALLOTS IN RESPONSE TO THIS SOLICITATION.

RETIREES ARE FURTHER ENCOURAGED TO READ AND CAREFULLY CONSIDER THE "NOTICE REGARDING PROPOSED CHANGES TO PENSIONS IN THE CITY'S PLAN OF ADJUSTMENT AND/OR YOUR RIGHT TO VOTE ON THE PLAN" AND THE "NOTICE REGARDING PROPOSED CHANGES TO POST-EMPLOYMENT HEALTHCARE BENEFITS IN THE CITY'S PLAN OF ADJUSTMENT AND YOUR RIGHT TO VOTE ON THE PLAN" ENCLOSED WITH THIS DISCLOSURE STATEMENT PRIOR TO SUBMITTING BALLOTS IN RESPONSE TO THIS SOLICITATION.

The summaries of the Plan and other documents contained in this Disclosure Statement are qualified by reference to the Plan itself, the exhibits and supplemental documents thereto (collectively, the "Plan Supplement Documents") and documents described therein as Filed prior to approval of this Disclosure Statement. In the event that any inconsistency or conflict exists between this Disclosure Statement and the Plan, the terms of the Plan will control. Except as otherwise indicated, the City will File all Plan Supplement Documents with the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") and make them available for review on the Document Website (www.kccllc.net/detroit) prior to the Confirmation Hearing. A Plan Supplement or Plan Supplements containing Exhibits 189.a, 191.a, 220, 221 and II.D.6 to the Plan will be Filed no later than five Business Days prior to the Voting Deadline. All other Plan Supplements will be Filed no later than ten days before the Confirmation Hearing.

This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan. The City reserves the right to modify the Plan consistent with section 942 of title 11 of the United States Code (the "Bankruptcy Code"), Rule 3019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and other applicable law.

The statements contained in this Disclosure Statement are made as of the date of this Disclosure Statement, and there can be no assurance that the statements contained herein will be correct at any time after this date. The information contained in this Disclosure Statement, including the information regarding the history and operations of the City and any financial information regarding the City, is included for the purpose of soliciting acceptances of the Plan. As to contested matters, adversary proceedings or any other litigation, the statements made in this Disclosure Statement are not to be construed as admissions or stipulations, but rather as statements made in settlement negotiations as part of the City's attempt to settle and resolve its Liabilities pursuant to the Plan. This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding, nor shall it be construed to be conclusive advice on the tax, securities or other legal effects of the Plan as to any party, including any Holder of a Claim against the City. Except where specifically noted, the financial information contained in this Disclosure Statement and in its Exhibits has not been audited by a certified public accountant and may not have been prepared in accordance with standards promulgated by the Government Accounting Standards Board or generally accepted accounting principles in the United States.

FORWARD-LOOKING STATEMENTS

This Disclosure Statement contains forward-looking statements based primarily on the current expectations of the City and projections about future events and financial trends affecting the financial condition of the City and its assets. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "expect" and similar expressions identify these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described below under the caption "Risk Factors" in Section VI. In light of these risks and uncertainties, the forward-looking events and trends discussed in this Disclosure Statement may not occur, and actual results could differ materially from those anticipated in the forward-looking statements. The City does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission or any securities exchange or association nor has the SEC, any state securities commission or any securities exchange or association passed upon the accuracy or adequacy of the statements contained herein.

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
A. Voting Procedures	1
1. Parties Entitled to Vote on the Plan	1
2. Voting Record Dates	3
3. Vote Required for Acceptance by a Class	3
4. Solicitation Package	3
5. How to Vote	4
6. Voting Transferred Claims	5
7. Voting Dispute Resolution Procedures	5
B. Convenience Claims	6
C. Special Procedures for Securities Claims	6
D. Special Procedures for Pension Claims and OPEB Claims	8
E. Plan Supplement Documents	8
F. Confirmation Hearing and Deadline for Objections to Confirmation	9
II. SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN	10
A. Overview	10
1. Introduction to the Plan	10
2. Special Information Regarding Pension and OPEB Claims	10
B. Classification and Treatment of Claims Under the Plan	30
III. THE PLAN	43
A. General	43
B. Classification and Treatment of Claims	43
1. Unclassified Claims	43
2. Classified Claims	44
C. Treatment of Executory Contracts and Unexpired Leases	54
1. Assumption	54
2. Assumption of Ancillary Agreements	54
3. Approval of Assumptions and Assignments	54
4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases	54
5. Contracts and Leases Entered Into After the Petition Date	55
6. Rejection of Executory Contracts and Unexpired Leases	55
7. Rejection Damages Bar Date	55
8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases	55
9. Insurance Policies	55
D. Effectiveness of the Plan	56

TABLE OF CONTENTS
(continued)

Page

1.	Conditions Precedent to the Effective Date	56
2.	Waiver of Conditions to the Effective Date	56
3.	Effect of Nonoccurrence of the Effective Date	56
4.	Request for Waiver of Automatic Stay of Confirmation Order	57
E.	No Diminution of State Power	57
F.	Effects of Confirmation	57
1.	Binding Effect	57
2.	Dissolution of Official Committees	57
3.	Preservation of Rights of Action by the City	58
4.	Comprehensive Settlement of Claims and Controversies	58
5.	Discharge of Claims	58
6.	Injunction	58
7.	Exculpation	59
8.	Releases	60
G.	Retention of Jurisdiction by the Bankruptcy Court	60
IV.	MEANS OF IMPLEMENTATION OF THE PLAN	62
A.	The New Notes	62
1.	The New B Notes	62
B.	DWSD	62
1.	Rates and Revenues	62
2.	DWSD Pension Funding Contribution	62
3.	DWSD CBAs	62
4.	The New DWSD Bonds	62
5.	The New Existing Rate DWSD Bonds	63
C.	The Plan COP Settlement	64
D.	The UTGO Settlement	64
E.	The State Contribution Agreement	64
1.	State Contribution	64
2.	Income Stabilization Payments	64
3.	Conditions to State's Participation	64
4.	Release of Claims Against the State and State Related Entities	65
F.	The DIA Settlement	65
1.	Funding Contributions	65
2.	Transfer of DIA Assets	66
3.	Conditions to the Foundations' Participation	66
G.	Contingent Payment Rights	66

TABLE OF CONTENTS
(continued)

	Page
1. Special Restoration.....	66
2. General Restoration.....	67
H. The OPEB Settlement.....	67
I. Issuance of the New Securities.....	67
J. Cancellation of Existing Bonds and Bond Documents.....	67
K. Release of Liens.....	67
L. Professional Fee Reserve.....	68
M. Assumption of Indemnification Obligations.....	68
N. Incorporation of Retiree Health Care Settlement.....	68
O. Payment of Workers' Compensation Claims.....	68
P. Payment of Certain Claims Relating to the Operation of City Motor Vehicles.....	68
Q. Payment of Tax Refund Claims.....	69
R. Utility Deposits.....	69
S. Pass-Through Obligations.....	69
T. Exit Facility.....	69
U. Post-Effective Date Governance.....	69
V. Provisions Regarding Distributions Under the Plan.....	70
1. Appointment of Disbursing Agent.....	70
2. Distributions on Account of Allowed Claims.....	70
3. Certain Claims to Be Expunged.....	70
4. Record Date for Distributions; Exception for Bond Claims.....	70
5. Means of Cash Payments.....	70
6. Selection of Distribution Dates for Allowed Claims.....	70
7. Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.....	71
8. City's Rights of Setoff Preserved.....	71
9. Delivery of Distributions and Undeliverable or Unclaimed Distributions.....	71
10. Other Provisions Applicable to Distributions in All Classes.....	72
W. Procedures for Resolving Disputed Claims.....	73
1. Treatment of Disputed Claims.....	73
2. Disputed Claims Reserve.....	74
3. Objections to Claims.....	74
V. CONFIRMATION OF THE PLAN.....	76
A. Confirmation Hearing.....	76
B. Deadlines to Object to Confirmation.....	76
C. Requirements for Confirmation of the Plan.....	76

TABLE OF CONTENTS
(continued)

Page

1.	Acceptance or Cramdown	77
2.	Alternatives to Confirmation and Consummation of the Plan	80
VI.	CERTAIN RISK FACTORS TO BE CONSIDERED	81
A.	Non-Confirmation of the Plan	81
B.	Nonconsensual Confirmation	81
C.	Inability to Confirm Plan Prior to Potential Removal of Emergency Manager	81
D.	Conditions to Effectiveness of the Plan	81
E.	Non-Occurrence of DIA Settlement or Non-Receipt of the Full Amount of the DIA Proceeds or the State Contribution	81
F.	Failure to Approve the Settlements and Compromises in the Plan	82
G.	Disapproval of the Level of DWSD Pension Funding	82
H.	Failure to Secure Exit Facility	82
I.	Inability to Raise Tax Revenue	82
J.	Failure to Achieve Projected Financial Performance	82
K.	Unforeseen Financial Circumstances Affecting the City's Future Financial Performance	83
L.	Access to Tax Levies Supporting Unlimited Tax General Obligation Bonds	83
M.	Litigation Regarding the COPs and the Retirement Systems	83
N.	Litigation Regarding the Swaps	83
O.	Other Litigation	83
P.	New Securities May Not Trade at Par	83
Q.	Challenges in Obtaining Legislative and Regulatory Approvals Necessary to Effectuate Transactions	83
R.	Population Loss	84
S.	Inability to Hire and Retain Employees	84
T.	The City Has No Duty to Update	84
U.	No Representations Outside This Disclosure Statement Are Authorized	84
V.	Nature and Amount of Allowed Claims	84
VII.	EVENTS PRECEDING THE CITY'S CHAPTER 9 CASE	85
A.	Background	85
1.	General Information	85
2.	Municipal Services	86
3.	City Funds	86
4.	Sources of General Fund Revenue	94
5.	Assets	97
B.	Outstanding Financial Obligations of the City as of the Petition Date	99
1.	Revenue Bonds	99

TABLE OF CONTENTS
(continued)

Page

2.	General Fund Obligations.....	100
3.	Certificates of Participation.....	103
4.	Swap Liabilities.....	104
5.	Pension Obligations.....	105
6.	Other Post-Employment Benefit Obligations.....	108
7.	Other Liabilities.....	110
C.	The City's Steady Operational and Financial Decline.....	111
1.	Declines in Population and the City's Manufacturing Base.....	111
2.	Declining Revenues.....	112
3.	Eroding Tax Base.....	114
4.	High Labor Costs/Restrictive Employment Terms.....	116
5.	Growing Budget Deficits.....	117
6.	Declining Credit Ratings.....	117
7.	Inadequate Municipal Services.....	117
8.	Obsolete Information Technology.....	124
9.	Steady State Prepetition Financial Projections.....	125
D.	Prepetition Measures Taken by City to Address Challenges.....	125
1.	Consent Agreement/Creation of Financial Advisory Board.....	125
2.	Headcount Reductions.....	126
3.	Imposition of City Employment Terms.....	127
4.	Revenue Generating Initiatives.....	127
5.	Reduced Operating Expenditures.....	127
6.	Deferred Capital Expenditures.....	127
7.	Cash Conservation Measures.....	127
8.	Demolition Initiatives.....	128
9.	Appointment of the Emergency Manager.....	128
10.	The June 14 Creditor Proposal.....	129
11.	Barriers to Out-of-Court Restructuring.....	130
12.	Insolvency.....	132
VIII.	THE CHAPTER 9 CASE.....	133
A.	Commencement of the Chapter 9 Case.....	133
B.	Retiree Committee.....	133
C.	Unsecured Creditors' Committee.....	134
D.	Eligibility.....	134
E.	Swap Settlement.....	136
1.	Forbearance and Optional Termination Agreement.....	136

TABLE OF CONTENTS
(continued)

Page

2.	Litigation Regarding the Casino Revenues and the FOTA	137
3.	Litigation Regarding the COPs.....	140
F.	Mediation.....	141
1.	Restructuring Mediation.....	141
2.	Labor/OPEB Mediation.....	141
3.	DWSD Mediation.....	141
4.	Other Mediation	142
G.	Postpetition Financing	142
H.	Claims Process and Establishment of Bar Dates	143
1.	Section 924/925 Lists	143
2.	Bar Date Order	144
3.	ADR Procedures.....	144
I.	Chapter 9 Stay Matters	146
1.	Generally	146
2.	Challenges to PA 436 (Phillips)	146
J.	Status of Detroit Public Library Employees with Respect to Pension and OPEB Benefits.....	147
K.	Fee Matters	147
L.	Operational Restructuring Initiatives/Asset Dispositions	148
1.	Negotiations Regarding the Potential Formation of the GLWA	148
2.	Potential DWSD Public-Private Partnership	148
3.	Modification of Retiree Benefits/Healthcare Redesign	149
4.	Transition of Lighting Grid to DTE	155
5.	Transition of Lighting Work to PLA.....	155
6.	Belle Isle Lease	156
7.	Detroit Institute of Arts	156
8.	Joe Louis Arena.....	158
9.	Sale of Veterans' Memorial Building	158
10.	Coleman A. Young Airport.....	158
IX.	REINVESTMENT INITIATIVES.....	160
A.	Post-Bankruptcy Financial Oversight.....	160
B.	Overview of Restructuring Initiatives.....	160
1.	Blight Removal.....	161
2.	Public Safety (Police, Fire and EMS).....	162
3.	General Services.....	163
4.	Finance	164
5.	DDOT.....	164

TABLE OF CONTENTS
(continued)

	Page
6. Other Reinvestment Initiatives	165
C. Labor Costs & Terms and Conditions	166
X. REVENUE ADJUSTMENTS AND TAX REFORM	168
A. Expansion of the Tax Base	168
B. Rationalization of Nominal Tax Rates.....	168
C. Increasing Collection Rates	168
XI. PROJECTED FINANCIAL INFORMATION	170
A. Projections	170
1. Assumptions	170
XII. FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN	174
A. Exchange of Property Differing Materially in Kind or Extent, Generally.....	174
B. Treatment of Claim Holders Receiving Distributions Under the Plan.....	175
1. Holders Whose Existing Bonds or Other Debt Obligations Will Be Exchanged for Property Including New Securities.....	175
2. PFRS Pension Claims and GRS Pension Claims.....	177
3. COP Swap Claims	177
C. Certain Other Tax Considerations for Holders of Claims.....	177
1. Accrued but Unpaid Interest.....	177
2. Post-Effective Date Distributions	177
3. Bad Debt and/or Worthless Securities Deduction	177
4. Information Reporting and Backup Withholding	178
5. Importance of Obtaining Professional Tax Assistance.....	178
XIII. APPLICABILITY OF CERTAIN FEDERAL AND STATE SECURITIES LAWS.....	179
A. General.....	179
1. Registration Of Securities.....	179
2. Market Disclosure	179
XIV. ADDITIONAL INFORMATION	181
XV. RECOMMENDATION AND CONCLUSION.....	181

TABLE OF EXHIBITS

Exhibit A:	Plan for the Adjustment of Debts of the City of Detroit
Exhibit B:	DWSD Sewer Bonds & DWSD Revolving Sewer Bonds
Exhibit C:	DWSD Water Bonds & DWSD Revolving Water Bonds
Exhibit D:	Unlimited Tax General Obligation Bonds
Exhibit E:	Limited Tax General Obligation Bonds
Exhibit F:	Prepetition Steady State Projection of Legacy Expenditures
Exhibit G:	Prepetition Fiscal Year 2014 Forecasted Cash Flow
Exhibit H:	Prepetition Projected Revenues, Expenditures, Operating Surpluses, Legacy Obligations & Deficits Through Fiscal Year 2017
Exhibit I:	Ten-Year Plan of Adjustment Restructuring and Reinvestment Initiatives
Exhibit J:	Ten-Year Financial Projections
Exhibit K:	Forty-Year Financial Projections
Exhibit L:	DWSD Current and Historical Financial Information
Exhibit M:	DWSD Financial Projections

INDEX OF DEFINED TERMS

1983 Claims	146	Casino Revenues	104
2005 COPs	103	CBAs	109
2005 Funding Trust	103	Certification Order	136
2005 Service Contracts	103	CETs	117
2006 COPs	103	cfs	90
2006 Funding Trust	103	Chapter 9 Stay	131
2013 Financial Review Team Report	128	Chief Craig	118
2014 Retiree Health Care Plan	150	Christie's	97
Accepting Holders Release	29	City	<i>preamble</i>
ACO	92	City Charter	85
Act 392 Bonds	155	Claiming Party	5
Actual Return	25	COLA	15
Actuary Application	134	Collateral Agreement	104
Ad Hoc Committee of		Commission	147
Water and Sewer Bondholders	5	Comprehensive State Release	28
ADR Procedures	142	Confirmation Hearing	9
ADR Procedures Motion	144	Confirmation Hearing Notice	3
ADR Procedures Order	146	Consent Agreement	126
Affected Holder	5	Consultation Parties	8
Affordable Care Act	149	Convenience Class Election	6
AFSCME	8	COP Settlement Election	7
Ambac	101	COPs	103
Ambac Complaint	101	COPs Trustee	5
Amended Quality of Life Loan	142	Counties	148
American Roads	98	Creditors' Committee	134
Annuity Savings Fund Excess Amount	25	CSO	89
Annuity Savings Plan	106	CWA	92
Appointment Order	133	DDA	99
Appraised Art	156	DDOT	93
APS	93	Debt Instruments	6
ASF	23	Dentons	133
Asset Proceeds Collateral	142	Designated Claims	145
Asset Transfer	97	Detroit	<i>preamble</i>
Assigned UTGO Bond Tax Proceeds	101	Dexia	140
Assured	99	DFD	108
Automobile Parking Fund	93	DFFA	108
Balloting Agent	3	DIA	10
Bankruptcy Code	<i>preamble</i>	DIA Collection	97
Bankruptcy Court	<i>preamble</i>	DIA Corp.	97
Bankruptcy Rules	<i>preamble</i>	Disclosure Statement	<i>preamble</i>
Bar Date Order	144	Disk	3
Barclays	142	Distribution Elections	7
Belle Isle Agreement	156	District Court	92
Bench Decision	135	Document Website	1
Beneficial Ballots	6	DOT	54
Beneficial Holder	6	DPCOA	155
Berkshire Hathaway	100	DPD	108
BLS Detroit Unemployment Charts	114	DPLSA	155
Briefing Letter	136	DPOA	108
Brooks Wilkins	133	DRCEA	8
BSEED	125	DRCEA Settlement	154
C&F Agreement	155	DROP	18
Capital Improvement Program	87	DSA	102
Case Evaluation	144	DTC	6
Casino Revenue Proceeding	137	DTE	120
Casino Revenue Stay Order	138	Due Diligence Motion	157

INDEX OF DEFINED TERMS

DWSD	20	Holdback Account	104
DWSD Revolving Bonds	99	Home Rule City Act	85
DWSD RFI	148	HUD	122
DWSD Sewer Bonds	99	Hypotheckenbank Frankfurt	140
DWSD Water Bonds	100	IG/AG Report	106
ECF	5	Income Stabilization Benefit	25
EEPK	140	Income Stabilization Benefit Plus	25
Elections	7	Ingham County Court	131
Eligibility	134	Initial Funding Conditions	16
Eligibility Objection	135	Initial Swap Settlement	142
Eligibility Order	11	Injunction Orders	131
Eligibility Proceedings	135	Insurers	4
Eligibility Trial	135	Investment Committee	26
Eligible Pensioners	26	IPH	171
Emergency Manager	129	IRC	174
EMS	123	IRS	174
Enterprise Funds	86	IT	124
EPA	92	Judge Perris	138
Estimated Adjusted Annual Household Income	26	Judge Rosen	138
EVIP	95	Judicature Act	110
FAB	126	June 14 Creditor Proposal	129
FBI	107	Lazard	133
Fee Examiner	147	LEFALB	86
Fee Review Order	134	Legislature	82
FGIC	99	Library	147
Final Report	157	Limited Tax General Obligation Bonds	100
Financial and Operating Plan	129	List of Creditors	99
Financial Review Team	125	Lockbox Accounts	104
Financing Motion	142	LTGO Litigation	103
Financing Order	143	Master Ballot	6
First Retiree Proceeding	151	MCR	144
Fitch	117	MDEQ	92
Flowers Plaintiffs	131	Mediation Order	140
FMV	156	MFA	102
Forbearance Period	137	MGD	88
FOTA	136	Michigan Constitution	10
Foundation Funds	158	MLCS	104
Foundations	158	Monthly Invoices	148
FSA	150	Moore Declaration	106
FTA	166	Most Valuable Works	157
Funding Trusts	103	Motion to Disband	134
Gabriel Roeder	152	Motion to Withdraw	135
General Bar Date	144	Movants	157
General Fund	86	MPD	93
General Obligation Bonds	100	MTA	144
General Receipts Account	104	Municipal Finance Act	101
Global Settlement	152	Municipal Obligation	102
GLWA	148	NAACP Lawsuit	146
Governor	117	NAACP Plaintiffs	146
Group Objection	143	National/Assured Complaint	101
GRS	105	New Accrued Pension	18
GRS Adjusted Pension Amount	20	New Debt Securities	176
GRS Pension Claim	14	New JLA Sublease	158
GRS Trustees	106	No-Fault Claims	99
GSD	163	No-Fault Deposit	99
Health & Wellness Department	171	Nominees	6
Health/Life Benefit Plan	108	NOP	143

INDEX OF DEFINED TERMS

NPDES	92	Qualified Responder	149
NPFG	99	Quality of Life Loan	142
Objections	143	RDPFFA	3
Offerors	157	RDPFFA Settlement	154
OID	176	RDPMA	135
Olympia	98	Recent Debt Issuances	117
OPEB	4	Red Wings	98
OPEB Claim	4, 14	Reinstated Stub UTGO Bonds	101
OPEB Plans	108	Restructured UTGO Bonds	102
OPEB Settlement	152	Retiree Committee	133
Optional Termination Payment	137	Retiree Representatives	151
Optional Termination Right	137	Retirees	133
Order Appointing Fee Examiner	134	Retirement Systems	10
Order for Relief	135	Retirement Systems Objection	143
Original JLA Lease	98	Revenue Bonds	99
Orr Declaration	78	RTBs	89
Outside Funding	15	Rule	180
PA 100	95	Ruling	143
PA 392	155	S&P	117
PA 4	125	Scheduling Order	3
PA 436	86	SEC	<i>preamble</i>
PA 436 Challenge Stay Order	146	Second Retiree Proceeding	151
PA 72	128	Second Swap Settlement Motion	139
Parking Bonds	100	Securities Claim	6
Pass-Through Obligations	69	SEIU	141
Pass-Through Recipients	69	Service Contracts	103
PDD	165	Service Corporations	103
Pension Claim	4	Settling Bond Insurers	101
Pension and OPEB Tabulation Rules	3	Sewage Disposal Fund	87
Pensions Clause	10	Sixth Circuit Court of Appeals	11
Petition Date	30	Sixth Circuit Eligibility Appeals	136
PFRS	105	Solicitation Materials	1
PFRS Adjusted Pension Amount	17	Solicitation Package	3
PFRS Pension Claim	13	Solicitation Procedures Order	1
Phillips Lawsuit	146	State	10
Phillips Plaintiffs	146	State Treasurer	126
Phillips Stay Relief Motion	146	Stay Relief Motion	145
PLA	95	Strategic Framework	162
PLA Bonds	116	Supplemental Plan	108
PLA Order	155	Supplemental Solicitation Procedures Motion	1
PLA Order Appeal	155	Swap Contracts	104
Plain Language Supplement	1	Swap Counterparties	104
Plan	<i>preamble</i>	Swap Insurers	104
Plan of Action	118	Swap Settlement Agreement	139
Plan Supplement Documents	<i>preamble</i>	Swap Settlement Motion	137
PLD	120	Swap Settlement Order	139
Pledged Income Tax Revenue	142	Swap Settlement Proceeding	138
Pledged Revenues	155	Swap Termination Financing Collateral	142
Pledged Wagering Tax Revenue	142	Swap Termination Loan	142
Preliminary Report	156	Swap Termination Payment	104
Primary Tabulation Rules	3	Syncora	98
Professionals	147	Third Mediation Order	141
Projections	170	Transferred Art	97
Proposals	157	Transportation Fund	93
Public-Private Partnership	148	Treasury	96
PVB	93	Trustee	155
QOL Financing Collateral	142	Tunnel Leases	98

INDEX OF DEFINED TERMS

U.S. Bank	5
U.S. Trustee.....	4
UAAL.....	12
UAW	10
Unlimited Tax General Obligation Bonds.....	100
UTGO Allowed Claims.....	101
UTGO Bond Tax Levy.....	102
UTGO Litigation.....	101
UTGO Settlement.....	101
VEBA.....	26
Voting Deadline	<i>preamble</i>
Voting Dispute Resolution Procedures	5
Voting Record Date.....	3
Water and Sewer Bond Trustee.....	5
Water Fund.....	87

I.

INTRODUCTION

The City, as the debtor in the above-captioned chapter 9 case pending before the United States Bankruptcy Court, has prepared this Disclosure Statement to solicit votes of creditors to accept the Plan proposed by the City. A copy of the Plan is attached as Exhibit A to this Disclosure Statement.

This Disclosure Statement contains information regarding the City's prepetition operating and financial history, significant events leading up to the commencement of the City's chapter 9 case, significant events that have occurred during the City's chapter 9 case and the restructuring transactions that will take place if the Plan is confirmed and becomes effective. This Disclosure Statement also describes the terms and conditions of the Plan, including certain effects of Confirmation of the Plan, certain risk factors (including those associated with securities to be issued under the Plan) and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement describes the Plan Confirmation process and the voting procedures that Holders of Claims entitled to vote on the Plan must follow for their votes to be counted. If you are an active or terminated employee, or a retiree of the City, supplemental notices summarizing important information relevant to your entitlement to pension and retiree health benefits have been enclosed with the Plan and Disclosure Statement. Additional copies of all of these documents are available at no charge via the internet at <http://www.kccllc.net/detroit> (the "Document Website") or by written request to: City of Detroit c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245.

On [____], 2014, the Bankruptcy Court entered an order approving this Disclosure Statement as containing "adequate information," *i.e.*, information of a kind and in sufficient detail to enable a hypothetical reasonable investor typical of the Holders of Claims to make an informed judgment about the Plan. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN NOR AN ENDORSEMENT OF THE MERITS OF THE PLAN BY THE BANKRUPTCY COURT.

A. Voting Procedures

On March 11, 2014, the Bankruptcy Court entered the Order (I) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment and (II) Approving Notice Procedures Related to Confirmation of the Plan of Adjustment (Docket No. 2984) (including all exhibits attached thereto, the "Solicitation Procedures Order") establishing certain procedures for the solicitation of votes to accept or reject the Plan.

On April 9, 2014, the City filed a motion with the Bankruptcy Court (the "Supplemental Solicitation Procedures Motion") (Docket No. 3932) seeking approval of certain special procedures for the solicitation and tabulation of votes to accept or reject the Plan cast by Holders of Pension Claims and OPEB Claims in Classes 10, 11 and 12 under the Plan. Among other things, in addition to the package of materials described below (the "Solicitation Materials"), the City intends to provide the Holders of Pension Claims and OPEB Claims with supplemental notices giving summaries of (1) the process for obtaining approval of the Plan; (2) the likely effect of the Plan on retiree pension and other post-employment benefits; and (3) instructions on how to vote on the Plan (such notices collectively, the "Plain Language Supplement").

1. Parties Entitled to Vote on the Plan

In general, a holder of a claim may vote to accept or reject a plan if: (a) the claim is "allowed," which means generally that it is not disputed, contingent or unliquidated, and (b) the claim is impaired by a plan. Under the provisions of the Bankruptcy Code, however, not all creditors are entitled to vote on a chapter 9 plan. Creditors whose Claims are not impaired by a plan are deemed to accept the plan under section 1126(f) of the Bankruptcy Code and are not entitled to vote. In addition, creditors whose Claims are impaired by a plan and who will receive no distribution under such plan also are not entitled to vote because they are deemed to have rejected the plan under section 1126(g) of the Bankruptcy Code. For a discussion of these and other legal standards governing the plan confirmation process, see Section V, "Confirmation of the Plan."

Throughout this Disclosure Statement, the terms "Class 1A," "Class 1B" and "Class 1C" are used, in each case, to refer to a collection of discrete Classes of, respectively, (1) DWSD Bond Claims (numbered 1A-1, 1A-2 and so on), (2) DWSD Revolving Sewer Bond Claims (numbered Class 1B-1, 1B-2 and so on) and (3) DWSD Revolving Water Bond Claims (numbered Class 1C-1, 1C-2 and so on), with each Class representing an individual CUSIP or DWSD Series of the

applicable type of debt. References to Class 1A, Class 1B or Class 1C should, therefore, be construed as references to the applicable collection of Classes or to any discrete Class within such collection, as applicable or as warranted by context. The following sets forth which Classes are entitled to vote on the Plan and which are not:

- The City is not seeking votes from the Holders of Claims in Classes 1B (DWSD Revolving Sewer Bond Claims), 1C (DWSD Revolving Water Bond Claims), 2A (Secured GO Series 2010 Claims), 2B (Secured GO Series 2010(A) Claims), 2C (Secured GO Series 2012(A2) Claims), 2D (Secured GO Series 2012(A2-B) Claims), 2E (Secured GO Series 2012(B) Claims), 2F (Secured GO Series 2012(B2) Claims), 3 (Other Secured Claims), 4 (HUD Installment Notes Claims) and 6 (Parking Bonds Claims) because the City believes those Claims are not impaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of these Claims are conclusively presumed to have accepted the Plan. Accordingly, Holders of Claims in these classes will not have the right to vote with respect to the Plan.
- The City is not seeking votes from the Holders of those certain Claims in Class 1A (DWSD Bond Claims) that are identified as unimpaired on Exhibit I.A.110 to the Plan, which Claims shall be Reinstated on the Effective Date.
- Holders of Claims in Class 16 (Subordinated Claims) will be impaired under the Plan. Because the City does not anticipate that such Holders will receive any Distributions pursuant to the Plan, and consistent with the language of section 1126(g) of the Bankruptcy Code, each Holder of a Claim in this Class will be deemed to have rejected the Plan and will not have the right to vote with respect to the Plan.
- The City is seeking votes from the Holders of Allowed Claims in Class 1A (DWSD Bond Claims) (except for Claims in Class 1A that are identified as unimpaired on Exhibit I.A.110 to the Plan), Class 5 (COP Swap Claims), Class 7 (Limited Tax General Obligation Bond Claims), Class 8 (Unlimited Tax General Obligation Bond Claims), Class 9 (COP Claims), Class 10 (PFRS Pension Claims), Class 11 (GRS Pension Claims), Class 12 (OPEB Claims), Class 13 (Downtown Development Authority Claims), Class 14 (Other Unsecured Claims) and Class 15 (Convenience Claims) because those Claims are impaired under the Plan, and the Holders of Allowed Claims in such Classes are receiving a distribution under the Plan on account of such Allowed Claims. The Holders of such Claims will have the right to vote to accept or reject the Plan.
- **IF YOU ARE RETIRED OR SEPARATED FROM THE CITY OF DETROIT AND ARE RECEIVING OR ENTITLED TO RECEIVE A PENSION, OR ARE AN ACTIVE EMPLOYEE ENTITLED TO A PENSION UPON YOUR RETIREMENT, OR ARE RECEIVING RETIREE HEALTH BENEFITS FROM THE CITY, YOU ARE A HOLDER OF A CLAIM IN CLASS 10, CLASS 11 AND/OR CLASS 12 AND YOU ARE ENTITLED TO VOTE ON THIS PLAN OF ADJUSTMENT. FOR FURTHER INFORMATION, PLEASE SEE THE SPECIAL NOTICES ENCLOSED WITH THIS DISCLOSURE STATEMENT.**

For a detailed description of the Classes of Claims and their treatment under the Plan, see Section II of this Disclosure Statement, "Summary of Classification and Treatment of Claims Under the Plan."

Under section 1124 of the Bankruptcy Code, a class of claims is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable and contractual rights to which such claim entitles the holder thereof; or (b) notwithstanding any legal right to an accelerated payment of such claim, the plan (i) cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy), (ii) reinstates the maturity of such claim as it existed before the default, (iii) compensates the holder of such claim for any damages resulting from such holder's reasonable reliance on such legal right to an accelerated payment, and (iv) does not otherwise alter the legal, equitable or contractual rights to which such claim entitles the holder of such claim.

Except as otherwise provided in the Plan and/or any applicable orders of the Bankruptcy Court, the Holder of a Claim that is "impaired" under the Plan is entitled to vote to accept or reject the Plan if (a) the Plan provides a distribution in respect of such Claim, (b) the Claim has been scheduled by the City (and is not scheduled as disputed, contingent, or unliquidated), (c) the Holder of such Claim has timely filed a proof of Claim or (d) a proof of Claim was deemed timely filed by an order of the Bankruptcy Court prior to the Voting Deadline.

2. Voting Record Dates

The record date for purposes of determining which creditors are entitled to vote on the Plan (the "Voting Record Date") is April 14, 2014. In the Supplemental Solicitation Procedures Motion, the City has requested that a separate voting record date of March 1, 2014 be established for Pension Claims and OPEB Claims.

3. Vote Required for Acceptance by a Class

A Class of Claims shall have accepted the Plan if it is accepted by at least two-thirds in amount and more than one-half in number of the Allowed Claims in such Class that have voted on the Plan in accordance with the Disclosure Statement Order.

4. Solicitation Package

(a) Contents of the Solicitation Package

The general package of materials (the "Solicitation Package") to be sent to Holders of Claims entitled to vote on the Plan will contain:

- A paper copy of the notice of the Confirmation Hearing (the "Confirmation Hearing Notice");
- A computer disk (the "Disk") which includes the Plan, the Disclosure Statement and all exhibits thereto that have been filed in this case prior to the date of the mailing of the Solicitation Package;
- For Holders of Claims in voting Classes, an appropriate form of Ballot, instructions on how to complete the Ballot and a Ballot return envelope;
- A copy of the rules pursuant to which Ballots will be tabulated (for Classes 10, 11 and 12, the "Pension and OPEB Tabulation Rules"; for all other Classes, the "Primary Tabulation Rules");
- A notice summarizing the dispute resolution procedures to be employed with respect to voting;
- A cover letter (i) describing the contents of the Solicitation Package, (ii) describing the contents of the Disk and instructions for using the Disk and (iii) providing information about how to obtain, at no charge, hard copies of any materials provided on the Disk; and
- If applicable, (i) the Plain Language Supplement and, if the relief requested in the Supplemental Solicitation Procedures Motion is granted, and (ii) letter(s) from the Retired Detroit Police and Fire Fighters Association (the "RDPFFA"), and possibly from other parties.

In addition to the procedures outlined above: (i) the Plan, the Disclosure Statement and, once they are filed, all exhibits to both documents will be made available at no charge at the Document Website at <http://www.kccllc.net/detroit>; and (ii) the City will provide parties in interest (at no charge) with paper copies of the Plan and/or Disclosure Statement upon written request.

(b) Who Will Receive a Solicitation Package

In accordance with the Fourth Amended Order Establishing Procedures, Deadlines and Hearing Dates Relating to the Debtor's Plan of Adjustment (Docket No. 4202) (the "Scheduling Order") and the Solicitation Procedures Order, the City, through Kurtzman Carson Consultants LLC (the "Balloting Agent"), will send a Solicitation Package, no later than May 12, 2014, to the following parties:

- Any party (or such party's transferee, if such transferee is entitled to vote on the Plan) that is entitled to vote on the Plan and that has filed a timely proof of claim (or that is excused from filing a proof of claim under the Bar Date Order), if such Claim has not been disallowed, waived or withdrawn prior to the date of the mailing of the Solicitation Packages;

- Any party that is entitled to vote on the Plan and that the City listed as holding a Claim in the List of Creditors (see Section VII.B of this Disclosure Statement), attached as Exhibit A to the Notice of Filing of Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (Docket No. 1059), if such Claim (i) is not listed as a contingent, unliquidated or disputed Claim, and (ii) has not been disallowed, waived or withdrawn prior to the date of the mailing of the Solicitation Packages;
- All Nominees of Beneficial Holders of Impaired Claims in Classes 1A, 7, 8 or 9 under the Plan;
- All insurers of securities giving rise to Impaired Claims in Classes 1A, 7, 8 or 9 under the Plan (collectively, the "Insurers");
- Any known participant in the GRS or the PFRS (as such terms are defined in Section VII.B.5.a of this Disclosure Statement) (the Claim of any such claimant, a "Pension Claim"), and all known Holders of Claims for retiree health care benefits, also known as other post-employment benefits ("OPEB" benefits) (the Claim of any such claimant, an "OPEB Claim"), regardless of whether such person is identified on the List of Creditors or has filed a proof of claim;
- All known counterparties to unexpired leases and executory contracts as of the Petition Date; and
- The United States Trustee for the Eastern District of Michigan (the "U.S. Trustee").

5. How to Vote

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan.

All votes to accept or reject the Plan with respect to any Class of Claims must be cast by properly submitting the duly completed and executed form of Ballot designated for such Class. Holders of Impaired Claims voting on the Plan should complete and sign the Ballot in accordance with the instructions thereon, being sure to check the appropriate box entitled "Accept the Plan" or "Reject the Plan." After carefully reviewing: (a) the Plan; (b) this Disclosure Statement; and (c) all other documents and instructions included in the Solicitation Package, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan. For your vote to be counted, you must complete and sign your original Ballot (copies will not be accepted) and return it so that it is actually received at either of the addresses set forth below by the Voting Deadline. Note that it may take several days from the date on which you mail your Ballot for the Ballot to reach the Balloting Agent in California.

In accordance with Bankruptcy Rule 3018(c), the Ballots are based on Official Form No. 14, but have been modified to meet the particular needs of this chapter 9 case. PLEASE CAREFULLY FOLLOW THE DIRECTIONS CONTAINED ON EACH ENCLOSED BALLOT.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement. To be counted, all Ballots must be properly completed in accordance with the voting instructions on the Ballot and received no later than the Voting Deadline (*i.e.*, July 11, 2014 at 5:00 p.m. (Eastern Time)) via regular mail, overnight courier or personal delivery at the "Detroit Ballot Processing Center" address set forth on your Ballot. Ballots may not be submitted by facsimile or electronic mail, and any Ballots submitted by facsimile or electronic mail will not be accepted or counted. Ballots sent to any other address will not be counted.

EXCEPT AS OTHERWISE PROVIDED IN THE SOLICITATION PROCEDURES ORDER, ANY BALLOT RECEIVED WHICH DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR WHICH INDICATES BOTH ACCEPTANCE AND REJECTION OF THE PLAN WILL NOT BE COUNTED FOR PURPOSES OF DETERMINING ACCEPTANCE OR REJECTION OF THE PLAN.

ANY BALLOT RECEIVED WHICH IS NOT SIGNED OR WHICH CONTAINS INSUFFICIENT INFORMATION TO PERMIT THE IDENTIFICATION OF THE CLAIMANT WILL BE AN INVALID BALLOT AND WILL NOT BE COUNTED FOR PURPOSES OF DETERMINING ACCEPTANCE OR REJECTION OF THE PLAN.

If you are a Holder of a Claim who is entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the Disclosure Statement, the Plan, the Ballot or the procedures for voting on the Plan, please contact the Balloting Agent: (a) by telephone (i) for U.S. and Canadian callers toll-free at 877-298-6236 and (ii) for international callers at +1 310-751-2658; or (b) in writing at City of Detroit c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245.

Before voting on the Plan, each creditor should read this Disclosure Statement, the Plan, the Disclosure Statement Order, the Confirmation Hearing Notice and the other documents and instructions accompanying the Ballots. These documents contain important information concerning how Claims are classified for voting purposes and how votes will be tabulated.

A vote on the Plan may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Solicitation Procedures Order also sets forth assumptions and procedures for tabulating Ballots that are not completed fully or correctly.

6. Voting Transferred Claims

With respect to any Claim that is transferred prior to the Voting Record Date, the transferee will be entitled to vote on the Plan on account of such transferred Claim only if both of the following conditions are satisfied prior to the Voting Record Date: (a) the transferee files a notice of the transfer pursuant to Bankruptcy Rule 3001(e); and (b) (i) the objection deadline with respect to such transfer has passed and no party has objected to the transfer, (ii) if there are any objections to the transfer, such objections have been resolved or (iii) the transferor has signed a sworn statement confirming the validity of the transfer.

7. Voting Dispute Resolution Procedures

Disputes regarding a party's right to vote on the Plan will be resolved pursuant to the dispute resolution procedures approved by the Bankruptcy Court and set forth in the Solicitation Procedures Order (the "Voting Dispute Resolution Procedures"), as it may have been amended pursuant to the Scheduling Order, as follows:

- If a party is not identified in the Plan or in the Solicitation Procedures Order as being the party entitled to vote on the Plan, and if that party believes it has a right to vote on the Plan, then, by May 26, 2014, the party (the "Claiming Party") must electronically file and properly serve via the Bankruptcy Court's electronic case filing system ("ECF") a "Notice of Asserted Right to Vote a Claim" and a brief in support of the rights asserted therein, which brief shall identify (a) the Claim(s) (and Classes or subclasses, as applicable) with respect to which the Claiming Party asserts voting rights, (b) whether the Claiming Party possesses the right to make an Election (as such term is defined below) with respect to such Claim(s), (c) the legal and factual support for asserting such voting and/or Election rights and (d) the proper treatment of the Claiming Party's vote(s) for purposes of section 1126(c) of the Bankruptcy Code. The Solicitation Procedures Order provides that the Beneficial Holders of the DWSD Bonds are the parties identified in the Plan as the parties who are entitled to vote on the Plan.
- The Claiming Party's Notice of Asserted Right to Vote a Claim and supporting brief will be made available on the Balloting Agent's website.
- Any Holder affected by a Claiming Party's Notice of Asserted Right to Vote a Claim (any such Holder, an "Affected Holder"), U.S. Bank National Association ("U.S. Bank"), in its capacity as trustee for those certain bonds issued by the City for the Detroit Water and Sewerage Department (the "Water and Sewer Bond Trustee"), those certain Holders of Detroit water and sewer revenue bonds represented by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. and Kramer Levin Naftalis & Frankel LLP (the "Ad Hoc Committee of Water and Sewer Bondholders"), Wilmington Trust, National Association, as Successor Trustee for the Detroit Retirement Systems Funding Trust 2005 and the Detroit Retirement Systems Funding Trust 2006 (the "COPs Trustee"), or any representative thereof will each be permitted to file and serve on the ECF noticing list a brief in response to any Notice of Asserted Right to Vote by June 24, 2014.
- Any Claiming Party that files a Notice of Asserted Right to Vote a Claim will be permitted to file and serve any reply brief in support of such notice on the ECF noticing list by July 2, 2014.

- A hearing will be held on July 14, 2014 at which the Court will hear and determine any disputes arising in connection with a Notice of Asserted Right to Vote a Claim.
- Any determination by the Court as to who has the right to vote, who has the right to make Elections and how the votes will be treated for purposes of section 1126(c) of the Bankruptcy Code for a particular CUSIP of securities giving rise to Impaired Claims in Class 1A or for a particular Class of securities giving rise to Claims in Class 9, will be applicable to all Affected Holders and the Claiming Party with respect to that particular CUSIP of securities or Class, as applicable.
- Any Claiming Party that does not assert any alleged voting rights pursuant to the Voting Dispute Resolution Procedures will be barred from asserting such rights at any later date.
- If neither (a) an Affected Holder nor (b) (i) the Water and Sewer Bond Trustee, (ii) the COPs Trustee or (iii) the Ad Hoc Committee of Water and Sewer Bondholders (as applicable) contests a Notice of Asserted Right to Vote a Claim, the Claiming Party will be granted the relief sought in its Notice of Asserted Right to Vote a Claim.
- If the Voting Deadline is altered, the City, the Insurers, any Claiming Parties, the Water and Sewer Bond Trustee, the Ad Hoc Committee of Water and Sewer Bondholders and the COPs Trustee may, by mutual agreement, seek a further order of the Court that correspondingly alters the deadlines established in the Voting Dispute Resolution Procedures.

B. Convenience Claims

As set forth in the Solicitation Procedures Order, each Holder of a Class 14 Other Unsecured Claim is permitted to elect to reduce its Claim to \$25,000 in the aggregate and obtain treatment of such reduced Claim as a Class 15 Convenience Claim (the "Convenience Class Election"). The Bankruptcy Court has authorized the City to use the Class 14 Ballots as the mechanism for Class 14 creditors to make the Convenience Class Election. The Convenience Class Elections made on the Ballots will be deemed irrevocable and legally binding obligations of the electing creditors upon (1) the execution of the Ballots and (2) the confirmation of the Plan. A Class 14 Ballot that (1) neither accepts nor declines the Convenience Class Election, (2) elects both to accept and decline the Convenience Class Election or (3) otherwise attempts to partially accept and partially decline the Convenience Class Election will be deemed to decline the Convenience Class Election.

C. Special Procedures for Securities Claims

The vast majority of the creditors possessing an economic stake in Claims (any such Claim, a "Securities Claim") in Classes 1A, 7, 8 and 9 under the Plan (each, a "Beneficial Holder") are not known by the City. As is typical with publicly-traded securities, many of the City's bond and other debt instruments (collectively, the "Debt Instruments") are held in the name of institutional banks, brokers and other customers (the "Nominees"). The Nominees, in turn, hold the Debt Instruments in "street name" on behalf of the Beneficial Holders. Accordingly, pursuant to Bankruptcy Rule 3017(e) and the Solicitation Procedures Order, the City will utilize certain special procedures to ensure that Beneficial Holders of Impaired Claims in Classes 1A, 7, 8 and 9 are able to vote on the Plan.

The City will obtain a listing from the Balloting Agent of all Nominees as of the Voting Record Date. The Depository Trust and Clearing Corporation ("DTC") will provide the City or the Balloting Agent with a list of all Nominees within three business days of entry of the order approving the Disclosure Statement. On or before May 12, 2014, the Balloting Agent will send the Solicitation Packages to the Nominees with instructions to (1) forward the applicable Solicitation Packages to the Beneficial Holders, (2) collect Ballots from the Beneficial Holders (the "Beneficial Ballots"), (3) prepare a master ballot (the "Master Ballot") based on the contents of the Beneficial Ballots and (4) return the Master Ballot to the Balloting Agent by the Voting Deadline. Any Beneficial Holder that holds Debt Instruments in its own name, as opposed to through a Nominee, will submit a Ballot directly to the Balloting Agent and will not vote through the Master Ballot process.

Additional procedures applicable to Securities Claims are set forth in the Solicitation Procedures Order and the Primary Tabulation Rules filed therewith, including but not limited to the following procedures:

- Each Insurer shall receive a Ballot from the Balloting Agent that is required to be returned directly to the Balloting Agent by the Voting Deadline.
- Each Beneficial Holder and each Insurer of securities giving rise to Impaired Claims in Class 1A will receive separate ballots for each CUSIP or series of securities giving rise to Impaired Claims in Classes in which it holds or insures Impaired Claims.
- Each Beneficial Holder or each Insurer of securities giving rise to a Class 9 COP Claim is permitted to elect to participate in the Plan COP Settlement (as such term is defined in the Plan) (the "COP Settlement Election"). The Bankruptcy Court has authorized the City to use the Class 9 Ballots as the mechanism for each Class 9 Beneficial Holder and Insurer to make the COP Settlement Election.
- Each Beneficial Holder or each Insurer of securities giving rise to an Impaired Claim in Class 1A is permitted to elect on a per-CUSIP basis to receive, as applicable, New Existing Rate DWSD Bonds or New DWSD Bonds (the "Distribution Elections"). The election to receive New Existing Rate DWSD Bonds is only effective if the applicable Class accepts the Plan. The Bankruptcy Court has authorized the City to use the Ballots for each Beneficial Holder and each Insurer of the Classes comprising Class 1A as the mechanism for each such Beneficial Holder and Insurer to make the Distribution Elections. The Distribution Elections will be made on a per-CUSIP basis for securities giving rise to Impaired Claims with respect to the liabilities that such Beneficial Holder or Bond Insurer holds or insures, respectively.
- The COP Settlement Elections and Distribution Elections (collectively with the Convenience Class Elections, the "Elections") made on the Ballots will be deemed irrevocable and legally binding obligations of the electing creditors, each Beneficial Holder or each Insurer, as applicable, upon the execution of the Ballots and confirmation of the Plan.
- A Class 1A Ballot that (1) neither accepts nor declines its respective Election, (2) elects both to accept and decline the Election or (3) otherwise attempts to partially accept and partially decline the Election will be deemed to decline the Election.
- A Class 9 Ballot that (1) neither accepts nor declines the COP Settlement Election or (2) elects both to accept and decline the COP Settlement Election with respect to all Class 9 Claims voted thereon will be deemed to decline the COP Settlement Election.

Holders of Allowed Impaired Class 1A Claims Electing to Receive New Existing Rate DWSD Bonds. For a Holder of an Allowed Impaired Class 1A Claim that elects to receive New Existing Rate DWSD Bonds, the Nominee holding the DWSD Bonds of such Holder must "tender" such Holder's securities into an election account established at the DTC. Such securities may not be withdrawn from the election account after such Nominee has tendered them to the election account. Once such securities have been tendered, no further trading will be permitted in the securities held in the election account. If the Plan is revoked or withdrawn, or if a Class of Impaired Class 1A Claims rejects the Plan, then any securities in affected Classes of Allowed Impaired Class 1A Claims that were tendered into an election account will be returned by the DTC, in accordance with its customary practices and procedures, to the applicable Nominee for credit to such Holder's account, and the securities will no longer be restricted from trading. If such Holder does not elect to receive New Existing Rate DWSD Bonds, then such Holder's securities will not be placed into an election account, and such Holder's securities will not be restricted from trading.

Holders of Allowed Class 9 Claims Electing to Participate in the Plan COP Settlement. For a Holder of an Allowed Class 9 Claim that elects to participate in the Plan COP Settlement, the Nominee holding the COPs of such Holder must "tender" such COPs into an election account established at the DTC. Such COPs may not be withdrawn from the election account after such Nominee has tendered them to the election account. Once such COPs have been tendered, no further trading will be permitted in the COPs held in the election account. If the Plan is revoked or withdrawn, the DTC will, in accordance with its customary practices and procedures, return all COPs held in the election account to the applicable Nominee for credit to such Holder's account. If such Holder does not elect to participate in the Plan COP Settlement, then such Holder's COPs will not be placed into an election account, and such Holder's COPs will not be restricted from trading.

D. Special Procedures for Pension Claims and OPEB Claims

The City's professionals worked closely with the professionals (both lawyers and actuaries) for the Retiree Committee, both Retirement Systems, the Detroit Retired City Employees Association (the "DRCEA"), the RDPFFA, the four public safety unions representing the police and fire employees of the City and Michigan Council 25 of the American Federation of State, County and Municipal Employees, AFL-CIO ("AFSCME") (collectively, the "Consultation Parties") to develop solicitation procedures specifically applicable to Holders of Claims in Classes 10, 11 and 12. The purpose of these special procedures, for which the City has requested authorization in the Supplemental Solicitation Procedures Motion, is to make the complex concepts of bankruptcy voting and vote tabulation – and how related calculations will be made – as clear as possible for Holders of Pension Claims and OPEB Claims.

In addition to the general Solicitation Materials, Holders of Pension Claims and OPEB Claims will receive the Plain Language Supplement, the purpose of which is to provide information about such Holders' current pension and retiree health benefits, as well as information regarding the Plan and the proposed treatment of such Holders' Pension and OPEB Claims, in a manner that is more straightforward and easily understood by the average person than the extensive, technical information provided in the Disclosure Statement and, thus, enhance each Pension and OPEB Claimant's ability to cast an informed vote to accept or reject the Plan. The City has drafted the Plain Language Supplement with assistance and significant input from the Consultation Parties.

Additionally, in the Supplemental Solicitation Procedures Motion, the City has requested authorization to establish certain special procedures governing the solicitation and tabulation of votes to accept or reject the Plan cast by Holders of Pension Claims and OPEB Claims, including but not limited to the following procedures:

- Regardless of any proofs of claim that actually may have been, or may be, filed with respect to a Pension Claim or OPEB Claim, the Pension Claim or OPEB Claim will be deemed temporarily allowed for voting purposes in the amount calculated pursuant to the claim estimation procedures described in the Supplemental Solicitation Procedures Motion and identified for each Holder of a Pension Claim or an OPEB Claim on his or her Ballot.
- Any Holder of a Pension Claim or OPEB Claim with more than one Claim in a particular Class (*e.g.*, a surviving spouse who is receiving a survivor's pension from the City, but who also worked for and is retired from the City and receives his or her own separate City pension) must vote all such Claims in that Class either to accept the Plan or to reject the Plan. If any such Holder casts a Ballot or Ballots purporting to split its vote with respect to Claims in the same Class, the Ballot or Ballots would not be counted.
- Any Holder of a Pension Claim or OPEB Claim with Claims in more than one Class must submit a separate Ballot for each Class. If such a Holder uses a single Ballot to vote Claims in more than one Class, that Ballot would not be counted. Thus, a retiree who receives both a pension and retiree health insurance benefits from the City would be required to submit a separate Ballot for his or her Pension Claim and OPEB Claim.

The Supplemental Solicitation Procedures Motion further contemplates that, in addition to the Pension and OPEB Tabulation Rules, certain of the Primary Tabulation Rules also would apply to Pension Claims and OPEB Claims.

E. Plan Supplement Documents

The Plan Supplement Documents consist of all exhibits to the Plan not Filed as of the date of the entry of the Disclosure Statement Order on the docket of the City's chapter 9 case. A Plan Supplement or Plan Supplements containing Exhibits 189.a, 191.a, 220, 221 and II.D.6 to the Plan will be Filed no later than five business days prior to the Voting Deadline. All other Plan Supplements will be Filed no later than ten days before the Confirmation Hearing. All Plan Supplement Documents will be made available on the Document Website at <http://www.kccllc.net/detroit> once they are Filed. The City reserves the right to modify, amend, supplement, restate or withdraw any of the Plan Supplement Documents after they are Filed and shall promptly make such changes available on the Document Website.

F. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the City has fulfilled the confirmation requirements of sections 943 and 1129 of the Bankruptcy Code (the "Confirmation Hearing"). The Confirmation Hearing has been scheduled to commence on July 24, 2014 at 9:00 a.m., Eastern Time, before the Honorable Steven W. Rhodes, United States Bankruptcy Judge for the Eastern District of Michigan, at Courtroom 100, Theodore Levin United States Courthouse, 231 West Lafayette Boulevard, Detroit, Michigan 48226. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

Any objection to Confirmation must (1) be in writing, (2) state the name and address of the objecting party and the nature of the Claim of such party and (3) state with particularity the basis and nature of such objection. Any such objections must be Filed and served upon the persons designated in the Confirmation Hearing Notice in the manner and by the deadline described therein.

II.

SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN

The following Plan summary is a general overview only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Disclosure Statement and the Plan.

A. Overview

1. Introduction to the Plan

The Plan provides for the resolution of a variety of complex financial and operational issues faced by the City. The City believes that adjustment of the City's debts pursuant to the Plan will provide the greatest recovery for creditors of the City, while simultaneously allowing for meaningful and necessary investment in the City. The Plan contemplates the City's emergence from chapter 9 this year and represents a crucial step toward the City's rehabilitation and recovery from a decades-long downward spiral.

The Plan includes settlements that the City believes will inure to the benefit of the City's creditors and its residents. The City settled controversial and sensitive issues relating to the Detroit Institute of Arts (the "DIA"), which settlement is expected to yield at least \$466 million to provide a source of recovery for the approximately 33,000 individuals who participate in the City's retirement systems – the General Retirement System and the Police and Fire Retirement System (together, the "Retirement Systems") and which will free up other funds for distribution to other creditors – and negotiated a settlement with the State of Michigan (the "State") for the benefit of Holders of Pension Claims.

Except in the case of Subordinated Claims, the Plan provides a recovery to all classes of Claims. The Plan also allows for investment in the City of approximately \$1.4 billion over ten years, which the City believes is critical and meaningful, in order to, among other things: (a) provide basic, essential services to City residents; (b) attract new residents and businesses to foster growth and redevelopment; (c) reduce crime; (d) demolish blighted and dangerous properties; (e) provide functional streetlights that are aligned with the current population footprint; (f) improve information technology systems, thereby increasing efficiency and decreasing costs; and (g) otherwise set the City on a path toward a better future.

The City believes that the Plan gives the City the best chance of effectively adjusting its debts and reestablishing itself as a prosperous and productive American city. All creditors entitled to vote are encouraged to vote in favor of the Plan.

2. Special Information Regarding Pension and OPEB Claims

UNDER THE PLAN, THE TREATMENT OF ALLOWED PENSION CLAIMS DEPENDS UPON WHETHER OR NOT THE HOLDERS OF CLAIMS IN CLASSES 10 AND 11 VOTE TO ACCEPT THE PLAN. REDUCTIONS IN ACCRUED PENSION BENEFITS WILL BE GREATER IF THE PLAN IS NOT ACCEPTED BY CLASSES 10 AND 11. IF CLASSES 10 AND 11 VOTE TO ACCEPT THE PLAN, THE TREATMENT OF ALLOWED PENSION CLAIMS UNDER THE PLAN ASSUMES THE IMPLEMENTATION OF THE DIA SETTLEMENT AND THE RECEIPT OF THE FULL AMOUNT OF THE STATE CONTRIBUTION. IF THE DIA SETTLEMENT DOES NOT, IN FACT, OCCUR, OR IF THE STATE CONTRIBUTION IS NOT RECEIVED BECAUSE CLASS 10 OR CLASS 11 VOTES TO REJECT THE PLAN, THEN THE TREATMENT OF ALLOWED PENSION CLAIMS IN CLASSES 10 AND 11 WILL REFLECT LARGER CUTS TO BENEFITS. THE TREATMENT OF ALLOWED CLAIMS IN CLASSES 10 AND 11, AND THE SOURCES OF FUNDING FOR SUCH TREATMENT, ARE ILLUSTRATED AND DISCUSSED BELOW.

In connection with the requirement that the Bankruptcy Court make a determination that the City is eligible to be a debtor under chapter 9 of the Bankruptcy Code, numerous City retirees, employees, their representatives (including the Retiree Committee, the Retirement Systems, and certain labor unions – such as AFSCME and the International Union, UAW (the "UAW") – and retiree organizations) and other parties (including the Attorney General of the State of Michigan) advanced the argument that the Bankruptcy Court may not impair accrued pension benefits because they are protected under Article IX, Section 24 (the "Pensions Clause") of Michigan's State Constitution of 1963 (the "Michigan Constitution") and that the City's intention to impair accrued pensions in bankruptcy was a bar to its eligibility for chapter 9 relief. As more fully described in Section VIII.D of this Disclosure Statement, the Bankruptcy Court ruled that the City was

eligible to be a debtor under chapter 9 of the Bankruptcy Code, which ruling was memorialized in the Opinion Regarding Eligibility (Docket No. 1945) (the "Eligibility Order"). In the Eligibility Order, dated December 5, 2013, the Bankruptcy Court ruled that the pension obligations are subject to impairment in a federal bankruptcy case notwithstanding the Pensions Clause. Several parties, including the Retiree Committee, the Retirement Systems and several labor organizations and retiree associations, have requested and obtained permission to appeal the Bankruptcy Court's eligibility ruling directly to the United States Court of Appeals for the Sixth Circuit (the "Sixth Circuit Court of Appeals"). The effect of a reversal or modification of the Eligibility Order is uncertain. In that event, the range of potential outcomes might include dismissal of City's chapter 9 case or a determination that the chapter 9 case may not impose reductions in accrued vested pension benefits for retirees or active employees even if the City did not have assets sufficient to pay vested benefits in full.

The Plan provides that, on the Effective Date, the City will assume the obligations related to the already accrued benefits under the GRS pension plan and the PFRS pension plan *as those benefits will have been modified in the Plan*. This means that the City will not seek to terminate the GRS or the PFRS, although their respective pension plans will be closed to new participants, and vested active employees will not continue to accrue additional pension benefits under the terms and conditions of the current plans, *i.e.*, the two plans will be "frozen." For a discussion of the City's proposal regarding the accrual of pension benefits by active employees on or after July 1, 2014, see Section II.B of this Disclosure Statement and Sections I.A.191 and I.A.189 of the Plan, regarding the New PFRS Active Pension Plan Formula and the New GRS Active Pension Plan Formula. The City will continue to retain the responsibility to fund all amounts necessary to provide the adjusted (reduced) pension benefits to its employees and retirees who will have accrued benefits in either of the GRS or PFRS pension plans as of the Effective Date, although the City's contributions will be fixed during the period ending June 30, 2023. *It is not contemplated that the City will make contributions to GRS or PFRS through June 30, 2023 other than the contributions from DWSD to GRS.* Thereafter, the City will be required to contribute all amounts necessary to fund the modified accrued pensions regardless of the actual future investment performance of the pension plan assets. Although, pursuant to the Plan, the City will provide necessary funding to support the reduced pension benefit levels after 2023, the level of funding necessary to support those reduced pension benefits will depend upon, among other things, future actuarial assumptions, changes in retiree mortality and investment returns. Using the assumptions adopted by the City in proposing the Plan, between 2024 and 2053 the City will contribute approximately \$2.816 billion, the present value of which is approximately \$1.038 billion.

Based on reports prepared by the Retirement Systems' independent auditors, as of June 30, 2013, there were approximately 32,427 individuals who are entitled to benefits under the GRS and PFRS. As of June 30, 2013, in the PFRS pension plan there were 3,272 active employee members, 9,054 retiree members receiving benefits, and 111 members who are neither working for the City nor yet receiving benefits. As of June 30, 2013, in the GRS pension plan, there were 5,658 active employee members, 12,118 retiree members receiving benefits and 2,214 terminated plan members who are entitled to but not yet receiving benefits. The total number of current retirees is approximately 21,172. As of June 30, 2012, there were approximately 7,200 retirees in both systems over age 75. There were approximately 6,500 retirees who are age 65 or younger, with a higher percentage of PFRS retirees in this group. According to the most recent annual reports published by the Retirement Systems, the average annual pension for a GRS retiree or beneficiary as of June 30, 2012 was \$19,213, and the average annual pension for a PFRS retiree or beneficiary as of June 30, 2012 was \$30,607.

In the past, the Retirement Systems engaged in a variety of practices that contributed considerably to the underfunding of the pension plans, particularly with respect to the GRS pension plan. As more fully discussed in Section VII.B.5.b, these practices included: (a) consuming pension fund assets to pay promised returns under the separate "annuity savings plan," whether or not such returns actually were realized; (b) dissipating pension fund assets during the years when returns on investment exceeded expectations through the so-called "13th check" program and (c) deferring required pension fund contributions from the City each year and financing the deferred amounts at a rate of 8%. Serious allegations also have been made that former officials of the Retirement Systems accepted bribes and misappropriated assets of the Retirement Systems for their own personal gain. In addition, the Retirement Systems have made many poor investments that have reduced the funded status of the two pension plans. Finally, it appears that a large portion of the assets of the respective Retirement Systems is invested in alternative investments for which no recognized market exists, requiring valuation methodologies that generate estimates of value rather than prices drawn from active markets. As of June 30, 2013, approximately 24% of PFRS assets and 33% of GRS assets had estimated, rather than readily ascertainable, market values. The Retirement Systems maintain that the past investment practices of the pension plans were consistent with the guidelines set forth in the Michigan Public Employee Retirement System Investment Act. The Retirement Systems also maintain that the current investment practices of the pension plans are consistent with the guidelines set forth in the Michigan Public Employee Retirement System Investment Act.

In 2009, two separate (albeit related) class actions were filed against trustees of the Retirement Systems, which addressed allegations of malfeasance against GRS and PFRS officials and advisors. See Estes et al. v. Clark et al., Wayne County Circuit Court, Case No. 09-010080-NZ; Foy et al. v. Bandemer et al., Wayne County Circuit Court, Case No. 09-024103-NZ. The member plaintiffs in the two class actions included all active employees and retirees from both Retirement Systems. There was an "opt-out" period prior to class certification through which any potential class member could "opt-out" and not be bound by the outcome of the class actions. No one opted out. The *Estes* and *Foy* cases included claims against trustees of the Retirement Systems as well as against certain independent fiduciaries (such as financial advisors). The class members alleged, among other things, that certain current and former trustees of the Retirement Systems and certain advisors to the Retirement Systems made various investment recommendations and/or decisions that were grossly negligent and that violated Defendants' duties to the Retirement Systems, causing a loss of money to the Retirement Systems. On February 28, 2014, these class actions were settled for approximately \$8 million. The settlement funds (minus certain fees) were paid into the two Retirement Systems. Under the terms of the relevant settlement orders, all claims that were asserted or that could have been asserted by the plaintiffs and class members were dismissed with prejudice. The Retiree Committee has asserted its interest in investigating, and taking discovery with respect to, any claims or causes of action that may exist on behalf of the City or pension beneficiaries in respect of past activities, events, conduct or management of or related to the pension systems or the assets thereof, or any advice provided to or on behalf of the pension systems. The Retiree Committee may seek to take action to preserve or otherwise prosecute any such claims or causes of action.

As a result of, among other things, the past practices described above, both the GRS and the PFRS are underfunded. Each of the Retirement Systems has reported unfunded actuarial accrued liabilities ("UAAL") that are substantially lower than the amounts disclosed by the City in the List of Creditors. In particular, as of June 30, 2013, the GRS reported that it was 70.0% funded with a UAAL of \$1.084 billion out of \$3.609 billion in accrued liabilities. As of June 30, 2013, the PFRS reported that it was 89.3% funded with a UAAL of \$415.6 million out of \$3.890 billion in accrued liabilities. Thus, based on actuarial assumptions and methods employed by the Retirement Systems prior to the commencement of the City's chapter 9 case, the estimated UAAL as of the end of Fiscal Year 2013 for both Retirement Systems combined was \$1.5 billion.

The City believes that the UAAL figures reported by the Retirement Systems were substantially understated because they were based upon various actuarial assumptions and methods that substantially understate the Retirement Systems' UAAL. The assumptions and methods included: (a) annual net rates of return on investments (GRS – 7.9%; PFRS – 8.0%) that were and are unrealistic in light of the Retirement Systems' demographics and the average of actual returns realized by both pension plans over the past 10-15 years, the targeted mix of the Retirement Systems' assets and the inability of the City to budget for and fund pension investment loss in the event the sought-after returns were not achieved; (b) the "smoothing" (reallocation over several years) of asset gains and losses over a seven year period, which masks the funding shortfall; and (c) the use of 29-year (PFRS) and 30-year (GRS) amortization periods for funding UAAL – which is applied anew each year to the full amount of unfunded liability – that allows unfunded liabilities to continue to grow rapidly as a result of compounding. The Retirement Systems believe that the actuarial assumptions and methods upon which the UAAL figures were calculated were sound and entirely consistent with the practices commonly used by public pension funds.

In the List of Creditors, the City set forth what it believes is a more realistic total UAAL for the Retirement Systems of \$3.474 billion, consisting of \$2.037 billion in UAAL owed to the GRS and \$1.437 billion in UAAL owed to the PFRS. The City's actuary, Milliman Inc., calculated this UAAL figure merely by substituting the estimated market value of the Retirement Systems' assets for their actuarial value and using a more achievable assumed rate of return of 7.0% instead of the rates of return of 7.9% or 8.0% assumed by the Retirement Systems.

To reduce the risk that the City has experienced from the past investment and discretionary benefit allowance practices of the GRS and PFRS pension funds, which contributed to the current underfunding in each of the pension funds, and to ensure that pension funding obligations do not impair the crucial Plan objective of assuring that the City will have sufficient funds to operate and to improve infrastructure and public safety, the City has developed the following pension restructuring approach: (a) the City has set a goal of achieving a 70% and 75% funded status for GRS and PFRS, respectively, based upon an assumed investment rate of return of 6.75%, by June 30, 2023 and based further on the market value of assets, not a smoothed value of assets; and (b) the City has determined the cash contributions it can reasonably afford to make to each pension plan during the period ending June 30, 2023. Based on these parameters, which were chosen to achieve predictable pension contributions over the long term and sufficient pension funding to provide benefits as modified, and to align the City's required future cash contributions to the plans with its reasonably projected revenues, the City has determined what pension benefit cuts are necessary from the participants in each pension plan.

Specifically, the calculation of the aggregate amounts of the Allowed PFRS Claims in Class 10 and the Allowed GRS Claims in Class 11 utilizes, among other assumptions, a 6.75% discount rate to value liabilities and a 6.75% investment return rate for future growth of assets. This investment return rate is less than (a) the net 8% investment return rate historically utilized by PFRS in calculating the actuarial underfunding of the PFRS pension plan and (b) the net 7.9% investment return rate historically utilized by GRS in calculating the actuarial underfunding of the GRS pension plan. In both cases, the City has utilized the lower rate as a measure to ensure that both GRS and PFRS utilize prudent and conservative investment policies going forward to protect the assets in both pension plans from unnecessary and imprudent risk of depletion to the detriment of the plan beneficiaries and also to insulate the City – given its extremely limited cash resources – from unforeseen and unbudgeted increases in required future contributions to the pension plans that could cause the City to experience budget deficits in the future. The City believes that its use of these revised investment return assumptions is consistent with the trend by governmental entities to reduce pension investment return assumptions. In 2012, for example, the California Public Employees' Retirement System (known as CalPERS) – the nation's second-largest public pension fund – reduced its assumed rate of return from 7.75% to 7.5%. The particular rates used in the Plan – although lower than most jurisdictions – nonetheless align with the unique financial inability of the City to weather unanticipated pension investment loss. Certain other pension funds utilize assumed rates of return that are equal to, or lower than, those utilized by the City. For example, Washington D.C.'s Teachers' Retirement System and Police Officers' and Fire Fighters' Retirement System both use an assumed rate of return of 6.5%, and the Indiana Public Retirement System uses a 6.75% rate of return. The City believes that these conservative assumptions are particularly appropriate given the large percentage of investments held by the pension funds that do not have a readily determinable market value and the uncertainty to actual asset values held by the pension plans as a result.

Classification of Pension and OPEB Claims in the Plan

Under the Plan, claims against the City are divided into different classes. Claims related to PFRS pensions are in Class 10. Claims related to GRS pensions are in Class 11. Claims related to retiree healthcare and death benefits – OPEB Claims – are in Class 12.

Pensions

- **If you participate in PFRS, your Pension Claim is what the Plan calls a "PFRS Pension Claim." Your PFRS Pension Claim is included in Class 10 of the Plan.**
 - The amount of all PFRS Pension Claims that has been estimated for purposes of voting on the Plan is \$1,284,000,000. This amount is equal to the estimated amount of the "underfunding" for PFRS as of June 30, 2013. That is, it is equal to the difference between the market value of the assets in PFRS as of June 30, 2013 and the present value of the liabilities of PFRS as of June 30, 2013 (in other words, the total amount of all PFRS pension benefits accrued by all City employees, former employees, retirees and survivors). If you are the holder of a PFRS Pension Claim, the value of your PFRS Pension Claim is equal to your share of this \$1,284,000,000 and is stated on the Ballot that you received with this Disclosure Statement. The amount stated on your Ballot is the estimated amount of your PFRS Pension Claim **only for purposes of counting votes for the Plan**. It is not a promise by the City to pay that amount under the Plan. It is also not an estimate of your future pension checks.
 - If you are an active or former employee who was not receiving a PFRS pension as of March 1, 2014, the actual value of your pension will not be calculated until you retire. Your claim and your pension are different things. For purposes of counting votes for the Plan, your Ballot contains a rough estimate of your portion of the total PFRS Pension Claim based on your age and years of service. It is not a promise by the City to pay that amount under the Plan. It is also not an estimate of your future pension checks.
 - If you also worked for other City departments (or you are a surviving beneficiary of someone who worked in another City department), you may also have a right to a pension from the GRS. If so, you will receive a separate Plain Language Supplement and Ballot for voting your GRS Pension Claim in Class 11 of the Plan.
 - If you are currently retired or are a surviving beneficiary, you also have a separate OPEB Claim. You will receive a separate Plain Language Supplement and Ballot for voting your OPEB Claim in Class 12 of the Plan.

- **If you participate in GRS, your Pension Claim is what the Plan calls a "GRS Pension Claim." Your GRS Pension Claim is included in Class 11 of the Plan.**
- The amount of all GRS Pension Claims that has been estimated for purposes of voting on the Plan is \$1,976,000,000. This amount is equal to the estimated amount of the "underfunding" for GRS as of June 30, 2013. That is, it is equal to the difference between the market value of the assets in GRS as of June 30, 2013 and the present value of the liabilities of GRS (in other words, the total amount of all GRS pension benefits accrued by all City employees, former employees, retirees and survivors) as of June 30, 2013. If you are the holder of a GRS Pension Claim, the value of your GRS Pension Claim is equal to your share of this \$1,976,000,000 and, for voting purposes only, any estimated amount of the Annuity Savings Fund Recoupment (defined below). This amount is stated on the Ballot that you received with this Disclosure Statement. The amount stated on your Ballot is the estimated amount of your GRS Pension Claim **only for purposes of counting votes for the Plan**. It is not a promise by the City to pay that amount under the Plan. It is also not an estimate of your future pension checks.
- If you are an active or former employee who was not receiving a GRS pension as of March 1, 2014, the actual value of your pension will not be calculated until you retire. Your claim and your pension are different things. For purposes of counting votes for the Plan, your Ballot contains a rough estimate of your portion of the total GRS Pension Claim based on your age and years of service. It is not a promise by the City to pay that amount under the Plan. It is also not an estimate of your future pension checks.
- If you worked for the Police or Fire Department of the City of Detroit (or you are a surviving beneficiary of someone who worked for the Police or Fire Department of the City), you may also have a right to a pension from the PFRS. If so, you will receive a separate Plain Language Supplement and Ballot for voting your PFRS Pension Claim in Class 10 of the Plan.
- If you are currently retired or are a surviving beneficiary, you also have a separate OPEB Claim. You will receive a separate Plain Language Supplement and Ballot for voting your OPEB Claim in Class 12 of the Plan.
- Employees and Retirees of the Detroit Public Library. To any extent the City has any obligations to the current or former employees of the Detroit Public Library (the "Library") by virtue of their participation in the GRS pension plan, the City believes that the City's obligations may be modified in the City's bankruptcy case. The City, therefore, has provided Plain Language Supplements and Ballots to current and former Library employees. The Library's obligations to current and former employees for pension benefits are separate from any obligation the City may have, however. Any vote on the City's Plan affects only any obligation the City may have and does not change the Library's obligations for pension benefits.

OPEB (Retiree Health (Including Vision and Dental) and Death Benefits)

If you are a retiree or a surviving beneficiary and are receiving retiree health benefits, or are entitled to retiree death benefits from the City, you are a holder of what the Plan calls an "OPEB Claim" and your OPEB Claim is included in Class 12 of the Plan.

The estimated amount of all OPEB Claims for purposes of voting on the Plan is \$4,095,000,000. This amount represents the estimated present value of the cost of the City's future obligations, as of June 30, 2013, for the City to continue to provide retiree health benefits (including dental and vision) and death benefits into the future under the programs that were in effect at the time the City filed its chapter 9 petition. If you are the holder of an OPEB Claim, the estimated value of your OPEB Claim is equal to your share of this \$4,095,000,000 and is stated on the Ballot that you received with this Disclosure Statement. Your share is calculated based in part on your age and life expectancy, and also on the projected cost of future health care. The claim amount stated on your Ballot is the estimated amount of your OPEB Claim **only for purposes of voting** on the Plan. It is not the value of your OPEB benefits, and it is not a promise by the City to pay that amount under the Plan. The estimated claim for voting purposes is different than the allowed amount of the Class 12 OPEB Claim that was reached as part of a settlement between the City and the Retiree Committee.

Employees and Retirees of the Detroit Public Library. To any extent the City has any obligations to the Library's current or former employees by virtue of their participation in the City's OPEB plans or programs, the City believes that the City's obligations may be modified in the City's bankruptcy case. The City, therefore, has provided Plain Language

Supplements and Ballots to current and former Library employees. The Library's obligations to current and former employees for pension and OPEB benefits are separate from any obligation the City may have, however. Any vote on the City's Plan affects only any obligation the City may have and does not change the Library's obligations for OPEB benefits.

How The Plan To Adjust Detroit's Debts Affects Future Pension Benefits

Class 10 – PFRS

The Plan provides for two alternatives for your pension benefits. The Plan will not reduce your monthly pension payments, but it will reduce your future annual cost-of-living adjustments ("COLAs"), or "escalators," either by 55% (Alternative A) or eliminate them entirely (Alternative B). Alternatives A and B are described in the chart on page 17 and in the following pages. There are two alternatives because the amount of the pension reductions depends upon whether you and others in Class 10 and those in Class 11 (those holding GRS Claims) vote to accept the Plan and the Outside Funding is received.

Class 11 – GRS

The Plan provides for two alternatives for your pension benefits. Alternative A has lower pension reductions. Alternative B has higher pension reductions. Alternatives A and B are described in the chart on page 17 and in the following pages. There are two alternatives because the amount of the pension reductions depends upon whether you and others in Class 11 and those in Class 10 (those holding PFRS Claims) vote to accept the Plan and the Outside Funding is received.

The Outside Funding

The Plan contemplates that \$816 million in funding from outside sources as a settlement of certain issues affecting the City and its retirees will be contributed to GRS and PFRS over 20 years **if and only if both Classes 10 and 11 vote to accept the Plan**. These outside sources are: (a) funders of the non-profit corporation that operates the Detroit Institute of Arts, (b) 12 charitable foundations and (c) the State of Michigan. Their collective contributions are called the "**Outside Funding**."

If one Class of pension claims votes to accept the Plan and the other Class of pension claims votes to reject the Plan, the Outside Funding for the pensions will not be available. If both Classes of pension claims vote to reject the Plan, this additional Outside Funding for the pensions will not be available.

IN OTHER WORDS, BOTH CLASS 10 AND CLASS 11 MUST VOTE TO ACCEPT THE PLAN IN ORDER FOR THE OUTSIDE FUNDING TO BE CONTRIBUTED TO FUND PENSIONS.

For a Class to vote to accept the Plan, more than two-thirds in amount of claims and one-half in number of Class members who actually vote must vote "YES" to accept the Plan.

There are other conditions to the receipt of the Outside Funding that must also be met for the money to be contributed. These conditions are described in the Plan. See Plan, §§ IV.E.3, IV.F.3. Therefore, even if Classes 10 and 11 both vote to accept the Plan, there is a risk that the payments from the Outside Funding may not be made as promised. The Plan does not require the City to make up for any missed payments.

NOTICE REGARDING EFFECT OF VOTING ON RELEASES

If you vote to accept the Plan: You may be giving up any right you may have to sue the State of Michigan, the City or other entities specifically protected by the Plan releases to try to recover the full amount of your pension, only if the necessary conditions (the "Initial Funding Conditions") for the funding from the State and the other Outside Funding parties that can be satisfied before the Confirmation Hearing are satisfied or waived. These preconditions include adoption of relevant legislation and appropriations by the State and completion of necessary agreements and documents by the State and the other Outside Funding parties, among other things.

If you vote to accept the Plan and the Initial Funding Conditions are not satisfied or waived: Your vote will be treated as a vote to reject the Plan because, in this circumstance, the Outside Funding would not be received.

If you vote to reject the Plan: If you vote to reject the Plan, it will be less likely that the Outside Funding will be available because acceptance by Classes 10 and 11 is a condition for receipt of the Outside Funding. Nevertheless, if Classes 10 and 11 vote to accept the Plan so that the Outside Funding will be received despite your vote to reject the Plan, you will benefit from the Outside Funding that is received, but you will not have any right to sue the State of Michigan, State officials, the City or other entities specifically protected by the Plan releases to try to recover the full amount of your pension. This is because the releases are also conditions of the Outside Funding.

A summary chart showing the difference in estimated adjustments to pension benefits if Outside Funding is, or is not, received for both GRS and PFRS appears below.

Alternative A

***Estimated Adjustments to Pension Benefits if Classes 10 and 11 Vote Yes
on the Plan and Outside Funding Is Received and the Court Approves the Plan¹***

PFRS	GRS
<ul style="list-style-type: none">You will receive 100% of your current pension and 45% of your annual "escalators" or COLAs over your lifetime.<ul style="list-style-type: none">No reduction in current and future monthly pension payments.Elimination of 55% of your annual "escalators" or COLA.COLAs are approximately 18% of the total value of PFRS liabilities; 55% of COLAs equate to a reduction of about 9.9%.The value of the COLA to you depends largely upon your age and the size of your current pension; yours could be more or less.The PFRS plan will be "frozen." The impact of this is to reduce liabilities by about \$55 million – or roughly 7.5% of the active employee liabilities, or 1% of the total PFRS liabilities.	<ul style="list-style-type: none">You will receive 95.5% of your current pension <u>and</u> no "escalators" or COLAs over your lifetime <u>and</u> you will be subject to Annuity Savings Fund Recoupment.Three reductions apply: a 4.5% reduction in current and future monthly pension payments <u>and</u> elimination of COLAs <u>and</u> Annuity Savings Fund Recoupment.COLAs are approximately 14.5% of the total GRS liabilities; the value of the COLAs to you depends largely upon your age and the size of your current pension.Annuity Savings Fund Recoupment is expected to be about 8.8% of the total GRS liabilities after COLA; your portion could be more or less.

Alternative B

***Estimated Adjustments to Pension Benefits if Either Class 10 or Class 11
Votes No on the Plan, No Outside Funding Is Received and the Court Approves the Plan***

PFRS	GRS
<ul style="list-style-type: none">You will receive 100% of your current pension but no COLAs over your lifetime.<ul style="list-style-type: none">No reduction in current and future monthly pension payments.Elimination of 100% of COLAs.COLAs are approximately 18% of the total value of PFRS liabilities; the value of the COLA to you depends largely upon your age and the size of your current pension; your total reduction could be more or less.The PFRS plan will be "frozen." The impact of this is to reduce liabilities by about \$55 million – or roughly 7.5% of the active employee liabilities, or 1% of the total PFRS liabilities.	<ul style="list-style-type: none">You will receive 73% of your current pension <u>and</u> no COLAs over your lifetime <u>and</u> you will be subject to Annuity Savings Fund Recoupment.Three reductions apply: a 27% reduction in current and future monthly pension payments <u>and</u> elimination of COLAs <u>and</u> Annuity Savings Fund Recoupment.COLAs are approximately 14.5% of the total GRS liabilities; the value of the COLA to you depends largely upon your age and the size of your current pension.Annuity Savings Fund Recoupment is expected to be about 8.8% of the total GRS liabilities after COLA; your portion could be more or less.

Your PFRS Adjusted Pension Amount (Class 10)

Your already-accrued pension benefit amount, as it will be adjusted/reduced by the Plan as shown in the chart above, is called your "PFRS Adjusted Pension Amount." Your monthly pension amount will not change under the Plan, but the annual "escalators" or COLAs that you were entitled to will either be reduced or eliminated.

¹ Under the Plan, benefits may be reduced by more than COLA + 4.5% + ASF Recoupment for GRS and 55% of COLA for PFRS if one of the Foundations or the DIA Corp. does not make its promised contribution. It cannot be predicted with any certainty at this time how much of a reduction may occur if such a funding default were to happen.

If you are currently a retiree or a surviving beneficiary drawing a pension, you will continue to receive the same monthly pension amount if the Plan is approved, but your annual "escalators" (or COLAs) will change. The City cannot ensure collection of the Outside Funding, and a failure to collect the Outside Funding may cause a further reduction in your PFRS Adjusted Pension Amounts.

If you are a former employee who has earned a pension but has not yet retired and begun to receive your pension, your starting monthly pension amount upon your future retirement will be your earned pension at the time of your termination, but your annual "escalators" (or COLAs) will be reduced or eliminated. If you are an active employee who is not currently collecting pension payments but you have earned a monthly pension based on employment with the City and you are currently vested in such monthly pension or you work enough years with the City before and after June 30, 2014 to become vested in such monthly pension, you will receive upon your future retirement a monthly pension equal to the sum of (a) your PFRS Adjusted Pension Amount, which will be the same starting monthly pension amount you earned as of June 30, 2014 under the current pension program, but your annual COLAs will be reduced or eliminated, plus (b) your "New Accrued Pension." Your "New Accrued Pension" is the part of your pension that will be earned under a new "hybrid" pension plan based upon service from and after July 1, 2014. This is called the "New PFRS Active Pension Plan" in the Plan.

PFRS Pension Reductions & the PFRS Adjusted Pension Amount

1. **If you are a current retiree or a surviving beneficiary who currently receives a monthly pension,** your monthly pension amount will not change under the Plan. However, your annual "escalators" or COLAs will either be reduced by 55% or eliminated completely, depending on whether all of the Outside Funding is available. Over time, the loss of COLAs will affect younger retirees (or active employees with a vested pension benefit) more than it will affect older retirees because younger people generally can expect to receive more years of annual COLAs.

2. **If you are a former employee who earned a vested pension before separation from employment with the City,** the starting monthly pension amount that you will be paid upon your future retirement will not change. However, your future annual "escalators" or COLAs will either be reduced by 55% or eliminated completely depending on whether all of the Outside Funding is available. Over time, the loss of COLAs will affect younger terminated employees with vested benefits more than it will affect older retirees because younger people generally can expect to receive more years of annual COLAs.

3. **If you are an active employee who has earned a monthly pension to be paid upon your future retirement,** you will continue to grow your pension under the current pension formula through June 30, 2014. At that point, your pension benefits will be frozen (meaning that you will not earn any more benefits under the current pension plan formula), and you will not be able to earn any additional pension amounts under the current PFRS pension formula. If the Plan is approved, your frozen monthly pension amount will be the same as your current pension earned as of June 30, 2014, but your future annual "escalators" or COLAs will either be reduced by 55% or eliminated entirely, depending on whether all of the Outside Funding is available. If you work long enough (both before and after June 30, 2014) to become vested in your reduced frozen pension benefit, you will be able to receive your reduced frozen pension payment upon attaining a sufficient number of years of service as provided for under the current pension formula. As noted above, your reduced pension amount is called your "PFRS Adjusted Pension Amount." Over time, the loss of COLAs will affect younger retirees (or active employees with vested pension benefits) more than it will affect older retirees because younger people generally can expect to receive more years of annual COLAs.

4. **If you are an active employee and you continue to work for the City after July 1, 2014,** you will also earn a new monthly pension under the New PFRS Active Pension Plan that will be paid at retirement along with your PFRS Adjusted Pension Amount. The monthly pension amount that you earn after July 1, 2014 is called your **"New Accrued Pension."** The pension formula for years of service after July 1, 2014 will be less generous than the formula that currently applies to your pension. For purposes of determining whether you are vested in your New Accrued Pension, your service with the City before and after July 1, 2014 will be taken into account. If the terms of the bargaining agreement between the City and your union so provide, you will be entitled to elect into a deferred retirement option plan ("**DROP**") for your frozen benefit and for your New Accrued Pension. If you are not currently participating in the DROP program, your participation in DROP will be limited to 5 years. If you previously irrevocably elected into a DROP, you will continue to participate in the DROP in accordance with the terms of the bargaining agreement between the City and your union.

PFRS Pension Funding

5. **In the event that all of the Outside Funding is made available and that Classes 10 and 11 both have accepted the Plan**, during the period through June 30, 2023, contributions in the amount of approximately \$260 million will be made to PFRS. Other than the Income Stabilization funds discussed below, these are the only amounts that are contemplated to be contributed to PFRS during this period. These contributions will be paid only from the Outside Funding. During this period, the City will not pay any money for PFRS pensions. If the Outside Funding is not paid as promised, the Plan does not require the City to make up these amounts.

6. Beginning on and after July 1, 2023, approximately \$68 million in Outside Funding will be available for PFRS. The City will be responsible for contributing all other amounts annually determined by PFRS to be necessary to fund the PFRS pension trust and to enable PFRS to pay your PFRS Adjusted Pension Amount (and your New Accrued Pension, if you are an active employee). The City will make the necessary contributions from its future tax revenues and available cash.

PFRS Pension Restoration

7. The pension benefits reductions that are discussed in Paragraphs 1, 2 and 3 above may be restored, in whole or in part, if the funding level² of PFRS significantly improves and the PFRS trustees have complied with certain requirements described in the State Contribution Agreement. This restoration may occur if (a) the investment returns on PFRS assets are greater than certain specified thresholds or (b) other actuarially-determined factors contribute to improve the funding level of PFRS. In other words, if PFRS pension funding levels improve, your PFRS Adjusted Pension Amount may be increased, and some or all of your future COLA payments could be restored.

This is a summary of how restoration of your COLA may happen. If the investments do well and the funding level of the PFRS exceeds the target, money will be set aside in a "restoration reserve account" to pay COLA restoration payments. Investment returns will increase (up to a cap) or decrease the assets in the restoration reserve account. When the restoration reserve account can fully fund (for people's lifetimes) at least 10% of future COLA payments, restoration payments will begin the next year. If more money is available, restoration payments will increase. If the funding level of the PFRS drops, money in the restoration reserve account may no longer be sufficient to provide increased COLA benefits and COLA restoration payments may be suspended. A summary of the relevant funding level targets is in the table below.

The year in which you begin to receive COLA restoration payments depends on when you began receiving your pension and when restoration begins. The order is: (1) Pensions that began before June 30, 2014 will have COLA restored first (up to 66%). (2) Pensions that began after June 30, 2014 but before the year when restoration begins will have COLA restored second (up to 66%). (3) Pensions for all PFRS participants (including those whose COLAs were restored to 66%) will have their remaining COLA restored last.

² "Funding level" means the market value of PFRS' assets as a percentage of PFRS' liabilities to all participants for PFRS Adjusted Pension Amounts projected forward to 2023 and later. For example, if (a) the market value of PFRS' assets were \$100 and (b) the amount of its liabilities to all participants for PFRS Adjusted Pension Amounts were also \$100, the "funding level" for PFRS would be 100%. If, however, (a) the market value of PFRS' assets were \$80 and (b) the amount of its liabilities were \$100, the "funding level" for PFRS would be 80%.

Summary of PFRS Funding Level Targets				
	To set aside money for restoration, the funding level has to be at least this amount:	Investment return of restoration reserve account assets will be capped at:	No money set aside when the funding level falls below this amount:	COLA restoration payments may be suspended when funding level is:
Until 6/30/23	78%	6.75%	76%	Below 75%
Between 7/1/23 and 6/30/33	[88]%	Assumed PFRS investment return (currently 6.75%, but it could change)	[86]%	Below [85]%
Between 7/1/33 and 6/30/43	[95]%		[93]%	Below [92]%
If funding level is greater than [78]% on 6/30/23, existing COLA restoration payments can no longer be suspended unless there are insufficient assets in the restoration reserve account.				

Finally, if the City completes a transaction with a third party involving the majority of assets in the Detroit Water and Sewerage Department ("DWSD") within seven years of the Plan's effective date, 50% of the funds that would be received by the City from that transaction may be used to help fund pension restoration, but the GRS will have a priority on receipt of that 50% share.

Restoration of COLA benefits, particularly until 2023, cannot be assured. After 2023, restoration of certain benefits may be possible, but it cannot be predicted at this time whether or when any restoration will occur.

Your GRS Adjusted Pension Amount (Class 11)

Your already-accrued pension benefit amount, as it will be adjusted by the Plan as shown in the chart on page 17, is called your "GRS Adjusted Pension Amount" in the Plan.

If you are currently a retiree or a surviving beneficiary drawing a pension, you will receive a revised monthly pension equal to your GRS Adjusted Pension Amount.

If you are a former employee who has earned a pension but has not yet retired and begun to receive your pension, you, too, will receive a revised monthly pension equal to your GRS Adjusted Pension Amount upon your retirement.

If you are an active employee who is not currently collecting pension payments but you have earned a monthly pension based on your employment with the City and you are currently vested in such monthly pension or you work enough years with the City before and after June 30, 2014 to become vested in such monthly pension, you will receive upon your future retirement a monthly pension equal to the sum of (a) your GRS Adjusted Pension Amount plus (b) your "New Accrued Pension." Your "New Accrued Pension" is the part of your pension that will be earned under a new "hybrid" pension plan based upon service from and after July 1, 2014. This new plan is called the "New GRS Active Pension Plan" in the Plan.

For all Alternative A estimates, keep in mind that the City cannot ensure collection of the Outside Funding, and a failure to collect Outside Funding may cause a further reduction in your GRS Adjusted Pension Amount.

In addition, for Alternative A estimates, the Plan provides for DWSD to pay for its portion of the GRS underfunding over nine years. There is a risk that these payments may not be permitted.

If you maintained an Annuity Savings Fund account at any time during the period July 1, 2003 through June 30, 2013, your GRS Adjusted Pension Amount will include an adjustment to your Annuity Savings Fund account (if you are an

active employee or a terminated employee with an Annuity Savings Fund account) or in your monthly pension check (if you are a retiree who has received a total distribution from the Annuity Savings Fund) in an effort to recover certain excess interest that was credited to your Annuity Savings Fund account during this 10-year period. More information on these adjustments is set forth below under the heading "GRS Annuity Savings Fund Recoupment."

GRS Pension Reductions & the GRS Adjusted Pension Amount

1. **If you are a current retiree or a surviving beneficiary who currently receives a monthly pension,** then as soon as practical following the effective date of the Plan, your monthly pension will be reduced by either 4.5% or 27% (depending on whether the Outside Funding is available), and if you are a current retiree who maintained an Annuity Savings Fund account between July 1, 2003 and June 30, 2013, you will be subject to the Annuity Savings Fund Recoupment described in paragraph 8 below. The reduction in total GRS liabilities represented by the Annuity Savings Fund Recoupment is estimated to be an average 8.8% reduction of total GRS liabilities; your individual percentage reduction could be more or less. In addition, you will not receive any future COLAs to your pension payments. For GRS, these COLAs represent about 14.5% of total GRS liabilities. Over time, the loss of COLAs will affect younger retirees (or active employees with a vested pension benefit) more than it will affect older retirees because younger people can generally expect to receive more years of annual COLAs. Finally, if you participated in and received a distribution from the Annuity Savings Fund between July 1, 2003 and June 30, 2013, the reduction in your monthly pension will be greater than if you had not participated at all.

2. **If you are a former employee who voluntarily or involuntarily terminated employment with the City but earned a vested pension before separation,** the monthly pension amount that you will be paid upon your future retirement will be reduced by either 4.5% or 27% (depending on whether the Outside Funding is available), and you will be subject to the Annuity Savings Fund Recoupment described in paragraph 8 below. The reduction in GRS liabilities represented by the Annuity Savings Fund Recoupment is estimated to be an average 8.8% reduction of total GRS liabilities; your individual percentage reduction could be more or less. In addition, you will not receive any future COLAs to your pension payments. For GRS, COLAs represent about 14.5% of total GRS liabilities. Over time, the loss of COLAs will affect younger terminated employees with vested benefits more than it will affect older retirees, because younger people generally can expect to receive more years of annual COLAs ("escalators"). Finally, if you participated in and received a distribution from the Annuity Savings Fund between July 1, 2003 and June 30, 2013, the reduction in your future monthly pension will be greater than if you had not participated at all.

3. **If you are an active employee who has earned a monthly pension to be paid upon your future retirement,** you will continue to grow your pension under the current pension formula through June 30, 2014. At that point, your pension benefits will be frozen (meaning that you will not earn any more benefits under the current GRS pension plan formula. If the Plan is approved, your frozen monthly pension amount will be reduced by either 4.5% or 27% (depending on whether the Outside Funding is available), and you will be subject to the Annuity Savings Fund Recoupment described in paragraph 8 below. You will be able to receive your reduced frozen pension payment upon attaining a sufficient number of years of service as provided for under the current pension formula. As noted above, your reduced pension amount is called your "GRS Adjusted Pension Amount." In addition, you will not receive any future COLAs ("escalators") to your pension payments. For GRS, COLAs represent about 14.5% of total GRS liabilities. Over time, the loss of COLAs will affect younger retirees (or active employees with vested pension benefits) more than it will affect older retirees because younger people generally can expect to receive more years of annual COLAs.

In addition, if you participate or previously participated in the Annuity Savings Fund and continue to maintain an Annuity Savings Fund account, your Annuity Savings Fund account will be reduced by an amount equal to a portion of the excess investment earnings that were credited to that account during the years 2003 through 2013. If you are an active employee who participated in the Annuity Savings Account and already received a total distribution from the Annuity Savings Fund, then the reduction in your frozen monthly pension amount upon your future retirement will be greater than if you had not participated. The reduction in GRS liabilities represented by the Annuity Savings Fund Recoupment is estimated to be an average 8.8% of total GRS liabilities; your individual percentage reduction could be more or less. More information on Annuity Savings Fund Recoupment is described in paragraph 8 below.

4. **If you are an active employee and you continue to work for the City after July 1, 2014,** you will also earn a new monthly pension under the New GRS Active Pension Plan that will be paid at retirement along with your GRS Adjusted Pension Amount. The monthly pension amount that you earn after July 1, 2014 is called your "**New Accrued Pension**." The pension formula for years of service after July 1, 2014 will be less generous than the formula that currently applies to your pension.

GRS Pension Funding

5. In the event that all of the Outside Funding is made available and that Classes 10 and 11 both have accepted the Plan, during the period through June 30, 2023, contributions of over \$700 million will be made to GRS. Other than the Income Stabilization funds discussed below, these are the only amounts that will be contributed to GRS during this period. These contributions will be paid only from contributions from DWSD, from other City sources and from the Outside Funding. If the Outside Funding is not paid as promised, the Plan does not require the City to make up these amounts. Importantly, the Plan assumes that during the period through June 30, 2023, DWSD will make payments on account of its full allocable share of the GRS UAAL, as explained in the following two paragraphs, which set forth the City's position with respect to such funding.

As employees and retirees of a City department, DWSD employees and retirees participate in the GRS with other non-uniform City employees and retirees. Applicable state law permits DWSD to be charged, and pay directly to the GRS, its allocable share of the periodic contributions required to be made to the GRS as a cost and expense of operating the City's water and sewer systems. The share of GRS contributions allocated to DWSD represents the cost of providing pensions to employees and retirees of DWSD. Under the Plan, during the period through June 30, 2023, DWSD will make payments to GRS on account of all of its full allocable share of the GRS UAAL remaining *after the pension modifications contemplated by the Plan*. That is, the total accrued liabilities of GRS *as modified by the Plan* will be determined first, and *then* the amount of such reduced, accrued liabilities allocable to DWSD will be determined, which amount will be paid to GRS over the 9-year period ending June 30, 2023. The amount to be paid by DWSD has been determined as the amount necessary to fully fund, by June 30, 2023, all underfunded GRS liabilities allocable to DWSD that will have accrued as of June 30, 2014. The amount to be paid by DWSD has been calculated based on an assumed investment rate of return of 6.75% and further assumes that the GRS pension plan will be frozen as of June 30, 2014.

Such funding is consonant with applicable state law. As a general matter, DWSD is permitted to, and historically has, paid its contributions to GRS from the water system's and sewage disposal system's respective "Operation and Maintenance Fund," which, pursuant to City ordinance, are to "be used to pay the expenses of administration and operation" of the systems. In addition, State law permits an enterprise system, such as DWSD, to charge fees for services conferred on the ratepayers/users of the system that are proportionate to the necessary costs of the service. The contributions from DWSD to GRS contemplated by the Plan – which will be derived from rates that DWSD will charge to users of its water and sewage disposal systems during the period through June 30, 2023 – are on account of *accrued liabilities* attributable to DWSD. DWSD historically has been expected to account for approximately 30-33% of the contributions to GRS. The required funding represents a substantial reduction in the DWSD funding contribution. Although DWSD will be funding its allocable share of this accrued liability over 9 years instead of a longer period, it will not be paying any more than its actual, full, allocable share of the GRS UAAL. If DWSD did not fund its allocable share to the GRS pension fund in this manner, the cuts to GRS pension beneficiaries would have to be higher than those contemplated in the Plan. After the initial 9-year period through June 30, 2023 is completed and the unused Outside Funding is received by GRS, DWSD will remain responsible for its allocable share of GRS UAAL but is expected to have very small contributions, if any, to make to the GRS on account of this liability.

6. Except as described above with respect to DWSD, beginning on and after July 1, 2023, the City will be responsible for contributing all amounts annually determined by GRS to be necessary to fund the GRS pension trust and enable GRS to pay your GRS Adjusted Pension Amount (and your New Accrued Pension, if you are an active employee). The City will make the contributions from its available cash and from approximately \$188 million from the Outside Funding during the ten-year period from July 1, 2023 through June 30, 2033. The City estimates that it will be required to contribute approximately \$442 million from its available cash during that period.

GRS Pension Restoration

7. The pension benefits reductions that are discussed in Paragraphs 1, 2 and 3 above may be restored, in whole or in part, if the funding level³ of GRS significantly improves. This restoration may occur if (a) the investment returns on GRS assets are greater than certain specified thresholds or (b) other actuarially-determined factors contribute to improve the funding level of GRS.

³ "Funding level" means the market value of GRS' assets as a percentage of GRS' liabilities to all participants for GRS Adjusted Pension Amounts projected forward to 2023 and later. For example, if (a) the market value of GRS' assets were \$100 and (b) the amount of its liabilities to all participants for GRS Adjusted Pension Amounts were also \$100, the "funding level" for GRS would be 100%. If, however, (a) the market value of GRS' assets were \$80 and (b) the amount of its liabilities were \$100, the "funding level" for GRS would be 80%.

This is a summary of how restoration of your pension benefits may happen. If the investments do well and the funding level of the GRS exceeds the target, money will be set aside in a "restoration reserve account" to pay pension restoration payments. Investment returns will increase (up to a cap) or decrease the assets in the restoration reserve account. When the restoration reserve account can fund at least a restoration of 0.5% of the 4.5% pension reduction (*i.e.*, 1/9th of the 4.5% reduction), restoration payments will begin the next year. If more money is available, more pension reductions will be restored. First, the restoration payments will be used to restore the 4.5% pension reduction. Then, payments will be made to restore COLA reductions. Third, payments will be made to restore pension benefits of non-retirees subject to ASF recoupment until they are on equal footing with retirees subject to ASF recoupment. And, finally, payments will be made to restore all other pension benefits reduced due to ASF recoupment. If the funding level of the GRS drops, money in the restoration reserve account may no longer be sufficient to provide pension restoration payments and pension restoration payments may be suspended. A summary of the relevant funding level targets is in the table below.

The order in which you will receive pension restoration payments depends on when you began receiving your pension and when restoration begins. There are three classes. Class 1: Pensions that began before June 30, 2014. Class 2: Pensions that began after June 30, 2014 but before the year when restoration begins. Class 3: All other individuals. Each class will receive full restoration payments of each pension restoration type before the next class in line. The order of pension restoration types is as follows. First, the 4.5% pension reduction will be restored (first to Class 1, then to Class 2, then to Class 3). Second, 50% of the COLA reduction will be restored (in the same class order). Third, the remaining 50% of the COLA reduction will be restored (in the same class order). Fourth, pension benefit reductions due to ASF recoupment that occurred for Class 2 and Class 3 will be restored (first to Class 2, then to Class 3) until those classes are on equal footing with the ASF-related pension reductions to Class 1. Finally, all other pension benefit reductions due to ASF recoupment will be restored (first to Class 1, then to Class 2, then to Class 3).

Summary of GRS Funding Level Targets				
	To set aside money for restoration, the funding level has to be at least this amount:	Investment return of restoration reserve account assets will be capped at:	No money set aside when the funding level falls below this amount:	Restoration payments may be suspended when funding level is:
Until 6/30/23	75%	6.75%	73%	Below 70%
Between 7/1/23 and 6/30/33	[85]%	Assumed GRS investment return (currently 6.75%, but it could change)	[83]%	Below [82]%
Between 7/1/33 and 6/30/43	[93]%		[91]%	Below [90]%
If funding level is greater than [75]% on 6/30/28, existing restoration payments can no longer be suspended unless there are insufficient assets in the restoration reserve account.				

Finally, if the City completes a transaction with a third party involving the majority of assets in the DWSD within seven years of the Plan's effective date, 50% of the funds that would be received by the City from that transaction may be used to help fund pension restoration, but the GRS will have a priority on receipt of that 50% share.

Restoration of benefits, particularly until 2023, cannot be assured. After 2023, restoration of certain benefits may be possible, but it cannot be predicted at this time whether or when any restoration will occur.

GRS Annuity Savings Fund Recoupment

8. *What is the Annuity Savings Fund?* The Annuity Savings Fund ("**ASF**") is a voluntary, individual account pension program that operates within the GRS pension plan. If an employee chooses to participate in the ASF, a pension account is established for the employee, and he or she may voluntarily contribute 3%, 5% or 7% of gross pay, on an after-tax basis, to that account. The GRS trustees invest these contributions with other GRS assets. The GRS trustees

are granted discretion to determine the annual interest to be credited to the employee contributions to the ASF accounts, and each employee's ASF account increases in value based upon the interest amounts that the GRS trustees credit to the ASF accounts. After 25 years of service, an active employee may elect to withdraw from his or her ASF account some or all of the accumulated contributions plus the investment earnings credited to that individual account. An active employee may borrow up to 50% of his or her ASF account. Upon retirement, an employee may elect to receive a lump sum distribution, or to annuitize some or all of his or her ASF account balance, which is added to his or her monthly pension payment and is separately identified on a retiree's pension check. Any portion of the ASF balance that is not annuitized upon retirement is paid to the retiree in a partial or total lump sum distribution at the retiree's request. Many GRS participants contributed a part of their salaries to an ASF account for decades.

"Excess Interest" to be Recovered. During the period from 2003 through 2013, the GRS trustees credited to employee ASF accounts annual interest of no less than 7.9%, and in some years more than 7.9%, based upon actuarial computations. Retirees had no say in the computations or the crediting of interest to their ASF accounts. The ASF accounts essentially were treated as a guaranteed investment program, where, each year, ASF account holders would be credited with interest of at least 7.9%, regardless of the actual market investment returns on the assets in GRS. For example, in fiscal year 2009, the value of the assets that supported the Annuity Savings Fund accounts actually lost 19.67% percent of their value, but the GRS trustees credited the ASF account with 7.9% in interest. So, even though an ASF account holder who might have had \$10,000 in his or her ASF account in 2009 actually lost 19.67% in market value and should have had only a balance of \$8,033 in his or her account, instead his or her account was credited as having \$10,790.

The City believes that, as a result of these practices, there was too much, or "excess," interest credited to the ASF accounts, and that assets were diverted from the money available to fund GRS participants' monthly defined benefit pensions. The City estimates that, using actual market returns between 0% and 7.9% for crediting purposes,⁴ **over \$387 million of excess interest was credited to the ASF accounts collectively during the period from July 1, 2003 through June 30, 2013.** It is the City's belief that the \$387 million represents money that was diverted from the general GRS asset pool during this period, and that should have been used to fund all GRS participants' monthly defined benefit pensions.

In designing the Plan, the City addressed whether the Plan should: (a) contain higher across-the-board pension cuts for all GRS participants and not try to recover a portion of the excess ASF interest credits or (b) recover a portion of the excess ASF interest credits, which would result in lower across-the-board pension cuts for all GRS participants. The City decided on the second choice and, therefore, there will be both across-the-board pension cuts and a recovery of excess ASF interest credits. **As a result, the across-the-board cuts will be lower.**

Specifically, as part of the Plan, some, but not all, of these "excess" amounts related to the over-crediting of interest to ASF accounts will be recovered by (a) offsetting current ASF accounts of active or terminated employees and/or (b) reducing monthly pension checks of current or future retirees and their survivors under annuities that provide survivor benefits. Persons participating in the ASF during the period from July 1, 2003 through June 30, 2013 will be affected. This recovery will be in addition to the other reductions to your accrued pension described in this Disclosure Statement.

There will be a cap on what is recovered. Specifically, for any active or former employee or retiree, the recovery will be limited to **20%** of the highest value of such participant's ASF account balance between July 1, 2003 and June 30, 2013 (including any unpaid loans taken by the participant from his or her ASF account as of such date). The 20% cap described above is not the average amount of the reduction from your pension as a result of the Annuity Savings Fund Recoupment. **Using a 20% cap, the City believes that approximately \$230 million of excess interest was credited to the ASF accounts during the period from July 1, 2003 through June 30, 2013.** The City believes that the Annuity Savings Fund Recoupment process, subject to the 20% cap, will permit the City to recover approximately \$230 million of such excess interest.

In addition, for a person who is a retiree as of June 30, 2014, if the Outside Funding is received, the total reduction to your pension will not exceed 20% of your current annual pension, including both the Annuity Savings Fund Recoupment and the 4.5% reduction. Under Alternative B, the ASF recoupment can vary from 0.01% to, for a very few select individuals, 100% of a retiree's pension, depending on the excess amount of the pension.

Under the Plan, the recovery – called "**recoupment**" in the Plan – will work as follows using the 20% cap:

⁴ This range is consistent with the range approved by a City Council ordinance in 2011.

a. Active or Terminated Employee Recoupment. For each active employee, or terminated employee, who continues to maintain an ASF account in GRS, the City will recalculate that employee's ASF account value by applying the "Actual Return." The "**Actual Return**" means the actual net return percentage on invested GRS assets for each year from July 1, 2003 through June 30, 2013 unless the return is greater than 7.9% (in which case 7.9% will be used) or less than 0% (in which case 0% will be used). The difference between the value of your re-calculated ASF account using the Actual Return and the actual value of your ASF account as of June 30, 2013 is your "**Annuity Savings Fund Excess Amount.**" For an active or terminated employee who has received any distribution from the Annuity Savings Fund other than a total distribution, the difference between (i) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (B) all distributions received by such participant from the Annuity Savings Fund during the period beginning July 1, 2003 and ending June 30, 2013 and (ii) the sum of (A) the value of your Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return and (B) the value of your distribution calculated as of the date of distribution using the Actual Return through such date will be your Annuity Savings Fund Excess Amount.

Your Annuity Savings Fund Excess Amount, *subject to the 20% cap described above*, will then be deducted from your ASF account and irrevocably contributed to the pool of all GRS assets. The pool of all GRS assets can be used to fund all GRS participants' Adjusted Pensions. For those who took partial distributions, some of the recovery may also be deducted from your future pension checks. Your Class 11 GRS Ballot will show your Annuity Savings Fund Excess Amount as calculated by the City. **Even with the recovered amount, your Annuity Savings Fund account value after recoupment will be greater than the amounts you actually contributed into the Annuity Savings Fund and will reflect all interest credited by the GRS trustees to your Annuity Savings Fund account for the plan years prior to June 30, 2003.**

b. Recoupment from Persons who Previously Took Total Annuity Savings Fund Account Distributions. For each GRS participant who participated in the ASF at any time during the period from July 1, 2003 through June 30, 2013, but who has already received a total distribution from the ASF, the City will re-calculate that participant's ASF account value by applying the "Actual Return." "**Actual Return**" means the actual net return percentage on invested GRS assets for each year from July 1, 2003 through June 30, 2013 unless the return is greater than 7.9% (in which case 7.9% will be used) or less than 0% (in which case 0% will be used). Your "**Annuity Savings Fund Excess Amount**" shall be the difference between (i) the value of your ASF account as of the date of distribution from the Annuity Savings Fund, provided such date falls between July 1, 2003 and June 30, 2013, and (ii) the value of your ASF account as of such date, using the Actual Return. Your Annuity Savings Fund Excess Amount will be capped at 20% of your highest ASF account balance during the period July 1, 2003 through June 30, 2013 and that amount will then be converted into monthly annuity amounts based on your life expectancy and other factors. The monthly Annuity Savings Fund Excess Amount will be deducted from your monthly pension check (and the pension check of your survivor, if you receive an annuity that provides a survivor benefit). Your Class 11 GRS Ballot will show (i) the Annuity Savings Fund Excess Amount and (ii) the monthly amount that will be deducted from your monthly GRS pension payments.

Further, for a retiree who is receiving a pension as of June 30, 2014, if the Outside Funding is received, the total combined reduction to your current annual pension (*i.e.*, your reduction from the 4.5% cut and your Annuity Savings Fund Recoupment) will not exceed 20% of your current annual pension. Under Alternative B, the ASF recoupment can vary from 0.01% to, for a very few select individuals, 100% of a retiree's pension, depending on the excess amount of the pension. ASF recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014.

Fund for Income Stabilization

The purpose of this program is twofold: (i) to make sure that pensioners who have a low household income today can count on a stable income; and (ii) to help protect Eligible Pensioners (defined below) from falling into poverty as a result of inflation. Individuals will have to apply for the program in the first year and provide household income documentation to participate in the program.

PFRS and GRS will be amended to provide a supplemental pension income stabilization benefit (an "**Income Stabilization Benefit**") to each Eligible Pensioner. There are two parts to this benefit.

The Income Stabilization Benefit will be calculated in the first year and will not increase. It is equal to the lesser of either (i) the amount needed to restore 100% of an Eligible Pensioner's reduced pension benefit to the amount of the pension benefit that the Eligible Pensioner received from PFRS or GRS, as applicable, in 2013; or (ii) the amount needed to bring the total annual 2013 household income of the Eligible Pensioner up to 130% of the Federal Poverty Level in 2013.

In addition, to the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income (as defined below) in any calendar year after the first year of the program is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional benefit – the "**Income Stabilization Benefit Plus.**" The Income Stabilization Benefit Plus for a calendar year will be equal to the lesser of either (i) the amount needed to restore 100% of the Eligible Pensioner's pension benefit, including COLAs or "escalators;" or (ii) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.

An Eligible Pensioner's "**Estimated Adjusted Annual Household Income**" for any year will be the sum of (i) the Eligible Pensioner's 2013 total household income (per his (or in the case of minor children, their legal guardian's) 2013 income tax return or equivalent documentation), less the pension benefit paid to the Eligible Pensioner in 2013, as adjusted for inflation or Social Security COLA increases; (ii) the reduced pension benefit that PFRS or GRS, as applicable, will pay the Eligible Pensioner for that year; (iii) any PFRS or GRS pension restoration payment to the Eligible Pensioner due to an improved PFRS or GRS funding level; and (iv) the Eligible Pensioner's Income Stabilization Benefit.

Notwithstanding the foregoing, Income Stabilization Payments under both GRS and PFRS will not exceed \$20 million in the aggregate.

The Income Stabilization Benefit and Income Stabilization Benefit Plus will be paid from the Income Stabilization Funds of PFRS and GRS. The Income Stabilization Funds of PFRS and GRS will be funded with certain proceeds of a settlement with certain bond creditors, up to an aggregate amount of \$20 million to be divided between the Income Stabilization Fund of GRS and the Income Stabilization Fund of PFRS.

Under the Plan, PFRS and GRS each will establish an "**Investment Committee**" for the purpose of making recommendations to the boards of trustees of PFRS and GRS with respect to certain matters, and for purposes of making some determinations. Each Investment Committee will consist of five independent members and two or more non-independent members, which non-independent members may include employees of the City or members or retirees of PFRS or GRS, as applicable, provided that at all times during the 20-year period following disbursement of the State Contribution, the independent members shall have at least 70% of the voting power. Each independent Investment Committee member shall possess, by reason of training or experience or both, a minimum level of expertise in managing or advising pension systems, all as agreed to by the City, the State and PFRS or GRS, as applicable, after consultation with the Foundations.

In the event that, in 2022 (provided that the State has not issued a certificate of default with respect to PFRS or GRS, as applicable, at any time prior to 2022), it is the opinion of at least 75% of the independent members of the respective Investment Committee that the Income Stabilization Fund of PFRS or GRS, as applicable, has more assets than it needs to provide Income Stabilization Benefits and Income Stabilization Benefits Plus, such Investment Committee may recommend to the board of trustees that the excess assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Pension Amounts payable by PFRS or GRS, as applicable. In the event that any funds remain in the relevant Income Stabilization Fund on the date upon which no Eligible Pensioners under PFRS or GRS, as applicable, remain, such funds shall be used to fund the Adjusted Pension Amounts payable by PFRS or GRS, as applicable.

"**Eligible Pensioners**" are those retirees, surviving spouses or surviving minors who hold a Pension Claim and who are eligible to receive Income Stabilization Benefits because such Holder (i) is, as of the effective date of the Plan, at least 60 years of age or a minor child receiving survivor benefits from PFRS or GRS, and (ii) has an aggregate annual household income equal to or less than 140% of the Federal Poverty Level in 2013 (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation). No new persons will be eligible to receive Income Stabilization Benefits or Income Stabilization Benefits Plus at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

How The Plan Affects OPEB Claims (Retiree Health, Dental, Vision & Death Benefits)

Under the Plan, the City will no longer sponsor and maintain retiree health or death benefits programs for existing retirees, surviving beneficiaries and their dependents. Instead, the City will establish two voluntary employees' beneficiary association trusts (known as a "**VEBA**") – one for PFRS-related retirees and one for GRS-related retirees. The two VEBAs will be responsible for providing retiree health benefits beginning January 1, 2015 to existing retirees, surviving beneficiaries and their eligible dependents. The VEBAs will be funded with a portion of a note (the "New B Note") that will be issued to satisfied the OPEB claims and other unsecured claims. It is not likely that the funding will be sufficient to

provide benefits at the same level of benefits provided to retirees and their beneficiaries during the period beginning March 2014.

Detroit General VEBA for General City Retirees

Under the Plan, the City will establish the Detroit General VEBA to provide health benefits to Detroit's non-police and non-fire retirees, surviving beneficiaries and their eligible dependents. The Detroit General VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA beneficiaries. The board will be comprised of retiree representatives and independent professionals, and the composition of the initial board will be approved by the Bankruptcy Court. The board members will be appointed by the City, or by other entities based upon further discussion with union representatives, retiree associations and the Retiree Committee. The board will have the authority to determine who is eligible to receive retiree health or other welfare benefits, including death benefits, from the Detroit General VEBA, and the annual level, design and cost of such benefits.

Under the Plan, the City will provide the Detroit General VEBA with \$218 million in principal amount of a note to be issued to non-pension unsecured creditors. For purposes of determining the Detroit General VEBA's pro rata share of this note, the City has calculated the general retiree OPEB Claim at \$2,095,000,000. If the City does not make the payments under the note, the persons who operate and manage the Detroit General VEBA will have the right to sue the City for payment. The Detroit General VEBA trustees may also, in their discretion, seek to "sell" or monetize the note in the market to generate more up-front cash for the Detroit General VEBA. Further, in addition to the note received by the Detroit General VEBA, the City will request that the trustees who control the health insurance rate stabilization fund trust release an amount of no less than \$5.5 million, of which at least 60% will be used to pay start-up costs for the Detroit General VEBA; furthermore, and to the extent approved by the Detroit General VEBA trustees, a portion will be used to establish a catastrophic illness fund within the Detroit General VEBA to be used to provide limited assistance to those retirees who participate in the Detroit General VEBA and who are otherwise unable to afford the cost of necessary and immediate life-threatening health care costs (pursuant to the criteria established by the DRCEA and approved by the Detroit General VEBA trustees). The remainder of the \$5.5 million sum released by the trustees who control the health insurance rate stabilization fund trust will be used to pay start-up costs for the Detroit Police and Fire VEBA.

How much the Detroit General VEBA trustees may spend on retiree health benefits in any particular year is unknown at this time. It is also unknown how long the money in the Detroit General VEBA trust will last because that will depend upon the benefits to be provided. It is likely, however, that the amount of the note to be provided to the Detroit General VEBA by the City under the Plan in satisfaction of the OPEB Claim will not be enough to provide the same level of benefits over the long term as the City began providing to retirees and surviving beneficiaries in March 2014.

Further, the value of the healthcare that may be provided to retirees by the Detroit General VEBA or (any other trust that may be created) is subject to various factors, including but not limited to: whether or not a retiree is eligible for Medicare (generally 65 or older) or Medicaid (depending on income level and state residency); costs of future premiums, co-pays and deductibles; whether the Affordable Care Act continues in effect, and, if so, in what form; and whether tax credits that currently exist to reduce healthcare costs to low-to-middle income persons continue.

If the Plan is approved by the Bankruptcy Court, regardless of your vote on the Plan, the new Detroit General VEBA board of trustees will make the determination of what level and form of health benefits will be provided to current retirees based on the amount of money available to the Detroit General VEBA trust under the Plan and the exercise of their reasonable discretion.

Detroit Police and Fire VEBA

Under the Plan, the City will establish the Detroit Police and Fire VEBA to provide health benefits to retired employees of the Detroit Police Department and Detroit Fire Department who do not participate in (or have the right to participate in) the GRS and their surviving beneficiaries and eligible dependents. The Detroit Police and Fire VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA beneficiaries. The board will be comprised of retiree representatives and independent professionals, and the composition of the initial board will be approved by the Bankruptcy Court. The board members will be appointed by the City, the Retiree Committee and the Retired Detroit Police and Fire Fighters Association. The board will have the authority to determine who is eligible to receive retiree health or other

welfare benefits, including death benefits, from the Detroit Police and Fire VEBA, and the annual level, design and cost of such benefits.

Under the Plan, the City will provide the Detroit Police and Fire VEBA with \$232 million in principal amount of a note to be issued to non-pension unsecured creditors. For purposes of determining the Detroit Police and Fire VEBA's pro rata share of this note, the City has calculated the PFRS-related retiree OPEB Claim at \$2,208,000,000; the size of this claim reflects the benefits that the RDPFFA negotiated on behalf of the PFRS retirees in the settlement of Weiler et al. v. City of Detroit, Case No. 06-619737-CK (Wayne County Circuit Court). The Retiree Committee believes that the claim number should be higher. If the City does not make the payments under the note, the persons who operate and manage the Detroit Police and Fire VEBA will have the right to sue the City for payment. The Detroit Police and Fire VEBA trustees may also, in their discretion, seek to "sell" or monetize the note in the market to generate more up-front cash for the Detroit Police and Fire VEBA.

How much the Detroit Police and Fire VEBA trustees may spend on retiree health benefits in any particular year is unknown at this time. It is also unknown how long the money in the Detroit Police and Fire VEBA trust will last because that will depend upon the benefits to be provided. It is likely, however, that the amount of the note to be provided to the Detroit Police and Fire VEBA by the City under the Plan in satisfaction of the OPEB Claim will not be enough to provide the same level of benefits over the long term as the City began providing to retirees and surviving beneficiaries in March 2014.

Further, the value of the healthcare that may be provided to retirees by the Detroit Police and Fire VEBA or (any other trust that may be created) is subject to various factors, including but not limited to: whether or not a retiree is eligible for Medicare (generally 65 or older) or Medicaid (depending on income level and state residency); costs of future premiums, co-pays and deductibles; whether the Affordable Care Act continues in effect, and, if so, in what form; and whether tax credits that currently exist to reduce healthcare costs to low-to-middle income persons continue.

If the Plan is approved by the Bankruptcy Court, regardless of your vote on the Plan, the new Detroit Police and Fire VEBA board of trustees will make the determination of what level and form of health benefits will be provided to current retirees based on the amount of money available to the Detroit Police and Fire VEBA under the Plan and the exercise of their reasonable discretion.

Death Benefits

The City provides the death benefit program through a separate trust fund. The death benefit trust fund will not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. Instead, the death benefit trust will be frozen, and the City will no longer have an obligation to contribute to fund death benefits under the trust for any participant or beneficiary. The trust will be self-liquidating, and existing retirees who participate in the trust will be granted a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the trust funding. The trustees of the death benefit trust fund will continue to manage the trust assets and employ the staff of the Retirement Systems to administer the timely disbursement of benefits. The costs of administration will be borne by the assets of the trust.

Active employees as of March 1, 2014 do not have an OPEB Claim. Future OPEB benefits, if any, for active employees will be subject to the terms of future contracts between the City and its active employees.

Plan Releases

If the Plan is confirmed, it will be binding on you whether or not you vote. You will have no right to demand that the City pay you the full original amounts it owed for your pension or your OPEB benefits. You will only have the right to your reduced pension benefits or the treatment for OPEB Claims under the Plan.

Comprehensive State Release

In addition to protection from further claims against the City that is a standard part of any plan of adjustment, the Plan also proposes to grant to the State of Michigan, its officials and certain other related parties a comprehensive release of any obligation they might have with respect to your pension claim and other claims against the City. This is called the "**Comprehensive State Release**." The Bankruptcy Court will have to approve this Comprehensive State Release, and it may not do so. If the Comprehensive State Release is approved, **you will not be allowed to sue the State, the City or any State officials to restore pension benefits or argue that the City did not have the power to reduce pensions, even if**

you vote to reject the Plan. Specifically, this release would release all claims and liabilities arising from or related to the City, the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), the Plan and exhibits thereto, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution. If you are an active employee, the Comprehensive State Release does not release or discharge rights you have to your New Accrued Pension.

If the Bankruptcy Court confirms the Plan but does not approve the Comprehensive State Release (or if the other conditions to Outside Funding are not met), the State does not have to contribute its \$350 million State Contribution to GRS and PFRS. If the State's money is not contributed, then none of the other sources of Outside Funding will make their payments, either. In that case, none of the \$816 million in contributions will be made to the pension plans, Alternative B will take effect and your pension benefit cuts will be at the higher levels set forth in the chart on page 17 of this Disclosure Statement.

Release by Claim Holders in Classes 10 or 11 Accepting the Plan

The Plan also provides for an **"Accepting Holders Release."** The Accepting Holders Release would be granted by individual creditors by their accepting the Plan. This means that if you individually vote to accept the Plan, you will be personally releasing the City and its related entities, the State and its related entities, the Retiree Committee, the members of the Retiree Committee, the Retiree Committee professionals, the Foundations and other organizations who are providing Outside Funding and their related entities **except for** such parties' gross negligence or willful misconduct, but only if the Initial Funding Conditions (which include adoption of relevant legislation and appropriations by the State and completion of necessary agreements and documents by the State and the other Outside Funding parties, among other things) that can be satisfied before the Confirmation Hearing are satisfied or waived.

In other words, if you hold a claim in Class 10 or Class 11 and you vote to accept the Plan, you may not be allowed to sue the State, the City or any State individuals or entities to restore pension benefits or argue that the City did not have the power to reduce pensions. However, if Classes 10 and 11 vote to accept the Plan, but the Initial Funding Conditions are not satisfied or waived before the Confirmation Hearing, then your vote to accept the Plan will be treated as a vote to reject the Plan, and the voluntary Accepting Holders Release will not apply to you.

For the avoidance of doubt, the Plan (including the Comprehensive State Release and the Accepting Holders Release) does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees and/or their respective collective bargaining representatives to the extent permitted by applicable non-bankruptcy law and/or the Plan.

B. Classification and Treatment of Claims Under the Plan

Except for Administrative Claims, which are not required to be classified, all Claims that existed on July 18, 2013 (the "Petition Date") are divided into classes under the Plan. The following summarizes the treatment of the classified Claims under the Plan. The amount that a creditor may actually recover could vary from the estimates in the chart below.

Description and Amount of Claims	Treatment
<p>Class 1A - DWSD Bond Claims (one Class for each CUSIP of DWSD Bonds): Consists of all Claims arising under or evidenced by the DWSD Bond Documents, including a Claim for principal and interest on the DWSD Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$5,272,240,054</p>	<p>Impaired or unimpaired, as set forth on Exhibit I.A.110 to the Plan.</p> <p><u>Unimpaired Classes:</u> Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as unimpaired on Exhibit I.A.110 to the Plan shall have its Allowed DWSD Bond Claim Reinstated on the Effective Date, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.</p> <p><u>Impaired Classes:</u> Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as impaired on Exhibit I.A.110 to the Plan shall receive on or as soon as reasonably practicable after the Effective Date, in full satisfaction of such Allowed Claim, at the option of the City, either (1) New DWSD Bonds having a principal amount equal to the principal amount of the DWSD Bonds held by such Holder; or (2) Cash in the full amount of the principal and interest portion of such Allowed DWSD Bond Claim, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.</p> <p>Accrued and unpaid interest as of the Distribution Date with respect to those DWSD Bonds for which a Holder of an Allowed DWSD Bond Claim receives New DWSD Bonds or New Existing Rate DWSD Bonds pursuant to the Plan shall be, at the option of the City, either (1) paid in Cash on the first Distribution Date following the date on which such DWSD Bond Claim is Allowed or (2) added to the principal amount of the New DWSD Bonds or New Existing Rate DWSD Bonds, as applicable, distributed to such Holder pursuant to the Plan.</p> <p>Independent of whether a Holder votes to accept or reject the Plan, each Holder of an Allowed DWSD Class 1A Claim is also entitled to elect, by CUSIP, one of the following two options:</p> <p><i>Option 1:</i> New Existing Rate Water/Sewer Bonds having (1) an interest rate equal to the interest rate on the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP and (2) a principal amount equal to the outstanding amount of principal of the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP (plus, at the City's option, additional principal in the amount of accrued but unpaid interest on such Bonds as of the Distribution Date, to the extent such interest is not paid in cash). To receive New Existing Rate Water/Sewer Bonds, (1) the Holder must affirmatively make the election to receive New Existing Rate Water/Sewer Bonds and (2) the applicable Class of DWSD Class 1A Claims must accept the Plan. In addition, the applicable securities of all Holders who elect to receive New Existing Rate Water/Sewer Bonds will be tendered into an election account established at the DTC. Such securities may not be withdrawn from the election account after the applicable nominee has tendered them to the election account. Once such securities have been tendered, no further trading will be permitted in the securities held in the election account. If the Plan is revoked or withdrawn, or if a Class of Impaired Class 1A Claims rejects the Plan, then any securities in affected Classes of Allowed Impaired Class 1A Claims that were tendered into an election account will be returned by the DTC, in accordance with its customary practices and procedures to the applicable nominee for credit to such Holder's account, and the securities will no longer be restricted from trading. If such Holder does not elect to receive New Existing Rate DWSD Bonds, then such Holder's securities will not be restricted from trading.</p> <p>[CONTINUED ON FOLLOWING PAGE]</p>

Description and Amount of Claims	Treatment
<p>Class 1A – DWSD Bond Claims (continued)</p>	<p><i>Option 2:</i> New Water/Sewer Bonds having (1) a principal amount equal to the outstanding amount of principal of the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP (plus, at the City's option, additional principal in the amount of accrued but unpaid interest on such Bonds as of the Distribution Date, to the extent such interest is not paid in cash) and (2) an interest rate equal to the interest rate set forth on the Interest Rate Reset Chart (Exhibit I.A.168) to the Plan) for the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP. The New Water/Sewer Bonds will not be callable by the City for the shorter of five years after the date such New DWSD Bonds are issued or the date upon which the DWSD Bonds for which such New DWSD Bonds were exchanged pursuant to the Plan would have matured.</p> <p>If a Holder elects both Option 1 and 2, fails to elect either Option 1 or 2 or attempts to split the election within a single CUSIP, the Holder will be deemed to have elected Option 2. Likewise, if a Class of DWSD Class 1A Claims does not accept the Plan and the Plan is confirmed, all Holders within such non-accepting Class will receive the treatment set forth in Option 2.</p> <p>Estimated Percentage Recovery for unimpaired Classes: 100%</p> <p>Estimated Percentage Recovery for impaired Classes: 100% of principal and interest</p>
<p>Class 1B - DWSD Revolving Sewer Bond Claims (one Class for each DWSD Series of DWSD Revolving Sewer Bonds): Consists of all Claims arising under or evidenced by the DWSD Revolving Sewer Bond Documents, including a Claim for principal and interest on the DWSD Revolving Sewer Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$486,047,364</p>	<p>Unimpaired. Notwithstanding any other provision of the Plan, on the Effective Date, each Holder of an Allowed DWSD Revolving Sewer Bond Claim shall have its Allowed DWSD Revolving Sewer Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 1C - DWSD Revolving Water Bond Claims (one Class for each DWSD Series of DWSD Revolving Water Bond): Consists of all Claims arising under or evidenced by the DWSD Revolving Water Bond Documents, including a Claim for principal and interest on the DWSD Revolving Water Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$21,589,986</p>	<p>Unimpaired. Notwithstanding any other provision of the Plan, on the Effective Date, each Holder of an Allowed DWSD Revolving Water Bond Claim shall have its Allowed DWSD Revolving Water Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 2A - Secured GO Series 2010 Claims: Consists of all Claims arising under or evidenced by the Secured GO Series 2010 Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010 Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$252,475,366</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Secured GO Series 2010 Claim shall have its Allowed Secured GO Series 2010 Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>

Description and Amount of Claims	Treatment
<p>Class 2B - Secured GO Series 2010(A) Claims: Consists of all Claims arising under or evidenced by the Secured GO Series 2010(A) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A) Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$101,707,848</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Secured GO Series 2010(A) Claim shall have its Allowed Secured GO Series 2010(A) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 2C - Secured GO Series 2012(A)(2) Claims: Consists of all Claims arising under or evidenced by the Secured GO Series 2012(A)(2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A)(2) Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$39,254,171</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Secured GO Series 2012(A)(2) Claim shall have its Allowed Secured GO Series 2012(A)(2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 2D - Secured GO Series 2012(A2-B) Claims: Consists of all Claims arising under or evidenced by the Secured GO Series 2012(A2-B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(A2-B) Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$54,055,927</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Secured GO Series 2012(A2-B) Claim shall have its Allowed Secured GO Series 2012(A2-B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 2E - Secured GO Series 2012(B) Claims: Consists of all Claims arising under or evidenced by the Secured GO Series 2012(B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B) Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$6,469,135</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Secured GO Series 2012(B) Claim shall have its Allowed Secured GO Series 2012(B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 2F - Secured GO Series 2012(B2) Claims: Consists of all Claims arising under or evidenced by the Secured GO Series 2012(B2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B2) Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$31,037,724</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Secured GO Series 2012(B2) Claim shall have its Allowed Secured GO Series 2012(B2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>

Description and Amount of Claims	Treatment
<p>Class 3 - Other Secured Claims: Consists of all Secured Claims, other than COP Swap Claims, DWSD Bond Claims, DWSD Revolving Bond Claims, HUD Installment Note Claims, Parking Bonds Claims or Secured GO Bond Claims.</p> <p>Estimated Aggregate Allowed Amount: \$8,855,456</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Other Secured Claim shall have its Allowed Other Secured Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 4 - HUD Installment Note Claims: Consists of all Claims arising under or evidenced by the HUD Installment Note Documents, including a Claim for principal and interest on the HUD Installment Notes.</p> <p>Estimated Aggregate Allowed Amount: \$90,075,004</p>	<p>Unimpaired. On the Effective Date, each Holder of a HUD Installment Note Claim shall have its Allowed HUD Installment Note Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>
<p>Class 5 - COP Swap Claims: Consists of all Claims by the Swap Counterparties arising under the COP Swap Documents.</p> <p>Estimated Aggregate Allowed Amount: \$85,000,000, less quarterly amounts paid after January 1, 2014, plus interest if applicable</p>	<p>Impaired. The COP Swap Claims shall be deemed Allowed as Secured Claims, which, solely for purposes of distributions from the City, will be equal to the Distribution Amount. Each Holder of an Allowed COP Swap Claim, in full satisfaction of such Allowed Claim, shall receive, either: (1) within thirty days following the Effective Date, the Net Amount in full in cash, <u>provided</u> that until paid in cash in full, such Secured Claims will remain secured by the Pledged Property; or (2) solely in the case of a Liquidity Event, the Net Amount in cash in full within 180 days following the Effective Date, <u>provided</u> that (a) other than with respect to net proceeds used to repay the Postpetition Financing Agreement, to the extent permitted by law but without taking into consideration any limitations imposed by the City, including in any ordinance or resolution of the City, the first dollars of any net cash proceeds of any financing or refinancing consummated in connection with, or subsequent to, the consummation of such Plan and either (i) supported by the full faith and credit of the City or (ii) payable from the general fund of the City, will be used to pay the Net Amount, (b) the City will continue to comply with its obligations under the COP Swap Settlement and the COP Swap Settlement Approval Order until the Net Amount is paid in cash in full, (c) until paid in cash in full, such Secured Claims will remain secured by the Pledged Property, (d) from and after the Effective Date, the unpaid Net Amount will accrue interest at the rate applicable to obligations under the Postpetition Financing Agreement plus 1.5% with the interest obligation likewise being secured by the Pledged Property, and (e) the COP Swap Counterparties will receive from the City on the Effective Date a deferral fee in cash equal to 1.0% of the Net Amount to be shared equally between them.</p> <p>Estimated Percentage Recovery: 30% of the Swap Termination Payment</p>
<p>Class 6 - Parking Bonds Claims: Consists of all Claims arising under or evidenced by the Parking Bond Documents, including a Claim for principal and interest on the Parking Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$8,099,287</p>	<p>Unimpaired. On the Effective Date, each Holder of an Allowed Parking Bonds Claim shall have its Allowed Parking Bonds Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 100%</p>

Description and Amount of Claims	Treatment
<p>Class 7 – Limited Tax General Obligation Bond Claims: Consists of all Claims arising under or evidenced by the Limited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Limited Tax General Obligation Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$163,543,187</p>	<p>Impaired. Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Limited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.</p> <p>Estimated Percentage Recovery: 10-13%⁵</p>
<p>Class 8 – Unlimited Tax General Obligation Bond Claims: Consists of all Claims arising under or evidenced by the Unlimited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Unlimited Tax General Obligation Bonds.</p> <p>Estimated Aggregate Allowed Amount: \$388,000,000</p>	<p>Impaired. Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Unlimited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of Restructured UTGO Bonds. Such Holders shall retain ownership of the Reinstated Stub UTGO Bonds, subject to Sections I.A.23 and IV.D of the Plan.</p> <p>Estimated Percentage Recovery: 74%</p>

⁵ Estimated percentage recovery ranges for Classes receiving Unsecured Pro Rata Shares of New B Notes have been calculated using an assumed 5% discount rate based upon anticipated cash flows. The Unsecured Pro Rata Shares for such Classes (*i.e.*, Classes 7, 9, 12, 13 and 14) reflect estimated aggregate allowed amounts of \$163,543,187 for Class 7 Claims, \$0 to \$1,473,000,000 for Class 9 Claims, \$4,303,000,000 for Class 12 Claims, \$33,600,000 for Class 13 Claims and \$150,000,000 for Class 14 Claims (totaling \$4,650,143,187 to \$6,123,143,187). By agreement with the Retiree Committee, the agreed-upon OPEB liability as of the Petition Date of \$4.446 billion has been reduced by \$143 million (the amount of post-petition payments that the City expects to make on account of OPEB liabilities through December 31, 2014) to arrive at the estimated aggregate allowed claim amount of \$4.303 billion. Realization of the estimated percentage recoveries set forth herein is subject to certain risks and contingencies. See "Risk Factors," Section VI of this Disclosure Statement.

Description and Amount of Claims	Treatment
<p>Class 9 - COP Claims: Consists of all Claims under or evidenced by the COP Service Contracts.</p> <p>Estimated Range of Aggregate Allowed Amounts: \$0 to \$1,473,000,000</p>	<p><i>The COP Claims are Disputed Claims and are not Allowed by the Plan, and the City reserves all rights to (1) object to, avoid or subordinate such Claims on any and all available grounds, including through the assertion of any and all grounds asserted in the COP Litigation, and (2) assign the right to object to, avoid or subordinate such Claims or the City's rights in the COP Litigation to the Creditor Representative. If the City seeks to settle the COP Litigation on terms other than those set forth herein, the City will use its best efforts to reach agreement with the Retiree Committee or the Detroit General VEBA and the Detroit Police and Fire VEBA, as applicable, on any such settlement. The treatment set forth below in respect of the COP Claims is afforded only if and to the extent that such Claims ultimately become Allowed Claims.</i></p> <p>Impaired. Solely for purposes of facilitating Distributions under this Plan and for no other purpose, on and as of the Effective Date, those portions of COP Claims that relate to, and are measured by, the payment schedule under the COPs shall be deemed assigned to the beneficial holders of the COPs on a Pro Rata basis, with each beneficial holder deemed to receive such portions of COP Claims in an amount equal to the proportion that the unpaid principal amount of such holder's COPs bears to the aggregate unpaid principal amount of all COPs. Each beneficial holder of COPs may elect to participate in the Plan COP Settlement in respect of some or all of those portions of COP Claims that would be deemed assigned to it and its Affiliates in the event that the Effective Date occurs.</p> <p>Each beneficial holder of COPs may settle issues relating to allowance of the COP Claims that are deemed assigned to it and become a Settling COP Claimant as to some or all COPs held by it and its Affiliates by electing to participate in the Plan COP Settlement on a timely-retained Ballot accepting the Plan. Each Settling COP Claimant shall have its COP Claims deemed to be Allowed Claims in an amount equal to 40% of the aggregate unpaid principal amount of COPs held by such Settling COP Claimant and shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.</p> <p>Each beneficial holder of COPs shall receive the following treatment on account of its COP Claims unless such holder agrees to a different treatment of such Claims:</p> <p>On the Effective Date, the City shall establish the Disputed COP Claims Reserve. The Disputed COP Claims Reserve shall contain no less than (1) an Unsecured Pro Rata Share of New B Notes, calculated as if such Disputed COP Claims were Allowed (a) in an amount equal to the aggregate unpaid principal amount as of the Petition Date for the COPs not subject to the Plan COP Settlement or (b) in such lesser amount as may be required by an order of the Bankruptcy Court, and (2) any distributions made on account of New B Notes held in the Disputed COP Claims Reserve.</p> <p>If and to the extent that Disputed COP Claims become Allowed Claims, the Holders of such Allowed Claims shall be sent a Distribution from the Disputed COP Claims Reserve of no less than (1) the portion of New B Notes held in the Disputed COP Claims Reserve initially allocated to the Disputed COP Claims that became Allowed Claims; and (2) any distributions received by the Disputed COP Claims Reserve on account of such portion of New B Notes. Upon the entry of an order by the trial court having jurisdiction over the objections to the Disputed COP Claims resolving all objections to the Disputed COP Claims and after all Distributions on account of Allowed COP Claims have been made or provided for, any and all New B Notes and distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed as follows: (1) an amount of New B Notes and/or distributions thereon in an amount equal to the costs, fees and expenses related to the COP Litigation incurred from and after the Effective Date shall be distributed to the City; (2) following such distribution, 65% of the New B Notes and any distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the New B Notes allocated to each pursuant to Sections II.B.3.s.ii.A and II.B.3.s.ii.B of the Plan; and (3) following such distribution, the remaining New B Notes and distributions thereon shall revert to the City, provided that the City, in its sole discretion, may choose to distribute such remaining property among holders of Allowed Claims in Classes 7, 13 and/or 14.</p> <p>Estimated Percentage Recovery: 0-10%</p>

Description and Amount of Claims	Treatment
<p>Class 10 - PFRS Pension Claims: Consists of all Claims (other than OPEB Claims), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the PFRS or any trustee thereof or any other Entity acting on the PFRS's behalf, against the City or any fund managed by the City (including, but not limited to, the General Fund, the Police and Fire Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (1) any pension, disability, or other post-retirement payment or distribution in respect of the employment of such current or former employees or (2) the payment by the PFRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the PFRS.</p> <p>Estimated Aggregate Allowed Amount: \$1,250,000,000</p>	<p>Impaired. During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.q.ii.A to the Plan. The exclusive source for such contributions shall be certain DIA Proceeds and a portion of the State Contribution. After June 30, 2023, (1) PFRS will receive certain additional DIA Proceeds and (2) the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of PFRS if such party chooses to do so.</p> <p>During the period that ends on June 30, 2023, the trustees of the PFRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS that shall be 6.75%.</p> <p>During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a PFRS Pension Claim shall be equal to the PFRS Adjusted Pension Amount for such Holder, <u>provided</u> that such PFRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any PFRS Restoration Payment.</p> <p>Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.q.ii.C to the Plan. For purposes of calculating a PFRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.q.ii.A to the Plan or any State contributions if the PFRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 of the Plan prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.</p> <p>The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G of the Plan.</p> <p>Each Holder of a PFRS Pension Claim who is an Active Employee shall receive, in addition to his or her PFRS Adjusted Pension Amount, as such amount may be modified by the Plan, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New PFRS Active Pension Plan Formula and the New PFRS Active Pension Plan.</p> <p>PFRS shall establish an Investment Committee for the purpose of making recommendations to the board of trustees of PFRS with respect to certain matters, and for purposes of making some determinations. The Investment Committee will consist of five independent members and two or more non-independent members, which non-independent members may include employees of the City or members or retirees of PFRS; <u>provided</u> that at all times during the 20-year period following disbursement of the State Contribution, the independent members shall have at least 70% of the voting power. Each independent Investment Committee member shall possess, by reason of training or experience or both, a minimum level of expertise in managing or advising pension systems, all as agreed to by the City, the State and PFRS, after consultation with the Foundations.</p> <p>[CONTINUED ON FOLLOWING PAGE]</p>

Description and Amount of Claims	Treatment
<p>Class 10 – PFRS Pension Claims (continued)</p>	<p>Except as may be required to maintain the tax-qualified status of the PFRS, the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, or any successor plan or trust, that govern the calculation of pension benefits (including the PFRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior PFRS Pension Plan, the PFRS Restoration Payment, the New PFRS Active Pension Plan Formula and the terms of the New PFRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B of the Plan, the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.</p> <p>The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11 and legislative action, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b of the Plan.</p> <p><i>If the release set forth at Section III.D.7.b of the Plan is approved by the Bankruptcy Court, each Holder of a PFRS Pension Claim shall release the State from all Liabilities related to PFRS Pension Claims, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b of the Plan.</i></p> <p>Estimated Recovery Percentage with Outside Funding: 59% Estimated Recovery Percentage without Outside Funding: 39%</p>

Description and Amount of Claims	Treatment
<p>Class 11 – GRS Pension Claims: Consists of all Claims (other than OPEB Claims), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the GRS or any trustee thereof or any other Entity acting on the GRS's behalf, against the City or any fund managed by the City (including, but not limited to, the General Fund, the water fund, the sewage disposal fund, the Detroit General Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (1) any pension, disability or other post retirement payment or distribution in respect of the employment of current or former employees or (2) the payment by the GRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the GRS.</p> <p>Estimated Aggregate Allowed Amount: \$1,879,000,000</p>	<p>Impaired. During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior GRS Pension Plan only in the amounts identified on Exhibit II.B.3.r.ii.A to the Plan. The exclusive sources for such contributions shall be certain City sources, pension-related, administrative and restructuring payments received from the DWSD equal to approximately \$428.5 million, a portion of the State Contribution and certain DIA Proceeds. After June 30, 2023, (1) certain DIA Proceeds shall be contributed to the GRS and (2) the City will contribute such additional funds as are necessary to pay each Holder of a GRS Pension Claim his or her GRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior GRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of GRS if such party chooses to do so.</p> <p>During the period that ends on June 30, 2023, the board of trustees of the GRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the GRS that shall be 6.75%.</p> <p>During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a GRS Pension Claim shall be equal to the GRS Adjusted Pension Amount for such Holder, <u>provided</u> that such GRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any GRS Restoration Payment.</p> <p>Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.r.ii.C to the Plan. For purposes of calculating a GRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.r.ii.A to the Plan or any State contributions if the GRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 of the Plan prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.</p> <p>On or as soon as reasonably practicable after the Effective Date, the Annuity Savings Fund Excess Amount will be calculated for each ASF Current Participant and will be deducted from such participant's Annuity Savings Fund account and be used to fund the accrued pension benefits of all GRS participants; <u>provided, however</u>, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.</p> <p>The Annuity Savings Fund Excess Amount will be calculated for each ASF Distribution Recipient, will then be converted into monthly annuity amounts based on each ASF Distribution Recipient's life expectancy and other factors and will be deducted from the ASF Distribution Recipient's monthly pension check; <u>provided, however</u>, that in no event shall the total amount deducted from an ASF Distribution Recipient's monthly pension checks exceed the ASF Recoupment Cap or, if applicable, the Current GRS Retiree Adjustment Cap.</p> <p>The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G of the Plan.</p> <p>[CONTINUED ON FOLLOWING PAGE]</p>

Description and Amount of Claims	Treatment
<p>Class 11 – GRS Pension Claims (continued)</p>	<p>Each Holder of a GRS Pension Claim who is an Active Employee shall receive, in addition to his or her GRS Adjusted Pension Amount, as such amount may be modified by the Plan, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New GRS Active Pension Plan Formula and the New GRS Active Pension Plan.</p> <p>GRS shall establish an Investment Committee for the purpose of making recommendations to the board of trustees of GRS with respect to certain matters, and for purposes of making some determinations. The Investment Committee will consist of five independent members and two or more non-independent members, which non-independent members may include employees of the City or members or retirees of GRS; <u>provided</u> that at all times during the 20-year period following disbursement of the State Contribution, the independent members shall have at least 70% of the voting power. Each independent Investment Committee member shall possess, by reason of training or experience or both, a minimum level of expertise in managing or advising pension systems, all as agreed to by the City, the State and GRS, after consultation with the Foundations.</p> <p>Except as may be required to maintain the tax-qualified status of the GRS, the City, the trustees of the GRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the GRS, or any successor plan or trust, that govern the calculation of pension benefits (including the GRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior GRS Pension Plan, the GRS Restoration Payment, the New GRS Active Pension Plan Formula and the terms of the New GRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.r.ii.B of the Plan, the contribution to the GRS, or the calculation or amount of GRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.</p> <p>The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11 and legislative action, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b of the Plan.</p> <p><i>If the release set forth at Section III.D.7.b of the Plan is approved by the Bankruptcy Court, each Holder of a GRS Pension Claim shall release the State from all Liabilities related to GRS Pension Claims, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b of the Plan.</i></p> <p>Estimated Recovery Percentage with Outside Funding: 60% Estimated Recovery Percentage without Outside Funding: 48%</p>

Description and Amount of Claims	Treatment
<p>Class 12 – OPEB Claims: Consists of all Claims against the City held by retirees who retired on or before December 31, 2014 and who otherwise are eligible for OPEB Benefits, and any eligible surviving beneficiaries of such retirees, for post-retirement health, vision, dental, life and death benefits provided to retired employees of the City and their surviving beneficiaries pursuant to the Employee Health and Life Insurance Benefit Plan and the Employees Death Benefit Plan, including the members of the certified class in the action captioned <i>Weiler et al. v. City of Detroit</i>, Case No. 06 619737-CK (Wayne County Circuit Court), pursuant to the "Consent Judgment and Order of Dismissal" entered in that action on August 26, 2009. The City believes that under applicable law, active employees of the City do not have allowable OPEB Claims.</p> <p>Estimated Aggregate Allowed Amount: \$4,303,000,000 (PFRS: \$2,208,000,000; GRS: \$2,095,000,000)</p>	<p>Impaired. As a result of a settlement between the City and the Retiree Committee, the OPEB Claims shall be allowed in an aggregate amount equal to \$4,303,000,000.</p> <p><u>Establishment of Detroit General VEBA:</u> On or as soon as practicable following the Effective Date, the City will establish the Detroit General VEBA to provide health benefits to Detroit General VEBA Beneficiaries and certain of their dependents. The Detroit General VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA Beneficiaries. The Detroit General VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.78 to the Plan, and shall, among other things, identify the members of the Detroit General VEBA's initial board of trustees. The DRCEA and the Retiree Committee will each be able to appoint board members in equal numbers, and such appointees will constitute a majority of the initial Detroit General VEBA board; the City will appoint the remaining members. Nothing in the Plan precludes either the Detroit General VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.</p> <p><u>Distributions to Detroit General VEBA:</u> On the Effective Date, the City shall distribute to the Detroit General VEBA New B Notes in the aggregate principal amount of \$218,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit General VEBA Beneficiaries. The Detroit General VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2 of the Plan.</p> <p><u>Establishment of Detroit Police and Fire VEBA:</u> On or as soon as practicable following the Effective Date, the City will establish the Detroit Police and Fire VEBA to provide health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents. The Detroit Police and Fire VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.82 to the Plan, and shall, among other things, identify the members of the Detroit Police and Fire VEBA's initial board of trustees. The initial board members will be appointed by the City, the Retiree Committee and the RDPFFA. Nothing in the Plan precludes either the Detroit Police and Fire VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.</p> <p><u>Distributions to Detroit Police and Fire VEBA:</u> On the Effective Date, the City shall distribute to the Detroit Police and Fire VEBA New B Notes in the aggregate principal amount of \$232,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2 of the Plan.</p> <p>[CONTINUED ON FOLLOWING PAGE]</p>

Description and Amount of Claims	Treatment
<p>Class 12 – OPEB Claims (continued)</p>	<p>From and after the Effective Date, the City shall have no further responsibility to provide retiree healthcare or any other retiree welfare benefits. The City shall have no responsibility from and after the Effective Date to provide life insurance or death benefits to current or former employees. On the Effective Date, the Employees Death Benefit Plan will be frozen, and the City will no longer have an obligation to contribute to fund death benefits under the plan for any participant or beneficiary. The Employees Death Benefit Plan will be self-liquidating, and existing retirees who participate in the plan will be granted a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the plan funding. For the avoidance of doubt, the Employees Death Benefit Plan shall not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. The Employees Death Benefit Board of Trustees shall continue to manage the Employees Death Benefit Plan and employ the staff of the Retirement Systems to administer the disbursement of benefits thereunder, the costs of which administration shall be borne by the assets of the Employees Death Benefit Plan.</p> <p>Estimated Percentage Recovery: 10-13%</p>
<p>Class 13 - Downtown Development Authority Claims: Consists of all Claims in respect of the Downtown Development Authority Loans.</p> <p>Estimated Aggregate Allowed Amount: \$33,600,000</p>	<p>Impaired. Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Downtown Development Authority Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.</p> <p>Estimated Percentage Recovery: 10-13%</p>
<p>Class 14 - Other Unsecured Claims: Consists of all Claims that are unpaid as of the Effective Date and that are not Administrative Claims, Convenience Claims, COP Claims, Downtown Development Authority Claims, General Obligation Bond Claims, GRS Pension Claims, GRS Pension/ASF Claims, OPEB Claims, PFRS Pension Claims, Secured Claims or Subordinated Claims. For the avoidance of doubt, Section 1983 Claims, Indirect Employee Indemnity Claims and Indirect 36th District Court Claims are included within the definition of Other Unsecured Claims.</p> <p>Estimated Aggregate Allowed Amount: \$150,000,000</p>	<p>Impaired. Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.</p> <p>Estimated Percentage Recovery: 10-13%</p>

Description and Amount of Claims	Treatment
<p>Class 15 - Convenience Claims: Consists of all Claims that would otherwise be Other Unsecured Claims that are (1) Allowed Claims in an amount less than or equal to \$25,000; or (2) in an amount that has been reduced to \$25,000 pursuant to an election made by the Holder of such Claim; <i>provided</i> that, where any portion(s) of a single Claim has been transferred, (a) the amount of all such portions will be aggregated to determine whether a Claim qualifies as a Convenience Claim and for purposes of the Convenience Claim election and (b) unless all transferees make the Convenience Claim election on the applicable Ballots, the Convenience Claim election will not be recognized for such Claim.</p> <p>Estimated Aggregate Allowed Amount: <i>Unknown</i></p>	<p>Impaired. Each Holder of an Allowed Convenience Claim, in full satisfaction of such Allowed Claim, shall receive Cash equal to the amount of 25% of such Allowed Claim (as reduced, if applicable, pursuant to an election by such Holder in accordance with Section I.A.55 of the Plan) on or as soon as reasonably practicable after the Effective Date, unless such Holder agrees to a different treatment of such Claim.</p> <p>Estimated Percentage Recovery: 25%</p>
<p>Class 16 - Subordinated Claims: Consists of all Claims of the kind described in sections 726(a)(3) or 726(a)(4) of the Bankruptcy Code and/or Claims subordinated under sections 510(b) or 510(c) of the Bankruptcy Code.</p> <p>Estimated Aggregate Allowed Amount: <i>Unknown</i></p>	<p>Impaired. On the Effective Date, all Subordinated Claims shall be disallowed, extinguished and discharged without Distribution under the Plan, and Holders of Subordinated Claims shall not receive or retain any property on account of such Claims. Pursuant to section 1126(g) of the Bankruptcy Code, Class 16 is deemed to have rejected the Plan and Holders of Subordinated Claims are not entitled to cast a Ballot in respect of such Claims.</p> <p>Estimated Percentage Recovery: 0%</p>

III.

THE PLAN

A. General

THE FOLLOWING SUMMARY HIGHLIGHTS CERTAIN OF THE SUBSTANTIVE PROVISIONS OF THE PLAN, AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE REVIEW OF THE PLAN. THE CITY URGES ALL HOLDERS OF CLAIMS TO CAREFULLY READ AND STUDY THE PLAN, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT A.

Section 1123 of the Bankruptcy Code provides that, except for administrative claims, a plan of adjustment must categorize claims against a debtor into individual classes. Although the Bankruptcy Code gives a chapter 9 debtor significant flexibility in classifying claims, section 1122 of the Bankruptcy Code dictates that a plan of adjustment may only place a claim into a class containing claims that are substantially similar.

The Plan identifies 384 Classes of Claims (certain of which encompass numerous separate classes comprised of individual series of the relevant debt, as set forth on the Exhibits to the Plan). These Classes take into account the differing nature and priority of Claims against the City. Administrative Claims are not classified for purposes of voting or receiving distributions under the Plan (as is permitted by section 1123(a)(1) of the Bankruptcy Code) but are treated separately as unclassified Claims.

The Plan provides specific treatment for each Class of Claims. Only certain Holders of Claims that are impaired under the Plan are entitled to vote and receive Distributions under the Plan.

Unless otherwise provided in the Plan or the Confirmation Order, the treatment of any Claim under the Plan will be in full satisfaction, settlement, release and discharge of, and in exchange for, such Claim. Upon Confirmation, the Plan will be binding on all Holders of a Claim regardless of whether such Holders voted to accept the Plan.

The following discussion sets forth the classification and treatment of all Claims against the City. It is qualified in its entirety by the terms of the Plan, which is attached hereto as Exhibit A, and which should be read carefully by you in considering whether to vote to accept or reject the Plan.

B. Classification and Treatment of Claims

If the Plan is confirmed by the Bankruptcy Court, each Allowed Claim in a particular Class will receive the same treatment as the other Allowed Claims in such Class, whether or not the Holder of such Claim voted to accept the Plan.

1. Unclassified Claims

An Administrative Claim is a Claim against the City arising on or after the Petition Date and prior to the Effective Date for a cost or expense of administration related to the City's chapter 9 case that is entitled to priority or superpriority under sections 364(c)(1), 503(b) or 507(a)(2) of the Bankruptcy Code, including (a) Claims, pursuant to section 503(b)(9) of the Bankruptcy Code, for the value of goods received by the City in the 20 days immediately prior to the Petition Date and sold to the City in the ordinary course of the City's operations and (b) any Allowed Claims for reclamation under section 546(c)(1) of the Bankruptcy Code and/or section 2-702 of the Uniform Commercial Code; provided that no claim for professional fees or any other costs or expenses incurred by any official or unofficial creditors' committee (other than the Retiree Committee) or any member thereof shall be considered an Administrative Claim. Administrative Claims thus may include: (a) the actual and necessary costs and expenses incurred by the City in the ordinary course of its operations after the Petition Date (e.g., wages, salaries, payments for services and lease payments); (b) Claims under any Postpetition Financing Agreement; (c) any Allowed Claims for reclamation under section 546(c)(1) of the Bankruptcy Code and/or section 2-702 of the Uniform Commercial Code; and (d) Claims, pursuant to section 503(b)(9) of the Bankruptcy Code, for the value of goods received by the City in the 20 days immediately prior to the Petition Date and sold to the City in the ordinary course of its operations. In addition, section 503(b) of the Bankruptcy Code provides for payment of compensation or reimbursement of expenses to creditors and other entities making a "substantial contribution" to a chapter 9 case and to attorneys for, and other professional advisors to, such entities. The amounts, if any, that such Entities may seek for such compensation or reimbursement are not known by the City at this time. Requests for such compensation or

reimbursement must be approved by the Bankruptcy Court after notice and a hearing at which the City and other parties in interest may participate and, if appropriate, object to the allowance of any such compensation or reimbursement.

Except as specified in Section II.A.1 of the Plan, and subject to the bar date provisions therein, unless otherwise agreed by the Holder of an Administrative Claim and the City, or ordered by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of such Allowed Administrative Claim, Cash in an amount equal to such Allowed Administrative Claim either: (a) on the Effective Date or as soon as reasonably practicable thereafter; or (b) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim. No Claim of any official or unofficial creditors' committee (other than the Retiree Committee) or any member thereof for professionals' fees or other costs and expenses incurred by such creditors' committee or by a member of such creditors' committee shall constitute an Allowed Administrative Claim.

Unless otherwise agreed by Barclays Capital, Inc., pursuant to the Postpetition Financing Agreement, on or before the Effective Date, Postpetition Purchaser Claims that are Allowed Administrative Claims will be paid in Cash equal to the amount of those Allowed Administrative Claims.

Except as otherwise provided in Section II.A.2 of the Plan or in the Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the City pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the City and the requesting party by the later of (a) 150 days after the Effective Date, (b) 60 days after the Filing of the applicable request for payment of Administrative Claims or (c) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims.

Holders of Administrative Claims that are Postpetition Purchaser Claims will not be required to File or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied pursuant to Section II.A.1.b of the Plan.

Allowed Administrative Claims based on liabilities incurred by the City in the ordinary course of its business, including Administrative Claims arising from or with respect to the sale of goods or provision of services on or after the Petition Date in the ordinary course of the City's business and Administrative Claims arising from those contracts and leases of the kind described in Section II.D of the Plan, will be paid by the City, pursuant to the terms and conditions of the particular transaction giving rise to those Administrative Claims, without further action by the holders of such Administrative Claims or further approval by the Bankruptcy Court.

The Plan does not modify any Bar Date Order already in place, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

The City estimates that, as of the Effective Date, the total amount of Allowed Administrative Claims will be \$124,925,691.

2. Classified Claims

Class 1: Secured DWSD-Related Claims, subclassified as follows:

Class 1A: DWSD Bond Claims (One Class for each CUSIP of DWSD Bonds, as set forth on Exhibit I.A.110 to the Plan).

Unimpaired Classes: Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as unimpaired on Exhibit I.A.110 to the Plan shall have its Allowed DWSD Bond Claim Reinstated on the Effective Date, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.

Impaired Classes: Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as impaired on Exhibit I.A.110 to the Plan shall receive on or as soon as reasonably practicable after the Effective Date, in full satisfaction of such Allowed Claim, at the option of the City, either (a) New DWSD Bonds having a principal amount equal to the principal amount of the DWSD Bonds held by such Holder; or (b) Cash in the full amount of the principal and interest portion of such Allowed DWSD Bond Claim, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.

Accrued and unpaid interest as of the Distribution Date with respect to those DWSD Bonds for which a Holder of an Allowed DWSD Bond Claim receives New DWSD Bonds or New Existing Rate DWSD Bonds pursuant to the Plan shall be, at the option of the City, either (a) paid in Cash on the first Distribution Date following the date on which such DWSD Bond Claim is Allowed or (b) added to the principal amount of the New DWSD Bonds or New Existing Rate DWSD Bonds, as applicable, distributed to such Holder pursuant to the Plan.

Independent of whether a Holder votes to accept or reject the Plan, each Holder of an Allowed DWSD Class 1A Claim is also entitled to elect, by CUSIP, one of the following two options:

Option 1: New Existing Rate Water/Sewer Bonds having (a) an interest rate equal to the interest rate on the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP and (b) a principal amount equal to the outstanding amount of principal of the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP (plus, at the City's option, additional principal in the amount of accrued but unpaid interest on such Bonds as of the Distribution Date, to the extent such interest is not paid in cash). To receive New Existing Rate Water/Sewer Bonds, (a) the Holder must affirmatively make the election to receive New Existing Rate Water/Sewer Bonds and (b) the applicable Class of DWSD Class 1A Claims must accept the Plan. **In addition, the applicable securities of all Holders who elect to receive New Existing Rate Water/Sewer Bonds will be tendered into an election account established at the DTC. Such securities may not be withdrawn from the election account after the applicable nominee has tendered them to the election account. Once such securities have been tendered, no further trading will be permitted in the securities held in the election account. If the Plan is revoked or withdrawn, or if a Class of Impaired Class 1A Claims rejects the Plan, then any securities in affected Classes of Allowed Impaired Class 1A Claims that were tendered into an election account will be returned by the DTC, in accordance with its customary practices and procedures to the applicable nominee for credit to such Holder's account, and the securities will no longer be restricted from trading. If such Holder does not elect to receive New Existing Rate DWSD Bonds, then such Holder's securities will not be restricted from trading.**

Option 2: New Water/Sewer Bonds having (a) a principal amount equal to the outstanding amount of principal of the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP (plus, at the City's option, additional principal in the amount of accrued but unpaid interest on such Bonds as of the Distribution Date, to the extent such interest is not paid in cash) and (b) an interest rate equal to the interest rate set forth on the Interest Rate Reset Chart (Exhibit I.A.168) to the Plan) for the DWSD Class 1A Bonds held by such Holder in the applicable CUSIP. The New Water/Sewer Bonds will not be callable by the City for the shorter of five years after the date such New DWSD Bonds are issued or the date upon which the DWSD Bonds for which such New DWSD Bonds were exchanged pursuant to the Plan would have matured.

If a Holder elects both Option 1 and 2, fails to elect either Option 1 or 2 or attempts to split the election within a single CUSIP, the Holder will be deemed to have elected Option 2. Likewise, if a Class of DWSD Class 1A Claims does not accept the Plan and the Plan is confirmed, all Holders within such non-accepting Class will receive the treatment set forth in Option 2.

Class 1A Claims are impaired or unimpaired, as set forth on Exhibit I.A.110 to the Plan.

Class 1B: DWSD Revolving Sewer Bond Claims (One Class for each DWSD Series of DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.117 to the Plan).

Notwithstanding any other provision of the Plan, on the Effective Date, each Holder of an Allowed DWSD Revolving Sewer Bond Claim shall have its Allowed DWSD Revolving Sewer Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 1B Claims are unimpaired.

Class 1C: DWSD Revolving Water Bond Claims (One Class for each DWSD Series of DWSD Revolving Water Bonds, as set forth on Exhibit I.A.120 to the Plan).

Notwithstanding any other provision of the Plan, on the Effective Date, each Holder of an Allowed DWSD Revolving Water Bond Claim shall have its Allowed DWSD Revolving Water Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 1C Claims are unimpaired.

Class 2: Secured GO Debt Claims, subclassified as follows:

Class 2A: Secured GO Series 2010 Claims.

On the Effective Date, (a) the Secured GO Series 2010 Claims shall be deemed Allowed in the aggregate amount of \$252,475,366 and (b) each Holder of an Allowed Secured GO Series 2010 Claim shall have its Allowed Secured GO Series 2010 Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 2A Claims are unimpaired.

Class 2B: Secured GO Series 2010(A) Claims.

On the Effective Date, (a) the Secured GO Series 2010(A) Claims shall be deemed Allowed in the aggregate amount of \$101,707,848 and (b) each Holder of an Allowed Secured GO Series 2010(A) Claim shall have its Allowed Secured GO Series 2010(A) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 2B Claims are unimpaired.

Class 2C: Secured GO Series 2012(A)(2) Claims.

On the Effective Date, (a) the Secured GO Series 2012(A)(2) Claims shall be deemed Allowed in the aggregate amount of \$39,254,171 and (b) each Holder of an Allowed Secured GO Series 2012(A)(2) Claim shall have its Allowed Secured GO Series 2012(A)(2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 2C Claims are unimpaired.

Class 2D: Secured GO Series 2012(A2-B) Claims.

On the Effective Date, (a) the Secured GO Series 2012(A2-B) Claims shall be deemed Allowed in the aggregate amount of \$54,055,927 and (b) each Holder of an Allowed Secured GO Series 2012(A2-B) Claim shall have its Allowed Secured GO Series 2012(A2-B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 2D Claims are unimpaired.

Class 2E: Secured GO Series 2012(B) Claims.

On the Effective Date, (a) the Secured GO Series 2012(B) Claims shall be deemed Allowed in the aggregate amount of \$6,469,135 and (b) each Holder of an Allowed Secured GO Series 2012(B) Claim shall have its Allowed Secured GO Series 2012(B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 2E Claims are unimpaired.

Class 2F: Secured GO Series 2012(B2) Claims.

On the Effective Date, (a) the Secured GO Series 2012(B2) Claims shall be deemed Allowed in the aggregate amount of \$31,037,724 and (b) each Holder of an Allowed Secured GO Series 2012(B2) Claim shall have its Allowed Secured GO Series 2012(B2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 2F Claims are unimpaired.

Class 3: Other Secured Claims

On the Effective Date, each Holder of an Allowed Other Secured Claim shall have its Allowed Other Secured Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 3 Claims are unimpaired.

Class 4: HUD Installment Note Claims

On the Effective Date, (a) the HUD Installment Note Claims shall be deemed Allowed in the aggregate amount of \$90,075,004 and (b) each Holder of a HUD Installment Note Claim shall have its Allowed HUD Installment Note Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 4 Claims are unimpaired.

Class 5: COP Swap Claims

The COP Swap Claims shall be deemed Allowed as Secured Claims, which, solely for purposes of distributions from the City, will be equal to the Distribution Amount.

Each Holder of an Allowed COP Swap Claim, in full satisfaction of such Allowed Claim, shall receive, either: (a) within thirty days following the Effective Date, the Net Amount in full in cash, provided that until paid in cash in full, such Secured Claims will remain secured by the Pledged Property; or (b) solely in the case of a Liquidity Event, the Net Amount in cash in full within 180 days following the Effective Date, provided that (i) other than with respect to net proceeds used to repay the Postpetition Financing Agreement, to the extent permitted by law but without taking into consideration any limitations imposed by the City, including in any ordinance or resolution of the City, the first dollars of any net cash proceeds of any financing or refinancing consummated in connection with, or subsequent to, the consummation of such Plan and either (A) supported by the full faith and credit of the City or (B) payable from the general fund of the City, will be used to pay the Net Amount, (ii) the City will continue to comply with its obligations under the COP Swap Settlement and the COP Swap Settlement Approval Order until the Net Amount is paid in cash in full, (iii) until paid in cash in full, such Secured Claims will remain secured by the Pledged Property, (iv) from and after the Effective Date, the unpaid Net Amount will accrue interest at the rate applicable to obligations under the Postpetition Financing Agreement plus 1.5% with the interest obligation likewise being secured by the Pledged Property, and (v) the COP Swap Counterparties will receive from the City on the Effective Date a deferral fee in cash equal to 1.0% of the Net Amount to be shared equally between them.

Class 5 Claims are impaired.

Class 6: Parking Bonds Claims

On the Effective Date, (a) the Parking Bonds Claims shall be deemed Allowed in the amount of \$8,099,287 and (b) each Holder of an Allowed Parking Bonds Claim shall have its Allowed Parking Bonds Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

Class 6 Claims are unimpaired.

Class 7: Limited Tax General Obligation Bond Claims

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Limited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

Class 7 Claims are impaired.

Class 8: Unlimited Tax General Obligation Bond Claims

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Unlimited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of Restructured UTGO Bonds. Such Holders shall retain ownership of the Reinstated Stub UTGO Bonds, subject to Sections I.A.23 and IV.D of the Plan.

Class 8 Claims are impaired.

Class 9: COP Claims

The COP Claims are Disputed Claims and are not Allowed by the Plan, and the City reserves all rights to (a) object to, avoid or subordinate such Claims on any and all available grounds, including through the assertion of any and all grounds asserted in the COP Litigation, and (b) assign the right to object to, avoid or subordinate such Claims or the City's rights in the COP Litigation to the Creditor Representative. If the City seeks to settle the COP Litigation on terms other than those set forth herein, the City will use its best efforts to reach agreement with the Retiree Committee or the Detroit General VEBA and the Detroit Police and Fire VEBA, as applicable, on any such settlement. The treatment set forth below in respect of the COP Claims is afforded only if and to the extent that such Claims ultimately become Allowed Claims.

Solely for purposes of facilitating Distributions under this Plan and for no other purpose, on and as of the Effective Date, those portions of COP Claims that relate to, and are measured by, the payment schedule under the COPs shall be deemed assigned to the beneficial holders of the COPs on a Pro Rata basis, with each beneficial holder deemed to receive such portions of COP Claims in an amount equal to the proportion that the unpaid principal amount of such holder's COPs bears to the aggregate unpaid principal amount of all COPs. Each beneficial holder of COPs may elect to participate in the Plan COP Settlement in respect of some or all of those portions of COP Claims that would be deemed assigned to it and its Affiliates in the event that the Effective Date occurs.

Each beneficial holder of COPs may settle issues relating to allowance of the COP Claims that are deemed assigned to it and become a Settling COP Claimant as to some or all COPs held by it and its Affiliates by electing to participate in the Plan COP Settlement on a timely-returned Ballot accepting the Plan. Each Settling COP Claimant shall have its COP Claims deemed to be Allowed Claims in an amount equal to 40% of the aggregate unpaid principal amount of COPs held by such Settling COP Claimant and shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

Each beneficial holder of COPs shall receive the following treatment on account of its COP Claims unless such holder agrees to a different treatment of such Claims:

On the Effective Date, the City shall establish the Disputed COP Claims Reserve. The Disputed COP Claims Reserve shall contain no less than (a) an Unsecured Pro Rata Share of New B Notes, calculated as if such Disputed COP Claims were Allowed (i) in an amount equal to the aggregate unpaid principal amount as of the Petition Date for the COPs not subject to the Plan COP Settlement or (ii) in such lesser amount as may be required by an order of the Bankruptcy Court, and (b) any distributions made on account of New B Notes held in the Disputed COP Claims Reserve.

If and to the extent that Disputed COP Claims become Allowed Claims, the Holders of such Allowed Claims shall be sent a Distribution from the Disputed COP Claims Reserve of no less than (a) the portion of New B Notes held in the Disputed COP Claims Reserve initially allocated to the Disputed COP Claims that became Allowed Claims; and (b) any distributions received by the Disputed COP Claims Reserve on account of such portion of New B Notes. Upon the entry of an order by the trial court having jurisdiction over the objections to the Disputed COP Claims resolving all objections to the Disputed COP Claims and after all Distributions on account of Allowed COP Claims have been made or provided for, any and all New B Notes and distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed as follows: (a) an amount of New B Notes and/or distributions thereon in an amount equal to the costs, fees and expenses related to the COP Litigation incurred from and after the Effective Date shall be distributed to the City; (b) following such distribution, 65% of the New B Notes and any distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the New B Notes allocated to each pursuant to Sections II.B.3.s.ii.A and II.B.3.s.ii.B of the Plan; and (c) following such distribution, the remaining New B Notes and distributions thereon shall revert to the City, provided that the City, in its sole discretion, may choose to distribute such remaining property among holders of Allowed Claims in Classes 7, 13 and/or 14.

Class 9 Claims are impaired.

Class 10: PFRS Pension Claims

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.q.ii.A to the Plan. The exclusive source for such contributions shall be certain DIA Proceeds and a portion of the State Contribution. After June 30, 2023, (a) PFRS will receive certain additional DIA Proceeds and (b) the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of PFRS if such party chooses to do so.

During the period that ends on June 30, 2023, the trustees of the PFRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS that shall be 6.75%.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a PFRS Pension Claim shall be equal to the PFRS Adjusted Pension Amount for such Holder, provided that such PFRS Adjusted Pension Amount shall be (a) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (b) increased by any PFRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.q.ii.C to the Plan. For purposes of calculating a PFRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.q.ii.A to the Plan or any State contributions if the PFRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 of the Plan prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G of the Plan.

Each Holder of a PFRS Pension Claim who is an Active Employee shall receive, in addition to his or her PFRS Adjusted Pension Amount, as such amount may be modified by the Plan, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New PFRS Active Pension Plan Formula and the New PFRS Active Pension Plan.

PFRS shall establish an Investment Committee for the purpose of making recommendations to the board of trustees of PFRS with respect to certain matters, and for purposes of making some determinations. The Investment Committee will consist of five independent members and two or more non-independent members, which non-independent members may include employees of the City or members or retirees of PFRS; provided that at all times during the 20-year period following disbursement of the State Contribution, the independent members shall have at least 70% of the voting power. Each independent Investment Committee member shall possess, by reason of training or experience or both, a minimum level of expertise in managing or advising pension systems, all as agreed to by the City, the State and PFRS, after consultation with the Foundations.

Except as may be required to maintain the tax-qualified status of the PFRS, the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, or any successor plan or trust, that govern the calculation of pension benefits (including the PFRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior PFRS Pension Plan, the PFRS Restoration Payment, the New PFRS Active Pension Plan Formula and the terms of the New PFRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B of the Plan, the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11 and legislative action, shall include the following principal terms: (a) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (b) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b of the Plan. The Bankruptcy Court may not approve the release referenced in (b) in the preceding sentence; if it does not, the State will not be required to make the State Contribution.

Class 10 Claims are impaired.

Class 11: GRS Pension Claims

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior GRS Pension Plan only in the amounts identified on Exhibit II.B.3.r.ii.A to the Plan. The exclusive sources for such contributions shall be certain City sources, pension-related, administrative and restructuring payments received from the DWSD equal to approximately \$428.5 million, a portion of the State Contribution and certain DIA Proceeds. After June 30, 2023, (a) certain DIA Proceeds shall be contributed to the GRS and (b) the City will contribute such additional funds as are necessary to pay each Holder of a GRS Pension Claim his or her GRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior GRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of GRS if such party chooses to do so.

During the period that ends on June 30, 2023, the board of trustees of the GRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the GRS that shall be 6.75%.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a GRS Pension Claim shall be equal to the GRS Adjusted Pension Amount for such Holder, provided that such GRS Adjusted Pension Amount shall be (a) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (b) increased by any GRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.r.ii.C to the Plan. For purposes of calculating a GRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.r.ii.A to the Plan or any State contributions if the GRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 of the Plan prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

On or as soon as reasonably practicable after the Effective Date, the Annuity Savings Fund Excess Amount will be calculated for each ASF Current Participant and will be deducted from such participant's Annuity Savings Fund account and be used to fund the accrued pension benefits of all GRS participants; provided, however, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.

The Annuity Savings Fund Excess Amount will be calculated for each ASF Distribution Recipient, will then be converted into monthly annuity amounts based on each ASF Distribution Recipient's life expectancy and other factors and will be deducted from the ASF Distribution Recipient's monthly pension check; provided, however, that in no event shall the total amount deducted from an ASF Distribution Recipient's monthly pension checks exceed the ASF Recoupment Cap or, if applicable, the Current GRS Retiree Adjustment Cap.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G of the Plan.

Each Holder of a GRS Pension Claim who is an Active Employee shall receive, in addition to his or her GRS Adjusted Pension Amount, as such amount may be modified by the Plan, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New GRS Active Pension Plan Formula and the New GRS Active Pension Plan.

GRS shall establish an Investment Committee for the purpose of making recommendations to the board of trustees of GRS with respect to certain matters, and for purposes of making some determinations. The Investment Committee will consist of five independent members and two or more non-independent members, which non-independent members may include employees of the City or members or retirees of GRS; provided that at all times during the 20-year period following disbursement of the State Contribution, the independent members shall have at least 70% of the voting power. Each independent Investment Committee member shall possess, by reason of training or experience or both, a minimum level of expertise in managing or advising pension systems, all as agreed to by the City, the State and GRS, after consultation with the Foundations.

Except as may be required to maintain the tax-qualified status of the GRS, the City, the trustees of the GRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the GRS, or any successor plan or trust, that govern the calculation of pension benefits (including the GRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior GRS Pension Plan, the

GRS Restoration Payment, the New GRS Active Pension Plan Formula and the terms of the New GRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.r.ii.B of the Plan, the contribution to the GRS, or the calculation or amount of GRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11 and legislative action, shall include the following principal terms: (a) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (b) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b of the Plan. The Bankruptcy Court may not approve the release referenced in (b) in the preceding sentence; if it does not, the State will not be required to make the State Contribution.

Class 11 Claims are impaired.

Class 12: OPEB Claims

As set forth in Section VIII.L.3.d, the City and the Retiree Committee have agreed to settle their differences with respect to the Allowed amount of the OPEB Claim and with respect to whether any Postpetition OPEB Payments should be set off against the claim amount or the Class 12 distribution under the Plan. The parties have agreed that, as part of their settlement, the Postpetition OPEB Payments will be deducted from the gross amount of the OPEB Claim. As a result, the parties have agreed that the Allowed OPEB Claim shall be \$4,303,000,000. On the Effective Date, the two VEBAs discussed below will receive their Pro Rata share of the New B Notes in full satisfaction of the Allowed OPEB Claim.

Establishment of Detroit General VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit General VEBA to provide health benefits to Detroit General VEBA Beneficiaries and certain of their dependents. The Detroit General VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA Beneficiaries. The Detroit General VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.78 to the Plan, and shall, among other things, identify the members of the Detroit General VEBA's initial board of trustees. The DRCEA and the Retiree Committee will each be able to appoint board members in equal numbers, and such appointees will constitute a majority of the initial Detroit General VEBA board; the City will appoint the remaining members. Nothing in the Plan precludes either the Detroit General VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit General VEBA: On the Effective Date, the City shall distribute to the Detroit General VEBA New B Notes in the aggregate principal amount of \$218,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit General VEBA Beneficiaries. The Detroit General VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2 of the Plan.

Establishment of Detroit Police and Fire VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit Police and Fire VEBA to provide health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents. The Detroit Police and Fire VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA Trust Agreement and related plan documentation will be substantially

in the form set forth on Exhibit I.A.82 to the Plan, and shall, among other things, identify the members of the Detroit Police and Fire VEBA's initial board of trustees. The initial board members will be appointed by the City, the Retiree Committee and the RDPFFA. Nothing in the Plan precludes either the Detroit Police and Fire VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit Police and Fire VEBA: On the Effective Date, the City shall distribute to the Detroit Police and Fire VEBA New B Notes in the aggregate principal amount of \$232,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2 of the Plan.

From and after the Effective Date, the City shall have no further responsibility to provide retiree healthcare or any other retiree welfare benefits. The City shall have no responsibility from and after the Effective Date to provide life insurance or death benefits to current or former employees. On the Effective Date, the Employees Death Benefit Plan will be frozen, and the City will no longer have an obligation to contribute to fund death benefits under the plan for any participant or beneficiary. The Employees Death Benefit Plan will be self-liquidating, and existing retirees who participate in the plan will be granted a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the plan funding. For the avoidance of doubt, the Employees Death Benefit Plan shall not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. The Employees Death Benefit Board of Trustees shall continue to manage the Employees Death Benefit Plan and employ the staff of the Retirement Systems to administer the disbursement of benefits thereunder, the costs of which administration shall be borne by the assets of the Employees Death Benefit Plan.

Class 12 Claims are impaired.

Class 13: Downtown Development Authority Claims

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Downtown Development Authority Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

Class 13 Claims are impaired.

Class 14: Other Unsecured Claims

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

Class 14 Claims are impaired.

Class 15: Convenience Claims

Each Holder of an Allowed Convenience Claim, in full satisfaction of such Allowed Claim, shall receive Cash equal to the amount of 25% of such Allowed Claim (as reduced, if applicable, pursuant to an election by such Holder in accordance with Section I.A.55 of the Plan) on or as soon as reasonably practicable after the Effective Date, unless such Holder agrees to a different treatment of such Claim.

Class 15 Claims are impaired.

Class 16: Subordinated Claims

On the Effective Date, all Subordinated Claims shall be disallowed, extinguished and discharged without Distribution under the Plan, and Holders of Subordinated Claims shall not receive or retain any property on account of such Claims. Pursuant to section 1126(g) of the Bankruptcy Code, Class 16 is deemed to

have rejected the Plan and Holders of Subordinated Claims are not entitled to cast a Ballot in respect of such Claims.

Class 16 Claims are impaired.

C. Treatment of Executory Contracts and Unexpired Leases

1. Assumption

Except as otherwise provided in the Plan, in any contract, instrument, release or other agreement or document entered into in connection with the Plan or in a Final Order of the Bankruptcy Court, or as requested in any motion Filed by the City on or prior to the Effective Date, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the City will be deemed to assume all Executory Contracts and Unexpired Leases to which it is a party. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. The Retiree Committee asserts that the assumption of the City's agreements with and grants from the United States Department of Transportation ("DOT") requires the City to assume in full the pension obligations of certain DOT employees pursuant to under Section 13(c) of the Urban Mass Transportation Act of 1964.

2. Assumption of Ancillary Agreements

Each Executory Contract and Unexpired Lease assumed pursuant to Section II.D.1 of the Plan will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such Executory Contract or Unexpired Lease, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section II.D.6 of the Plan or designated for rejection in accordance with Section II.D.3 of the Plan.

3. Approval of Assumptions and Assignments

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 of the Plan (and any related assignment) as of the Effective Date, except for Executory Contracts or Unexpired Leases that (a) have been rejected pursuant to a Final Order of the Bankruptcy Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 of the Plan or (e) are designated for rejection in accordance with the last sentence of this paragraph. An order of the Bankruptcy Court (which may be the Confirmation Order) entered on or prior to the Confirmation Date will specify the procedures for providing notice to each party whose Executory Contract or Unexpired Lease is being assumed pursuant to the Plan of: (a) the Executory Contract or Unexpired Lease being assumed; (b) the Cure Amount Claim, if any, that the City believes it would be obligated to pay in connection with such assumption; (c) any assignment of an Executory Contract or Unexpired Lease; and (d) the procedures for such party to object to the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease. If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be deemed effective as of the Effective Date.

4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the City: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding: (a) the amount of any Cure Amount Claim, (b) the ability of the City or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to the assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order resolving the dispute and approving the assumption.

5. Contracts and Leases Entered Into After the Petition Date

Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5 to the Plan, will be performed by the City in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

6. Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 to the Plan shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 to the Plan shall be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. The City reserves its right, at any time on or prior to the Effective Date, to amend Exhibit II.D.6 to the Plan to delete any Executory Contract or Unexpired Lease therefrom, thus providing for its assumption pursuant to Section II.D.1 of the Plan, or add any Executory Contract or Unexpired Lease thereto, thus providing for its rejection pursuant to Section II.D.6 of the Plan. The City will provide notice of any amendments to Exhibit II.D.6 to the Plan to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then applicable service list in the Chapter 9 Case. Listing a contract or lease on Exhibit II.D.6 to the Plan shall not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

7. Rejection Damages Bar Date

Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served upon counsel to the City on or before the later of: (a) 30 days after the Effective Date; or (b) 30 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3 of the Plan. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City.

8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the City under such contract or lease. Notwithstanding any applicable non-bankruptcy law to the contrary, the City expressly reserves and does not waive any right to receive, or any continuing obligation of a non-City party to provide, warranties, indemnifications or continued maintenance obligations on goods previously purchased, or services previously received, by the City from non-City parties to rejected Executory Contracts or Unexpired Leases, and any such rights shall remain vested in the City as of the Effective Date.

9. Insurance Policies

From and after the Effective Date, each of the City's insurance policies (other than welfare benefits insurance policies) in existence as of or prior to the Effective Date shall be reinstated and continue in full force and effect in accordance with its terms and, to the extent applicable, shall be deemed assumed by the City pursuant to section 365 of the Bankruptcy Code and Section II.D.1 of the Plan. Nothing contained herein shall constitute or be deemed a waiver of any Causes of Action that the City may hold against any Entity, including any insurer under any of the City's insurance policies. For the avoidance of doubt, no Bond Insurance Policies shall be construed as City insurance policies. Nothing in this Section or the Plan is intended to impair, modify, affect or otherwise alter the right of any party under any Bond Insurance Policy. For the avoidance of doubt, nothing contained in Section II.D.9 of the Plan shall apply to reinstate or continue any obligation of the City or any fund thereof to any Bond Insurer.

D. Effectiveness of the Plan

The Plan shall become effective on the Effective Date. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

1. Conditions Precedent to the Effective Date

The Effective Date will not occur, and the Plan will not be consummated, unless and until the City has determined that all of following conditions have been satisfied or waived in accordance with Section III.B of the Plan:

- The Bankruptcy Court shall have entered the Confirmation Order in form and substance satisfactory to the City.
- The Bankruptcy Court shall have entered an order (which may be included in the Confirmation Order) approving and authorizing the City to take all actions necessary or appropriate to implement the Plan, including the transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, settlements, releases and other agreements or documents entered into or delivered in connection with the Plan.
- The Confirmation Order shall not be stayed in any respect.
- All actions and all contracts, instruments, settlements, releases and other agreements or documents necessary to implement the terms and provisions of the Plan are effected or executed and delivered, as applicable, in form and substance satisfactory to the City.
- All authorizations, consents and regulatory approvals, if any, required in connection with the consummation of the Plan have been obtained and not revoked, including all governmental and Emergency Manager consents and approvals required to carry out the terms of the UTGO Settlement.
- Any legislation that must be passed by the Michigan Legislature to effect any term of the Plan shall have been enacted.
- The Michigan Finance Authority board shall have approved the issuance of the Restructured UTGO Bonds.
- The Plan and all Exhibits shall have been Filed and shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made in accordance with Section VIII.A of the Plan.
- If Classes 10 and 11 have accepted the Plan, all conditions to the effectiveness of the State Contribution Agreement and the DIA Settlement Documents have been satisfied.
- The Effective Date shall have occurred within 180 days of the entry of the Confirmation Order, unless the City requests an extension of such deadline and such deadline is extended by the Bankruptcy Court.

2. Waiver of Conditions to the Effective Date

The conditions to the Effective Date set forth in Section III.A of the Plan may be waived in whole or part at any time by the City in its sole and absolute discretion.

3. Effect of Nonoccurrence of the Effective Date

If each of the conditions to the Effective Date is not satisfied, or duly waived in accordance with Section III.B of the Plan, then upon motion by the City made before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is satisfied before the Bankruptcy Court enters an order granting such motion.

If the Confirmation Order is vacated pursuant to Section III.C of the Plan: (a) the Plan will be null and void in all respects, including with respect to (i) the discharge of Claims pursuant to section 944(b) of the Bankruptcy Code, (ii) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Section II.D of the Plan and (iii) the releases described in Section III.D.7 of the Plan; and (b) nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, will be or will be deemed to be (i) a waiver or release of any Claims by or against the City, (ii) an admission of any sort by the City or any other party in interest or (iii) prejudicial in any manner the rights of the City or any other party in interest.

4. Request for Waiver of Automatic Stay of Confirmation Order

The Plan shall serve as a motion seeking a waiver of the automatic stay of the Confirmation Order imposed by Bankruptcy Rule 3020(e). Any objection to this request for waiver shall be Filed and served on the parties listed in Section VIII.L of the Plan on or before the Voting Deadline.

E. No Diminution of State Power

No provision of this Plan shall be construed: (1) to limit or diminish the power of the State to control, by legislation or otherwise, the City in the exercise of the political or governmental powers of the City, including expenditures for such exercise; (2) to limit or diminish the power of the State to effect setoffs necessary to compensate the State or relieve the State of liability against funds (a) owing to the City from the State, (b) granted to the City by the State or (c) administered by the State on behalf of the City or the federal government (including funds resulting from federal or state grants), for acts or omissions by the City (including but not limited to misappropriation or misuse of funds); and (3) as a waiver by the State of its rights as a sovereign or rights granted to it pursuant to the Tenth Amendment to the United States Constitution, or limit or diminish the State's exercise of such rights. The Retiree Committee believes that the injunctions prohibiting changes to the treatment of pensions for ten years following confirmation of the Plan is in direct conflict with this statement.

F. Effects of Confirmation

1. Binding Effect

Pursuant to section 944(a) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall bind all Holders of Claims, and their respective successors and assigns, whether or not the Claim of any such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan. The releases and settlements effected under the Plan will be operative, and subject to enforcement by the Bankruptcy Court, from and after the Effective Date, including pursuant to the injunctive provisions of the Plan. Once approved, the compromises and settlements embodied in the Plan, along with the treatment of any associated Allowed Claims, shall not be subject to any collateral attack or other challenge by any Entity in any court or other forum. As such, any Entity that opposes the terms of any compromise and settlement set forth in the Plan must (a) challenge such compromise and settlement prior to Confirmation of the Plan and (b) demonstrate appropriate standing to object and that the subject compromise and settlement does not meet the standards governing bankruptcy settlements under Bankruptcy Rule 9019 and other applicable law.

2. Dissolution of Official Committees

Following the Effective Date, the Retiree Committee, to the extent not previously dissolved or disbanded, will dissolve and disband, and the members of the Retiree Committee and their respective professionals will cease to have any role arising from or related to the Chapter 9 Case, provided, however, that, if and only if the Retiree Committee is the Creditor Representative under the Plan, the Retiree Committee shall continue to exist solely for the purposes of objecting to or otherwise asserting the City's or its creditors' rights with respect to Disputed COP Claims pursuant to Section II.B.3.p.i of the Plan. If the Retiree Committee is the Creditor Representative, it shall be disbanded upon the final resolution of all Disputed COP Claims or pursuant to an order of the Bankruptcy Court, which order may be sought by the City for good cause shown. All fees and expenses of the Creditor Representative shall be subject to the approval of the City. All disputes relating to the approval of fees and expenses shall be determined by the Bankruptcy Court. No party to any such dispute shall have any right to appeal an order of the Bankruptcy Court resolving any such dispute.

3. Preservation of Rights of Action by the City

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the City will retain and may enforce any claims, demands, rights, defenses and Causes of Action that it may hold against any Entity, including but not limited to any and all Causes of Action against any party relating to the past practices of the Retirement Systems (including any investment decisions related to, and the management of, the Retirement Systems' respective pension plans and/or assets), to the extent not expressly released under the Plan or pursuant to any Final Order of the Bankruptcy Court. A nonexclusive schedule of currently pending actions and claims brought by the City is attached as Exhibit III.D.2 to the Plan. The City's inclusion of, or failure to include, any right of action or claim on Exhibit III.D.2 to the Plan shall not be deemed an admission, denial or waiver of any claims, demands, rights or Causes of Action that the City may hold against any Entity, and all Entities are hereby notified that the City intends to preserve all such claims, demands, rights or Causes of Action.

4. Comprehensive Settlement of Claims and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim may have with respect to any Allowed Claim or any Distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are (a) in the best interests of the City, its property and Claim Holders and (b) fair, equitable and reasonable. For the avoidance of doubt, Section III.D.3 of the Plan shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims.

5. Discharge of Claims

(a) Complete Satisfaction, Discharge and Release.

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date, discharge the City from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the Holder of a Claim based on such debt has accepted the Plan.

(b) Discharge

In accordance with Section III.D.4.b of the Plan, except as expressly provided otherwise in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of a discharge of all Claims and other debts and Liabilities against the City, pursuant to sections 524(a)(1), 524(a)(2) and 944(b) of the Bankruptcy Code, and such discharge will void any judgment obtained against the City at any time, to the extent that such judgment relates to a discharged Claim; provided that such discharge will not apply to (i) Claims specifically exempted from discharge under the Plan; and (ii) Claims held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case.

6. Injunction

On the Effective Date, except as otherwise provided herein or in the Confirmation Order,

- **All Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims, along with their Related Entities, shall be permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than**

actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order):

- commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property (including (a) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (b) Indirect 36th District Court Claims and (c) Indirect Employee Indemnity Claims). For the avoidance of doubt, because, under Michigan law, the City is solely responsible for funding the 36th District Court and because the City owns certain property located in the 36th District Court, actions taken against the 36th District Court and/or its property constitute indirect actions against the City and/or its property.
 - enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property.
 - creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the City or its property.
 - asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property.
 - proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth herein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan.
 - taking any actions to interfere with the implementation or consummation of the Plan.
- All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan will be permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (b) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

7. Exculpation.

From and after the Effective Date, to the fullest extent permitted under applicable law, neither the City, its Related Entities (including the members of the City Council, the Mayor and the Emergency Manager), to the extent a claim arises from actions taken by such Related Entity in its capacity as a Related Entity of the City, the State, the State Related Entities, the Exculpated Parties nor the Released Parties shall have or incur any liability to any person or Entity for any act or omission in connection with, relating to or arising out of the City's restructuring efforts and the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the formulation, preparation, negotiation, dissemination, consummation, implementation, confirmation or approval (as applicable) of the Plan, the property to be distributed under the Plan, the settlements implemented under the Plan, the Exhibits, the Disclosure Statement, any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan or the management or operation of the City; provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities, the State, the State Related Entities, the Released Parties and the Exculpated Parties that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct or any act or omission occurring before the Petition Date. The City, its Related Entities (with respect to actions taken by such Related Entities in their capacities as Related Entities of the City), the State, the State Related Entities, the Released Parties and the Exculpated Parties shall be entitled to

rely upon the advice of counsel and financial advisors with respect to their duties and responsibilities under, or in connection with, the Chapter 9 Case, the administration thereof and the Plan.

8. Releases

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement):

- Each holder of a Claim that votes in favor of the Plan, to the fullest extent permissible under law, will be deemed to forever release, waive and discharge all Liabilities in any way relating to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, the Exhibits or the Disclosure Statement that such entity has, had or may have against the City, its Related Entities, the State, the State Related Entities and the Released Parties (which release will be in addition to the discharge of Claims provided herein and under the Confirmation Order and the Bankruptcy Code), provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; provided further that Section III.D.7.a of the Plan shall not apply to any Exculpated Party; and provided further, however, that if Classes 10 and 11 vote to accept the Plan, but any necessary conditions precedent to the receipt of the initial funding from the State (pursuant to the State Contribution Agreement) and the DIA Funding Parties (pursuant to the DIA Settlement) that can be satisfied or waived by the applicable funding party prior to the Confirmation Hearing (including, but not limited to, adoption of relevant legislation and appropriations by the State and execution of necessary and irrevocable agreements for their funding commitments by each of the DIA Funding Parties, which conditions may not be waived) are not satisfied or waived by the applicable funding party prior to the Confirmation Hearing, then Holders of Claims in Classes 10 and 11 that voted to accept the Plan shall be deemed to have voted to reject the Plan, and the voluntary release set forth in the first sentence of Section III.D.7.a of the Plan shall not apply to Holders of Claims in Classes 10 and 11; and
- If the State Contribution Agreement is consummated, each holder of a Pension Claim will be deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (1) pensions as modified by the Plan or (2) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees and/or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law and/or the Plan.

The City believes that the provisions of the releases contemplated in Section III.D.7 of the Plan comply with applicable Sixth Circuit law. The Retiree Committee and the Retirement Systems disagree.

G. Retention of Jurisdiction by the Bankruptcy Court

Pursuant to sections 105(c), 945 and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the City's chapter 9 case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- Allow, disallow, estimate, determine, liquidate, reduce, classify, re-classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the amount, allowance, priority or classification of Claims;

- Enforce the term (maturity) of the collective bargaining agreements identified on Exhibit II.D.5 to the Plan, notwithstanding any state law to the contrary;
- Resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including claims for payment of any cure amount;
- Ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
- Adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving the City that may be pending on the Effective Date or brought thereafter;
- Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;
- Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;
- Approve any modification of the Plan or approve any modification of the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any order, the Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or enter any order in aid of confirmation pursuant to sections 945 and 1142(b) of the Bankruptcy Code, in such manner as may be necessary or appropriate to consummate the Plan;
- Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;
- Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or Distributions pursuant to the Plan are enjoined or stayed;
- Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;
- Enforce or clarify any orders previously entered by the Bankruptcy Court in the Chapter 9 Case;
- Enter a final decree closing the Chapter 9 Case pursuant to section 945(b) of the Bankruptcy Code; and
- Hear any other matter over which the Bankruptcy Court has jurisdiction under the provisions of the Bankruptcy Code and the Bankruptcy Rules subject to any limits on the Bankruptcy Court's jurisdiction and powers under sections 903 and 904 of the Bankruptcy Code.

IV.

MEANS OF IMPLEMENTATION OF THE PLAN

A. The New Notes

1. The New B Notes

On the Effective Date, the City shall issue the New B Notes and distribute them as set forth in the Plan. The definitive documentation governing the New B Notes shall provide generally for the following terms:

- *Obligation:* The City's obligations with respect to the New B Notes shall be a general and unsecured obligation of the City.
- *Initial Principal Amount:* \$650.0 million.
- *Interest Rate:* 4.0% for the first 20 years; 6.0% for years 21-30.
- *Maturity:* 30 years.
- *Amortization:* Interest only for 10 years; amortization in 20 equal annual installments beginning on the interest payment date nearest to the 11th anniversary from issuance.
- *Disclosure:* The City will provide a continuing disclosure undertaking under 17 C.F.R. § 240.15c2-12 in connection with the delivery of the New B Notes.

B. DWSD

1. Rates and Revenues

DWSD will maintain Fiscal Year 2015 rate setting protocols for a minimum of five years, subject to certain changes necessary to stabilize water and sewer revenues. The City may seek to implement a rate stability program for City residents, the purpose of which would be to (a) provide a source of funds to mitigate against rate increases, (b) enhance affordability and (c) provide a buffer against delinquent payments.

2. DWSD Pension Funding Contribution

The Plan contemplates that DWSD will contribute a total of \$428.5 million to GRS over the 9-year period ending June 30, 2023. The payments to be made by DWSD constitute its full allocable share of the GRS UAAL remaining after the pension modifications contemplated by the Plan and related administrative and restructuring costs. The amount of the payments to be made by DWSD has been determined as the amount necessary to fund, by June 30, 2023, the underfunded GRS liabilities allocable to DWSD that will have accrued as of June 30, 2014. The total amount of the payments to be made by DWSD has been calculated based on an assumed investment rate of return of 6.75% and further assumes that the GRS pension plan will be frozen as of June 30, 2014.

3. DWSD CBAs

Collective bargaining agreements with respect to current DWSD employees that are in effect and not expired as of the Effective Date will be assumed by the City.

4. The New DWSD Bonds

DWSD shall, as necessary, issue the New DWSD Bonds and distribute them as set forth in the Plan. The definitive documentation governing the New DWSD Bonds shall be filed with the Plan Supplement, and shall provide generally for the following:

- *Principal:* Equal to the amount of DWSD Bonds receiving New DWSD Bonds, plus amounts necessary to pay expenses of the financing.
- *Interest rate:* Calculated by reference to the Interest Rate Reset Chart attached as Exhibit I.A.168 to the Plan. Based on the City's analysis, the resetting of interest rates on New DWSD Bonds pursuant to the Interest Rate Reset Chart will save the City between \$0 and \$320 million on a net present value basis.
- The rate curve used in developing the Interest Rate Reset Chart is a yield curve indicative of the pro forma credit profile of DWSD and reflects the pro forma interest rates that would provide the bondholders with a par recovery based on existing maturities. In determining the curve, the City analyzed multiple factors, including:
 - A review of DWSD's pro forma projections, restructured obligations and relevant prospective credit metrics, including leverage, coverage, the size of DWSD and the economic strength of the underlying communities;
 - Evaluation of comparable situations;
 - Available relevant published market indices and composite yield curves; and
 - Discussions with capital market participants.
- The City has identified particular debt issuances which are not callable in the next 26 months under their contractual terms and with coupons substantially in excess of the rate curve.
- *Maturity Dates:* Equal to the existing maturity(ies) of each CUSIP of DWSD Bonds receiving New DWSD Bonds.
- *Prepayment:* The City may prepay or redeem all or any portion of the New DWSD Bonds issued to a holder of DWSD Bonds at any time on or after the earlier of (a) the date that is five years after the date such New DWSD Bonds are issued or (b) the date upon which the DWSD Bonds for which such New DWSD Bonds were exchanged pursuant to the Plan would have matured.
- *Other Terms:* The New DWSD Bonds otherwise shall have the same terms and conditions as the applicable CUSIP of DWSD Bonds receiving New DWSD Bonds.

5. The New Existing Rate DWSD Bonds

DWSD shall, as necessary, issue the New Existing Rate DWSD Bonds and distribute them as set forth in the Plan. The definitive documentation governing the New Existing Rate DWSD Bonds shall be filed with the Plan Supplement, and shall provide generally for the following:

- *Principal:* Equal to the amount of DWSD Bonds receiving New Existing Rate DWSD Bonds, plus amounts necessary to pay expenses of the financing.
- *Interest rate:* Equal to the existing interest rates of each CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.
- *Maturity Dates:* Equal to the existing maturity(ies) of each CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.
- *Prepayment:* The City may prepay or redeem all or any portion of the New Existing Rate DWSD Bonds at any time at its option and without penalty or premium.
- *Other Terms:* The New Existing Rate DWSD Bonds otherwise shall have the same terms and conditions as the applicable CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.

C. The Plan COP Settlement

The City shall consummate the Plan COP Settlement on the Effective Date, substantially on the terms set forth on Exhibit I.A.214 to the Plan. Settling COP Claimants shall receive the treatment described in Section II.B.3.p.iii.A of the Plan.

D. The UTGO Settlement

The City shall consummate the UTGO Settlement on the Effective Date, substantially on the terms set forth on Exhibit I.A.285 to the Plan. The treatment of Unlimited Tax General Obligation Bond Claims under the Plan is provided for pursuant to the UTGO Settlement, which involves the settlement of, among other things, the UTGO Litigation and is subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019. Pursuant to the UTGO Settlement, among other things: (1) the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000; (2) the City shall issue the Municipal Obligation to the Municipal Finance Authority, which in turn will issue the Restructured UTGO Bonds; (3) Holders of Allowed Unlimited Tax General Obligation Bond Claims shall be entitled to receive their Pro Rata share of Restructured UTGO Bonds; and (4) a designee or designees of the City shall have the right to receive the Assigned UTGO Bond Tax Proceeds, which Assigned UTGO Bond Tax Proceeds will be distributed over a 14-year period to the Income Stabilization Funds of GRS and PFRS for the payment of Income Stabilization Payments to Eligible Pensioners and to the Retirement Systems, in accordance with applicable agreements.

E. The State Contribution Agreement

On the Effective Date, if Classes 10 and 11 vote to accept the Plan, the City and the State will enter into the State Contribution Agreement, substantially on the terms set forth on Exhibit I.A.268 to the Plan.

1. State Contribution

The State or the State's authorized agent will contribute the net present value of \$350 million payable over 20 years using a discount rate of 6.75% to GRS and PFRS for the benefit of the Holders of Pension Claims.

2. Income Stabilization Payments

The Income Stabilization Funds of GRS and PFRS will receive not less than an aggregate amount of \$20 million over 14 years of the Assigned UTGO Bond Tax Proceeds in the form of annual installment payments pursuant to a payment schedule approved by the State. Following the Effective Date, on an annual basis, GRS and PFRS will distribute such portion of the funds held in their respective Income Stabilization Fund to Eligible Pensioners entitled to receive the Income Stabilization Benefit and the Income Stabilization Benefit Plus. The Income Stabilization Benefit, which will be calculated in the first year following the Effective Date and will not increase thereafter, will be provided by the applicable Retirement System to each Eligible Pensioner. In addition, to the extent that an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in any calendar year after the first year of the income stabilization program is less than 105% of the Federal Poverty Level for such year, the applicable Retirement System will distribute the Income Stabilization Benefit Plus to such Eligible Pensioner.

In the event that, in 2022 (provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to GRS or PFRS, as applicable, at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee of GRS or PFRS, as applicable, that the Income Stabilization Fund of the applicable Retirement System is credited with Excess Assets, the respective Investment Committee may recommend that the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System. In the event that any funds remain in the Income Stabilization Fund of each or either of GRS or PFRS on the date upon which no Eligible Pensioners under the applicable Retirement System are living, such funds shall be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System.

3. Conditions to State's Participation

The State's payment of the State Contribution is conditioned upon satisfaction of the conditions precedent set forth in the State Contribution Agreement, including, among other things, the following: (a) the Confirmation Order becoming a Final Order no later than September 30, 2014, which Confirmation Order must contain certain provisions as set forth in the

State Contribution Agreement; (b) the occurrence of the Effective Date no later than December 31, 2014; (c) acceptance of the Plan by Classes 10 and 11, which Plan must be in form and substance reasonably acceptable to the State and contain certain release provisions; (d) the Retiree Committee's endorsement of the Plan, including a letter from the Retiree Committee recommending that Classes 10 and 11 vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in Classes 10 and 11; (e) active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way the litigation described in subsection (f) of this Section by, the City, the Retiree Committee, the Retirement Systems and certain unions and retiree associations, or equivalent assurances of litigation finality; (f) cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, (i) challenging PA 436 or any actions taken pursuant to PA 436 as it relates to the City or (ii) to enforce Article IX, Section 24 of the Michigan Constitution, or equivalent assurances of finality of such litigation; (g) a firm commitment by the Foundations to contribute an aggregate amount of not less than \$366 million to fund the DIA Settlement; (h) a firm commitment by DIA Corp. to raise at least \$100 million from its donors to fund the DIA Settlement; (i) assurances that the State Contribution may only be used to fund payments to Holders of Pension Claims in accordance with the terms of the State Contribution Agreement; (j) assurances that the Retirement Systems must at all times during the 20 years following the Effective Date maintain an Investment Committee for the purpose of making recommendations to, and approving certain actions by, the respective Retirement System's board of trustees and/or making determinations and taking action under, and with respect to certain matters described in, the State Contribution Agreement; (k) assurances that an income stabilization program will be operated; (l) assurances that the provisions of the State Contribution Agreement regarding governance of the Retirement Systems will be approved; (m) the execution of the State Contribution Agreement acceptable in form and substance to the City and the State; and (n) the passage of legislation prior to Confirmation authorizing the State Contribution.

4. Release of Claims Against the State and State Related Entities

The State Contribution Agreement requires that the Plan provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b of the Plan.

F. The DIA Settlement

On the Effective Date, if all necessary conditions have been satisfied, the City, the Foundations and DIA Corp. will enter into the DIA Settlement, pursuant to which (1) the DIA Funding Parties have committed to assist in the funding of the City's restructured legacy pension obligations and (2) the City has agreed to enter into certain transactions that will cause the DIA Assets to remain in the City in perpetuity and to otherwise make the DIA Assets available for the benefit of the residents of the City and the Counties and the citizens of the State. The Plan assumes that the DIA Settlement will be consummated and does not provide for any transfer of the DIA Assets absent consummation of the DIA Settlement. The Foundations have required that their funds be applied to fund the City's restructured legacy pension obligations. The documents governing the DIA Settlement, which are attached as Exhibit I.A.92 to the Plan, will qualify the description of the DIA Settlement in the Plan, Disclosure Statement and Exhibit I.A.91 to the Plan.

1. Funding Contributions

The DIA Settlement will be funded as follows: (a) an irrevocable commitment of at least \$366 million by the Foundations; and (b) in addition to its continuing commitments outside of the DIA Settlement, an irrevocable commitment from DIA Corp. to raise at least \$100 million from its donors (subject to certain adjustments as set forth in the DIA Settlement Documents), the payment of which \$100 million will be guaranteed by DIA Corp., subject to the terms of the DIA Settlement Documents. The foregoing commitments shall be funded over the course of the 20-year period immediately following the Effective Date (subject to the annual confirmation of the City's continuing compliance with the terms of the DIA Settlement) according to an "Agreed Required Minimum Schedule" and "Present Value Discount," as set forth in Exhibit I.A.92 to the Plan. Amounts committed by the Foundations will be paid to the CFSEM Supporting Organization, which will (a) transfer such amounts for the purpose of funding the Retirement Systems upon the City's satisfaction of certain conditions and (b) not be subject to claims of creditors of the Community Foundation for Southeast Michigan.

2. Transfer of DIA Assets

Upon closing of the DIA Settlement transaction, the City shall irrevocably transfer the DIA Assets to DIA Corp., as trustee, to be held in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and the Counties and the citizens of the State. Pursuant to the DIA Settlement, DIA Corp. would continue to hold the DIA Assets in charitable trust even in the event of a default by one or more of the Foundations.

3. Conditions to the Foundations' Participation

The DIA Funding Parties' participation in the DIA Settlement is conditioned upon, among other things, the following: (a) execution of the DIA Settlement Documents by each Foundation; (b) the irrevocable commitment from the DIA Corp. described in Section IV.F.1 of the Plan; (c) the acceptance of the Plan by Classes 10 and 11; (d) the irrevocable transfer by the City of the DIA Assets described in Section IV.F.2 of the Plan; (e) the existence of appropriate governance and oversight structures at DIA Corp. that include representation of the City, the DIA Funding Parties and other stakeholders; (f) the earmarking of all funds provided by the DIA Funding Parties towards the recoveries upon Pension Claims under the Plan for Holders of Claims in Classes 10 and 11; (g) the existence of appropriate prospective governance and financial oversight mechanisms for the Retirement Systems; (h) the affirmation by County authorities of certain existing funding obligations with respect to DIA Corp.; (i) the approval of the DIA Settlement by the Attorney General for the State; (j) the agreement of the State to provide the State Contribution in an aggregate amount of \$350 million; (k) the occurrence of the Effective Date no later than December 31, 2014; and (l) the City's agreement to indemnify and hold harmless the DIA Funding Parties and the CFSEM Supporting Organization and their Related Entities pursuant to, and in accordance with, the terms of the DIA Settlement Documents.

G. Contingent Payment Rights

On or as soon as reasonably practicable after the Confirmation Date, the City shall establish the Restoration Trust. The City shall issue the DWSD CVR to the Restoration Trust. If a Qualifying DWSD Transaction has not occurred before the seventh anniversary of the Effective Date, the DWSD CVR shall terminate and expire. The Restoration Trust shall distribute proceeds from the DWSD CVR in the following amounts and priorities: (1) first, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to the Plan to have their 4.5% pension reductions restored; (2) second, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to the Plan to have 92% of their COLA benefits restored; and (3) third, 53% to GRS and 47% to PFRS. If the City makes any contributions to either GRS or PFRS out of its portion of the Net DWSD Transaction Proceeds, such contributions and earnings thereon shall not be taken into account for determining whether any pension restoration may be made. The DWSD CVR may not be transferred.

1. Special Restoration

Any proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated on or before the Effective Date, or fully executed and enforceable before the Effective Date but consummated after the Effective Date, shall be utilized for the purpose of funding the Special Restoration; provided that the City shall act in good faith so as not to unreasonably delay the execution of a Qualifying DWSD Transaction solely to avoid Special Restoration. In such case, the City will perform a Value Determination and arrive at the Discounted Value. The City will engage in good faith discussion as to the reasonableness of the Value Determination with the Retiree Committee or Restoration Trust, as applicable. In the event that the Retiree Committee or the Restoration Trust, as applicable, does not accept the Value Determination, the Retiree Committee or the Restoration Trust, as applicable, may seek to have the Bankruptcy Court determine the dispute, and the City consents to such jurisdiction.

Special Restoration shall follow the priorities of restoration of benefits set forth in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C to the Plan. In order for benefits to be restored pursuant to the Special Restoration, such benefits must be fully funded by 50% of the Discounted Value for the full actuarially-determined lives of all participants for whom benefits are restored. In the event that actual Net DWSD Transaction Proceeds from the DWSD CVR do not equal 50% of the contemplated Net DWSD Transaction Proceeds as of the date of the Value Determination, the Investment Committees of the Retirement Systems will reduce or eliminate the Special Restoration benefits, as applicable, by the amount that 50% of the Discounted Value exceeds the actual Net DWSD Transaction Proceeds from the DWSD CVR received or projected to be received using a 6.75% discount rate. In the event that the Retiree Committee, the Restoration Trust or the City, as applicable, does not agree with the reduction in the Special Restoration benefits, the Retiree Committee or the Restoration Trust, as applicable, or the City may consult with the trustees and Investment Committees of PFRS or GRS with respect to

any such reduction. Neither the Retiree Committee nor the Restoration Trust shall have any right to initiate any enforcement proceeding with respect to Special Restoration.

2. General Restoration

Any Net DWSD Transaction Proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated after the Effective Date, if such Qualifying Transaction was not fully executed and enforceable before the Effective Date, shall be utilized for the purpose of funding the pension trusts, and such cash contributions shall be included in any calculations allowing for the restoration of benefits in accordance with the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C to the Plan.

H. The OPEB Settlement

The City and the Retiree Committee have reached a settlement related to the allowance and calculation of the OPEB Claims in Class 12 and the treatment of such Allowed OPEB Claims. The Plan reflects the terms of that settlement, and the Confirmation Order shall constitute an order approving such settlement pursuant to Bankruptcy Rule 9019.

I. Issuance of the New Securities

The City shall issue the New Securities on the Effective Date or a subsequent Distribution Date, as applicable. To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non bankruptcy law, the issuance of New Securities will be exempt from registration under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder and any other applicable non-bankruptcy law or regulation.

J. Cancellation of Existing Bonds and Bond Documents

Except (1) as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, (2) for purposes of evidencing a right to Distribution under the Plan or (3) as specifically provided otherwise in the Plan, on the Effective Date, the Bonds and the Bond Documents will be deemed automatically cancelled, terminated and of no further force or effect against the City without any further act or action under any applicable agreement, law, regulation, order or rule and the obligations of the parties, as applicable, under the Bonds and the Bond Documents shall be discharged; provided, however, that the Bonds and Bond Documents shall continue in effect solely (a) to allow the Disbursing Agent to make any Distributions as set forth in the Plan and to perform such other necessary administrative or other functions with respect thereto, (b) for any trustee, agent or similar entity under the Bond Documents to have the benefit of all the rights and protections and other provisions of the Bond Documents and all other related agreements with respect to priority in payment and lien rights with respect to any Distribution and (c) as may be necessary to preserve any claim by a Bondholder and/or Bond Agent under a Bond Insurance Policy or against any Bond Insurer. Notwithstanding the foregoing, and except as otherwise expressly provided in the Plan, such Bonds and/or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City. Nothing in the Plan impairs, modifies, affects or otherwise alters the rights of (a) Bondholders and/or Bond Agents with respect to claims under applicable Bond Insurance Policies and/or against the Bond Insurers or (b) Holders of COP Claims with respect to claims under applicable policies and/or other instruments insuring the COPs and obligations related thereto. Nothing in this Section or in Section IV.J of the Plan is intended to impair, modify, affect or otherwise alter the right of any party under any Bond Insurance Policy.

K. Release of Liens

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, or where a Claim is Reinstated, on the Effective Date, all Liens against the City's property will be deemed fully released and discharged, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, will revert to the City. As of the Effective Date, (1) the holders of such Liens will be authorized and directed to release any collateral or other property of the City (including any cash collateral) held by such Holder and to take such actions as may be requested by the City to evidence the release of such Lien, including the execution, delivery, filing or recording of such releases as may be requested by the City, and (2) the City shall be authorized to execute and file on behalf of creditors Form UCC-3 Termination Statements or such other forms as may be necessary or appropriate to implement the provisions of Section IV.K of the Plan.

L. Professional Fee Reserve

On the Effective Date, the City shall establish and fund the Professional Fee Reserve. The Professional Fee Reserve shall be funded in an amount sufficient to pay the Fee Review Professional Fees that remain unpaid as of the Effective Date. The funds held in the Professional Fee Reserve may not be used for any purpose other than the payment of Fee Review Professional Fees until any and all disputes regarding the Fee Review Professional Fees, including any disputes arising under the Fee Review Order, have been fully and finally resolved pursuant to a Final Order or a stipulation between the disputing parties. Any amounts remaining in the Professional Fee Reserve after final resolution of all such disputes and the payment of all Fee Review Professional Fees determined to be reasonable in accordance with the Fee Review Order shall be released to the General Fund. The City estimates that, as of the Effective Date, the total amount of the Professional Fee Reserve will be not less than \$30 million.

M. Assumption of Indemnification Obligations

Notwithstanding anything otherwise to the contrary in the Plan, nothing in the Plan shall discharge or impair the obligations of the City as provided in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements as of the Petition Date to indemnify, defend, reimburse, exculpate, advance fees and expenses to or limit the liability of officers and employees of the City (consistent with the injunction provisions of Section III.D.5 of the Plan and including the members of the City Council, the Mayor and the Emergency Manager) and their Related Entities, in each case to the extent such Entities were acting in such capacity, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, foreseen or unforeseen or asserted or unasserted; provided that Section IV.M of the Plan shall be read in conjunction with the provisions for Indirect Employee Indemnity Claims set forth in Section III.D.5 of the Plan. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. For the avoidance of doubt, no indemnification provision in any loan document, bond document, Bond Insurance Policy or other agreement with a Bond Insurer is exempted from discharge by reason of Section IV.M of the Plan.

N. Incorporation of Retiree Health Care Settlement

The terms of the Retiree Health Care Settlement Agreement resolving the Retiree Health Care Litigation, which agreement is attached as Exhibit I.A.236 to the Plan, are incorporated into the Plan by reference and shall be binding upon the parties thereto.

O. Payment of Workers' Compensation Claims

From and after the Effective Date, (1) the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for benefits and liabilities for which the City is responsible under applicable State workers' compensation law, regardless of when the applicable injuries were incurred, in accordance with the City's prepetition practices and procedures and governing State workers' compensation law, and (2) nothing in the Plan shall discharge, release or relieve the City from any current or future liability under applicable State workers' compensation law. The City expressly reserves the right to challenge the validity of any claim for benefits or liabilities arising under applicable State workers' compensation law.

P. Payment of Certain Claims Relating to the Operation of City Motor Vehicles

If the City determines to maintain self-insurance with respect to the operation of its motor vehicles in a notice Filed not less than ten days before the Confirmation Hearing, the following paragraph will apply. Subject to the foregoing, from and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay valid prepetition Claims for liabilities with respect to which the City is required to maintain insurance coverage pursuant to MCL § 500.3101 in connection with the operation of the City's motor vehicles, as follows: (1) Claims for personal protection benefits as provided by MCL § 500.3107 and MCL § 500.3108, for which insurance coverage is required by MCL § 500.3101(1), shall be paid in full, to the extent valid, provided, however, that the City will not be liable for or pay interest or attorneys' fees under MCL § 500.3142 or MCL § 500.3148 on prepetition Claims for personal protection benefits; (2) tort claims permitted by MCL § 500.3135, for which residual liability insurance coverage is required by MCL § 500.3101(1) and MCL § 500.3131, shall be paid, to the extent valid, only up to the minimum coverages specified by MCL § 500.3009(1), *i.e.*, up to a maximum of (a) \$20,000 because of bodily injury to or death of one person in any one accident, and subject to that limit for one person, (b) \$40,000 because of bodily injury to or death of two or more persons in any one accident and (c) \$10,000 because of injury to or destruction of property of others in any accident; and

(3) Claims for property protection benefits under MCL § 500.3121 and MCL § 500.3123 shall be paid, to the extent valid, only up to the maximum benefits specified in MCL § 500.3121; provided, however, for the avoidance of doubt, to the extent any valid Claim subject to subsections 2 and 3 above exceeds the applicable payment limits, the excess claim amount shall be treated as an Other Unsecured Claim or a Convenience Claim (as applicable). If this paragraph becomes effective, nothing in the Plan shall discharge, release or relieve the City from any current or future liability with respect to Claims subject to insurance coverage pursuant to MCL § 500.3101 or Claims within the minimum coverage limits in MCL § 500.3009(1). The City expressly reserves the right to challenge the validity of any Claim subject to Section IV.P of the Plan, and nothing herein shall be deemed to expand the City's obligations or claimants' rights with respect to these Claims under State law.

Q. Payment of Tax Refund Claims

From and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for income tax refunds and property tax refunds for which the City is responsible under applicable law, regardless of when the applicable right to a refund arose, in accordance with the City's prepetition practices and procedures. The City expressly reserves the right to challenge the validity of any claim for an income tax refund and/or property tax refund.

R. Utility Deposits

From and after the Effective Date, the City will continue to administer utility deposits in accordance with the City's prepetition practices and procedures, including the payment of any undisputed, non-contingent, liquidated claims against the City for the refund of a utility deposit.

S. Pass-Through Obligations

The City has certain pass-through obligations (collectively, the "Pass-Through Obligations") to various entities (collectively, the "Pass-Through Recipients") with respect to which the City acts, or may in the future act, as tax-collecting agent for tax increment revenues derived from property taxes of the City and certain other taxing jurisdictions and required to be transmitted by the City Treasurer to the Pass-Through Recipients under their respective tax increment financing enabling statutes. The Pass-Through Recipients include (1) the DDA, (2) the Local Development Finance Authority, (3) the Detroit Brownfield Redevelopment Authority and (4) the City of Detroit Eight Mile/Woodward Corridor Improvement Authority, each of which are separate legal entities from the City of Detroit. The City intends to continue to honor its Pass-Through Obligations to the Pass-Through Recipients.

T. Exit Facility

On the Effective Date, the City intends to enter into the Exit Facility, as well as any ancillary notes, documents or agreements in connection therewith, including, without limitation, any documents required in connection with the creation or perfection of the liens securing the Exit Facility.

U. Post-Effective Date Governance

The City and the State of Michigan intend to adopt a robust governance structure for the City designed to: (1) promote long-term public confidence in the fiscal health and stability of Detroit, in particular with financial markets; (2) enhance Detroit's ability to access credit and invest in the capital needs of Detroit; and (3) reduce the potential for Detroit to relapse into conditions of financial stress or financial emergency. Prior to or on the Effective Date, a financial oversight board shall be established pursuant to and in accordance with State law now in effect or hereafter enacted to ensure that, post-Effective Date, the City adheres to the Plan and continues to implement financial and operational reforms that should result in more efficient and effective delivery of services to City residents. The financial oversight board shall be composed of individuals with recognized financial competence and experience and shall have the authority to, among other things, impose limits on City borrowing and expenditures and require the use of financial best practices.

V. Provisions Regarding Distributions Under the Plan

1. Appointment of Disbursing Agent

The City may act as Disbursing Agent or may employ or contract with other Entities to act as the Disbursing Agent or to assist in or make the Distributions required by the Plan. Any Disbursing Agent appointed by the City will serve without bond. Other than as specifically set forth in the Plan, the Disbursing Agent shall make all Distributions required to be made under the Plan.

2. Distributions on Account of Allowed Claims

Except as otherwise provided in the Plan, on the Effective Date or as soon as practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive from the Disbursing Agent the Distributions that the Plan provides for Allowed Claims in the applicable Class. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Section VI.B of the Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the Distributions provided for in the Plan, regardless of whether such Distributions are delivered on or at any time after the Effective Date. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a Distribution in excess of the Allowed amount of such Claim.

3. Certain Claims to Be Expunged

Any Claim that has been or is hereafter listed in the List of Creditors as contingent, unliquidated or disputed, and for which no proof of Claim is or has been timely Filed, is not considered to be an Allowed Claim and shall be expunged without further action by the City and without further notice to any party or any action, approval or order of the Bankruptcy Court.

4. Record Date for Distributions; Exception for Bond Claims

With the exception of Bond Claims, neither the City nor any Disbursing Agent will have any obligation to recognize the transfer of, or the sale of any participation in, any Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims (including Holders of Claims that become Allowed after the Distribution Record Date) that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. With the exception of the Bond Claims, the City and any Disbursing Agent shall instead be entitled to recognize and deal for all purposes under the Plan with only those record Holders stated on the official Claims Register as of the close of business on the Distribution Record Date. Unless otherwise set forth in the Confirmation Order, the City shall not establish a record date for Distributions to Holders of Bond Claims.

5. Means of Cash Payments

Except as otherwise specified herein, all Cash payments made pursuant to the Plan shall be in U.S. currency and made by check drawn on a domestic bank selected by the Disbursing Agent or, at the option of the Disbursing Agent, by wire transfer, electronic funds transfer or ACH from a domestic bank selected by the Disbursing Agent; provided, however, that Cash payments to foreign Holders of Allowed Claims may be made, at the option of the Disbursing Agent, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

6. Selection of Distribution Dates for Allowed Claims

Except where the Plan requires the making of a Distribution on account of a particular Allowed Claim within a particular time, the Disbursing Agent shall have the authority to select Distribution Dates that, in the judgment of the Disbursing Agent, provide Holders of Allowed Claims with payments as quickly as reasonably practicable while limiting the costs incurred in the distribution process. Upon the selection of a Distribution Date by the Disbursing Agent, the

Disbursing Agent shall File a notice of such Distribution Date that provides information regarding the Distribution to be made.

7. Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured

No Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the City's insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy; provided that, if the City believes a Holder of an Allowed Claim has recourse to an insurance policy and intends to direct the Disbursing Agent to withhold a Distribution pursuant to Section V.G of the Plan, the City shall provide written notice to such Holder regarding what the City believes to be the nature and scope of applicable insurance coverage. To the extent that one or more of the City's insurance carriers agrees to satisfy a Claim in full, then immediately upon such agreement such Claim may be expunged without a Claims objection having to be Filed and without any further notice or any action, order or approval of the Bankruptcy Court. Nothing in the Plan, including Section V.G of the Plan, shall constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities that any Entity may hold against any other Entity, including the City's insurance carriers and Bond Insurers, other than the City. For the avoidance of doubt, except for the immediately preceding sentence, Section V.G of the Plan shall not apply to Bond Insurance Policies or Swap Insurance Policies.

8. City's Rights of Setoff Preserved

Notwithstanding anything to the contrary in the Plan, pursuant to section 553 of the Bankruptcy Code or otherwise applicable non-bankruptcy law, the City may set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim the claims, rights and Causes of Action of any nature that the City may assert against the Holder of such Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim pursuant to the terms of the Plan shall constitute a waiver or release by the City of any claims, rights and Causes of Action that the City may assert against such Holder, all of which are expressly preserved.

9. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

(a) Delivery of Distributions Generally

Except as set forth in Section V.I.2 of the Plan, Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the City's records unless such addresses are superseded by proofs of Claim or transfers of Claim Filed pursuant to Bankruptcy Rule 3001.

(b) Delivery of Distributions on Account of Bond Claims

Distributions on account of the Bond Claims shall (i) be made by the Disbursing Agent to the Bond Agent under the applicable Bond Documents for the benefit of Holders of Bond Claims and (ii) be deemed completed when made by the Disbursing Agent to the Bond Agent as if such Distributions were made directly to the Holders of such Claims. The applicable Bond Agent, in turn, shall make such Distributions to the applicable Holders pursuant to the terms and conditions of the applicable Bond Documents and subject to the respective rights, claims and interests, if any, that the Bond Agent may have under the applicable Bond Documents or otherwise to the recovery and/or reimbursement of their fees, costs and expenses (including the fees, costs and expenses of counsel and financial advisors) from any Distribution hereunder, whether such rights, claims or interests are in the nature of a charging lien or otherwise. The Bond Agent shall not be required to give any bond, surety or other security for the performance of its duties with respect to such Distributions.

(c) *De Minimis* Distributions / No Fractional New Securities

No distribution shall be made by the Disbursing Agent on account of an Allowed Claim if the amount to be distributed to the specific Holder of an Allowed Claim on the applicable Distribution Date has an economic value of less than \$25.00. No fractional New Securities shall be distributed. Where a fractional portion of a New Security otherwise would be called for under the Plan, the actual issuance shall reflect a rounding down to the nearest whole New Security.

(d) Undeliverable or Unclaimed Distributions

In the event that any Distribution to any Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such Distribution shall be made to such Holder without interest.

Any Holder of an Allowed Claim that does not claim an undeliverable or unclaimed Distribution within six months after the Effective Date shall be deemed to have forfeited its claim to such Distribution and shall be forever barred and enjoined from asserting any such claim against the City or its property. In such cases, any Cash held by the City on account of such undeliverable or unclaimed Distributions shall become the property of the City free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary. Any New Securities held for distribution on account of such Claims shall be canceled and of no further force or effect. Nothing contained in the Plan shall require any Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

(e) Time Bar to Cash Payment Rights

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Disbursing Agent by the Holder of the Allowed Claim to whom such check originally was issued within 180 days after the date of the original check issuance. After such date, the Claim of any Holder to the amount represented by such voided check shall be released and forever barred from assertion against the City and its property.

10. Other Provisions Applicable to Distributions in All Classes

(a) No Postpetition Interest

Except as otherwise specifically provided for in the Plan, or required by applicable bankruptcy law, the City shall have no obligation to pay any amount that constitutes or is attributable to interest on an Allowed Claim accrued after the Petition Date and no Holder of a Claim shall be entitled to be paid any amount that constitutes or is attributable to interest accruing on or after the Petition Date on any Claim without regard to the characterization of such amounts in any document or agreement or to whether such amount has accrued for federal income tax purposes. Any such amount that constitutes or is attributable to interest that has been accrued and has not been paid by the City shall be cancelled as of the Effective Date for federal income tax purposes.

(b) Compliance with Tax Requirements

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the City and any Disbursing Agent shall comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions under the Plan shall be subject to such withholding and reporting requirements. All such amounts withheld and paid to the appropriate governmental unit shall be treated as if made directly to the Holder of an Allowed Claim. The City and the Disbursing Agent shall be authorized to take any actions that they determine, in their reasonable discretion, to be necessary or appropriate to comply with such withholding and reporting requirements, including withholding Distributions pending receipt of information necessary to facilitate such Distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

Notwithstanding any other provision of the Plan, each Entity receiving or deemed to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax imposed on such Entity on account of such Distribution, including income, withholding and other Tax obligations. The City has the right, but not the obligation, to refuse, or to direct a Disbursing Agent to refuse, to make a Distribution until a Holder of an Allowed Claim has made arrangements satisfactory to the City and any Disbursing Agent for payment of any such Tax obligations. The City may require, as a condition to making a Distribution, that the Holder of an Allowed Claim provide the City or any Disbursing Agent with a completed Form W-8, W-9 and/or other Tax information, certifications and supporting documentation, as applicable.

If the City makes such a request and the Holder of an Allowed Claim fails to comply before the date that is 180 days after the initial request is made, the amount of such Distribution shall irrevocably revert to the City and any Claim in respect of such Distribution shall be released and forever barred from assertion against the City and its property.

(c) Allocation of Distributions

All Distributions to Holders of Allowed Claims that have components of principal and interest shall be deemed to apply first to the principal amount of such Claim until such principal amount is paid in full, and then the remaining portion of such Distributions, if any, shall be deemed to apply to any applicable accrued interest included in such Claim to the extent interest is payable under the Plan.

(d) Surrender of Instruments

As a condition to participation under the Plan, the Holder of a note, debenture or other evidence of indebtedness of the City that desires to receive the property to be distributed on account of an Allowed Claim based on such note, debenture or other evidence of indebtedness shall surrender such note, debenture or other evidence of indebtedness to the City or its designee (unless such Holder's Claim will not be Impaired by the Plan, in which case such surrender shall not be required), and shall execute and deliver such other documents as are necessary to effectuate the Plan; provided, however, that, if a claimant is a Holder of a note, debenture or other evidence of indebtedness for which no physical certificate was issued to the Holder but which instead is held in book-entry form pursuant to a global security held by the Depository Trust Company or other securities depository or custodian thereof, there shall be no requirement of surrender. In the City's sole discretion, if no surrender of a note, debenture or other evidence of indebtedness occurs and the Holder of Claim does not provide an affidavit and indemnification agreement, in form and substance reasonably satisfactory to the City, that such note, debenture or other evidence of indebtedness was lost, then no distribution may be made to such Holder in respect of the Claim based on such note, debenture or other evidence of indebtedness. For the avoidance of doubt, (i) no Bond, note, debenture or other evidence of indebtedness of the City shall be surrendered or deemed surrendered that is subject to any Bond Insurance Policy and (ii) no COP shall be surrendered or deemed surrendered hereby to the extent necessary to make and/or preserve a claim under any applicable policies and/or other instruments insuring the COPs and obligations related thereto or against any party, other than the City, that insures the COPs. Notwithstanding the foregoing, such Bonds and/or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City.

W. Procedures for Resolving Disputed Claims

1. Treatment of Disputed Claims

(a) General

No Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) allowing such Claim. Notwithstanding any other provision of the Plan, no payments or Distributions shall be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. Without limiting the foregoing in any way, no partial payments and no partial Distributions will be made with respect to a disputed, contingent or unliquidated Claim, or with respect to any Claim for which a proof of Claim has been Filed but not Allowed, until the resolution of such disputes or estimation or liquidation of such Claim by settlement or by Final Order.

(b) ADR Procedures

At the City's option, any Disputed Claim designated or eligible to be designated for resolution through the ADR Procedures may be submitted to the ADR Procedures in accordance with the terms thereof and the ADR Procedures Order. For the avoidance of doubt, the designation of a Disputed Claim for resolution through the ADR Procedures, either prior to or after the Effective Date, will not modify, and will not be deemed to have modified, the terms of the ADR Injunction imposed pursuant to the ADR Procedures Order. Disputed Claims not resolved through the ADR Procedures will be resolved pursuant to the Plan.

(c) Tort Claims

At the City's option, any unliquidated Tort Claim (as to which a proof of Claim was timely Filed in the Chapter 9 Case) not resolved through the ADR Procedures or pursuant to a Final Order of the Bankruptcy Court will be determined and liquidated in the administrative or judicial tribunal(s) in which it is pending on the Effective Date (subject to the City's right to seek removal or transfer of venue) or, if no action was pending on the Effective Date, in an administrative or judicial tribunal of appropriate jurisdiction selected by the City that (i) has personal jurisdiction over the parties, (ii) has subject matter jurisdiction over the Tort Claim and (iii) is a proper venue. The City may exercise the above option by

service upon the holder of the applicable Tort Claim of a notice informing such holder that the City has exercised such option (which notice shall be deemed to satisfy the notice requirements of Section I.B of the ADR Procedures). Upon the City's service of such notice, the automatic stay imposed pursuant to sections 362 and 922 of the Bankruptcy Code (along with any extension of such stay pursuant to the terms of the Stay Extension Order) or, after the Effective Date, the injunction set forth at Section III.D.5 of the Plan, will be deemed modified, without the necessity for further Bankruptcy Court approval or any further action by the City, solely to the extent necessary to allow the parties to determine or liquidate the Tort Claim in the applicable administrative or judicial tribunal(s); provided that nothing contained in this Section will modify, or will be deemed to have modified, the terms of the Stay Extension Order with respect to any Tort Claim prior to the City having served notice of its intent to determine and liquidate such Tort Claim pursuant to this Section. If the City does not serve such a notice upon a holder of a Tort Claim by the Claims Objection Bar Date, such holder may file a motion with the Bankruptcy Court seeking relief from the discharge injunction imposed pursuant to Section III.D.5 of the Plan in order to liquidate and determine its Claim.

Any Tort Claim determined and liquidated pursuant to a judgment obtained in accordance with Section VI.A.3 of the Plan and applicable non-bankruptcy law that is no longer appealable or subject to review will be deemed an Allowed Claim, provided that only the amount of such Allowed Tort Claim that is not satisfied from proceeds of insurance payable to the holder of such Allowed Tort Claim will be treated as an Allowed Claim for the purposes of distributions under the Plan. Distributions on account of any such Allowed Tort Claim shall be made in accordance with the Plan. Nothing contained in this Section will constitute or be deemed a waiver of any claim, right or Cause of Action that the City may have against any Entity in connection with or arising out of any Tort Claim, including any rights under section 157(b)(5) of title 28 of the United States Code. All claims, demands, rights, defenses and Causes of Action that the City may have against any Entity in connection with or arising out of any Tort Claim are expressly retained and preserved.

2. Disputed Claims Reserve

On and after the Effective Date, until such time as all Disputed Claims have been compromised and settled or determined by Final Order and before making any Distributions, consistent with and subject to section 1123(a)(4) of the Bankruptcy Code, the City shall establish and maintain a reserve of property equal to (a) the Distributions to which Holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the Face Amount of such Disputed Claims or (b) such lesser amount as required by an order of the Bankruptcy Court. On the first Distribution Date that is at least 30 days (or such fewer days as may be agreed to by the City in its sole discretion) after the date on which a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall remit to the Holder of such Allowed Claim any Distributions such Holder would have been entitled to under the Plan on account of such Allowed Claim had such Claim been Allowed as of the Effective Date. If a Disputed Claim is disallowed by Final Order, the property reserved on account shall become available for Distribution to the Holders of Allowed Claims within the Class(es) entitled to receive such property. Each Holder of a Disputed Claim that ultimately becomes an Allowed Claim will have recourse only to the assets held in the disputed claims reserve and not to any other assets held by the City, its property or any property previously distributed on account of any Allowed Claim. Notwithstanding the foregoing, the disputed claims reserve established pursuant to Section VI.B of the Plan shall not include any reserve of property on account of Disputed COP Claims, which shall receive the treatment set forth in Section II.B.3.p.iii of the Plan.

3. Objections to Claims

(a) Authority to Prosecute, Settle and Compromise

The City's rights to object to, oppose and defend against all Claims on any basis are fully preserved. Except as otherwise provided in Section II.B.3.p.i of the Plan with respect to Disputed COP Claims, as of the Effective Date, only the City shall have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, including pursuant to the ADR Procedures or any similar procedures approved by the Bankruptcy Court. On and after the Effective Date, the City may settle or compromise any Disputed Claim or any objection or controversy relating to any Claim without any further notice or any action, order or approval of the Bankruptcy Court.

(b) Application of Bankruptcy Rules

To facilitate the efficient resolution of Disputed Claims, the City shall be permitted to File omnibus objections to claims notwithstanding Bankruptcy Rule 3007(c).

(c) Expungement or Adjustment of Claims Without Objection

Any Claim that has been paid, satisfied or superseded shall be expunged from the Claims Register by the Claims and Balloting Agent at the request of the City, and any Claim that has been amended by the Holder of such Claim shall be adjusted on the Claims Register by the Claims and Balloting Agent at the request of the City, without the Filing of an objection and without any further notice or any action, order or approval of the Bankruptcy Court.

(d) Extension of Claims Objection Bar Date

Upon motion by the City to the Bankruptcy Court, the City may request, and the Bankruptcy Court may grant, an extension to the Claims Objection Bar Date generally or with respect to specific Claims. Any extension granted by the Bankruptcy Court shall not be considered to be a modification to the Plan under section 1127 of the Bankruptcy Code

(e) Authority to Amend List of Creditors

The City will have the authority to amend the List of Creditors with respect to any Claim and to make Distributions based on such amended List of Creditors without approval of the Bankruptcy Court. If any such amendment to the List of Creditors reduces the amount of a Claim or changes the nature or priority of a Claim, the City will provide the Holder of such Claim with notice of such amendment and such Holder will have 20 days to File an objection to such amendment with the Bankruptcy Court. If no such objection is Filed, the Disbursing Agent may proceed with Distributions based on such amended List of Creditors without approval of the Bankruptcy Court.

(f) Deadline to File Objections to Claims

Any objections to Claims shall be Filed no later than the Claims Objection Bar Date. Upon motion to the Bankruptcy Court, the City may request, and the Bankruptcy Court may grant, an extension to the Claims Objection Bar Date generally or with respect to specific Claims. Any extension granted by the Bankruptcy Court shall not be considered to be a modification to the Plan under section 1127 of the Bankruptcy Code.

(g) Claims Estimation

At any time the City may request that the Bankruptcy Court estimate (i) any Disputed Claim pursuant to applicable law and (ii) any contingent or unliquidated Claim pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, regardless of whether the City has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to estimate any Disputed Claim, contingent Claim or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection.

Notwithstanding any other provision of the Plan, a Claim that has been expunged from the Claims Register but that is subject to appeal or has not been the subject of a Final Order shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. Except as set forth below with respect to reconsideration under section 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any Disputed Claim, contingent Claim or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Plan, including for purposes of Distributions. If the estimated amount constitutes a maximum limitation on such Claim, the City may elect to pursue any supplemental proceedings to object to any ultimate Distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before 21 days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

V.

CONFIRMATION OF THE PLAN

A. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to conduct a Confirmation Hearing at which it will hear objections and consider evidence with respect to whether the Plan should be confirmed. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 943(b) of the Bankruptcy Code described below are met.

On April 21, 2014, the Bankruptcy Court entered the Fourth Amended Order Establishing Procedures, Deadlines and Hearing Dates Relating to the Debtor's Plan of Adjustment (Docket No. 4202) (the "Scheduling Order"). By the Scheduling Order, the Bankruptcy Court scheduled various deadlines and events relating to the confirmation of the Plan. In particular, the Scheduling Order provides that the Confirmation Hearing will begin on July 24, 2014, at 9:00 a.m., Eastern Time, before the Honorable Steven W. Rhodes, United States Bankruptcy Judge, United States Bankruptcy Court for the Eastern District of Michigan, at Courtroom 100, Theodore Levin United States Courthouse, 231 West Lafayette Boulevard, Detroit, Michigan 48226. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing.

B. Deadlines to Object to Confirmation

The Scheduling Order establishes the following deadlines with respect to objections to the Plan:

- May 12, 2014 is the deadline for parties other than individual bondholders (but including any Bond Insurers that may hold bonds) and individual retirees to file objections to the Plan;
- July 11, 2014 is the deadline for individual bondholders (not including any Bond Insurers that may hold bonds) and individual retirees to file objections to the Plan; and
- July 18, 2014 is the deadline for any party that filed a timely objection to the Plan to file a supplemental objection, but only to the extent that discovery, or the results of plan voting, give rise to additional or modified objections to the Plan.

Objections to the confirmation of the Plan must: (1) be in writing; (2) state the name and address of the objecting party and the nature of the Claim of such party; (3) state with particularity the basis and nature of any objection; and (4) be filed with the Bankruptcy Court, and served on the following parties so that they are received no later than the applicable deadline set forth above: (a) the City, c/o Kevyn D. Orr, Emergency Manager, 2 Woodward Avenue, Suite 1126, Detroit, Michigan 48226; (b) counsel to the City, JONES DAY, 555 South Flowers Street, Fiftieth Floor, Los Angeles, California 90071 (Attn: Bruce Bennett, Esq.); JONES DAY, North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114 (Attn: David G. Heiman, Esq., Heather Lennox, Esq. and Thomas A. Wilson, Esq.); (c) counsel to the City, MILLER, CANFIELD, PADDOCK AND STONE, P.L.C., 150 West Jefferson, Suite 2500, Detroit, Michigan 48226 (Attn: Jonathan S. Green, Esq. and Stephen S. LaPlante, Esq.). For purposes of filing objections in these cases, the address of the Bankruptcy Court is 211 West Fort Street, Detroit, Michigan 48226. Attorneys may also file pleadings on the Bankruptcy Court's Document Filing System (ECF) by completing and submitting the Electronic Filing Registration Form, available at <http://www.mieb.uscourts.gov/ecf-registration>.

C. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 943(b) of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan (1) is accepted by the requisite Holders of impaired Classes of Claims or, if not so accepted, is "fair and equitable" and does not discriminate unfairly as to the non-accepting class, (2) is in the "best interests" of each Holder of a Claim and each impaired Class under the Plan, (3) is feasible, and (4) complies with the applicable provisions of the Bankruptcy Code.

1. Acceptance or Cramdown

A plan is accepted by an impaired class of claims if holders of two-thirds in dollar amount and a majority in number of allowed claims of that class vote to accept the plan. Only those holders of claims who actually vote to accept or reject the plan count in the tabulation. The impaired classes must accept the plan in order for the plan to be confirmed without application of the "cramdown" test contained in sections 1129(b)(i), (b)(2)(A) and (b)(2)(B) of the Bankruptcy Code.

(a) Cramdown

The Bankruptcy Code provides that the Bankruptcy Court may confirm a plan that is not accepted by all impaired classes if at least one impaired class of claims accepts the plan and the so-called "cramdown" provisions set forth in sections 1129(b)(1), (b)(2)(A) and (b)(2)(B) of the Bankruptcy Code are satisfied. The plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of section 943(b) of the Bankruptcy Code, it (i) is "fair and equitable" and (ii) does not discriminate unfairly with respect to each class of claims that is impaired under and has not accepted the plan. The City believes that the Plan and the treatment of all Classes of Claims under the Plan satisfy the following requirements for nonconsensual confirmation of the Plan.

i. "Fair and Equitable"

Uncertainty exists as to the contours of the "fair and equitable" requirement in chapter 9. Outside of the chapter 9 context, the "fair and equitable" requirement generally requires, among other things, that, unless a dissenting unsecured class of claims receives payment in full for its allowed claims, no holder of allowed claims in any class junior to that class may receive or retain any property on account of such claims. This is known as the "absolute priority rule." Few published opinions have addressed the meaning of the "fair and equitable" requirement in chapter 9 cases. Some courts have suggested that, because there are no equity holders in chapter 9 cases (who, in theory, would be junior in priority to a municipal debtor's general unsecured creditors), the absolute priority rule serves no function in chapter 9 cases and, thus, in chapter 9 cases, the "fair and equitable" requirement should not be interpreted as synonymous with the absolute priority rule. In light of the scarcity of case law addressing the "fair and equitable" requirement in chapter 9, a leading commentator has suggested that, in chapter 9, the "fair and equitable" requirement is properly understood as requiring that, where a municipal debtor seeks nonconsensual confirmation of a plan of adjustment, the impaired creditors of such debtor, under the proposed plan, will receive all that they can reasonably expect under the circumstances.

The City believes that the Plan is "fair and equitable" with respect to Holders of Claims against the City because it provides such Holders of Claims with all they reasonably can expect under the circumstances of this chapter 9 case. The commencement of the City's chapter 9 case was precipitated by the City's untenable debt burden, a severe cash shortage and the City's increasing inability to provide reasonable levels of even the most basic services to City residents. The City believes that the Plan is "fair and equitable" because the creditor recoveries proposed therein have been calculated – and, in certain cases, negotiated – to reasonably compensate Holders of Claims while enabling the City to (A) avoid a recurrence of the financial difficulties that led to the City's bankruptcy and (B) institute desperately-needed reinvestment initiatives to ensure the City's ability to provide the adequate levels of services City residents can reasonably expect.

ii. Unfair Discrimination

A plan of reorganization does not "discriminate unfairly" if a dissenting class is treated substantially equally with respect to other classes similarly situated, and no class receives more than it is legally entitled to receive for its claims. The City does not believe that the Plan discriminates unfairly against any impaired Class of Claims.

IN THE EVENT OF REJECTION OF THE PLAN BY ONE OR MORE IMPAIRED CLASSES, THE CITY RESERVES THE RIGHT TO REQUEST THE BANKRUPTCY COURT TO CONFIRM THE PLAN IN ACCORDANCE WITH SECTION 1129(b)(1), (b)(2)(A) AND (b)(2)(B) OF THE BANKRUPTCY CODE. THE CITY HAS RESERVED THE RIGHT TO MODIFY THIS PLAN TO THE EXTENT, IF ANY, THAT CONFIRMATION OF THIS PLAN UNDER SECTIONS 943 AND 1129(b) OF THE BANKRUPTCY CODE REQUIRES MODIFICATION.

(b) The "Best Interests of Creditors" Test

Notwithstanding acceptance of the Plan by each impaired Class of Claims, the Bankruptcy Court also must determine that the Plan is in the best interests of creditors pursuant to section 943(b)(7) of the Bankruptcy Code. To satisfy this "best interests of creditors" test, a chapter 9 debtor must establish that confirmation of its proposed plan of adjustment, more likely than not, would leave the debtor's creditors in a better position than would dismissal of the debtor's chapter 9 bankruptcy case. Because the failure of plan confirmation and dismissal of a chapter 9 debtor's bankruptcy case, in most instances, would result in a race to the courthouse that would leave many creditors with no recovery at all, the best interests of creditors test is a flexible standard that is less stringent than a test requiring that a plan be "fair and equitable."

A chapter 9 debtor satisfies the best interests of creditors test if its plan of adjustment makes a reasonable effort to provide a recovery for creditors. The best interests of creditors test does not require a chapter 9 debtor to increase taxes above reasonable levels to maximize creditor recoveries. Similarly, the best interest of creditors test does not prohibit a municipal debtor from retaining sufficient levels of cash and other assets that it may reasonably require to (i) provide adequate levels of services, (ii) make necessary improvements and (iii) maintain its property and continue normal operations. Although the debtor bears the burden of proving, by a preponderance of the evidence, that its plan of adjustment satisfies the best interests of creditors test, the Bankruptcy Court must limit any examination of a municipal debtor's ability to pay creditors so as to not "interfere with" the "political or governmental powers of the debtor," the debtor's "property or revenues" or "the debtor's use or enjoyment of any income producing property," as directed by section 904 of the Bankruptcy Code.

The City believes that its Plan satisfies the best interest of creditors test set forth at section 943(b)(7) of the Bankruptcy Code. Confirmation of the Plan relieves the City of a substantial portion of its crushing debt burden and provides the City with the opportunity to implement the restructuring initiatives (as discussed at Section IX and described in detail at Exhibit I). In the absence of confirmation and the fresh start it promises, the City, its stakeholders and, importantly, its residents are compelled to return to the downward spiral that produced this chapter 9 filing. The adverse consequences attendant upon a dismissal of the chapter 9 case are legion, and moreover ensure continued deterioration of the City:

- Recoveries for the City's stakeholders would diminish to practically nothing. As set forth in the Declaration of Kevyn D. Orr in Support of City of Detroit, Michigan's Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code (Docket No. 10) (the "Orr Declaration"), filed contemporaneously with the City's chapter 9 petition on July 18, 2013, in the absence of financial restructuring, (i) payments due on the City's general obligation debt, the COPs and retiree pension and health obligations will consume approximately 65% of the City's General Fund revenues by Fiscal Year 2017 and (ii) the City's net cash position will be hundreds of millions of dollars in the red in the coming Fiscal Years, among sundry other negative economic consequences. Under such dire circumstances, recoveries may be denied altogether for substantial portions of the City's creditor constituency. Put simply, the City cannot distribute cash it does not have to its creditors. As but one example, if the Plan is not confirmed and the City's chapter 9 case is dismissed, the City projects that the assets of the Retirement Systems will be exhausted within 10 to 13 years, effectively depriving the City's active and retired employees of all accrued pension benefits.
- The \$1.4 billion in gross reinvestment contemplated by the City discussed in Section IX could not be made, and the substantial benefits promised thereby would be lost to the City and its 685,000 residents. Proposed investments in and improvements to the DPD, the DFD, lighting, the City's information technology infrastructure and its tax collection abilities (to name just a few) would be lost. The absence of this reinvestment would deprive the City both of badly needed short-term relief and the opportunity to lay the foundation for long-term prosperity, thus ensuring inadequate provision of municipal services to the City's residents for the foreseeable future.
- The City would continue to be an unattractive investment for financial, business and human capital. The City's access to further financing would be severely restricted if it would be available at all, and both business owners and residents would be reluctant to stay in, or relocate to, the City. Detroit has been experiencing the consequences of similar disincentives for decades, with a dwindling population and business base resulting in a diminished tax base and plummeting revenue, which in turn lead to draconian cuts in City services.

The foregoing demonstrates the simple proposition that prompted the City's chapter 9 filing in the first instance: *there is no non-bankruptcy solution to the problems facing the City, its stakeholders and its residents.* The Plan embodies the City's attempt to provide claimants with the highest possible recovery (consistent with their relative rights against the City) while allowing for the reinvestment that is the foundation of a revitalized City able to pay its adjusted debts and provide basic services to its citizens going forward. Accordingly, the City believes that the Plan satisfies the "best interest of creditors" test set forth at section 943(b)(7) of the Bankruptcy Code.

(c) Feasibility

Section 943(b)(7) of the Bankruptcy Code also requires that a plan of adjustment be feasible. While the best interests of creditors test establishes a "floor" with respect to how much a chapter 9 debtor can be expected to pay creditors under a plan of adjustment, the feasibility standard of section 943(b)(7) of the Bankruptcy Code imposes a "ceiling" on creditor recoveries under such a plan. To satisfy the feasibility requirement, a chapter 9 debtor must demonstrate, by a preponderance of the evidence, that it has the ability to make the payments set forth in the proposed plan of adjustment while also maintaining sufficient assets to (i) provide adequate levels of municipal services, (ii) fund normal municipal operations and (iii) remain financially viable after the conclusion of the chapter 9 case and during the contemplated payment period.

To determine whether a proposed plan of adjustment satisfies the feasibility standard of section 943(b)(7) of the Bankruptcy Code, a bankruptcy court must analyze the debtor's income and expense projections. A plan of adjustment is feasible if the debtor's income and expense projections (i) are realistic, reliable and not unreasonably optimistic and (ii) the plan is workable and appears to have a reasonable prospect of success; *i.e.*, it appears reasonably probable that the debtor will be able to make the payments to creditors contemplated in the plan of adjustment while maintaining adequate levels of municipal services. As with the determination of whether a plan of adjustment satisfies the best interests of creditors test, the scope of the bankruptcy court's inquiry into the feasibility of a plan of adjustment is limited by section 904 of the Bankruptcy Code. Accordingly, the feasibility inquiry is relatively narrow. The bankruptcy court simply must (i) determine whether the debtor's projected revenues and expenses are reasonable and (ii) if so, decide whether the debtor will be able to make the contemplated payments while providing adequate services to residents and avoiding a recurrence of the type of financial distress that caused the debtor to commence its chapter 9 case.

For purposes of determining whether the Plan meets this requirement, the City has prepared (i) a detailed analysis of its proposed ten-year, \$1.4 billion reinvestment in various City departments and infrastructure (as more fully described in Section IX and set forth on Exhibit I hereto), which reinvestment lays the long-term foundation for a prosperous Detroit and enables the City to once again provide its residents with adequate levels of municipal services; and (ii) ten-year and forty-year financial projections (as set forth in greater detail in Section XI ("Projected Financial Information") and Exhibits J and K) that demonstrate the City's ability to fulfill its obligations under the Plan – and to its residents – during that period. The City believes that (i) its reinvestment initiative is indispensable to fulfilling the purpose of this chapter 9 case and (ii) its financial projections (and its underlying assumptions) are reasonable and demonstrate a probability that the City will be able to satisfy its obligations under the Plan and otherwise while avoiding financial distress. Accordingly, the City believes that the Plan meets the feasibility requirement of section 943(b)(7) of the Bankruptcy Code.

(d) Compliance With Applicable Provisions of the Bankruptcy Code

In addition to the foregoing, the Plan must comply with other applicable provisions of the Bankruptcy Code, as follows:

- The Plan must comply with the provisions of the Bankruptcy Code made applicable by sections 103(e) and 901 of the Bankruptcy Code (11 U.S.C. § 943(b)(1));
- The Plan must comply with the provisions of chapter 9 (11 U.S.C. § 943(b)(2));
- All amounts to be paid by the City or by any person for services or expenses in the City's chapter 9 case or incident to the Plan must be fully disclosed and must be reasonable (11 U.S.C. § 943(b)(3));
- The City must not be prohibited by law from taking any action necessary to carry out the Plan (11 U.S.C. § 943(b)(4));

- Except to the extent that the Holder of a particular Claim has agreed to a different treatment of such Claim, the Plan must provide that, on the Effective Date, each Holder of a Claim of a kind specified in section 507(a)(2) of the Bankruptcy Code will receive on account of such Claim cash equal to the allowed amount of such Claim (11 U.S.C. § 943(b)(5));
- Any regulatory or electoral approval necessary under applicable non-bankruptcy law in order to carry out any provision of the Plan must be obtained, or such provision must be expressly conditioned upon such approval (11 U.S.C. § 943(b)(6));
- The City, as the proponent of the Plan, must have complied with all provisions of the Bankruptcy Code (11 U.S.C. § 1129(a)(2));
- The Plan must have been proposed in good faith and not by any means forbidden by law (11 U.S.C. § 1129(a)(3)); and
- Any governmental regulatory commission with jurisdiction, after confirmation of the Plan, over the rates of the City must have approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval (11 U.S.C. § 1129(a)(6)).

2. Alternatives to Confirmation and Consummation of the Plan

The City has evaluated numerous alternatives to the Plan, including alternative structures and terms of the Plan and delaying the adoption thereof. While the City has concluded that the Plan is the best alternative and will maximize recoveries by Holders of Claims, if the Plan is not confirmed, the City could attempt to formulate and propose a different plan of adjustment. The Plan was formulated after months of difficult negotiations among numerous creditor constituencies, including in connection with numerous mediation sessions ordered by the Bankruptcy Court (see Section VIII.F). The formulation of an alternative plan of adjustment can be expected to consume additional time. Furthermore, there can be no assurance that the City can formulate and propose an acceptable alternative plan of adjustment. If no plan of adjustment can be confirmed, the Bankruptcy Court may dismiss the City's chapter 9 case, in which event, multi-party, multifaceted litigation likely would ensue, as holders of claims compete for the limited City resources available to pay those claims. The City, therefore, believes that Confirmation and consummation of the Plan is preferable to the alternatives described above.

VI.

CERTAIN RISK FACTORS TO BE CONSIDERED

The implementation of the Plan, and the New Securities to be issued on the Effective Date, are subject to a number of material risks. Prior to voting on the Plan, each party entitled to vote should carefully consider these risks, as well as all of the information contained in this Disclosure Statement, including the Exhibits hereto. If any of these risks are actually realized, the City's financial condition and operations could be seriously harmed. In addition to the risks set forth below, risks and uncertainties not presently known to the City, or risks that the City currently considers immaterial, may also impair the City's financial condition and operations.

A. Non-Confirmation of the Plan

Even if all impaired Classes accept or could be deemed to have accepted the Plan, the Plan may not be confirmed by the Bankruptcy Court. As set forth above, section 943(b) of the Bankruptcy Code identifies the requirements for plan Confirmation. Although the City believes that the Plan will meet all applicable requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

B. Nonconsensual Confirmation

As described above, pursuant to the "cramdown" provisions of section 1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan at the City's request if at least one impaired Class has accepted the Plan and, as to each impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such impaired Class. The City reserves the right to modify the terms of the Plan as necessary for Confirmation without the acceptance of all impaired Classes. Such modification could result in less favorable treatment for any non-accepting Classes than the treatment currently provided for in the Plan.

C. Inability to Confirm Plan Prior to Potential Removal of Emergency Manager

Pursuant to Section 9(6)(c) of PA 436, if an emergency manager has served for at least 18 months after his or her appointment under PA 436, such emergency manager may, by resolution, be removed by a two-thirds vote of the City Council. The Emergency Manager was appointed on March 14, 2013. As of September 14, 2013, therefore, the City Council may resolve to remove the Emergency Manager pursuant to PA 436. In the event that the Emergency Manager is removed prior to confirmation of the Plan, the City may decide to propose a different Plan or be unable to confirm the Plan.

D. Conditions to Effectiveness of the Plan

Section III.A of the Plan provides for certain conditions that must be satisfied (or waived) prior to the Effective Date. Many of the conditions are outside of the control of the City. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions to effectiveness of the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the adjustment of the City's debts completed. See Section III.D.1 of this Disclosure Statement for a description of the conditions to the effectiveness of the Plan. In addition, certain agreements contemplated in the Plan – including the DIA Settlement and the State Contribution Agreement – impose conditions that must be satisfied as of the Effective Date. There can be no assurance that such conditions will be satisfied.

E. Non-Occurrence of DIA Settlement or Non-Receipt of the Full Amount of the DIA Proceeds or the State Contribution

The Plan and the higher recoveries estimated for Classes 10 and 11 in the Plan assume the existence and the implementation of the DIA Settlement and the receipt of the full amounts of the DIA Proceeds and the State Contribution. The City believes that the DIA Settlement offers the greatest recoveries to Holders of Claims that is possible under the circumstances. As discussed in Section VII.A.5.a of this Disclosure Statement, certain parties – including the Michigan Attorney General and DIA Corp. – have asserted that the DIA Collection (including the portion of the DIA Collection purchased by the City) is held in charitable trust or public trust and thus is legally encumbered. The City believes that it is not in a position to sell the DIA Collection free and clear of encumbrances, and that any attempt to do so would result in costly and protracted litigation, with uncertain results. Thus, the Plan contemplates and assumes that the DIA Settlement will be consummated.

If the DIA Settlement does not occur, or if the full amounts of the DIA Proceeds and the State Contribution are not received, then the recoveries on account of all Unsecured Claims, including Pension Claims, will be the lower recoveries estimated in the Plan, including for Classes 10 and 11. Consummation of the DIA Settlement depends upon the execution of the DIA Settlement Documents by each Foundation; absent this condition precedent, the DIA Settlement would not occur. The DIA Settlement may be challenged in litigation involving, among other things, the ownership of the DIA Collection. If any such litigation occurs, the DIA Settlement may not be approved, and the City may not be able to confirm the Plan. Moreover, the higher recoveries for Classes 10 and 11 set forth in the Plan may not occur if legislative approval required for consummation of the State Contribution Agreement is not obtained, or if the State fails to fulfill its commitment pursuant to the State Contribution Agreement.

F. Failure to Approve the Settlements and Compromises in the Plan

In addition to the DIA Settlement, the Plan also may be contingent on the approval of other settlements and compromises. For the Plan to be confirmed, the Bankruptcy Court may be required to find that the various settlements and compromises set forth in the Plan satisfy the requirements of Bankruptcy Rule 9019, meaning that the settlements would have to be found not to fall below the lowest point in the range of reasonableness in view of, among other things, the legal issues being resolved by the settlements. If the settlements and compromises contained in the Plan require approval, but are not approved, the City may not be able to confirm the Plan or, if the Plan is confirmed, creditor recoveries may be materially lower.

G. Disapproval of the Level of DWSD Pension Funding

As discussed in Section II.A.2 of this Disclosure Statement, the Plan assumes that DWSD will fund the majority of its full allocable share of the GRS UAAL during the first nine years following the Effective Date. Some creditors of the City may contend that the level of DWSD pension funding provided for in the Plan is too high or is prohibited. If the Bankruptcy Court were to determine that the amount of DWSD pension funding set forth in the Plan must be reduced or eliminated, such a determination could affect the Plan and creditor recoveries thereunder.

H. Failure to Secure Exit Facility

The City will seek to enter into an Exit Facility of at least \$300 million on the Effective Date of the Plan. The purpose of the Exit Facility would be to refinance any indebtedness under the Postpetition Financing Agreement, provide the City with necessary cash to satisfy its near-term obligations and begin to implement its proposed reinvestment initiatives. In the event that the City fails to obtain an Exit Facility, the City's ability to fulfill its obligations under the Plan may be compromised.

I. Inability to Raise Tax Revenue

As discussed above, the City currently levies all taxes at the statutory maximum levels. In particular, as of the Petition Date: (1) Michigan Public Act 394 of 2012, an amendment to the City Income Tax Act, fixed the City's maximum income tax rates at their current levels so long as PLA Bonds remain outstanding; (2) state law limited municipalities' property tax rates to 20 mills, and a constitutionally required "Headlee rollback" further limited that rate to 19.952 mills (which was the rate charged by the City as of the Petition Date); and (3) the utility users' tax and casino wagering tax were fixed at their 5% and 10.9% levels, respectively, by the state statutes authorizing these Detroit specific taxes. In proposing the Plan, the City has assumed that the Michigan Legislature (the "Legislature") will not approve either the increase of any existing taxes currently levied by the City or the imposition of any new taxes by the City because City residents cannot bear a further tax increase, and any such increase only would accelerate the City's population decline. Moreover, as described in Section X.B, the City may rationalize the nominal tax rates currently assessed by the City to bring them in line with those assessed by surrounding localities. If the City's revenues are less than its total obligations, the City's ability to perform its obligations under the Plan could be jeopardized.

J. Failure to Achieve Projected Financial Performance

The Projections are dependent upon the successful implementation of the City's budget and the reliability of other estimates and assumptions accompanying the Projections. The Projections are based on estimates and assumptions relating to the City's projected revenues and expenditures and prevailing economic conditions. In addition, the Projections assume that the Plan will be confirmed in accordance with its terms. The Projections also assume that the City will be able to achieve certain cost savings as a result of efficiencies achieved as a result of the City's reinvestment initiatives and overall

restructuring efforts. However, these estimates and assumptions may not be realized and are inherently subject to significant economic uncertainties and contingencies, many of which are beyond the City's control. No representations can be or are made as to whether the actual results will be within the range set forth in the Projections. Some assumptions inevitably will not materialize, and events and circumstances occurring subsequent to the date on which the Projections were prepared may be different from those assumed or may be unanticipated and, therefore, may affect financial results in a material and possibly adverse manner. The Projections, therefore, may not be relied upon as a guarantee or other assurance of the actual results that will occur.

K. Unforeseen Financial Circumstances Affecting the City's Future Financial Performance

The Plan and the Projections underlying the Plan are based on certain assumptions about the City's future financial performance. Unforeseen events and circumstances may occur affecting the City's future financial performance, resulting in those assumptions proving inaccurate and the City being unable to fulfill its obligations under the Plan. No guarantee can be made as to the City's future financial performance due to a variety of unforeseeable circumstances that may affect such performance.

L. Access to Tax Levies Supporting Unlimited Tax General Obligation Bonds

Pursuant to the Home Rule City Act (see Section VII.A.1 of this Disclosure Statement), the City, with the approval of the electorate, levies the taxes used to pay debt service charges or obligations on Unlimited Tax General Obligation Bonds. The amount of taxes levied to service Unlimited Tax General Obligation Bonds is in addition to other taxes that the City is authorized to levy, without limitation as to rate and amount and without regard to any City Charter, statutory or constitutional caps on taxation. In the event the City is precluded from levying these taxes, it anticipates borrowing funds sufficient to replace this lost revenue. In that event, there can be no assurance that the City will be successful in obtaining the financing.

M. Litigation Regarding the COPs and the Retirement Systems

Certain Holders and insurers of COPs have threatened to commence litigation against the Retirement Systems seeking the disgorgement of certain proceeds received by the Retirement Systems pursuant to the 2005 and 2006 COPs transactions described in Section VII.B.3 of this Disclosure Statement. As of the date of this Disclosure Statement, no such action has been filed. The City and the Retirement Systems believe that any such claim would have no merit.

N. Litigation Regarding the Swaps

Certain parties have indicated their intent to challenge the legality of the City's agreement to secure the obligations to the Swap Counterparties with the Casino Revenues. As of the date of this Disclosure Statement, no such action has been filed. The potential effect of any such litigation upon the Plan is uncertain.

O. Other Litigation

The City will be subject to various claims and legal actions arising in the ordinary course of its operations, including, but not limited to, personal injury actions. The City is not able to predict the nature and extent of any such claims and actions and cannot guarantee that the ultimate resolution of such claims and actions will not have a material adverse effect on the City after its emergence from chapter 9.

P. New Securities May Not Trade at Par

Holders of the New Securities (including holders of the New B Notes) may encounter limited market acceptance of City credit upon any attempt to sell City debt obligations, making sales at or near par potentially difficult. Holders of City debt after the Effective Date may not be able to sell such debt for any price for some time. Alternatively, potential purchasers may demand discounts to the par amount of obligations before a potential purchaser would be willing to purchase City debt of any kind. There can be no assurance that a secondary market will exist for any City debt.

Q. Challenges in Obtaining Legislative and Regulatory Approvals Necessary to Effectuate Transactions

The City intends to comply with all applicable law regarding, and obtain all legislative and regulatory approvals necessary to effectuate, any transactions contemplated in the Plan. A risk exists that legislative and regulatory approvals

necessary to effectuate the transactions contemplated in the Plan may not be obtained, including pursuant to section 33 of Michigan Public Act 94 of 1933, the Revenue Bond Act, MCL § 141.133 (as amended), which provides for the possibility of "a referendum upon the question of the issuance of bonds" under certain circumstances.

R. Population Loss

The City has experienced steady population loss for over a half-century. Since its peak in the 1950s, the City has been losing both people and jobs. The City's population declined by nearly 45% to just over one million as of June 1990. In the 23 years since, this population decline has continued unabated. The City's population stood at 684,799 as of December 2012, representing a 63% decline from its postwar peak of 1.85 million residents. The City has gone from the fifth largest city in America in 1950 to the eighteenth largest today. No other American city has experienced a comparable decline in population over a similar period of time. In addition to its inability to increase tax rates, the steady population loss experienced by the City over the last 50 years limits the City's ability to grow tax revenues. Although the City intends to increase the revenues it receives from personal income taxes by broadening the City's tax base and creating conditions that are likely to foster economic growth, there can be no guarantee that these efforts will be successful.

S. Inability to Hire and Retain Employees

A risk factor exists that the reductions in retirement benefits set forth in the Plan may make it challenging for the City to hire and retain qualified employees. Although the City believes that employment with the City will remain an attractive option for many residents of the City and the region in the event that the Plan is confirmed, the potential effect of the Plan upon the City's ability to maintain its desired workforce is unknown.

T. The City Has No Duty to Update

The statements contained in this Disclosure Statement are made by the City as of May 5, 2014, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The City has no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

U. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or related to the City, the City's chapter 9 case or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement and any other Solicitation Materials that accompany this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should be relied upon by you at your own risk in arriving at your decision.

V. Nature and Amount of Allowed Claims

The ultimate amount of Allowed Claims against the City is unknown. If the amount of Allowed Claims is higher than expected or predicted, recoveries for Holders of Claims in certain Classes may be negatively impacted. In addition, given the sheer volume of Claims expected to be filed against the City, the cost of administering such Claims will be substantial and may also adversely impact recoveries for Holders of Claims in certain Classes. Any such adverse effects could be material.

VII.

EVENTS PRECEDING THE CITY'S CHAPTER 9 CASE

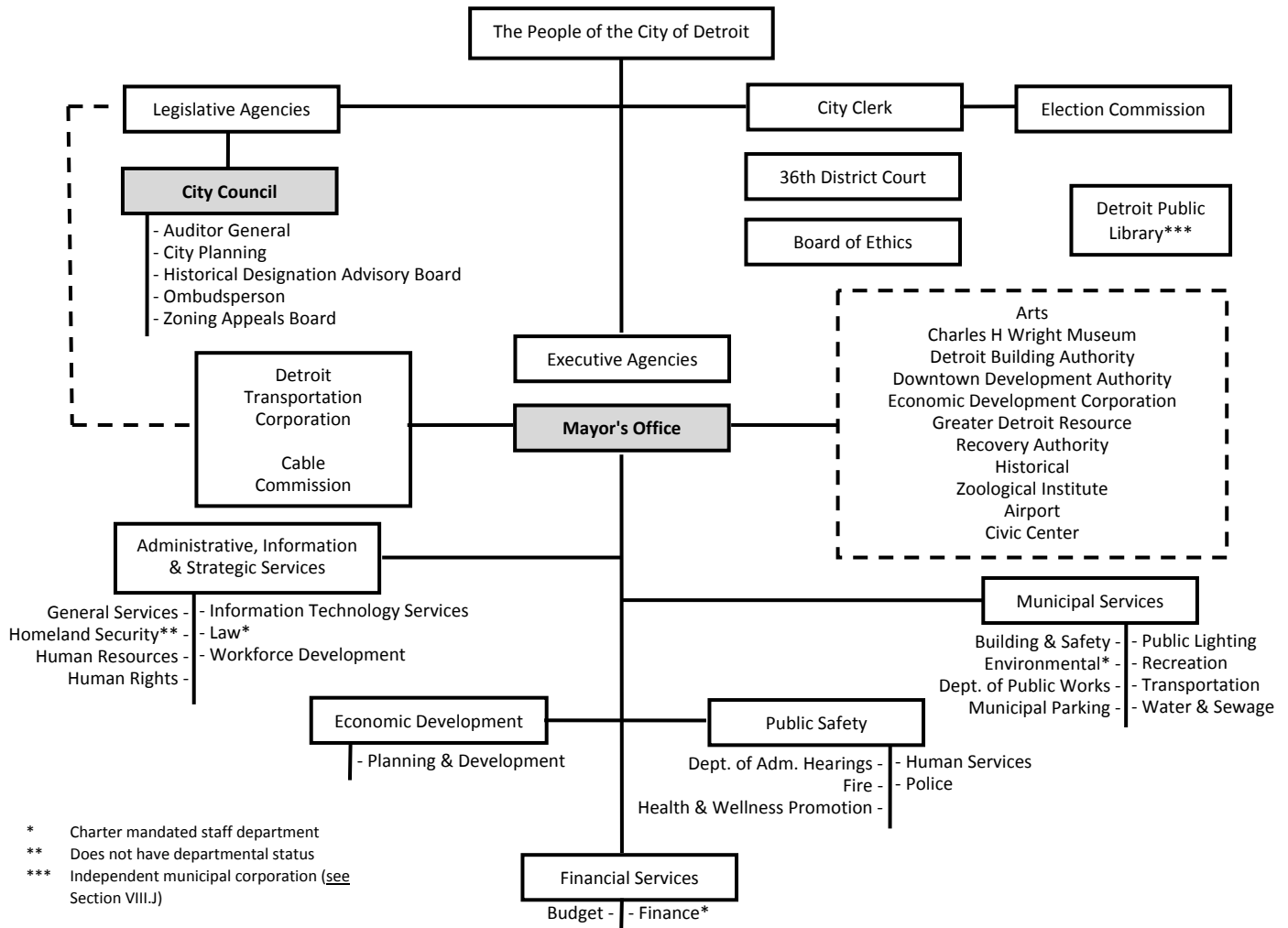
A. Background

1. General Information

Founded in 1701 and incorporated in 1806, Detroit is a political subdivision of the State of Michigan and is its largest city. Detroit is located on an international waterway, which is linked via the St. Lawrence Seaway to seaports around the world. As of December 2012, the City had a population of approximately 685,000 (down from a peak population of nearly 2 million in 1950).

The City is a home rule city and body corporate organized under Michigan Public Act 279 of 1909 (as amended), the Home Rule City Act, MCL §§ 117.1 *et seq.* (the "Home Rule City Act"). The City has comprehensive home rule power under the Michigan Constitution, the Home Rule City Act and the 2012 Charter of the City of Detroit (the "City Charter"), subject to the limitations on the exercise of that power contained in the Michigan Constitution, the City Charter or applicable Michigan statutes.

Ordinarily, the City is managed by an executive branch and a legislative branch. The organization of City agencies within the executive and legislative branches of government is set forth below.



The Mayor heads the executive branch. The citizens of Detroit elect the Mayor to a four-year term. The City Charter grants the Mayor broad managerial powers including the authority to appoint department directors, deputy directors and other executive branch officials. The responsibility to implement most programs, provide services and manage day-to-day operations is delegated by the City Charter to the executive branch. The legislative branch is comprised of the City Council and its agencies. The nine members of City Council also are elected to four-year terms. Many significant decisions, including budget appropriations, procurement of goods and services and certain policy matters must be approved by the City Council.

Since March 14, 2013, the City has been operating under the authority of an Emergency Manager (as defined in Section VII.D.9.c), originally appointed by the State of Michigan Local Emergency Financial Assistance Loan Board (the "LEFALB"). Pursuant to Section 9(1) of Michigan Public Act 436 of 2012, the Local Financial Stability and Choice Act, MCL §§ 141.1541 *et seq.* ("PA 436"), the Emergency Manager acts "for and in the place and stead of the governing body and the office of chief administrative officer of the local government" and possesses "broad powers in receivership to rectify the financial emergency and to assure the fiscal accountability of the local government and the local government's capacity to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare." As such, during the Emergency Manager's appointment, the executive and legislative branches of City government generally are prohibited by Section 9(1) of PA 436 from exercising any of their usual powers except as may be specifically authorized in writing by the Emergency Manager. For additional information see Section VII.D.9 of this Disclosure Statement.

2. Municipal Services

Pursuant to the City Charter, the City is responsible for providing for the public peace, health and safety of persons and property within its jurisdictional limits. The City provides the following major services to City residents and businesses: police and fire protection, sanitation and streets, parks and recreation, health, planning and development, public lighting, transportation, water supply, sewage disposal and parking. In addition, the City is the "District Control Unit" responsible for certain duties and costs relating to the 36th District Court, a unit of the judicial branch of the State.

The preamble to the City Charter describes certain expectations of City residents with respect to municipal services that the City provides. These expectations include: (a) decent housing; (b) job opportunities; (c) reliable, convenient and comfortable transportation; (d) recreational facilities and activities; (e) cultural enrichment; (f) clean air and waterways; (g) safe drinking water; and (h) a sanitary, environmentally sound City.

3. City Funds

The City uses various accounting funds to keep track of specific sources of funding and spending for particular purposes. The City's funds are divided into three categories – governmental, proprietary and fiduciary. Most of the City's basic services are reported in the governmental funds, which focus on cash flows related to such services and funds available for future spending. Proprietary funds report services for which the City charges customers, including individuals, outside entities and other agencies within the City. Fiduciary funds are funds with respect to which the City acts as a trustee or fiduciary, including pension (and other employee benefit) funds and agency funds.

(a) General Fund

The primary governmental fund and the chief operating fund of the City is the General Fund (the "General Fund"). Many key services of the City are paid for from the General Fund (including, among others, police, fire, public works, community and youth services), which is comprised of 28 discrete departments. During the City's 2013 Fiscal Year, which began on July 1, 2012 and ended on June 30, 2013, the General Fund had total revenues of \$1,047.1 million and the General Fund had total expenditures of \$867.2 million.

(b) Enterprise Funds

Proprietary funds that are used to provide supplies and services to the general public are referred to as "Enterprise Funds." During Fiscal Year 2013, the various Enterprise Funds collectively had total operating revenues of \$839.8 million and had total operating expenses in the total amount of \$831.5 million. The following paragraphs describe the major Enterprise Funds reported by the City and any related City departments.

i. Water Fund and Sewage Disposal Fund/DWSD

The Detroit Water and Sewerage Department ("DWSD") is far and away the largest Enterprise Fund managed by the City. Detroit's water fund (the "Water Fund") and sewage disposal fund (the "Sewage Disposal Fund") account for the water and sewage systems, which are owned by the City and administered by DWSD. DWSD is a department of the City and is responsible for the water supply and the control and treatment of wastewater for most of southeastern Michigan. DWSD traces its roots to 1836, when the City purchased a private water works and began maintaining, improving and expanding the City's water distribution system. Since 1853, DWSD has been governed by the Board of Water Commissioners which, today, is a seven-member board appointed by the Mayor and comprised of four residents of the City and three representatives representing, respectively, the Counties of Macomb, Oakland and Wayne. The Board of Water Commissioners has overseen construction of, among other innovations, the City's first reservoir (completed in 1857), its first public drinking fountains (completed in 1871) and what was, upon its opening in 1923, the largest water filtration plant in the world. DWSD's wastewater treatment plant, which began operating in 1940, is the largest single-site wastewater treatment facility in the nation; its construction, during the Great Depression, is widely viewed as one of the most notable engineering accomplishments of the twentieth century in Michigan. DWSD operates, and the Board of Water Commissioners oversees DWSD, pursuant to chapter 12 of section 7 of the City Charter.

Today, DWSD is one of the largest municipal water and sewerage departments in the nation. DWSD serves residential, commercial, governmental, institutional and industrial customers at a retail level within the City and over 125 wholesale suburban customers. Customer entities served by DWSD are located in Wayne, Oakland, Macomb, St. Clair, Genesee, Washtenaw and Monroe Counties.

As of the Petition Date, DWSD had commenced capital improvement programs with respect to the water system and the sewage disposal system (any such program, a "Capital Improvement Program") calling for DWSD to invest a total of approximately \$1.4 billion in infrastructure improvements and necessary repairs, technological upgrades and systems rationalization over a five-year period from 2014 to 2018. DWSD's combined budgeted revenues for Fiscal Year 2014 is \$934.7 million. Current and historical financial information for DWSD is attached as Exhibit L to this Disclosure Statement, and future financial projections for DWSD are attached to this Disclosure Statement as Exhibit M.

For the previous three fiscal years, aggregate Capital Improvement Program expenditures totaled approximately \$500 million. The Capital Improvement Program focuses on (A) maintaining the excellent quality of water provided to customers; (B) improving water system reliability by replacing aging infrastructure to reduce the growing incidence of main breaks; (C) ensuring environmental protection for all customers through upgraded treatment facilities; (D) improving employee safety through system modifications; and (E) increasing efficiency of services to all customers by taking advantage of new technology.

Major projects in the Capital Improvement Program include: (A) replacement of aging water mains; (B) rehabilitation and upgrades to water and wastewater treatment plants, pumping stations and reservoirs; (C) rehabilitation or replacement of sewer lines and outfalls; and (D) construction of combined sewer overflow control facilities to ensure that sewer systems effectively handle storm water flows and protect the environment.

(A) The Water System

DWSD's water system supplies a 1,079-square-mile region serving approximately 40% of the State's population. The system's water network consists of 3,438 miles of transmission and distribution mains within Detroit and 403 miles of transmission mains in the remaining service areas.

In Fiscal Year 2012, DWSD exhibited operating margins of 22% for the water system. The water system's Fiscal Year 2012 current ratio was 1.90. DWSD's Fiscal Year 2012 interest expense as a percent of operating revenue, at approximately 32% for the water system, is slightly above its peer group average of 25%. Also in Fiscal Year 2012, DWSD initiated a performance benchmarking program to evaluate financial conditions and establish realistic goals.

Historical Revenues and Expenses (\$MM)						
	2007	2008	2009	2010	2011	2012
Operating Revenues						
Water Sales - Detroit	\$57.9	\$74.4	\$65.4	\$70.0	\$74.8	\$71.5
Water Sales - Suburban	208.0	216.9	206.3	210.7	237.1	258.6
Other	2.3	1.7	2.5	4.8	4.1	6.0
Total Operating Revenue	\$268.3	\$293.0	\$274.1	\$285.5	\$316.0	\$336.1
Operation & Maintenance Expense ⁽¹⁾	(146.3)	(141.4)	(149.9)	(146.6)	(146.9)	(165.1)
Net Operating Revenues	\$122.0	\$151.6	\$124.2	\$138.9	\$169.1	\$171.0
Non Operating Revenues	34.1	29.3	13.7	7.1	4.3	
Net Revenues	\$156.0	\$180.9	\$138.0	\$146.0	\$173.4	N/A

Source: DWSD Offering Memorandum dated December 20, 2011; Audited Financial Statements for the period ended June 30, 2012

(1) Excludes OPEB and other "non-cash" items that do not impact net revenues for debt service

The main water supply sources are the Detroit River, to the south, and Lake Huron, to the north. DWSD's five water treatment plants include: the Lake Huron Water Treatment Plant, the Northeast Water Treatment Plant, the Southwest Water Treatment Plant, the Springwells Water Treatment Plant and the Water Works Park.

- The Lake Huron Water Treatment Plant began full-scale operations in 1974. The Lake Huron plant is located at 3993 Metcalf Road in Fort Gratiot, Michigan. This plant was designed to be easily expandable to meet the needs of growing populations in the communities it serves to the north of Detroit. The plant has a current pumping capacity of 400 million gallons per day ("MGD").
- Dedicated in 1956, the Northeast Water Treatment Plant, at 11000 E. Eight Mile Road in Detroit, was part of an expansion program that included the construction of transmission mains, a reservoir and booster station. The plant was built to meet the needs of suburban communities located north of the city and has a current pumping capacity of 300 MGD.
- The Southwest Water Treatment Plant, located at 14700 Moran Road in Allen Park, became operational in 1964. The plant was acquired by the City from the Wayne County Road Commission in a lease-purchase agreement as part of a consolidation of water services in southeast Michigan. The plant has a current pumping capacity of 240 MGD, but it currently operates at an MDEQ-approved capacity of 160 MGD.
- The Springwells Water Treatment Plant at 8300 W. Warren Avenue in Dearborn became operational in 1931. At the time of its dedication in 1935, the plant was the largest water treatment facility in the world. The facility later went under a major addition in 1959 to double its capacity.
- Water Works Park is DWSD's newest water treatment plant and is located at 10100 E. Jefferson Avenue in Detroit. Water Works Park is the largest plant in Michigan to use ozone. A \$35 million expansion program increased the plant's pumping capacity to 320 MGD. Today, the plant operates at a capacity of 240 MGD.

Water Sales & Non-Revenue Water (Mcf)				
	Water Sales			Total Water Produced
	Suburban Wholesale	Detroit Retail	Total	
2007	18,417,900	4,927,000	23,344,900	28,063,000
2008	18,405,500	4,145,500	22,551,000	29,360,700
2009	16,682,100	4,138,100	20,820,200	27,180,700
2010	15,676,300	3,924,000	19,600,300	25,142,700
2011	16,094,683	4,176,600	20,271,283	26,513,000

Source: DWSD Offering Memorandum dated December 20, 2011

Suburban customers receive the same water treatment provided to Detroit retail customers. However, these customers' municipalities operate additional facilities to bring these services to their homes. DWSD provides and bills

Detroit retail customers on an individual basis, while the system provides services to and bills wholesale suburban customers at a municipal level.

Historic Water Rates		
Rates (as of July 1)	Retail Detroit ⁽¹⁾	Average Wholesale
2002	\$10.69	\$8.48
2003	11.65	9.25
2004	12.58	10.20
2005	12.63	10.61
2006	12.69	11.24
2007	13.56	11.81
2008	14.42	12.86
2009	15.17	13.68
2010	16.59	14.43
2011	18.09	15.72

Source: DWSD Offering Memorandum dated December 20, 2011

(1) Reflects rate charged to first 3,000 cubic feet per month

The water system's Capital Improvement Program focuses on maintaining the quality of water provided to customers, improving system reliability by replacing aging infrastructure to reduce the growing incidence of main breaks, ensuring environmental protection for all customers through upgraded infrastructure, improving employee safety through system modifications and increasing efficiency of services to all customers by taking advantage of new technologies. Major projects in the capital improvement program include replacement of aging water mains and rehabilitation and/or upgrades to water treatment plants, pumping stations and reservoirs.

Water System Capital Improvement Projections (\$MM)					
	2014	2015	2016	2017	2018
Total Financing for CIP	\$63.4	\$125.2	\$144.4	\$144.4	\$132.9

(B) The Sewage Disposal System

DWSD's sewage disposal system covers a 946-square-mile area that encompasses 35 percent of Michigan's population in Detroit and 76 neighboring communities. The system originated in 1836 and today consists of 10 pump stations, six combined sewer overflow ("CSO") retention treatment basins ("RTBs"), three screening and disinfection facilities and a total of 3,433 miles of sewer lines that carry rainwater and wastewater to the Wastewater Treatment Plant.

In Fiscal Year 2012, DWSD exhibited operating margins of 20% for the Sewer System. The sewage disposal system's Fiscal Year 2012 current ratio was 2.21. DWSD's Fiscal Year 2012 interest expense as a percent of operating revenue, at approximately 25% for the system, is comparable to its peer group average of 25%. Also in Fiscal Year 2012, DWSD initiated a performance benchmarking program to evaluate financial condition and establish realistic goals.

Historical Revenues and Expenses (\$MM)						
	2007	2008	2009	2010 ⁽¹⁾	2011 ⁽²⁾	2012
Operating Revenues						
Retail Billings ⁽³⁾	\$130.6	\$136.0	\$162.8	\$168.0	\$188.9	\$186.6
Wholesale Billings ⁽³⁾	192.0	201.7	219.6	187.9	213.9	242.8
Subtotal	\$322.6	\$337.7	\$382.5	\$355.9	\$402.8	\$429.3
Other	24.3	9.2	7.7	9.7	7.9	8.3
Total Operating Revenue	\$346.9	\$346.9	\$390.1	\$365.6	\$410.7	\$437.7
Operation & Maintenance Expense ⁽⁴⁾	(200.0)	(202.3)	(195.5)	(197.3)	(230.8)	(217.0)
Net Operating Revenues	\$147.0	\$144.6	\$194.6	\$168.3	\$179.9	\$220.6
Non Operating Income	33.6	27.6	11.5	5.9	12.2	
Net Revenues	\$180.5	\$172.2	\$206.1	\$174.1	\$192.1	N/A

Source: DWSD Offering Memorandum dated June 20, 2012; Audited Financial Statements for the period ended June 30, 2012

(1) Fiscal Year 2010 Revenue includes Fiscal Year 2007 look-back adjustment

(2) Fiscal Year 2011 Revenue includes \$20 million in initial allotment of look-back adjustments for Fiscal Years 2008 through 2010

(3) Net of Bad Debt Expense

(4) Excludes OPEB and other elements that do not impact net revenues for the purpose of debt service calculations

The Wastewater Treatment Plant, located at 9300 W. Jefferson Avenue in Detroit, is one of the largest single-site wastewater treatment facilities in the United States. The treatment plant was originally designed to provide primary treatment (screening of solids and chlorination) for the wastewater generated by 2.4 million people and, with modifications, as many as 4.0 million people. The plant's service area in 1940 included Detroit and 11 nearby suburban communities. Secondary treatment (more rigorous screening and treating and disinfection of biodegradable solids to produce a cleaner effluent) was introduced in the 1960s. The Wastewater Treatment Plant continues to be the recipient of continual upgrades in order to ensure it is capable of staying abreast of ever more stringent regulatory standards. In 1999, the Michigan section of the American Society of Civil Engineers named the Wastewater Treatment Plant one of the top 10 engineering projects of the 20th century.

The system's three screening and disinfection facilities are the Baby Creek, Leib and St. Aubin facilities.

- The Baby Creek facility uses fine screens and disinfection to treat combined sewage flows that pass through it. It is located at Miller and Industrial Drive in southwest Detroit at the city limit shared with Dearborn. The facility is rated for 5,100 cubic feet per second ("cfs"). The site area includes the Woodmere Pumping Station that services a 450-acre portion of the Baby Creek tributary area.
- The Leib facility was constructed to address a large outfall on the Detroit River and to demonstrate that fine screening (horizontal and vertical) in combination with 10 minutes of disinfection time is effective at meeting public health standards. High-energy mixers are used to mix sodium hypochlorite to maximize bacterial kill and minimize discharge of residual chlorine to the Detroit River. The facility can treat a flow rate of up to 1,500 cfs. It began operation in 2002 and successfully achieved the required treatment levels during the demonstration period.
- The St. Aubin facility was undertaken at the same time as the Leib facility; it uses the same technology but utilizes a different type of screen. While St. Aubin is much smaller, with about one fifth of the treatment capacity of Leib, it is important in addressing water quality along Chene Park that frequently hosts concerts and other events. This facility has operated successfully since 2002.

The System's six CSO RTBs include the Belle Isle, Conner Creek, Hubbell-Southfield, Oakwood, Puritan-Fenkell and Seven Mile combined sewer overflow retention treatment basins.

- The Belle Isle CSO RTB is the smallest CSO facility and was sized to provide 10 minutes of detention for the peak flow of the 10-year, 1-hour storm. Located on Belle Isle along the Detroit River, this RTB has a storage capacity of 300,000 gallons. It eliminated one untreated CSO outfall and has been operational since March 2008.

- Detroit's largest CSO facility, the Conner Creek CSO RTB, eliminated three outfalls and has dramatically improved water quality in Conner Creek and the Detroit River since going into operation in November 2005. This facility provides 62 million gallons of total storage, with 30 million gallons in the retention treatment basin and 32 million gallons in upstream structures. High-speed mixers are used to rapidly disinfect flows and achieve the required fecal coliform limits. This facility was sized to provide 5 minutes of detention for settling and disinfection for the peak flow from the 10-year, 1-hour storm.
- The Hubbell-Southfield CSO RTB is one of DWSD's most active, longest operating CSO facilities and the largest on the Rouge River. Since August 1999, it has been effectively capturing and treating combined sewage through screening, settling and disinfection to meet discharge permit requirements that protect public health. Sized to fit into the available land and site constraints, the basin has a 22 million gallon storage capacity. The facility is located next to the Tournament Players Championship Golf Course in Dearborn and features innovative design components that enable three different operational modes and prevent resuspension of solids during large storms.
- Located on the lower portion of the Rouge River, immediately south of I-75, the 9 million-gallon Oakland RTB is designed to provide CSO treatment through storage plus fine screening and disinfection. This facility includes a major influent pumping station with capacity to pump 1,800 cfs.
- Located in Eliza Howell Park, the Puritan-Fenkell CSO RTB is the third Rouge River CSO RTB. This facility successfully demonstrated that a facility sized to provide 20 minutes of detention time for settling and disinfection of the 1-year, 1-hour storm event peak flow is sufficient to meet protection of public health standards. The 2.8 million-gallon facility became operational in August 1999 and eliminated two untreated CSO outfalls.
- DWSD's Seven Mile CSO RTB was constructed at the same time as the Hubbell-Southfield and Puritan-Fenkell CSO RTBs with funding from the Rouge River National Wet Weather Demonstration Program. The RTB is located on the northeast corner of West Seven Mile Road and is sized to provide 30 minutes of detention time for settling and disinfection of the 1-year, 1-hour storm event peak flow. It has a 2.2 million gallon storage capacity.

Treated and Billed Wastewater Volumes (Million Cubic Feet)				
	Billed Volume			Annual Wastewater Treated
	Suburban Wholesale	Detroit Retail	Total	
2007	15,707,500	4,331,200	20,038,700	32,725,000
2008	15,266,300	3,716,300	18,982,600	33,233,000
2009	16,469,400	3,956,900	20,426,300	35,452,100
2010	13,448,300	3,622,700	17,071,000	30,185,100
2011	15,065,800	3,743,100	18,808,900	34,476,200

Source: DWSD Offering Memorandum dated June 20, 2012

The sewage disposal system also has a Capital Improvement Program, similar to that of the water system. Some capital improvement program initiatives include upgrades to wastewater treatment plants; rehabilitation or replacement of sewer lines and outfall; and construction of combined sewer overflow control facilities to ensure that the system effectively handles storm water flows and protects the environment.

Sewer System Capital Improvement Projections (\$MM)					
	2014	2015	2016	2017	2018
Total Financing for CIP	\$165.6	\$156.0	\$140.0	\$140.0	\$96.5

During Fiscal Year 2013, the City received payments into the Water Fund and the Sewage Disposal Fund in the total amounts of \$370.4 million and \$451.8 million, respectively, and made payments from the Water Fund and Sewage Disposal Fund in the total amounts of \$327.1 million and \$409.6 million, respectively.

On January 30, 2014, the Emergency Manager issued Emergency Manager Order No. 22, providing that the City intends to issue up to \$350 million in Sewage Disposal System Revenue Bonds for the purpose of funding all or part of the cost of making necessary improvements to DWSD's infrastructure. The City is contemplating the issuance of \$150 million of such Sewage Disposal System Revenue Bonds, pursuant to section 364 of the Bankruptcy Code. The issuance of Sewage Disposal Revenue Bonds pursuant to Emergency Manager Order No. 22 and section 364 of the Bankruptcy Code would not be part of, and would be entirely separate from, the transactions contemplated in the Plan.

As described in Section VIII.L.2 of this Disclosure Statement, as of the date of this Disclosure Statement, the City is considering the possibility of entering into a public-private partnership with respect to DWSD. In addition, as described in Section VIII.L.1 of this Disclosure Statement, the City has engaged in negotiations with the Counties of Macomb, Oakland and Wayne regarding the potential formation of a regional water authority, which would be created by agreement among the City and the Counties. On April 17, 2014, the Bankruptcy Court ordered the City and the Counties to participate in facilitative mediation regarding the future of the DWSD and the potential creation of a regional water authority. See Section VIII.L.1 of this Disclosure Statement.

As of the date of this Disclosure Statement, the City does not intend to reject any material DWSD customer contracts pursuant to the Plan. In particular, the City will assume its wholesale contracts with the Counties.

(C) DWSD Pension Contributions

During the past five years, DWSD has contributed the following amounts to the GRS on account of pension obligations for DWSD employees:

	Fiscal Year				
	2009	2010	2011	2012	2013
Water	\$6,439,286	\$6,910,469	\$12,030,953	\$6,590,377	\$14,783,300
Sewer	\$5,147,752	\$4,490,119	\$7,684,559	\$4,270,804	\$9,501,888
Total	\$11,587,038	\$11,400,588	\$19,715,512	\$10,861,181	\$24,285,188

(D) DWSD Litigation

For more than 35 years, DWSD was a defendant in a lawsuit initiated by the United States Environmental Protection Agency (the "EPA"). In 1977, the EPA sued the City and DWSD, alleging violations of the federal Clean Water Act (the "CWA"). See United States v. City of Detroit, No. 77-71100, 2013 WL 1282021, at *3 (E.D. Mich. Mar. 27, 2013). The case was pending in the United States District Court for the Eastern District of Michigan (the "District Court") – and DWSD operated under federal court oversight – until March of 2013 due to "a recurring cycle" of compliance failures with regard to the CWA and National Pollutant Discharge Elimination System ("NPDES") permits required by the Michigan Department of Environmental Quality (the "MDEQ"). See United States v. City of Detroit, No. 77-71100, 2011 WL 4014409, at *1 (E.D. Mich. Sept. 9, 2011). Pursuant to an Administrative Consent Order (the "ACO") with the MDEQ, in July 2011, DWSD agreed to undertake certain remedial measures to address what the District Court had identified as areas of persistent dysfunction, including deficiencies in maintenance, capital expenditures, planning, staffing and procurement. See United States v. City of Detroit, Exhibit A to Motion to Dismiss, No. 77-71100 (E.D. Mich. July 25, 2011) (Docket No. 2365). As of the Petition Date, the ACO remained effective, allowing the MDEQ to continue its oversight of DWSD.

Determining that the ACO, standing alone, was insufficient to guarantee DWSD's long-term compliance with the CWA and NPDES standards, in 2011 the District Court ordered a "Root Cause Committee" comprised of City and DWSD officials to formulate a plan to address the root causes of DWSD's persistent noncompliance. See City of Detroit, Order, at 3, No. 77-71100 (Nov. 4, 2011) (Docket No. 2410). The Root Cause Committee drafted – and the District Court adopted – a "Plan of Action," which proposed to restructure DWSD to address systemic dysfunction and achieve long-term compliance with federal and state environmental standards. Id. at 3-4. In March 2013, the Root Cause Committee submitted a plan to the District Court recommending the creation of an autonomous DWSD. See City of Detroit, Director's Compliance Report, at 23, No. 77-71100 (E.D. Mich. Mar. 18, 2013) (Docket No. 2526). On March 27, 2013, the District Court issued an order closing the case and declining to address the Root Cause Committee's recommendation for the further restructuring of DWSD. See City of Detroit, 2013 WL 1282021, at *2. In its order dismissing the case, the District Court stated that it was satisfied that the court's orders and the ACO "have been substantially implemented." Id. at *13. Closing the case was appropriate, the District Court said, "because the existing [ACO] is a sufficient mechanism to address any

future issues regarding compliance with DWSD's NPDES permit and the [CWA]." Id. at *17. On April 8, 2013, the Sixth Circuit Court of Appeals issued a ruling in favor of certain unions that had sought to intervene in the case prior to the dismissal, reversing the District Court's denial of certain motions to intervene and remanding for a limited grant of intervention. See United States v. City of Detroit, 712 F.3d 925, 926 (6th Cir. 2013). On June 5, 2013, the District Court issued an order to show cause regarding the question of whether the District Court is divested of jurisdiction to address the remanded issues as a result of the order of dismissal. See City of Detroit, Order to Show Cause, at 4, No. 77-71100 (E.D. Mich. June 5, 2013) (Docket No. 2535). The City also has commenced an appeal in this case. See City of Detroit, Notice of Appeal, at 1, No. 77-71100 (E.D. Mich. May 22, 2013) (Docket No. 2532). On July 30, 2013, the Sixth Circuit Court of Appeals stayed the City's appeal pending resolution of the City's chapter 9 case. See United States v. City of Detroit, Order, at 1, No. 13-1708 (6th Cir. July 30, 2013).

ii. Transportation Fund/DDOT

Detroit's transportation fund (the "Transportation Fund") accounts for the City's mass transit system, which is administered by the Detroit Department of Transportation ("DDOT"). Established in 1922 as the Department of Street Railways and providing mass transit bus service to City residents since 1925, DDOT is the largest public transit provider in Michigan. A municipal department of the City, DDOT operates a fleet of more than 400 buses on 36 routes daily and serving riders at approximately 6,000 bus stops throughout the City and in some nearby suburban communities. DDOT employed 1,198 workers during Fiscal Year 2012 and, as of the Petition Date, consisted of 13 divisions: an Administrative Division, a Capital Projects Division, a Customer Relations and Communications Division, a Finance Division, a Human Resources Division, a Transportation Operations Division, a Management Information Services Division, a Materials Management Division, a Building Maintenance Division, a Purchasing and Contract Administration Division, a Security and Risk Management Division, a Strategic Planning Division and a Vehicle Maintenance Division. DDOT ranks 39th in ridership among public transit agencies nationwide; it provided 32.8 million passenger trips during Fiscal Year 2012.

During Fiscal Year 2013, the City received payments into the Transportation Fund in the total amount of approximately \$148.0 million (including a General Fund subsidy of approximately \$47.2 million) and made payments from the Transportation Fund in the total amount of \$175.7 million.

iii. Automobile Parking Fund/MPD

The City's Municipal Parking Department ("MPD") consists of two divisions which include the Auto Parking System ("APS") and the Parking Violations Bureau ("PVB"). APS is primarily responsible for the operation and maintenance of the parking garages set forth in the table below, and certain on-street parking spaces.

Name of Parking Asset	Location	Approximate Number of Parking Spaces
Eastern Market Garage	2727 Riopelle	300
Ford Underground Garage	30 East Jefferson Avenue	700
Grand Circus Park Garage	1600-01 Woodward Avenue	800
Joe Louis Arena Garage	900 West Jefferson Avenue	2,100
Millennium Garage	432 West Congress	600
Premier Underground Garage	1206-08 Woodward Avenue	900
On Street Parking Meters	N/A	3,200

The activities of APS are accounted for in the "Automobile Parking Fund," which is an Enterprise Fund that services the City's Parking Bonds. PVB is primarily responsible for the enforcement of on-street parking ordinances, including the issuance, processing and collection of parking tickets. PVB's revenues net of expenses are accounted for in the General Fund.

As of the Petition Date, APS managed seven parking garages containing a total of 6,793 spaces and approximately 3,404 on-street metered parking spaces. As of the Petition Date, projected revenue of APS for Fiscal Year 2013 was

approximately \$12.9 million. Expenses were projected to be approximately \$12.9 million for the same period, with any "due to/due from" activity with the General Fund projected to net out to zero.

PVB was projected to issue 323,000 tickets and immobilize 2,760 vehicles with parking boots during Fiscal Year 2013, yielding projected revenues of approximately \$11.4 million. Expenses were projected to be approximately \$7.8 million for the same period, with the projected surplus of \$3.6 million inuring to the General Fund. As of the end of Fiscal Year 2013, MPD's headcount totaled 90 full-time employees, with 35 such employees allocated to APS and 55 allocated to the PVB (including four full-time contractors).

Several factors have limited the MPD's ability to raise revenues in recent years. Budgetary cuts, headcount reductions and unfavorable work rules have reduced the number and frequency of parking violation patrols and have contributed to a sharp decline in the number of tickets issued by the MPD, from 535,000 tickets in Fiscal Year 2002 to 323,000 in Fiscal Year 2012. Budgetary constraints have prevented the MPD from repairing or replacing broken parking meters, towing boots and vehicles used by parking enforcement officers. Certain parking spaces that require structural repairs have been taken out of service indefinitely. Meter rates and parking violation fines are underpriced in comparison with those of other large cities and frequently are considerably lower than parking rates charged by neighboring privately-operated garages and lots. The MPD also has been hampered by inefficient and ineffective collection practices in recent years, and many of these uncollected amounts now are uncollectible due to the age of the violations. In addition, the MPD's information technology systems are outdated and offer little or no meaningful real-time financial metrics.

During Fiscal Year 2013, the City received payments into the Automobile Parking Fund in the total amount of approximately \$11.1 million and made payments from the Automobile Parking Fund in the total amount of \$11.2 million.

At the request of the Emergency Manager, the City has been exploring a potential monetization of the assets constituting the Automobile Parking Fund. To this end, the City has retained a parking specialist to conduct due diligence and produce a report on the long-term value potential of the parking assets currently held by the City. This report is expected to serve as a basis for the solicitation of potentially interested bidders for the parking assets, and the City anticipates that the transaction may close during Fiscal Year 2015.

4. Sources of General Fund Revenue

The City's principal sources of General Fund tax revenues are (a) municipal income taxes, (b) property taxes, (c) casino wagering taxes, (d) state shared tax revenues and (e) taxes on utility users. These sources of revenue collectively account for approximately \$774.6 million for Fiscal Year 2013, an amount that is almost three fourths of the City's aggregate Fiscal Year 2013 General Fund revenues of \$1.05 billion. In addition, the City's General Fund receives revenue from, among other sources: (a) fees for services directly provided by the City; (b) licenses, permits and inspection charges; (c) grants and contributions from federal and state intergovernmental sources (principally the State); and (d) ordinance fines and forfeitures.

The City currently levies all taxes at or near statutory maximum levels. As described in Section VII.C.3.c, the comparative tax burden imposed on residents of the City is one of the highest in the State. Consequently, the Emergency Manager has determined that the City cannot gain additional revenue through the imposition of increased rates or additional taxes on City residents.

(a) Income Taxes

Income tax revenues totaled \$248.0 million for Fiscal Year 2013, an amount that accounts for approximately 23.7% of total Fiscal Year 2013 General Fund revenues. Income tax revenues totaled \$233.0 million during Fiscal Year 2012. Michigan Public Act 284 of 1964, the City Income Tax Act, MCL §§ 141.501 *et seq.*, authorizes Michigan cities to impose a municipal income tax. Detroit has taxed incomes since 1964 and is one of only 22 Michigan municipalities to do so. The City taxes the incomes of individuals who are Detroit residents, nonresident individuals who work in Detroit and resident businesses. Income taxes traditionally have constituted the City's largest single source of revenue. Further details regarding the City's historic income tax revenues and projected future revenues as of the Petition Date are provided in Section VII.C.2 of this Disclosure Statement.

(b) Property Taxes

Detroit levies *ad valorem* property taxes to fund general operations (19.9520 mills) and to support unlimited tax debt (9.6136 mills). Detroit residents also pay property taxes to a number of additional entities including the Detroit Public Library, Detroit Public Schools, Wayne County, Wayne County Community College, a number of special authorities and the State. The total tax rate on homeowners in Detroit is 67.5159 mills and the rate on non-homestead property is 85.3467 mills. Detroit residents face one of the highest property tax rates in Michigan, but much of the property tax paid by Detroit residents does not support City services, and instead supports the other entities listed above.

Although Detroit's property tax rate of 19.9520 mills for general operations is constitutionally capped close to the statutory maximum of 20 mills, Detroit has the third lowest per capita taxable value of Michigan's largest cities. As a result, Detroit's property tax revenue *per capita* ranks 18th highest of the State's 24 largest cities. For Fiscal Year 2013, the general operating levy on the *ad valorem* tax roll was \$156.1 million, and the levy for debt service was \$80.8 million.

General Fund property tax revenues totaled \$133.6 million for Fiscal Year 2013, accounting for approximately 12.5% of total Fiscal Year 2013 General Fund revenues. General Fund property tax revenues for Fiscal Year 2012 totaled \$147.8 million. Further details regarding the City's historic and projected future property tax revenues as of the Petition Date are provided in Section VII.C.3.b of this Disclosure Statement.

(c) Casino Wagering Taxes

Casino wagering taxes totaled \$174.6 million for Fiscal Year 2013, accounting for approximately 16.7% of total Fiscal Year 2013 General Fund revenues. Casino wagering tax revenues for Fiscal Year 2012 totaled \$181.4 million. Michigan Initiated Law 1 of 1996, the Michigan Gaming Control and Revenue Act, MCL §§ 432.201 *et seq.*, as amended by Michigan Public Act 306 of 2004, authorizes the City to impose a 10.9% wagering tax on casinos operating within City limits. In addition to wagering taxes, the City collects certain other fees from casinos operating within the City, including a municipal services fee – \$17.5 million in Fiscal Year 2013 (from \$17.9 million in Fiscal Year 2012) – and a fee based on a percentage payment from the casino development agreements, which totaled \$24.2 million in Fiscal Year 2013 (from \$25.1 million in Fiscal Year 2012). Further details regarding the City's historic and projected future wagering tax revenues as of the Petition Date are provided in Section VII.C.2 of this Disclosure Statement.

(d) Utility Users' Tax

Taxes collected from utility users are expected to total \$35.3 million during Fiscal Year 2013, accounting for approximately 3.4% of total Fiscal Year 2013 General Fund revenues. Utility users' tax revenues for Fiscal Year 2012 totaled \$39.8 million. Pursuant to Michigan Public Act 100 of 1990, the City Utility Users' Tax Act, MCL §§ 141.1151 *et seq.* ("PA 100"), Detroit is the only city in Michigan authorized to impose a 5% utility users' excise tax. The City imposes this tax on consumers of telephone, electric, steam and gas services. The utility users' tax appears as a charge on consumers' utility bills. Utility companies remit the proceeds of the tax to a trustee who distributes such proceeds to the City and the PLA (as defined below). As originally enacted, PA 100 required that all revenues from the utility users' tax be used for the hiring or retention of police officers. Michigan Public Act 392 of 2012, the Municipal Lighting Authority Act, MCL §§ 123.1261 *et seq.*, however, authorized the City to use up to \$12.5 million of utility users' tax revenues per year to retire debt issued by a newly-formed Public Lighting Authority (the "PLA"). As more fully discussed in Section VIII.L.5 of this Disclosure Statement, the PLA has been formed during the course of this chapter 9 case, and the \$12.5 million in utility users' tax revenues has been utilized. Further details regarding the City's historic and projected future utility users' tax revenues as of the Petition Date are provided in Section VII.C.2 of this Disclosure Statement.

(e) State Revenue Sharing

As of the Petition Date, Detroit received unrestricted aid from the State in connection with constitutional and statutory sharing of sales tax revenue and economic vitality incentive payments ("EVIP"). The State has shared a portion of state sales tax revenues with Michigan municipalities since the 1930s. In particular, pursuant to Article IX, Section 10 of the Michigan Constitution, the State is required to distribute 15% of all state taxes imposed on retailers on taxable sales at retail of tangible personal property at a rate of not more than 4% to its townships, cities and villages based on their population. The amount of constitutional state revenue sharing received by the City, therefore, is a function of amount of qualifying tax revenues and the population of the City relative to other municipalities eligible to receive revenue sharing payments and cannot easily be modified.

In addition to constitutional revenue sharing provided to the City, the State provides certain funds to cities, villages and townships (and, under a separate program, counties) by statute. The statutory distribution is authorized by legislative action and is subject to annual appropriation by the Legislature. Beginning with the State's Fiscal Year 2012, the State has replaced the prior statutory revenue sharing distribution (determined by a formula based on a municipality's taxable value and population) with incentive-based EVIP payments that are distributed to municipalities that comply with certain "best practices" and reporting requirements. Most recently, under Michigan Public Act 59 of 2013, the EVIP requirements for Fiscal Year 2014 are separated into three categories. A municipality receives one-third of the maximum EVIP distribution for which it is eligible for satisfying each of three categories of requirements, as follows:

- Category 1 - Accountability and Transparency. Each eligible city, village, township or county is required to certify by October 1, or the first day of a payment month, that it has produced a citizen's guide of its most recent local finances, including a recognition of its unfunded liabilities; a performance dashboard; a debt service report containing a detailed listing of its debt service requirements, including, at a minimum, the issuance date, issuance amount, type of debt instrument, a listing of all revenues pledged to finance debt service by debt instrument, and a listing of the annual payment amounts; and a projected budget report, including, at a minimum, the current fiscal year and a projection for the immediately following fiscal year.
- Category 2 - Consolidation of Services. Each eligible city, village, township or county is required to certify by February 1, or the first day of a payment month for this category, that it has produced a service consolidation plan and submit a copy of the consolidation plan to the Michigan Department of the Treasury (the "Treasury"). The consolidation plan is required to include details of any previous service cooperations, collaborations, consolidations, innovations or privatizations with an estimated cost savings amount for each cooperation, collaboration, consolidation, innovation or privatization. In addition, the consolidation plan is required to include at least one new proposal to increase its existing level of cooperation, collaboration, consolidation, innovation or privatization either within the jurisdiction or with other jurisdictions, an estimate of the potential savings amount and an estimated timeline for implementing the new proposal or proposals.
- Category 3 – Unfunded Accrued Liability Plan. Each eligible city, village, township or county with unfunded accrued liabilities as of its most recent audited financial report is required to submit, by June 1, a plan to lower all such unfunded accrued liabilities. The plan is required to include a listing of all previous actions taken to reduce its unfunded accrued liabilities with an estimated cost savings of those actions; a detailed description of how it will continue to implement and maintain previous actions taken; and a listing of additional actions it could take. If no actions have been taken to reduce the municipality's unfunded accrued liabilities, it is required to provide a detailed explanation of why no actions have been taken and a listing of actions it could implement to reduce unfunded accrued liabilities. Actuarial assumption changes and issuance of debt instruments do not qualify as a new proposal.

Because EVIP funds are appropriated by the Legislature and not constitutionally mandated, they are subject to change and inherently less certain than constitutional revenue sharing funds. The City's total portion of state shared revenue totaled \$182.5 million for Fiscal Year 2013, accounting for approximately 17.4% of total Fiscal Year 2013 General Fund revenues. During Fiscal Year 2012, the City's portion of state shared revenue was \$172.7 million. Further details regarding the City's historic and projected future state revenue sharing revenues as of the Petition Date are provided in Section VII.C.2 of this Disclosure Statement.

(f) Other Revenue

In addition to the tax revenue streams described above, the City receives revenues from fees for City-provided services, permits, licenses and parking fines. General Fund revenues from these sources totaled approximately \$166.4 million in Fiscal Year 2013 (from approximately \$171.1 million in Fiscal Year 2012). The City also receives revenue from grants and programs subsidized by other governments (including, for example, the federal government, the State and Wayne County) and non-profit organizations, such as funding for community development and blight elimination projects. General Fund revenues from these sources totaled approximately \$58.2 million during Fiscal Year 2013 (from \$81.0 million in Fiscal Year 2012). The City is generally precluded from charging fees that exceed the costs of providing the relevant services under the decision of the Michigan Supreme Court in Bolt v. City of Lansing, 587 N.W.2d 264 (Mich. 1998), in addition to other statutory or regulatory provisions applicable in specific cases.

5. Assets

(a) Art Housed at Detroit Institute of Arts

The DIA houses an art collection (the "DIA Collection") that has been described as one of the top six art collections in the United States. The DIA Collection consists of, among other things, works by European masters as well as significant pieces of African, Asian, Native American, Oceanic, Islamic, Ancient and Contemporary art. The City owns a significant portion of the DIA Collection comprised of (i) some portion of the art collection transferred to the City in 1919 (the "Transferred Art") pursuant to an asset transfer (the "Asset Transfer") between the City and an entity then-incorporated as the "Detroit Museum of Art;" (ii) certain art purchased by the City following the Asset Transfer; and (iii) certain art donated after the Asset Transfer. From its inception in 1885 until the Asset Transfer, the corporation then-known as the Detroit Museum of Art owned the Transferred Art and the original museum building. Pursuant to the Asset Transfer – which was specifically authorized by Michigan Public Act 67 of 1919 and Section 7(c) of Chapter 19 of the Detroit City Charter of 1918 – the Detroit Museum of Art conveyed the Transferred Art, along with the museum building and certain real property, to the City in 1919.

Today, the DIA Collection is considerably larger than was the collection of Transferred Art in 1919. The City has purchased numerous works of art since the Asset Transfer and, in particular, acquired many of the DIA Collection's most notable pieces between 1922 and 1930. Prior to the Asset Transfer, in 1915, the Detroit Museum of Art owned approximately 4,400 works of art; by 1930, the DIA Collection contained nearly 12,000 works. To house the rapidly-growing DIA Collection, the City financed the construction of the current DIA museum building, which opened in 1927 and cost an estimated \$4 million. The DIA Collection also has been augmented by many gifts acquired during the 95-year period since the Asset Transfer. As of the Petition Date, the DIA Collection consisted of approximately 65,000 works of art. The corporation formerly known as the Detroit Museum of Art continued to exist after the Asset Transfer. Today, that corporation – which has changed its name several times since 1919 and now bears the name "The Detroit Institute of Arts" and is referred to in this Disclosure Statement as "DIA Corp." – contracts with the City to operate the museum building and manage, preserve and display the DIA Collection. In August of 2012, the voters of each of Macomb, Oakland and Wayne Counties approved the levying of real and personal property taxes at a rate of 0.2 mills for a period of 10 years by their respective art institute authorities, which were established pursuant to Michigan Public Act 296 of 2010, the Art Institute Authorities Act, MCL §§ 123.1201 *et seq.*

In an opinion dated June 13, 2013 (Opinion No. 7272), the Michigan Attorney General asserted that the DIA Collection is held in charitable trust and stated that the City may not transfer any portion of the DIA Collection because the City is a mere trustee of the works that comprise the DIA Collection. A position paper commissioned by the DIA in 2013 took the same position and also advanced an alternative argument that the DIA Collection is subject to the public trust doctrine, a legal doctrine that protects public rights in natural resources. The Retiree Committee and other parties in interest in the City's chapter 9 case dispute these positions.

As discussed in greater detail in Section VIII.L.7.a of this Disclosure Statement, in 2013, the City engaged Christie's Inc. ("Christie's") to appraise the portion of the DIA Collection that was acquired using City funds. On December 17, 2013, Christie's issued its final appraisal, estimating the aggregate fair market value of the Appraised Art (as defined in Section VIII.L.7.a) to be between \$454 million and \$867 million.

(b) City-Owned Land

An estimated 22 square miles of land within City limits is government-owned, including parcels owned by the City, Wayne County and the State. Many of these parcels are vacant overgrown lots with illegal dumping or contain abandoned buildings in need of demolition. It has been estimated that the City owns approximately 60,000 parcels of vacant land and approximately 10% of the estimated 78,000 vacant structures within City limits. The vast majority of City-owned parcels have limited present commercial value. The City's efforts to address blight, remove vacant structures and encourage beneficial uses of City-owned land – which measures include initiatives involving the Detroit Land Bank Authority and the Michigan Land Bank – are addressed in Section IX.B.1 of this Disclosure Statement.

(c) Belle Isle Park

The City owns Belle Isle Park, a 982-acre park situated on an island in the Detroit River designed by Frederick Law Olmsted. Belle Isle Park features numerous historical and recreational attractions, including the James Scott Memorial Fountain (designed by Cass Gilbert, architect of the United States Supreme Court building), the Anna Scripps Whitcomb

Conservatory (also known as the Belle Isle Conservatory, a greenhouse and botanical garden built in 1904, designed by Detroit architect Albert Kahn and modeled after a portion of Thomas Jefferson's Monticello), the Belle Isle Casino building (built in 1908 and which, despite its name, is used for special events rather than gambling), the Dossin Great Lakes Museum, the Livingstone Memorial Lighthouse (the only lighthouse in the United States made entirely of marble), the Nancy Brown Peace Carillon, the Detroit Yacht Club, an aquarium, golf courses and a swimming beach. Belle Isle Park is larger than New York City's Central Park. As of the Petition Date, Belle Isle Park was the nation's largest municipally-operated island park.

In recent years, the City's Recreation Department has maintained and operated Belle Isle Park at an annual cost of approximately \$6 million. Pursuant to a lease agreement between the City and the State approved by the LEFALB on November 12, 2013 (discussed in greater detail in Section VIII.L.6 of this Disclosure Statement), as of February 10, 2014, Belle Isle Park is being operated as a state park.

(d) Detroit-Windsor Tunnel

The Detroit-Windsor Tunnel is an 84-year-old automotive tunnel beneath the Detroit River that connects Detroit and Windsor, Ontario. The City owns the portion of the tunnel located in the United States and is currently leasing it to Detroit Windsor Tunnel LLC. Approximately two million vehicles pass through the tunnel annually. Detroit Windsor Tunnel LLC leases the City's portion of the tunnel for an annual rental payment equal to 20% of the average annual net operating income, excluding income taxes and operating expenses for the City's portion of the tunnel, derived from the operations of the Detroit side of the tunnel over the most recent five years, which recently has been less than \$1 million per year, as operating revenue for the Detroit side of the tunnel has totaled less than \$5 million annually during recent years. The governing Tube Lease and Sublease (the "Tunnel Leases") run through 2020.

On July 25, 2013, American Roads Alabama Holdings, LLC (f/k/a American Roads LLC) ("American Roads") – an affiliate of Detroit Windsor Tunnel LLC – commenced a chapter 11 bankruptcy case in the United States Bankruptcy Court for the Southern District of New York. See In re Am. Roads LLC, Chapter 11 Petition, No. 13-12412 (Bankr. S.D.N.Y. July 25, 2013) (Docket No. 1). On August 21, 2013, the bankruptcy court issued an order authorizing American Roads and its debtor-affiliates to assume the Tunnel Leases. Am. Roads, Order Authorizing the Debtors to Assume the Detroit-Windsor Tunnel Leases with the City of Detroit (Bankr. S.D.N.Y. Aug. 21, 2013) (Docket No. 97). The bankruptcy court approved American Roads' prepackaged plan of reorganization on August 28, 2013, pursuant to which plan Syncora Guarantee Inc. (together with its affiliates, "Syncora") became the owner of American Roads and its debtor-affiliates, including Detroit Windsor Tunnel LLC. See Am. Roads, Order Approving Debtors' Disclosure Statement for, and Confirming, Debtors' Joint Prepackaged Chapter 11 Plan (Bankr. S.D.N.Y. Aug. 30, 2013) (Docket No. 129).

(e) Coleman A. Young Airport

The City owns Coleman A. Young International Airport, a two-runway general aviation airport located on approximately 263 acres within the City limits. Average total operations in Detroit airspace represent approximately 225 flights daily, which include instrument flight rules and visual flight rules. The airport features a 53,000-square-foot passenger terminal with space available for restaurants, retail concessions, passenger lounges, ticketing desks and baggage claims. The airport has not offered commercial carrier service since 2000 in part due to the fact that the airport's runways lack the length required to accommodate many types of commercial passenger jets. The City has subsidized the airport in recent years because the airport's revenues have fallen far short of expenses. In Fiscal Year 2013, the City's General Fund contributed \$0.3 million to fund the airport's operations and maintenance. The airport's General Fund contribution for Fiscal Year 2014 was increased to \$0.6 million.

(f) Joe Louis Arena

The City owns Joe Louis Arena, a 20,058-seat indoor arena that is home to the Detroit Red Wings of the National Hockey League (the "Red Wings"). Completed in 1979, Joe Louis Arena is the City's largest indoor entertainment venue. In addition to professional hockey, Joe Louis Arena hosts concerts, circuses, ice shows and various occasional professional and college sporting events.

In 2009, Olympia Entertainment ("Olympia"), the parent of the Red Wings, declined to renew its lease of Joe Louis Arena (the "Original JLA Lease"). The 30-year term of the Original JLA Lease expired on July 1, 2010; since that date, the Red Wings have occupied Joe Louis Arena as a holdover tenant. As of the Petition Date, certain disputes existed between the parties with respect to amounts the City maintained it was due under the Original JLA Lease.

In July 2013, Olympia proposed a project to build a new arena in downtown Detroit – which would replace Joe Louis Arena as the home of the Red Wings – along with a mixed-use residential, retail and entertainment district. The proposed project involves a cooperative arrangement between Olympia and the City of Detroit Downtown Development Authority (the "DDA"). The DDA was created by the Detroit City Council by Ordinance No. 119-H on May 20, 1976, under the provisions of Michigan Public Act 197 of 1975, the Downtown Development Authority Act, MCL §§ 125.1651 *et seq.* The DDA was established for the purpose of promoting and developing economic growth in Detroit's downtown business district. The DDA funds its activities by an *ad valorem* tax of one mill on real and tangible personal property not exempt by laws in the downtown development district, and the issuance of negotiable revenue and tax increment obligations. For financial reporting purposes, the DDA is a component unit of the City because the members of the DDA's Board of Directors are appointed by the City's mayor and are confirmed by the Detroit City Council, which approves the DDA's budget. Further developments during this chapter 9 case regarding this transaction are provided in Section VIII.L.8 of this Disclosure Statement.

(g) State-Held Cash Reserves

Approximately \$86.9 million of City-owned cash is held in escrow accounts controlled by the State for City reforms, to ensure the payment of certain self-insurance obligations and for liquidity purposes, if necessary. Of this amount, \$15.2 million (the "No-Fault Deposit") in City-owned cash is held in an escrow account to pay claims ("No-Fault Claims") arising from motor vehicle accidents subject to the Michigan No-Fault law, MCL §§ 500.3101 *et seq.*, with respect to which the City is self-insured. On June 4, 2013, the Michigan Department of Insurance and Financial Services agreed to issue the City a self-insurance certificate in exchange for the commitment by the Treasury to place the No-Fault Deposit in an escrow account for the payment of any No-Fault Claims that the City is unable, or otherwise fails, to pay pursuant to applicable law.

The foregoing discussion in Section VII.A.5 is not intended to exhaustively describe all City-owned property, but rather provides an overview of certain of the City's most significant assets. Accordingly, not all non-core City-owned assets are described in this Disclosure Statement.

B. Outstanding Financial Obligations of the City as of the Petition Date

On September 30, 2013, the City filed its Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (Docket No. 1059) (as amended or supplemented from time to time, the "List of Creditors"). The List of Creditors is the currently effective list of the Claims against the City under section 925 of the Bankruptcy Code.

In the List of Creditors, the City identified a total of approximately \$17.976 billion in prepetition obligations, including approximately \$17.914 billion in long-term obligations described in the paragraphs below.

1. Revenue Bonds

Michigan Public Act 94 of 1933, the Revenue Bond Act, MCL §§ 141.101 *et seq.*, authorizes the City to issue bonds secured by the property and revenues of certain City enterprises ("Revenue Bonds"). Revenue Bonds issued by the City are not included in the general limit of indebtedness prescribed by Michigan law so long as they do not impose any liability upon the City itself. As of the Petition Date, the City owed approximately \$5.359 billion in outstanding principal and interest amount of Revenue Bonds which includes approximately \$504.3 million in outstanding principal and interest amount of related revolving bonds (collectively, the "DWSD Revolving Bonds"). The Revenue Bonds and the DWSD Revolving Bonds are serviced from the following Enterprise Funds:

(a) Sewage Disposal Fund Revenue Bonds & DWSD Revolving Sewer Bonds

As of the Petition Date, the City owed approximately \$2.784 billion in outstanding principal amount of Revenue Bonds (consisting of first lien bonds totaling approximately \$1.824 billion and second lien bonds totaling approximately \$960 million) serviced from the City's Sewage Disposal Fund (the "DWSD Sewer Bonds"). The DWSD Sewer Bonds consist of 19 series of Revenue Bonds issued between 1998 and 2012, bearing interest rates between 1.625% and 7.50% and maturing July 1, 2014 through July 1, 2039. The 19 series of DWSD Sewer Bonds outstanding as of the Petition Date are insured by various entities, including National Public Finance Guarantee Corporation ("NPFG") (11 series), Assured Guaranty Municipal Corporation ("Assured") (six series) and Financial Guaranty Insurance Company ("FGIC") (one

series). Berkshire Hathaway Assurance Corporation ("Berkshire Hathaway") is a secondary insurer of the scheduled payment when due of the principal of and interest on three series of DWSD Sewer Bonds.

The City used the proceeds of the DWSD Sewer Bonds for the construction and maintenance of the sewage disposal system as well as the refunding of other liabilities. Revenues of the sewage disposal system, net of operating expenses, were pledged to secure payment of principal and interest on the DWSD Sewer Bonds.

In addition, as of the Petition Date, the City owed approximately \$481.7 million in outstanding principal amount of DWSD Revolving Sewer Bonds related to the DWSD Sewer Bonds. During Fiscal Year 2013, the sewage disposal system received net system revenues of approximately \$461.8 million versus expected debt service requirements of approximately \$200.0 million.

A schedule of the DWSD Sewer Bonds and related DWSD Revolving Sewer Bonds is attached hereto as Exhibit B.

(b) Water Fund Revenue Bonds & DWSD Revolving Water Bonds

The City also owed approximately \$2.485 billion in outstanding principal amount of Revenue Bonds (consisting of first lien bonds totaling approximately \$1.850 billion and second lien bonds totaling approximately \$635 million) serviced from the City's Water Fund as of the Petition Date (the "DWSD Water Bonds"). The DWSD Water Bonds consist of 20 series of Revenue Bonds issued between 1993 and 2011, bearing interest rates between 2.496% and 7.00% and maturing July 1, 2014 through July 1, 2041. Of the 20 series of DWSD Water Bonds outstanding as of the Petition Date, 17 are insured by various entities, including by NPMF (11 series), Assured (four series) and FGIC (two series). Berkshire Hathaway is a secondary insurer of the scheduled payment when due of the principal of and interest on two series of DWSD Water Bonds.

The City used the proceeds of the DWSD Water Bonds for the construction and maintenance of the water supply system as well as the refunding of certain other liabilities. Revenues of the City's water supply system, net of operating expenses, were pledged to secure payment of principal and interest on the DWSD Water Bonds.

The City also owed approximately \$21.5 million in outstanding principal amount of DWSD Revolving Water Bonds related to the DWSD Water Bonds as of the Petition Date. During Fiscal Year 2013, the water system received net system revenues of approximately \$370.1 million versus expected debt service requirements of approximately \$153.4 million.

A schedule of the DWSD Water Bonds and related DWSD Revolving Water Bonds is attached hereto as Exhibit C.

(c) Automobile Parking Fund Revenue Bonds

As of the Petition Date, the City owed approximately \$8.1 million in outstanding principal and interest amount of Detroit Building Authority Revenue Refunding Bonds: Parking System, Series 1998-A, bearing interest rates between 4.70% and 5.125% and maturing July 1, 2014 through July 1, 2019 (the "Parking Bonds"). Substantially all revenues of the City's parking system, net of operating expenses, were pledged to secure payments of principal and interest on the Parking Bonds. During Fiscal Year 2013, the parking system received net system revenues of approximately \$11.1 million versus expected debt service requirements of approximately \$1.7 million.

2. General Fund Obligations

The City issues general obligation bonds (collectively, "General Obligation Bonds") to provide funds for the acquisition and construction of major capital facilities and equipment. General Obligation Bonds have been issued for both governmental and business-type activities. As of the Petition Date, the City had a total of \$1.023 billion in outstanding principal and interest amount of unlimited tax general obligation bonds (collectively, "Unlimited Tax General Obligation Bonds") and limited tax general obligation bonds (collectively, "Limited Tax General Obligation Bonds"). In addition, certain of the Unlimited Tax General Obligation Bonds and the Limited Tax General Obligation Bonds are secured by a lien in or other rights to distributable state aid. The General Obligation Bonds consist of the following:

(a) Unlimited Tax General Obligation Bonds

Pursuant to the Home Rule City Act, the City levies the taxes used to pay debt service charges or obligations (including (i) principal and interest due during the current tax year, (ii) amounts necessary to fund deposits into sinking funds with respect to any mandatory redemptions and (iii) amounts due but unpaid from the immediately preceding year) on Unlimited Tax General Obligation Bonds issued with the approval of the electorate. The amount of taxes levied to service Unlimited Tax General Obligation Bonds is in addition to other taxes that the City is authorized to levy, without limitation as to rate and amount and without regard to any City Charter, statutory or constitutional caps on taxation.

As of the Petition Date, the City owed approximately \$479.4 million in outstanding principal and interest amount of 13 series of Unlimited Tax General Obligation Bonds maturing from April 1, 2014 through November 1, 2035 and bearing interest rates between 3.70% and 5.375%. Of this amount approximately \$101.7 million in outstanding principal and interest amount of one series of Unlimited Tax General Obligation Bonds issued in 2010 is secured by or has a right to be paid from distributable state aid held by the State and not disbursed to the City. Each series of unsecured Unlimited Tax General Obligation Bonds is insured by National, Assured, Syncora or Ambac Assurance Corporation ("Ambac").

On November 8, 2013, National and Assured filed a joint complaint (the "National/Assured Complaint") and Ambac filed a complaint (the "Ambac Complaint") against the City commencing adversary proceeding numbers 13-05309 and 13-05310 in the Bankruptcy Court. The National/Assured Complaint and the Ambac Complaint each allege that the City's Unlimited Tax General Obligation Bond debt is entitled to special treatment in the City's chapter 9 case (the "UTGO Litigation"). National and Assured and Ambac seek declaratory judgments and orders that the City must segregate certain tax revenues from the City's other sources of revenue and apply them solely for the purpose of servicing the City's obligations under the Unlimited Tax General Obligation Bonds. National, Assured and Ambac allege that the Unlimited Tax General Obligation Bonds are secured obligations of the City.

In papers filed with the Bankruptcy Court, the City has disputed the plaintiffs' characterization of the City's obligations with respect to the Unlimited Tax General Obligation Bonds. The City took the position that the Unlimited Tax General Obligation Bond debt is a general unsecured obligation. The City also took the position that the bondholders are precluded from seeking relief, both because there is no private right of action under Revised Municipal Finance Act of 2001, MCL §§ 141.2101 *et seq.* (the "Municipal Finance Act") and because section 904 of the Bankruptcy Code bars the Bankruptcy Court from entering an order that would interfere with the City's political or governmental powers or with its property or revenues. Further, the City argued that the Unlimited Tax General Obligation Bonds are backed only by a promise to repay them either from general revenue or *ad valorem* taxes, and that this does not grant the bondholders a lien on tax revenue. Finally, the City has contested the plaintiffs' assertion of a property interest in the *ad valorem* tax revenues. The UTGO Litigation, or the settlement thereof, may have an effect on the City's ability to continue to collect the *ad valorem* tax related to the Unlimited Tax General Obligation Bond debt. As of the date of this Disclosure Statement, the UTGO Litigation remains pending.

On March 25, 2014, the City and Ambac, Assured and NPMF (the "Settling Bond Insurers"), three of the insurers of Unlimited Tax General Obligation Bonds, agreed to a settlement in principle, subject to definitive documentation, concerning (i) the treatment of the Unlimited Tax General Obligation Bond Claims (Class 8 Claims) under the Plan, (ii) the UTGO Litigation and (iii) support for the Plan to the extent it provides for the agreed-upon settlement. The term sheet memorializing the settlement in principle (the "UTGO Settlement") is attached to the Plan as Exhibit I.A.285. This disclosure is qualified in its entirety by such term sheet and the definitive documentation. The Plan incorporates the UTGO Settlement and contemplates that confirmation of the Plan will constitute approval of the UTGO Settlement pursuant to Bankruptcy Rule 9019.

Below is a summary of the principal terms of the UTGO Settlement:

- On the Effective Date, the Unlimited Tax General Obligation Bond Claims will be deemed Allowed in the aggregate amount of \$388 million (the "UTGO Allowed Claims");
- Of the UTGO Allowed Claims: (i) \$287.5 million in principal amount will be restructured in accordance with the UTGO Settlement; and (ii) the remaining principal portion of the UTGO Allowed Claims (the "Reinstated Stub UTGO Bonds") will remain outstanding, provided that the right to the proceeds of the *ad valorem* tax levies pledged on account of the Unlimited Tax General Obligation Bonds in an amount equal to the principal and interest payable on the Reinstated Stub UTGO Bonds (the "Assigned UTGO Bond Tax Proceeds") will be assigned by the Plan to a City designee to be determined;

- Holders of the Unlimited Tax General Obligation Bond Claims (Class 8 Claims) will receive their Pro Rata share of the Restructured UTGO Bonds (as defined below);
- The policies issued by the Bond Insurers, including the Settling Bond Insurers, of the Unlimited Tax General Obligation Bonds will remain outstanding to ensure payment of debt service as originally scheduled for the Unlimited Tax General Obligation Bonds;
- On or before the Effective Date: (i) the City will issue and deliver to the Michigan Finance Authority (the "MFA") an unlimited tax general obligation bond (the "Municipal Obligation") that mirrors the terms of the Unlimited Tax General Obligation Bonds (less the principal amounts of the Reinstated Stub UTGO Bonds), secured by a pledge of (a) that portion of the proceeds of the ad valorem tax millage levies pledged to and on account of the Unlimited Tax General Obligation Bonds (the "UTGO Bond Tax Levy") and (b) a lien (as provided in Section 15(2) of Michigan Public Act 227 of 1985, the Shared Credit Rating Act, MCL §§ 141.1051 *et seq.*) on a portion of the distributable state aid the City expects to receive from the State of Michigan under Michigan Public Act 140 of 1971, the Glenn Steil State Revenue Sharing Act, MCL §§ 141.901 *et seq.*, as amended (the "DSA"); (ii) the MFA will issue bonds (the "Restructured UTGO Bonds") that mirror the terms of the Municipal Obligation and are payable from and secured by the Municipal Obligation, the City's pledge of the UTGO Bond Tax Levy and the DSA that the City is entitled to receive; and (iii) the Restructured UTGO Bonds will be exchanged for \$287.5 million principal amount Unlimited Tax General Obligation Bonds;
- After the UTGO Bond Tax Levy has been collected and deposited in escrow and in amounts, together with amounts already on deposit in escrow, to pay debt service on the regularly scheduled payment dates on the Restructured UTGO Bonds for the current fiscal year, the Assigned UTGO Bond Tax Proceeds will be transferred to the City-designated assignee;
- Payment of the Restructured UTGO Bonds will be made from the DSA only to the extent that the collection and deposit of the UTGO Bond Tax Levy and other funds on deposit in the escrow have not accumulated in specified amounts by dates on which installments of the DSA are deposited with the master trustee on behalf of the City;
- To the extent that the Holders of Claims in Class 7 or Class 9 receive recoveries under the Plan that, on a discounted basis, using a 5% discount rate, exceed 69.5% of the allowed amount of their Claims, the Bond Insurers will receive additional payments pursuant to a formula intended to ensure that the percentage recovery to the Holders of Class 8 Claims is greater than the percentage recovery to the Holders of Class 7 or Class 9 Claims;
- The UTGO Litigation will be stayed pending the occurrence of the Effective Date, whereupon the City and the Settling Bond Insurers will ask the Bankruptcy Court to dismiss the UTGO Litigation; and
- The UTGO Settlement is subject to certain orders and findings of the Bankruptcy Court described in the term sheet and definitive documentation.

A schedule of the secured and unsecured Unlimited Tax General Obligation Bonds is attached hereto as Exhibit D.

(b) Limited Tax General Obligation Bonds

In addition to Unlimited Tax General Obligation Bonds, the City is authorized under Michigan law to issue Limited Tax General Obligation Bonds without the approval of the electorate. Limited Tax General Obligation Bonds are serviced from the City's General Fund, including *ad valorem* taxes levied for general operations purposes as a general obligation of the City.

As of the Petition Date, the City owed approximately \$546.8 million in outstanding principal and interest amount of nine series of Limited Tax General Obligation Bonds maturing April 1, 2014 through November 1, 2035. Of this amount, (i) approximately \$252.5 million in outstanding principal and interest amount of one series of Limited Tax General Obligation Bonds issued in 2010 is secured by a first lien on distributable state aid and (ii) approximately \$130.8 million in outstanding principal and interest amount of one series of Limited Tax General Obligation Bonds issued in 2012 is has the

right to be paid by the State using distributable state aid held by the State and not disbursed to the City. Four of the six series of unsecured Limited Tax General Obligation Bonds are insured by Ambac. The other two series of unsecured Limited Tax General Obligation Bonds are not insured.

The Ambac Complaint alleges that the City is obligated to use general tax revenues collected within the City's charter, statutory or constitutional limitations to service the Limited Tax General Obligation Bonds (the "LTGO Litigation"). The City disputes Ambac's characterization of the City's obligations with respect to the Limited Tax General Obligation Bonds. The City believes that the Limited Tax General Obligation Bonds merely create a "first budget obligation" under the Municipal Finance Act, which creates a priority inconsistent with chapter 9 distribution rules (and therefore is ineffective in chapter 9) and does not create a lien or trust. Although Ambac has not expressly asserted in the LTGO Litigation the argument that all other Unsecured Claims are subordinated to the Limited Tax General Obligation Bond debts, the City has taken the position that such subordination can be accomplished only through an inter-creditor agreement; *i.e.*, the City cannot agree to make certain creditors' claims subordinate to the claims of another creditor. As of the date of this Disclosure Statement, the LTGO Litigation remains pending.

A schedule of the secured and unsecured Limited Tax General Obligation Bonds is attached hereto as Exhibit E.

(c) Outstanding Installment Notes and Loans

As of the Petition Date, the City owed approximately \$123.8 million in other outstanding installment notes and loans payable related to various public improvement projects. These obligations included: (i) an Estimated Aggregate HUD Installment Note Amount of \$90.1 million in notes payable, which notes were issued in connection with the "Section 108" HUD Loan Guarantee Program and are secured by (A) present and future "Block Grant" revenues, (B) other revenues in the form of program income generated from the use of proceeds from the issuance of HUD Installment Notes, (C) funds in accounts created in accordance with HUD Installment Note Documents and (D) certain other pledged collateral; and (ii) approximately \$33.7 million in loans payable (\$33.6 million of which is a non-interest bearing unsecured loan, with flexible maturity, payable to the DDA as general operating funds become available).

3. Certificates of Participation

In 2005, the City entered into a series of transactions involving the issuance to investors of approximately \$1.4 billion of instruments known as certificates of participation (the "2005 COPs"). Pursuant to City Ordinance No. 05-05, the City established two nonprofit entities known as "service corporations" – the Detroit General Retirement System Service Corporation and the Detroit Police and Fire Retirement System Service Corporation (together, the "Service Corporations") – to provide "services," including providing funding to the Retirement Systems by facilitating the financing of the 2005 COPs. The Service Corporations in turn created a funding trust (the "2005 Funding Trust") to issue and sell the 2005 COPs. The 2005 Funding Trust issued the 2005 COPs in 2005. The City entered into a separate service contract with each of the Service Corporations (the "2005 Service Contracts") pursuant to which the City agreed to make certain payments in return for the Service Corporations' future assistance in funding transactions for the Retirement Systems.

The Service Corporations are Michigan nonprofit corporations incorporated by the City pursuant to state law. Both of the Service Corporations, however, are fiscally dependent upon and provide services entirely to the City. The governing body of each Service Corporation is its Board of Directors, each of which consists of three officials of the City, the Finance Director, the Budget Director and the Corporation Counsel, plus two members of the City Council, selected and appointed by the City Council.

In 2006, the Service Corporations established another funding trust (the "2006 Funding Trust" and, together with the 2005 Funding Trust, the "Funding Trusts") and entered into a trust agreement with U.S. Bank, as trustee, pursuant to which agreement the 2006 Funding Trust issued the "2006 COPs" (together with the 2005 COPs, the "COPs"). One series of 2006 COPs had a fixed interest rate and was issued in the original aggregate principal amount of \$148.54 million; the other series of 2006 COPs was issued in the original aggregate principal amount of \$800 million and had a floating interest rate. The proceeds of the 2006 COPs were used, in large part, to fund the optional redemption and cancellation of certain of the 2005 COPs. As of June 7, 2006, the Service Corporations each entered into a service contract with the City in connection with the issuance of the 2006 COPs (together with the 2005 Service Contracts, the "Service Contracts").

As of the Petition Date, there were three series of COPs outstanding in the aggregate amount of approximately \$1.473 billion, as follows: (a) the Series 2005-A COPs in the aggregate amount of approximately \$517.6 million, bearing interest at 4.50 to 4.95%; (b) the Series 2006-A COPs in the aggregate amount of \$153.7 million, bearing interest at

5.989%; and (c) the Series 2006-B COPs in the aggregate amount of \$801.6 million, bearing interest at a floating rate. The contract administrator for the COPs and COPs Trustee have asserted that the City owes amounts in addition to the principal obligations set forth herein on account of the COPs.

The COPs may not be authorized under Michigan law. The City is subject to both the Home Rule City Act and the Municipal Finance Act. Section 117.4a(2) of the Home Rule City Act prescribes certain limitations on the amount of "indebtedness" that the City may incur. If the City's obligations under the Service Contracts constitute "indebtedness" within the meaning of the Home Rule City Act, then the issuance of the COPs may have exceeded the limitations on indebtedness imposed by the Home Rule City Act and, thus, may not have been authorized under applicable Michigan law. Similarly, Sections 301 and 103 of the Municipal Finance Act prohibit a "municipality" from issuing a "municipal security," except in accordance with the provisions of the Municipal Finance Act. In addition, the issuance of some or all of the COPs may have constituted the issuance of a municipal security by a municipality other than in conformity with the Municipal Finance Act.

4. Swap Liabilities

The City faced the risk of rising interest rates on the floating-rate COPs (the 2006-B COPs). In order to protect against this risk, in 2006, the Service Corporations entered into pay fixed, receive variable interest rate swap transactions with an aggregate notional amount equal to the then-outstanding amount of the 2006-B COPs, or \$800 million, under eight separate master agreements (collectively, the "Swap Contracts") with either (a) UBS AG and (b) SBS Financial Products Company LLC, who was succeeded by Merrill Lynch Capital Services, Inc. ("MLCS" and, together with UBS AG, the "Swap Counterparties"). MLCS provided credit support to SBS with respect to the transaction. The swaps effectively fixed the Service Corporations' interest rate costs. The Corporations paid the same amount with respect to the floating rate COPs every quarter, regardless of whether interest rates moved up or down.

The Service Corporations' sole source of funding for payments owed under the Swap Contracts is payments owed by the City under the Service Contracts.

As part of the transaction, insurance policies were issued by FGIC and Syncora (together with FGIC, the "Swap Insurers"), as successor to XL Capital Assurance Inc. The policies insure the quarterly payments owed under the Swap Contracts as well as a certain portion of the termination payments that may be owed thereunder. In certain circumstances, there is no cap on the amount the Swap Insurer would owe with respect to a Claim based on a termination payment. In certain other circumstances, Syncora's and FGIC's maximum exposure is capped under their respective policies relating to the Swap Contracts. Each of the policies is unconditional and irrevocable, and may not be cancelled for any reason.

In or around January 2009, downgrades of the 2006 COPs' debt rating, in conjunction with the prior downgrade of FGIC and Syncora, provided the Swap Counterparties the right, pursuant to the Swap Contracts, to designate an early termination date under the Swap Contracts. Given the low prevailing interest rates in 2009, such early termination would have resulted in a lump-sum payment owed to the Swap Counterparties of between approximately \$300 million and \$400 million. To avoid such an early termination payment (any such payment, a "Swap Termination Payment"), the City provided collateral to the Swap Counterparties for amounts owed to them under the Swap Contracts pursuant to a collateral agreement dated June 15, 2009 (the "Collateral Agreement"), among the City, the Service Corporations, the Swap Counterparties and U.S. Bank, as custodian. In addition, the City, the Service Corporations, the Swap Counterparties and the Swap Insurers agreed to amend the Swap Contracts. To secure the obligations to the Swap Counterparties and pursuant to the Collateral Agreement, the City agreed to direct certain wagering taxes and developer payments (together, the "Casino Revenues") into a lockbox account (the "General Receipts Account") pending payment each month into a second lockbox account (the "Holdback Account" and, together with the General Receipts Account, the "Lockbox Accounts") of one third of the quarterly payment next due to the Swap Counterparties. The City also passed legislation creating a first priority lien and pledge on the Casino Revenues.

As of the Petition Date, each day, on average, approximately \$0.5 million in Casino Revenues was deposited into the General Receipts Account which, at the end of each 30-day period, amounted to approximately \$15 million. Under the Collateral Agreement, U.S. Bank releases the funds accumulating in the General Receipts Account to the City only after the City deposits approximately \$4 million – one-third of its quarterly swap payment – into the Holdback Account. Once the City makes this deposit into the Holdback Account, U.S. Bank gives the City complete access to the Casino Revenues in the General Receipts Account, as it is deposited, until the beginning of the next payment period. If the City fails to make a quarterly swap payment or certain other events take place, the Swap Counterparties are empowered under the Collateral Agreement to, among other things, notify U.S. Bank that it should not release – or should "trap" – the Casino Revenues

owed to the City. The Swap Counterparties are permitted to do this even if the amounts in the General Receipts Account exceed the amount of the missed swap payment. As of the Petition Date, the City had continued to make its payments to the Swap Counterparties through the Holdback Account.

Section VIII.E of this Disclosure Statement summarizes litigation and ultimately successful settlement efforts regarding the City's swap obligations.

5. Pension Obligations

(a) Description of Retirement Systems

The Retirement Systems consist of the General Retirement System of the City of Detroit (the "GRS") and the Police & Fire Retirement System of the City of Detroit (the "PFRS"). For financial statement purposes, the Retirement Systems are included as fiduciary trust funds of the City. Each system is a single-employer plan composed of a defined benefit plan and a defined contribution annuity program. The plans provide retirement, disability and pre-retirement death benefits to plan members and beneficiaries. The plans are administered in accordance with the City Charter, the Detroit City Code and union contracts, which assign the authority to establish and amend contributions and benefit provisions to each plan's Board of Trustees. As of the Petition Date, Section 11-103(1) of the City Charter established the composition of the GRS Board of Trustees, as follows, although the actual composition has been changed pursuant to certain collective bargaining dispute arbitration awards: (i) the Mayor; (ii) one City Council member selected by the City Council; (iii) the City Treasurer; (iv) five members of the GRS, elected by the GRS membership; (v) one City resident who is neither a City employee nor eligible to receive GRS benefits, appointed by the Mayor and approved by the GRS Board of Trustees; and (vi) one current GRS retiree who is receiving benefits under the GRS, elected by "retired City employees." Section 11-103(2) of the City Charter provided, as of the Petition Date, that the PFRS Board of Trustees shall consist of: (i) the Mayor or a designee of the Mayor; (ii) one City Council member selected by the City Council; (iii) the City Treasurer; (iv) the Chief of Police; (v) the Fire Commissioner; (vi) three firefighters who are PFRS members, elected by PFRS members who are firefighters; (vii) three police officers who are PFRS members, elected by PFRS members who are police officers; and (viii) two current PFRS retirees who are residents of the City and are receiving benefits under the PFRS, with one such retiree elected by "retired firefighters" and one elected by "retired police officers." The Retirement Systems' investment policies are governed in accordance with Michigan Public Act 314 of 1965 (as amended), the Public Employee Retirement System Investment Act, MCL §§ 38.1121 *et seq.*

(b) Underfunding

i. Retirement Systems' Prepetition Estimates

Each of the Retirement Systems has reported UAAL totals that are substantially lower than the amounts disclosed by the City in the List of Creditors. In particular, as of June 30, 2013, the GRS reported that it was 70.0% funded with a UAAL of \$1.084 billion out of \$3.609 billion in accrued liabilities. As of June 30, 2013, the PFRS reported that it was 89.3% funded with a UAAL of \$415.6 million out of \$3.890 billion in accrued liabilities. Thus, based on actuarial assumptions and methods employed by the Retirement Systems prior to the commencement of the City's chapter 9 case, the estimated UAAL as of the end of Fiscal Year 2013 for both Retirement Systems combined was \$1.5 billion.

ii. Unrealistic Assumptions

The City believes that the UAAL figures reported by the Retirement Systems were misleading because they were based upon various actuarial assumptions and methods that served to understate substantially the Retirement Systems' UAAL. The assumptions and methods included: (A) annual net rates of return on investments (GRS – 7.9%; PFRS – 8.0%) that were unrealistic in light of the Retirement Systems' demographics, the targeted mix of the Retirement Systems' assets and the inability of the City to budget for and fund pension investment loss in the event the sought-after returns were not achieved; (B) the "smoothing" (reallocation over a period of years) of asset gains and losses over a seven-year period, which masks the funding shortfall; and (C) the use of 29-year (PFRS) and 30-year (GRS) amortization periods for funding UAAL – which is applied anew each year to the full amount of unfunded liability – that allows unfunded liabilities to continue to grow rapidly as a result of compounding. The Retirement Systems believe that the actuarial assumptions and methods upon which the UAAL figures were calculated were sound and entirely consistent with the practices commonly used by public pension funds.

iii. Past Pension Practices

The Retirement Systems' trustees and certain City officials also have engaged in a variety of practices that exacerbated and, in certain cases, masked the extent of the Retirement Systems' UAAL, particularly with respect to the GRS. The Retirement Systems and their trustees dispute this contention.

(A) Annuity Savings Plan and 13th Check Program

Perhaps most damaging to the fiscal health of the Retirement Systems was the GRS board of trustees' (the "GRS Trustees") actions in connection with the "annuity savings plan" offered to certain beneficiaries of the GRS (the "Annuity Savings Plan"). Under the terms of the Annuity Savings Plan, active City employees were allowed to elect to invest zero, three, five or seven percent of their salaries on an after-tax basis into a discrete defined contribution plan that earned interest based on a rate of return established at the discretion of the GRS Trustees. These employee contributions were aggregated and invested with the other assets of the GRS on a commingled basis. In many years, however, the GRS Trustees chose to credit employees' Annuity Savings Plan accounts with rates of return that were far greater than the actual rate of return earned on investments by the GRS. For a long period of time, the GRS Trustees essentially operated the Annuity Savings Plan as a guaranteed investment contract with a guaranteed floor investment return approaching 7.9%. For example, in 2009, the GRS lost 24.1% of the value of its assets, yet the GRS Trustees credited Annuity Savings Plan accounts with a positive investment return of approximately 7.9%.

These inflated rates of return on Annuity Savings Plan accounts were funded with GRS assets attributable to the City's contributions to fund the GRS's defined benefit pension. Hundreds of millions of dollars of GRS plan assets intended to support the traditional defined benefit pensions that the City had promised were reallocated to the Annuity Savings Plan and provided a windfall to the Annuity Savings Plan accounts of active employees outside of the defined benefit pension plan. According to the "Initial 60 Day Report" issued by the Office of the Auditor General and the Office of the Inspector General on August 20, 2013 (the "IG/AG Report"), this practice resulted in an effective rate of return of over 20% on Annuity Savings Plan accounts for Fiscal Years 1984-86, 1995-2000 and 2005-07. The IG/AG Report also revealed that interest dividend credits were given disproportionately to employees with Annuity Savings Plan accounts, resulting in "excessively disproportionate" annuity refund amounts to such employees.

For the GRS, the transfer of assets that were otherwise intended to fund defined benefit pensions was not limited to practices involving Annuity Savings Plan accounts. For example, in years in which the actual investment return exceeded the assumed rate of return, the GRS Trustees paid out a portion of the excess to already retired pensioners. Referred to as the "13th check" program – because the additional pension check would be in excess of the 12 monthly pension checks the retiree normally received in that year – these payments were made in excess of the pensioner's earned pension and to the detriment of the Retirement Systems.

An average of nearly 55% of earnings over and above assumed rates of return were diverted from GRS defined benefit pension plans into the Annuity Savings Plan accounts of active employees. An additional 17% of any such earnings on average was distributed to retirees directly via the "13th check" program. Instead of being retained by the GRS, the remaining 28% of these "excess" earnings on average was used to discount the City's forthcoming required pension contributions, thus ensuring that the net performance of the GRS would never exceed the assumed rate of return in any given year and that UAAL would continue to increase. These practices deprived the GRS of assets that would be needed to support liabilities, especially in light of the fact that in certain years, the GRS' investment returns inevitably would fall short of their assumed rates of return. See Declaration of Charles M. Moore in Support of City of Detroit, Michigan's Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code (Docket No. 13) (the "Moore Declaration"), at ¶ 19.

According to a report that was provided to City Council members by the Fiscal Analysis Division on November 21, 2011, the total cost to the City of the GRS practices of distributing pension-fund earnings over assumed rates of return to retirees and active employees – whether by direct payment via a "13th check" or through excess contributions to employees' Annuity Savings Plan accounts – as of June 30, 2008, was \$1.92 billion. See Report of Joseph Esuchanko dated March 8, 2011, at 9.

(B) Fiduciary Malfeasance

There are also serious allegations that former Retirement Systems officials have engaged in additional fiduciary misconduct that has harmed the Retirement Systems. For example, in January 2012, a trustee of the Retirement Systems was indicted by a federal grand jury on charges that he conspired with others to personally enrich himself and his

co-conspirators by accepting bribes from individuals who conducted business with the Retirement Systems. These bribes took the form of cash, travel, meals, golf clubs, drinks, gambling money, hotel stays, entertainment, Las Vegas concert tickets, massages, limousine service, private plane flights, and other things of value. According to a Federal Bureau of Investigation ("FBI") Press Release dated February 28, 2012, the Retirement Systems suffered more than \$84 million in losses from investments associated with the charged-trustee's alleged bribery conspiracy. In March 2013, the former general counsel of both Retirement Systems and a former PFRS trustee were also indicted for having participated in the aforementioned bribery and kickback conspiracy, which involved steering more than \$200 million in Retirement System investments. According to an FBI Press Release dated March 20, 2013, these Retirement Systems officials and others collectively conspired to defraud current and retired employees of the City of their right to the honest services of Retirement Systems officials free from bribery and corruption.

In 2009, it was reported that certain Retirement System trustees and their lawyers and staff billed the Retirement Systems \$380,000 for traveling around the world to attend conferences. The GRS trustee who spent the most time traveling to such conferences reportedly billed the GRS for \$105,000 in travel expenses, including three trips to Singapore and one trip to Hong Kong. Some of this travel occurred during an 18-month period during which the Retirement Systems lost billions of dollars in investments. The misconduct of these Retirement System officials has contributed, in a not insignificant way, to the underfunding of the Retirement Systems. The Retirement Systems deny that any alleged misconduct by their officials contributed to the underfunding of the Retirement Systems.

In 2009, two separate (albeit related) class actions were filed against trustees of the Retirement Systems, which addressed allegations of malfeasance against GRS and PFRS officials and advisors. See *Estes et al. v. Clark et al.*, Wayne County Circuit Court, Case No. 09-010080-NZ; *Foy et al. v. Bandemer et al.*, Wayne County Circuit Court, Case No. 09-024103-NZ. The member plaintiffs in the two class actions included all active employees and retirees from both Retirement Systems. There was an "opt-out" period prior to class certification through which any potential class member could "opt-out" and not be bound by the outcome of the class actions. No one opted out. The *Estes* and *Foy* cases included claims against trustees of the Retirement Systems as well as against certain independent fiduciaries (such as financial advisors). The class members alleged, among other things, that certain current and former trustees of the Retirement Systems and certain advisors to the Retirement Systems made various investment recommendations and/or decisions that were grossly negligent and that violated Defendants' duties to the Retirement Systems, causing a loss of money to the Retirement Systems. On February 28, 2014, these class actions were settled for approximately \$8 million. The settlement funds (minus certain fees) were paid into the two Retirement Systems. Under the terms of the relevant settlement orders, all claims that were asserted or that could have been asserted by the plaintiffs and class members were dismissed with prejudice. The Retiree Committee has asserted its interest in investigating, and taking discovery with respect to, any claims or causes of action that may exist on behalf of the City or pension beneficiaries in respect of past activities, events, conduct or management of or related to the pension systems or the assets thereof, or any advice provided to or on behalf of the pension systems. The Retiree Committee may seek to take action to preserve or otherwise prosecute any such claims or causes of action.

(C) Deferrals of Current Contributions

The City also periodically deferred payment of its year-end PFRS contributions (and financed such deferrals at a rate of 8%). As of May 2013, the City had deferred approximately \$58 million in pension contributions owing for Fiscal Year 2013. Contributions made in the form of notes were treated as timely funding contributions made to the pension trust during the applicable financial year. In addition, the City was granted a funding credit by PFRS in the amount of \$25 million for each of the Fiscal Years 2008 through 2010, resulting in under-contributions by the City toward its pension liabilities for each of those years.

iv. Pre-Chapter 9 Estimates of Extent of Underfunding Using Realistic Assumptions

In the List of Creditors, the City set forth what it believes is a more realistic total UAAL for the Retirement Systems of \$3.474 billion, consisting of \$2.037 billion in UAAL owed to the GRS and \$1.437 billion in UAAL owed to the PFRS. As set forth in the Moore Declaration, which was filed on the Petition Date, the City's actuary, Milliman Inc., calculated this UAAL figure merely by substituting the estimated market value of the Retirement Systems' assets for their actuarial value and using a somewhat more achievable assumed rate of return of 7.0% instead of the rates of return of 7.9% or 8.0% assumed by the GRS and the PFRS, respectively.

v. Settlement With Retiree Committee Regarding Pension Claims

On or about April 25, 2014, the City and the Retiree Committee entered into a Global Settlement resolving all issues relating to Pension Claims, among other issues. The terms of the Global Settlement are described in Section VIII.L.3.d. The Plan incorporates the Global Settlement and contemplates that confirmation of the Plan will constitute approval of the Global Settlement pursuant to Bankruptcy Rule 9019.

6. Other Post-Employment Benefit Obligations

(a) General

Prior to the Petition Date, the City provided substantial post-retirement health benefits – also known as OPEB benefits – to current and future retirees and their dependents. The City provides OPEBs under two umbrella plans – the Health and Life Insurance Benefit Plan (the "Health/Life Benefit Plan") and the City of Detroit Employee Benefit Plan, which operates and administers the Employee Supplemental Death Benefit Plan (the "Supplemental Plan" and, together with the Health/Life Plan, the "OPEB Plans").

The List of Creditors estimated liabilities in the aggregate amount of \$5.718 billion for UAAL associated with the OPEB Plans. This amount included the present value of OPEB liabilities for active employees of the City not yet retired. The City and the Retiree Committee have agreed that the Allowed Claim for the OPEB liability amount for former employees retired from the City and continuing to obtain retiree health and life insurance is \$4.303 billion. In the aggregate, 99.6% of the City's OPEB liabilities were unfunded as of the Petition Date. As of June 30, 2011 (the most recently published actuarial valuation), there were 19,389 retirees eligible to receive benefits under the City's OPEB Plans. The number of retirees receiving benefits from the City is expected to increase over time.

The City's OPEB liabilities are particularly high due to, among other things: (i) the fact that retirees can choose from 22 different plan options with varying structures and terms, which creates a high level of complexity and cost in benefit administration; and (ii) the extremely generous benefit features of the programs, especially for dependent coverage, which create high costs to the City on a per retiree basis.

(b) Health/Life Benefit Plan

The Health/Life Benefit Plan is a single-employer defined benefit plan that provides hospitalization, dental care, vision care and life insurance to all officers and employees of the City who were employed on the day preceding the effective date of the Health/Life Benefit Plan and who continue in the employ of the City on and after the effective date of the Health/Life Benefit Plan. Retirees were allowed to enroll in any of the group plans offered by the City to active employees. The City provides health care coverage for substantially all retirees in accordance with terms set forth in union contracts.

General City employees hired before 1995 were eligible for health care benefits if they satisfy any of the following criteria: (i) 30 years of creditable service (or 25 years of creditable service for an EMS member), (ii) 10 years of creditable service having attained age 60 or (iii) 8 years of creditable service having attained age 65. The health care benefit eligibility conditions for general City employees hired on or after 1995 are (i) 30 years of creditable service having attained age (55, 60 or 65, as applicable), (ii) 10 years of creditable service (having attained age (55, 60 or 65, as applicable) or (iii) 8 years of creditable service (having attained age (55, 60 or 65, as applicable). The City provided full health care coverage to general City employees who retired prior to January 1, 1984 (except for a "Master Medical" benefit that was added on to the coverage after that date). The City pays up to 90 percent of health care coverage for employees who retired after January 1, 1984; however, for employees who retired between January 1, 1984 and June 30, 1994, the retiree share had been reduced by 50 percent by appropriations from City Council. The City also paid health coverage for an eligible retiree's spouse that was married to the retiree as of the date of retirement, under the same formulas noted above, as long as the retiree continued to receive a pension, and for dependents. Dental and vision coverage also were provided for retirees, spouses and dependents.

The health care benefit eligibility conditions for employees of the Detroit Police Department ("DPD") and the Detroit Fire Department ("DFD") were (i) any age with 25 years of creditable service or (ii) any age with 20 years of service for Detroit Police Officers Association ("DPOA") members, effective March 8, 2007, and Allied Detroit Fire Fighters Association ("DDFA") members, effective March 8, 2008. The City paid up to 90 percent of health care coverage for the retiree and any eligible spouse. Spouses (widows or widowers) of "Straight Life Option" retirees who retired prior

to July 1, 1987 continued to receive hospitalization coverage. Coverage also was provided to dependents. Dental and vision coverage were also provided for retirees, spouses and dependents.

The City also provided health care coverage to general City employees and DPD and DFD employees that opted for early retirement. For general City employees hired before 1995, the health care benefit eligibility conditions were 25 years of creditable service; for employees hired after 1995, the health care benefit eligibility conditions were 25 years of creditable service (having attained age 55). The coverage began when the retiree would have been eligible for ordinary retirement. The City paid up to 90 percent of health care coverage for the retiree and any eligible spouse. For DPD and DFD employees, the health care coverage began when (i) the retiree reached the date he/she would have completed 25 years of creditable service or (ii) for DPOA and DFFA member, the retiree would have completed 20 years of creditable service (effective March 8, 2007). The City paid up to 90 percent of health care coverage for the retiree and any eligible spouse. Spouses (widows or widowers) of Straight Life Option retirees who retired prior to July 1, 1987 received hospitalization coverage, as did dependents. Dental and vision coverage were also provided for retirees, spouses and dependents.

The City also provided health care coverage at reduced rates to general City employees and DPD and DFD employees who met certain health care benefit eligibility conditions and retired under the "Deferred Retirement Benefits (Vested)," the "Death-in-Service Retirement Benefits Duty and Non-Duty Related" and the "Disability Retirement Benefits Duty and Non-Duty Related" programs. Complementary health care coverage was provided by the City for those retirees that are Medicare-Eligible. Retirees who opted out of the retiree health care coverage could have obtained coverage at a later date.

In addition to health care coverage, the City allowed its retirees to continue life insurance coverage under the "Group Insurance Protection Plan" offered to active employees in accordance with Section 13, Article 9 of the Detroit City Code. The basic life insurance coverage for general City employees and Police and Fire employees was based on the employee's basic annual earnings to the next higher thousand dollars. The life insurance benefit amounts ranged from \$3,750 to \$12,500.

The Health/Life Benefit Plan is financed entirely on a "pay-as-you-go" basis and is 0% funded. As of June 30, 2011, the City had \$5,718,286,228 in actuarial liabilities under the Health/Life Benefit Plan. The cost to the City on account of retiree benefits provided under the Health/Life Benefit Plan in Fiscal Year 2012 was \$177,460,627. This contribution by the City was in addition to \$23,516,879 contributed by retirees during Fiscal Year 2012.

As of the Petition Date, the City's OPEB costs were expected to increase as a result of the growing number, and relatively young age, of City retirees (pension and health care plans have no age restrictions and early vesting ages) as well as increases in health care costs, particularly hospitalization costs.

In addition, although the Health/Life Benefit Plan is secondary to Medicare for eligible employees over the age of 65, many retired DPD and DFD employees are not eligible to receive free Medicare Part A benefits due to state-regulated Social Security "opt-out" provisions.

(c) Supplemental Plan

The Supplemental Plan is a pre-funded single-employer defined benefit plan providing death benefits based upon the retiree's years of City service ranging from \$1,860 (for 8 to 10 years of service) to \$3,720 (for 30 years of service, with \$93.00 per year added for each additional year of service beyond the 30th year). As of June 30, 2011, the City had \$34,564,960 in actuarially accrued liabilities under the Supplemental Plan. As of the Petition Date, the Supplemental Plan was 74.3% funded, with approximately \$8.9 million in UAAL. In Fiscal Year 2012, the cost to the City on account of benefits provided under the Supplemental Plan was \$131,116. This contribution by the City was in addition to \$15,944 contributed by retirees during Fiscal Year 2012.

(d) Weiler Class

In July 2006, the City made a number of unilateral changes to healthcare benefits for unionized police and firefighter retirees, including increases to co-payments and deductibles and higher contributions for monthly healthcare premiums. On July 12, 2006, retiree Alan Weiler filed a class action lawsuit against the City on behalf of approximately 8,000 retirees alleging violations of various collective bargaining agreements ("CBAs"). Mr. Weiler contended that the

relevant CBAs promised vested, lifetime and unalterable healthcare benefits. The Wayne County Circuit Court certified the case as a class action. During litigation, the City maintained that it had the right to change retiree health benefits.

On March 14, 2007, the Wayne County Circuit Court denied the plaintiffs' motion to reverse the City's changes to healthcare benefits. Ultimately, the Court concluded that the relevant CBAs were ambiguous as to whether the retirees had been promised vested lifetime retiree health benefits. Accordingly, the Court concluded that a trial was necessary. Before the trial occurred, the City and plaintiffs agreed to settle the case. On August 26, 2009, the Court approved and entered the parties' settlement agreement, reducing it to a binding consent judgment, *i.e.*, a judgment of the Court that is fully enforceable by either party to the agreement.

The settlement agreement requires the City to provide *Weiler* class members with generous health benefits for as long as class members receive a City pension. The cost to the City of the benefits payable to the *Weiler* class retirees/beneficiaries currently is approximately \$75 million per year, representing over 40% of retiree benefits costs under the Health/Life Benefit Plan. The *Weiler* plaintiffs are expected to assert that the settlement restricts the ability of the City to alter the benefit provisions included in the settlement. The City believes that the Claims of the *Weiler* plaintiffs are no different than other unsecured Claims that are asserted by creditors of the City and that such Claims can be modified in the City's chapter 9 case.

(e) Settlement With Retiree Committee Regarding OPEB Claims

On or about April 25, 2014, the City and the Retiree Committee reached a tentative Global Settlement resolving all issues relating to OPEB Claims, among other issues. The terms of the Global Settlement are described in Section VIII.L.3.d. The Plan incorporates the terms of the Global Settlement and contemplates that confirmation of the Plan will constitute approval of the Global Settlement pursuant to Bankruptcy Rule 9019.

7. Other Liabilities

In addition to the liabilities described herein at Sections VII.B.1 through VII.B.6, as of June 30, 2013, the City had approximately \$374 million in other outstanding liabilities, including, among other obligations: (a) outstanding trade debt of approximately \$148.8 million; (b) liability for accrued compensated absences (including unpaid and accumulated vacation and sick leave balances) of approximately \$82.0 million; (c) accrued workers' compensation claims, for which the City is self-insured, of approximately \$79.7 million; (d) various claims and judgments (including lawsuits and claims other than workers' compensation claims but excluding disputed or unliquidated claims) of approximately \$55.0 million; (e) estimated prepetition litigation claims of approximately \$40 million; and (f) capital leases payable totaling approximately \$8.2 million. The City has been administering and paying all undisputed workers' compensation claims during the pendency of this chapter 9 case, regardless of when the applicable injuries were incurred, in accordance with the City's prepetition practices and procedures and governing State workers' compensation law.

In addition to the above liabilities, the City estimates that, as of June 30, 2013, the General Fund had outstanding interfund payables and amounts due to Enterprise Funds and other governmental funds, including the Service Corporations and certain fiduciary funds, of approximately \$221.3 million. These amounts included: (a) approximately \$26.0 million due to Enterprise Funds; (b) approximately \$141.3 million due to fiduciary funds; (c) approximately \$32.6 million due to the Service Corporations; and (d) approximately \$21.4 million due to other governmental funds.

In addition to these liabilities, the City is required under state law to fund the operations of the 36th District Court, which is located within the City. The 36th District Court is one of the largest and busiest courts in the United States, processing more than 500,000 cases annually. The 36th District Court has original jurisdiction over (a) all City traffic and ordinance violations, (b) all criminal misdemeanor cases, (c) preliminary examinations for felony cases, (d) small claims suits, (e) civil lawsuits up to \$25,000 and (f) real estate matters involving rent and land contract disputes.

Pursuant to section 8101 of Michigan Public Act 236 of 1961, the Revised Judicature Act, MCL §§ 600.101 *et seq.* (the "Judicature Act"), the State is divided into judicial districts under the superintending control of the Michigan Supreme Court. The Judicature Act categorizes districts into three classes. The thirty-sixth district consists solely of the City of Detroit and is a district of the third class. MCL § 600.8121a(1). The City is the district funding unit of the thirty-sixth district and, therefore, is required to appropriate funds for the operation of the 36th District Court. MCL § 600.8104; MCL § 600.8271(1). As the political subdivision solely comprising the thirty-sixth district, the City has sole responsibility for financing the 36th District Court. MCL § 600.8103(3). The 36th District Court does not receive advance funding from the City; rather, the City provides funding on an ongoing basis according to the needs and requirements of the 36th District

Court by directly paying creditors of the 36th District Court. The City's funding responsibility for the 36th District Court includes responsibility for satisfying the claims of judgment creditors who receive monetary judgments or other awards that are entered against the 36th District Court. Because the City is required under the Judicature Act to fund the 36th District Court, the claims of judgment creditors who receive monetary judgments or other awards that are entered against the 36th District Court effectively constitute claims against the City. The City spent approximately \$34.0 million to finance the 36th District Court during Fiscal Year 2013.

In connection with its operations and administrative functions and pursuant to MCL § 600.8379(1), the 36th District Court collects fines, revenues and other charges which are deposited by the 36th District Court into one or more bank accounts maintained by the 36th District Court. These accounts are swept monthly, with all funds in them going to the State, the county and a portion of them to the City. The City does not segregate funds received from the 36th District Court. Rather, the funds are absorbed by the City into the City's general operating accounts. The funds that the 36th District Court pays to the City total approximately \$14.5 million on an annual basis.

Although the 36th District Court receives funding from the City and much of its property is owned by the City, it is an arm of the State and not a City department. As such, the City is not involved in managing, and thus cannot restructure, the 36th District Court's operations. As set forth in Section XI.A.1, the estimates and assumptions with respect to the 36th District Court contained in the Projections are subject to economic uncertainties and contingencies. Nothing contained herein, in the Plan, the Confirmation Order or any other document is intended to determine or adjudicate the actual and necessary expenses of the 36th District Court.

There are numerous inefficiencies in the 36th District Court's operation, such as: (a) low fine collection rates and ineffective collection practices; (b) an overreliance on, and redundant checks relating to, paper documents and physical case files; (c) inefficient docket management systems; (d) limited use of operating performance metrics; (e) obsolete computer hardware and software; and (f) pervasive overstaffing. In May 2013, the administrative office of the Michigan Supreme Court appointed a "Special Judicial Administrator" to restructure the 36th District Court. To date, the Special Judicial Administrator has, among other things, (a) reduced the 36th District Court's employee headcount, (b) instituted a 10% pay cut, (c) procured a \$1 million grant from the State to upgrade the court's information technology systems, (d) transitioned employees to a more cost-effective healthcare program and (e) initiated various pilot projects – such as electronic ticketing – to increase fine collection rates. See Section IX.B.6 for further detail regarding restructuring initiatives related to the 36th District Court.

C. The City's Steady Operational and Financial Decline

The circumstances that led the City to commence its chapter 9 case were not of recent origin. Rather, they were the product of demographic and economic forces that had been mounting for decades. In 1952, at the height of its prosperity and prestige, Detroit – frequently referred to as the cradle of the American automobile industry – had a population of approximately 1.85 million, a 600% increase from the population in 1900. Detroit's expansion coincided with the rise of the automakers. From 1900 to 1930, Detroit was the fastest growing city in the world, and by 1929 it was the fourth largest city in America. In 1950, Detroit was building half of the world's cars. During that period, half a million people came to Detroit looking for work.

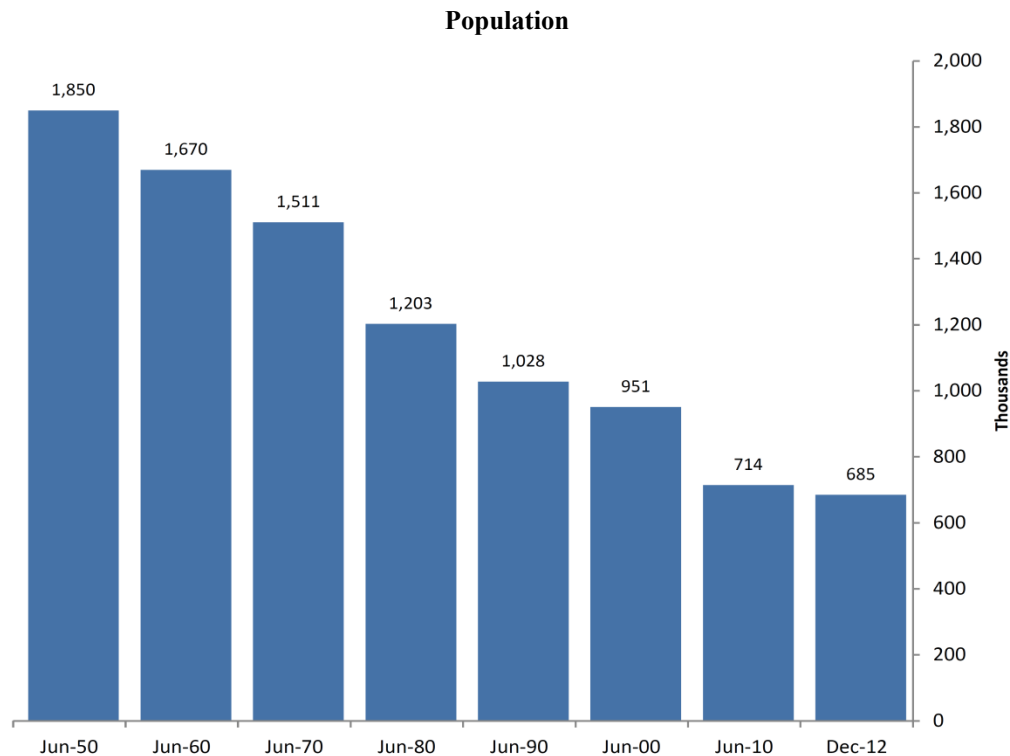
1. Declines in Population and the City's Manufacturing Base

From the 1950s to the Petition Date, Detroit lost both residents and a significant percentage of its manufacturing base. Detroit's population declined by nearly 45% to just over one million as of June 1990. In the following 23 years, the population decline continued, falling by a further 25% between 2000 and 2010. Detroit's population stood at 684,799 as of December 2012, a 63% decline from its postwar peak of 1.85 million residents. Detroit has gone from the fourth largest city in America in 1929 to the eighteenth largest today. No other American city has experienced a comparable decline in population over a similar period of time.

A considerable amount of migration out of the City was a result of economic dislocation. In particular, changes in the auto industry over the years had an outsized impact on Detroit's economy. Almost immediately after World War II, Detroit began to lose manufacturing jobs as the auto companies automated their facilities and moved their remaining jobs out of the City. Between 1947 and 1963, Detroit lost approximately 150,000 manufacturing jobs as smaller auto manufacturers disappeared (e.g., Packard and Studebaker), and the "Big Three" began to move operations to the suburbs and out of the State.

These trends only accelerated as the Detroit automakers began to lose ground to international competitors. Foreign automakers entered the U.S. market during the 1950s with fuel-efficient vehicles and, when the oil crisis of 1973 hit, U.S. automakers were unprepared. Automobile production fell nearly 30% in the next two years, and the market share of U.S. automobile companies declined from 95% in 1955 to 75% in 1980. By 2008, Detroit's share of U.S. auto sales had declined to 47%.

The collapse of Detroit's manufacturing industry during the second half of the 20th century was not limited to the automobile sector. Non-auto companies also shuttered operations. In the 1970s and 1980s, companies such as Uniroyal, Vernor's Ginger Ale and Revere Copper closed their plants and left abandoned sites behind. From 1972 to 2007, the City lost approximately 80% of its manufacturing establishments and 78% of its retail establishments, many of which relocated from the City to its suburbs, beyond the reach of public transportation.

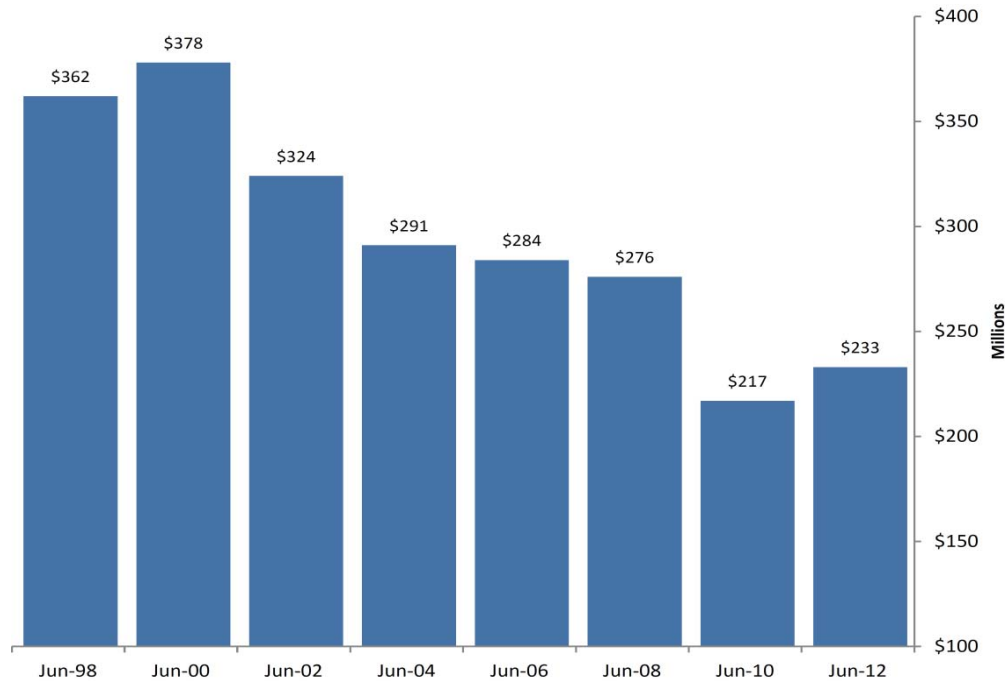


Source: City of Detroit Financial and Operating Plan (May 12, 2013), at 22.

2. Declining Revenues

Declines in both population and the economy were mutually reinforcing trends. As more people left the City, there was less economic activity and, thus, a decreased need for workers. Less economic activity and fewer jobs induced yet more people to leave, thus further reducing economic activity and exacerbating job losses. This decades-long vicious spiral took a tremendous toll on the City's ability to generate revenue. Detroit's municipal income tax receipts – traditionally the City's largest source of revenue – have decreased by approximately \$95 million (or 30%) since 2002 and by \$43 million (or more than 15%) since 2008, driven lower primarily by high unemployment and declining *per capita* income. See Financial and Operating Plan, at 24. Despite a small recovery in municipal income tax revenues since 2010, as of the Petition Date, the City projects that by 2023 it will not have received income tax revenues matching 2008 levels.

Income Tax Revenues



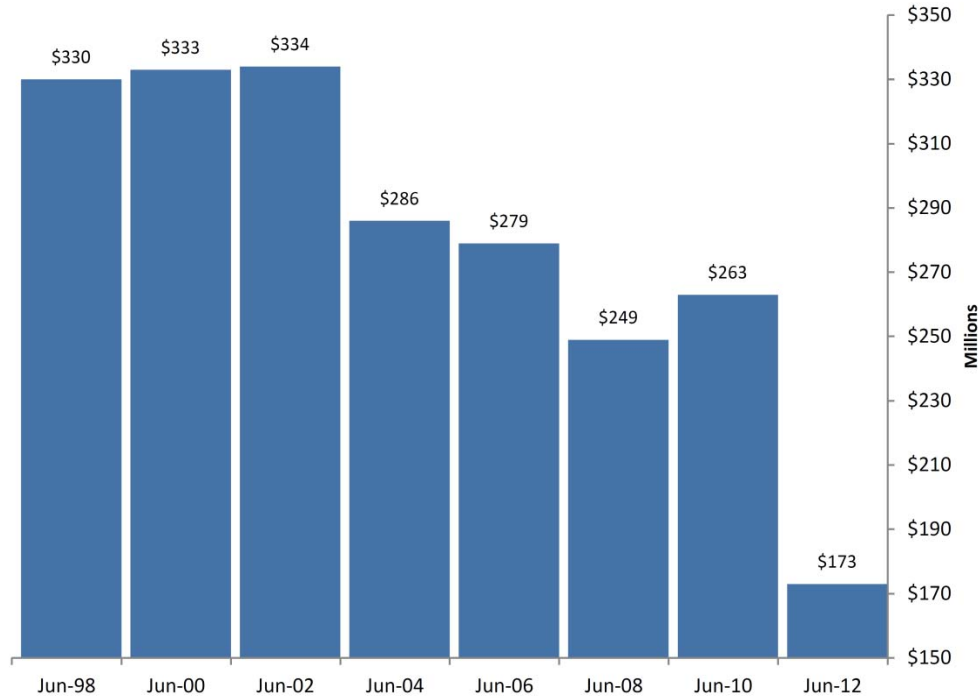
Source: Financial and Operating Plan, at 24.

Ancillary taxes imposed by the City likewise either had declined or were expected to decline on a prospective basis as of the Petition Date. Detroit is the only city in Michigan to impose a "utility users' tax" on its citizens. The City's receipts from this utility users' tax decreased approximately 28% over the last decade (from approximately \$55.3 million in Fiscal Year 2003 to approximately \$39.8 million in Fiscal Year 2012). As of the Petition Date, the City projected that utility users' tax revenues would remain approximately flat with projected revenues of approximately \$40.4 million by Fiscal Year 2023.

Detroit is also the only municipality in Michigan authorized to levy a casino wagering tax. These wagering tax revenues recently have remained steady at approximately \$180 million per year. As a result of expected loss of market share to casinos opening in nearby locations (*e.g.*, Toledo and Cleveland, Ohio), the City estimates that its wagering tax revenues would decrease in Fiscal Year 2013 by approximately 5% and continue to decline to approximately \$168.2 million in Fiscal Year 2015, failing to recover their Fiscal Year 2012 level until Fiscal Year 2023.

Due to the City's declining population and significant cuts by the State, Detroit's share of distributed state revenue for Fiscal Year 2012 had decreased by more than \$161 million (or approximately 48%) since Fiscal Year 2002 and by approximately \$76 million (or approximately 31%) since 2008. See Financial and Operating Plan, at 23. Although higher projected tax revenues collected by the State are expected to halt the decline in the City's receipt of shared revenue over the coming Fiscal Years, revenue sharing payments: (a) remain at risk of further decrease given the City's declining population; and (b) are projected to remain approximately 20% below Fiscal Year 2011 levels for the foreseeable future.

State Shared Revenues



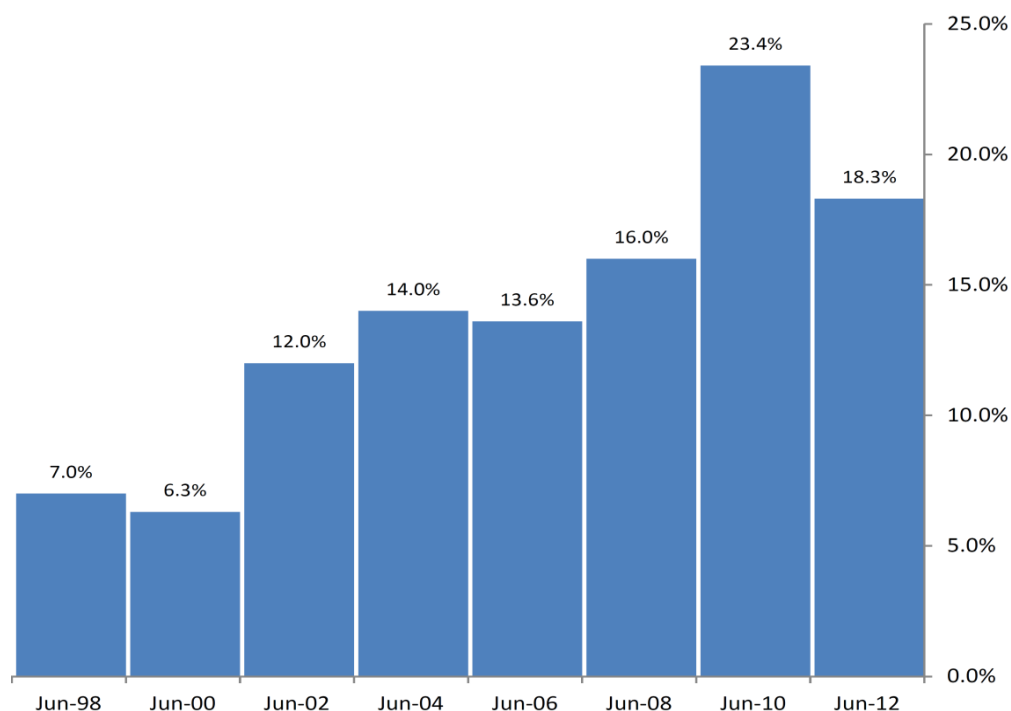
Source: Financial and Operating Plan, at 23.

3. Eroding Tax Base

(a) Unemployment

The demise of Detroit's industrial sector proved catastrophic for its citizens' employment prospects. The number of jobs in Detroit (for residents and non-residents) declined from 735,104 in 1970, to 562,120 in 1980, to 412,490 in 1990, to 346,545 in 2012. See United States Bureau of Labor Statistics, Local Area Unemployment Statistics, Data Chart Nos. LAUPS26025003, LAUPS26025004, LAUPS26025005 and LAUPS26025006 (the "BLS Detroit Unemployment Charts"). The "Great Recession" of the past decade dealt an especially punishing blow. Detroit's unemployment rate already stood at an alarming 16% as of June 2008. Financial and Operating Plan, at 23. When the recession took hold, the production and sales of automobiles in the U.S. cratered. Combined sales for Detroit's automakers fell from 8.1 million in 2007 to 4.6 million in 2009, with two of the Big Three and numerous parts suppliers filing for bankruptcy in 2009. The decline in production and the restructuring of Detroit's auto industry resulted in massive job cuts. Detroit's unemployment rate skyrocketed to 23.4% as of June 2010 and remained above 18% well into 2012. See id. The number of employed Detroit residents fell sharply, from approximately 353,000 in 2000 to fewer than 280,000 in 2012. See BLS Detroit Unemployment Charts.

Unemployment



Source: Financial and Operating Plan, at 23.

Detroiters' average *per capita* annual income from 2007 to 2011 was \$15,261; the median household income for that same period was \$27,862. During that period, an estimated 36% of Detroiters were living below the poverty line. Only 54% of Detroiters owned a home, the median value of which was \$71,100. To put these numbers in perspective, the average *per capita* annual income in Michigan from 2007 to 2011 was \$25,482, the median household income was \$48,669 and only 16% of Michigan citizens lived below the poverty line. The state-wide home ownership rate was 74%, and the median home value was \$137,300.

(b) Assessor's Office and Property Tax Division

Detroit's property tax receipts likewise suffered. Between 1970 and 1990, the real value of the City's property tax base declined by nearly two thirds. This trend reasserted itself in earnest in the wake of the Great Recession. According to the Citizens' Research Council of Michigan, over the last five years, Detroit's assessed property values have decreased by approximately \$1.6 billion. In addition, collection rates declined from 92.64 percent in Fiscal Year 2008 to 83.68 percent in Fiscal Year 2012. Property tax revenues for Fiscal Year 2013 were \$131.7 million, a \$16.1 million (or approximately 11%) reduction from Fiscal Year 2012 and \$26.8 million (or approximately 17%) lower than the average property tax revenue for the preceding five Fiscal Years. As of the Petition Date, the City projected that property tax would continue to decline to as low as \$84.2 million by Fiscal Year 2020 before recovering to approximately \$85.3 million by Fiscal Year 2023. Further information regarding the City's property tax reassessment initiative is provided in Section X.B of this Disclosure Statement.

(c) Comparative Tax Burden

A number of factors render the challenges posed by the City's declining tax revenue essentially intractable. The *per capita* tax burden on Detroit residents is one of the highest in Michigan, which burden is made heavier still by the residents' relative inability to pay given their level of *per capita* income. In addition to the utility users' tax and wagering tax discussed above, the City's income tax – 2.4% for residents, 1.2% for nonresidents and 2.0% for businesses – is the highest in Michigan, and Detroiters pay the highest total property tax rates of residents of Michigan cities with a population over 50,000 (inclusive of property taxes paid to overlapping jurisdictions (*e.g.*, the State, Wayne County)). City property owners are burdened with high total property tax rates in part because Detroit residents pay property taxes imposed by the Detroit Public Library, the Detroit Public Schools, Wayne County, Wayne County Community College, the State and

various other special authorities in addition to the property taxes imposed by the City. As of the Petition Date, the total property tax rate imposed upon City homeowners was 67.5159 mills; for business property, the total property tax rate was 85.3467 mills.

The City currently levies all taxes at the statutory maximum levels. In particular, as of the Petition Date: (i) Michigan Public Act 394 of 2012, an amendment to the City Income Tax Act, fixed the City's maximum income tax rates at their current levels as long as bonds issued by the PLA ("PLA Bonds") remain outstanding; (ii) state law limited municipalities' property tax rates to 20 mills and a constitutionally required "Headlee rollback" further limited that rate to 19.952 mills (which was the rate charged by the City as of the Petition Date); and (iii) the utility users' tax and casino wagering tax were fixed at their 5% and 10.9% levels, respectively, by the State statutes authorizing these Detroit-specific taxes. Even absent such limitations, however, it would not be practical for the City to raise taxes at this time. Increasing Detroit's already high tax rates would deter individuals and businesses from relocating to, or remaining in, Detroit at precisely the time at which the City most needs to retain and attract taxpayers and capital investment. Moreover, even if the City raised taxes, it is uncertain whether it would be able to collect any additional revenues. Nearly half of all Detroit property owners failed to pay property taxes assessed by the City in 2011.

4. High Labor Costs/Restrictive Employment Terms

Despite recent headcount reductions, labor costs related to General Fund active employees (*i.e.*, wages, pension and benefits) represent more than 41% of the City's estimated gross revenues for Fiscal Year 2013 as set forth below:

Labor Cost	Estimated cost to General Fund in Fiscal Year 2013	Percentage of estimated gross revenues for Fiscal Year 2013
Wages	\$333.8 million	29.8%
Benefits (fringes including health for active employees)	\$66.5 million	5.9%
Pension Contributions (including normal and UAAL portion)	\$66.0 million	5.9%

Although pension contributions are based on active payroll, some portion of the contribution is intended to cover the UAAL, which technically benefits all participants in the plan, including retirees. Benefit and pension costs per active employee have increased by approximately 33% in the last thirteen years, from approximately \$18,000 in Fiscal Year 2000 to approximately \$24,000 in Fiscal Year 2013.

The City's unionized employees are represented by 47 bargaining units. The City's pre-bankruptcy CBAs with these bargaining units imposed work rules and other restrictions that impaired the efficient functioning of City government. These onerous work rules and other restrictions include the following, among others:

- **Staffing.** In many circumstances, staffing is based solely on seniority, rather than merit, qualifications or experience.
- **"Bumping" Rights.** Historically, employees were permitted to transfer across departments based solely on seniority (without regard to merit, relevant qualifications or experience for the new position).
- **Limitations on Management Rights.** The CBAs contained limitations on management rights and responsibilities, which impaired the City's ability to manage policies, goals and the scope of operations for many City departments (most notably with respect to the right to implement and modify disciplinary policies).
- **Arbitration Rights.** Historically, arbitrators were able to uphold future grievances based on expired bargaining agreement provisions or past practice.
- **Lack of Reimbursement Rights.** Historically, the unions did not (a) reimburse the City for full-time and part-time paid union officials or (b) pay any fees for the City's collection and remittance of union dues and service fees.

The CBAs covering 44 bargaining units were expired as of September 30, 2012, and the majority of the employees represented thereby are subject to the City Employment Terms (the "CETs"). The CBAs with the three remaining bargaining units expired as of June 30, 2013, at which point the affected employees became subject to the CETs.

The CETs provide some relief from the work rules and restrictions described above, in part through incorporation of a broad management rights clause. In addition to concessions imposed by the CETs, other concessions have been granted through statutory interest arbitration. These concessions have not been uniformly applied to all bargaining units, and some City employees have not been affected by these measures. In some cases, changes to the City Charter and the Detroit City Code, or other legislative initiatives, may be necessary to support needed operational enhancements and reduce unnecessary bureaucracy. The City estimates that it has been able to realize more than \$200 million in annual savings as a result of the CETs. Orr Declaration, at ¶ 14. However, these savings have not been sufficient to balance the City's budget.

5. Growing Budget Deficits

The City incurred substantial deficits (excluding financing proceeds) for the six Fiscal Years preceding the Petition Date of approximately \$128 million (2008), \$124 million (2009), \$72 million (2010), \$57 million (2011), \$122 million (2012) and \$34 million (2013). Including the effect of recent debt issuances (e.g., \$75 million in Fiscal Year 2008; \$250 million in Fiscal Year 2010; \$129.5 million in Fiscal Year 2013) (the "Recent Debt Issuances"), the City's accumulated General Fund deficit stood at approximately \$327 million as of the end of Fiscal Year 2012 and \$217 million as of the end of Fiscal Year 2013. *Excluding* the effect of the Recent Debt Issuances (which, as an accounting matter, reduce the amount of the accumulated deficit by an amount equal to the funds borrowed), the City's accumulated General Fund deficit: (a) has grown continuously over an extended period; and (b) would have been over \$650 million for Fiscal Year 2012 and approximately \$700 million for Fiscal Year 2013. Without structural changes, the City projects that its accumulated deficit would grow to approximately \$1.3 billion by Fiscal Year 2017. The City funded its continuing deficits in a variety of ways, including: (a) deferral of pension contributions (resulting in larger funding deficits and requirements for additional contributions in later periods); (b) issuance of short-term and long-term debt; (c) deferral of trade payments; and (d) borrowing by the General Fund from other funds, deferrals and cash pooling.

6. Declining Credit Ratings

Prior to the Petition Date, the City's ability to access the credit markets to satisfy its cash needs was compromised by plummeting credit ratings that had reached historic lows and were below investment grade. No major U.S. city had a lower credit rating than Detroit. Financial and Operating Plan, at 3. As of June 17, 2013, following the City's announcement of a moratorium on the payment of unsecured debt and its non-payment of amounts owing with respect to the COPs, Fitch Ratings, Inc. ("Fitch"), Standard and Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. lowered the credit ratings on the City's general obligation debt to "C", "CC" and "Caa3," respectively. Following the City's postpetition default on certain General Fund obligations, Fitch and S&P both further downgraded the City's general obligation debt to "D" on September 30, 2013 and October 2, 2013, respectively.

7. Inadequate Municipal Services

(a) Detroit Police Department

The DPD was established in 1861 by a four-member Police Commission appointed by the Governor of Michigan (the "Governor"). During the first decades of the twentieth century, the DPD was notable for its early adoption of new technologies. For example, the DPD was one of the first police departments in the country to use automobiles for neighborhood patrols and, in 1922, it became the first police force in the nation to dispatch officers via radio. Historically, the DPD patrolled several neighborhood precincts. In 2005, due to budget constraints, the DPD consolidated its 13 precincts into six larger districts and closed some precinct facilities. In recent years, however, the DPD has reopened certain precinct stations. As of the Petition Date, the DPD divided its operations geographically into four districts and four neighborhood precincts. The DPD employed approximately 2,570 sworn officers and 313 civilian employees during calendar year 2012. In recent years, the DPD has received more than 700,000 calls for service annually. General Fund expenditures for the DPD totaled \$397.0 million during Fiscal Year 2012.

As crime rates have increased in recent years, the DPD has faced numerous administrative, operational and technological challenges that have limited the DPD's effectiveness and efficiency.

i. Administrative Obstacles

In recent years, the DPD has faced obstacles with respect to manpower, continuity of leadership, morale and efficiency, among other problems. Five different police chiefs have led the DPD during the last five years. These leadership changes contributed to low employee morale, a problem made worse by dwindling budgets, layoffs, unfavorable work rules imposed by CBAs, pay reductions and periods during which officers have been required to work 12-hour shifts. The DPD's headcount has been reduced by approximately 40% over the last ten years. Consequently, it lacks the manpower to adequately respond to the more than 700,000 calls for service it receives annually. In addition, over 450 uniformed DPD officers were eligible for retirement in 2013. An additional 150 officers are eligible for retirement in each of the years from 2014 through 2019. As of the Petition Date, the DPD had not yet fully implemented the type of data-driven policing that has become standard in many other large cities. The DPD's information technology infrastructure is outdated and, as of the Petition Date, was not integrated between departments and functions, meaning that the DPD's various precincts had no ability to share information with one another electronically and in real time. The DPD had no central case management system as of the Petition Date, and systems to ensure the accountability of officers and detectives were inadequate. In recent years, community policing efforts have been underfunded, uncoordinated and have been deemphasized by the DPD. The DPD's many administrative challenges have contributed to its widely publicized operational difficulties. As of the Petition Date, the DPD's average response time during 2013 for top priority emergency calls was 58 minutes (the national average police response time was 11 minutes). In a report dated January 9, 2014 (the "Plan of Action"), Detroit Chief of Police James E. Craig ("Chief Craig") stated the goal of reducing response times to five minutes for all "priority one" calls for service, but expressed the view that the DPD's 58-minute average response time for "priority one" calls for service made during 2013 appeared inflated because, prior to 2014, the DPD classified a larger proportion of calls as "priority one" calls than is "typical police department practice nationwide."

ii. Facilities/Fleet

As of the Petition Date, the DPD operated with an extremely old fleet of 1,291 vehicles, a majority of which had reached replacement age and lacked modern information technology. In 2013, the DPD was forced to accept charitable donations to upgrade its fleet of police cars. In March 2013, a group of corporations pledged to donate approximately \$8 million to the City, a portion of which was used to replace one hundred DPD police cruisers.

iii. High Crime Rate

As the DPD struggled to overcome the obstacles described immediately above, the crime rate in Detroit – and violent crime in particular – increased to unacceptable levels. During calendar year 2012, the City recorded 15,011 violent crimes (such as murder, rape, robbery and aggravated assault) and 40,956 property crimes. Federal Bureau of Investigation, Offenses Known to Law Enforcement, Table 8 (2012). While the total number of violent crimes reported in Detroit dropped slightly in 2012 (15,245 violent crimes were reported in 2011), the number of homicides rose sharply, from 344 in 2011 to 386 in 2012. See id. Detroit's murder rate for calendar year 2012 was 54.6 per 100,000 residents, a figure that was the highest in the nation among large cities and more than ten times the national average. See id. In 2012, the number of violent crimes in Detroit exceeded that of Cleveland, Pittsburgh and St. Louis combined. See id. The City's 2012 case clearance rates for violent crimes and all crimes (16.3% and 7.7%, respectively) were substantially below those of comparable municipalities nationally and surrounding local municipalities. See Federal Bureau of Investigation, Incidents and Case Clearance Rates (2012). It has been reported that in recent years certain business owners have taken the extraordinary step of hiring off-duty police officers and renting police cruisers to patrol sections of the City underserved by the DPD. Orr Declaration, at ¶ 32. In the Plan of Action, Chief Craig proposed instituting more formal procedures for such "secondary employment" of DPD officers and stated that DPD "will begin marketing secondary employment availability to businesses."

iv. Comparables Data

Offenses Known to Law Enforcement, Local & National Comparables – 2012 (Most Recent Data Available)

City	Population	Violent Crime	Murder/ Non-negligent Manslaughter	Forcible Rape	Robbery	Aggravated Assault	Property Crime	Burglary	Larceny/ Theft	Motor Vehicle Theft	Arson
Detroit	707,096	15,011	386	441	4,843	9,341	40,956	13,488	15,968	11,500	562
Local Comparison											
Dearborn	97,215	322	1	24	107	190	3,282	462	2,463	357	20
Livonia	96,028	146	3	19	32	92	2,124	323	1,601	200	13
Southfield	72,253	352	2	34	136	180	2,549	625	1,530	394	9
National Comparison											
Cleveland	393,781	5,449	84	363	3,252	1,750	24,309	9,740	10,808	3,761	302
Pittsburgh	312,112	2,347	41	47	1,134	1,125	10,691	2,537	7,610	544	248
St. Louis	318,667	5,661	113	199	1,778	3,571	21,995	4,986	13,520	3,489	196
Milwaukee	599,395	7,759	91	230	3,027	4,411	30,228	6,977	18,448	4,803	306

Source: Federal Bureau of Investigation, Offenses Known to Law Enforcement (2012)

Incidents & Case Clearance Rates, National Comparables – 2012 (Most Recent Data Available)

City	Violent Crime	Murder	Force Rape	Robbery	Aggravated Assault	Simple Assault	Property Crime	Burglary	Larceny/ Theft	Motor Vehicle Theft	Arson	Total
Detroit												
Cases Assigned	15, 023	386	442	4,850	9,345	17,433	41,010	13,504	15,992	11,514	561	130,060
Cleared	2,449	34	46	362	2,007	2,176	1,443	582	426	435	38	9,998
Clearance Rate	16.3%	8.8%	10.4%	7.5%	21.5%	12.5%	3.5%	4.3%	2.7%	3.8%	6.8%	7.7%
Pittsburgh												
Cases Assigned	2,347	41	47	1,134	1,125	5,969	10,691	2,537	7,610	544	248	32,293
Cleared	1,227	24	52	474	677	4,242	2,371	617	1,518	236	73	11,511
Clearance Rate	52.3%	58.5%	110.6%	41.8%	60.2%	71.1%	22.2%	24.3%	19.9%	43.4%	29.4%	35.6%
Milwaukee												
Cases Assigned	7,759	93	234	3,097	4,508	8,199	30,443	7,039	18,592	4,812	309	85,085
Cleared	3,117	58	154	667	2,238	5,504	5,985	817	5,001	167	35	23,743
Clearance Rate	40.2%	62.4%	65.8%	21.5%	49.6%	67.1%	19.7%	11.6%	26.9%	3.5%	11.3%	27.9%
St. Louis												
Cases Assigned	5,661	113	199	1,778	3,571	4,588	21,995	4,986	13,520	3,489	196	60,096
Cleared	2,684	65	144	587	1,888	3,472	2,624	735	1,714	175	52	14,140
Clearance Rate	47.4%	57.5%	72.4%	33.0%	52.9%	75.7%	11.9%	14.7%	12.7%	5.0%	26.5%	23.5%
Cleveland												
Cases Assigned	5,469	85	373	3,257	1,754	16,457	24,462	9,782	10,902	3,778	303	76,622
Cleared	1,054	51	81	403	519	3,265	1,530	689	702	139	22	8,455
Clearance Rate	19.3%	60.0%	21.7%	12.4%	29.6%	19.8%	6.3%	7.0%	6.4%	3.7%	7.3%	11.0%

Source: Federal Bureau of Investigation, Incidents and Case Clearance Rates (2012)

Incidents & Case Clearance Rates, Local Comparables – 2012 (Most Recent Data Available)

City	Violent Crime	Murder	Force Rape	Robbery	Aggravated Assault	Simple Assault	Property Crime	Burglary	Larceny Theft	Motor Vehicle Theft	Arson	Total
Detroit												
Cases Assigned	15, 023	386	442	4,850	9,345	17,433	41,010	13,504	15,992	11,514	561	130,060
Cleared	2,449	34	46	362	2,007	2,176	1,443	582	426	435	38	9,998
Clearance Rate	16.3%	8.8%	10.4%	7.5%	21.5%	12.5%	3.5%	4.3%	2.7%	3.8%	6.8%	7.7%
Southfield												
Cases Assigned	352	2	34	136	180	758	2,549	625	1,530	394	9	6,569
Cleared	124	1	4	41	78	246	405	48	331	26	1	1,305
Clearance Rate	35.2%	50.0%	11.8%	30.1%	43.3%	32.5%	15.9%	7.7%	21.6%	6.6%	11.1%	19.9%
Livonia												
Cases Assigned	146	3	19	33	92	508	2,124	323	1,601	200	13	5,061
Cleared	74	-	2	15	57	260	613	26	582	5	3	1,637
Clearance Rate	50.7%	0.0%	10.5%	46.9%	62.0%	51.2%	28.9%	8.0%	36.4%	2.5%	23.1%	32.3%
Dearborn												
Cases Assigned	322	1	24	107	190	887	3,282	462	2,463	357	20	8,115
Cleared	129	1	5	36	87	316	1,040	40	976	24	3	2,657
Clearance Rate	40.1%	100.0%	20.8%	33.6%	45.8%	35.6%	31.7%	8.7%	39.6%	6.7%	15.0%	32.7%

Source: Federal Bureau of Investigation, Incidents and Case Clearance Rates (2012)

(b) Lighting

The City's Public Lighting Department (the "PLD"), formerly known as the Public Lighting Commission, was created in March 1893 to supply power to the City's street lighting system and public buildings. Today, the PLD is responsible for operating and maintaining 88,000 streetlights and owns and operates a distribution-only electricity grid. The PLD provides power to more than 890 public buildings. Among the PLD's 114 customers are City departments, the Detroit Board of Education, Wayne State University, Joe Louis Arena, Wayne County Community College District, Cobo Conference/Exhibit Center, Coleman A. Young Municipal Center, Detroit Public Library and other federal, state and county agencies.

In addition to providing power to its customers and powering and maintaining the City's streetlights, the PLD: (i) inspects and regulates the use of utility poles in the City; (ii) maintains the City's traffic signal system, which includes approximately 1,286 intersections; and (iii) maintains the Detroit Police Department and Detroit Fire Department communications network, which includes the extended 911 and automated dispatch systems.

i. Non-Functioning Streetlights

As of April 2013, about 40% of the approximately 88,000 streetlights operated and maintained by the PLD were not working, primarily due to disrepair, vandalism, component theft and neglect. Outages exist on both lights powered by DTE Energy Company ("DTE") and PLD-powered lights. Many outages are attributable to burned-out bulbs, but others are the result of the obsolescence of the grid maintained by the PLD. The total of functioning streetlights per square mile in the City generally was less than half that of comparable national municipalities. These shortages are compounded by the fact that many of the streetlights that were working did not meet the residents' actual needs. Functioning street lights often served underpopulated sections of the City's historical population footprint, and there was a backlog of approximately 3,300 complaints related to the City's lighting.

ii. Inadequately Maintained Grid/Fixtures

In addition, the PLD's electricity grid has not been adequately maintained and is deteriorating. To repair and modernize the grid, the City would need to incur the significant expense of decommissioning a number of segments and stations (e.g., the City-owned Mistersky power plant, which has been idle for two to three years; 31 substations).

(c) Blight

i. Scope

Perhaps no issue has been as fundamental to – or emblematic of – Detroit's decline as its extensive urban blight. The City's long-term population decline and falling property values has resulted in large numbers of abandoned, forfeited or foreclosed land and structures within the City. As of the Petition Date, there were approximately 78,000 abandoned and blighted residential structures in the City, which number encompassed approximately 20% of the City's housing stock. 80% of these structures are privately-owned, and 10% are owned by the City. As of the Petition Date, 16,700 of these structures had been inspected by the City and classified as dangerous, 14,263 had open complaints of being dangerous, 6,657 were scheduled to go before the City Council for orders of demolition and 1,159 were considered emergency demolitions. The number of these dangerous structures continues to increase steadily due to vacancy (particularly foreclosures) and fires, among other things. In addition to blighted structures, there are approximately 66,000 parcels of blighted land within the City limits. Approximately 60,000 of these parcels of land (representing 15% of all publicly and privately owned land parcels in Detroit) are owned by the City.

Blighted and abandoned parcels and structures dramatically undermine the City's efforts to maintain public safety, because they contribute to the proliferation of crime and arson. For example, approximately 60% of the 11,000 to 12,000 fires that the City experiences each year occur in blighted and unoccupied buildings, forcing the DFD to expend a disproportionate amount of time and resources fighting fires in vacant structures. Attending to callouts at vacant blighted structures results in injuries and occasionally fatalities among DFD employees. Moreover, the existence of blighted properties reinforces a vicious cycle: declining property values lead to increased blight, which in turn contributes to further declines in property values.

ii. Obstacles to Solutions

(A) Cost

The City's ability to arrest and alleviate its crippling urban blight is limited by the fact that removing such blight is an expensive and time-consuming endeavor. As set forth below, the average cost to demolish a residential structure has been estimated at approximately \$8,500, with an equalized cost of \$5.74 per square foot (with costs varying depending on the size of, and the materials used to construct, the structure). Recent demolition costs have averaged approximately \$10,000 per structure, due predominately to hazardous material remediation.

AVERAGE COST OF RESIDENTIAL DEMOLITION	
<u>Expense</u>	<u>Amount</u>
Demolition Contract	\$5,000
Survey and Abatement	\$1,500
Gas Disconnect Fee	\$750
Administration Costs	\$720
Water Disconnect Fee	\$550
<i>Lis Pendens</i>	\$15
Total Cost of Demolition	\$8,535

(B) Regulation & Agency Coordination

The intractability of blight removal is compounded by the complex regulatory framework that such removal necessarily implicates. This framework increases demolition costs and slows the removal process. Blight removal is governed by multiple codes and regulations and a number of overlapping jurisdictions. Examples include:

- *Code Enforcement and Adjudication*: implicating the State of Michigan Housing Law; Zoning Ordinance, Chapter 61; Property Maintenance Ordinance, Chapter 9; Blight Violations Ordinance, Chapters 8.5 and 22; Sale of One- and Two-Family Home Ordinance;
- *Condemnation and Demolition*: implicating the State of Michigan Housing Law; City Ordinance 290-H – Wrecking Structures; Industry Standard Building Officials Code Administration; and
- *Foreclosure and Land Disposition*: implicating Michigan Public Act 123 and various City codes addressing non-federal property.

Moreover, addressing blight requires the coordination of several state, City, county and federal agencies, as well as various non-governmental stakeholders, including:

- at the state level: the State Fast Track Land Bank Authority, the Michigan Department of Transportation (which coordinates graffiti removal), the Michigan Land Bank, the Michigan State Housing Development Authority and the Treasury;
- at the City level: the Building Safety Engineering and Environmental Department (which enforces building and construction codes), the Planning and Development Department (which designates sites for removal and allocates funds received from the United States Department of Housing and Urban Development ("HUD")), the General Services Department (which is responsible for maintenance of vacant lots), the Department of Administrative Hearings (which adjudicates blight violations and, where appropriate, imposes civil penalties), the DFD, the DPD, the Detroit Land Bank Authority and the Detroit Housing Commission (one of the largest landlords);
- at the county level: the Wayne County Treasurer (which controls the inventory of tax foreclosed properties) and the Wayne County Land Bank;
- at the federal level, HUD, the EPA and the United States Department of the Treasury; and
- with respect to non-governmental stakeholders: the Detroit Economic Growth Corporation (a section 501(c)(3) entity contracted by the City to provide real estate, development and fiduciary services), the Blight Authority (a Michigan non-profit entity specializing in scale and brush clearing) and DTE (responsible for supplying or cutting power to blighted structures/parcels), among numerous other interested parties.

(d) Detroit Fire Department

The DFD was established in 1860 when the City hired its first paid firefighters and purchased its first steam-powered fire engine. As of the Petition Date, the DFD employed approximately 780 firefighters and consisted of eight battalions operating out of 41 fire stations. Administratively, the DFD is comprised of ten divisions: an Administration Division, a Firefighting Division, a Fire Marshal Division, a Community Relations Division, an Emergency Medical Services Division, an Apparatus Division, a Communications Division, a Medical Division, a Research and Development Division and a Training Academy. The DFD responds to approximately 165,000 emergency calls – including medical emergencies and fires – annually. In recent years, the DFD annually has responded to approximately 11,000 to 12,000 fires. General Fund expenditures for the DFD totaled \$178.0 million during Fiscal Year 2012.

As of the Petition Date, the stations, equipment and vehicle fleet of the DFD were old and in states of disrepair. Budget cuts in recent years necessitated the closure of numerous engine and ladder companies, reduced the DFD's manpower and forced firefighters to rely upon aged and unreliable equipment at a time when the DFD is required to respond to, among other emergencies, approximately 5,000 arsons per year. As of the Petition Date, fire and Emergency

Medical Service ("EMS") response times had increased to 7 minutes and 15 minutes respectively, times well above national averages.

i. Fire Stations

The average age of the City's 41 fire stations was 80 years as of the Petition Date. In recent years, maintenance costs have exceeded \$1 million annually. Due to lack of funding, Detroit's firefighters frequently have been forced to make necessary repairs to the fire stations themselves, and the fire stations often lack basic supplies.

ii. Apparatus/Equipment

Detroit firefighters frequently have operated shorthanded in recent years due to a lack of serviceable vehicles and equipment. As of the Petition Date, the DFD's fire apparatus fleet included 38 engines, 27 ladder trucks, seven squads (specialized rescue vehicles with no watering or laddering capacity), one hazardous material apparatus and one TAC unit (a mini-pumper for use in low-clearance structures such as parking garages). In recent years, the DFD fleet has been plagued with mechanical issues, contained no reserve vehicles and lacked equipment ordinarily regarded as standard. With less than half of its original staff as of the Petition Date, the DFD's Apparatus Division (which services the City's EMS fleet as well) had a vehicle to mechanic ratio of 39 to 1, resulting in an inability to complete preventative maintenance on schedule. In May of 2013, the City received a donation to fund inspections of fire ladders on trucks and ground ladders because it could not afford the required inspections. This donation was offered after it was reported, in February of 2013, that then Detroit Fire Commissioner Donald Austin ordered firefighters not to use hydraulic ladders on DFD ladder trucks except in cases involving an "immediate threat to life" because the ladders had not received safety inspections "for years."

iii. EMS Fleet

The City's EMS vehicles also were aged, obsolete and unreliable as of the Petition Date. During the first quarter of 2013, frequently only 10 to 14 of the City's 31 ambulances were in service. Some of the City's EMS vehicles had been driven 250,000 to 300,000 miles and suffered frequent breakdowns. The City accepted charitable donations to upgrade its EMS fleet. In March 2013, a group of corporations pledged to donate approximately \$8 million to the City, a portion of which was used to purchase 23 new ambulances.

(e) DDOT

DDOT is plagued by a variety of problems. For example, while grant monies typically are a significant revenue source for bus transit systems, DDOT has not been able to maximize the grant dollars available to it. In addition, DDOT's bus fares are lower than comparable bus transit systems by approximately 30% on average, and its bus transfers are offered at significantly reduced rates, both of which result in decreased revenues. DDOT also experiences high absenteeism among its bus drivers, which causes inefficiencies, disrupted transit service, poor customer service and higher costs. For example, in January 2013, DDOT experienced 35% absenteeism for bus operations. Even without long-term disability, occupational injury, illness and accidents, absenteeism would have been 21%.

DDOT's maintenance operations also are highly inefficient (58% less efficient) as compared with similar bus transit systems. DDOT vehicle maintenance relies heavily (31% of hours) on overtime and other time premiums to conduct maintenance, and its maintenance union has been resistant to initiatives that would improve maintenance service at a lower cost. In addition, poor service and operating performance has led to dissatisfied riders and low morale among employees. These factors are believed to be contributors to an increase in safety incidents on buses and at transportation facilities. DDOT historically has not maintained a police presence on buses, which likely would have reduced crime and other safety issues. Likewise, DDOT only recently began to install security cameras on buses, which would have assisted with prosecution of past crimes.

(f) Parks

The number of open City parks dwindled in the years leading up to the Petition Date, with many considered to be in poor or fair condition due to lack of funding. The City closed 210 parks during Fiscal Year 2009, reducing its park portfolio by 66%, from 317 parks to 107 parks. The City announced in February 2013 that (i) 50 of its remaining 107 parks would need to be closed, (ii) another 38 parks would shift to limited maintenance and (iii) the already underserved Belle Isle Park would receive decreased services. Thanks to \$14 million in civic donations, the 50 parks slated to be closed

remained open temporarily through the summer of 2013. Belle Isle was recently leased to the State (see Section VIII.L.6 of this Disclosure Statement).

8. Obsolete Information Technology

As of the Petition Date, nearly all of the City's departments were saddled with an obsolete information technology ("IT") infrastructure and software in urgent need of upgrade or replacement. The City's IT infrastructure was not integrated between departments and functions (e.g., there was no integration between core City financial systems and department level operating systems) or even within departments (e.g., police precincts and districts could not share information across their systems), and the City lacked a formal documented IT governance structure, although one was established after the Petition Date. The following paragraphs provide illustrations of the IT challenges faced by specific City departments and divisions.

(a) DPD, DFD & EMS

The IT systems used by the DPD, DFD and EMS: (i) were outdated to the point that the system vendors no longer provided full support; and (ii) lacked integrated solutions, resulting in redundant data entry, no meaningful reporting and limited query capabilities. DPD's IT systems, in particular, were highly manual, poorly implemented and non-integrated, resulting in highly inefficient operations. As of the Petition Date, the DPD had no IT systems in place at all for such functions as jail management, electronic ticketing and activity logs. The vehicles and equipment employed by DPD, DFD and EMS personnel likewise lacked adequate information technology.

(b) Payroll Systems

The City's payroll systems were similarly anachronistic, resulting in massive inefficiencies and excessive costs. As of the Petition Date, the City used multiple, non-integrated payroll systems that were highly manual (70% of the City's payroll costs were attributable to labor) and prone to human error and erroneous payments. A majority of the City's employees were on an archaic payroll system that had limited reporting capabilities and no way to clearly track, monitor or report expenditures by category. Accordingly, the City's cost of payroll administration was significantly higher than for comparable entities. For example, the cost to the City to process payroll was \$62 per check (or approximately \$19.2 million per year) more than four times the general average of \$15 per paycheck, and almost 3.5 times the average of \$18 per paycheck for other public sector organizations. The payroll process involved 149 full-time employees, 51 of whom were uniformed officers (*i.e.*, highly and expensively trained and high cost personnel assigned to perform clerical duties).

(c) Income Tax & Property Tax Divisions

Similar IT issues handicapped the City's tax collection systems. As of the Petition Date, the City's highly manual income tax collection and data management systems were simply outdated (having been purchased in the mid-1990s) with little to no automation capability; in July 2012, they were characterized as "catastrophic" by the IRS. The billing, processing and collection of property taxes likewise was inefficient. Recommendations received from a third party consultant designed to increase the efficiency of the City's property tax collection process had not been implemented, and the City was forced to rely on Wayne County for the funding and collection of delinquent property taxes.

(d) Budgeting, Accounting & Financial Reporting Systems

The City's core financial, accounting and budgeting systems likewise suffered from the lack of modern IT. As of the Petition Date, the City's financial reporting and budget development systems: (i) were 10 to 15 years old; (ii) required a manual interface (70% of journal entries were booked manually); (iii) lacked reliable fail-over and back-up systems; and (iv) lacked a formal, documented IT governance structure, all of which impaired the reporting, efficiency and accuracy of the data and the accountability of the systems.

(e) Grant Management System

As of the Petition Date, the City's grant tracking systems were fragmented, such that the City was unable to comprehensively track City-wide grant funds and status. In addition, the City's grant reporting was not standardized, such that the City was unable to prevent disallowed costs.

(f) **Permitting**

Aged IT infrastructure within the City's Buildings, Safety Engineering and Environmental Department ("BSEED") and the DFD led to bottlenecks in both permit invoicing and the collection of fees. BSEED's system for licensing and permitting is more than ten years old, and the DFD's system for inspections and permitting is more than 20 years old. Both systems required replacement.

9. Steady State Prepetition Financial Projections

Exhibits F, G and H contain projections (developed by the City in the months immediately preceding the Petition Date) demonstrating the City's financial condition in the absence of any restructuring initiatives. Specifically: (a) Exhibit F projects the amount of the City's legacy expenditures (*i.e.*, debt service on its UTGO Debt, LTGO Debt and COPs; pension contributions and retiree benefit obligations) through its 2017 Fiscal Year and expresses those legacy expenditures as a percentage of anticipated revenues; (b) Exhibit G projects the City's cash flow for its 2014 Fiscal Year; and (c) Exhibit H projects the City's anticipated revenues, expenditures, operating surpluses, legacy obligations and annual and accumulated deficits through the 2017 Fiscal Year.

D. Prepetition Measures Taken by City to Address Challenges

The City took numerous steps to improve its financial condition prior to commencing its chapter 9 case, by adopting various measures to reduce expenses and increase revenues. These initiatives saved the City an estimated \$200 million per year, but they also imposed substantial burdens on the City's workforce and residents. The following paragraphs provide detail on certain of the key actions taken by the City to alleviate its liquidity pressures, redress its lopsided balance sheet and address its operational challenges in the period leading up to the commencement of the City's chapter 9 case.

1. Consent Agreement/Creation of Financial Advisory Board

(a) Finding of "Probable Financial Stress"

On December 6, 2011, the Treasury initiated a preliminary review of the City's financial condition pursuant to former Michigan Public Act 4 of 2011, the Local Government and School District Fiscal Accountability Act, MCL §§ 141.1501 *et seq.* ("PA 4"). On December 21, 2011, having completed its preliminary review, the Treasury reported to the Governor that "probable financial stress" existed in Detroit and recommended the appointment of a "Financial Review Team" pursuant to PA 4. The Treasury's finding of "probable financial stress" was based upon the following considerations, among others:

- Violation of Uniform Budget and Accounting Act. Detroit arguably had violated Section 17 of Michigan Public Act 2 of 1968 (as amended), the Uniform Budget and Accounting Act, MCL §§ 141.421 *et seq.* by failing to amend the City's general appropriations act when it became apparent that various line items in the City's budget for Fiscal Year 2010 exceeded appropriations by an aggregate of nearly \$58 million (and that unaudited Fiscal Year 2011 figures indicated that expenditures would exceed appropriations by \$97 million).
- Inadequate Deficit Elimination Efforts. City officials did not file an adequate or approved "deficit elimination plan" with the Treasury for Fiscal Year 2010. The Treasury found that the City's recent efforts at deficit reduction had been "unrealistic" and that "[c]ity officials either had been incapable or unwilling to manage the finances of the City."
- Mounting Debt Problems. The City had a "mounting debt problem" with debt service requirements exceeding \$597 million in 2010 and long-term debt exceeding \$8 billion as of June 2011 (excluding the City's then-estimated \$615 million in unfunded actuarial pension liabilities, \$4.9 billion in OPEB liability and other "discretely presented component" debt). The ratio of the City's total long-term debt to total net assets for 2010 was 32.64 to 1.
- Risk of Termination Payment Under Swap Contracts. The Treasury identified a significant risk that the City would become subject to a demand for a termination payment (estimated at the time to be in the range of \$280 million to \$400 million) under its Swap Contracts.

- Falling Credit Ratings. The City's long-term bond ratings had fallen below the BBB category and were considered "junk," speculative or highly speculative.
- Cash Flow Shortages. The City was experiencing significant cash flow shortages. The City projected that its cash balance of \$96.1 million as of October 28, 2011 (which was nearly \$20 million lower than the City's previous estimates) would quickly be eroded and that the City would experience a cash shortage of \$1.6 million in April 2012 and would end Fiscal Year 2012 with a cash shortfall of \$44.1 million absent remedial action.

(b) Financial Review Team Finding of "Severe Financial Stress"

On March 26, 2012, the Financial Review Team appointed by the Governor pursuant to PA 4 submitted its report to the Governor, finding that "the City of Detroit is in a condition of severe financial stress ... and that a consent agreement has not been adopted [pursuant to PA 4]." The Financial Review Team's finding of "severe financial stress" was based upon the following considerations, among others:

- Increasing Budget Deficit. The City's cumulative General Fund deficit for Fiscal Year 2011 had increased from \$91 million to \$148 million, primarily as a result of transfers made from the General Fund to support other operations, such as transportation. The City had not experienced a positive year-end fund balance since 2004. The City was predicting a \$270 million General Fund deficit for Fiscal Year 2012.
- Variances from Budgets. Audits for the City's previous nine Fiscal Years reflected significant variances between budgeted and actual revenues and expenditures, owing primarily to the City's admitted practice of knowingly overestimating revenues and underestimating expenditures.
- Cash Crisis. The City was continuing to experience significant cash depletion. The City had proposed adjustments to CBAs to save \$102 million in Fiscal Year 2012 and \$258 million in Fiscal Year 2013, but the tentative CBAs negotiated as of the date of the report were projected to yield savings of only \$219 million.
- Debt Downgrades. The City's existing debt had suffered significant downgrades.
- Failure to File Adequate Deficit Elimination Plans. The City had not filed adequate or approvable deficit elimination plans for the 2010 or 2011 Fiscal Years.

(c) Entry Into the Consent Agreement

Contemporaneously with the investigation of Detroit's financial condition by the Financial Review Team, in early 2012, the City and the State negotiated a "Financial Stability Agreement" (the "Consent Agreement") in an effort to achieve (i) financial stability for the City and (ii) a stable platform for the City's future growth. The City Council approved the Consent Agreement on April 4, 2012. The Consent Agreement subsequently was executed by the Mayor, the members of the Financial Review Team, the Treasurer of the State of Michigan (the "State Treasurer") and the Governor as of April 5, 2012. Having negotiated and executed a "consent agreement" within the meaning of PA 4, no emergency manager was appointed for the City despite the Financial Review Team's finding of "severe financial stress."

The Consent Agreement created a "Financial Advisory Board" (the "FAB") of nine members selected by the Governor, the State Treasurer, the Mayor and City Council. The Consent Agreement granted the FAB an oversight role and limited powers over certain City reform and budget activities. The FAB has held, and continues to hold, regular public meetings and to exercise its oversight functions consistent with the Consent Agreement. To implement the reform efforts set forth in the Consent Agreement, the positions of "Chief Financial Officer" and "Program Management Director" were established, each reporting to the Mayor.

2. Headcount Reductions

Between 2010 and the Petition Date, the City reduced its employee headcount by more than 2,700 (from 12,302 employees as of the close of Fiscal Year 2010 to approximately 9,591 as of June 30, 2013). The City estimated that its headcount reductions resulted in annual savings of over \$100 million.

3. Imposition of City Employment Terms

On July 12, 2012, the FAB approved certain CETs effective as of July 17, 2012 for: (a) employees in unions with expired CBAs; and (b) non-union employees. The CETs were imposed on union employees with expired CBAs pursuant to the Consent Agreement. PA 4 suspended the City's obligation to engage in collective bargaining upon entry of the Consent Agreement. CBAs for approximately 80% of union employees expired as of June 30, 2012; the remaining CBAs expired as of June 13, 2013.

Among other things, the CETs provided for (a) wage reductions (implemented through the imposition of furlough days), (b) caps/reductions on vacation/holiday pay/overtime/sick days, (c) the reduction of pension multipliers and (d) changes to healthcare coverage. The City estimated that implementation of the CETs resulted in \$102 million in annual savings (\$25 million in savings attributable to wage reductions; \$59 million in savings attributable to reduced active and retiree benefits; \$9 million in savings attributable to reduced pension costs; and \$8 million in savings attributable to changes to work rules).

4. Revenue Generating Initiatives

(a) Increased Corporate Tax Rate

In January 2012, the City's corporate income tax rate was raised to 2.0% from 1.0%. This increased rate was projected to generate an estimated \$6 million in additional annual revenue for the City.

(b) Enhanced Tax Collection Initiatives

The City implemented – and continues to implement – initiatives designed to (i) improve collection of past due taxes and (ii) enhance collection efforts on a prospective basis. These efforts to enhance collection of taxes were expected to generate an estimated \$13 million in additional annual revenue for the City.

(c) Increased Lighting Rates

In January 2013, the PLD increased its rates to more closely align with market rates and eliminate the practice of charging customers less for power than the City itself was paying. The increased rates will likely have a short-term impact on revenues given the planned transition of the City's electricity grid to a third party provider.

5. Reduced Operating Expenditures

The City implemented an initiative to reduce certain vendor costs by 10%. Reductions in these vendor costs were expected to save the City an estimated \$10 million annually.

6. Deferred Capital Expenditures

The City deferred capital expenditures on a number of its assets (notably its public lighting and its water and sewer system). The City's average aggregate capital outlays for the five Fiscal Years from 2008 to 2012 (\$82.98 million) was less than 55% of the average aggregate capital outlays for the five Fiscal Years preceding that period (2003 to 2007; \$151.94 million).

7. Cash Conservation Measures

In the weeks preceding the commencement of its chapter 9 case, the City was forced to suspend payments on unsecured debt to conserve its dwindling cash. Specifically, on June 14, 2013, the City (a) did not make a \$39.7 million payment due and owing to the Service Corporations in connection with the COPs and (b) publicly declared a moratorium on principal and interest payments related to unsecured debt going forward. The City also had deferred and not paid required pension contributions and other payments (including approximately \$37 million in pension contributions for Fiscal Year 2012 and an estimated \$71 million in such contributions for Fiscal Year 2013).

8. Demolition Initiatives

In April 2010, the City launched a program to take initial steps toward addressing urban blight within the City. This program had the goal of demolishing 10,000 vacant structures (*i.e.*, approximately 13% of the vacant structures within the City and 26% of such buildings classified as dangerous) within three years. Over 5,000 structures had been demolished, but the City lacked sufficient funding to complete the project by its target date of December 2013. The City also commenced an ancillary demolition initiative in partnership with the State, pursuant to which \$10 million has been allocated to the targeted demolition of 1,234 structures located in the vicinity of schools. As of February 28, 2013, 179 structures had been demolished pursuant to this ancillary initiative (and another 56 were under contract to be demolished).

9. Appointment of the Emergency Manager

(a) Legislation Authorizing Emergency Manager

In 1990, the Legislature enacted Michigan Public Act 72 of 1990, the Local Government Fiscal Responsibility Act, MCL §§ 141.1201 *et seq.* ("PA 72"), which empowered the State to intervene with respect to municipalities facing financial crisis through the appointment of an emergency manager who, once appointed, would assume many of the powers ordinarily held by local elected officials. Effective March 16, 2011, the Legislature repealed PA 72 and enacted PA 4. On November 5, 2012, Michigan voters rejected PA 4 by referendum, which rejection automatically revived PA 72.

(b) 2013 Financial Review Team Report

On December 11, 2012, because of the City's diminishing liquidity, the FAB requested that the State initiate a preliminary review of the City's financial condition pursuant to PA 72. The Treasury reported to the Governor on December 14, 2012 that, based on its preliminary review, a "serious financial problem" existed within the City.

On December 18, 2012, pursuant to PA 72, the Governor appointed another Financial Review Team to review the City's financial condition. On February 19, 2013, the Financial Review Team submitted its report (the "2013 Financial Review Team Report") to the Governor, concluding that a "local government financial emergency" existed with the City because no satisfactory plan existed to resolve a serious financial problem.

The Financial Review Team's finding of a "local government financial emergency" was based primarily upon the following considerations:

- Cash Crisis. The City continued to experience a significant depletion of its cash, with a projected \$100 million cumulative cash deficit as of June 30, 2013. Cost-cutting measures undertaken by the Mayor and City Council were characterized as too heavily weighted to one-time savings and non-union personnel.
- General Fund Deficits. The City's cumulative General Fund deficit had not experienced a positive year-end fund balance since 2004 and stood at \$326.6 million as of June 30, 2012. If the City had not issued substantial debt to reduce the cumulative fund balance over the prior ten years, the accumulated General Fund deficit would have been \$936.8 million for Fiscal Year 2012.
- Long-term Liabilities. The City's long-term liabilities (calculated by the Financial Review Team using the City's then-estimated pension UAAL) exceeded \$14 billion as of June 30, 2013, with approximately \$1.9 billion coming due over the next five years and the City had not devised a satisfactory plan to address these liabilities.
- Bureaucratic Structure. The City Charter contained numerous restrictions and structural details that made it extremely difficult to restructure the City's operations in a meaningful or timely manner.
- Variances from Budgets. Audits for the City's previous six Fiscal Years reflected significant variances between budgeted and actual revenues and expenditures, owing primarily to the City's admitted practice of knowingly overestimating revenues and underestimating expenditures.

- Weaknesses in Internal Controls. The management letter accompanying the City's Fiscal Year 2012 financial audit report identified numerous material weaknesses and significant deficiencies in the City's financial and accounting operations.

(c) Appointment of Kevyn D. Orr

On March 1, 2013, in response to the 2013 Financial Review Team Report and in accordance with Section 15(1) of PA 72, the Governor announced his determination that a "financial emergency" existed within the City. After a public hearing to consider the City Council's appeal of the Governor's determination, on March 14, 2013, the Governor confirmed his determination of a "financial emergency" within the City in accordance with Section 15(2) of PA 72 and requested that the LEFALB appoint an emergency manager. On March 14, 2013, pursuant to Section 18(1) of PA 72, the LEFALB appointed Kevyn D. Orr as the "emergency financial manager" in accordance with the Governor's request, and Mr. Orr formally took office on March 25, 2013. On March 28, 2013, upon the effectiveness of PA 436 and in accordance with Section 9(10) thereof, Mr. Orr became the "emergency manager" with respect to the City under PA 436 (in such capacity, the "Emergency Manager").

(d) Financial and Operating Plan

On May 12, 2013, the Emergency Manager submitted the Financial and Operating Plan (the "Financial and Operating Plan") to the State Treasurer in accordance with Section 11(2) of PA 436. The Financial and Operating Plan summarized the financial condition of the City and the strategic and operational considerations facing the Emergency Manager and presented the Emergency Manager's preliminary views on the development of a restructuring plan with respect to the City.

10. The June 14 Creditor Proposal

Immediately following his appointment, the Emergency Manager began to focus on developing a comprehensive restructuring plan to: (a) ensure that the City is able to provide or procure governmental services essential to the public health, safety and welfare of its citizens; (b) assure the fiscal accountability and stability of the City; and (c) promote investment in the City and revitalization of the community in a sustainable fashion. On June 14, 2013 (*i.e.*, less than three months after formally assuming the position of Emergency Manager), at a meeting in the Detroit area, the Emergency Manager presented this restructuring plan (the "June 14 Creditor Proposal") to approximately 150 invited representatives of the City's creditors, including representatives of (a) all of the City's funded debt, (b) the insurers of such debt, (c) all of the City's unions, (d) certain retiree associations, (e) the Retirement Systems and (f) many individual bondholders.

At this meeting, the Emergency Manager presented an executive summary of the June 14 Creditor Proposal, and attendees received the full proposal as they exited. The Emergency Manager also caused the full proposal and the executive summary to be posted on the City's publicly accessible website the same day. The meeting lasted approximately two hours, and the Emergency Manager and his advisors answered all questions posed by attendees. At the conclusion of the meeting, all creditor representatives were invited to meet and engage in a dialogue with City representatives regarding the proposal. The Emergency Manager also indicated that he would welcome proposed modifications and alternative ideas consistent with the City's (a) urgent need for reinvestment to improve essential City services and (b) then-current and projected cash flows.

In addition to describing the economic circumstances that resulted in Detroit's current financial condition, the 128-page June 14 Creditor Proposal described a thorough overhaul and restructuring of the City's operations, finances and capital structure, as well as proposed recoveries for each creditor group. The Bankruptcy Court later found, however, that the June 14 Creditor Proposal "did not provide creditors with sufficient information to make meaningful counter-proposals, especially in the very short amount of time that the City allowed for the 'discussion' period." Eligibility Order, at 116.

Among other things, the June 14 Creditor Proposal discussed:

(a) Investment in Infrastructure

The June 14 Creditor Proposal outlined the City's plans to achieve a sustainable restructuring through investing approximately \$1.25 billion over ten years to improve basic and essential City services to citizens, including: (i) substantial investment in, and/or the restructuring of, various City departments; (ii) substantial investment in the City's blight removal efforts; (iii) the transition of the City's electricity transmission business to an alternative provider; (iv) the implementation

of a population-based streetlight footprint and the transfer of lighting operations to the newly-created PLA; (v) substantial investments in upgraded information technology for police, fire, EMS, transportation, payroll, grant management, tax collection, budgeting and accounting and the City's court system; (vi) a comprehensive review of the City's leases and contracts; and (vii) a proposed overhaul of the City's labor costs and related work rules.

(b) Increased Revenues

The June 14 Creditor Proposal also set forth the City's intention to increase revenues to the City through: (i) the expansion of its income and property tax bases, rationalization and adjustment of its nominal tax rates and various initiatives to improve and enhance its tax and fee collection efforts; (ii) its intention to potentially realize value from the DWSD; (iii) the potential realization of value from City-owned assets currently exhibited and/or housed at the DIA; and (iv) the commitment to evaluate what value may be realized from other City assets (*e.g.*, City-owned real property; municipal parking operations; the Detroit-Windsor Tunnel; and Belle Isle Park).

(c) Financial Statements

The June 14 Creditor Proposal also set forth: (i) the City's projected financial statements over a ten-year period, as well as the assumptions underlying those projections; and (ii) the City's actual and forecasted cash flows for the 2013 and 2014 Fiscal Years in the absence of restructuring.

(d) Potential Creditor Recoveries

The June 14 Creditor Proposal further estimated creditor recoveries based upon the City's actual and projected financial condition.

Having provided the facts and strategies contained in the June 14 Creditor Presentation to its creditor body *en masse*, the City followed up with individual meetings with certain attendees during the period between June 14, 2013 and the commencement of this case. At these meetings, further data and legal viewpoints were exchanged and many questions were answered; however, no meaningful progress toward a comprehensive resolution of the City's obligations occurred. Importantly, following the June 14 Creditor Presentation, the City: (i) sought a resolution of various issues related to its pension-related Swap Contracts through extensive negotiations with the Swap Counterparties thereto and the insurers of the Swap Obligations; and (ii) held several follow-up meetings with various creditor representatives.

11. Barriers to Out-of-Court Restructuring

(a) Negotiations with Creditors

The Bankruptcy Court later found that the City could not practicably negotiate a consensual restructuring with its creditor constituencies in an out-of-court setting. The pool of potential creditors in the City's chapter 9 case was vast. The City estimated that the number of employees, retirees, vendors, bondholders, insurers and other parties in interest in this case reached into the many tens of thousands (and that many of these creditors were unknown and unidentified). Collectively, the City's creditors held up to an estimated \$18 billion in Claims against the City. Moreover, some of the largest components of the City's debt including, for example, the City's actuarially accrued \$6.4 billion in unfunded OPEB obligations were fragmented among thousands of individuals.

With respect to the City's retirees, many of the unions took the position that they did not and could not represent their former members who are current retirees. Although many retirees of the approximately 20,000 retirees entitled to receive retiree healthcare and pension benefits from the City are members of voluntary organizations such as the DRCEA and RDPFFA, the City understood that, absent their consent, the retirees cannot be bound by out-of-court negotiations between the City and these bargaining units or other representatives. Moreover, even if such retirees had been willing to be bound by the City's negotiations with the bargaining units or other representatives (which would have been unlikely), the majority of those units refused to represent such retirees. Despite the City's best efforts to organize the retirees prior to the commencement of the City's chapter 9 case, most retirees remained unrepresented in negotiations. Accordingly, the negotiation of changes to pension and retiree benefits with the City's retiree constituency – changes that are critical to any restructuring of the City given the amounts owed to these constituencies – were impracticable (if not impossible) outside of the chapter 9 context. Even now, no retiree representative can bind retirees in this chapter 9 case, and all retirees will be permitted to vote his or her Claims to accept or reject the Plan.

With respect to the City's bond debt, certain of the City's bond issuances permitted a majority of Holders to agree to certain amendments to the terms of such bonds. However, in many, if not all, cases, an extension of the maturity date of the indebtedness or an agreement to reduce its principal amount required the consent of all outstanding bondholders. In many instances, the City was unable to negotiate with a single contact with the authority to bind bondholders of a particular series of debt, thus rendering negotiations regarding the out-of-court restructuring of such bonds impracticable. In any event, as of the Petition Date, no bondholder group holding a majority of any of the 60 series of debt issued by the City had organized so that the City could negotiate with it.

The City's restructuring proposals to its creditor constituencies were met with resistance. The feedback received from creditors led the City to determine that a comprehensive agreement was unlikely in the near term without the commencement of this chapter 9 case. On July 8, 2013, for example, a bond insurer serving as surety for approximately \$170 million of the City's limited and unlimited tax general obligation debt issued a public statement declaring that the June 14 Creditor Proposal was "harmful to Detroit and the interests of the taxpayers in Michigan" and "necessarily imperiled" the City's access to cost effective financing. Further negotiations with all of the City's various stakeholders was impracticable in light of the City's cash crisis and the urgent need to move forward with its restructuring. The City required a clear and centralized forum within which parties could negotiate and ultimately be bound.

(b) Prepetition Litigation

Several lawsuits were filed against various entities (including, among others, the Governor, the Emergency Manager and the State Treasurer) during the period immediately prior to the Petition Date effectively seeking to bar the commencement of a chapter 9 case by the City. On July 3, 2013, certain current and former employees of the City filed a complaint against the State, the Governor and the State Treasurer seeking: (i) a declaratory judgment that PA 436 violated the Michigan Constitution to the extent that it purported to authorize chapter 9 cases within which vested pension benefits might be compromised; and (ii) an injunction preventing the defendants from authorizing any chapter 9 case for the City within which vested pension benefits might be adjusted. Webster v. State, No. 13-734-CZ (Ingham Cnty. Cir. Ct. July 3, 2013). Also on July 3, 2013, a separate complaint was filed by certain current and former employees of the City (the "Flowers Plaintiffs") against the State, the Governor and the State Treasurer seeking relief similar to that sought in Webster. Flowers v. Snyder, No. 13-729-CZ (Ingham Cnty. Cir. Ct. July 3, 2013). In addition, on July 17, 2013, the Retirement Systems commenced a lawsuit against the Emergency Manager and the Governor seeking declaratory judgments that PA 436 (i) does not authorize them to take any action that may result in the compromise of the City's pension obligations; and (ii) when read in conjunction with applicable provisions of the Michigan Constitution, requires the defendants to refrain from attempting to compromise pension obligations in a chapter 9 case (or, alternatively, that PA 436 violates the Michigan Constitution). Gen. Ret. Sys. v. Orr, No. 13-768-CZ (Ingham Cnty. Cir. Ct. Jul. 17, 2013).

Had the City not sought the protections of chapter 9 and the automatic stay (the "Chapter 9 Stay") on the Petition Date or sooner, these lawsuits could have significantly delayed the City's restructuring process at a time when the City was in a state of financial emergency, was insolvent and was failing to provide an adequate level of even the most basic services to the residents of Detroit. The plaintiffs in each of these lawsuits sought *ex parte* orders (the "Injunction Orders") from the Circuit Court of Ingham County, Michigan (the "Ingham County Court") temporarily or preliminarily enjoining the defendants from (i) taking certain actions toward authorizing a chapter 9 filing by the City; and (ii) with respect to the City, availing itself of the protections and powers of chapter 9 in any case actually commenced. On the Petition Date – but after the filing of the City's petition – the Ingham County Court entered the Injunction Orders sought by the plaintiffs in each of these cases. Each of these actions is stayed by the automatic stay in this chapter 9 case and pursuant to the Bankruptcy Court's Order Pursuant to Section 105(a) of the Bankruptcy Code Extending the Chapter 9 Stay to Certain (A) State Entities, (B) Non-Officer Employees and (C) Agents and Representatives of the Debtor (Docket No. 166), entered on July 25, 2013.

In addition to the Webster, Flowers and General Retirement System lawsuits, certain other prepetition litigation threatened to impede the City's attempts to restructure out-of-court pursuant to PA 436 or, at a minimum, distract the City's leadership from focusing on uncovering the nature and extent of the City's financial problems and implementing urgently-needed reforms. E.g., Phillips v. Snyder, No. 2:13-cv-11370 (E.D. Mich.) (lawsuit against the Governor and State Treasurer seeking (i) a declaratory judgment that PA 436 violates, among other things, the United States Constitution and the Voting Rights Act; (ii) injunctive relief, among other things, preventing the defendants and any emergency managers from exercising rights under PA 436; and (iii) liquidated, compensatory and punitive damages and attorneys' fees and costs); NAACP v. Snyder, No. 2:13-cv-12098 (E.D. Mich.) (seeking the same relief as was sought in Phillips – except making no prayer for damages – on substantially similar grounds); Citizens United Against Corrupt Gov't v. Local Emergency Fin. Assistance Loan Bd., No. 13-281-NZ (Ingham Cnty. Cir. Ct.) (lawsuit against the LEFALB, the Governor and the State Treasurer seeking, among other things, to invalidate the appointment of the Emergency Manager).

12. Insolvency

(a) Not Paying Debts as They Come Due

As of the Petition Date, the City was generally not paying its debts as they became due. As described above, the City's cash crisis had become particularly acute in the weeks preceding the commencement of this chapter 9 case and, in response, the City was forced to suspend payments on unsecured debt including payments of \$37 million to the Service Corporations on account of the COPs and deferral of required pension contributions. As of June 30, 2013, the City had only \$36 million in cash on hand (net of accumulated property tax distributions), but had outstanding deferrals (including the \$108 million in deferred pension contributions referenced above) and amounts due to other funds and entities of approximately \$274.3 million.

(b) Cash Flow Insolvency

The City also was unlikely to be able to service its debts in the foreseeable future. The City had negative cash flows of \$115.5 million in Fiscal Year 2012. The City's preliminary estimates showed positive cash flows of \$31.5 million (excluding the impact of borrowings) for Fiscal Year 2013, but only as a result of, among other things, the deferral of nearly \$108 million in pension contributions and the City's decision, on June 14, 2013, not to make \$39.7 million in payments due and owing to the Service Corporations. Absent restructuring, the City projected cash flows of negative \$198.5 million in Fiscal Year 2014 and negative \$260.4 million in Fiscal Year 2015. This cash depletion would have left the City in a net cash position (after required property tax distributions) of negative \$11.6 million as early as December 2013. In the absence of restructuring, the City's net negative cash position (after required property tax distributions) would have continued its downward spiral, reaching negative \$143.3 million as of the end of Fiscal Year 2014 and negative \$404.5 million as of the end of Fiscal Year 2015.

(c) Bankruptcy Court Ruling on Insolvency

On December 5, 2013, in connection with the issuance of the Eligibility Order, the Bankruptcy Court ruled that the City was insolvent as of the Petition Date. See Eligibility Order, at 110.

VIII.

THE CHAPTER 9 CASE

A. Commencement of the Chapter 9 Case

After more than one month of negotiations with its creditor constituencies, the City was unable to negotiate – and saw no prospect of negotiating – an out-of-court resolution that would address the City's financial situation and lay a foundation for a strong and prosperous City going forward. Accordingly, on July 16, 2013, and in accordance with section 18(1) of PA 436, the Emergency Manager submitted a written recommendation to the Governor and the State Treasurer that the City seek relief under chapter 9 of the Bankruptcy Code. The Emergency Manager's recommendation was based on his judgment that no reasonable alternative to rectifying the financial emergency of the City existed because the City could not adopt a feasible financial plan that could satisfactorily rectify the financial emergency in a timely manner. On July 18, 2013, in accordance with section 18(1) of PA 436, the Emergency Manager received the written authorization of the Governor to commence a chapter 9 case. On July 18, 2013, consistent with the Governor's written approval, the Emergency Manager issued an order directing the City to commence a chapter 9 case, and the City's petition for relief was filed at 4:06 p.m., Eastern Time, that day.

B. Retiree Committee

Prior to the Petition Date, no single party was empowered to represent retired employees of the City entitled to receive pension benefits and health and other post-employment welfare benefits (collectively, the "Retirees") regarding the billions of dollars of legacy claims that must be addressed in the City's restructuring. Anticipating the necessity of negotiations regarding the treatment of the legacy claims of Retirees and their beneficiaries under a plan of adjustment, on July 19, 2013 (*i.e.*, the day after the Petition Date), the City filed a motion (Docket No. 20) requesting the appointment of an official committee (the "Retiree Committee") to act as the Retirees' authorized representative in the City's chapter 9 case. On August 2, 2013, the Bankruptcy Court entered an order (Docket No. 279) (the "Appointment Order") directing the U.S. Trustee to appoint the Retiree Committee pursuant to section 1102(a)(2) of the Bankruptcy Code. On August 22, 2013, the U.S. Trustee filed its Corrected Appointment of Official Committee of Retirees (Docket No. 575) with the Bankruptcy Court, appointing the following individuals to the Retiree Committee: (1) Edward L. MacNeil (on behalf of AFSCME); (2) Michael J. Karwoski; (3) Shirley V. Lightsey; (4) Terri Renshaw; (5) Robert A. Shinske; (6) Donald Taylor; (7) Gail Wilson Turner; (8) Gail M. Wilson; and (9) Wendy Fields-Jacobs (on behalf of the UAW).

The Retiree Committee retained Dentons US LLP ("Dentons"), an international law firm created by the combination of SNR Denton, Fraser Milner Casgrain and Salans. The retention of Dentons included the retention of Dentons' affiliate Salans FMC SNR Denton Europe LLP and lawyers and staff in its New York office, who joined Dentons effective October 1, 2013. On August 29, 2013, Dentons filed a notice of appearance (Docket No. 683) on behalf of the Retiree Committee. On October 21, 2013, the Retiree Committee filed its application (Docket No. 1299) seeking to retain Dentons as counsel, effective as of August 28, 2013, and seeking to retain The Segal Company as actuary consultants. The City filed a limited objection to Dentons' retention, primarily based on Dentons' proposed retention of The Segal Company (Docket No. 1527). The objection was resolved with the Retiree Committee's agreement to retain The Segal Company directly and, on November 12, 2013, the Bankruptcy Court entered an order (Docket No. 1668) approving the retention of Dentons.

On September 5, 2013, the law firm Brooks Wilkins Sharkey & Turco PLLC ("Brooks Wilkins") filed notices of appearance (Docket Nos. 716; 718) on behalf of the Retiree Committee. On October 25, 2013, the Retiree Committee filed its application (Docket No. 1392) seeking to retain Brooks Wilkins as counsel, effective as of September 3, 2013. On November 12, 2013, the Bankruptcy Court entered an order (Docket No. 1664) approving the retention of Brooks Wilkins.

On October 31, 2013, the Retiree Committee filed its application (Docket No. 1476) to employ Lazard Freres & Co. LLC ("Lazard") as financial advisor to the Retiree Committee. The Retiree Committee proposed that Lazard be paid \$175,000 per month plus expenses and an undetermined transaction fee upon the approval of a settlement of retiree Claims or the consummation of the City's chapter 9 case. Following the City's filing of a limited objection (Docket No. 1703) and the submission of a stipulated proposed order resolving the City's concerns (Docket No. 1832), on November 27, 2013, the Bankruptcy Court entered an interim order (Docket No. 1854) (1) continuing the hearing on the Retiree Committee's application to December 16, 2013 (to allow testimony from Lazard) and (2) approving the retention of Lazard on an interim

basis through the date of the continued hearing. On December 19, 2013, the Bankruptcy Court entered an order (Docket No. 2250) approving the retention of Lazard effective as of September 3, 2013.

On December 2, 2013, the Retiree Committee filed its application (Docket No. 1882) to employ The Segal Company as actuarial consultant to the Retiree Committee (the "Actuary Application"). The City responded informally to the Actuary Application by raising certain concerns directly with the Retiree Committee. On December 26, 2013, the parties submitted a stipulated proposed order resolving the City's concerns (Docket No. 2330), and on January 21, 2014, the Bankruptcy Court entered an order (Docket No. 2528) authorizing the Retiree Committee's retention of The Segal Company.

Paragraph 5 of the Appointment Order (1) acknowledged the City's agreement to pay the reasonable professional expenses of the Retiree Committee and (2) noted that such expenses would be subject to any order appointing a fee examiner entered by the Court. Paragraph 2 of the Bankruptcy Court's "Order Appointing Fee Examiner" (Docket No. 383), entered on August 19, 2013, provided that "Professional Fee Expenses" incurred by the City subject thereto (and to any subsequent "Fee Review Order") would include "Fees payable to the professionals of any official committee." Paragraph 24 of the "Fee Review Order" (Docket No. 810) entered by the Bankruptcy Court on September 11, 2013, acknowledged the City's agreement to pay "the reasonable fees and expenses" of the Retiree Committee's professionals and the "reasonable expenses" of the members of the Retiree Committee, subject to the City's right to seek a judicial determination of reasonableness. In compliance with, and in accordance with the terms of, the Appointment Order, the Order Appointing Fee Examiner and the Fee Review Order, the City has paid the reasonable fees and expenses of the Retiree Committee's professionals and the reasonable expenses of the Retiree Committee's members. See Section VIII.K of this Disclosure Statement for a more detailed discussion of the fee process prevailing in the City's chapter 9 case.

Following its appointment, the Retiree Committee has been an active participant with respect to various matters before the Bankruptcy Court, and the City has conducted continuous discussions with the Retiree Committee and its professionals regarding the City's restructuring and the Retirees' Claims. See Sections VIII.D (describing the Retiree Committee's role in the litigation regarding the City's eligibility to be a chapter 9 debtor); VIII.F (describing the Retiree Committee's participation in Court-ordered mediation); and VIII.L.3.c (describing certain litigation initiated by the Retiree Committee in connection with modifications to retiree health benefits proposed by the City).

C. Unsecured Creditors' Committee

On December 23, 2013, the U.S. Trustee filed the Appointment of Committee of Unsecured Creditors (Docket No. 2290), appointing an official committee of unsecured creditors in the City's bankruptcy case (the "Creditors' Committee"). On December 24, 2013, the City sent a letter to the U.S. Trustee expressing its opposition to the formation and composition of the Creditors' Committee and reiterating its decision not to fund any professional fees or costs incurred by such committee. On January 8, 2014, the U.S. Trustee sent a letter to counsel for the City confirming its decision to form the Creditors' Committee. On January 31, 2014, the City filed a motion for entry of an order vacating the appointment of the Creditors' Committee (Docket No. 2626) (the "Motion to Disband"). Objections to the Motion to Disband were filed by the U.S. Trustee (Docket No. 2688) and the Creditors' Committee (Docket No. 2687) on February 14, 2014. A hearing was held on the Motion to Disband on February 19, 2014, and, on February 28, 2014, the Bankruptcy Court entered an order granting the Motion to Disband and vacating the appointment of the Creditors' Committee (Docket No. 2784).

D. Eligibility

The primary issue before the Bankruptcy Court since the commencement of the City's chapter 9 case has been the determination of the City's eligibility to be a debtor under chapter 9 of the Bankruptcy Code (such issue, "Eligibility"). The determination of Eligibility is governed by sections 109(c) and 921(c) of the Bankruptcy Code, which provisions require the Bankruptcy Court, among other things, to determine whether: (1) the City is a municipality (11 U.S.C. § 109(c)(1)); (2) the City was specifically authorized to be a debtor by state law (11 U.S.C. § 109(c)(2)); (3) the City was insolvent as of the Petition Date (11 U.S.C. § 109(c)(3)); (4) the City desires to effectuate a plan to adjust its debts (11 U.S.C. § 109(c)(4)); (5) either (a) the City negotiated in good faith with its various creditor constituencies (11 U.S.C. § 109(c)(5)(B)) or (b) it was impracticable for the City to do so (11 U.S.C. § 109(c)(5)(C)); and (6) the City's petition was filed in good faith (11 U.S.C. § 921(c)). On the Petition Date, in support of Eligibility, the City filed its (1) Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code (Docket No. 10) and (2) Memorandum in Support of Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code (Docket No. 14), demonstrating its satisfaction of the requirements set forth at section 109(c) of the Bankruptcy Code. To resolve the threshold issue of Eligibility as promptly as possible, the City filed a motion (Docket No. 18) on the Petition Date seeking an order

establishing a schedule for, and expediting the process of, identifying and adjudicating any objections to Eligibility. On August 6, 2013, the Bankruptcy Court entered an order (Docket No. 296) establishing a deadline of August 19, 2013 for the filing of objections to Eligibility and a schedule for the adjudication of such objections.

Approximately 110 objections to Eligibility (each, an "Eligibility Objection") were filed prior to the deadline established by the Bankruptcy Court (or deemed timely filed). The majority of such Eligibility Objections were filed by individuals. The Eligibility Objections (1) raised numerous issues of law and fact (including threshold challenges to the constitutionality of chapter 9 and PA 436 and the City's power to impair pension benefits in chapter 9) and (2) challenged (a) the City's satisfaction of all subsections of section 109(c)(5) of the Bankruptcy Code (with the exception of subsection 109(c)(1)) and (b) the "good faith" of the City's chapter 9 petition within the meaning of section 921(c) of the Bankruptcy Code. In addition to the Objections, Michigan Attorney General Bill Schuette filed a "Statement Regarding the Michigan Constitution and the Bankruptcy of the City of Detroit" (Docket No. 481), arguing that, although the City was eligible to be a chapter 9 debtor, the Pensions Clause of the Michigan Constitution barred the City from impairing its obligations to pensioners.

On September 11, 2013, the Retiree Committee filed a motion to withdraw the reference (Docket No. 806) (the "Motion to Withdraw") of certain state law and constitutional issues raised in its Eligibility Objection from the Bankruptcy Court to the District Court. The Retiree Committee's filing of the Motion to Withdraw initiated a separate proceeding before the District Court captioned as Official Committee of Retirees v. City of Detroit (In re City of Detroit), No. 13-cv-13873 (E.D. Mich.). The Motion to Withdraw was fully briefed by the City and the Retiree Committee as of October 5, 2013. Shortly after filing the Motion to Withdraw, on September 13, 2013, the Retiree Committee filed a motion (Docket No. 837) with the Bankruptcy Court seeking a stay of all deadlines and the trial related to Eligibility (the "Eligibility Proceedings") pending the District Court's disposition of the Motion to Withdraw. Following briefing and a hearing, on September 26, 2013, the Bankruptcy Court entered an opinion and order (Docket No. 1039) denying the Retiree Committee's motion to stay the Eligibility Proceedings, finding, among other things, that the Retiree Committee was unlikely to succeed on the merits of the Motion to Withdraw. The District Court has not taken any action to withdraw the reference of the Eligibility Proceedings.

Following the filing of the Eligibility Objections, and pursuant to certain scheduling orders entered by the Bankruptcy Court (Docket Nos. 642; 821), the Bankruptcy Court conducted hearings related to the City's Eligibility, including (1) a hearing on September 19, 2013, at which all individual objectors were provided the opportunity to be heard on their Eligibility Objections (and at which approximately 50 such individual objectors appeared before the Bankruptcy Court); (2) hearings on October 15, 2013 and October 16, 2013, at which the Bankruptcy Court heard oral argument on portions of the Eligibility Objections that raised strictly legal issues; (3) various hearings on motions raising certain discovery and privilege disputes; and (4) a nine-day bench trial (the "Eligibility Trial") spanning the period October 23, 2013 to November 8, 2013 at which argument and testimony were presented with respect to Eligibility Objections requiring the resolution of genuine issues of material fact. Sixteen witnesses – including the Governor, the former State Treasurer and the Emergency Manager – testified at the Eligibility Trial and 310 exhibits were introduced into evidence.

On December 3, 2013, the Bankruptcy Court issued a bench decision determining that the City was eligible to be a chapter 9 debtor (the "Bench Decision"). On December 5, 2013, the Bankruptcy Court entered the Eligibility Order, memorializing the Bench Decision. Also on December 5, 2013, the Bankruptcy Court entered an Order for Relief Under Chapter 9 of the Bankruptcy Code (Docket No. 1946) (the "Order for Relief"), determining that the City (1) met all of the applicable requirements under section 109(c) of the Bankruptcy Code, (2) is eligible to be a debtor under chapter 9 of the Bankruptcy Code and (3) filed its chapter 9 petition in good faith. In the Bench Decision and Eligibility Order, the Bankruptcy Court further held that, notwithstanding the state law protections afforded by the Pensions Clause, the City may impair its pension obligations under chapter 9 of the federal Bankruptcy Code. Notices of appeal of the Eligibility Order were filed by: (1) AFSCME (Docket No. 1907); (2) the Retirement Systems (Docket No. 1930); (3) the Retiree Committee (Docket No. 2057); (4) the RDPFFA, the DRCEA and affiliated individuals (Docket No. 2070); (5) the Retired Detroit Police Members Association (the "RDPMA") (Docket No. 2111); (6) the DFFA and the DPOA (Docket No. 2137); and (7) the UAW together with the Flowers Plaintiffs (Docket No. 2165).

Motions for certification of direct appeal of the Order for Relief to the Sixth Circuit Court of Appeals were filed by: (1) the Retirement Systems (Docket No. 1933); (2) the Retiree Committee (Docket No. 2060); (3) the RDPFFA, the DRCEA and affiliated individuals (Docket No. 2068); (4) the RDPMA (Docket No. 2113); (5) the DFFA and the DPOA (Docket No. 2139); (6) the UAW and the Flowers Plaintiffs (Docket No. 2192); and (7) AFSCME (Docket No. 2376). After a hearing, on December 20, 2013, the Bankruptcy Court issued an order certifying to the Sixth Circuit Court of Appeals that appeals of the Eligibility Order "involve a 'matter of public importance'" (Docket No. 2268, as amended by

Docket No. 2274) (the "Certification Order"). In a memorandum issued contemporaneously with the Certification Order (Docket No. 2269), the Bankruptcy Court recommended that (1) notwithstanding the fact that appeals of the Eligibility Order involve "a matter of public importance," authorization for direct appeals to the Sixth Circuit Court of Appeals should be denied; and (2) should the Sixth Circuit Court of Appeals authorize a direct appeal of the Eligibility Order, such an appeal should not be expedited and, in considering requests to expedite any such an appeal, the Sixth Circuit Court of Appeals should consult with the mediator in the City's chapter 9 case to determine whether expediting such an appeal "is in the best interest of the City, its creditors and its residents."

Petitions for permission to appeal the Eligibility Order directly to the Sixth Circuit Court of Appeals were filed with the Sixth Circuit Court of Appeals by each of the entities that filed a notice of appeal of the Eligibility Order with the Bankruptcy Court. On February 21, 2014, the Sixth Circuit Court of Appeals entered an order granting all of these petitions and stating that the appeals (collectively, the "Sixth Circuit Eligibility Appeals") were "not expedited at this time." On March 18, 2014 and March 19, 2014, certain of the appellants filed motions to expedite the oral argument in their respective Sixth Circuit Eligibility Appeals. The City filed responses to these motions to expedite on March 20, 2014 and March 21, 2014. Also on March 18, 2014, the City filed, in each of the Sixth Circuit Eligibility Appeals, a motion to (1) consolidate the Sixth Circuit Eligibility Appeals and (2) extend the briefing deadlines that were established by the Sixth Circuit Court of Appeals pursuant to a letter to the parties dated March 12, 2014 (the "Briefing Letter"). Responses to the City's motions to consolidate the Sixth Circuit Eligibility Appeals were filed by the appellants in their respective Sixth Circuit Eligibility Appeals on March 20, 2014 and March 21, 2014. As of the date hereof, the City's motions to consolidate the Sixth Circuit Eligibility Appeals remain pending. Appellants' briefs were filed in the Sixth Circuit Eligibility Appeals on April 24, 2014. Pursuant to the Briefing Letter, the City's reply briefs must be filed by May 27, 2014. All appeals of the Eligibility Order pending in the District Court are indefinitely stayed in light of the pending Sixth Circuit Eligibility Appeals.

E. Swap Settlement

As described in greater detail in Section VII.B.4, in 2009, the City entered into the Collateral Agreement with the Swap Counterparties, the Service Corporations and U.S. Bank, whereby the City avoided a \$300-\$400 million early termination payment under the Swap Contracts, in return for securing its quarterly swap payments with collateral consisting of the Casino Revenues. In March 2012, the City suffered ratings downgrades with respect to its Unlimited Tax General Obligation Bonds that again gave rise to the risk that the Swap Counterparties could, among other things, terminate the Swap Contracts and seek a termination payment from the City. The City then commenced negotiations with the Swap Counterparties to resolve issues arising in connection with the credit rating downgrade.

Despite the significant time and effort devoted to reaching a resolution that would permit the City access to the Casino Revenues, following the assertion of alleged rights by insurer Syncora, the City's access to those funds was blocked. Accordingly, the City acted to protect its interests and preserve its access to the Casino Revenues – a critical funding source for the City – by commencing litigation against Syncora (among others) in the Circuit Court for Wayne County, Michigan to seek (1) the release of Casino Revenues held by U.S. Bank as custodian and (2) the recovery of damages suffered by the City due to Syncora's interference with its banking relationships. In that proceeding, the Emergency Manager submitted an affidavit in support of the City's Verified Complaint for Declaratory and Injunctive Relief, which contains additional factual background concerning the Swap Contracts, related Collateral Agreement and other matters. On July 5, 2013, the City obtained a temporary restraining order against Syncora and U.S. Bank, thus temporarily preserving the City's access to the Casino Revenues. Following those activities, the City was able to make timely payment on its swap obligations, making the required deposit into the Holdback Account and triggering the release of Casino Revenues to the City.

1. Forbearance and Optional Termination Agreement

Prior to and concurrently with the litigation against Syncora, the City engaged in negotiations with the Swap Counterparties. These negotiations culminated three days prior to the Petition Date, when the Emergency Manager reached an agreement with the Swap Counterparties to eliminate one of the City's largest secured obligations at a substantial discount and ensure ongoing access to critical Casino Revenues that previously had been pledged to support obligations under the Swap Contracts. This agreement was evidenced by the Forbearance and Optional Termination Agreement, dated July 15, 2013, by and among the City, the Emergency Manager, the Swap Counterparties and the Service Corporations (the "FOTA").

On the Petition Date, the City filed a motion with the Bankruptcy Court to assume the FOTA under section 365 of the Bankruptcy Code and further requesting that the Bankruptcy Court approve the parties' settlement under Bankruptcy Rule 9019 (Docket No. 17) (the "Swap Settlement Motion"). The principal terms of the FOTA were as follows:

- Forbearance. The FOTA provided for a period (the "Forbearance Period") during which the Swap Counterparties would forbear from (a) terminating the Swap Contracts and (b) blocking the City's access to the Casino Revenues in the General Receipts Account. In addition, the FOTA required the Swap Counterparties to use their best efforts to ensure the City's continued access to the Casino Revenues and to support the City's efforts to obtain the Casino Revenues in the event of a chapter 9 filing. Following the Forbearance Period, the Swap Counterparties would no longer be obligated to forbear from exercising their rights and the City would no longer be entitled to exercise its option to terminate the Swap Contracts. In certain situations, the covenants of the City, the Service Corporations and the Emergency Manager contained in the FOTA would survive if the Swap Counterparties terminated the Forbearance Period based on certain occurrences. In other instances, a termination of the Forbearance Period would revert the parties' rights to the *status quo ante*.
- Forbearance Period. The Forbearance Period would end upon the earliest of: (a) June 30, 2014; (b) a payment default under the Swap Contracts or the voluntary bankruptcy filing of the Service Corporations; (c) an involuntary bankruptcy filing of the Service Corporations; (d) certain credit support defaults under the Swap Contracts; (e) certain Additional Termination Events under the Swap Contracts – specifically including third party challenges to validity or the City's attempt to reduce the casino taxes; (f) breach of the covenants or representations in the FOTA; (g) a judgment of a court rendering documents relating to the transaction invalid or holding the certain COPs should be paid prior to maturity; (h) certain legislative acts with similar effects; (i) the failure to obtain a final, non-appealable order approving the FOTA within 60 days of any bankruptcy filing, the denial of the Swap Settlement Motion, the dismissal of the City's chapter 9 case (if not re-filed within 30 days), and a failure to include a stay waiver within the approval order; or (j) the occurrence of the effective date of the City's plan of adjustment. In addition, the City was authorized to terminate the Forbearance Period if the City did not receive the Casino Revenues from the General Receipts Account by July 31, 2013 nor had reasonable grounds to believe that its access to the Casino Revenues would be blocked.
- Optional Termination Payment. The FOTA further provided the City with the right, under certain condition, to direct the Swap Counterparties to exercise their optional early right of termination of the Swap Contracts (the "Optional Termination Right"). In the event the City exercised the Optional Termination Right, the Service Corporations would be relieved of any payment obligations to the Swap Counterparties under the Swap Contracts. In addition, no Swap Counterparty would present any payment notice to a Swap Insurer as a result of the exercise of the Optional Termination Right and the Swap Counterparties would irrevocably waive all future rights to do so.

As a termination payment (the "Optional Termination Payment") the City would pay: (a) 75% of the then mid-market value of the Swap Contracts, if the option was exercised between the date of the Agreement and October 31, 2013; (b) 77% if the option was exercised after October 31, 2013 but on or before November 15, 2013; or (c) 82% if exercised after November 15, 2013 and on or before March 13, 2014. In addition, the City would pay any unpaid amounts then owing under the Swap Contracts. As of the end of June 2013, 18 days before the Petition Date, the City estimated the negative value of the Swap Contracts at \$296.5 million. In addition to unhindered access to the Casino Revenues, therefore, the FOTA offered the City a potential savings in excess of \$70 million as of the Petition Date.

2. Litigation Regarding the Casino Revenues and the FOTA

The City has been party to litigation relating to the Casino Revenues and the FOTA both before and during the pendency of the City's chapter 9 case. On July 11, 2013, Syncora removed a lawsuit commenced in Wayne County Circuit Court (the "Casino Revenue Proceeding") to the District Court. The Casino Revenue Proceeding was referred to the Bankruptcy Court on August 8, 2013 and is now called City of Detroit v. Syncora Guarantee Inc. et al., Adv. Proc. No. 13-04942. On November 25, 2013, the Bankruptcy Court entered a stipulated order that, among other things, stayed the Casino Revenue Proceeding for a period of 60 days from the date of the Bankruptcy Court's order. The stipulated stay expired on January 24, 2014 and, on January 27, 2014, Syncora filed a motion to withdraw the reference of the Casino Revenue Proceeding to the Bankruptcy Court. On April 21, 2014, pursuant to a stipulation by the parties to the Casino

Revenue Proceeding, the Bankruptcy Court entered an order dismissing the Casino Revenue Proceeding without prejudice (Adv. Proc. Docket No. 111).

On July 24, 2013, six days after the Petition Date, Syncora commenced a lawsuit against the Swap Counterparties in New York state court (the "Swap Settlement Proceeding") seeking to enjoin the Swap Counterparties from entering into the FOTA. The Swap Settlement Proceeding, captioned as Syncora Guarantee Inc. v. UBS AG et al., Adv. Proc. No. 13-05395, was removed to the United States District Court for the Southern District of New York, transferred to the District Court and then referred to the Bankruptcy Court. In the Swap Settlement Proceeding, Syncora alleged that the Swap Counterparties may not exercise any optional right of termination of the Swap Contracts – at the City's direction, as envisaged by the FOTA - without Syncora's prior written consent. Syncora sought declaratory and injunctive relief, including a declaration that the Swap Counterparties may not terminate the Swap Contracts without Syncora's consent (and that any such termination will be void *ab initio*) and an injunction permanently enjoining the Swap Counterparties from terminating the Swap Contracts. On October 10, 2013, the City filed a motion to intervene in the Swap Settlement Proceeding. On January 29, 2014, the Bankruptcy Court granted the City's motion to intervene. The Swap Counterparties filed a motion to dismiss the Swap Settlement Proceeding, and Syncora filed (a) a motion seeking a determination that the proceeding was a non-core proceeding with respect to which the Bankruptcy Court lacks authority to enter a final judgment and (b) a motion for summary judgment. On February 9, 2014, Syncora filed a notice with the Bankruptcy Court dismissing the Swap Settlement Proceeding without prejudice.

There were also multiple objections to the Swap Settlement Motion in the City's chapter 9 case, including from Syncora and other monoline insurers and retiree representatives, including the Retiree Committee. See, e.g., Docket Nos. 246, 259, 329, 343, 348, 353, 357, 360, 361, 362, 364, 366, 370, 434, 874. These objections included arguments and allegations (disputed by the City) that: (a) the City failed to satisfy the requirements for approval of the Swap Settlement Motion under Bankruptcy Rule 9019, because the FOTA allegedly was not a settlement or compromise and was not fair and equitable or in the best interests of the City's creditors; (b) assumption of the FOTA was improper because the City allegedly (i) was not seeking to assume the FOTA *cum onere*, (ii) failed to satisfy the appropriate standard for assumption under section 365 of the Bankruptcy Code and (iii) could not assume the FOTA because, absent Syncora's and FGIC's consent, the FOTA was not a valid and enforceable contract; (c) the FOTA improperly elevated the Swap Counterparties to the status of secured creditors when it is not clear that (i) they are secured creditors of the City or (ii) if they are creditors of the City, their Claims are secured; (d) the provisions of the FOTA improperly insulated the Swap Contracts from all challenges as to their validity, by any party; and (e) the City failed to provide adequate information to evaluate the FOTA because, to make the Optional Termination Payment, the City would need to secure postpetition financing, the terms of which were not available at that time.

Certain parties also argued that the Casino Revenues were not subject to the Chapter 9 Stay or, alternatively, that they were excepted from the Chapter 9 Stay by operation of either section 362(b)(17) or Section 922(d) of the Bankruptcy Code. At a hearing on August 28, 2013, the Court ruled that the Casino Revenues are property of the City and that the application of the Casino Revenues was not excepted from the Chapter 9 Stay either by section 362(b)(17) or section 922(d) of the Bankruptcy Code. That same day, the Court entered an order (Docket No. 670) (the "Casino Revenue Stay Order") providing that the Casino Revenues are property of the City and subject to the Chapter 9 Stay for the reasons set forth at the hearing. On September 10, 2013, Syncora filed a notice of appeal of the Casino Revenue Stay Order (Docket No. 797). After such appeal – docketed in the District Court as case number 13-CV-14305 – was fully briefed, on April 4, 2014, the District Court entered an order staying the appeal of the Casino Revenue Stay Order pending the outcome of the Sixth Circuit Eligibility Appeals (Docket No. 7).

On August 22, 2013, the Bankruptcy Court entered its "Second Order Referring Matters to Facilitative Mediation" (Docket No. 562), which referred all disputes arising in connection with the FOTA for facilitative mediation. Mediation regarding the Swap Settlement Motion and the FOTA was conducted before District Court Chief Judge Gerald E. Rosen ("Judge Rosen") and Judge Elizabeth Perris ("Judge Perris") of the United States Bankruptcy Court for the District of Oregon.

An evidentiary hearing to consider the Swap Settlement Motion (in addition to the Postpetition Financing, as described in Section VIII.G) was commenced on December 17, 2013. On December 18, 2013, Judge Rhodes ordered the parties back to mediation to discuss a reduction of the Optional Termination Payment.

Additional mediation sessions were convened on December 23, 2013 and December 24, 2013. These discussions led to an agreement to fix the Optional Termination Payment at the reduced amount of \$165 million. The hearings on the Swap Settlement Motion and the Financing Motion concluded on January 13, 2014. On January 16, 2014, the Bankruptcy

Court declined to approve the Swap Settlement Motion. According to the Bankruptcy Court, the proposed reduced Optional Termination Payment of \$165 million exceeded the range of reasonableness because the City had a reasonable likelihood of success on certain legal defenses. The Bankruptcy Court stated that "the city had entered into a series of bad deals to solve its financial problems. The law says that when the City filed this bankruptcy, that must stop. It also says that this Court must be the one to stop it, if necessary." Tr. of Jan. 16, 2014 Hr'g, at 22:5-9. On January 17, 2014, the Bankruptcy Court issued its order (Docket No. 2511) declining to approve the Swap Settlement Motion or the portion of the Postpetition Financing that was to be used to finance the payment of the Optional Termination Payment. The City filed a notice of termination of the FOTA (Docket No. 2655) on February 6, 2014.

In light of the Bankruptcy Court's denial of the Swap Settlement Motion, and informed by the Court's views with respect to the probability of success on certain legal defenses, the City and its advisors considered appropriate next steps that would safeguard the City and ensure continued access to the City's critically necessary Casino Revenues. The City actively prepared to pursue litigation against the Swap Counterparties to protect the interests of the City and its residents with respect to the Swap Contracts, and, by complaint dated January 31, 2014, the City commenced an adversary proceeding in the Bankruptcy Court seeking, among other things, a declaration that its obligations related to the COPs were illegal, unenforceable and void *ab initio* because they constituted and effectuated the accrual of further indebtedness by the City in violation of Section 4a(2) of the Home Rule City Act and the creation of debt not authorized by the Municipal Finance Act or any other state law. At the same time as it prepared for litigation with the Swap Counterparties, however, at the direction of the Emergency Manager, the City continued to engage the Swap Counterparties in settlement discussions.

The City made it clear to the Swap Counterparties that it was prepared to and would pursue litigation immediately if a favorable settlement were not reached. As a result of its demonstrated willingness and ability to pursue every option available against the Swap Counterparties, the City was able to secure a materially better deal from the Swap Counterparties than those that had been submitted to the Bankruptcy Court for approval. Consequently, on March 3, 2014, the City filed the Motion of Debtor for Entry of an Order, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019, Approving a Settlement and Plan Support Agreement and Granting Related Relief (Docket No. 2802) (the "Second Swap Settlement Motion").

Under the agreement proposed in the Second Swap Settlement Motion (the "Swap Settlement Agreement"), the City would continue to make quarterly payments to the Swap Counterparties up to the aggregate sum of \$85 million in cash – less a credit of approximately \$12.6 million that is currently being held by the Swap Counterparties in segregated accounts – in full satisfaction of the claims between the parties. In addition to this approximately 70 percent reduction in the payment amount, the City would make such payments in manageable amounts over time, rather than in a lump sum. The City would continue to make quarterly payments to the Swap Counterparties (as it has done to this point) until the City emerges from chapter 9, and 30 days after the Effective Date – if the City is able to raise the requisite exit financing – the balance of the \$85 million would be due. If not, the City would have until 180 days after the Effective Date to pay any remaining balance under certain conditions. As a result of this materially reduced settlement amount and extended payment schedule, the City no longer would require incremental post-petition financing to settle its differences with the Swap Counterparties. In addition to agreeing to accept a significant impairment of their Claims, the Swap Settlement Agreement contemplated that the Swap Counterparties would release their claims against the City and vote in favor of a plan of adjustment proposed by the City that affords them with the treatment described above.

The Swap Settlement Agreement promises to provide other important benefits to the City in its overall rehabilitative efforts. In addition to providing a 70% discount off of the amount that would allegedly be payable by the City, the settlement will provide greater certainty with respect to the City's cash flows and liquidity by ensuring that the City will have continued access to its Casino Revenues and will not have an obligation to put aside monies in a disputed claims reserve for the benefit of the Swap Counterparties. This greater certainty with respect to the City's cash flows and liquidity will simplify the City's ability to obtain quality of life financing to improve vital services for the citizens of Detroit. The Swap Settlement Agreement also puts the City in a better position to make additional consensual deals with other creditors by expanding the options available to it during ongoing negotiations and mediation. A number of objections and other responses were filed to the Second Swap Settlement Motion (e.g., Docket Nos. 3028, 3032-34, 3037, 3040, 3043, 3049-51). On March 26, 2014, the City filed a supplement to the Second Swap Settlement Motion attaching the Swap Settlement Agreement and a revised proposed form of order. The Bankruptcy Court held a hearing on the Second Swap Settlement Motion on April 3, 2014. On April 11, 2014, the Bankruptcy Court announced its ruling approving the Second Swap Settlement Motion. On April 15, 2014, the Bankruptcy Court entered the Order (I) Approving Settlement and Plan Support Agreement with UBS AG and Merrill Lynch Capital Services, Inc. Pursuant to Bankruptcy Rule 9019 and (II) Granting Related Relief (Docket No. 4094) (the "Swap Settlement Order"). Notices of appeals of the Swap Settlement Order have been filed by (a) Syncora, on April 21, 2014 (Docket No. 4208) and (b) Dexia Crédit Local and Dexia Holdings,

Inc. (together, "Dexia"); Hypothekenbank Frankfurt AG and Hypothekenbank Frankfurt International S.A. (together, "Hypothekenbank Frankfurt"); Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A. ("EEPK"); and FMS Wertmanagement AöR, on April 29, 2014 (Docket No. 4311).

3. Litigation Regarding the COPs

On January 31, 2014, the City filed a complaint against the Service Corporations and the Funding Trusts, in an adversary proceeding captioned as City of Detroit v. Detroit General Retirement System Service Corporation et al., (Adv. Proc. No. 14-04112), alleging that the 2005 and 2006 transactions and agreements resulting in the sale of the COPs to the public was invalid, illegal and unenforceable because the \$1.5 billion of debt incurred by the City exceeded the City's statutory debt limit and was not incurred in conformity with other state laws. The complaint alleges that, to eliminate a large portion of the underfunding existing in the City's two public employee pension plans, the City borrowed approximately \$1.5 billion through the sale of the COPs to the public – even though it had only \$660 million remaining under its statutory debt limit at the time – by engaging in a series of transactions aimed at effectively circumventing the debt limit. To do this, the City created two non-profit shell corporations with which it entered into the Service Contracts, whereby the City promised to make periodic payments to the Service Corporations in amounts identical to the debt service owing on the COPs (which COPs were to be issued by the discrete Funding Trusts that were created for that purpose). Through the establishment of this structure and payment mechanism, the City was advised that it could call the payments it made to the Service Corporations "contractual obligations" rather than "debt," thereby avoiding the statutory debt limit. In its complaint, however, the City has alleged that the purpose and effect of the COPs transactions was the incurrence of debt in excess of the debt limit because the Service Corporations have provided no ongoing services to the City that would justify treating the City's payments as contractual obligations instead of debt. As a result, any amount of indebtedness in excess of the City's statutory debt limit is illegal and unenforceable. Moreover, the complaint alleges that, to avoid characterizing the COPs payments as debt, the City failed to comply with other requirements of state law for the issuance of debt, including obtaining required approvals from the State Treasurer. These failures render the entirety of the debt incurred by the City in the COPs transactions illegal and unenforceable. The complaint seeks (a) a declaratory judgment that the COPs transactions are illegal, void and of no effect whatsoever; (b) a declaratory judgment that any Claims based on the City's obligations under the Service Contracts on account of the COPs should be disallowed pursuant to 11 U.S.C. § 502(b)(1); and (c) an injunction prohibiting the defendants from taking any action to require the City to make payments or provide distributions under a plan of adjustment on account of the COPs.

The Funding Trusts answered the complaint on March 17, 2014, through Wilmington Trust, N.A., the Trustee of the Funding Trusts and Contract Administrator for the 2005 and 2006 transactions. In their answer, the Funding Trusts deny the City's allegations that the COPs transactions caused the City to exceed its statutory debt limit and created debt not in conformity with other state laws. The Funding Trusts also raised several affirmative defenses, including that (a) the complaint fails to state a claim for relief; (b) the claims are barred for failure to name the two Retirement Systems, which are indispensable parties; (c) the claims are barred by the statute of limitations, and the doctrines of laches, waiver, estoppel, unclean hands, in pari delicto, and consent; (d) the claims are barred by the City's representations and warranties, the principles of quasi-contract or unjust enrichment, and public policy; (e) the City has failed to demonstrate that a declaratory judgment or injunction is appropriate; (f) recovery by the City would violate several constitutional limitations, including the doctrines of constitutional supremacy, due process, and unconstitutional takings; (g) any recovery by the City would be fraudulent and amount to unlawful conversion; and (h) the City lacks standing to pursue its claims. The Funding Trusts also asserted several counterclaims against the City, for which they seek damages plus costs and attorneys' fees, including (a) breach of contract, (b) breach of warranties, (c) fraudulent inducement, (d) fraudulent misrepresentation, (e) negligent misrepresentation, (f) unjust enrichment, (g) unconstitutional takings, (h) violations of due process, and (i) unlawful conversion. On April 10, 2014, the City moved to dismiss substantially all of the counterclaims brought by the Funding Trusts.

On the same day that the Funding Trusts answered the complaint – March 17, 2014 – motions to intervene in the adversary proceeding were filed by Financial Guarantee Insurance Company, an insurer of the COPs, and several COPs holders. The parties seeking to intervene attached proposed answers to the City's complaint, in which they assert many of the same affirmative defenses and propose many of the same counterclaims against the City. Both proposed intervenors also included a third-party complaint against the Retirement Systems, seeking recovery of the proceeds of the COPs under theories of unjust enrichment and constructive trust in the event that the COPs transactions are declared invalid. The Retirement Systems believe that the proposed intervenors' alleged claims against the Retirement Systems have no merit. The Bankruptcy Court initially set hearings on the motions to intervene for April 23, 2014, but issued a notice on April 22, 2014 stating that such hearings are adjourned indefinitely. Finally, on April 10, 2014, the Service Corporations

moved to dismiss the complaint as to them, arguing primarily that the City lacked standing to bring suit against the Service Corporations.

F. Mediation

In addition to mediation of the Swap Settlement Motion disputes, the City has devoted substantial time and effort to negotiating other key restructuring issues through a mediation program established by the Bankruptcy Court to facilitate these efforts. On August 13, 2013, the Bankruptcy Court entered its "Mediation Order" (Docket No. 322), stating the Bankruptcy Court's belief that "it is necessary and appropriate to order the parties to engage in the facilitative mediation of any matters that the [Bankruptcy] Court refers in this case." Paragraph 2 of the Mediation Order appointed (with his consent) Judge Rosen to serve as the primary mediator for purposes of such facilitative mediation and authorized Judge Rosen "to enter any order necessary for the facilitation of mediation proceedings." Paragraph 3 of the Mediation Order further authorized Judge Rosen to direct the parties to engage in facilitative mediation of any substantive, process or discovery issue (as such issues were referred by the Bankruptcy Court) before any mediators (judicial or non-judicial) as Judge Rosen might appoint. Judge Rosen appointed the following individuals to assist him with the mediation of various issues that might be referred by the Bankruptcy Court: (1) Judge Victoria Roberts (E.D. Mich.) (lead mediator on labor issues); (2) Judge Perris (lead mediator on borrowed money and swap issues); (3) Judge Wiley Daniel (D. Colo.) (lead mediator on OPEB issues); (4) former Judge David Coar (N.D. Ill.); (5) Eugene Driker (lead mediator on pension issues); and (6) Professor Gina Torielli (Thomas Cooley Law School) (consultant to the mediators on public finance issues).

1. Restructuring Mediation

On August 16, 2013, the Bankruptcy Court entered its First Order Referring Matters to Facilitative Mediation (Docket No. 333), referring (a) the treatment of the Claims of the various creditor classes in a plan of adjustment and (b) the negotiation and renegotiation of CBAs for facilitative mediation. Pursuant to certain orders of the District Court (Docket Nos. 334; 527; 704), the initial facilitative mediation session on such issues – involving the City, the Emergency Manager, the Retiree Committee, the Retirement Systems, AFSCME, the UAW, U.S. Bank, certain public safety unions, certain insurers, certain holders of the City's debt obligations, the DDA, the State and the Michigan Attorney General – was scheduled for, and held on, September 17, 2013. Numerous additional mediation sessions among the foregoing parties, or subsets of that group, followed.

2. Labor/OPEB Mediation

On October 7, 2013, the Bankruptcy Court entered its Third Order Referring Matters to Facilitative Mediation (Docket No. 1101) (the "Third Mediation Order"), referring for facilitative mediation all disputes between the City, on one hand, and the following unions on the other: (a) Assistant Supervisors of Street Maintenance & Construction Association; (b) Association of City of Detroit Supervisors; (c) Association of Detroit Engineers; (d) Association of Municipal Engineers; (e) Association of Municipal Inspectors; (f) Association of Professional Construction Inspectors; (g) Association of Professional & Technical Employees; (h) Building & Construction Trades Council; (i) Detroit Income Tax Investigators Association; (j) Emergency Medical Service Officers Association (EMSOA); (k) Field Engineers Association; (l) International Union of Operating Engineers Local 324 – Operating Engineers, Detroit Principal Clerks & Park Management; (m) Police Officers Association of Michigan; (n) Police Officers Labor Council; (o) Police Officers Labor Council – Health Department; (p) Police Officers Labor Council – Detention Facility Officers; (q) Senior Accountants, Analysts & Appraisers Association; (r) Service Employees International Union ("SEIU") Local 517M – Supervisory & Non Supervisory Units; (s) SEIU Local 517M – Professional & Technical Unit; and (t) Teamsters, Local 214. The City has participated in numerous mediation sessions with these unions – as well as several other unions not specifically referenced in the Third Mediation Order.

3. DWSD Mediation

As discussed in Section VIII.L.1 of this Disclosure Statement, on April 10, 2014, Wayne County filed a motion (Docket No. 3945) requesting that the Bankruptcy Court refer all matters relating to the potential formation of the water authority to facilitative mediation. On April 17, 2014, the Bankruptcy Court entered an order (Docket No. 4156) granting Wayne County's motion, and directing the City and the Counties to participate in facilitative mediation regarding the future of the DWSD and the potential creation of a regional water authority.

4. Other Mediation

In addition to facilitative mediation proceedings under the Mediation Order, the City obtained approval of certain alternative dispute resolution procedures (the "ADR Procedures") to assist in liquidating certain contingent, unliquidated or disputed Claims designated by the City for resolution through the ADR Procedures. Outside of the facilitative mediation sessions and the ADR Procedures throughout the process of developing the Plan, the City has engaged in dialogues with unions, pension systems, debtholders (trustees, individual holders and *ad hoc* groups), the Retiree Committee and other interested parties.

G. Postpetition Financing

As described in more detail below, in order to fund the proposed settlement with the Swap Counterparties and obtain monies necessary to make critical reinvestments in the City, the City determined to obtain postpetition financing. On November 5, 2013, the City moved the Bankruptcy Court (Docket No. 1520) (the "Financing Motion") for entry of an order authorizing the City to, among other things, obtain senior secured postpetition financing on a superpriority basis and on the terms and conditions set forth in (1) the Commitment Letter dated October 6, 2013 by and among the City and Barclays Capital Inc. ("Barclays"), (2) those certain Bond Purchase Agreements by and among the City and Barclays Capital Inc., as Purchaser and (3) the Financial Recovery Bond Trust Indenture by and among the City and the indenture trustee to be named thereunder.

The Financing Motion originally sought approval of \$350 million in secured postpetition financing, of which \$230 million was to be used to fund the settlement (the "Initial Swap Settlement") with the Swap Counterparties (the "Swap Termination Loan") and \$120 million was to be used to advance certain key investment initiatives of the City (the "Quality of Life Loan"), as described in more detail below. After filing the Financing Motion, the City renegotiated the settlement with the Swap Counterparties, which resulted in the requested Swap Termination Loan being reduced to \$165 million (with the requested Quality of Life Loan remaining at \$120 million). Thus, as a result of the renegotiated settlement, the total amount of secured postpetition financing sought by the City pursuant to the Financing Motion was reduced to \$285 million, with Barclays' consent.

The City proposed securing the Quality of Life Loan by granting Barclays (1) a first priority lien on (a) taxes owing to the City in respect of the gross receipts earned by each of the City's casinos (the "Pledged Wagering Tax Revenue") and (b) all net proceeds derived from a transaction or series of related transactions involving the voluntary disposition or monetization of any City owned asset that generates net cash proceeds from such transaction or series of transactions exceeding \$10,000,000 (the "Asset Proceeds Collateral") and (2) a second priority lien on the income tax revenues of the City (the "Pledged Income Tax Revenue"), and together with the Pledged Wagering Tax Revenue and the Asset Proceeds Collateral, the "QOL Financing Collateral").

Importantly, the Swap Counterparties assert, as a result of a 2009 collateral agreement, a first lien on the Pledged Wagering Revenues. Following termination of the Swap Agreements as contemplated in the Initial Swap Settlement, the Swap Counterparties asserted liens in the Pledged Wagering Revenues would have been released, thus allowing the City to pledge a first lien in the Pledged Wagering Revenues to Barclays in connection with the Quality of Life Loan.

The City proposed securing the Swap Termination Loan by granting Barclays a first priority lien on: (1) Asset Proceeds Collateral (on a *pari passu* basis with the liens granted in connection with the Quality of Life Loan) and (2) Pledged Income Tax Revenue (collectively, the "Swap Termination Financing Collateral").

Following the Ruling, the City and Barclays engaged in discussions about proceeding with only the Quality of Life Financing. With the denial of the Swap Settlement Motion, the previous structure of the Quality of Life Loan was no longer viable because the City would not be in a position to deliver an undisputed first lien in the Pledged Wagering Revenues. Consequently, Barclays would no longer be agreeable to lending against the Pledged Wagering Tax Revenue as collateral.

As a result, the City and Barclays agreed to an amended structure for the Quality of Life Loan (the "Amended Quality of Life Loan"). The key change to the structure of the financing was to the collateral securing the Amended Quality of Life Loan, which is now comprised of (1) the Pledged Income Tax Revenues and (2) Asset Proceeds Collateral. The Asset Proceeds Collateral expressly excludes assets owned by the City, or assets in which the City holds an interest, which are held by the Detroit Institute of Arts. The other material terms of the Amended Quality of Life Loan are substantially similar to those proposed in the Financing Motion.

On March 6, 2014, the City filed the Notice of Presentment of Final Order to 11 U.S.C. §§ 105, 362, 364(c)(1), 364(c)(2), 364(e), 364(f), 503, 507(a)(2), 904, 921, and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Status and (III) Modifying Automatic Stay (Docket No. 2921) (the "NOP"). Through the NOP, the City sought entry of a final order approving the Amended Quality of Life Loan.

On or around March 13, 2014 the following objections were filed in opposition to the NOP:

- the Objection of Hypothekenbank Frankfurt AG; Hypothekenbank Frankfurt; EEPK; FMS Wertmanagement AöR; Syncora Guarantee Inc.; Syncora Capital Assurance Inc.; and Wilmington Trust, National Association, as Successor Contract Administrator (Docket No. 3012) (the "Group Objection"); and
- the Limited Objection of the Detroit Retirement Systems (Docket No. 3015) (the "Retirement Systems Objection") and together with the Group Objection, collectively, the "Objections").

On March 28, 2014, the City filed its reply to the Objections. A hearing to consider entry of a final order approving the Amended Quality of Life Loan was held before the Bankruptcy Court on April 2, 2014, at which the Amended Quality of Life Loan was approved. On that same date, the Bankruptcy Court entered its Order Pursuant to 11 U.S.C. §§ 105, 362, 364(c)(1), 364(c)(2), 364(e), 364(f), 503, 507(a)(2), 904 and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Claim Status and (III) Modifying Automatic Stay (Docket No. 3607) (the "Financing Order"), approving the Amended Quality of Life Loan. The Amended Quality of Life Loan transaction closed on April 8, 2014, and Barclay's funded the Amended Quality of Life Loan on the same day. Although the Amended Quality of Life funds will not address all of the City's reinvestment initiatives, such funds are expected to kick-start this long-term reinvestment process. Without such borrowed funds, there is a material risk that the City would have to substantially cut back or eliminate certain reinvestment efforts in the near-term.

As discussed in Section VIII.E.2, on January 17, 2014, the Bankruptcy Court issued an order (Docket No. 2511) declining to approve the Swap Settlement Motion or the portion of the postpetition financing that was to be used to finance the payment of the Optional Termination Payment. In its ruling on the Financing Motion and the Swap Settlement Motion on January 16, 2014 (the "Ruling"), however, the Bankruptcy Court stated that it would approve in principle the Financing Motion with respect to the Quality of Life Loan, thereby potentially authorizing the City to obtain postpetition secured financing of up to \$120 million, subject to certain conditions, including that, so long as Pledged Wagering Revenues were used as collateral to secure the Quality of Life Loan, the proceeds of the Quality of Life Loan could only be used for functions enumerated in the Michigan Gaming Act and may not be used for working capital.

On January 17, 2014, Syncora filed a notice of appeal (Docket No. 2515) to the Ruling. Also on January 17, 2014, Syncora filed an emergency motion for a stay pending its appeal (Docket No. 2516), as well as an ex parte motion to expedite the hearing thereon (Docket No. 2518). On January 21, 2014, Hypothekenbank Frankfurt and EEPK also filed a joint notice of appeal (Docket No. 2529) of the Ruling and joined Syncora's motion for a stay pending appeal (Docket No. 2530). The Bankruptcy Court has taken the position that its Ruling is not an "order" subject to appeal, and as such, the appeals have not yet proceeded. On April 16, 2014, Hypothekenbank Frankfurt and EEPK filed a notice of appeal to the District Court of the Financing Order (Docket No. 4108). Additionally, as discussed in Section VIII.E.2 of this Disclosure Statement, on April 21, 2014, Syncora filed a notice of appeal to the District Court of the Swap Settlement Order (Docket No. 4208).

H. Claims Process and Establishment of Bar Dates

1. Section 924/925 Lists

Section 924 of the Bankruptcy Code requires the City to file a list of creditors. Section 925 of the Bankruptcy Code provides that "[a] proof of claim is deemed filed" for claims set forth on the list of creditors required by section 924 of the Bankruptcy Code except as to claims that are "listed as disputed, contingent, or unliquidated." 11 U.S.C. § 925. As discussed in greater detail in Section VII.B of this Disclosure Statement, the City has filed a List of Creditors which satisfies the requirements of sections 924 and 925 of the Bankruptcy Code.

2. Bar Date Order

Pursuant to an order dated November 21, 2013 (Docket No. 1782) (the "Bar Date Order"), the Bankruptcy Court established the following bar dates for filing proofs of claim in this chapter 9 case:

- February 21, 2014 at 5:00 p.m., Eastern Time, as the general bar date for the filing of all proofs of claim (the "General Bar Date"), except as noted below;
- 5:00 p.m. on the date that is 180 days after the date of entry of an order for relief in the City's chapter 9 case (*i.e.*, June 3, 2014) as the bar date for government units holding Claims against the City;
- the later of (a) the General Bar Date or (b) 5:00 p.m., Eastern Time, on the date that is 30 days after the date of entry of the applicable order rejecting an executory contract or unexpired lease as the bar date for any Claims arising from the rejection of such executory contract or unexpired lease;
- the later of (a) the General Bar Date or (b) 5:00 p.m., Eastern Time, on the date that is 30 days after the date that a notice of an amendment to the List of Creditors is served on a claimant as the bar date for any Claims relating to such amendment to the List of Creditors.

Pursuant to the Bar Date Order, parties holding the following Claims, among others, were not required to file proofs of claim in the City's chapter 9 case on account of such Claims:

- any Claim for liabilities associated with post-employment benefits under the Health/Life Plan, the Supplemental Plan or other non-pension post-employment welfare benefits, including unfunded actuarially accrued liabilities;
- any Claim by present or potential future beneficiaries of GRS and PFRS for pension benefits or unfunded pension liabilities;
- any Claim of (or on behalf of) an active employee for ordinary course compensation and employment benefits, including, without limitation, wages, salaries, employee medical benefits and/or insurance;
- any Claim by a Holder for the repayment of principal, interest and/or other applicable fees and charges on or under (a) various bonds and (b) the COPs; and
- any Claim arising from an ordinary course entitlement to an income tax refund (to the extent of such claimed entitlement) asserted through the City's established income tax refund procedures.

In addition, under the Bar Date Order, the Retiree Committee was authorized to file one or more protective proofs of claim on behalf of Retirees and their beneficiaries on account of Pension Claims and OPEB Claims, subject to the City's rights to object to such Claims on all available grounds.

3. ADR Procedures

On November 12, 2013, the City filed the Motion of Debtor, Pursuant to Sections 105 and 502 of the Bankruptcy Code, for Entry of an Order Approving Alternative Dispute Resolution Procedures to Promote the Liquidation of Certain Prepetition Claims (Docket No. 1665) (the "ADR Procedures Motion") seeking the approval of the ADR Procedures to facilitate the resolution of certain contingent, unliquidated and/or disputed prepetition Claims. The City developed the ADR Procedures in consultation with the Wayne County Mediation Tribunal Association (the "MTA"). The MTA is an independent nonprofit organization created in 1979 by the Third Judicial Circuit Court of Michigan to provide a pool of mediators and to administer procedures for the out-of-court resolution of certain cases brought in the Circuit Court. Since that time, the MTA's role has expanded to include varied alternative dispute resolution services including, as applicable herein, case evaluation ("Case Evaluation") and arbitration services. The MTA's leading role in providing Case Evaluation services in the Detroit area is recognized by Local Rule 16.3 of the United States District Court for the Eastern District of Michigan, which also incorporates Rule 2.403 of the Michigan Court Rules of 1985 ("MCR") setting forth various procedures for Case Evaluation. In addition, where Case Evaluation alone is unsuccessful in resolving a Claim, the MTA has substantial experience facilitating and coordinating binding arbitration proceedings.

As proposed by the City in the ADR Procedures Motion, the ADR Procedures contemplate the imposition of mandatory alternative dispute resolution procedures on certain Claims designated by the City, in its sole discretion (collectively, the "Designated Claims"). During the period prior to the completion of the ADR Procedures, the Holders of Designated Claims are enjoined from filing or prosecuting any motion (any such motion, a "Stay Relief Motion") for relief from the Chapter 9 Stay, or otherwise seeking to establish, liquidate, collect on or enforce the applicable Designated Claim(s). In addition, the City proposed that certain types of Claims including: (a) personal injury tort or wrongful death Claims; (b) property damage Claims; or (c) Claims relating to the operation of motor vehicles for which the City is self-insured pursuant to chapter 31 of Michigan's Insurance Code of 1956, MCL §§ 500.3101 *et seq.* are appropriate for liquidation through the ADR Procedures should be considered to be Designated Claims even in advance of the City serving notice of their designation on the applicable claimant. The ADR Procedures, therefore, contemplate that, for the period commencing on the date of entry of an order approving the relief requested in the ADR Procedures Motion until the date that is 119 days after the General Bar Date, any claimant holding an Initial Designated Claim (and any other person or entity asserting an interest in such Claim) will be enjoined from filing or prosecuting, with respect to such Initial Designated Claim, any Stay Relief Motion or similar motion for relief from any injunction that may be imposed upon the confirmation or effectiveness of a Plan.

Throughout the ADR Procedures, the City retains the authority to settle any Designated Claim by agreement or to terminate the ADR Procedures with respect to any Designated Claim and proceed to liquidation of the Designated Claim in an appropriate forum. The ADR Procedures proposed by the City generally consist of three phases, as follows:

- Offer Exchange. Pursuant to the ADR Procedures, the City is required to make an offer to liquidate the claimant's Designated Claim in the notice informing a claimant that its Claim has been designated to the ADR Procedures. The claimant has a period of 28 days to respond to the City's offer and is permitted to make a counteroffer. The City then has a period of 14 days to respond to the claimant's counteroffer. The ADR Procedures contemplate further periods of negotiation and offer exchange, where appropriate.
- Case Evaluation. If the Designated Claim is not resolved through the offer exchange phase of the ADR Procedures then the Designated Claim proceeds to Case Evaluation before the MTA under the procedures set forth in MCR §§ 2.403 and 2.404. Following Case Evaluation, the parties have a period of 28 days to accept or reject the valuation provided by the MTA. If the City and the claimant do not both accept the MTA's valuation of the Designated Claim, then the parties have a further 28 days to negotiate a resolution of the Claim.
- Optional Binding Arbitration. The final phase of the ADR Procedures is binding arbitration, if previously consented to by the Holder of a Designated Claim in writing as a means to resolve its Designated Claim (either in its response to the City's notice designating the Designated Claim or by the terms of a separate written agreement either before or after the Petition Date), and if the City agrees to binding arbitration.

Several parties filed responses to the ADR Procedures Motion (see Docket Nos. 1763, 1765, 1828, 1834, 1866, 1902, 1915, 2211). In addition, the City received informal responses to the ADR Procedures Motion from a number of parties. These responses generally (a) sought clarification that the ADR Procedures would not apply to certain specific classes of Claims or else (b) special accommodations with respect to certain types of Claim. The City worked with these parties and, where possible, incorporated their suggestions into the ADR Procedures. In connection with the resolution of the responses to the ADR Procedures Motion, among other modifications to the ADR Procedures, the City agreed that the following types of Claim would not be subject to the ADR Procedures:

- Claims solely for unpaid pension contributions, unfunded actuarially accrued pension liabilities and/or unpaid pension benefits (whether asserted by the PFRS, the GRS or directly or derivatively by or on behalf of Retirees or active employees, and whether filed by the applicable claimant or scheduled by the City);
- Claims for liabilities associated with post-employment benefits under the Health/Life Benefit Plan, the Supplemental Plan or other non-pension post employment welfare benefits, including unfunded actuarially accrued liabilities;
- Claims arising from labor-related grievances;
- Claims solely asserting workers' compensation liabilities against the City;

- Claims, if any, arising from or related to the Service Contracts;
- Claims by Holders for amounts owed under the City's Unlimited Tax General Obligation Bonds, Limited Tax General Obligation Bonds and General Fund bonds and related Claims by bond insurers; and
- Claims filed by the United States government.

On December 24, 2013, the Bankruptcy Court entered an order (Docket No. 2302) (the "ADR Procedures Order") granting the relief requested in the ADR Procedures Motion and approving the ADR Procedures, as modified, except with respect to lawsuits alleging claims against the City, its employees or both under 42 U.S.C. § 1983 that are pending in the District Court (collectively, the "1983 Claims"). Pursuant to the ADR Procedures Order, all pending 1983 Claims were referred to Judge Rosen for mediation under such procedures as he determines.

I. Chapter 9 Stay Matters

1. Generally

Since the Petition Date, the Emergency Manager has taken various steps to preserve the benefits and protections afforded by the Chapter 9 Stay. For example, at the outset of this chapter 9 case, the City obtained orders of the Bankruptcy Court: (a) confirming the application of the Chapter 9 Stay to the City and its officers and inhabitants; and (b) extending the protections of the Chapter 9 Stay to, among others, (i) non-officer City employees, (ii) certain state officials and (iii) the 36th District Court (a non-debtor entity for which the City generally is financially responsible). The Chapter 9 Stay has provided the City with an important "breathing spell" to address the City's financial circumstances and craft a plan of adjustment without interference from adverse creditor actions.

2. Challenges to PA 436 (Phillips)

Several parties have filed Stay Relief Motions to allow them to continue their prepetition challenges to the constitutionality of PA 436. In particular, on March 27, 2013, Catherine Phillips and several other plaintiffs (collectively, the "Phillips Plaintiffs") filed a lawsuit (the "Phillips Lawsuit") in the District Court against the Governor and the State Treasurer, asserting that PA 436 is unconstitutional. The lawsuit seeks damages, declaratory relief and injunctive relief, including relief "restraining the Defendants and any present and future [emergency managers] from implementing or exercising authority and powers purportedly conveyed by [PA 436]." Following the commencement of the City's chapter 9 case, the Phillips Plaintiffs filed a motion (Docket No. 1004) (the "Phillips Stay Relief Motion") seeking relief from the Chapter 9 Stay to allow them to continue the Phillips Lawsuit.

In addition, on May 13, 2013, various plaintiffs related to the NAACP (collectively, the "NAACP Plaintiffs") commenced a lawsuit (the "NAACP Lawsuit") in the District Court against the Governor, the State Treasurer and the Michigan Secretary of State, Ruth Johnson, in their official capacities, alleging that PA 436 violates constitutional voting rights under the Equal Protection and Due Process Clauses of the 14th Amendment to the United States Constitution. In their first amended complaint, filed June 27, 2013, the plaintiffs sought (a) to enjoin the defendants and others from implementing or enforcing PA 436, (b) an order prohibiting any emergency manager appointed under PA 436 from exercising any authority, (c) an order that actions exercised by any emergency manager are unenforceable and (d) preclearance of the cities and school districts currently with emergency managers under Section 3(c) of the Voting Rights Act. On September 6, 2013, the NAACP Plaintiffs filed a motion (Docket No. 740) for relief from the Chapter 9 Stay to allow the NAACP Lawsuit to continue in the District Court.

On November 6, 2013, the Court entered an order (Docket No. 1536) (the "PA 436 Challenge Stay Order") granting the relief requested by the Phillips Plaintiffs with respect to the Phillips Stay Relief Motion and thereby allowing the Phillips Lawsuit to continue. In addition, the Court denied the relief requested by the NAACP Plaintiffs with respect to the NAACP Lawsuit. According to the Court, the primary, if not sole, objective of the NAACP Lawsuit was the removal of the Emergency Manager. As such, the continuation of the NAACP Lawsuit would interfere with the City's chapter 9 case. The PA 436 Challenge Stay Order has been appealed by the NAACP, the State and the City, and each of these appeals is currently pending before the District Court. On April 4, 2014, the District Court entered orders staying each of the appeals of the PA 436 Challenge Stay Order filed by the NAACP, the State and the City, pending resolution of the Sixth Circuit Eligibility Appeals.

J. Status of Detroit Public Library Employees with Respect to Pension and OPEB Benefits

The Detroit Public Library (the "Library") is an independent municipal corporation governed by a seven member Detroit Library Commission (the "Commission"). Funding for the Library is provided by an *ad valorem* tax of 4.63 mills in real and personal property taxes in the City. In addition, the Library receives grants and endowments from private organizations. Although the Library generally operates independently of the City, the City Council is responsible for approving the Library's annual budget and the City treasurer acts as the Library's fiscal agent.

In 1938, as permitted by state law, the Commission, with the concurrence of the City Council (then known as the "Common Council"), adopted a resolution providing for the inclusion of the employees of the Library within the GRS. The Library has contributed to the GRS at an actuarially determined rate. Similarly, in 1946, as permitted by state law, the Commission, with the concurrence of the City Council, adopted a resolution providing for the inclusion of the employees of the Library in the City's OPEB Plans. The Library reimburses the City for OPEB benefits paid by the City on behalf of retirees of the Library.

The UAW represents certain employees of the Library. The UAW believes that Library employees are employees of the Commission, and that the Commission is a separate, municipal corporation that is not the subject of the Chapter 9 Case. As such, it is UAW's position that the Library employees' and retirees' pension benefits are not subject to modification or impairment under the Plan or Chapter 9. Further, it is UAW's position that, notwithstanding the Chapter 9 Case, the Library has a contractual obligation to provide UAW-represented employees and retirees certain OPEB benefits. There is a difference of opinion between the Library and the UAW with respect to this matter. The Library believes that its employees are employees of the City, such that their pension and OPEB benefits are subject to modification pursuant to the Plan.

The UAW and the Library are discussing this difference of opinion in an attempt to reach a consensual resolution regarding the pension and OPEB benefits of Library employees and retirees. To the extent that the City has any obligations to the Library's employees by virtue of their participation in the GRS pension plan and the City's OPEB plans, the City believes that such obligations of the City are subject to modification in the Chapter 9 Case.

K. Fee Matters

A municipality may retain professionals in its discretion to assist with a chapter 9 case, and those professionals may be paid their customary fees without the need to file applications for compensation with the bankruptcy court and await court approval. One of the requirements for the confirmation of a plan of debt adjustment in chapter 9, however, is that all amounts paid by the debtor for services in connection with the plan have to be fully disclosed and reasonable.

A chapter 9 debtor is not required to pay the fees and expenses of professionals that represent an official committee. Although chapter 9 incorporates the provision of the Bankruptcy Code that provides for the potential appointment of an official committee, it does not incorporate the provision of the Bankruptcy Code that requires the debtor to pay the professional fees and other costs of an official committee. As a practical matter, however, a municipality may agree – as the City did in this case, as discussed below – to pay the reasonable professional fees of an official committee to facilitate the negotiation of a consensual plan of adjustment.

In the City's chapter 9 case, the Bankruptcy Court appointed a fee examiner (the "Fee Examiner") to review professional fees for reasonableness on an ongoing basis pursuant to the Order Appointing Fee Examiner entered on August 18, 2013 (Docket No. 383). Consistent with this order, the City's attorneys and the Fee Examiner negotiated and submitted to the Bankruptcy Court a proposed order establishing a protocol for the Fee Examiner's review of professional fees, the Fee Review Order. Comments on the proposed Fee Review Order were solicited, and a hearing on the Fee Review Order was held on September 10, 2013. On September 11, 2013, the Bankruptcy Court entered the Fee Review Order (Docket No. 810).

The Fee Review Order establishes procedures for, among other things, (1) the City to publicly disclose its professional fee expenses, (2) the Fee Examiner to review the City's professional fee expenses and to file reports addressing whether such expenses have been fully disclosed and are reasonable and (3) periodically disclosing and paying the Fee Examiner's fees and expenses. Pursuant to the Fee Review Order, the City agreed to pay the reasonable fees and expenses of the professionals retained by the Retiree Committee to render services in connection with the City's chapter 9 case (together with the professionals retained by the City to render services in connection with the case, the "Professionals").

Among other things, the Fee Review Order provides that each Professional must provide to the Fee Examiner and its respective client a complete copy of its respective monthly invoice, including detailed descriptions of the services rendered and costs advanced and a summary description, by category, of the work performed (the "Monthly Invoices"), within 49 days after the end of each calendar month. The Fee Review Order establishes a process by which the Fee Examiner and the Professionals may resolve any issues raised by the Fee Examiner regarding the reasonableness of any fees or expenses set forth in the Monthly Invoices, as well as a process for the City's payment of the Monthly Invoices.

Ordinary course professionals hired by the City not in conjunction with its chapter 9 case, but rather in the same contexts and capacities as they typically were hired by the City prior to the Petition Date, are not "Professionals" within the meaning of the Fee Review Order and their invoices are not subject to review thereunder. Consistent with the Fee Review Order, the City submitted a list of ordinary course professionals to the Fee Examiner, which list the Fee Examiner determined to be reasonably acceptable.

L. Operational Restructuring Initiatives/Asset Dispositions

1. Negotiations Regarding the Potential Formation of the GLWA

The City engaged in extensive negotiations with the Counties of Macomb, Oakland and Wayne (the "Counties") regarding the potential formation of, and transfer of the functions of the DWSD to, a Great Lakes Water Authority (the "GLWA"), which would have been created by agreement among the City and the Counties. Upon confirmation of the Plan, the GLWA would have assumed operating control of most of the assets (including wholesale water and sewer service contracts) currently owned and operated by DWSD. To date, negotiations among the City and the Counties have not yet resulted in any agreement with respect to the formation of the GLWA, and the City has indicated in filings with the Bankruptcy Court that it believes negotiations with respect to the potential formation of the GLWA have run their course. Accordingly, the Plan does not contemplate any such potential transaction.

Although these negotiations have not yet resulted in any agreement among the City and the Counties, on April 10, 2014, Wayne County filed a motion (Docket No. 3945) requesting that the Bankruptcy Court refer all matters relating to the potential formation of the water authority to facilitative mediation. On April 17, 2014, the Bankruptcy Court entered an order (Docket No. 4156) referring to mediation (1) the matter of whether to create a regional water authority involving the City and the Counties and (2) all issues relating to DWSD and the Counties.

2. Potential DWSD Public-Private Partnership

The City has been in contact with certain potentially interested parties regarding a recent request for information (the "DWSD RFI") for a transaction that would establish a public-private partnership with respect to the DWSD (the "Public-Private Partnership"). The DWSD RFI provides that the Emergency Manager is considering a potential public-private partnership for the operation and management of the water system and sewage disposal system currently operated by DWSD. The DWSD RFI states that the Public-Private Partnership could take the form of an operating and management agreement and would be effectuated in conjunction with confirmation of the Plan. The DWSD RFI further provides, however, that the Emergency Manager will also consider responses that contemplate alternative transaction structures, *e.g.*, a long-term lease and concession arrangement or a sale that meets the bid criteria incorporated in the DWSD RFI, while maximizing the value to the City, maintaining or enhancing the Systems' operational viability and capital needs and complying with applicable law. The DWSD RFI requires that any Public-Private Partnership include a commitment to limit rate increases to no more than 4% per year for the first 10 years.

To move forward in the process, responders to the DWSD RFI must demonstrate the technical capability to operate the water system and sewage disposal system including, in particular, the following areas of expertise:

- Operation and maintenance of water and/or sewer systems.
- Customer service improvements and enhancements.
- Customer safety, security and environmental responsibilities.
- Ability to execute an efficient, timely and seamless transition plan.
- Capability to undertake required capital improvements.

- Ability to offer other system enhancements with a demonstrated knowledge of technologies.
- Applicable licenses held by the team or its members for operation of a Michigan water and sewer utility.
- Ability to comply with all applicable laws, regulations, ordinances and court orders.

In addition, responders to the DWSD RFI must demonstrate the financial capability with respect to the following areas:

- Proposed financing and, if other than internal funds, sources of such financing, including the expected schedule of commitments of funds and the steps required to secure the necessary funds.
- Financial ability related to maintaining and upgrading the assets of the systems.
- Adequate sources of operating capital.
- Ability to finance future DWSD expansion, if applicable.
- Ability to comply with all applicable state and local tax obligations.
- Collection plan for retail and wholesale customer accounts.

The deadline for potentially interested parties to submit indications of interest was April 7, 2014. The City received 13 indications of interest regarding the DWSD RFI, which the City is reviewing and analyzing. The City may allow a limited number of these parties (any such party, a "Qualified Responder") to conduct due diligence and proceed to the next phase of the review process. The DWSD RFI provides that, for any such Qualified Responders, final binding proposals must be submitted by June 1, 2014. The DWSD RFI further contemplates that the closing of a Public-Private Partnership transaction, if any, would occur in August 2014.

3. Modification of Retiree Benefits/Healthcare Redesign

(a) Modification of Retiree Benefits

As set forth above, the City is obligated to provide OPEB benefits expected to cost approximately \$4 billion in current dollars to existing retirees. Essentially all of these obligations are unfunded. The City has determined that its successful restructuring must include modification to retiree health benefits. Accordingly, the City has proposed to make the following changes to the health benefits that it provides to its retired employees.

Effective March 1, 2014, the City of Detroit changed the health insurance coverage offered to Retirees. As described in more detail below, the health benefits a Retiree receives from the City effective March 1, 2014 depends upon whether the Retiree is "Medicare eligible." Generally a Retiree is Medicare eligible if he or she is age 65 or older and has worked to earn Medicare coverage or has eligibility through a spouse.

Claims related to the City's obligations to provide OPEB benefits to retirees are further addressed by the Plan. See Section III.B.2 of this Disclosure Statement.

Effective March 1, 2014, Medicare eligible Retirees were able to select one of three Medicare Advantage insurance plans that included health and drug benefits for which the City pays most or all of the premium. Except for one of the Medicare Advantage Plan options (BCBSM Medicare Plus Blue PPO), the monthly premium cost to the Medicare eligible retiree was zero. These new options were available to all City Retirees who were Medicare eligible whether or not the Retiree (i) worked as a general employee or uniformed employee prior to retirement or (ii) was part of the *Weiler* class action. If the individual was a Medicare-eligible Retiree, these were the only choices that the City offered for health coverage for 2014.

Effective March 1, 2014, non-Medicare eligible Retirees were required to obtain their own health insurance coverage (for themselves or their dependent family members). Under the Patient Protection and Affordable Care Act (the "Affordable Care Act," sometimes referred to as "Obamacare"), Health Insurance Marketplaces – also known as "exchanges" – were to be made available in every state, including Michigan. Non-Medicare eligible Retirees were

permitted to enroll in and obtain an individual insurance policy to cover the Retiree and his or her family from the Health Insurance Marketplace that served the state where the Retiree lived. A non-Medicare eligible Retiree also may have been eligible to enroll in coverage offered by their current employer or their spouse's employer. For most non-Medicare eligible Retirees, effective March 1, 2014, the City agreed to provide a stipend of \$125 per month (\$300 or \$400 per month for duty disabled non-Medicare retirees, depending upon whether the disabled person is a uniform retiree). Eligible Retirees were permitted to use this stipend for any purpose, including to defray the cost of premiums for health insurance coverage acquired through a Health Insurance Marketplace, through the Retiree's or the Retiree's spouse's employer or through other available health insurance programs.

The City no longer subsidized dental and vision coverage effective March 1, 2014 for all Retirees. All Retirees, regardless of age or Medicare eligibility, who wanted dental and vision coverage were required to pay the full cost of such coverage. The City offered Blue Cross Blue Shield of Michigan dental and Heritage Vision plan options. All other plan options were eliminated. For more information regarding modifications to retiree health benefits, please refer to the March 1, 2014 Through December 31, 2014 City of Detroit Retiree Health Care Plan (the "2014 Retiree Health Care Plan"), available at <http://www.detroitmi.gov/EmergencyManager.aspx>.

(b) Healthcare Redesign for Active Employees

Due to the City's need to act quickly to alleviate its dire financial situation and cash position, the City determined that it needed to make changes to the benefit plan options and health insurance benefits that it would offer to active employees in 2014. The revised medical, dental, vision, life insurance and flexible spending account benefit options described below applied to all active City employees, regardless of whether they were uniformed or non-uniformed. These benefit options also applied to any new employee enrolling in the City's medical, dental, vision, life insurance and flexible spending account benefits for the first time. In general, the City made changes to medical coverage in 2014 designed to provide active employees with coverage that would be equivalent to "Gold" level coverage under the Affordable Care Act. Previously, most active employees in the City were receiving coverage that would be equivalent to "Platinum" level coverage under the Affordable Care Act.

In general, the changes for 2014 are summarized as follows:

- The City offered a PPO option from Blue Cross Blue Shield of Michigan, and an HMO option from Health Alliance Plan.
- The PPO and HMO options increased the annual deductible amount to \$750.
- The PPO and HMO options increased the out-of-pocket annual coinsurance maximum payment for family coverage to \$4,500. The out-of-pocket annual coinsurance maximum excluded the deductible.
- All active employees were required to pay 20% of the premium cost for health care coverage. This share is the same percentage that most active employees paid in 2013, generally for higher cost coverage.
- In 2014, most employees will pay less than they did in 2013.

Beginning January 1, 2014, the City offered all health care plan eligible employees the option to elect participation in a Flexible Spending Account ("FSA"). There were three pre-tax options available with the FSA – health care, day care, and commuter benefit.

Also in 2014, there was one dental and one vision benefit option available. The dental option will be Traditional Blue Cross Blue Shield of Michigan and the vision option will be Heritage Vision Plans. The life insurance plan remained unchanged.

If the City employs more than one member of a family, or the family unit includes a Retiree of the City, the spouse and eligible dependents of that family were covered by one City employee – no duplicate coverage was permitted. Furthermore, a Retiree of the City was prohibited from being enrolled as a spouse of an active employee. Only a Retiree could receive Retiree health coverage. It was the responsibility of the family to select a single health plan. Under no circumstances was the City obligated to provide more than one health policy or plan, or duplicate coverage for any employee or dependent.

Active employees were required to enroll for coverage. If an active employee who was enrolled in health care coverage failed to complete the mandatory enrollment process, the employee (i) defaulted to single medical only coverage, as described in the chart below, and (ii) was not enrolled in dental or vision. In addition, that employee's spouse and children did not have coverage from the City in 2014. If an active employee who was not enrolled in health care coverage does not complete the mandatory enrollment process, that employee did not have medical, dental or vision coverage from the City in 2014. If an active employee did nothing, he or she automatically became enrolled for 2014 as set forth below:

Current (2013 Plan)	NEW 2014 Carrier	NEW 2014 Coverage Level
Community Blue PPO	Community Blue PPO	SINGLE
Blue Care Network HMO	Community Blue PPO	SINGLE
HAP HMO	HAP HMO	SINGLE
Total Health Care HMO	Community Blue PPO	SINGLE
US Health (COPS Trust)	Community Blue PPO	SINGLE
Any Dental Plan	BCBS Dental	NO COVERAGE
Any Vision Plan	Heritage Vision	NO COVERAGE
Not Enrolled in Medical, Dental or Vision	NO COVERAGE	NO COVERAGE

For more information regarding modifications to active employee benefits, please refer to the 2014 City of Detroit Active Employee Benefits booklet, available at <http://www.detroitmi.gov/EmergencyManager.aspx>.

(c) Litigation with Retiree Representatives

On October 22, 2013, the Retiree Committee, the DRCEA, the RDPFFA and AFSCME Subchapter 98, City of Detroit Retirees (collectively, the "Retiree Representatives") filed a complaint against the City and Kevyn Orr, individually and in his official capacity as Emergency Manager, thereby commencing an adversary proceeding in the Bankruptcy Court (Adv. Proc. No. 13-05244) (the "First Retiree Proceeding"), together with a motion for: (i) a preliminary injunction to enjoin the defendants from modifying retiree benefits or; (ii) in the alternative, relief from the automatic stay to seek the requested injunctive relief a non-bankruptcy forum (Adv. Proc. Docket No. 3). The City and Mr. Orr disputed the relief sought in the preliminary injunction motion on the grounds that, among other things, the Bankruptcy Court lacks jurisdiction – as a result of section 904 of the Bankruptcy Code and as affirmed in a recent decision from the bankruptcy court in the chapter 9 case of the City of Stockton, California – to enjoin the City from modifying retiree benefits.

Initially, the City had proposed that the modifications to retiree health benefits set forth in the 2014 Retiree Health Care Plan would take effect on January 1, 2014. Due to delays associated with the roll out of the federal government's Health Insurance Marketplace website, however, the City decided to delay the effective date of its modifications for non-Medicare-eligible retirees until January 31, 2014. In its negotiations with the Retiree Committee regarding the preliminary injunction motion, the City agreed to further extend the effective date of the modifications for all retirees until February 28, 2014, as set forth above. As a result, on November 8, 2013, prior to the filing of the defendants' objection to the preliminary injunction motion, the Retiree Representatives voluntarily dismissed without prejudice all claims pending against the City in the First Retiree Proceeding (Adv. Proc. Docket No. 34).

On January 9, 2014, the Retiree Representatives commenced a second proceeding against the City and the Emergency Manager (the "Second Retiree Proceeding"), captioned as Official Committee of Retirees of the City of Detroit, Michigan et al. v. City of Detroit, Michigan et al., (Adv. Proc. No. 14-04015), seeking a preliminary injunction to enjoin the defendants from implementing the retiree healthcare modifications announced by the Emergency Manager effective March 1, 2014 and described in Section VIII.L.3 of this Disclosure Statement. By a settlement agreement effective February 14, 2014, the parties agreed to certain modifications to the changes to retiree health benefits set forth in the 2014 Retiree Health Care Plan. The settlement agreement modifications include an obligation by the City to provide additional stipend amounts during a portion of 2014 to Non-Medicare eligible Retirees and to offer Medicare eligible retirees certain additional options. The complete terms and conditions of the settlement agreement are set forth in Exhibit I.A.236 to the Plan. On March 28, 2014, the parties to the Second Retiree Proceeding filed a stipulated proposed order of dismissal (Adv. Proc. Docket No. 48), which order was entered by the Bankruptcy Court on March 31, 2014 (Docket No. 49).

(d) Settlement With Retiree Committee Regarding OPEB and Pension Claims

i. The OPEB Settlement

The present value of OPEB Claims was the subject of a dispute between the City and the Retiree Committee. Using employee data as of July 30, 2012 and retiree data as of February 1, 2013 provided by the City and the Retirement Systems' actuary, Gabriel Roeder Smith & Company ("Gabriel Roeder"), the City's actuaries estimated the aggregate amount of OPEB Claims at approximately \$3.771 billion. In contrast, the Retiree Committee's actuaries estimated the aggregate amount of OPEB Claims at approximately \$5 billion. The cause of the discrepancy between the estimated aggregate OPEB Claim amounts asserted by the City and the Retiree Committee emanated from the limitations on the data, actuarial assumptions used and the discount rate employed by each party. In reducing the aggregate amount of OPEB Claims to its present value, the City employed a discount rate obtained with reference to the "Pension Discount Curve" published by Citigroup, as of July 1, 2012. This approach yielded a discount rate of approximately 4%. The Retiree Committee, on the other hand, discounted the aggregate amount of OPEB Claims to present value using substantially lower interest rates based on United States Treasury zero coupon bonds, or so-called "STRIPS," for periods of up to 30 years. Where necessary, the Retiree Committee discounted periods in excess of 30 years by the 30-year rate.

In addition, the City and the Retiree Committee disputed the proper characterization of payments made by the City on account of OPEB benefits since the Petition Date. By the end of 2014, the City estimates that it will have paid approximately \$163 million in postpetition OPEB payments since the Petition Date to or on behalf of (a) Holders of OPEB Claims on account of OPEB Benefits and (b) retired employees of the City and their dependents (including surviving spouses) on account of post-retirement health, vision, dental and life benefits provided pursuant to the Retiree Health Plan. The City asserted that such postpetition OPEB payments constitute a partial satisfaction of the OPEB Claims. The Retiree Committee, on the other hand, asserted that the postpetition OPEB payments should be ignored for the purpose of calculating the amount of the contributions to the Detroit Police and Fire VEBA and the Detroit General VEBA, as applicable. Alternatively, the Retiree Committee has taken the position that the postpetition OPEB payments should merely reduce the aggregate amount of the OPEB Claims, as opposed to reducing, on a dollar-for-dollar basis, the amount of the New B Notes to be received by the Detroit Police and Fire VEBA and the Detroit General VEBA.

On or about April 25, 2014, the City and the Retiree Committee agreed to settle their differences on the OPEB Claim issues (the "OPEB Settlement") and all other issues affecting pensions in this chapter 9 case (collectively with the OPEB Settlement, the "Global Settlement"). The OPEB Settlement results in an Allowed Class 12 Claim of \$4.303 billion, which compromises the parties' respective positions set forth above. In addition, the Retiree Committee negotiated an improvement in the interest rate for the New B Notes. Specifically, the New B Notes will bear interest at 4.0% for the first 20 years and 6% for years 21 through 30. The Plan incorporates the OPEB Settlement and contemplates that confirmation of the Plan will constitute approval of the OPEB Settlement pursuant to Bankruptcy Rule 9019.

The City believes that the OPEB Settlement is fair and equitable and thereby satisfies the standard for approval of a settlement agreement under Bankruptcy Rule 9019. In evaluating whether the proposed agreement is fair and equitable, courts in this district generally consider four factors: (a) the probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (d) the paramount interest of the creditors and a proper deference to their reasonable views in the premises. To approve a settlement, the Court need only reach the conclusion that the City's proposed settlement represents the lowest point in the range of reasonableness. A Court may approve a settlement even if it believes that the trustee or debtor-in-possession ultimately would be successful at trial.

The OPEB Settlement represents a hard-fought resolution of issues regarding the appropriate liquidation of the estimated aggregate allowed amount of the OPEB Claims and the treatment of the postpetition OPEB payments. Absent the OPEB Settlement, the City anticipates that it would be forced to undergo protracted and expensive litigation to liquidate the OPEB Claims with unpredictable results given that much of the litigation would depend on differing actuarial expert opinions. Such litigation likely would involve (i) extensive discovery regarding competing experts from the City, the Retiree Committee and the Retirement Systems, among others and (ii) potential contests over numerous other components of the OPEB Claims, including, for example, retiree census data and actuarial calculations, in addition to the adjudication of the proper discount rate to be applied to the gross liability, once established. The City believes that the OPEB Settlement serves the best interests of the City and its creditors, including City retirees, by averting this litigation and bringing the City's chapter 9 case closer to conclusion. Moreover, the agreed-upon Allowed Claim falls between the parties' respective litigation positions and represents a reasonable compromise of the factual and legal arguments under the circumstances.

Accordingly, the City believes that the proposed OPEB Settlement far exceeds the lowest point in the range of reasonableness and, as such, is fair and equitable.

ii. The Remainder of the Global Settlement

In addition to settling the OPEB matters, the City and the Retiree Committee have agreed to resolve other open matters with respect to pensions and other retiree-related matters in the City's chapter 9 case. Specifically:

- The Retiree Committee consents to the treatment of Pension Claims in the Plan that contemplates the funding contemplated by the State Contribution Agreement and the DIA Settlement and will support the Plan on such basis. The Retiree Committee does not support the treatment of Pension Claims in the Plan if the funding from the State Contribution Agreement or the DIA Settlement does not occur.
- In addition to the ASF Recoupment Cap of 20%, the City will further limit any the pension reduction (4.5% across-the-board reduction plus any Annuity Savings Fund Recoupment) for any retiree or surviving beneficiary in pay status as of June 30, 2104 to 20% of such current retiree's or surviving beneficiary's annual pension. If the cost of this additional 20% limitation exceeds \$19 million, the City and the Retiree Committee will work to find additional solutions that do not affect active employees but that only affect current retirees or surviving beneficiaries;
- The Retiree Committee shall request suspension of its appeal at the Sixth Circuit, Case No. 14-1209. Provided classes 10, 11 have accepted the amended plan of adjustment containing the agreed terms and the OPEB Settlement has been approved by the Court and the Plan has been confirmed, the Retiree Committee shall request dismissal of its Sixth Circuit appeal within a reasonable time after the Effective Date;
- If it is not settled or otherwise resolved by a Final Order prior to the Effective Date, the City will continue to fund the COP Litigation after the Effective Date. All costs, fees and expenses related to the COP Litigation from and after the Effective Date will be deducted from the distributions from the Disputed COPs Claims Reserve set forth in Section II.B.3.p.iii.B.2 of the Plan that are not made to Holders of Disputed COP Claims. Thereafter, distributions from the Disputed COPs Claims Reserve set forth in Section II.B.3.p.iii.B.2 of the Plan that are not made to Holders of Disputed COP Claims shall be made to the following Entities in the following percentages: (A) 65% collectively to the VEBAs established for Holders of Allowed Class 12 Claims and (B) 35% to the City (which may, in turn, distribute its share of New B Notes to Holders of Allowed Claims in Classes 7, 13 or 14);
- The City will create the Contingent Payment Rights that will allocate any value that may be realized from a potential transaction involving DWSD that may be consummated either before the Effective Date or within seven years of the Effective Date. The allocation of these rights will be as follows: (A) 50% to the Pension Plans and (B) 50% to the City (which may, in turn, distribute its share of New B Notes to Holders of Allowed Claims in Classes 7, 13 or 14);
- The Plan will establish the Restoration Trust to hold the Class 10 and 11 interest in the Contingent Payment Rights and to take an assignment of the GRS and PFRS beneficiaries' rights with respect to any GRS Restoration Payment or PFRS Restoration Payment;
- The Retiree Committee will defer to the Retirement Systems and the State with respect to negotiating the post-Effective Date governance of the Prior GRS Pension Plan and the Prior PFRS Pension Plan and reserves the right to review the results of such negotiation;
- The Retiree Committee will defer to the Retirement Systems and the City with respect to negotiating the post-Effective Date restoration mechanics with respect to the PFRS Adjusted Pension Amounts and the GRS Adjusted Pension Amounts and reserves the right to review the results of such negotiation; and
- The Plan will make clear that third parties other than the City are not prohibited from making additional contributions to the Pension Plans if they wish to.

The Plan incorporates the Global Settlement and contemplates that confirmation of the Plan will constitute approval of the Global Settlement pursuant to Bankruptcy Rule 9019.

The City believes that the Global Settlement is fair and equitable and thereby satisfies the standard for approval of a settlement agreement under Bankruptcy Rule 9019. The City believes that the Global Settlement meets the four factors set forth above for approval of a settlement: (a) the probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (d) the paramount interest of the creditors and a proper deference to their reasonable views in the premises.

It is evident from the record of the City's chapter 9 case that, because of the hardships that the City must seek to impose on its creditors and, in particular, Holders of Pension Claims and OPEB Claims, the City and the representatives of its retirees and its active employees have often been at odds. The Court appointed the Retiree Committee as the representative of the City's retiree population. Accordingly, a settlement with this representative, which will avoid further expensive and protracted litigation of significant issues affecting the City's restructuring and revitalization, is a significant salutary result. Like the OPEB Settlement, the Global Settlement represents a hard-fought, arms'-length resolution of all of the issues facing the Retiree Committee's constituency in this chapter 9 case. Absent the Global Settlement, the City anticipates that it would be forced to undergo protracted and expensive litigation, involving (i) extensive discovery regarding competing experts from the City, the Retiree Committee and the Retirement Systems, among others, (ii) potential contests over numerous other components of the Pension Claims, including, for example, retiree census data and actuarial calculations, in addition to the adjudication of the proper discount rate to be applied to the gross liability, once established and (iii) enormous amounts of factual discovery. The City believes that the Global Settlement serves the best interests of the City and its creditors, including City retirees, by averting this litigation and bringing the City's chapter 9 case closer to conclusion and by providing additional value, though the Contingent Payment Rights, not only to the retirees but to other unsecured creditors as well. Accordingly, the City believes that the proposed Global Settlement far exceeds the lowest point in the range of reasonableness and, as such, is fair and equitable and should be approved as part of the Plan.

(e) Settlement with the Retirement Systems Regarding Pension Claims

The Retirement Systems also have been instrumental in negotiating many of the reforms contemplated by the Global Settlement. The advisors of the Retirement Systems and the City engaged in extensive, arms-length negotiations regarding the proposed economic changes to GRS and PFRS contemplated by the Plan. In addition, under the terms of the Global Settlement, the Retiree Committee generally deferred to the Retirement Systems with respect to negotiating (a) the post-Effective Date governance of the Prior GRS Pension Plan and the Prior PFRS Pension Plan and (b) the post-Effective Date restoration mechanics with respect to the PFRS Adjusted Pension Amounts and the GRS Adjusted Pension Amounts. Following the City's entry into the Global Settlement with the Retiree Committee, the Retirement Systems and the City pursued further negotiations and, ultimately, achieved a hard-fought resolution in principle of these issues. The Plan incorporates this resolution and contemplates that confirmation of the Plan will constitute its approval pursuant to Bankruptcy Rule 9019. PFRS and GRS support the Plan, subject to final ratification of their boards, and intend to complete the negotiation of certain trust governance and benefit restoration terms with the City and the State.

(f) Settlement with RDPFFA Regarding PFRS Pension Claims and OPEB Claims of PFRS Members

On April 25, 2014, the City and the RDPFFA executed a term sheet memorializing a settlement between the parties regarding the treatment of PFRS Pension Claims and certain matters relating to the OPEB Claims of PFRS members (the "RDPFFA Settlement"). The terms of the RDPFFA Settlement are incorporated into the treatment of PFRS Pension Claims and OPEB Claims set forth in the Plan.

(g) Settlement with DRCEA Regarding GRS Pension Claims and OPEB Claims of GRS Members

On May 2, 2014, the board of the DRCEA approved the terms of a proposed settlement between the City and the DRCEA regarding the treatment of GRS Pension Claims and certain matters relating to the OPEB Claims of GRS members (the "DRCEA Settlement"). The terms of the DRCEA Settlement are incorporated into the treatment of GRS Pension Claims and OPEB Claims set forth in the Plan.

(h) Settlement with Certain Public Safety Unions Regarding Pension, Wage and Healthcare Issues

As of the date of this Disclosure Statement, the City has reached agreement with the Detroit Police Lieutenants and Sergeants Association ("DPLSA") and the Detroit Police Command Officers Association ("DPCOA") on the terms that will govern pensions, wages and healthcare of DPLSA and DPCOA members for the next five years. These terms are incorporated into the Plan.

4. Transition of Lighting Grid to DTE

The City's proposed restructuring/reinvestment initiatives with respect to its electricity grid are focused on the following objectives: (a) improving the performance of the grid and the services provided to the citizens of Detroit; (b) decommissioning, as necessary, certain segments of the grid, certain substations and the Mistersky power plant; and (c) increasing revenue collection from customers. To achieve these objectives, the City has entered into an "Energy Services Delivery Agreement" with DTE, whereby the City will exit the electricity business by migrating customers to DTE over a seven-year period, with DTE paying capital and transition costs. In year one of this seven-year build-out, meters will be changed to DTE's system and customers will be transitioned to DTE. In years two to seven of the build-out, customers will migrate to DTE's grid on a substation by substation basis as the PLD operation is simultaneously scaled down. Customers (including the City) will pay DTE's rate book, which could be higher than the current rate charged/incurred by City. Subject to regulatory approval, PLD workers and/or third party contractors will operate and maintain the City's electrical grid until the build-out is finished, with DTE reimbursing the City for the costs of such operation and maintenance.

5. Transition of Lighting Work to PLA

The City's proposed restructuring/reinvestment initiatives with respect to its lighting work are focused on the following objectives: (a) implementing a current population-based streetlight footprint, (b) transferring operations and maintenance functions to the newly-created PLA structure, (c) improving service to citizens and (d) achieving better cost management. To achieve these objectives, the City has begun a systematic effort to address bulb outages and restore light. In addition, the City has obtained an order of the Bankruptcy Court (Docket No. 1955) (the "PLA Order") authorizing the City to enter into and perform under certain transaction documents with the PLA, as described below. On December 20, 2013, Syncora filed a notice of appeal of the PLA Order (Docket No. 2273). On April, 4, 2014, the District Court hearing Syncora's appeal (the "PLA Order Appeal"), captioned as Syncora Guarantee, Inc. v. City of Detroit, No. 14-CV-10501 (E.D. Mich.), entered an order (Docket No. 15) staying the PLA Order Appeal pending the outcome of the Sixth Circuit Eligibility Appeals.

On February 5, 2013, the City created the PLA, a separate municipal corporation, pursuant to Michigan Public Act 392 of 2012 (as amended), the Municipal Lighting Authority Act, MCL §§ 123.1261 *et seq.* ("PA 392") and the PLA Order, to manage and maintain the City's public lighting system. Pursuant to PA 392, the PLA has issued bonds (the "Act 392 Bonds"), the proceeds of which the PLA will use to construct and improve the public street lighting system of the City, pursuant to the terms of the "Interlocal Agreement for the Construction and Financing of a Public Lighting System" between the City and the PLA (the "C&F Agreement"). The PLA also will bear responsibility for the operation and maintenance of the portion of the City's public lighting system that the PLA has constructed and improved, in accordance with the terms of the "Interlocal Agreement for the Operation, Maintenance and Management of a Public Lighting System" between the City and the PLA. Under PA 392 and the various agreements with the PLA, the City has no liability for, and undertakes no full faith and credit obligation in connection with, the Act 392 Bonds or the C&F Agreement.

In connection with the transition of the City's lighting work to the PLA, the City is required to cause the existing and future revenue generated from the utility tax that it will continue to levy (the "Pledged Revenues") to be directed to Wilmington Trust, National Association, as trustee (the "Trustee") under a trust agreement by and among the City, the PLA, the Michigan Finance Authority and the Trustee, as security for, and the primary source for the repayment of, the Act 392 Bonds. The total amount of the Pledged Revenues to which the PLA is entitled, in any calendar year, is the lesser of (a) \$12.5 million and (b) the total revenues generated by the utility tax levied by the City (*i.e.*, the Trustee must disburse to the City all amounts in excess of \$12.5 million).

The City believes that the transition of the City's lighting work to the PLA and the transactions described above are the City's best viable option to fix its public lighting system and provide the level of lighting services that the City's residents expect.

6. Belle Isle Lease

In September 2013, the City reached an agreement with the State (the "Belle Isle Agreement") whereby the State agreed to lease Belle Isle Park for 30 years, with two optional 15-year renewals. The Governor authorized the Belle Isle Agreement on October 1, 2013. The Belle Isle Agreement was not immediately effective upon its signing, or upon the Governor's authorization, because pursuant to sections 12(1)(r) and 19 of PA 436, the Emergency Manager is required to submit any proposed lease of City property to the City Council for approval. If the City Council rejects such a proposal and offers a competing proposal, section 19 of PA 436 provides that the LEFALB is empowered to review the competing proposals and issue final authorization to the proposal "that best serves the interest of the public." MCL § 141.1559(2). On October 14, 2013, the City Council voted to reject the Belle Isle Agreement and proposed an alternative plan involving a ten-year lease of Belle Isle Park to the State. The LEFALB considered both proposals and, on November 12, 2013, unanimously approved the Belle Isle Agreement.

Pursuant to the Belle Isle Agreement, the State agreed to invest between \$10 million and \$20 million to upgrade and repair portions of Belle Isle Park during the first three years of the lease. The City will continue to pay for Belle Isle Park's water and sewer services – costs that in recent years have totaled between \$1.5 million and \$2.5 million annually – but the State will pay to maintain and operate Belle Isle Park in all other respects during the lease term. On February 10, 2014, the State began operating Belle Isle Park as a state park. While pedestrians and bicyclists will continue to be able to access Belle Isle Park free of charge, visitors arriving by motor vehicle will be required to purchase an annual \$11-per-vehicle "Recreation Passport" from the State that will provide access to all Michigan state parks.

7. Detroit Institute of Arts

(a) Appraisal

As discussed in Section VII.A.5.a, the City engaged Christie's to appraise the value of the DIA Collection. On December 3, 2013, Christie's issued a preliminary report (the "Preliminary Report") (i) describing the methodology used in making the appraisal; (ii) providing a preliminary aggregate valuation of certain works in the DIA Collection; and (iii) recommending various options the City could pursue to generate revenue from the DIA Collection not involving the outright sale of any works in the DIA Collection. As explained in the Preliminary Report, Christie's appraised a portion of the DIA Collection consisting of those works that "were either purchased entirely by the City, or in part with City funds" (the "Appraised Art"). As of the date of the Preliminary Report, the Appraised Art consisted of 2,781 works. Both the preliminary and final appraisals conducted by Christie's were based on a fair market value ("FMV") analysis of the Appraised Art. According to the Preliminary Report, "FMV is the price at which a work would change hands between a willing buyer and a willing seller in the relevant marketplace. It is determined by using the market data approach which compares the subject work to similar works sold in the marketplace, makes appropriate adjustments to allow for any differences between the subject work and the comparables, and reflects the current market place." In the Preliminary Report, Christie's estimated the aggregate value of the Appraised Art to be between \$452 million and \$866 million, with "the lower number represent[ing] a conservative price, and the higher number represent[ing] the most advantageous price at which the property would likely change hands."

The Preliminary Report recommended consideration of five potential strategies for revenue generation not involving the outright sale of any of the works in the DIA Collection. First, Christie's proposed that the City could pledge some or all of the Appraised Art as collateral for a loan or line of credit. According to the Preliminary Report, "[t]he current robust global art market coupled with the fact that the [C]ity-owned collection contains some high-quality and valuable works, suggest this could be an effective financing arrangement." Second, Christie's suggested that "[r]evenue could be generated from a partnership agreement with another museum or museums whereby masterpieces from the DIA would be leased on a long-term basis." Third, Christie's proposed that the City consider establishing a "masterpiece trust," an arrangement that is "[u]nprecedented in the art world." The Preliminary Report described this concept as follows: "City-owned art would be transferred into the Trust and minority interests would be sold to individual museums, making them a member of a larger consortium of institutions. Revenue generated by the sale of shares in the Trust would be paid to the City. Ownership of shares in the Trust would entitle members to borrow works for predetermined periods of time." Fourth, Christie's suggested that the City could consider selling one or more works in the DIA Collection to a philanthropist or charitable organization on the condition that the buyer agree to permanently lend the purchased work(s) to the DIA. Finally, the Preliminary Report discussed the possibility of mounting a traveling exhibition of works in the DIA Collection. Although Christie's described this option as potentially "the least viable in terms of generating a revenue stream for the City" because traveling exhibitions generally "are not a substantial revenue generator," it concluded that "[t]he media

attention the DIA has received in connection with Detroit's bankruptcy filing and the accompanying outpouring of public support for the City's artworks could help to generate interest, and thereby revenue, from tour sponsors and patrons."

Christie's issued its final report on December 17, 2013 (the "Final Report"). For purposes of the Final Report, the Appraised Art consisted of 2,773 works. In the Final Report, Christie's stated that the aggregate FMV of the Appraised Art was between \$454 million and \$867 million. Christie's performed a detailed appraisal of only 1,741 of the 2,773 works consisting of the Appraised Art (the "Most Valuable Works"), explaining in the Final Report that the Most Valuable Works accounted for "over 99% of the total projected value" of the Appraised Art. Christie's attached to the Final Report an itemized list of 406 of the Most Valuable Works with individual values exceeding \$50,000. Of these, 11 works accounted for 75% percent of the total estimated value of the Appraised Art:

• Pieter Bruegel the Elder, <i>The Wedding Dance</i>	\$100-200 million
• Vincent van Gogh, <i>Self Portrait with Straw Hat</i>	\$80-150 million
• Rembrandt, <i>The Visitation</i>	\$50-90 million
• Henri Matisse, <i>Le Guéridon</i>	\$40-80 million
• Edgar Degas, <i>Danseuses au Foyer (La Contrebasse)</i>	\$20-40 million
• Claude Monet, <i>Gladioli</i>	\$12-20 million
• Michelangelo, <i>Scheme for the Decoration of the Ceiling of the Sistine Chapel</i>	\$12-20 million
• Neri di Bicci, <i>The Palla Altarpiece: Tobias and Three Archangels</i>	\$8-15 million
• Giovanni Bellini and Workshop, <i>Madonna and Child</i>	\$4-10 million
• Frans Hals, <i>Portrait of Hendrik Swalmius</i>	\$6-10 million
• Michiel Sweerts, <i>In the Studio</i>	\$5-10 million

According to the Final Report, each of the 1,032 works of Appraised Art not given detailed, individual appraisals are items currently held in storage which have "modest commercial value." These items include, among other things, various textile fragments, coins, pieces of furniture and works of art by artists "who command only very low prices."

On April 9, 2014: (i) FGIC; (ii) Syncora; (iii) AFSCME; (iv) Hypothekenbank Frankfurt and EEPK; (v) Wilmington Trust Company, National Association, as Successor COP Trustee and Successor Contract Administrator; (vi) Dexia; and (vii) FMS-WM Service, solely in its capacity as servicer for FMS Wertmanagement (collectively, the "Movants") filed a Motion of Creditors for Entry of an Order Pursuant to Section 105(a) of the Bankruptcy Code Directing the Debtor to Cooperate with Interested Parties Seeking to Conduct Due Diligence on the Art Collection Housed at the Detroit Institute of Arts (Docket No. 3923) (the "Due Diligence Motion"). In the Due Diligence Motion, the Movants stated that they had engaged the financial advisory firm of Houlihan Lokey to conduct an independent assessment of "potential alternative market transactions" involving the DIA Collection – including works that were not directly purchased by the City – and to "develop a greater understanding of the potential value of the Art collection as a whole." Due Diligence Motion, at ¶¶ 1, 10. The Movants further stated, in the Due Diligence Motion, that Houlihan Lokey received statements of interest (collectively, the "Proposals") from the following four entities (collectively, the "Offerors") in response to its inquiries regarding the DIA Collection:

- Catalyst Acquisitions, LLC/Marc Bell Capital Partners, LLC submitted a non-binding indication of interest in purchasing the **entire DIA Collection** for **\$1.75 billion**.
- Art Capital Group, LLC submitted a non-binding term sheet, offering to provide the City with an exit facility of up to **\$2 billion**, secured by the **entire DIA Collection**.
- Poly International Auction Co., Ltd., on behalf of a client, submitted a non-binding indication of interest in purchasing **all Chinese works** in the DIA Collection for up to **\$1 billion**.
- Yuan Management Hong Kong Limited, on behalf of certain investment funds, submitted a non-binding indication of interest in purchasing **116 pieces** of the DIA Collection for **\$895 million to \$1.473 billion**.

Due Diligence Motion, at ¶ 11. As set forth in the Due Diligence Motion, the Proposals were (i) non-binding and (ii) conditioned on (A) the City providing the Offerors with full diligence access to the DIA Collection assets and (B) the Offerors' being satisfied with the information provided by the City and willing to proceed with the applicable transaction. Id. at ¶¶ 11-12, Ex. A to Ex. 5. The Due Diligence Motion is pending as of the date of this Disclosure Statement.

(b) The DIA Settlement

On January 13, 2014, mediators in the City's chapter 9 case announced that certain charitable foundations and other entities (collectively, the "Foundations") had agreed in principle to pledge certain funds (the "Foundation Funds") as part of a potential multiparty settlement that, if finalized, would (i) shield the DIA Collection from potential sales to satisfy creditors of the City and (ii) reduce the Retirement Systems' current levels of underfunding. As of the date of filing of this Disclosure Statement, 12 Foundations had pledged funds toward this effort: the Ford Foundation, the Kresge Foundation, the W. K. Kellogg Foundation, the John S. and James L. Knight Foundation, the Community Foundation for Southeast Michigan, the William Davidson Foundation, the Fred A. and Barbara M. Erb Family Foundation, the Hudson-Webber Foundation, the McGregor Fund, the Charles Stewart Mott Foundation, the Max M. and Marjorie S. Fisher Foundation and the A. Paul and Carol C. Schaap Foundation. As of the date of filing of this Disclosure Statement, the Foundations had tentatively agreed to pledge at least \$366 million in Foundation Funds, payable over a period of 20 years, in support of this arrangement.

On January 22, 2014, the Governor announced a plan pursuant to which the State would potentially pledge up to \$350 million in state funds in support of the DIA Settlement and certain creditor recoveries in exchange for certain releases to be contained in the Plan. As settlement negotiations continued, on January 29, 2014, DIA Corp. pledged to raise an additional \$100 million over 20 years to "ensure long-term support for the City's pension funds and sustainability for the DIA." More specific detail regarding the DIA Settlement is provided in Section IV.F of this Disclosure Statement. Further details regarding the potential for State funding are provided in connection with the description of the State Contribution Agreement in Section IV.E of this Disclosure Statement.

8. Joe Louis Arena

Olympia, the Red Wings and the City have resolved all of their issues under the Original JLA Lease and agreed to enter into a new lease of Joe Louis Arena (the "New JLA Sublease") and a related parking agreement. The term of the New JLA Sublease will be five years, retroactive to July 1, 2010, the date of expiration of the Original JLA Lease. The initial term of the New JLA Sublease will therefore end on June 30, 2015. Thereafter, Olympia and the Red Wings will have five one-year options to extend the New JLA Lease. Olympia will pay the City rent of \$1 million per year during the term of the New JLA Sublease and any extensions thereof. In addition to rent, the parties have agreed that Olympia and the Red Wings will provide total consideration valued at over \$12 million to the City over the next three years.

The project to develop and construct a replacement venue for the Red Wings will continue while the team continues to play at Joe Louis Arena. As of the date hereof, it is estimated that the new arena will be completed in 2016 or 2017. Under the proposed plan, the DDA will own the new arena, and the arena will be managed by Olympia pursuant to a concession and management agreement. Olympia and the DDA have proposed funding the project with a combination of private monies and limited obligation revenue bonds to be issued by the Michigan Strategic Fund (an entity created pursuant to Michigan Public Act 270 of 1984, the Michigan Strategic Fund Act, MCL §§ 125.2001 *et seq.*, to support economic development and job creation projects), secured by certain DDA tax increment revenues derived from property taxes of the City and other taxing jurisdictions, which are collected by the City as tax-collecting agent and transmitted to the DDA as Pass-Through Obligations (as described in Section IV.R), and further secured by certain Olympia concession fees payable to the DDA.

9. Sale of Veterans' Memorial Building

The City owns the building originally built, and commonly referred to, as the Veterans' Memorial Building. The building, located at 151 West Jefferson Avenue in Detroit, currently houses the UAW-Ford National Programs Center operated by UAW-Ford, a non-profit social welfare organization jointly created by the Ford Motor Company and the UAW and organized pursuant to section 501(c)(4) of the United States Internal Revenue Code. The City and UAW-Ford currently are negotiating a potential sale of the building to UAW-Ford, which sale would contain a deed restriction with respect to the property's use and maintenance of the building's exterior. Any final agreement will be submitted to City Council for approval under section 19 of PA 436.

10. Coleman A. Young Airport

The City is investigating various alternatives for generating revenue with respect to Coleman A. Young International Airport, including possible sale or lease transactions, modernization initiatives designed to attract core users of the airport and reducing airport costs. In November 2012, a consultant prepared a ten-year capital improvement program

for the airport which included several rehabilitation plans, ranging from approximately \$55 million (for upgrades to facilities other than runways) to \$273 million (for a rehabilitation including a replacement runway funded in part by federal grants). The City plans to continue to subsidize and operate the airport until a viable transaction or rehabilitation plan is identified, in part because closing the airport would terminate certain federal subsidies and would require the City to repay certain grant monies previously received by the City from the Federal Aviation Administration.

IX.

REINVESTMENT INITIATIVES

A. Post-Bankruptcy Financial Oversight

The City and the State of Michigan intend to adopt a robust governance structure, which will be designed to: (1) promote long-term public confidence in the fiscal health and stability of Detroit, in particular with financial markets; (2) enhance Detroit's ability to access credit and invest in the capital needs of Detroit; and (3) reduce the potential for Detroit to relapse into conditions of financial stress or financial emergency.

To help satisfy these goals, the City and the State will create a financial oversight board to ensure that the City adheres to the Plan and continues to implement financial and operational reforms that should result in more efficient and effective delivery of services to City residents. The financial oversight board, to be composed of individuals with recognized financial competence and experience, will have the authority to impose limits on City borrowing and expenditures and require the use of financial best practices. Post-bankruptcy financial oversight mechanisms will rely upon existing authority under State law and may be supplemented by new State legislation. Specific powers and responsibilities will be developed in partnership with State authorities and consultation with stakeholders prior to the Effective Date.

B. Overview of Restructuring Initiatives

The City proposes to invest approximately \$1.40 billion over the next ten years to revitalize the City and, among other things, (1) comprehensively address and remediate residential urban blight, (2) improve the operating performance and infrastructure of its police, fire, EMS and transportation departments (among other departments), (3) modernize its information technology systems on a City-wide basis and (4) improve services to at all levels to Detroit's citizens. The assumptions and forecasts underlying the City's proposed reinvestment initiatives were developed using a "bottom-up," department-level review that identified, among other things, (1) opportunities and initiatives to enhance revenues and improve the collection of accounts receivable, (2) reinvestment in labor to improve City services and operations, (3) capital expenditures for necessary information technology, fleet and facility improvements and (4) various department-specific expenditures necessary to facilitate the City's restructuring.

Although, as provided in Section VII.D.10, the June 14 Creditor Proposal contemplated investment by the City in the total amount of approximately \$1.25 billion, the City has expanded its planned expenditures through the period ending June 30, 2023 based on further needed spending on infrastructure as well as enhanced services for residents. Specifically, the City plans to spend approximately \$152 million on technology investments, an increase of approximately \$69 million from the June 14 Creditor Proposal. Spending on capital expenditures and other infrastructure items, namely fleet and facilities, are projected to be approximately \$419 million for the period ending June 30, 2023, an increase of approximately \$95 million from the June 14 Creditor Proposal. The additional expenditures relate mainly to facility costs for police, fire and recreation, along with fleet costs for police and fire. Lastly, operating expenditures related to the restructuring initiatives are projected to be approximately \$789 million for the period ending June 30, 2023, a decrease of approximately \$7 million from the June 14 Creditor Proposal. The decrease relates to an adjustment in blight funding, offset by an increase to grant administration expenditures and added costs for recreation.

As a result of these expenditures, as well as operating expenditures related to restructuring, the City anticipates it will be able to realize additional revenue of approximately \$477 million through the period ending June 30, 2023, an increase of approximately \$233 million from the June 14 Creditor Presentation. The net amount of reinvestment and restructuring expenditures, after taking into account anticipated revenue enhancement from restructuring initiatives, will be approximately \$921 million, similar to the net amount contained in the June 14 Creditor Proposal.

In addition to the \$1.40 billion in reinvestment summarized above, the City anticipates that the impairment of Claims under the Plan will permit DWSD to conduct substantial and necessary revenue enhanced capital improvements using revenues that would otherwise have been unavailable to DWSD and applied instead to service the City's debt.

As more fully described in Exhibit I, the City intends to distribute the \$1.40 billion in reinvestment as follows:

Department/Matter	Aggregate Reinvestment (Savings)	Department/Matter	Aggregate Reinvestment (Savings)
Blight Remediation	\$440.3 million	Board of Ethics (Human Rights)	\$5.5 million
Public Safety (Police, Fire and EMS)	\$429.9 million	Auditor General/Inspector General	\$4.2 million
General Services	\$185.6 million	MPD	\$4.3 million
Finance	\$143.6 million	Department of Elections	\$2.9 million
DDOT	\$46.3 million	Mayor's Office	\$2.1 million
Recreation	\$40.3 million	Administrative Hearings	\$0.6 million
Human Resources	\$32.9 million	Public Works	\$0.3 million
Airport	\$27.3 million	Board of Zoning Appeals	\$0.2 million
Planning and Development	\$20.6 million	City Clerk	(\$0.7 million)
Office of the Ombudsperson	\$16.6 million	Law Department	(\$3.4 million)
Non-Departmental	\$7.1 million	City Council	(\$3.8 million)
Health and Wellness	\$6.9 million	BSEED	(\$18.0 million)
Labor Relations	\$6.8 million	TOTAL	\$1.4 billion

1. Blight Removal

Reduction of urban blight is among the City's highest reinvestment priorities. The City anticipates that a substantial reduction in blighted structures and properties would, among other things: (a) stabilize the City's eroding property values and property tax base; (b) allow the City to more efficiently and effectively deliver municipal services; (c) improve the health, safety and quality of life for City residents; (d) foster increased land utilization within the City; and (e) dramatically improve the national perception of the City.

To this end, the City proposes to invest a total of \$440.3 million over the course of the next six Fiscal Years to remediate residential blight within the City. Among other things, this investment will allow the BSEED to increase the rate of residential demolitions from an average of 450 demolitions per month to an average of approximately 725 per month. The City intends to focus its initial demolition efforts around schools and other areas identified by the Detroit Works Project and the Detroit Future City project. The City estimates that it will invest the following amounts toward blight removal during each of Fiscal Years 2014 through 2019:

<u>Fiscal Year</u>	<u>Expenditure</u>
2014	\$3.2 million
2015	\$113.6 million
2016	\$103.5 million
2017	\$80.0 million
2018	\$80.0 million
2019	\$80.0 million

These efforts currently are – and will continue to be – complemented by discrete blight remediation efforts. For example, the Michigan State Housing Development Authority has allocated \$52 million to the City (out of \$100 million received from the U.S. Treasury from its "Hardest Hit Fund"). These funds – administered through the Detroit Land Bank Authority (in conjunction with the Michigan Land Bank) – will allow for blight elimination on 4,000 to 6,000 publicly owned residential structures over a 15-month period. Other complementary blight elimination efforts include: (a) a pilot program implemented by a nongovernmental non-profit agency (addressing blight in the Eastern Market and Brightmoor sections of the City); (b) the "Hantz Woodlands" urban farming project, in connection with which a 150-acre, 1,500-parcel tract of land on the City's lower east side has been acquired by a private party and is being cleared of blight and maintained; and (c) the devotion of \$12 million in recently repurposed HUD funds for the targeting of commercial demolition during Fiscal Year 2014. Additionally, in September 2013, President Obama's administration announced a planned investment of \$300 million in public and private aid to the City, a portion of which would be earmarked for blight removal efforts.

As set forth at Section VII.C.7.c, remediating blight requires the coordination of – and the City intends to coordinate with – a multiplicity of government agencies at the local, state and federal levels, and certain interested nongovernmental organizations. Coordination and cooperation among these entities is critical to the success of the City's

reinvestment efforts. Among other things, an uncoordinated effort would result in the inefficient application of scarce resources, fragmented remediation activities and investments and duplicative investments in tools and technology, all resulting in slowed and more costly re-development. By coordinating the efforts of all interested stakeholders, the City can leverage multiple resources to target specific areas for improvement, leverage existing technology investments and maximize the potential for the long-term success of its remediation efforts. In so doing, the City can raise investor confidence and effect lasting change in economic growth and quality of life. In developing its blight removal initiative, the City has taken into account the proposals set forth in the Detroit Future City Strategic Framework (the "Strategic Framework"), and the City believes that its strategies for blight removal are consistent with the goals set forth in the Strategic Framework.

2. Public Safety (Police, Fire and EMS)

A significant percentage of the funds to be devoted to reinvestment will be used to improve the performance and infrastructure of the City's police, fire and EMS services. The City believes that its reorganization and successful redevelopment depends upon its ability to offer adequate public safety services to existing City residents and those who may consider relocating to Detroit in the future.

(a) Police

As discussed in Section VII.C.7.a, the DPD has been plagued in recent years with debilitating problems including (i) obsolete information technology; (ii) poor performance, as evidenced by high response times and low case clearance rates; (iii) chronic understaffing; (iv) low employee morale; (v) a lack of employee accountability; and (vi) an aging and unreliable fleet and facilities. These difficulties have contributed to the DPD's inability to reduce Detroit's exceedingly high crime rate.

To combat these problems, the City has proposed to make targeted investments in the DPD totaling \$274.2 million. These investments are intended to: (i) reduce response times to the national average; (ii) improve case clearance rates and first responder investigations; (iii) update the DPD's fleet and facilities; (iv) modernize the DPD's information technology systems; (v) achieve compliance with federal consent decrees; (vi) overhaul the structure, staffing and organization of the DPD to better serve the citizens of Detroit; and (vii) improve employee morale and accountability.

The City intends to make the following investments in DPD over the next 10 years:

- \$101.3 million to initiate and maintain a fleet vehicle replacement program on a three-and-a-half-year cycle;
- \$75.2 million to hire, employ and provide benefits to 250 additional civilian personnel, which will allow the City to redeploy uniformed personnel to more appropriate functions;
- \$38.2 million to provide or replace vital equipment, materials and supplies, including in-car and handheld radios (\$22.0 million), tasers and cartridges (\$5.2 million), bulletproof vests (\$3.1 million), body cameras (\$1.9 million) and other items (\$6.0 million);
- \$42.8 million in capital expenditures and other expenses related to DPD facilities (partially offset by \$10.2 million in savings associated with the termination of certain facility leases), including department-wide projects (\$17.0 million), the build out of new precincts and a training facility (\$10.0 million), other precinct or facility improvements (\$7.2 million) and annual costs associated with new facilities (\$8.6 million);
- \$17.3 million to improve the DPD's technology infrastructure, through the implementation of a fully integrated public safety IT system that will provide DPD, DFD and EMS with integrated computer aided dispatch, records management and reporting and allow for much-needed data exchanges between agencies and will improve efficiency and operations (\$13.8 million), the employment of related temporary personnel (\$1.0 million) and other technology infrastructure items (\$2.5 million);
- \$1.9 million to implement promotional exams every other year and to add security at the animal control facility;

- \$5.1 million in training costs for all DPD civilian employees;
- \$2.3 million in increased helicopter maintenance costs; and
- \$0.2 million in costs related to citizen patrol programs and DPD reserves.

In the aggregate, the City estimates that it will make the following investments in DPD over the next five years beginning in Fiscal Year 2014:

<u>Fiscal Year</u>	<u>Expenditure</u>
2014	\$14.0 million
2015	\$52.0 million
2016	\$45.1 million
2017	\$23.2 million
2018	\$22.2 million

(b) Fire and EMS

As discussed in Section VII.C.7.d, the City's fire and EMS services have struggled – and have frequently failed – to provide prompt and reliable service due to broken and outdated equipment, aging and inadequately-maintained facilities and vehicles and an obsolete information technology system. To remedy these problems, the City has proposed to invest a total of \$155.7 million. These investments are intended to, among other things, (i) modernize the City's fleet of fire and EMS vehicles, fire apparatus equipment (such as ladders and pumping equipment) and facilities; (ii) update the DFD's computer hardware and software; (iii) improve the DFD's operating efficiency and cost structure; and (iv) implement revenue enhancements such as improvements to billing and collection procedures and grant identification and management.

Specifically, the City intends to make the following investments with respect to the City's fire and EMS services over the next 10 years:

- \$58.6 million for the implementation of a program to replace apparatus at a rate of 17 vehicles per year and to provide related preventative maintenance;
- \$55.3 million in facility-related capital expenditures, including repair and maintenance of existing facilities (\$34.3 million) and construction of seven new firehouses (\$21.0 million);
- \$19.0 million in other capital expenditures relating to programs for the replacement of fleet equipment (such as hoses, nozzles, ladders, axes and wrenches), turnout gear and breathing apparatus;
- \$19.1 million in net labor and training costs relating to the training of civilian personnel and the cross-training of uniformed personnel and labor increases to reach ideal staffing levels; and
- \$3.7 million in other expenditures, including \$3.4 million in incremental technology infrastructure costs relating to dispatch and a records management system and \$0.3 million in reorganization costs.

The City projects that it will make the following investments in fire and EMS services over the next five years beginning in Fiscal Year 2014:

<u>Fiscal Year</u>	<u>Expenditure</u>
2014	\$12.5 million
2015	\$36.8 million
2016	\$24.4 million
2017	\$24.5 million
2018	\$12.5 million

3. General Services

The General Services Department (the "GSD") supports other departments of the City by managing and maintaining much of the City's property including: (a) parks; (b) City-owned, vacant lots; (c) many islands, boulevards and

freeway berms; (d) all municipal facilities; and (e) all City-operated fleet vehicles. The City intends to make the following investments in the GSD totaling \$185.6 million (after savings of \$4.8 million):

- \$60.0 million in additional labor, benefits and training costs to improve service delivery;
- \$65.1 million in materials and supplies to achieve required levels of service, including building supplies (\$20.1 million), fleet maintenance supplies and expenses (\$17.0 million), building and grounds maintenance materials (\$15.0 million) and fuel (\$13.0 million);
- \$46.4 million in facility improvements and repairs including facility upgrades (\$27.7 million) and space consolidation (\$18.7 million);
- \$16.1 million in expenditures to replace or update vehicles and equipment and improve and upgrade parks; and
- \$2.8 million in other expenditures including utilities (\$2.4 million) and reorganization costs (\$0.4 million).

4. Finance

The City's Finance Department manages the financial aspects of City government. The Finance Department consists of the following nine divisions: finance administration, accounting, assessing, debt management, income tax, pensions, purchasing, risk management and treasury. All purchases, payments, payroll, pension administration, risk management and debt management for the City of Detroit government are managed by the Finance Department. The City intends to invest a total of \$143.6 million to improve the services provided by the Finance Department, after a total of \$65.8 million in savings relating to: (a) the purchasing of materials and supplies, including process enhancements and vendor consolidation (\$35.8 million); (b) savings related to improved risk management and workers' compensation processes and claims management (\$18.0 million); and (c) savings due to the implementation of new income tax software (\$7.6 million) and reduction of third party accounting services that will be performed in-house (\$4.4 million). The investments planned by the City consist of the following:

- \$94.6 million in additional labor, benefits and training costs to improve service delivery;
- \$94.8 million in incremental IT costs primarily related to the implementation of (a) a new enterprise resource planning system (\$29.0 million), (b) hardware upgrades (\$12.7 million), (c) data-center back-up services (\$10.9 million), (d) software upgrades (\$10.4 million), (e) new income tax processing software (\$5.6 million), (f) a document management system (\$5.4 million), (g) enhanced security (\$3.8 million), (h) upgrades to the City's workforce management software (\$3.6 million) and (i) other infrastructure (\$4.2 million); and
- \$19.9 million in other expenditures including reorganization costs primarily relating to the implementation of a corrective action plan with respect to the assessing division and a treasury division restructuring project (together, \$19.6 million), grant related utilities expenditures (\$0.2 million) and other expenditures (\$0.1 million).

5. DDOT

The City seeks to minimize its annual General Fund subsidy to DDOT while improving service levels by targeting reinvestment to address the key issues limiting DDOT's revenues, including, as discussed in Section VII.C.7.e, (a) an ongoing failure to maximize grant opportunities; (b) poor maintenance of vehicles and facilities; (c) high employee absenteeism (causing service disruptions) and low employee morale; (d) low fare rates; (e) a lack of adequate security on buses, which has suppressed ridership; and (f) higher-than-average risk management costs (including workers' compensation and related costs). The City also is investigating certain other restructuring alternatives, including transitioning DDOT to the new Regional Transit Authority.

To this end, the City intends to invest primarily in the expansion of transportation services, an increase in the size of the DDOT workforce and the establishment of a dedicated transit security force. These investments total \$46.3 million

including projected savings of approximately \$64.7 million relating to reductions in overtime (\$50.7 million) and workers' compensation liabilities (\$14.0 million), as follows:

- \$59.8 million in labor costs to improve service delivery, including establishing the DDOT security force (\$17.8 million), expanding service (\$15.5 million), retaining an operational consultant to achieve revenue, implementing cost and service improvements (\$5.8 million), and certain related benefits and training costs (\$20.7 million);
- \$40.2 million to expand DDOT's service network; and
- \$10.3 million in capital expenditures arising from non-grant funded facility improvements and upgrades (\$8.0 million), vehicle maintenance and overhauls (\$1.9 million) and equipment for the transit police force (\$0.4 million).

6. Other Reinvestment Initiatives

In addition to the foregoing, the City intends to invest a further \$152.6 million (after savings of \$61.2 million) over the course of the next ten years as follows:

- \$40.3 million toward recreation projects, including park and recreation facility improvements and upgrades (\$34.5 million), emergency repairs required for recreation centers (\$5.0 million) and training of department employees (\$0.8 million);
- \$32.9 million in expenses relating to the Human Resources Department, including the recruiting, hiring and training of additional employees (\$28.2 million), the engagement of a cultural change agent (\$2.4 million), one-time learning-center IT costs and maintenance (\$1.3 million) and capital expenditures related to a training location (\$1.0 million);
- \$27.3 million in investment in Coleman A. Young airport, including capital expenditures relating primarily to executive bay upgrades, new T-hangers, terminal upgrades and a new jet way (\$20.7 million); increased investment in labor, benefits and training (\$5.2 million); additional purchased services including a master plan study of the airport and additional security (\$1.2 million); and additional maintenance costs (\$0.2 million);
- \$22.5 million in investment (after savings of \$1.9 million) in the Planning and Development Department (the "PDD"), including increased labor, training and benefits costs (\$11.5 million), reorganization costs (\$10.2 million) and IT infrastructure investment (\$0.8 million);
- \$16.6 million toward improving the services provided by the Office of the Ombudsperson in responding to complaints against City departments and agencies, including increased labor, training and benefits costs (\$9.0 million) and technology infrastructure investment (\$7.6 million); and
- \$74.1 million in other investments offset by \$59.3 million in aggregate savings (yielding a net investment of negative \$14.9 million) among the City's other departments as follows:
 - Non-Departmental (36th District Court Initiatives) (\$16.9 million in investments relating to technology upgrades, capital expenditures, the addition of certain contract employees and employee training, offset by savings of \$9.8 million relating primarily to headcount reductions);
 - Health and Wellness (\$6.9 million);
 - Labor Relations (\$6.8 million);
 - Board of Ethics/Human Rights (\$5.5 million);
 - Auditor General/Inspector General (\$4.4 million);
 - MPD (\$4.4 million offset by \$0.1 million in savings);
 - Department of Elections (\$2.9 million);
 - Office of the Mayor (\$2.1 million);
 - Administrative Hearings (\$0.6 million);
 - Department of Public Works (\$0.3 million);
 - Board of Zoning Appeals (\$0.2 million);

- Law Department (\$21.4 million in investment relating primarily to the addition of 17 full-time employees offset by \$24.8 million in projected savings associated with reduced legal settlements and reduced outside legal costs);
- City Clerk (\$1.5 million offset by \$2.2 million in savings relating to headcount reductions);
- City Council (\$0.2 million in investments offset by \$3.9 million in savings relating to the transfer of certain contractors to the PDD); and
- BSEED (\$0.5 million in investments offset by \$18.5 million in savings relating primarily to the pay-back of a \$17.7 million General Fund loan made to BSEED).

C. Labor Costs & Terms and Conditions

As part of the City's overall financial restructuring, reductions in costs associated with represented and unrepresented workers will be necessary. The adoption of modifications to wages and work rules similar to those imposed pursuant to the CETs will serve as a baseline position for the City in its union negotiations, although the City may seek (1) cuts/changes beyond those included in the CETs and (2) different language that that used in the CETs.

Key elements of the strategy for making these modifications include the following:

- Collective Bargaining Agreements. Significant modifications to CBAs and labor-related obligations will be necessary to optimize staffing and reduce employment costs. The City currently does not have agreements with the majority of labor unions representing its employees. Instead, most employees are working under the CETs. As part of its restructuring effort, the City will work cooperatively with organized labor to improve existing relationships and, where possible, reach agreements to implement changes in terms and conditions of employment that mirror the changes included in the CETs. The City will attempt to structure all new labor agreements using a common form of agreement that will promote ease of administration and enable a known, measurable basis for cost evaluation and comparison. If it is not possible to reach agreements with labor representatives to restructure employment liabilities, the City will retain the authority to unilaterally implement restructuring initiatives pursuant to the emergency manager powers established under PA 436. Pursuant to Section 13(c) of the Federal Transit Act (the "FTA"), the City is required to engage in collective bargaining with labor unions representing transportation workers and has certain limitations in terms of its rights to make unilateral changes to employment terms including, but not limited to, wages, work rules and benefits (including health benefits and pensions). The City will work within the framework established by the FTA to achieve any labor cost reductions for these workers through collective bargaining. The City's failure to comply with the terms of Section 13(c) of the FTA with respect to these transportation workers' employment terms could result in the loss of hundreds of millions of dollars in Federal transit grants.
- Salaries and Wages. The City must reduce employment costs for both represented and unrepresented workers as part of its restructuring. However, the potential for reductions in wages and salaries must be balanced against likely reductions in benefits and the City's need to attract and retain skilled workers. Both represented and unrepresented City workers have already been subjected to salary and wage reductions; most City workers covered by CETs already have taken 5-10% salary and/or wage reductions. As a result, the City will need to carefully evaluate the utility of any additional reductions. Reductions in non-wage compensation, overtime and premium payments may be achievable. Other areas where the City is evaluating potential cost reductions include: (1) attendance policies; (2) leaves of absence; (3) vacation days; (4) holidays; (5) union reimbursement of City costs associated with paid union time and dues check off; (6) tuition reimbursement and other loan programs; (7) overtime; (8) shift scheduling; (9) shift premiums; (10) creation of new positions (and establishment of wage scale for new positions); and (11) temporary assignments.
- Operational Efficiencies/Work Rules. Significant labor cost reductions may be possible by restructuring jobs and streamlining work rules for both represented and unrepresented workers using the work rule changes implemented pursuant to the CETs as a template. The City will work with labor representatives to make these improvements, including structuring the DPD, DFD, and other groups to improve operating efficiency and effectiveness. Dispute resolution procedures under the City's CBAs will be simplified and expedited to achieve predictability for both sides. Further, the City will attempt to eliminate undesirable practices and assure that these practices cannot be revived through dispute resolution procedures. The City will attempt to restructure CBAs so that employment decisions including promotions, transfers

and assignments will be based upon the quality of the employee (e.g., performance, attendance, experience, skill, ability, etc.) rather than by seniority. The City will attempt to (1) reduce lateral transfers by limiting bumping rights in its CBAs to job classifications that an employee currently holds or held within the prior year and (2) increase flexibility to assign employees to work out of classification. Joint labor management committees, if any, will be patterned in structure and role after the committees included in the State's CBAs.

- Staffing Levels and Headcount. Significant labor cost savings may be achievable by rationalizing staffing levels and reducing employee headcounts. Consolidation of departments and elimination of redundant functions will be implemented where service improvements or cost savings can be achieved. If necessary, the City will retain the right to reduce salary and wage costs by implementing unpaid furlough days. The City will work with labor representatives to minimize the effects of any headcount reductions and enter into effects bargaining agreements in connection with headcount reductions when appropriate.

X.

REVENUE ADJUSTMENTS AND TAX REFORM

As part of its broader restructuring effort, the City seeks to increase tax revenues – and thus strengthen its long-term cash position and its ability to reliably provide adequate municipal services – by implementing certain necessary, strategic reforms involving the assessment and collection of municipal taxes. Such reforms include: (A) expanding the City's tax base; (B) rationalizing nominal tax rates currently assessed by the City; and (C) improving the City's tax collection system to increase collection rates.

A. Expansion of the Tax Base

The City seeks to increase the revenues it receives from personal income taxes by broadening the City's tax base and creating conditions that are likely to foster economic growth. By reducing crime and blight, providing adequate levels of services and rationalizing the City's bureaucratic and tax structures, the City believes that, going forward, it can attract and retain employers – and encourage the growth of local startup ventures – that will expand (or, at a minimum, arrest the shrinkage of) the City's income tax base by providing more jobs, higher wages, or both. Fostering conditions that promote economic growth also could help to expand the City's property tax base by encouraging both new construction and the appreciation in value of existing real estate.

B. Rationalization of Nominal Tax Rates

As discussed in Sections VI.I, VII.A.4 and VII.C.3.c, the City currently is levying taxes at or near the maximum levels permitted by statute. The City believes that the imposition of comparatively high and ever-increasing individual and corporate tax rates, in recent decades, has contributed to the City's population loss, dwindling tax base and overall economic decline. Even if applicable statutes did not prevent the City from increasing tax rates (which they do), the City believes that increasing its already-high tax rates would have a negative impact on the City's revenue going forward and would inhibit efforts to revive economic growth. The City is considering the possibility of lowering selected income and property tax rates to levels that are competitive with surrounding localities in order to reverse the City's population decline, foster job growth and expand the overall tax base. Although tax rate reform likely would cause tax revenues to decrease somewhat in the near term – which decreases may be partially offset by improved collection efforts – the City believes that such reform would encourage long-term growth and anticipates that such reform would be revenue-neutral within a reasonable period of time.

On January 27, 2014, the City announced a major reform in property assessments that will reduce the residential property assessment for the great majority of Detroiters and result in a tax cut ranging from 5 to 20 percent in 2014. The purpose of the property tax reassessment initiative is to make the City more appealing to current and prospective residents. It is based on a comprehensive review of current assessments and actual home sales between October 1, 2011 and September 30, 2013. This review revealed, for example, that, with the exception of some neighborhoods that have maintained their sales value, nearly the entire northwest side of the city was over-assessed by a minimum of 20 percent.

In addition, over the next three to five years, the city intends to conduct individual assessments of single family homes across the City to further improve evaluations. The City anticipates a reduction in property tax revenue of about 13% for Fiscal Year 2015, and the assessment reductions are in line with those estimates. The City projects, however, that fairer assessments will lead to an increase in the number of people paying their property taxes. As discussed in Section X.C, the City also is evaluating strategies to increase property tax collection rates.

C. Increasing Collection Rates

The City is implementing and will continue to implement initiatives designed to (1) identify and collect taxes from individual and business non-filers, (2) improve the collection of past-due taxes and (3) enhance tax collection efforts on a prospective basis.

In an effort to collect taxes from individuals that did not file a tax return between 2006 and 2011, the City has mailed approximately 181,000 letters to individuals as of January 2014. As of January 31, 2014, this collection effort, along with a March 2013 tax amnesty program, has yielded approximately \$3.8 million in additional collections from these non-filers. Additionally, the Income Tax Division is pursuing, likely through a third-party collection agency, the collection of \$42 million in past due income taxes.

Prior to the Petition Date, the City also had commenced the implementation of initiatives designed to enhance tax collection rates going forward. In October 2012, the City created a Tax Compliance & Enforcement Unit for this purpose. In January 2013, the City launched an online registration system for businesses which, among other things, automatically captures employers' W-2 form data, enabling more accurate tracking of income taxes owed to the City.

In 2011, only 53% of City residents and businesses owning taxable property paid property taxes. Approximately \$246.5 million in taxes and fees owed by City residents (of which approximately \$131.0 million was owed to the City itself) went uncollected during Fiscal Year 2011. In addition to the property tax reassessment efforts described in Section X.B, the City continues to explore potential reforms and initiatives specifically designed to increase property tax collection rates. Prior to the Petition Date, the City engaged consultants to conduct two separate reviews of the City's property tax collections system. The City's review of these studies, and its consideration of available reform options, remains ongoing.

Prior to the Petition Date, the City also had commenced the implementation of initiatives designed to enhance tax collection rates going forward. In October 2012, the City created a Tax Compliance & Enforcement Unit for this purpose. In January 2013, the City launched an online registration system for businesses which, among other things, automatically captures employers' W-2 form data, enabling more accurate tracking of income taxes owed to the City. As of the Petition Date, the City also was considering the purchase of a new income tax system and upgrading to a "common form" that would be compatible with such new system and which currently is used by 19 of the 22 Michigan cities that collect income taxes.

As of the Petition Date, the City had commenced efforts to collect on significant past-due invoices and improve invoice-collection procedures going forward. For example, as of the Petition Date, the City was seeking payment of approximately \$50 million in outstanding accounts receivable owed to the BSEED, and approximately \$8 million in past-due permitting, licensing and other fees owed to the City by Wayne County. The City anticipates that necessary upgrades to its IT systems will alleviate bottlenecks that have inhibited the efficient collection of such invoices in recent years. In addition, the City seeks to increase the revenues derived from permits and licenses issued by the City. As of the Petition Date, only 30% of businesses operating within City limits had valid licenses. To increase revenues from licensing and fee collection, the City ceased its practice of waiving certain permit fees, in March 2012, and is considering strategies to identify, and collect fees from, unlicensed businesses.

XI.

PROJECTED FINANCIAL INFORMATION

A. Projections

Attached to this Disclosure Statement as Exhibit I, Exhibit J and Exhibit K are certain financial documents (together, the "Projections"), which provide details regarding the City's projected operations under the Plan, subject to the assumptions set forth below. In particular, the Projections consist of:

- A ten-year summary of restructuring initiatives, attached hereto as Exhibit I
- A ten-year statement of projected cash flows, attached hereto as Exhibit J
- A forty-year statement of projected cash flows, attached hereto as Exhibit K

THE PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE FINANCIAL ACCOUNTING STANDARDS BOARD, THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD OR THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE CITY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM HAS NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROJECTIONS AND, ACCORDINGLY, DOES NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUMES NO RESPONSIBILITY FOR THE PROJECTIONS AND DISCLAIMS ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE CITY DOES NOT PUBLISH PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION. THE CITY DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE OF THIS DISCLOSURE STATEMENT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

WHILE PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT THE CITY BELIEVES ARE REASONABLE (WHICH ASSUMPTIONS ARE DESCRIBED IN FURTHER DETAIL IMMEDIATELY BELOW). THE ESTIMATES AND ASSUMPTIONS MAY NOT BE REALIZED, HOWEVER, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CITY'S CONTROL. NO REPRESENTATIONS CAN BE OR ARE MADE AS TO WHETHER THE ACTUAL RESULTS WILL BE WITHIN THE RANGE SET FORTH IN THE PROJECTIONS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THEREFORE MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

1. Assumptions

The Projections were prepared by the City with the assistance of its professionals to present the anticipated impact of the Plan. The Projections all assume that the Plan will be confirmed before and implemented on the Effective Date in accordance with its stated terms. In addition, the Projections and the Plan are premised upon other assumptions, including the anticipated future performance of the City, general economic and business conditions, no material changes in the laws and regulations applicable to the operation of municipalities such as the City, and other matters largely or completely outside of the City's control. Each of the Projections should be read in conjunction with the significant assumptions, qualifications, and notes set forth in the Disclosure Statement, the Plan, the Plan Supplement, the Projections themselves, the historical financial information for the County contained or referenced herein, and other information submitted to the Bankruptcy Court during the course of the City's chapter 9 case.

(a) Revenue Assumptions

- Municipal Income Tax. Municipal income tax revenues increase over the period of the Projections due to (i) a general improved employment outlook and (ii) anticipated wage inflation. Projected revenues for Fiscal Year 2013 reflect the impact of certain one-time items, including a tax amnesty program and a one-time benefit from an increase in the capital gains tax rate.
- State Revenue Sharing. Projected revenues for state revenue sharing were developed in consultation with the Treasury. These revenues increase due to anticipated higher tax revenue collections and distribution by the State.
- Wagering Tax. The Projections assume that wagering tax revenues will decrease through Fiscal Year 2015 due to competition from other casinos, primarily those in Ohio, before recovering as a result of an improved general economic outlook.
- Sales and Charges for Services. Revenues from sales and charges for services are projected to decline primarily as a result of the transfer of: (i) vital records operations from the City's Department of Health and Wellness Promotion (the "Health & Wellness Department") to Wayne County effective December 2013; and (ii) electricity distribution services from the Public Lighting Department to third party provider.
- Property Tax. The City projects that property tax revenues will continue to decline through Fiscal Year 2020 as a result of ongoing reductions in assessed property values with modest increases beginning in Fiscal Year 2021.
- Utility Users Tax. The Projections assume that utility users tax revenues will decrease from Fiscal Year 2013 as a result of the transfer of lighting operation, service and repair to the PLA and the related allocation of \$12.5 million of utility users tax revenues to the PLA. Inflationary revenue increases have been assumed beginning in Fiscal Year 2017.
- Other Taxes. Inflationary revenue increases have been assumed for all other taxes, beginning in Fiscal Year 2017.
- Parking/Court Fines and Other Revenue. The amounts provided in the Projections for parking and court fines and other revenue are derived from recent trends.
- Grant Revenue. The City projects that grant revenues will decrease as a result of the (i) transition of the Health & Wellness Department to the Institute for Population Health ("IPH") and (ii) expiration of certain public safety grants.
- Licenses, Permits and Inspection Charges. The amount provided in the Projections for licenses, permits and inspection charges is derived primarily from recent trends. The City's projection for Fiscal Year 2013 includes one-time permit and inspection revenues from utility providers.
- Revenue from Use of Assets. The City's projected revenue for Fiscal Year 2014 includes proceeds from sale of Veteran's Memorial Building.
- Street Fund Reimbursement. Street Fund reimbursement from solid waste revenues are projected to decline beginning in Fiscal Year 2015. The solid waste portion of the Street Fund, therefore, would no longer reimburse the General Services Department (a department accounted for in the General Fund) for maintenance costs.
- DDOT Risk Management Reimbursement. The projected revenues for DDOT risk management reimbursement are based on recent trends. No reimbursement is reflected in Fiscal Year 2013 because, as set forth in subsection (b) below, in Fiscal Year 2013, the General Fund made risk management payments from refunding proceeds.

- Parking and Vehicle Fund Reimbursement. Based on recent trends and scheduled debt service for the Vehicle Fund through Fiscal Year 2016 with revenues and associated expenses being offset.
- UTGO Property Tax Millage. The Projections assume treatment consistent with the Plan.
- DWSD Sewer Service Rates. The Projections assume that rates for sewer service provided by DWSD will increase by 4% annually.

(b) Operating Expenditure Assumptions

- Salaries and Wages. The Projections assume a 10% wage reduction for uniformed employees beginning in Fiscal Year 2014 for contracts expiring during Fiscal Year 2013. Headcount is assumed to increase beginning in Fiscal Year 2015 to allow for improved levels of services to City residents. For all employees, 5% wage inflation assumed in Fiscal Year 2015, 0% in Fiscal Year 2016 and 2.5% annually beginning in Fiscal Year 2017, decreasing to 2% annually beginning in Fiscal Year 2020.
- Overtime. The projected future costs of overtime are based upon recent trends.
- Health Benefits (Active Employees). The projected cost of health benefits for active employees is based upon the health care plan designs being offered for 2014 enrollment and assumes an average rate of health care inflation of 5.6%.
- Other Employment Benefits. The City has calculated the Projections for other employment benefits separately by specific benefit based upon recent trends.
- Professional and Contractual Services. The Projections assume a decrease in costs incurred for professional and contractual services beginning Fiscal Year 2014 primarily due to the transition of the Health & Wellness Department to IPH. Cost inflation in the amount of 1.0% has been assumed beginning in Fiscal Year 2015.
- Materials and Supplies. The Projections provide for decreases in expenditures beginning in Fiscal Year 2015 due to the transition of the PLD distribution business to third party provider. Cost inflation of 1.0% has been assumed beginning in Fiscal Year 2015.
- Utilities. The City's projected utility cost is based on recent trends and assumes cost inflation of 1.0% beginning in Fiscal Year 2015. Average cost inflation of 3.5% has been assumed for water and sewer rates beginning in Fiscal Year 2015.
- Purchased Services. The Projections assume increased costs beginning in Fiscal Year 2014 due to prisoner pre-arraignment function costs and beginning in Fiscal Year 2015 as a result of increased costs of payroll processing management. In addition, cost inflation of 1.0% has been assumed beginning in Fiscal Year 2015.
- Risk Management and Insurance. Cost inflation of 1.0% has been assumed beginning in Fiscal Year 2015.
- Maintenance Capital (Current Run Rate). Fiscal Year 2013 includes one-time capital outlays. Cost inflation of 1.0% has been assumed beginning in Fiscal Year 2015.
- Other Expenses. Cost inflation of 1.0% has been assumed beginning in Fiscal Year 2015 with respect to certain costs.
- Contributions to Non-Enterprise Funds. Assumed contributions are projected to increase in Fiscal Years 2015 and 2016 primarily due to scheduled vehicle fund debt service. In addition, contributions for the operations of PLA begin in Fiscal Year 2015.
- DDOT Subsidy. The General Fund's subsidy to DDOT is projected to increase primarily due to personnel and operating cost inflation. A one-time contribution to the General Fund of \$16 million has been

included for Fiscal Year 2012. The costs for Fiscal Year 2013 exclude a risk management payment, made from refunding proceeds.

- Grant Related Expenses. Projected grant expenses have been captured within the specific expense line items.

(c) Legacy Expenditure Assumptions

- Debt Service. The Projections assume treatment consistent with the Plan.
- COP and Swap Service. The Projections assume treatment consistent with the Plan.
- Pension Contributions. The Projections assume treatment consistent with the Plan.
- Health Benefits (Retirees). The Projections assume treatment consistent with the Plan.

XII.

FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN

Circular 230 Disclosure: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, EACH HOLDER OF A CLAIM IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER OF A CLAIM FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "IRC"); (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE CONFIRMATION OF THE PLAN TO WHICH THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT ARE ANCILLARY; AND (C) ANY HOLDER OF A CLAIM SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A DESCRIPTION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO HOLDERS OF CERTAIN CLAIMS IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE IRC, TREASURY REGULATIONS, JUDICIAL DECISIONS AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT AND ALL SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION COULD CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. NO RULING HAS BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE (THE "IRS"); NO OPINION HAS BEEN REQUESTED FROM THE CITY'S COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THE DESCRIPTION THAT FOLLOWS DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, PASS-THROUGH ENTITIES AND INVESTORS THEREIN, TAX-EXEMPT ORGANIZATIONS, PERSONS SUBJECT TO THE ALTERNATIVE MINIMUM TAX AND NON-U.S. TAXPAYERS. IN ADDITION, THE DESCRIPTION DOES NOT DISCUSS STATE, LOCAL OR NON-U.S. INCOME OR OTHER TAX CONSEQUENCES (INCLUDING ESTATE OR GIFT TAX CONSEQUENCES).

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

The federal income tax consequences of the Plan to a Holder of a Claim will depend, in part, on the nature of the Claim, what type of consideration was received in exchange for the Claim, whether the Holder reports income on the accrual or cash basis, whether the Holder has taken a bad debt deduction or worthless security deduction with respect to the Claim and whether the Holder receives Distributions under the Plan in more than one taxable year.

A. Exchange of Property Differing Materially in Kind or Extent, Generally

An exchange of property for other property differing materially either in kind or extent generally is considered a taxable exchange for U.S. federal income tax purposes, and the holder of such property generally will realize gain or loss on such exchange for U.S. federal income tax purposes. In the case of an exchange of a new debt instrument for an existing debt instrument, such an exchange is considered to be an exchange of property differing materially in kind or extent if the terms of the new debt instrument are considered to be a "significant modification" of the terms of the existing debt instrument.

Various changes in the terms of a debt instrument can constitute a "modification" of the terms of an existing debt instrument for U.S. federal income tax purposes, such as a change in the amount or yield of the instrument, a change in the

term of the instrument, a change in the obligor of the instrument, a change in the security or credit enhancement of the instrument or a change in the nature of the instrument. A modification may be considered to be "significant" for U.S. federal income tax purposes if, based on all the facts and circumstances, the legal rights or obligations that are altered and the degree to which they are altered are economically significant. When making such a determination, all modifications to the debt instrument generally are considered collectively, subject to certain exclusions.

A change in the yield of a debt instrument is considered to be a significant modification of the debt instrument if the yield of the modified instrument, as computed in accordance with the Treasury Regulations, varies from the annual yield of the unmodified instrument by more than the greater of one quarter of one percent or five percent of the annual yield of the unmodified instrument. A change in the timing of payments of a debt instrument, including an extension of the final maturity date, may be considered a significant modification if it results in a material deferral of scheduled payments under the relevant facts and circumstances. A deferral of one or more scheduled payments will not be considered material if the payment is deferred no longer than the lesser of five years or fifty percent of the original term of the debt instrument. A substitution of a new obligor on a recourse obligation generally is considered a significant modification, but in the case of a tax-exempt bond, such a substitution is not a significant modification if the old and new obligors are both governmental units, agencies or instrumentalities that derive their powers, rights and duties in whole or part from the same sovereign authority (such as a state), and if the collateral securing the instrument continues to include the original collateral. The substitution of a new obligor on a nonrecourse debt instrument is not a significant modification. A change in the security or credit enhancement of a recourse debt instrument that releases, substitutes, adds or otherwise alters the collateral for, a guarantee on, or other form of credit enhancement is a significant modification if it results in a change in payment expectations from adequate to primarily speculative, or from primarily speculative to adequate. A change in the security or credit enhancement of a nonrecourse debt instrument generally is a significant modification if it releases, substitutes, adds or otherwise alters the collateral for, a guarantee on, or other form of credit enhancement, unless the collateral is fungible. A change in the nature of an instrument, from recourse (or substantially all recourse) to nonrecourse (or substantially all nonrecourse), or from nonrecourse (or substantially all nonrecourse) to recourse (or substantially all recourse), is generally a significant modification. Likewise, a change in the nature of an instrument that results in an instrument or property right that is not debt for U.S. federal income tax purposes is a significant modification. Other changes to an instrument, such as a change in the status of the debt instrument from being a tax-exempt obligation to a taxable obligation, may be considered to be a material modification if such a change is considered to be economically significant.

Holders of Claims are urged to consult their tax advisors regarding the application of the above rules to any Distributions they may receive pursuant to the Plan.

B. Treatment of Claim Holders Receiving Distributions Under the Plan

1. Holders Whose Existing Bonds or Other Debt Obligations Will Be Exchanged for Property Including New Securities

The U.S. federal income tax treatment of Holders who hold Claims with respect to existing Bonds or other debt obligations and who receive Distributions of property, including New Securities, pursuant to the Plan (which may include Holders of the DWSD Bonds, Holders of COP Claims, Holders of Limited Tax General Obligation Bonds, Holders of Unlimited Tax General Obligation Bonds, and, to the extent such Claims are for existing Bonds or other debt obligations, Holders of Unsecured Claims) will depend upon whether the terms of the New Securities, if any, received differ materially in kind or extent from the terms of the existing Bonds or other debt obligations relinquished by such Holder pursuant to the Plan, as discussed above under "Exchange of Property Differing Materially in Kind or Extent, Generally." If the terms of such New Securities do not differ materially from the terms of the existing Bonds or other debt obligations relinquished, then the U.S. federal income tax consequences should be as described below under "Holders of Allowed Claims Receiving New Securities that are Not Materially Different." If the terms of such New Securities differ materially from the terms of the Claims relinquished, and/or if the Holders receive cash or other property in respect of their Claims, then the U.S. federal income tax consequences should be as described below under "Holders of Allowed Claims Receiving Cash, Other Property or New Debt Securities with Materially Different Terms."

It is anticipated that interest on the New DWSD Bonds and the New Existing Rate DWSD Bonds will be tax-exempt for U.S. federal income tax purposes. The City intends to seek opinions of nationally recognized bond counsel addressing the tax status of the interest payable on the New DWSD Bonds and the New Existing Rate DWSD Bonds, which are expected to be delivered with such bonds on the Effective Date. Recipients of such bonds should refer to such opinions for more information as to the tax status of the interest payable on such bonds.

As of the date of this Disclosure Statement, it is not known whether interest on any New Securities other than the New DWSD Bonds or the New Existing Rate DWSD Bonds will be taxable or tax-exempt for U.S. federal income tax purposes.

Holders of Claims are urged to consult their tax advisors regarding whether the terms of any New Securities received pursuant to the Plan differ materially from the terms of any Claims relinquished pursuant to the Plan.

(a) Holders of Allowed Claims Receiving New Securities that are Not Materially Different

A Holder of an Allowed Claim who receives New Securities that are not materially different in kind or extent from the Claims for existing Bonds relinquished by such Holder pursuant to the Plan, generally should not recognize gain, loss or other taxable income for U.S. federal income tax purposes upon the receipt of such New Securities in exchange for their Claims under the Plan. Such Holder's holding period for the New Securities will include its holding period for the Claims exchanged therefor, and such Holder's basis in the New Securities will be the same as its basis in the Claims immediately before the exchange.

Taxable income, however, may be recognized by those Holders for U.S. federal income tax purposes if such Holders are considered to receive interest, damages or other income in connection with the exchange, as described in "Holders of Allowed Claims Receiving Cash, Other Property or New Debt Securities with Materially Different Terms," below.

(b) Holders of Allowed Claims Receiving Cash, Other Property or New Debt Securities with Materially Different Terms

A Holder of an Allowed Claim who receives cash, other property or New Securities that are treated as debt for U.S. federal income tax purposes ("New Debt Securities") with materially different terms from the Claims relinquished by such Holder pursuant to the Plan, in exchange for such Holder's Claim, would recognize gain or loss in an amount equal to the difference between (i) the amount realized under the Plan in respect of its Claim, which will generally equal (A) the amount of any cash received, plus (B) the fair market value of any property received (including any New Securities that are not treated as debt for U.S. federal income tax purposes) and (C) the issue price of any New Debt Security received by the Holder with respect to its Claim and (ii) the Holder's adjusted tax basis, if any, in its Allowed Claim.

As a general matter, the "issue price" of a New Debt Security should equal its fair market value, if treated as "publicly traded" within the meaning of the IRC and applicable Treasury Regulations, or, if the New Debt Securities are not publicly traded, but the existing Bonds are publicly traded, the fair market value of the existing Bond as of the day immediately prior to the effective date of the Plan. Debt instruments generally will be treated as "publicly traded" if they are traded on an established securities market or if certain firm or indicative price quotes are available for such debt instruments, or if other conditions are satisfied. If neither the existing Bonds nor the New Debt Securities are considered to be publicly traded, the issue price of the New Debt Securities will equal their stated principal amount.

In addition, the New Debt Securities may be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes in an amount equal to the excess of their stated principal amount over their "issue price" (subject to a *de minimis* exception). A Holder of a New Debt Security that is not a tax-exempt bond generally will be required to include any OID in gross income as it accrues over the term of the New Debt Securities based on a constant yield to maturity method, regardless of the U.S. Holder's method of tax accounting. However, if the Holder's basis in the New Debt Security equals or exceeds the issue price of the New Security, the amount of OID that has to be included in income may be reduced or eliminated. As a result, the Holder generally will include OID that is not otherwise offset on such taxable New Debt Securities in gross income in advance of the receipt of cash payments attributable to that income.

The tax basis of a New Debt Security received in the hands of a Holder will be equal to the "issue price" of the New Debt Security received in the exchange. The holding period of the New Debt Security will commence on the day after the exchange date and it will not include the U.S. Holder's holding period of the existing Bond deemed surrendered in the exchange.

Any gain or loss recognized would be capital or ordinary, depending on the status of the Claim in the Holder's hands, including whether the Claim constitutes a market discount bond in the Holder's hands. Generally, any gain or loss recognized by a Holder of a Claim would be a long-term capital gain if the Claim is a capital asset in the hands of the Holder and the Holder has held such Claim for more than one year, unless the Holder had previously claimed a bad debt or

worthless securities deduction or the Holder had accrued market discount, which is generally treated as ordinary income, with respect to such Claim. If the Holder realizes a capital loss, the Holder's deduction for the loss may be subject to limitation.

2. PFRS Pension Claims and GRS Pension Claims

Holders of PFRS Pension Claims and Holders of GRS Pension Claims who receive any PFRS Adjusted Pension Amount, PFRS Restoration Payment, GRS Adjusted Pension Amount, GRS Restoration Payment or other future benefit payments, including payments under the New GRS Active Pension Plan or the New PFRS Active Pension Plan, as applicable, generally will recognize taxable, ordinary income to the extent of such amounts received, which amounts may be treated as compensation income to them, depending on the nature of the Claims and the payments received.

3. COP Swap Claims

Holders of COP Swap Claims who are deemed to receive the Distribution Amount with respect to their COP Swap Claims pursuant to the Plan, as well as any interest or deferral fee received with respect to any Net Amount, will recognize taxable income to the extent of such amounts received or deemed received, to the extent not previously included in income.

C. Certain Other Tax Considerations for Holders of Claims

1. Accrued but Unpaid Interest

In general, a Claim Holder that was not previously required to include in taxable income any accrued but unpaid interest on a Claim that is not a tax-exempt Bond may be required to take such amount into income as taxable interest for U.S. federal income tax purposes upon receipt of a Distribution with respect to such interest. A Claim Holder that was previously required to include in taxable income any accrued but unpaid interest on the Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Plan. The Plan provides that, to the extent applicable, all Distributions to a Holder of an Allowed Claim will apply first to the principal amount of such Claim until such principal amount is paid in full and then to any applicable accrued interest included in such Claim to the extent that interest is payable under the Plan. There is no assurance, however, that the IRS will respect this treatment and will not determine that all or a portion of amounts distributed to such Holder and attributable to principal under the Plan is properly allocable to interest. Each Holder of a Claim on which interest has accrued is urged to consult its tax advisor regarding the tax treatment of Distributions under the Plan and the deductibility of any accrued but unpaid interest for U.S. federal income tax purposes.

2. Post-Effective Date Distributions

Holders of Claims may receive Distributions of Cash or property, including New Securities, subsequent to the Effective Date. The imputed interest provisions of the IRC may apply to treat a portion of any post-Effective Date distribution as imputed interest for U.S. federal income tax purposes. Imputed interest may, with respect to certain Holders, accrue over time using the constant interest method, in which event the Holder may, under some circumstances, be required to include imputed interest in income prior to receipt of a Distribution.

In addition, because additional Distributions may be made to Holders of Claims after the initial Distribution, any loss and a portion of any gain realized by a Holder may be deferred until the Holder has received its final Distribution. All Holders are urged to consult their tax advisors regarding the possible application of, or ability to elect out of, the "installment method" of reporting gain that may be recognized in respect of a Claim.

3. Bad Debt and/or Worthless Securities Deduction

A Holder who, under the Plan, receives in respect of an Allowed Claim an amount less than the Holder's tax basis in the Allowed Claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under section 166(a) of the IRC or a worthless securities deduction under section 165(g) of the IRC. The rules governing the character, timing and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the Holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

4. Information Reporting and Backup Withholding

All Distributions under the Plan will be subject to applicable U.S. federal income tax reporting and withholding. The IRC imposes "backup withholding" (currently at a rate of 28%) on certain "reportable" payments to certain taxpayers, including payments of interest. Under the IRC's backup withholding rules, a Holder of a Claim may be subject to backup withholding with respect to Distributions or payments made pursuant to the Plan, unless the Holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the taxpayer is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional federal income tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of income tax. A Holder of a Claim may be required to establish an exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

5. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX OR LEGAL ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XIII.

APPLICABILITY OF CERTAIN FEDERAL AND STATE SECURITIES LAWS

A. General

1. Registration Of Securities

In general, securities issued by the City, such as the New Securities are exempt from the registration requirements of the Securities Act under section 3(a)(2) of the Securities Act.

In addition to exemptions provided to local governments such as the City under the Securities Act, section 1145(a)(1) of the Bankruptcy Code provides an exemption to all kinds of debtors from the registration requirements of the Securities Act and from any requirements arising under state securities laws in conjunction with the offer or sale of securities of the debtor under a plan of adjustment where such securities are issued to a creditor of the debtor. The Bankruptcy code provides that certain creditors, which are deemed "underwriters" within the meaning of the Bankruptcy Code, may not resell obligations of a debtor, which they receive pursuant to a plan of adjustment without registration. Since obligations of the City are exempt from registration under generally applicable securities law, this exception is not relevant to securities of the City, although the provisions of section 1145 of the Bankruptcy Code which suspend the operation of securities laws may not be available to "underwriters" within the meaning of the Bankruptcy Code. Creditors of the City who believe they meet the definition of "underwriter" within the meaning of the Bankruptcy Code should consult qualified counsel with respect to their obligations under relevant federal and state securities laws.

Because the Exit Facility is not being issued directly to the creditors of the City in connection with the Plan, but will be publically offered, the City intends to rely on generally applicable securities law exemptions for the offering and sale of the Exit Facility. The City does not expect to offer the Exit Facility in states where registration of City securities may be required by the applicable state securities law, unless first registered. The New Securities issued under the Plan of Adjustment will also be exempt from registration under federal or state securities law to the maximum extent provided under section 1145 of the Bankruptcy Code. The remainder of the City's publicly traded securities will not be exchanged, reoffered or refinanced by the Plan, and therefore, the City does not expect implementation of the Plan to implicate federal securities laws with respect to those obligations. Holders of the City's publicly traded securities not specifically mentioned in this paragraph should consult with qualified counsel to determine if any state securities laws may be implicated in connection with the Plan.

Like the exemption from registration provided by the City under section 3(a)(2) of the Securities Act, generally applicable securities laws provide an exemption from qualification for certain trust indentures entered into by governmental entities. Therefore, each trust indenture, ordinance and resolution relating to DWSD Bonds or the Bonds will be exempt from qualification under section 304(a)(4) of the Trust Indenture Act.

2. Market Disclosure

(a) Initial Offer and Sale

Although exempt from registration, securities issued by the City are subject to the anti-fraud provisions of federal securities laws. Section 10(b) of the Securities Act and Rule 10b-5 promulgated by the SEC under the Securities Act generally prohibit fraud in the purchase and sale of securities. Therefore, each publicly offered sale of City obligations typically is accompanied by an offering document that is referred to as an "Official Statement" and contains disclosure of material information regarding the issuer and the securities being sold so that investors may make an informed investment decisions as to whether to purchase the securities being offered. Section 1125(d) of the Bankruptcy Code provides that the adequacy of any disclosure to creditors and hypothetical investors typical of Holders of Claims in this case is not subject to principals of any otherwise applicable non-bankruptcy law, rule or regulation, which includes federal securities laws. Instead, section 1124(d) of the Bankruptcy Code provides disclosure regulation by requiring that adequate information be provided to the various classes of creditors of the City and to hypothetical investors in obligations of the City through a disclosure statement such as this.

However, as described in the Plan, the City will issue bonds pursuant to the Exit Facility. In connection with the sale of the Exit Facility bonds in a public offering, the City will prepare an Official Statement

(b) Continuing Disclosure

Publicly offered securities of the City generally are subject to the requirements of Rule 15c2-12 (the "Rule"), promulgated by the SEC under the Securities Act, unless such securities meet certain exemptions provided for in the Rule. Among other requirements, the Rule requires underwriters participating in an offering to obtain an agreement imposing ongoing market disclosure requirements upon an issuer of municipal securities, such as the City. The Rule will apply to the issuance and sale of the Exit Facility by the City, and the City intends to comply with the Rule by delivering a continuing disclosure undertaking in customary form contemporaneously with the delivery of the Exit Facility.

The delivery of the New Securities pursuant to the Plan is not covered by the Rule because the New Securities are proposed to be issued in exchange for a claimholder's Claim without the involvement of an underwriter as defined in the Rule. However, the City intends to voluntarily execute and deliver for the benefit of Holders of the New Securities, a new continuing Disclosure Undertaking containing certain disclosure obligations to be delivered on the Plan of Adjustment Effective Date.

State securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for the owner's own account and subsequent transfers to institutional or accredited investors. Such exemptions generally are expected to be available for subsequent transfers of the New Securities.

XIV.

ADDITIONAL INFORMATION

Any statements in this Disclosure Statement concerning the provisions of any document are not necessarily complete, and in each instance reference is made to such document for the full text thereof. Certain documents described or referred to in this Disclosure Statement have not been attached as Exhibits because of the impracticability of furnishing copies of these documents to all recipients of this Disclosure Statement. All Exhibits to the Plan will be Filed with the Bankruptcy Court and available for review, free of charge, on the Document Website at <http://www.kccllc.net/detroit> prior to the Voting Deadline. Copies of all Exhibits to the Plan also may be obtained, free of charge, by contacting the Solicitation and Tabulation Agent (A) by telephone (1) for U.S. and Canadian callers toll-free at 877-298-6236 and (2) for international callers at +1 310-751-2658; or (B) in writing at City of Detroit c/o Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, California 90245. All parties entitled to vote on the Plan are encouraged to obtain and review all Exhibits to the Plan prior to casting their vote.

XV.

RECOMMENDATION AND CONCLUSION

The City believes that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the City urges all parties entitled to vote to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received on or before the Voting Deadline.

Dated: May 5, 2014

Respectfully submitted,

City of Detroit, Michigan

By: /s/ Kevyn D. Orr

Name: Kevyn D. Orr

Title: Emergency Manager

COUNSEL:

/s/ David G. Heiman

David G. Heiman
Heather Lennox
Thomas A. Wilson
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243 2382
Facsimile: (213) 243 2539

Jonathan S. Green
Stephen S. LaPlante
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

ATTORNEYS FOR THE DEBTOR

EXHIBIT A

PLAN OF ADJUSTMENT

THE BANKRUPTCY COURT HAS NOT APPROVED THE PROPOSED DISCLOSURE STATEMENT TO ACCOMPANY THIS PLAN. THE DISTRIBUTION OF THIS PLAN AND THE DISCLOSURE STATEMENT IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, A SOLICITATION OF VOTES ON THIS PLAN. THE CITY OF DETROIT, MICHIGAN RESERVES THE RIGHT TO MODIFY, AMEND, SUPPLEMENT, RESTATE OR WITHDRAW THIS PLAN, THE DISCLOSURE STATEMENT AND ALL ANCILLARY DOCUMENTS AT ANY TIME.

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

-----	X	
	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----	X	

FOURTH AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT
(May 5, 2014)

DAVID G. HEIMAN
HEATHER LENNOX
THOMAS A. WILSON
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
tawilson@jonesday.com

BRUCE BENNETT
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 489-3939
Facsimile: (213) 243-2539
bbennett@jonesday.com

JONATHAN S. GREEN
STEPHEN S. LAPLANTE
MILLER, CANFIELD,
PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE DEBTOR

TABLE OF CONTENTS

ARTICLE I DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME	1
A. Defined Terms.	1
B. Rules of Interpretation and Computation of Time.	24
1. Rules of Interpretation.	24
2. Computation of Time.	24
ARTICLE II CLASSIFICATION OF CLAIMS; CRAMDOWN; EXECUTORY CONTRACTS AND UNEXPIRED LEASES	24
A. Unclassified Claims.	25
1. Payment of Administrative Claims.	25
2. Bar Dates for Administrative Claims.	25
B. Classified Claims.	26
1. Designation of Classes.	26
2. Subordination; Reservation of Rights to Reclassify Claims.	27
3. Treatment of Claims.	27
C. Confirmation Without Acceptance by All Impaired Classes	37
D. Treatment of Executory Contracts and Unexpired Leases	37
1. Assumption.	37
2. Assumption of Ancillary Agreements.	37
3. Approval of Assumptions and Assignments.	37
4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases	38
5. Contracts and Leases Entered Into After the Petition Date.	38
6. Rejection of Executory Contracts and Unexpired Leases.	38
7. Rejection Damages Bar Date.	38
8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.	39
9. Insurance Policies.	39
ARTICLE III CONFIRMATION OF THE PLAN	39
A. Conditions Precedent to the Effective Date.	39
B. Waiver of Conditions to the Effective Date.	40
C. Effect of Nonoccurrence of Conditions to the Effective Date.	40
D. Effect of Confirmation of the Plan.	40
1. Dissolution of Retiree Committee.	40
2. Preservation of Rights of Action by the City.	40
3. Comprehensive Settlement of Claims and Controversies.	41
4. Discharge of Claims.	41

5.	Injunction	41
6.	Exculpation	42
7.	Releases	43
E.	No Diminution of State Power	43
F.	Effectiveness of the Plan	44
G.	Binding Effect of Plan	44
ARTICLE IV MEANS FOR IMPLEMENTATION OF THE PLAN		44
A.	DWSD	44
1.	Rates and Revenues	44
2.	DWSD CBAs	44
3.	The New DWSD Bonds and New Existing Rate DWSD Bonds	44
B.	The New B Notes	44
C.	The Plan COP Settlement	45
D.	The UTGO Settlement	45
E.	The State Contribution Agreement	45
1.	State Contribution	45
2.	Income Stabilization Payments	45
3.	Conditions to State's Participation	46
4.	Release of Claims Against the State and State Related Entities	46
F.	The DIA Settlement	46
1.	Funding Contributions	46
2.	Transfer of DIA Assets	47
3.	Conditions to the Foundations' Participation	47
G.	Contingent Payment Rights	47
1.	Special Restoration	47
2.	General Restoration	48
H.	The OPEB Settlement	48
I.	Issuance of the New Securities	48
J.	Cancellation of Existing Bonds and Bond Documents	48
K.	Release of Liens	49
L.	Professional Fee Reserve	49
M.	Assumption of Indemnification Obligations	49
N.	Incorporation of Retiree Health Care Settlement Agreement	49
O.	Payment of Workers' Compensation Claims	49
P.	Payment of Certain Claims Relating to the Operation of City Motor Vehicles	50
Q.	Payment of Tax Refund Claims	50
R.	Utility Deposits	50

S.	Pass-Through Obligations.....	50
T.	Exit Facility.....	50
U.	Post-Effective Date Governance.....	51
ARTICLE V PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN.....		51
A.	Appointment of Disbursing Agent.....	51
B.	Distributions on Account of Allowed Claims.....	51
C.	Certain Claims to Be Expunged.....	51
D.	Record Date for Distributions; Exception for Bond Claims.....	51
E.	Means of Cash Payments.....	52
F.	Selection of Distribution Dates for Allowed Claims.....	52
G.	Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.....	52
H.	City's Rights of Setoff Preserved.....	52
I.	Delivery of Distributions and Undeliverable or Unclaimed Distributions.....	52
1.	Delivery of Distributions Generally.....	52
2.	Delivery of Distributions on Account of Bond Claims.....	52
3.	De Minimis Distributions / No Fractional New Securities.....	53
4.	Undeliverable or Unclaimed Distributions.....	53
5.	Time Bar to Cash Payment Rights.....	53
J.	Other Provisions Applicable to Distributions in All Classes.....	53
1.	No Postpetition Interest.....	53
2.	Compliance with Tax Requirements.....	54
3.	Allocation of Distributions.....	54
4.	Surrender of Instruments.....	54
ARTICLE VI PROCEDURES FOR RESOLVING DISPUTED CLAIMS.....		55
A.	Treatment of Disputed Claims.....	55
1.	General.....	55
2.	ADR Procedures.....	55
3.	Tort Claims.....	55
B.	Disputed Claims Reserve.....	56
C.	Objections to Claims.....	56
1.	Authority to Prosecute, Settle and Compromise.....	56
2.	Application of Bankruptcy Rules.....	56
3.	Expungement or Adjustment of Claims Without Objection.....	56
4.	Extension of Claims Objection Bar Date.....	56
5.	Authority to Amend List of Creditors.....	56
ARTICLE VII RETENTION OF JURISDICTION.....		57

ARTICLE VIII MISCELLANEOUS PROVISIONS	58
A. Modification of the Plan.	58
B. Revocation of the Plan.	58
C. Disclosure of Amounts to Be Paid for Chapter 9 Case Services.....	58
D. Severability of Plan Provisions.	58
E. Effectuating Documents and Transactions.....	59
F. Successors and Assigns.....	59
G. Plan Controls.....	59
H. Notice of the Effective Date.....	59
I. Governing Law.	59
J. Request for Waiver of Automatic Stay of Confirmation Order.	59
K. Term of Existing Injunctions and Stays.	59
L. Service of Documents	60
1. The City	60
2. The Retiree Committee.....	60

TABLE OF EXHIBITS

Exhibit I.A.61	Schedule of COP Swap Agreements
Exhibit I.A.78	Form of Detroit General VEBA Trust Agreement
Exhibit I.A.82	Form of Detroit Police and Fire VEBA Trust Agreement
Exhibit I.A.91	Principal Terms of DIA Settlement
Exhibit I.A.92	Form of DIA Settlement Documents
Exhibit I.A.110	Schedule of DWSD Bond Documents & Related DWSD Bonds
Exhibit I.A.117	Schedule of DWSD Revolving Sewer Bond Documents & Related DWSD Revolving Sewer Bonds
Exhibit I.A.120	Schedule of DWSD Revolving Water Bond Documents & Related DWSD Revolving Water Bonds
Exhibit I.A.135	Principal Terms of Exit Facility
Exhibit I.A.159	Schedule of HUD Installment Note Documents & Related HUD Installment Notes
Exhibit I.A.168	Interest Rate Reset Chart
Exhibit I.A.173	Schedule of Limited Tax General Obligation Bond Documents & Related Limited Tax General Obligation Bonds
Exhibit I.A.183	Principal Terms of New B Notes
Exhibit I.A.184	Form of New B Notes Documents
Exhibit I.A.186	Principal Terms of New DWSD Bonds
Exhibit I.A.188	Principal Terms of New Existing Rate DWSD Bonds
Exhibit I.A.189.a	Form of New GRS Active Pension Plan
Exhibit I.A.189.b	Principal Terms of New GRS Active Pension Plan
Exhibit I.A.191.a	Form of New PFRS Active Pension Plan
Exhibit I.A.191.b	Principal Terms of New PFRS Active Pension Plan
Exhibit I.A.214	Form of Plan COP Settlement Documents
Exhibit I.A.220	Prior GRS Pension Plan
Exhibit I.A.221	Prior PFRS Pension Plan
Exhibit I.A.236	Retiree Health Care Settlement Agreement
Exhibit I.A.244	Schedule of Secured GO Bond Documents

Exhibit I.A.268	State Contribution Agreement
Exhibit I.A.279	Schedule of Unlimited Tax General Obligation Bond Documents & Related Unlimited Tax General Obligation Bonds
Exhibit I.A.285	Principal Terms of UTGO Settlement
Exhibit II.B.3.q.ii.A	Schedule of Payments and Sources of Payments for Modified PFRS Pension Benefits
Exhibit II.B.3.q.ii.C	Terms of PFRS Pension Restoration
Exhibit II.B.3.r.ii.A	Schedule of Payments and Sources of Payments for Modified GRS Pension Benefits
Exhibit II.B.3.r.ii.C	Terms of GRS Pension Restoration
Exhibit II.D.5	Schedule of Postpetition Collective Bargaining Agreements
Exhibit II.D.6	Executory Contracts and Unexpired Leases to Be Rejected
Exhibit III.D.2	Retained Causes of Action

INTRODUCTION

The City of Detroit proposes the following plan for the adjustment of its debts pursuant to and in accordance with chapter 9 of the Bankruptcy Code.

A discussion of the City's organizational structure, operations, capital structure and events leading to the commencement of the City's Chapter 9 Case, as well as a summary and description of the Plan, risk factors and other related matters, is included in the Disclosure Statement. Retirees of the City will receive a supplement summarizing important information relevant to their entitlement to benefits (the "Retiree Supplement"). Other agreements and documents, which have been or will be Filed with the Bankruptcy Court, are referenced in the Plan or the Disclosure Statement and are available for review.

The City encourages all of its creditors to read the Plan, the Disclosure Statement and the other material that has been approved for use in soliciting votes on the Plan and encourages holders of claims for pensions and other post-employment benefits to read the Retiree Supplement and to consider the information included on the Ballot before casting a vote to accept or reject the Plan and before choosing among available treatment options.

ARTICLE I

DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME

A. Defined Terms.

Capitalized terms used in the Plan have the meanings set forth in this Section I.A. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules.

1. "2005 COPs" means, collectively, the Detroit Retirement Systems Funding Trust 2005 Certificates of Participation Series 2005-A, issued by the Detroit Retirement Systems Funding Trust 2005 pursuant to the 2005 COPs Agreement, in an initial principal amount of \$640 million, bearing interest at 4.0% to 4.948%.

2. "2005 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 2, 2005, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

3. "2006 COPs" means, collectively, the (a) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-A, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$148.5 million, bearing interest at 5.989%; and (b) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-B, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$800 million, bearing interest at a floating rate.

4. "2006 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 12, 2006, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

5. "36th District Court" means the district court for the thirty-sixth judicial district of the State.

6. "Active Employee" means an active employee of the City on and after the Confirmation Date.

7. "Actual Return" means, for each Fiscal Year during the period beginning July 1, 2003 and ending June 30, 2013, the actual net return percentage on invested GRS assets for that Fiscal Year; provided that, if the actual net return percentage on invested GRS assets for any given Fiscal Year is greater than 7.9%, the Actual

Return for that Fiscal Year shall be 7.9%, and if the actual net return percentage on invested GRS assets for any given Fiscal Year is less than 0.0%, the Actual Return for that Fiscal Year shall be 0.0%.

8. "Adjusted Pension Amount" means the GRS Adjusted Pension Amount and/or the PFRS Adjusted Pension Amount, as applicable.

9. "Administrative Claim" means a Claim against the City arising on or after the Petition Date and prior to the Effective Date for a cost or expense of administration related to the Chapter 9 Case that is entitled to priority or superpriority under sections 364(c)(1), 503(b) or 507(b)(2) of the Bankruptcy Code, including (a) Claims, pursuant to section 503(b)(9) of the Bankruptcy Code, for the value of goods received by the City in the 20 days immediately prior to the Petition Date and sold to the City in the ordinary course of the City's operations and (b) any Allowed Claims for reclamation under section 546(c)(1) of the Bankruptcy Code and/or section 2-702 of the Uniform Commercial Code; provided that no claim for professional fees or any other costs or expenses incurred by any official or unofficial creditors' committee (other than the Retiree Committee) or any member thereof shall be considered an Administrative Claim.

10. "ADR Injunction" means the injunction set forth at Section I.B of the ADR Procedures.

11. "ADR Procedures" means the alternative dispute resolution procedures approved by the ADR Procedures Order, as such procedures may be modified by further order of the Bankruptcy Court.

12. "ADR Procedures Order" means the Order, Pursuant to Sections 105 and 502 of the Bankruptcy Code, Approving Alternative Dispute Resolution Procedures to Promote the Liquidation of Certain Prepetition Claims (Docket No. 2302), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on December 24, 2013, as it may be subsequently amended, supplemented or otherwise modified.

13. "Affiliate" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

14. "Allowed Claim(s)" means: (a) a Claim, proof of which has been timely Filed by the applicable Bar Date (or for which Claim under express terms of the Plan, the Bankruptcy Code or a Final Order of the Bankruptcy Court, a proof of Claim is not required to be Filed); (b) a Claim (i) that is listed in the List of Creditors, (ii) that is not identified on the List of Creditors as contingent, unliquidated or disputed and (iii) for which no proof of Claim has been timely Filed; (c) a Claim allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; (d) a Claim designated as allowed in a stipulation or agreement between the City and the Holder of the Claim that is Filed; or (e) a Claim designated as allowed in a pleading entitled "Designation of Allowed Claims" (or a similar title of the same import) that is Filed; provided that with respect to any Claim described in clauses (a) or (b) above, such Claim shall be considered allowed only if and to the extent that (x) no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or (y) if an objection is so interposed, the Claim shall have been allowed by a Final Order. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed to be an Allowed Claim unless and until such Entity pays in full the amount that it owes the City. "Allow" and "Allowing" shall have correlative meanings.

15. "Annuity Savings Fund" means that sub-account and pension benefit arrangement that is part of the GRS and operated by the trustees of the GRS.

16. "Annuity Savings Fund Excess Amount" means: (a) for an ASF Current Participant who has not received any distributions from the Annuity Savings Fund, the difference between (i) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (ii) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return; (b) for an ASF Current Participant who has received any distribution from the Annuity Savings Fund other than a total distribution, the difference between (i) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (B) all distributions received by such participant from the Annuity Savings Fund during the ASF Recoupment Period and (ii) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return and (B) the value of the participant's distribution calculated as of the date of distribution using the Actual

Return through such date; and (c) for an ASF Distribution Recipient, the difference between (i) the value of such ASF Distribution Recipient's Annuity Savings Fund account as of the date of distribution from the Annuity Savings Fund, provided such date falls within the ASF Recoupment Period, and (ii) the value of such participant's Annuity Savings Fund account as of such date, calculated using the Actual Return. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from his Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

17. "ASF/GRS Reduction" means, with respect to a Holder of a GRS Pension Claim who is a retiree who is receiving a monthly pension as of June 30, 2014 or such retiree's later-surviving beneficiary, the 4.5% reduction in the Current Accrued Annual Pension amount described in Section I.A.154, plus the ASF Recoupment.

18. "ASF Current Participant" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) is not an ASF Distribution Recipient.

19. "ASF Distribution Recipient" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) has received a total distribution from the Annuity Savings Fund.

20. "ASF Recoupment" means the amount to be deducted from an ASF Current Participant's Annuity Savings Fund account or an ASF Distribution Recipient's monthly pension check, as applicable, pursuant to the formulae set forth in Section II.B.3.r.ii.D.

21. "ASF Recoupment Cap" means, for both ASF Current Participants and ASF Distribution Recipients, 20% of the highest value of such participant's Annuity Savings Fund account during the ASF Recoupment Period. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from such participant's Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

22. "ASF Recoupment Period" means the period beginning July 1, 2003 and ending June 30, 2013.

23. "Assigned UTGO Bond Tax Proceeds" means the rights to the proceeds of the UTGO Bond Tax Levy in an amount equal to the principal and interest payable on the Reinstated Stub UTGO Bonds, which rights shall be assigned to a designee or designees of the City pursuant to the UTGO Settlement, substantially on the terms set forth on Exhibit I.A.285.

24. "Ballot" means the ballot upon which a Holder of an Impaired Claim entitled to vote shall cast its vote to accept or reject the Plan and make certain elections provided for in the Plan.

25. "Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as now in effect or hereafter amended.

26. "Bankruptcy Court" means the United States Bankruptcy Court for the Eastern District of Michigan having jurisdiction over the Chapter 9 Case, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the General Order of the District Court pursuant to § 151 of title 28 of the United States Code, the District Court.

27. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the general, local and chambers rules of the Bankruptcy Court, as now in effect or hereafter amended, as applicable to the Chapter 9 Case.

28. "Bar Date" means the applicable bar date by which a proof of Claim must be or must have been Filed, as established by an order of the Bankruptcy Court, including a Bar Date Order and the Confirmation Order.

29. "Bar Date Order" means any order of the Bankruptcy Court establishing Bar Dates for Filing proofs of Claim in the Chapter 9 Case, including the Order, Pursuant to Sections 105, 501 and 503 of the Bankruptcy Code and Bankruptcy Rules 2002 and 3003(c), Establishing Bar Dates for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof (Docket No. 1782), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on November 21, 2013, as it may be amended, supplemented or otherwise modified.

30. "Bond Agent" means a trustee, paying agent or similar Entity, as applicable, under the Bond Documents.

31. "Bond Claims" means, collectively, the DWSD Bond Claims, the DWSD Revolving Bond Claims, the General Obligation Bond Claims, the HUD Installment Note Claims, the Parking Bond Claims and the Secured GO Bond Claims.

32. "Bond Documents" means, collectively, the DWSD Bond Documents, the DWSD Revolving Bond Documents, the General Obligation Bond Documents, the HUD Installment Note Documents, the Parking Bond Documents and the Secured GO Bond Documents.

33. "Bond(s)" means, individually or collectively, the DWSD Bonds, the DWSD Revolving Bonds, the General Obligation Bonds, the HUD Installment Notes, the Parking Bonds and/or the Secured GO Bonds.

34. "Bondholder" means any beneficial or record holder of a Bond.

35. "Bond Insurance Policies" means those policies, surety policies and/or other instruments insuring any Bond and obligations related thereto, including all ancillary and related documents that may obligate the City to pay any amount to a Bond Insurer for any reason.

36. "Bond Insurance Policy Claim" means a Claim held by a Bond Insurer arising under or in connection with a Bond Insurance Policy.

37. "Bond Insurer" means any party, other than the City, that has issued a Bond Insurance Policy.

38. "Business Day" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

39. "Cash" means legal tender of the United States of America and equivalents thereof.

40. "Causes of Action" means, without limitation, any and all actions, causes of action, controversies, liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever, whether known or unknown, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Effective Date, including without limitation (a) claims and causes of action under sections 502(d), 510, 544, 545, 547, 548, 549(a), 549(c), 549(d), 550, 551 and 553 of the Bankruptcy Code and (b) any other avoidance or similar claims or actions under the Bankruptcy Code or under similar or related state or federal statutes or common law, and, in the case of each Cause of Action, the proceeds thereof, whether received by judgment, settlement or otherwise.

41. "CFSEM Supporting Organization" means the Foundation for Detroit's Future, a supporting organization of, and an Entity legally separate from, the Community Foundation for Southeast Michigan, solely in its capacity as a participant in the DIA Settlement.

42. "Chapter 9 Case" means the bankruptcy case commenced by the City under chapter 9 of the Bankruptcy Code, captioned as *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.), and currently pending before the Bankruptcy Court.

43. "City" means the City of Detroit, Michigan.

44. "City Council" means the duly-elected City Council of the City.
45. "Claim" means a claim, as defined in section 101(5) of the Bankruptcy Code, against the City.
46. "Claims and Balloting Agent" means Kurtzman Carson Consultants, LLC, in its capacity as Bankruptcy Court-appointed claims and balloting agent for the Chapter 9 Case.
47. "Claims Objection Bar Date" means the deadline for objecting to a Claim, which shall be on the date that is the later of (a) one year after the Effective Date, subject to extension by an order of the Bankruptcy Court, (b) 90 days after the Filing of a proof of Claim for such Claim and (c) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court.
48. "Claims Register" means the official register of Claims maintained by the Claims and Balloting Agent.
49. "Class" means a class of Claims, as described in Section II.B.
50. "COLAs" means the cost of living adjustments made to annual pension benefits pursuant to collective bargaining agreements, other contracts or ordinances (as applicable) to account for the effects of inflation, which adjustments sometimes are called "escalators" in such collective bargaining agreements.
51. "Confirmation" means the entry of the Confirmation Order by the Bankruptcy Court on the docket of the Chapter 9 Case.
52. "Confirmation Date" means the date on which the Bankruptcy Court enters the Confirmation Order on the docket in the Chapter 9 Case, within the meaning of Bankruptcy Rules 5003 and 9021.
53. "Confirmation Hearing" means the hearing held by the Bankruptcy Court on Confirmation of the Plan, as such hearing may be continued.
54. "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan pursuant to section 943 of the Bankruptcy Code, as it may be subsequently amended, supplemented or otherwise modified.
55. "Convenience Claim" means a Claim that would otherwise be an Other Unsecured Claim that is (a) an Allowed Claim in an amount less than or equal to \$25,000.00; or (b) in an amount that has been reduced to \$25,000.00 pursuant to an election made by the Holder of such Claim; provided that, where any portion(s) of a single Claim has been transferred, (y) the amount of all such portions will be aggregated to determine whether a Claim qualifies as a Convenience Claim and for purposes of the Convenience Claim election and (z) unless all transferees make the Convenience Claim election on the applicable Ballots, the Convenience Claim election will not be recognized for such Claim.
56. "COPs" means, collectively, the 2005 COPs and the 2006 COPs.
57. "COP Claim" means a Claim under or evidenced by the COP Service Contracts.
58. "COP Litigation" means the adversary proceeding captioned as *City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006*, Case No. 14-04112 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 31, 2014.
59. "COP Service Contracts" means, collectively, the (a) the GRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit General Retirement System Service Corporation; (b) the PFRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit Police and Fire Retirement System Service Corporation; (c) the GRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit General Retirement System Service Corporation; and (d) the PFRS Service Contract 2006,

dated June 7, 2006, by and between the City and the Detroit Police and Fire Retirement System Service Corporation, as each of the foregoing may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

60. "COP Service Corporations" means, collectively, the Detroit General Retirement System Service Corporation and the Detroit Police and Fire Retirement System Service Corporation.

61. "COP Swap Agreements" means the 1992 ISDA Master Agreements (Local Currency Single Jurisdiction) between the COP Service Corporations and the COP Swap Counterparties, as set forth on Exhibit I.A.61, together with all ancillary and related instruments and agreements, as the same may have been subsequently amended, restated, supplemented or otherwise modified.

62. "COP Swap Claim" means a Claim by the COP Swap Counterparties arising under the COP Swap Documents.

63. "COP Swap Collateral Agreement" means the Collateral Agreement among the City, the COP Service Corporations, the COP Swap Collateral Agreement Custodian and the COP Swap Counterparties, together with all ancillary and related instruments and agreements.

64. "COP Swap Collateral Agreement Custodian" means U.S. Bank National Association as custodian under the COP Swap Collateral Agreement or any successor custodian.

65. "COP Swap Counterparties" means UBS AG and Merrill Lynch Capital Services, Inc., as successor to SBS Financial Products Company LLC, under the COP Swap Documents.

66. "COP Swap Documents" means the COP Swap Agreements and the COP Swap Collateral Agreement.

67. "COP Swap Settlement" means that Settlement and Plan Support Agreement among the City and the COP Swap Counterparties filed with the Bankruptcy Court on the docket of the Chapter 9 Case on March 26, 2014 (Docket No. 3234), as the same may be subsequently amended, restated, supplemented or otherwise modified in accordance therewith.

68. "COP Swap Settlement Approval Order" means the order entered by the Bankruptcy Court approving the COP Swap Settlement (Docket No. 4094).

69. "Counties" means, collectively, Macomb County, Oakland County and Wayne County.

70. "Creditor Representative" means (a) if all Retiree Classes accept the Plan and the Retiree Committee supports the Plan, the Retiree Committee, (b) if any Retiree Class rejects the Plan or the Retiree Committee does not support the Plan, and Class 7 accepts the Plan, a person or committee of persons appointed by the five largest beneficial holders of Class 7 Claims other than the LTGO Insurer and (c) if any Retiree Class rejects the Plan or the Retiree Committee does not support the Plan, and Class 7 rejects the Plan, a person or committee of persons appointed by the Emergency Manager.

71. "Cure Amount Claim" means a Claim based upon the City's defaults under an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the City under section 365 of the Bankruptcy Code to the extent such Claim is required to be cured by section 365 of the Bankruptcy Code.

72. "Current Accrued Annual Pension" means, with respect to any Holder of a Pension Claim, the amount of annual pension benefits that the applicable Retirement System (a) is obligated to pay to such Holder as of June 30, 2014 to the extent such Holder is retired or a surviving beneficiary and receiving, or terminated from City employment and eligible to receive, a monthly pension as of such date or (b) would be obligated to pay such Holder upon his or her future retirement to the extent such Holder is actively employed by the City on June 30, 2014, assuming such Holder's annual pension is frozen as of June 30, 2014, and such Holder is no longer able to accrue

pension benefits after such date under the current terms and conditions of the applicable Retirement System, in either case as reflected on the books and records of the applicable Retirement System as of June 30, 2014.

73. "Current GRS Retiree Adjustment Cap" means, if the funding from the State Contribution Agreement and the DIA Settlement is received, an ASF/GRS Reduction in an amount not to exceed 20% of the Current Accrued Annual Pension of a person who was a current retiree as of June 30, 2014.

74. "CUSIP" means the nine-character identifier (consisting of letters and numbers) that uniquely identifies any particular issue of DWSD Bonds.

75. "Detroit General Retiree" means a retired employee or surviving beneficiary of a retired employee of a department of the City who (a) is not a Detroit Police and Fire Retiree, (b) retired (or is a surviving beneficiary of one who retired) on or before December 31, 2014 and (c) is a Holder of an OPEB Claim.

76. "Detroit General VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit General VEBA Beneficiaries and certain of their dependents.

77. "Detroit General VEBA Beneficiary" means a Holder of an Allowed OPEB Claim who is a Detroit General Retiree.

78. "Detroit General VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit General VEBA, in substantially the form attached hereto as Exhibit I.A.78.

79. "Detroit Police and Fire Retiree" means a retired employee or surviving beneficiary of a retired employee of the Detroit Police Department or the Detroit Fire Department who (a) was not an employee of the Emergency Medical Services Division of the Detroit Fire Department, (b) is a Holder of an OPEB Claim and (c) retired (or was a surviving beneficiary of one who retired) on or before December 31, 2014.

80. "Detroit Police and Fire VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents.

81. "Detroit Police and Fire VEBA Beneficiary" means a Holder of an Allowed OPEB Claim that is a Detroit Police and Fire Retiree.

82. "Detroit Police and Fire VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit Police and Fire VEBA, in substantially the form attached hereto as Exhibit I.A.82.

83. "DIA" means The Detroit Institute of Arts, a museum and cultural facility located at 5200 Woodward Avenue, Detroit, Michigan 48202.

84. "DIA Assets" means the assets identified on Exhibit A to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.91, to the extent that the City holds title to any such assets as of the Effective Date.

85. "DIA Corp." means The Detroit Institute of Arts, a Michigan non-profit corporation.

86. "DIA Funders" means those persons, businesses, business-affiliated foundations and other foundations listed on Exhibit C to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.91, and all additional persons, businesses, business-affiliated foundations and any other foundations from which DIA Corp. secures commitments to contribute monies in furtherance of the DIA Settlement.

87. "DIA Funding Parties" means the Foundations, the DIA Funders and DIA Corp.
88. "DIA Proceeds" means, collectively, the irrevocable funding commitments described in Section IV.F.1.
89. "DIA Proceeds Default Amount" means a reduction in the Adjusted Pension Amount of a Holder of a Pension Claim (or a surviving beneficiary) by virtue of a DIA Proceeds Payment Default, as determined by the trustees of the GRS or the PFRS, the aggregate amount of which shall be commensurate with the pertinent DIA Proceeds Payment Default.
90. "DIA Proceeds Payment Default" means a default that has not been cured during any applicable grace period, as determined by the trustees of the GRS or the PFRS, by one or more DIA Funding Parties respecting material amounts scheduled to be paid to the City in accordance with the DIA Settlement that the City, in turn, is required to pay over to the GRS or the PFRS in accordance with the terms and conditions of the Plan.
91. "DIA Settlement" means the comprehensive settlement regarding the DIA Assets, as described at Section IV.F and as definitively set forth in the DIA Settlement Documents, the principal terms of which are attached hereto as Exhibit I.A.91.
92. "DIA Settlement Documents" means the definitive documentation, including grant award letters, to be executed in connection with the DIA Settlement, in substantially the form attached hereto as Exhibit I.A.92, which documents will substantially conform to the term sheet attached hereto as Exhibit I.A.91.
93. "Disbursing Agent" means the disbursing agent(s) appointed pursuant to Section V.A.
94. "Disclosure Statement" means the disclosure statement (including all exhibits and schedules thereto or referenced therein) that relates to the Plan and has been prepared and distributed by the City and approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, as the same may be amended, supplemented or otherwise modified.
95. "Disclosure Statement Order" means the [_____] (Docket No. [____]), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on [____], 2014, approving the Disclosure Statement as containing adequate information pursuant to section 1125 of the Bankruptcy Code, as it may have been subsequently amended, supplemented or otherwise modified.
96. "Discounted Value" means the net present value of all Net DWSD Transaction Proceeds to be received immediately or in the future utilizing a 6.75% discount rate.
97. "Disputed Claim" means any Claim that is not Allowed.
98. "Disputed COP Claims Reserve" means the reserve for Disputed COP Claims established pursuant to Section II.B.3.p.iii.B.1.
99. "Distribution" means any initial or subsequent payment or transfer made on account of an Allowed Claim under or in connection with the Plan.
100. "Distribution Amount" means the principal amount of \$42,500,000 for each of the COP Swap Counterparties, plus interest, on and after October 15, 2014, on the unpaid Net Amount at the rate applicable to obligations under the Postpetition Financing Agreement, payable in cash in the manner set forth in the COP Swap Settlement Agreement.
101. "Distribution Date" means any date on which a Distribution is made.
102. "Distribution Record Date" means 5:00 p.m., Eastern Time, on the Confirmation Date.

103. "District Court" means the United States District Court for the Eastern District of Michigan.
104. "Document Website" means the internet site address <http://www.kccllc.net/Detroit>, at which the Plan, the Disclosure Statement and all Filed Exhibits to the Plan shall be available to any party in interest and the public, free of charge.
105. "Downtown Development Authority Claims" means Claims in respect of the Downtown Development Authority Loans.
106. "Downtown Development Authority Loans" means loans made pursuant to that certain Loan Agreement, dated August 26, 1991, by and between the City and the City of Detroit Downtown Development Authority, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements.
107. "DRCEA" means the Detroit Retired City Employees Association.
108. "DWSD" means the Detroit Water and Sewerage Department, which is a department of the City.
109. "DWSD Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Bond Documents, including a Claim for principal and interest on the DWSD Bonds.
110. "DWSD Bond Documents" means the ordinances passed, resolutions adopted, orders issued and/or indentures executed with respect to the DWSD Bonds, as set forth on Exhibit I.A.110, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.
111. "DWSD Bonds" means the secured bonds issued pursuant to the DWSD Bond Documents, as set forth on Exhibit I.A.110.
112. "DWSD CVR" means a single series of contingent value right certificates representing the right to receive 50% of the Net DWSD Transaction Proceeds received by the General Fund on account of a Qualifying DWSD Transaction.
113. "DWSD Revolving Bond Claims" means, collectively, the DWSD Revolving Sewer Bond Claims and the DWSD Revolving Water Bond Claims.
114. "DWSD Revolving Bond Documents" means, collectively, the DWSD Revolving Sewer Bond Documents and the DWSD Revolving Water Bond Documents.
115. "DWSD Revolving Bonds" means, collectively, the DWSD Revolving Sewer Bonds and the DWSD Revolving Water Bonds.
116. "DWSD Revolving Sewer Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Sewer Bond Documents, including a Claim for principal and interest on the DWSD Revolving Sewer Bonds.
117. "DWSD Revolving Sewer Bond Documents" means the ordinances passed, resolutions adopted and/or indentures or agreements executed with respect to the DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.117, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.
118. "DWSD Revolving Sewer Bonds" means the secured bonds issued pursuant to the DWSD Revolving Sewer Bond Documents, as set forth on Exhibit I.A.117.

119. "DWSD Revolving Water Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Water Bond Documents, including a Claim for principal and interest on the DWSD Revolving Water Bonds.

120. "DWSD Revolving Water Bond Documents" means the ordinances passed, resolutions adopted and/or indentures or agreements executed with respect to the DWSD Revolving Water Bonds, as set forth on Exhibit I.A.120, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

121. "DWSD Revolving Water Bonds" means the secured bonds issued pursuant to the DWSD Revolving Water Bond Documents, as set forth on Exhibit I.A.120.

122. "DWSD Series" means an individual issue of DWSD Revolving Bonds having the same lien priority, issue date and series designation.

123. "Effective Date" means the Business Day, as determined by the City, on which each applicable condition contained in Section III.A has been satisfied or waived.

124. "Eligible Pensioner" means a Holder of a Pension Claim who is eligible to receive an Income Stabilization Payment because such Holder (a) is, as of the Effective Date, at least 60 years of age or is a minor child receiving survivor benefits from GRS or PFRS and (b) has an aggregate annual household income equal to or less than 140% of the Federal Poverty Level in 2013 (as determined by reference to their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation); provided, that no new persons will be eligible to receive Income Stabilization Payments at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

125. "Emergency Manager" means Kevyn D. Orr, in his capacity as emergency manager for the City serving in accordance with PA 436 or any successor emergency manager.

126. "Employee Health and Life Insurance Benefit Plan" means the Employee Health and Life Insurance Benefit Plan, a welfare benefit plan sponsored and administered by the City, which provides health, dental, vision care and life insurance benefits to (a) all officers and employees of the City who were employed on the day preceding the effective date of the benefit plan, and who continued to be employed by the City on and after the Effective Date and (b) substantially all retired officers and employees of the City.

127. "Employees Death Benefit Board of Trustees" means the governing board of the City of Detroit Employee Health and Life Insurance Benefit Plan, which operates and administers the Employees Death Benefit Plan.

128. "Employees Death Benefit Plan" means the City of Detroit Employee Death Benefit Plan, a pre-funded defined benefit plan and trust administered by the Employees Death Benefit Board of Trustees that provides supplemental death benefits to active and retired officers and employees of the City.

129. "Entity" shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

130. "Estimated Future Liability" means the Income Stabilization Payments anticipated to be made from GRS or PFRS, as applicable, in the future in order for the respective Retirement System to fulfill the obligation to make Income Stabilization Payments, as determined by the respective Retirement System's board of trustees in the year 2022, provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to the Retirement System at any time prior to 2022.

131. "Excess Assets" means the amount by which, if at all, the Income Stabilization Fund of either GRS or PFRS is credited with assets in excess of its Estimated Future Liability.

132. "Exculpated Parties" means, collectively and individually, (a) the RDPFFA and its board of trustees/directors, attorneys, advisors and professionals, (b) the DRCEA and its board of trustees/directors, attorneys, advisors and professionals, (c) the postpetition officers of the Detroit Police Lieutenants and Sergeants Association, (d) the postpetition officers of the Detroit Police Command Officers Association, (e) GRS and its postpetition professional advisors, (f) PFRS and its postpetition professional advisors and (g) Gabriel, Roeder, Smith & Company.

133. "Executory Contract" means a contract to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

134. "Exhibits" means, collectively, the documents listed on the "Table of Exhibits" included herein, all of which will be made available on the Document Website once they are Filed. The City reserves the right, in accordance with the terms hereof, to modify, amend, supplement, restate or withdraw any of the Exhibits after they are Filed and shall promptly make such changes available on the Document Website. For the avoidance of doubt, Exhibits I.A.92 and I.A.135 will be Filed only if the transactions related to and/or underlying such Exhibits are to be consummated by the City.

135. "Exit Facility" means a credit facility that will be entered into by the City, the Exit Facility Agent and the other financial institutions party thereto on the Effective Date on substantially the terms set forth on Exhibit I.A.135.

136. "Exit Facility Agent" means the agent under the Exit Facility.

137. "Face Amount" means either (a) the full stated amount claimed by the holder of such Claim in any proof of Claim Filed by the Bar Date or otherwise deemed timely Filed under applicable law, if the proof of Claim specifies only a liquidated amount; (b) if no proof of Claim is Filed by the Bar Date or otherwise deemed timely Filed under applicable law, the full amount of the Claim listed on the List of Creditors, provided that such amount is not listed as disputed, contingent or unliquidated; or (c) the amount of the Claim (i) acknowledged by the City in any objection Filed to such Claim, (ii) estimated by the Bankruptcy Court for such purpose pursuant to section 502(c) of the Bankruptcy Code, or (iii) proposed by City, if (A) no proof of Claim has been Filed by the Bar Date or has otherwise been deemed timely Filed under applicable law and such amount is not listed in the List of Creditors or is listed in List of Creditors as disputed, contingent or unliquidated or (B) the proof of Claim specifies an unliquidated amount (in whole or in part).

138. "Federal Poverty Level" means the poverty guidelines issued each year in the *Federal Register* by the United States Department of Health and Human Services.

139. "Fee Examiner" means Robert M. Fishman, in his capacity as the fee examiner appointed pursuant to the Fee Examiner Order.

140. "Fee Examiner Order" means the Order Appointing Fee Examiner (Docket No. 383), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on August 19, 2013, as it may have been amended, supplemented or otherwise modified.

141. "Fee Examiner Parties" means, collectively, (a) the Fee Examiner and (b) all counsel and other professionals advising the Fee Examiner whose fees and expenses are subject to the Fee Review Order.

142. "Fee Review Order" means the Fee Review Order (Docket No. 810), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on September 11, 2013, as it may have been amended, supplemented or otherwise modified.

143. "Fee Review Professionals" means, collectively, (a) those professionals retained by the City and the Retiree Committee to render services in connection with the Chapter 9 Case who seek payment of compensation and reimbursement of expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order and (b) the Fee Examiner Parties. For the avoidance of doubt, any professionals retained by any

official committee appointed in the Chapter 9 Case other than the Retiree Committee are not Fee Review Professionals.

144. "Fee Review Professional Fees" means the fees and expenses of the Fee Review Professionals incurred during the period beginning on the Petition Date and ending on the Effective Date.

145. "File," "Filed," or "Filing" means file, filed or filing with the Bankruptcy Court or the Claims and Balloting Agent, as applicable, in the Chapter 9 Case.

146. "Final Order" means an order or judgment of the Bankruptcy Court, or any other court of competent jurisdiction, as entered on the docket in the Chapter 9 Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari or move, under Bankruptcy Rule 9023 and/or Rule 59 of the Federal Rules of Civil Procedure, for a new trial, reargument or rehearing has expired, and no appeal or petition for certiorari or other proceedings for a new trial, reargument or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing shall have been denied or resulted in no modification of such order; provided that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed shall not prevent such order from being a Final Order.

147. "Fiscal Year" means a fiscal year for the City, commencing on July 1 of a year and ending on June 30 of the following year. A Fiscal Year is identified by the calendar year in which the Fiscal Year ends, such that, for example, the 2015 Fiscal Year is the Fiscal Year commencing on July 1, 2014, and ending on June 30, 2015.

148. "Foundations" means those entities identified on Exhibit B to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.91, solely in their capacity as participants in the DIA Settlement.

149. "General Fund" means the primary governmental fund and the chief operating fund of the City, which fund accounts for several of the City's primary services, including police, fire, public works, community and youth services.

150. "General Obligation Bond Claims" means, collectively, the Limited Tax General Obligation Bond Claims and the Unlimited Tax General Obligation Bond Claims.

151. "General Obligation Bond Documents" means, collectively, the Limited Tax General Obligation Bond Documents and the Unlimited Tax General Obligation Bond Documents.

152. "General Obligation Bonds" means, collectively, the Limited Tax General Obligation Bonds and the Unlimited Tax General Obligation Bonds.

153. "GRS" means the General Retirement System for the City of Detroit.

154. "GRS Adjusted Pension Amount" means, with respect to a Holder of a GRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 4.5% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment, provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and

(b) If Classes 10 and 11 do not vote to accept the Plan and/or funding is not received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 27% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment; provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and provided further, that with respect to Holders who are Active Employees, in the event the unfunded liabilities of the GRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the GRS as of June 30, 2013, the monthly pension amount shall be decreased to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

155. "GRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the GRS or any trustee thereof or any other Entity acting on the GRS's behalf, against the City or any fund managed by the City (including, but not limited to, the General Fund, the water fund, the sewage disposal fund, the Detroit General Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability or other post-retirement payment or distribution in respect of the employment of current or former employees or (b) the payment by the GRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the GRS.

156. "GRS Restoration Payment" means an addition to the pension benefits that comprise the GRS Adjusted Pension Amount as described in Exhibit II.B.3.r.ii.C.

157. "Holder" means an Entity holding a Claim.

158. "HUD Installment Note Claims" means any Claim against the City arising under or evidenced by the HUD Installment Note Documents, including a Claim for principal and interest on the HUD Installment Notes.

159. "HUD Installment Note Documents" means the promissory notes executed with respect to the HUD Installment Notes, as set forth on Exhibit I.A.159, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

160. "HUD Installment Notes" means, collectively, the secured notes issued under the HUD Installment Note Documents, as set forth on Exhibit I.A.159.

161. "Impaired" means, with respect to a Class or a Claim, that such Class or Claim is impaired within the meaning of section 1124 of the Bankruptcy Code.

162. "Income Stabilization Benefit" means a supplemental pension benefit in an amount necessary to ensure that (a) each Eligible Pensioner's total household income is equal to 130% of the Federal Poverty Level in 2013 or (b) the annual pension benefit payment payable to each Eligible Pensioner equals 100% of the annual pension benefit payment actually received by the Eligible Pensioner in 2013, whichever amount is lower.

163. "Income Stabilization Benefit Plus" means a supplemental pension benefit in an amount necessary to ensure that (a) an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in a given calendar year is equal to 105% of the Federal Poverty Level for such year or (b) the annual pension benefit payment payable to an Eligible Pensioner equals 100% of the Eligible Pensioner's Current Accrued Annual Pension, plus COLAs, whichever amount is lower.

164. "Income Stabilization Payments" means the Income Stabilization Benefit and the Income Stabilization Benefit Plus, which will be paid from the Income Stabilization Fund in each of GRS and PFRS to Eligible Pensioners in accordance with the State Contribution Agreement.

165. "Income Stabilization Fund" means a separate recordkeeping sub-account that will be established in each of GRS and PFRS for the sole purpose of paying Income Stabilization Payments to Eligible Pensioners. The assets credited to these sub-accounts will be invested on a commingled basis with the GRS and PFRS assets, as applicable, and will be credited with a pro rata portion of the applicable Retirement System's earnings and losses.

166. "Indirect 36th District Court Claim" means any claim arising in connection with a Cause of Action against the 36th District Court, solely to the extent that (a) the 36th District Court is entitled to receive funding from the City to satisfy any such claim and (b) any Claim for such funding by the 36th District Court is resolved pursuant to the Plan and the treatment accorded to any Allowed Other Unsecured Claims held by the 36th District Court pursuant to Section II.B.3.u.

167. "Indirect Employee Indemnity Claim" means any claim against an employee or former employee of the City with respect to which such employee has an Allowed Claim against the City for indemnification and/or payment or advancement of defense costs based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law.

168. "Interest Rate Reset Chart" means a chart identifying interest rates for the New DWSD Bonds, attached as Exhibit I.A.168.

169. "Investment Committee" means, as applicable, the investment committee established by GRS or PFRS for the purpose of making recommendations to, and approving certain actions by, the respective Retirement System's board of trustees and/or making determinations and taking action under, and with respect to certain matters described in, the State Contribution Agreement.

170. "Liabilities" means any and all claims, obligations, suits, judgments, damages, demands, debts, rights, derivative claims, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, arising in law, equity or otherwise, that are based in whole or in part on any act, event, injury, omission, transaction, agreement, employment, exposure or other occurrence taking place on or prior to the Effective Date.

171. "Lien" shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

172. "Limited Tax General Obligation Bond Claims" means any Claim against the City arising under or evidenced by the Limited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Limited Tax General Obligation Bonds.

173. "Limited Tax General Obligation Bond Documents" means the resolutions adopted and orders issued with respect to the Limited Tax General Obligation Bonds, as set forth on Exhibit I.A.173, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

174. "Limited Tax General Obligation Bonds" means, collectively, the unsecured bonds issued under the Limited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.173.

175. "List of Creditors" means the Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (together with the summaries and schedules attached thereto), attached as Exhibit A to the Notice of Filing of Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (Docket No. 1059), Filed by the City on September 30, 2013, as such list, summaries and/or schedules may be amended, restated, supplemented or otherwise modified.

176. "Liquidity Event" shall be deemed to occur only if the City has at all times complied with its obligations under the COP Swap Settlement to use its best efforts to secure sufficient exit financing to pay the Net Amount on or promptly following the Effective Date, and failing that, as soon thereafter as possible, but, notwithstanding such compliance, is unable to secure sufficient exit financing to pay the Net Amount on or promptly following the Effective Date.

177. "LTGO Insurer" means Ambac Assurance Corp., solely in its capacity as insurer of certain of the City's obligations with respect to the Limited Tax General Obligation Bonds.

178. "Macomb County" means the County of Macomb, Michigan.

179. "Mayor" means the duly-elected mayor of the City.

180. "Municipal Obligation" means the local government municipal obligation to be delivered by the City to the Michigan Finance Authority in accordance with the UTGO Settlement and applicable law.

181. "Net Amount" means the Distribution Amount less the sum of all quarterly payments received by the COP Swap Counterparties under the COP Swap Collateral Agreement in respect of amounts owed under the COP Swap Agreements since January 1, 2014.

182. "Net DWSD Transaction Proceeds" means (a) the cash proceeds received by or for the benefit of, or for attribution to, the General Fund as a result of a Qualifying DWSD Transaction less (1) any cash payments made by or on behalf of the General Fund in connection with a Qualifying DWSD Transaction, (2) any cash payments previously anticipated or projected to be contributed to GRS by DWSD but for the Qualifying DWSD Transaction and (3) any cash payments previously anticipated or projected to be received by or on behalf of the General Fund but for the Qualifying DWSD Transaction; and (b) any other net payments, assumption of scheduled monetary liability or cancellation of indebtedness or other monetary obligations that inures to the direct benefit of the General Fund as a result of the Qualifying DWSD Transaction. In applying this definition, the City and the Restoration Trust (or the Retiree Committee if prior to the Effective Date) will work to develop a schedule of Net DWSD Transaction Proceeds at the time of the Qualifying DWSD Transaction that will inform any Value Determination (if requested) and allow the parties to subsequently track actual results and adjust applicable pension restoration levels accordingly.

183. "New B Notes" means the unsecured bonds to be issued by the City pursuant to the New B Notes Documents, substantially on the terms set forth on Exhibit I.A.183.

184. "New B Notes Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued and/or indentures to be executed with respect to the New B Notes, in substantially the form attached hereto as Exhibit I.A.184.

185. "New DWSD Bond Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued and/or indentures to be executed with respect to the New DWSD Bonds.

186. "New DWSD Bonds" means the secured bonds to be issued by the City pursuant to the New DWSD Bond Documents, substantially on the terms set forth on Exhibit I.A.186.

187. "New Existing Rate DWSD Bond Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued and/or indentures to be executed to be executed with respect to the New Existing Rate DWSD Bonds.

188. "New Existing Rate DWSD Bonds" means the secured bonds to be issued by the City pursuant to the New Existing Rate DWSD Bond Documents, substantially on the terms set forth on Exhibit I.A.188.

189. "New GRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active non-public safety employees of the City in connection with employment service performed on and after July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.189.a and the material terms of which are attached hereto as Exhibit I.A.189.b.

190. "New GRS Active Pension Plan Formula" means an accrual rate for active employee participants in the GRS for benefits earned for service on or after July 1, 2014 that equals the product of (a) 1.5% multiplied by (b) an employee's average base compensation over such employee's final 10 years of service, multiplied by (c) such

employee's years of service after July 1, 2014. For purposes of this definition, base compensation will exclude overtime, longevity or other bonuses, and unused sick leave, and the New GRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

191. "New PFRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active public safety employees of the City in connection with employment service performed on and after July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.191.a and the material terms of which are set forth at Exhibit I.A.191.b.

192. "New PFRS Active Pension Plan Formula" means an accrual rate for active employee participants in the PFRS for benefits earned on or after July 1, 2014 that equals the product of (a) 2.0% multiplied by (b) an employee's average base compensation over the employee's final 10 years of service, multiplied by (c) such employee's years of service after July 1, 2014. For purposes of this definition, base compensation will mean the employee's actual base compensation and will exclude overtime, longevity or other bonuses, and unused sick leave, and the New PFRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

193. "New Securities" means, collectively, the New DWSD Bonds, the New Existing Rate DWSD Bonds, the New B Notes and the Municipal Obligation.

194. "Oakland County" means the County of Oakland, Michigan.

195. "OPEB Benefits" means, collectively, post-retirement health, vision, dental, life and death benefits provided to retired employees of the City and their surviving beneficiaries pursuant to the Employee Health and Life Insurance Benefit Plan and the Employees Death Benefit Plan, including the members of the certified class in the action captioned *Weiler et. al. v. City of Detroit*, Case No. 06-619737-CK (Wayne County Circuit Court), pursuant to the "Consent Judgment and Order of Dismissal" entered in that action on August 26, 2009.

196. "OPEB Claim" means any Claim against the City for OPEB Benefits held by a retiree who retired on or before December 31, 2014 and is otherwise eligible for OPEB Benefits, and any eligible surviving beneficiaries of such retiree.

197. "Other Secured Claim" means a Secured Claim, other than a COP Swap Claim, a DWSD Bond Claim, a DWSD Revolving Bond Claim, a HUD Installment Note Claim, a Parking Bond Claim or a Secured GO Bond Claim.

198. "Other Unsecured Claim" means any Claim that is not an Administrative Claim, a Convenience Claim, a COP Claim, a Downtown Development Authority Claim, a General Obligation Bond Claim, a GRS Pension Claim, an OPEB Claim, a PFRS Pension Claim, a Secured Claim or a Subordinated Claim. For the avoidance of doubt, Section 1983 Claims, Indirect Employee Indemnity Claims and Indirect 36th District Court Claims are included within the definition of Other Unsecured Claim.

199. "PA 436" means Public Act 436 of 2012 of the State, also known as the Local Financial Stability and Choice Act, Michigan Compiled Laws §§ 141.1541-141.1575.

200. "Parking Bond Claim" means any Claim against the City arising under or evidenced by the Parking Bond Documents, including a Claim for principal and interest on the Parking Bonds.

201. "Parking Bond Documents" means the resolutions adopted, ordinances passed and orders issued with respect to the Parking Bonds, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

202. "Parking Bonds" means the secured \$27,000,000 City of Detroit Building Authority Revenue Bonds (Parking and Arena System), Series 1998A, issued pursuant to the Parking Bond Documents in the outstanding principal amount of \$8,080,000 as of the Petition Date.

203. "Pass-Through Obligations" means the City's obligations to the Pass-Through Recipients with respect to which the City acts, or may in the future act, as a tax-collecting agent for tax increment revenues derived from property taxes of the City and certain other taxing jurisdictions and required to be transmitted by the Treasurer of the City to the Pass-Through Recipients under their respective tax increment financing enabling statutes.

204. "Pass-Through Recipients" means, collectively, the (a) City of Detroit Downtown Development Authority, (b) Local Development Finance Authority, (c) Detroit Brownfield Redevelopment Authority and (d) City of Detroit Eight Mile/Woodward Corridor Improvement Authority, each of which are separate legal entities from the City.

205. "Patient Protection and Affordable Care Act" means Public Law 111-148, 111th Congress, 42 U.S.C. §§ 18001, *et seq.*

206. "Pension Claim" means a GRS Pension Claim or a PFRS Pension Claim.

207. "Petition Date" means July 18, 2013.

208. "PFRS" means the Police and Fire Retirement System for the City of Detroit.

209. "PFRS Adjusted Pension Amount" means, with respect to a Holder of a PFRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: Holders of PFRS Pension Claims will continue to receive their Current Accrued Annual Pension, but COLAs from and after June 30, 2014 shall be 45% of the COLAs provided for in police and fire collective bargaining agreements, other contracts or ordinances; and

(b) If Classes 10 and 11 do **not** vote to accept the Plan and/or funding is **not** received from the DIA Settlement and the State Contribution Agreement: (i) for a Holder of a PFRS Pension Claim who is (A) either retired and receiving a monthly pension or a surviving beneficiary or (B) a terminated employee with a right to receive a PFRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs; and (ii) for a Holder of a PFRS Pension Claim who is an Active Employee, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus elimination of the deferred retirement option plan feature of PFRS for certain Active Employees who have not already irrevocably elected to participate in the feature; provided that, with respect to Holders that are Active Employees, in the event the unfunded liabilities of the PFRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the PFRS as of June 30, 2013, the monthly pension amount shall be reduced to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

210. "PFRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the PFRS or any trustee thereof or any other Entity acting on the PFRS's behalf, against the City or any fund managed by the City (including, but not limited to, the General Fund, the Police and Fire Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability, or other post-retirement payment or distribution in respect of the employment of such current or former employees or (b) the payment by the PFRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the PFRS.

211. "PFRS Restoration Payment" means an addition to the pension benefits that comprise the PFRS Adjusted Pension Amount as described in Exhibit II.B.3.q.ii.C.

212. "Plan" means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

213. "Plan COP Settlement" means the comprehensive settlement regarding COP Claims on terms and conditions described in Section II.B.3.p.iii.A and more definitively set forth in the Plan COP Settlement Documents.

214. "Plan COP Settlement Documents" means the definitive documentation to be executed in connection with the Plan COP Settlement, in substantially the form attached hereto as Exhibit I.A.214.

215. "Plan Supplement" means any supplement to the Plan containing Exhibits that were not Filed as of the date of the entry of the Disclosure Statement Order. A Plan Supplement or Plan Supplements containing Exhibits 189.a, 191.a, 220, 221 and II.D.6 will be Filed no later than five Business Days prior to the Voting Deadline. All other Plan Supplements will be Filed no later than ten days before the Confirmation Hearing.

216. "Pledged Property" means the collateral pledged by the City under the COP Swap Collateral Agreement and/or Ordinance No. 05-09 of the City.

217. "Postpetition Financing Agreement" means, collectively, (a) the Bond Purchase Agreement by and among the City and Barclays Capital, Inc., as purchaser, (b) the Financial Recovery Bond Trust Indenture by and among the City and UMB Bank, N.A., as trustee, and (c) all ancillary and related instruments and agreements approved by the Bankruptcy Court pursuant to the Postpetition Financing Order.

218. "Postpetition Financing Order" means the Order Pursuant to 11 U.S.C. §§ 105, 362, 364(c)(1), 364(c)(2), 364(e), 364(f), 503, 507(a)(2), 904, 921 and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Claim Status and (III) Modifying Automatic Stay (Docket No. 3067) entered by the Bankruptcy Court on the docket of the Chapter 9 Case on April 2, 2014, approving the Postpetition Financing Agreement.

219. "Postpetition Purchaser Claims" means any Claim against the City under or evidenced by (a) the Postpetition Financing Agreement and (b) the Postpetition Financing Order.

220. "Prior GRS Pension Plan" means the terms and conditions of the GRS in effect as of June 30, 2014 and applicable to benefits accrued by members of GRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.220.

221. "Prior PFRS Pension Plan" means the terms and conditions of the PFRS in effect as of June 30, 2014 and applicable to benefits accrued by members of PFRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.221.

222. "Pro Rata" means, when used with reference to a distribution of property to Holders of Allowed Claims in a particular Class or other specified group of Claims, proportionately so that with respect to a particular Allowed Claim in such Class or in such group, the ratio of (a)(i) the amount of property to be distributed on account of such Claim to (ii) the amount of such Claim, is the same as the ratio of (b)(i) the amount of property to be distributed on account of all Allowed Claims in such Class or group of Claims to (ii) the amount of all Allowed Claims in such Class or group of Claims. Until all Disputed Claims in a Class or other specified group of Claims are resolved, Disputed Claims shall be treated as Allowed Claims in their Face Amount for purposes of calculating a Pro Rata distribution of property to holders of Allowed Claims in such Class or group of Claims.

223. "Professional Fee Reserve" means the reserve for Fee Review Professional Fees established pursuant to Section IV.L.

224. "Qualifying DWSD Transaction" means a potential transaction involving the transfer to a third party (including but not limited to a lease) of a majority of the assets of, or the right to operate and manage, the City's water and/or sewage disposal systems currently operated by the DWSD in one or a series of related transactions.

225. "RDPFFA" means the Retired Detroit Police and Fire Fighters Association.

226. "Reinstated" means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the Holder or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) the cure of any such default other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) the reinstatement of the maturity of such Claim as such maturity existed before such default; (iii) compensation of the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim arises from any failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensation of the Holder of such Claim for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Holder. "Reinstate" and "Reinstatement" shall have correlative meanings.

227. "Reinstated Stub UTGO Bonds" means Unlimited Tax General Obligation Bonds in the principal amount of \$43,410,000 that, from and after the Effective Date, will remain outstanding and will be payable from the UTGO Bond Tax Levy, as more particularly described on Exhibit I.A.285.

228. "Related Entity" means, with respect to any Entity, such Entity's Affiliates, predecessors, successors and assigns (whether by operation of law or otherwise), and with respect to any of the foregoing their respective present and former Affiliates and each of their respective current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity, and any Entity claiming by or through any of them (including their respective officials, officers, directors, employees, managers, advisors and professionals).

229. "Released Parties" means, collectively and individually, the Retiree Committee, the members of the Retiree Committee, the Retiree Committee Professionals, the DIA Funding Parties and their Related Entities and the CFSEM Supporting Organization and its Related Entities.

230. "Restoration Trust" means a trust to be established (a) to hold the DWSD CVR and enforce rights related to its terms and (b) consult with the trustees and Investment Committee of PFRS or GRS with respect to restoration rights affecting retirees of PFRS or GRS, respectively; provided, however, that the Restoration Trust shall not have any right to initiate enforcement proceedings against the trustees or Investment Committee of either PFRS or GRS with respect to Special Restoration or the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

231. "Restructured UTGO Bonds" means the bonds to be issued by the Michigan Finance Authority to the current Holders of Unlimited Tax General Obligation Bonds in the amount of \$287,500,000 pursuant to the UTGO Settlement, which bonds shall be limited obligations of the Michigan Finance Authority and shall be secured as more particularly described on Exhibit I.A.285.

232. "Retiree Classes" means Classes 10, 11 and 12, as set forth in Section II.B.

233. "Retiree Committee" means the official committee of retired employees first appointed by the United States Trustee in the Chapter 9 Case on August 22, 2013 (Docket No. 566), as such committee may be reconstituted, solely in its capacity as such.

234. "Retiree Committee Professionals" means those professionals retained by the Retiree Committee to render services in connection with the Chapter 9 Case that seek payment of compensation and reimbursement of

expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order, solely in their capacity as such.

235. "Retiree Health Care Litigation" means the adversary proceeding captioned as *Official Committee of Retirees of the City of Detroit, Michigan, et al. v. City of Detroit, Michigan, et al.*, Case No. 14-04015 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 9, 2014.

236. "Retiree Health Care Settlement Agreement" means the Settlement Agreement, effective February 14, 2014, between the parties to the Retiree Health Care Litigation, pursuant to which such parties agreed to certain modifications to the changes in retiree health care benefits that the City was otherwise to implement on March 1, 2014, a copy of which is attached hereto as Exhibit I.A.236.

237. "Retiree Health Plan" means the City of Detroit Retiree Health Plan, a welfare benefit plan sponsored and administered by the City, which, effective for the period beginning March 1, 2014 and ending December 31, 2014, provides health, dental and vision care benefits to retired officers and employees of the City who enrolled in the plan as of March 1, 2014.

238. "Retirement System Indemnity Obligations" means any and all obligations of the City, as of the Petition Date, to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of any party in connection with any Causes of Action relating in any way to either GRS or PFRS and/or the management, oversight, administration or activities thereof, as such obligations may be as provided for in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements.

239. "Retirement Systems" means, collectively, the GRS and the PFRS.

240. "Section 115" means section 115 of the Internal Revenue Code of 1986, as amended.

241. "Section 1983 Claim" means any claim against the City, its employees or both arising under 42 U.S.C. § 1983 that has not been settled, compromised or otherwise resolved and with respect to which Claim a lawsuit was pending before the District Court on or prior to the Petition Date.

242. "Secured Claim" means a Claim that is secured by a Lien on property in which the City has an interest or that is subject to valid setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the City's interest in such property or to the extent of the amount subject to valid setoff, as applicable, as determined pursuant to section 506 of the Bankruptcy Code.

243. "Secured GO Bond Claims" means, collectively, the Secured GO Series 2010 Claims, the Secured GO Series 2010(A) Claims, the Secured GO Series 2012(A)(2) Claims, the Secured GO Series 2012(A2-B) Claims, the Secured GO Series 2012(B) Claims and the Secured GO Series 2012(B2) Claims.

244. "Secured GO Bond Documents" means, collectively, the Secured GO Series 2010 Bond Documents, the Secured GO Series 2010(A) Bond Documents, the Secured GO Series 2012(A)(2) Bond Documents, the Secured GO Series 2012(A2-B) Bond Documents, the Secured GO Series 2012(B) Bond Documents and the Secured GO Series 2012(B2) Bond Documents.

245. "Secured GO Bonds" means, collectively, the Secured GO Series 2010 Bonds, the Secured GO Series 2010(A) Bonds, the Secured GO Series 2012(A)(2) Bonds, the Secured GO Series 2012(A2-B) Bonds, the Secured GO Series 2012(B) Bonds and the Secured GO Series 2012(B2) Bonds.

246. "Secured GO Series 2010 Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010 Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

247. "Secured GO Series 2010 Bonds" means the secured \$249,790,000 Distributable State Aid General Obligation (Limited Tax) Bonds, Series 2010, issued pursuant to the Secured GO Series 2010 Bond Documents.

248. "Secured GO Series 2010 Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010 Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010 Bonds.

249. "Secured GO Series 2010(A) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010(A) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

250. "Secured GO Series 2010(A) Bonds" means the secured \$100,000,000 Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds – Direct Payment), issued pursuant to the Secured GO Series 2010(A) Bond Documents.

251. "Secured GO Series 2010(A) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010(A) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A) Bonds.

252. "Secured GO Series 2012(A)(2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A)(2) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

253. "Secured GO Series 2012(A)(2) Bonds" means the secured \$38,865,000 Self-Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A)(2), issued pursuant to the Secured GO Series 2012(A)(2) Bond Documents.

254. "Secured GO Series 2012(A)(2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A)(2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A)(2) Bonds.

255. "Secured GO Series 2012(A2-B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A2-B) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

256. "Secured GO Series 2012(A2-B) Bonds" means the secured \$53,520,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B), issued pursuant to the Secured GO Series 2012(A2-B) Bond Documents.

257. "Secured GO Series 2012(A2-B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A2-B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(A2-B) Bonds.

258. "Secured GO Series 2012(B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

259. "Secured GO Series 2012(B) Bonds" means the \$6,405,000 General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation), Series 2012(B), issued pursuant to the Secured GO Series 2012(B) Bond Documents.

260. "Secured GO Series 2012(B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B) Bonds.

261. "Secured GO Series 2012(B2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B2) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

262. "Secured GO Series 2012(B2) Bonds" means the \$30,730,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2), issued pursuant to the Secured GO Series 2012(B2) Bond Documents.

263. "Secured GO Series 2012(B2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B2) Bonds.

264. "Settling COP Claimant" means a beneficial holder of a COP Claim that elects to participate in the Plan COP Settlement as to some or all COP Claims held by or assigned to it and its Affiliates by so indicating on a timely-retained Ballot.

265. "Special Restoration" means the potential restoration or replacement of benefit reductions imposed by the Plan in connection with a Qualifying DWSD Transaction, as described in Section IV.G.

266. "State" means the state of Michigan.

267. "State Contribution" means payments to be made to GRS and PFRS by the State or the State's authorized agent for the purpose of funding Adjusted Pension Amounts in an aggregate amount equal to the net present value of \$350 million payable over 20 years using a discount rate of 6.75%, pursuant to the terms of the State Contribution Agreement. References to the "disbursement of the State Contribution" in the Plan shall be construed to refer to either the distribution of the discrete lump sum payments to GRS and PFRS or the payment of the first installment of the State Contribution to GRS and PFRS, as the case may be.

268. "State Contribution Agreement" means the definitive documentation to be executed in connection with the comprehensive settlement regarding Pension Claims as described in Section IV.E, in substantially the form attached hereto as Exhibit I.A.268.

269. "State Related Entities" means, collectively: (a) all officers, legislators, employees, judges and justices of the State; (b) the Governor of the State; (c) the Treasurer of the State; (d) all members of the Local Emergency Financial Assistance Loan Board created under the Emergency Municipal Loan Act, Michigan Compiled Laws §§ 141.931-141.942; (e) each of the State's agencies and departments; and (f) the Related Entities of each of the foregoing.

270. "Stay Extension Order" means the Order Pursuant to Section 105(a) of the Bankruptcy Code Extending the Chapter 9 Stay to Certain (A) State Entities, (B) Non-Officer Employees and (C) Agents and Representatives of the Debtor (Docket No. 166), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on July 25, 2013, as it may be amended, supplemented or otherwise modified.

271. "Subordinated Claim" means a Claim of the kind described in sections 726(a)(3) or 726(a)(4) of the Bankruptcy Code and/or Claims subordinated under sections 510(b) or 510(c) of the Bankruptcy Code.

272. "Swap Insurance Policies" means those policies and/or other instruments insuring the COP Swap Agreements and obligations related thereto.

273. "Tax" means: (a) any net income, alternative or add-on minimum, gross income, gross receipts, gross margins, sales, use, stamp, real estate transfer, mortgage recording, ad valorem, value added, transfer, franchise, profits, license, property, payroll, employment, unemployment, occupation, disability, excise, severance, withholding, environmental or other tax, assessment or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax or additional amount) imposed by any federal, state, local or foreign taxing authority; or (b) any liability for payment of any amounts of the foregoing types as a result of being a member of an affiliated, consolidated, combined or unitary group, or being a transferee or successor or a party to any agreement or arrangement whereby liability for payment of any such amounts is determined by reference to the liability of any other Entity.

274. "Tort Claim" means any Claim that has not been settled, compromised or otherwise resolved that arises out of allegations of personal injury or wrongful death claims and is not a Section 1983 Claim.

275. "Unexpired Lease" means a lease to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

276. "Unimpaired" means, with respect to a Class or a Claim, that such Class or Claim is not Impaired.

277. "United States Trustee" means the Office of the United States Trustee for the Eastern District of Michigan.

278. "Unlimited Tax General Obligation Bond Claims" means any Claim against the City arising under or evidenced by the Unlimited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Unlimited Tax General Obligation Bonds.

279. "Unlimited Tax General Obligation Bond Documents" means the resolutions passed and orders issued with respect to the Unlimited Tax General Obligation Bonds, as set forth on Exhibit I.A.279, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all instruments and agreements related thereto.

280. "Unlimited Tax General Obligation Bonds" means, collectively, the bonds issued under the Unlimited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.279.

281. "Unsecured Claim" means a Claim that is not a Secured Claim or an Administrative Claim.

282. "Unsecured Pro Rata Share" means, when used with reference to a Distribution of New B Notes to Holders of Allowed Claims within Classes 7, 9, 12, 13 and 14 entitled to receive a distribution of New B Notes, the proportion that an Allowed Claim bears to the sum of all Allowed Claims and Disputed Claims within such Classes. Until all Disputed Claims in a Class are resolved, Disputed Claims shall be treated as Allowed Claims in their Face Amount for purposes of calculating the Unsecured Pro Rata Share of property to be distributed to Holders of Allowed Claims in such Class, unless otherwise ordered by the Bankruptcy Court.

283. "UTGO Bond Tax Levy" means that portion of the proceeds of the ad valorem tax millage levies pledged to and on account of the Unlimited Tax General Obligation Bonds.

284. "UTGO Litigation" means, together, the adversary proceedings filed in the Chapter 9 Case on November 8, 2013, captioned as *National Public Finance Guarantee Corporation and Assured Guaranty Municipal Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05309 (Bankr. E.D. Mich.), and *Ambac Assurance Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05310 (Bankr. E.D. Mich.), to the extent that such proceedings relate to the Unlimited Tax General Obligation Bonds.

285. "UTGO Settlement" means the comprehensive settlement regarding Unlimited Tax General Obligation Bond Claims and related Bond Insurance Policy Claims, the principal terms of which are attached hereto as Exhibit I.A.285 and described in Section IV.D.

286. "Value Determination" means a valuation of the expected Net DWSD Transaction Proceeds.

287. "Voting Deadline" means the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order for submitting Ballots to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code.

288. "Voting Record Date" means the record date fixed by the Bankruptcy Court in the Disclosure Statement Order establishing the Holders of Claims entitled to vote to accept or reject the Plan.

289. "Wayne County" means the Charter County of Wayne, Michigan.

B. Rules of Interpretation and Computation of Time.

1. Rules of Interpretation.

For purposes of the Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference herein to an existing document or Exhibit Filed or to be Filed shall mean such document or Exhibit, as it may have been or may be amended, restated, supplemented or otherwise modified pursuant to the Plan, the Confirmation Order or otherwise; (d) any reference to an Entity as a Holder of a Claim includes that Entity's successors, assigns and Affiliates; (e) all references to Sections or Exhibits are references to Sections and Exhibits of or to the Plan; (f) the words "herein," "hereunder," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (h) the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words "without limitation"; and (i) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply to the extent not inconsistent with any other provision of this Section.

2. Computation of Time.

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

**ARTICLE II
CLASSIFICATION OF CLAIMS; CRAMDOWN;
EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims are classified under the Plan for all purposes, including voting, Confirmation and Distribution. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, as described in Section II.A, have not been classified and thus are excluded from the Classes described in Section II.B.1. A Claim shall be deemed classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim qualifies within the description of such other Class. Notwithstanding the foregoing, in no event shall any Holder of an Allowed Claim be entitled to receive payments or Distributions under the Plan that, in the aggregate, exceed the Allowed amount of such Holder's Claim.

A. Unclassified Claims.

1. Payment of Administrative Claims.

a. Administrative Claims in General.

Except as specified in this Section II.A.1, and subject to the bar date provisions herein, unless otherwise agreed by the Holder of an Administrative Claim and the City, or ordered by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of such Allowed Administrative Claim, Cash in an amount equal to such Allowed Administrative Claim either: (1) on the Effective Date or as soon as reasonably practicable thereafter; or (2) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim. No Claim of any official or unofficial creditors' committee (other than the Retiree Committee) or any member thereof for professionals' fees or other costs and expenses incurred by such creditors' committee or by a member of such creditors' committee shall constitute an Allowed Administrative Claim.

b. Claims Under the Postpetition Financing Agreement.

Unless otherwise agreed by Barclays Capital, Inc. pursuant to the Postpetition Financing Agreement, on or before the Effective Date, Postpetition Purchaser Claims that are Allowed Administrative Claims will be paid in Cash equal to the amount of those Allowed Administrative Claims.

2. Bar Dates for Administrative Claims.

a. General Bar Date Provisions

Except as otherwise provided in Section II.A.2.b or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the City pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the City and the requesting party by the later of (i) 150 days after the Effective Date, (ii) 60 days after the Filing of the applicable request for payment of Administrative Claims or (iii) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims.

b. Claims Under the Postpetition Financing Agreement.

Holders of Administrative Claims that are Postpetition Purchaser Claims will not be required to File or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied pursuant to Section II.A.1.b.

c. No Modification of Bar Date Order.

The Plan does not modify any other Bar Date Order, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

B. Classified Claims.

1. Designation of Classes.

The following table designates the Classes and specifies whether such Classes are Impaired or Unimpaired by the Plan.

CLASS	NAME	IMPAIRMENT
<i>Secured Claims</i>		
1A	All Classes of DWSD Bond Claims (One Class for each CUSIP of DWSD Bonds, as set forth on Exhibit I.A.110)	Unimpaired/Nonvoting or Impaired/Voting, as set forth on Exhibit I.A.110
1B	All Classes of DWSD Revolving Sewer Bond Claims (One Class for each DWSD Series of DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.117)	Unimpaired/Nonvoting
1C	All Classes of DWSD Revolving Water Bond Claims (One Class for each DWSD Series of DWSD Revolving Water Bonds, as set forth on Exhibit I.A.120)	Unimpaired/Nonvoting
2A	Secured GO Series 2010 Claims	Unimpaired/Nonvoting
2B	Secured GO Series 2010(A) Claims	Unimpaired/Nonvoting
2C	Secured GO Series 2012(A)(2) Claims	Unimpaired/Nonvoting
2D	Secured GO Series 2012(A2-B) Claims	Unimpaired/Nonvoting
2E	Secured GO Series 2012(B) Claims	Unimpaired/Nonvoting
2F	Secured GO Series 2012(B2) Claims	Unimpaired/Nonvoting
3	Other Secured Claims	Unimpaired/Nonvoting
4	HUD Installment Notes Claims	Unimpaired/Nonvoting
5	COP Swap Claims	Impaired/Voting
6	Parking Bond Claims	Unimpaired/Nonvoting
<i>Unsecured Claims</i>		
7	Limited Tax General Obligation Bond Claims	Impaired/Voting
8	Unlimited Tax General Obligation Bond Claims	Impaired/Voting
9	COP Claims	Impaired/Voting
10	PFRS Pension Claims	Impaired/Voting
11	GRS Pension Claims	Impaired/Voting
12	OPEB Claims	Impaired/Voting
13	Downtown Development Authority Claims	Impaired/Voting
14	Other Unsecured Claims	Impaired/Voting
15	Convenience Claims	Impaired/Voting
16	Subordinated Claims	Impaired/Nonvoting

2. Subordination; Reservation of Rights to Reclassify Claims.

Except with respect to Bond Insurance Policy Claims, the allowance, classification and treatment of Allowed Claims and the respective Distributions and treatments specified in the Plan take into account the relative priority and rights of the Claims in each Class and all contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Pursuant to section 510 of the Bankruptcy Code, the City reserves the right to re-classify any Disputed Claim in accordance with any applicable contractual, legal or equitable subordination. For the avoidance of doubt, this Section II.B.2 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims, which are preserved for enforcement by the City or by the relevant Bond Insurer.

3. Treatment of Claims.

a. Class 1A – DWSD Bond Claims.

i. Classification and Allowance.

DWSD Bond Claims relating to each CUSIP of DWSD Bonds shall be separately classified, as reflected on Exhibit I.A.110, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.110.

ii. Treatment.

A. Unimpaired Classes.

Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as unimpaired on Exhibit I.A.110 shall have its Allowed DWSD Bond Claim Reinstated on the Effective Date, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.

B. Impaired Classes.

Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as impaired on Exhibit I.A.110 shall receive on or as soon as reasonably practicable after the Effective Date, in full satisfaction of such Allowed Claim, at the option of the City, either (1) New DWSD Bonds having a principal amount equal to the principal amount of the DWSD Bonds held by such Holder; or (2) Cash in the full amount of the principal and interest portion of such Allowed DWSD Bond Claim, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.

Treatment Option for Classes that Accept the Plan: Each Holder of an Allowed DWSD Bond Claim in an impaired Class of DWSD Bond Claims that accepts the Plan may elect to receive New Existing Rate DWSD Bonds having a principal amount equal to the principal amount of the DWSD Bonds held by such Holder in lieu of New DWSD Bonds.

Accrued and unpaid interest as of the Distribution Date with respect to those DWSD Bonds for which a Holder of an Allowed DWSD Bond Claim receives New DWSD Bonds or New Existing Rate DWSD Bonds pursuant to the Plan shall be, at the option of the City, either (1) paid in Cash on the first Distribution Date following the date on which such DWSD Bond Claim is Allowed or (2) added to the principal amount of the New DWSD Bonds or New Existing Rate DWSD Bonds, as applicable, distributed to such Holder pursuant to the Plan.

b. Class 1B – DWSD Revolving Sewer Bond Claims

i. Classification and Allowance.

DWSD Revolving Sewer Bond Claims relating to each DWSD Series of DWSD Revolving Sewer Bonds shall be separately classified, as reflected on Exhibit I.A.117, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Sewer Bond Claims shall be deemed Allowed in the aggregate amounts set forth on Exhibit I.A.117.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Sewer Bond Claim shall have its Allowed DWSD Revolving Sewer Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

c. Class 1C – DWSD Revolving Water Bond Claims

i. Classification and Allowance.

DWSD Revolving Water Bond Claims relating to each DWSD Series of DWSD Revolving Water Bonds shall be separately classified, as reflected on Exhibit I.A.120, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Water Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.120.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Water Bond Claim shall have its Allowed DWSD Revolving Water Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

d. Class 2A – Secured GO Series 2010 Claims.

On the Effective Date, (i) the Secured GO Series 2010 Claims shall be deemed Allowed in the aggregate amount of \$252,475,366 and (ii) each Holder of an Allowed Secured GO Series 2010 Claim shall have its Allowed Secured GO Series 2010 Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

e. Class 2B – Secured GO Series 2010(A) Claims.

On the Effective Date, (i) the Secured GO Series 2010(A) Claims shall be deemed Allowed in the aggregate amount of \$101,707,848 and (ii) each Holder of an Allowed Secured GO Series 2010(A) Claim shall have its Allowed Secured GO Series 2010(A) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

f. Class 2C – Secured GO Series 2012(A)(2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A)(2) Claims shall be deemed Allowed in the aggregate amount of \$39,254,171 and (ii) each Holder of an Allowed Secured GO Series 2012(A)(2) Claim shall have its Allowed Secured GO Series 2012(A)(2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

g. Class 2D – Secured GO Series 2012(A2-B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A2-B) Claims shall be deemed Allowed in the aggregate amount of \$54,055,927 and (ii) each Holder of an Allowed Secured GO Series 2012(A2-B) Claim

shall have its Allowed Secured GO Series 2012(A2-B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

h. Class 2E - Secured GO Series 2012(B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B) Claims shall be deemed Allowed in the aggregate amount of \$6,469,135 and (ii) each Holder of an Allowed Secured GO Series 2012(B) Claim shall have its Allowed Secured GO Series 2012(B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

i. Class 2F – Secured GO Series 2012(B2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B2) Claims shall be deemed Allowed in the aggregate amount of \$31,037,724 and (ii) each Holder of an Allowed Secured GO Series 2012(B2) Claim shall have its Allowed Secured GO Series 2012(B2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

j. Class 3 – Other Secured Claims.

On the Effective Date, each Holder of an Allowed Other Secured Claim shall have its Allowed Other Secured Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

k. Class 4 – HUD Installment Note Claims.

On the Effective Date, (i) the HUD Installment Note Claims shall be deemed Allowed in the aggregate amount of \$90,075,004 and (ii) each Holder of a HUD Installment Note Claim shall have its Allowed HUD Installment Note Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

l. Class 5 – COP Swap Claims.

i. Allowance.

The COP Swap Claims shall be deemed Allowed as Secured Claims, which, solely for purposes of distributions from the City, will be equal to the Distribution Amount.

ii. Treatment.

Each Holder of an Allowed COP Swap Claim, in full satisfaction of such Allowed Claim, shall receive, either: (A) within thirty days following the Effective Date, the Net Amount in full in cash, provided that until paid in cash in full, such Secured Claims will remain secured by the Pledged Property; or (B) solely in the case of a Liquidity Event, the Net Amount in cash in full within 180 days following the Effective Date, provided that (1) other than with respect to net proceeds used to repay the Postpetition Financing Agreement, to the extent permitted by law but without taking into consideration any limitations imposed by the City, including in any ordinance or resolution of the City, the first dollars of any net cash proceeds of any financing or refinancing consummated in connection with, or subsequent to, the consummation of such Plan and either (a) supported by the full faith and credit of the City or (b) payable from the general fund of the City, will be used to pay the Net Amount, (2) the City will continue to comply with its obligations under the COP Swap Settlement and the COP Swap Settlement Approval Order until the Net Amount is paid in cash in full, (3) until paid in cash in full, such Secured Claims will remain secured by the Pledged Property, (4) from and after the Effective Date, the unpaid Net Amount will accrue interest at the rate applicable to obligations under the Postpetition Financing Agreement plus 1.5% with the interest obligation likewise being secured by the Pledged Property and (5) the COP Swap Counterparties will receive from the City on the Effective Date a deferral fee in cash equal to 1.0% of the Net Amount to be shared equally between them.

m. Class 6 – Parking Bond Claims.

On the Effective Date, (i) the Parking Bond Claims shall be deemed Allowed in the amount of \$8,099,287 and (ii) each Holder of an Allowed Parking Bond Claim shall have its Allowed Parking Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

n. Class 7 – Limited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Limited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$163,543,187.86.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Limited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

o. Class 8 – Unlimited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Unlimited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of Restructured UTGO Bonds. Such Holders shall retain ownership of the Reinstated Stub UTGO Bonds, subject to Sections I.A.23 and IV.D.

p. Class 9 – COP Claims.

i. Disputed.

The COP Claims are Disputed Claims and are not Allowed by the Plan, and the City reserves all rights to (A) object to, avoid or subordinate such Claims on any and all available grounds, including through the assertion of any and all grounds asserted in the COP Litigation, and (B) assign the right to object to, avoid or subordinate such Claims or the City's rights in the COP Litigation to the Creditor Representative. If the City seeks to settle the COP Litigation on terms other than those set forth herein, the City will use its best efforts to reach agreement with the Retiree Committee or the Detroit General VEBA and the Detroit Police and Fire VEBA, as applicable, on any such settlement.

ii. Assignment.

Solely for purposes of facilitating Distributions under this Plan and for no other purpose, on and as of the Effective Date, those portions of COP Claims that relate to, and are measured by, the payment schedule under the COPs shall be deemed assigned to the beneficial holders of the COPs on a Pro Rata basis, with each beneficial holder deemed to receive such portions of COP Claims in an amount equal to the proportion that the unpaid principal amount of such holder's COPs bears to the aggregate unpaid principal amount of all COPs. Each beneficial holder of COPs may elect to participate in the Plan COP Settlement in respect of some or all of those portions of COP Claims that would be deemed assigned to it and its Affiliates in the event that the Effective Date occurs.

iii. Treatment.

A. Plan COP Settlement Option.

Each beneficial holder of COPs may settle issues relating to allowance of the COP Claims that are deemed assigned to it and become a Settling COP Claimant as to some or all COPs held by it and its Affiliates by electing to participate in the Plan COP Settlement on a timely-returned Ballot accepting the Plan. Each Settling COP Claimant shall have its COP Claims deemed to be Allowed Claims in an amount equal to 40% of the aggregate unpaid principal amount of COPs held by such Settling COP Claimant and shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

B. Non-Settling Holders.

Each beneficial holder of COPs shall receive the following treatment on account of its COP Claims unless such holder agrees to a different treatment of such Claims:

1. Disputed COP Claims Reserve.

On the Effective Date, the City shall establish the Disputed COP Claims Reserve. The Disputed COP Claims Reserve shall contain no less than (a) an Unsecured Pro Rata Share of New B Notes, calculated as if such Disputed COP Claims were Allowed (i) in an amount equal to the aggregate unpaid principal amount as of the Petition Date for the COPs not subject to the Plan COP Settlement or (ii) in such lesser amount as may be required by an order of the Bankruptcy Court, and (b) any distributions made on account of New B Notes held in the Disputed COP Claims Reserve.

2. Distributions From The Disputed COP Claims Reserve.

If and to the extent that Disputed COP Claims become Allowed Claims, the Holders of such Allowed Claims shall be sent a Distribution from the Disputed COP Claims Reserve of no less than (a) the portion of New B Notes held in the Disputed COP Claims Reserve initially allocated to the Disputed COP Claims that became Allowed Claims; and (b) any distributions received by the Disputed COP Claims Reserve on account of such portion of New B Notes. Upon the entry of an order by the trial court having jurisdiction over the objections to the Disputed COP Claims resolving all objections to the Disputed COP Claims and after all Distributions on account of Allowed COP Claims have been made or provided for, any and all New B Notes and distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed as follows: (a) an amount of New B Notes and/or distributions thereon in an amount equal to the costs, fees and expenses related to the COP Litigation incurred from and after the Effective Date shall be distributed to the City; (b) following such distribution, 65% of the New B Notes and any distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the New B Notes allocated to each pursuant to Sections II.B.3.s.ii.A and II.B.3.s.ii.B; and (c) following such distribution, the remaining New B Notes and distributions thereon shall revert to the City, provided that the City, in its sole discretion, may choose to distribute such remaining property among holders of Allowed Claims in Classes 7, 13 and/or 14.

q. Class 10 – PFRS Pension Claims.

i. Allowance.

The PFRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,250,000,000.

ii. Treatment.

A. Contributions to PFRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.q.ii.A. The exclusive source for such contributions shall be certain DIA Proceeds and a portion of the State Contribution. After June 30, 2023, (1) PFRS will receive certain additional DIA Proceeds and (2) the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of PFRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the trustees of the PFRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS that shall be 6.75%.

C. Modification of Benefits for PFRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a PFRS Pension Claim shall be equal to the PFRS Adjusted Pension Amount for such Holder, provided that such PFRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any PFRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.q.ii.C. For purposes of calculating a PFRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.q.ii.A or any State contributions if the PFRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G.

E. Accrual of Future Benefits.

Each Holder of a PFRS Pension Claim who is an Active Employee shall receive, in addition to his or her PFRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New PFRS Active Pension Plan Formula and the New PFRS Active Pension Plan.

F. Governance.

On or as soon as reasonably practicable after the Effective Date, PFRS shall establish an Investment Committee in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date.

G. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the PFRS, the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, or any successor plan or trust, that govern the calculation of pension benefits (including the PFRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior PFRS Pension Plan, the PFRS Restoration Payment, the New PFRS Active Pension Plan Formula and the terms of the New PFRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B, the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

H. State Contribution Agreement.

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

r. Class 11 – GRS Pension Claims.

i. Allowance.

The GRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,879,000,000.

ii. Treatment.

A. Contributions to GRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior GRS Pension Plan only in the amounts identified on Exhibit II.B.3.r.ii.A. The exclusive sources for such contributions shall be certain City sources, pension-related, administrative and restructuring payments received from the DWSD equal to approximately \$428.5 million, a portion of the State Contribution and certain DIA Proceeds. After June 30, 2023, (1) certain DIA Proceeds shall be contributed to the GRS and (2) the City will contribute such additional funds as are necessary to pay each Holder of a GRS Pension Claim his or her GRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior GRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of GRS if such party chooses to do so.

B. Investment Return Assumption

During the period that ends on June 30, 2023, the board of trustees of the GRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the GRS that shall be 6.75%.

C. Modification of Benefits for GRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a GRS Pension Claim shall be equal to the GRS Adjusted Pension Amount for such Holder, provided that

such GRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any GRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.r.ii.C. For purposes of calculating a GRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.r.ii.A or any State contributions if the GRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Annuity Savings Fund Recoupment.

1. ASF Current Participants.

On or as soon as reasonably practicable after the Effective Date, the Annuity Savings Fund Excess Amount will be calculated for each ASF Current Participant and will be deducted from such participant's Annuity Savings Fund account and be used to fund the accrued pension benefits of all GRS participants; provided, however, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.

2. ASF Distribution Recipients.

The Annuity Savings Fund Excess Amount will be calculated for each ASF Distribution Recipient, will then be converted into monthly annuity amounts based on each ASF Distribution Recipient's life expectancy and other factors and will be deducted from the ASF Distribution Recipient's monthly pension check; provided, however, that in no event shall the total amount deducted from an ASF Distribution Recipient's monthly pension checks exceed the ASF Recoupment Cap or, if applicable, the Current GRS Retiree Adjustment Cap.

E. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G.

F. Accrual of Future Benefits.

Each Holder of a GRS Pension Claim who is an Active Employee shall receive, in addition to his or her GRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014, consistent with the terms and conditions of the New GRS Active Pension Plan Formula and the New GRS Active Pension Plan.

G. Governance.

On or as soon as reasonably practicable after the Effective Date, GRS shall establish an Investment Committee in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date.

H. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the GRS, the City, the trustees of the GRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the GRS, or any successor plan or trust, that

govern the calculation of pension benefits (including the GRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior GRS Pension Plan, the GRS Restoration Payment, the New GRS Active Pension Plan Formula and the terms of the New GRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.r.ii.B, the contribution to the GRS, or the calculation or amount of GRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

I. State Contribution Agreement

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

s. Class 12 – OPEB Claims.

i. Allowance.

As a result of a settlement between the City and the Retiree Committee, the OPEB Claims shall be allowed in an aggregate amount equal to \$4,303,000,000.

ii. Treatment.

A. Detroit General VEBA.

Establishment of Detroit General VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit General VEBA to provide health benefits to Detroit General VEBA Beneficiaries and certain of their dependents. The Detroit General VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA Beneficiaries. The Detroit General VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.78, and shall, among other things, identify the members of the Detroit General VEBA's initial board of trustees. The DRCEA and the Retiree Committee will each be able to appoint board members in equal numbers, and such appointees will constitute a majority of the initial Detroit General VEBA board; the City will appoint the remaining members. Nothing in the Plan precludes either the Detroit General VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit General VEBA: On the Effective Date, the City shall distribute to the Detroit General VEBA New B Notes in the aggregate principal amount of \$218,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit General VEBA Beneficiaries. The Detroit General VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2.

B. Detroit Police and Fire VEBA.

Establishment of Detroit Police and Fire VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit Police and Fire VEBA to provide health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents. The Detroit Police and Fire VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit

Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.82, and shall, among other things, identify the members of the Detroit Police and Fire VEBA's initial board of trustees. The initial board members will be appointed by the City, the Retiree Committee and the RDPFFA. Nothing in the Plan precludes either the Detroit Police and Fire VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit Police and Fire VEBA: On the Effective Date, the City shall distribute to the Detroit Police and Fire VEBA New B Notes in the aggregate principal amount of \$232,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2.

C. No Further Responsibility.

From and after the Effective Date, the City shall have no further responsibility to provide retiree healthcare or any other retiree welfare benefits. The City shall have no responsibility from and after the Effective Date to provide life insurance or death benefits to current or former employees. On the Effective Date, the Employees Death Benefit Plan will be frozen, and the City will no longer have an obligation to contribute to fund death benefits under the plan for any participant or beneficiary. The Employees Death Benefit Plan will be self-liquidating, and existing retirees who participate in the plan will be granted a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the plan funding. For the avoidance of doubt, the Employees Death Benefit Plan shall not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. The Employees Death Benefit Board of Trustees shall continue to manage the Employees Death Benefit Plan and employ the staff of the Retirement Systems to administer the disbursement of benefits thereunder, the costs of which administration shall be borne by the assets of the Employees Death Benefit Plan.

t. Class 13 – Downtown Development Authority Claims.

i. Allowance.

On the Effective Date, the Downtown Development Authority Claims shall be deemed Allowed in the amount of \$33,600,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Downtown Development Authority Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

u. Class 14 – Other Unsecured Claims.

i. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

v. Class 15 – Convenience Claims.

i. Treatment.

Each Holder of an Allowed Convenience Claim, in full satisfaction of such Allowed Claim, shall receive Cash equal to the amount of 25% of such Allowed Claim (as reduced, if applicable, pursuant to an election by such Holder in accordance with Section I.A.55) on or as soon as reasonably practicable after the Effective Date, unless such Holder agrees to a different treatment of such Claim.

w. Class 16 – Subordinated Claims.

i. Treatment.

On the Effective Date, all Subordinated Claims shall be disallowed, extinguished and discharged without Distribution under the Plan, and Holders of Subordinated Claims shall not receive or retain any property on account of such Claims. Pursuant to section 1126(g) of the Bankruptcy Code, Class 16 is deemed to have rejected the Plan and Holders of Subordinated Claims are not entitled to cast a Ballot in respect of such Claims.

C. Confirmation Without Acceptance by All Impaired Classes

The City requests Confirmation under section 1129(b) of the Bankruptcy Code in the event that any impaired Class does not accept or is deemed not to accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Plan shall constitute a motion for such relief.

D. Treatment of Executory Contracts and Unexpired Leases

1. Assumption.

Except as otherwise provided in the Plan, in any contract, instrument, release or other agreement or document entered into in connection with the Plan or in a Final Order of the Bankruptcy Court, or as requested in any motion Filed by the City on or prior to the Effective Date, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the City will be deemed to assume all Executory Contracts and Unexpired Leases to which it is a party. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged.

2. Assumption of Ancillary Agreements.

Each Executory Contract and Unexpired Lease assumed pursuant to Section II.D.1 will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such Executory Contract or Unexpired Lease, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section II.D.6 or designated for rejection in accordance with Section II.D.3.

3. Approval of Assumptions and Assignments.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 (and any related assignment) as of the Effective Date, except for Executory Contracts or Unexpired Leases that (a) have been rejected pursuant to a Final Order of the Bankruptcy Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 or (e) are designated for rejection in accordance with the last sentence of this paragraph. An order of the Bankruptcy Court (which may be the Confirmation Order) entered on or prior to the Confirmation Date will specify the procedures for providing notice to each party whose Executory Contract or Unexpired Lease is being assumed pursuant to the Plan of: (a) the Executory Contract or Unexpired Lease being assumed; (b) the Cure

Amount Claim, if any, that the City believes it would be obligated to pay in connection with such assumption; (c) any assignment of an Executory Contract or Unexpired Lease; and (d) the procedures for such party to object to the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease. If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be deemed effective as of the Effective Date.

4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the City: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding: (a) the amount of any Cure Amount Claim, (b) the ability of the City or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to the assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order resolving the dispute and approving the assumption.

5. Contracts and Leases Entered Into After the Petition Date

Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5, will be performed by the City in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

6. Rejection of Executory Contracts and Unexpired Leases.

On the Effective Date, each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 shall be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. The City reserves its right, at any time on or prior to the Effective Date, to amend Exhibit II.D.6 to delete any Executory Contract or Unexpired Lease therefrom, thus providing for its assumption pursuant to Section II.D.1, or add any Executory Contract or Unexpired Lease thereto, thus providing for its rejection pursuant to this Section II.D.6. The City will provide notice of any amendments to Exhibit II.D.6 to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then-applicable service list in the Chapter 9 Case. Listing a contract or lease on Exhibit II.D.6 shall not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

7. Rejection Damages Bar Date.

Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served upon counsel to the City on or before the later of: (a) 30 days after the Effective Date; or (b) 30 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City.

8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the City under such contract or lease. Notwithstanding any applicable non-bankruptcy law to the contrary, the City expressly reserves and does not waive any right to receive, or any continuing obligation of a non-City party to provide, warranties, indemnifications or continued maintenance obligations on goods previously purchased, or services previously received, by the City from non-City parties to rejected Executory Contracts or Unexpired Leases, and any such rights shall remain vested in the City as of the Effective Date.

9. Insurance Policies.

From and after the Effective Date, each of the City's insurance policies (other than welfare benefits insurance policies) in existence as of or prior to the Effective Date shall be reinstated and continue in full force and effect in accordance with its terms and, to the extent applicable, shall be deemed assumed by the City pursuant to section 365 of the Bankruptcy Code and Section II.D.1. Nothing contained herein shall constitute or be deemed a waiver of any Causes of Action that the City may hold against any Entity, including any insurer under any of the City's insurance policies. For the avoidance of doubt, nothing contained in this Section II.D.9 shall apply to reinstate or continue any obligation of the City or any fund thereof to any Bond Insurer.

**ARTICLE III
CONFIRMATION OF THE PLAN**

A. Conditions Precedent to the Effective Date.

The Effective Date will not occur, and the Plan will not be consummated, unless and until the City has determined that all of following conditions have been satisfied or waived in accordance with Section III.B:

1. The Bankruptcy Court shall have entered the Confirmation Order in form and substance satisfactory to the City.
2. The Bankruptcy Court shall have entered an order (which may be included in the Confirmation Order) approving and authorizing the City to take all actions necessary or appropriate to implement the Plan, including the transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, settlements, releases and other agreements or documents entered into or delivered in connection with the Plan.
3. The Confirmation Order shall not be stayed in any respect.
4. All actions and all contracts, instruments, settlements, releases and other agreements or documents necessary to implement the terms and provisions of the Plan are effected or executed and delivered, as applicable, in form and substance satisfactory to the City.
5. All authorizations, consents and regulatory approvals, if any, required in connection with the consummation of the Plan have been obtained and not revoked, including all governmental and Emergency Manager consents and approvals required to carry out the terms of the UTGO Settlement.
6. Any legislation that must be passed by the Michigan Legislature to effect any term of the Plan shall have been enacted.
7. The Michigan Finance Authority board shall have approved the issuance of the Restructured UTGO Bonds.

8. The Plan and all Exhibits shall have been Filed and shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made in accordance with Section VIII.A.

9. If Classes 10 and 11 have accepted the Plan, all conditions to the effectiveness of the State Contribution Agreement and the DIA Settlement Documents have been satisfied.

10. The Effective Date shall have occurred within 180 days of the entry of the Confirmation Order, unless the City requests an extension of such deadline and such deadline is extended by the Bankruptcy Court.

B. Waiver of Conditions to the Effective Date.

The conditions to the Effective Date set forth in Section III.A may be waived in whole or part at any time by the City in its sole and absolute discretion.

C. Effect of Nonoccurrence of Conditions to the Effective Date.

If each of the conditions to the Effective Date is not satisfied, or duly waived in accordance with Section III.B, then upon motion by the City made before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is satisfied before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section III.C: (1) the Plan will be null and void in all respects, including with respect to (a) the discharge of Claims pursuant to section 944(b) of the Bankruptcy Code, (b) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Section II.D and (c) the releases described in Section III.D.7; and (2) nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, will be or will be deemed to be (a) a waiver or release of any Claims by or against the City, (b) an admission of any sort by the City or any other party in interest or (c) prejudicial in any manner the rights of the City or any other party in interest.

D. Effect of Confirmation of the Plan.

1. Dissolution of Retiree Committee.

Following the Effective Date, the Retiree Committee, to the extent not previously dissolved or disbanded, will dissolve and disband, and the members of the Retiree Committee and their respective professionals will cease to have any role arising from or related to the Chapter 9 Case, provided, however, that, if and only if the Retiree Committee is the Creditor Representative under the Plan, the Retiree Committee shall continue to exist solely for the purposes of objecting to or otherwise asserting the City's or its creditors' rights with respect to Disputed COP Claims pursuant to Section II.B.3.p.i. If the Retiree Committee is the Creditor Representative, it shall be disbanded upon the final resolution of all Disputed COP Claims or pursuant to an order of the Bankruptcy Court, which order may be sought by the City for good cause shown. All fees and expenses of the Creditor Representative shall be subject to the approval of the City. All disputes relating to the approval of fees and expenses shall be determined by the Bankruptcy Court. No party to any such dispute shall have any right to appeal an order of the Bankruptcy Court resolving any such dispute.

2. Preservation of Rights of Action by the City.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the City will retain and may enforce any claims, demands, rights, defenses and Causes of Action that it may hold against any Entity, including but not limited to any and all Causes of Action against any party relating to the past practices of the Retirement Systems (including any investment decisions related to, and the management of, the Retirement Systems' respective pension plans and/or assets), to the extent not expressly released under the Plan or

pursuant to any Final Order of the Bankruptcy Court. A nonexclusive schedule of currently pending actions and claims brought by the City is attached as Exhibit III.D.2. The City's inclusion of, or failure to include, any right of action or claim on Exhibit III.D.2 shall not be deemed an admission, denial or waiver of any claims, demands, rights or Causes of Action that the City may hold against any Entity, and all Entities are hereby notified that the City intends to preserve all such claims, demands, rights or Causes of Action.

3. Comprehensive Settlement of Claims and Controversies.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim may have with respect to any Allowed Claim or any Distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are (a) in the best interests of the City, its property and Claim Holders and (b) fair, equitable and reasonable. For the avoidance of doubt, this Section III.D.3 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims.

4. Discharge of Claims.

a. Complete Satisfaction, Discharge and Release.

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date, discharge the City from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the Holder of a Claim based on such debt has accepted the Plan.

b. Discharge.

In accordance with Section III.D.4.a, except as expressly provided otherwise in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of a discharge of all Claims and other debts and Liabilities against the City, pursuant to sections 524(a)(1), 524(a)(2) and 944(b) of the Bankruptcy Code, and such discharge will void any judgment obtained against the City at any time, to the extent that such judgment relates to a discharged Claim; provided that such discharge will not apply to (i) Claims specifically exempted from discharge under the Plan; and (ii) Claims held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case.

5. Injunction.

On the Effective Date, except as otherwise provided herein or in the Confirmation Order,

a. all Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims, along with their Related Entities, shall be permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order):

1. commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property

(including (A) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (B) Indirect 36th District Court Claims, and (C) Indirect Employee Indemnity Claims);

2. enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property;

3. creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the City or its property;

4. asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property;

5. proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth herein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and

6. taking any actions to interfere with the implementation or consummation of the Plan.

b. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan will be permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

6. Exculpation.

From and after the Effective Date, to the fullest extent permitted under applicable law, neither the City, its Related Entities (including the members of the City Council, the Mayor and the Emergency Manager), to the extent a claim arises from actions taken by such Related Entity in its capacity as a Related Entity of the City, the State, the State Related Entities, the Exculpated Parties nor the Released Parties shall have or incur any liability to any person or Entity for any act or omission in connection with, relating to or arising out of the City's restructuring efforts and the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the formulation, preparation, negotiation, dissemination, consummation, implementation, confirmation or approval (as applicable) of the Plan, the property to be distributed under the Plan, the settlements implemented under the Plan, the Exhibits, the Disclosure Statement, any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan or the management or operation of the City; provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities, the State, the State Related Entities, the Released Parties and the Exculpated Parties that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct or any act or omission occurring before the Petition Date. The City, its Related Entities (with respect to actions taken by such Related Entities in their capacities as Related Entities of the City), the State, the State Related Entities, the Released Parties and the Exculpated Parties shall be entitled to rely upon the advice of counsel and financial advisors with respect to their duties and responsibilities under, or in connection with, the Chapter 9 Case, the administration thereof and the Plan.

7. Releases

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement):

- a. each holder of a Claim that votes in favor of the Plan, to the fullest extent permissible under law, will be deemed to forever release, waive and discharge all Liabilities in any way relating to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, the Exhibits or the Disclosure Statement that such entity has, had or may have against the City, its Related Entities, the State, the State Related Entities and the Released Parties (which release will be in addition to the discharge of Claims provided herein and under the Confirmation Order and the Bankruptcy Code), provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; provided further that this Section III.D.7.a shall not apply to any Exculpated Party; and provided further, however, that if Classes 10 and 11 vote to accept the Plan, but any necessary conditions precedent to the receipt of the initial funding from the State (pursuant to the State Contribution Agreement) and the DIA Funding Parties (pursuant to the DIA Settlement) that can be satisfied or waived by the applicable funding party prior to the Confirmation Hearing (including, but not limited to, adoption of relevant legislation and appropriations by the State and execution of necessary and irrevocable agreements for their funding commitments by each of the DIA Funding Parties, which conditions may not be waived) are not satisfied or waived by the applicable funding party prior to the Confirmation Hearing, then Holders of Claims in Classes 10 and 11 that voted to accept the Plan shall be deemed to have voted to reject the Plan, and the voluntary release set forth in the first sentence of this Section III.D.7.a shall not apply to Holders of Claims in Classes 10 and 11; and
- b. if the State Contribution Agreement is consummated, each holder of a Pension Claim will be deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees and/or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law and/or the Plan.

E. No Diminution of State Power

No provision of this Plan shall be construed: (1) so as to limit or diminish the power of the State to control, by legislation or otherwise, the City in the exercise of the political or governmental powers of the City, including expenditures for such exercise; (2) so as to limit or diminish the power of the State to effect setoffs necessary to compensate the State or relieve the State of liability against funds (a) owing to the City from the State, (b) granted to the City by the State, or (c) administered by the State on behalf of the City or the federal government (including funds resulting from federal or state grants), for acts or omissions by the City (including but not limited to misappropriation or misuse of funds); and (3) as a waiver by the State of its rights as a sovereign or rights granted to

it pursuant to the Tenth Amendment to the United States Constitution, or limit or diminish the State's exercise of such rights.

F. Effectiveness of the Plan.

The Plan shall become effective on the Effective Date. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

G. Binding Effect of Plan.

Pursuant to section 944(a) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall bind all Holders of Claims, and their respective successors and assigns, whether or not the Claim of any such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan. The releases and settlements effected under the Plan will be operative, and subject to enforcement by the Bankruptcy Court, from and after the Effective Date, including pursuant to the injunctive provisions of the Plan. Once approved, the compromises and settlements embodied in the Plan, along with the treatment of any associated Allowed Claims, shall not be subject to any collateral attack or other challenge by any Entity in any court or other forum. As such, any Entity that opposes the terms of any compromise and settlement set forth in the Plan must (1) challenge such compromise and settlement prior to Confirmation of the Plan and (2) demonstrate appropriate standing to object and that the subject compromise and settlement does not meet the standards governing bankruptcy settlements under Bankruptcy Rule 9019 and other applicable law.

**ARTICLE IV
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. DWSD.

1. Rates and Revenues.

DWSD will maintain Fiscal Year 2015 rate setting protocols for a minimum of five years, subject to certain changes necessary to stabilize water and sewer revenues. The City may seek to implement a rate stability program for City residents, which program may, among other things, (a) provide a source of funds to mitigate against rate increases, (b) enhance affordability and (c) provide a buffer against delinquent payments.

2. DWSD CBAs.

Collective bargaining agreements with respect to current DWSD employees that are in effect and not expired as of the Effective Date will be assumed by the City.

3. The New DWSD Bonds and New Existing Rate DWSD Bonds.

DWSD shall, as necessary: (a) execute the New DWSD Bond Documents, issue the New DWSD Bonds substantially on the terms set forth on Exhibit I.A.186, and distribute the New DWSD Bonds as set forth in the Plan; and (b) execute the New Existing Rate DWSD Bond Documents, issue the New Existing Rate DWSD Bonds substantially on the terms set forth on Exhibit I.A.188, and distribute the New Existing Rate DWSD Bonds as set forth in the Plan.

B. The New B Notes.

On the Effective Date, the City shall execute the New B Notes Documents, issue the New B Notes, substantially on the terms set forth on Exhibit I.A.183, and distribute the New B Notes as set forth in the Plan.

C. The Plan COP Settlement.

The City shall consummate the Plan COP Settlement on the Effective Date, substantially on the terms set forth on Exhibit I.A.214. Settling COP Claimants shall receive the treatment described in Section II.B.3.p.iii.A.

D. The UTGO Settlement.

The City shall consummate the UTGO Settlement on the Effective Date, substantially on the terms set forth on Exhibit I.A.285. The treatment of Unlimited Tax General Obligation Bond Claims under the Plan is provided for pursuant to the UTGO Settlement, which involves the settlement of, among other things, the UTGO Litigation and is subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019.

Pursuant to the UTGO Settlement, among other things: (1) the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000; (2) the City shall issue the Municipal Obligation to the Municipal Finance Authority, which in turn will issue the Restructured UTGO Bonds; (3) Holders of Allowed Unlimited Tax General Obligation Bond Claims shall be entitled to receive their Pro Rata share of Restructured UTGO Bonds; and (4) a designee or designees of the City shall have the right to receive the Assigned UTGO Bond Tax Proceeds, which Assigned UTGO Bond Tax Proceeds will be distributed over a 14-year period to the Income Stabilization Funds of GRS and PFRS for the payment of Income Stabilization Payments to Eligible Pensioners and to the Retirement Systems, in accordance with applicable agreements.

E. The State Contribution Agreement.

On the Effective Date, if Classes 10 and 11 vote to accept the Plan, the City and the State will enter into the State Contribution Agreement, substantially on the terms set forth on Exhibit I.A.268.

1. State Contribution.

The State or the State's authorized agent will contribute the net present value of \$350 million payable over 20 years using a discount rate of 6.75% to GRS and PFRS for the benefit of the Holders of Pension Claims.

2. Income Stabilization Payments.

The Income Stabilization Funds of GRS and PFRS will receive not less than an aggregate amount of \$20 million over 14 years of the Assigned UTGO Bond Tax Proceeds in the form of annual installment payments pursuant to a payment schedule approved by the State. Following the Effective Date, on an annual basis, GRS and PFRS will distribute such portion of the funds held in their respective Income Stabilization Fund to Eligible Pensioners entitled to receive the Income Stabilization Benefit and the Income Stabilization Benefit Plus. The Income Stabilization Benefit, which will be calculated in the first year following the Effective Date and will not increase thereafter, will be provided by the applicable Retirement System to each Eligible Pensioner. In addition, to the extent that an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in any calendar year after the first year of the income stabilization program is less than 105% of the Federal Poverty Level for such year, the applicable Retirement System will distribute the Income Stabilization Benefit Plus to such Eligible Pensioner.

In the event that, in 2022 (provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to GRS or PFRS, as applicable, at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee of GRS or PFRS, as applicable, that the Income Stabilization Fund of the applicable Retirement System is credited with Excess Assets, the respective Investment Committee may recommend that the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System. In the event that any funds remain in the Income Stabilization Fund of each or either of GRS or PFRS on the date upon which no Eligible

Pensioners under the applicable Retirement System are living, such funds shall be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System.

3. Conditions to State's Participation.

The State's payment of the State Contribution is conditioned upon satisfaction of the conditions precedent set forth in the State Contribution Agreement, including, among other things, the following: (a) the Confirmation Order becoming a Final Order no later than September 30, 2014, which Confirmation Order must contain certain provisions as set forth in the State Contribution Agreement; (b) the occurrence of the Effective Date no later than December 31, 2014; (c) acceptance of the Plan by Classes 10 and 11, which Plan must be in form and substance reasonably acceptable to the State and contain certain release provisions; (d) the Retiree Committee's endorsement of the Plan, including a letter from the Retiree Committee recommending that Classes 10 and 11 vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in Classes 10 and 11; (e) active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way the litigation described in subsection (f) of this Section by, the City, the Retiree Committee, the Retirement Systems and certain unions and retiree associations, or equivalent assurances of litigation finality; (f) cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, (i) challenging PA 436 or any actions taken pursuant to PA 436 as it relates to the City or (ii) to enforce Article IX, Section 24 of the Michigan Constitution, or equivalent assurances of finality of such litigation; (g) a firm commitment by the Foundations to contribute an aggregate amount of not less than \$366 million to fund the DIA Settlement; (h) a firm commitment by DIA Corp. to raise at least \$100 million from its donors to fund the DIA Settlement; (i) assurances that the State Contribution may only be used to fund payments to Holders of Pension Claims in accordance with the terms of the State Contribution Agreement; (j) assurances that the Retirement Systems must at all times during the 20 years following the Effective Date maintain an Investment Committee for the purpose of making recommendations to, and approving certain actions by, the respective Retirement System's board of trustees and/or making determinations and taking action under, and with respect to certain matters described in, the State Contribution Agreement; (k) assurances that an income stabilization program will be operated; (l) assurances that the provisions of the State Contribution Agreement regarding governance of the Retirement Systems will be approved; (m) the execution of the State Contribution Agreement acceptable in form and substance to the City and the State; and (n) the passage of legislation prior to Confirmation authorizing the State Contribution.

4. Release of Claims Against the State and State Related Entities.

The State Contribution Agreement requires that the Plan provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

F. The DIA Settlement.

On the Effective Date, the City, the Foundations and DIA Corp. will enter into the DIA Settlement, pursuant to which (1) the DIA Funding Parties have committed to assist in the funding of the City's restructured legacy pension obligations and (2) the City has agreed to enter into certain transactions that will cause the DIA Assets to remain in the City in perpetuity and to otherwise make the DIA Assets available for the benefit of the residents of the City and the Counties and the citizens of the State. The DIA Settlement Documents attached hereto as Exhibit I.A.92 will qualify the description of the DIA Settlement in the Plan, Disclosure Statement and Exhibit I.A.91.

1. Funding Contributions.

The DIA Settlement will be funded as follows: (a) an irrevocable commitment of at least \$366 million by the Foundations; and (b) in addition to its continuing commitments outside of the DIA Settlement, an irrevocable commitment from DIA Corp. to raise at least \$100 million from its donors (subject to certain adjustments as set forth in the DIA Settlement Documents), the payment of which \$100 million will be guaranteed

by DIA Corp., subject to the terms of the DIA Settlement Documents. The foregoing commitments shall be funded over the course of the 20-year period immediately following the Effective Date (subject to the annual confirmation of the City's continuing compliance with the terms of the DIA Settlement) according to an "Agreed Required Minimum Schedule" and "Present Value Discount," as set forth in Exhibit I.A.91. Amounts committed by the Foundations will be paid to the CFSEM Supporting Organization, which will (a) transfer such amounts for the purpose of funding the Retirement Systems upon the City's satisfaction of certain conditions and (b) not be subject to claims of creditors of the Community Foundation for Southeast Michigan.

2. Transfer of DIA Assets.

On the Effective Date, the City shall irrevocably transfer the DIA Assets to DIA Corp., as trustee, to be held in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and the Counties and the citizens of the State.

3. Conditions to the Foundations' Participation.

The DIA Funding Parties participation in the DIA Settlement is conditioned upon, among other things, the following: (a) execution of the DIA Settlement Documents by each Foundation; (b) the irrevocable commitment from the DIA Corp. described in Section IV.F.1; (c) the acceptance of the Plan by Classes 10 and 11; (d) the irrevocable transfer by the City of the DIA Assets described in Section IV.F.2; (e) the existence of appropriate governance and oversight structures at DIA Corp. that include representation of the City, the DIA Funding Parties and other stakeholders; (f) the earmarking of all funds provided by the DIA Funding Parties towards the recoveries upon Pension Claims under the Plan for Holders of Claims in Classes 10 and 11; (g) the existence of appropriate prospective governance and financial oversight mechanisms for the Retirement Systems; (h) the affirmation by County authorities of certain existing funding obligations with respect to DIA Corp.; (i) the approval of the DIA Settlement by the Attorney General for the State; (j) the agreement of the State to provide the State Contribution in an aggregate amount of \$350 million; (k) the occurrence of the Effective Date no later than December 31, 2014; and (l) the City's agreement to indemnify and hold harmless the DIA Funding Parties and the CFSEM Supporting Organization and their Related Entities pursuant to, and in accordance with, the terms of the DIA Settlement Documents.

G. Contingent Payment Rights

On or as soon as reasonably practicable after the Confirmation Date, the City shall establish the Restoration Trust. The City shall issue the DWSD CVR to the Restoration Trust. If a Qualifying DWSD Transaction has not occurred before the seventh anniversary of the Effective Date, the DWSD CVR shall terminate and expire. The Restoration Trust shall distribute proceeds from the DWSD CVR in the following amounts and priorities: (1) first, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have their 4.5% pension reductions restored; (2) second, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have 92% of their COLA benefits restored; and (3) third, 53% to GRS and 47% to PFRS. If the City makes any contributions to either GRS or PFRS out of its portion of the Net DWSD Transaction Proceeds, such contributions and earnings thereon shall not be taken into account for determining whether any pension restoration may be made. The DWSD CVR may not be transferred.

1. Special Restoration

Any proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated on or before the Effective Date, or fully executed and enforceable before the Effective Date but consummated after the Effective Date, shall be utilized for the purpose of funding the Special Restoration; provided that the City shall act in good faith so as not to unreasonably delay the execution of a Qualifying DWSD Transaction solely to avoid Special Restoration. In such case, the City will perform a Value Determination and arrive at the Discounted Value. The City will engage in good faith discussion as to the reasonableness of the Value Determination with the Retiree Committee or Restoration Trust, as applicable. In the event that the Retiree Committee or the Restoration Trust, as applicable, does not accept the Value Determination, the Retiree Committee or the Restoration Trust, as applicable, may seek to have the Bankruptcy Court determine the dispute, and the City consents to such jurisdiction.

Special Restoration shall follow the priorities of restoration of benefits set forth in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C. In order for benefits to be restored pursuant to the Special Restoration, such benefits must be fully funded by 50% of the Discounted Value for the full actuarially-determined lives of all participants for whom benefits are restored. In the event that actual Net DWSD Transaction Proceeds from the DWSD CVR do not equal 50% of the contemplated Net DWSD Transaction Proceeds as of the date of the Value Determination, the Investment Committees of the Retirement Systems will reduce or eliminate the Special Restoration benefits, as applicable, by the amount that 50% of the Discounted Value exceeds the actual Net DWSD Transaction Proceeds from the DWSD CVR received or projected to be received using a 6.75% discount rate. In the event that the Retiree Committee, the Restoration Trust or the City, as applicable, does not agree with the reduction in the Special Restoration benefits, the Retiree Committee or the Restoration Trust, as applicable, or the City may consult with the trustees and Investment Committees of PFRS or GRS with respect to any such reduction. Neither the Retiree Committee nor the Restoration Trust shall have any right to initiate any enforcement proceeding with respect to Special Restoration.

2. General Restoration

Any Net DWSD Transaction Proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated after the Effective Date, if such Qualifying Transaction was not fully executed and enforceable before the Effective Date, shall be utilized for the purpose of funding the pension trusts, and such cash contributions shall be included in any calculations allowing for the restoration of benefits in accordance with the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

H. The OPEB Settlement

The City and the Retiree Committee have reached a settlement related to the allowance and calculation of the OPEB Claims in Class 12 and the treatment of such Allowed OPEB Claims. The Plan reflects the terms of that settlement, and the Confirmation Order shall constitute an order approving such settlement pursuant to Bankruptcy Rule 9019.

I. Issuance of the New Securities.

The City shall issue the New Securities on the Effective Date or a subsequent Distribution Date, as applicable. To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-bankruptcy law, the issuance of New Securities will be exempt from registration under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder and any other applicable non-bankruptcy law or regulation.

J. Cancellation of Existing Bonds and Bond Documents.

Except (a) as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, (b) for purposes of evidencing a right to Distribution under the Plan or (c) as specifically provided otherwise in the Plan, on the Effective Date, the Bonds and the Bond Documents will be deemed automatically cancelled, terminated and of no further force or effect against the City without any further act or action under any applicable agreement, law, regulation, order or rule and the obligations of the parties, as applicable, under the Bonds and the Bond Documents shall be discharged; provided, however, that the Bonds and Bond Documents shall continue in effect solely (i) to allow the Disbursing Agent to make any Distributions as set forth in the Plan and to perform such other necessary administrative or other functions with respect thereto, (ii) for any trustee, agent or similar entity under the Bond Documents to have the benefit of all the rights and protections and other provisions of the Bond Documents and all other related agreements with respect to priority in payment and lien rights with respect to any Distribution and (iii) as may be necessary to preserve any claim by a Bondholder and/or Bond Agent under a Bond Insurance Policy or against any Bond Insurer. Notwithstanding the foregoing, and except as otherwise expressly provided in the Plan, such Bonds and/or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City. Nothing in the Plan impairs, modifies, affects or otherwise alters the rights of (a) Bondholders and/or Bond Agents with respect to claims under applicable Bond

Insurance Policies and/or against the Bond Insurers or (b) Holders of COP Claims with respect to claims under applicable policies and/or other instruments insuring the COPs and obligations related thereto.

K. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, or where a Claim is Reinstated, on the Effective Date, all Liens against the City's property will be deemed fully released and discharged, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, will revert to the City. As of the Effective Date, (1) the holders of such Liens will be authorized and directed to release any collateral or other property of the City (including any cash collateral) held by such Holder and to take such actions as may be requested by the City to evidence the release of such Lien, including the execution, delivery, filing or recording of such releases as may be requested by the City, and (2) the City shall be authorized to execute and file on behalf of creditors Form UCC-3 Termination Statements or such other forms as may be necessary or appropriate to implement the provisions of this Section IV.K.

L. Professional Fee Reserve

On the Effective Date, the City shall establish and fund the Professional Fee Reserve. The Professional Fee Reserve shall be funded in an amount sufficient to pay the Fee Review Professional Fees that remain unpaid as of the Effective Date. The funds held in the Professional Fee Reserve may not be used for any purpose other than the payment of Fee Review Professional Fees until any and all disputes regarding the Fee Review Professional Fees, including any disputes arising under the Fee Review Order, have been fully and finally resolved pursuant to a Final Order or a stipulation between the disputing parties. Any amounts remaining in the Professional Fee Reserve after final resolution of all such disputes and the payment of all Fee Review Professional Fees determined to be reasonable in accordance with the Fee Review Order shall be released to the General Fund.

M. Assumption of Indemnification Obligations.

Notwithstanding anything otherwise to the contrary in the Plan, nothing in the Plan shall discharge or impair the obligations of the City as provided in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements as of the Petition Date to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of officers and employees of the City (consistent with the injunction provisions of Section III.D.5 and including the members of the City Council, the Mayor and the Emergency Manager) and their Related Entities, in each case to the extent such Entities were acting in such capacity, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, foreseen or unforeseen, asserted or unasserted; provided that this Section IV.M shall be read in conjunction with the provisions for Indirect Employee Indemnity Claims set forth in Section III.D.5. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. For the avoidance of doubt, no indemnification provision in any loan document, bond document, Bond Insurance Policy or other agreement with a Bond Insurer is exempted from discharge by reason of this Section IV.M.

N. Incorporation of Retiree Health Care Settlement Agreement.

The terms of the Retiree Health Care Settlement Agreement resolving the Retiree Health Care Litigation, which agreement is attached hereto as Exhibit I.A.236, are incorporated herein by reference and shall be binding upon the parties thereto.

O. Payment of Workers' Compensation Claims.

From and after the Effective Date, (a) the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for benefits and liabilities for which the City is responsible under applicable State workers' compensation law, regardless of when the applicable injuries were incurred, in accordance with the City's prepetition practices and procedures and governing State workers'

compensation law, and (b) nothing in the Plan shall discharge, release or relieve the City from any current or future liability under applicable State workers' compensation law. The City expressly reserves the right to challenge the validity of any claim for benefits or liabilities arising under applicable State workers' compensation law.

P. Payment of Certain Claims Relating to the Operation of City Motor Vehicles

If the City determines to maintain self-insurance with respect to the operation of its motor vehicles in a notice Filed not less than ten days before the Confirmation Hearing, this Section IV.P will apply. Subject to the foregoing, from and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay valid prepetition Claims for liabilities with respect to which the City is required to maintain insurance coverage pursuant to MCL § 500.3101 in connection with the operation of the City's motor vehicles, as follows: (1) Claims for personal protection benefits as provided by MCL § 500.3107 and MCL § 500.3108, for which insurance coverage is required by MCL § 500.3101(1), shall be paid in full, to the extent valid, provided, however, that the City will not be liable for or pay interest or attorneys' fees under MCL § 500.3142 or MCL § 500.3148 on prepetition Claims for personal protection benefits; (2) tort claims permitted by MCL § 500.3135, for which residual liability insurance coverage is required by MCL § 500.3101(1) and MCL § 500.3131, shall be paid, to the extent valid, only up to the minimum coverages specified by MCL § 500.3009(1), i.e., up to a maximum of (a) \$20,000 because of bodily injury to or death of one person in any one accident, and subject to that limit for one person, (b) \$40,000 because of bodily injury to or death of two or more persons in any one accident and (c) \$10,000 because of injury to or destruction of property of others in any accident; and (3) Claims for property protection benefits under MCL § 500.3121 and MCL § 500.3123 shall be paid, to the extent valid, only up to the maximum benefits specified in MCL § 500.3121; provided, however, for the avoidance of doubt, to the extent any valid Claim subject to subsections 2 and 3 above exceeds the applicable payment limits, the excess claim amount shall be treated as an Other Unsecured Claim or a Convenience Claim (as applicable). If this Section IV.P becomes effective, nothing in the Plan shall discharge, release or relieve the City from any current or future liability with respect to Claims subject to insurance coverage pursuant to MCL § 500.3101 or Claims within the minimum coverage limits in MCL § 500.3009(1). The City expressly reserves the right to challenge the validity of any Claim subject to this Section IV.P, and nothing herein shall be deemed to expand the City's obligations or claimants' rights with respect to these Claims under State law.

Q. Payment of Tax Refund Claims.

From and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for income tax refunds and property tax refunds for which the City is responsible under applicable law, regardless of when the applicable right to a refund arose, in accordance with the City's prepetition practices and procedures. The City expressly reserves the right to challenge the validity of any claim for an income tax refund and/or property tax refund.

R. Utility Deposits.

From and after the Effective Date, the City will continue to administer utility deposits in accordance with the City's prepetition practices and procedures, including the payment of any undisputed, non-contingent, liquidated claims against the City for the refund of a utility deposit.

S. Pass-Through Obligations

The City shall continue to honor its Pass-Through Obligations to the Pass-Through Recipients.

T. Exit Facility.

On the Effective Date, the City shall enter into the Exit Facility, as well as any ancillary notes, documents or agreements in connection therewith, including, without limitation, any documents required in connection with the creation or perfection of the liens securing the Exit Facility.

U. Post-Effective Date Governance

Prior to or on the Effective Date, a financial oversight board shall be established pursuant to and in accordance with State law now in effect or hereafter enacted to ensure that, post-Effective Date, the City adheres to the Plan and continues to implement financial and operational reforms that should result in more efficient and effective delivery of services to City residents. The financial oversight board shall be composed of individuals with recognized financial competence and experience and shall have the authority to, among other things, impose limits on City borrowing and expenditures and require the use of financial best practices.

**ARTICLE V
PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN**

A. Appointment of Disbursing Agent.

The City may act as Disbursing Agent or may employ or contract with other Entities to act as the Disbursing Agent or to assist in or make the Distributions required by the Plan. Any Disbursing Agent appointed by the City will serve without bond. Other than as specifically set forth in the Plan, the Disbursing Agent shall make all Distributions required to be made under the Plan.

B. Distributions on Account of Allowed Claims.

Except as otherwise provided in the Plan, on the Effective Date or as soon as practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive from the Disbursing Agent the Distributions that the Plan provides for Allowed Claims in the applicable Class. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Section VI.B. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the Distributions provided for in the Plan, regardless of whether such Distributions are delivered on or at any time after the Effective Date. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a Distribution in excess of the Allowed amount of such Claim.

C. Certain Claims to Be Expunged.

Any Claim that has been or is hereafter listed in the List of Creditors as contingent, unliquidated or disputed, and for which no proof of Claim is or has been timely Filed, is not considered to be an Allowed Claim and shall be expunged without further action by the City and without further notice to any party or any action, approval or order of the Bankruptcy Court.

D. Record Date for Distributions; Exception for Bond Claims.

With the exception of Bond Claims, neither the City nor any Disbursing Agent will have any obligation to recognize the transfer of, or the sale of any participation in, any Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims (including Holders of Claims that become Allowed after the Distribution Record Date) that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. With the exception of the Bond Claims, the City and any Disbursing Agent shall instead be entitled to recognize and deal for all purposes under the Plan with only those record Holders stated on the official Claims Register as of the close of business on the Distribution Record Date. Unless otherwise set forth in the Confirmation Order, the City shall not establish a record date for Distributions to Holders of Bond Claims.

E. Means of Cash Payments.

Except as otherwise specified herein, all Cash payments made pursuant to the Plan shall be in U.S. currency and made by check drawn on a domestic bank selected by the Disbursing Agent or, at the option of the Disbursing Agent, by wire transfer, electronic funds transfer or ACH from a domestic bank selected by the Disbursing Agent; provided, however, that Cash payments to foreign Holders of Allowed Claims may be made, at the option of the Disbursing Agent, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

F. Selection of Distribution Dates for Allowed Claims.

Except where the Plan requires the making of a Distribution on account of a particular Allowed Claim within a particular time, the Disbursing Agent shall have the authority to select Distribution Dates that, in the judgment of the Disbursing Agent, provide Holders of Allowed Claims with payments as quickly as reasonably practicable while limiting the costs incurred in the distribution process. Upon the selection of a Distribution Date by the Disbursing Agent, the Disbursing Agent shall File a notice of such Distribution Date that provides information regarding the Distribution to be made.

G. Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.

No Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the City's insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy; provided that, if the City believes a Holder of an Allowed Claim has recourse to an insurance policy and intends to direct the Disbursing Agent to withhold a Distribution pursuant to this Section V.G, the City shall provide written notice to such Holder regarding what the City believes to be the nature and scope of applicable insurance coverage. To the extent that one or more of the City's insurance carriers agrees to satisfy a Claim in full, then immediately upon such agreement such Claim may be expunged without a Claims objection having to be Filed and without any further notice or any action, order or approval of the Bankruptcy Court. Nothing in the Plan, including this Section V.G, shall constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities that any Entity may hold against any other Entity, including the City's insurance carriers and Bond Insurers, other than the City. For the avoidance of doubt, this Section shall not apply to Bond Insurance Policies or Swap Insurance Policies.

H. City's Rights of Setoff Preserved.

Notwithstanding anything to the contrary in the Plan, pursuant to section 553 of the Bankruptcy Code or otherwise applicable non-bankruptcy law, the City may set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim the claims, rights and Causes of Action of any nature that the City may assert against the Holder of such Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim pursuant to the terms of the Plan shall constitute a waiver or release by the City of any claims, rights and Causes of Action that the City may assert against such Holder, all of which are expressly preserved.

I. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Delivery of Distributions Generally.

Except as set forth in Section V.I.2, Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the City's records unless such addresses are superseded by proofs of Claim or transfers of Claim Filed pursuant to Bankruptcy Rule 3001.

2. Delivery of Distributions on Account of Bond Claims.

Distributions on account of the Bond Claims shall (a) be made by the Disbursing Agent to the Bond Agent under the applicable Bond Documents for the benefit of Holders of Bond Claims and (b) be deemed

completed when made by the Disbursing Agent to the Bond Agent as if such Distributions were made directly to the Holders of such Claims. The applicable Bond Agent, in turn, shall make such distributions to the applicable Holders pursuant to the terms and conditions of the applicable Bond Documents and subject to the respective rights, claims and interests, if any, that the Bond Agent may have under the applicable Bond Documents or otherwise to the recovery and/or reimbursement of their fees, costs and expenses (including the fees, costs and expenses of counsel and financial advisors) from any distribution hereunder, whether such rights, claims or interests are in the nature of a charging lien or otherwise. The Bond Agent shall not be required to give any bond, surety or other security for the performance of its duties with respect to such Distributions.

3. De Minimis Distributions / No Fractional New Securities.

No distribution shall be made by the Disbursing Agent on account of an Allowed Claim if the amount to be distributed to the specific Holder of an Allowed Claim on the applicable Distribution Date has an economic value of less than \$25.00. No fractional New Securities shall be distributed. Where a fractional portion of a New Security otherwise would be called for under the Plan, the actual issuance shall reflect a rounding down to the nearest whole New Security.

4. Undeliverable or Unclaimed Distributions.

In the event that any Distribution to any Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such Distribution shall be made to such Holder without interest.

Any Holder of an Allowed Claim that does not claim an undeliverable or unclaimed Distribution within six months after the Effective Date shall be deemed to have forfeited its claim to such Distribution and shall be forever barred and enjoined from asserting any such claim against the City or its property. In such cases, any Cash held by the City on account of such undeliverable or unclaimed Distributions shall become the property of the City free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary. Any New Securities held for distribution on account of such Claims shall be canceled and of no further force or effect. Nothing contained in the Plan shall require any Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

5. Time Bar to Cash Payment Rights.

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Disbursing Agent by the Holder of the Allowed Claim to whom such check originally was issued within 180 days after the date of the original check issuance. After such date, the Claim of any Holder to the amount represented by such voided check shall be released and forever barred from assertion against the City and its property.

J. Other Provisions Applicable to Distributions in All Classes

1. No Postpetition Interest.

Except as otherwise specifically provided for in the Plan, or required by applicable bankruptcy law, the City shall have no obligation to pay any amount that constitutes or is attributable to interest on an Allowed Claim accrued after the Petition Date and no Holder of a Claim shall be entitled to be paid any amount that constitutes or is attributable to interest accruing on or after the Petition Date on any Claim without regard to the characterization of such amounts in any document or agreement or to whether such amount has accrued for federal income tax purposes. Any such amount that constitutes or is attributable to interest that has been accrued and has not been paid by the City shall be cancelled as of the Effective Date for federal income tax purposes.

2. Compliance with Tax Requirements.

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the City and any Disbursing Agent shall comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions under the Plan shall be subject to such withholding and reporting requirements. All such amounts withheld and paid to the appropriate governmental unit shall be treated as if made directly to the Holder of an Allowed Claim. The City and the Disbursing Agent shall be authorized to take any actions that they determine, in their reasonable discretion, to be necessary or appropriate to comply with such withholding and reporting requirements, including withholding Distributions pending receipt of information necessary to facilitate such Distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

Notwithstanding any other provision of the Plan, each Entity receiving or deemed to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax imposed on such Entity on account of such Distribution, including income, withholding and other Tax obligations. The City has the right, but not the obligation, to refuse, or to direct a Disbursing Agent to refuse, to make a Distribution until a Holder of an Allowed Claim has made arrangements satisfactory to the City and any Disbursing Agent for payment of any such Tax obligations. The City may require, as a condition to making a Distribution, that the Holder of an Allowed Claim provide the City or any Disbursing Agent with a completed Form W-8, W-9 and/or other Tax information, certifications and supporting documentation, as applicable.

If the City makes such a request and the Holder of an Allowed Claim fails to comply before the date that is 180 days after the initial request is made, the amount of such Distribution shall irrevocably revert to the City and any Claim in respect of such Distribution shall be released and forever barred from assertion against the City and its property.

3. Allocation of Distributions.

All Distributions to Holders of Allowed Claims that have components of principal and interest shall be deemed to apply first to the principal amount of such Claim until such principal amount is paid in full, and then the remaining portion of such Distributions, if any, shall be deemed to apply to any applicable accrued interest included in such Claim to the extent interest is payable under the Plan.

4. Surrender of Instruments.

As a condition to participation under this Plan, the Holder of a note, debenture or other evidence of indebtedness of the City that desires to receive the property to be distributed on account of an Allowed Claim based on such note, debenture or other evidence of indebtedness shall surrender such note, debenture or other evidence of indebtedness to the City or its designee (unless such Holder's Claim will not be Impaired by the Plan, in which case such surrender shall not be required), and shall execute and deliver such other documents as are necessary to effectuate the Plan; provided, however, that, if a claimant is a Holder of a note, debenture or other evidence of indebtedness for which no physical certificate was issued to the Holder but which instead is held in book-entry form pursuant to a global security held by the Depository Trust Company or other securities depository or custodian thereof, there shall be no requirement of surrender. In the City's sole discretion, if no surrender of a note, debenture or other evidence of indebtedness occurs and the Holder of Claim does not provide an affidavit and indemnification agreement, in form and substance reasonably satisfactory to the City, that such note, debenture or other evidence of indebtedness was lost, then no distribution may be made to such Holder in respect of the Claim based on such note, debenture or other evidence of indebtedness. For the avoidance of doubt, (a) no Bond, note, debenture or other evidence of indebtedness of the City shall be surrendered or deemed surrendered that is subject to any Bond Insurance Policy and (b) no COP shall be surrendered or deemed surrendered hereby to the extent necessary to make and/or preserve a claim under any applicable policies and/or other instruments insuring the COPs and obligations related thereto or against any party, other than the City, that insures the COPs. Notwithstanding the foregoing, such Bonds and/or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City.

ARTICLE VI
PROCEDURES FOR RESOLVING DISPUTED CLAIMS

A. Treatment of Disputed Claims.

1. General.

No Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) allowing such Claim. Notwithstanding any other provision of the Plan, no payments or Distributions shall be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. Without limiting the foregoing in any way, no partial payments and no partial Distributions will be made with respect to a disputed, contingent or unliquidated Claim, or with respect to any Claim for which a proof of Claim has been Filed but not Allowed, until the resolution of such disputes or estimation or liquidation of such Claim by settlement or by Final Order.

2. ADR Procedures.

At the City's option, any Disputed Claim designated or eligible to be designated for resolution through the ADR Procedures may be submitted to the ADR Procedures in accordance with the terms thereof and the ADR Procedures Order. For the avoidance of doubt, the designation of a Disputed Claim for resolution through the ADR Procedures, either prior to or after the Effective Date, will not modify, and will not be deemed to have modified, the terms of the ADR Injunction imposed pursuant to the ADR Procedures Order. Disputed Claims not resolved through the ADR Procedures will be resolved pursuant to the Plan.

3. Tort Claims.

At the City's option, any unliquidated Tort Claim (as to which a proof of Claim was timely Filed in the Chapter 9 Case) not resolved through the ADR Procedures or pursuant to a Final Order of the Bankruptcy Court will be determined and liquidated in the administrative or judicial tribunal(s) in which it is pending on the Effective Date (subject to the City's right to seek removal or transfer of venue) or, if no action was pending on the Effective Date, in an administrative or judicial tribunal of appropriate jurisdiction selected by the City that (a) has personal jurisdiction over the parties, (b) has subject matter jurisdiction over the Tort Claim and (c) is a proper venue. The City may exercise the above option by service upon the holder of the applicable Tort Claim of a notice informing such holder that the City has exercised such option (which notice shall be deemed to satisfy the notice requirements of Section I.B of the ADR Procedures). Upon the City's service of such notice, the automatic stay imposed pursuant to sections 362 and 922 of the Bankruptcy Code (along with any extension of such stay pursuant to the terms of the Stay Extension Order) or, after the Effective Date, the injunction set forth at Section III.D.5, will be deemed modified, without the necessity for further Bankruptcy Court approval or any further action by the City, solely to the extent necessary to allow the parties to determine or liquidate the Tort Claim in the applicable administrative or judicial tribunal(s); provided that nothing contained in this Section will modify, or will be deemed to have modified, the terms of the Stay Extension Order with respect to any Tort Claim prior to the City having served notice of its intent to determine and liquidate such Tort Claim pursuant to this Section. If the City does not serve such a notice upon a holder of a Tort Claim by the Claims Objection Bar Date, such holder may file a motion with the Bankruptcy Court seeking relief from the discharge injunction imposed pursuant to Section III.D.5 in order to liquidate and determine its Claim.

Any Tort Claim determined and liquidated pursuant to a judgment obtained in accordance with this Section VI.A.3 and applicable non-bankruptcy law that is no longer appealable or subject to review will be deemed an Allowed Claim, provided that only the amount of such Allowed Tort Claim that is not satisfied from proceeds of insurance payable to the holder of such Allowed Tort Claim will be treated as an Allowed Claim for the purposes of distributions under the Plan. Distributions on account of any such Allowed Tort Claim shall be made in accordance with the Plan. Nothing contained in this Section will constitute or be deemed a waiver of any claim, right or Cause of Action that the City may have against any Entity in connection with or arising out of any Tort Claim, including any rights under section 157(b)(5) of title 28 of the United States Code. All claims, demands, rights, defenses and Causes of Action that the City may have against any Entity in connection with or arising out of any Tort Claim are expressly retained and preserved.

B. Disputed Claims Reserve.

On and after the Effective Date, until such time as all Disputed Claims have been compromised and settled or determined by Final Order and before making any Distributions, consistent with and subject to section 1123(a)(4) of the Bankruptcy Code, the City shall establish and maintain a reserve of property equal to (1) the Distributions to which Holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the Face Amount of such Disputed Claims or (2) such lesser amount as required by an order of the Bankruptcy Court. On the first Distribution Date that is at least 30 days (or such fewer days as may be agreed to by the City in its sole discretion) after the date on which a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall remit to the Holder of such Allowed Claim any Distributions such Holder would have been entitled to under the Plan on account of such Allowed Claim had such Claim been Allowed as of the Effective Date. If a Disputed Claim is disallowed by Final Order, the property reserved on account shall become available for Distribution to the Holders of Allowed Claims within the Class(es) entitled to receive such property. Each Holder of a Disputed Claim that ultimately becomes an Allowed Claim will have recourse only to the assets held in the disputed claims reserve and not to any other assets held by the City, its property or any property previously distributed on account of any Allowed Claim. Notwithstanding the foregoing, the disputed claim reserve established pursuant to this Section shall not include any reserve of property on account of Disputed COP Claims, which shall receive the treatment set forth in Section II.B.3.p.iii.

C. Objections to Claims.

1. Authority to Prosecute, Settle and Compromise.

The City's rights to object to, oppose and defend against all Claims on any basis are fully preserved. Except as otherwise provided in Section II.B.3.p.i with respect to Disputed COP Claims, as of the Effective Date, only the City shall have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, including pursuant to the ADR Procedures or any similar procedures approved by the Bankruptcy Court. Any objections to Claims shall be Filed no later than the Claims Objection Bar Date. On and after the Effective Date, the City may settle or compromise any Disputed Claim or any objection or controversy relating to any Claim without any further notice or any action, order or approval of the Bankruptcy Court.

2. Application of Bankruptcy Rules.

To facilitate the efficient resolution of Disputed Claims, the City shall be permitted to File omnibus objections to claims notwithstanding Bankruptcy Rule 3007(c).

3. Expungement or Adjustment of Claims Without Objection.

Any Claim that has been paid, satisfied or superseded shall be expunged from the Claims Register by the Claims and Balloting Agent at the request of the City, and any Claim that has been amended by the Holder of such Claim shall be adjusted on the Claims Register by the Claims and Balloting Agent at the request of the City, without the Filing of an objection and without any further notice or any action, order or approval of the Bankruptcy Court.

4. Extension of Claims Objection Bar Date.

Upon motion by the City to the Bankruptcy Court, the City may request, and the Bankruptcy Court may grant, an extension to the Claims Objection Bar Date generally or with respect to specific Claims. Any extension granted by the Bankruptcy Court shall not be considered to be a modification to the Plan under section 1127 of the Bankruptcy Code.

5. Authority to Amend List of Creditors.

The City will have the authority to amend the List of Creditors with respect to any Claim and to make Distributions based on such amended List of Creditors without approval of the Bankruptcy Court. If any such

amendment to the List of Creditors reduces the amount of a Claim or changes the nature or priority of a Claim, the City will provide the Holder of such Claim with notice of such amendment and such Holder will have 20 days to File an objection to such amendment with the Bankruptcy Court. If no such objection is Filed, the Disbursing Agent may proceed with Distributions based on such amended List of Creditors without approval of the Bankruptcy Court.

ARTICLE VII RETENTION OF JURISDICTION

Pursuant to sections 105(c), 945 and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 9 Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

A. Allow, disallow, estimate, determine, liquidate, reduce, classify, re-classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the amount, allowance, priority or classification of Claims;

B. Enforce the term (maturity) of the collective bargaining agreements identified on Exhibit II.D.5 of the Plan, notwithstanding any state law to the contrary;

C. Resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including claims for payment of any cure amount;

D. Ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

E. Adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving the City that may be pending on the Effective Date or brought thereafter;

F. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

G. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;

H. Approve any modification of the Plan or approve any modification of the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any order, the Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or enter any order in aid of confirmation pursuant to sections 945 and 1142(b) of the Bankruptcy Code, in such manner as may be necessary or appropriate to consummate the Plan;

I. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

J. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or Distributions pursuant to the Plan are enjoined or stayed;

K. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

L. Enforce or clarify any orders previously entered by the Bankruptcy Court in the Chapter 9 Case;

M. Enter a final decree closing the Chapter 9 Case pursuant to section 945(b) of the Bankruptcy Code; and

N. Hear any other matter over which the Bankruptcy Court has jurisdiction under the provisions of the Bankruptcy Code and the Bankruptcy Rules subject to any limits on the Bankruptcy Court's jurisdiction and powers under sections 903 and 904 of the Bankruptcy Code.

ARTICLE VIII MISCELLANEOUS PROVISIONS

A. Modification of the Plan.

Subject to section 942 and 1127(d) of the Bankruptcy Code, the City may alter, amend or modify the Plan or the Exhibits at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as altered, amended or modified so long as the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

B. Revocation of the Plan.

The City reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the City revokes or withdraws the Plan, or if the Confirmation Date does not occur, then the Plan shall be null and void in all respects, and nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, shall be or shall be deemed to be: (1) a waiver or release of any claims by or against the City; (2) an admission of any sort by the City or any other party in interest, or (3) prejudicial in any manner to the rights of the City or any other party in interest.

C. Disclosure of Amounts to Be Paid for Chapter 9 Case Services.

No later than five days before the Confirmation Hearing, (1) the City shall File a statement of all amounts to be paid by it for services or expenses in the Chapter 9 Case or incident to the Plan; and (2) as applicable, all other persons shall File statements of all amounts to be paid by them for services or expenses in the Chapter 9 Case or incident to the Plan. Pursuant to section 943(b)(3) of the Bankruptcy Code, the Bankruptcy Court must approve such amounts as reasonable as a condition to Confirmation.

D. Severability of Plan Provisions.

If any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, in each case at the election of and with the consent of the City, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the City's consent; and (3) non-severable and mutually dependent.

E. Effectuating Documents and Transactions.

The City is authorized to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and any notes or securities issued pursuant to the Plan. All such actions shall be deemed to have occurred and shall be in effect pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the City Council, the Emergency Manager, the Mayor or any employees or officers of the City. On the Effective Date, the appropriate employees and officers of the City are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan, and to take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan, in the name and on behalf of the City.

F. Successors and Assigns.

Except as expressly provided otherwise in the Plan, the rights, benefits and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign, Affiliate, representative, beneficiary or guardian, if any, of each Entity.

G. Plan Controls.

In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence.

H. Notice of the Effective Date.

On or before ten Business Days after occurrence of the Effective Date, the City shall mail or cause to be mailed to all Holders of Claims a notice that informs such Holders of (1) entry of the Confirmation Order; (2) the occurrence of the Effective Date; (3) the assumption and rejection of Executory Contracts and Unexpired Leases pursuant to the Plan, as well as the deadline for the filing of Claims arising from such rejection; (4) the deadline for the filing of Administrative Claims; and (5) such other matters as the City deems to be appropriate.

I. Governing Law.

Unless (1) a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or (2) otherwise specifically stated herein or in any contract, articles or certificates of incorporation, bylaws, codes of regulation, ordinance, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the laws of the State of Michigan, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan and any contract, articles or certificates of incorporation, bylaws, codes of regulation, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan.

J. Request for Waiver of Automatic Stay of Confirmation Order.

The Plan shall serve as a motion seeking a waiver of the automatic stay of the Confirmation Order imposed by Bankruptcy Rule 3020(e). Any objection to this request for waiver shall be Filed and served on the parties listed in Section VIII.L on or before the Voting Deadline.

K. Term of Existing Injunctions and Stays.

All injunctions or stays provided for in the Chapter 9 Case under sections 105, 362 or 922 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

L. Service of Documents

Any pleading, notice or other document required by the Plan or the Confirmation Order to be served on or delivered to (1) the City and (2) the Retiree Committee must be sent by overnight delivery service, facsimile transmission, courier service or messenger to:

1. The City

David G. Heiman, Esq.
Heather Lennox, Esq.
Thomas A. Wilson, Esq.
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett, Esq.
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243 2382
Facsimile: (213) 243 2539

Jonathan S. Green, Esq.
Stephen S. LaPlante, Esq.
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

(Counsel to the City)

2. The Retiree Committee

Claude Montgomery, Esq.
Carole Neville, Esq.
DENTONS US LLP
1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 768-6700
Facsimile: (212) 768-6800

Sam J. Alberts, Esq.
DENTONS US LLP
1301 K Street NW, Suite 600, East Tower
Washington, DC 20005-3364
Telephone: (202) 408-6400
Facsimile: (202) 408-6399

Matthew E. Wilkins, Esq.
Paula A. Hall, Esq.
BROOKS WILKINS SHARKEY & TURCO PLLC
401 South Old Woodward, Suite 400
Birmingham, Michigan 48009
Telephone: (248) 971-1711
Facsimile: (248) 971-1801

(Counsel to the Retiree Committee)

Dated: May 5, 2014

Respectfully submitted,

The City of Detroit, Michigan

By: /s/ Kevyn D. Orr
Name: Kevyn D. Orr
Title: Emergency Manager for the City of Detroit, Michigan

COUNSEL:

/s/ David G. Heiman
David G. Heiman
Heather Lennox
Thomas A. Wilson
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243 2382
Facsimile: (213) 243 2539

Jonathan S. Green
Stephen S. LaPlante
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

ATTORNEYS FOR THE DEBTOR

EXHIBIT I.A.61

SCHEDULE OF COP SWAP AGREEMENTS

SCHEDULE OF COP SWAP AGREEMENTS

COP Swap Agreements
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005, between Detroit Police and Fire Retirement System Service Corporation (" <u>DPFRS Service Corporation</u> ") and Merrill Lynch Capital Services, Inc. (as successor to SBS Financial Products Company LLC) (" <u>Merrill Lynch</u> ") and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0010) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005 between DFPRS Service Corporation and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0011) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005 between Detroit General Retirement System Service Corporation (" <u>DGRS Service Corporation</u> ") and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0009) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of June 7, 2006 between DGRS Service Corporation and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0012) (as amended, modified or supplemented).
ISDA Master Agreement between DGRS Service Corporation and UBS AG, dated as of June 7, 2006, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS AG Reference No. 37380291 (as amended, modified or supplemented).
ISDA Master Agreement between DFPRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS AG Reference No. 37380351 (as amended, modified or supplemented).
ISDA Master Agreement between DFPRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS Reference No. 37380313 (as amended, modified or supplemented).
ISDA Master Agreement between DGRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS Reference No. 37380341 (as amended, modified or supplemented).

EXHIBIT I.A.78

FORM OF DETROIT GENERAL VEBA TRUST AGREEMENT

CITY OF DETROIT RETIREE HEALTH CARE TRUST

THIS TRUST AGREEMENT, entered into effective _____, 2014, by and among, the City of Detroit ("Detroit" or the "City") and [_____] Bank] (the "Bank").

WITNESSETH:

WHEREAS, the Detroit filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 in the United States Bankruptcy Court for the United States Bankruptcy Court Eastern District of Michigan (the "Court");

WHEREAS, pursuant to the Plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), the City agreed to establish a voluntary employees beneficiary association ("VEBA") to provide health care benefits to certain retirees and their Eligible Dependents;

WHEREAS, Detroit hereby establishes this City of Detroit Retiree Health Care Trust (the "Trust");

WHEREAS, the Board of Trustees shall be responsible for: (i) managing the property held by, and administration of, this Trust; and (ii) designing, adopting, maintaining and administering the "Health Care Plan for Retirees of the City of Detroit" (the "Plan"), through which all health care benefits to the Trust's beneficiaries shall be provided;

WHEREAS, the Board of Trustees is willing to exercise the authority granted to it herein with regard to the Trust and Plan;

WHEREAS, through this Trust Agreement, Detroit intends to designate the Bank to serve in the capacity of the institutional trustee with respect to the Trust and to maintain custody of the Trust assets;

WHEREAS, the Bank is willing to receive, hold, and invest the assets of the Trust in accordance with the terms of this Trust Agreement; and

WHEREAS, the Trust and the interdependent Plan are intended to comply with the requirements of section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the "Code"), and are together intended to constitute a "governmental plan" within the meaning of section 3(32) of the Employee Retirement Income Security Act of 1974;

NOW THEREFORE, in consideration of the premises and the covenants contained herein, Detroit and the Bank agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Bank. The entity referred to in the Preamble to this Trust Agreement named to perform the duties set forth in this Trust Agreement, or any successor thereto appointed by Detroit in accordance with Section 7.3. Any corporation continuing as the result of any merger or consolidation to which the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed automatically to be continuing as the Bank.

Section 1.2 Board of Trustees or Board. The Board is the body described in Article VIII to which Detroit has delegated responsibility for: (i) managing the property held by, and administering, this Trust; and (ii) designing, adopting, maintaining and administering the Plan, through which all benefits to the Trust's beneficiaries shall be provided. It shall be constituted and operated in accordance with Article IX.

Section 1.3 Code. The Internal Revenue Code of 1986, as amended, and any successor statute thereto.

Section 1.4 Detroit VEBA Beneficiary. Has the meaning given to that term in the Plan of Adjustment.

Section 1.5 Detroit VEBA Contribution. Has the meaning given to that term in the Plan of Adjustment.

Section 1.6 Eligible Dependent. Means an Eligible Retiree Member's dependent, within the meaning of Code section 501(c)(9) and the regulations promulgated thereunder, who is eligible to receive benefits under the Plan in accordance with its terms.

Section 1.7 Eligible Retiree Member. Means a former employee of Detroit who is a Detroit VEBA Beneficiary.

Section 1.8 Investment Act. Means Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws, as amended, which governs the investment of assets of public employee retirement systems or plans.

Section 1.9 Investment Manager. An investment manager appointed by the Board or its successor in accordance with the provisions of Section 9.4 hereof.

Section 1.10 New B Notes. Has the meaning given to that term in the Plan of Adjustment.

Section 1.11 OPEB Claims Notes. Means the New B Notes contributed to the Trust pursuant to the Detroit VEBA Contribution.

Section 1.12 Participant. An Eligible Retiree Member or Eligible Dependent who is entitled to health care benefits pursuant to the terms of the Plan.

Section 1.13 Plan. The Health Care Plan for Retirees of the City of Detroit, to be adopted and thereafter amended from time to time by the Board, as specified herein, and which will provide health care benefits permitted to be provided by a VEBA under Code section 501(c)(9).

Section 1.14 Plan of Adjustment. The Plan for the Adjustment of Debts of the City of Detroit.

Section 1.15 Trust Agreement. This agreement as it may be amended thereafter from time to time by the parties hereto.

Section 1.16 Trust or Trust Fund. The Detroit Retiree Health Care Trust established by this Trust Agreement, comprising all property or interests in property held by the Bank from time to time under this Trust Agreement.

ARTICLE II ESTABLISHMENT OF TRUST

Section 2.1 Purpose. The Trust is established for the purpose of providing health care benefits, directly or through the purchase of insurance, to the Participants in accordance with the Plan and consistent with Section 501(c)(9) of the Code and the regulations and other guidance promulgated thereunder. The Trust, together with the Plan, is intended to constitute a VEBA under Section 501(c)(9) of the Code.

Section 2.2 Receipt of Funds. The Bank shall accept all sums of money and other property contributed to the Trust by Detroit pursuant to Article III. The Bank shall hold, manage and administer the Trust Fund without distinction between principal and income. The Bank shall be accountable for the contributions or transfers it receives, but shall not be responsible for the collection of any contributions or transfers to the Trust or enforcement of the terms of the OPEB Claims Notes.

Section 2.3 Inurement and Reversion Prohibited. At no time shall any part of the principal or income of the Trust Fund be used for, or diverted to, any purpose other than sponsoring, operating and administering the Plan and Trust to provide benefits that are permitted under Code section 501(c)(9) to Participants. Nothing in this Trust Agreement shall be construed in such a way as to prohibit the use of assets of the Trust Fund to pay reasonable fees and other expenses and obligations incurred in maintaining, administering and investing the Trust Fund or in sponsoring, administering and operating the Plan in accordance with the provisions of this Trust Agreement. At no time shall any part of the net earnings inure to the benefit of any individual other than through the provision of benefits as permitted under Code section 501(c)(9) and the regulations promulgated thereunder. In no event will the assets held in the Trust Fund revert to Detroit. Upon termination of the Trust Fund, any assets remaining upon satisfaction of all liabilities to existing Participants shall be applied, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits under Code section 501(c)(9) and the rules and regulations promulgated thereunder, pursuant to criteria consistent with such rules and regulations.

Section 2.4 No Guarantee. Nothing contained in the Trust or the Plan shall constitute a guarantee that the assets of the Trust Fund will be sufficient to pay any benefit to any person or make any other payment. The obligation of the Plan to pay any benefit provided under the Plan is expressly conditioned on the availability of cash in the Trust to pay the benefit, and no plan fiduciary or any other person shall be required to liquidate the OPEB Claims Notes or any other Plan asset in order to generate cash to pay benefits. Detroit shall not have any obligation to contribute any amount to the Trust except as provided in Article III. Except for payments of benefits under the Plan, no Participant shall receive any distribution of cash or other thing of current or exchangeable value, either from the Board or the Bank, on account of or as a result of the Trust Fund created hereunder.

Section 2.5 No Interest. Detroit shall not have any legal or equitable interest in the assets of the Trust Fund at any time, including following the termination of the Trust.

ARTICLE III
CONTRIBUTIONS TO THE TRUST FUND

Section 3.1 Detroit Contributions. The Trust Fund shall accept from Detroit the Detroit VEBA Contribution. Apart from the Detroit VEBA Contribution, Detroit shall have no further obligation to contribute to the Trust or otherwise fund the Plan.

ARTICLE IV
PAYMENTS FROM THE TRUST FUND

Section 4.1 Payments from the Trust Fund.

(a) Subject to paragraph (b) below, the Bank shall make payments from the Trust Fund to provide, directly or through the purchase of insurance, benefits under the Plan as directed by the Board.

(b) To the extent permitted by law, the Bank shall be fully protected in making payments out of the Trust Fund, and shall have no responsibility to see to the application of such payments or to ascertain whether such payments comply with the terms of the Plan, and shall not be liable for any payment made by it in good faith and in the exercise of reasonable care without actual notice or knowledge of the impropriety of such payments hereunder. The Bank may withhold all or any part of any payment as the Bank in the exercise of its reasonable discretion may deem proper, to protect the Bank and the Trust against any liability or claim on account of any income or other tax whatsoever; and with all or any part of any such payment so withheld, may discharge any such liability. Any part of any such payment so withheld by the Bank that may be determined by the Bank to be in excess of any such liability will upon such determination by the Bank be paid to the person or entity from whom or which it was withheld.

Section 4.2 Method of Payments. The Bank may make any payment required to be made by it hereunder, unless directed otherwise by the Board, by direct electronic deposit of the amount thereof to the financial institution where the person or entity to whom or to which such payment is to be made maintains an account, or by mailing a check in the amount thereof by first class mail in a sealed envelope addressed to such person or entity to whom or to which such payment is to be made, according to the direction of the Board. If any dispute arises as to the identity or rights of persons who may be entitled to benefits hereunder, the Bank may withhold payment until such dispute is resolved by a court of competent jurisdiction or, at the discretion of the Board, is settled by written stipulation of the parties concerned.

Section 4.3 Excessive Payments. If the payment of any benefit under the Plan is determined to have been excessive or improper, and the recipient thereof fails to make repayment to the Bank or Bank's agent of such excessive or improper payment upon the Bank's request, the Bank shall deduct the amount of such excessive or improper payment from any other benefits thereafter payable to such person. Until repaid to the Bank or Bank's agent, the amount of said excessive or improper payment shall not be included in the Trust Fund.

ARTICLE V BANK POWERS AND DUTIES

Section 5.1 Powers of the Bank Generally. The Bank has whatever powers are required to discharge its obligations and to accomplish any of the purposes of this Trust Agreement, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Bank under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Bank.

Section 5.2 Powers Exercisable by the Bank in Its Discretion. The Bank is authorized and empowered to exercise the following powers at its discretion in satisfaction of the duties imposed on it under this Trust Agreement:

- (a) To place securities orders, settle securities trades, hold securities in custody, deposit securities with custodians or securities clearing corporations or depositories or similar organizations, and other related activities as shall be necessary and appropriate in performing its duties under this Trust Agreement. Any indicia of ownership of any Trust Fund assets, however, shall not be maintained outside the jurisdiction of the district courts of the United States. Trades and related activities conducted through a broker shall be subject to reasonable fees and commissions established by the broker, which may be paid from the Trust Fund or netted from the proceeds of trades.
- (b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.
- (c) To cause any investment in the Trust Fund to be registered in, or transferred into, its name as the institutional trustee or the name of its nominee or nominees, or to retain such investments unregistered in a form permitting transfer by delivery, but the books and records of the Bank shall at all times show that all such investments are part of the Trust Fund, and the Bank shall be fully responsible for any misappropriation in respect of any investment held by its nominee or held in unregistered form and shall cause the indicia of ownership to be maintained within the jurisdiction of the district courts of the United States;
- (d) To deliver to the Board, or the person or persons identified by the Board, on a timely basis as required under Section 5.5, proxies and powers of attorney and related informational material, for any shares or other property held in the Trust.

Section 5.3 Powers Exercisable by the Bank Only Upon the Direction of the Board. The Bank shall exercise the following powers only upon the direction of the Board (or, in the case of subparagraphs (a) and (b)), a duly appointed Investment Manager):

- (a) To receive, hold, invest and reinvest Trust Fund assets and income under provisions of law from time to time existing and in accordance with Article IX.

- (b) To exercise or abstain from exercising any option, privilege or right attaching to any Trust Fund assets.
- (c) To make payments from the Trust Fund for the provision of benefits in accordance with Article IV and for the payment of expenses as provided in Section 5.8.
- (d) To employ suitable agents and depositaries (domestic or foreign), public accountants, brokers, custodians, ancillary trustees, appraisers, enrolled actuaries, and legal counsel as shall be necessary and appropriate, and to pay their reasonable expenses and compensation.
- (e) To pay any income or other tax or estimated tax, charge or assessment attributable to any property or benefit out of such property or benefit in its sole discretion, or any tax on unrelated business income of the Trust, if any, out of the Trust Fund.
- (f) To vote, in person or by general or limited proxy, at any election of any corporation in which the Trust Fund is invested, and similarly to exercise, personally or by a general or limited power of attorney, any right appurtenant to any investment held in the Trust Fund.
- (g) To accept, compromise or otherwise settle any obligations or liability due to or from them as the Bank hereunder, including any claim that may be asserted for taxes, assessments or penalties under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

Section 5.4 Title to Trust Fund. All rights, title and interest in and to the Trust Fund shall at all times be vested exclusively in the Bank.

Section 5.5 General Duties and Obligations of Bank.

- (a) In accordance with Article II, the Bank shall hold all property received by it and any income and gains thereupon. In accordance with this Article and Article IX, the Bank shall manage, invest and reinvest the Trust Fund following the directions of the Board or a duly appointed Investment Manager, shall collect the income therefrom, and shall make payments or disbursements as directed by the Board.
- (b) Subject to the provisions of Articles VII and X, the Bank shall comply with any directive issued by the Board to withdraw and transfer all or any part of the Trust Fund to another institutional trustee, custodian or a funding agent.
- (c) The Board shall have responsibility for directing the Bank as to the voting (by proxy or in person) of any shares or other property held in the Trust. Accordingly, the Bank shall deliver to the Board (or the person or persons identified by the Board), on a timely basis, proxies, powers of attorney and related informational material that are necessary for the Board to fulfill its responsibility.

The Bank may use agents to effect such delivery to the Board (or the person or persons identified by the Board).

(d) The Bank shall discharge its duties in the interests of Participants and for the exclusive purpose of providing benefits to Participants and defraying reasonable expenses of administering the Trust and the Plan and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in conduct of an enterprise of like character and with like aims. The Bank will be under no liability or obligation to anyone with respect to any failure of the Board to perform any of its obligations under the Plan or Trust Agreement or for any error or omission of the Board.

Section 5.6 Determination of Rights. The Bank shall have no power, authority, or duty hereunder in respect to the determination of the eligibility of any person to coverage under the Plan, or the entitlement of any person to any benefit payments under the Plan.

Section 5.7 Continuance of Plan; Availability of Funds. Neither the Board, the Bank nor Detroit assumes any contractual obligation as to the continuance of the Plan and shall not be responsible for the adequacy of the Trust Fund to meet and discharge any liabilities under the Plan, and the Bank's obligation to make any payment shall be limited to amounts held in the Trust Fund at the time of the payment.

Section 5.8 Payment of Expenses. The Bank shall apply the assets of the Trust Fund to pay all reasonable costs, charges, and expenses (including, but not limited to, all brokerage fees and transfer tax expenses and other expenses incurred in connection with the sale or purchase of investments, all real and personal property taxes, income taxes and other taxes of any kind at any time levied or assessed under any present or future law upon, or with respect to, the Trust Fund or any property included in the Trust Fund and all legal, actuarial, accounting and financial advisory expenses) reasonably incurred by the Bank or the Board in connection with establishing, sponsoring, administering or operating the Trust or Plan. The Board shall by written certificate provided to the Bank request payment for any expenses related to the administration of the Trust and/or the Plan. Upon receipt of the written certificate, the Bank may make the payment requested by the Board. The expenses of the Bank shall constitute a lien on the Trust Fund.

Section 5.9 Bank Compensation. The Bank will apply the assets of the Trust Fund to pay its own fees in the amounts and on the dates [set forth in Exhibit A]. The Bank's compensation shall constitute a lien on the Trust Fund.

Section 5.10 Reliance on Written Instruments. The Bank shall be fully protected in acting upon any instrument, certificate or paper believed by it to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

ARTICLE VI BANK ACCOUNTS

Section 6.1 Records. The Bank shall maintain accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions with respect to the Trust, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Board or such person or persons as the Board may designate.

Section 6.2 Annual Audit. The Trust Fund shall be audited annually, and a statement of the results of such audit shall be provided to the Bank and also made available for inspection by interested persons at the principal office of the Trust.

Section 6.3 No Interest by Participants. In no event shall any Participant or beneficiary have any interest in any specific asset of the Trust Fund. At no time shall any account or separate fund be considered a savings account or investment or asset of any particular Participant, beneficiary, or class of Participants and beneficiaries, and no Participant or beneficiary shall have any right to any particular asset which the Board or Bank may have allocated to any account or separate fund for accounting purposes.

Section 6.4 Furnishing Written Accounts. The Bank shall file with the Board a written account setting forth a description of all securities and other property purchased and sold, and all receipts, disbursements, and other transactions effected by it during the accounting period to which the Board and the Bank have agreed, and showing the securities and other properties held, and their fair market values at such times and as of such dates as may be agreed by the Board and the Bank in writing. Such written account shall be filed with the Board within thirty (30) days after the close of each calendar quarter.

Section 6.5 Accounting Year, Cash Basis. The accounting year of the Trust shall be the calendar year. All accounts of the Bank shall be kept on a cash basis.

Section 6.6 Judicial Proceedings. If the Bank and the Board cannot agree with respect to any act or transaction reported in any statement, the Bank shall have the right to have its accounts settled by judicial proceedings in which only the Bank and the Board shall be necessary parties. No Participant shall have any right to compel an accounting, judicial or otherwise, by the Bank.

ARTICLE VII PROCEDURES FOR THE BANK

Section 7.1 Removal. The Bank may be removed by Detroit at any time upon thirty (30) days' advance written notice. Such removal shall be effective on the date specified in such written notice, provided that notice has been given to the Bank of the appointment of a successor institutional trustee or custodian in the manner set forth in Section 7.3 below.

Section 7.2 Resignation. The Bank may resign by filing with Detroit a written resignation that shall take effect ninety (90) days after the date of such filing, unless prior thereto a successor institutional trustee or custodian has been appointed by the Board. In no event may the Bank's resignation take effect before a successor institutional trustee or custodian has been appointed. If Detroit fails to appoint a successor institutional trustee or custodian, the retiring Bank may seek the appointment of a successor entity in the manner set forth in Section 7.3.

Section 7.3 Successor.

- (a) Detroit may appoint a successor institutional trustee or custodian by delivering to such successor an instrument in writing, executed by an authorized representative of Detroit, appointing such successor entity, and by delivering to the removed or resigning Bank an acceptance in writing, executed by the successor so appointed. Such appointment shall take effect upon the date specified in Section 7.1 or 7.2 above, as applicable.
- (b) Alternatively, Detroit may appoint a successor institutional trustee or custodian by securing from such successor an amendment to this Trust Agreement, executed by both the successor and an authorized representative of Detroit, which replaces the current Bank with the successor institutional trustee or custodian, appointing such successor institutional trustee or custodian, and by delivering to the removed or resigning Bank an executed copy of the amendment. Such appointment shall take effect upon the date specified in the amendment.
- (c) If no appointment of a successor institutional trustee or custodian is made by Detroit within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Bank, appoint a successor institutional trustee or custodian after such notice to Detroit and the retiring Bank, as such court may deem suitable and proper.

Section 7.4 Effect of Removal or Resignation of Bank. Upon the removal or resignation of the Bank in accordance with Section 7.1 or 7.2 above, the Bank shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law.

Section 7.5 Merger or Consolidation of the Bank. Any corporation continuing as the result of any merger or resulting from any consolidation, to which merger or consolidation the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed to be continuing as the Bank.

ARTICLE VIII
COMPOSITION OF AND PROCEDURES FOR THE BOARD OF TRUSTEES

Section 8.1 Number and Appointment of Members. The Board of Trustees shall consist of seven (7) voting members, who are selected by the Mayor of Detroit and by the Eligible Retiree Members (directly or indirectly through a representative) as provided below.

(a) The Mayor of Detroit shall appoint three (3) voting members, both of whom shall be residents of the State of Michigan and neither of whom may be an employee, contractor, agent or affiliate of the City or any labor union representing employees of the City, a member of any such labor union, or a Participant. At least one (1) of such independent members shall have expert knowledge or extensive experience with respect to economics, finance, or institutional investments, and at least one (1) of such independent members shall have expert knowledge or extensive experience with respect to administration of public or private health and welfare benefit plans, executive management, benefits administration or actuarial science. The voting members of the Board selected by the Mayor as of the Effective Date shall be [_____, _____ and _____.]

(b) The Eligible Retiree Members shall select four (4) voting members pursuant to procedures established by the Board; provided, however, that two (2) such voting members shall initially be designated by the Official Committee of Retirees of the City of Detroit, Michigan, and two (2) such voting members shall initially be designated by the Detroit Retired City Employees Association on behalf of such Eligible Retiree Members. The members initially selected on behalf of the Eligible Retiree Members are [_____, _____, _____ and _____].

Each Board member shall acknowledge his or her appointment and acceptance of the duties and responsibilities set forth in this Trust Agreement in writing.

Section 8.2 Term of Office. Each member of the Board shall serve a period of four (4) years, or if earlier, until his or her death, incapacity to serve hereunder, or resignation. In the event of a vacancy, the replacement Board member shall be appointed as provided in Section 8.1.

Section 8.3 Resignation. A Board member may resign, and shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law, by giving at least ninety (90) days' advance written notice to Detroit stating a date when such resignation shall take effect, which notice or time period may be waived by the Board.

Section 8.4 Fees and Expenses. The Board members appointed by the Mayor shall each be paid a stipend of [\$12,000] per year (payable ratably on a monthly basis). The Board members selected by the Eligible Retiree Members shall each be paid a stipend of [\$_____] per year (payable ratably on a monthly basis). Each Board member may be reimbursed by the Trust for reasonable expenses properly and actually incurred in the performance of its duties. Compensation payable to the Board members and all reimbursed expenses shall be payable out of the Trust.

Section 8.5 Operation of the Board; Quorum. The Board shall select from among its members a chair and a vice chair. The Board shall hold regular meetings, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure and shall keep a record of proceedings. Each Board Member shall be entitled to one vote on each question before the Board. Five (5) members shall constitute a quorum at any meeting. A majority vote of the members present at a meeting of the Board at which a quorum exists shall be necessary for a decision by the Board.

ARTICLE IX POWERS AND DUTIES OF THE BOARD OF TRUSTEES

Section 9.1 General. The Board shall be responsible for designing, adopting, maintaining and administering the Plan, as well as administering the Trust and managing the Trust assets as provided herein. Subject to the provisions of this Trust Agreement, the Plan documents and applicable laws, the Board shall have sole, absolute and discretionary authority to adopt such rules and regulations and take all actions that it deems desirable for the administration of the Plan and Trust, and to interpret the terms of the Plan and Trust. The decisions of the Board will be final and binding on all Participants and all other parties to the maximum extent allowed by law.

Section 9.2 Plan Design and Administration.

(a) Adoption of Plan. The Board shall adopt a Plan to offer health care benefits to Participants. All terms of the Plan shall be determined by the Board; provided that such terms shall be consistent with this Trust Agreement, Code section 501(c)(9) and the regulations promulgated thereunder. The Board shall be under no obligation to design the Plan to assure that the assets of the Trust Fund are sufficient to provide benefits to all potential Participants of the Plan in subsequent years.

(b) Benefits. The Plan shall include benefits and any other features including, without limitation, premium-sharing or other cost-sharing, that the Board from time to time determines appropriate or desirable in its sole discretion. The Plan may provide for different benefit structures or programs for different groups of Participants, as determined by the Board in its sole discretion. In designing the Plan and the benefits to be provided thereunder, the Board may take into account relevant circumstances, including, without limitation, the degree to which Participants may have alternative resources or coverage sources, as well as the resources of the Trust Fund. Benefits provided under the Plan shall be limited to those health care benefits permitted by Code Section 501(c)(9), and any Plan eligibility restrictions established by the Board shall conform with the requirements set forth in Treasury Regulation Section 1.501(c)(9)-2.

(c) Method of Providing Benefits. Benefits under the Plan may be fully insured, partially insured or self-insured, as determined by the Board from time to time in its sole discretion. The expected cost of benefits under the Plan shall not exceed the amount expected to be available under the Trust.

(d) Plan Documentation. The Board shall be responsible for creating, adopting and/or executing any documents necessary to set forth the Plan's governing terms, and shall be responsible for communicating the terms of the Plan to the Eligible Retiree Members and Eligible Dependents in accordance with applicable law.

Section 9.3 Investment of the Trust. The Board shall have full power and authority to manage, control, invest and reinvest the money and other assets of the Trust Fund subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by the Investment Act, and the Bank shall comply with the

proper written direction of the Board concerning those assets. The Board may employ outside advisors, including investment advisors, to advise it with regard to the investment of the assets of the Trust Fund. Any outside advisors who are investment fiduciaries (as defined in the Investment Act) shall satisfy any applicable requirements of the Investment Act.

Section 9.4 Appointment of Investment Managers. The Board, from time to time, may appoint one or more independent Investment Managers, pursuant to a written investment management agreement describing the powers and duties of the Investment Manager, to direct the investment and reinvestment of all or a portion of the Trust (hereinafter referred to as an "Investment Account"). The Board shall determine that each Investment Manager satisfies the requirements of section 38.1133(11) of the Investment Act and, is entitled (under its investment management agreement) to direct the investment and reinvestment of the Investment Account for which it is responsible, in its sole and independent discretion and without limitation, except for any limitations which from time to time the Board determines shall modify the scope of such authority. If an Investment Manager is appointed, it shall have the authority of the Bank specified in Section 5.1 hereof with respect to the Investment Account over which it has investment discretion and the Bank's duties with respect to such Investment Account shall be limited to following the instructions of the Investment Manager. Provided that an Investment Manager is prudently selected and monitored by the Board, the Board shall have no liability (a) for the acts or omissions of such Investment Manager; (b) for following directions of such Investment Manager which are given in accordance with this Trust Agreement; or (c) for any loss of any kind which may result by reason of the manner of division of the Trust into Investment Accounts.

Section 9.5 Government Reports and Returns. The Board shall file all reports and returns that are required to be made with respect to the Trust and the Plan.

Section 9.6 Compromise or Settle Claims. The Board may compromise, settle and release claims or demands in favor of or against the Trust or the Board on such terms and conditions as the Board may deem advisable.

Section 9.7 Appointment of Administrator. The Board may appoint a third party to perform any administrative functions it has with regard to the Trust or Plan.

Section 9.8 Employment of Assistance. The Board has the exclusive authority to employ, contract and pay for all professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation and administration of the Plan and Trust. The powers granted to the Board in this subparagraph include complete control of the procurement process, including contracts for office space, computer hardware and software, and human resource services. In accordance with the provisions of Section 5.3 hereof, the Board may direct the Bank to pay reasonable compensation therefor from the Trust Fund. The Board may take or may refrain from taking any action in accordance with or reliance upon the opinion of counsel or such expert advisors.

Section 9.9 Reliance on Written Instruments. The Board shall be fully protected in acting upon any instrument, certificate or paper believed by him or her to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any

investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 9.10 No Individual Liability on Contracts. The Board shall not be liable personally for any debts, obligations, or undertakings contracted by them, or for the breach of any contracts. Such claims and obligations shall be paid out of the Trust; provided, however, that the Board shall not be exempt from personal liability for willful misconduct, intentional wrongdoing, breach of applicable fiduciary duty, or fraud, and the Trust shall not indemnify the Board for such liabilities, or to the extent that application of this sentence would violate any law.

Section 9.11 Detroit Not Liable for Conduct of Board. The Board is not in its capacity as Board an officer, agent, employee, or representative of Detroit. In its capacity as Board, the Board is a principal acting independently of Detroit, which shall not be liable for any act, omission, contract, obligation, or undertaking of the Board or its officers, agents, or representatives.

Section 9.12 Liability Insurance. The Board may obtain and keep current a policy or policies of insurance, insuring the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in connection with the performance of their duties, responsibilities and obligations under this Trust Agreement or the Plan. To the extent permitted by applicable law, the premiums on such policies may be paid from the Trust Fund.

Section 9.13 Reimbursement for Defense of Claims. To the extent permitted by applicable law and not otherwise covered by liability insurance purchased by the Trust (without regard to any non-recourse rider purchased by the insured), the Board, employees of the Board and persons acting on the Board's behalf pursuant to an express written delegation (each separately, the "Indemnified Party") shall be reimbursed by the Trust Fund for reasonable expenses, including without limitation attorneys fees, incurred in defense of any claim that seeks a recovery of any loss to the Plan or Trust Fund or for any damages suffered by any party to, or beneficiary of this Trust Agreement (a) for which the Indemnified Party is adjudged not liable, or (b) which is dismissed or compromised in a final settlement, where the Board – or, where required by applicable law, an independent fiduciary – determines that the settling Indemnified Party was not primarily responsible (in such cases, all or only a portion of the settling Indemnified Party's reasonable expenses may be reimbursed, as directed by the Board or an independent fiduciary), provided that, the Board shall have the right to approve of the retention of any counsel whose fees would be reimbursed by the Trust Fund, but such approval shall not be withheld unreasonably.

Section 9.14 Subrogation and Reimbursement. If the Plan is self-insured, the following provisions regarding subrogation and third-party reimbursement will apply.

- (a) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of an individual ("Benefit Recipient"), the Trust Fund shall be subrogated as provided in this Section 9.14 to all the Benefit Recipient's rights of recovery with respect to the illness or injury for which the payment of benefits is made by the Trust Fund. The right of recovery referred to in the preceding sentence shall include the right to make a claim, sue,

and recover against any person or entity from the first dollars of any funds which are paid or payable as a result of a personal injury claim or any reimbursement of health care expenses. If requested in writing by the Board, the Benefit Recipient shall take, through any representative designated by the Board, such action as may be necessary or appropriate to recover such payment from any person or entity, said action to be taken in the name of the Benefit Recipient. In the event of a recovery or settlement, the Trust Fund shall be reimbursed in full on a first priority basis out of such recovery or settlement for expenses, costs, and attorneys' fees incurred by it in connection therewith.

(b) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of a Benefit Recipient for an illness or injury, the Trust Fund shall be entitled to, and shall have a first priority equitable lien on, the proceeds of any recovery, by judgment, settlement or otherwise, with respect to the illness or injury, and if paid to the Benefit Recipient, the Benefit Recipient shall immediately pay any such proceeds to the Trust Fund. If the Benefit Recipient fails to pay such proceeds, or does not cause such proceeds to be paid, to the Trust Fund, the Board may, in addition to any other remedy to which it may be entitled, recover the proceeds directly or by offset against claims for benefits under the Plan and Trust made with respect to the affected Benefit Recipient (or such Benefit Recipient's beneficiaries, heirs, attorneys, agents, representatives, or estate).

(c) The Trust Fund shall have the right of subrogation and reimbursement set forth in this Section 9.14 regardless of whether the Benefit Recipient is made whole and regardless of whether the recovery, or any part thereof, is designated as payment for health care expenses, pain and suffering, loss of income or any other specified or unspecified damages or reason, and without regard to whether recovery is designated as including or excluding the health care expenses covered by the Plan and Trust. Any recovery by a Benefit Recipient, an attorney or other third party shall be deemed to be for the benefit of the Plan and Trust and shall be held in constructive trust for the Trust Fund until the Trust Fund is reimbursed in full for all amounts paid by the Trust Fund. The subrogation and reimbursement rights of the Trust Fund described in this Section 9.14 include all rights against, and include all rights with respect to, proceeds from or held by any attorney, third party, insurance carrier or payer of medical benefits, including an uninsured or under-insured motorist carrier, a no-fault carrier and a school insurance carrier, even if such coverage was purchased by the Benefit Recipient, and without regard to whether the proceeds have been paid or are payable.

(d) By participating in the Plan, each Benefit Recipient agrees to cooperate fully with the Plan and Trust and to execute and deliver agreements, liens and other documents and do whatever else the Board deems necessary to enable and assist the Trust Fund in exercising its rights under this Section 9.14, but the Trust Fund's rights under this Section 9.14 shall be effective regardless of whether the Benefit Recipient actually signs any agreements, liens or other documents. By participating in the Plan, each Benefit Recipient also agrees (i) that he or she will not make or maintain any make whole, common trust fund or apportionment action or claim in contravention of the subrogation and reimbursement provisions of this Section 9.14; and (ii) that he or she will not oppose any proceeding by the Trust Fund to obtain reimbursement on procedural grounds. The Benefit Recipient, directly or through his or her representatives, shall not do anything to

impair the Trust Fund's rights. If the Board determines that any Trust Fund recovery rights under Section 9.14 have been impaired by any action of the Benefit Recipient or his or her representatives or by the Benefit Recipient's or such other person's failure to comply with the Benefit Recipient's obligations under Section 9.14, the Board may, in addition to any other remedy to which it may be entitled, determine the amount by which the Trust Fund's recovery rights have been impaired and recover such amount directly or by offset against claims for benefits under the Trust Fund made with respect to the affected Benefit Recipient.

(e) This Section 9.14 entitles the Trust Fund to subrogation and reimbursement equal to the entire amount paid by the Trust Fund for the illness or injury to which the subrogation or reimbursement relates, including related expenses, costs and attorneys' fees, which shall be from the first dollars payable to or received by the Benefit Recipient, his representatives, heirs, legal counsel, estate or any other third party from any settlement, judgment or other payment, without reduction for attorneys' fees or for any other reason. The common fund, make-whole, apportionment or any similar doctrines shall not apply to any amounts received. Any attorneys' fees shall be the responsibility solely of the Benefit Recipient, and the Trust Fund shall not pay any attorneys' fees or costs associated with a Benefit Recipient's claim or lawsuit without the Board's prior written authorization.

(f) The intention of this Section 9.14 is to give the Trust Fund the first right of subrogation and reimbursement in full with respect to the first dollars paid or payable, even though the Benefit Recipient is not made whole. Each Benefit Recipient agrees that as a condition to receiving benefits under the Plan and from the Trust Fund, the Benefit Recipient shall comply with the requirements of this Section 9.14.

ARTICLE X
AMENDMENT, TERMINATION AND MERGER

Section 10.1 Amendment. The Trust Agreement may be amended at any time in writing by Detroit or by Court order upon proper motion, provided, however, that no amendment may impose a contribution obligation on Detroit; and provided further that no amendment shall adversely affect the exempt status of the Trust or Plan under Section 501(c)(9) of the Code. No amendment to the Trust Agreement shall modify the responsibilities of the Bank hereunder unless the Bank has first consented to such amendment.

Section 10.2 Termination.

(a) The Trust and this Trust Agreement may be terminated at any time in writing by Detroit with a copy of such written instrument to be provided to the Bank, or by Court order upon proper motion. Upon termination of this Trust Agreement, the assets of the Trust Fund shall be paid out at the direction of the Board in the following order of priority: (i) the payment of reasonable and necessary administrative expenses (including taxes); (ii) the payment of benefits to Participants entitled to payments for claims arising prior to such termination; and (iii) upon satisfaction of all liabilities to existing Participants, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits in accordance with Code section 501(c)(9) and the rules and regulations promulgated thereunder. Neither Detroit nor the Board shall have any beneficial interest in the Trust Fund. The Trust Fund shall remain in existence until all assets have been distributed.

(b) Upon termination, the Bank and the Board shall continue to have all of the powers provided in this Trust Agreement as are necessary or desirable for the orderly liquidation and distribution of the Trust Fund in accordance with the provisions hereof.

Section 10.3 Transfer of Assets and/or Liabilities. To the extent permitted by Code section 501(c)(9) and other applicable law, some or all of the assets and/or liabilities of the Trust Fund may at the discretion of the Board be transferred directly to another trust for the purpose of providing health or welfare benefits to some or all of the Participants on such terms and conditions as the Board may determine.

ARTICLE XI MISCELLANEOUS

Section 11.1 Rights in Trust Fund. No Participant or other person shall have any right, title or interest in the Trust Fund or any legal or equitable right against the Bank, the Board, or Detroit, except as may be otherwise expressly provided in the Plan or in this Trust Agreement.

Section 11.2 Non-Alienation. Except to the extent required by applicable law, the rights or interest of any Participant to any benefits or future payments hereunder or under the provisions of the Plan shall not be subject to attachment or garnishment or other legal process by any creditor of any such Participant, nor shall any such Participant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingent or otherwise, under this Trust Agreement.

Section 11.3 Controlling Laws. The Trust shall be construed and the terms hereof applied according to the laws of the state of Michigan to the extent not superseded by federal law.

Section 11.4 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

Section 11.5 Headings. The headings and subheadings of this Trust Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Trust Agreement.

Section 11.6 Notices. All notices, requests, demands and other communications under this Trust Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (b) on the first business day after sending if sent for guaranteed next day delivery by Federal Express or other next-day courier service; or (c) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to the Bank:

[insert name and address]

If to the Board:

[insert name and address]

IN WITNESS WHEREOF, and as evidence of the establishment of the Trust created hereunder,
the parties hereto have caused this instrument to be executed as of the date above first written.

[insert name] Dated: _____

BANK
[_____ Bank]

By: _____

Print Name

CITY OF DETROIT

By: _____

Print Name

Title

Dated: _____

EXHIBIT A

Bank Compensation

EXHIBIT I.A.82

FORM OF DETROIT POLICE AND FIRE VEBA TRUST AGREEMENT

CITY OF DETROIT POLICE AND FIRE RETIREE HEALTH CARE TRUST

THIS TRUST AGREEMENT, entered into effective _____, 2014, by and among, the City of Detroit ("Detroit" or the "City") and [_____] Bank] (the "Bank").

WITNESSETH:

WHEREAS, Detroit filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 in the United States Bankruptcy Court for the United States Bankruptcy Court Eastern District of Michigan (the "Court");

WHEREAS, pursuant to the Plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), the City agreed to establish a voluntary employees beneficiary association ("VEBA") to provide health care benefits to certain retirees and their Eligible Dependents;

WHEREAS, Detroit hereby establishes this City of Detroit Retiree Health Care Trust (the "Trust");

WHEREAS, the Board of Trustees shall be responsible for: (i) managing the property held by, and administration of, this Trust; and (ii) designing, adopting, maintaining and administering the "Health Care Plan for Retirees of the City of Detroit" (the "Plan"), through which all health care benefits to the Trust's beneficiaries shall be provided;

WHEREAS, the Board of Trustees is willing to exercise the authority granted to it herein with regard to the Trust and Plan;

WHEREAS, through this Trust Agreement, Detroit intends to designate the Bank to serve in the capacity of the institutional trustee with respect to the Trust and to maintain custody of the Trust assets;

WHEREAS, the Bank is willing to receive, hold, and invest the assets of the Trust in accordance with the terms of this Trust Agreement; and

WHEREAS, the Trust and the interdependent Plan are intended to comply with the requirements of section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the "Code"), and are together intended to constitute a "governmental plan" within the meaning of section 3(32) of the Employee Retirement Income Security Act of 1974;

NOW THEREFORE, in consideration of the premises and the covenants contained herein, Detroit and the Bank agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Bank. The entity referred to in the Preamble to this Trust Agreement named to perform the duties set forth in this Trust Agreement, or any successor thereto appointed by Detroit in accordance with Section 7.3. Any corporation continuing as the result of any merger or consolidation to which the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed automatically to be continuing as the Bank.

Section 1.2 Board of Trustees or Board. The Board of Trustees is the body described in Article VIII to which Detroit has delegated responsibility for: (i) managing the property held by, and administering, this Trust; and (ii) designing, adopting, maintaining and administering the Plan, through which all benefits to the Trust's beneficiaries shall be provided. It shall be constituted and operated in accordance with Article IX.

Section 1.3 Code. The Internal Revenue Code of 1986, as amended, and any successor statute thereto.

Section 1.4 Detroit Police and Fire VEBA Beneficiary. Has the meaning given to that term in the Plan of Adjustment.

Section 1.5 Detroit Police and Fire VEBA Contribution. Has the meaning given to that term in the Plan of Adjustment.

Section 1.6 Eligible Dependent. Means an Eligible Retiree Member's dependent, within the meaning of Code section 501(c)(9) and the regulations promulgated thereunder, who is eligible to receive benefits under the Plan in accordance with its terms.

Section 1.7 Eligible Retiree Member. Means a former employee of Detroit who is a Detroit Police and Fire VEBA Beneficiary.

Section 1.8 Investment Act. Means Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws, as amended, which governs the investment of assets of public employee retirement systems or plans.

Section 1.9 Investment Manager. An investment manager appointed by the Board or its successor in accordance with the provisions of Section 9.4 hereof.

Section 1.10 New B Notes. Has the meaning given to that term in the Plan of Adjustment.

Section 1.11 OPEB Claims Notes. Means the New B Notes contributed to the Trust pursuant to the Detroit Police and Fire VEBA Contribution.

Section 1.12 Participant. An Eligible Retiree Member or Eligible Dependent who is entitled to health care benefits pursuant to the terms of the Plan.

Section 1.13 Plan. The Health Care Plan for Retirees of the City of Detroit, to be adopted and thereafter amended from time to time by the Board, as specified herein, and which will provide health care benefits permitted to be provided by a VEBA under Code section 501(c)(9).

Section 1.14 Plan of Adjustment. The Plan for the Adjustment of Debts of the City of Detroit.

Section 1.15 Trust Agreement. This agreement as it may be amended thereafter from time to time by the parties hereto.

Section 1.16 Trust or Trust Fund. The Detroit Police and Fire Retiree Health Care Trust established by this Trust Agreement, comprising all property or interests in property held by the Bank from time to time under this Trust Agreement.

ARTICLE II ESTABLISHMENT OF TRUST

Section 2.1 Purpose. The Trust is established for the purpose of providing health care benefits, directly or through the purchase of insurance, to the Participants in accordance with the Plan and consistent with Section 501(c)(9) of the Code and the regulations and other guidance promulgated thereunder. The Trust, together with the Plan, is intended to constitute a VEBA under Section 501(c)(9) of the Code.

Section 2.2 Receipt of Funds. The Bank shall accept all sums of money and other property contributed to the Trust by Detroit pursuant to Article III. The Bank shall hold, manage and administer the Trust Fund without distinction between principal and income. The Bank shall be accountable for the contributions or transfers it receives, but shall not be responsible for the collection of any contributions or transfers to the Trust or enforcement of the terms of the OPEB Claims Notes.

Section 2.3 Inurement and Reversion Prohibited. At no time shall any part of the principal or income of the Trust Fund be used for, or diverted to, any purpose other than sponsoring, operating and administering the Plan and Trust to provide benefits that are permitted under Code section 501(c)(9) to Participants. Nothing in this Trust Agreement shall be construed in such a way as to prohibit the use of assets of the Trust Fund to pay reasonable fees and other expenses and obligations incurred in maintaining, administering and investing the Trust Fund or in sponsoring, administering and operating the Plan in accordance with the provisions of this Trust Agreement. At no time shall any part of the net earnings inure to the benefit of any individual other than through the provision of benefits as permitted under Code section 501(c)(9) and the regulations promulgated thereunder. In no event will the assets held in the Trust Fund revert to Detroit. Upon termination of the Trust Fund, any assets remaining upon satisfaction of all liabilities to existing Participants shall be applied, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits under Code section 501(c)(9) and the rules and regulations promulgated thereunder, pursuant to criteria consistent with such rules and regulations.

Section 2.4 No Guarantee. Nothing contained in the Trust or the Plan shall constitute a guarantee that the assets of the Trust Fund will be sufficient to pay any benefit to any person or make any other payment. The obligation of the Plan to pay any benefit provided under the Plan is expressly conditioned on the availability of cash in the Trust to pay the benefit, and no plan fiduciary or any other person shall be required to liquidate the OPEB Claims Notes or any other Plan asset in order to generate cash to pay benefits. Detroit shall not have any obligation to contribute any amount to the Trust except as provided in Article III. Except for payments of benefits under the Plan, no Participant shall receive any distribution of cash or other thing of current or exchangeable value, either from the Board or the Bank, on account of or as a result of the Trust Fund created hereunder.

Section 2.5 No Interest. Detroit shall not have any legal or equitable interest in the assets of the Trust Fund at any time, including following the termination of the Trust.

ARTICLE III
CONTRIBUTIONS TO THE TRUST FUND

Section 3.1 Detroit Contributions. The Trust Fund shall accept from Detroit the Detroit Police and Fire VEBA Contribution. Apart from the Detroit Police and Fire VEBA Contribution, Detroit shall have no further obligation to contribute to the Trust or otherwise fund the Plan.

ARTICLE IV PAYMENTS FROM THE TRUST FUND

Section 4.1 Payments from the Trust Fund.

(a) Subject to paragraph (b) below, the Bank shall make payments from the Trust Fund to provide, directly or through the purchase of insurance, benefits under the Plan as directed by the Board.

(b) To the extent permitted by law, the Bank shall be fully protected in making payments out of the Trust Fund, and shall have no responsibility to see to the application of such payments or to ascertain whether such payments comply with the terms of the Plan, and shall not be liable for any payment made by it in good faith and in the exercise of reasonable care without actual notice or knowledge of the impropriety of such payments hereunder. The Bank may withhold all or any part of any payment as the Bank in the exercise of its reasonable discretion may deem proper, to protect the Bank and the Trust against any liability or claim on account of any income or other tax whatsoever; and with all or any part of any such payment so withheld, may discharge any such liability. Any part of any such payment so withheld by the Bank that may be determined by the Bank to be in excess of any such liability will upon such determination by the Bank be paid to the person or entity from whom or which it was withheld.

Section 4.2 Method of Payments. The Bank may make any payment required to be made by it hereunder, unless directed otherwise by the Board, by direct electronic deposit of the amount thereof to the financial institution where the person or entity to whom or to which such payment is to be made maintains an account, or by mailing a check in the amount thereof by first class mail in a sealed envelope addressed to such person or entity to whom or to which such payment is to be made, according to the direction of the Board. If any dispute arises as to the identity or rights of persons who may be entitled to benefits hereunder, the Bank may withhold payment until such dispute is resolved by a court of competent jurisdiction or, at the discretion of the Board, is settled by written stipulation of the parties concerned.

Section 4.3 Excessive Payments. If the payment of any benefit under the Plan is determined to have been excessive or improper, and the recipient thereof fails to make repayment to the Bank or Bank's agent of such excessive or improper payment upon the Bank's request, the Bank shall deduct the amount of such excessive or improper payment from any other benefits thereafter payable to such person. Until repaid to the Bank or Bank's agent, the amount of said excessive or improper payment shall not be included in the Trust Fund.

ARTICLE V BANK POWERS AND DUTIES

Section 5.1 Powers of the Bank Generally. The Bank has whatever powers are required to discharge its obligations and to accomplish any of the purposes of this Trust Agreement, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Bank under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Bank.

Section 5.2 Powers Exercisable by the Bank in Its Discretion. The Bank is authorized and empowered to exercise the following powers at its discretion in satisfaction of the duties imposed on it under this Trust Agreement:

- (a) To place securities orders, settle securities trades, hold securities in custody, deposit securities with custodians or securities clearing corporations or depositories or similar organizations, and other related activities as shall be necessary and appropriate in performing its duties under this Trust Agreement. Any indicia of ownership of any Trust Fund assets, however, shall not be maintained outside the jurisdiction of the district courts of the United States. Trades and related activities conducted through a broker shall be subject to reasonable fees and commissions established by the broker, which may be paid from the Trust Fund or netted from the proceeds of trades.
- (b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.
- (c) To cause any investment in the Trust Fund to be registered in, or transferred into, its name as the institutional trustee or the name of its nominee or nominees, or to retain such investments unregistered in a form permitting transfer by delivery, but the books and records of the Bank shall at all times show that all such investments are part of the Trust Fund, and the Bank shall be fully responsible for any misappropriation in respect of any investment held by its nominee or held in unregistered form and shall cause the indicia of ownership to be maintained within the jurisdiction of the district courts of the United States;
- (d) To deliver to the Board, or the person or persons identified by the Board, on a timely basis as required under Section 5.5, proxies and powers of attorney and related informational material, for any shares or other property held in the Trust.

Section 5.3 Powers Exercisable by the Bank Only Upon the Direction of the Board. The Bank shall exercise the following powers only upon the direction of the Board (or, in the case of subparagraphs (a) and (b)), a duly appointed Investment Manager):

- (a) To receive, hold, invest and reinvest Trust Fund assets and income under provisions of law from time to time existing and in accordance with Article IX.

- (b) To exercise or abstain from exercising any option, privilege or right attaching to any Trust Fund assets.
- (c) To make payments from the Trust Fund for the provision of benefits in accordance with Article IV and for the payment of expenses as provided in Section 5.8.
- (d) To employ suitable agents and depositaries (domestic or foreign), public accountants, brokers, custodians, ancillary trustees, appraisers, enrolled actuaries, and legal counsel as shall be necessary and appropriate, and to pay their reasonable expenses and compensation.
- (e) To pay any income or other tax or estimated tax, charge or assessment attributable to any property or benefit out of such property or benefit in its sole discretion, or any tax on unrelated business income of the Trust, if any, out of the Trust Fund.
- (f) To vote, in person or by general or limited proxy, at any election of any corporation in which the Trust Fund is invested, and similarly to exercise, personally or by a general or limited power of attorney, any right appurtenant to any investment held in the Trust Fund.
- (g) To accept, compromise or otherwise settle any obligations or liability due to or from them as Bank hereunder, including any claim that may be asserted for taxes, assessments or penalties under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

Section 5.4 Title to Trust Fund. All rights, title and interest in and to the Trust Fund shall at all times be vested exclusively in the Bank.

Section 5.5 General Duties and Obligations of Bank.

- (a) In accordance with Article II, the Bank shall hold all property received by it and any income and gains thereupon. In accordance with this Article and Article IX, the Bank shall manage, invest and reinvest the Trust Fund following the directions of the Board or a duly appointed Investment Manager, shall collect the income therefrom, and shall make payments or disbursements as directed by the Board.
- (b) Subject to the provisions of Articles VII and X, the Bank shall comply with any directive issued by the Board to withdraw and transfer all or any part of the Trust Fund to another institutional trustee, custodian or a funding agent.
- (c) The Board shall have responsibility for directing the Bank as to the voting (by proxy or in person) of any shares or other property held in the Trust. Accordingly, the Bank shall deliver to the Board (or the person or persons identified by the Board), on a timely basis, proxies, powers of attorney and related informational material that are necessary for the Board to fulfill its responsibility.

The Bank may use agents to effect such delivery to the Board (or the person or persons identified by the Board).

(d) The Bank shall discharge its duties in the interests of Participants and for the exclusive purpose of providing benefits to Participants and defraying reasonable expenses of administering the Trust and the Plan and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in conduct of an enterprise of like character and with like aims. The Bank will be under no liability or obligation to anyone with respect to any failure of the Board to perform any of its obligations under the Plan or Trust Agreement or for any error or omission of the Board.

Section 5.6 Determination of Rights. The Bank shall have no power, authority, or duty hereunder in respect to the determination of the eligibility of any person to coverage under the Plan, or the entitlement of any person to any benefit payments under the Plan.

Section 5.7 Continuance of Plan; Availability of Funds. Neither the Board, the Bank nor Detroit assumes any contractual obligation as to the continuance of the Plan and shall not be responsible for the adequacy of the Trust Fund to meet and discharge any liabilities under the Plan, and the Bank's obligation to make any payment shall be limited to amounts held in the Trust Fund at the time of the payment.

Section 5.8 Payment of Expenses. The Bank shall apply the assets of the Trust Fund to pay all reasonable costs, charges, and expenses (including, but not limited to, all brokerage fees and transfer tax expenses and other expenses incurred in connection with the sale or purchase of investments, all real and personal property taxes, income taxes and other taxes of any kind at any time levied or assessed under any present or future law upon, or with respect to, the Trust Fund or any property included in the Trust Fund and all legal, actuarial, accounting and financial advisory expenses) reasonably incurred by the Bank or the Board in connection with establishing, sponsoring, administering or operating the Trust or Plan. The Board shall by written certificate provided to the Bank request payment for any expenses related to the administration of the Trust and/or the Plan. Upon receipt of the written certificate, the Bank may make the payment requested by the Board. The expenses of the Bank shall constitute a lien on the Trust Fund.

Section 5.9 Bank Compensation. The Bank will apply the assets of the Trust Fund to pay its own fees in the amounts and on the dates [set forth in Exhibit A]. The Bank's compensation shall constitute a lien on the Trust Fund.

Section 5.10 Reliance on Written Instruments. The Bank shall be fully protected in acting upon any instrument, certificate or paper believed by it to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

ARTICLE VI BANK ACCOUNTS

Section 6.1 Records. The Bank shall maintain accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions with respect to the Trust, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Board or such person or persons as the Board may designate.

Section 6.2 Annual Audit. The Trust Fund shall be audited annually, and a statement of the results of such audit shall be provided to the Bank and also made available for inspection by interested persons at the principal office of the Trust.

Section 6.3 No Interest by Participants. In no event shall any Participant or beneficiary have any interest in any specific asset of the Trust Fund. At no time shall any account or separate fund be considered a savings account or investment or asset of any particular Participant, beneficiary, or class of Participants and beneficiaries, and no Participant or beneficiary shall have any right to any particular asset which the Board or Bank may have allocated to any account or separate fund for accounting purposes.

Section 6.4 Furnishing Written Accounts. The Bank shall file with the Board a written account setting forth a description of all securities and other property purchased and sold, and all receipts, disbursements, and other transactions effected by it during the accounting period to which the Board and the Bank have agreed, and showing the securities and other properties held, and their fair market values at such times and as of such dates as may be agreed by the Board and the Bank in writing. Such written account shall be filed with the Board within thirty (30) days after the close of each calendar quarter.

Section 6.5 Accounting Year, Cash Basis. The accounting year of the Trust shall be the calendar year. All accounts of the Bank shall be kept on a cash basis.

Section 6.6 Judicial Proceedings. If the Bank and the Board cannot agree with respect to any act or transaction reported in any statement, the Bank shall have the right to have its accounts settled by judicial proceedings in which only the Bank and the Board shall be necessary parties. No Participant shall have any right to compel an accounting, judicial or otherwise, by the Bank.

ARTICLE VII PROCEDURES FOR THE BANK

Section 7.1 Removal. The Bank may be removed by Detroit at any time upon thirty (30) days' advance written notice. Such removal shall be effective on the date specified in such written notice, provided that notice has been given to the Bank of the appointment of a successor institutional trustee or custodian in the manner set forth in Section 7.3 below.

Section 7.2 Resignation. The Bank may resign by filing with Detroit a written resignation that shall take effect ninety (90) days after the date of such filing, unless prior thereto a successor institutional trustee or custodian has been appointed by the Board. In no event may the Bank's resignation take effect before a successor institutional trustee or custodian has been appointed. If Detroit fails to appoint a successor institutional trustee or custodian, the retiring Bank may seek the appointment of a successor entity in the manner set forth in Section 7.3.

Section 7.3 Successor Bank.

- (a) Detroit may appoint a successor institutional trustee or custodian by delivering to such successor an instrument in writing, executed by an authorized representative of Detroit, appointing such successor entity, and by delivering to the removed or resigning Bank an acceptance in writing, executed by the successor so appointed. Such appointment shall take effect upon the date specified in Section 7.1 or 7.2 above, as applicable.
- (b) Alternatively, Detroit may appoint a successor institutional trustee or custodian by securing from such successor an amendment to this Trust Agreement, executed by both the successor and an authorized representative of Detroit, which replaces the current Bank with the successor institutional trustee or custodian, appointing such successor institutional trustee or custodian, and by delivering to the removed or resigning Bank an executed copy of the amendment. Such appointment shall take effect upon the date specified in the amendment.
- (c) If no appointment of a successor institutional trustee or custodian is made by Detroit within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Bank, appoint a successor institutional trustee or custodian after such notice to Detroit and the retiring Bank, as such court may deem suitable and proper.

Section 7.4 Effect of Removal or Resignation of Bank. Upon the removal or resignation of the Bank in accordance with Section 7.1 or 7.2 above, the Bank shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law.

Section 7.5 Merger or Consolidation of the Bank. Any corporation continuing as the result of any merger or resulting from any consolidation, to which merger or consolidation the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed to be continuing as the Bank.

ARTICLE VIII
COMPOSITION OF AND PROCEDURES FOR THE BOARD OF TRUSTEES

Section 8.1 Number and Appointment of Members. The Board of Trustees shall consist of seven (7) voting members, who are selected by the Mayor of Detroit and by the Eligible Retiree Members (directly or indirectly through a representative) as provided below.

(a) The Mayor of Detroit shall appoint three (3) voting members, both of whom shall be residents of the State of Michigan and neither of whom may be an employee, contractor, agent or affiliate of the City or any labor union representing employees of the City, a member of any such labor union, or a Participant. At least one (1) of the such independent members shall have expert knowledge or extensive experience with respect to economics, finance, or institutional investments, and at least one (1) of such independent members shall have expert knowledge or extensive experience with respect to administration of public or private health and welfare benefit plans, executive management, benefits administration or actuarial science. The voting members of the Board selected by the Mayor as of the Effective Date shall be [_____, _____ and _____.]

(b) The Eligible Retiree Members shall select four (4) voting members pursuant to procedures established by the Board; provided, however, that two (2) such voting members shall initially be designated by the Official Committee of Retirees of the City of Detroit, Michigan, and two (2) such voting members shall initially be designated by the Retired Detroit Police and Fire Fighters Association on behalf of such Eligible Retiree Members. The members initially selected on behalf of the Eligible Retiree Members are [_____, _____, _____ and _____.]

Each Board member shall acknowledge his or her appointment and acceptance of the duties and responsibilities set forth in this Trust Agreement in writing.

Section 8.2 Term of Office. Each member of the Board shall serve a period of four (4) years, or if earlier, until his or her death, incapacity to serve hereunder, or resignation. In the event of a vacancy, the replacement Board member shall be appointed as provided in Section 8.1.

Section 8.3 Resignation. A Board member may resign, and shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law, by giving at least ninety (90) days' advance written notice to Detroit stating a date when such resignation shall take effect, which notice or time period may be waived by the Board.

Section 8.4 Fees and Expenses. The Board members appointed by the Mayor shall each be paid a stipend of [\$12,000] per year (payable ratably on a monthly basis). The Board members selected by the Eligible Retiree Members shall each be paid a stipend of [\$_____] per year (payable ratably on a monthly basis). Each Board member may be reimbursed by the Trust for reasonable expenses properly and actually incurred in the performance of its duties. Compensation payable to the Board members and all reimbursed expenses shall be payable out of the Trust.

Section 8.5 Operation of the Board; Quorum. The Board shall select from among its members a chair and a vice chair. The Board shall hold regular meetings, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure and shall keep a record of proceedings. Each Board Member shall be entitled to one vote on each question before the Board. Five (5) members shall constitute a quorum at any meeting. A majority vote of the members present at a meeting of the Board at which a quorum exists shall be necessary for a decision by the Board.

ARTICLE IX POWERS AND DUTIES OF THE BOARD OF TRUSTEES

Section 9.1 General. The Board shall be responsible for designing, adopting, maintaining and administering the Plan, as well as administering the Trust and managing the Trust assets as provided herein. Subject to the provisions of this Trust Agreement, the Plan documents and applicable laws, the Board shall have sole, absolute and discretionary authority to adopt such rules and regulations and take all actions that it deems desirable for the administration of the Plan and Trust, and to interpret the terms of the Plan and Trust. The decisions of the Board will be final and binding on all Participants and all other parties to the maximum extent allowed by law.

Section 9.2 Plan Design and Administration.

(a) Adoption of Plan. The Board shall adopt a Plan to offer health care benefits to Participants. All terms of the Plan shall be determined by the Board; provided that such terms shall be consistent with this Trust Agreement, Code section 501(c)(9) and the regulations promulgated thereunder. The Board shall be under no obligation to design the Plan to assure that the assets of the Trust Fund are sufficient to provide benefits to all potential Participants of the Plan in subsequent years.

(b) Benefits. The Plan shall include benefits and any other features including, without limitation, premium-sharing or other cost-sharing, that the Board from time to time determines appropriate or desirable in its sole discretion. The Plan may provide for different benefit structures or programs for different groups of Participants, as determined by the Board in its sole discretion. In designing the Plan and the benefits to be provided thereunder, the Board may take into account relevant circumstances, including, without limitation, the degree to which Participants may have alternative resources or coverage sources, as well as the resources of the Trust Fund. Benefits provided under the Plan shall be limited to those health care benefits permitted by Code Section 501(c)(9), and any Plan eligibility restrictions established by the Board shall conform with the requirements set forth in Treasury Regulation Section 1.501(c)(9)-2.

(c) Method of Providing Benefits. Benefits under the Plan may be fully insured, partially insured or self-insured, as determined by the Board from time to time in its sole discretion. The expected cost of benefits under the Plan shall not exceed the amount expected to be available under the Trust.

(d) Plan Documentation. The Board shall be responsible for creating, adopting and/or executing any documents necessary to set forth the Plan's governing terms, and shall be responsible for communicating the terms of the Plan to the Eligible Retiree Members and Eligible Dependents in accordance with applicable law.

Section 9.3 Investment of the Trust. The Board shall have full power and authority to manage, control, invest and reinvest the money and other assets of the Trust Fund subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by the Investment Act, and the Bank shall comply with the

proper written direction of the Board concerning those assets. The Board may employ outside advisors, including investment advisors, to advise it with regard to the investment of the assets of the Trust Fund. Any outside advisors who are investment fiduciaries (as defined in the Investment Act) shall satisfy any applicable requirements of the Investment Act.

Section 9.4 Appointment of Investment Managers. The Board, from time to time, may appoint one or more independent Investment Managers, pursuant to a written investment management agreement describing the powers and duties of the Investment Manager, to direct the investment and reinvestment of all or a portion of the Trust (hereinafter referred to as an "Investment Account"). The Board shall determine that each Investment Manager satisfies the requirements of section 38.1133(11) of the Investment Act and, is entitled (under its investment management agreement) to direct the investment and reinvestment of the Investment Account for which it is responsible, in its sole and independent discretion and without limitation, except for any limitations which from time to time the Board determines shall modify the scope of such authority. If an Investment Manager is appointed, it shall have the authority of the Bank specified in Section 5.1 hereof with respect to the Investment Account over which it has investment discretion and the Bank's duties with respect to such Investment Account shall be limited to following the instructions of the Investment Manager. Provided that an Investment Manager is prudently selected and monitored by the Board, the Board shall have no liability (a) for the acts or omissions of such Investment Manager; (b) for following directions of such Investment Manager which are given in accordance with this Trust Agreement; or (c) for any loss of any kind which may result by reason of the manner of division of the Trust into Investment Accounts.

Section 9.5 Government Reports and Returns. The Board shall file all reports and returns that are required to be made with respect to the Trust and the Plan.

Section 9.6 Compromise or Settle Claims. The Board may compromise, settle and release claims or demands in favor of or against the Trust or the Board on such terms and conditions as the Board may deem advisable.

Section 9.7 Appointment of Administrator. The Board may appoint a third party to perform any administrative functions it has with regard to the Trust or Plan.

Section 9.8 Employment of Assistance. The Board has the exclusive authority to employ, contract and pay for all professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation and administration of the Plan and Trust. The powers granted to the Board in this subparagraph include complete control of the procurement process, including contracts for office space, computer hardware and software, and human resource services. In accordance with the provisions of Section 5.3 hereof, the Board may direct the Bank to pay reasonable compensation therefor from the Trust Fund. The Board may take or may refrain from taking any action in accordance with or reliance upon the opinion of counsel or such expert advisors.

Section 9.9 Reliance on Written Instruments. The Board shall be fully protected in acting upon any instrument, certificate or paper believed by him or her to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any

investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 9.10 No Individual Liability on Contracts. The Board shall not be liable personally for any debts, obligations, or undertakings contracted by them, or for the breach of any contracts. Such claims and obligations shall be paid out of the Trust; provided, however, that the Board shall not be exempt from personal liability for willful misconduct, intentional wrongdoing, breach of applicable fiduciary duty, or fraud, and the Trust shall not indemnify the Board for such liabilities, or to the extent that application of this sentence would violate any law.

Section 9.11 Detroit Not Liable for Conduct of Board. The Board is not in its capacity as Board an officer, agent, employee, or representative of Detroit. In its capacity as Board, the Board is a principal acting independently of Detroit, which shall not be liable for any act, omission, contract, obligation, or undertaking of the Board or its officers, agents, or representatives.

Section 9.12 Liability Insurance. The Board may obtain and keep current a policy or policies of insurance, insuring the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in connection with the performance of their duties, responsibilities and obligations under this Trust Agreement or the Plan. To the extent permitted by applicable law, the premiums on such policies may be paid from the Trust Fund.

Section 9.13 Reimbursement for Defense of Claims. To the extent permitted by applicable law and not otherwise covered by liability insurance purchased by the Trust (without regard to any non-recourse rider purchased by the insured), the Board, employees of the Board and persons acting on the Board's behalf pursuant to an express written delegation (each separately, the "Indemnified Party") shall be reimbursed by the Trust Fund for reasonable expenses, including without limitation attorneys fees, incurred in defense of any claim that seeks a recovery of any loss to the Plan or Trust Fund or for any damages suffered by any party to, or beneficiary of this Trust Agreement (a) for which the Indemnified Party is adjudged not liable, or (b) which is dismissed or compromised in a final settlement, where the Board – or, where required by applicable law, an independent fiduciary – determines that the settling Indemnified Party was not primarily responsible (in such cases, all or only a portion of the settling Indemnified Party's reasonable expenses may be reimbursed, as directed by the Board or an independent fiduciary), provided that, the Board shall have the right to approve of the retention of any counsel whose fees would be reimbursed by the Trust Fund, but such approval shall not be withheld unreasonably.

Section 9.14 Subrogation and Reimbursement. If the Plan is self-insured, the following provisions regarding subrogation and third-party reimbursement will apply.

- (a) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of an individual ("Benefit Recipient"), the Trust Fund shall be subrogated as provided in this Section 9.14 to all the Benefit Recipient's rights of recovery with respect to the illness or injury for which the payment of benefits is made by the Trust Fund. The right of recovery referred to in the preceding sentence shall include the right to make a claim, sue,

and recover against any person or entity from the first dollars of any funds which are paid or payable as a result of a personal injury claim or any reimbursement of health care expenses. If requested in writing by the Board, the Benefit Recipient shall take, through any representative designated by the Board, such action as may be necessary or appropriate to recover such payment from any person or entity, said action to be taken in the name of the Benefit Recipient. In the event of a recovery or settlement, the Trust Fund shall be reimbursed in full on a first priority basis out of such recovery or settlement for expenses, costs, and attorneys' fees incurred by it in connection therewith.

(b) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of a Benefit Recipient for an illness or injury, the Trust Fund shall be entitled to, and shall have a first priority equitable lien on, the proceeds of any recovery, by judgment, settlement or otherwise, with respect to the illness or injury, and if paid to the Benefit Recipient, the Benefit Recipient shall immediately pay any such proceeds to the Trust Fund. If the Benefit Recipient fails to pay such proceeds, or does not cause such proceeds to be paid, to the Trust Fund, the Board may, in addition to any other remedy to which it may be entitled, recover the proceeds directly or by offset against claims for benefits under the Plan and Trust made with respect to the affected Benefit Recipient (or such Benefit Recipient's beneficiaries, heirs, attorneys, agents, representatives, or estate).

(c) The Trust Fund shall have the right of subrogation and reimbursement set forth in this Section 9.14 regardless of whether the Benefit Recipient is made whole and regardless of whether the recovery, or any part thereof, is designated as payment for health care expenses, pain and suffering, loss of income or any other specified or unspecified damages or reason, and without regard to whether recovery is designated as including or excluding the health care expenses covered by the Plan and Trust. Any recovery by a Benefit Recipient, an attorney or other third party shall be deemed to be for the benefit of the Plan and Trust and shall be held in constructive trust for the Trust Fund until the Trust Fund is reimbursed in full for all amounts paid by the Trust Fund. The subrogation and reimbursement rights of the Trust Fund described in this Section 9.14 include all rights against, and include all rights with respect to, proceeds from or held by any attorney, third party, insurance carrier or payer of medical benefits, including an uninsured or under-insured motorist carrier, a no-fault carrier and a school insurance carrier, even if such coverage was purchased by the Benefit Recipient, and without regard to whether the proceeds have been paid or are payable.

(d) By participating in the Plan, each Benefit Recipient agrees to cooperate fully with the Plan and Trust and to execute and deliver agreements, liens and other documents and do whatever else the Board deems necessary to enable and assist the Trust Fund in exercising its rights under this Section 9.14, but the Trust Fund's rights under this Section 9.14 shall be effective regardless of whether the Benefit Recipient actually signs any agreements, liens or other documents. By participating in the Plan, each Benefit Recipient also agrees (i) that he or she will not make or maintain any make whole, common trust fund or apportionment action or claim in contravention of the subrogation and reimbursement provisions of this Section 9.14; and (ii) that he or she will not oppose any proceeding by the Trust Fund to obtain reimbursement on procedural grounds. The Benefit Recipient, directly or through his or her representatives, shall not do anything to

impair the Trust Fund's rights. If the Board determines that any Trust Fund recovery rights under Section 9.14 have been impaired by any action of the Benefit Recipient or his or her representatives or by the Benefit Recipient's or such other person's failure to comply with the Benefit Recipient's obligations under Section 9.14, the Board may, in addition to any other remedy to which it may be entitled, determine the amount by which the Trust Fund's recovery rights have been impaired and recover such amount directly or by offset against claims for benefits under the Trust Fund made with respect to the affected Benefit Recipient.

(e) This Section 9.14 entitles the Trust Fund to subrogation and reimbursement equal to the entire amount paid by the Trust Fund for the illness or injury to which the subrogation or reimbursement relates, including related expenses, costs and attorneys' fees, which shall be from the first dollars payable to or received by the Benefit Recipient, his representatives, heirs, legal counsel, estate or any other third party from any settlement, judgment or other payment, without reduction for attorneys' fees or for any other reason. The common fund, make-whole, apportionment or any similar doctrines shall not apply to any amounts received. Any attorneys' fees shall be the responsibility solely of the Benefit Recipient, and the Trust Fund shall not pay any attorneys' fees or costs associated with a Benefit Recipient's claim or lawsuit without the Board's prior written authorization.

(f) The intention of this Section 9.14 is to give the Trust Fund the first right of subrogation and reimbursement in full with respect to the first dollars paid or payable, even though the Benefit Recipient is not made whole. Each Benefit Recipient agrees that as a condition to receiving benefits under the Plan and from the Trust Fund, the Benefit Recipient shall comply with the requirements of this Section 9.14.

ARTICLE X
AMENDMENT, TERMINATION AND MERGER

Section 10.1 Amendment. The Trust Agreement may be amended at any time in writing by Detroit or by Court order upon proper motion, provided, however, that no amendment may impose a contribution obligation on Detroit; and provided further that no amendment shall adversely affect the exempt status of the Trust or Plan under Section 501(c)(9) of the Code. No amendment to the Trust Agreement shall modify the responsibilities of the Bank hereunder unless the Bank has first consented to such amendment.

Section 10.2 Termination.

(a) The Trust and this Trust Agreement may be terminated at any time in writing by Detroit with a copy of such written instrument to be provided to the Bank, or by Court order upon proper motion. Upon termination of this Trust Agreement, the assets of the Trust Fund shall be paid out at the direction of the Board in the following order of priority: (i) the payment of reasonable and necessary administrative expenses (including taxes); (ii) the payment of benefits to Participants entitled to payments for claims arising prior to such termination; and (iii) upon satisfaction of all liabilities to existing Participants, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits in accordance with Code section 501(c)(9) and the rules and regulations promulgated thereunder. Neither Detroit nor the Board shall have any beneficial interest in the Trust Fund. The Trust Fund shall remain in existence until all assets have been distributed.

(b) Upon termination, the Bank and the Board shall continue to have all of the powers provided in this Trust Agreement as are necessary or desirable for the orderly liquidation and distribution of the Trust Fund in accordance with the provisions hereof.

Section 10.3 Transfer of Assets and/or Liabilities. To the extent permitted by Code section 501(c)(9) and other applicable law, some or all of the assets and/or liabilities of the Trust Fund may at the discretion of the Board be transferred directly to another trust for the purpose of providing health or welfare benefits to some or all of the Participants on such terms and conditions as the Board may determine.

ARTICLE XI MISCELLANEOUS

Section 11.1 Rights in Trust Fund. No Participant or other person shall have any right, title or interest in the Trust Fund or any legal or equitable right against the Bank, the Board, or Detroit, except as may be otherwise expressly provided in the Plan or in this Trust Agreement.

Section 11.2 Non-Alienation. Except to the extent required by applicable law, the rights or interest of any Participant to any benefits or future payments hereunder or under the provisions of the Plan shall not be subject to attachment or garnishment or other legal process by any creditor of any such Participant, nor shall any such Participant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingent or otherwise, under this Trust Agreement.

Section 11.3 Controlling Laws. The Trust shall be construed and the terms hereof applied according to the laws of the state of Michigan to the extent not superseded by federal law.

Section 11.4 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

Section 11.5 Headings. The headings and subheadings of this Trust Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Trust Agreement.

Section 11.6 Notices. All notices, requests, demands and other communications under this Trust Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (b) on the first business day after sending if sent for guaranteed next day delivery by Federal Express or other next-day courier service; or (c) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to the Bank:

[insert name and address]

If to the Board:

[insert name and address]

IN WITNESS WHEREOF, and as evidence of the establishment of the Trust created hereunder, the parties hereto have caused this instrument to be executed as of the date above first written.

[insert name] Dated: _____

BANK
[_____ Bank]

By: _____

Print Name

CITY OF DETROIT

By: _____

Print Name

Title

Dated: _____

EXHIBIT A

Bank Compensation

EXHIBIT I.A.91

PRINCIPAL TERMS OF DIA SETTLEMENT

Term Sheet

<p>Definitions</p>	<p>For the purposes of this Term Sheet the following terms have the meanings provided below:</p> <p><u>CFSEM</u> means Community Foundation for Southeast Michigan.</p> <p><u>City</u> means the City of Detroit.</p> <p><u>Closing</u> means the closing of the transactions contemplated herein.</p> <p><u>Definitive Documentation</u> means the definitive agreements and other transaction documents to be executed and delivered at Closing.</p> <p><u>DIA Funders</u> means those persons, businesses, business-affiliated foundations and other foundations that are listed on Exhibit C to this Term Sheet and all additional persons, businesses, business-affiliated foundations and any other foundations from which The DIA secures commitments to contribute monies as “DIA Funders” in furtherance of the transactions contemplated by this Term Sheet.</p> <p><u>Foundation Funders</u> means the foundations that are listed on Exhibit B to this Term Sheet and any additional foundations (other than foundations that are DIA Funders) that, subsequent to the date of this Term Sheet, agree to contribute monies as “Foundation Funders” in furtherance of the transactions contemplated by this Term Sheet.</p> <p><u>Funder</u> means a Foundation Funder, a DIA Funder, or The DIA (collectively, the “Funders”).</p> <p><u>Museum</u> means the museum that is commonly referred to as the Detroit Institute of Arts.</p> <p><u>Museum Assets</u> means the Museum art collection, operating assets, buildings, parking lots and structures, and any other assets having title vested in the City that are used primarily in servicing the Museum, including those covered by the 1997 Operating Agreement between the City and The DIA (the “Operating Agreement”) all as more particularly described on Exhibit A to this Term Sheet.</p> <p><u>Payment Amount</u> means at least \$815 million without interest and, to the extent applicable, reduced by any Present Value Discount.</p>
---------------------------	--

	<p><u>Payment Period</u> means the twenty year period commencing on and immediately following the date of the Closing.</p> <p><u>State</u> means the State of Michigan.</p> <p><u>Supporting Organization</u> means the Foundation for Detroit's Future, a Michigan nonprofit corporation, which is a supporting organization of CFSEM, which was established to accommodate the contribution and payment of monies from the Funders, as contemplated under this Term Sheet, and will obtain 501(c)(3) status prior to the Closing.</p> <p><u>The DIA</u> means The Detroit Institute of Arts, a Michigan not-for-profit corporation.</p> <p><u>Tri-Counties</u> means the Counties of Macomb, Oakland and Wayne, all in the State.</p> <p>Other capitalized terms are defined elsewhere in this Term Sheet.</p>
Scope of Settlement	<p>The consummation of the transactions contemplated in this Term Sheet shall be in full and final settlement of all disputes relating to the rights of the City, the Police and Fire Retirement System and the General Retirement System for the City (collectively, the "Pensions"), The DIA, and the State with respect to the Museum, including the Museum Assets. Disputes held by other of the City's creditors pertaining to the foregoing subject matter shall be resolved by confirmation of the Plan of Adjustment (defined below).</p>
Reservation of Rights	<p>This Term Sheet proposes a settlement of disputed factual and legal issues. Nothing in this Term Sheet constitutes an admission as to any factual or legal issue or a waiver of any claim or defense, and all rights of the City, The DIA, the Funders and all other parties in the City's bankruptcy case regarding the Museum and the Museum Assets are fully preserved until the Closing.</p>
Treatment of Museum Assets	<p>As a result of this settlement, at Closing, all right, title and interest in and to the Museum Assets shall be conveyed to The DIA to be held in perpetual charitable trust for the benefit of the people of the City and the State, including the citizens of the Tri-Counties, permanently free and clear of all liens, encumbrances, claims and interests of the City and its creditors (the "Transfer").</p>

Funding Commitments

All commitments of the Funders shall, subject to the terms and conditions of this Term Sheet and the Definitive Documentation, be the irrevocable, authorized, valid and binding commitments by the Funders, enforceable against such Funders, except that the commitment of The DIA as to any DIA Deficiency will be subject to its right of substitution as discussed in *"DIA Commitment Regarding Funding"* below. Exhibit B and Exhibit C, as applicable, set forth the commitment amount and, to the extent known prior to the date of this Term Sheet, the payment schedule for each Funder. Prior to execution of the Definitive Documentation, each Funder with respect to which the payment schedule was not known as of the date of this Term Sheet (unless such party becomes a **"Funder"** only after the date of the Definitive Documentation) shall agree to a payment schedule. Each Funder shall have the right to prepay its commitment in whole or in part at any time without penalty and no interest will be owed on any Funder's payments.

All payments by the Funders shall be made as set forth in *"Payment Mechanism"* of this Term Sheet. (The mechanics, timing and terms of all payments by the State shall be determined between the State and the City.)

The parties acknowledge that Funder payments are conditioned on the City meeting certain conditions both initially and on a continuing basis. See *"Conditions to Future Funding Obligations"* of this Term Sheet. Failure of the City to meet those conditions in any material respect may result in the delay of a scheduled payment by the Funders to the Supporting Organization and a delay of a scheduled payment by the Supporting Organization to the City until (i) all material requisite conditions for that payment are met; or (ii) cancellation of that payment if the material requisite conditions are not met within any established cure period.

Funding commitments of the following amounts (before giving effect to any Present Value Discount, as applicable) are required as a condition to Closing:

Foundation Funders (net)	\$366 million
DIA Funders and DIA	\$100 million*
State	\$350 million

*inclusive of the intended
funding amounts for the
identified Foundation Funders

	<p>listed in Exhibit B</p> <p>To the extent the City fails to meet its indemnity obligations further described in Exhibit D, the Funders', the Supporting Organization's and The DIA's (with respect to a DIA Deficiency or under the Guaranty) funding commitments will be reduced by any litigation or defense costs, damages or settlement costs incurred by the applicable Funder, the Supporting Organization or The DIA in connection therewith. Similarly, the Funders, the Supporting Organization and The DIA may reduce their funding commitments to the extent that any litigation or defense costs, damages or settlement costs incurred by them and arising from the transactions contemplated by this Term Sheet and the Definitive Documentation are not otherwise covered by the City's indemnity obligations described in Exhibit D.</p>
<p>Present Value Discount</p>	<p>To the extent that the DIA Funders and The DIA have agreed upon an aggregate payment schedule (determined as of the Closing and adjusted after the Closing for any New Donor Commitments), that provides for the payment of greater than an aggregate of \$5 million per year during the Payment Period (the "Agreed Required Minimum Schedule"), the amount and timing of such annual excess in commitments shall, applying a discount rate to be agreed upon hereafter but prior to Closing, which may or may not be the same earnings rate that the Pensions use as provided for in the confirmed Plan of Adjustment as the Pensions' assumed future investment return, result in a present value discount in an amount which reflects the payments required to be made being instead made more rapidly than required by the Agreed Required Minimum Payment Schedule, which present value discount shall reduce the aggregate amount of the commitments that The DIA is required to secure or, as to any DIA Deficiency, undertake itself (the "Present Value Discount").</p> <p>Each Foundation Funder which funds its commitment more rapidly than ratably over twenty years shall likewise be entitled to a Present Value Discount determined in the same manner as set forth in the preceding paragraph.</p> <p>Any disputes regarding the calculation or application of a Present Value Discount will be irrevocably determined,</p>

	based upon the formula described in this Term Sheet, by an independent auditing firm to be agreed upon in the Definitive Documentation.
The DIA Commitment Regarding Funding	The DIA undertakes to secure commitments for contributions of \$100 million (subject to the Present Value Discount) from the business community (and their related foundations), other foundations and individuals. As of the Closing, The DIA shall be responsible for any portion of the \$100 million (subject to the Present Value Discount) for which it has not secured commitments from DIA Funders as of the Closing (the “ DIA Deficiency ”). However, The DIA shall have the right after the Closing to substitute for its obligation to pay any or all of the DIA Deficiency commitments from new DIA Funders or an increased funding commitment from an existing DIA Funder (each a “ New Donor Commitment ”) for such amount of the DIA Deficiency. Subject to the terms of this Term Sheet, all New Donor Commitments shall be payable according to payment schedules which shall not run later than the end of the Payment Period. In addition, The DIA agrees that it will have no claims against the Foundation Funders for failure to fund their commitments and that the Foundation Funders have made no commitments beyond those set forth in this Term Sheet (as will be reflected in the Definitive Documentation).
DIA Guaranty	Subject to the terms and conditions of this Term Sheet, The DIA shall guaranty (the “ Guaranty ”) the payment by all DIA Funders of all amounts such DIA Funders pledge against the \$100 million (subject to the Present Value Discount) commitment of The DIA under the “ <i>Funding Commitment</i> ” section of this Term Sheet. The City may take action to collect Default Amounts under the Guaranty as permitted under the “ <i>Default and Remedies</i> ” section of this Term Sheet. The City shall not otherwise take action to collect any amounts under the Guaranty, and under no circumstances will anyone other than the City have any right to take any action to collect any amounts under the Guaranty. The DIA Guaranty shall be in form and substance acceptable to the City and the Funders.
Default and Remedies	All Funders (including The DIA, both as to any DIA Deficiency and with respect to the Guaranty) shall have the right to rely upon the determination of the Board of Directors of the Supporting Organization as to whether the conditions

to a scheduled payment have been satisfied and, if not initially satisfied, whether they have been timely cured. In the event that the Supporting Organization has determined that the conditions have not been satisfied (or timely cured) and the City disputes that determination, the City's only recourse shall be to dispute the Supporting Organization's determination. The City shall have no claim against any Funder (or under the Guaranty) for such Funder's reliance upon the determination of the Board of Directors of the Supporting Organization. Any dispute between the City and the Supporting Organization regarding whether the conditions had been satisfied or timely cured shall be determined in accordance with the "*Dispute Resolution*" section of this Term Sheet.

In the event it is determined by the Supporting Organization or through arbitration that the conditions to a scheduled payment have been satisfied or timely cured, all Funders shall be required to make their scheduled payments to the Supporting Organization (or, as to DIA Funders that so elect in accordance with the "*Payment Mechanism*" section of this Term Sheet, to The DIA, which will be required to make its scheduled payments to the Supporting Organization). If a Foundation Funder, a DIA Funder or The DIA (either with respect to a Deficiency Amount or on behalf of a DIA Funder who elects to make its payments to The DIA) has made its scheduled payment to the Supporting Organization, the City shall have recourse only to the Supporting Organization (and not any Funder that made its scheduled payment) for such payment. If a Foundation Funder, a DIA Funder or The DIA (either with respect to a Deficiency Amount or on behalf a DIA Funder who elects to make its payments to The DIA) has not made its scheduled payment after it is determined by the Supporting Organization or through arbitration that the conditions to such payment have been satisfied or timely cured, the Supporting Organization shall, after making reasonable efforts to collect the scheduled payment from the Funder (the "**Non-funding Party**"), assign its right to enforce payment of that scheduled payment (the "**Default Amount**") to the City in full satisfaction of the Supporting Organization's obligation to make such payment to the City.

If the Supporting Organization assigns to the City, in accordance with the preceding paragraph, the Supporting Organization's right to enforce payment of a Default Amount from a DIA Funder (a "**Defaulted DIA Funder**"), during the twelve-month period following the assignment of the claim

	<p>to the City (the “City Collection Period”), the City shall exercise commercially reasonable efforts to collect the Default Amount from that Defaulted DIA Funder, and any amounts collected from that Defaulted DIA Funder shall reduce the amount subject to the Guaranty. If the City is unable to collect the Default Amount from a Defaulted DIA Funder during the City Collection Period, upon the expiration of the City Collection Period, the City may collect the Default Amount from The DIA under the Guaranty and, in such event, assign to The DIA all right and title to (and exclusive authority to collect) the Default Amount.</p> <p>In no event will any Funder other than the Non-funding Party have any responsibility for the payment or obligations of such Non-funding Party (except, as to The DIA, under the Guaranty), and the City will not have any right to collect any amounts from any Funder except as set forth above. Moreover, there will be no third-party beneficiaries to the rights of the City or the Supporting Organization, and no party other than the City or the Supporting Organization (or The DIA in respect of the Guaranty), as applicable, shall have the right to assert any claim against any Funder in respect of the obligations arising under the Definitive Documentation. Without limiting the foregoing, the failure of any Funder or the Supporting Organization to make a scheduled payment shall give rise to a claim by the City against such Non-funding Party, as set forth above, and not against any other Funder, the Supporting Organization, The DIA or the Museum Assets; provided, however, (i) as contemplated in “<i>The DIA Commitment Regarding Funding</i>” above, The DIA will be obligated for any DIA Deficiency except to the extent the DIA Deficiency is replaced during the Payment Period with a New Donor Commitment, and (ii) The DIA will have its obligations under the Guaranty.</p> <p>The City will be responsible for all costs of its enforcement against the Non-funding Party and will not seek reimbursement of costs of enforcement from any other party or the Supporting Organization. No other person or entity shall have the right to enforce payment.</p>
Initial Payment	<p>At and as a condition to the Closing (a) each of the Foundation Funders and the State shall pay at least 5% of its commitment under this Term Sheet and (b) The DIA and the DIA Funders in the aggregate shall pay at least \$5 million.</p>

<p>Transfer on Initial Payment</p>	<p>The Transfer shall be irrevocably consummated upon the Initial Payment to the City Account (defined in <i>"Conditions to Future Funding Obligations"</i> of this Term Sheet) (which shall be made at the Closing). In addition, at the Closing, the City and The DIA will enter into an agreement that (1) terminates the Operating Agreement, (2) includes a mutual release of pre-Closing claims, and (3) assigns (without recourse) from the City to The DIA all current and future commitments or gifts made or intended for the benefit of the Museum or The DIA, including without limitation money and works of art. The City will not, however, make any representations or warranties relating to the condition of, or title to, the Museum Assets or such commitments and will not have any liability with respect thereto.</p>
<p>Payment Mechanism</p>	<p>All payments by the Funders shall be made directly to the Supporting Organization which shall hold such payments in a segregated account (the "Account") pending payment to the City. Notwithstanding the foregoing, any DIA Funder may make its payments to The DIA instead of to the Supporting Organization; payments by The DIA (either with respect to a Deficiency Amount or on behalf a DIA Funder who elects pursuant to the preceding sentence to make its payments to The DIA) to the Supporting Organization shall be pursuant to the terms of an agreement which will be entered into between The DIA and the Supporting Organization in connection with the execution of the Definitive Documentation. As set forth under <i>"Default and Remedies"</i> above, only the City will have recourse or claims against the Account, provided all conditions specified in <i>"Conditions to Future Funding Obligations"</i> of this Term Sheet have been satisfied and as otherwise provided in this Term Sheet, and the City shall be paid when due, directly from the Account for the exclusive payment of the Pensions. The City will not be entitled to any interest or earnings on the balances of the Account. The City shall then pay such amounts to and for the exclusive payment of the Pensions in accordance with the allocation determined by the City and agreed by the Funders.</p>
<p>DIA Commitment for State-wide Services for State Contribution</p>	<p>In addition to continuing to operate the Museum for the benefit of the people of the City and the State, including the citizens of the Tri-Counties, and continuing to provide the special services to the residents of the Tri-Counties during the millage term that are provided for in the millage</p>

	<p>agreements, during the Payment Period The DIA will provide an array of art programs at no or discounted costs to the residents of the State. In determining which programs to offer, both the cost to The DIA of developing and operating these programs and The DIA's other fundraising obligations, including its need to raise funds for general operations and its stated goal of building endowment funds, as well as any fundraising obligation under this settlement, will be taken into account. As appropriate, The DIA will collaborate with its Michigan museum colleagues in the development of these programs. Given the length of the Payment Period, it is expected that these programs would be developed and adjusted over time. Such programs could include at the outset:</p> <ul style="list-style-type: none"> • Two exhibitions in each twelve-month period, with the first such period beginning six months after the Closing, of objects from the Museum collection that would rotate through museums and art centers around the State on a schedule to be determined by The DIA and the recipient museums. Each exhibition will be developed and organized by The DIA and will include installation and de-installation of the objects, a marketing package (logo and advertising template) and, possibly, input on programming and education opportunities. • An annual professional development program coordinated with the Michigan Museums Association designed to strengthen museum professionals and introduce museum job opportunities to student audiences. • An expansion of the Museum's popular Inside/Out program (during the tenure of the program), which places high-quality art reproductions in Southeast Michigan communities, to include two additional outstate locations annually, supporting tourism, cultural awareness and life-long learning. • Art object conservation services at a discounted rate to Michigan museums conducted in consultation with the Museum conservators and the curatorial staff of the requesting museum. • The development of an educational program based on the Museum collection that supports National Common Core Standards, to be offered in two
--	--

	Michigan communities annually and to include follow-up support for educators.
DIA Operating and Maintenance Commitments	<p>(1) Subject to the terms set forth herein and the Definitive Documentation, The DIA shall have complete responsibility for and control over Museum operations, capital expenditures, collection management, purchase or sale of assets, <i>etc.</i> and will be responsible for all related liabilities, including existing liabilities of The DIA to its employees, contractors and vendors.</p> <p>(2) The permanent primary situs of The DIA and its art collection will remain in the City in perpetuity. This Term Sheet and the Definitive Documentation will not otherwise restrict the ability of The DIA to lend or to otherwise allow works to travel outside of the City or the State, consistent with ordinary Museum operations and the state-wide services proposed under this settlement. Notwithstanding anything to the contrary set forth in this Term Sheet, The DIA acknowledges and agrees that the Museum shall be operated primarily for the benefit of the people of the City and the State, including the citizens of the Tri-Counties.</p> <p>(3) The DIA will be required to operate the Museum as an encyclopedic art museum in the City, in accordance with changing future demands in the operation of such a Museum. The DIA will not deaccession from its collection or sell, lease, pledge, mortgage, or otherwise encumber art that is accessioned to or otherwise held in its collection except in accordance with the code of ethics or applicable standards for museums published by the American Alliance of Museums (the "AAM") as amended or modified by the accreditation organization. If the AAM ceases to exist or to be generally regarded by leading American art museums as the preeminent American art museum accreditation organization, then the AAM's successor organization or such other organization that is at that time generally regarded by leading American art museums as the preeminent American art museum accreditation organization shall be substituted for the AAM.</p>

	<p>(4) In the event of a liquidation of The DIA, the Museum Assets will be transferred only to another not-for-profit entity (which entity shall be subject to the reasonable approval of the City and the Supporting Organization, if then in existence, and otherwise by majority vote of the City and the then-existing Foundation Funders). Such successor entity would subject itself to the same conditions as set forth in this Term Sheet and the Definitive Documentation, including but not limited to holding the Museum Assets in perpetual charitable trust for the people of the City and the State, including the citizens of the Tri-Counties. For the purposes of determining the majority vote described above, and for the avoidance of doubt, the parties agree that the City and each of the then-existing Foundation Funders shall each have one vote with respect to such approval.</p>
<p>City Commitments Relating to Pensions</p>	<p>(1) The City will adopt and maintain pension governance mechanisms that meet or exceed commonly accepted best practices reasonably satisfactory to the Funders and the State to ensure acceptable fiscal practices and procedures for management and investment of pensions and selection of acceptable pension boards to ensure the foregoing.</p> <p>(2) The City will establish, by the Effective Date (as defined below), a Receivership Transition Review Board ("Review Board") or other independent fiduciary that is independent of the City and any association of City employees or retirees for future supervision of the Pensions' management, administration and investments for at least twenty years after the Effective Date.</p> <p>(3) Any commitments by the City to make payments hereunder, or cause payments to be made, to the Pensions shall be subject to receipt of the related payment amount from the Supporting Organization which, in turn, will be conditioned on the City's compliance with the above.</p> <p>(4) The Pension funds themselves shall agree as part of the settlements approved through the confirmed Plan of Adjustment that they waive and release</p>

	<p>any and all claims against, and shall have no recourse directly against, the Funders or the Supporting Organization with respect to enforcement of the City's commitment to make payments to the Pensions or any such party, nor for any matter arising from the contemplated transaction. The agreement of the Pension funds, as implemented through the Plan of Adjustment and any associated court orders shall be binding on the Pensions and all entities or persons claiming through the Pensions, including without limitation any successors or assigns and any plan participants, and any of their representatives, successors or assigns.</p>
<p>Other City Commitments</p>	<ol style="list-style-type: none"> (1) The City shall pass no charter, ordinance or other provision that solely affects or primarily targets the Museum, The DIA or museums within the City generally which such charter, ordinance or other provision has a material adverse impact on the Museum or The DIA (it being understood that a "material adverse impact" shall include any adverse financial impact or any contradiction, or adverse impact on the enforceability, of the terms of this settlement), except pursuant to State-enabling legislation, and the City agrees that the Detroit Arts Commission will henceforth have no oversight of The DIA, the Museum or the Museum Assets. (2) The City shall not impose any fee, tax or other cost on the Museum or The DIA that solely affects or primarily targets the Museum, The DIA or museums within the City generally. (3) The City shall provide (or cause to be provided) utilities and other City services to The DIA at the same pricing and on the same terms upon which the City offers to provide utilities and such other City services to arm's-length third parties generally. (4) The City agrees that there are no further commitments from the Funders, the Supporting Organization, The DIA or the State relating to the Museum or the Museum Assets beyond those contained in the Term Sheet or the Definitive

	<p>Documentation.</p> <p>(5) The City agrees to the indemnification, jurisdiction, venue and choice of law language contained in Exhibit D for the benefit of the Funders.</p>
<p>Bankruptcy Court Approval Process</p>	<p>The settlement between the City and The DIA over the Transfer in exchange for the Funders' and the State's commitments for the Payment Amount and The DIA's commitment to provide for the operation and maintenance of the Museum is subject to the Bankruptcy Court's approval in a manner acceptable to the parties hereto, which the City shall seek promptly after the signing of the Definitive Documentation for the settlement.</p>
<p>Conditions to The DIA's, the City's and the Funders' Commitments and Initial Payments under the Settlement</p>	<p>The City's and the Funders' obligations under the settlement will become binding only upon:</p> <ol style="list-style-type: none"> (1) execution of Definitive Documentation acceptable in all respects to The DIA, the City, the State and the Funders, memorializing the terms of this Term Sheet, including irrevocable commitments (subject to The DIA's right of substitution as to the DIA Deficiency) of the Funders, in the aggregate, for the full Payment Amount, (2) Bankruptcy Court entry of an order confirming the Plan of Adjustment of Debts of the City of Detroit, Michigan (the "Plan of Adjustment") that is binding on The DIA, the City and all of the City's creditors and provides, among other things, for approval and inclusion of all of the terms of this settlement, including treatment of the Payment Amount in accordance with this Term Sheet and protection of the Museum Assets as provided in "<i>Treatment of Museum Assets</i>" of this Term Sheet, and not stayed on appeal, (3) occurrence of the Effective Date, (4) approval of the settlement by the Michigan Attorney General as consistent with Michigan law and with Attorney General Opinion No. 7272, (5) agreement by the millage authorities for each of the Tri-Counties to the settlement for protection of the three-county millage payable to the Museum for the balance of the millage period approved in 2012,

	<p>(6) approval of the relevant City and State persons or entities specified in the Local Financial Stability and Choice Act (PA 436) to the extent applicable, including, but not limited to, the Emergency Manager, the Governor of the State and/or the Treasurer of the State and (if needed) the Detroit City Council and/or Detroit Arts Commission, in each case, for the Transfer,</p> <p>(7) The DIA, the Foundation Funders, the City and the State being satisfied with The DIA's governance structure, mechanisms and documents, program for provision of statewide services, multi-year fundraising plan, insurance coverage, policies, practices and procedures and such other matters as the Funders determine are critical to their decision to fund and the City determines are critical to its decision to execute the Definitive Documentation,</p> <p>(8) Closing occurring no later than December 31, 2014,</p> <p>(9) All existing agreements and other arrangements between the City and The DIA are either affirmed, modified or terminated, as provided in this Term Sheet or as otherwise agreed between the City and The DIA.</p> <p>(10) The DIA agrees to indemnify and hold harmless the Foundation Funders, the City and the Supporting Organization from any and all claims against them (together with all reasonable associated costs and expenses) that result from The DIA's failure to perform any of its obligations under the Definitive Documentation. The DIA acknowledges that the Foundation Funders and the Supporting Organization have no financial obligations other than, in the case of the Foundation Funders, the amount specified in the "Funding Commitments" of this Term Sheet and are not guaranteeing payment to the City of any amount committed by the DIA Funders or The DIA.</p>
Closing of Settlement	<p>Upon satisfaction of all "Conditions to The DIA's, the City's, the State's and the Funders' Commitments and Initial Payments under the Settlement" under this Term Sheet (any of which may be waived by agreement of all parties to this Term Sheet for whose benefit the condition exists) and the occurrence of the</p>

	effective date of the Plan of Adjustment (" Effective Date ").
Conditions to Future Funding Obligations	<p>The Funders' obligations to continue to fund the settlement (and the Supporting Organization's obligation to continue to pay funds provided by the Funders to the City) are conditioned on the following:</p> <ol style="list-style-type: none"> (1) all amounts paid by the Funders shall be used only to pay Pensions as provided in this Term Sheet and the confirmed Plan of Adjustment, (2) the Funders' receipt of an annual certification from the Review Board or other oversight authority reasonably acceptable to the Funders that the City is in compliance with its obligation to use the amounts paid by the Funders solely for the benefit of the pensioners and that the amounts received from the Funders are unencumbered by the City or any other entity, (3) the amounts paid by the Funders and transmitted by the Supporting Organization to the City are placed into a segregated account to be used for payments to the Pensions only and shown separately on the City's books ("City Account"), (4) the Funders' receipt of an annual reconciliation report of the City Account prepared by external auditors reasonably satisfactory to the Funders at the City's expense, certifying use of funds in a manner consistent with the settlement, (5) full compliance by the City with the terms of the funding agreements with the Funders or the Supporting Organization, and (6) the City's continued compliance with the first two commitments set forth above in the provision entitled "<i>City Commitments Relating to Pensions</i>" of this Term Sheet. <p>The City shall have the opportunity to cure any breach or failure of these conditions within 180 days of issuance of notice of the same by the Funders or the Supporting Organization. Notwithstanding the foregoing, to the extent that the applicable event of default cannot reasonably be cured within the period specified above, and as long as the City has commenced to cure, and diligently pursues the cure of such default in good faith, such cure period shall be</p>

	<p>extended by a reasonable period of time to permit the City to cure such event of default; provided, however, such additional extended cure period shall not extend beyond the later of: (i) 180 days beyond the initial cure period; and (ii) the date that the next applicable payment is due the City by the Supporting Organization. The City's ability to receive the benefit of the extended cure period, beyond the initial cure period, shall be subject to the approval of the Supporting Organization upon receipt of a written request from the City setting forth why the City is entitled to such extended cure period by meeting the requirements set forth above, which approval shall not be unreasonably withheld, conditioned or delayed. All obligations of the Funders and Supporting Organization to make payments shall be suspended for the duration of the cure period. If the City fails to cure a breach or failure during the cure period each Funder and the Supporting Organization shall have the right to cancel its remaining commitments.</p>
<p>Changes in DIA Governance</p>	<p>The DIA shall establish an ad-hoc committee (the "Governance Committee") to review best practices in museum governance, gather input from the parties to this Term Sheet and the State, and make recommendations regarding the future governance of The DIA. In addition to three members representing the perspective of The DIA, The DIA shall appoint to the Governance Committee one member representing each of the following perspectives: 1) the Foundation Funders; 2) the City; and 3) the State. In addition, The DIA shall appoint to the Governance Committee one person who is selected by agreement of the millage authorities of the Tri-Counties. The parties believe the proposed make-up of the Governance Committee will appropriately represent the perspectives of The DIA, the City, the State, the millage authorities and the Foundation Funders, but The DIA will consider adjustments to the proposed membership to the extent necessary to address any concerns raised by the State. Susan Nelson, principal of Technical Development Corporation, will facilitate and advise the process, with funding as required from the Foundation Funders. The process will be completed as quickly as possible but in any event prior to the Closing, with the Governance Committee's recommendations taking effect upon their approval by The DIA's Board of Directors and prior to Closing. The goal of the Governance Committee will be to ensure that The DIA has the best possible governance</p>

	structure for maintaining its position as one of America's great art museums.
Future Obligations of The DIA	The DIA will provide to the other Funders and the City, or their representatives, on an annual basis, a narrative report covering overall operations, fundraising and state services, as well as audited financial statements.
Dispute Resolution	In connection with the negotiation of the Definitive Documentation, the parties shall use good faith efforts to work with the State to identify and agree upon alternative dispute resolution mechanisms that provide a process for resolution of disputes surrounding whether conditions to a scheduled payment have been satisfied or cured while considering the ability of the public, Pensions and other stakeholders to monitor such alternative dispute resolution process.

EXHIBIT A

MUSEUM ASSETS

1. The Museum building and grounds, and the employee parking lot located at 5200 Woodward Avenue, Detroit, Michigan, comprised of land and improvements bounded by Woodward Avenue as widened, existing John R Street, existing East Kirby Avenue and the South line of Farnsworth Avenue, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in Commitment for Title Insurance No. 58743275 revision 5, with an effective date of December 16, 2013, and Commitment for Title Insurance No. 58781215, with an effective date of December 26, 2013, (collectively, the "Title Commitment") issued by Title Source Inc., as follows:

PARCEL 1: Block A; together with the Northerly half of vacated Frederick Douglass Avenue adjacent thereto, of Ferry's Subdivision of Park Lot 40 and of Lots 1 to 18 inclusive of Farnsworth's Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 18 of Plats, Page 71, Wayne County Records.

PARCEL 6: Lots 43 through 78, both inclusive, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 43 through 58, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 63 through 78, and together with vacated alleys appurtenant to said lots.

PARCEL 11: Lots 103 through 120, both inclusive, together with the Southerly half of vacated Farnsworth Avenue adjacent to Lots 103 through 118, and vacated portions of Farnsworth Avenue adjacent to the South of Lots 103 through 117 and Lot 120, and vacated alleys appurtenant to said lots, of Farnsworth Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

2. The Frederick Lot (across from the Museum, Easterly from existing John R to existing Brush) located, in the City of Detroit, Wayne County, Michigan, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in the Title Commitment as follows:

PARCEL 4: Lots 31 to 37 of Farnsworth Subdivision of Park Lots 38 and 39, together with the southerly half of vacated Frederick Douglass Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

PARCEL 7: Lots 79 and 80 of Farnsworth Subdivision of Park Lots 38 and 39, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 9: The East 5 feet of Lot 85 and Lots 86 and 87 and the West 16 feet of Lot 88, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots of Farnsworth Subdivision of Park Lots 38 and 39, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 12: Lots 1 through 5, both inclusive, and Lots 10 through 14, both inclusive, Block 25, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 1 through 5, Block 25, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 10 through 14, Block 25 and together with the vacated alley appurtenant to said lots of Brush's Subdivision of that part of the Brush Farm lying between the North line of Farnsworth Street and South line of Harper Avenue, as recorded in Liber 17, Page 28 of Plats, Wayne County Records.

3. The cultural center underground garage¹ *i.e.*, the parking garage with all appurtenant utilities, equipment, drives, pedestrian and vehicular entrances and easements therefor, on the south side of the Museum building located at 40 Farnsworth, Detroit, Michigan, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in the Title Commitment as follows:

PARCEL 14: A parking structure in the City of Detroit occupying space under and on the following described parcel of land. Land in the City of Detroit, being a part of Lots 62 through 68 inclusive; parts of Lot 112 and 118 through 120 inclusive; all that part of Lots 113 through 117 inclusive not set aside as a part of Farnsworth Avenue, parts of public alleys and Farnsworth Avenue (60 feet wide) vacated by the Common Council on October 7, 1924 and January 11, 1927; all as platted in "Farnsworth's Subdivision of Park Lots 38 and 39, City of Detroit" recorded in Liber 1, Page 16 of Plats, Wayne County Records and also a portion of the Northerly 49 feet of Farnsworth Avenue (70 feet wide), which was opened as a public street by action of the Common Council on October 7, 1924. Being more particularly described as follows: Commencing at the intersection of the South line of Farnsworth Avenue 70 feet wide and the East line of Woodward Avenue as widened August 2, 1932, J.C.C. Page 1279, thence North 29 degrees 42 minutes 10 seconds West 22.17 feet, thence North 60 degrees 17 minutes 50 seconds East 6.00 feet to the point of beginning of this parcel, thence North 29 degrees 42 minutes 10 seconds West 248.16 feet; thence North 60 degrees 11 minutes 50 seconds East 268.00 feet; thence South 29 degrees 42 minutes 10 seconds East 15.79 feet; thence North 60 degrees 17 minutes 50 seconds East 1.00 feet to a point of curve; thence 11.77 feet along the arc of a curve concave to the Northeast with a Radius of 14.00 feet, a Delta of 48 degrees 11 minutes 23 seconds with a Long Chord of 11.43 feet which bears South 53 degrees 47 minutes 52 seconds East to a point of reverse curve; thence 26.07 feet along the arc of curve concave to the Southwest, with a Radius of 31 feet, a Delta 48

¹ In connection with the preparation for Closing, the City will advise on the mechanics for the release of existing encumbrances on title to the garage.

degrees 11 minutes 23 seconds with a Long Chord of 25.31 feet which bears South 53 degrees 47 minutes 52 seconds East; thence South 29 degrees 42 minutes 10 seconds East 140.50 feet; thence 78.54 feet along the arc of a curve concave to the Northwest, with a Radius of 50.00 feet, a Delta of 90 degrees with a Long Chord of 70.71 feet which bears South 15 degrees 17 minutes 50 seconds West; thence South 60 degrees 17 minutes 50 seconds West 0.50 feet; thence South 29 degrees 42 minutes 10 seconds East 4.00 feet; thence South 60 degrees 17 minutes 50 seconds West 4.00 feet; thence South 29 degrees 42 minutes 10 seconds East 6.00 feet; thence South 60 degrees 17 minutes 50 seconds West 39.50 feet; thence North 29 degrees 42 minutes 10 seconds West 1.67 feet; thence South 60 degrees 17 minutes 50 seconds West 190 feet to the point of beginning.

The bottom floor of this structure is at elevation 129.10 feet as related to the City of Detroit Datum Plane; the structure has two (2) floors of vehicle parking with the top of the roof at elevation 149.34 feet. The structure has three (3) pedestrian exit buildings, four (4) air exhaust shafts and a vehicular ramp all of which extend upwards from the garage roof to the ground surface at elevations varying from 150.6 to 153.7 feet.

Together with the Easements created in Liber 20846, Page 762, Wayne County Records.

4. The collection of works of art owned by the City and located primarily at the Museum, the Museum's off-site warehouse or the Josephine Ford Sculpture Garden located at or about 201 East Kirby Street, Detroit, Michigan (which included at the effective date of the Operating Agreement the items listed in Exhibit 2 to the Operating Agreement) or included in the Museum collection (whether or not accessioned), whether or not reflected on any inventory and irrespective of the manner in which acquired by the City.
5. All assets of any kind located on or within the real estate described in items 1-4 above and used in the operations of the Museum, as well as any easements or other property rights benefiting such real estate.
6. All intangible property solely to the extent used in connection with the Museum and its art collection, including trademarks, copyrights and intellectual property, whether or not related to collection pieces.
7. All City records, books, files, records, ledgers and other documents (whether on paper, computer, computer disk, tape or other storage media) presently existing to the extent relating to the Museum, its art collection or its operations or to The DIA (other than those documents which are confidential to the City and not The DIA).
8. All monies held by the City that are designated for The DIA or the Museum or that were raised for the benefit of, or express purpose of supporting, The DIA or the Museum, including the approximately \$900,000 balance of proceeds of bonds issued for the benefit of The DIA by the City in 2010.

EXHIBIT B

FOUNDATION FUNDERS

NOTE: The list of Foundation Funders below is being provided based on information known as of March 27, 2014. Foundation Funder commitments remain subject to: (i) final approval of the commitments by the appropriate governing body of the respective foundation listed below; (ii) all conditions otherwise contained in the Term Sheet and Definitive Documentation being met; (iii) approval of the Definitive Documentation by the Foundation Funder; and (iv) approval of the Plan of Adjustment through the bankruptcy proceedings.

<u>Foundation Funder</u>	<u>Intended Funding Amount</u>
Community Foundation for Southeast Michigan	\$10,000,000
William Davidson Foundation	25,000,000
The Fred A. and Barbara M. Erb Family Foundation	10,000,000
Max M. and Marjorie S. Fisher Foundation	2,500,000*
Ford Foundation	125,000,000
Hudson-Webber Foundation	10,000,000
The Kresge Foundation	100,000,000
W. K. Kellogg Foundation	40,000,000
John S. and James L. Knight Foundation	30,000,000
McGregor Fund	6,000,000
Charles Stewart Mott Foundation	10,000,000
A. Paul and Carol C. Schaap Foundation	5,000,000*
Total	\$373,500,000
Less Credits to DIA Commitments	(7,500,000)
Net Total	\$366,000,000

*The payment of the intended funding amount by these Foundation Funders will be credited against the \$100 million to be paid by DIA Funders and the DIA provided under *Funding Commitments* of the Term Sheet.

Payment Schedule

Each Foundation Funder intends to make payments available at 5% of the total intended funding amount per year over the 20 year term, subject to the right of any Foundation Funder to pay early without penalty and as otherwise provided in the Term Sheet and Definitive Documentation. Collectively, this will result in an annual payment of **\$18,300,000** (exclusive of Foundation Funder commitments credited to the DIA) to the City of Detroit as provided in the Term Sheet and Definitive Documentation.

EXHIBIT C

DIA FUNDERS

[to be provided]

EXHIBIT D

INDEMNIFICATION, JURISDICTION, VENUE AND CHOICE OF LAW

All capitalized terms used but not defined in this Exhibit D are defined in the Term Sheet.

- (a) To the maximum extent permitted by law, the City shall indemnify, defend, and hold the Foundation Funders, the DIA Funders, The DIA and the Supporting Organization and their affiliates and all their respective shareholders, officers, directors, members, managers, employees, successors, assigns, representatives, attorneys and agents (the “**Indemnified Parties**”) harmless from, against, and with respect to any claim, liability, obligation, loss, damage, assessment, judgment, cost and expense (including, without limitation, actual out-of-pocket attorney fees and actual expenses incurred in investigating, preparing, defending against, or prosecuting any litigation or claim, action, suit, hearing, proceeding or demand) of any kind or character, arising out of or in any manner, incident, relating or attributable to the following (provided indemnification will not be available to an Indemnified Party to the extent resulting from such Indemnified Party’s breach of contract, sole ordinary negligence, gross negligence or intentional wrongful acts):
 - (i) *Any claims by third parties or the City arising out of any action properly taken by the Indemnified Parties under the Definitive Documentation with respect to the contemplated transaction including, but not limited to, any payment, non-payment or other obligation of the Indemnified Parties permitted thereunder;*
 - (ii) *Any breach or failure of any representation or warranty of the City contained in the Definitive Documentation between the City and the Indemnified Parties and/or other parties related to the contemplated transaction;*
 - (iii) *Any failure by the City to perform, satisfy or comply with any covenant, agreement or condition to be performed, satisfied or complied with by the City under the Definitive Documentation with the Indemnified Parties or under agreements with any third parties contemplated by this transaction;*
 - (iv) *Reliance by the Indemnified Parties upon any books or records of the City or reliance by them on any written information furnished by the City or any of the City’s employees, officials or agents to them to the extent any such information should prove to be false or materially inaccurate or misleading (including, without limitation, by omission), but only to the extent that such books, records or written information was furnished by the City in connection with the City showing its compliance with the conditions to initial or future funding as set forth in the Term Sheet;*
 - (v) *Any claim or objection made in the City’s Chapter 9 Bankruptcy (Case No. 13-53846) or any other action brought against, or involving, the Indemnified Parties with respect to their participation in any transaction contemplated by the proposed or confirmed Plan of Adjustment;*

(vi) *The transfer, assignment or sale by the City to The DIA of any assets or property (real or personal) and any rights, title and interests therein including, but not limited to, the Museum and all of the Museum Assets;*

(vii) *Any action or claim against the Indemnified Parties made by the Pensions, including any successors or assigns and any plan participants, or their representatives, successors or assigns (collectively, the "Pension Funds"), as nothing under the Term Sheet or the Definitive Documentation is intended to, nor are they to be construed or interpreted to, make the Indemnified Parties a party in privity with, or having an obligation in any capacity to the Pension Funds. By way of illustration and not limitation, the following statements apply:*

First, the Indemnified Parties have no responsibility for the operation or administration of the Pension Funds and have no fiduciary responsibility for the Pension Funds as plan sponsor, plan administrator, investment advisor or otherwise.

Second, the Indemnified Parties have no obligation to contribute towards the funding of the Pension Funds and are not a funding guarantor.

(viii) *Any action or claim brought by the City, The DIA, the Pension Funds or any other party concerning non-payment of the contributions pursuant to the contemplated transaction by the Indemnified Parties due to the breach of the Definitive Documentation by the City, the DIA, the Pension Funds or any other party, so long as the Indemnified Parties have made a good faith determination of the breach of the Definitive Documentation or payment condition.*

(b) An Indemnified Party shall notify the City in a timely manner of any matters as to which the Indemnified Party is entitled to receive indemnification and shall set forth in such notice reasonable detail regarding specific facts and circumstances then known by the Indemnified Party which pertain to such matters. Failure or delay in providing such notice shall not relieve the City of its defense or indemnity obligations except to the extent the City's defense of an applicable claim against an Indemnified Party is actually prejudiced by such Indemnified Party's failure or delay.

(c) The City shall not contest on any grounds the enforceability of its indemnification obligations hereunder.

(d) Notwithstanding the foregoing, the parties acknowledge that the City is not making any representations to The DIA regarding the City's title to the Museum Assets prior to the Closing and that The DIA will not be entitled to indemnification in connection with its defense of any post-Closing claims by third parties challenging The DIA's title to any Museum Asset to the extent that such claim is based on an allegation that the City did not have legal title to the particular Museum Asset prior to the Closing (a "**Quitclaim Challenge**"). To be clear, however, The DIA will be entitled to indemnification by the City under this Exhibit D in connection with any post-Closing challenges to The DIA's title to Museum Assets that are in any way based upon a claim that the title that the City

had to the Museum Assets prior to Closing was not effectively conveyed to The DIA at and as a result of the Closing.

Defense of Indemnity Claims

(a) To the extent the City is notified of claim for which it is required to indemnify an Indemnified Party, the City shall be solely responsible for responding to or otherwise defending such claim. In such event, the City shall assume exclusive control of the defense of such claim at its sole expense using counsel of its sole choosing and may settle such claim in its sole discretion; provided, however, that (i) with respect to any claim that involves allegations of criminal wrongdoing, the City shall not settle such claim without the prior written approval of the Indemnified Party, which approval may be withheld in such Indemnified Party's sole discretion, and (ii) with respect to any other claim, the City shall not settle such claim in a manner that requires the admission of liability, fault, or wrongdoing on the part of an Indemnified Party, that fails to include a release of all covered claims pending against the Indemnified Party, or that imposes any obligation on the Indemnified Party without the prior written approval of the Indemnified Party, which approval may be withheld in such Indemnified Party's sole discretion. The City will keep the Indemnified Party reasonably informed of the status of any negotiations or legal proceedings related to any claim, and the Indemnified Party shall be entitled to engage counsel (at its own expense) to monitor the handling of any claim by the City. Notwithstanding the foregoing, other than as relates to a Quitclaim Challenge (for which The DIA will not be entitled to indemnification, as set forth above), The DIA shall be entitled to defend on its own behalf any claims regarding title to, interest in or control of the Museum Assets or operation of the Museum. To the extent The DIA intends to exercise such right, the City and The DIA shall use their commercially reasonable efforts in good faith to coordinate a joint defense of such claim (including as to selection of joint counsel). If the City and The DIA cannot agree on a joint defense of the claim, each party shall undertake its own defense, reserving all rights against the other for indemnification hereunder with respect to such claim, but, in such case, The DIA shall not be entitled to indemnification of its defense costs in connection therewith.

(b) Notwithstanding anything to the contrary set forth in this Exhibit D or the Term Sheet, to the extent that the City is required to indemnify an Indemnified Party hereunder, and the underlying claim being indemnified does not arise out of the City's breach of contract, sole ordinary negligence, gross negligence or intentional wrongful acts and is not due to a claim brought by the City, the City may reimburse itself for the costs of such indemnity out of the payments from the Supporting Organization, in which case the amount payable by the City to the Pensions shall be reduced by the amount reimbursed to the City for such indemnity.

Jurisdiction/Venue/Choice of Law

The parties agree that, except as to disputes that are subject to arbitration in accordance with the "*Dispute Resolution*" section of the Term Sheet, jurisdiction shall be retained by

the United States Bankruptcy Court for the Eastern District of Michigan for all matters related to the contemplated transaction and venue shall be in Detroit. The parties agree that this agreement is to be governed by Michigan law.

EXHIBIT I.A.110

SCHEDULE OF DWSD BOND DOCUMENTS & RELATED DWSD BONDS

**SCHEDULE OF (I) DWSD BOND DOCUMENTS, (II) RELATED DWSD BONDS,
(III) CLASSES OF DWSD BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD BOND CLAIMS**

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Ordinance No. 01-05 adopted January 26, 2005 (" <u>Water Bond Ordinance</u> ") ¹ Trust Indenture dated as of February 1, 2013 among the City of Detroit, Detroit Water and Sewerage Department and U.S. Bank National Association, as trustee (" <u>Water Indenture</u> ") Bond Resolution adopted on October 14, 1993 Resolution adopted October 22, 1993 Final Report of the Finance Director delivered to City Council December 22, 1993	Series 1993	251255TP0	Class 1A-1	\$24,725,000.00	Unimpaired
Water Bond Ordinance Water Indenture Bond Resolution adopted July 9, 1997 Sale Order of the Finance Director of the City of Detroit dated August 6, 1997	Series 1997-A	251255XM2	Class 1A-2	\$6,520,000.00	Unimpaired
		251255XN0	Class 1A-3	\$6,910,000.00	Unimpaired

¹ Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
<p>Ordinance No. 01-05 adopted January 26, 2005 ("<u>Water Bond Ordinance</u>")²</p> <p>Trust Indenture dated February 1, 2013 among City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee ("<u>Water Indenture</u>")</p> <p>Bond Authorizing Resolution of City Council adopted January 31, 2001 and Resolution Amending Bond Authorizing Resolution, adopted April 25, 2001</p> <p>Sale Order of Finance Director of City of Detroit dated May 17, 2001</p>	Series 2001-A	251255A21	Class 1A-4	\$73,790,000.00	Unimpaired
<p>Water Bond Ordinance</p> <p>Water Indenture</p> <p>Resolution of the City Council adopted April 25, 2001</p> <p>Sale Order of the Finance Director of the City of Detroit dated May 31, 2001 and Supplement to Prior Sale Orders of Finance Director dated May 6, 2008</p>	Series 2001-C	251255U4	Class 1A-5	\$350,000.00	Unimpaired
		251255V2	Class 1A-6	\$365,000.00	Unimpaired
		251255W0	Class 1A-7	\$380,000.00	Unimpaired
		251255X8	Class 1A-8	\$390,000.00	Unimpaired
		251255Y6	Class 1A-9	\$415,000.00	Unimpaired
		251255Z3	Class 1A-10	\$12,510,000.00	Impaired
		251255A7	Class 1A-11	\$13,235,000.00	Impaired
		251255B5	Class 1A-12	\$14,025,000.00	Impaired
		251255C3	Class 1A-13	\$14,865,000.00	Impaired
		251255D1	Class 1A-14	\$15,750,000.00	Impaired
		251255E9	Class 1A-15	\$16,690,000.00	Impaired
		251255F6	Class 1A-16	\$17,690,000.00	Impaired
		251255G4	Class 1A-17	\$18,735,000.00	Impaired
		251255H2	Class 1A-18	\$19,945,000.00	Impaired
		251255J8	Class 1A-19	\$4,000,000.00	Impaired
		251255L3	Class 1A-20	\$20,090,000.00	Unimpaired
		251255K5	Class 1A-21	\$18,815,000.00	Unimpaired

² Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted Nov. 27, 2002 (" <u>2003 Water Resolution</u> ") Sale Order of the Finance Director of the City of Detroit dated January 24, 2003 and Supplement to Sale Order of the Finance Director – 2003 Bonds, dated February 6, 2003 (collectively, " <u>2003 Sale Order</u> ")	Series 2003-A	251255D77	Class 1A-22	\$500,000.00	Unimpaired
		251255D93	Class 1A-23	\$250,000.00	Unimpaired
		251255E27	Class 1A-24	\$3,550,000.00	Unimpaired
		251255F8	Class 1A-25	\$9,970,000.00	Unimpaired
		251255K20	Class 1A-26	\$20,955,000.00	Unimpaired
		251255K38	Class 1A-27	\$21,900,000.00	Unimpaired
		251255E68	Class 1A-28	\$121,660,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2003 Water Resolution 2003 Sale Order	Series 2003-B	2512555H4	Class 1A-29	\$41,770,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2003 Water Resolution 2003 Sale Order	Series 2003-C	251255J22	Class 1A-30	\$2,120,000.00	Unimpaired
		251255J30	Class 1A-31	\$2,620,000.00	Unimpaired
		251255J48	Class 1A-32	\$2,655,000.00	Unimpaired
		251255J55	Class 1A-33	\$2,930,000.00	Unimpaired
		251255J63	Class 1A-34	\$2,790,000.00	Unimpaired
		251255J71	Class 1A-35	\$2,965,000.00	Unimpaired
		251255J89	Class 1A-36	\$4,580,000.00	Unimpaired
		251255J97	Class 1A-37	\$4,665,000.00	Unimpaired
		251255H99	Class 1A-38	\$2,330,000.00	Unimpaired
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted November 27, 2002 Sale Order of Finance Director of the City of Detroit dated February 5, 2003	Series 2003-D	2512552T1	Class 1A-39	\$325,000.00	Unimpaired
		2512552U8	Class 1A-40	\$335,000.00	Unimpaired
		2512552V6	Class 1A-41	\$350,000.00	Unimpaired
		2512552W4	Class 1A-42	\$360,000.00	Unimpaired
		2512552X2	Class 1A-43	\$370,000.00	Unimpaired
		2512552Y0	Class 1A-44	\$2,585,000.00	Impaired
		2512552Z7	Class 1A-45	\$29,410,000.00	Impaired
		2512553A1	Class 1A-46	\$23,920,000.00	Impaired
		2512553B9	Class 1A-47	\$82,930,000.00	Unimpaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted January 21, 2004 (" <u>2004 Bond Resolution</u> ") Sale Order of Finance Director of the City of Detroit dated May 12, 2004 (" <u>2004 Sale Order</u> ")	Series 2004-A	2512553G8	Class 1A-48	\$4,250,000.00	Unimpaired
		2512553H6	Class 1A-49	\$4,475,000.00	Unimpaired
		2512553J2	Class 1A-50	\$4,710,000.00	Impaired
		2512553K9	Class 1A-51	\$4,955,000.00	Impaired
		2512553L7	Class 1A-52	\$5,215,000.00	Impaired
		2512553M5	Class 1A-53	\$5,490,000.00	Impaired
		2512553N3	Class 1A-54	\$5,780,000.00	Impaired
		2512553P8	Class 1A-55	\$6,085,000.00	Impaired
		2512553Q6	Class 1A-56	\$6,400,000.00	Impaired
		2512553R4	Class 1A-57	\$6,735,000.00	Impaired
		2512553S2	Class 1A-58	\$14,505,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2004 Bond Resolution 2004 Sale Order	Series 2004-B	2512554A0	Class 1A-59	\$85,000.00	Unimpaired
		2512554B8	Class 1A-60	\$90,000.00	Unimpaired
		2512554C6	Class 1A-61	\$10,000,000.00	Impaired
		2512554D4	Class 1A-62	\$3,545,000.00	Unimpaired
		2512554E2	Class 1A-63	\$13,925,000.00	Impaired
		2512554F9	Class 1A-64	\$350,000.00	Unimpaired
		2512554G7	Class 1A-65	\$14,940,000.00	Impaired
		2512554H5	Class 1A-66	\$15,810,000.00	Impaired
		2512554J1	Class 1A-67	\$16,665,000.00	Impaired
		2512554K8	Class 1A-68	\$16,085,000.00	Impaired
		2512554L6	Class 1A-69	\$16,935,000.00	Impaired
Water Bond Ordinance Water Indenture Amended and Restated Resolution of the City Council adopted January 26, 2005 (" <u>2005-A/C Bond Resolution</u> ") Sale Order of Finance Director of the City of Detroit dated March 3, 2005 (Series 2005-A)	Series 2005-A	251255M85	Class 1A-71	\$50,000.00	Unimpaired
		251255Q81	Class 1A-72	\$2,070,000.00	Unimpaired
		251255M93	Class 1A-73	\$85,000.00	Unimpaired
		251255Q99	Class 1A-74	\$2,145,000.00	Unimpaired
		251255N27	Class 1A-75	\$95,000.00	Unimpaired
		251255R23	Class 1A-76	\$2,265,000.00	Unimpaired
		251255N35	Class 1A-77	\$125,000.00	Unimpaired
		251255R31	Class 1A-78	\$2,370,000.00	Unimpaired
		251255N43	Class 1A-79	\$20,000.00	Unimpaired
		251255R49	Class 1A-80	\$2,615,000.00	Unimpaired
		251255N50	Class 1A-81	\$2,790,000.00	Unimpaired
		251255N68	Class 1A-82	\$2,955,000.00	Unimpaired
		251255N76	Class 1A-83	\$3,030,000.00	Unimpaired
		251255N84	Class 1A-84	\$3,225,000.00	Unimpaired
		251255N92	Class 1A-85	\$3,430,000.00	Unimpaired
		251255P25	Class 1A-86	\$3,650,000.00	Unimpaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
		251255P33	Class 1A-87	\$3,790,000.00	Unimpaired
		251255P41	Class 1A-88	\$4,080,000.00	Unimpaired
		251255P58	Class 1A-89	\$4,290,000.00	Unimpaired
		251255P66	Class 1A-90	\$4,615,000.00	Unimpaired
		251255P74	Class 1A-91	\$4,890,000.00	Unimpaired
		251255P82	Class 1A-92	\$5,145,000.00	Unimpaired
		251255P90	Class 1A-93	\$5,415,000.00	Unimpaired
		251255Q24	Class 1A-94	\$5,715,000.00	Unimpaired
		251255Q32	Class 1A-95	\$19,525,000.00	Unimpaired
Water Bond Ordinance Water Indenture Amended and Restated Resolution of the City Council dated March 22, 2005 (Series 2005-B) Sale Order of Finance Director of the City of Detroit dated March 22, 2005 (Series 2005-B), Amendment No. 1 to Sale Order of the Finance Director dated April 23, 2008 and Supplement to Prior Sale Orders of Finance Director dated May 6, 2008	Series 2005-B	2512557R0	Class 1A-96	\$2,125,000.00	Unimpaired
		2512557S8	Class 1A-97	\$2,225,000.00	Unimpaired
		2512557T6	Class 1A-98	\$2,305,000.00	Unimpaired
		2512557U3	Class 1A-99	\$2,385,000.00	Unimpaired
		2512557V1	Class 1A-100	\$2,465,000.00	Impaired
		2512557W9	Class 1A-101	\$2,575,000.00	Impaired
		2512557X7	Class 1A-102	\$2,690,000.00	Impaired
		2512557Y5	Class 1A-103	\$2,905,000.00	Impaired
		2512557Z2	Class 1A-104	\$3,025,000.00	Impaired
		2512558A6	Class 1A-105	\$3,145,000.00	Impaired
		2512558B4	Class 1A-106	\$3,270,000.00	Impaired
		2512558C2	Class 1A-107	\$3,490,000.00	Impaired
		2512558D0	Class 1A-108	\$3,620,000.00	Impaired
		2512558E8	Class 1A-109	\$3,850,000.00	Impaired
		2512558F5	Class 1A-110	\$3,980,000.00	Impaired
		2512558G3	Class 1A-111	\$28,415,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2005-A/C Bond Resolution Sale Order of Finance Director of the City of Detroit dated March 3, 2005 (Series 2005-C)	Series 2005-C	2512558H1	Class 1A-112	\$57,365,000.00	Impaired
		2512558J7	Class 1A-113	\$57,500,000.00	Unimpaired
		2512558S63	Class 1A-114	\$9,270,000.00	Unimpaired
		251255S71	Class 1A-115	\$9,735,000.00	Unimpaired
		251255S89	Class 1A-116	\$17,545,000.00	Unimpaired
		251255S97	Class 1A-117	\$18,425,000.00	Unimpaired
		251255T21	Class 1A-118	\$18,700,000.00	Unimpaired
		251255T39	Class 1A-119	\$8,245,000.00	Unimpaired
		251255T47	Class 1A-120	\$8,655,000.00	Unimpaired
Water Bond Ordinance Water Indenture Resolution of the City Council adopted November 18, 2005	Series 2006-A	251255T54	Class 1A-121	\$9,090,000.00	Unimpaired
		251255T62	Class 1A-122	\$9,540,000.00	Unimpaired
		251255V36	Class 1A-123	\$7,285,000.00	Unimpaired
		251255V44	Class 1A-124	\$7,650,000.00	Unimpaired
		251255V51	Class 1A-125	\$8,030,000.00	Impaired
		251255V69	Class 1A-126	\$8,430,000.00	Impaired
		251255V77	Class 1A-127	\$8,855,000.00	Impaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
("2006 Bond Resolution") Sale Order of Finance Director of the City of Detroit dated July 19, 2006 (Series 2006-A)		251255V85	Class 1A-128	\$9,295,000.00	Impaired
		251255V93	Class 1A-129	\$9,760,000.00	Impaired
		251255W27	Class 1A-130	\$10,250,000.00	Impaired
		251255W35	Class 1A-131	\$10,760,000.00	Impaired
		251255W43	Class 1A-132	\$11,300,000.00	Impaired
		251255W50	Class 1A-133	\$11,865,000.00	Impaired
		251255W68	Class 1A-134	\$12,460,000.00	Impaired
		251255W76	Class 1A-135	\$13,080,000.00	Impaired
		251255W84	Class 1A-136	\$131,150,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit dated August 15, 2006 (Series 2006-B)	Series 2006-B	251256AG8	Class 1A-137	\$100,000.00	Unimpaired
		251256AH6	Class 1A-138	\$100,000.00	Unimpaired
		251256AJ2	Class 1A-139	\$100,000.00	Unimpaired
		251256AK9	Class 1A-140	\$100,000.00	Unimpaired
		251256AL7	Class 1A-141	\$100,000.00	Unimpaired
		251256AM5	Class 1A-142	\$100,000.00	Impaired
		251256AN3	Class 1A-143	\$400,000.00	Impaired
		251256AP8	Class 1A-144	\$56,600,000.00	Impaired
		251256AQ6	Class 1A-145	\$62,100,000.00	Impaired
Water Bond Ordinance Water Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit dated July 19, 2006 (Series 2006-C)	Series 2006-C	251255X83	Class 1A-146	\$1,100,000.00	Unimpaired
		251255X91	Class 1A-147	\$3,725,000.00	Unimpaired
		251255Y25	Class 1A-148	\$3,795,000.00	Impaired
		251255Y33	Class 1A-149	\$4,010,000.00	Impaired
		251255Y41	Class 1A-150	\$4,765,000.00	Impaired
		251255Y58	Class 1A-151	\$5,860,000.00	Impaired
		251255Y66	Class 1A-152	\$14,880,000.00	Impaired
		251255Y74	Class 1A-153	\$32,045,000.00	Unimpaired
		251255Y82	Class 1A-154	146,500,000	Unimpaired
Water Bond Ordinance Water Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit dated July 19, 2006 (Series 2006-D)	Series 2006-D	251255Z81	Class 1A-155	\$15,000.00	Unimpaired
		251255Z99	Class 1A-156	\$15,000.00	Unimpaired
		2512552A2	Class 1A-157	\$15,000.00	Unimpaired
		2512552B0	Class 1A-158	\$20,000.00	Unimpaired
		2512552C8	Class 1A-159	\$20,000.00	Unimpaired
		2512552D6	Class 1A-160	\$2,650,000.00	Impaired
		2512552E4	Class 1A-161	\$3,200,000.00	Impaired
		2512552F1	Class 1A-162	\$20,135,000.00	Impaired
		2512552G9	Class 1A-163	\$27,425,000.00	Impaired
		2512552H7	Class 1A-164	\$9,955,000.00	Impaired
		2512552J3	Class 1A-165	\$21,105,000.00	Unimpaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
		2512552K0	Class 1A-166	\$57,650,000.00	Unimpaired
Water Bond Ordinance Water Indenture Resolution of the City Council adopted April 5, 2011 (" <u>2011 Bond Resolution</u> ") Sale Order of the Finance Director dated as of December 15, 2011 (" <u>2011 Sale Order</u> ")	Series 2011-A	251256BA0	Class 1A-167	\$3,410,000.00	Unimpaired
		251256BB8	Class 1A-168	\$3,550,000.00	Unimpaired
		251256BC6	Class 1A-169	\$3,695,000.00	Impaired
		251256BD4	Class 1A-170	\$3,845,000.00	Impaired
		251256BE2	Class 1A-171	\$4,000,000.00	Impaired
		251256BF9	Class 1A-172	\$3,160,000.00	Impaired
		251256BG7	Class 1A-173	\$3,225,000.00	Impaired
		251256BH5	Class 1A-174	\$4,215,000.00	Impaired
		251256BJ1	Class 1A-175	\$4,195,000.00	Impaired
		251256BK8	Class 1A-176	\$4,170,000.00	Impaired
		251256BL6	Class 1A-177	\$4,140,000.00	Impaired
		251256BM4	Class 1A-178	\$4,085,000.00	Impaired
		251256BN2	Class 1A-179	\$4,020,000.00	Impaired
		251256BP7	Class 1A-180	\$3,930,000.00	Impaired
		251256BQ5	Class 1A-181	\$14,665,000.00	Impaired
		251256BR3	Class 1A-182	\$28,890,000.00	Unimpaired
		251256BT9	Class 1A-183	\$49,315,000.00	Impaired
		251256BS1	Class 1A-184	\$224,300,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2011 Bond Resolution 2011 Sale Order	Series 2011-B	251256AV5	Class 1A-185	\$1,970,000.00	Unimpaired
		251256AW3	Class 1A-186	\$3,760,000.00	Impaired
		251256AX1	Class 1A-187	\$9,740,000.00	Impaired
Water Bond Ordinance Water Indenture 2011 Bond Resolution 2011 Sale Order	Series 2011-C	251256BV4	Class 1A-188	\$2,700,000.00	Impaired
		251256BW2	Class 1A-189	\$9,965,000.00	Impaired
		251256BX0	Class 1A-190	\$10,490,000.00	Impaired
		251256BY8	Class 1A-191	\$11,035,000.00	Impaired
		251256BZ5	Class 1A-192	\$11,615,000.00	Impaired
		251256CA9	Class 1A-193	\$5,000,000.00	Impaired
		251256CC5	Class 1A-194	\$7,230,000.00	Unimpaired
		251256CB7	Class 1A-195	\$44,630,000.00	Unimpaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
<p>Ordinance No. 18-01 adopted October 18, 2001 ("<u>Sewage Bond Ordinance</u>")³</p> <p>Trust Indenture dated as of June 1, 2012 among the City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee ("<u>Sewage Indenture</u>")</p> <p>Resolution of the City Council adopted May 6, 1998 ("<u>1998 Bond Resolution</u>")</p> <p>Sale Order of the Finance Director of the City of Detroit dated December 9, 1998 ("<u>1998 Sale Order</u>")</p>	Series 1998-A	251237S87	Class 1A-196	\$3,110,000.00	Unimpaired
		251237S95	Class 1A-197	\$3,225,000.00	Unimpaired
		251237T29	Class 1A-198	\$3,540,000.00	Impaired
		251237T37	Class 1A-199	\$3,660,000.00	Impaired
		251237T45	Class 1A-200	\$3,885,000.00	Impaired
		251237T52	Class 1A-201	\$4,095,000.00	Impaired
		251237T60	Class 1A-202	\$7,415,000.00	Impaired
		251237T78	Class 1A-203	\$7,745,000.00	Impaired
		251237T86	Class 1A-204	\$12,585,000.00	Impaired
		251237T94	Class 1A-205	\$13,350,000.00	Impaired
<p>Sewage Bond Ordinance</p> <p>Sewage Indenture</p> <p>1998 Bond Resolution</p> <p>1998 Sale Order</p>	Series 1998-B	251237U92	Class 1A-206	\$3,125,000.00	Unimpaired
		251237V26	Class 1A-207	\$3,240,000.00	Unimpaired
		251237V34	Class 1A-208	\$3,455,000.00	Impaired
		251237V42	Class 1A-209	\$3,575,000.00	Impaired
		251237V59	Class 1A-210	\$3,895,000.00	Impaired
		251237V67	Class 1A-211	\$4,015,000.00	Impaired
		251237V75	Class 1A-212	\$7,330,000.00	Impaired
		251237V83	Class 1A-213	\$7,665,000.00	Impaired
		251237V91	Class 1A-214	\$12,600,000.00	Impaired
		251237W25	Class 1A-215	\$13,265,000.00	Impaired
<p>Sewage Bond Ordinance</p> <p>Sewage Indenture</p> <p>Bond Resolution adopted on November 24, 1999</p> <p>Sale Order of the Finance Director of the City of Detroit dated December 10, 1999</p>	Series 1999-A	251237VM2	Class 1A-216	\$7,924,628.15	Unimpaired
		251237VN0	Class 1A-217	\$7,759,578.75	Unimpaired
		251237VP5	Class 1A-218	7,704,816.00	Impaired
		251237VQ3	Class 1A-219	\$7,157,798.95	Impaired
		251237VR1	Class 1A-220	\$6,738,459.00	Impaired
		251237VS9	Class 1A-221	\$6,365,288.40	Impaired
		251237VT7	Class 1A-222	\$5,690,933.60	Impaired
		251237VU4	Class 1A-223	\$6,235,125.30	Impaired

³ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted on August 1, 2001 and Amendment dated October 10, 2001 (collectively, " <u>2001 Bond Resolution</u> ") Composite Sale Order of the Finance Director of the City of Detroit dated August 1, 2001 (" <u>2001 Sale Order</u> ")	Series 2001-B	251237WV1	Class 1A-224	\$110,550,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture 2001 Bond Resolution 2001 Sale Order	Series 2001-C(1)	2512376G3	Class 1A-225	\$575,000.00	Unimpaired
		2512376H1	Class 1A-226	\$600,000.00	Unimpaired
		2512376J7	Class 1A-227	\$625,000.00	Impaired
		2512376K4	Class 1A-228	\$655,000.00	Impaired
		2512376L2	Class 1A-229	\$690,000.00	Impaired
		2512376M0	Class 1A-230	\$720,000.00	Impaired
		2512376P3	Class 1A-231	\$110,510,000.00	Impaired
		2512376N8	Class 1A-232	\$38,000,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture 2001 Bond Resolution 2001 Sale Order and Amendment No. 1 to Sale Order of the Finance Director (2001(C-2) and (E)) dated April 23, 2008 (" <u>2001 Sale Order Amendment</u> ") and Supplement to Prior Sale Orders (2001(C-2), 2001(E) and 2006(A)) dated May 1, 2008 (" <u>2001/2006 Supplement to Sale Orders</u> ")	Series 2001-C(2)	2512374G5	Class 1A-233	\$310,000.00	Unimpaired
		2512374H3	Class 1A-234	\$325,000.00	Unimpaired
		2512374J9	Class 1A-235	\$345,000.00	Unimpaired
		2512374K6	Class 1A-236	\$365,000.00	Unimpaired
		2512374L4	Class 1A-237	\$380,000.00	Unimpaired
		2512374M2	Class 1A-238	\$400,000.00	Unimpaired
		2512374N0	Class 1A-239	\$4,090,000.00	Unimpaired
		2512374P5	Class 1A-240	\$21,600,000.00	Impaired
		2512374Q3	Class 1A-241	\$93,540,000.00	Impaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Ordinance No. 18-01 adopted October 18, 2001 (" <u>Sewage Bond Ordinance</u> ") ⁴ Trust Indenture dated as of June 1, 2012 among the City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee (" <u>Sewage Indenture</u> ") Bond Authorizing Resolution adopted August 1, 2001; Amendment October 10, 2001 Composite Sale Order of the Finance Director of the City of Detroit dated August 1, 2001	Series 2001-D	251237WY5	Class 1A-242	\$21,300,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture 2001 Bond Resolution 2001 Sale Order, 2001 Amendment and 2001/2006 Supplement to Sale Orders	Series 2001-E	2512374R1	Class 1A-243	\$136,150,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution of the City Council adopted May 7, 2003 (" <u>2003 Bond Resolution</u> ") Composite Sale Order of the Finance Director of the City of Detroit dated May 14, 2003	Series 2003-A	251237YK3	Class 1A-244	\$3,815,000.00	Unimpaired
		251237Q89	Class 1A-245	\$10,000.00	Unimpaired
		251237ZE6	Class 1A-246	\$25,000.00	Unimpaired
		251237ZB2	Class 1A-247	\$50,000.00	Unimpaired
		251237R21	Class 1A-248	\$180,000.00	Unimpaired
		251237YQ0	Class 1A-249	\$190,000.00	Unimpaired
		251237YT4	Class 1A-250	\$250,000.00	Unimpaired
		251237YM9	Class 1A-251	\$275,000.00	Unimpaired
		251237YZ0	Class 1A-252	\$300,000.00	Unimpaired
		251237YW7	Class 1A-253	\$535,000.00	Unimpaired
		251237ZG1	Class 1A-254	\$1,000,000.00	Unimpaired
		251237Q97	Class 1A-255	\$3,200,000.00	Unimpaired
		251237K77	Class 1A-256	\$3,225,000.00	Unimpaired
		251237K85	Class 1A-257	\$3,325,000.00	Unimpaired
		251237ZD8	Class 1A-258	\$4,795,000.00	Unimpaired
		251237ZF3	Class 1A-259	\$5,440,000.00	Unimpaired

⁴ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
		251237ZH9	Class 1A-260	\$7,935,000.00	Unimpaired
		251237Y80	Class 1A-261	\$9,005,000.00	Unimpaired
		251237YN7	Class 1A-262	\$11,880,000.00	Unimpaired
		251237YR8	Class 1A-263	\$12,535,000.00	Impaired
		251237Y72	Class 1A-264	\$13,210,000.00	Unimpaired
		251237YU1	Class 1A-265	\$13,215,000.00	Impaired
		251237YX5	Class 1A-266	\$13,950,000.00	Impaired
		251237ZJ5	Class 1A-267	\$18,215,000.00	Unimpaired
		251237Y98	Class 1A-268	\$19,485,000.00	Unimpaired
		251237Z22	Class 1A-269	\$38,290,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture 2003 Bond Resolution Composite Sale Order of the Finance Director of the City of Detroit dated May 22, 2003	Series 2003-B	2512376Q1	Class 1A-270	\$150,000,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution of the City Council adopted May 7, 2003 Composite Sale Order of the Finance Director dated January 9, 2004	Series 2004-A	251237B69	Class 1A-271	\$7,310,000.00	Unimpaired
		251237B77	Class 1A-272	\$14,830,000.00	Impaired
		251237B85	Class 1A-273	\$15,605,000.00	Impaired
		251237B93	Class 1A-274	\$5,525,000.00	Impaired
		251237C27	Class 1A-275	\$5,545,000.00	Impaired
		251237C35	Class 1A-276	\$5,835,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council authorizing sale of the 2005 adopted November 17, 2004 ("2005 Bond Resolution") Sale Order of the Finance Director of the City of Detroit, Series 2005-A, dated March 9, 2005	Series 2005-A	251237C43	Class 1A-277	\$6,145,000.00	Impaired
		251237E41	Class 1A-278	\$625,000.00	Unimpaired
		251237E58	Class 1A-279	\$490,000.00	Unimpaired
		251237E66	Class 1A-280	\$510,000.00	Unimpaired
		251237E74	Class 1A-281	\$545,000.00	Unimpaired
		251237E82	Class 1A-282	\$555,000.00	Unimpaired
		251237E90	Class 1A-283	\$830,000.00	Unimpaired
		251237F24	Class 1A-284	\$860,000.00	Unimpaired
		251237F32	Class 1A-285	\$905,000.00	Unimpaired
		251237F40	Class 1A-286	\$925,000.00	Unimpaired
		251237F57	Class 1A-287	\$970,000.00	Unimpaired
		251237F65	Class 1A-288	\$490,000.00	Unimpaired
		251237Z55	Class 1A-289	\$19,415,000.00	Unimpaired
		251237Z63	Class 1A-290	\$24,820,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture	Series 2005-B	251237F99	Class 1A-291	\$138,945,000.00	Unimpaired
		251237G23	Class 1A-292	\$47,000,000.00	Unimpaired
		251237G64	Class 1A-293	\$7,775,000.00	Unimpaired
		251237G72	Class 1A-294	\$8,010,000.00	Unimpaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
2005 Bond Resolution Sale Order of the Finance Director of the City of Detroit, Series 2005-B, dated March 9, 2005		251237G80	Class 1A-295	\$10,420,000.00	Impaired
		251237G98	Class 1A-296	\$10,990,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture 2005 Bond Resolution Sale Order of the Finance Director of the City of Detroit, Series 2005-C, dated March 9, 2005	Series 2005-C	251237J20	Class 1A-297	\$4,140,000.00	Unimpaired
		251237J38	Class 1A-298	\$4,345,000.00	Unimpaired
		251237J46	Class 1A-299	\$4,570,000.00	Unimpaired
		251237J53	Class 1A-300	\$4,795,000.00	Unimpaired
		251237J61	Class 1A-301	\$5,030,000.00	Unimpaired
		251237J79	Class 1A-302	\$5,280,000.00	Unimpaired
		251237J87	Class 1A-303	\$7,355,000.00	Unimpaired
		251237J95	Class 1A-304	\$7,720,000.00	Unimpaired
		251237K28	Class 1A-305	\$6,345,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council adopted February 15, 2006 (" <u>2006 Bond Resolution</u> ") Sale Order of Finance Director of the City of Detroit, Series 2006(A), dated August 4, 2006, Amendment No. 1 to Sale Order dated April 23, 2008 and 2001/2006 Supplement to Sale Orders	Series 2006-A	2512373Z4	Class 1A-306	\$123,655,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit, Series 2006(B), dated July 27, 2006	Series 2006-B	251237M83	Class 1A-307	\$1,835,000.00	Unimpaired
		251237M91	Class 1A-308	\$1,825,000.00	Unimpaired
		251237N25	Class 1A-309	\$1,430,000.00	Impaired
		251237N33	Class 1A-310	\$1,505,000.00	Impaired
		251237N41	Class 1A-311	\$1,590,000.00	Impaired
		251237N58	Class 1A-312	\$7,515,000.00	Unimpaired
		251237N66	Class 1A-313	\$6,540,000.00	Unimpaired
		251237N74	Class 1A-314	\$24,400,000.00	Unimpaired
		251237N82	Class 1A-315	\$40,000,000.00	Unimpaired
		251237N90	Class 1A-316	\$156,600,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture	Series 2006-C	251237P31	Class 1A-317	\$8,495,000.00	Impaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
2006 Bond Resolution Sale Order of Finance Director of the City of Detroit, Series 2006(C), dated August 4, 2006		251237P49	Class 1A-318	\$8,915,000.00	Impaired
		251237P56	Class 1A-319	\$9,150,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council adopted February 15, 2006 Sale Order of Finance Director of the City of Detroit dated November 29, 2006	Series 2006-D	251237W66	Class 1A-320	\$288,780,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council adopted July 19, 2011 Sale Order of the Finance Director of the City of Detroit dated June 20, 2012	Series 2012-A	251250AC0	Class 1A-321	\$8,880,000.00	Impaired
		251250AE6	Class 1A-322	\$9,750,000.00	Impaired
		251250AS5	Class 1A-323	\$50,000,000.00	Unimpaired
		251250AA4	Class 1A-324	\$5,820,000.00	Unimpaired
		251250AB2	Class 1A-325	\$6,005,000.00	Unimpaired
		251250AD8	Class 1A-326	\$6,430,000.00	Impaired
		251250AF3	Class 1A-327	\$19,930,000.00	Impaired
		251250AG1	Class 1A-328	\$13,925,000.00	Impaired
		251250AH9	Class 1A-329	\$9,845,000.00	Impaired
		251250AJ5	Class 1A-330	\$14,860,000.00	Impaired
		251250AK2	Class 1A-331	\$22,275,000.00	Impaired
		251250AN6	Class 1A-332	\$13,170,000.00	Impaired
		251250AP1	Class 1A-333	\$9,890,000.00	Impaired
		251250AQ9	Class 1A-334	\$120,265,000.00	Impaired
		251250AR7	Class 1A-335	\$292,865,000.00	Unimpaired
		251250AL0	Class 1A-336	\$23,630,000.00	Impaired
		251250AM8	Class 1A-337	\$32,240,000.00	Impaired

EXHIBIT I.A.117

**SCHEDULE OF DWSD REVOLVING SEWER BONDS
DOCUMENTS & RELATED DWSD REVOLVING SEWER BONDS**

SCHEDULE OF (I) DWSD REVOLVING SEWER BOND DOCUMENTS, (II) RELATED DWSD REVOLVING SEWER BONDS, (III) CLASSES OF DWSD REVOLVING SEWER BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD REVOLVING SEWER BOND CLAIMS

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Ordinance No. 18-01 adopted October 18, 2001 (" <u>Sewage Bond Ordinance</u> ") ¹ Trust Indenture dated as of June 1, 2012 among the City of Detroit (" <u>City</u> "), Detroit Water and Sewage Department and U.S. Bank National Association, as trustee (" <u>Sewage Indenture</u> ") Bond Authorizing Resolution adopted September 9, 1992 Supplemental Agreement dated September 24, 1992, among City, Michigan Bond Authority (" <u>Authority</u> ") and the State of Michigan acting through the Department of Natural Resources	Series 1992-B-SRF	Class 1B-1	\$115,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted September 30, 1993 Supplemental Agreement regarding \$6,603,996 Sewage Disposal System Revenue Bond Series 1993-B -SRF, among the City, Authority and DEQ	Series 1993-B-SRF	Class 1B-2	\$775,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 30, 1997 Supplemental Agreement dated September 30, 1997, among City, the Authority and the State of Michigan acting through the Department of Environmental Quality (" <u>DEQ</u> ")	Series 1997-B-SRF	Class 1B-3	\$1,870,000.00

¹ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 12, 1999 Supplemental Agreement regarding \$21,475,000 City Sewage Disposal System Revenue Bond, Series 1999-SRF1, dated June 24, 1999, among City, Authority and DEQ	Series 1999-SRF-1	Class 1B-4	\$8,750,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted August 4, 1999 (" <u>1999 SRF Resolution</u> ") Supplemental Agreement regarding \$46,000,000 SRF-2, \$31,030,000 SRF-3, \$40,655,000 SRF-4 dated September 30, 1999 (" <u>1999 SRF Supplemental Agreement</u> "), among City, Authority and DEQ	Series 1999-SRF-2	Class 1B-5	\$25,860,000.00
Sewage Bond Ordinance Sewage Indenture 1999 SRF Resolution 1999 SRF Supplemental Agreement	Series 1999-SRF-3	Class 1B-6	\$14,295,000.00
Sewage Bond Ordinance Sewage Indenture 1999 SRF Resolution 1999 SRF Supplemental Agreement	Series 1999-SRF-4	Class 1B-7	\$18,725,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted February 9, 2000 Supplemental Agreement regarding Sewage Disposal System Revenue Bond (SRF Junior Lien), Series 2000-SRF1, dated March 30, 2000, among City, Authority and DEQ	Series 2000-SRF-1	Class 1B-8	\$21,947,995.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 19, 2000 Supplemental Agreement regarding Sewage Disposal System Revenue Bond (SRF Junior Lien) Series 2000-SRF2 dated September 28, 2000, among City, Authority and DEQ	Series 2000-SRF-2	Class 1B-9	\$36,051,066.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted March 7, 2001 Supplemental Agreement regarding City of Detroit Sewage Disposal System Revenue Bonds (SRF Junior Lien), Series 2001-SRF-1, dated June 28, 2001 among City, Authority and DEQ	Series 2001-SRF-1	Class 1B-10	\$54,145,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 21, 2001 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2001-SRF2, dated December 20, 2001 among City, Authority and DEQ	Series 2001-SRF-2	Class 1B-11	\$39,430,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted June 5, 2002 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF1, dated June 27, 2002 among City, Authority and DEQ	Series 2002-SRF-1	Class 1B-12	\$10,660,000.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted June 5, 2002 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF2, dated June 27, 2002 among City, Authority and DEQ	Series 2002-SRF-2	Class 1B-13	\$865,369.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 13, 2002 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF3, dated December 19, 2002 among City, Authority and DEQ	Series 2002-SRF-3	Class 1B-14	\$19,189,466.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 14, 2003 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2003-SRF1, dated June 26, 2003 among City, Authority and DEQ	Series 2003-SRF-1	Class 1B-15	\$34,215,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 9, 2003 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2003-SRF2, dated September 25, 2003 among City, Authority and DEQ	Series 2003-SRF-2	Class 1B-16	\$16,390,370.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted April 21, 2004 (" <u>2004 SRF Resolution</u> ") Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF1, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-1	Class 1B-17	\$1,890,000.00
Sewage Bond Ordinance Sewage Indenture 2004 SRF Resolution Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF2, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-2	Class 1B-18	\$11,888,459.00
Sewage Bond Ordinance Sewage Indenture 2004 SRF Resolution Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF3, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-3	Class 1B-19	\$8,232,575.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 16, 2007 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2007-SRF1, dated September 20, 2007 among City, Authority and DEQ	Series 2007-SRF-1	Class 1B-20	\$140,109,096.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 5, 2008 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2009-SRF1, dated April 17, 2009 among City, Authority and DEQ	Series 2009-SRF-1	Class 1B-21	\$9,806,301.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted September 29, 2009 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2010-SRF1, dated January 22, 2010 among City, Authority and DEQ	Series 2010-SRF-1	Class 1B-22	\$3,358,917.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted December 13, 2011 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2012-SRF1, dated August 30, 2012 among City, Authority and DEQ	Series 2012-SRF	Class 1B-23	\$4,302,413.00

EXHIBIT I.A.120

**SCHEDULE OF DWSD REVOLVING WATER BOND
DOCUMENTS & RELATED DWSD REVOLVING WATER BONDS**

SCHEDULE OF (I) DWSD REVOLVING WATER BOND DOCUMENTS, (II) RELATED DWSD REVOLVING WATER BONDS, (III) CLASSES OF DWSD REVOLVING WATER BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD REVOLVING WATER BOND CLAIMS

DWSD Revolving Water Bonds Documents	Series of DWSD Revolving Water Bonds	Class	Allowed Amount of DWSD Revolving Water Bonds Claims in Class
Ordinance No. 01-05 adopted January 26, 2005 (" <u>Water Bond Ordinance</u> ") ¹ Trust Indenture dated as of February 1, 2013 among the City of Detroit (" <u>City</u> "), Detroit Water and Sewerage Department and U.S. Bank National Association, as trustee (" <u>Water Indenture</u> ") Bond Authorizing Resolution adopted April 29, 2005 (" <u>2005 SRF Resolution</u> ") Supplemental Agreement dated as of September 22, 2005 among City, Michigan Municipal Bond Authority (" <u>Authority</u> ") and Michigan Department of Environmental Quality (" <u>DEQ</u> ")	Series 2005-SRF-1	Class 1C-1	\$9,960,164.00
Water Bond Ordinance Water Indenture 2005 SRF Resolution Supplemental Agreement regarding the Water Supply System SRF Junior Lien Revenue Bond, Series 2005-SRF2, dated September 22, 2005 among City, Authority and DEQ	Series 2005-SRF-2	Class 1C-2	\$6,241,730.00
Water Bond Ordinance Water Indenture Bond Authorizing Resolution adopted February 15, 2006 Supplemental Agreement regarding the Water Supply System SRF Junior Lien Revenue Bond, Series 2006-SRF1, dated September 21, 2006 among City, Authority and DEQ	Series 2006-SRF-1	Class 1C-3	\$3,715,926.00

¹ Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Revolving Water Bonds Documents	Series of DWSD Revolving Water Bonds	Class	Allowed Amount of DWSD Revolving Water Bonds Claims in Class
Water Bond Ordinance Water Indenture Bond Authorizing Resolution and Bond Ordinance, adopted July 15, 2008 Supplemental Agreement regarding Water Supply System SRF Junior Lien Revenue Bonds, Series 2008-SRF1, dated September 29, 2008 among City, Authority and DEQ	Series 2008-SRF-1	Class 1C-4	\$1,535,941.00

EXHIBIT I.A.159

SCHEDULE OF HUD INSTALLMENT NOTE
DOCUMENTS & RELATED HUD INSTALLMENT NOTES

HUD Installment Note Documents (Identified by note number. Ancillary instruments and agreements related thereto are not separately identified)	HUD Installment Notes	Estimated Allowed Amount as of Petition Date (The estimated allowed amount is the sum of all advances and conversion date advances under the HUD Installment Notes identified in this schedule, less principal amounts paid through the Petition Date, plus interest due on principal amounts outstanding. The Estimated Aggregate HUD Installment Note Amount is the sum of the estimated allowed amount for all the HUD Installment Notes identified in this schedule)
City Note No. B-94-MC-26-0006-A	Garfield Project Note [*]	\$764,442
City Note No. B-94-MC-26-0006-D	Stuberstone Project Note [*]	\$122,346
City Note No. B-97-MC-26-0006	Ferry Street Project Note [*]	\$1,928,285
City Note No. B-98-MC-26-0006-A	New Amsterdam Project Note [*]	\$8,345,728
City Note No. B-98-MC-26-0006-B	Vernor Lawndale Project Note [*]	\$1,844,974
City Note No. B-02-MC-26-0006	Mexicantown Welcome Center Project Note [*]	\$3,689,487
City Note No. B-03-MC-26-0006	Garfield II Note 1 [*]	\$6,570,458
City Note No. B-03-MC-26-0006	Garfield II Note 2 [*]	\$2,111,028
City Note No. B-03-MC-26-0006	Garfield II Note 3 [°]	\$6,717,760
City Note No. B-03-MC-26-0006	Garfield II Note 4 [°]	\$1,602,954
City Note No. B-05-MC-26-0006	Woodward Garden Project 1 Note [*]	\$7,202,570
City Note No. B-05-MC-26-0006	Woodward Garden Project 2 Note	\$6,315,019
City Note No. B-05-MC-26-0006	Woodward Garden Project 3 Note [°]	\$5,770,733
City Note No. B-05-MC-26-0006-A	Book Cadillac Project Note [*]	\$7,486,218

^{*} HUD Installment Note has a fixed interest rate. Estimated allowed amount represents the aggregate of outstanding principal and fixed interest payments set forth in the amortization schedule for the HUD Installment Note.

[°] HUD Installment Note has a variable interest rate. Estimated allowed amount represents the aggregate of outstanding principal and an estimate of the variable interest payments at the rate set forth in the HUD Installment Note.

City Note No. B-05-MC-26-0006-A	Book Cadillac Project Note II*	\$10,938,812
City Note No. B-05-MC-26-0006-B	Fort Shelby Project Note*	\$18,664,190

EXHIBIT I.A.168

INTEREST RATE RESET CHART

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer Bonds								
Sewer1998A	251237S87	Senior	NPFG	7/1/2014	3,110,000	5.50%	N/A	Unimpaired
Sewer1998A	251237S95	Senior	NPFG	7/1/2015	3,225,000	5.50%	N/A	Unimpaired
Sewer1998A	251237T29	Senior	NPFG	7/1/2016	3,540,000	5.50%	N/A	0.87%
Sewer1998A	251237T37	Senior	NPFG	7/1/2017	3,660,000	5.50%	N/A	1.20%
Sewer1998A	251237T45	Senior	NPFG	7/1/2018	3,885,000	5.25%	7/1/2017	1.54%
Sewer1998A	251237T52	Senior	NPFG	7/1/2019	4,095,000	5.25%	7/1/2017	1.93%
Sewer1998A	251237T60	Senior	NPFG	7/1/2020	7,415,000	5.25%	7/1/2017	2.37%
Sewer1998A	251237T78	Senior	NPFG	7/1/2021	7,745,000	5.25%	7/1/2017	2.81%
Sewer1998A	251237T86	Senior	NPFG	7/1/2022	12,585,000	5.25%	7/1/2017	3.17%
Sewer1998A	251237T94	Senior	NPFG	7/1/2023	13,350,000	5.25%	7/1/2017	3.47%
					62,610,000			
Sewer1998B	251237U92	Senior	NPFG	7/1/2014	3,125,000	5.50%	N/A	Unimpaired
Sewer1998B	251237V26	Senior	NPFG	7/1/2015	3,240,000	5.50%	N/A	Unimpaired
Sewer1998B	251237V34	Senior	NPFG	7/1/2016	3,455,000	5.50%	N/A	0.87%
Sewer1998B	251237V42	Senior	NPFG	7/1/2017	3,575,000	5.50%	N/A	1.20%
Sewer1998B	251237V59	Senior	NPFG	7/1/2018	3,895,000	5.25%	7/1/2017	1.54%
Sewer1998B	251237V67	Senior	NPFG	7/1/2019	4,015,000	5.25%	7/1/2017	1.93%
Sewer1998B	251237V75	Senior	NPFG	7/1/2020	7,330,000	5.25%	7/1/2017	2.37%
Sewer1998B	251237V83	Senior	NPFG	7/1/2021	7,665,000	5.25%	7/1/2017	2.81%
Sewer1998B	251237V91	Senior	NPFG	7/1/2022	12,600,000	5.25%	7/1/2017	3.17%
Sewer1998B	251237W25	Senior	NPFG	7/1/2023	13,265,000	5.25%	7/1/2017	3.47%
					62,165,000			
Sewer2001C1 (Ins)	251237G3	Senior	Assured Guaranty	7/1/2014	575,000	5.25%	N/A	Unimpaired
Sewer2001C1 (Ins)	251237H1	Senior	Assured Guaranty	7/1/2015	600,000	5.25%	N/A	Unimpaired
Sewer2001C1 (Ins)	251237J7	Senior	Assured Guaranty	7/1/2016	625,000	5.25%	N/A	0.87%
Sewer2001C1 (Ins)	251237K4	Senior	Assured Guaranty	7/1/2017	655,000	5.25%	N/A	1.20%
Sewer2001C1 (Ins)	251237L2	Senior	Assured Guaranty	7/1/2018	690,000	5.25%	N/A	1.54%
Sewer2001C1 (Ins)	251237M0	Senior	Assured Guaranty	7/1/2019	720,000	5.25%	N/A	1.93%
Sewer2001C1 (Ins)	251237P3	Senior	Assured Guaranty	7/1/2027	110,510,000	7.00%	7/1/2019	4.05%
					114,375,000			
Sewer2001C1 (Unins)	251237N8	Senior	N/A	7/1/2024	38,000,000	6.50%	7/1/2019	3.44%
					38,000,000			
Sewer2001C2	2512374G5	Senior	NPFG / BHAC	7/1/2014	310,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374H3	Senior	NPFG / BHAC	7/1/2015	325,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374J9	Senior	NPFG / BHAC	7/1/2016	345,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374K6	Senior	NPFG / BHAC	7/1/2017	365,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374L4	Senior	NPFG / BHAC	7/1/2018	380,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374M2	Senior	NPFG / BHAC	7/1/2019	400,000	4.00%	7/1/2018	Unimpaired
Sewer2001C2	2512374N0	Senior	NPFG / BHAC	7/1/2027	4,090,000	4.50%	7/1/2018	Unimpaired
Sewer2001C2	2512374P5	Senior	NPFG / BHAC	7/1/2028	21,600,000	5.25%	7/1/2018	4.42%
Sewer2001C2	2512374Q3	Senior	NPFG / BHAC	7/1/2029	93,540,000	5.25%	7/1/2018	4.49%
					121,355,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer2003A (Call)	251237K77	Senior	Assured Guaranty	7/1/2014	3,225,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YM9	Senior	Assured Guaranty	7/1/2015	275,000	3.65%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237K85	Senior	Assured Guaranty	7/1/2015	3,325,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YQ0	Senior	Assured Guaranty	7/1/2016	190,000	3.70%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Q89	Senior	Assured Guaranty	7/1/2016	10,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YT4	Senior	Assured Guaranty	7/1/2017	250,000	3.80%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Q97	Senior	Assured Guaranty	7/1/2017	3,200,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YW7	Senior	Assured Guaranty	7/1/2018	535,000	4.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237R21	Senior	Assured Guaranty	7/1/2018	180,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YZ0	Senior	Assured Guaranty	7/1/2019	300,000	4.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZB2	Senior	Assured Guaranty	7/1/2020	50,000	4.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZD8	Senior	Assured Guaranty	7/1/2021	4,795,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZE6	Senior	Assured Guaranty	7/1/2022	25,000	4.25%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZF3	Senior	Assured Guaranty	7/1/2022	5,440,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZG1	Senior	Assured Guaranty	7/1/2023	1,000,000	4.30%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZH9	Senior	Assured Guaranty	7/1/2023	7,935,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZJ5	Senior	Assured Guaranty	7/1/2024	18,215,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Y72	Senior	Assured Guaranty	7/1/2025	13,210,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Y80	Senior	Assured Guaranty	7/1/2026	9,005,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Y98	Senior	Assured Guaranty	7/1/2028	19,485,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Z22	Senior	Assured Guaranty	7/1/2032	38,290,000	5.00%	7/1/2013	Unimpaired
					128,940,000			
Sewer2003A (Not Call)	251237YK3	Senior	Assured Guaranty	7/1/2014	3,815,000	3.50%	N/A	Unimpaired
Sewer2003A (Not Call)	251237YN7	Senior	Assured Guaranty	7/1/2015	11,880,000	5.50%	N/A	Unimpaired
Sewer2003A (Not Call)	251237YR8	Senior	Assured Guaranty	7/1/2016	12,535,000	5.50%	N/A	0.87%
Sewer2003A (Not Call)	251237YU1	Senior	Assured Guaranty	7/1/2017	13,215,000	5.50%	N/A	1.20%
Sewer2003A (Not Call)	251237YX5	Senior	Assured Guaranty	7/1/2018	13,950,000	5.50%	N/A	1.54%
					55,395,000			
Sewer2003B	2512376Q1	Senior	Assured Guaranty	7/1/2033	150,000,000	7.50%	7/1/2019	4.84%
					150,000,000			
Sewer2004A	251237B69	Senior	Assured Guaranty	7/1/2014	7,310,000	5.00%	N/A	Unimpaired
Sewer2004A	251237B77	Senior	Assured Guaranty	7/1/2019	14,830,000	5.25%	N/A	1.93%
Sewer2004A	251237B85	Senior	Assured Guaranty	7/1/2020	15,605,000	5.25%	N/A	2.37%
Sewer2004A	251237B93	Senior	Assured Guaranty	7/1/2021	5,525,000	5.25%	N/A	2.81%
Sewer2004A	251237C27	Senior	Assured Guaranty	7/1/2022	5,545,000	5.25%	N/A	3.17%
Sewer2004A	251237C35	Senior	Assured Guaranty	7/1/2023	5,835,000	5.25%	N/A	3.47%
Sewer2004A	251237C43	Senior	Assured Guaranty	7/1/2024	6,145,000	5.25%	N/A	3.68%
					60,795,000			
Sewer2006C	251237P31	Senior	NPFG	7/1/2016	8,495,000	5.25%	N/A	0.87%
Sewer2006C	251237P49	Senior	NPFG	7/1/2017	8,915,000	5.00%	7/1/2016	1.20%
Sewer2006C	251237P56	Senior	NPFG	7/1/2018	9,150,000	5.00%	7/1/2016	1.54%
					26,560,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer2012A (Ins)	251250AC0	Senior	Assured Guaranty	7/1/2016	8,880,000	5.00%	N/A	0.87%
Sewer2012A (Ins)	251250AE6	Senior	Assured Guaranty	7/1/2018	9,750,000	5.00%	N/A	1.54%
Sewer2012A (Ins)	251250AS5	Senior	Assured Guaranty	7/1/2039	50,000,000	5.00%	7/1/2022	Unimpaired
					68,630,000			
Sewer2012A (Unins - 22 Call)	251250AA4	Senior	N/A	7/1/2014	5,820,000	5.00%	N/A	Unimpaired
Sewer2012A (Unins - 22 Call)	251250AB2	Senior	N/A	7/1/2015	6,005,000	5.00%	N/A	Unimpaired
Sewer2012A (Unins - 22 Call)	251250AD8	Senior	N/A	7/1/2017	6,430,000	5.00%	N/A	1.20%
Sewer2012A (Unins - 22 Call)	251250AF3	Senior	N/A	7/1/2019	19,930,000	5.00%	N/A	1.93%
Sewer2012A (Unins - 22 Call)	251250AG1	Senior	N/A	7/1/2020	13,925,000	5.00%	N/A	2.37%
Sewer2012A (Unins - 22 Call)	251250AH9	Senior	N/A	7/1/2021	9,845,000	5.00%	N/A	2.81%
Sewer2012A (Unins - 22 Call)	251250AJ5	Senior	N/A	7/1/2022	14,860,000	5.00%	N/A	3.17%
Sewer2012A (Unins - 22 Call)	251250AK2	Senior	N/A	7/1/2023	22,275,000	5.00%	7/1/2022	3.47%
Sewer2012A (Unins - 22 Call)	251250AN6	Senior	N/A	7/1/2026	13,170,000	5.25%	7/1/2022	4.08%
Sewer2012A (Unins - 22 Call)	251250AP1	Senior	N/A	7/1/2027	9,890,000	5.25%	7/1/2022	4.24%
Sewer2012A (Unins - 22 Call)	251250AQ9	Senior	N/A	7/1/2032	120,265,000	5.00%	7/1/2022	4.72%
Sewer2012A (Unins - 22 Call)	251250AR7	Senior	N/A	7/1/2039	292,865,000	5.25%	7/1/2022	Unimpaired
					535,280,000			
Sewer2012A (Unins - 17 Call)	251250AL0	Senior	N/A	7/1/2024	23,630,000	5.50%	7/1/2017	3.68%
Sewer2012A (Unins - 17 Call)	251250AM8	Senior	N/A	7/1/2025	32,240,000	5.50%	7/1/2017	3.88%
					55,870,000			
Sewer2001B	251237WV1	Second	NPFG	7/1/2029	110,550,000	5.50%	N/A	4.49%
					110,550,000			
Sewer2001E	2512374R1	Second	FGIC / BHAC	7/1/2031	136,150,000	5.75%	7/1/2018	5.01%
					136,150,000			
Sewer2005A	251237E41	Second	NPFG	7/1/2014	625,000	3.60%	N/A	Unimpaired
Sewer2005A	251237E58	Second	NPFG	7/1/2015	490,000	3.70%	N/A	Unimpaired
Sewer2005A	251237E66	Second	NPFG	7/1/2016	510,000	3.75%	7/1/2015	Unimpaired
Sewer2005A	251237E74	Second	NPFG	7/1/2017	545,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237E82	Second	NPFG	7/1/2018	555,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237E90	Second	NPFG	7/1/2019	830,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237F24	Second	NPFG	7/1/2020	860,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237F32	Second	NPFG	7/1/2021	905,000	4.10%	7/1/2015	Unimpaired
Sewer2005A	251237F40	Second	NPFG	7/1/2022	925,000	4.13%	7/1/2015	Unimpaired
Sewer2005A	251237F57	Second	NPFG	7/1/2023	970,000	4.25%	7/1/2015	Unimpaired
Sewer2005A	251237F65	Second	NPFG	7/1/2024	490,000	4.25%	7/1/2015	Unimpaired
Sewer2005A	251237Z55	Second	NPFG	7/1/2028	19,415,000	5.00%	7/1/2015	Unimpaired
Sewer2005A	251237Z63	Second	NPFG	7/1/2033	24,820,000	5.13%	7/1/2015	Unimpaired
Sewer2005A	251237F99	Second	NPFG	7/1/2035	138,945,000	5.00%	7/1/2015	Unimpaired
Sewer2005A	251237G23	Second	NPFG	7/1/2035	47,000,000	4.50%	7/1/2015	Unimpaired
					237,885,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer2005B	251237G64	Second	NPFG	7/1/2014	7,775,000	5.00%	N/A	Unimpaired
Sewer2005B	251237G72	Second	NPFG	7/1/2015	8,010,000	5.00%	N/A	Unimpaired
Sewer2005B	251237G80	Second	NPFG	7/1/2021	10,420,000	5.50%	N/A	3.12%
Sewer2005B	251237G98	Second	NPFG	7/1/2022	10,990,000	5.50%	N/A	3.48%
					37,195,000			
Sewer2005C	251237J20	Second	NPFG	7/1/2014	4,140,000	5.00%	N/A	Unimpaired
Sewer2005C	251237J38	Second	NPFG	7/1/2015	4,345,000	5.00%	N/A	Unimpaired
Sewer2005C	251237J46	Second	NPFG	7/1/2016	4,570,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J53	Second	NPFG	7/1/2017	4,795,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J61	Second	NPFG	7/1/2018	5,030,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J79	Second	NPFG	7/1/2019	5,280,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J87	Second	NPFG	7/1/2020	7,355,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J95	Second	NPFG	7/1/2021	7,720,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237K28	Second	NPFG	7/1/2025	6,345,000	5.00%	7/1/2015	Unimpaired
					49,580,000			
Sewer2006A	2512373Z4	Second	NPFG / BHAC	7/1/2036	123,655,000	5.50%	7/1/2018	Unimpaired
					123,655,000			
Sewer2006B	251237M83	Second	NPFG	7/1/2014	1,835,000	5.00%	N/A	Unimpaired
Sewer2006B	251237M91	Second	NPFG	7/1/2015	1,825,000	5.00%	N/A	Unimpaired
Sewer2006B	251237N25	Second	NPFG	7/1/2016	1,430,000	5.00%	N/A	1.13%
Sewer2006B	251237N33	Second	NPFG	7/1/2017	1,505,000	5.00%	7/1/2016	1.47%
Sewer2006B	251237N41	Second	NPFG	7/1/2018	1,590,000	5.00%	7/1/2016	1.82%
Sewer2006B	251237N58	Second	NPFG	7/1/2022	7,515,000	4.50%	7/1/2016	Unimpaired
Sewer2006B	251237N66	Second	NPFG	7/1/2025	6,540,000	4.25%	7/1/2016	Unimpaired
Sewer2006B	251237N74	Second	NPFG	7/1/2033	24,400,000	5.00%	7/1/2016	Unimpaired
Sewer2006B	251237N82	Second	NPFG	7/1/2034	40,000,000	4.63%	7/1/2016	Unimpaired
Sewer2006B	251237N90	Second	NPFG	7/1/2036	156,600,000	5.00%	7/1/2016	Unimpaired
					243,240,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer Capital Appreciation and Variable Bonds								
Sewer1999A ⁽¹⁾	251237VM2	Senior	NPFG	7/1/2014	8,395,000	N/A	N/A	Unimpaired
Sewer1999A ⁽¹⁾	251237VN0	Senior	NPFG	7/1/2015	8,228,111	6.04%	N/A	Unimpaired
Sewer1999A ⁽¹⁾	251237VP5	Senior	NPFG	7/1/2016	8,174,016	6.09%	N/A	0.87%
Sewer1999A ⁽¹⁾	251237VQ3	Senior	NPFG	7/1/2017	7,597,422	6.14%	N/A	1.20%
Sewer1999A ⁽¹⁾	251237VR1	Senior	NPFG	7/1/2018	7,155,785	6.19%	N/A	1.54%
Sewer1999A ⁽¹⁾	251237VS9	Senior	NPFG	7/1/2019	6,762,707	6.24%	N/A	1.93%
Sewer1999A ⁽¹⁾	251237VT7	Senior	NPFG	7/1/2020	6,048,715	6.29%	N/A	2.37%
Sewer1999A ⁽¹⁾	251237VU4	Senior	NPFG	7/1/2021	6,628,298	6.31%	N/A	2.81%
					58,990,054			
Sewer2006D ⁽²⁾	251237W66	Senior	Assured Guaranty	7/1/2032	288,780,000	0.77%	7/1/2011	Unimpaired
					288,780,000			
Sewer2001D ⁽³⁾	251237WY5	Second	NPFG	7/1/2032	21,300,000	0.28%	7/1/2012	Unimpaired
					21,300,000			

Notes

(1) Sewer 1999A capital appreciation bonds amount outstanding as of 7/1/2014. Effective interest rate calculated.

(2) Variable interest rate: 67% of Three Month LIBOR plus 0.60%. New bonds will retain existing rate. Current coupon approximated to be 0.749%.

(3) Variable interest rate calculated per Auction Rate. New bonds will retain existing rate. Current coupon approximated to be 0.28%.

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water Bonds								
Water1993	251255TP0	Senior	NPFG	7/1/2015	24,725,000	6.50%	N/A	Unimpaired
					24,725,000			
Water1997A	251255XM2	Senior	NPFG	7/1/2014	6,520,000	6.00%	N/A	Unimpaired
Water1997A	251255XN0	Senior	NPFG	7/1/2015	6,910,000	6.00%	N/A	Unimpaired
					13,430,000			
Water2001A	251255A21	Senior	NPFG	7/1/2030	73,790,000	5.00%	7/1/2011	Unimpaired
					73,790,000			
Water2003A	251255D77	Senior	NPFG	7/1/2019	500,000	4.50%	7/1/2013	Unimpaired
Water2003A	251255D93	Senior	NPFG	7/1/2021	250,000	4.70%	7/1/2013	Unimpaired
Water2003A	251255E27	Senior	NPFG	7/1/2022	3,550,000	4.75%	7/1/2013	Unimpaired
Water2003A	251255F8	Senior	NPFG	7/1/2025	9,970,000	5.00%	7/1/2013	Unimpaired
Water2003A	251255K20	Senior	NPFG	7/1/2026	20,955,000	5.00%	7/1/2013	Unimpaired
Water2003A	251255K38	Senior	NPFG	7/1/2027	21,900,000	5.00%	7/1/2013	Unimpaired
Water2003A	251255E68	Senior	NPFG	7/1/2034	121,660,000	5.00%	7/1/2013	Unimpaired
					178,785,000			
Water2003C (Fix)	251255J22	Senior	NPFG	7/1/2015	2,120,000	4.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J30	Senior	NPFG	7/1/2016	2,620,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J48	Senior	NPFG	7/1/2017	2,655,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J55	Senior	NPFG	7/1/2018	2,930,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J63	Senior	NPFG	7/1/2019	2,790,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J71	Senior	NPFG	7/1/2020	2,965,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J89	Senior	NPFG	7/1/2021	4,580,000	5.00%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J97	Senior	NPFG	7/1/2022	4,665,000	5.00%	7/1/2013	Unimpaired
					25,325,000			
Water2003D	2512552T1	Senior	NPFG	7/1/2014	325,000	4.00%	N/A	Unimpaired
Water2003D	2512552U8	Senior	NPFG	7/1/2015	335,000	4.10%	N/A	Unimpaired
Water2003D	2512552V6	Senior	NPFG	7/1/2016	350,000	4.20%	N/A	Unimpaired
Water2003D	2512552W4	Senior	NPFG	7/1/2017	360,000	4.25%	7/1/2016	Unimpaired
Water2003D	2512552X2	Senior	NPFG	7/1/2018	370,000	4.25%	7/1/2016	Unimpaired
Water2003D	2512552Y0	Senior	NPFG	7/1/2024	2,585,000	5.00%	7/1/2016	2.95%
Water2003D	2512552Z7	Senior	NPFG	7/1/2027	29,410,000	5.00%	7/1/2016	4.07%
Water2003D	2512553A1	Senior	NPFG	7/1/2028	23,920,000	5.00%	7/1/2016	4.42%
Water2003D	2512553B9	Senior	NPFG	7/1/2033	82,930,000	5.00%	7/1/2016	Unimpaired
					140,585,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2004B	2512554A0	Senior	NPFG	7/1/2014	85,000	4.00%	N/A	Unimpaired
Water2004B	2512554B8	Senior	NPFG	7/1/2015	90,000	4.00%	N/A	Unimpaired
Water2004B	2512554C6	Senior	NPFG	7/1/2016	10,000,000	5.00%	N/A	0.87%
Water2004B	2512554D4	Senior	NPFG	7/1/2016	3,545,000	4.25%	N/A	Unimpaired
Water2004B	2512554E2	Senior	NPFG	7/1/2017	13,925,000	5.00%	7/1/2016	1.20%
Water2004B	2512554F9	Senior	NPFG	7/1/2017	350,000	4.25%	7/1/2016	Unimpaired
Water2004B	2512554G7	Senior	NPFG	7/1/2018	14,940,000	5.00%	7/1/2016	1.54%
Water2004B	2512554H5	Senior	NPFG	7/1/2019	15,810,000	5.00%	7/1/2016	1.93%
Water2004B	2512554J1	Senior	NPFG	7/1/2020	16,665,000	5.00%	7/1/2016	2.37%
Water2004B	2512554K8	Senior	NPFG	7/1/2021	16,085,000	5.00%	7/1/2016	2.81%
Water2004B	2512554L6	Senior	NPFG	7/1/2022	16,935,000	5.00%	7/1/2016	3.17%
Water2004B	2512554M4	Senior	NPFG	7/1/2023	6,280,000	5.00%	7/1/2016	3.47%
					114,710,000			
Water2005A	251255M85	Senior	NPFG	7/1/2014	50,000	3.75%	N/A	Unimpaired
Water2005A	251255Q81	Senior	NPFG	7/1/2014	2,070,000	5.00%	N/A	Unimpaired
Water2005A	251255M93	Senior	NPFG	7/1/2015	85,000	3.85%	N/A	Unimpaired
Water2005A	251255Q99	Senior	NPFG	7/1/2015	2,145,000	5.00%	N/A	Unimpaired
Water2005A	251255N27	Senior	NPFG	7/1/2016	95,000	3.90%	7/1/2015	Unimpaired
Water2005A	251255R23	Senior	NPFG	7/1/2016	2,265,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N35	Senior	NPFG	7/1/2017	125,000	4.00%	7/1/2015	Unimpaired
Water2005A	251255R31	Senior	NPFG	7/1/2017	2,370,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N43	Senior	NPFG	7/1/2018	20,000	4.00%	7/1/2015	Unimpaired
Water2005A	251255R49	Senior	NPFG	7/1/2018	2,615,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N50	Senior	NPFG	7/1/2019	2,790,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N68	Senior	NPFG	7/1/2020	2,955,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N76	Senior	NPFG	7/1/2021	3,030,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N84	Senior	NPFG	7/1/2022	3,225,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N92	Senior	NPFG	7/1/2023	3,430,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P25	Senior	NPFG	7/1/2024	3,650,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P33	Senior	NPFG	7/1/2025	3,790,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P41	Senior	NPFG	7/1/2026	4,080,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P58	Senior	NPFG	7/1/2027	4,290,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P66	Senior	NPFG	7/1/2028	4,615,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P74	Senior	NPFG	7/1/2029	4,890,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255P82	Senior	NPFG	7/1/2030	5,145,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255P90	Senior	NPFG	7/1/2031	5,415,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255Q24	Senior	NPFG	7/1/2032	5,715,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255Q32	Senior	NPFG	7/1/2035	19,525,000	4.50%	7/1/2015	Unimpaired
					88,385,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2005B	2512557R0	Senior	FGIC / BHAC	7/1/2014	2,125,000	5.00%	N/A	Unimpaired
Water2005B	2512557S8	Senior	FGIC / BHAC	7/1/2015	2,225,000	4.00%	N/A	Unimpaired
Water2005B	2512557T6	Senior	FGIC / BHAC	7/1/2016	2,305,000	4.00%	N/A	Unimpaired
Water2005B	2512557U3	Senior	FGIC / BHAC	7/1/2017	2,385,000	4.00%	N/A	Unimpaired
Water2005B	2512557V1	Senior	FGIC / BHAC	7/1/2018	2,465,000	5.50%	N/A	1.54%
Water2005B	2512557W9	Senior	FGIC / BHAC	7/1/2019	2,575,000	5.50%	7/1/2018	1.93%
Water2005B	2512557X7	Senior	FGIC / BHAC	7/1/2020	2,690,000	5.50%	7/1/2018	2.37%
Water2005B	2512557Y5	Senior	FGIC / BHAC	7/1/2021	2,905,000	5.50%	7/1/2018	2.81%
Water2005B	2512557Z2	Senior	FGIC / BHAC	7/1/2022	3,025,000	5.50%	7/1/2018	3.17%
Water2005B	2512558A6	Senior	FGIC / BHAC	7/1/2023	3,145,000	5.50%	7/1/2018	3.47%
Water2005B	2512558B4	Senior	FGIC / BHAC	7/1/2024	3,270,000	5.50%	7/1/2018	3.68%
Water2005B	2512558C2	Senior	FGIC / BHAC	7/1/2025	3,490,000	5.50%	7/1/2018	3.88%
Water2005B	2512558D0	Senior	FGIC / BHAC	7/1/2026	3,620,000	5.50%	7/1/2018	4.08%
Water2005B	2512558E8	Senior	FGIC / BHAC	7/1/2027	3,850,000	5.50%	7/1/2018	4.24%
Water2005B	2512558F5	Senior	FGIC / BHAC	7/1/2028	3,980,000	5.50%	7/1/2018	4.42%
Water2005B	2512558G3	Senior	FGIC / BHAC	7/1/2034	28,415,000	4.75%	7/1/2018	Unimpaired
Water2005B	2512558H1	Senior	FGIC / BHAC	7/1/2035	57,365,000	5.50%	7/1/2018	4.93%
Water2005B	2512558J7	Senior	FGIC / BHAC	7/1/2035	57,500,000	5.25%	7/1/2018	Unimpaired
					187,335,000			
Water2005C	251255S63	Senior	NPFG	7/1/2014	9,270,000	5.00%	N/A	Unimpaired
Water2005C	251255S71	Senior	NPFG	7/1/2015	9,735,000	5.00%	N/A	Unimpaired
Water2005C	251255S89	Senior	NPFG	7/1/2016	17,545,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255S97	Senior	NPFG	7/1/2017	18,425,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T21	Senior	NPFG	7/1/2018	18,700,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T39	Senior	NPFG	7/1/2019	8,245,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T47	Senior	NPFG	7/1/2020	8,655,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T54	Senior	NPFG	7/1/2021	9,090,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T62	Senior	NPFG	7/1/2022	9,540,000	5.00%	7/1/2015	Unimpaired
					109,205,000			
Water2006A	251255V36	Senior	Assured Guaranty	7/1/2014	7,285,000	5.00%	N/A	Unimpaired
Water2006A	251255V44	Senior	Assured Guaranty	7/1/2015	7,650,000	5.00%	N/A	Unimpaired
Water2006A	251255V51	Senior	Assured Guaranty	7/1/2016	8,030,000	5.00%	N/A	0.87%
Water2006A	251255V69	Senior	Assured Guaranty	7/1/2017	8,430,000	5.00%	7/1/2016	1.20%
Water2006A	251255V77	Senior	Assured Guaranty	7/1/2018	8,855,000	5.00%	7/1/2016	1.54%
Water2006A	251255V85	Senior	Assured Guaranty	7/1/2019	9,295,000	5.00%	7/1/2016	1.93%
Water2006A	251255V93	Senior	Assured Guaranty	7/1/2020	9,760,000	5.00%	7/1/2016	2.37%
Water2006A	251255W27	Senior	Assured Guaranty	7/1/2021	10,250,000	5.00%	7/1/2016	2.81%
Water2006A	251255W35	Senior	Assured Guaranty	7/1/2022	10,760,000	5.00%	7/1/2016	3.17%
Water2006A	251255W43	Senior	Assured Guaranty	7/1/2023	11,300,000	5.00%	7/1/2016	3.47%
Water2006A	251255W50	Senior	Assured Guaranty	7/1/2024	11,865,000	5.00%	7/1/2016	3.68%
Water2006A	251255W68	Senior	Assured Guaranty	7/1/2025	12,460,000	5.00%	7/1/2016	3.88%
Water2006A	251255W76	Senior	Assured Guaranty	7/1/2026	13,080,000	5.00%	7/1/2016	4.08%
Water2006A	251255W84	Senior	Assured Guaranty	7/1/2034	131,150,000	5.00%	7/1/2016	Unimpaired
					260,170,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2006D	251255Z81	Senior	Assured Guaranty	7/1/2014	15,000	4.00%	N/A	Unimpaired
Water2006D	251255Z99	Senior	Assured Guaranty	7/1/2015	15,000	4.10%	N/A	Unimpaired
Water2006D	2512552A2	Senior	Assured Guaranty	7/1/2016	15,000	4.20%	N/A	Unimpaired
Water2006D	2512552B0	Senior	Assured Guaranty	7/1/2017	20,000	4.25%	7/1/2016	Unimpaired
Water2006D	2512552C8	Senior	Assured Guaranty	7/1/2018	20,000	4.30%	7/1/2016	Unimpaired
Water2006D	2512552D6	Senior	Assured Guaranty	7/1/2019	2,650,000	5.00%	7/1/2016	1.93%
Water2006D	2512552E4	Senior	Assured Guaranty	7/1/2020	3,200,000	5.00%	7/1/2016	2.37%
Water2006D	2512552F1	Senior	Assured Guaranty	7/1/2023	20,135,000	5.00%	7/1/2016	3.47%
Water2006D	2512552G9	Senior	Assured Guaranty	7/1/2024	27,425,000	5.00%	7/1/2016	3.68%
Water2006D	2512552H7	Senior	Assured Guaranty	7/1/2025	9,955,000	5.00%	7/1/2016	3.88%
Water2006D	2512552J3	Senior	Assured Guaranty	7/1/2032	21,105,000	4.63%	7/1/2016	Unimpaired
Water2006D	2512552K0	Senior	Assured Guaranty	7/1/2032	57,650,000	5.00%	7/1/2016	Unimpaired
					142,205,000			
Water2011A	251256BA0	Senior	N/A	7/1/2014	3,410,000	5.00%	N/A	Unimpaired
Water2011A	251256BB8	Senior	N/A	7/1/2015	3,550,000	5.00%	N/A	Unimpaired
Water2011A	251256BC6	Senior	N/A	7/1/2016	3,695,000	5.00%	N/A	0.87%
Water2011A	251256BD4	Senior	N/A	7/1/2017	3,845,000	5.00%	N/A	1.20%
Water2011A	251256BE2	Senior	N/A	7/1/2018	4,000,000	5.00%	N/A	1.54%
Water2011A	251256BF9	Senior	N/A	7/1/2019	3,160,000	5.00%	N/A	1.93%
Water2011A	251256BG7	Senior	N/A	7/1/2020	3,225,000	5.00%	N/A	2.37%
Water2011A	251256BH5	Senior	N/A	7/1/2021	4,215,000	5.00%	N/A	2.81%
Water2011A	251256BJ1	Senior	N/A	7/1/2022	4,195,000	5.25%	7/1/2021	3.17%
Water2011A	251256BK8	Senior	N/A	7/1/2023	4,170,000	5.25%	7/1/2021	3.47%
Water2011A	251256BL6	Senior	N/A	7/1/2024	4,140,000	5.25%	7/1/2021	3.68%
Water2011A	251256BM4	Senior	N/A	7/1/2025	4,085,000	5.25%	7/1/2021	3.88%
Water2011A	251256BN2	Senior	N/A	7/1/2026	4,020,000	5.25%	7/1/2021	4.08%
Water2011A	251256BP7	Senior	N/A	7/1/2027	3,930,000	5.25%	7/1/2021	4.24%
Water2011A	251256BQ5	Senior	N/A	7/1/2031	14,665,000	5.00%	7/1/2021	4.56%
Water2011A	251256BR3	Senior	N/A	7/1/2036	28,890,000	5.00%	7/1/2021	Unimpaired
Water2011A	251256BT9	Senior	N/A	7/1/2037	49,315,000	5.75%	7/1/2021	5.02%
Water2011A	251256BS1	Senior	N/A	7/1/2041	224,300,000	5.25%	7/1/2021	Unimpaired
					370,810,000			
Water2011B	251256AV5	Senior	N/A	7/1/2016	1,970,000	3.61%	N/A	Unimpaired
Water2011B	251256AW3	Senior	N/A	7/1/2021	3,760,000	5.00%	N/A	2.01%
Water2011B	251256AX1	Senior	N/A	7/1/2033	9,740,000	6.00%	7/1/2021	4.22%
					15,470,000			
Water2011C	251256BV4	Senior	N/A	7/1/2021	2,700,000	5.00%	N/A	2.81%
Water2011C	251256BW2	Senior	N/A	7/1/2023	9,965,000	5.25%	7/1/2021	3.47%
Water2011C	251256BX0	Senior	N/A	7/1/2024	10,490,000	5.25%	7/1/2021	3.68%
Water2011C	251256BY8	Senior	N/A	7/1/2025	11,035,000	5.25%	7/1/2021	3.88%
Water2011C	251256BZ5	Senior	N/A	7/1/2026	11,615,000	5.25%	7/1/2021	4.08%
Water2011C	251256CA9	Senior	N/A	7/1/2027	5,000,000	5.25%	7/1/2021	4.24%
Water2011C	251256CC5	Senior	N/A	7/1/2027	7,230,000	4.50%	7/1/2021	Unimpaired
Water2011C	251256CB7	Senior	N/A	7/1/2041	44,630,000	5.00%	7/1/2021	Unimpaired
					102,665,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2001C	2512556U4	Second	FGIC / BHAC	7/1/2014	350,000	3.50%	N/A	Unimpaired
Water2001C	2512556V2	Second	FGIC / BHAC	7/1/2015	365,000	4.25%	N/A	Unimpaired
Water2001C	2512556W0	Second	FGIC / BHAC	7/1/2016	380,000	4.25%	N/A	Unimpaired
Water2001C	2512556X8	Second	FGIC / BHAC	7/1/2017	390,000	4.25%	N/A	Unimpaired
Water2001C	2512556Y6	Second	FGIC / BHAC	7/1/2018	415,000	4.25%	N/A	Unimpaired
Water2001C	2512556Z3	Second	FGIC / BHAC	7/1/2019	12,510,000	5.75%	7/1/2018	2.21%
Water2001C	2512557A7	Second	FGIC / BHAC	7/1/2020	13,235,000	5.75%	7/1/2018	2.66%
Water2001C	2512557B5	Second	FGIC / BHAC	7/1/2021	14,025,000	5.75%	7/1/2018	3.12%
Water2001C	2512557C3	Second	FGIC / BHAC	7/1/2022	14,865,000	5.75%	7/1/2018	3.48%
Water2001C	2512557D1	Second	FGIC / BHAC	7/1/2023	15,750,000	5.75%	7/1/2018	3.79%
Water2001C	2512557E9	Second	FGIC / BHAC	7/1/2024	16,690,000	5.75%	7/1/2018	4.00%
Water2001C	2512557F6	Second	FGIC / BHAC	7/1/2025	17,690,000	5.75%	7/1/2018	4.22%
Water2001C	2512557G4	Second	FGIC / BHAC	7/1/2026	18,735,000	5.75%	7/1/2018	4.43%
Water2001C	2512557H2	Second	FGIC / BHAC	7/1/2027	19,945,000	5.75%	7/1/2018	4.59%
Water2001C	2512557J8	Second	FGIC / BHAC	7/1/2028	4,000,000	5.75%	7/1/2018	4.78%
Water2001C	2512557L3	Second	FGIC / BHAC	7/1/2029	20,090,000	4.50%	7/1/2018	Unimpaired
Water2001C	2512557K5	Second	FGIC / BHAC	7/1/2029	18,815,000	4.75%	7/1/2018	Unimpaired
					188,250,000			
Water2003B	2512555H4	Second	NPFG	7/1/2034	41,770,000	5.00%	7/1/2013	Unimpaired
					41,770,000			
Water2004A	2512553G8	Second	NPFG	7/1/2014	4,250,000	5.25%	N/A	Unimpaired
Water2004A	2512553H6	Second	NPFG	7/1/2015	4,475,000	5.25%	N/A	Unimpaired
Water2004A	2512553J2	Second	NPFG	7/1/2016	4,710,000	5.25%	N/A	1.13%
Water2004A	2512553K9	Second	NPFG	7/1/2017	4,955,000	5.25%	7/1/2016	1.47%
Water2004A	2512553L7	Second	NPFG	7/1/2018	5,215,000	5.25%	7/1/2016	1.82%
Water2004A	2512553M5	Second	NPFG	7/1/2019	5,490,000	5.25%	7/1/2016	2.21%
Water2004A	2512553N3	Second	NPFG	7/1/2020	5,780,000	5.25%	7/1/2016	2.66%
Water2004A	2512553P8	Second	NPFG	7/1/2021	6,085,000	5.25%	7/1/2016	3.12%
Water2004A	2512553Q6	Second	NPFG	7/1/2022	6,400,000	5.25%	7/1/2016	3.48%
Water2004A	2512553R4	Second	NPFG	7/1/2023	6,735,000	5.25%	7/1/2016	3.79%
Water2004A	2512553S2	Second	NPFG	7/1/2025	14,505,000	4.50%	7/1/2016	Unimpaired
					68,600,000			
Water2006B	251256AG8	Second	Assured Guaranty	7/1/2014	100,000	3.90%	N/A	Unimpaired
Water2006B	251256AH6	Second	Assured Guaranty	7/1/2015	100,000	4.00%	N/A	Unimpaired
Water2006B	251256AJ2	Second	Assured Guaranty	7/1/2016	100,000	4.25%	N/A	Unimpaired
Water2006B	251256AK9	Second	Assured Guaranty	7/1/2017	100,000	4.60%	N/A	Unimpaired
Water2006B	251256AL7	Second	Assured Guaranty	7/1/2018	100,000	4.80%	N/A	Unimpaired
Water2006B	251256AM5	Second	Assured Guaranty	7/1/2019	100,000	5.00%	N/A	2.21%
Water2006B	251256AN3	Second	Assured Guaranty	7/1/2023	400,000	5.50%	7/1/2019	3.26%
Water2006B	251256AP8	Second	Assured Guaranty	7/1/2036	56,600,000	7.00%	7/1/2019	5.40%
Water2006B	251256AQ6	Second	Assured Guaranty	7/1/2036	62,100,000	6.25%	7/1/2019	5.40%
					119,700,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2006C	251255X83	Second	Assured Guaranty	7/1/2014	1,100,000	4.00%	N/A	Unimpaired
Water2006C	251255X91	Second	Assured Guaranty	7/1/2015	3,725,000	5.00%	N/A	Unimpaired
Water2006C	251255Y25	Second	Assured Guaranty	7/1/2016	3,795,000	5.00%	N/A	1.13%
Water2006C	251255Y33	Second	Assured Guaranty	7/1/2017	4,010,000	5.00%	7/1/2016	1.47%
Water2006C	251255Y41	Second	Assured Guaranty	7/1/2018	4,765,000	5.00%	7/1/2016	1.82%
Water2006C	251255Y58	Second	Assured Guaranty	7/1/2022	5,860,000	5.00%	7/1/2016	2.89%
Water2006C	251255Y66	Second	Assured Guaranty	7/1/2026	14,880,000	5.00%	7/1/2016	4.28%
Water2006C	251255Y74	Second	Assured Guaranty	7/1/2029	32,045,000	5.00%	7/1/2016	Unimpaired
Water2006C	251255Y82	Second	Assured Guaranty	7/1/2033	146,500,000	5.00%	7/1/2016	Unimpaired
					216,680,000			

Water Variable Bonds

Water2003C (Var) ⁽⁴⁾	251255H99	Senior	NPFG	7/1/2014	2,330,000	2.41%	7/1/2013	Unimpaired
---------------------------------	-----------	--------	------	----------	-----------	-------	----------	------------

Notes

(4) Variable interest rate based on MUNI - CPI Rate. New bonds will retain existing rate. Current coupon estimated at approximately 2.41%.

EXHIBIT I.A.173

SCHEDULE OF LIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED LIMITED TAX GENERAL OBLIGATION BONDS

**SCHEDULE OF LIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED LIMITED TAX GENERAL OBLIGATION BONDS**

Limited Tax General Obligation Bond Documents	Series of Limited Tax General Obligation Bonds	Balance as of Petition Date
Bond Authorizing Resolution adopted May 26, 2004 Finance Director's Order approving sale of General Obligation Self-Insurance Bonds (Limited Tax) Series 2004, dated August 27, 2004	Self Insurance - Series 2004	\$13,186,559
Bond Authorizing Resolution adopted May 6, 2005 (" <u>2005 LTGO Resolution</u> ") Finance Director's Order dated June 24, 2005 (" <u>2005 Sale Order</u> ")	Series 2005-A(1)	\$60,776,168
2005 LTGO Resolution 2005 Sale Order	Series 2005-A(2)	\$11,080,060
2005 LTGO Resolution 2005 Sale Order	Series 2005-B	\$9,003,535
Resolution of the City Council adopted November 17, 2006 (" <u>2006 LTGO Resolution</u> ") Finance Director's Order dated May 30, 2008 (" <u>2008 LTGO Sale Order</u> ")	Series 2008-A(1)	\$43,905,085
2006 LTGO Resolution 2008 LTGO Sale Order	Series 2008-A(2)	\$25,591,781

EXHIBIT I.A.183

NEW B NOTES
SUMMARY OF PRINCIPAL TERMS

NEW B NOTES
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New B Notes and distribute them as set forth in the Plan. The definitive documentation governing the New B Notes shall provide generally for the following terms:

Obligation	The City's obligations with respect to the New B Notes shall be a general and unsecured obligation of the City.
Initial Principal Amount	\$650.0 million.
Interest Rate	4.0% for the first 20 years; 6.0% for years 21 through 30.
Maturity	30 years.
Amortization	Interest only for 10 years; amortization in 20 equal annual installments beginning on the interest payment date nearest to the 11th anniversary from issuance.
Disclosure	The City will provide a continuing disclosure undertaking under 17 C.F.R. § 240.15c2-12 in connection with the delivery of the New B Notes.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

EXHIBIT I.A.184

FORM OF NEW B NOTES DOCUMENTS

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$650,000,000 FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN CLAIMS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE SALE AND DELIVERY OF SAID BONDS.

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	3
Section 101. Definitions.....	3
Section 102. Interpretation.....	6
ARTICLE II DETERMINATIONS.....	6
Section 201. Finding, and Declaration of Need to Issue Bonds	6
ARTICLE III AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS	7
Section 301. Authorization of Bonds to Satisfy the Claims and Pledge.....	7
Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims	7
Section 303. Execution, Authentication and Delivery of Bonds	8
Section 304. Authentication of the Bonds	9
Section 305. Transfer of Registration and Exchanges on the Bonds	9
Section 306. Regulations with Respect to Exchanges and Transfers	9
Section 307. Form of the Bonds	10
Section 308. Registration	16
Section 309. Mutilated, Destroyed, Stolen or Lost Bonds.....	16
Section 310. Book-Entry-Only System Permitted	16
ARTICLE IV FUNDS AND ACCOUNTS	17
Section 401. Establishment of Accounts and Funds.....	17
Section 402. Debt Retirement Fund.....	17
Section 403. Investment of Monies in the Funds and Accounts.....	17
Section 404. Satisfaction of Claims	17
ARTICLE V THE PAYING AGENT	18
Section 501. Paying Agent.....	18
ARTICLE VI SUPPLEMENTAL ORDERS AND RESOLUTIONS.....	18
Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds	18
Section 602. Opinion and Filing Under Act 34	19
ARTICLE VII DEFEASANCE	19
Section 701. Defeasance	19
ARTICLE VIII OTHER PROVISIONS OF GENERAL APPLICATION.....	19
[Section 801. Credit Enhancement	19
Section 802. Approval of Other Documents and Actions.....	20
Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers	20
Section 804. Approving Legal Opinions with Respect to the Bonds	20
Section 805. Appointment of Bond Counsel; Engagement of Other Parties.....	20
Section 806. Preservation of Records	21
Section 807. Parties in Interest.....	21

TABLE OF CONTENTS
(continued)

	Page
Section 808. No Recourse Under Resolution	21
Section 809. Severability	21
Section 810. Cover Page, Table of Contents and Article and Section Headings.....	21
Section 811. Conflict	21
Section 812. Governing Law and Jurisdiction.....	21
Section 813. Order and Supplemental Order are a Contract.....	21
Section 814. Effective Date	21
Section 815. Notices	21

ORDER NO. ____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$650,000,000 FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN CLAIMS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE SALE AND DELIVERY OF SAID BONDS.

WHEREAS, on March 1, 2013, the Governor (the "Governor") of the State of Michigan (the "State") determined that a financial emergency existed within the City of Detroit, County of Wayne, State of Michigan (the "City") pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended ("Act 72"); and

WHEREAS, on March 14, 2013, the Governor confirmed that a financial emergency existed within the City and, pursuant to Act 72, assigned to the Local Emergency Financial Assistance Loan Board established pursuant to the Emergency Municipal Loan Act, Act 243 Public Acts of Michigan, 1980, as amended (the "Board") the responsibility for managing the financial emergency; and

WHEREAS, on March 14, 2013, pursuant to Act 72, the Board appointed Kevyn D. Orr as Emergency Financial Manager for the City; And

WHEREAS, by operation of law the financial emergency continues to exist within the City pursuant to the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012 ("Act 436") and the Emergency Financial Manager continues in the capacity of the Emergency Manager for the City (the "Emergency Manager"); and

WHEREAS, on July 18, 2013 (the "Petition Date"), in accordance with Act 436 and the approval of the Governor, the Emergency Manager filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, on _____ 2014, the Emergency Manager filed on behalf of the City a Plan for the Adjustment (the "Plan of Adjustment") in the Bankruptcy Court to provide for the adjustment of the debts of the City pursuant to and in accordance with Chapter 9 of the Bankruptcy Code; and

WHEREAS, the Plan of Adjustment provides, among other things, for the satisfaction of certain claims of unsecured creditors as set out in the Plan of Adjustment (the "Claims") in exchange for the receipt of the New B Notes (the "New B Notes"); and

WHEREAS, upon satisfaction of all of the terms and conditions required of the City related to the confirmation of the Plan of Adjustment, the City shall establish the Business Day (the "Effective Date") upon which the Plan of Adjustment shall be consummated; and

WHEREAS, on or as reasonably practicable after the Effective Date, the City shall execute New B Notes Documents and issue New B Notes in the form of the Financial Recovery Bonds authorized under Section 36a of the Home Rule City Act, Act 279, Public Acts of Michigan, 1909, as amended ("Act 279") and this Order, and distribute the New B Notes in the form of the Financial Recovery Bonds to the holders of the Claims, as provided in the Plan of Adjustment; and

WHEREAS, on _____, 2014, pursuant to Section 12(1) and Section 19(1) of Act 436, the Emergency Manager filed with the City Council of the City his Order No. __ Approval of Plan of Adjustment and Financing ("Order No. __"); and

[WHEREAS, Order No. __ proposed, among other things, for the issuance by the City of Financial Recovery Bonds, in one or more series, under Section 36a of Act 279, to provide financing for the satisfaction of the Claims and other certain claims of creditors under the Plan of Adjustment of the City, upon the terms and conditions and parameters set forth in the Plan of Adjustment (the "POA Financing"); and

[WHEREAS, on _____, 2014, in accordance with Section 19(1) of Act 436, the City Council of the City (the "City Council") [approved/disapproved] the POA Financing; and]

[WHEREAS, pursuant to Section 19(2) of Act 436, City Council was afforded 7 days following its disapproval of the POA Financing to propose an "alternative proposal that would yield substantially the same financial result as" the POA Financing to the Local Financial Assistance Emergency Loan Board (the "Board") created under Act 243, Public Acts of Michigan, 1980, as amended; and]

[WHEREAS, City Council failed to offer an alternative proposal to the Board during the time period prescribed in Section 19(2) of Act 436 and as a consequence, the Board does not have to approve implementation of the POA Financing by the Emergency Manager; and]

WHEREAS, on _____, 2014, the Bankruptcy Court entered an order (the "Confirmation Order") confirming the Plan of Adjustment pursuant to Section 943 of the Bankruptcy Code; and

WHEREAS, the Emergency Manager of the City deems it necessary to authorize the issuance of Financial Recovery Bonds in one or more series (the "Bonds"), in the aggregate principal amount of not to exceed Six Hundred Fifty Million Dollars (\$650,000,00) pursuant to Section 36a of Act 279; and

WHEREAS, the Bonds will be secured by a pledge of the City's limited tax full faith and credit; and

WHEREAS, Section 36a of Act 279 authorizes a city, for which a financial emergency has been determined to exist, such as the City, to borrow money and issue Financial Recovery Bonds subject to the terms and conditions approved by the Board; and

WHEREAS, the City must receive prior approval of the terms and conditions for the issuance of the Bonds from the Board in accordance with Section 36a of Act 279; and

WHEREAS, the Emergency Manager desires to submit this Order to the Board proposing the issuance by the City of Financial Recovery Bonds, in one or more series, under Section 36a of Act 279, to provide for a portion of the POA Financing for the City, solely to satisfy the Claims [and to pay certain administrative and other costs related to the issuance of the bonds, upon the terms and conditions and parameters approved by the Board; and]

NOW, THEREFORE, BE IT ORDERED AS FOLLOWS:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 101. Definitions. The words and terms defined in the preambles and recitals hereof and the following words and terms as used in this Order shall have the meanings ascribed therein, herein or in the Plan of Adjustment to them unless a different meaning clearly appears from the context:

“Act 243” means Act No. 243, Public Acts of Michigan, 1980, as amended.

“Act 279” means Act No. 279, Public Acts of Michigan, 1909, as amended.

“Act 436” means Act No. 436, Public Acts of Michigan, 2012.

“Authorized Denominations” shall mean denominations of Bonds equal to multiples of \$100,000 or integral multiples of \$5,000 in excess thereof.

“Authorized Officer” means (i) the Emergency Manager or his designee or successor, or if the City is no longer operating under a financial emergency pursuant to Act 436, the chief administrative officer of the City, the Finance Director or his or her designee, or (ii) any other person authorized by a Certificate of an Authorized Officer to act on behalf of or otherwise represent the City in any legal capacity, which such certificate shall be delivered, if at all, in the City’s sole discretion.

“Bankruptcy Case” means the City’s Bankruptcy Case No. 13-53846 in the U.S. Bankruptcy Court for the Eastern District of Michigan.

“Board” has the meaning set forth in recitals hereto.

“Bond Counsel” means Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, or such other nationally recognized firm of attorneys experienced in matters pertaining to municipal bonds and appointed to serve in such capacity by the City with respect to the Bonds.

“Bond” or “Bonds” means the Financial Recovery Bonds, Series 2014B of the City authorized to be issued by the Order in the aggregate principal amount not to exceed \$650,000,000, in one or more series, and bearing such other designations as determined by the Authorized Officer in the Supplemental Order.

“Bond Purchase Agreement” means the Bond Purchase Agreement by and between the Purchaser and the City related to the Bonds.

“Bond Registry” means the books for the registration of Bonds maintained by the Trustee.

“Bondowner”, “Owner” or “Registered Owner” means, with respect to any Bond, _____, as the Disbursing Agent on behalf of the Claimants, and in whose name such Bond is registered in the Bond Registry.

“Bonds” means the City’s Financial Recovery Bonds, Series 2014B, with such series designations as may be determined by the Authorized Officer in the Supplemental Order.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which the Trustee or banks and trust companies in New York, New York are authorized or required to remain closed, (iii) a day on which the New York Stock Exchange is closed, or (iv) a day on which the Federal Reserve is closed.

“Certificate” means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Indenture or (ii) the report of an Authorized Officer as to audits or other procedures called by the Indenture, as the case may be.

“Charter” means the Charter of the City, as amended from time to time.

“City” means the City of Detroit, County of Wayne, State of Michigan.

“Claimants” means the beneficial owners of the Claims.

“Claims” has the meaning set forth recitals hereto.

“Closing Date” means the date or dates upon which the Bonds are issued to satisfy the Claims.

“Code” means the Internal Revenue Code of 1986, as amended.

“Constitution” means the Constitution of the State of Michigan of 1963, as amended.

“Confirmation Order” has the meaning set forth in recitals hereto.

“Date of Original Issue” means the date upon which all conditions precedent set forth in the Bond Purchase Agreement to the transactions contemplated therein and herein have been satisfied and the Bonds have been issued to the Purchaser.

“Disbursing Agent” means the Registered Owner of the Bonds.

“Debt Retirement Fund” means the Debt Retirement Fund established under Section 501 hereof, and any subaccounts thereof established hereunder for the payment of principal of and premium and interest on the Bonds.

“Emergency Manager” has the meaning set forth in the recitals hereto.

“Fiscal Year” means the period from July 1 to and including June 30 of the immediately succeeding calendar year or such other fiscal year of the City as in effect from time to time.

“Interest Payment Date” means April 1 and October 1 of each year commencing with the April 1 or October 1 specified in the Supplemental Order.

“Interest Rate” means 4% per annum from the Date of Original Issue until the twentieth (20th) anniversary of the Date of Original Issue, and thereafter 6% per annum until the Maturity Date, or such other interest rates as confirmed in the Supplemental Order.

“Maturity Date” means the thirtieth (30th) anniversary of the Date of Original Issue or such other final date of maturity of each series of the Bonds as specified in the Supplemental Order.

“Maximum Aggregate Principal Amount” has the meaning given such term in Section 201.

“Order” means this Order of the Emergency Manager as supplemented by the Supplemental Order, and as amended from time to time pursuant to Article VII.

“Order No. ___” means Order No. ___, Approval of Plan of Adjustment, executed by the Emergency Manager on _____, 2014.

“Outstanding” when used with respect to:

- (1) the Bonds, means, as of the date of determination, the Bonds theretofore authenticated and delivered under this Order, except:
 - (A) Bonds theretofore canceled by the Paying Agent or delivered to such Paying Agent for cancellation;
 - (B) Bonds for whose payment money in the necessary amount has been theretofore deposited with the Paying Agent in trust for the registered owners of such Bonds;

- (C) Bonds delivered to the Paying Agent for cancellation in connection with (x) the exchange of such Bonds for other Bonds or (y) the transfer of the registration of such Bonds;
- (D) Bonds alleged to have been destroyed, lost or stolen which have been paid or replaced pursuant to this Order or otherwise pursuant to law; and
- (E) Bonds deemed paid as provided in Section 701.

“Paying Agent” means the bond registrar, transfer agent and paying agent for the Bonds.

“Plan of Adjustment” has the meaning set forth in the recitals hereto.

“Registered Owner” means the registered owner of a Bond as the registered owner’s name appears on the Bond Registry under Section 305.

“Regular Record Date” has the meaning given such term in Section 302.

“Security Depository” has the meaning given such term in Section 310.

“State” has the meaning set forth in the recitals hereto.

“State Treasurer” means the Treasurer of the State of Michigan.

“Supplemental Order” means the order or orders of the Authorized Officer making certain determinations and confirming the final details on the Bonds upon issuance, in accordance with the parameters of this Order.

Section 102. Interpretation. (a) Words of the feminine or masculine genders include the correlative words of the other gender or the neuter gender.

(b) Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons.

(c) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Order.

(d) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Order, refer to this Order as a whole unless otherwise expressly stated.

ARTICLE II

DETERMINATIONS

Section 201. Finding, and Declaration of Need to Issue Bonds. The Emergency Manager hereby finds and declares that it is necessary for the City to issue the Bonds hereunder in such

sum as shall be determined and approved by the Emergency Manager, not in excess of \$650,000,000 (the “Maximum Aggregate Principal Amount”), and to evidence such debt by the issuance of the Bonds in one or more series not in excess of the Maximum Aggregate Principal Amount, in Authorized Denominations, pursuant to and in accordance with the provisions of Section 36a of Act 279, for the purpose of satisfying the Claims as shall be specified in the Plan of Adjustment as being paid through B Notes in the Supplemental Order, or subsequently confirmed by the Authorized Officer to Bond Counsel, all as finally determined by the Authorized Officer in the Supplemental Order.

ARTICLE III

AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS

Section 301. Authorization of Bonds to Satisfy the Claims and Pledge. The City hereby authorizes the issuance of the Bonds as hereinafter defined in such principal amount as shall be confirmed in the Supplemental Order to satisfy the Claims as determined by the Authorized Officer in the Supplemental Order or subsequently confirmed by the Authorized Officer to Bond Counsel. The principal of and interest on the Bonds shall hereby be secured by the limited tax full faith and credit pledge of the City.

The City pledges to pay the principal of and interest on the Bonds as a first budget obligation from its general funds and in case of insufficiency thereof, from the proceeds of an annual levy of ad valorem taxes on all taxable property of the City, subject to applicable constitutional, statutory and charter tax rate limitations.

Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims. (a) The Bonds shall be designated “FINANCIAL RECOVERY BONDS, SERIES 2014B” (the “Bonds”) and may bear such later or earlier dates and additional or alternative designations, series or subseries as the Authorized Officer may determine in the Supplemental Order, shall be issued in fully registered form and shall be consecutively numbered from “R-1” upwards, unless otherwise provided by the Authorized Officer in the Supplemental Order. The Bonds shall be dated and issued in such denominations all as determined by the Authorized Officer and confirmed by the Authorized Officer in the Supplemental Order.

(b) The Bonds of each series shall mature on such Maturity Dates not in excess of 30 years from the Date of Original Issue and shall bear interest at the Interest Rate on a taxable basis, payable on the Interest Payment Dates, all as shall be determined and confirmed by the Authorized Officer in the Supplemental Order. Unless otherwise provided by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be calculated on the basis of the actual number of days elapsed in a 360 day year. The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America.

(c) The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America. Except as may be otherwise determined by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be payable to the Registered Owner as of the 15th day of the month, whether or not a Business Day (a “Regular Record Date”), prior to each

Interest Payment Date. Interest on the Bonds shall be payable to such Registered Owners by check or draft drawn on the Paying Agent on each Interest Payment Date and mailed by first class mail or, upon the written request of the Owner of \$1,000,000 or more in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Owner. Such a request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent.

(d) Interest on Bonds not punctually paid or duly provided for on an Interest Payment Date shall forthwith cease to be payable to the Registered Owners on the Regular Record Date established for such Interest Payment Date, and may be paid to the Registered Owners as of the close of business on a date fixed by the Paying Agent (a "Special Record Date") with respect to the payment of such defaulted interest to be fixed by the Paying Agent, or may be paid at any time in any other lawful manner. The Paying Agent shall give notice to the Registered Owners at least seven days before any such Special Record Date.

(e) The principal of the Bonds shall be payable to the Registered Owners of the Bonds upon the presentation of the Bonds to the Paying Agent at the principal corporate trust office of the Paying Agent.

(f) The Bonds shall be subject to redemption and/or tender for purchase prior to maturity or shall not be subject thereto, upon such terms and conditions as shall be determined by the Authorized Officer and confirmed in the Supplemental Order.

Unless waived by any registered owner of Bonds to be redeemed, official notice of redemption shall be given by the Paying Agent on behalf of the City. Such notice shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption, the called amounts of each certificate; the redemption date; the redemption price or premium; the place where Bonds called for redemption are to be surrendered for payment; and that interest on Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

In addition, further notice shall be given by the Paying Agent in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

Section 303. Execution, Authentication and Delivery of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Emergency Manager and the Finance Director of the City and authenticated by the manual signature of the Finance Director or an authorized representative of the Paying Agent, as the case may be, and a facsimile of the seal of the City shall be imprinted on the Bonds. Additional Bonds bearing the manual or facsimile signatures of the Emergency Manager or Mayor of the City and the Finance Director, and upon which the facsimile of the seal of the City is imprinted may be delivered to

the Paying Agent for authentication and delivery in connection with the exchange or transfer of Bonds. The Paying Agent shall indicate on each Bond the date of its authentication.

Section 304. Authentication of the Bonds. (a) No Bond shall be entitled to any benefit under this Order or be valid or obligatory for any purpose unless there appears on such Bond a Certificate of Authentication substantially in the form provided for in Section 307 of this Order, executed by the manual or facsimile signature of the Finance Director or by an authorized signatory of the Paying Agent by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

(b) The Paying Agent shall manually execute the Certificate of Authentication on each Bond upon receipt of a written direction of the Authorized Officer of the City to authenticate such Bond.

Section 305. Transfer of Registration and Exchanges on the Bonds. (a) The registration of each Bond is transferable only upon the Bond Registry by the Registered Owner thereof, or by his attorney duly authorized in writing, upon the presentation and surrender thereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor.

(b) Each Bond may be exchanged for one or more Bonds in equal aggregate principal amount of like maturity and tenor in one or more authorized denominations, upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing.

Section 306. Regulations with Respect to Exchanges and Transfers. (a) In all cases in which the privilege of exchanging Bonds or transferring the registration of Bonds is exercised, the City shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Order. All Bonds surrendered in any such exchanges or transfers shall be forthwith canceled by the Paying Agent.

(b) For every exchange or transfer of Bonds, the City or the Paying Agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and, except as otherwise provided in this Order, may charge a sum sufficient to pay the costs of preparing each new Bond issued upon such exchange or transfer, which shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

(c) The Paying Agent shall not be required (i) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Bonds contained in Section 307 of this Order and ending at the close of business on the day of

that giving of notice, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. The City shall give the Paying Agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

Section 307. Form of the Bonds. The Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Order or as approved by an Authorized Officer in the Supplemental Order:

[Forms of Bonds]

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF WAYNE

CITY OF DETROIT
FINANCIAL RECOVERY BOND, SERIES 2014B

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
		_____, 2014	

Registered Owner:

Principal Amount: _____ Dollars

The City of Detroit, County of Wayne, State of Michigan (the "City"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon at the Interest Rate of 4.0% per annum from the Date of Original Issue specified above until the twentieth (20th) anniversary of the Date of Original Issue, and thereafter at 6.0% per annum, until the Maturity Date specified above or until the Principal Amount specified above is paid in full. Interest is payable semiannually on April 1 and October 1 in each year commencing on _____ (each an "Interest Payment Date"). The interest so payable, and punctually paid or duly provided for, will be paid, as provided in the hereinafter defined Order, to the person in whose name this Bond is registered on the books maintained for such purpose by the hereinafter defined Paying Agent (the "Bond Registry"), on the close of business on the Regular Record Date for such interest payment, which shall be the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall herewith cease to be payable to the Registered Owner on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice of which shall be given to Registered Owners at least seven days before such Special Record Date, or may be paid at any time in any other lawful manner. Capitalized terms used herein but not defined herein, shall have the meanings ascribed to them in the Order.

The principal of this Bond is payable in lawful money of the United States of America upon presentation and surrender of this Bond at the designated corporate trust office of _____, _____, _____, as registrar, transfer agent and paying agent under the Order (such bank and any successor as paying agent, the "Paying Agent"). Interest on this Bond is payable in like money by check or draft drawn on the Paying Agent and mailed to the Registered Owner entitled thereto, as provided above, by first class mail

or, upon the written request of a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Registered Owner, and such request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent. Interest shall be computed on the basis of a 360-day year consisting of twelve 30 day months. For prompt payment of this Bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

This bond is one of a series of bonds aggregating the principal sum of \$_____, issued under and in full compliance with the Constitution and statutes of the State of Michigan, and particularly Section 36a of Act No. 279, Public Acts of Michigan, 1909, as amended ("Act 279"), for the purpose of satisfying certain Claims, as defined in the Order. Pursuant to the Order, the bonds of this series (the "Bonds") are limited tax general obligations of the City, and the City is obligated to levy annually ad valorem taxes on all taxable property in the Issuer, subject to applicable constitutional, statutory and charter tax rate limitations.

The "Order" is an Order of the Emergency Manager issued on _____, 2014, supplemented by a Supplemental Order of an Authorized Officer of the City issued on _____, 2014, authorizing the issuance of the Bonds.

The bonds of this series shall be subject to redemption prior to maturity as follows:

(a) *Optional Redemption.* Bonds or portions of bonds in Authorized Denominations of multiples of \$100,000 or integral multiples of \$5,000 in excess thereof are subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine, and by lot within a maturity [TO BE DETERMINED].

(b) *Mandatory Redemption.* [TO BE DETERMINED]

General Redemption Provisions. In case less than the full amount of an outstanding bond is called for redemption, the Trustee, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption [TO BE DETERMINED]

Reference is hereby made to the Order for the provisions with respect to the nature and extent of the security for the Bonds, the manner and enforcement of such security, the rights, duties and obligations of the City, and the rights of the Paying Agent and the Registered Owners of the Bonds. As therein provided, the Resolution may be amended in certain respects without the consent of the Registered Owners of the Bonds. A copy of the Order is on file and available for inspection at the office of the Finance Director and at the principal corporate trust office of the Paying Agent.

The City and the Paying Agent may treat and consider the person in whose name this Bond is registered on the Bond Registry as the absolute owner hereof, whether this Bond shall be

overdue or not, for the purpose of receiving payment of, or on account of, the principal hereof and interest hereon and for all other purposes whatsoever, and all such payments so made to such person or upon his order shall be valid and effectual to satisfy and discharge the liability hereon to the extent of the sum or sums so paid.

The registration of this Bond is transferable only upon the Bond Registry by the Registered Owner hereof or by his attorney duly authorized in writing upon the presentation and surrender hereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution upon the payment of the charges, if any, therein prescribed.

It is hereby certified, recited and declared that all acts, conditions and things required by law to exist, happen and to be performed, precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Michigan, and that the total indebtedness of the City, including the Bonds does not exceed any constitutional, statutory or charter limitation.

This Bond is not valid or obligatory for any purpose until the Paying Agent's Certificate of Authentication on this Bond has been executed by the Paying Agent.

IN WITNESS WHEREOF, the City of Detroit, by its Emergency Manager, has caused this bond to be signed in the name of the City by the facsimile signatures of its Emergency Manager and Finance Director of the City, and a facsimile of its corporate seal to be printed hereon, all as of the Date of Original Issue.

CITY OF DETROIT

By: _____
Emergency Manager

By: _____
Finance Director

(SEAL)

(Form of Paying Agent's Certificate of Authentication)

DATE OF AUTHENTICATION:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Order.

_____, Michigan
Paying Agent

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite name and address of transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of such person's authority to act must accompany the bond.

Signature(s) must be guaranteed by a commercial bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges. The transfer agent will not effect transfer of this bond unless the information concerning the transferee requested below is provided.

PLEASE INSERT SOCIAL
SECURITY NUMBER OR OTHER
IDENTIFYING NUMBER OF
TRANSFeree.

(Insert number for first named
transferee if held by joint account.)

Name and Address: _____

(Include information for all joint owners
if the bond is held by joint account.)

Section 308. Registration. The City and the Paying Agent may treat and consider the Registered Owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal (and premium, if any) thereof and interest thereon and for all other purposes whatsoever, and all such payments so made to such Bondowner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 309. Mutilated, Destroyed, Stolen or Lost Bonds. (a) Subject to the provisions of Act 354, Public Acts of Michigan, 1972, as amended and any other applicable law, if (i) any mutilated Bond is surrendered to the Paying Agent or the City and the Paying Agent and the City receive evidence to their satisfaction of the destruction, loss or theft of any Bond and (ii) there is delivered to the City and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

(c) Any new Bond issued pursuant to this Section in substitution for a Bond alleged to be mutilated, destroyed, stolen or lost shall constitute an original additional contractual obligation on the part of the City, and shall be equally secured by and entitled to equal proportionate benefits with all other Bonds issued under this Order.

Section 310. Book-Entry-Only System Permitted. (a) If determined by the Authorized Officer in the Supplemental Order, the Bonds shall be issued to a securities depository selected by the Authorized Officer (the "Security Depository") to be held pursuant to the book-entry-only system maintained by the Security Depository and registered in the name of the Security Depository or its nominee. Ownership interests in Bonds held under such book-entry-only system shall be determined pursuant to the procedures of the Security Depository and Article 8 of the applicable Uniform Commercial Code (such persons having such interests, "Beneficial Owners").

(b) If (i) the City and the Paying Agent receive written notice from the Security Depository to the effect that the Security Depository is unable or unwilling to discharge its responsibilities with respect to the Bonds under the book-entry-only system maintained by it or (ii) the Authorized Officer determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bonds in certificated form, then the City may so notify the Security Depository and the Paying Agent, and, in either event, the City and the Paying Agent shall take appropriate steps to provide the Beneficial Owners with Bonds in certificated form to evidence their respective ownership interests in the Bonds. Whenever the Security Depository requests the City and the Paying Agent to do so, the Authorized Officer on behalf of the City and the Paying Agent will cooperate with the Security Depository in taking appropriate action after

reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(c) Notwithstanding any other provision of the Order to the contrary, so long as the Bonds are held pursuant to the book-entry-only system maintained by the Security Depository:

(i) all payments with respect to the principal and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Security Depository as provided in the representation letter from the City and the Paying Agent to the Security Depository with respect to such Bonds; and

(ii) all payments with respect to principal of the Bonds and interest on the Bonds shall be made in such manner as shall be prescribed by the Security Depository.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 401. Establishment of Accounts and Funds. The City hereby establishes and creates the Debt Retirement Fund as a special, separate and segregated account and fund which shall be held for and on behalf of the City by a bank or banks or other financial institution which the Finance Director of the City designates as depository of the City.

The Finance Director is hereby authorized to establish such additional accounts, subaccounts or funds as shall be required for the Bonds, if any, to accommodate the requirements of such series of Bonds.

Section 402. Debt Retirement Fund. General funds of the City, proceeds of all taxes levied pursuant to Section 301 hereof [and any amounts transferred from the debt retirement funds related to the LTGO Bonds and the COPs, if any,] shall be used to pay the principal of and interest on the Bonds when due. The foregoing amounts shall be placed in the Debt Retirement Fund and held in trust by the Paying Agent, and so long as the principal of or interest on the Bonds shall remain unpaid, no moneys shall be withdrawn from the Debt Retirement Fund except to pay such principal and interest. Any amounts remaining in the Debt Retirement Fund after payment in full of the Bonds and the fees and expenses of the Paying Agent shall be retained by the City to be used for any lawful purpose.

Section 403. Investment of Monies in the Funds and Accounts. (a) The Finance Director shall direct the investment of monies on deposit in the Funds and Accounts established hereunder, and the Paying Agent, upon written direction or upon oral direction promptly confirmed in writing by the Finance Director, shall use its best efforts to invest monies on deposit in the Funds and Accounts in accordance with such direction.

(b) Monies on deposit in the Funds and Accounts may be invested in such investments and to the extent permitted by applicable law.

Section 404. Satisfaction of Claims. On the Effective Date, the City shall issue the Bonds in an amount sufficient to satisfy the Claims. An Authorized Officer shall arrange for

delivery of the Bonds to the Registered Owner to act as the Disbursing Agent to satisfy the Claims on behalf of the Claimants of each class of creditors entitled to New B Notes as provided in the Plan of Adjustment. Upon delivery of the Bonds to the Registered Owner, an Authorized Officer shall take all necessary steps to extinguish any related existing debt, including the cancellation of any related bonds or notes of the City representing portions of the Claims.

ARTICLE V

THE PAYING AGENT

Section 501. Paying Agent. The Paying Agent for the Bonds shall act as bond registrar, transfer agent and paying agent for the Bonds and shall be initially _____, Detroit, Michigan, or such other bank or trust company located in the State which is qualified to act in such capacity under the laws of the United States of America or the State. The Paying Agent means and includes any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided, that such company shall be a trust company or bank which is qualified to be a successor to the Paying Agent as determined by an Authorized Officer, shall be authorized by law to perform all the duties imposed upon it by this Order, and shall be the successor to the Paying Agent without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding. An Authorized Officer is authorized to enter into an agreement with such a bank or trust company, and from time to time as required, may designate a similarly qualified successor Paying Agent and enter into an agreement therewith for such services.

ARTICLE VI

SUPPLEMENTAL ORDERS AND RESOLUTIONS

Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds. The City may without the consent of any Bondowner adopt orders or resolutions supplemental to this Order for any one or more of the following purposes:

- (i) to confirm or further assure the security hereof or to grant or pledge to the holders of the Bonds any additional security;
- (ii) to add additional covenants and agreements of the City for the purposes of further securing the payment of the Bonds;
- (iii) to cure any ambiguity or formal defect or omission in this Order; and
- (iv) such other action not materially, adversely and directly affecting the security of the Bonds.

provided that (A) no supplemental order or resolution amending or modifying the rights or obligations of the Paying Agent shall become effective without the consent of the Paying Agent and (B) the effectiveness of any supplemental resolution is subject to Section 702 to the extent applicable.

Section 602. Opinion and Filing Under Act 34. Before any supplemental order or resolution under this Article shall become effective, a copy thereof shall be filed with the Paying Agent, together with an opinion of Bond Counsel that such supplemental order or resolution is authorized or permitted by this Article; provided that, Bond Counsel in rendering any such opinion shall be entitled to rely upon certificates of an Authorized Officer or other City official, and opinions or reports of consultants, experts and other professionals retained by the City to advise it, with respect to the presence or absence of facts relative to such opinion and the consequences of such facts.

ARTICLE VII

DEFEASANCE

Section 701. Defeasance. Bonds shall be deemed to be paid in full upon the deposit in trust of cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment thereof, will come due at such times and in such amounts, as to be fully sufficient to pay when due, the principal of such Bonds and interest to accrue thereon, as confirmed by a verification report prepared by an independent certified public accountant; provided, that if any of such Bonds are to be called for redemption prior to maturity, irrevocable instructions to call such Bonds for redemption shall be given to the Paying Agent. Such cash and securities representing such obligations shall be deposited with a bank or trust company and held for the exclusive benefit of the Owners of such Bonds. After such deposit, such Bonds shall no longer be entitled to the benefits of this Order (except for any rights of transfer or exchange of Bonds as therein or herein provided for) and shall be payable solely from the funds deposited for such purpose and investment earnings, if any, thereon, and the lien of this Order for the benefit of such Bonds shall be discharged.

ARTICLE VIII

OTHER PROVISIONS OF GENERAL APPLICATION

[Section 801. Credit Enhancement. (a) There is hereby authorized to be obtained municipal bond insurance or other credit enhancement or a combination thereof to secure the payment of all or part of the Bonds, if, and provided that, it shall be determined by an Authorized Officer that obtaining such Municipal Bond Insurance Policy or other credit enhancement or a combination thereof is in the best interest of the City. Such municipal bond insurance or other credit enhancement providers may be afforded certain rights and remedies to direct the proceedings with respect to the enforcement of payment of the Bonds as shall be provided in the documents relating thereto. In the event a commitment for a Municipal Bond Insurance Policy is obtained or a commitment for other credit enhancement is obtained, an Authorized Officer is

hereby authorized, to approve the terms, perform such acts and execute such instruments that shall be required, necessary or desirable to effectuate the terms of such commitment and the transactions described therein and in this Order and the Supplemental Order provided that such terms are not materially adverse to the City.

(b) In connection with the execution of any of the agreements authorized by this Section, an Authorized Officer is authorized to include therein such covenants as shall be appropriate.]

Section 802. Approval of Other Documents and Actions. The Mayor, the Finance Director, the Treasurer, the City Clerk and any written designee of the Emergency Manager are each hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Order.

Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers.
(a) Each Authorized Officer is hereby authorized and directed to do and perform any and all acts and things with respect to the Bonds which are necessary and appropriate to carry into effect, consistent with this Order, the authorizations therein and herein contained, including without limitation, the securing of ratings by bond rating agencies, if cost effective, the negotiation for and acquisition of bond insurance and/or other credit enhancement, if any, to further secure the Bonds or any portions thereof, the acquisition of an irrevocable surety bond to fulfill the City's obligation to fund any reserve account, the printing of the Bonds and the incurring and paying of reasonable fees, costs and expenses incidental to the foregoing and other costs of issuance of the Bonds including, but not limited to fees and expenses of bond counsel, financial advisors, accountants and others, from Bond proceeds or other available funds, for and on behalf of the City.

(b) Except as otherwise provided herein, all determinations and decisions of the Authorized Officer with respect to the issuance and sale of the Bonds or the negotiation, execution or delivery of agreements as permitted or required by this Order shall be confirmed by this Authorized Officer in a Supplemental Order or Supplemental Orders, and such confirmations shall constitute determinations that any conditions precedent to such determinations and decisions of the Authorized Officer have been fulfilled.

Section 804. Approving Legal Opinions with Respect to the Bonds. Delivery of the Bonds shall be conditioned upon receiving, at the time of delivery of the Bonds; the approving opinion of Bond Counsel, approving legality of the Bonds.

Section 805. Appointment of Bond Counsel; Engagement of Other Parties. The appointment by the Emergency Manager of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable from available funds in accordance with the agreement of such firm on file with the Finance Director.

Section 806. Preservation of Records. So long as any Bond remains Outstanding, all documents received by the Paying Agent under the provisions of this Order shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, and the Bondowners, and their agents and representatives, any of whom may make copies thereof.

Section 807. Parties in Interest. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the City or Paying Agent shall be for the sole and exclusive benefit of the City, the Paying Agent and the Bondowners.

Section 808. No Recourse Under Resolution. All covenants, agreements and obligations of the City contained in this Order shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Order against any councilperson, member, officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

Section 809. Severability. If any one or more sections, clauses or provisions of this Order shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 810. Cover Page, Table of Contents and Article and Section Headings. The cover page, table of contents and Article and Section headings hereof are solely for convenience of reference and do not constitute a part of this Order, and none of them shall affect its meaning, construction or effect.

Section 811. Conflict. All resolutions or parts of resolutions or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

Section 812. Governing Law and Jurisdiction. This Order shall be governed by and construed in accordance with the laws of the State.

Section 813. Order and Supplemental Order are a Contract. The provisions of this Order and the Supplemental Order shall constitute a contract between the City, the Paying Agent, the Bond Insurer and the Bondowners.

Section 814. Effective Date. This Order shall take effect immediately upon its adoption by the Council.

Section 815. Notices. All notices and other communications hereunder shall be in writing and given by United States certified or registered mail, expedited courier overnight delivery service or by other means (including facsimile transmission) that provides a written record of such notice and its receipt. Notices hereunder shall be effective when received and

shall be addressed to the address set forth below or to such other address as any of the below persons shall specify to the other persons:

If to the City, to:

City of Detroit
Finance Department
1200 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Attention: Finance Director

If to the Paying Agent, to:

Attention: _____

SO ORDERED this ____ day of _____, 2014.

Kevyn D. Orr
Emergency Manager
City of Detroit, Michigan

22096296.4\022765-00202

EXHIBIT I.A.186

NEW DWSD BONDS
SUMMARY OF PRINCIPAL TERMS

NEW DWSD BONDS
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New DWSD Bonds and distribute them as set forth in the Plan. The definitive documentation governing the New DWSD Bonds shall provide generally for the following terms:

Principal	The principal shall be equal to (i) the amount of DWSD Bonds receiving New DWSD Bonds, plus (ii) amounts necessary to pay expenses of the financing, plus (iii) at the City's option, an amount equal to accrued and unpaid interest as of the first Distribution Date following the date on which the applicable DWSD Bond Claim is Allowed.
Interest Rate	The interest rate of the New DWSD Bonds shall be calculated by reference to the Interest Rate Reset Chart attached as Exhibit I.A.159 to the Plan.
Maturity Dates	The maturity date(s) of the New DWSD Bonds shall be the same as the existing maturity(ies) of each CUSIP of DWSD Bonds receiving New DWSD Bonds.
Prepayment	The City may prepay or redeem all or any portion of the New DWSD Bonds issued to a holder of DWSD Bonds at any time on or after the earlier of (i) the date that is five years after the date such New DWSD Bonds are issued or (ii) the date upon which the DWSD Bonds for which such New DWSD Bonds were exchanged pursuant to the Plan would have matured.
Other Terms	The New DWSD Bonds otherwise shall have the same terms and conditions as the applicable CUSIP of DWSD Bonds receiving New DWSD Bonds.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

EXHIBIT I.A.188

NEW EXISTING RATE DWSD BONDS
SUMMARY OF PRINCIPAL TERMS

NEW EXISTING RATE DWSD BONDS
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New Existing Rate DWSD Bonds and distribute them as set forth in the Plan. The definitive documentation governing the New Existing Rate DWSD Bonds shall provide generally for the following terms:

Principal	The principal of the New Existing Rate DWSD Bonds shall be equal to (i) the amount of DWSD Bonds receiving New Existing Rate DWSD Bonds, plus (ii) amounts necessary to pay expenses of the financing, plus (iii) at the City's option, an amount equal to accrued and unpaid interest as of the first Distribution Date following the date on which the applicable DWSD Bond Claim is Allowed.
Interest Rate	The interest rate(s) of the New Existing Rate DWSD Bonds shall be the same as existing interest rates of each CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.
Maturity Dates	The maturity date(s) of the New Existing Rate DWSD Bonds shall be the same as the existing maturity(ies) of each CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.
Prepayment	The City may prepay or redeem all or any portion of the New Existing Rate DWSD Bonds at any time at its option and without penalty or premium.
Other Terms	The New Existing Rate DWSD Bonds otherwise shall have the same terms and conditions as the applicable CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

EXHIBIT I.A.189.b

PRINCIPAL TERMS OF NEW GRS ACTIVE PENSION PLAN

NEW GRS ACTIVE PENSION PLAN -- MATERIAL TERMS

1. Benefit Formula: FAC (average base compensation over last 10 consecutive years of employment) x Years of Service x 1.5%. If an employee had leave of not less than 2 months without pay under the Family and Medical Leave Act in the last 2 years of employment, such employee's FAC will be determined using the highest 10 consecutive years of base compensation over the last 12 consecutive years of employment. Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus.
2. Actual time for accrual is actual time served. For vesting and eligibility, 1,000 hours for a year of service.
3. Normal Retirement Age – age 62 with a transition period for active employees as of June 30, 2014 as follows:

<u>Age as of July 1, 2014</u>	<u>Normal Retirement Age</u>
61years	60 years
60 years	60 years
59 years	60.3 years
58 years	60.6 years
57 years	60.9 years
56 years	61.0 years
55 years	61.3 years
54 years	61.6 years
53 years	61.9 years
52 years	62 years

4. 10 Years of Service for vesting.
5. Early retirement -- Eligible at 55 & 30 years of service, with true actuarial reduction. No pension payments allowed below age 55; terminated employees must wait until 62.
6. Deferred Vested -- 10 Years payable at 62.
7. Disability -- to be provided by commercial insurance until normal retirement age. In applying the formula for an age 62 pension, a disabled employee will be credited with service for the period of long-term disability leave.
8. Annuity Savings Fund - voluntary Annuity Savings Fund contributions equal to 3%, 5% or 7% of after-tax pay. Interest will be credited at the actual net investment rate of return for GRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted.

9. Investment Return/Discount Rate – 6.75%
10. COLA - Variable COLA benefit payable after the hybrid plan has been in effect for 4 full plan years, provided that the funding level is above 100%. A simple 2% COLA on hybrid benefit. Retirees become eligible for a COLA only for plan years after the retiree reaches age 62 and has been retired for a minimum of 12 months.
11. Contributions - Employer contribution of 5% of the base compensation of eligible employees. A portion of such contribution is used to fund normal cost and a portion is credited to a rate stabilization fund. Employees contribute 4% of base compensation toward normal cost.
12. If the funding level is below 100% (based on 3 year look back of smoothed returns), the plan's risk-shifting levers listed below will be applied in the listed order, until the actuary can state that by virtue of the use of levers, and a 6.75% discount rate and return assumption, the funding level is projected to be 100% on a market value basis within the next 5 years.
 - (a) No COLAs will be paid;
 - (b) Amounts credited to the rate stabilization fund will be used to fund accrued benefits; and
 - (c) Employee contributions to the hybrid will increase by 1% to 5% of base compensation for up to a 5 year period.

If the funding level is below 80% (without taking into account the use of rate stabilization funds and the 1% increase in employee contributions):

- (d) The steps taken in (a), (b) and (c) above will be continued;
- (e) The most recently awarded COLA is rescinded (i.e., Members' future benefit payments will be not include that COLA);
- (f) Employee contributions to the hybrid will increase to 6% of base compensation for up to a 5 year period;
- (g) The second most recently awarded COLA is rescinded; and
- (h) The benefit accrual rate is decreased from 1.5% to 1% for up to 5 years.

EXHIBIT I.A.191.b

PRINCIPAL TERMS OF NEW PFRS ACTIVE PENSION PLAN

NEW PFRS ACTIVE PENSION PLAN -- MATERIAL TERMS

1. Benefit Formula:
 - a. Detroit Fire Fighters Association Employees
 - i. $FAC \text{ (average base compensation over last 10 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
 - b. Detroit Police Command Officers Association Employees
 - i. $FAC \text{ (average base compensation over last 5 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
 - c. Detroit Police Officers Association Employees
 - i. $FAC \text{ (average base compensation over last 10 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. $FAC \text{ (average base compensation over last 5 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
2. Actual time for benefit accrual is actual time served. For vesting service, 1,000 hours in a 12 month period to earn a year of service.
3. Normal Retirement Age
 - a. Detroit Fire Fighters Association Employees
 - i. age 52 with 25 years of service
 - b. Detroit Police Command Officers Association Employees
 - i. age 50 with 25 years of service, with 5 year transition period to be determined by the City
 - c. Detroit Police Officers Association Employees
 - i. age 52 with 25 years of service
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. age 50 with 25 years of service, with the following 5 year transition period:

Fiscal Year
2015

Age and Service
Age 43 and 20 years

2016	Age 43 and 20 years
2017	Age 44 and 21 years
2018	Age 45 and 22 years
2019	Age 46 and 23 years
2020	Age 47 and 24 years
2021 and thereafter	Age 50 and 25 years

4. 10 Years of Service for vesting.
5. Deferred vested pension -- 10 years of service and age 55.
6. Duty Disability - consistent with current PFRS
7. Non-Duty Disability – consistent with current PFRS
8. Non-Duty Death Benefit for Surviving Spouse – consistent with current PFRS
9. Duty Death Benefit for Surviving Spouse – consistent with current PFRS
10. COLA
 - a. Detroit Fire Fighters Association Employees
 - i. no COLA
 - b. Detroit Police Command Officers Association Employees
 - i. 1% compounded, variable
 - c. Detroit Police Officers Association Employees
 - i. no COLA
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. 1% compounded, variable
11. DROP Accounts
 - a. Detroit Fire Fighters Association Employees
 - i. no future payments into DROP.
 - b. Detroit Police Command Officers Association Employees
 - i. available for existing and future accrued benefits for employees who are eligible to retire under concurrent eligibility requirements. No more than 5 years of DROP participation for employees not already in DROP. DROP accounts will be managed by the PFRS instead of ING, if administratively and legally feasible. If managed by PFRS, interest will be credited to DROP accounts at a rate equal to 75% of the actual net investment return of PFRS, but in no event lower than 0% or higher than 7.75%.

- c. Detroit Police Officers Association Employees
 - i. no future payments into DROP.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. available for existing and future accrued benefits for employees who are eligible to retire under concurrent eligibility requirements. No more than 5 years of DROP participation for employees not already in DROP. DROP accounts will be managed by the PFRS instead of ING, if administratively and legally feasible. If managed by PFRS, interest will be credited to DROP accounts at a rate equal to 75% of the actual net investment return of PFRS, but in no event lower than 0% or higher than 7.75%.
12. Annuity Savings Fund
- a. Detroit Fire Fighters Association Employees
 - i. no future Annuity Savings Fund contributions.
 - b. Detroit Police Command Officers Association Employees
 - i. voluntary Annuity Savings Fund contributions up to 10% of after-tax pay. Interest will be credited at the actual net investment rate of return for PFRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted.
 - c. Detroit Police Officers Association Employees
 - i. no future Annuity Savings Fund contributions.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. voluntary Annuity Savings Fund contributions up to 10% of after-tax pay. Interest will be credited at the actual net investment rate of return for PFRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted.
13. Investment Return/Discount rate – 6.75%
14. City Contributions
- a. Detroit Fire Fighters Association Employees
 - i. 11.2% of the base compensation of eligible employees. A portion of such contribution (not less than 1% of base compensation) will be credited to a rate stabilization fund.
 - b. Detroit Police Command Officers Association Employees
 - i. 12.25% of the base compensation of eligible employees. A portion of such contribution will be credited to a rate stabilization fund.

- c. Detroit Police Officers Association Employees
 - i. 11.2% of the base compensation of eligible employees. A portion of such contribution (not less than 1% of base compensation) will be credited to a rate stabilization fund.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. 12.25% of the base compensation of eligible employees. A portion of such contribution will be credited to a rate stabilization fund.
15. Employee Contributions – Employees hired before July 1, 2014 (current actives) will contribute 6% of base compensation (pre-risk shifting); employees hired on or after July 1, 2014 (new employees) will contribute 8% of base compensation (pre-risk shifting). Maximum employee contributions of 10% (current actives) and 12% (new employees).
16. Risk Shifting:
- a. If the funding level is less than 90% (using the fair market value of assets), COLAs will be eliminated (to the extent applicable).
 - b. If the funding level is 90% or lower (using the fair market value of assets and a 3-year look back period), the following corrective actions will be taken in the order listed below, until the actuary can state that by virtue of the use of corrective action, and a 6.75% discount rate and return assumption, the funding level is projected to be 100% on a market value basis within the next 5 years:
 - i. eliminate COLAs (if applicable);
 - ii. use amounts credited to the rate stabilization fund to fund accrued benefits;
 - iii. increase employee contributions by 1% per year (6% to 7% for current actives and 8% to 9% for new employees) for up to 5 years;
 - iv. increase employee contributions (active and new employees) by an additional 1% per year;
 - v. increase employee contributions (active and new employees) by an additional 1% per year;
 - vi. implement a 1 year COLA fallback;
 - vii. implement a second 1 year COLA fallback;
 - viii. increase employee contributions by an additional 1% per year; and
 - ix. increase City contributions consistent with applicable actuarial principles and PERSIA.

EXHIBIT I.A.214

FORM OF PLAN COP SETTLEMENT DOCUMENTS

Plan COP Settlement

This Plan COP Settlement is made and entered into as of the date that the City of Detroit (the "City") received from the beneficial holder of certain (a) Detroit Retirement Systems Funding Trust 2005 Certificates of Participation Series 2005-A, issued by the Detroit Retirement Systems Funding Trust 2005 pursuant to the 2005 COPs Agreement, in an initial principal amount of \$640 million, bearing interest at 4.0% to 4.948%, and/or (b) the (i) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-A, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$148.5 million, bearing interest at 5.989%; and (ii) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-B, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$800 million, bearing interest at a floating rate (collectively, the "COPs") (such beneficial holder, a "Settling COP Claimant") a timely-returned Ballot (a) accepting the SECOND AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT (April 15, 2014) (as it has been or may be further modified, supplemented or amended, the "Plan") and (b) electing to participate in this Plan COP Settlement. The City and the Settling COP Claimant shall each be referred to individually as a "Party" and collectively as the "Parties." Capitalized terms used herein, but not otherwise defined, have the meaning ascribed to such terms in the Plan.

RECITALS:

WHEREAS, pursuant to City Ordinance No. 05-05, the City organized the Detroit General Retirement System Service Corporation and the Detroit Police and Fire Retirement System Service Corporation (collectively, the "COP Service Corporations");

WHEREAS, the City is party to the (a) the GRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit General Retirement System Service Corporation; (b) the PFRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit Police and Fire Retirement System Service Corporation; (c) the GRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit General Retirement System Service Corporation; and (d) the PFRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit Police and Fire Retirement System Service Corporation, as each of the foregoing may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments (collectively, the "COP Service Contracts");

WHEREAS, the Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006 (collectively, the "Funding Trusts") were formed pursuant to (a) the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 2, 2005, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments (the "2005 COPs Agreement"), and (b) the Trust Agreement by and between the COP Service

Corporations and U.S. Bank National Association, as trustee, dated June 12, 2006, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments (the "2006 COPs Agreement"), respectively;

WHEREAS, pursuant to the 2005 COPs Agreement and 2006 COPs Agreement, the COP Service Corporations made an absolute transfer of all of their rights to receive certain payments from the City under their respective COP Service Contracts to the Funding Trusts;

WHEREAS, the City filed a petition for bankruptcy under chapter 9 of the Bankruptcy Code, 11 U.S.C. § 901, et seq., on July 18, 2013;

WHEREAS, the City filed the adversary proceeding captioned as *City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006*, Case No. 14-04112 (Bankr. E.D. Mich.), in the Chapter 9 Case on January 31, 2014 (the "COP Litigation"); and

WHEREAS, the City and the Settling COP Claimant desire to compromise certain COP Claims as set forth herein and in the timely-returned Ballot.

WHEREAS, this Plan COP Settlement is intended to set forth the terms and conditions of the settlement agreed to by the Parties hereto;

NOW, THEREFORE, in consideration of the recitals set forth above and promises made herein, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

Section 1. Allowance & Distribution

(a) For purposes of this Plan COP Settlement, "COP Claims" shall mean a Claim under, resulting from, or evidenced by the COP Service Contracts, including any Claim against the City for any act, omission, or representation (however described) arising from or relating to the (i) issuance, offering, underwriting, purchase, sale, ownership or trading of COPs, (ii) the COP Service Contracts, (iii) the 2005 COPs Agreement or 2006 COPs Agreement, (iv) the Funding Trusts, (v) the allegations that have been made or could have been made by the City or any other person in the COP Litigation or (vi) any policy of insurance relating to the COPs.

(b) The Settling COP Claimant[, on behalf of itself and its Affiliates,] shall have its COP Claims deemed to be Allowed Claims in an amount equal to 40% of the aggregate unpaid principal amount of COPs held by such Settling COP Claimant as reflected on the timely-returned Ballot submitted by or on behalf of such Settling COP Claimant and shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes pursuant to Section II.B.3.p.iii.A of the Plan.

Section 2. Full Satisfaction, No Double-Recovery

(a) Full Satisfaction. The allowance and distribution provided in Section 1 hereof shall be in full satisfaction, settlement, release and discharge of, and in exchange for, such COP Claims.

(b) No Double-Recovery. To the extent any party has filed or files a proof of claim against the City on behalf of the Settling COP Claimant or any of its Affiliates relating to the COP Claims subject to this Plan COP Settlement, the Settling COP Claimant agrees to return to the City any funds received by it or its Affiliates from the City on account of such proof of claim.

Section 3. Representations.

(a) The Settling COP Claimant represents and warrants to the City that (i) this Plan COP Settlement has been duly executed and delivered and constitutes a valid and binding obligation of such Party, enforceable against such Party in accordance with the terms hereof, (ii) it is not relying upon any statements, understandings, representations, expectations or agreements other than those expressly set forth in this Plan COP Settlement, (iii) it has had the opportunity to be represented and advised by legal counsel in connection with this Plan COP Settlement, which it enters voluntarily and of its own choice and not under coercion or duress, (iv) it has made its own investigation of the facts and is relying upon its own knowledge and the advice of its counsel and (v) it knowingly waives any and all claims that this Plan COP Settlement was induced by any misrepresentation or non-disclosure and knowingly waives any and all rights to rescind or avoid this Plan COP Settlement based upon presently existing facts, known or unknown. These representations and warranties shall survive the execution of this Plan COP Settlement indefinitely without regard to statutes of limitations.

(b) The Settling COP Claimant represents and warrants that the certifications set forth in the timely-returned Ballot are true and correct as of the date hereof.

(c) The Settling COP Claimant agrees and stipulates that the City is relying upon the representations and warranties in this Section in entering into the Plan COP Settlement. Furthermore, the Settling COP Claimant agrees that these representations and warranties are a material inducement for the City in entering into this Plan COP Settlement.

Section 4. Plan.

(a) Entire Agreement. This Plan COP Settlement shall constitute and form a part of the Plan. The failure to specifically describe or reference in this Plan COP Settlement any particular provision of the Plan shall not diminish or impair the effectiveness of any such provision.

(b) Effectiveness. This Plan COP Settlement is expressly conditioned upon and shall only become effective upon the occurrence of the Effective Date.

(c) Inconsistency. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of this Plan COP Settlement, the provisions of the Plan shall control and take precedence.

(d) Governing Law. This Plan COP Settlement will be governed by and construed in accordance with the “Governing Law” and “Retention of Jurisdiction” provisions of the Plan.

Section 5. No Third Party Rights.

Nothing herein shall be deemed to affect or impair any rights of the City or the Settling COP Claimant against any person or entity not included as a Party hereto. This Plan COP Settlement grants no rights to any third party.

Section 6. Intervention Rights

The Settling COP Claimant hereby waives any right it may have to seek to intervene, appear, support or otherwise participate in the COP Litigation.

Section 7. Miscellaneous.

(a) Binding Obligation; Successors and Assigns. This Plan COP Settlement is a legally valid and binding obligation of the Parties, enforceable in accordance with its terms, and will inure to the benefit of the Parties and their respective successors, assigns and transferees.

(b) Headings. The headings of all sections of this Plan COP Settlement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

(c) Execution in Counterparts. This Plan COP Settlement may be executed in any number of counterparts and by different Parties in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page by facsimile or PDF transmission shall be as effective as delivery of a manually executed counterpart.

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Plan COP Settlement on the date first written above.

EXHIBIT I.A.236

RETIREE HEALTH CARE SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

Plaintiffs, the Official Committee of Retirees of the City of Detroit, Michigan (the “Committee”), Detroit Retired City Employees Association, Retired Detroit Police and Fire Fighters Association, and AFSCME Sub-Chapter 98, City of Detroit Retirees (collectively with the Committee, the “Plaintiffs”) and Defendants, the City of Detroit, Michigan (the “City”) and Kevyn Orr, individually and in his official capacity as Emergency Manager of the City of Detroit, Michigan (collectively with the City, the “Defendants”), hereby enter into this Settlement Agreement as of the 14th day of February, 2014 (the “Agreement”), which contains the following terms:

I. GENERAL PROVISIONS

1. **Agreement Modifies March 1, 2014 Plan.** The City agrees to make the changes listed in Part II herein to the City of Detroit Retiree Health Care Plan for the period March 1, 2014 through December 31, 2014. The changes enumerated in Part II are modifications to the City of Detroit Retiree Health Care Plan described in the 2014 Health Care Plan Options Booklet (“Booklet”) distributed approximately January 2, 2014. These modifications are premised on the terms summarized in the Booklet going into effect on March 1, 2014, subject only to the modifications set forth in this Agreement, which resolves the Plaintiffs’ claims in Adversary Proceeding No. 14-04015 (the “Adversary Proceeding”).

2. **Modifications Will Not Decrease Benefits Offered in March 1, 2014 Plan.** None of the modifications in Part II reduces or eliminates any of the benefits in the City of Detroit Retiree Health Care Plan for the period March 1, 2014 through December 31, 2014 as described in the Booklet, except as specified in Part II(4)(a) and (b) below.

3. **Effective Date of Plan Modifications.** The modifications listed in Part II of this Agreement shall be effective with the beginning of the plan on March 1, 2014 unless otherwise noted in the Agreement.

4. **Aggregate Caps.** Unless specifically noted below, there is no cap on the amount that the City will spend to fulfill the modifications listed in Part II. For the two modifications listed in Part II(3)(a)/(b) and (d)/(e) that expressly include capped funds of \$2,500,000 and \$3,000,000, respectively, the City shall aggregate those caps to a total of \$5,500,000 such that if one capped fund is exhausted the City must draw from the other capped fund to the extent that the other capped fund has not been exhausted.

5. **Conditions on Agreement.** This Agreement, and the additional benefits set forth herein, are conditioned upon the City receiving debtor in possession financing that can be used for quality of life purposes on or before May 1, 2014 (the “DIP”). In the event the DIP is not in effect on or before May 1, 2014 and the City is unable to otherwise perform under this

Agreement, this Agreement shall be null and void and the parties shall be returned to their respective positions.

II. MODIFICATIONS TO THE CITY'S RETIREE HEALTH CARE PLAN FOR THE PERIOD MARCH 1, 2014 THROUGH DECEMBER 31, 2014

1. Modification of Dental and Vision Coverage.

- (a) **Dental Coverage.** The City will make available an additional dental benefits option in addition to the dental benefits coverage option described in the Booklet. The additional option will be offered by Golden Dental Inc. ("Golden"). The premium charged for this group coverage option will be no greater than \$23.73 per month for single coverage, \$38.83 per month for two-person coverage, and \$57.17 per month for family coverage, and the benefits will be as described in Exhibit 1 hereto; provided, however, that the amount charged to the retiree shall be increased to include an additional administrative charge, which administrative charge shall not exceed 20% of the applicable premium. The enrolling retiree will be fully responsible to pay the premium associated with this dental option, including the additional administrative charge, and the City shall allow the retirees to utilize the pension reduction feature for payment of the monthly premium. The City will use Reasonable Efforts to have such coverage effective June 1, 2014, including taking Reasonable Efforts to notify retirees by mail of this option as soon as practicable, and taking Reasonable Efforts to minimize the administrative charge. Reasonable Efforts, as used in this Agreement, requires the City to use good faith and reasonable diligence in light of its capabilities.
- (b) **Vision Coverage.** The City will make available an additional vision benefits option in addition to the vision benefits coverage option described in the Booklet. The additional option will be offered by Heritage Vision Plans, Inc. ("Heritage"). The premium for this group coverage option will be no greater than \$6.95 per month for single coverage and \$13.75 per month for 2 or more person coverage; provided, however, that the amount charged to the retiree shall be increased to include an additional administrative charge, which administrative charge shall not exceed 20% of the applicable premium. The option shall be a national network vision option similar to the option that the City provides to active employees. The enrolling retiree will be fully responsible to pay the premium associated with this vision option, including the additional administrative charge, and the City shall allow the retirees to utilize the pension reduction feature for payment of the monthly premium. The City will use Reasonable Efforts to have such coverage effective June 1, 2014, including taking Reasonable Efforts to notify retirees by mail of this option as soon as practicable, and taking Reasonable Efforts to minimize the administrative charge.

2. Modifications for Retirees Eligible for Medicare.

- (a) **Extension of Enrollment Deadline to Opt Out of Medicare Advantage Plan Coverage.** For retirees of the City who are enrolled in Medicare and receive

coverage under a City-sponsored Medicare Advantage Plan through February 28, 2014, the date to opt out of such coverage was extended to February 7, 2014. Such retirees may opt out by hand delivery (no later than close of business February 7) or first-class mail delivery (post-marked on or before February 7) of the designated opt out form to the City Benefits Administration Office at Suite 1026, 2 Woodward Avenue, Detroit MI 48226. Retirees were permitted to request the designated opt out form by calling the City's Benefit Administration Customer Service Line or contacting the City Benefits Administration Office at the address above. The City will use Reasonable Efforts to process any such opt outs for which it receives timely notice in a manner so as to eliminate such Medicare Advantage Plan coverage effective March 1, 2014. To the extent the City is not able to process the timely sent opt out notices in a manner so as to eliminate such coverage effective March 1, 2014, such coverage shall be eliminated effective April 1, 2014. Retirees who did not opt out by February 7, 2014 will be enrolled in a City-sponsored Medicare Advantage Plan as described in the Booklet.

- (b) **HRA Contribution for Medicare-Eligible Retirees Who Opt Out.** For each Medicare-eligible retiree who opted out of coverage under the City-sponsored Medicare Advantage Plans on or prior to February 7, 2014, the City shall automatically enroll such retiree in a City-sponsored Health Reimbursement Arrangement ("HRA"). The HRA shall be administered by Flex Plan, Inc. The City will provide each electing enrollee with a vested \$115 monthly contribution credit to his or her HRA during the remainder of 2014, which will carry forward until used by the retiree or otherwise forfeited under terms to be negotiated by the parties hereto. The City will make all Reasonable Efforts to implement the HRA credits effective May 1, 2014, retroactive to March 1, 2014. The initial monthly credit for May 2014 shall be in an amount equal to the total of \$115 multiplied by the number of months starting March 2014 for which the enrolled retiree did not have Medicare Advantage Plan coverage (e.g., if John Smith had City-sponsored Medicare Advantage Plan coverage until February 28, 2014, the initial monthly credit for May 2014 will be \$345, covering March, April, and May; thereafter, the payments shall be \$115 per month for each month in 2014).
- (c) **Medicare Advantage Plan Catastrophic Drug Expenses.** Each of the Medicare Advantage Plans sponsored by the City for the period March 1, 2014 through December 31, 2014 include Medicare Part D prescription drug coverage, under which, once the \$4,550 out-of-pocket threshold is met, the participant's cost sharing obligation is limited to the greater of 5% of the cost of the prescription, or \$2.55 per prescription for generic and preferred multi-source drugs or \$6.35 per prescription for all other prescription drugs; provided, that the participant's cost sharing obligation shall never be greater than the cost sharing that applied prior to the participant meeting such threshold. For each participant who meets the \$4,550 out-of-pocket threshold while enrolled in one of the City's Medicare Advantage Plans during the period March 1, 2014 through December 31, 2014, the City will reimburse the amount of this cost sharing obligation to the related

retiree. For the avoidance of doubt, participant means both retiree and any retiree's spouse who is covered by the City's Medicare Advantage Plans.

3. Modifications for Retirees Not Eligible for Medicare.

- (a) **Additional Stipend to Retirees With \$75,000 or Lower Household Income Who Acquire Health Care Coverage on an Exchange.** The City will provide non-duty disabled retirees who are not eligible for Medicare a \$125 stipend that they may use to purchase health care coverage. The City will increase this stipend by \$50 for any non-Medicare eligible retiree who either (i) was enrolled in the City's retiree health program on December 31, 2013 or (ii) transitioned from active City benefits to retiree City benefits on or after November 1, 2013; but only to the extent such retiree described in (i) or (ii) above meets the following requirements:

- i) Not eligible for Medicare or Medicaid;
- ii) Not eligible for a benefit under Part II(4);
- iii) Not a duty-disabled retiree (duty-disabled retirees are eligible for higher stipends as provided for in the Booklet);
- iv) Under 65 years old (non-Medicare eligible retirees age 65 and older may receive an increased stipend under Part II(3)(c) below);
- v) Household income is \$75,000 or less, as demonstrated by satisfaction of the process set forth in Part II(3)(b);
- vi) Does not acquire a City-offered group health plan as set forth in Part II(3)(f); and
- vii) Purchases or is covered by a health insurance policy acquired through a health insurance exchange ("Exchange") established pursuant to the Patient Protection and Affordable Care Act.

(b) **Process to Obtain Additional \$50 Monthly Stipend.**

- i) The City will retain Aon Hewitt to administer the eligibility process for the additional \$50 monthly stipend set forth above in Part II(3)(a). Retirees will be given a 30-day notice period, to expire no later than April 30, 2014, during which they shall provide to Aon Hewitt the following:
 - (1) Submission of having purchased an insurance policy through an Exchange that covers such retiree. Such submission shall include information necessary to validate the retiree's eligibility, including the name of the insurer, monthly premium amount, and the amount of federal

subsidy, if any, that the retiree is to receive in connection with such Exchange-acquired coverage; and

- (2) If the proof of Exchange-acquired coverage shows that the retiree's premium does not also include a federal subsidy amount, such retiree shall also submit a copy of his or her most recently filed federal income tax return with proof of filing, but in no event a return prior to the 2011 tax year. If such federal income tax return shows household income in excess of \$75,000 and the retiree believes that household income in 2013 was below \$75,000, the retiree shall also submit – along with a copy of the most recently filed federal income tax return – proof sufficient for Aon Hewitt to conclude that his or her household income in 2013 was less than \$75,000.
- ii) Aon Hewitt shall submit to the City its list of retirees eligible for the additional \$50 monthly stipend and the monthly stipends shall be paid to the approved eligible retirees beginning in the month of June 2014 or as soon thereafter as administratively practical, with payments retroactive to March 1, 2014. For example, if the first payment is made in June 2014, it will be in the amount of \$200 for the months of March, April, May, and June; thereafter, the payments shall be \$50 per month for each succeeding month in 2014. The list provided by Aon Hewitt shall be final and no changes shall be made to such list for the remainder of 2014.

The City shall cap the amount that it pays for this additional \$50 stipend during the period from March through December 2014 at \$3,000,000. In the event that there are more retirees meeting the requirements in Part II(3)(a) and (b) (i.e., retirees listed on the final list) than can be paid in full for \$3,000,000, each retiree will have his or her stipend amount reduced pro rata, unless there are additional funds that can be used as detailed in Part I(4).

- (c) **Additional Payment to Non-Medicare Eligible Retirees Age 65 and Older.**
The City will increase the stipend that it gives non-Medicare eligible retirees who are 65-years-old and older to \$300/month. For such purposes, a non-Medicare eligible retiree is any retiree age 65 or older who is not – directly or through his or her spouse – eligible to automatically enroll in and obtain premium-free coverage under Part A of Medicare as evidenced by a denial letter from the Centers for Medicare and Medicaid Services (“CMS”). Retirees who have previously submitted such a letter to the City will not be required to resubmit it. Non-Medicare eligible retirees who are duty-disabled will not be eligible for this increase because their stipend is already \$300 or more. The City will coordinate with Blue Cross Blue Shield of Michigan to determine the number of non-Medicare eligible retirees who are eligible for this \$300 stipend. The increased stipend will apply for each month from March 2014 through December 2014. The City will make all Reasonable Efforts to implement the \$300 increased

monthly stipend beginning April 1, 2014, with payment of the increased amount over the stipend otherwise paid for prior months being retroactive to March 1, 2014; thereafter, the stipend shall be \$300 per month for each succeeding month in 2014. Such eligible retirees will not receive any other stipend amounts from the City that are described in the Booklet or this Agreement.

(d) **\$125 Monthly Stipend For City Retirees' Spouses Who are Under Age 65, With \$75,000 or Lower Household Income, and Are Enrolled in Health Care Coverage on an Exchange.**

The City will provide a \$125 stipend to certain married retirees whose spouses either (i) were enrolled in the City's retiree health program on December 31, 2013 or (ii) transitioned from active City benefits to retiree City benefits on or after November 1, 2013; but only to the extent such spouse described in (i) or (ii) above meets the following requirements:

- i) Not eligible to enroll in one of the City's Medicare Advantage Plans;
- ii) Not eligible for Medicaid;
- iii) Not eligible for a benefit under Part II(4);
- iv) Under 65 years old;
- v) Household income is \$75,000 or less, as demonstrated by satisfaction of the process set forth in Part II(3)(e);
- vi) Does not acquire a City-offered group health plan as set forth in Part II(3)(f); and
- vii) Purchases or is covered by a health insurance policy acquired through an Exchange.

(e) **Process to Obtain \$125 Monthly Spouse Stipend.**

- i) The City will retain Aon Hewitt to administer the eligibility process for the \$125 monthly spouse stipend. Retirees will be given a 30-day notice period, to expire no later than April 30, 2014, during which they shall provide to Aon Hewitt the following proof:
 - (1) Submission of proof that their spouse is covered under an insurance policy purchased through an Exchange, including information necessary to validate the retirees' eligibility, including the name of the insurer, monthly premium amount, and the amount of federal subsidy, if any, that the spouse is to receive in connection with such Exchange-acquired coverage; and
 - (2) If the proof of Exchange-acquired coverage shows that the spouse's premium does not also include a federal subsidy

amount, such retiree shall also submit a copy of his or her most recently filed federal income tax return with proof of filing, but in no event a return prior to the 2011 tax year. If such federal income tax return shows household income in excess of \$75,000 and the retiree believes that household income in 2013 was below \$75,000, the retiree shall also submit – along with a copy of the most recently filed federal income tax return – proof sufficient for Aon Hewitt to conclude that his or her household income in 2013 was less than \$75,000.

- ii) Aon Hewitt shall submit to the City its list of retirees who are eligible for this \$125 monthly stipend and the monthly stipends shall be paid to the approved married retirees beginning in the month of June 2014 or as soon thereafter as administratively practical, with payments retroactive to March 1, 2014. For example, if the first payment is made in June 2014, it will be in the amount of \$500 for the months of March, April, May, and June; thereafter, the payments shall be \$125 per month for each succeeding month in 2014. The list provided by Aon Hewitt shall be final and no changes shall be made to such list for the remainder of 2014, except as follows:
 - (1) if an eligible retiree ceases to be married (whether by death or divorce), the retiree's spouse will cease to be eligible for this stipend and the retiree shall be removed from the list effective as of the month immediately following such event; and
 - (2) if a retiree's spouse transitions from active City benefits to retiree City benefits during 2014 and meets the eligibility provisions described in Part II(3)(d) and is approved as eligible pursuant to the process described in Part II(3)(e), the related retiree shall be added to the list effective as of the month in which the transition to retiree City benefits occurs, provided there is sufficient availability under the Aggregate Caps as described below.

The City will cap the amount that it pays for spousal stipends at \$2,500,000. In the event that there are more retirees initially satisfying the requirements in Part II(3)(e) (*i.e.*, retirees listed on the first list submitted by Aon Hewitt to the City) than can be paid in full for \$2,500,000, each such retiree will have his or her stipend amount reduced pro rata, provided that if there are additional funds that can be used as detailed in Part I(4), each such retiree will only have his or her stipend amount reduced pro rata to the extent the aggregate amount is not sufficient to satisfy the full amount of such stipends. Retirees who become eligible for this spousal stipend during the year, as described above, shall only be eligible for a stipend to the extent there is sufficient availability under the

Aggregate Caps detailed in Part I(4). The addition or removal of retirees from the list shall not impact the amount of the stipend being paid to other eligible retirees.

- (f) **City Group Plan.** In 2014, the City agrees to contract with Blue Cross Blue Shield of Michigan to offer a fully-insured group health plan option to retirees who are not eligible for Medicare. Such plan option shall be reasonably equivalent to the coverage offered by the City to active employees in 2014. The enrolling retiree will be fully responsible to pay the monthly premium associated with this option. The premium cost to retirees of such policy will include the cost to the City of enrollment and administration related to this policy option, so that the City will not incur any additional expense in offering this policy. The parties will use Reasonable Efforts to have such coverage effective May 1, 2014. The City shall provide a monthly stipend of \$100 to each retiree who enrolls in the City group plan, beginning with the May 1, 2014 payment. No other stipend amounts from the City that are described in the Booklet or this Agreement shall be available to retirees enrolling in this group option, unless either (i) the retiree is duty-disabled, in which case, he or she will instead receive the stipend available to duty-disabled retirees described in the Booklet, or (ii) the retiree is eligible for the stipend described in Part II(3)I, in which case, he or she will instead receive such stipend.

4. Modifications for Retirees Below the Federal Poverty Level.

- (a) **Coverage for Michigan Resident Retirees Eligible For Medicaid Coverage On or After April 1, 2014.** The parties recognize that CMS has approved the State of Michigan's request to operate the "Healthy Michigan" program for adults who will become eligible for Medicaid under Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act, and that on April 1, 2014 Michigan will provide Medicaid coverage to all adults residing in the State with income up to and including 133% of the Federal Poverty Level. "Federal Poverty Level" means the applicable poverty guideline based on state of residence and household size issued annually by the U.S. Department of Health and Human Services. For those retirees who are eligible for Medicaid under the scheduled April 1, 2014 expansion, the City will facilitate their transition in the following manner: Within 10 days of the effective date of this Agreement, the City shall contact by letter those non-Medicare eligible retirees, who, according to the Retirement Systems' records, reside in Michigan and whose annual pension income is in an amount less than 100% of the Federal Poverty Level. Such retirees will be given a 30 day opportunity to submit to Aon Hewitt proof that their income falls below the Federal Poverty Level. Upon receipt by Aon Hewitt of a list of such retirees falling below the Federal Poverty Level, the City shall provide payment to such retirees of the amount equal to the value of the federal subsidy for the month of March that they would have received in connection with the second lowest cost Exchange-purchased silver plan, had such retiree, and to the extent the retiree is married, such retiree's spouse, been eligible for such subsidy for the month of March 2014 for such plan based on a determination of household income at 100% of the Federal Poverty Level. A similar payment will be made by the City in

connection with insurance coverage for April 2014 if such retiree and spouse are not covered by Medicaid. To the extent that the Medicaid expansion rules in Michigan have not provided such retirees the opportunity to migrate into the Michigan Medicaid program by May 1, 2014, the City shall cease its continued payment but the parties agree to negotiate in good faith an additional reasonable accommodation to such retirees that balances the City's and such retirees' interests. *Retirees eligible for payments under this subsection are not eligible for any other payment offered by the City as set forth in the Booklet or as set forth in this Agreement.*

- (b) **Coverage for Non-Medicare Eligible Retirees in States that Have Not Expanded Medicaid.** The City recognizes that not all States have chosen to expand Medicaid coverage in accordance with Title II of the Patient Protection and Affordable Care Act, and certain non-Medicare eligible retirees residing outside the State of Michigan whose incomes fall below 133% of the Federal Poverty Level will not be eligible for Medicaid coverage. Accordingly, in connection with such retirees, the City will pay a monthly amount equal to the lesser of: (1) the second lowest cost monthly premium for a silver plan for such retiree and spouse purchased through an Exchange in their place of residence; or (2) the ratable monthly amount necessary to increase the retiree's annual household income to 100% of the Federal Poverty Level. Within 10 days of the effective date of this Agreement, the City shall contact by letter those retirees, who, according to the Retirement Systems' records, reside in states that do not provide Medicaid coverage to adults up to the Federal Poverty Level, and whose annual pension income is in an amount less than 100% of the Federal Poverty Level. Such retirees will be given a 30 day opportunity to submit to Aon Hewitt proof that their income falls below the Federal Poverty Level. The City shall commence such payments as soon as reasonably practicable after receiving a list of such retirees from Aon Hewitt. *Retirees eligible for payments under this subsection are not eligible for any other payment offered by the City as set forth in the Booklet or as set forth in this Agreement.*

III. RELEASES, FUTURE LEGAL PROCEEDINGS, AND MISCELLANEOUS

1. **Future Claims in City Plan Confirmation Proceedings.** This Agreement is entered into without prejudice to any party to this litigation with respect to any issue involving the rights, claims, obligations, and payments of health care and other post-employment benefits ("OPEB"); provided that the City will not seek to recover directly from the retirees any postpetition OPEB payments made to or on behalf of retirees. Each party expressly reserves its rights on OPEB issues in connection with negotiations of a plan of adjustment, and the Plaintiffs are free to pursue, and the City to oppose, their position that the postpetition OPEB payments the City made to or on behalf of retirees were a business necessity.

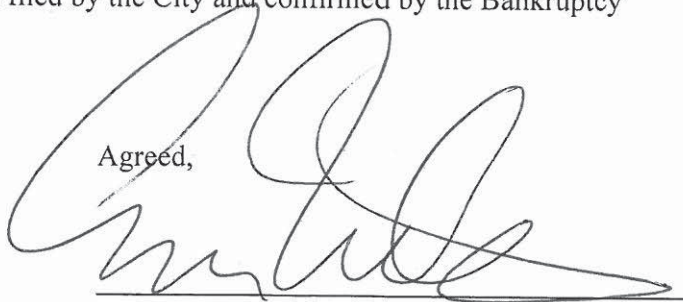
2. **Release.** Following the execution of this Agreement, the Plaintiffs will promptly dismiss the lawsuit – which solely addresses 2014 retiree health care benefits – with prejudice; provided, however, that any party to the lawsuit may bring an action in the Bankruptcy Court to enforce the terms of this Agreement resolving the lawsuit (an "Enforcement Action") and if the

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

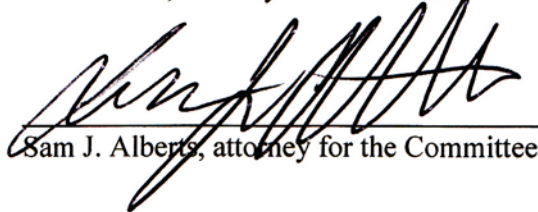
3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants



Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.


4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee



Brian O'Keefe, attorney for Detroit Retired City Employees Association and Retiree Police and Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City Employees Association and Retiree Police and Fire Fighters Association



Richard Mack, attorney for AFSCME Sub-Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

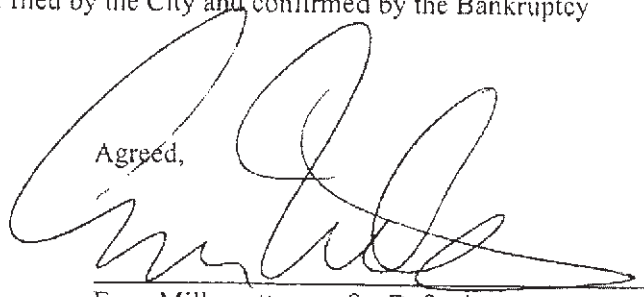
conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,



Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:



Judge Wiley Daniel, Mediator

EXHIBIT 1

(See next page)



January 2014

Certificate of Coverage City of Detroit Retirees

CLASS I

Diagnostic and Preventive:

Exams, X-Rays, Prophylaxis, Fluoride -up to age 19

100%

CLASS II

Restorative:

Fillings, Root Canals, Routine Extractions

100%

CLASS III

Prosthetics:

Crowns, Bridges, Partials, Dentures, Space Maintainers

80%

CLASS IV

Specialty Care:

Periodontics

Endodontics

Oral Surgery

70%

ORTHODONTICS (Interceptive excluded)

Lifetime Benefit Maximum: Dependents up to age 19

\$3,000

Lifetime Benefit Maximum: Subscriber and Spouse

\$3,000

Out-Of-Area Emergency Coverage \$100 reimbursement

Annual Maximum: \$1,600.00

Annual Renewal: 07/01

Membership Card Reads: Detroit Retirees

Rate Type	Current Rates
Single Person	\$23.73
Family of two	\$38.83
Family	\$57.17

EXHIBIT I.A.244

SCHEDULE OF SECURED GO BOND DOCUMENTS

SCHEDULE OF SECURED GO BOND DOCUMENTS

Secured GO Bond Documents	Series of Secured GO Bonds	Balance as of Petition Date
Resolution of the City Council adopted February 23, 2010 Finance Director's Order dated March 11, 2010 Master Debt Retirement Trust Indenture dated as of March 1, 2010, as supplemented and amended (the " <u>Master Indenture</u> "), between the City of Detroit and U.S. Bank National Association, as trustee	Distributable State Aid General Obligation Limited Tax Bonds, Series 2010	\$252,475,366
Resolution of the City Council adopted July 20, 2010 Finance Director's Order dated December 9, 2010 Master Indenture	Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds – Direct Payment)	\$101,707,848
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(A2) and Series 2012(B2)) Finance Director's Order dated July 3, 2012 (Series 2012 (A2) and Series 2012(B2)) Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2)) Master Indenture	Self Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A2)	\$39,254,171
Resolution of the City adopted March 27, 2012 Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2)) Master Indenture	Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B)	\$31,037,724

Secured GO Bond Documents	Series of Secured GO Bonds	Balance as of Petition Date
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(B)) Finance Director's Order dated July 3, 2012 (Series 2012(B)) Finance Director's Order dated August 16, 2012 (Series 2012(B)) Master Indenture	General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation), Series 2012(B)	\$6,469,135
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(A2) and Series 2012(B2)) Finance Director's Order dated July 3, 2012 (Series 2012 (A2) and Series 2012(B2)) Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2)) Master Indenture	Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2)	\$54,055,927

EXHIBIT I.A.268

FORM OF STATE CONTRIBUTION AGREEMENT

CONTRIBUTION AGREEMENT

This Contribution Agreement ("Agreement"), dated as of _____, 2014, is made by and among the Michigan Settlement Administration Authority, a Michigan body public corporate (the "Authority"), the General Retirement System for the City of Detroit, the Police and Fire Retirement System for the City of Detroit and the City of Detroit (the "City").

RECITALS

A. The City filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 (the "Chapter 9 Case") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Court").

B. During the course of the Chapter 9 Case, the City has asserted that the City's Police and Fire Retirement System (the "PFRS" or a "System") and the General Retirement System (the "GRS" or a "System") are underfunded.

C. During the course of the Chapter 9 Case, there have been suggestions that the State of Michigan (the "State") may be obligated to pay a portion of the underfunding of pension benefits payable to retirees, a suggestion the State vigorously disputes.

D. As part of the mediation process in the Chapter 9 Case, the mediators asked the State and other parties to consider contributing funds to assist in reducing the amount of underfunding in the PFRS and GRS pension funds by providing additional settlement funds for the benefit of pensioners that would not be otherwise available.

E. As part of its determination that the City was eligible to file the Chapter 9 Case, the Court determined that pension obligations of the City can be impaired or diminished in the Chapter 9 Case and are not protected from such impairment or diminution by the State Constitution.

F. In support of confirmation of the City's Fourth Amended Plan of Adjustment dated May 2, 2014 (as may be further amended from time to time, the "Plan"), the State has agreed, subject to satisfaction of specific conditions, to make a contribution to the GRS and PFRS in return for releases from, among other things, any claims against the State and the State Related Entities described in this Agreement.

G. On _____, 2014, the Authority was established as the disbursement agent for the State with respect to the State Contribution (as defined below).

H. Capitalized terms used in this Agreement but not defined have the same meaning as set forth in the Plan.

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. State Contribution. On the later of (a) the date on which the Conditions Precedent have been satisfied, and (b) 60 days after the Effective Date of the Plan, the Authority shall disburse \$[_____] to GRS and \$[_____] to PFRS (collectively, the "State Contribution")

for the purpose of increasing the assets of the PFRS and GRS. The total aggregate State Contribution is equal to the net present value of \$350,000,000 payable over 20 years determined using a discount rate of 6.75%, which results in a total contribution by the State of \$194,800,000. The State Contribution shall only be used to fund payments to holders of GRS Pension Claims and PFRS Pension Claims, each as defined in the Plan.

2. Governance Requirements of the GRS and PFRS. At all times during the 20 year period following the disbursement of the State Contribution to the GRS and PFRS, the GRS and PFRS each must establish an investment committee (the “Investment Committee”) for the purpose of making recommendations to, and approving certain actions by, the respective System's board of trustees and/or making determinations and taking action under and with respect to Investment Management, as set forth in the terms and conditions enumerated on **Exhibit A** and **Exhibit B**, respectively, each attached to and incorporated by reference into this Agreement.

3. Income Stabilization Funds and Income Stabilization Payments. The City, GRS and PFRS shall establish an income stabilization program and amend the governing documents for GRS and the governing documents for PFRS to include the following:

- a. A supplemental pension income stabilization payment (the “Income Stabilization Payment”) payable on an annual basis beginning not later than 120 days after the Effective Date, to each Eligible Pensioner equal to the lesser of (a) the amount needed to restore the Eligible Pensioner's reduced pension benefit to the amount of the pension benefit that the Eligible Pensioner received from GRS or PFRS in 2013, or (b) the amount needed to bring the total annual household income of the Eligible Pensioner up to 130% of the Federal Poverty Level in 2013.
- b. In addition, to the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income in any calendar year is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional benefit (“Income Stabilization Benefit Plus”). The Income Stabilization Benefit Plus shall be equal to the lesser of either (a) the amount needed to restore 100% of the Eligible Pensioner's pension benefits, including escalators and cost of living adjustments; or (b) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.
- c. An Eligible Pensioner's “Estimated Adjusted Annual Household Income” shall be calculated as follows: (i) the annual pension benefit amount paid in 2013 shall be subtracted from the Eligible Pensioner's 2013 total household income (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation), as adjusted for inflation or Social Security COLA increases, to create a base additional income amount, plus (ii) the following three items as applicable, (x) the reduced pension benefit that GRS or PFRS will pay the

Eligible Pensioner for that year, (y) any GRS or PFRS pension restoration due to an improved GRS or PFRS funding level, and (z) the Eligible Pensioner's Income Stabilization Benefit. Notwithstanding the foregoing, Income Stabilization Payments, including the Income Stabilization Benefit Plus, under both GRS and PFRS shall not exceed \$20 million in aggregate.

- d. A separate recordkeeping sub-account called the "Income Stabilization Fund" will be set up under each of GRS and PFRS for the sole purpose of paying the Income Stabilization Payments, including Income Stabilization Benefit Plus payments, to Eligible Pensioners. The assets credited to the sub-accounts will be invested on a commingled basis with the applicable System's assets and will be credited with a pro-rata portion of the System's earnings and losses.
- e. Amounts credited to the Income Stabilization Fund, including the Assigned UTGO Bond Tax Proceeds, may not be used for any purpose other than the payment of Income Stabilization Payments, including Income Stabilization Benefit Plus payments, to Eligible Pensioners, except as expressly provided in subparagraph (f) below.
- f. In 2022, provided that the State has not issued a certificate of default with respect to a System at any time prior to 2022, the Investment Committee for that System shall conduct a valuation to determine the Income Stabilization Payments, including Income Stabilization Benefit Plus payments, anticipated to be made from the System in the future, in order for the System to fulfill the obligation to make such payments (the "Estimated Future Liability"). In the event that 75% of the independent members of the Investment Committee determine that the GRS or PFRS Income Stabilization Fund is credited with assets in excess of its Estimated Future Liability (the "Excess Assets"), the Investment Committee may, in its sole discretion, recommend to the Board of Trustees that the Excess Assets, but not more than \$35 million, be used to fund that System's Adjusted Pension Benefits. The Investment Committee shall have the right to engage professionals to assist in this task as necessary, and such expenses shall be paid by the Systems. If any funds remain in the GRS or PFRS Income Stabilization Fund on the date upon which no Eligible Pensioners under their respective System are living, the remainder of that System's Income Stabilization Fund shall be used to fund that System's Adjusted Pension Benefits.
- g. "Eligible Pensioners" are those retirees or surviving spouses who are at least 60 years of age or those minor children receiving survivor benefits from GRS or PFRS, each as of the Effective Date, whose pension benefit from GRS or PFRS will be reduced by the confirmed Plan, and who have a total household income equal to or less than 140% of the Federal Poverty Line in 2013 (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation).

No new persons will be eligible to receive an Income Stabilization Payment at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

- h. The initial determination of Eligible Pensioners, and the amounts of Income Stabilization Payments payable to Eligible Pensioners shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board of Trustees of GRS and PFRS, as applicable. The Board of Trustees, with the assistance of the Investment Committee of GRS and PFRS, shall be responsible for properly administering the respective Income Stabilization Fund and annually certifying to the Treasurer that it has properly administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners.

4. Conditions Precedent. The Authority's obligations under this Agreement are not effective or enforceable until each of the following conditions (the "Conditions Precedent") have been met to the satisfaction of the Authority and the Treasurer, unless any one or more of such conditions are waived in a writing executed by the Authority and the Treasurer:

- a. The Authority receives the State Contribution from the State.
- b. An endorsement of the Plan by the Official Retiree Committee which will include a letter from the Official Retiree Committee as part of the Plan solicitation package recommending to Classes 10 and 11 a vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in the respective classes.
- c. Cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, as it related to the City (a) challenging PA 436 or any actions taken pursuant to PA 436, including but not limited to, a dismissal with prejudice of the cases set forth on **Exhibit D**, or (b) seeking to enforce Article IX, Section 24 of the Michigan Constitution.
- d. Active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way (including funding) the litigation described in subparagraph 4(c) by the parties listed on **Exhibit C**, or equivalent assurance of litigation finality
- e. Classes 10 and 11 accept the Plan.
- f. By September 30, 2014, the Court enters a final, non-appealable order confirming the Plan that includes, at a minimum, the following:
 - i. A release of the State and State Related Entities by each holder of a Pension Claim of all Liabilities arising from or related to the

City, the Chapter 9 case (including the authorization to file the Chapter 9 Case), the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution.

- ii. A requirement that the governing documents of GRS and the governing documents of PFRS be amended to include:
 - a) the governance terms and conditions set forth in Paragraph 2, Exhibit A and Exhibit B of this Agreement; and
 - b) the Income Stabilization Payments, the Income Stabilization Benefit Plus payments, and Income Stabilization Fund described in Paragraph 3 of this Agreement.
- iii. Approval of, and authority for the City to enter into, the UTGO Settlement.
- iv. A requirement that the City irrevocably assigns the right to receive not less than an aggregate amount of \$20,000,000 of the payments on the Reinstated Stub UTGO Bonds to the Income Stabilization Funds of the GRS and PFRS. Such payments will be made to the Income Stabilization Funds in the form of annual installment payments over a 14 year period, **[pursuant to a payment schedule approved by the State.]**
- v. Approval of, and authority for the City to enter into, the DIA Settlement.
- vi. Agreement to and compliance with MCL 141.1561 and cooperation with the transition advisory board appointed pursuant to MCL 141.1563, or compliance with any new legislation that is enacted regarding post-bankruptcy governance.
- g. Evidence satisfactory to the State of an irrevocable commitment by:
 - i. The Foundations to fund \$366,000,000 (or the net present value thereof) as part of the DIA Settlement; and
 - ii. The DIA Corp. to fund \$100,000,000 (or the net present value thereof) as part of the DIA Settlement.
- h. The Plan Effective Date occurs on or before December 31, 2014.

5. Non-occurrence of Conditions Precedent. If the Conditions Precedent are not met to the satisfaction of the Authority and the Treasurer on or before December 31, 2014, upon

written request of the Treasurer, the Authority shall remit the State Contribution to the Department and shall have no further obligations under this Agreement.

6. Default by GRS and PFRS and Remedies.

- a. A System will be in default if the System has not complied with any of the conditions set forth in the Plan, its respective governing documents, or this Agreement, including but not limited to failing to make the required Income Stabilization Payments or Income Stabilization Benefit Plus payments, or using funds in the Income Stabilization Fund for unauthorized purposes.
- b. In the event of default by a System, and failure of the System to promptly cure such default to the satisfaction of the Treasurer within the time period reasonably established by the Treasurer, no portion of the total State Contribution to the defaulting System, as adjusted for earnings and losses, may be taken into consideration by the System during the remainder of the 20 year period following the date of such default for purposes of determining whether benefits reduced by the Plan may be restored. Notwithstanding the foregoing, in the event that a default is cured in a subsequent year, the Treasurer may determine in his or her sole discretion (taking into consideration such factors as the financial impact of the default on the System) that the defaulting System may once again include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.
- c. Each Board of Trustees shall provide reports to the Treasurer on a semi-annual basis and at such other times as the Treasurer reasonably may request in order for the Treasurer to determine that the conditions set forth herein have been satisfied. The Treasurer shall provide either a certificate of compliance, or in the event of a default that has not been cured to the Treasurer's satisfaction, a notice of default, upon request of the System or any of the independent members of the Board of Trustees.
- d. Notwithstanding the foregoing, in the event of a default, the Treasurer and the Authority shall have the right to pursue all available legal and equitable remedies against the Board of Trustees for the defaulting System, the Investment Committee, or any other person.

7. Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

8. Governing Law/Jurisdiction. This Agreement shall be construed in accordance with the laws of the State of Michigan, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with

such laws. The Bankruptcy Court of the Eastern District of Michigan shall have exclusive jurisdiction over any action or proceeding solely with respect to this Agreement, and each party, to the extent permitted by law, agrees to submit to such jurisdiction and to waive any defense based on venue or jurisdiction of such court.

9. Amendment. This Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived only by an instrument in writing signed by each of the Parties.

10. Limitation of Liability. The obligation to make the State Contribution is not a general obligation or indebtedness of the State or the Authority and is subject to satisfaction of the conditions described herein. Furthermore, neither the State nor the Authority has any liability or obligation arising from or related to the contributions and funding of the Income Stabilization Fund of each System. Notwithstanding anything contained herein to the contrary, no State Related Entity or board member of the Authority shall have any liability for the representations, warranties, covenants, agreements or other obligations of the State or the Authority hereunder or in any of the certificates, notices or agreements delivered pursuant hereto.

11. Severability. If any one or more of the covenants, agreements or provisions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of any such covenants, agreements and provisions shall in no way affect the validity or effectiveness of the remainder of this Agreement, and it shall continue in force to the fullest extent permitted by law.

12. Headings. Any headings preceding the text of the several articles and sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience or reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

[Remainder of Page Intentionally Left Blank – Signatures on Following Page]

**MICHIGAN SETTLEMENT ADMINISTRATION
AUTHORITY**

By: _____
Title: Authorized Officer

**GENERAL RETIREMENT SYSTEM FOR THE
CITY OF DETROIT**

By: _____
Title: Authorized Officer

**POLICE AND FIRE RETIREMENT SYSTEM FOR
THE CITY OF DETROIT**

By: _____
Title: Authorized Officer

CITY OF DETROIT

By: _____
Title: Emergency Manager

EXHIBIT A – GRS Governance Terms

In re City of Detroit, Michigan

INVESTMENT COMMITTEE GOVERNANCE
FOR GENERAL RETIREMENT SYSTEM

PREAMBLE	This document was prepared to set forth the pension governance requirements under the State Contribution Agreement applicable to the General Retirement System of the City of Detroit (GRS).
SCOPE OF GOVERNANCE	The GRS is currently administered by a ten (10) member Board of Trustees that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The GRS Board currently makes all administrative, actuarial and investment related decisions for the GRS. Upon the Effective Date under the POA, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee (“IC”) which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the GRS Board in the ordinary course of its affairs.
INVESTMENT COMMITTEE	<p>The GRS Investment Committee (“GRS IC”) shall consist of seven (7) voting members consisting of:</p> <ul style="list-style-type: none">i. Five (5) Independent Members;ii. One (1) Employee Member; andiii. One (1) Retiree Member. <p>Collectively, or individually, “Members” or “Member”.</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined by MCL 38.1132d (4).</p> <p>Each Independent Member of the GRS IC shall have expert knowledge or extensive experience with respect to either: (a) economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the GRS IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the GRS IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial GRS IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the GRS Board, in consultation with the Foundations, and named in the POA. Successor Independent Members shall be appointed by a majority of the remaining Independent Members after three (3) weeks’ notice to the GRS Board and the State Treasurer of the individuals chosen, in accordance with such rules and regulations</p>

	<p>as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>If the five (5) initial GRS IC Independent Members are not selected by mutual agreement by the time of confirmation of the City's Plan of Adjustment, then the five (5) initial GRS IC Independent Members shall be selected by the Bankruptcy Court.</p> <p>In the event the Bankruptcy Court selects the Independent Members as described immediately above, Successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the GRS Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Member shall be an employee-elected Member from the GRS Board appointed by the GRS Board. The initial Employee Member will be _____.</p> <p>The Retiree Member shall be a retiree-elected Member from the GRS Board appointed by the GRS Board. The initial Retiree Member will be _____.</p> <p>The terms of office of the initial GRS IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the GRS IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the GRS IC and neglects to perform those duties, (b) the Member has committed a material breach of GRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the GRS IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC</p>
--	--

	<p>Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by avote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the GRS IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the GRS IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the GRS shall be payable out of the investment returns of the GRS.</p> <p>The GRS IC shall be an investment fiduciary to the GRS. An IC Member or other fiduciary under the GRS shall discharge his or her duties with respect to the GRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the GRS IC shall comply with all GRS Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
GRS IC MEETINGS	<p>The GRS IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The GRS IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the GRS IC, so long as at least three (3) Independent Members are present. Each Member shall be entitled to one vote on each question before the IC and at least four (4) concurring votes shall</p>

	be necessary for a decision of the committee.
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The GRS IC shall serve in a fiduciary capacity with respect to the Investment Management of all GRS Plan Assets, the investment return assumption, and GRS Board compliance with benefit plan provisions, as set forth more fully below. The GRS IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5).</p> <p>All Investment Management decisions approved by the GRS Board shall require a recommendation by an affirmative vote of the GRS IC, in accordance with the provisions of this agreement. All actions and recommendations of the GRS IC shall be forwarded to the GRS Board for consideration and are subject to GRS Board approval. The GRS Board shall take no action with respect to any matter for which the GRS IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the GRS IC. If the GRS Board fails to act with respect to an Investment Management decision that has been recommended by an affirmative vote of the GRS IC, and such failure continues for 45 days after the date that the recommendation was made to the GRS Board, then the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the GRS Board disapproves action recommended by an affirmative vote of the GRS IC and does not provide a detailed written response outlining the reasons for such disapproval, then the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the GRS Board disapproves such action and provides a detailed written response outlining the reasons for such disapproval, the IC shall have 45 days after the receipt of the response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days of such request by the GRS IC, unless a later date is agreed to in writing by the GRS Board and the GRS IC, to discuss the disapproval by the Board described in the written response. Within ten (10) days of the conclusion of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision.</p> <p>"Investment Management" with respect to GRS Plan Assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing sound and consistent investment goals, objectives and performance measurement standards

	<p>which are consistent with the needs of the Plan.</p> <ol style="list-style-type: none"> 2. Within 120 days after the Effective Date of the POA, all of the GRS assets not already under qualified management, if any, must be managed by qualified managers selected by the IC. 3. Evaluating and selecting Qualified Manager(s) to invest and manage the Plan's assets. 4. Evaluating and selecting the Plan Actuary to prepare annual actuarial valuation reports and any other projections or reports used to determine restoration of pension benefits. 5. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 6. Determining how Plan assets should be allocated among various asset classes. 7. Determining, in conjunction with the Plan Actuary, any and all calculations and/or assessments underlying the restoration of pension benefits. 8. Reviewing and evaluating the results of the investment managers in context with established standards of performance, including restoration of pension benefits. 9. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 10. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 11. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 12. Reviewing and approving, prior to issuance, the annual audit and all financial reports prepared on behalf of the GRS. 13. Causing an asset/liability valuation study to be performed for GRS every two (2) years, or as requested by the GRS IC or GRS Board. <p>The GRS IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of asset allocation policy, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. In establishing the GRS investment allocation and
--	---

	<p>investment policy target return, the desire to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Variable Restoration Program, to the extent that is prudent.</p> <p>3. The liquidity needs of the GRS Plan.</p> <p>The fact that the IC makes a recommendation to the Board which is not recommended by the CRS CIO or the Investment Consultant shall not be a basis or factor in determining a breach of fiduciary duty.</p>
CHIEF INVESTMENT OFFICER (CIO)	The IC shall have the exclusive power to retain and discharge the GRS CIO, set and approve any and all compensation for, and terms of employment of, the GRS CIO. With respect to GRS plan assets, the GRS CIO shall report directly to the GRS IC and the GRS Board. The CIO shall be responsible for assisting the GRS IC and the GRS Board in overseeing the GRS's investment portfolio.
PLAN ACTUARY	[To Be Negotiated and Agreed Upon]
QUALIFIED MANAGER(S)	[To Be Negotiated and Agreed Upon]

DETROIT 56620-1 1313895v8

EXHIBIT B – PFRS Governance Terms

INVESTMENT COMMITTEE GOVERNANCE FOR POLICE AND FIRE RETIREMENT SYSTEM

PREAMBLE	This document was prepared to set forth the pension governance requirement under the State Contribution Agreement applicable to the Police and Fire Retirement System of the City of Detroit (PFRS).
SCOPE OF GOVERNANCE	The PFRS is currently administered by a ten (10) member Board of Trustees that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The PFRS Board currently makes all administrative, actuarial and investment related decisions for the PFRS. Upon the Effective Date under the POA, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee ("IC") which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the PFRS Board in the ordinary course of its affairs.
INVESTMENT COMMITTEE	<p>The PFRS Investment Committee ("PFRS IC") shall consist of nine (9) voting members consisting of:</p> <ul style="list-style-type: none"> i. Five (5) Independent Members; ii. Two (2) Employee Members; and iii. Two (2) Retiree Members. <p>There shall be one Employee Member elected by the active police officers eligible for a pension from the PFRS and one from the active firefighters eligible for a pension from the PFRS.</p> <p>There shall be one Retiree Member elected by the retired police officers receiving a pension from the PFRS and one retired firefighter receiving a pension from the PFRS. Each of the four (4) uniformed Members shall have one-half (1/2) vote.</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined in MCL 38.1132d(4).</p> <p>Each Independent Member of the PFRS IC shall have expert knowledge or extensive experience with respect to either: (a)</p>

	<p>economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the PFRS IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the PFRS IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial GRS IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the GRS Board, in consultation with the Foundations, and named in the POA. Successor Independent Members shall be appointed by a majority of the remaining Independent Members after three (3) weeks' notice to the GRS Board and the State Treasurer of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>If the five (5) initial GRS IC Independent Members are not selected by mutual agreement by the time of confirmation of the City's Plan of adjustment, then the five (5) initial GRS IC Independent Members shall be selected by the Bankruptcy Court.</p> <p>In the event the Bankruptcy Court selects the Independent Members as described immediately above, Successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the GRS Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Members shall be employee-elected Members from the PFRS Board appointed by the PFRS Board. The initial Employee Members will be _____.</p> <p>The Retiree Members shall be retiree-elected Members from the PFRS Board appointed by the PFRS Board. The initial Retiree Members will be _____.</p> <p>The terms of office of the initial PFRS IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent</p>
--	---

	<p>Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the PFRS IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the PFRS IC and neglects to perform those duties, (b) the Member has committed a material breach of PFRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the PFRS IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by a vote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the PFRS IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the PFRS IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the PFRS shall be payable out of the investment returns of the PFRS.</p> <p>The PFRS IC shall be an investment fiduciary to the PFRS. An</p>
--	--

	<p>IC Member or other fiduciary under the PFRS shall discharge his or her duties with respect to the PFRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the PFRS IC shall comply with all PFRS Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
PFRS IC MEETINGS	<p>The PFRS IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The PFRS IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the PFRS IC, so long as at least three (3) Independent Members are present. Each Independent Member shall be entitled to one vote on each question before the IC and each Employee Member and Retiree Member shall be entitled to one-half (1/2) vote on each question before the IC. In each case, at least four (4) concurring votes shall be necessary for a decision of the committee.</p>
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The PFRS IC shall serve in a fiduciary capacity with respect to the Investment Management of all PFRS Plan Assets, the investment return assumption, and PFRS Board compliance with benefit plan provisions, as set forth more fully below. The PFRS IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5).</p> <p>All Investment Management decisions approved by the PFRS Board shall require a recommendation by an affirmative vote of the PFRS IC, in accordance with the provisions of this agreement. All actions and recommendations of the PFRS IC shall be forwarded to the PFRS Board for consideration and are</p>

	<p>subject to PFRS Board approval. The PFRS Board shall take no action with respect to any matter for which the PFRS IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the PFRS IC. If the PFRS Board fails to act with respect to an Investment Management decision that has been recommended by an affirmative vote of the PFRS IC, and such failure continues for 45 days after the date that the recommendation was made to the PFRS Board, then the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the PFRS Board disapproves action recommended by an affirmative vote of the PFRS IC and does not provide a detailed written response outlining the reasons for such disapproval, then the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the PFRS Board disapproves such action and provides a detailed written response outlining the reasons for such disapproval, the PFRS IC shall have 45 days after the receipt of the response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days of such request by the PFRS IC, unless a later date is agreed to in writing by the PFRS Board and the PFRS IC, to discuss the disapproval by the Board described in the written response. Within ten (10) days of the commencement of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision.</p> <p>“Investment Management” with respect to PFRS Plan Assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan. 2. Within 120 days after the Effective Date of the POA, all of the PFRS assets not already under qualified management, if any, must be managed by qualified managers selected by the IC.
--	---

	<ol style="list-style-type: none"> 3. Evaluating and selecting Qualified Manager(s) to invest and manage the Plan's assets. 4. Evaluating and selecting the Plan Actuary to prepare annual actuarial valuation reports and any other projections or reports used to determine restoration of pension benefits. 5. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 6. Determining how Plan assets should be allocated among various asset classes. 7. Determining, in conjunction with the Plan Actuary, any and all calculations and/or assessments underlying the restoration of pension benefits. 8. Reviewing and evaluating the results of the investment managers in context with established standards of performance, including restoration of pension benefits. 9. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 10. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 11. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 12. Reviewing and approving, prior to issuance, the annual audit and all financial reports prepared on behalf of the PFRS. 13. Causing an asset/liability valuation study to be performed for PFRS every two (2) years, or as requested by the PFRS IC or PFRS Board. <p>The PFRS IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of asset allocation policy, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. In establishing the PFRS investment allocation and investment policy target return, the desire to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Variable Restoration Program, to the extent that is prudent.
--	--

	<p>3. The liquidity needs of the PFRS Plan.</p> <p>The fact that the IC makes a recommendation to the Board which is not recommended by the CRS CIO or the Investment Consultant shall not be a basis or factor in determining a breach of fiduciary duty.</p>
CHIEF INVESTMENT OFFICER (CIO)	The IC shall have the exclusive power to retain and discharge the PFRS CIO, set and approve any and all compensation for, and terms of employment of, the PFRS CIO. With respect to PFRS plan assets, the PFRS CIO shall report directly to the PFRS IC and the PFRS Board. The CIO shall be responsible for assisting the PFRS IC and the PFRS Board in overseeing the PFRS's investment portfolio.
PLAN ACTUARY	[To Be Negotiated and Agreed Upon]
QUALIFIED MANAGER(S)	[To Be Negotiated and Agreed Upon]

DETROIT 56620-1 1314911v2

EXHIBIT C

1. General Retirement System
2. Police and Fire Retirement System
3. AFSCME
4. UAW
5. Detroit Police Officers Association
6. Detroit Police Command Officers Association
7. Detroit Police Lieutenants and Sergeants Association
8. Detroit Fire Fighters Association
9. Retired Detroit Police and Fire Fighters Association
10. Retired Detroit Police Members Association
11. Detroit Retired City Employees Association
12. Official Retirees Committee
13. City of Detroit

EXHIBIT D

LANSING 40432-1 490647v9

Cases to be dismissed:

1. GRS et al. v. Emergency Manager of Detroit (Ingham County Circuit Court)
2. United Retired Government Employees (URGE) et al. v. Governor, et al. (E.D. Mich.)
3. Webster et al. v. State of Michigan, Governor, and State Treasurer (Ingham County Circuit Court)
4. Detroit Library Commission v. Governor, State Treasurer, and Detroit Public Schools Emergency Manager (Ingham County)
5. Flowers et al. v. Governor, State Treasurer, and State of Michigan (Ingham County Circuit Court)
6. DPOA v. City of Detroit (Michigan Court of Appeals)

The settling parties will not attempt to amend to include the City of Detroit or its Emergency Manager as a defendant, or collaterally or retroactively attack the Detroit bankruptcy or actions of Detroit or its EM, or otherwise participate, support, fund, or appeal in the following cases:

1. Phillips et al v. Governor and State Treasurer (E.D. Mich.)
2. Michigan AFSCME Council 25 v. Governor, State Treasurer, et al. (E.D. Mich.)
3. NAACP v. Governor, State Treasurer, and Secretary of State (E.D. Mich.)
4. Robert Davis/Citizens United Against Corrupt Government v. Governor, State of Michigan, Dept. of Treasury, Dept. of State Police, et al. (Ingham County Circuit Court)
5. Robert Davis/Citizens United Against Corrupt Government v. Michigan Department of Treasury and Carla Robert (Wayne County Circuit Court)
6. Robert Davis v. Local Emergency Financial Assistance Loan Board (Ingham Court)
7. Robert Davis v. Weatherspoon, Governor, Attorney General, and State Treasurer (E.D. Mich.)
8. Allen Park Retirees v. EM Parker, City of Allen Park (Wayne Circuit)
9. Allen Park Retirees v. State (Court of Claims)
10. Deborah Moore-El v. Snyder (E.D. Mich.)
11. Faith, et al. v. Snyder (E.D. Mich.)
12. Sarella Johnson, et al. v. Snyder (E.D. Mich.)

EXHIBIT I.A.279

SCHEDULE OF UNLIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED UNLIMITED TAX GENERAL OBLIGATION BONDS

**SCHEDULE OF UNLIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED UNLIMITED TAX GENERAL OBLIGATION BONDS**

Unlimited Tax General Obligation Bond Documents	Series of Unlimited Tax General Obligation Bonds	Balance as of Petition Date
Resolution of the City Council adopted March 3, 1999 Finance Director's Order dated April 1, 1999	Series 1999-A	\$18,747,364
Amended and Restated Resolution of the City Council adopted April 6, 2001 and Supplement No. 1 to Amended and Restated Resolution, adopted June 13, 2001 (collectively, " <u>2001 UTGO Resolution</u> ") Finance Director's Order dated August 1, 2001 (" <u>2001 UTGO Sale Order</u> ")	Series 2001-A(1)	\$78,787,556
2001 UTGO Resolution 2001 UTGO Sale Order	Series 2001-B	\$4,063,616
Resolution of the City Council adopted July 24, 2002 Finance Director's Order dated August 2, 2002	Series 2002	\$6,745,767
Resolution of the City Council adopted September 19, 2003 Finance Director's Order dated October 9, 2003	Series 2003-A	\$34,908,150
Bond Authorizing Resolution adopted June 14, 2004 (" <u>2004 UTGO Resolution</u> ") Finance Director's Order dated August 27, 2004 (" <u>2004 UTGO Sale Order</u> ")	Series 2004-A(1)	\$39,872,258
2004 UTGO Resolution 2004 UTGO Sale Order	Series 2004-B(1)	\$38,206,678
2004 UTGO Resolution 2004 UTGO Sale Order	Series 2004-B(2)	\$736,241
Resolution of the City Council adopted July 6, 2005 (" <u>2005 UTGO Resolution</u> ") Finance Director's Order dated December 5, 2005 (" <u>2005 UTGO Sale Order</u> ")	Series 2005-B	\$45,452,501
2005 UTGO Resolution 2005 UTGO Sale Order	Series 2005-C	\$18,671,105

Unlimited Tax General Obligation Bond Documents	Series of Unlimited Tax General Obligation Bonds	Balance as of Petition Date
Resolution of the City Council adopted November 17, 2006 (" <u>2008 UTGO Resolution</u> ") Finance Director's Order dated May 30, 2008 (" <u>2008 UTGO Sale Order</u> ")	Series 2008-A	\$59,487,564
2008 UTGO Resolution 2008 UTGO Sale Order	Series 2008-B(1)	\$28,982,532

EXHIBIT I.A.285

PRINCIPAL TERMS OF UTGO SETTLEMENT

**Term Sheet for Plan Treatment of UTGO Bond Claims and Related Insurer Claims
SUBJECT TO FRE 408—MEDIATION/SETTLEMENT COMMUNICATION**

The Unlimited Tax General Obligation Bonds other than the City's 2010 A Bonds defined below (the "UTGOs") will be treated in the City's plan of adjustment (the "Plan") as follows: (i) for purposes of the Plan, the total UTGOs claim will be allowed in the amount of \$388 million, (ii) of which \$287.5 million principal amount of UTGOs shall be deemed reinstated on a pro rata basis (the "Reinstated UTGOs") pursuant to their respective terms (interest rate, maturity date and amortization remain the same), with all existing provisions, subject to the additional terms below, and (iii) the remaining portion of the UTGOs that are not Reinstated UTGOs (the "Stub UTGOs") shall remain outstanding and the rights to payment on the Stub UTGOs shall be assigned by the Plan (without any consent or action on the part of, or additional consideration payable to, the Bond Insurers or UTGOs bondholders) to [TBD/City designee]. The policies issued by the insurers of the UTGOs (the "Bond Insurers") shall remain outstanding to ensure payment of the debt service as originally scheduled for the UTGOs. Mechanics to accomplish all of the above shall be reasonably satisfactory to the Bond Insurers and the City.

Confirmation order/findings to (i) as of the effective date, confirm the existence of a lien in favor of the Reinstated UTGOs on ad valorem tax revenues (millage) in the full amount that was pledged to repay the original UTGOs (the "UTGOs Millage") for so long as either the Reinstated UTGOs or the Stub UTGOs are outstanding, (ii) find that the UTGOs Millage constitutes special revenues under Section 902 of the Bankruptcy Code, (iii) direct that all debt millage collected by the City must be segregated and transmitted no less often than weekly when receipts equal or exceed \$20,000 to U.S. Bank as escrow agent (the "Escrow Agent"), which shall promptly transfer amounts payable on the Reinstated UTGOs and the 2010A Bonds to the trustee (the "Master Trustee") under the City's Master Indenture, as amended, (the "Master Indenture"), as described below, and (iv) as of the effective date, find the existence of a statutory lien and trust on DSA (defined below) as provided in Section 15(2) of the Shared Credit Rating Act in favor of the MFA Bonds (defined below).

The confirmation order shall provide that each year no later than June 30, the City shall certify that it has imposed a debt millage levy projected to be an amount necessary to pay the debt service coming due on all unlimited tax general obligation bonds (including both the Reinstated UTGOs and the Stub UTGOs) before the next annual tax levy, including any past due amounts, plus any amounts necessary to reimburse the City for other City funds used to pay prior debt service, less any millage proceeds already on deposit with the Escrow Agent which are available to pay the debt service next coming due. Such annual certification shall be in form and substance acceptable to the City and the Bond Insurers, and shall be provided to the Bond Insurers. The City shall comply with applicable law in levying and collecting ad valorem millage levied to pay all unlimited tax general obligation bonds. The City will use reasonable efforts to explain the collection process to the Bond Insurers, including the allocation methods used for partial property tax payments.

On or before the Plan effective date, the Reinstated UTGOs shall be exchanged for bonds ("MFA Bonds") issued by the Michigan Finance Authority ("MFA"), which shall be secured by an unlimited tax general obligation bond of the City (the "Municipal Obligation") secured by a

fourth lien (the “DSA Lien”) on distributable state aid (“DSA”). With respect to the DSA Lien, the City shall not incur debt senior to the Municipal Obligation’s DSA Lien in an aggregate principal amount that exceeds \$ _____¹ from and after the date the parties reach agreement on this term sheet, unless and until the Reinstated UTGOs have been paid in full. Further, the City shall not incur debt *pari passu* with the DSA Lien that secures the Municipal Obligation from and after the date the parties reach agreement on this term sheet, unless and until the Reinstated UTGOs have been paid in full. The Municipal Obligation issued by the City to the MFA shall provide the same rights (other than priority) in and to DSA, and be entitled to the same protections, as the City’s Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation, Series 2010(A) (Taxable – Recovery Zone Economic Development Bonds) (the “2010A Bonds”) that are currently outstanding; provided, however that the City’s required date balance requirements shall be as described in the next paragraph. The ad valorem levy shall be used to pay the Reinstated UTGOs prior to the use of DSA revenues, in the same manner as provided for the 2010A Bonds. The City shall create a separate tax levy account (“Tax Levy Account”) for the Reinstated UTGOs under the Master Indenture related to the Municipal Obligation. To the extent the Master Trustee does not have on deposit in the Tax Levy Account the required portions of principal and interest due on the next October 1 or April 1 on the dates set forth below, the Master Indenture shall provide for the intercept of all, or such lesser amount of that month’s DSA distribution necessary to correct the deficiency.²

MONTH OF DSA PAYMENT	PORTION OF NEXT INTEREST PAYMENT	PORTION OF NEXT PRINCIPAL PAYMENT
November	1/3	4/6
January	2/3	5/6
March	100%	100%
September	100%	3/6

The proceeds of the ad valorem debt millage levy for all outstanding unlimited tax general obligation bonds, as received by the City, will be transferred to the Escrow Agent which shall allocate the revenue pro rata among such outstanding bonds The proceeds of the debt millage

¹ Dollar amount will represent existing senior lien (1st, 2^d and 3rd) bonds secured by DSA plus existing DSA capacity based on FY 2012/13 DSA revenues. Existing 2^d or 3rd lien bonds may be refinanced provided savings are realized in each year.

² Subject to confirmation by the Bond Insurers’ financial advisor that City’s projected cashflows demonstrate adequate coverage in August and September of each year.

levy allocated to the 2010A Bonds and any unlimited tax general obligation bonds other than the UTGOs shall be transferred by the Escrow Agent to the paying agent or trustee for the respective bonds. The proceeds of the debt millage levy allocated to the UTGOs will be transferred as received by the Escrow Agent (i) first, to the Tax Levy Account held by the Master Trustee for the Reinstated UTGO's in an amount sufficient, together with funds already on deposit therein to pay debt service due on the Reinstated UTGOs on the October 1 and April 1 following such deposit, together with any past due debt service on the Reinstated UTGOs, and (ii) second, to pay the scheduled debt service on the Stub UTGOs to the [assignee of the rights to payment on] the Stub UTGOs. Neither the holders of the MFA Bonds nor the Bond Insurers shall seek payment from the UTGOs Millage in excess of the amounts necessary to pay the Reinstated UTGOs scheduled annual debt service together with any amount necessary to pay past due Reinstated UTGOs debt service. The bond insurance applicable to the Reinstated UTGOs will transfer as part of this exchange of Reinstated UTGO for MFA Bonds, in a manner acceptable to the Bond Insurers.

The Emergency Manager, on behalf of the City, shall issue an order granting a lien on its interest in the DSA and, to the extent permitted by Section 12(1)(x) of Act 436 and subject to State Treasurer approval, the UTGOs Millage.

If the City's Plan is not effective by September 30, 2014 for any reason other than the actions or positions taken by any of the executing Bond Insurers, solely in their capacity as the insurers of the UTGOs, the City will pay into an escrow to be established with the current Paying Agent for the UTGOs the *pro rata* portion of the October 2014 UTGOs scheduled interest debt service payment, and any *pro rata* payments due thereafter, as if the transaction contemplated in this term sheet had closed (*i.e.*, City will pay into escrow the *pro rata* portion of scheduled UTGOs debt service payments on the \$287.5 million of Reinstated UTGOs due after September 30, 2014 through Plan effectiveness, on the same terms and schedule as set forth in the current UTGOs documents). Such escrow shall be subject to terms and conditions acceptable to the City and the Bond Insurers. In the event that the Plan is not effective by March 31, 2015, and the Bankruptcy Court has issued an order (that is not stayed pending appeal) approving the settlement embodied in this term sheet, the monies in such escrow will be released to the Bond Insurers, and the City will make all subsequent debt service payments directly as if the Reinstated UTGOs transaction had closed. If an order is entered but is subject to a stay pending appeal, the City shall continue to pay into escrow the *pro rata* portion of the scheduled UTGOs debt service on the Reinstated UTGOs for so long as such stay remains in effect, and shall release all monies in the escrow amounts as soon as such order is no longer subject to stay. If the City's Plan is not effective by September 30, 2014, then within fifteen (15) days of a request by the Bond Insurers thereafter, the City shall file a motion pursuant to Bankruptcy Rule 9019 with the Bankruptcy Court seeking approval of the settlement embodied in this term sheet. The City and the Bond Insurers may mutually agree to seek Court approval of this settlement pursuant to Bankruptcy Rule 9019 at any time.

Bond counsel to provide at closing customary legal opinions relating to the validity, priority and enforceability of any MFA transaction in form and substance reasonably satisfactory to the Bond Insurers; such opinions will include standard bankruptcy opinion exceptions. No opinion will be provided with respect to any aspect of any lien on UTGOs Millage.

The City will communicate to the Bond Insurers the substance and ultimate results of the State's efforts to establish oversight of the City's finances and budget on a post-confirmation basis.

"Most Favored Nations" clause (the "MFN") in favor of Reinstated UTGOs shall provide that (i) as of Plan confirmation, the Plan recovery percentage for the Reinstated UTGOs as a whole shall be greater than the Plan recovery percentage for each impaired unsecured (or deemed unsecured) class of Limited Tax General Obligation Bond Claims and COP Claims (each as defined in the Plan and collectively, the "Impaired Unsecured Financial Creditors") and (ii) if actual recoveries from and after the Plan effective date on any instrument or combination of instruments or any other interests provided to any class of Impaired Unsecured Financial Creditors results in such class receiving over time 69.5% of the allowed claim for any such class, then the City will pay to the Bond Insurers (in reimbursement for their payment of claims) an amount equal to the percentage recovery of the Impaired Unsecured Financial Creditors that exceeds 69.5% multiplied by \$100.5 million.³ For purposes of this term sheet, all actual recoveries for Impaired Unsecured Financial Creditors shall be determined by discounting the payments using a 5% discount rate back to the date of Plan confirmation. Under no circumstance shall any Impaired Unsecured Financial Creditors recover more than the UTGOs.

All Plan documents, the confirmation order and findings of fact, in each case, as they relate to the settlement embodied in this term sheet (i) to be in form and substance reasonably satisfactory to the executing Bond Insurers and to the City and be consistent with this term sheet, (ii) to provide that Plan treatment for UTGOs is part of a Bankruptcy Rule 9019 settlement of the pending UTGOs litigation (which litigation shall be stayed pending the effective date of a plan confirming this settlement), and (iii) to include a provision providing that the Bankruptcy Court will have post-confirmation authority and power to enforce the settlement, including the Reinstated UTGOs.

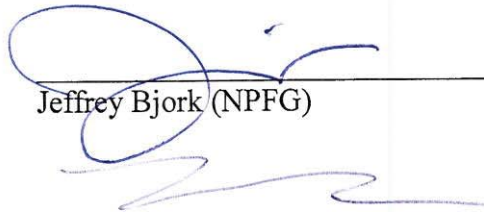
The Bond Insurers will support the treatment of the UTGOs in the City's Plan on the terms set forth herein and will vote the UTGOs claims in support of such Plan treatment. The Plan shall provide that such treatment, consistent with this term sheet, is the treatment for the entire class of UTGOs. The Bond Insurers will provide support to the City for their voting rights.

All settlement documentation will be reasonably satisfactory to all parties to this term sheet. This term sheet is for discussion purposes only and does not constitute an offer or other binding obligation of the parties, including the executing Bond Insurers and City of Detroit.

The contents of this Term Sheet shall be held in confidence and not be disclosed to any third party without the consent of the Mediator.

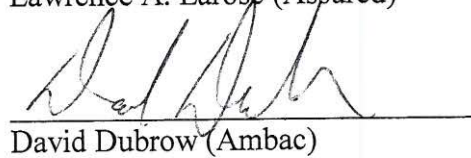
³ For example, assuming that a class of Impaired Unsecured Financial Creditors were to receive, after giving effect to the 5% discount rate, a 70% recovery on account of their allowed claims, the additional recovery to the Bond Insurers under the MFN would be \$502,500.

The undersigned confirm that the attached Term Sheet reflects the agreement of their respective clients.

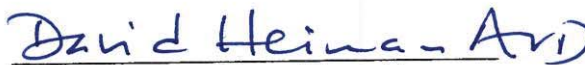


Jeffrey Bjork (NPFG)

Lawrence A. Larose (Assured)



David Dubrow (Ambac)



David Heiman (City of Detroit)

22035825.4\022765-00202

DRAFT 3/25/14 12:37 PM

EXHIBIT II.B.3.g.ii.A

**SCHEDULE OF PAYMENTS AND SOURCES OF
PAYMENTS FOR MODIFIED PFRS PENSION BENEFITS**

City of Detroit
PFRS Pension contributions (FY14 - FY23)
\$ in millions

PFRS	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
Source:											
State	\$ -	\$ 96.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96.0
Foundations	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
Total	-	114.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	260.7

EXHIBIT II.B.3.g.ii.C

TERMS OF PFRS PENSION RESTORATION

Terms of PFRS Pension Restoration

Pension Restoration Process

The following rules shall govern how accrued pensions, including COLA benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the Confirmation Order. The pension restoration process shall be supervised and restoration decisions undertaken by the Investment Committee of each of PFRS or GRS, or except as may be otherwise provided in the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto.

GENERAL RESTORATION RULES

I. PFRS RESTORATION

1. Waterfall Categories

There will be three Waterfall Classes:

- a. PFRS Waterfall Class 1 – Retirees in retirement benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries
- b. PFRS Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses and beneficiaries, and who are in pay status as of the end of the PFRS Fiscal Year prior to the year in which the restoration decision is made
- c. PFRS Waterfall Class 3 – All retirees, surviving spouses, and beneficiaries in pay status and all other PFRS participants who as of June 30, 2014 are not in retirement benefit pay status

2. General PFRS Pension Restoration Through June 30, 2023

Each year in conjunction with the annual actuarial valuation report, the PFRS actuary will project the PFRS Funded Ratio as of 2023 based upon the market value of plan assets relative to the actuarial accrued liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses, future employer contributions as set forth in the Plan of Adjustment and such other actuarial assumptions as utilized by the PFRS actuary. The Projected Funded Level will be 75%, and the Restoration Target will be 78%, both projected to June 30, 2023. If the actuary projects that Funded Level as of 2023 exceeds the Restoration Target (i.e., 78%), a credit of assets for bookkeeping purposes will be made into a notional Restoration Reserve Account. The notional credit will be an amount equal to the excess of assets above the amount needed to satisfy the Restoration Target. Each year thereafter, additional assets will be credited to the Restoration

Reserve Account equal to the net return on plan investments but capped at the actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023) In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished.

Actual restoration payments and restoration credits will work as follows: each year in conjunction with the preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the PFRS actuary will determine whether there are sufficient funds in such account to restore COLA benefits in a minimum amount of 10% or more . For Example: If a retiree's then current COLA benefit is a 1.0% annual compounded COLA, the minimum incremental restoration would increase the COLA benefit to 1.225%. COLA restoration only will occur if the funding level in the Restoration Reserve Account can fund 100% of the COLA increase over the actuarially-projected lives of the eligible recipient PFRS Waterfall Class. If the actuary certifies that the Restoration Reserve Account as of the end of the prior PFRS fiscal year satisfies the required funding level, then in the next immediate PFRS fiscal year, actual COLA restoration payments will be made to PFRS Waterfall Class 1 members until an amount sufficient to fund 66% of the value of their future COLA payments has been funded . At that juncture, and to the extent that additional assets in the Restoration Reserve Account will fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), PFRS Waterfall Class 2 members will receive COLA restoration until an amount sufficient to fund 66% of the value of their future COLA payments has been funded . At that juncture, and to the extent that additional assets in the Restoration Reserve Account will fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), PFRS Waterfall Class 3 members will receive COLA restoration on a pro-rata basis. For PFRS Waterfall Class 3 members who are in pay status at that time of restoration, they will receive COLA payments; for active employees at the time of restoration, they will receive credits granting them a right upon retirement to receive COLA restoration equal to the 10% increments that are fully funded to PFRS Waterfall Class 3 members. For Example: Assume there are sufficient assets credited to the Restoration Reserve Account as of the end of a fiscal year to fully fund 66% of the value of the COLA for all PFRS Waterfall Class 1 and Class 2 members. To the extent additional assets are available in the Restoration Reserve Account, to fully fund at least a 10% COLA increment, all retirees would receive a restoration payment of 76% of the value of their COLAs and a 10% COLA increment would be credited to eligible active employees which would be included in their benefit payments upon retirement (thus causing their COLAs to increase in value from 45% to 55%). Restoration amounts actually paid from the Restoration Reserve Account will be debited from such account.

Once restoration payments and credits begin, as long as the Restoration Reserve Account continues to have assets to fund 100%% of an incremental COLA

restoration amount for such Waterfall Class for their actuarially projected lives, the restoration payments and credits will continue; provided, however, that in the event the PFRS Funding Level projected to 2023 falls below 76% (hereinafter, "Restoration Reserve Suspension Trigger"), then further allocations to the notional Restoration Reserve Account will cease notwithstanding the actual net PFRS investment returns for the fiscal year in question. Furthermore, if the PFRS funded level projected to 2023 falls below the Projected Funded Level (75%) then restoration payments to retirees and credits to active employees in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the PFRS Pension Reserve Account in sufficient amounts to restore PFRS funded level to 75%; (2) if following such transfer, the remaining Restoration Reserve Account assets (if any) are sufficient to fully fund one or more COLA restoration increments (i.e., 10% COLA values) to one or more PFRS Waterfall Class categories, then as to such increments, the restoration payments shall continue.

In connection with preparation of the actuarial report for FY 2023, the PFRS actuary will determine whether PFRS has satisfied the Permanent Restoration Target of 78%. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the PFRS Ffunded Level as of June 30, 2023 is equal to or greater than the Permanent Restoration Target of 78%, then the amounts in the Restoration Reserve Account that fully fund incremental COLA restoration payments for a PFRS Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

3. General PFRS Pension Restoration from July 1, 2023 to June 30, 2033.

During this period, the Projected Funded Level will be [85%], the Restoration Target shall be [88%], and the Restoration Reserve Suspension Trigger shall be [86%] all as of 2033. The same rules for restoration payments that applied during the period ending June 30, 2023 shall apply except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan actuary shall project investment returns through June 30, 2033 at the then current investment return assumption and the applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the Plan actuary shall assume, for purposes of satisfying the Restoration Target, that the annual City contribution amount shall be the annual amount of contributions necessary to fund the PFRS based upon an amortization of the actual 2023 UAAL (using the market value of assets) (with interest on the outstanding principal at the then investment return rate) over 30 years (hereinafter, the "2023 UAAL Amortization"). To the extent that the City's actual contributions to the PFRS in any of the FYs 2024 through 2033 are greater than the projected annual

contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in PFRS called the Extra Contribution Account. In determining pension restoration during the period from FY 2023 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected Funded Level for the Restoration Trigger. To the extent that the City's actual contributions to the PFRS in any of the FYs 2023 through 2033 are less than the projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Restoration Reserve Account.

Each year in addition to the credit of assets above the Restoration Target, additional assets will be allocated to the Restoration Reserve Account, equal to the net return on plan investments, but capped at the then actuarial investment return assumption.

In connection with preparation of the annual actuarial valuation report for FY 2033, the PFRS actuary will determine whether PFRS has satisfied the Permanent Restoration Target of [88%]. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2033 is equal to or greater than the Permanent Restoration Target of [88%], then the amounts in the Restoration Reserve Account that fully fund incremental COLA restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

4. General PFRS Pension Restoration from July 1, 2033 to June 30, 2043.

During this period, the Projected Funded Level will be [92%], the Restoration Target shall be [95%], and the Restoration Reserve Suspension Trigger shall be [93%]. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply.

In connection with preparation of the annual actuarial valuation report for FY 2043, the PFRS actuary will determine whether PFRS has satisfied the Permanent Restoration Target of [95%]. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2043 is equal to or greater than the Permanent Restoration Target of [95%], then the amounts in the Restoration Reserve Account that fully fund incremental COLA restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to

the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

EXHIBIT II.B.3.r.ii.A

**SCHEDULE OF PAYMENTS AND SOURCES OF
PAYMENTS FOR MODIFIED GRS PENSION BENEFITS**

City of Detroit

GRS Pension contributions (FY14 - FY23)

\$ in millions

GRS		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
Source:												
DWSD	\$	-	\$ 65.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 428.5
UTGO	-		4.4	4.0	4.0	3.9	3.7	3.7	3.6	2.3	2.0	31.7
State	-		98.8	-	-	-	-	-	-	-	-	98.8
DIA	-		5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
Other	-		14.6	22.5	22.5	22.5	22.5	2.5	2.5	2.5	2.5	114.6
Total	-		188.2	76.9	76.9	76.8	76.6	56.5	56.5	55.2	54.9	718.6

EXHIBIT II.B.3.r.ii.C

TERMS OF GRS PENSION RESTORATION

Terms of GRS Pension Restoration

Pension Restoration Process

The following rules shall govern how accrued pensions, including COLA benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the Confirmation Order. The pension restoration process shall be supervised and restoration decisions undertaken by the Investment Committee of each of PFRS or GRS, or except as may be otherwise provided in the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto.

GENERAL RESTORATION RULES

I. GRS RESTORATION

1. Waterfall Categories

There will be three Waterfall Classes:

- a. GRS Waterfall Class 1 – Retirees, in retirement benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries
- b. GRS Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses, and beneficiaries, and who are in pay status as of the end of the GRS Fiscal Year prior to the year in which the restoration decision is made
- c. GRS Waterfall Class 3 – All other GRS participants who as of June 30, 2014 are not in retirement benefit pay status

2. General GRS Pension Restoration Through June 30, 2023

Each year in conjunction with the annual actuarial valuation report, the GRS Plan actuary will project the GRS Funded Ratio as of 2023 based upon the market value of plan assets relative to the Actuarial Accrued Liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses, future employer contributions as set forth in the Plan of Adjustment and such other actuarial assumptions as utilized by the GRS actuary. The Projected Funded Level will be 70%, the Restoration Target will be 75%, and the Restoration Reserve Suspension Trigger will be 71%, all projected to June 30, 2023. If the actuary projects that the Funded Level as of June 30, 2023 exceeds the Restoration Target (i.e., 75%), a credit of assets for bookkeeping purposes will be made into a new notional Restoration Reserve Account. The notional credit will be in an amount equal to the excess of assets above the amount needed to satisfy the Restoration Target. Each year thereafter, additional assets will be credited to the Restoration Reserve Account,

equal to the net return on plan investments, but capped at actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023). In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished.

Actual restoration payments and credits will work as follows: Each year in conjunction with preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the GRS actuary will determine whether there are sufficient funds in such account to restore a portion of the 4.5% across the board pension cuts in minimum incremental portions equal to $\frac{1}{2}\%$ of the monthly benefit for each member of GRS Waterfall Class 1 (i.e. reducing the initial across the board cut to 4.0%). This restoration only occurs if the funded level in the Restoration Reserve Account can fund 100% of each incremental increase over the remaining actuarially-projected lives of the eligible recipients in GRS Waterfall Class 1. If the Restoration Reserve Account satisfies the required funding level, then in the next GRS fiscal year, actual restoration payments will be made to Waterfall Class 1 members in amounts equal to the increments that have been fully funded in the Restoration Reserve Account. Once Waterfall Class 1 has sufficient assets in the GRS Restoration Reserve Account to fully fund and restore the 4.5% cut in their monthly benefits, and to the extent that additional assets in the Restoration Reserve Account remain and will fully fund at least $\frac{1}{2}\%$ of the monthly benefit for each member of GRS Waterfall Class 2, then GRS Waterfall Class 2 members will receive pension restoration in minimum $\frac{1}{2}\%$ benefit increments until an amount equal to the 4.5% cuts in their monthly benefits has been fully funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account remain and will fund at least a minimum $\frac{1}{2}\%$ of the monthly benefit of each member in GRS Waterfall Class 3, then each such member of the class shall receive a credit granting them a right upon retirement to receive pension restoration equal to the benefit increments that are fully funded.

After the full 4.5% across the board pension cuts are restored for all three GRS Waterfall Classes, and to the extent there are additional assets in the Restoration Reserve Account, such assets will be used to fully fund and restore a portion of the COLA values that were eliminated as part of the POA. COLA will be restored in minimum 10% COLA value increments up to 50% of the future COLA values for each member of GRS Waterfall Class 1, then up to 50% of the future COLA values for each member of Waterfall Class 2, and then up to 50% of the future COLA values for each member of Waterfall Class 3 until all members of the three GRS Waterfall Classes have had 50% of the value of their COLAs fully funded and restored. After 50% of the future values of COLA have been fully funded and restored, and to the extent there are additional assets in the Restoration Reserve Account for each of the three GRS Waterfall Classes, then a second 50% COLA restoration will be made, first to members of GRS Waterfall Class 1, then Waterfall Class 2, and then Waterfall Class 3. Classes will be restored in minimum 10% COLA value increments.

If the amounts in the Restoration Reserve Account are sufficient to fully-fund the 4.5% across the board pension cuts for all three GRS Waterfall Classes and 100% COLA restoration for all three GRS Waterfall Classes, then any additional assets in the Restoration Reserve Account shall be used to increase the frozen accrued benefits of active and other GRS participants whose ASF accounts were diminished as part of the ASF Recoupment, such that they receive treatment equal to the 20/20 CAP applied to retirees in pay status under the Plan of Adjustment. If after such pension restoration there are additional assets in the Restoration Reserve Account, GRS Waterfall Class 1 members will receive pension restoration in $\frac{1}{2}\%$ benefit increments of the reductions to their monthly pension due to ASF Recoupment, and once such pension benefits are restored, Waterfall Class 2 members will receive pension restoration in $\frac{1}{2}\%$ benefit increments in connection with the reductions to their monthly pensions due to ASF Recoupment.

Once restoration payments to applicable retirees and restoration credits to active employees begin, as long as the Restoration Reserve Account continues to have assets sufficient to fund 100% of an incremental pension restoration amount for such GRS Waterfall Class members for their actuarially projected lives, such restoration payments and credits will continue; provided, however, that in the event the GRS Funded Level falls below the Restoration Reserve Suspension Trigger, then further credits to the notional Restoration Reserve Account will cease notwithstanding the actual net GRS investment returns for the fiscal year in question. Furthermore, if the GRS funded level projected to 2023 falls below the Projected Funded Level (70%) then restoration payments and credits in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the GRS Pension Reserve Account in sufficient amounts to restore GRS funding to 70%; (2) if following such transfer, the remaining Restoration Account Assets (if any) are sufficient to fully fund one or more pension restoration increments (e.g., a $\frac{1}{2}\%$ monthly pension benefit) to one or more GRS Waterfall Class categories, then as to such increments the restoration payments shall continue.

In connection with preparation of the actuarial report for FY 2028, the GRS actuary will determine whether GRS has satisfied the Permanent Restoration Target of 75%. Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the GRS Funded Level as of June 30, 2028 is equal to or greater than the Permanent Restoration Target of 75%, then the amounts in the Restoration Reserve Account that fully fund incremental pension restoration payments for a GRS Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

3. General GRS Pension Restoration from July 1, 2023 to June 30, 2033.

During this period, the Projected Funded Level will be [82%], the Restoration Target shall be [85%], and the Restoration Reserve Suspension Trigger shall be [83%]. The same rules for restoration payments and credits that applied during the period ending June 30, 2023 shall apply except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan actuary shall project investment returns through June 30, 2033 at the then current investment return assumption and the applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the GRS Plan actuary shall assume, for purposes of satisfying the Restoration Target, that the annual City contribution amount shall be the annual amount of contributions necessary to fund the GRS based upon an amortization of the actual 2023 UAAL at market value (with interest on the outstanding principal at the then investment return rate) over 30 years (hereinafter, the "2023 UAAL Amortization"). To the extent that the City's actual contributions to the GRS in any of the FYs 2024 through 2033 are greater than the projected annual contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in GRS called the Extra Contribution Account. In determining pension restoration during the period from FY 2023 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected Funded Level for the Restoration Trigger. To the extent that the City's actual contributions in any of the FYs 2024 through 2033 are less than the projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Restoration Reserve Account. .

Each year, in addition to the credit of assets above the Restoration Target, additional assets will be credited to the Restoration Reserve Account, equal to the net return on plan investments, but capped at the then investment return assumption.

In connection with preparation of the annual actuarial valuation report for FY 2033, the GRS actuary will determine whether GRS has satisfied the Permanent Restoration Target ([83%]). Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2033 is equal to or greater than the Restoration Target funded, then the amounts in the Restoration Reserve Account that fully fund at minimum one or more incremental pension restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

4. General GRS Pension Restoration from July 1, 2033 to June 30, 2043.

During this period, the Projected Funded Level will be [90%], the Restoration Target shall be [93%], and the Restoration Reserve Suspension Trigger shall be [91%]. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply.

In connection with preparation of the annual actuarial valuation report for FY 2043, the GRS actuary will determine whether GRS has satisfied the Permanent Restoration Target [91%]. Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2043 is equal to or greater than the Permanent Restoration Target , then the amounts in the Restoration Reserve Account that fully fund at minimum one or more incremental pension restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

EXHIBIT B

SEWAGE DISPOSAL SYSTEM BONDS & RELATED DWSD REVOLVING SEWER BONDS

**DWSD SEWER BONDS & RELATED DWSD
REVOLVING SEWER BONDS AS OF THE PETITION DATE**

	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Principal Due as of Petition Date	Insurer	
Sewage Disposal System Revenue Bonds:							
Series 1998-A	12-14-06	\$ 67,615,000	5.25 to 5.50 %	7/1/12-23	\$ 62,610,000	NPFG	b
Series 1998-B	12-14-06	67,520,000	5.25 to 5.50	7/1/12-23	62,165,000	NPFG	b
Series 1999-A (* *)	12-1-99	33,510,118	0.00	7/1/12-21	55,576,628	NPFG	
Series 2001-B	9-15-01	110,550,000	5.50	7/1/23-29	110,550,000	NPFG	
Series 2001-C (1)	6-5-09	154,870,000	5.25 to 7.00	7/1/12-27	152,375,000	Assured Guaranty	b
Series 2001-C (2)	5-8-08	122,905,000	3.50 to 5.25	7/1/14-29	121,355,000	NPFG/Berkshire Hathaway	b
Series 2001-D	9-23-01	92,450,000	Variable (a)	7/1/32	21,300,000	NPFG	b
Series 2001-E	5-7-08	136,150,000	5.75	7/1/24-31	136,150,000	FGIC/Berkshire Hathaway	b
Series 2003-A	5-22-03	599,380,000	3.50 to 5.50	7/1/12-32	184,335,000	Assured Guaranty	b
Series 2003-B	6-5-09	150,000,000	7.50	7/1/32-33	150,000,000	Assured Guaranty	b
Series 2004-A	1-09-04	101,435,000	5.00 to 5.25	7/1/12-24	60,795,000	Assured Guaranty	
Series 2005-A	3-17-05	273,355,000	3.60 to 5.125	7/1/12-35	237,885,000	NPFG	b
Series 2005-B	3-17-05	40,215,000	5.00 to 5.50	7/1/12-22	37,195,000	NPFG	
Series 2005-C	3-17-05	63,160,000	5.00	7/1/12-25	49,580,000	NPFG	b
Series 2006-A	5-7-08	123,655,000	5.50	7/1/34-36	123,655,000	MBIA/Berkshire Hathaway	b
Series 2006-B	8-10-06	250,000,000	4.25 to 5.00	7/1/12-36	243,240,000	NPFG	b
Series 2006-C	8-10-06	26,560,000	5.00 to 5.25	7/1/16-18	26,560,000	NPFG	b
Series 2006-D	12-14-06	370,000,000	Variable (a)	7/1/12-32	288,780,000	Assured Guaranty	b
Series 2012-A	6-26-12	659,780,000	5.00 to 5.50	7/1/14-39	659,780,000	Assured Guaranty & Uninsured	b

Total Sewage Disposal System Revenue Bonds

\$2,783,886,628

* * - Capital Appreciation Bonds

a - Interest rates are set periodically at the stated current market interest rate.

b - Indicates certain of bonds within series are callable under terms specified in the indenture; all other bonds are noncallable.

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Principal Due as of Petition Date</u>
DWSD Revolving Sewer Bonds:					
Series 1992-B-SRF	9-10-92	\$ 1,915,000	2.00 %	10/1/12-13	\$ 115,000
Series 1993-B-SRF	9-30-93	6,603,996	2.00	10/1/12-14	775,000
Series 1997-B-SRF	9-30-97	5,430,174	2.25	10/1/12-18	1,870,000
Series 1999-SRF-1	6-24-99	21,475,000	2.50	4/1/13-20	8,750,000
Series 1999-SRF-2	9-30-99	46,000,000	2.50	10/1/12-22	25,860,000
Series 1999-SRF-3	9-30-99	31,030,000	2.50	10/1/12-20	14,295,000
Series 1999-SRF-4	9-30-99	40,655,000	2.50	10/1/12-20	18,725,000
Series 2000-SRF-1	3-30-00	44,197,995	2.50	10/1/12-22	21,947,995
Series 2000-SRF-2	9-28-00	64,401,066	2.50	10/1/12-22	36,051,066
Series 2001-SRF-1	6-28-01	82,200,000	2.50	10/1/12-24	54,145,000
Series 2001-SRF-2	12-20-01	59,850,000	2.50	10/1/12-24	39,430,000
Series 2002-SRF-1	6-27-02	18,985,000	2.50	4/1/13-23	10,660,000
Series 2002-SRF-2	6-27-02	1,545,369	2.50	4/1/13-23	865,369
Series 2002-SRF-3	12-19-02	31,549,466	2.50	10/1/12-24	19,189,466
Series 2003-SRF-1	6-28-03	48,520,000	2.50	10/1/12-25	34,215,000
Series 2003-SRF-2	9-25-03	25,055,370	2.50	4/1/13-25	16,390,370
Series 2004-SRF-1	6-24-04	2,910,000	2.125	10/1/12-24	1,890,000
Series 2004-SRF-2	6-24-04	18,353,459	2.125	4/1/13-25	11,888,459
Series 2004-SRF-3	6-24-04	12,722,575	2.125	4/1/13-25	8,232,575
Series 2007-SRF-1	9-20-07	156,687,777	1.625	10/1/12-29	135,769,896
Series 2009-SRF-1	4-17-09	22,684,557	2.50	4/1/13-30	9,806,301
Series 2010-SRF-1	1-22-10	6,793,631	2.50	4/1/13-31	3,358,917
Series 2012-SRF	8-30-12	14,950,000	2.50	10/1/15-34	7,430,497

Total DWSD Revolving Sewer Bonds Payable

\$481,660,911

EXHIBIT C

WATER SYSTEM BONDS & RELATED DWSD REVOLVING WATER BONDS

**DWSD WATER BONDS & RELATED DWSD
REVOLVING WATER BONDS AS OF THE PETITION DATE**

	Bond Date	Amount Issued	Range of Interest Rates	Maturity Date	Principal Due as of Petition Date	Insurer	
Water Supply System Revenue Bonds:							
Series 1993	10-15-93	\$ 38,225,000	6.50%	7/1/14-15	\$ 24,725,000	NPFG	
Series 1997-A	8-01-97	186,220,000	6.00	7/1/14-15	13,430,000	NPFG	
Series 2001-A	5-01-01	301,165,000	5.00	7/1/29-30	73,790,000	NPFG	b
Series 2001-C	5-14-08	190,405,000	3.50 to 5.75	7/1/14-29	188,250,000	FGIC/ Berkshire Hathaway	b
Series 2003-A	1-28-03	234,805,000	4.50 to 5.00	7/1/19-34	178,785,000	NPFG	b
Series 2003-B	1-28-03	41,770,000	5.00	7/1/34	41,770,000	NPFG	b
Series 2003-C	1-28-03	29,660,000	4.25 to 5.25; Some are Variable (a)	7/1/13-22	27,655,000	NPFG	b
Series 2003-D	8-14-06	142,755,000	4.00 to 5.00	7/1/12-33	140,585,000	NPFG	b
Series 2004-A	8-14-06	72,765,000	4.50 to 5.25	7/1/12-25	68,600,000	NPFG	b
Series 2004-B	8-14-06	153,830,000	4.00 to 5.00	7/1/12-23	114,710,000	NPFG	b
Series 2005-A	3-11-05	105,000,000	3.80 to 5.00	7/1/12-35	88,385,000	NPFG	b
Series 2005-B	5-14-08	194,900,000	4.00 to 5.50	7/1/14-35	187,335,000	FGIC/ Berkshire Hathaway	b
Series 2005-C	3-11-05	126,605,000	5.00	7/1/12-22	109,205,000	NPFG	b
Series 2006-A	8-14-06	280,000,000	5.00	7/1/13-34	260,170,000	Assured Guaranty	b
Series 2006-B	4-1-09	120,000,000	3.00 to 7.00	7/1/12-36	119,700,000	Assured Guaranty	b
Series 2006-C	8-14-06	220,645,000	4.00 to 5.00	7/1/12-33	216,680,000	Assured Guaranty	b
Series 2006-D	8-14-06	146,590,000	4.00 to 5.00	7/1/12-32	142,205,000	Assured Guaranty	b
Series 2011-A	12-22-11	379,590,000	5.00 to 5.75	7/1/12-41	370,810,000	Uninsured	b
Series 2011-B	12-22-11	17,195,000	3.60 to 6.00	7/1/12-33	15,470,000	Uninsured	b
Series 2011-C	12-22-11	103,890,000	4.50 to 5.25	7/1/12-41	102,665,000	Uninsured	b
Total Water System Revenue Bonds					<u>\$2,484,925,000</u>		

a - Interest rates are set periodically at the stated current market interest rate.

b - Indicates certain of bonds within series are callable under terms specified in the indenture; all other bonds are noncallable.

	<u>Bond Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Principal Due as of Petition Date</u>
DWSD Revolving Water Bonds:					
Series 2005 SRF-1	9-22-05	\$13,805,164	2.125 %	10/1/13-26	\$9,960,164
Series 2005 SRF-2	9-22-05	8,891,730	2.125	10/1/13-26	6,241,730
Series 2006 SRF-1	9-21-06	5,180,926	2.125	10/1/13-26	3,715,926
Series 2008 SRF-1	9-29-08	2,590,941	2.500	10/1/13-28	1,535,941
Total DWSD Revolving Water Bonds Payable					<u>\$21,453,761</u>

EXHIBIT D

UNLIMITED TAX GENERAL OBLIGATION BONDS

UNLIMITED TAX GENERAL OBLIGATION BONDS

Unsecured Unlimited Tax General Obligation Bonds

	Issue Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance as of Petition Date	Insurer	
Series 1999-A	4-1-99	\$28,020,000	5.00 to 5.25 %	4/1/13-19	\$18,747,364	Assured Guaranty	b
Series 2001-A(1)	7-15-01	83,200,000	5.00 to 5.375	4/1/13-21	78,787,556	MBIA	b
Series 2001-B	7-15-01	23,235,000	5.375	4/1/13-14	4,063,616	MBIA	b
Series 2002	8-2-02	29,205,000	4.00 to 5.13	4/1/13-22	6,745,767	MBIA	b
Series 2003-A	10-21-03	44,020,000	3.70 to 5.25	4/1/13-23	34,908,150	Syncora	b
Series 2004-A(1)	9-9-04	39,270,000	4.25 to 5.25	4/1/19-24	39,872,258	Ambac	b
Series 2004-B(1)	9-9-04	53,085,000	3.75 to 5.25	4/1/13-18	38,206,678	Ambac	b
Series 2004-B(2)	9-9-04	17,270,000	4.16 to 5.24	4/1/13-18	736,241	Ambac	
Series 2005-B	12-1-05	51,760,000	4.00 to 5.00	4/1/13-25	45,452,501	Assured Guaranty	b
Series 2005-C	12-1-05	30,805,000	4.00 to 5.25	4/1/13-20	18,671,105	Assured Guaranty	a b
Series 2008-A	6-9-08	58,630,000	4.00 to 5.00	4/1/14-28	59,487,564	Assured Guaranty	b
Series 2008-B(1)	6-9-08	66,475,000	5.00	4/1/13-18	28,982,532	Assured Guaranty	

Total Unsecured Unlimited Tax General Obligation Bonds

\$374,661,332

a - Interest rates are set periodically at the stated current market interest rate.

b - Indicates certain of bonds within series are callable under terms specified in the indenture; all other bonds are noncallable

Secured Unlimited Tax General Obligation Bonds

	Issue Date	Amount Issued	Range of Interest Rates	Maturity Date	Balance as of Petition Date	Insurer
Distributable State Aid 2010-A	12/16/10	\$100,000,000	5.129 to 8.369	11/1/14-35	101,707,848	N/A

Total Secured Unlimited Tax General Obligation Bonds

\$101,707,848

Total Unlimited Tax General Obligation Bonds

\$476,369,180

EXHIBIT E

LIMITED TAX GENERAL OBLIGATION BONDS

LIMITED TAX GENERAL OBLIGATION BONDS

Unsecured Limited Tax General Obligation Bonds

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance as of Petition Date</u>	<u>Insurer</u>	
Self-Insurance Bonds:							
Series 2004	9-9-04	62,285,000	4.16 to 4.85	4/1/13-14	\$13,186,559	Ambac	
General Obligation:							
Series 2005-A(1)	6-24-05	73,500,000	4.27 to 5.15	4/1/13-25	60,776,168	Ambac	b
Series 2005-A(2)	6-24-05	13,530,000	3.50 to 5.00	4/1/12-25	11,080,060	Ambac	b
Series 2005-B	6-24-05	11,785,000	3.50 to 5.00	4/1/13-21	9,003,535	Ambac	b
Series 2008-A(1)	6-9-08	49,715,000	5.00	4/1/13-16	43,905,085	N/A	
Series 2008-A(2)	6-9-08	25,000,000	8.00	4/1/14	25,591,781	N/A	

Total Unsecured Limited Tax General Obligation Bonds

\$163,543,188

a - Interest rates are set periodically at the stated current market interest rate.

b - Indicates certain of bonds within series are callable under terms specified in the indenture; all other bonds are noncallable.

Secured Limited Tax General Obligation Bonds

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Range of Interest Rates</u>	<u>Maturity Date</u>	<u>Balance as of Petition Date</u>	<u>Insurer</u>
Distributable State Aid 2010	3/18/10	249,790,000	4.25 to 5.25	11/1/14-35	252,475,366	N/A
Distributable State Aid 2012	8/23/12	129,520,000	3.00 to 5.00	11/1/14-32	130,827,617	N/A

Total Secured Limited Tax General Obligation Bonds

\$383,302,983

Total Limited Tax General Obligation Bonds

\$546,846,171

EXHIBIT F

PREPETITION STEADY STATE PROJECTION OF LEGACY EXPENDITURES

STEADY STATE PROJECTION OF LEGACY EXPENDITURES

(\$ in millions)

	FISCAL YEAR ENDED ACTUAL					PRELIMINARY FORECAST				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Legacy expenditures										
Debt Service (LTGO)	\$(66.6)	\$(106.2)	\$(63.5)	\$(64.5)	\$(62.6)	\$(70.8)	\$(70.9)	\$(61.8)	\$(61.8)	\$(38.5)
Debt Service (UTGO)	(67.2)	(71.5)	(72.4)	(72.8)	(73.0)	(70.6)	(64.9)	(62.5)	(57.6)	(57.6)
POC – Principal and Interest (GF)	(24.6)	(20.9)	(23.6)	(33.5)	(33.0)	(46.8)	(51.4)	(53.3)	(55.0)	(56.9)
POC – Principal and Interest (EF, excl. DDOT)	(1.8)	(1.4)	(1.5)	(1.8)	(2.0)	(5.3)	(5.9)	(6.1)	(6.4)	(6.6)
POC – Principal and Interest (DDOT)	(3.5)	(2.8)	(3.0)	(3.6)	(4.0)	(3.3)	(3.7)	(3.8)	(3.9)	(4.1)
POC – Swaps (GF)	(38.6)	(43.9)	(44.7)	(44.7)	(44.8)	(42.9)	(42.8)	(42.8)	(42.7)	(42.7)
POC – Swaps (EF, excl. DDOT)	(2.3)	(2.0)	(2.0)	(2.0)	(2.0)	(4.8)	(4.8)	(4.8)	(4.9)	(4.9)
POC – Swaps (DDOT)	(4.5)	(4.0)	(4.0)	(4.0)	(4.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Pension Contributions – Public Safety	(58.9)	(31.4)	(32.8)	(81.6)	(49.8)	(46.1)	(139.0)	(163.0)	(180.0)	(198.0)
Pension Contributions – Non-Public Safety	(10.6)	(27.0)	(11.1)	(28.3)	(25.4)	(19.9)	(36.9)	(42.5)	(47.7)	(53.1)
Pension Contributions – DDOT	(6.8)	(7.3)	(6.9)	(9.5)	(10.9)	(12.3)	(23.6)	(27.7)	(31.2)	(34.8)
Health Benefits – Retiree, Public Safety	(73.7)	(80.2)	(70.4)	(79.6)	(90.6)	(91.5)	(88.6)	(95.2)	(101.7)	(108.0)
Health Benefits – Retiree, Non-Public Safety	(47.4)	(51.6)	(50.6)	(49.0)	(49.2)	(49.7)	(38.8)	(41.5)	(44.6)	(47.7)
Health Benefits – Retiree , DDOT	(8.2)	(11.8)	(11.2)	(11.1)	(10.3)	(10.4)	(13.3)	(14.3)	(15.3)	(16.3)
Total Legacy Expenditures	\$(414.6)	\$(462.0)	\$(397.9)	\$(486.1)	\$(461.6)	\$(477.3)	\$(587.6)	\$(622.4)	\$(655.9)	\$(672.3)
Total Revenues (excl. Financing Proceeds)	\$1,397.7	\$1,363.3	\$1,291.0	\$1,316.8	\$1,196.9	\$1,121.9	\$1,082.8	\$1,046.2	\$1,041.5	\$1,041.4
Total Legacy Expenditures as a % of Total Revenues	29.7%	33.9%	30.8%	36.9%	38.6%	42.5%	54.3%	59.5%	63.0%	64.6%

EXHIBIT G

PREPETITION FISCAL YEAR 2014 FORECASTED CASH FLOW

FISCAL YEAR 2014 FORECASTED CASH FLOW

\$ in millions	Forecast Jul 13	Forecast Aug-13	Forecast Sep-13	Forecast Oct-13	Forecast Nov-13	Forecast Dec-13	Forecast Jan-14	Forecast Feb-14	Forecast Mar-14	Forecast Apr-14	Forecast May-14	Forecast Jun-14	Forecast Fiscal Year 2014
Operating Receipts													
Property Taxes	\$37.8	\$166.6	\$13.0	\$6.6	\$3.1	\$21.5	\$139.1	\$20.8	\$4.8	\$1.3	\$2.5	\$51.1	\$468.4
Income & Utility Taxes	28.7	22.7	22.3	28.3	22.7	22.3	28.3	23.5	22.7	28.3	22.3	22.7	294.7
Gaming Taxes	14.6	14.1	8.9	23.1	10.4	9.4	22.1	9.9	15.1	17.4	13.2	11.8	170.0
Municipal Service Fee to Casinos	-	7.6	-	-	4.0	4.0	1.8	-	-	-	-	-	17.4
State Revenue Sharing	30.7	-	30.7	-	30.7	-	30.7	-	30.7	-	30.7	-	184.3
Other Receipts	27.2	25.8	25.9	32.9	26.3	25.9	32.9	27.1	26.3	32.9	25.9	26.3	335.9
Refinancing Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Receipts	139.1	236.9	100.9	91.0	97.2	83.2	255.0	81.3	99.6	80.0	94.6	111.9	1,470.7
Operating Disbursements													
Payroll, Taxes & Deductions	(31.0)	(26.6)	(26.6)	(35.5)	(26.6)	(26.6)	(31.0)	(26.6)	(26.6)	(35.5)	(26.6)	(26.6)	(345.6)
Benefits	(15.5)	(15.5)	(15.5)	(15.5)	(15.5)	(15.5)	(15.5)	(14.0)	(14.0)	(14.0)	(14.0)	(14.0)	(178.6)
Pension Contributions	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(14.7)	(175.9)
Subsidy Payments	(7.6)	(5.0)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)	(6.3)	(75.6)
Distributions – Tax Authorities	(14.8)	(72.4)	(40.0)	(5.7)	(1.0)	(1.3)	(57.3)	(20.9)	(14.0)	(1.7)	-	(24.0)	(253.1)
Distributions – UTGO	-	(12.0)	-	-	-	-	-	-	(44.9)	-	-	-	(56.9)
Distributions – DDA Increment	-	-	-	-	-	(8.0)	-	-	-	-	-	(1.0)	(9.0)
Income Tax Refunds	(2.5)	(2.7)	(0.6)	(0.3)	(1.5)	(1.0)	(0.6)	(0.3)	(0.4)	(2.3)	(1.2)	(3.7)	(17.0)
A/P and Other Disbursements	(36.3)	(37.9)	(29.3)	(37.1)	(30.1)	(25.6)	(40.8)	(23.0)	(33.5)	(39.7)	(30.0)	(30.0)	(393.2)
Sub-Total Operating Disbursements	(122.3)	(186.7)	(132.8)	(115.1)	(95.6)	(98.9)	(166.0)	(105.8)	(154.4)	(114.3)	(92.8)	(120.3)	(1,504.9)
POC and Debt-Related Payments	(7.4)	(4.2)	(5.8)	(8.5)	(7.3)	(15.4)	(7.3)	(4.2)	(5.7)	(51.9)	(7.3)	(39.1)	(164.2)
Total Disbursements	(129.6)	(191.0)	(138.6)	(123.5)	(102.9)	(114.3)	(173.4)	(110.0)	(160.2)	(166.1)	(100.1)	(159.3)	(1,669.1)
Net Cash Flow	9.5	45.9	(37.7)	(32.6)	(5.7)	(31.1)	(81.6)	(28.7)	(60.6)	(86.1)	(5.5)	(47.4)	(198.5)
Cumulative Net Cash Flow	9.5	55.4	17.7	(14.9)	(20.6)	(51.7)	29.9	1.1	(59.4)	(145.6)	(151.0)	(198.5)	
Beginning Cash Balance	33.8	43.3	89.2	51.5	18.9	13.2	(17.9)	63.7	34.9	25.6	(111.8)	(117.2)	33.8
Net Cash Flow	9.5	45.9	(37.7)	(32.6)	(5.7)	(31.1)	81.6	(28.7)	(60.6)	(86.1)	(5.5)	(47.4)	(198.5)
Cash Before Required Distributions	\$43.3	\$89.2	\$51.5	\$18.9	\$13.2	\$(17.9)	\$63.7	\$34.9	\$(25.6)	\$(111.8)	\$(117.2)	\$(164.7)	\$(164.7)
Accumulated Property Tax Distributions	(29.8)	(55.4)	(24.0)	(22.7)	(23.7)	(38.6)	(86.5)	(82.2)	(27.1)	(26.5)	(28.5)	(19.7)	(19.7)
Cash Net of Distributions	\$13.5	\$33.8	\$27.4	\$(3.8)	\$(10.5)	\$(56.5)	\$(22.8)	\$(47.2)	\$(52.7)	\$(138.2)	\$(145.7)	\$(184.4)	\$(184.4)
Memo:													
Accumulated Deferrals	(119.3)	(112.4)	(112.8)	(113.5)	(113.9)	(114.4)	(115.0)	(115.5)	(116.0)	(116.6)	(117.1)	(117.6)	(117.6)
Refunding Bond Proceeds in Escrow	51.7	51.7	51.7	51.7	51.7	51.7	51.7	51.7	51.7	51.7	51.7	51.7	51.7
Reimbursements Owed to Other funds	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd	tbd

EXHIBIT H

PREPETITION PROJECTED REVENUES, EXPENDITURES, OPERATING
SURPLUSES, LEGACY OBLIGATIONS & DEFICITS THROUGH FISCAL YEAR 2017

**PROJECTED REVENUES, EXPENDITURES, OPERATING
SURPLUSES, LEGACY OBLIGATIONS & DEFICITS THROUGH FISCAL YEAR 2017**

(\$ in millions)

	FISCAL YEAR ENDED ACTUAL					PRELIMINARY FORECAST					5-YEAR TOTAL
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Revenues											
Municipal Income Tax	\$276.5	\$240.8	\$216.5	\$228.3	\$233.0	\$238.7	\$243.4	\$247.3	\$249.0	\$250.7	\$1,229.1
State Revenue Sharing	249.6	266.6	263.6	239.3	173.3	182.8	184.3	186.1	187.9	189.5	930.4
Wagering Taxes	180.4	173.0	183.3	176.9	181.4	173.0	170.0	168.3	170.0	171.7	853.0
Sales & Charges for Services	191.3	166.7	154.1	155.0	145.4	120.4	124.8	119.4	118.2	117.0	599.7
Property Taxes	155.2	163.7	143.0	182.7	147.8	134.9	118.4	110.2	105.7	100.8	570.0
Utility Users & Other Taxes	73.0	71.5	64.8	64.8	57.1	54.8	47.2	40.9	40.9	41.3	225.0
Other Revenue	156.9	142.7	134.2	152.4	125.5	93.4	75.6	55.8	55.8	55.9	336.4
General Fund Reimbursements	34.7	55.7	47.6	32.3	47.6	31.2	30.3	30.3	30.3	30.3	152.2
Transfers in (UTGO Millage & Non-General Fund POCs)	80.1	82.5	83.8	85.1	85.8	92.8	89.0	87.9	83.8	84.4	438.0
Total Revenues	1,397.7	1,363.3	1,291.0	1,316.8	1,196.9	1,121.9	1,082.8	1,046.2	1,041.5	1,041.4	5,333.8
Expenditures											
Salaries/Overtime/Fringe	(509.9)	(506.6)	(466.4)	(454.8)	(431.5)	(357.3)	(341.5)	(341.9)	(346.4)	(352.5)	(1,739.7)
Health Benefits – Active	(49.9)	(54.4)	(70.8)	(64.6)	(54.3)	(43.1)	(51.2)	(54.0)	(57.4)	(61.0)	(266.7)
Other Operating Expenses	(551.2)	(464.3)	(427.5)	(368.2)	(371.3)	(291.6)	(292.9)	(288.2)	(295.9)	(301.5)	(1,470.2)
Operating Expenditures	(1,111.1)	(1,025.3)	(964.7)	(887.5)	(857.1)	(692.0)	(685.7)	(684.1)	(699.7)	(715.0)	(3,476.6)
Net Operating Surplus	286.7	338.0	326.3	429.2	339.8	429.9	397.2	362.0	341.8	326.3	1,857.2
Debt Service (LTGO & UTGO)	(133.8)	(177.6)	(135.9)	(137.3)	(135.6)	(141.4)	(135.9)	(124.4)	(119.4)	(96.1)	(617.2)
POC – Principal & Interest	(29.8)	(25.1)	(28.1)	(38.9)	(39.0)	(55.4)	(61.0)	(63.2)	(65.4)	(67.6)	(312.6)
POC Swaps	(45.3)	(49.9)	(50.7)	(50.7)	(50.7)	(50.6)	(50.6)	(50.6)	(50.6)	(50.6)	(253.1)
Pension Contributions	(76.3)	(65.7)	(50.8)	(119.5)	(86.1)	(78.3)	(199.5)	(233.1)	(258.9)	(285.9)	(1,055.8)
Health Benefits – Retiree	(129.3)	(143.7)	(132.3)	(139.7)	(150.1)	(151.6)	(140.7)	(151.1)	(161.6)	(172.0)	(776.9)
Legacy Expenditures	(414.6)	(462.0)	(397.9)	(486.1)	(461.6)	(477.3)	(587.6)	(622.4)	(655.9)	(672.3)	(3,015.6)
Deficit (excl. Financing Proceeds)	(127.9)	(124.1)	(71.7)	(56.9)	(121.8)	(47.4)	(190.5)	(260.4)	(314.1)	(346.0)	(1,158.4)
Financing Proceeds	75.0	-	250.0	-	-	137.0	-	-	-	-	137.0
Total Surplus (deficit)	\$(52.9)	\$(124.1)	\$178.3	\$(56.9)	\$(121.8)	\$89.6	\$(190.5)	\$(260.4)	\$(314.1)	\$(346.0)	\$(1,021.4)
Accumulated Unrestricted General Fund Deficit	\$(219.2)	\$(331.9)	\$(155.7)	\$(196.6)	\$(326.6)	\$(237.0)	\$(427.5)	\$(687.9)	\$(1,002.0)	\$(1,348.0)	

***Note:** The above projections were prepared based solely on the City's levels of operating expenses and capital expenditures as of the Petition Date and do not account for (i) increases in expenditures necessary to restore City services to adequate levels, (ii) additional investment by the City in services, assets or infrastructure or (iii) any changes to legacy liabilities.

EXHIBIT I

TEN-YEAR SUMMARY OF RESTRUCTURING INITIATIVES

City of Detroit
Ten-Year Plan of Adjustment
Restructuring and Reinvestment Initiatives

	<u>Page</u>
• Restructuring and Reinvestment Initiatives (Consolidated)	3
- Consolidated - General Fund	4
• Restructuring and Reinvestment Initiatives - Consolidated by Department	5
- Revenue	6
- Operating Expenditures	7
- Technology Infrastructure	8
- Capital Expenditures	9
- Other Infrastructure	10
- Reorganization Costs	11
- Surplus / (Deficit)	12
- Incremental Headcount	13
Restructuring Initiatives by Department	
• Executive Agencies - Department Detail	14
- Department of Administrative Hearings (DAH)	15-16
- Finance Department (Finance)	17-18
- Fire Department (DFD)	19-20
- General Services Department (GSD)	21-22
- Human Resources Department (HR)	23-24
- Human Resources Department - Labor Relations Division (LR)	25-26
- Human Rights / Board of Ethics Department (Human Rights)	27-28
- Law Department (Law)	29-30
- Mayor's Office	31-32
- Planning and Development Department (PDD)	33-34
- Police Department (DPD)	35-36
- Department of Public Works (DPW)	37-38
- Recreation Department	39-40
- Department of Health & Wellness Promotion (DHWP)	41-42
• Legislative Agencies - Department Detail	43
- Auditor General (AG) and Inspector General (IG)	44-45
- Board of Zoning Appeals (BZA)	46-47
- City Clerk	48-49
- City Council	50-51
- Department of Elections (Elections)	52-53
- Ombudsperson	54-55
• Other Agencies - Department Detail	56
- Non-Departmental (36th District Court Initiatives)	57-58
• Enterprise Agencies - Department Detail	59
- Airport	60-61
- Building Safety Engineering and Environmental Department (BSEED)	62-63
- Detroit Department of Transportation (DDOT)	64-65
- Municipal Parking Department (Parking)	66-67
• Other - Detail	68
- Blight/Demolition	69-70

City of Detroit
Ten-Year Plan of Adjustment
Restructuring and Reinvestment Initiatives - Consolidated

City of Detroit

**Ten-Year Plan of Adjustment
Restructuring and Reinvestment Initiatives
Consolidated - General Fund
(\$ in millions)**

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenue												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2.	a. Increased Collection Rate	2.2	12.6	15.0	18.3	18.6	18.9	19.2	19.4	19.8	20.1	164.3
3.	b. Collection of Past Due	1.5	4.9	5.7	2.5	-	-	-	-	-	-	14.7
4.	Pricing/Fees	0.4	10.0	15.5	16.8	21.5	23.2	27.3	26.8	30.9	31.8	204.1
5.	Grant Revenue	3.1	40.6	8.3	11.5	12.2	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	74.9
6.	Other	(0.1)	3.9	3.9	4.0	3.9	4.0	(0.1)	(0.1)	(0.1)	-	19.2
7.	Total Revenue	7.2	72.0	48.3	53.0	56.2	45.8	46.2	46.1	50.6	51.8	477.2
Expenditures												
8.	Permanent Labor	(5.9)	(28.1)	(24.8)	(24.7)	(20.3)	(18.0)	(19.7)	(18.5)	(19.7)	(19.7)	(199.4)
9.	Professional & Contract Services	(0.4)	1.0	1.3	1.3	1.2	1.2	1.1	1.1	1.1	1.0	10.0
10.	Labor Costs / Service Contracts	(6.3)	(27.0)	(23.5)	(23.4)	(19.1)	(16.8)	(18.5)	(17.4)	(18.6)	(18.7)	(189.3)
11.	Active Benefits	(2.7)	(11.9)	(12.2)	(13.7)	(11.9)	(11.1)	(11.8)	(11.4)	(12.0)	(12.1)	(110.8)
12.	Training	(0.3)	(7.2)	(9.0)	(6.2)	(5.3)	(5.1)	(5.0)	(5.1)	(5.2)	(4.9)	(53.3)
13.	Materials and Supplies	(2.0)	(6.6)	(11.5)	(10.2)	(8.3)	(8.8)	(9.4)	(9.6)	(10.1)	(10.6)	(87.1)
14.	Utilities	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(2.6)
15.	Purchased services	(2.4)	(98.1)	(79.2)	(79.5)	(79.0)	(79.5)	1.0	0.5	0.9	0.4	(414.8)
16.	Risk management/insurance	0.0	2.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	50.7
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In/Out (General Fund)	0.4	(4.4)	(0.5)	2.3	2.7	3.5	3.5	3.1	3.6	3.6	17.7
19.	Grant related expenses	(1.2)	(15.6)	(3.5)	-	-	-	-	-	-	-	(20.3)
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	0.1	2.2	2.2	2.2	2.3	2.3	2.3	2.4	2.5	2.6	21.1
22.	Total Operating Expenditures	(14.6)	(166.9)	(131.3)	(122.6)	(112.9)	(109.7)	(32.2)	(31.7)	(33.1)	(34.0)	(788.9)
23.	Total Operating Surplus (Deficit)	\$ (7.4)	\$ (94.8)	\$ (83.0)	\$ (69.6)	\$ (56.7)	\$ (63.8)	\$ 14.0	\$ 14.4	\$ 17.5	\$ 17.8	\$ (311.7)
Reorganization/Investment												
24.	Technology Infrastructure	(3.1)	(54.4)	(29.2)	(12.2)	(10.1)	(9.9)	(8.2)	(8.8)	(8.8)	(7.5)	(152.3)
25.	Capital Expenditures	(7.1)	(51.5)	(33.2)	(29.5)	(24.6)	(22.8)	(18.8)	(18.4)	(18.1)	(18.1)	(242.0)
26.	Other Infrastructure	(17.8)	(28.0)	(22.3)	(19.1)	(16.4)	(15.7)	(15.8)	(15.2)	(13.7)	(13.4)	(177.4)
27.	Reorganization Costs	(3.2)	(18.2)	(6.3)	(0.9)	(1.2)	(1.0)	(2.7)	(2.0)	(1.2)	(1.0)	(37.7)
28.	Total Reorganization/Investment	(31.2)	(152.1)	(91.0)	(61.7)	(52.4)	(49.3)	(45.5)	(44.4)	(41.8)	(40.0)	(609.5)
29.	Total Surplus (Deficit)	\$ (38.7)	\$ (246.9)	\$ (173.9)	\$ (131.3)	\$ (109.0)	\$ (113.2)	\$ (31.5)	\$ (30.0)	\$ (24.4)	\$ (22.2)	\$ (921.1)
30.	Incremental Headcount (FTE)	496	625	663	749	756	717	707	693	697	699	699

City of Detroit
Ten-Year Plan of Adjustment
Restructuring and Reinvestment Initiatives - Consolidated by Department

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Revenues

(\$ in millions)

	For the Fiscal Year Ended										10-Year Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
EXECUTIVE AGENCIES											
Administrative Hearings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Finance/Budget	2.7	7.9	8.4	8.7	6.2	6.2	6.3	6.3	6.3	6.3	65.4
Fire	2.0	8.1	6.6	18.3	19.0	6.7	6.6	6.6	6.6	6.6	87.0
General Services	1.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	20.3
Human Resources	-	-	-	-	-	-	-	-	-	-	-
Labor Relations	-	-	-	-	-	-	-	-	-	-	-
Human Rights / Board of Ethics	-	-	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	2.5
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	-	-	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	4.4
Mayor's Office	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	-	-	-	-	-	-	-	-	-	-	-
Police	-	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	32.6
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Vital Records (Health & Wellness)	-	-	-	-	-	-	-	-	-	-	-
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	-	-	-	-	-	-	-	-	-	-
Board of Zoning Appeals	-	-	-	-	-	-	-	-	-	-	-
City Clerk	-	-	-	-	-	-	-	-	-	-	-
City Council	-	-	-	-	-	-	-	-	-	-	-
Election Commission	-	-	-	-	-	-	-	-	-	-	-
Ombudsperson	-	-	-	-	-	-	-	-	-	-	-
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	5.8	8.2	8.5	8.7	9.0	9.2	9.5	9.8	10.1	78.8
ENTERPRISE AGENCIES											
Airport	-	-	-	-	-	-	-	-	-	-	-
Buildings and Safety	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.7
DDOT - Transportation	(1.7)	(5.7)	(1.5)	(0.1)	4.6	6.3	10.4	10.0	14.1	15.0	51.4
Municipal Parking	-	5.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	60.3
OTHER											
Blight	3.0	44.3	13.0	4.0	4.0	4.0	-	-	-	-	72.3
TOTAL	\$ 7.2	\$ 72.0	\$ 48.3	\$ 53.0	\$ 56.2	\$ 45.8	\$ 46.2	\$ 46.1	\$ 50.6	\$ 51.8	\$ 477.2

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Operating Expenditures

(\$ in millions)

	For the Fiscal Year Ended										10-Year
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
EXECUTIVE AGENCIES											
Administrative Hearings	\$ -	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.1)
Finance/Budget	(1.1)	(5.8)	(3.8)	(3.8)	(1.3)	(1.8)	(2.2)	(2.7)	(3.1)	(3.6)	(29.1)
Fire	(3.0)	(11.9)	(6.3)	(7.9)	(0.9)	2.2	0.5	2.8	2.0	3.3	(19.1)
General Services	(2.1)	(8.5)	(13.5)	(13.6)	(13.8)	(14.0)	(14.1)	(14.2)	(14.4)	(14.5)	(122.7)
Human Resources	(0.0)	(2.0)	(3.1)	(3.1)	(3.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(28.2)
Labor Relations	(0.0)	(0.3)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(6.8)
Human Rights / Board of Ethics	-	(0.4)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)	(5.4)
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	-	1.6	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1	4.0
Mayor's Office	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(2.1)
Planning & Development	(0.4)	(1.2)	(1.0)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(9.6)
Police	(2.2)	(14.4)	(17.9)	(10.9)	(9.4)	(8.8)	(8.9)	(8.9)	(8.7)	(9.1)	(99.3)
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)
Recreation	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.8)
Vital Records (Health & Wellness)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.8)
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(3.9)
Board of Zoning Appeals	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
City Clerk	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7
City Council	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.9
Election Commission	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Ombudsperson	-	(0.6)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(9.0)
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	0.0	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.8	5.7
ENTERPRISE AGENCIES											
Airport	-	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(6.6)
Buildings and Safety	0.4	(4.3)	(0.4)	2.3	2.7	3.6	3.6	3.2	3.7	3.7	18.4
DDOT - Transportation	(0.9)	(3.5)	0.7	(2.4)	(3.8)	(4.4)	(4.4)	(5.1)	(5.6)	(6.6)	(36.1)
Municipal Parking	(0.1)	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(1.0)
OTHER											
Blight	(3.2)	(113.6)	(83.5)	(80.0)	(80.0)	(80.0)	-	-	-	-	(440.3)
TOTAL	\$ (14.6)	\$ (166.9)	\$ (131.3)	\$ (122.6)	\$ (112.9)	\$ (109.7)	\$ (32.2)	\$ (31.7)	\$ (33.1)	\$ (34.0)	\$ (788.9)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Technology Infrastructure

(\$ in millions)

	For the Fiscal Year Ended										10-Year Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
EXECUTIVE AGENCIES											
Administrative Hearings	\$ -	\$ (0.5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(0.5)
Finance/Budget	(1.7)	(34.6)	(17.3)	(8.8)	(6.7)	(6.6)	(4.2)	(5.3)	(5.5)	(4.2)	(94.8)
Fire	-	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.4)	(0.2)	(0.2)	(3.5)
General Services	-	-	-	-	-	-	-	-	-	-	-
Human Resources	-	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1.3)
Labor Relations	-	-	-	-	-	-	-	-	-	-	-
Human Rights / Board of Ethics	-	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	(0.5)	-	-	-	-	-	-	-	-	-	(0.5)
Mayor's Office	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	-	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.8)
Police	(0.9)	(12.2)	(10.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(38.4)
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Vital Records (Health & Wellness)	-	-	-	-	-	-	-	-	-	-	-
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.4)
Board of Zoning Appeals	-	-	-	-	-	-	-	-	-	-	-
City Clerk	-	-	-	-	-	-	-	-	-	-	-
City Council	-	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
Election Commission	(0.0)	-	-	-	-	-	-	-	-	-	(0.0)
Ombudsperson	-	(3.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(7.6)
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	(1.6)	(0.8)	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(4.2)
ENTERPRISE AGENCIES											
Airport	-	(0.0)	-	-	-	-	-	-	-	-	(0.0)
Buildings and Safety	-	-	-	-	-	-	-	-	-	-	-
DDOT - Transportation	-	-	-	-	-	-	-	-	-	-	-
Municipal Parking	-	-	-	-	-	-	-	-	-	-	-
OTHER											
Blight	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ (3.1)	\$ (54.4)	\$ (29.2)	\$ (12.2)	\$ (10.1)	\$ (9.9)	\$ (8.2)	\$ (8.8)	\$ (8.8)	\$ (7.5)	\$ (152.3)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Capital Expenditures

(\$ in millions)

	For the Fiscal Year Ended										10-Year Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
EXECUTIVE AGENCIES											
Administrative Hearings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Finance/Budget	-	-	-	-	-	-	-	-	-	-	-
Fire	(3.1)	(11.9)	(8.9)	(10.5)	(5.8)	(12.7)	(4.8)	(5.6)	(5.5)	(5.5)	(74.3)
General Services	(1.7)	(8.5)	(5.7)	(4.2)	(4.5)	(4.3)	(4.3)	(4.5)	(4.4)	(4.4)	(46.4)
Human Resources	-	-	(1.0)	-	-	-	-	-	-	-	(1.0)
Labor Relations	-	-	-	-	-	-	-	-	-	-	-
Human Rights / Board of Ethics	-	-	-	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	-	-	-	-	-	-	-	-	-	-	-
Mayor's Office	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	-	-	-	-	-	-	-	-	-	-	-
Police	(1.4)	(13.0)	(6.5)	(0.1)	(0.5)	(0.2)	(3.3)	(3.1)	(3.0)	(3.0)	(34.2)
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	-	-	-	-	-	-	-	-	-	-
Recreation	(0.9)	(8.9)	(3.1)	(3.3)	(3.0)	(4.0)	(4.3)	(4.0)	(4.0)	(4.0)	(39.5)
Vital Records (Health & Wellness)	-	(5.1)	-	-	-	-	-	-	-	-	(5.1)
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	-	-	-	-	-	-	-	-	-	-
Board of Zoning Appeals	-	-	-	-	-	-	-	-	-	-	-
City Clerk	-	-	-	-	-	-	-	-	-	-	-
City Council	-	-	-	-	-	-	-	-	-	-	-
Election Commission	-	-	(0.4)	(0.6)	(0.3)	-	(0.5)	(0.5)	(0.5)	(0.5)	(3.3)
Ombudsperson	-	-	-	-	-	-	-	-	-	-	-
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	(1.0)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(5.0)
ENTERPRISE AGENCIES											
Airport	-	(0.4)	(5.0)	(7.8)	(7.5)	-	-	-	-	-	(20.7)
Buildings and Safety	-	(0.4)	-	-	-	-	-	-	-	-	(0.4)
DDOT - Transportation	-	(1.6)	(2.0)	(2.3)	(2.5)	(1.0)	(1.0)	-	-	-	(10.3)
Municipal Parking	-	(0.7)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(2.0)
OTHER											
Blight	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ (7.1)	\$ (51.5)	\$ (33.2)	\$ (29.5)	\$ (24.6)	\$ (22.8)	\$ (18.8)	\$ (18.4)	\$ (18.1)	\$ (18.1)	\$ (242.0)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Other Infrastructure

(\$ in millions)

	For the Fiscal Year Ended										10-Year Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
EXECUTIVE AGENCIES											
Administrative Hearings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Finance/Budget	-	-	-	-	-	-	-	-	-	-	-
Fire	(6.2)	(11.7)	(9.0)	(5.9)	(5.7)	(4.9)	(5.1)	(4.5)	(3.0)	(2.7)	(58.6)
General Services	(2.1)	(4.2)	(3.1)	(3.1)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(16.1)
Human Resources	-	-	-	-	-	-	-	-	-	-	-
Labor Relations	-	-	-	-	-	-	-	-	-	-	-
Human Rights / Board of Ethics	-	-	-	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	-	-	-	-	-	-	-	-	-	-	-
Mayor's Office	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	-	-	-	-	-	-	-	-	-	-	-
Police	(9.5)	(11.7)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(101.3)
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Vital Records (Health & Wellness)	-	-	-	-	-	-	-	-	-	-	-
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	-	-	-	-	-	-	-	-	-	-
Board of Zoning Appeals	-	-	-	-	-	-	-	-	-	-	-
City Clerk	-	-	-	-	-	-	-	-	-	-	-
City Council	-	-	-	-	-	-	-	-	-	-	-
Election Commission	-	-	-	-	-	-	-	-	-	-	-
Ombudsperson	-	-	-	-	-	-	-	-	-	-	-
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	-	-	-	-	-	-	-	-	-	-
ENTERPRISE AGENCIES											
Airport	-	-	-	-	-	-	-	-	-	-	-
Buildings and Safety	-	-	-	-	-	-	-	-	-	-	-
DDOT - Transportation	-	-	-	-	-	-	-	-	-	-	-
Municipal Parking	-	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1.4)
OTHER											
Blight	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ (17.8)	\$ (28.0)	\$ (22.3)	\$ (19.1)	\$ (16.4)	\$ (15.7)	\$ (15.8)	\$ (15.2)	\$ (13.7)	\$ (13.4)	\$ (177.4)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Reorganization Costs

(\$ in millions)

	For the Fiscal Year Ended										10-Year Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
EXECUTIVE AGENCIES											
Administrative Hearings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Finance/Budget	(2.4)	(7.9)	(3.7)	(0.5)	(0.9)	(0.6)	(1.4)	(0.6)	(0.9)	(0.6)	(19.6)
Fire	(0.3)	-	-	-	-	-	-	-	-	-	(0.3)
General Services	-	(0.4)	-	-	-	-	-	-	-	-	(0.4)
Human Resources	-	(1.4)	(1.0)	-	-	-	-	-	-	-	(2.4)
Labor Relations	-	-	-	-	-	-	-	-	-	-	-
Human Rights / Board of Ethics	-	-	-	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	-	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Mayor's Office	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	(0.6)	(6.8)	(0.8)	-	-	-	(1.0)	(1.0)	-	-	(10.2)
Police	-	(0.6)	(0.4)	-	-	-	-	-	-	-	(1.0)
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Vital Records (Health & Wellness)	-	-	-	-	-	-	-	-	-	-	-
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	-	-	-	-	-	-	-	-	-	-
Board of Zoning Appeals	-	-	-	-	-	-	-	-	-	-	-
City Clerk	-	-	-	-	-	-	-	-	-	-	-
City Council	-	-	-	-	-	-	-	-	-	-	-
Election Commission	-	-	-	-	-	-	-	-	-	-	-
Ombudsperson	-	-	-	-	-	-	-	-	-	-	-
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	(1.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(3.7)
ENTERPRISE AGENCIES											
Airport	-	-	-	-	-	-	-	-	-	-	-
Buildings and Safety	-	-	-	-	-	-	-	-	-	-	-
DDOT - Transportation	-	-	-	-	-	-	-	-	-	-	-
Municipal Parking	-	-	-	-	-	-	-	-	-	-	-
OTHER											
Blight	-	-	-	-	-	-	-	-	-	-	-
TOTAL	\$ (3.2)	\$ (18.2)	\$ (6.3)	\$ (0.9)	\$ (1.2)	\$ (1.0)	\$ (2.7)	\$ (2.0)	\$ (1.2)	\$ (1.0)	\$ (37.7)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Surplus / (Deficit)

(\$ in millions)

	For the Fiscal Year Ended										10-Year
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
EXECUTIVE AGENCIES											
Administrative Hearings	\$ -	\$ (0.5)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.6)
Finance/Budget	(2.5)	(40.3)	(16.4)	(4.4)	(2.6)	(2.8)	(1.5)	(2.3)	(3.2)	(2.1)	(78.2)
Fire	(10.6)	(28.6)	(17.8)	(6.2)	6.5	(8.9)	(3.6)	(1.1)	(0.0)	1.5	(68.7)
General Services	(4.8)	(19.4)	(20.2)	(18.8)	(16.7)	(16.7)	(16.8)	(17.2)	(17.2)	(17.4)	(165.3)
Human Resources	(0.0)	(3.9)	(5.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(3.5)	(3.5)	(32.9)
Labor Relations	(0.0)	(0.3)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(6.8)
Human Rights / Board of Ethics	-	(0.5)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.3)	(3.0)
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	(0.5)	1.5	1.0	1.0	0.9	0.9	0.8	0.8	0.7	0.7	7.8
Mayor's Office	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(2.1)
Planning & Development	(1.0)	(8.5)	(1.8)	(1.0)	(1.0)	(1.0)	(2.1)	(2.1)	(1.1)	(1.1)	(20.6)
Police	(14.0)	(48.3)	(41.5)	(19.6)	(18.5)	(17.5)	(20.7)	(20.5)	(20.3)	(20.6)	(241.6)
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)
Recreation	(0.9)	(8.9)	(3.1)	(3.3)	(3.1)	(4.0)	(4.3)	(4.0)	(4.0)	(4.0)	(39.8)
Vital Records (Health & Wellness)	(0.3)	(5.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(6.9)
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)	(0.5)	(0.5)	(0.5)	(4.2)
Board of Zoning Appeals	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
City Clerk	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7
City Council	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.8
Election Commission	0.0	0.1	(0.3)	(0.6)	(0.2)	0.0	(0.5)	(0.5)	(0.5)	(0.5)	(2.9)
Ombudsperson	-	(3.6)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)	(16.6)
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	2.2	7.2	7.9	8.2	8.6	8.9	9.2	9.5	9.9	71.7
ENTERPRISE AGENCIES											
Airport	-	(1.3)	(5.7)	(8.5)	(8.2)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(27.3)
Buildings and Safety	0.5	(4.5)	(0.3)	2.5	2.9	3.7	3.8	3.3	3.8	3.8	19.7
DDOT - Transportation	(2.6)	(10.8)	(2.8)	(4.8)	(1.7)	0.9	5.1	4.9	8.5	8.5	5.1
Municipal Parking	(0.1)	4.1	6.6	6.6	6.6	6.5	6.5	6.5	6.5	6.4	55.9
OTHER											
Blight	(0.2)	(69.3)	(70.5)	(76.0)	(76.0)	(76.0)	-	-	-	-	(367.9)
TOTAL	\$ (38.7)	\$ (246.9)	\$ (173.9)	\$ (131.3)	\$ (109.0)	\$ (113.2)	\$ (31.5)	\$ (30.0)	\$ (24.4)	\$ (22.2)	\$ (921.1)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Consolidated by Department

Incremental Headcount

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXECUTIVE AGENCIES										
Administrative Hearings	-	-	-	-	-	-	-	-	-	-
Finance/Budget	42	120	121	121	112	112	112	112	112	112
Fire	161	97	84	182	193	165	153	135	129	117
General Services	112	112	112	112	112	112	112	112	112	112
Human Resources	4	19	22	22	22	22	22	22	22	22
Labor Relations	2	3	11	11	11	11	11	11	11	11
Human Rights / Board of Ethics	-	6	6	6	6	6	6	6	6	6
Human Services	-	-	-	-	-	-	-	-	-	-
Law	-	9	17	17	17	17	17	17	17	17
Mayor's Office	31	31	31	31	31	31	31	31	31	31
Planning & Development	16	(32)	(34)	(34)	(34)	(34)	(34)	(34)	(34)	(34)
Police	125	250	250	175	162	149	149	149	149	149
Public Lighting	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Vital Records (Health & Wellness)	-	-	-	-	-	-	-	-	-	-
LEGISLATIVE AGENCIES										
Auditor General / Inspector General	-	4	4	4	4	4	4	4	4	4
Board of Zoning Appeals	-	-	-	-	-	-	-	-	-	-
City Clerk	-	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
City Council	-	-	-	-	-	-	-	-	-	-
Election Commission	-	-	-	-	-	-	-	-	-	-
Ombudsperson	-	13	20	20	20	20	20	20	20	20
OTHER AGENCIES										
Non-Departmental (36D Initiatives)	-	(15)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)
ENTERPRISE AGENCIES										
Airport	-	4	4	4	4	4	4	4	4	4
Buildings and Safety	2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
DDOT - Transportation	-	-	50	113	131	133	134	138	149	163
Municipal Parking	1	7	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
OTHER										
Blight	-	-	-	-	-	-	-	-	-	-
TOTAL	496	625	663	749	756	717	707	693	697	699

City of Detroit
Ten-Year Plan of Adjustment
Executive Agencies - Department Detail

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Department of Administrative Hearings (DAH)

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	-	-	-	-	-	-	-	-	-	-
Expenditures												
8.	Permanent Labor	-	-	-	-	-	-	-	-	-	-	-
9.	Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-
10.	Labor Costs / Service Contracts	-	-	-	-	-	-	-	-	-	-	-
11.	Active Benefits	-	-	-	-	-	-	-	-	-	-	-
12.	Training	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
23.	Total Operating Surplus (Deficit)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Reorganization / Investment												
24.	Technology Infrastructure	-	(0.5)	-	-	-	-	-	-	-	-	(0.5)
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	(0.5)	-	-	-	-	-	-	-	-	(0.5)
29.	Total Surplus (Deficit)	\$ -	\$ (0.5)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.6)
30.	Incremental Headcount (FTE)	-	-	-	-	-	-	-	-	-	-	-

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Department of Administrative Hearings (DAH)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	-	
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	-	
11. Active Benefits	-	
12. Training	(0.1)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(0.1)	
23. Total Operating Surplus (Deficit)	(0.1)	
Reorganization / Investment		
24. Technology Infrastructure	(0.5)	Investment in case tracking system
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(0.5)	
29. Total Surplus (Deficit)	\$ (0.6)	
30. Incremental Headcount (FTE)	-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Finance Department (Finance)

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2.	a. Increased Collection Rate	1.2	4.9	4.9	5.2	5.2	5.2	5.2	5.2	5.2	5.2	47.5
3.	b. Collection of Past Due	1.5	3.0	3.0	2.5	-	-	-	-	-	-	10.0
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	0.5	1.0	1.0	1.0	1.1	1.1	1.1	1.1	7.9
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	2.7	7.9	8.4	8.7	6.2	6.2	6.3	6.3	6.3	6.3	65.4
Expenditures												
8.	Permanent Labor	(0.7)	(5.5)	(6.3)	(6.5)	(6.7)	(6.8)	(7.0)	(7.1)	(7.2)	(7.4)	(61.2)
9.	Professional & Contract Services	(0.0)	0.7	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	7.6
10.	Labor Costs / Service Contracts	(0.7)	(4.8)	(5.5)	(5.6)	(5.8)	(6.0)	(6.1)	(6.2)	(6.4)	(6.5)	(53.6)
11.	Active Benefits	(0.3)	(2.5)	(2.8)	(2.9)	(3.0)	(3.1)	(3.1)	(3.2)	(3.3)	(3.3)	(27.5)
12.	Training	(0.0)	(0.5)	(0.9)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(5.9)
13.	Materials and Supplies	(0.0)	2.0	2.0	2.0	5.0	5.0	5.0	5.0	5.0	5.0	35.8
14.	Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
15.	Purchased services	-	-	0.5	0.5	0.7	0.5	0.7	0.5	0.7	0.5	4.4
16.	Risk management / insurance	-	-	3.0	3.0	2.5	2.5	2.0	2.0	1.5	1.5	18.0
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)
22.	Total Operating Expenditures	(1.1)	(5.8)	(3.8)	(3.8)	(1.3)	(1.8)	(2.2)	(2.7)	(3.1)	(3.6)	(29.1)
23.	Total Operating Surplus (Deficit)	1.6	2.1	4.6	4.9	5.0	4.5	4.1	3.6	3.2	2.7	36.3
Reorganization / Investment												
24.	Technology Infrastructure	(1.7)	(34.6)	(17.3)	(8.8)	(6.7)	(6.6)	(4.2)	(5.3)	(5.5)	(4.2)	(94.8)
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	(2.4)	(7.9)	(3.7)	(0.5)	(0.9)	(0.6)	(1.4)	(0.6)	(0.9)	(0.6)	(19.6)
28.	Total Reorganization / Investment	(4.1)	(42.4)	(21.0)	(9.3)	(7.6)	(7.3)	(5.6)	(5.9)	(6.4)	(4.8)	(114.5)
29.	Total Surplus (Deficit)	\$ (2.5)	\$ (40.3)	\$ (16.4)	\$ (4.4)	\$ (2.6)	\$ (2.8)	\$ (1.5)	\$ (2.3)	\$ (3.2)	\$ (2.1)	\$ (78.2)
30.	Incremental Headcount (FTE)	42	120	121	121	112	112	112	112	112	112	112

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Finance Department (Finance)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	47.5	Incremental collections primarily related to Income Tax non-filer project and Income Tax Task Force (\$30.6MM); incremental revenue from Treasury related to additional staffing for collection activities (\$13.5MM), additional Treasury collections related to the hiring of a third-party collection agency (\$3.4MM)
3. b. Collection of Past Due	10.0	Collection of past due income tax receivables, net of 3rd party collection fees
4. Pricing / Fees	-	
5. Grant Revenue	7.9	Additional grant related revenue from establishment of a Grants administration function
6. Other	-	
7. Total Revenues	65.4	
Expenditures		
8. Permanent Labor	(61.2)	FTE increases - Grants (27), Treasury (25), ITS (15), Accounting and Finance Admin. (14), Risk Management and Workers' Compensation (13), Assessing (6), Income Tax (7) and Purchasing (5)
9. Professional & Contract Services	7.6	Reduction to income tax contractual services subsequent to implementation of CityTax software solution
10. Labor Costs / Service Contracts	(53.6)	
11. Active Benefits	(27.5)	Benefits at 45.0% of Permanent Labor costs
12. Training	(5.9)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	35.8	Purchase savings generated from process related enhancements, consolidation of vendors, and other Purchasing Division restructuring initiatives
14. Utilities	(0.2)	Grant related
15. Purchased services	4.4	Savings related to phasing out of third party accounting related projects
16. Risk management / insurance	18.0	Estimated savings related to a improved risk management function and workers' compensation claim process
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	(0.1)	
22. Total Operating Expenditures	(29.1)	
23. Total Operating Surplus (Deficit)	36.3	
Reorganization / Investment		
24. Technology Infrastructure	(94.8)	Incremental IT costs are primarily related to new ERP system (\$29.0MM), hardware upgrades (\$12.7MM), Data Center Back-up (\$10.9MM), software upgrades (\$10.4MM), implementation of CityTax (\$5.6MM), installation of a document management system (\$5.4MM), other infrastructure (\$4.2MM), enhanced security system (\$3.8MM), and Workbrain upgrades (\$3.6MM)
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	(19.6)	Primarily related to Assessing Division Corrective Action Plan (\$15.5M) and Treasury restructuring project
28. Total Reorganization / Investment	(114.5)	
29. Total Surplus (Deficit)	\$ (78.2)	
30. Incremental Headcount (FTE)	112	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Fire Department (DFD)

(\$ in millions)

For the Fiscal Year Ended												10-Year
2014201520162017201820192020202120222023												Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2.	a. Increased Collection Rate	0.9	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.7	33.7
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	8.2
5.	Grant Revenue	1.1	3.5	2.0	13.7	14.4	2.0	2.0	2.0	2.0	2.0	44.8
6.	Other	-	0.1	0.1	0.1	0.1	0.1	-	-	-	-	0.4
7.	Total Revenues	2.0	8.1	6.6	18.3	19.0	6.7	6.6	6.6	6.6	6.6	87.0
Expenditures												
8.	Permanent Labor	(1.7)	(5.8)	(2.5)	(4.2)	0.1	2.2	0.9	2.6	2.1	2.8	(3.5)
9.	Professional & Contract Services	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)
10.	Labor Costs / Service Contracts	(1.9)	(5.8)	(2.5)	(4.2)	0.1	2.2	0.9	2.6	2.1	2.8	(3.6)
11.	Active Benefits	(0.8)	(1.9)	(0.0)	(2.1)	(0.2)	0.7	0.1	0.8	0.6	0.9	(1.91)
12.	Training	(0.3)	(4.1)	(3.7)	(1.6)	(0.7)	(0.6)	(0.5)	(0.6)	(0.7)	(0.4)	(13.6)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	(3.0)	(11.9)	(6.3)	(7.9)	(0.9)	2.2	0.5	2.8	2.0	3.3	(19.1)
23.	Total Operating Surplus (Deficit)	(1.0)	(3.8)	0.3	10.4	18.1	8.9	7.0	9.4	8.6	9.8	67.9
Reorganization / Investment												
24.	Technology Infrastructure	-	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.4)	(0.2)	(0.2)	(3.5)
25.	Capital Expenditures	(3.1)	(11.9)	(8.9)	(10.5)	(5.8)	(12.7)	(4.8)	(5.6)	(5.5)	(5.5)	(74.3)
26.	Other Infrastructure (Fleet)	(6.2)	(11.7)	(9.0)	(5.9)	(5.7)	(4.9)	(5.1)	(4.5)	(3.0)	(2.7)	(58.6)
27.	Reorganization Costs	(0.3)	-	-	-	-	-	-	-	-	-	(0.3)
28.	Total Reorganization / Investment	(9.6)	(24.9)	(18.1)	(16.6)	(11.6)	(17.8)	(10.6)	(10.5)	(8.6)	(8.4)	(136.6)
29.	Total Surplus (Deficit)	\$ (10.6)	\$ (28.6)	\$ (17.8)	\$ (6.2)	\$ 6.5	\$ (8.9)	\$ (3.6)	\$ (1.1)	\$ (0.0)	\$ 1.5	\$ (68.7)
30.	Incremental Headcount (FTE)	161	97	84	182	193	165	153	135	129	117	117

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Fire Department (DFD)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	33.7	Increased collections from additional EMS and fleet personnel (\$26.8MM) and increased Fire Marshall personnel (\$6.9MM)
3. b. Collection of Past Due	-	
4. Pricing / Fees	8.2	Includes fire recovery billing for false alarms, vehicle fires, vehicle accidents
5. Grant Revenue	44.8	Assumes ability to receive SAFER grant funding in FY '17 and FY '18 and continued access to \$2.0MM annually from FEMA grants for equipment related training
6. Other	0.4	Sale of closed facilities
7. Total Revenue	87.0	
Expenditures		
8. Permanent Labor	(3.5)	Labor estimate includes ideal staffing levels while taking into account attrition, efficiencies, reductions in overtime, multifunctioning department EMT / SAFER grant requirements
9. Professional & Contract Services	(0.1)	
10. Labor Costs / Service Contracts	(3.6)	
11. Active Benefits	(1.9)	Increased headcount and overtime assumptions
12. Training	(13.6)	Training cost for all civilian department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program; Cross-training for uniform personnel (Medical First Responders and Fire Fighting)
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(19.1)	
23. Total Operating Surplus (Deficit)	67.9	
Reorganization / Investment		
24. Technology Infrastructure	(3.5)	Incremental costs for Records Management System
25. Capital Expenditures	(74.3)	Repair and maintenance of existing facilities (\$34.3MM), 7 new firehouses totaling (\$21.0MM) and fleet equipment, turnout gear and breathing units replacement programs (\$19.0MM)
26. Other Infrastructure (Fleet)	(58.6)	Implementation of apparatus (fleet) replacement program of approximately 17 vehicles per year as well as preventative maintenance program
27. Reorganization Costs	(0.3)	
28. Total Reorganization / Investment	(136.6)	
29. Total Surplus (Deficit)	\$ (68.7)	
30. Incremental Headcount (FTE)	117	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

General Services Department (GSD)

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	1.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	20.3
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	1.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	20.3
Expenditures												
8.	Permanent Labor	(0.7)	(2.3)	(4.4)	(4.5)	(4.7)	(4.8)	(4.9)	(5.0)	(5.1)	(5.2)	(41.6)
9.	Professional & Contract Services	0.2	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	5.2
10.	Labor Costs / Service Contracts	(0.5)	(1.9)	(3.9)	(4.0)	(4.1)	(4.2)	(4.3)	(4.4)	(4.5)	(4.6)	(36.4)
11.	Active Benefits	(0.3)	(1.1)	(2.0)	(2.0)	(2.1)	(2.2)	(2.2)	(2.2)	(2.3)	(2.3)	(18.7)
12.	Training	-	(0.3)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(4.9)
13.	Materials and Supplies	(1.2)	(5.5)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)	(65.1)
14.	Utilities	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(2.4)
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4.1
22.	Total Operating Expenditures	(2.1)	(8.5)	(13.5)	(13.6)	(13.8)	(14.0)	(14.1)	(14.2)	(14.4)	(14.5)	(122.7)
23.	Total Operating Surplus (Deficit)	(1.0)	(6.4)	(11.3)	(11.5)	(11.7)	(11.8)	(12.0)	(12.1)	(12.3)	(12.4)	(102.4)
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	(1.7)	(8.5)	(5.7)	(4.2)	(4.5)	(4.3)	(4.3)	(4.5)	(4.4)	(4.4)	(46.4)
26.	Other Infrastructure (Fleet)	(2.1)	(4.2)	(3.1)	(3.1)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(16.1)
27.	Reorganization Costs	-	(0.4)	-	-	-	-	-	-	-	-	(0.4)
28.	Total Reorganization / Investment	(3.8)	(13.1)	(8.9)	(7.3)	(5.1)	(4.9)	(4.9)	(5.1)	(5.0)	(5.0)	(62.9)
29.	Total Surplus (Deficit)	\$ (4.8)	\$ (19.4)	\$ (20.2)	\$ (18.8)	\$ (16.7)	\$ (16.7)	\$ (16.8)	\$ (17.2)	\$ (17.2)	\$ (17.4)	\$ (165.3)
30.	Incremental Headcount (FTE)	112	112	112	112	112	112	112	112	112	112	112

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

General Services Department (GSD)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	20.3	Street fund reimbursement of additional employees and expenses
6. Other	-	
7. Total Revenues	<u>20.3</u>	
Expenditures		
8. Permanent Labor	(41.6)	Additional employees to reach standard level of service delivery. Assumes Solid Waste and Custodial Services privatization to enhance service and / or reduce cost beginning Q4 FY '14. Assumes no additional outsourcing being evaluated for all divisions.
9. Professional & Contract Services	5.2	Increased professional and contract services to achieve standard level of services
10. Labor Costs / Service Contracts	<u>(36.4)</u>	
11. Active Benefits	(18.7)	Benefits at 45.0% of Permanent Labor costs
12. Training	(4.9)	Training cost for all GSD employees - \$2k per EE through FY '16, \$1.5k thereafter
13. Materials and Supplies	(65.1)	Additional materials and supplies required to achieve required level of service; i.e. Building supplies and expenses (\$1.0MM), fleet maintenance supplies and expenses (excluding solid waste) (\$4.3MM); support additional building and grounds maintenance. requirements (\$1.7MM); increased fuel cost / usage (\$0.4MM)
14. Utilities	(2.4)	
15. Purchased services	-	
16. Risk management / insurance	0.7	Reduction of long term absences with improved risk management practices
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	4.1	
22. Total Operating Expenditures	<u>(122.7)</u>	
23. Total Operating Surplus (Deficit)	<u>(102.4)</u>	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	(46.4)	Facility improvements repairs / upgrades (\$27.7MM) and additional facility space consolidation (\$18.7MM)
26. Other Infrastructure (Fleet)	(16.1)	Replacement / refresh of vehicles (\$6MM) and equipment and upgrade parks (\$10MM)
27. Reorganization Costs	<u>(0.4)</u>	
28. Total Reorganization / Investment	<u>(62.9)</u>	
29. Total Surplus (Deficit)	<u>\$ (165.3)</u>	
30. Incremental Headcount (FTE)	112	

City of Detroit

**10-Year Plan of Adjustment
Restructuring / Reinvestment Initiatives
Human Resources Department**
(\$ in millions)

For the Fiscal Year Ended												10-Year			
2014201520162017201820192020202120222023												Total			
Revenues															
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
2.	a. Increased Collection Rate		-		-		-		-		-		-		-
3.	b. Collection of Past Due		-		-		-		-		-		-		-
4.	Pricing / Fees		-		-		-		-		-		-		-
5.	Grant Revenue		-		-		-		-		-		-		-
6.	Other		-		-		-		-		-		-		-
7.	Total Revenues		-		-		-		-		-		-		-
Expenditures															
8.	Permanent Labor		(0.0)		(0.9)		(1.3)		(1.4)		(1.4)		(1.5)		(12.5)
9.	Professional & Contract Services		-		-		-		-		-		-		-
10.	Labor Costs / Service Contracts		(0.0)		(0.9)		(1.3)		(1.4)		(1.4)		(1.5)		(12.5)
11.	Active Benefits		(0.0)		(0.4)		(0.6)		(0.6)		(0.6)		(0.7)		(5.6)
12.	Training		-		(0.4)		(0.8)		(0.8)		(0.8)		(0.8)		(6.6)
13.	Materials and Supplies		-		(0.2)		(0.3)		(0.3)		(0.3)		(0.3)		(2.6)
14.	Utilities		-		-		-		-		-		-		-
15.	Purchased services		-		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.9)
16.	Risk management / insurance		-		-		-		-		-		-		-
17.	Contributions to non EP funds		-		-		-		-		-		-		-
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-
19.	Grant related expenses		-		-		-		-		-		-		-
20.	Maintenance		-		-		-		-		-		-		-
21.	All Other		-		-		-		-		-		-		-
22.	Total Operating Expenditures		(0.0)		(2.0)		(3.1)		(3.1)		(3.2)		(3.3)		(28.2)
23.	Total Operating Surplus (Deficit)		(0.0)		(2.0)		(3.1)		(3.1)		(3.2)		(3.3)		(28.2)
Reorganization / Investment															
24.	Technology Infrastructure		-		(0.5)		(0.1)		(0.1)		(0.1)		(0.1)		(1.3)
25.	Capital Expenditures		-		-		(1.0)		-		-		-		(1.0)
26.	Other Infrastructure		-		-		-		-		-		-		-
27.	Reorganization Costs		-		(1.4)		(1.0)		-		-		-		(2.4)
28.	Total Reorganization / Investment		-		(1.9)		(2.1)		(0.1)		(0.1)		(0.1)		(4.7)
29.	Total Surplus (Deficit)	\$	(0.0)	\$	(3.9)	\$	(5.2)	\$	(3.2)	\$	(3.3)	\$	(3.4)	\$	(32.9)
30.	Incremental Headcount (FTE)		4		19		22		22		22		22		22

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Human Resources Department (HR)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	(12.5)	FTE increases - Administration (1), Records (2), Central Services (2), Employee Services (3), Recruitment (7), Career Development (5), and Testing (2). FTE increases primarily focused on establishing a functioning recruitment, and selection and training function
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(12.5)	
11. Active Benefits	(5.6)	Benefits at 45.0% of Permanent Labor costs
12. Training	(6.6)	Training cost for all HR employees - \$2.0k per employee through FY '16, \$1.5k thereafter and also includes \$600k annual City-wide HR training
13. Materials and Supplies	(2.6)	Estimated training and test development materials and supplies
14. Utilities	-	
15. Purchased services	(0.9)	Estimated cost for recruitment advertising budget
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(28.2)	
23. Total Operating Surplus (Deficit)	(28.2)	
Reorganization / Investment		
24. Technology Infrastructure	(1.3)	Learning center one-time IT costs and related maintenance
25. Capital Expenditures	(1.0)	Estimated capital for training location (\$1.0MM)
26. Other Infrastructure	-	
27. Reorganization Costs	(2.4)	Cultural Change Agent engagement, and job description / classification and market compensation study
28. Total Reorganization / Investment	(4.7)	
29. Total Surplus (Deficit)	\$ (32.9)	
30. Incremental Headcount (FTE)	22.0	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Human Resources Department - Labor Relations Division (LR)

(\$ in millions)

For the Fiscal Year Ended												10-Year										
2014												2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Revenues																						
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2.	a. Increased Collection Rate		-		-		-		-		-		-		-		-		-		-	
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-		-		-	
4.	Pricing / Fees		-		-		-		-		-		-		-		-		-		-	
5.	Grant Revenue		-		-		-		-		-		-		-		-		-		-	
6.	Other		-		-		-		-		-		-		-		-		-		-	
7.	Total Revenues		-		-		-		-		-		-		-		-		-		-	
Expenditures																						
8.	Permanent Labor		(0.0)		(0.1)		(0.4)		(0.4)		(0.4)		(0.4)		(0.5)		(0.5)		(0.5)		(3.7)	
9.	Professional & Contract Services		-		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.9)	
10.	Labor Costs / Service Contracts		(0.0)		(0.2)		(0.5)		(0.5)		(0.5)		(0.5)		(0.6)		(0.6)		(0.6)		(4.6)	
11.	Active Benefits		(0.0)		(0.1)		(0.2)		(0.2)		(0.2)		(0.2)		(0.2)		(0.2)		(0.2)		(1.7)	
12.	Training		-		(0.0)		(0.1)		(0.1)		(0.1)		(0.0)		(0.0)		(0.0)		(0.0)		(0.5)	
13.	Materials and Supplies		-		-		-		-		-		-		-		-		-		-	
14.	Utilities		-		-		-		-		-		-		-		-		-		-	
15.	Purchased services		-		-		-		-		-		-		-		-		-		-	
16.	Risk management / insurance		-		-		-		-		-		-		-		-		-		-	
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-		-		-	
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-		-		-	
19.	Grant related expenses		-		-		-		-		-		-		-		-		-		-	
20.	Maintenance		-		-		-		-		-		-		-		-		-		-	
21.	All Other		-		-		-		-		-		-		-		-		-		-	
22.	Total Operating Expenditures		(0.0)		(0.3)		(0.8)		(0.8)		(0.8)		(0.8)		(0.8)		(0.8)		(0.8)		(6.8)	
23.	Total Operating Surplus (Deficit)		(0.0)		(0.3)		(0.8)		(0.8)		(0.8)		(0.8)		(0.8)		(0.8)		(0.8)		(6.8)	
Reorganization / Investment																						
24.	Technology Infrastructure		-		-		-		-		-		-		-		-		-		-	
25.	Capital Expenditures		-		-		-		-		-		-		-		-		-		-	
26.	Other Infrastructure		-		-		-		-		-		-		-		-		-		-	
27.	Reorganization Costs		-		-		-		-		-		-		-		-		-		-	
28.	Total Reorganization / Investment		-		-		-		-		-		-		-		-		-		-	
29.	Total Surplus (Deficit)	\$	(0.0)	\$	(0.3)	\$	(0.8)	\$	(0.8)	\$	(0.8)	\$	(0.8)	\$	(0.8)	\$	(0.8)	\$	(0.8)	\$	(6.8)	
30.	Incremental Headcount (FTE)		2		3		11		11		11		11		11		11		11		11	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Human Resources Department - Labor Relations Division (LR)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	(3.7)	Addition of 11 employees for labor relations and benefits functions. FTE increase primarily relates to establishing proper oversight, monitoring, and compliance with union contracts
9. Professional & Contract Services	(0.9)	
10. Labor Costs / Service Contracts	(4.6)	
11. Active Benefits	(1.7)	Benefits at 45.0% of Permanent Labor costs
12. Training	(0.5)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(6.8)	
23. Total Operating Surplus (Deficit)	(6.8)	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	-	
29. Total Surplus (Deficit)	\$ (6.8)	
30. Incremental Headcount (FTE)	11	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Human Rights / Board of Ethics Department (Human Rights)

(\$ in millions)

For the Fiscal Year Ended												10-Year							
2014201520162017201820192020202120222023												Total							
Revenues																			
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	
2.	a. Increased Collection Rate		-		-		0.2		0.2		0.3		0.3		0.3		0.4	0.4	2.5
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-	-	-
4.	Pricing / Fees		-		-		-		-		-		-		-		-	-	-
5.	Grant Revenue		-		-		-		-		-		-		-		-	-	-
6.	Other		-		-		-		-		-		-		-		-	-	-
7.	Total Revenues		-		-		0.2		0.2		0.3		0.3		0.3		0.4	0.4	2.5
Expenditures																			
8.	Permanent Labor		-		(0.3)		(0.3)		(0.3)		(0.3)		(0.4)		(0.4)		(0.4)	(0.4)	(3.1)
9.	Professional & Contract Services		-		-		-		-		-		-		-		-	-	-
10.	Labor Costs / Service Contracts		-		(0.3)		(0.3)		(0.3)		(0.3)		(0.4)		(0.4)		(0.4)	(0.4)	(3.1)
11.	Active Benefits		-		(0.1)		(0.1)		(0.2)		(0.2)		(0.2)		(0.2)		(0.2)	(0.2)	(1.4)
12.	Training		-		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)	(0.1)	(0.9)
13.	Materials and Supplies		-		-		-		-		-		-		-		-	-	-
14.	Utilities		-		-		-		-		-		-		-		-	-	-
15.	Purchased services		-		-		-		-		-		-		-		-	-	-
16.	Risk management / insurance		-		-		-		-		-		-		-		-	-	-
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-	-	-
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-	-	-
19.	Grant related expenses		-		-		-		-		-		-		-		-	-	-
20.	Maintenance		-		-		-		-		-		-		-		-	-	-
21.	All Other		-		-		-		-		-		-		-		-	-	-
22.	Total Operating Expenditures		-		(0.4)		(0.6)		(0.6)		(0.6)		(0.6)		(0.6)		(0.6)	(0.7)	(5.4)
23.	Total Operating Surplus (Deficit)		-		(0.4)		(0.4)		(0.4)		(0.3)		(0.3)		(0.3)		(0.2)	(0.3)	(2.9)
Reorganization / Investment																			
24.	Technology Infrastructure		-		(0.1)		-		-		-		-		-		-	-	(0.1)
25.	Capital Expenditures		-		-		-		-		-		-		-		-	-	-
26.	Other Infrastructure		-		-		-		-		-		-		-		-	-	-
27.	Reorganization Costs		-		-		-		-		-		-		-		-	-	-
28.	Total Reorganization / Investment		-		(0.1)		-		-		-		-		-		-	-	(0.1)
29.	Total Surplus (Deficit)	\$	-	\$	(0.5)	\$	(0.4)	\$	(0.4)	\$	(0.3)	\$	(0.3)	\$	(0.3)	\$	(0.2)	(0.3)	(3.0)
30.	Incremental Headcount (FTE)		-		6		6		6		6		6		6		6	6	6

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Human Rights / Board of Ethics Department (Human Rights)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	2.5	Increased fees from Detroit based businesses
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	2.5	
Expenditures		
8. Permanent Labor	(3.1)	Addition of 6 employees to ensure compliance from various parties with City's ethics and human rights policies
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(3.1)	
11. Active Benefits	(1.4)	Benefits at 45.0% of Permanent Labor costs
12. Training	(0.9)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program; Includes \$100.0k annually for City-wide ethics training
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(5.4)	
23. Total Operating Surplus (Deficit)	(2.9)	
Reorganization / Investment		
24. Technology Infrastructure	(0.1)	One time IT costs
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(0.1)	
29. Total Surplus (Deficit)	\$ (3.0)	
30. Incremental Headcount (FTE)	6	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Law Department (Law)

(\$ in millions)

For the Fiscal Year Ended												10-Year						
2014201520162017201820192020202120222023												Total						
Revenues																		
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-
2.	a. Increased Collection Rate		-		-		0.6		0.6		0.6		0.6		0.6		0.6	4.4
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-	-
4.	Pricing / Fees		-		-		-		-		-		-		-		-	-
5.	Grant Revenue		-		-		-		-		-		-		-		-	-
6.	Other		-		-		-		-		-		-		-		-	-
7.	Total Revenues		-		-		0.6		0.6		0.6		0.6		0.6		0.6	4.4
Expenditures																		
8.	Permanent Labor		-		(0.7)		(1.5)		(1.5)		(1.5)		(1.6)		(1.6)		(1.7)	(13.4)
9.	Professional & Contract Services		-		-		-		-		-		-		-		-	-
10.	Labor Costs / Service Contracts		-		(0.7)		(1.5)		(1.5)		(1.5)		(1.6)		(1.6)		(1.7)	(13.4)
11.	Active Benefits		-		(0.3)		(0.7)		(0.7)		(0.7)		(0.7)		(0.7)		(0.8)	(6.0)
12.	Training		-		(0.1)		(0.2)		(0.2)		(0.2)		(0.2)		(0.2)		(0.2)	(1.4)
13.	Materials and Supplies		-		-		-		-		-		-		-		-	-
14.	Utilities		-		-		-		-		-		-		-		-	-
15.	Purchased services		-		0.8		0.8		0.8		0.8		0.8		0.8		0.8	6.8
16.	Risk management / insurance		-		2.0		2.0		2.0		2.0		2.0		2.0		2.0	18.0
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-	-
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-	-
19.	Grant related expenses		-		-		-		-		-		-		-		-	-
20.	Maintenance		-		-		-		-		-		-		-		-	-
21.	All Other		-		-		-		-		-		-		-		-	-
22.	Total Operating Expenditures		-		1.6		0.4		0.4		0.3		0.3		0.2		0.2	4.0
23.	Total Operating Surplus (Deficit)		-		1.6		1.0		1.0		0.9		0.9		0.8		0.7	8.4
Reorganization / Investment																		
24.	Technology Infrastructure	(0.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.5)
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)
28.	Total Reorganization / Investment	(0.5)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.6)
29.	Total Surplus (Deficit)	\$	(0.5)	\$	1.5	\$	1.0	\$	1.0	\$	0.9	\$	0.9	\$	0.8	\$	0.7	7.8
30.	Incremental Headcount (FTE)	-	9	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Law Department (Law)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	4.4	Assumes annual improvement to collections due to additional internal legal labor resources
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	4.4	
Expenditures		
8. Permanent Labor	(13.4)	17 additional employees primarily dedicated to aggressively pursuing receivable collection efforts and to more rigorously defend City against certain legal actions
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(13.4)	
11. Active Benefits	(6.0)	Benefits at 45.0% of Permanent Labor costs
12. Training	(1.4)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	6.8	Assumes \$750.0k annual reduction in outside legal costs due to additional internal labor resources
16. Risk management / insurance	18.0	Assumes \$2.0MM annual reduction in lawsuit settlements as a result of additional internal labor resources
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	4.0	
23. Total Operating Surplus (Deficit)	8.4	
Reorganization / Investment		
24. Technology Infrastructure	(0.5)	Purchase of City Law IT application
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	(0.1)	Implementation cost of City Law IT application
28. Total Reorganization / Investment	(0.6)	
29. Total Surplus (Deficit)	\$ 7.8	
30. Incremental Headcount (FTE)	17	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Mayor's Office

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	-	-	-	-	-	-	-	-	-	-
Expenditures												
8.	Permanent Labor	(0.8)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)	(13.3)
9.	Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-
10.	Labor Costs / Service Contracts	(0.8)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)	(13.3)
11.	Active Benefits	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(6.1)
12.	Training	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.7)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.1	17.4
22.	Total Operating Expenditures	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(2.1)
23.	Total Operating Surplus (Deficit)	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(2.1)
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	-	-	-	-	-	-	-	-	-	-
29.	Total Surplus (Deficit)	\$ (1.3)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	(2.1)
30.	Incremental Headcount (FTE)	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Mayor's Office

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	(13.3)	Additional personnel in new Mayor's team for Neighborhoods and Lean Process Improvement
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(13.3)	
11. Active Benefits	(6.1)	Benefits at 45.0% of Permanent Labor
12. Training	(0.7)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	0.6	Reduction in Personnel Service Contractors on Mayor's staff
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	17.4	City-wide savings impact resulting from additional personnel in new Mayor's team for Neighborhoods and Lean Process Improvement
22. Total Operating Expenditures	(2.1)	
23. Total Operating Surplus (Deficit)	(2.1)	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	-	
29. Total Surplus (Deficit)	\$ (2.1)	
30. Incremental Headcount (FTE)	31.0	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Planning and Development Department (PDD)

(\$ in millions)

For the Fiscal Year Ended												10-Year					
2014201520162017201820192020202120222023												Total					
Revenues																	
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
2.	a. Increased Collection Rate		-		-		-		-		-		-		-		-
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-
4.	Pricing / Fees		-		-		-		-		-		-		-		-
5.	Grant Revenue		-		-		-		-		-		-		-		-
6.	Other		-		-		-		-		-		-		-		-
7.	Total Revenues		-		-		-		-		-		-		-		-
Expenditures																	
8.	Permanent Labor		(0.3)		(0.8)		(0.7)		(0.7)		(0.7)		(0.8)		(0.8)		(0.8)
9.	Professional & Contract Services		-		-		-		-		-		-		-		-
10.	Labor Costs / Service Contracts		(0.3)		(0.8)		(0.7)		(0.7)		(0.7)		(0.8)		(0.8)		(0.8)
11.	Active Benefits		(0.1)		(0.4)		(0.3)		(0.3)		(0.3)		(0.4)		(0.4)		(0.4)
12.	Training		-		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)
13.	Materials and Supplies		-		-		-		-		-		-		-		-
14.	Utilities		-		-		-		-		-		-		-		-
15.	Purchased services		-		-		-		-		-		-		-		-
16.	Risk management / insurance		-		-		-		-		-		-		-		-
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-
19.	Grant related expenses		-		-		-		-		-		-		-		-
20.	Maintenance		-		-		-		-		-		-		-		-
21.	All Other		-		0.1		0.2		0.2		0.2		0.2		0.2		0.2
22.	Total Operating Expenditures		(0.4)		(1.2)		(1.0)		(0.9)		(1.0)		(1.0)		(1.0)		(1.1)
23.	Total Operating Surplus (Deficit)		(0.4)		(1.2)		(1.0)		(0.9)		(1.0)		(1.0)		(1.0)		(1.1)
Reorganization / Investment																	
24.	Technology Infrastructure		-		(0.6)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)
25.	Capital Expenditures		-		-		-		-		-		-		-		-
26.	Other Infrastructure		-		-		-		-		-		-		-		-
27.	Reorganization Costs		(0.6)		(6.8)		(0.8)		-		-		(1.0)		(1.0)		-
28.	Total Reorganization / Investment		(0.6)		(7.3)		(0.9)		(0.0)		(0.0)		(1.0)		(1.0)		(0.0)
29.	Total Surplus (Deficit)	\$	(1.0)	\$	(8.5)	\$	(1.8)	\$	(1.0)	\$	(1.0)	\$	(1.0)	\$	(2.1)	\$	(2.1)
30.	Incremental Headcount (FTE)		16		(32)		(34)		(34)		(34)		(34)		(34)		(34)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Planning and Development Department (PDD)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	(7.3)	Hire City planning and other labor resources, transfer of personnel from City Council to PDD, efficiency improvements from grants management consolidation, and service delivery changes, and privatization of Real Estate, development (portion), neighborhood support (portion), and housing (portion) divisions
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(7.3)	
11. Active Benefits	(3.3)	Benefits at 45.0% of Permanent Labor costs
12. Training	(1.0)	Training cost for all department employees - \$2.0k per employee through FY 15 (starting Jan-15)' & '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	1.9	Savings due to PDD moving facilities from Cadillac Tower to CAYMC
22. Total Operating Expenditures	(9.6)	
23. Total Operating Surplus (Deficit)	(9.6)	
Reorganization / Investment		
24. Technology Infrastructure	(0.8)	IT infrastructure investment
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	(10.2)	Update master plan and zoning ordinance, develop investment strategy (\$4.7MM), surge resources (accounting staff / consultants) (\$1.9MM), service / delivery model change (\$2.2MM) and PDD facility consolidation (\$1.4MM)
28. Total Reorganization / Investment	(11.0)	
29. Total Surplus (Deficit)	\$ (20.6)	
30. Incremental Headcount (FTE)	(34)	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Police Department (DPD)

(\$ in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues											
1. Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2. a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3. b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4. Pricing / Fees	-	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	18.0
5. Grant Revenue	-	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	14.6
6. Other	-	-	-	-	-	-	-	-	-	-	-
7. Total Revenues	-	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	32.6
Expenditures											
8. Permanent Labor	(1.5)	(8.8)	(9.4)	(5.9)	(5.1)	(4.4)	(4.5)	(4.6)	(4.7)	(4.8)	(53.5)
9. Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-
10. Labor Costs / Service Contracts	(1.5)	(8.8)	(9.4)	(5.9)	(5.1)	(4.4)	(4.5)	(4.6)	(4.7)	(4.8)	(53.5)
11. Active Benefits	(0.6)	(3.6)	(3.8)	(2.4)	(2.0)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(21.7)
12. Training	-	(0.5)	(0.9)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(5.1)
13. Materials and Supplies	(0.1)	(1.3)	(3.6)	(1.6)	(1.6)	(1.6)	(1.8)	(1.5)	(1.5)	(1.6)	(16.2)
14. Utilities	-	-	-	-	-	-	-	-	-	-	-
15. Purchased services	(0.1)	(0.2)	(0.1)	(0.3)	(0.1)	(0.3)	(0.1)	(0.3)	(0.1)	(0.3)	(1.9)
16. Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17. Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18. Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19. Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20. Maintenance	-	-	-	-	-	-	-	-	-	-	-
21. All Other	-	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	(0.0)	0.0	0.0	(0.8)
22. Total Operating Expenditures	(2.2)	(14.4)	(17.9)	(10.9)	(9.4)	(8.8)	(8.9)	(8.9)	(8.7)	(9.1)	(99.3)
23. Total Operating Surplus (Deficit)	(2.2)	(10.8)	(14.3)	(7.3)	(5.8)	(5.1)	(5.3)	(5.2)	(5.1)	(5.4)	(66.7)
Reorganization / Investment											
24. Technology Infrastructure	(0.9)	(12.2)	(10.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(38.4)
25. Capital Expenditures	(1.4)	(13.0)	(6.5)	(0.1)	(0.5)	(0.2)	(3.3)	(3.1)	(3.0)	(3.0)	(34.2)
26. Other Infrastructure (Fleet)	(9.5)	(11.7)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(101.3)
27. Reorganization Costs	-	(0.6)	(0.4)	-	-	-	-	-	-	-	(1.0)
28. Total Reorganization / Investment	(11.8)	(37.5)	(27.2)	(12.3)	(12.7)	(12.3)	(15.4)	(15.3)	(15.2)	(15.2)	(174.9)
29. Total Surplus (Deficit)	\$ (14.0)	\$ (48.3)	\$ (41.5)	\$ (19.6)	\$ (18.5)	\$ (17.5)	\$ (20.7)	\$ (20.5)	\$ (20.3)	\$ (20.6)	\$ (241.6)
30. Incremental Headcount (FTE)	125	250	250	175	162	149	149	149	149	149	149

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Police Department (DPD)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	18.0	Increased collections from false alarm calls, new cost recovery, and adoption of State Motor Vehicle Code for greater capture of moving violation fees
5. Grant Revenue	14.6	Anticipated additional grant revenue through identification of new Federal, State, Foundation or other grants
6. Other	-	
7. Total Revenue	32.6	
Expenditures		
8. Permanent Labor	(53.5)	Increased labor cost associated with hiring of 250 civilian positions and redeployment of uniform personnel. Civilianization costs offset by savings due to attrition of senior uniform personnel and hiring of less experienced uniform personnel (\$17.6MM in total savings). Reduction of civilians through efficiency gains following implementation of fully integrated public safety IT system
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(53.5)	
11. Active Benefits	(21.7)	Benefits at 40.5% of Permanent Labor costs (civilians)
12. Training	(5.1)	Training cost for all DPD civilian employees - \$2.0k per EE through FY '16, \$1.5k thereafter
13. Materials and Supplies	(16.2)	Increased replacement cost of tasers / cartridges (\$5.2MM), vests (\$3.1MM), body cameras (\$1.9MM) and other misc. spend (\$6.0MM)
14. Utilities	-	
15. Purchased services	(1.9)	Promotional exams (\$250k every two years) and animal control security (\$70k annually)
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	(0.8)	Savings from facility lease terminations (\$10.2MM), partially offset by annual costs associated with new facilities (\$8.6MM), increased helicopter maintenance (\$2.3MM) and citizen patrol/reserve costs (\$0.2MM).
22. Total Operating Expenditures	(99.3)	
23. Total Operating Surplus (Deficit)	(66.7)	
Reorganization / Investment		
24. Technology Infrastructure	(38.4)	Primarily related to replacement of prep / handheld radios (\$22.0MM), implementation of fully integrated Public Safety IT system (\$13.8MM) and other IT infrastructure (\$2.5MM)
25. Capital Expenditures	(34.2)	Department-wide improvements / projects (\$17MM), build-out of new precincts and training facility (\$10.0MM), and other precinct/other facility improvements (\$7.2MM)
26. Other Infrastructure (Fleet)	(101.3)	Includes fleet vehicle replacement cycle of 3.5 years
27. Reorganization Costs	(1.0)	IT temporary positions to assist with implementation of new fully integrated public safety IT system
28. Total Reorganization/Investment	(174.9)	
29. Total Surplus (Deficit)	\$ (241.6)	
30. Incremental Headcount (FTE)	149	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Department of Public Works (DPW) - General Fund

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	-	-	-	-	-	-	-	-	-	-
Expenditures												
8.	Permanent Labor	-	-	-	-	-	-	-	-	-	-	-
9.	Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-
10.	Labor Costs / Service Contracts	-	-	-	-	-	-	-	-	-	-	-
11.	Active Benefits	-	-	-	-	-	-	-	-	-	-	-
12.	Training	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)
23.	Total Operating Surplus (Deficit)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	-	-	-	-	-	-	-	-	-	-
29.	Total Surplus (Deficit)	\$ -	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.3)
30.	Incremental Headcount (FTE)	-	-	-	-	-	-	-	-	-	-	-

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Department of Public Works (DPW) - General Fund

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	-	
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	-	
11. Active Benefits	-	
12. Training	(0.3)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(0.3)	
23. Total Operating Surplus (Deficit)	(0.3)	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	-	
26. Other Infrastructure (Fleet)	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	-	
29. Total Surplus (Deficit)	\$ (0.3)	
30. Incremental Headcount (FTE)	-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Recreation

(\$ in millions)

For the Fiscal Year Ended												10-Year										
2014												2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Revenues																						
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2.	a. Increased Collection Rate		-		-		0.1		0.1		0.1		0.1		0.1		0.1		0.1		0.5	
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-		-		-	
4.	Pricing / Fees		-		-		-		-		-		-		-		-		-		-	
5.	Grant Revenue		-		-		-		-		-		-		-		-		-		-	
6.	Other		-		-		-		-		-		-		-		-		-		-	
7.	Total Revenues		-		-		0.1		0.1		0.1		0.1		0.1		0.1		0.1		0.5	
Expenditures																						
8.	Permanent Labor		-		-		-		-		-		-		-		-		-		-	
9.	Professional & Contract Services		-		-		-		-		-		-		-		-		-		-	
10.	Labor Costs / Service Contracts		-		-		-		-		-		-		-		-		-		-	
11.	Active Benefits		-		-		-		-		-		-		-		-		-		-	
12.	Training		-		(0.0)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.8)	
13.	Materials and Supplies		-		-		-		-		-		-		-		-		-		-	
14.	Utilities		-		-		-		-		-		-		-		-		-		-	
15.	Purchased services		-		-		-		-		-		-		-		-		-		-	
16.	Risk management / insurance		-		-		-		-		-		-		-		-		-		-	
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-		-		-	
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-		-		-	
19.	Grant related expenses		-		-		-		-		-		-		-		-		-		-	
20.	Maintenance		-		-		-		-		-		-		-		-		-		-	
21.	All Other		-		-		-		-		-		-		-		-		-		-	
22.	Total Operating Expenditures		-		(0.0)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.8)	
23.	Total Operating Surplus (Deficit)		-		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.3)	
Reorganization / Investment																						
24.	Technology Infrastructure		-		-		-		-		-		-		-		-		-		-	
25.	Capital Expenditures		(0.9)		(8.9)		(3.1)		(3.3)		(3.0)		(4.0)		(4.3)		(4.0)		(4.0)		(39.5)	
26.	Other Infrastructure		-		-		-		-		-		-		-		-		-		-	
27.	Reorganization Costs		-		-		-		-		-		-		-		-		-		-	
28.	Total Reorganization / Investment		(0.9)		(8.9)		(3.1)		(3.3)		(3.0)		(4.0)		(4.3)		(4.0)		(4.0)		(39.5)	
29.	Total Surplus (Deficit)	\$	(0.9)	\$	(8.9)	\$	(3.1)	\$	(3.3)	\$	(3.1)	\$	(4.0)	\$	(4.3)	\$	(4.0)	\$	(4.0)	\$	(39.8)	
30.	Incremental Headcount (FTE)		-		-		-		-		-		-		-		-		-		-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Recreation

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	0.5	Increase collection rates due to full implementation of online registration and collection system and improvements to Hart Plaza
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	<u>0.5</u>	
Expenditures		
8. Permanent Labor	-	
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	-	
11. Active Benefits	-	
12. Training	(0.8)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	<u>(0.8)</u>	
23. Total Operating Surplus (Deficit)	<u>(0.3)</u>	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	(39.5)	Park and recreation facility improvements and upgrades (\$34.5MM) and emergency repairs required for recreation centers (\$5.0MM)
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	<u>(39.5)</u>	
29. Total Surplus (Deficit)	<u>\$ (39.8)</u>	
30. Incremental Headcount (FTE)	-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Department of Health & Wellness Promotion (DHWP)

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	-	-	-	-	-	-	-	-	-	-
Expenditures												
8.	Permanent Labor	-	-	-	-	-	-	-	-	-	-	-
9.	Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-
10.	Labor Costs / Service Contracts	-	-	-	-	-	-	-	-	-	-	-
11.	Active Benefits	-	-	-	-	-	-	-	-	-	-	-
12.	Training	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.7)
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.8)
23.	Total Operating Surplus (Deficit)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.8)
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	-	(5.1)	-	-	-	-	-	-	-	-	(5.1)
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	(5.1)	-	-	-	-	-	-	-	-	(5.1)
29.	Total Surplus (Deficit)	\$ (0.3)	\$ (5.3)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (6.9)
30.	Incremental Headcount (FTE)	-	-	-	-	-	-	-	-	-	-	-

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Executive Agencies

Department of Health & Wellness Promotion (DHWP)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	-	
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	-	
11. Active Benefits	-	
12. Training	(0.1)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	(1.7)	Public Health Record management and storage fees
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(1.8)	
23. Total Operating Surplus (Deficit)	(1.8)	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	(5.1)	Herman Kiefer demolition costs
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(5.1)	
29. Total Surplus (Deficit)	\$ (6.9)	
30. Incremental Headcount (FTE)	-	

City of Detroit
Ten-Year Plan of Adjustment
Legislative Agencies - Department Detail

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Auditor General (AG) and Inspector General (IG)

(\$ in millions)

For the Fiscal Year Ended												10-Year			
2014201520162017201820192020202120222023												Total			
Revenues															
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
2.	a. Increased Collection Rate		-		-		-		-		-		-		-
3.	b. Collection of Past Due		-		-		-		-		-		-		-
4.	Pricing / Fees		-		-		-		-		-		-		-
5.	Grant Revenue		-		-		-		-		-		-		-
6.	Other		-		-		-		-		-		-		-
7.	Total Revenues		-		-		-		-		-		-		-
Expenditures															
8.	Permanent Labor		-		(0.2)		(0.3)		(0.3)		(0.3)		(0.3)		(2.5)
9.	Professional & Contract Services		-		-		-		-		-		-		-
10.	Labor Costs / Service Contracts		-		(0.2)		(0.3)		(0.3)		(0.3)		(0.3)		(2.5)
11.	Active Benefits		-		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(1.1)
12.	Training		-		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.3)
13.	Materials and Supplies		-		-		-		-		-		-		-
14.	Utilities		-		-		-		-		-		-		-
15.	Purchased services		-		-		-		-		-		-		-
16.	Risk management / insurance		-		-		-		-		-		-		-
17.	Contributions to non EP funds		-		-		-		-		-		-		-
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-
19.	Grant related expenses		-		-		-		-		-		-		-
20.	Maintenance		-		-		-		-		-		-		-
21.	All Other		-		-		-		-		-		-		-
22.	Total Operating Expenditures		-		(0.3)		(0.4)		(0.4)		(0.4)		(0.5)		(3.9)
23.	Total Operating Surplus (Deficit)		-		(0.3)		(0.4)		(0.4)		(0.4)		(0.5)		(3.9)
Reorganization / Investment															
24.	Technology Infrastructure		-		(0.1)		(0.0)		(0.0)		(0.0)		(0.0)		(0.4)
25.	Capital Expenditures		-		-		-		-		-		-		-
26.	Other Infrastructure		-		-		-		-		-		-		-
27.	Reorganization Costs		-		-		-		-		-		-		-
28.	Total Reorganization / Investment		-		(0.1)		(0.0)		(0.0)		(0.0)		(0.0)		(0.4)
29.	Total Surplus (Deficit)	\$	-	\$	(0.4)	\$	(0.4)	\$	(0.4)	\$	(0.5)	\$	(0.6)	\$	(4.2)
30.	Incremental Headcount (FTE)		-		4		4		4		4		4		4

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Auditor General (AG) and Inspector General (IG)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	(2.5)	Addition of 4 employees to fill current vacancies and increase the frequency of the City's financial and operational audits
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(2.5)	
11. Active Benefits	(1.1)	Benefits at 45.0% of salary and wages
12. Training	(0.3)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(3.9)	
23. Total Operating Surplus (Deficit)	(3.9)	
Reorganization / Investment		
24. Technology Infrastructure	(0.4)	Electronic work-papers and incremental hardware / software investment
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(0.4)	
29. Total Surplus (Deficit)	\$ (4.2)	
30. Incremental Headcount (FTE)	4	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Board of Zoning Appeals (BZA)

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	-	-	-	-	-	-	-	-	-	-
Expenditures												
8.	Permanent Labor	-	-	-	-	-	-	-	-	-	-	-
9.	Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-
10.	Labor Costs / Service Contracts	-	-	-	-	-	-	-	-	-	-	-
11.	Active Benefits	-	-	-	-	-	-	-	-	-	-	-
12.	Training	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
23.	Total Operating Surplus (Deficit)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	-	-	-	-	-	-	-	-	-	-
29.	Total Surplus (Deficit)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.2)
30.	Incremental Headcount (FTE)	-	-	-	-	-	-	-	-	-	-	-

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Board of Zoning Appeals (BZA)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	-	
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	-	
11. Active Benefits	-	
12. Training	(0.2)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(0.2)	
23. Total Operating Surplus (Deficit)	(0.2)	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	-	
29. Total Surplus (Deficit)	\$ (0.2)	
30. Incremental Headcount (FTE)	-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

City Clerk

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	-	-	-	-	-	-	-	-	-	-
Expenditures												
8.	Permanent Labor	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.5
9.	Professional & Contract Services	(0.0)	(0.0)	-	-	-	-	-	-	-	-	(0.1)
10.	Labor Costs / Service Contracts	(0.0)	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.4
11.	Active Benefits	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
12.	Training	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
13.	Materials and Supplies	(0.3)	(0.6)	(0.3)	-	-	-	-	-	-	-	(1.2)
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7
23.	Total Operating Surplus (Deficit)	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	-	-	-	-	-	-	-	-	-	-
29.	Total Surplus (Deficit)	\$ (0.3)	\$ (0.4)	\$ (0.1)	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.7
30.	Incremental Headcount (FTE)	-	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

City Clerk

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	1.5	Headcount reduction through efficiency improvements, incremental costs associated with Blight remediation assumed to be funded by Blight Initiative, Hardest Hit funds, and other grants
9. Professional & Contract Services	(0.1)	
10. Labor Costs / Service Contracts	1.4	
11. Active Benefits	0.7	Benefits at 45.0% of Permanent Labor costs
12. Training	(0.2)	Training cost for all department employees - \$2.0k per EE through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	(1.2)	Increased materials and supplies costs related to incremental costs associated with Blight remediation notifications and City Council hearings
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	0.7	
23. Total Operating Surplus (Deficit)	0.7	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	-	
29. Total Surplus (Deficit)	\$ 0.7	
30. Incremental Headcount (FTE)	(3)	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

City Council

(\$ in millions)

For the Fiscal Year Ended												10-Year					
2014201520162017201820192020202120222023												Total					
Revenues																	
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
2.	a. Increased Collection Rate		-		-		-		-		-		-		-		-
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-
4.	Pricing / Fees		-		-		-		-		-		-		-		-
5.	Grant Revenue		-		-		-		-		-		-		-		-
6.	Other		-		-		-		-		-		-		-		-
7.	Total Revenues		-		-		-		-		-		-		-		-
Expenditures																	
8.	Permanent Labor		-		-		-		-		-		-		-		-
9.	Professional & Contract Services		0.0		0.4		0.4		0.4		0.4		0.4		0.4		3.9
10.	Labor Costs / Service Contracts		0.0		0.4		0.4		0.4		0.4		0.4		0.4		3.9
11.	Active Benefits		-		-		-		-		-		-		-		-
12.	Training		-		-		-		-		-		-		-		-
13.	Materials and Supplies		-		-		-		-		-		-		-		-
14.	Utilities		-		-		-		-		-		-		-		-
15.	Purchased services		-		-		-		-		-		-		-		-
16.	Risk management / insurance		-		-		-		-		-		-		-		-
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-
19.	Grant related expenses		-		-		-		-		-		-		-		-
20.	Maintenance		-		-		-		-		-		-		-		-
21.	All Other		-		-		-		-		-		-		-		-
22.	Total Operating Expenditures		0.0		0.4		0.4		0.4		0.4		0.4		0.4		3.9
23.	Total Operating Surplus (Deficit)		0.0		0.4		0.4		0.4		0.4		0.4		0.4		3.9
Reorganization / Investment																	
24.	Technology Infrastructure		-		(0.1)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.2)
25.	Capital Expenditures		-		-		-		-		-		-		-		-
26.	Other Infrastructure		-		-		-		-		-		-		-		-
27.	Reorganization Costs		-		-		-		-		-		-		-		-
28.	Total Reorganization / Investment		-		(0.1)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.2)
29.	Total Surplus (Deficit)	\$	0.0	\$	0.4	\$	0.4	\$	0.4	\$	0.4	\$	0.4	\$	0.4	\$	3.8
30.	Incremental Headcount (FTE)		-		-		-		-		-		-		-		-

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

City Council

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	-	
9. Professional & Contract Services	3.9	Savings due to transfer of 6 contractors from CPC / HDAB to PDD
10. Labor Costs / Service Contracts	3.9	
11. Active Benefits	-	
12. Training	-	
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	3.9	
23. Total Operating Surplus (Deficit)	3.9	
Reorganization / Investment		
24. Technology Infrastructure	(0.2)	Assumed \$50K in FY 15 for hardware improvements and annual \$15K increase from current run-rates
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(0.2)	
29. Total Surplus (Deficit)	\$ 3.8	
30. Incremental Headcount (FTE)	-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Department of Elections (Elections)

(\$ in millions)

For the Fiscal Year Ended												10-Year										
2014												2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Revenues																						
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2.	a. Increased Collection Rate		-		-		-		-		-		-		-		-		-		-	
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-		-		-	
4.	Pricing / Fees		-		-		-		-		-		-		-		-		-		-	
5.	Grant Revenue		-		-		-		-		-		-		-		-		-		-	
6.	Other		-		-		-		-		-		-		-		-		-		-	
7.	Total Revenues		-		-		-		-		-		-		-		-		-		-	
Expenditures																						
8.	Permanent Labor		-		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.4	
9.	Professional & Contract Services		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.4	
10.	Labor Costs / Service Contracts		0.0		0.1		0.1		0.1		0.1		0.1		0.1		0.1		0.1		0.8	
11.	Active Benefits		-		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.2	
12.	Training		-		(0.0)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.1)		(0.6)	
13.	Materials and Supplies		-		-		-		-		-		-		-		-		-		-	
14.	Utilities		-		-		-		-		-		-		-		-		-		-	
15.	Purchased services		-		-		-		-		-		-		-		-		-		-	
16.	Risk management / insurance		-		-		-		-		-		-		-		-		-		-	
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-		-		-	
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-		-		-	
19.	Grant related expenses		-		-		-		-		-		-		-		-		-		-	
20.	Maintenance		-		-		-		-		-		-		-		-		-		-	
21.	All Other		-		-		-		-		-		-		-		-		-		-	
22.	Total Operating Expenditures		0.0		0.1		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.4	
23.	Total Operating Surplus (Deficit)		0.0		0.1		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.4	
Reorganization / Investment																						
24.	Technology Infrastructure		(0.0)		-		-		-		-		-		-		-		-		(0.0)	
25.	Capital Expenditures		-		-		(0.4)		(0.6)		(0.3)		-		(0.5)		(0.5)		(0.5)		(3.3)	
26.	Other Infrastructure		-		-		-		-		-		-		-		-		-		-	
27.	Reorganization Costs		-		-		-		-		-		-		-		-		-		-	
28.	Total Reorganization / Investment		(0.0)		-		(0.4)		(0.6)		(0.3)		-		(0.5)		(0.5)		(0.5)		(3.3)	
29.	Total Surplus (Deficit)	\$	0.0	\$	0.1	\$	(0.3)	\$	(0.6)	\$	(0.2)	\$	0.0	\$	(0.5)	\$	(0.5)	\$	(0.5)	\$	(2.9)	
30.	Incremental Headcount (FTE)		-		-		-		-		-		-		-		-		-		-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Department of Elections (Elections)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	0.4	Reduction due to elimination of employee with higher salary
9. Professional & Contract Services	0.4	Reduction due to elimination of 50% of poll workers / ballot counters related to technology investment
10. Labor Costs / Service Contracts	0.8	
11. Active Benefits	0.2	Benefits at 45.0% of Permanent Labor costs
12. Training	(0.6)	Training cost for all department employees - \$2.0k per EE through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	0.4	
23. Total Operating Surplus (Deficit)	0.4	
Reorganization / Investment		
24. Technology Infrastructure	(0.0)	Investment in Ballot counting technology solution
25. Capital Expenditures	(3.3)	Deferred maintenance / improvements (\$2.0MM), window replacement (\$0.7MM), elevator improvements (\$0.5MM) and roof replacement (\$0.1MM)
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(3.3)	
29. Total Surplus (Deficit)	\$ (2.9)	
30. Incremental Headcount (FTE)	-	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Ombudsperson

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	-	-	-	-	-	-	-	-	-	-
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	-	-	-	-	-	-	-	-	-	-
Expenditures												
8.	Permanent Labor	-	(0.4)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(6.0)
9.	Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-
10.	Labor Costs / Service Contracts	-	(0.4)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(6.0)
11.	Active Benefits	-	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(2.7)
12.	Training	-	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	-	(0.6)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(9.0)
23.	Total Operating Surplus (Deficit)	-	(0.6)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(9.0)
Reorganization / Investment												
24.	Technology Infrastructure	-	(3.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(7.6)
25.	Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	(3.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(7.6)
29.	Total Surplus (Deficit)	\$ -	\$ (3.6)	\$ (1.5)	\$ (1.5)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.7)	\$ (1.7)	\$ (1.7)	\$ (16.6)
30.	Incremental Headcount (FTE)	-	13	20	20	20	20	20	20	20	20	20

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Legislative Agencies

Ombudsperson

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	-	
Expenditures		
8. Permanent Labor	(6.0)	Additional headcount for implementation of 311 system
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(6.0)	
11. Active Benefits	(2.7)	Benefits at 45.0% of Permanent Labor costs
12. Training	(0.3)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(9.0)	
23. Total Operating Surplus (Deficit)	(9.0)	
Reorganization / Investment		
24. Technology Infrastructure	(7.6)	Establishment of technology infrastructure for 311 system and estimated software implementation costs including estimated annual maintenance
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(7.6)	
29. Total Surplus (Deficit)	\$ (16.6)	
30. Incremental Headcount (FTE)	20	

City of Detroit
Ten-Year Plan of Adjustment
Other Agencies - Department Detail

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Other Agencies

Non-Departmental (36D Initiatives) - General fund

(\$ in millions)

For the Fiscal Year Ended												10-Year										
2014												2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Revenues																						
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2.	a. Increased Collection Rate		-		3.9		5.5		8.5		8.7		9.0		9.2		9.5		9.8		74.1	
3.	b. Collection of Past Due		-		1.9		2.7		-		-		-		-		-		-		4.7	
4.	Pricing / Fees		-		-		-		-		-		-		-		-		-		-	
5.	Grant Revenue		-		-		-		-		-		-		-		-		-		-	
6.	Other		-		-		-		-		-		-		-		-		-		-	
7.	Total Revenues		-		5.8		8.2		8.5		8.7		9.0		9.2		9.5		9.8		78.8	
Expenditures																						
8.	Permanent Labor		-		0.3		0.7		0.8		0.8		0.8		0.8		0.8		0.8		6.7	
9.	Professional & Contract Services		-		-		-		-		-		-		-		-		-		-	
10.	Labor Costs / Service Contracts		-		0.3		0.7		0.8		0.8		0.8		0.8		0.8		0.8		6.7	
11.	Active Benefits		-		0.2		0.3		0.3		0.3		0.4		0.4		0.4		0.4		3.0	
12.	Training		-		(0.5)		(0.4)		(0.4)		(0.4)		(0.4)		(0.4)		(0.4)		(0.4)		(4.0)	
13.	Materials and Supplies		-		-		-		-		-		-		-		-		-		-	
14.	Utilities		-		-		-		-		-		-		-		-		-		-	
15.	Purchased services		-		-		-		-		-		-		-		-		-		-	
16.	Risk management / insurance		-		-		-		-		-		-		-		-		-		-	
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-		-		-	
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-		-		-	
19.	Grant related expenses		-		-		-		-		-		-		-		-		-		-	
20.	Maintenance		-		-		-		-		-		-		-		-		-		-	
21.	All Other		-		-		-		-		-		-		-		-		-		-	
22.	Total Operating Expenditures		-		0.0		0.6		0.6		0.7		0.7		0.7		0.8		0.8		5.7	
23.	Total Operating Surplus (Deficit)		-		5.9		8.8		9.1		9.4		9.7		10.0		10.3		10.6		84.5	
Reorganization / Investment																						
24.	Technology Infrastructure		-		(1.6)		(0.8)		(0.4)		(0.4)		(0.2)		(0.2)		(0.2)		(0.2)		(4.2)	
25.	Capital Expenditures		-		(1.0)		(0.5)		(0.5)		(0.5)		(0.5)		(0.5)		(0.5)		(0.5)		(5.0)	
26.	Other Infrastructure		-		-		-		-		-		-		-		-		-		-	
27.	Reorganization Costs		-		(1.0)		(0.3)		(0.3)		(0.3)		(0.3)		(0.3)		(0.3)		(0.3)		(3.7)	
28.	Total Reorganization / Investment		-		(3.6)		(1.6)		(1.2)		(1.2)		(1.0)		(1.0)		(1.0)		(1.0)		(12.9)	
29.	Total Surplus (Deficit)	\$	-	\$	2.2	\$	7.2	\$	7.9	\$	8.2	\$	8.6	\$	8.9	\$	9.2	\$	9.5	\$	71.7	
30.	Incremental Headcount (FTE)		-		(15)		(25)		(25)		(25)		(25)		(25)		(25)		(25)		(25)	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Other Agencies

Non-Departmental (36D Initiatives) - General fund

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	74.1	Improved collection rate from current 26% to 50% over the ten-year period to achieve regional average collection rate
3. b. Collection of Past Due	4.7	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	78.8	
Expenditures		
8. Permanent Labor	6.7	Reduction of 25 FTEs through efficiency and technology improvements
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	6.7	
11. Active Benefits	3.0	Benefits at 45.0% of Permanent Labor costs
12. Training	(4.0)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	5.7	
23. Total Operating Surplus (Deficit)	84.5	
Reorganization / Investment		
24. Technology Infrastructure	(4.2)	Increased technology investment for "paperless" cost initiatives (\$3.7MM) and new telephone system (\$0.5MM)
25. Capital Expenditures	(5.0)	Increased capital expenditures for building maintenance, repairs and upgrades
26. Other Infrastructure	-	
27. Reorganization Costs	(3.7)	Addition of contract employees in to assist with process flow mapping, process change, and other restructuring initiatives
28. Total Reorganization / Investment	(12.9)	
29. Total Surplus (Deficit)	\$ 71.7	
30. Incremental Headcount (FTE)	(25)	

City of Detroit
Ten-Year Plan of Adjustment
Enterprise Agencies - Department Detail

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Airport

(\$ in millions)

For the Fiscal Year Ended												10-Year					
												Total					
Revenue																	
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
2.	a. Increased Collection Rate		-		-		-		-		-		-		-		-
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-
4.	Pricing / Fees		-		-		-		-		-		-		-		-
5.	Grant Revenue		-		-		-		-		-		-		-		-
6.	Other		-		-		-		-		-		-		-		-
7.	Total Revenue		-		-		-		-		-		-		-		-
Expenditures																	
8.	Permanent Labor	-	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(3.6)	
9.	Professional & Contract Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10.	Labor Costs / Service Contracts	-	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(3.6)	
11.	Active Benefits	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(1.6)	
12.	Training	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	
13.	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
15.	Purchased services	-	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1.2)	
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
21.	All Other	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	
22.	Total Operating Expenditures	-	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(6.6)	
23.	Total Operating Surplus (Deficit)	-	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(6.6)	
Legacy Expenditures																	
	Pension	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Retiree Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Debt Service / POC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total Legacy Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reorganization/Investment																	
24.	Technology Infrastructure	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	(0.0)	
25.	Capital Expenditures	-	(0.4)	(5.0)	(7.8)	(7.5)	-	-	-	-	-	-	-	-	-	(20.7)	
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
28.	Total Reorganization/Investment	-	(0.4)	(5.0)	(7.8)	(7.5)	-	-	-	-	-	-	-	-	-	(20.7)	
29.	Total Surplus (Deficit)	\$	-	\$	(1.3)	\$	(5.7)	\$	(8.5)	\$	(8.2)	\$	(0.7)	\$	(0.7)	\$	(27.3)
30.	Incremental Headcount (FTE)	-	4	4	4	4	4	4	4	4	4	4	4	4	4	4	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Airport

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenue		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing/Fees	-	
5. Pricing / Fees	-	
6. Other	-	
7. Total Revenue	-	
Expenditures		
8. Permanent Labor	(3.6)	Addition of 4 FTE positions required to be in compliance with FAA and MDOT standards
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	(3.6)	
11. Active Benefits	(1.6)	Benefits at 45.0% of Permanent Labor
12. Training	(0.1)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	(1.2)	Assume additional cost for Airport security (\$0.1MM per year) and Master Plan Study (\$0.3MM in FY '15)
16. Risk management/insurance	-	
17. Risk management / insurance	-	
18. Transfers In/Out (General Fund)	-	
19. Transfers In / Out (General Fund)	-	
20. Maintenance	-	
21. All Other	(0.2)	Assume \$25.0K per year for maintenance
22. Total Operating Expenditures	(6.6)	
23. Total Operating Surplus (Deficit)	(6.6)	
Reorganization/Investment		
24. Technology Infrastructure	(0.0)	
25. Capital Expenditures	(20.7)	Executive bay upgrades (\$10.0MM), new T-Hangars (\$2.5MM), terminal upgrades (\$2.0MM), new jetway (\$2.0MM) and other capex required for airport operating certificate and master study
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization/Investment	(20.7)	
29. Total Surplus (Deficit)	\$ (27.3)	
30. Incremental Headcount (FTE)	4	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Building Safety Engineering Environmental Department (BSEED) - General Fund

(\$ in millions)

For the Fiscal Year Ended												10-Year										
2014												2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Revenues																						
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
2.	a. Increased Collection Rate		0.2		0.2		0.2		0.2		0.2		0.2		0.2		0.2		0.2		1.7	
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-		-		-	
4.	Pricing / Fees		-		-		-		-		-		-		-		-		-		-	
5.	Grant Revenue		-		-		-		-		-		-		-		-		-		-	
6.	Other		-		-		-		-		-		-		-		-		-		-	
7.	Total Revenues		0.2		0.2		0.2		0.2		0.2		0.2		0.2		0.2		0.2		1.7	
Expenditures																						
8.	Permanent Labor		(0.0)		(0.0)		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.3	
9.	Professional & Contract Services		-		-		-		-		-		-		-		-		-		-	
10.	Labor Costs / Service Contracts		(0.0)		(0.0)		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.3	
11.	Active Benefits		(0.0)		(0.0)		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.1	
12.	Training		-		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.0)		(0.1)	
13.	Materials and Supplies		-		-		-		-		-		-		-		-		-		-	
14.	Utilities		-		-		-		-		-		-		-		-		-		-	
15.	Purchased services		-		-		-		-		-		-		-		-		-		-	
16.	Risk management / insurance		-		-		-		-		-		-		-		-		-		-	
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-		-		-	
18.	Transfers In / Out (General Fund)		0.4		(4.4)		(0.5)		2.3		2.7		3.5		3.5		3.1		3.6		17.7	
19.	Grant related expenses		-		-		-		-		-		-		-		-		-		-	
20.	Maintenance		-		-		-		-		-		-		-		-		-		-	
21.	All Other		-		0.1		0.1		0.1		0.1		0.1		0.1		0.1		0.1		0.5	
22.	Total Operating Expenditures		0.4		(4.3)		(0.4)		2.3		2.7		3.6		3.6		3.2		3.7		18.4	
23.	Total Operating Surplus (Deficit)		0.5		(4.2)		(0.3)		2.5		2.9		3.7		3.8		3.3		3.8		20.0	
Reorganization / Investment																						
24.	Technology Infrastructure		-		-		-		-		-		-		-		-		-		-	
25.	Capital Expenditures		-		(0.4)		-		-		-		-		-		-		-		(0.4)	
26.	Other Infrastructure		-		-		-		-		-		-		-		-		-		-	
27.	Reorganization Costs		-		-		-		-		-		-		-		-		-		-	
28.	Total Reorganization / Investment		-		(0.4)		-		-		-		-		-		-		-		(0.4)	
29.	Total Surplus (Deficit)	\$	0.5	\$	(4.5)	\$	(0.3)	\$	2.5	\$	2.9	\$	3.7	\$	3.8	\$	3.3	\$	3.8	\$	19.7	
30.	Incremental Headcount (FTE)		2		(1)		(1)		(1)		(1)		(1)		(1)		(1)		(1)		(1)	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Building Safety Engineering Environmental Department (BSEED) - General Fund

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	1.7	Increase to collection rate due to change in collections process and higher staffing levels
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	1.7	
Expenditures		
8. Permanent Labor	0.3	Increase due to additional business investigator
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	0.3	
11. Active Benefits	0.1	Benefits at 45.0% of Permanent Labor costs
12. Training	(0.1)	
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	17.7	Pay-back of BSEED General Fund loan
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	0.5	Savings on rent through facility consolidation
22. Total Operating Expenditures	18.4	
23. Total Operating Surplus (Deficit)	20.0	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	(0.4)	Costs related to facility build-out to consolidate facilities and improve efficiencies
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(0.4)	
29. Total Surplus (Deficit)	\$ 19.7	
30. Incremental Headcount (FTE)	(1)	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Detroit Department of Transportation (DDOT)

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	0.4	1.5	5.7	7.1	11.7	13.4	17.5	17.1	21.2	22.0	117.6
5.	Grant Revenue	(2.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(65.0)
6.	Other	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	-	(1.2)
7.	Total Revenues	(1.7)	(5.7)	(1.5)	(0.1)	4.6	6.3	10.4	10.0	14.1	15.0	51.4
Expenditures												
8.	Permanent Labor	(0.1)	(0.9)	3.6	2.4	2.0	2.0	2.1	2.0	1.8	1.6	16.6
9.	Professional & Contract Services	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.8)	(5.8)
10.	Labor Costs / Service Contracts	(0.5)	(1.2)	3.2	1.9	1.5	1.4	1.4	1.3	1.1	0.8	10.8
11.	Active Benefits	(0.1)	(0.7)	(0.9)	(1.6)	(1.8)	(1.9)	(1.9)	(2.0)	(2.2)	(2.4)	(15.6)
12.	Training	-	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(5.1)
13.	Materials and Supplies	(0.4)	(0.9)	(1.9)	(3.0)	(4.0)	(4.5)	(5.0)	(5.4)	(5.9)	(6.4)	(37.4)
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(1.0)
16.	Risk management / insurance	-	-	1.0	1.0	1.5	1.5	2.0	2.0	2.5	2.5	14.0
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(1.7)
22.	Total Operating Expenditures	(0.9)	(3.5)	0.7	(2.4)	(3.8)	(4.4)	(4.4)	(5.1)	(5.6)	(6.6)	(36.1)
23.	Total Operating Surplus (Deficit)	(2.6)	(9.2)	(0.8)	(2.5)	0.8	1.9	6.0	4.9	8.5	8.5	15.4
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	-	(1.6)	(2.0)	(2.3)	(2.5)	(1.0)	(1.0)	-	-	-	(10.3)
26.	Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	(1.6)	(2.0)	(2.3)	(2.5)	(1.0)	(1.0)	-	-	-	(10.3)
29.	Total Surplus (Deficit)	\$ (2.6)	\$ (10.8)	\$ (2.8)	\$ (4.8)	\$ (1.7)	\$ 0.9	\$ 5.1	\$ 4.9	\$ 8.5	\$ 8.5	\$ 5.1
30.	Incremental Headcount (FTE)	-	-	50	113	131	133	134	138	149	163	163

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Detroit Department of Transportation (DDOT)

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	117.6	Increase in service miles / routes plus increase in fares
5. Grant Revenue	(65.0)	Assumed redistribution of SEMCOG grant money to SMART and RTA
6. Other	(1.2)	Loss of advertising revenue
7. Total Revenues	51.4	
Expenditures		
8. Permanent Labor	16.6	Reduction in OT (\$50.7MM) offset by headcount increase resulting from increased service (\$15..5MM) and establishment of security force (\$18.6MM)
9. Professional & Contract Services	(5.8)	Operational consultant to achieve revenue, cost, and service improvements
10. Labor Costs / Service Contracts	10.8	
11. Active Benefits	(15.6)	Benefits at 61.5% of permanent labor costs; 40.0% for transit police force
12. Training	(5.1)	Training cost for all DDOT employees
13. Materials and Supplies	(37.4)	Additional cost based on increased miles served. Each mile driven costs \$1.52 per mile for gas, maintenance parts, supplies, etc.
14. Utilities	-	
15. Purchased services	(1.0)	Additional cost based on increased miles served
16. Risk management / insurance	14.0	Reduction of worker's comp cases as a result of improved risk management process and other efficiencies
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	(1.7)	Additional cost based on increased miles served
22. Total Operating Expenditures	(36.1)	
23. Total Operating Surplus (Deficit)	15.4	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	(10.3)	Non-grant funded facility improvements (\$8.0MM), bus overhauls (\$2.0MM) and new transit police force equipment (\$.4MM)
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(10.3)	
29. Total Surplus (Deficit)	\$ 5.1	
30. Incremental Headcount (FTE)	163	

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Municipal Parking Department (Parking) - General Fund - PVB

(\$ in millions)

		For the Fiscal Year Ended										10-Year
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Revenues												
1.	Collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2.	a. Increased Collection Rate	-	-	-	-	-	-	-	-	-	-	-
3.	b. Collection of Past Due	-	-	-	-	-	-	-	-	-	-	-
4.	Pricing / Fees	-	5.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	60.3
5.	Grant Revenue	-	-	-	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-	-	-	-
7.	Total Revenues	-	5.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	60.3
Expenditures												
8.	Permanent Labor	(0.0)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2
9.	Professional & Contract Services	(0.1)	(0.1)	-	-	-	-	-	-	-	-	(0.2)
10.	Labor Costs / Service Contracts	(0.1)	(0.3)	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
11.	Active Benefits	(0.0)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
12.	Training	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.7)
13.	Materials and Supplies	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.4)
14.	Utilities	-	-	-	-	-	-	-	-	-	-	-
15.	Purchased services	-	-	-	-	-	-	-	-	-	-	-
16.	Risk management / insurance	-	-	-	-	-	-	-	-	-	-	-
17.	Contributions to non EP funds	-	-	-	-	-	-	-	-	-	-	-
18.	Transfers In / Out (General Fund)	-	-	-	-	-	-	-	-	-	-	-
19.	Grant related expenses	-	-	-	-	-	-	-	-	-	-	-
20.	Maintenance	-	-	-	-	-	-	-	-	-	-	-
21.	All Other	-	-	-	-	-	-	-	-	-	-	-
22.	Total Operating Expenditures	(0.1)	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(1.0)
23.	Total Operating Surplus (Deficit)	(0.1)	5.2	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	59.3
Reorganization / Investment												
24.	Technology Infrastructure	-	-	-	-	-	-	-	-	-	-	-
25.	Capital Expenditures	-	(0.7)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(2.0)
26.	Other Infrastructure (Fleet)	-	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1.4)
27.	Reorganization Costs	-	-	-	-	-	-	-	-	-	-	-
28.	Total Reorganization / Investment	-	(1.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(3.4)
29.	Total Surplus (Deficit)	\$ (0.1)	\$ 4.1	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.5	\$ 6.5	\$ 6.5	\$ 6.5	\$ 6.4	\$ 55.9
30.	Incremental Headcount (FTE)	1	7	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Enterprise Agencies

Municipal Parking Department (Parking) - General Fund - PVB

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	60.3	Primarily related to parking violation fee increases and added parking enforcement officers to generate additional ticket volume
5. Grant Revenue	-	
6. Other	-	
7. Total Revenues	60.3	
Expenditures		
8. Permanent Labor	0.2	Elimination of non-productive heads offset partially by additional parking enforcement officers
9. Professional & Contract Services	(0.2)	Parking expert to assist with strategic alternatives and master plan
10. Labor Costs / Service Contracts	0.0	
11. Active Benefits	0.1	Benefits at 45.0% of Permanent Labor costs
12. Training	(0.7)	Training cost for all department employees - \$2.0k per employee through FY '16, \$1.5k thereafter to establish a continuous training program
13. Materials and Supplies	(0.4)	Primarily a result of additional parking enforcement officers in vehicles issuing tickets (reference Restructuring Actions)
14. Utilities	-	
15. Purchased services	-	
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	-	
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(1.0)	
23. Total Operating Surplus (Deficit)	59.3	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	(2.0)	Primarily upgrades to Caniff Impound Lot
26. Other Infrastructure (Fleet)	(1.4)	Fleet replacement primarily for parking enforcement officers
27. Reorganization Costs	-	
28. Total Reorganization / Investment	(3.4)	
29. Total Surplus (Deficit)	\$ 55.9	
30. Incremental Headcount (FTE)	(6)	

City of Detroit
Ten-Year Plan of Adjustment
Other - Detail

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Other

Blight / Demolition

(\$ in millions)

For the Fiscal Year Ended												10-Year										
2014												2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
Revenues																						
1.	Collections	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-			
2.	a. Increased Collection Rate		-		-		-		-		-		-		-		-		-			
3.	b. Collection of Past Due		-		-		-		-		-		-		-		-		-			
4.	Pricing / Fees		-		-		-		-		-		-		-		-		-			
5.	Grant Revenue		3.0		40.3		9.0		-		-		-		-		-		-	52.3		
6.	Other		-		4.0		4.0		4.0		4.0		4.0		-		-		-	20.0		
7.	Total Revenues		3.0		44.3		13.0		4.0		4.0		4.0		-		-		-	72.3		
Expenditures																						
8.	Permanent Labor		-		-		-		-		-		-		-		-		-			
9.	Professional & Contract Services		-		-		-		-		-		-		-		-		-			
10.	Labor Costs / Service Contracts		-		-		-		-		-		-		-		-		-			
11.	Active Benefits		-		-		-		-		-		-		-		-		-			
12.	Training		-		-		-		-		-		-		-		-		-			
13.	Materials and Supplies		-		-		-		-		-		-		-		-		-			
14.	Utilities		-		-		-		-		-		-		-		-		-			
15.	Purchased services		(2.0)		(98.0)		(80.0)		(80.0)		(80.0)		(80.0)		-		-		-	(420.0)		
16.	Risk management / insurance		-		-		-		-		-		-		-		-		-			
17.	Contributions to non EP funds		-		-		-		-		-		-		-		-		-			
18.	Transfers In / Out (General Fund)		-		-		-		-		-		-		-		-		-			
19.	Grant related expenses		(1.2)		(15.6)		(3.5)		-		-		-		-		-		-	(20.3)		
20.	Maintenance		-		-		-		-		-		-		-		-		-			
21.	All Other		-		-		-		-		-		-		-		-		-			
22.	Total Operating Expenditures		(3.2)		(113.6)		(83.5)		(80.0)		(80.0)		(80.0)		-		-		-	(440.3)		
23.	Total Operating Surplus (Deficit)		(0.2)		(69.3)		(70.5)		(76.0)		(76.0)		(76.0)		-		-		-	(367.9)		
Reorganization / Investment																						
24.	Technology Infrastructure		-		-		-		-		-		-		-		-		-			
25.	Capital Expenditures		-		-		-		-		-		-		-		-		-			
26.	Other Infrastructure		-		-		-		-		-		-		-		-		-			
27.	Reorganization Costs		-		-		-		-		-		-		-		-		-			
28.	Total Reorganization / Investment		-		-		-		-		-		-		-		-		-			
29.	Total Surplus (Deficit)	\$	(0.2)	\$	(69.3)	\$	(70.5)	\$	(76.0)	\$	(76.0)	\$	(76.0)	\$	-	\$	-	\$	-	\$	(367.9)	
30.	Incremental Headcount (FTE)		-		-		-		-		-		-		-		-		-			

City of Detroit

Ten-Year Plan of Adjustment

Restructuring and Reinvestment Initiatives - Other

Blight / Demolition

(\$ in millions)

	10-Year Total	Assumptions / Comments
Revenues		
1. Collections	\$ -	
2. a. Increased Collection Rate	-	
3. b. Collection of Past Due	-	
4. Pricing / Fees	-	
5. Grant Revenue	52.3	Committed funding from Hardest Hit fund
6. Other	20.0	Current Fire escrow account balance
7. Total Revenues	72.3	
Expenditures		
8. Permanent Labor	-	
9. Professional & Contract Services	-	
10. Labor Costs / Service Contracts	-	
11. Active Benefits	-	
12. Training	-	
13. Materials and Supplies	-	
14. Utilities	-	
15. Purchased services	(420.0)	Estimated costs for residential blight removal efforts
16. Risk management / insurance	-	
17. Contributions to non EP funds	-	
18. Transfers In / Out (General Fund)	-	
19. Grant related expenses	(20.3)	Additional cost of demolition related to the committed funding from Hardest Hit fund
20. Maintenance	-	
21. All Other	-	
22. Total Operating Expenditures	(440.3)	
23. Total Operating Surplus (Deficit)	(367.9)	
Reorganization / Investment		
24. Technology Infrastructure	-	
25. Capital Expenditures	-	
26. Other Infrastructure	-	
27. Reorganization Costs	-	
28. Total Reorganization / Investment	-	
29. Total Surplus (Deficit)	\$ (367.9)	
30. Incremental Headcount (FTE)	-	

EXHIBIT J

TEN-YEAR FINANCIAL PROJECTIONS

City of Detroit
Ten-Year Financial Projections

The attached 10 year preliminary forecast (the "10 Year Financial Projections"), its assumptions and underlying data are the product of the Client and its management ("Management") and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP ("EY") did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client's 10 Year Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

Section	Exhibit	Description	Page
Summary schedules			
	1	General Fund assumptions	4
	2	General Fund summary view	6
	3	Restructuring scenario - Amount available for unsecured claims	7
	4	General Fund detail view	8
Section	Appendix	Description	Page
Departmental detail	A		10
	"a" pages	Departmental - General Fund detail	
	"b" pages	Departmental key assumptions	
	A.29	Department of Transportation	67
Key revenue drivers	B.1a	Property tax revenue - without reinvestment	69
	B.1b	Property tax revenue - with reinvestment	70
	B.2a	Income tax revenue - without reinvestment	71
	B.2b	Income tax revenue - with reinvestment	72
	B.3	Wagering tax revenue	73
	B.4	State revenue sharing	74
Key expense drivers	C.1	Headcount - Full-Time Equivalents	76
	C.2	Payroll	77
	C.3	Benefits	78
	C.4	Pension	79
	D.1	Debt summary	80
	D.2	POC summary	81

General Fund Summary

Ten-Year Financial Projections
General Fund assumptions

Base projections represent trends from fiscal years 2012 and 2013 as well as certain operating assumptions within the 2014 Budget.

Revenues (Exhibit 4)

Municipal income tax	Increases due to improved employment outlook and wage inflation. FY 2013 reflects the impact of one-time items including tax amnesty program and one-time benefit from increase in capital gains tax rate
State revenue sharing	Increases due to anticipation of higher taxes collected and distributed by the State. Reflects input from Michigan State Treasury
Wagering taxes	Decreases through FY 2015 due to competition from Ohio casinos and recovers thereafter due to improved economic outlook
Sales and charges for services	Decreases primarily due to transition of Health and Wellness department, including Vital Records operations, and Public Lighting department distribution business
Property taxes	Continued decline in taxes collected through FY 2020 as a result of ongoing reductions in assessed values driven by sales study and reassessment process, with modest increases beginning FY 2021
Utility users' and other taxes	Decreases beginning FY 2014 due to the annual allocation of \$12.5m to the Public Lighting Authority. Inflationary increases assumed beginning FY 2017
Parking/court fines and other revenue	Based on recent trends
Grant revenue	Decreases due to transition of Health and Wellness department and expiration of certain public safety grants
Licenses, permits and inspection charges	Based on recent trends. FY 2013 includes one-time permit and inspection revenues from utility providers
Revenue from use of assets	FY 2013 includes proceeds from the sale of assets. FY 2014 includes proceeds from sale of Veteran's Memorial building
Street fund reimbursement	Decreases beginning FY 2015 due to the assumed outsourcing of solid waste operations, which will no longer reimburse GSD for maintenance costs
DDOT risk mgmt reimbursement	Based on recent trends. Reimbursement not reflected in FY 2013 as General Fund made payments from refunding proceeds
Parking & vehicle fund reimbursement	Based on recent trends and scheduled debt service for vehicle fund through FY 2016 (revenues and associated expenses offset). FY 2012 includes \$16m one-time contribution from DDOT
UTGO property tax millage	Property tax millage for UTGO debt service. Projections assume the City is able to continue to collect UTGO property tax millage
POC allocation - governmental	Transfer from general city, non-General Fund for allocated POC debt service. Revenues and associated expenses offset
POC allocation - enterprise funds (excl. DDOT)	Transfer from enterprise funds for allocated POC debt service. Revenues and associated expenses offset

Expenditures (Exhibit 4)

Operating expenditures

Salaries and wages	10% wage reduction assumed for uniform employees beginning FY 2014 for contracts expiring FY 2013. Headcount ramp-up begins FY 2015 to return to previously projected levels due to lower actual headcount in FY 2014. For all employees, 5% wage inflation assumed in FY 2015, 0% in FY 2016, 2.5% annually beginning FY 2017 and 2% annually beginning FY 2020
Overtime	Based on recent trends. Increases in FY 2014 due to higher Police overtime primarily resulting from elimination of 12 hour shifts
Health benefits - active	Average 5.6% inflation assumed annually for hospitalization cost. Reflects cost of healthcare plan designs being offered for 2014 enrollment
Other benefits	Based on recent trends, projected by specific other benefit/fringe. FY 2016 includes 2.5% of salary bonus payment to non-uniform and bonus payment to DPLSA (3%) and DPCOA (\$150k) between FY 2015/2016
Professional and contractual services	Decreases beginning FY 2014 primarily due to transition of Health and Wellness department. 1.0% cost inflation assumed beginning FY 2015
Materials & supplies	Decreases beginning FY 2015 due to transition of Public Lighting department distribution business. 1.0% cost inflation assumed beginning FY 2015
Utilities	Based on recent trends. 1.0% cost inflation assumed beginning FY 2015. Average cost inflation of 3.5% has been assumed for water/sewer rates beginning FY 2015
Purchased services	Increases beginning FY 2014 due to prisoner pre-arraignment function costs and FY 2015 due to payroll processing management. 1.0% cost inflation assumed beginning FY 2015
Risk management and insurance	1.0% cost inflation assumed beginning FY 2015
Maintenance capital	FY 2013 includes one-time capital outlays. 1.0% cost inflation assumed beginning FY 2015
Other expenses	Primarily includes printing, rental and other operating costs. 1.0% cost inflation assumed to certain costs beginning FY 2015
Contributions to non enterprise funds	Increases in FY 2015 and 2016 primarily due to scheduled vehicle fund debt service. Contributions to the Public Lighting Authority for operations begins FY 2015
DDOT subsidy	Increases primarily due to personnel and operating cost inflation. FY 2012 includes \$16m one-time contribution to General Fund. FY 2013 excludes risk management payment, made from refunding proceeds
Grant related expenses	Grant expenses captured within specific expense line items

Legacy expenditures

Debt service (UTGO & LTGO)	Reflects scheduled principal and interest payments
POC - principal, interest and swaps	Reflects principal, interest and swap payments. No acceleration or refinancing assumed
Pension contributions	Per actuarial analysis performed by the City's actuaries
Health benefits - retiree	Average 4.9% inflation assumed annually for hospitalization cost. Reflects cost of current healthcare plan designs

Other (Exhibit 4)

Financing proceeds	FY 2013 includes \$137m refunding proceeds (\$129.5 bond issuance)
--------------------	--

Ten-Year Financial Projections
General Fund assumptions

Operational restructuring initiatives / Reinvestment in the City (Exhibit 4)

Department revenue initiatives	Reflects increases to fees, improved billing and collection efforts and collections of past due receivables
Additional operating expenditures	Primarily reflects increases to headcount to improve and provide adequate level of City services. Costs are partially offset by potential savings
Technology	Reflects costs associated with information system upgrades and maintenance
Capital expenditures and other infrastructure	Primarily reflects City's capital improvement plan to invest in facilities and vehicles
Implementation costs	Primarily reflects non-recurring costs associated with implementing operational initiatives
Blight (excludes heavy commercial)	Reflects costs associated with demolition and clean up efforts of residential and light commercial (subject to change). Heavy commercial blight removal would require significant additional funding. Assumes all blight related expenditures are paid by the General Fund. Other funding sources may be available

Restructuring scenario (Exhibit 3)

Capital investment	Reflects technology, capital expenditures and implementation costs
Active pension contributions	Reflects contribution of 11.2% of salary assumed for public safety (excluding DPLSA), 12.25% assumed for DPLSA and 5.75% assumed for non-public safety
OPEB Payments - future retirees	Reflects contribution of 1% of salary assumed for future public safety retirees (excluding DPLSA), \$0.2m annually assumed for DPLSA and 2% assumed for non-public safety
POC reimbursements	Includes revenue received from enterprise and other non-General Fund agencies
PLD decommission	Preliminary estimates for 31 substations, excluding Mistersky
Increased tax revenues	Reflects potential revenue opportunities due to increased property values and employment conditions resulting from restructuring efforts
Contributions to income stabilization fund	Reflects excess UTGO collections to be contributed to an income stabilization fund to guarantee minimum levels of household income for retirees who meet certain eligibility criteria
Payments to secured claims	Based on the unaltered scheduled payments of secured debt and other notes payable (with the exception of POC swap payments)
QOL / exit financing proceeds (net)	Assumes QOL net financing proceeds of \$118m between FY 2014 and FY 2015. \$175m of net additional proceeds from exit financing in FY 2015
QOL / exit financing principal/interest payments	Exit financing assumes 8 year note funded 10/31/2014 with interest only payments in first 4 years and equal principal payments made in years 5 through 8
Working capital	Primarily relates to past due vendor payments and required funding of the self insurance escrow set-aside
Contingency	Reflects amounts reserved for unexpected events
Deferral	Reflects timing adjustment of reinvestment initiatives to manage liquidity

Ten-Year Financial Projections

General Fund summary view

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast											10-year total
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Revenues																	
Municipal income tax	\$ 276.5	\$ 240.8	\$ 216.5	\$ 228.3	\$ 233.0	\$ 248.0	\$ 246.4	\$ 250.4	\$ 252.1	\$ 253.8	\$ 255.5	\$ 257.1	\$ 258.7	\$ 260.9	\$ 264.1	\$ 267.3	\$ 2,566.3
State revenue sharing	249.6	266.6	263.6	239.3	173.3	183.8	191.5	192.9	194.5	196.1	197.8	199.6	201.4	194.9	196.6	198.3	1,963.9
Wagering taxes	180.4	173.0	183.3	176.9	181.4	174.6	169.9	168.2	169.9	171.6	173.3	175.0	176.8	178.5	180.3	182.1	1,745.7
Sales and charges for services	193.3	167.4	154.1	154.9	149.2	123.8	131.5	118.0	115.8	113.7	111.5	109.3	107.1	104.5	103.4	104.1	1,118.9
Property taxes	155.2	163.7	143.0	182.7	147.8	133.6	114.9	104.2	100.1	97.2	97.1	95.2	89.6	89.5	90.1	90.7	968.6
Utility users' and other taxes	73.0	71.5	64.8	64.8	57.1	47.2	29.7	34.1	34.1	34.5	34.9	35.2	35.6	36.0	36.4	36.8	347.2
Other revenue	152.9	138.5	134.2	152.5	121.6	111.8	76.8	70.5	69.2	57.7	56.4	56.7	57.0	57.3	57.6	57.9	617.2
General Fund reimbursements	36.9	59.2	47.6	32.3	47.6	23.8	26.4	41.7	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	259.5
Transfers in (UTGO millage & non-General Fund POCs)	84.2	89.1	91.5	93.6	95.2	93.5	93.9	90.8	86.9	87.6	87.2	84.2	83.6	83.0	68.2	64.4	829.7
Total revenues	1,401.7	1,369.9	1,298.7	1,325.3	1,206.4	1,140.0	1,081.0	1,070.9	1,064.3	1,033.5	1,035.1	1,033.8	1,031.2	1,026.2	1,018.1	1,023.0	10,417.0
Expenditures																	
Salaries/overtime/fringe	(512.0)	(514.7)	(474.3)	(463.3)	(440.3)	(361.3)	(331.0)	(351.1)	(356.3)	(363.6)	(372.5)	(381.8)	(389.4)	(397.1)	(404.8)	(412.9)	(3,760.4)
Health benefits - active	(58.9)	(57.7)	(74.1)	(68.5)	(59.0)	(47.8)	(49.2)	(48.0)	(52.1)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(609.5)
Other operating expenses	(554.4)	(457.7)	(422.2)	(359.4)	(361.5)	(305.2)	(290.9)	(313.6)	(312.8)	(293.3)	(296.7)	(295.7)	(297.6)	(299.4)	(306.1)	(307.7)	(3,013.7)
Operating expenditures	(1,125.3)	(1,030.1)	(970.7)	(891.2)	(860.8)	(714.3)	(671.1)	(712.7)	(721.2)	(712.8)	(729.1)	(741.0)	(753.1)	(765.2)	(782.4)	(794.9)	(7,383.6)
Net operating surplus	276.4	339.8	328.0	434.1	345.6	425.6	409.9	358.1	343.2	320.7	306.0	292.8	278.1	260.9	235.7	228.1	3,033.4
Debt service (LTGO & UTGO)	(133.8)	(177.6)	(135.9)	(137.3)	(135.6)	(143.1)	(144.6)	(124.7)	(119.8)	(96.5)	(95.4)	(92.9)	(92.3)	(91.9)	(75.3)	(71.5)	(1,004.9)
POC - principal and interest	(42.8)	(39.7)	(44.2)	(55.7)	(56.4)	(61.2)	(66.7)	(68.9)	(71.1)	(73.3)	(75.7)	(73.9)	(74.7)	(75.5)	(76.2)	(76.8)	(732.7)
POC swaps	(40.5)	(45.1)	(45.9)	(45.1)	(45.1)	(45.9)	(45.9)	(45.9)	(45.9)	(45.9)	(45.9)	(45.9)	(45.0)	(44.2)	(43.5)	(42.8)	(450.8)
Pension contributions	(66.2)	(57.3)	(42.2)	(112.4)	(78.3)	(59.3)	(195.8)	(229.5)	(254.4)	(280.9)	(309.1)	(315.6)	(325.5)	(330.9)	(332.8)	(335.8)	(2,910.3)
Health benefits - retiree	(121.1)	(144.1)	(131.4)	(140.4)	(151.9)	(147.8)	(143.9)	(152.9)	(158.0)	(165.2)	(172.2)	(181.8)	(191.2)	(201.9)	(211.7)	(221.9)	(1,800.7)
Legacy expenditures	(404.4)	(463.9)	(399.7)	(491.0)	(467.3)	(457.3)	(596.9)	(621.9)	(649.1)	(661.8)	(698.2)	(710.1)	(728.7)	(744.5)	(739.5)	(748.8)	(6,899.5)
Deficit (excl. financing proceeds)	(127.9)	(124.1)	(71.7)	(56.9)	(121.8)	(31.7)	(187.0)	(263.7)	(305.9)	(341.1)	(392.3)	(417.4)	(450.6)	(483.5)	(503.8)	(520.8)	(3,866.1)
Financing proceeds	75.0	-	250.0	-	-	143.5	-	-	-	-	-	-	-	-	-	-	-
Total surplus (deficit)	\$ (52.9)	\$ (124.1)	\$ 178.3	\$ (56.9)	\$ (121.8)	\$ 111.9	\$ (187.0)	\$ (263.7)	\$ (305.9)	\$ (341.1)	\$ (392.3)	\$ (417.4)	\$ (450.6)	\$ (483.5)	\$ (503.8)	\$ (520.8)	\$ (3,866.1)
Accumulated unrestricted General Fund deficit (1)	(219.2)	(331.9)	(155.7)	(196.6)	(326.6)	(214.8)	(401.8)	(665.5)	(971.4)	(1,312.6)	(1,704.8)	(2,122.2)	(2,572.8)	(3,056.3)	(3,560.1)	(4,080.8)	
Reinvestment in the City																	
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7.2	\$ 72.0	\$ 48.3	\$ 53.0	\$ 56.2	\$ 45.8	\$ 46.2	\$ 46.1	\$ 50.6	\$ 51.8	\$ 477.2
Additional operating expenditures	-	-	-	-	-	-	(12.6)	(68.9)	(51.3)	(42.6)	(32.9)	(29.7)	(32.2)	(31.7)	(33.1)	(34.0)	(368.9)
Capital investments	-	-	-	-	-	(0.0)	(31.2)	(152.1)	(91.0)	(61.7)	(52.4)	(49.3)	(45.5)	(44.4)	(41.8)	(40.0)	(609.4)
Blight (excludes heavy commercial)	-	-	-	-	-	-	(2.0)	(98.0)	(80.0)	(80.0)	(80.0)	(80.0)	-	-	-	-	(420.0)
Total reinvestment in the City	-	-	-	-	-	(0.0)	(38.7)	(246.9)	(173.9)	(131.3)	(109.0)	(113.2)	(31.5)	(30.0)	(24.4)	(22.2)	(921.1)
Adjusted surplus (deficit)	\$ (52.9)	\$ (124.1)	\$ 178.3	\$ (56.9)	\$ (121.8)	\$ 111.8	\$ (225.6)	\$ (510.7)	\$ (479.9)	\$ (472.4)	\$ (501.3)	\$ (530.5)	\$ (482.1)	\$ (513.5)	\$ (528.1)	\$ (543.0)	\$ (4,787.2)
Adj. accumulated unrestricted General Fund deficit	(219.2)	(331.9)	(155.7)	(196.6)	(326.6)	(214.8)	(440.4)	(951.1)	(1,431.0)	(1,903.4)	(2,404.7)	(2,935.2)	(3,417.4)	(3,930.9)	(4,459.0)	(5,002.0)	

Footnotes:

(1) Historical accumulated deficits may not equate to previous balance plus annual surplus/deficit due to changes in inventories, reserves, and the restricted deficit

Ten-Year Financial Projections

Restructuring scenario - Amount available for unsecured claims

(\$ in millions)

	Preliminary forecast										10-year total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Total revenues	\$ 1,081.0	\$ 1,070.9	\$ 1,064.3	\$ 1,033.5	\$ 1,035.1	\$ 1,033.8	\$ 1,031.2	\$ 1,026.2	\$ 1,018.1	\$ 1,023.0	\$ 10,417.0
Department revenue initiatives	7.2	72.0	48.3	53.0	56.2	45.8	46.2	46.1	50.6	51.8	477.2
Operating expenditures	(671.1)	(712.7)	(721.2)	(712.8)	(729.1)	(741.0)	(753.1)	(765.2)	(782.4)	(794.9)	(7,383.6)
Additional operating expenditures	(12.6)	(68.9)	(51.3)	(42.6)	(32.9)	(29.7)	(32.2)	(31.7)	(33.1)	(34.0)	(368.9)
Net operating surplus	\$ 404.5	\$ 361.3	\$ 340.2	\$ 331.1	\$ 329.3	\$ 308.9	\$ 292.1	\$ 275.3	\$ 253.2	\$ 245.9	\$ 3,141.7
<u>Reinvestment expenditures/adjustments</u>											
Capital investments	(31.2)	(152.1)	(91.0)	(61.7)	(52.4)	(49.3)	(45.5)	(44.4)	(41.8)	(40.0)	(609.4)
Restructuring professional fees	(82.2)	(47.8)	-	-	-	-	-	-	-	-	(130.0)
Blight (excludes heavy commercial)	(2.0)	(98.0)	(80.0)	(80.0)	(80.0)	(80.0)	-	-	-	-	(420.0)
Active pension contributions	(17.0)	(31.4)	(32.0)	(32.9)	(33.7)	(34.5)	(35.2)	(35.9)	(36.6)	(37.4)	(326.7)
OPEB payments - current retirees	(123.8)	(19.0)	-	-	-	-	-	-	-	-	(142.8)
OPEB payments - future retirees	(3.9)	(4.1)	(4.2)	(4.3)	(4.4)	(4.5)	(4.5)	(4.6)	(4.7)	(4.8)	(43.9)
POC reimbursements	(24.0)	(27.0)	(29.2)	(29.9)	(30.6)	(30.1)	(30.2)	(30.3)	(30.4)	(30.5)	(292.3)
PLD decommission	-	(25.0)	(25.0)	(25.0)	-	-	-	-	-	-	(75.0)
Increased income tax revenues	1.5	5.8	10.3	14.5	18.6	22.8	27.2	31.2	34.4	37.7	204.0
Increased property tax revenues	-	0.2	6.6	8.0	8.2	11.4	17.2	20.1	23.1	26.3	121.1
Increased utility users' tax revenues	-	-	0.4	0.6	0.8	0.8	0.8	0.8	0.8	0.8	5.6
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Total restructuring	(282.5)	(400.8)	(246.3)	(212.9)	(175.8)	(165.5)	(72.3)	(65.2)	(56.6)	(49.1)	(1,727.3)
Funds available for legacy liabilities	121.9	(39.5)	93.9	118.1	153.5	143.4	219.8	210.1	196.5	196.7	1,414.4
<u>Payments to secured claims (Subject to further review/negotiation)</u>											
LTGO - secured	(25.9)	(29.5)	(29.5)	(29.5)	(29.5)	(29.5)	(29.6)	(29.6)	(29.6)	(29.6)	(291.7)
UTGO - secured	(9.6)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(10.0)	(98.8)
POC swaps (1)	(45.9)	(15.7)	-	-	-	-	-	-	-	-	(61.6)
POC swaps settlement (1)	-	(42.1)	-	-	-	-	-	-	-	-	(42.1)
Notes/loans payable	-	-	-	-	-	-	-	-	-	-	-
Total payments to secured claims	(81.3)	(97.2)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(494.2)
Funds available for unsecured claims	\$ 40.6	\$ (136.7)	\$ 54.5	\$ 78.7	\$ 114.1	\$ 104.0	\$ 180.3	\$ 170.6	\$ 157.0	\$ 157.2	\$ 920.2
<u>Adjustments to funds available for unsecured claims</u>											
QOL / exit financing proceeds (net)	\$ 52.5	\$ 240.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292.7
QOL / exit financing principal/interest payments	(1.3)	(14.6)	(18.0)	(18.0)	(18.0)	(68.0)	(90.0)	(85.5)	(81.0)	(26.5)	(420.9)
Total QOL financing impact	51.2	225.6	(18.0)	(18.0)	(18.0)	(68.0)	(90.0)	(85.5)	(81.0)	(26.5)	(128.3)
Working capital	(39.8)	15.0	-	-	-	-	-	-	-	-	(24.8)
Contingency	-	(13.6)	(11.0)	(10.8)	(10.9)	(10.8)	(10.9)	(10.9)	(11.0)	(11.1)	(101.1)
Reinvestment deferrals / timing adjustments	-	-	62.5	38.0	1.7	59.4	(15.4)	(10.9)	(16.0)	(74.2)	45.2
Total adjustments to funds available	11.4	227.0	33.5	9.3	(27.2)	(19.4)	(116.3)	(107.3)	(108.0)	(111.8)	(208.9)
Adjusted funds available for unsecured claims	\$ 51.9	\$ 90.3	\$ 88.0	\$ 87.9	\$ 86.9	\$ 84.5	\$ 64.0	\$ 63.3	\$ 49.1	\$ 45.4	\$ 711.3

Footnotes:

(1) Reflects an \$85m settlement. POC swap payments made in full through October 2014, at which time the remainder of the settlement amount is paid.

Ten-Year Financial Projections

General Fund detail view

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										10-year	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	total
Revenues																	
Municipal income tax	\$ 276.5	\$ 240.8	\$ 216.5	\$ 228.3	\$ 233.0	\$ 248.0	\$ 246.4	\$ 250.4	\$ 252.1	\$ 253.8	\$ 255.5	\$ 257.1	\$ 258.7	\$ 260.9	\$ 264.1	\$ 267.3	\$ 2,566.3
State revenue sharing	249.6	266.6	263.6	239.3	173.3	183.8	191.5	192.9	194.5	196.1	197.8	199.6	201.4	194.9	196.6	198.3	1,963.9
Wagering taxes	180.4	173.0	183.3	176.9	181.4	174.6	169.9	168.2	169.9	171.6	173.3	175.0	176.8	178.5	180.3	182.1	1,745.7
Sales and charges for services	193.3	167.4	154.1	154.9	149.2	123.8	131.5	118.0	115.8	113.7	111.5	109.3	107.1	104.5	103.4	104.1	1,118.9
Property taxes	155.2	163.7	143.0	182.7	147.8	133.6	114.9	104.2	100.1	97.2	97.1	95.2	89.6	89.5	90.1	90.7	968.6
Utility users' and other taxes	73.0	71.5	64.8	64.8	57.1	47.2	29.7	34.1	34.1	34.5	34.9	35.2	35.6	36.0	36.4	36.8	347.2
Parking/court fines and other revenue	57.6	38.6	43.0	63.8	31.5	31.4	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	291.9
Grant revenue	63.5	65.1	77.6	76.0	80.6	58.2	27.9	27.1	25.7	14.2	14.5	14.8	15.0	15.3	15.5	15.8	185.8
Licenses, permits and inspection charges	9.0	6.7	8.7	8.6	7.4	10.7	9.0	9.1	9.1	9.1	9.2	9.2	9.3	9.3	9.3	9.4	92.0
Revenue from use of assets	22.8	28.1	4.9	4.1	2.1	11.5	10.6	5.2	5.2	5.2	3.6	3.6	3.6	3.6	3.6	3.6	47.6
General Fund reimbursements from:																	
Street fund	14.0	12.4	19.3	9.0	9.0	9.3	9.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	46.8
DDOT (risk mgmt)	10.8	12.9	10.0	12.1	12.1	1.6	9.9	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	118.8
Parking & vehicle fund	12.1	33.9	18.4	11.2	26.4	12.9	7.3	25.4	25.5	5.1	5.1	5.1	5.1	5.1	5.1	5.1	94.0
Transfers in for:																	
UTGO property tax millage	67.2	71.5	72.4	72.8	73.0	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
POC allocation - other governmental	8.7	9.1	9.8	10.7	11.4	11.4	15.2	15.6	16.4	16.8	17.2	16.9	17.0	17.1	17.1	17.2	166.5
POC allocation - enterprise funds (excl. DDOT)	8.2	8.6	9.3	10.1	10.8	11.5	12.2	12.5	12.8	13.1	13.4	13.2	13.2	13.3	13.3	13.3	130.4
Total revenues	1,401.7	1,369.9	1,298.7	1,325.3	1,206.4	1,140.0	1,081.0	1,070.9	1,064.3	1,033.5	1,035.1	1,033.8	1,031.2	1,026.2	1,018.1	1,023.0	10,417.0
Expenditures																	
Salaries and wages - Public Safety	(269.2)	(279.3)	(269.7)	(278.4)	(259.0)	(222.1)	(205.4)	(222.1)	(228.8)	(235.2)	(241.1)	(247.1)	(252.1)	(257.1)	(262.3)	(267.5)	(2,418.7)
Salaries and wages - Non-Public Safety	(146.9)	(149.6)	(131.1)	(105.3)	(101.5)	(75.5)	(69.8)	(71.9)	(69.8)	(71.3)	(72.9)	(74.7)	(76.2)	(77.7)	(79.1)	(80.6)	(744.1)
Overtime - Public Safety	(35.2)	(41.9)	(36.4)	(38.4)	(41.0)	(23.2)	(26.5)	(26.8)	(26.3)	(27.0)	(27.7)	(28.4)	(29.0)	(29.6)	(30.1)	(30.7)	(282.2)
Overtime - Non-Public Safety	(10.4)	(9.5)	(7.2)	(7.4)	(7.9)	(6.5)	(5.4)	(4.1)	(4.0)	(4.0)	(4.1)	(4.2)	(4.3)	(4.4)	(4.5)	(4.6)	(43.5)
Health benefits - active- Public Safety	(23.0)	(25.0)	(42.9)	(39.6)	(36.0)	(28.9)	(35.8)	(35.0)	(38.5)	(41.4)	(44.4)	(47.1)	(49.0)	(50.9)	(53.0)	(55.1)	(450.1)
Health benefits - active - Non-Public Safety	(35.9)	(32.7)	(31.3)	(28.8)	(23.0)	(19.0)	(13.5)	(13.0)	(13.6)	(14.5)	(15.6)	(16.5)	(17.2)	(17.8)	(18.5)	(19.3)	(159.4)
Other benefits - Public Safety	(27.6)	(18.8)	(16.4)	(18.6)	(17.0)	(18.6)	(13.4)	(15.3)	(15.2)	(15.2)	(15.6)	(16.0)	(16.3)	(16.6)	(17.0)	(17.3)	(157.9)
Other benefits - Non-Public Safety	(22.7)	(15.5)	(13.5)	(15.3)	(14.0)	(15.3)	(10.6)	(10.9)	(12.3)	(10.8)	(11.0)	(11.3)	(11.5)	(11.7)	(11.9)	(12.2)	(114.0)
Professional and contractual services	(115.1)	(124.9)	(113.1)	(98.1)	(97.9)	(76.3)	(53.5)	(63.6)	(60.1)	(57.1)	(57.8)	(54.0)	(53.1)	(52.2)	(55.1)	(52.3)	(558.9)
Materials & supplies	(88.1)	(72.4)	(61.4)	(69.1)	(64.0)	(63.2)	(66.0)	(34.8)	(34.8)	(35.0)	(34.7)	(34.1)	(33.7)	(33.3)	(33.3)	(33.6)	(373.4)
Utilities	(35.6)	(38.7)	(27.9)	(30.1)	(27.1)	(21.4)	(28.1)	(28.7)	(28.8)	(28.6)	(28.8)	(29.1)	(29.3)	(29.6)	(30.0)	(30.6)	(291.6)
Purchased services	(15.3)	(14.7)	(11.8)	(8.8)	(8.1)	(5.5)	(18.4)	(24.3)	(24.3)	(24.8)	(24.6)	(24.3)	(24.2)	(24.0)	(24.0)	(24.2)	(237.1)
Risk management and insurance	(63.2)	(51.7)	(54.4)	(63.6)	(40.1)	(43.5)	(35.8)	(43.7)	(44.1)	(44.6)	(45.0)	(45.5)	(45.9)	(46.4)	(46.8)	(47.3)	(445.1)
Maintenance capital	(43.1)	(22.6)	(9.2)	(12.3)	(12.6)	(14.0)	(5.9)	(6.0)	(6.1)	(6.1)	(6.2)	(6.2)	(6.3)	(6.4)	(6.4)	(6.5)	(62.0)
Other expenses	(43.9)	(33.1)	(48.5)	(6.5)	(28.7)	(37.6)	(34.9)	(39.7)	(36.4)	(35.8)	(35.2)	(35.2)	(35.3)	(35.3)	(35.4)	(35.5)	(358.7)
Contributions to non enterprise funds	(55.0)	(41.7)	(37.0)	(18.2)	(19.8)	(18.4)	(11.4)	(34.4)	(37.5)	(18.1)	(18.4)	(18.7)	(18.9)	(19.3)	(19.6)	(19.9)	(216.1)
DDOT subsidy	(92.8)	(55.2)	(57.7)	(50.3)	(61.7)	(25.0)	(36.8)	(38.4)	(40.6)	(43.2)	(45.9)	(48.6)	(50.8)	(53.1)	(55.4)	(57.8)	(470.7)
Grant related expenses (operating)	(2.3)	(2.8)	(1.4)	(2.5)	(1.4)	(0.4)	-	-	-	-	-	-	-	-	-	-	-
Operating expenditures	(1,125.3)	(1,030.1)	(970.7)	(891.2)	(860.8)	(714.3)	(671.1)	(712.7)	(721.2)	(712.8)	(729.1)	(741.0)	(753.1)	(765.2)	(782.4)	(794.9)	(7,383.6)
Net operating surplus	276.4	339.8	328.0	434.1	345.6	425.6	409.9	358.1	343.2	320.7	306.0	292.8	278.1	260.9	235.7	228.1	3,033.4
Debt service (LTGO)	(66.6)	(105.9)	(63.2)	(64.2)	(62.3)	(71.4)	(77.8)	(59.2)	(59.2)	(38.9)	(38.8)	(38.8)	(38.9)	(39.3)	(37.6)	(37.5)	(466.0)
Debt service (LTGO - DDOT)	-	(0.3)	(0.3)	(0.3)	(0.3)	(1.1)	(0.3)	(2.9)	(2.9)	-	-	-	-	-	-	-	(6.1)
Debt service (UTGO)	(67.2)	(71.5)	(72.4)	(72.8)	(73.0)	(70.6)	(66.5)	(62.6)	(57.7)	(57.6)	(56.5)	(54.1)	(53.4)	(52.7)	(37.7)	(33.9)	(532.8)
POC - principal and interest (Governmental)	(34.5)	(31.4)	(34.9)	(45.0)	(44.5)	(47.6)	(51.7)	(52.6)	(54.3)	(56.0)	(57.8)	(56.4)	(57.0)	(57.6)	(58.2)	(58.7)	(560.3)
POC - principal and interest (EF, excl. DDOT)	(5.2)	(5.2)	(5.8)	(6.7)	(7.4)	(8.1)	(8.8)	(9.1)	(9.4)	(9.7)	(10.0)	(9.7)	(9.9)	(10.0)	(10.1)	(10.1)	(96.7)
POC - principal and interest (DDOT)	(2.8)	(2.8)	(3.2)	(3.6)	(4.0)	(4.4)	(4.8)	(4.9)	(5.1)	(5.2)	(5.4)	(5.3)	(5.3)	(5.4)	(5.5)	(5.5)	(52.5)
POC - principal and interest (General Fund grant)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(1.1)	(1.3)	(2.3)	(2.3)	(2.4)	(2.5)	(2.4)	(2.5)	(2.5)	(2.5)	(2.5)	(23.2)
POC - swaps (Governmental)	(35.5)	(39.5)	(40.2)	(39.5)	(39.5)	(39.2)	(39.3)	(38.9)	(38.9)	(38.9)	(38.9)	(38.9)	(38.2)	(37.5)	(36.9)	(36.3)	(382.7)
POC - swaps (EF, excl. DDOT)	(3.0)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)	(3.3)	(3.3)	(3.2)	(33.7)
POC - swaps (DDOT)	(1.6)	(1.8)	(1.9)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.8)	(1.8)	(1.8)	(1.7)	(18.3)
POC - swaps (General Fund grant)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(1.4)	(1.3)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.6)	(1.6)	(1.6)	(1.6)	(16.1)
Pension contributions - Public Safety	(47.6)	(37.9)	(32.6)	(91.8)	(58.8)	(50.2)	(133.1)	(156.0)	(172.4)	(189.7)	(207.9)	(209.8)	(214.6)	(215.5)	(212.6)	(211.7)	(1,923.2)
Pension contributions - Non-Public Safety	(10.7)	(11.5)	(1.7)	(9.4)	(7.6)	(4.0)	(32.8)	(36.5)	(40.4)	(45.0)	(50.0)	(52.4)	(55.0)	(57.4)	(60.0)	(62.2)	(491.5)
Pension contributions - DDOT	(6.8)	(7.3)	(6.9)	(9.5)	(10.9)	(2.8)	(23.6)	(27.7)	(31.2)	(34.8)	(38.7)	(40.6)	(42.7)	(44.5)	(46.6)	(48.3)	(378.8)
Pension contributions - General Fund grant	(1.0)	(0.7)	(0.9)	(1.7)	(1.0)	(2.4)	(6.4)	(9.4)	(10.4)	(11.4)	(12.6)	(12.8)	(13.2)	(13.5)	(13.6)	(13.7)	(116.9)
Health benefits - retiree - Public Safety	(73.7)	(80.2)	(70.4)	(79.6)	(90.6)	(83.1)	(89.4)	(94.4)	(97.5)	(102.0)	(106.3)	(112.2)	(118.0)	(124.6)	(130.7)	(136.9)	(1,112.0)
Health benefits - retiree - Non-Public Safety	(47.4)	(51.6)	(50.6)	(49.0)	(49.2)	(51.5)	(36.4)	(38.3)	(39.6)	(41.4)	(43.2)	(45.6)	(47.9)	(50.6)	(53.1)	(55.6)	(451.8)
Health benefits - retiree - DDOT	-	(12.2)	(10.4)	(11.8)	(12.1)	(13.2)	(13.9)	(14.6)	(15.1)	(15.8)	(16.5)	(17.4)	(18.3)	(19.3)	(20.3)	(21.2)	(172.3)
Health benefits - retiree - General Fund grant	n/a	n/a	n/a	n/a	n/a	n/a	(4.2)	(5.6)	(5.8)	(6.0)	(6.3)	(6.6)	(7.0)	(7.4)	(7.7)	(8.1)	(64.6)
Legacy expenditures	(404.4)	(463.9)	(399.7)	(491.0)	(467.3)	(457.3)	(596.9)	(621.9)	(649.1)	(661.8)	(698.2)	(710.1)	(728.7)	(744.5)	(739.5)	(748.8)	(6,899.5)
Deficit (excl. financing proceeds)	(127.9)	(124.1)	(71.7)	(56.9)	(121.8)	(31.7)	(187.0)	(263.7)	(305.9)	(341.1)	(392.3)	(417.4)	(450.6)	(483.5)	(503.8)	(520.8)	(3,866.1)
Financing proceeds	75.0	-	250.0	-	-	143.5	-	-	-	-	-	-	-	-	-	-	-
Total surplus (deficit)	\$ (52.9)	\$ (124.1)	\$ 178.3	\$ (56.9)	\$ (121.8)	\$ 111.9	\$ (187.0)	\$ (263.7)	\$ (305.9)	\$ (341.1)	\$ (392.3)	\$ (417.4)	\$ (450.6)	\$ (483.5)	\$ (503.8)	\$ (520.8)	\$ (3,866.1)

Ten-Year Financial Projections

General Fund detail view

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast											10-year
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	total
Reinvestment in the City																	
Department revenue initiatives																	
Fire	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.0	\$ 8.1	\$ 6.6	\$ 18.3	\$ 19.0	\$ 6.7	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 87.0
Non-Departmental (36D Initiatives)	-	-	-	-	-	-	-	5.8	8.2	8.5	8.7	9.0	9.2	9.5	9.8	10.1	78.8
Blight	-	-	-	-	-	-	3.0	44.3	13.0	4.0	4.0	4.0	-	-	-	-	72.3
Municipal Parking	-	-	-	-	-	-	-	5.6	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	60.3
DDOT - Transportation	-	-	-	-	-	-	(1.7)	(5.7)	(1.5)	(0.1)	4.6	6.3	10.4	10.0	14.1	15.0	51.4
Police	-	-	-	-	-	-	-	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	32.6
General Services	-	-	-	-	-	-	1.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	20.3
Other	-	-	-	-	-	-	2.9	8.1	9.4	9.7	7.3	7.3	7.4	7.4	7.5	7.5	74.4
Sub-total: Revenues initiatives	-	-	-	-	-	-	7.2	72.0	48.3	53.0	56.2	45.8	46.2	46.1	50.6	51.8	477.2
Additional operating expenditures																	
General Services	-	-	-	-	-	-	(2.1)	(8.5)	(13.5)	(13.6)	(13.8)	(14.0)	(14.1)	(14.2)	(14.4)	(14.5)	(122.7)
Police	-	-	-	-	-	-	(2.2)	(14.4)	(17.9)	(10.9)	(9.4)	(8.8)	(8.9)	(8.9)	(8.7)	(9.1)	(99.3)
Finance/Budget	-	-	-	-	-	-	(1.1)	(5.8)	(3.8)	(3.8)	(1.3)	(1.8)	(2.2)	(2.7)	(3.1)	(3.6)	(29.1)
Other	-	-	-	-	-	-	(7.2)	(40.2)	(16.2)	(14.3)	(8.3)	(5.2)	(7.0)	(5.9)	(6.9)	(6.8)	(117.8)
Sub-total: Add. operating exp.	-	-	-	-	-	-	(12.6)	(68.9)	(51.3)	(42.6)	(32.9)	(29.7)	(32.2)	(31.7)	(33.1)	(34.0)	(368.9)
Capital investments																	
Technology	-	-	-	-	-	-	(3.1)	(54.4)	(29.2)	(12.2)	(10.1)	(9.9)	(8.2)	(8.8)	(8.8)	(7.5)	(152.3)
Capital expenditures and other infrastructure	-	-	-	-	-	-	(24.9)	(79.5)	(55.4)	(48.6)	(41.0)	(38.4)	(34.6)	(33.6)	(31.8)	(31.5)	(419.4)
Implementation costs	-	-	-	-	-	(0.0)	(3.2)	(18.2)	(6.3)	(0.9)	(1.2)	(1.0)	(2.7)	(2.0)	(1.2)	(1.0)	(37.7)
Sub-total: Capital investments	-	-	-	-	-	(0.0)	(31.2)	(152.1)	(91.0)	(61.7)	(52.4)	(49.3)	(45.5)	(44.4)	(41.8)	(40.0)	(609.4)
Blight (excludes heavy commercial)	-	-	-	-	-	-	(2.0)	(98.0)	(80.0)	(80.0)	(80.0)	(80.0)	-	-	-	-	(420.0)
Total reinvestment in the City	-	-	-	-	-	(0.0)	(38.7)	(246.9)	(173.9)	(131.3)	(109.0)	(113.2)	(31.5)	(30.0)	(24.4)	(22.2)	(921.1)
Adjusted surplus (deficit)	\$ (52.9)	\$ (124.1)	\$ 178.3	\$ (56.9)	\$ (121.8)	\$ 111.8	\$ (225.6)	\$ (510.7)	\$ (479.9)	\$ (472.4)	\$ (501.3)	\$ (530.5)	\$ (482.1)	\$ (513.5)	\$ (528.1)	\$ (543.0)	\$ (4,787.2)

Appendix A

General Fund Department detail

Note: Civic Center, Former Cost Center, and DWDD have been excluded from the presentation as they do not contribute to the forecast and have minimal impact in historical years

(\$ in millions)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	22	23	20	16	15	16	16	16	16	16	16	16	16	16	16	16
Average salary & wages (1)	\$ 62,323	\$ 62,796	\$ 62,338	\$ 71,811	\$ 73,322	\$ 57,557	\$ 64,173	\$ 67,381	\$ 67,381	\$ 69,066	\$ 70,792	\$ 72,562	\$ 74,013	\$ 75,494	\$ 77,003	\$ 78,544
Average overtime	864	891	925	1,177	1,022	1,583	1,765	1,853	1,853	1,899	1,947	1,995	2,035	2,076	2,117	2,160
	\$ 63,187	\$ 63,687	\$ 63,263	\$ 72,988	\$ 74,344	\$ 59,140	\$ 65,937	\$ 69,234	\$ 69,234	\$ 70,965	\$ 72,739	\$ 74,557	\$ 76,049	\$ 77,570	\$ 79,121	\$ 80,703
Overtime as a % of salary & wages	1.4%	1.4%	1.5%	1.6%	1.4%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Pension as a % of salary & wages						9.5%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	44.4%	40.8%	46.3%	50.6%	55.5%	76.8%	81.3%	80.7%	83.3%	84.9%	86.5%	88.7%	90.8%	93.2%	95.2%	97.2%

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Other expenses	Primarily building rental expense

Operational restructuring																
Additional Department employees	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

DPW - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	4.3	2.4	5.1	2.7	3.5	5.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	2.8	2.9	1.8	0.1	(0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Revenue from use of assets	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.7	1.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	0.0	1.0	0.4	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.2	0.6	0.1	0.3	0.0	0.3	-	-	-	-	-	-	-	-	-	-
Total revenues	8.1	8.3	7.6	3.1	3.1	6.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Expenditures																
Salaries and wages	(7.6)	(7.5)	(3.6)	(2.3)	(1.8)	(0.9)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Overtime	(0.3)	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(1.2)	(1.0)	(0.5)	(0.1)	(0.1)	(0.1)	(0.4)	(0.6)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
Medical & fringe benefits	(4.0)	(3.8)	(2.0)	(1.3)	(1.3)	(0.4)	(1.0)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	(1.4)	(1.5)	(1.6)	(1.6)
Professional and contractual services	(0.8)	(0.8)	(0.5)	(0.3)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Materials & supplies	0.0	(0.1)	(0.0)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utilities	(2.3)	(1.0)	(0.2)	(0.3)	(0.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Purchased services	(0.1)	(0.1)	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.0)	(1.0)	(0.6)	(0.6)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(17.8)	(15.9)	(7.9)	(5.4)	(4.4)	(2.6)	(3.0)	(3.5)	(3.7)	(3.8)	(4.0)	(4.1)	(4.3)	(4.4)	(4.6)	(4.7)
Total surplus (deficit)	\$ (9.7)	\$ (7.6)	\$ (0.3)	\$ (2.3)	\$ (1.3)	\$ 3.4	\$ 0.7	\$ 0.2	\$ 0.0	\$ (0.1)	\$ (0.3)	\$ (0.4)	\$ (0.6)	\$ (0.7)	\$ (0.8)	\$ (1.0)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Operational restructuring	\$ -	\$ -	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)
Adjusted surplus (deficit)	\$ 3.4	\$ 0.7	\$ 0.2	\$ 0.0	\$ (0.2)	\$ (0.3)	\$ (0.5)	\$ (0.6)	\$ (0.7)	\$ (0.9)	\$ (1.0)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	184	179	123	114	114	41	14	19	19	19	19	19	19	19	19	19
Average salary & wages(1)	\$ 30,107	\$ 30,392	\$ 35,862	\$ 30,300	\$ 32,448	\$ 31,439	\$ 33,550	\$ 35,112	\$ 35,112	\$ 35,990	\$ 36,890	\$ 37,812	\$ 38,568	\$ 39,339	\$ 40,126	\$ 40,929
Average overtime	1,609	1,151	523	383	828	1,505	3,346	3,039	3,039	3,115	3,193	3,273	3,338	3,405	3,473	3,542
	\$ 31,715	\$ 31,543	\$ 36,385	\$ 30,683	\$ 33,275	\$ 32,943	\$ 36,896	\$ 38,151	\$ 38,151	\$ 39,105	\$ 40,082	\$ 41,085	\$ 41,906	\$ 42,744	\$ 43,599	\$ 44,471
Overtime as a % of salary & wages	3.9%	2.8%	1.8%	1.9%	5.1%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Pension as a % of salary & wages						7.1%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	53.0%	50.8%	55.9%	55.7%	69.0%	47.9%	158.4%	142.6%	147.5%	150.6%	153.5%	157.8%	161.9%	166.6%	170.7%	174.7%

Key Items	Comment/Reference
Revenues	
Licenses, permits and inspection charges	Inspection charges and street-use permits. FY 2013 includes payment from utilities for permits to complete work over several years.
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
	Department moved positions between DPW general fund and DPW street fund in FY 2014 and FY 2015 to more accurately capture costs
Professional and contractual services	Contracted repair services
Other expenses	Building rental expenses
Operational restructuring	
Additional Department employees	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Finance - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	18.9	8.2	4.4	3.0	3.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Revenue from use of assets	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Parking/court fines and other revenue	0.1	0.6	1.3	0.7	(0.1)	0.0	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	23.6	12.4	5.8	3.7	3.3	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Expenditures																
Salaries and wages	(14.5)	(15.0)	(14.0)	(12.9)	(11.6)	(10.0)	(9.8)	(10.3)	(9.8)	(10.1)	(10.3)	(10.6)	(10.8)	(11.0)	(11.2)	(11.5)
Overtime	(1.2)	(1.0)	(0.7)	(0.8)	(0.8)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Pension	(0.5)	(0.3)	(0.4)	(0.7)	(0.9)	(1.1)	(6.2)	(7.4)	(8.2)	(9.1)	(10.2)	(10.7)	(11.2)	(11.7)	(12.3)	(12.7)
Medical & fringe benefits	(7.4)	(6.9)	(7.0)	(6.9)	(7.2)	(8.1)	(11.3)	(11.8)	(12.1)	(12.6)	(13.2)	(13.9)	(14.5)	(15.2)	(15.9)	(16.6)
Professional and contractual services	(2.9)	(8.2)	(5.1)	(6.9)	(5.2)	(3.6)	(3.6)	(3.6)	(3.6)	(3.7)	(3.7)	(3.7)	(3.8)	(3.8)	(3.9)	(3.9)
Materials & supplies	(0.4)	(0.3)	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Utilities	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Purchased services	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Risk management and insurance	0.0	-	(0.1)	-	(0.3)	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(3.2)	(3.1)	(5.4)	(2.7)	(2.8)	(3.3)	(4.2)	(4.2)	(4.2)	(4.2)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.4)
Debt service	(0.0)	0.3	(0.0)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(2.7)	(2.8)	(3.0)	(3.3)	(3.5)	(3.4)	(4.4)	(4.6)	(4.6)	(4.8)	(4.9)	(4.8)	(4.8)	(4.8)	(4.9)	(4.9)
Transfers out	-	(1.0)	(1.0)	(0.9)	(1.9)	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(33.1)	(38.6)	(37.5)	(35.8)	(34.7)	(30.7)	(40.8)	(43.3)	(43.9)	(45.8)	(47.9)	(49.3)	(50.8)	(52.4)	(53.9)	(55.4)
Total surplus (deficit)	\$ (9.6)	\$ (26.2)	\$ (31.6)	\$ (32.1)	\$ (31.4)	\$ (30.0)	\$ (40.6)	\$ (43.1)	\$ (43.6)	\$ (45.6)	\$ (47.7)	\$ (49.1)	\$ (50.6)	\$ (52.1)	\$ (53.7)	\$ (55.2)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.5	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1
Expenses																
Additional operating expenditures	-	(1.1)	(5.8)	(3.8)	(3.8)	(1.3)	(1.8)	(2.2)	(2.7)	(3.1)	(3.6)	(4.2)	(4.8)	(5.3)	(5.8)	(6.3)
Technology	-	(1.7)	(34.6)	(17.3)	(8.8)	(6.7)	(6.6)	(4.2)	(5.3)	(5.5)	(4.2)	(3.1)	(2.7)	(2.3)	(1.9)	(1.5)
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	(2.4)	(7.9)	(3.7)	(0.5)	(0.9)	(0.6)	(1.4)	(0.6)	(0.9)	(0.6)	(1.4)	(0.6)	(0.9)	(0.6)	(0.6)
Subtotal: Expenses	-	(5.2)	(48.2)	(24.8)	(13.1)	(8.8)	(9.1)	(7.8)	(8.6)	(9.5)	(8.4)	(9.5)	(8.4)	(9.5)	(8.4)	(9.5)
Operational restructuring	\$ -	\$ (5.2)	\$ (48.2)	\$ (24.3)	\$ (12.1)	\$ (7.8)	\$ (8.0)	\$ (6.7)	\$ (7.5)	\$ (8.4)	\$ (7.3)	\$ (8.4)	\$ (7.3)	\$ (8.4)	\$ (7.3)	\$ (8.4)
Adjusted surplus (deficit)	\$ (30.0)	\$ (45.8)	\$ (91.3)	\$ (67.9)	\$ (57.8)	\$ (55.5)	\$ (57.1)	\$ (57.3)	\$ (59.7)	\$ (62.1)	\$ (62.5)	\$ (62.5)	\$ (62.5)	\$ (62.5)	\$ (62.5)	\$ (62.5)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	327	310	285	266	235	228	216	216	206	206	206	206	206	206	206	206	
Average salary & wages(1)	\$ 44,290	\$ 48,404	\$ 49,213	\$ 48,545	\$ 49,479	\$ 44,131	\$ 45,415	\$ 47,685	\$ 47,685	\$ 48,878	\$ 50,099	\$ 51,352	\$ 52,379	\$ 53,427	\$ 54,495	\$ 55,585	
Average overtime	3,822	3,175	2,398	2,920	3,280	3,203	3,296	3,461	3,461	3,547	3,636	3,727	3,801	3,877	3,955	4,034	
	\$ 48,113	\$ 51,580	\$ 51,611	\$ 51,465	\$ 52,759	\$ 47,333	\$ 48,710	\$ 51,146	\$ 51,146	\$ 52,425	\$ 53,735	\$ 55,079	\$ 56,180	\$ 57,304	\$ 58,450	\$ 59,619	
Overtime as a % of salary & wages	8.6%	6.6%	4.9%	6.0%	6.6%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	
Pension as a % of salary & wages						10.5%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	50.9%	46.3%	50.1%	53.8%	62.1%	81.1%	115.7%	114.9%	122.9%	125.5%	127.8%	131.3%	134.6%	138.5%	141.7%	145.0%	

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Pension system reimbursements, which are recorded in Non-Departmental beginning in FY 2013. The remainder represents interagency billings.
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3 Headcount reductions occur beginning in FY 2016 due to external payroll processing services provider.
Professional and contractual services	Other contracts for pension services, assessments, and general accounting
Other expenses	Primarily building rental expense and bank service charge
Operational restructuring	
Additional Department employees	- 42 120 121 121 112 112 112 112 112 112

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Fire - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	2.4	2.0	1.4	1.8	0.6	2.3	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	16.2	17.6	15.9	16.3	13.1	12.6	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.1	0.1	0.0	0.4	0.2	13.6	13.7	11.7	11.2	-	-	-	-	-	-	-
Total revenues	18.8	19.8	17.4	18.6	14.0	28.8	31.4	29.5	29.0	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Expenditures																
Salaries and wages	(86.3)	(88.4)	(85.3)	(84.7)	(81.9)	(69.3)	(66.2)	(72.7)	(72.1)	(73.9)	(75.8)	(77.7)	(79.2)	(80.8)	(82.4)	(84.1)
Overtime	(7.5)	(10.1)	(11.5)	(12.7)	(15.1)	(4.9)	(5.6)	(4.4)	(4.3)	(4.4)	(4.5)	(4.7)	(4.8)	(4.8)	(4.9)	(5.0)
Pension	(16.7)	(6.9)	(9.2)	(26.4)	(17.3)	(17.0)	(44.8)	(53.3)	(56.7)	(62.2)	(68.1)	(68.7)	(70.3)	(70.6)	(69.7)	(69.4)
Medical & fringe benefits	(50.9)	(42.7)	(49.2)	(52.4)	(54.9)	(51.2)	(41.4)	(43.3)	(44.7)	(46.9)	(49.2)	(51.8)	(54.1)	(56.6)	(59.0)	(61.5)
Professional and contractual services	(3.0)	(2.9)	(2.6)	(3.0)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(3.0)	(3.0)	(3.0)	(3.0)	(3.1)	(3.1)	(3.1)
Materials & supplies	(1.9)	(1.8)	(1.6)	(1.9)	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Utilities	(1.6)	(3.0)	(1.2)	(2.1)	(1.5)	(1.4)	(1.6)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.1)
Purchased services	(0.4)	(0.1)	0.0	0.0	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	(1.4)	(1.6)	(2.2)	0.1	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other expenses	(0.3)	(1.0)	(1.0)	(0.9)	(0.5)	(0.9)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Debt service	(0.0)	-	-	-	-	(0.5)	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(13.0)	(14.0)	(14.7)	(15.3)	(16.0)	(16.8)	(17.6)	(18.1)	(17.7)	(17.9)	(18.2)	(18.0)	(17.9)	(17.8)	(17.8)	(17.7)
Transfers out	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(0.0)	0.0	-	(0.0)	(0.0)	(0.4)	-	-	-	-	-	-	-	-	-	-
Total expenditures	(183.1)	(172.4)	(178.6)	(199.3)	(192.1)	(167.2)	(184.0)	(200.5)	(204.3)	(214.2)	(224.7)	(229.8)	(235.3)	(239.8)	(243.0)	(247.0)
Total surplus (deficit)	\$ (164.3)	\$ (152.6)	\$ (161.2)	\$ (180.7)	\$ (178.0)	\$ (138.4)	\$ (152.5)	\$ (171.0)	\$ (175.3)	\$ (196.4)	\$ (206.9)	\$ (212.0)	\$ (217.5)	\$ (222.1)	\$ (225.3)	\$ (229.2)
Operational restructuring																
Department revenue initiatives	\$ -	\$ 2.0	\$ 8.1	\$ 6.6	\$ 18.3	\$ 19.0	\$ 6.7	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6
Expenses																
Additional operating expenditures	-	(3.0)	(11.9)	(6.3)	(7.9)	(0.9)	2.2	0.5	2.8	2.0	3.3					
Technology	-	-	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.4)	(0.2)	(0.2)					
Capital expenditures and other infrastructure	-	(9.3)	(23.6)	(17.9)	(16.4)	(11.4)	(17.6)	(9.8)	(10.1)	(8.4)	(8.2)					
Implementation costs	-	(0.3)	-	-	-	-	-	-	-	-	-					
Subtotal: Expenses	-	(12.5)	(36.8)	(24.4)	(24.5)	(12.5)	(15.6)	(10.1)	(7.6)	(6.6)	(5.1)					
Operational restructuring	\$ -	\$ (10.6)	\$ (28.6)	\$ (17.8)	\$ (6.2)	\$ 6.5	\$ (8.9)	\$ (3.6)	\$ (1.1)	\$ (0.0)	\$ 1.5					
Adjusted surplus (deficit)	\$ (138.4)	\$ (163.1)	\$ (199.7)	\$ (193.1)	\$ (202.6)	\$ (200.4)	\$ (220.9)	\$ (221.1)	\$ (223.1)	\$ (225.3)	\$ (227.7)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	1,444	1,406	1,355	1,330	1,257	1,189	1,183	1,238	1,228	1,228	1,228	1,228	1,228	1,228	1,228	1,228	
Average salary & wages(1)	\$ 59,754	\$ 62,869	\$ 62,968	\$ 63,698	\$ 65,189	\$ 58,311	\$ 55,950	\$ 58,747	\$ 58,747	\$ 60,216	\$ 61,721	\$ 63,264	\$ 64,530	\$ 65,820	\$ 67,137	\$ 68,479	
Average overtime	5,176	7,152	8,484	9,522	11,983	4,084	4,756	3,525	3,525	3,613	3,703	3,796	3,872	3,949	4,028	4,109	
	\$ 64,930	\$ 70,022	\$ 71,452	\$ 73,220	\$ 77,172	\$ 62,395	\$ 60,705	\$ 62,272	\$ 62,272	\$ 63,829	\$ 65,425	\$ 67,060	\$ 68,401	\$ 69,769	\$ 71,165	\$ 72,588	
Overtime as a % of salary & wages	8.7%	11.4%	13.5%	14.9%	18.4%	7.0%	8.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
Pension as a % of salary & wages						24.6%	67.6%	73.3%	78.6%	84.1%	89.9%	88.5%	88.7%	87.4%	84.5%	82.5%	
Medical & fringe as a % of salary & wage	59.0%	48.3%	57.7%	61.8%	66.9%	73.9%	62.5%	59.5%	62.0%	63.5%	64.9%	66.6%	68.2%	70.0%	71.6%	73.1%	

Key Items	Comment/Reference
Revenues	
Licenses, permits and inspection charges	Fire marshal inspections; increases represent FY 2014 budgeted revenues
Sales and charges for services	Primarily EMS administration service charges, for which there is a fee increase assumed beginning FY 2014
Grant revenue	SAFER grant, which expires at the end of FY 2016
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Other contracts - EMS administration and EMS Casino municipal service costs
Materials & supplies	Operating supplies and repairs & maintenance
Utilities	Primarily telecommunication, natural gas, and electricity
Other expenses	Primarily building rental expense and capital outlays
Operational restructuring	
Additional Department employees	- 161 97 84 182 193 165 153 135 129 117

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Health & Wellness - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	1.6	1.5	1.4	1.3	0.7	0.2	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	10.1	11.1	7.9	5.8	8.7	2.8	1.0	-	-	-	-	-	-	-	-	-
Revenue from use of assets	0.2	0.1	0.2	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	1.3	1.3	1.1	0.1	0.0	0.0	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	54.5	52.0	64.3	53.4	57.3	28.3	1.6	1.7	1.8	1.9	2.0	2.1	2.1	2.2	2.2	2.3
Total revenues	68.1	66.0	74.9	60.7	66.8	31.4	2.5	1.7	1.8	1.9	2.0	2.1	2.1	2.2	2.2	2.3
Expenditures																
Salaries and wages	(13.4)	(13.3)	(11.6)	(9.7)	(7.9)	(2.4)	(0.9)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)
Overtime	(0.1)	(0.2)	(0.1)	0.1	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	(2.0)	(1.8)	(1.9)	(2.3)	(1.3)	(0.2)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)
Medical & fringe benefits	(6.7)	(6.2)	(5.7)	(5.9)	(5.2)	(2.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Professional and contractual services	(49.2)	(49.2)	(60.4)	(49.3)	(52.6)	(21.4)	-	-	-	-	-	-	-	-	-	-
Materials & supplies	(3.3)	(2.5)	(1.8)	(1.1)	(1.2)	(0.3)	(0.1)	-	-	-	-	-	-	-	-	-
Utilities	(2.0)	(2.5)	(1.4)	(2.0)	(1.4)	(1.3)	(0.7)	-	-	-	-	-	-	-	-	-
Purchased services	(1.7)	(2.0)	(1.2)	(0.2)	(0.9)	(0.4)	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.6)	(0.6)	(0.4)	(0.7)	(1.5)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-
Debt service	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)	(0.6)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Transfers out	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(1.7)	(2.0)	(1.0)	(0.9)	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(81.6)	(81.2)	(86.3)	(72.8)	(73.0)	(28.6)	(2.8)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)
Total surplus (deficit)	\$ (13.5)	\$ (15.2)	\$ (11.5)	\$ (12.1)	\$ (6.2)	\$ 2.8	\$ (0.3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	(5.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	(0.3)	(5.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Operational restructuring	\$ -	\$ (0.3)	\$ (5.3)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)
Adjusted surplus (deficit)	\$ 2.8	\$ (0.6)	\$ (5.3)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	348	317	262	243	185	80	14	9	9	9	9	9	9	9	9	9
Average salary & wages(1)	\$ 38,399	\$ 42,069	\$ 44,205	\$ 39,808	\$ 42,873	\$ 29,627	\$ 60,946	\$ 73,547	\$ 73,547	\$ 75,386	\$ 77,270	\$ 79,202	\$ 80,786	\$ 82,402	\$ 84,050	\$ 85,731
Average overtime	404	525	529	(486)	456	164	164	187	187	191	196	201	205	209	213	218
	\$ 38,804	\$ 42,594	\$ 44,734	\$ 39,322	\$ 43,329	\$ 29,791	\$ 61,110	\$ 73,734	\$ 73,734	\$ 75,577	\$ 77,466	\$ 79,403	\$ 80,991	\$ 82,611	\$ 84,263	\$ 85,948
Overtime as a % of salary & wages	1.1%	1.2%	1.2%	-1.2%	1.1%	0.6%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Pension as a % of salary & wages						8.1%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	50.3%	46.6%	49.3%	61.0%	65.3%	88.6%	29.6%	26.5%	27.2%	27.7%	28.2%	28.7%	28.9%	29.1%	29.4%	29.7%

Key Items	Comment/Reference
General	Health & Wellness transitioned to Institute for Population Health (IPH) effective 10/31/12. The department will retain approximately 9 individuals to perform a required administrative function; the costs incurred by these individuals are assumed to be grant funded
Revenue	
Sales and charges for services	Vital records revenue, which is assumed to be transferred to the County beginning 1/1/2014.
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Operational restructuring	
Additional Department employees	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Human Resources - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	7.2	4.1	2.4	6.8	3.2	(0.4)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	7.2	4.1	2.4	6.8	3.2	(0.4)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Expenditures																
Salaries and wages	(9.2)	(9.2)	(8.5)	(6.8)	(5.9)	(4.2)	(4.2)	(4.4)	(3.1)	(3.2)	(3.3)	(3.4)	(3.4)	(3.5)	(3.6)	(3.7)
Overtime	(0.5)	(0.6)	(0.6)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pension	(0.8)	(0.7)	(0.5)	(0.4)	(0.6)	(0.5)	(2.6)	(3.2)	(2.6)	(2.9)	(3.2)	(3.4)	(3.6)	(3.7)	(3.9)	(4.1)
Medical & fringe benefits	(4.8)	(4.4)	(4.5)	(3.8)	(3.7)	(3.4)	(5.0)	(5.2)	(5.0)	(5.2)	(5.4)	(5.7)	(6.0)	(6.3)	(6.6)	(6.9)
Professional and contractual services	(0.7)	(0.7)	(0.7)	(0.5)	(1.3)	(0.3)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Materials & supplies	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.8)	(1.0)	(0.6)	(0.5)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(1.2)	(1.2)	(1.3)	(1.5)	(1.6)	(1.5)	(1.9)	(2.0)	(1.5)	(1.5)	(1.6)	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)
Transfers out	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(18.3)	(18.0)	(17.0)	(14.0)	(13.9)	(10.7)	(15.4)	(16.5)	(13.9)	(14.5)	(15.2)	(15.7)	(16.3)	(16.8)	(17.4)	(17.9)
Total surplus (deficit)	\$ (11.1)	\$ (14.0)	\$ (14.5)	\$ (7.2)	\$ (10.7)	\$ (11.1)	\$ (13.2)	\$ (14.3)	\$ (11.6)	\$ (12.3)	\$ (13.0)	\$ (13.5)	\$ (14.0)	\$ (14.6)	\$ (15.1)	\$ (15.7)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	(0.1)	(2.3)	(3.9)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)	(4.3)
Technology	-	-	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capital expenditures and other infrastructure	-	-	-	(1.0)	-	-	-	(1.0)	-	-	-	-	-	-	-	-
Implementation costs	-	-	(1.4)	(1.0)	-	-	-	(1.0)	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	(0.1)	(4.2)	(6.0)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.2)	(4.2)	(4.3)	(4.4)
Operational restructuring	\$ -	\$ (0.1)	\$ (4.2)	\$ (6.0)	\$ (4.1)	\$ (4.1)	\$ (4.1)	\$ (4.1)	\$ (4.1)	\$ (4.1)	\$ (4.1)	\$ (4.1)	\$ (4.2)	\$ (4.2)	\$ (4.3)	\$ (4.4)
Adjusted surplus (deficit)	\$ (11.1)	\$ (13.2)	\$ (18.5)	\$ (17.6)	\$ (16.3)	\$ (17.1)	\$ (17.6)	\$ (18.2)	\$ (18.8)	\$ (19.4)	\$ (20.0)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	175	168	171	176	107	93	84	84	60	60	60	60	60	60	60	60	
Average salary & wages(1)	\$ 52,849	\$ 55,000	\$ 49,465	\$ 38,861	\$ 55,145	\$ 44,710	\$ 49,727	\$ 52,213	\$ 52,213	\$ 53,519	\$ 54,857	\$ 56,228	\$ 57,353	\$ 58,500	\$ 59,670	\$ 60,863	
Average overtime	2,760	3,423	3,558	944	925	2,125	2,363	2,481	2,481	2,543	2,607	2,672	2,725	2,780	2,835	2,892	
	\$ 55,609	\$ 58,423	\$ 53,023	\$ 39,805	\$ 56,070	\$ 46,835	\$ 52,090	\$ 54,694	\$ 54,694	\$ 56,062	\$ 57,463	\$ 58,900	\$ 60,078	\$ 61,279	\$ 62,505	\$ 63,755	
Overtime as a % of salary & wages	5.2%	6.2%	7.2%	2.4%	1.7%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	
Pension as a % of salary & wages						11.1%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	52.0%	47.7%	52.8%	55.1%	62.4%	82.6%	118.7%	118.0%	158.3%	161.6%	164.5%	169.1%	173.6%	178.9%	183.3%	187.7%	

Key Items	Comment/Reference
General	Payroll administration will be managed by an external firm beginning in FY 2015. This results in decreased personnel costs beginning FY 2016; however, certain implementation costs will be incurred in FY 2015 (captured in Non-departmental)
Revenues	
Sales and charges for services	Interagency billings
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3 - Headcount reductions occur beginning FY 2016 due to external payroll processing services provider
Professional and contractual services	Primarily labor relations administration
Other expenses	Building rental expenses
Operational restructuring	
Additional Department employees	- 6 22 33 33 33 33 33 33 33

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Human Rights - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.5	0.4	0.5	0.4	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.5	0.4	0.5	0.4	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Expenditures																
Salaries and wages	(0.7)	(0.7)	(0.5)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Overtime	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Medical & fringe benefits	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)
Professional and contractual services	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(0.0)	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(1.4)	(1.3)	(0.9)	(0.9)	(0.7)	(0.7)	(1.2)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)	(1.5)	(1.6)	(1.6)	(1.7)
Total surplus (deficit)	\$ (0.8)	\$ (0.9)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.4)	\$ (0.9)	\$ (0.9)	\$ (1.0)	\$ (1.1)	\$ (1.1)	\$ (1.2)	\$ (1.2)	\$ (1.3)	\$ (1.3)	\$ (1.4)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.4
Expenses																
Additional operating expenditures	-	-	(0.4)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)
Technology	-	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)
Operational restructuring	\$ -	\$ -	\$ (0.5)	\$ (0.4)	\$ (0.4)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.2)	\$ (0.2)	\$ (0.3)
Adjusted surplus (deficit)	\$ (0.4)	\$ (0.9)	\$ (1.5)	\$ (1.3)	\$ (1.4)	\$ (1.4)	\$ (1.5)	\$ (1.5)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	13	12	n/a	8	6	5	5	5	5	5	5	5	5	5	5	5	
Average salary & wages(1)	\$ 51,973	\$ 58,859	n/a	\$ 54,195	\$ 56,173	\$ 50,106	\$ 57,093	\$ 59,948	\$ 59,948	\$ 61,447	\$ 62,983	\$ 64,558	\$ 65,849	\$ 67,166	\$ 68,509	\$ 69,879	
Average overtime	290	230	n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	
	\$ 52,263	\$ 59,089	\$ -	\$ 54,195	\$ 56,173	\$ 50,106	\$ 57,093	\$ 59,948	\$ 59,948	\$ 61,447	\$ 62,983	\$ 64,558	\$ 65,849	\$ 67,166	\$ 68,509	\$ 69,879	
Overtime as a % of salary & wages	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Pension as a % of salary & wages						10.4%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	41.8%	38.4%	42.5%	47.6%	55.3%	72.7%	134.0%	133.5%	137.9%	140.7%	143.2%	147.2%	151.0%	155.5%	159.3%	163.1%	

Key Items	Comment/Reference
Revenues	
Parking/court fines and other revenue	Detroit Business Certification Program (DBCP) fees
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3

Operational restructuring	
Additional Department employees	- - 6 6 6 6 6 6 6 6

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Human Services - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	1.6	0.9	-	-	(0.0)	0.0	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	(0.4)	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	0.1	0.1	0.1	0.0	-	-	-	-	-	-	-	-	-	-
Total revenues	1.7	0.9	0.1	0.1	0.1	0.0	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(0.7)	(0.4)	(0.3)	(0.2)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-
Overtime	(0.0)	(0.0)	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Medical & fringe benefits	(0.4)	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)	-	-	-	-	-	-	-	-	-	-
Professional and contractual services	(0.6)	(0.5)	(0.2)	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Materials & supplies	(0.1)	(0.1)	(0.0)	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Utilities	(0.0)	(0.0)	(0.0)	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-
Purchased services	(0.0)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(2.0)	(1.5)	(0.9)	(0.3)	(0.2)	(0.0)	-	-	-	-	-	-	-	-	-	-
Total surplus (deficit)	\$ (0.3)	\$ (0.6)	\$ (0.8)	\$ (0.3)	\$ (0.1)	\$ (0.0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operational restructuring																
Department revenue initiatives						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted surplus (deficit)						\$ (0.0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	117	91	95	85	52	22	-	-	-	-	-	-	-	-	-	-	
Average salary & wages(1)	\$ 42,296	\$ 53,028	\$ 47,676	\$ 46,749	\$ 64,791	\$ 44,951	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Average overtime	60	56	-	-	4	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
	\$ 42,356	\$ 53,084	\$ 47,676	\$ 46,749	\$ 64,795	\$ 44,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Overtime as a % of salary & wages	1.0%	1.2%	0.0%	0.0%	0.2%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Pension as a % of salary & wages						0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Medical & fringe as a % of salary & wage	59.3%	55.6%	54.1%	46.5%	83.7%	66.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	

Key Items	Comment/Reference
General	The Human Services department is being transitioned out of the City effective FY 2014

Operational restructuring																
Additional Department employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

ITS - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.5	0.5	0.2	1.3	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Revenue from use of assets	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	(0.1)	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.9	0.5	0.2	1.3	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Expenditures																
Salaries and wages	(5.1)	(5.1)	(4.0)	(3.4)	(2.6)	(2.0)	(2.0)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)
Overtime	(0.4)	(0.2)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(0.6)	(0.5)	(0.4)	(0.4)	(0.3)	(0.2)	(1.3)	(1.7)	(1.9)	(2.1)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)	(3.0)
Medical & fringe benefits	(2.6)	(2.3)	(1.9)	(1.8)	(1.5)	(1.5)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)	(3.0)	(3.2)	(3.3)	(3.5)	(3.6)
Professional and contractual services	(2.4)	(2.5)	(4.9)	(3.0)	(2.6)	(3.8)	(3.8)	(3.8)	(3.9)	(3.9)	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)
Materials & supplies	(8.4)	(11.4)	(12.3)	(8.7)	(8.1)	(4.8)	(7.8)	(6.9)	(5.9)	(6.0)	(6.0)	(6.1)	(6.1)	(6.2)	(6.3)	(6.3)
Utilities	(0.8)	(1.4)	(0.5)	(0.8)	(0.5)	(2.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Purchased services	-	(0.2)	(0.2)	0.1	0.0	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.7)	(1.7)	(1.8)	(1.5)	(0.8)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Debt service	(0.1)	-	-	-	-	(1.1)	(1.4)	(1.4)	(1.4)	(0.7)	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.6)	(0.9)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Transfers out	-	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(22.7)	(26.0)	(26.7)	(20.3)	(17.0)	(18.1)	(21.7)	(21.8)	(21.3)	(21.1)	(20.9)	(21.3)	(21.7)	(22.2)	(22.6)	(23.0)
Total surplus (deficit)	\$ (21.8)	\$ (25.5)	\$ (26.6)	\$ (19.1)	\$ (16.7)	\$ (17.4)	\$ (21.2)	\$ (21.3)	\$ (20.8)	\$ (20.6)	\$ (20.4)	\$ (20.8)	\$ (21.2)	\$ (21.7)	\$ (22.1)	\$ (22.5)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operational restructuring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted surplus (deficit)	\$ (17.4)	\$ (21.2)	\$ (21.3)	\$ (20.8)	\$ (20.6)	\$ (20.4)	\$ (20.8)	\$ (21.2)	\$ (21.7)	\$ (22.1)	\$ (22.5)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	99	92	65	46	43	35	35	38	38	38	38	38	38	38	38	38
Average salary & wages(1)	\$ 51,306	\$ 55,548	\$ 61,007	\$ 74,548	\$ 60,681	\$ 57,494	\$ 57,494	\$ 60,369	\$ 60,369	\$ 61,878	\$ 63,425	\$ 65,011	\$ 66,311	\$ 67,637	\$ 68,990	\$ 70,369
Average overtime	4,087	2,260	2,140	1,465	597	2,467	2,467	2,590	2,590	2,655	2,721	2,789	2,845	2,902	2,960	3,019
	\$ 55,393	\$ 57,808	\$ 63,147	\$ 76,013	\$ 61,278	\$ 59,961	\$ 59,961	\$ 62,959	\$ 62,959	\$ 64,533	\$ 66,146	\$ 67,800	\$ 69,156	\$ 70,539	\$ 71,949	\$ 73,388
Overtime as a % of salary & wages	8.0%	4.1%	3.5%	2.0%	1.0%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Pension as a % of salary & wages						9.7%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	51.0%	45.7%	48.1%	53.2%	55.9%	74.7%	117.9%	110.5%	114.1%	116.4%	118.5%	121.7%	124.8%	128.3%	131.3%	134.4%

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Primarily interagency billings
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Information technology contracts
Materials & supplies	Primarily hardware (servers, Xerox, etc.) and software (Oracle, Groupwise, etc.) maintenance & upgrade costs; does not include upgrade costs in excess of 2012 levels
	Beginning FY 2015, savings from payroll administration outsourcing reflected as certain upgrades would not be completed
Other expenses	Rental expenses (building, computers, and other office equipment)
Debt service	Payments for IBM product purchased through financing in FY 2013; purchase captured in Non-Departmental
Operational restructuring	
Additional Department employees	n/a

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Law - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	(1.2)	1.0	0.6	0.1	1.2	0.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Revenue from use of assets	-	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.1	0.3	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	(1.1)	1.3	0.6	0.2	1.5	0.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Expenditures																
Salaries and wages	(9.3)	(9.2)	(8.2)	(7.7)	(7.4)	(6.1)	(6.1)	(6.4)	(6.4)	(6.6)	(6.8)	(6.9)	(7.1)	(7.2)	(7.3)	(7.5)
Overtime	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(0.3)	(0.2)	(0.0)	(0.2)	(0.5)	(0.6)	(3.9)	(4.6)	(5.3)	(6.0)	(6.7)	(7.0)	(7.3)	(7.7)	(8.0)	(8.3)
Medical & fringe benefits	(4.0)	(3.6)	(3.4)	(3.5)	(4.0)	(4.2)	(3.3)	(3.4)	(3.5)	(3.7)	(3.8)	(4.0)	(4.2)	(4.3)	(4.5)	(4.7)
Professional and contractual services	(3.3)	(3.5)	(3.0)	(2.1)	(1.6)	(1.7)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)
Materials & supplies	(0.5)	(0.3)	(0.4)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Utilities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(1.2)	(0.9)	(1.4)	(1.2)	(1.4)	(1.3)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.1)	(1.2)	(1.1)	(0.9)	(0.1)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(1.6)	(1.6)	(1.8)	(1.9)	(2.0)	(2.0)	(2.8)	(2.9)	(3.0)	(3.1)	(3.2)	(3.1)	(3.2)	(3.2)	(3.2)	(3.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(21.5)	(20.7)	(19.3)	(17.9)	(17.3)	(16.9)	(20.2)	(21.6)	(22.6)	(23.6)	(24.7)	(25.4)	(26.1)	(26.8)	(27.5)	(28.2)
Total surplus (deficit)	\$ (22.6)	\$ (19.4)	\$ (18.6)	\$ (17.8)	\$ (15.8)	\$ (16.2)	\$ (18.4)	\$ (19.8)	\$ (20.8)	\$ (21.8)	\$ (23.0)	\$ (23.6)	\$ (24.3)	\$ (25.0)	\$ (25.8)	\$ (26.4)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6
Expenses																
Additional operating expenditures	-	-	-	-	-	-	1.6	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1
Technology	-	-	-	-	-	-	(0.5)	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	(0.1)	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	-	-	-	-	(0.5)	1.5	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1
Operational restructuring	\$ -	\$ (0.5)	\$ 1.5	\$ 1.0	\$ 1.0	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.8	\$ 0.8	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7	\$ 0.7
Adjusted surplus (deficit)	\$ (16.2)	\$ (18.9)	\$ (18.3)	\$ (19.8)	\$ (20.9)	\$ (22.0)	\$ (22.8)	\$ (23.5)	\$ (24.3)	\$ (25.0)	\$ (25.7)	\$ (26.4)	\$ (27.1)	\$ (27.8)	\$ (28.5)	\$ (29.2)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	127	122	113	105	94	86	86	86	86	86	86	86	86	86	86	86
Average salary & wages(1)	\$ 73,486	\$ 75,672	\$ 72,144	\$ 73,252	\$ 78,313	\$ 71,497	\$ 71,497	\$ 75,072	\$ 75,072	\$ 76,949	\$ 78,873	\$ 80,844	\$ 82,461	\$ 84,111	\$ 85,793	\$ 87,509
Average overtime	222	728	161	114	568	1,094	1,094	1,148	1,148	1,177	1,207	1,237	1,261	1,287	1,312	1,339
	\$ 73,709	\$ 76,400	\$ 72,305	\$ 73,366	\$ 78,881	\$ 72,591	\$ 72,591	\$ 76,220	\$ 76,220	\$ 78,126	\$ 80,079	\$ 82,081	\$ 83,723	\$ 85,397	\$ 87,105	\$ 88,847
Overtime as a % of salary & wages	0.3%	1.0%	0.2%	0.2%	0.7%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Pension as a % of salary & wages						10.0%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	42.3%	38.9%	41.8%	45.7%	54.1%	68.6%	53.6%	52.9%	54.5%	55.6%	56.6%	57.9%	59.0%	60.3%	61.4%	62.6%

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Primarily interagency billings; Law department began invoicing other departments correctly in FY 2012
Parking/court fines and other revenue	Miscellaneous receipts
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Contracts for legal work/assistance and other printing contracts/services
Purchased services	Purchased administration costs
Other expenses	Building rental expenses
Operational restructuring	
Additional Department employees	- - 9 17 17 17 17 17 17 17

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Mayor - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	0.1	0.0	0.2	0.0	0.0	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	(0.1)	(0.4)	0.7	(0.2)	0.1	0.0	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.1	-	-	0.2	0.1	(0.1)	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total revenues	0.0	(0.3)	0.7	0.1	0.2	(0.1)	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditures																
Salaries and wages	(5.7)	(5.3)	(4.6)	(4.0)	(3.1)	(2.2)	(2.1)	(2.3)	(2.3)	(2.4)	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)	(2.7)
Overtime	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.7)	(0.5)	(0.4)	(0.5)	(0.5)	(0.2)	(1.3)	(1.7)	(2.0)	(2.2)	(2.4)	(2.5)	(2.7)	(2.8)	(2.9)	(3.0)
Medical & fringe benefits	(2.6)	(2.1)	(1.9)	(1.6)	(1.5)	(1.2)	(1.8)	(1.9)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.5)	(2.7)
Professional and contractual services	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(0.0)	(0.5)	(1.0)	(1.1)	(1.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Materials & supplies	(0.2)	(0.2)	(0.2)	(0.2)	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Utilities	(0.3)	(0.2)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	(0.0)	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other expenses	(1.5)	(1.3)	(0.9)	(0.7)	(0.6)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.8)	(0.9)	(1.1)	(1.1)	(1.1)	(1.2)	(1.1)	(1.2)	(1.2)	(1.2)	(1.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	0.2	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(11.3)	(10.1)	(8.7)	(8.0)	(6.6)	(5.0)	(7.2)	(8.7)	(9.0)	(9.5)	(8.9)	(9.2)	(9.4)	(9.7)	(10.0)	(10.3)
Total surplus (deficit)	\$ (11.3)	\$ (10.5)	\$ (8.0)	\$ (7.8)	\$ (6.4)	\$ (5.0)	\$ (7.2)	\$ (8.6)	\$ (9.0)	\$ (9.4)	\$ (8.8)	\$ (9.1)	\$ (9.4)	\$ (9.7)	\$ (10.0)	\$ (10.2)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	(1.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Operational restructuring	\$ -	\$ (1.3)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (0.1)
Adjusted surplus (deficit)	\$ (5.0)	\$ (8.5)	\$ (8.7)	\$ (9.1)	\$ (9.5)	\$ (8.9)	\$ (9.2)	\$ (9.5)	\$ (9.8)	\$ (10.1)	\$ (10.3)	\$ (10.6)	\$ (10.9)	\$ (11.2)	\$ (11.5)	\$ (11.8)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	108	74	63	52	39	22	22	24	24	24	24	24	24	24	24	24
Average salary & wages(1)	\$ 52,946	\$ 71,222	\$ 73,700	\$ 76,927	\$ 80,495	\$ 98,421	\$ 92,861	\$ 97,504	\$ 97,504	\$ 99,942	\$ 102,440	\$ 105,001	\$ 107,101	\$ 109,243	\$ 111,428	\$ 113,657
Average overtime	9	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 52,955	\$ 71,248	\$ 73,700	\$ 76,927	\$ 80,495	\$ 98,421	\$ 92,861	\$ 97,504	\$ 97,504	\$ 99,942	\$ 102,440	\$ 105,001	\$ 107,101	\$ 109,243	\$ 111,428	\$ 113,657
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						11.2%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	45.0%	40.6%	41.4%	40.8%	48.4%	56.0%	85.9%	80.6%	83.0%	84.6%	86.0%	88.1%	90.3%	92.7%	94.8%	96.8%

Key Items	Comment/Reference
Revenues	
Parking/court fines and other revenue	Miscellaneous receipts
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
	Headcount reduction due to reallocation of Neighborhood City Hall employees to Recreation department in FY 2013
Professional and contractual services	Contracts for legal work/assistance and PSCs
Materials & supplies	Primarily repairs, maintenance, and supplies
Other expenses	Primarily rental expenses
Operational restructuring	
Additional Department employees	- 31 31 31 31 31 31 31 31 31 31

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Planning & Development - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	(0.1)	0.0	0.8	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	3.3	18.4	1.0	0.2	(1.5)	7.9	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Parking/court fines and other revenue	0.4	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	2.0	1.8	1.5	2.0	0.7	1.6	1.4	4.5	4.6	4.6	4.7	4.8	4.9	4.9	5.0	5.1
Total revenues	5.9	21.7	2.5	2.2	0.1	9.1	1.6	4.7	4.8	4.9	5.0	5.0	5.1	5.2	5.3	5.3
Expenditures																
Salaries and wages	(1.5)	(1.8)	(1.7)	(1.0)	(0.7)	(0.6)	(0.6)	(3.2)	(3.2)	(3.3)	(3.4)	(3.4)	(3.5)	(3.6)	(3.6)	(3.7)
Overtime	-	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.2)	(0.2)	(0.2)	(0.2)	(0.0)	(0.0)	(0.4)	(2.3)	(2.7)	(3.0)	(3.3)	(3.5)	(3.6)	(3.8)	(4.0)	(4.1)
Medical & fringe benefits	(0.7)	(0.8)	(0.8)	(0.5)	(0.4)	(0.3)	(0.5)	(2.2)	(2.2)	(2.3)	(2.4)	(2.6)	(2.7)	(2.8)	(2.9)	(3.0)
Professional and contractual services	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Materials & supplies	(0.3)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Utilities	(0.0)	(0.0)	0.1	-	(0.0)	-	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	-	(0.1)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(5.3)	(5.4)	(4.8)	(3.8)	(2.7)	(2.9)	(2.9)	(7.5)	(4.1)	(4.1)	(4.1)	(4.2)	(4.2)	(4.2)	(4.3)	(4.3)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)	(1.4)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(8.3)	(8.9)	(7.8)	(5.6)	(4.1)	(4.1)	(4.8)	(17.8)	(14.8)	(15.4)	(16.0)	(16.4)	(16.8)	(17.2)	(17.6)	(18.0)
Total surplus (deficit)	\$ (2.5)	\$ 12.8	\$ (5.3)	\$ (3.4)	\$ (4.0)	\$ 5.0	\$ (3.2)	\$ (13.1)	\$ (10.0)	\$ (10.5)	\$ (11.0)	\$ (11.4)	\$ (11.7)	\$ (12.0)	\$ (12.3)	\$ (12.7)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	(0.4)	(1.2)	(1.0)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)
Technology	-	-	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	(0.6)	(6.8)	(0.8)	-	-	-	-	-	-	-	-	(1.0)	(1.0)	-	-
Subtotal: Expenses	-	(1.0)	(8.5)	(1.8)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(2.1)	(2.1)	(1.1)	(1.1)
Operational restructuring	\$ -	\$ (1.0)	\$ (8.5)	\$ (1.8)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (2.1)	\$ (2.1)	\$ (1.1)	\$ (1.1)
Adjusted surplus (deficit)	\$ 5.0	\$ (4.2)	\$ (21.5)	\$ (11.8)	\$ (11.5)	\$ (12.0)	\$ (12.4)	\$ (13.7)	\$ (14.1)	\$ (13.4)	\$ (13.8)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	172	173	160	154	122	116	116	113	113	113	113	113	113	113	113	113
Average salary & wages(1)	\$ 54,225	\$ 54,491	\$ 55,121	\$ 51,860	\$ 59,007	\$ 53,640	\$ 53,640	\$ 56,322	\$ 56,322	\$ 57,730	\$ 59,173	\$ 60,652	\$ 61,865	\$ 63,103	\$ 64,365	\$ 65,652
Average overtime	-	0	2	0	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 54,225	\$ 54,491	\$ 55,124	\$ 51,860	\$ 59,007	\$ 53,640	\$ 53,640	\$ 56,322	\$ 56,322	\$ 57,730	\$ 59,173	\$ 60,652	\$ 61,865	\$ 63,103	\$ 64,365	\$ 65,652
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						4.1%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	47.5%	43.1%	46.7%	49.0%	56.5%	58.6%	88.6%	68.1%	70.2%	71.6%	72.8%	74.6%	76.3%	78.2%	79.8%	81.5%

Key Items	Comment/Reference
General	HUD is requiring the City to capture indirect costs and those related to Development/Real Estate and Planning functions in the General Fund and seek reimbursement after payment is made. Personnel costs related to Development/Real Estate and Planning functions transferred to the General Fund will no longer be reimbursed as those heads are not related to grant funded projects
Revenues	
Sales and charges for services	Block grant reimbursements
Revenue from use of assets	Real estate rentals. FY 2012 reflects a loss on sale of property and FY 2013 reflects proceeds from a sale; no gain/loss assumed in the projection period
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Other expenses	Development costs. Includes one-time repayment (\$3.5m) of grant funds to HUD due to FY12 and FY13 over reimbursements
Operational restructuring	
Additional Department employees	- 16 (32) (34) (34) (34) (34) (34) (34) (34) (34)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Police - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	51.7	49.9	44.2	44.6	39.8	35.3	20.1	24.5	24.5	24.9	25.3	25.7	26.1	26.4	26.8	27.2
Licenses, permits and inspection charges	0.6	0.9	0.8	0.8	0.8	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	7.6	8.7	10.4	13.2	4.7	2.9	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Revenue from use of assets	0.0	0.0	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	2.4	2.5	1.5	3.4	5.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	1.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	4.3	3.2	8.4	12.0	12.6	8.2	7.4	5.2	4.1	3.6	3.7	3.8	3.8	3.9	3.9	4.0
Total revenues	69.3	65.2	65.3	74.0	63.9	51.0	36.6	38.9	37.7	37.6	38.1	38.5	39.0	39.4	39.9	40.3
Expenditures																
Salaries and wages	(182.9)	(190.9)	(184.4)	(193.7)	(177.1)	(152.8)	(139.1)	(149.3)	(156.6)	(161.3)	(165.3)	(169.5)	(172.8)	(176.3)	(179.8)	(183.4)
Overtime	(27.7)	(31.9)	(24.9)	(25.7)	(25.9)	(18.4)	(20.9)	(22.4)	(21.9)	(22.6)	(23.2)	(23.7)	(24.2)	(24.7)	(25.2)	(25.7)
Pension	(31.1)	(31.0)	(23.6)	(66.3)	(42.2)	(35.5)	(94.1)	(109.5)	(123.1)	(135.6)	(148.6)	(150.0)	(153.4)	(154.1)	(152.0)	(151.3)
Medical & fringe benefits	(102.8)	(97.5)	(100.5)	(111.3)	(117.6)	(105.5)	(100.6)	(104.2)	(109.8)	(115.5)	(121.2)	(127.8)	(133.7)	(140.4)	(146.6)	(153.1)
Professional and contractual services	(4.9)	(6.7)	(4.0)	(3.6)	(4.5)	(5.1)	(5.1)	(5.2)	(5.2)	(5.3)	(5.3)	(5.4)	(5.5)	(5.5)	(5.6)	(5.6)
Materials & supplies	(3.4)	(3.2)	(3.1)	(3.0)	(2.7)	(2.2)	(3.2)	(3.2)	(3.2)	(3.2)	(3.3)	(3.3)	(3.3)	(3.4)	(3.4)	(3.4)
Utilities	(6.7)	(8.7)	(8.3)	(9.0)	(8.9)	(2.8)	(9.5)	(10.0)	(10.1)	(10.2)	(10.3)	(10.5)	(10.6)	(10.7)	(10.8)	(10.9)
Purchased services	(1.8)	(2.3)	(1.1)	(0.7)	(1.1)	(1.3)	(11.1)	(11.2)	(11.3)	(11.4)	(11.5)	(11.6)	(11.8)	(11.9)	(12.0)	(12.1)
Risk management and insurance	(0.0)	-	0.0	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other expenses	(6.1)	(7.1)	(6.1)	(7.2)	(8.1)	(5.6)	(7.0)	(7.0)	(7.0)	(7.1)	(7.1)	(7.2)	(7.2)	(7.3)	(7.3)	(7.3)
Debt service	(0.1)	-	-	(0.1)	(0.0)	(1.6)	(0.0)	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(27.8)	(30.0)	(31.4)	(32.7)	(34.1)	(35.6)	(36.9)	(37.2)	(38.4)	(39.0)	(39.6)	(39.2)	(39.0)	(38.9)	(38.7)	(38.6)
Transfers out	-	(0.5)	(0.5)	(0.4)	(0.5)	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	(0.8)	(0.9)	(0.4)	(1.6)	(1.4)	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(396.2)	(410.8)	(388.3)	(455.2)	(424.2)	(366.4)	(427.4)	(459.1)	(486.8)	(511.3)	(535.5)	(548.1)	(561.6)	(573.0)	(581.4)	(591.6)
Total surplus (deficit)	\$ (326.9)	\$ (345.6)	\$ (323.1)	\$ (381.2)	\$ (360.3)	\$ (315.4)	\$ (390.8)	\$ (420.3)	\$ (449.1)	\$ (473.7)	\$ (497.4)	\$ (509.6)	\$ (522.6)	\$ (533.6)	\$ (541.6)	\$ (551.2)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	(2.2)	(14.4)	(17.9)	(10.9)	(9.4)	(8.8)	(8.9)	(8.9)	(8.7)	(9.1)					
Technology	-	(0.9)	(12.2)	(10.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)					
Capital expenditures and other infrastructure	-	(10.8)	(24.8)	(16.5)	(10.2)	(10.6)	(10.2)	(13.3)	(13.1)	(13.1)	(13.0)					
Implementation costs	-	-	(0.6)	(0.4)	-	-	-	-	-	-	-					
Subtotal: Expenses	-	(14.0)	(52.0)	(45.1)	(23.2)	(22.2)	(21.1)	(24.3)	(24.1)	(23.9)	(24.2)					
Operational restructuring	\$ -	\$ (14.0)	\$ (48.3)	\$ (41.5)	\$ (19.6)	\$ (18.5)	\$ (17.5)	\$ (20.7)	\$ (20.5)	\$ (20.3)	\$ (20.6)					
Adjusted surplus (deficit)	\$ (315.4)	\$ (404.8)	\$ (468.6)	\$ (490.6)	\$ (493.3)	\$ (516.0)	\$ (527.1)	\$ (543.3)	\$ (554.1)	\$ (561.9)	\$ (571.9)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	3,421	3,688	3,288	3,195	3,016	2,909	2,706	2,747	2,882	2,895	2,895	2,895	2,895	2,895	2,895	2,895
Average salary & wages(1)	\$ 53,597	\$ 51,883	\$ 56,204	\$ 60,742	\$ 58,848	\$ 52,625	\$ 51,514	\$ 54,454	\$ 54,454	\$ 55,816	\$ 57,211	\$ 58,641	\$ 59,814	\$ 61,010	\$ 62,231	\$ 63,475
Average overtime	8,104	8,646	7,576	8,050	8,590	6,312	7,719	8,159	7,615	7,806	8,001	8,201	8,365	8,532	8,703	8,877
	\$ 61,701	\$ 60,529	\$ 63,780	\$ 68,792	\$ 67,438	\$ 58,936	\$ 59,233	\$ 62,613	\$ 62,070	\$ 63,621	\$ 65,212	\$ 66,842	\$ 68,179	\$ 69,543	\$ 70,933	\$ 72,352
Overtime as a % of salary & wages	15.2%	16.7%	13.5%	13.3%	14.6%	12.0%	15.0%	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Pension as a % of salary & wages						23.2%	67.6%	73.3%	78.6%	84.1%	89.9%	88.5%	88.7%	87.4%	84.5%	82.5%
Medical & fringe as a % of salary & wage	56.2%	51.1%	54.5%	57.5%	66.4%	69.0%	72.3%	69.8%	70.1%	71.6%	73.3%	75.4%	77.4%	79.6%	81.5%	83.5%

Key Items	Comment/Reference
Revenues	
Utility users' and other taxes	Utility users' tax decreases beginning FY 2014 due to the allocation to the Public Lighting Authority (\$17m in FY 2014; \$12.5m thereafter). Inflationary increases assumed beginning FY 2017.
Sales and charges for services	Interagency billings and charges for external services
Revenue from use of assets	Real estate rentals and concessions. FY 2012 and FY 2013 reflect proceeds from sales; no gain/loss assumed in the projection period
Parking/court fines and other revenue	Primarily court proceeds
Grant revenue	Includes COPS grant
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Contracts such as crime scene services, E-911 improvements and technology support
Materials & supplies	Operating supplies and repairs & maintenance
Utilities	Primarily water, sewage and electricity
Other expenses	Primarily capital outlays and rental expenses
Transfers out	Retirement of debt principal
Operational restructuring	
Additional Department employees	- 125 250 250 175 162 149 149 149 149 149

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
 PLD - general fund
 (\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	(0.0)	0.0	0.0	0.1	(0.0)	0.0	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and Charges for Services	52.3	37.2	43.3	30.8	45.1	36.5	41.2	28.7	26.1	23.5	20.8	18.1	15.3	12.3	10.6	10.7
Revenue from use of assets	-	0.2	-	0.3	0.1	0.5	0.5	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.3	0.0	0.7	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	3.5	3.5	3.5	0.4	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	0.4	-	-	-	-	-	-	-	-	-	-
Total revenues	56.1	40.9	47.5	31.5	45.2	37.5	41.7	28.7	26.1	23.5	20.8	18.1	15.3	12.3	10.6	10.7
Expenditures																
Salaries and wages	(10.1)	(9.6)	(8.0)	(6.8)	(5.8)	(4.8)	(3.4)	(1.0)	(0.6)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	-	-
Overtime	(3.4)	(2.8)	(2.5)	(2.9)	(3.5)	(2.4)	(1.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-
Pension	(0.7)	(0.4)	(0.3)	(0.2)	(0.5)	(0.8)	(2.2)	(0.7)	(0.5)	(0.4)	(0.2)	(0.2)	(0.3)	(0.2)	-	-
Medical & fringe benefits	(5.7)	(5.0)	(4.8)	(4.9)	(5.1)	(5.1)	(1.1)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	-	-
Professional and contractual services	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)	(2.6)	(14.1)	(10.2)	(6.6)	(4.6)	(3.7)	(2.3)	(0.9)	-	-
Materials & supplies	(43.1)	(37.8)	(27.5)	(37.4)	(36.5)	(39.1)	(39.4)	(12.4)	(13.3)	(13.3)	(12.8)	(12.0)	(11.4)	(10.7)	(10.6)	(10.7)
Utilities	(4.3)	(5.0)	(5.4)	(5.0)	(4.4)	(5.7)	(4.6)	(4.6)	(4.2)	(3.6)	(3.4)	(3.2)	(3.0)	(2.7)	(2.6)	(2.7)
Purchased services	(1.6)	(2.0)	(1.0)	(0.0)	(0.1)	(0.2)	(0.2)	(0.9)	(1.4)	(1.7)	(1.4)	(0.9)	(0.5)	(0.1)	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.2)	(3.1)	(0.1)	(0.0)	(0.1)	(0.5)	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.0)	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	(0.8)	(5.3)	(8.4)	(9.3)	(9.6)	(9.9)	(10.2)	(10.5)	(10.8)	(11.1)
POC - principal and interest1	(2.0)	(2.1)	(2.2)	(2.4)	(2.6)	(2.7)	(1.6)	(0.5)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(71.2)	(68.0)	(52.1)	(59.8)	(58.8)	(61.3)	(57.0)	(39.9)	(39.1)	(35.8)	(32.6)	(30.4)	(28.1)	(25.4)	(24.0)	(24.5)
Total surplus (deficit)	\$ (15.1)	\$ (27.1)	\$ (4.6)	\$ (28.3)	\$ (13.6)	\$ (23.8)	\$ (15.3)	\$ (11.2)	\$ (13.0)	\$ (12.4)	\$ (11.9)	\$ (12.3)	\$ (12.8)	\$ (13.2)	\$ (13.4)	\$ (13.8)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operational restructuring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted surplus (deficit)	\$ (23.8)	\$ (15.3)	\$ (11.2)	\$ (13.0)	\$ (12.4)	\$ (11.9)	\$ (12.3)	\$ (12.8)	\$ (13.2)	\$ (13.4)	\$ (13.8)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	225	206	160	123	103	99	70	12	7	5	3	3	3	2	-	-	
Average salary & wages(1)	\$ 44,676	\$ 46,839	\$ 50,059	\$ 55,114	\$ 55,866	\$ 48,724	\$ 49,211	\$ 84,190	\$ 81,474	\$ 79,817	\$ 79,591	\$ 81,182	\$ 82,806	\$ 84,462	n/a	n/a	
Average overtime	15,017	13,619	15,896	23,374	34,123	24,252	14,708	8,419	8,147	7,982	7,959	8,118	8,281	8,446	n/a	n/a	
	\$ 59,693	\$ 60,459	\$ 65,955	\$ 78,489	\$ 89,989	\$ 72,975	\$ 63,919	\$ 92,610	\$ 89,622	\$ 87,799	\$ 87,550	\$ 89,301	\$ 91,087	\$ 92,908	\$ -	\$ -	
Overtime as a % of salary & wages	33.6%	29.1%	31.8%	42.4%	61.1%	49.8%	29.9%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	n/a	n/a	
Pension as a % of salary & wages						16.9%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	n/a	n/a	
Medical & fringe as a % of salary & wage	57.1%	51.4%	59.8%	72.5%	89.0%	105.7%	32.7%	25.7%	26.6%	27.6%	28.5%	29.0%	29.2%	29.5%	n/a	n/a	

Key Items	Comment/Reference
General	Lighting (Street lights): Street lights will be transitioned to the Public Lighting Authority (PLA) over a 3-year period beginning FY 2014 (3/1/14 - 2/30/17). Overhead lights representing 85% of total PLA street lights are projected to be completed on an 18 month schedule while underground lights (15% of final mix) are forecast over a 36 month period. The final system will have 55,000 street lights. City Grid: All customers currently on the City grid are assumed to be transitioned to a 3rd party provider effective beginning of FY 2015 (7/1/14). Once transitioned, the City will no longer collect revenue from external customers. The grid will be deactivated over a 7-year period beginning FY 2015 (7/1/14 - 6/30/21). PLD plans to utilize third party outsourced labor to maintain its portion of street lights until the transition to PLA is complete (by end-FY 2017)
Revenues	
Sales and Charges for Services ²	Represents external and internal revenues
External electricity sales	Decreasing consistent with the assumption that electricity customers are transitioned by end-FY 2014. FY 2014 includes \$2.4 million of collections based on the Power Supply Cost Recovery Factor applied to customer bills beginning December 2013
Internal electricity sales	Assumes PLD continues to provide electricity to City departments at current consumption level; departments are billed based on consumption at DTE Rate book
Third-party contributions	Represents reimbursement from 3rd party utility provider to operate and maintain PLD grid until fully transitioned. This reimbursement decreases through FY 2021 when the grid deactivation is complete
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3 PLD plans to utilize third party outsourced labor to maintain its portion of street lights and grid until transition of street lights and grid (by end-FY 2021). Legacy health and pension costs are expected to remain. Minimal PLD administrative staff remains until year 7 of transition (end of FY 2021) when grid deactivation is completed
Materials & supplies	Grid: Fuel and lubricants - electricity purchased, which decreases due to amount purchased for internal consumption only
Utilities	Street light electricity will continue to be purchased by the City, assumes 55,000 street lights full transition by end of FY 2017. Assumes power purchased at \$0.0755/kWh Alley Lights: Additionally, 12,000 alley lights will remain on until the bulbs fail. The forecast assumes the bulbs to fail over a 5 year period or 20% a year. The City will purchase electricity for these street lights
Contributions to non-enterprise funds	Represents contribution to Public Lighting Authority for operations; replaces decreases in personnel Lighting: Total operations & maintenance based the O&M agreement between the City and PLA includes a \$126,500 monthly admin. fee plus per streetlight O&M fee subject to 3% annual increase
Operational restructuring	
Additional Department employees	- - - - - - - - - -

(1) Based on department salaries & wages and employees, see Appendix C.2.
(2) FY 2012 includes a one-time payment from DPS to account for previous balances due.

Ten-Year Financial Projections

Recreation - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.1	0.0	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Revenue from use of assets	1.1	1.1	1.0	0.8	1.1	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Parking/court fines and other revenue	0.8	0.8	0.5	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.1	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	1.4	2.4	0.7	0.4	2.8	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Total revenues	3.5	4.3	2.4	1.8	4.2	2.0	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Expenditures																
Salaries and wages	(7.4)	(7.7)	(6.8)	(5.9)	(5.2)	(3.4)	(3.4)	(3.6)	(3.6)	(3.7)	(3.8)	(3.9)	(3.9)	(4.0)	(4.1)	(4.2)
Overtime	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(2.2)	(2.6)	(3.0)	(3.3)	(3.7)	(3.9)	(4.1)	(4.3)	(4.5)	(4.6)
Medical & fringe benefits	(2.5)	(2.4)	(2.2)	(1.9)	(1.9)	(2.2)	(10.8)	(11.4)	(11.7)	(12.3)	(12.8)	(13.5)	(14.2)	(14.9)	(15.6)	(16.4)
Professional and contractual services	(1.0)	(1.0)	(0.3)	(0.5)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Materials & supplies	(0.1)	(0.1)	(0.1)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Utilities	(7.5)	(7.2)	(7.1)	(7.7)	(7.5)	(5.8)	(8.4)	(9.0)	(9.3)	(9.6)	(9.8)	(10.1)	(10.4)	(10.7)	(11.0)	(11.4)
Purchased services	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(3.4)	(4.7)	(2.9)	(2.7)	(3.7)	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.8)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.5)	(1.6)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(23.3)	(24.6)	(20.7)	(20.5)	(20.3)	(14.8)	(28.3)	(30.2)	(31.4)	(32.6)	(33.9)	(35.2)	(36.5)	(37.8)	(39.2)	(40.5)
Total surplus (deficit)	\$ (19.8)	\$ (20.3)	\$ (18.3)	\$ (18.7)	\$ (16.2)	\$ (12.9)	\$ (26.4)	\$ (28.3)	\$ (29.4)	\$ (30.7)	\$ (32.0)	\$ (33.2)	\$ (34.5)	\$ (35.8)	\$ (37.1)	\$ (38.5)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Expenses																
Additional operating expenditures	-	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	(0.9)	(8.9)	(3.1)	(3.3)	(3.0)	(4.0)	(4.3)	(4.0)	(4.3)	(4.0)	(4.3)	(4.0)	(4.0)	(4.0)	(4.0)
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	(0.9)	(8.9)	(3.2)	(3.4)	(3.1)	(4.1)	(4.4)	(4.1)	(4.4)	(4.1)	(4.4)	(4.1)	(4.1)	(4.1)	(4.1)
Operational restructuring	\$ -	\$ (0.9)	\$ (8.9)	\$ (3.1)	\$ (3.3)	\$ (3.1)	\$ (4.0)	\$ (4.3)	\$ (4.0)	\$ (4.3)	\$ (4.0)	\$ (4.3)	\$ (4.0)	\$ (4.0)	\$ (4.0)	\$ (4.0)
Adjusted surplus (deficit)	\$ (12.9)	\$ (27.3)	\$ (37.2)	\$ (32.5)	\$ (34.0)	\$ (35.0)	\$ (37.2)	\$ (38.8)	\$ (39.8)	\$ (41.2)	\$ (42.5)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	472	388	508	510	300	202	202	202	202	202	202	202	202	202	202	202	
Average salary & wages(1)	\$ 15,783	\$ 19,905	\$ 13,500	\$ 11,659	\$ 17,264	\$ 16,904	\$ 16,904	\$ 17,749	\$ 17,749	\$ 18,193	\$ 18,648	\$ 19,114	\$ 19,496	\$ 19,886	\$ 20,284	\$ 20,690	
Average overtime	306	402	259	265	524	525	525	551	551	565	579	593	605	617	630	642	
	\$ 16,088	\$ 20,307	\$ 13,759	\$ 11,924	\$ 17,787	\$ 17,429	\$ 17,429	\$ 18,300	\$ 18,300	\$ 18,758	\$ 19,227	\$ 19,707	\$ 20,102	\$ 20,504	\$ 20,914	\$ 21,332	
Overtime as a % of salary & wages	1.9%	2.0%	1.9%	2.3%	3.0%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	
Pension as a % of salary & wages						8.7%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	34.1%	31.7%	31.7%	32.7%	36.8%	63.3%	315.8%	316.7%	327.0%	333.6%	339.2%	349.0%	359.2%	371.1%	381.0%	390.9%	

Key Items	Comment/Reference
Revenues	
Revenue from use of assets	Real estate rental and concessions. FY 2012 and FY 2013 include the gain on sale of property; no gain/loss is included going forward
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Materials & supplies	Operating supplies
Utilities	Sewage, water, and various other utilities
Other expenses	Primarily capital outlays
Operational restructuring	
Additional Department employees	- - - - - - - - - -

(1) Based on department salaries & wages and employees, see Appendix C.2. Most Recreation department employees are part-time employees.

Ten-Year Financial Projections

Administrative Hearings - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.2	0.2	1.2	0.8	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.2	0.3	1.5	0.8	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Expenditures																
Salaries and wages	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Overtime	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Medical & fringe benefits	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Professional and contractual services	(1.0)	(1.4)	(0.8)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	(0.0)	-	0.0	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(1.9)	(2.2)	(1.6)	(1.4)	(1.1)	(1.1)	(1.3)	(1.4)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)
Total surplus (deficit)	\$ (1.7)	\$ (1.9)	\$ (0.1)	\$ (0.6)	\$ (0.2)	\$ (0.6)	\$ (0.8)	\$ (0.9)	\$ (0.9)	\$ (1.0)	\$ (1.0)	\$ (1.1)	\$ (1.1)	\$ (1.1)	\$ (1.2)	\$ (1.2)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Technology	-	-	(0.5)	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	(0.5)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Operational restructuring	\$ -	\$ -	\$ (0.5)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)
Adjusted surplus (deficit)	\$ (0.6)	\$ (0.8)	\$ (1.4)	\$ (0.9)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.1)	\$ (1.1)	\$ (1.1)	\$ (1.1)	\$ (1.2)	\$ (1.2)	\$ (1.2)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	6	6	9	6	4	4	4	4	4	4	4	4	4	4	4	4	
Average salary & wages(1)	\$ 55,358	\$ 56,863	\$ 42,971	\$ 60,124	\$ 82,470	\$ 69,770	\$ 82,422	\$ 86,544	\$ 86,544	\$ 88,707	\$ 90,925	\$ 93,198	\$ 95,062	\$ 96,963	\$ 98,902	\$ 100,881	
Average overtime	-	38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	\$ 55,358	\$ 56,901	\$ 42,971	\$ 60,124	\$ 82,470	\$ 69,770	\$ 82,422	\$ 86,544	\$ 86,544	\$ 88,707	\$ 90,925	\$ 93,198	\$ 95,062	\$ 96,963	\$ 98,902	\$ 100,881	
Overtime as a % of salary & wages	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Pension as a % of salary & wages						10.0%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	53.9%	42.8%	43.5%	50.2%	55.5%	66.3%	33.0%	32.3%	33.2%	33.8%	34.4%	35.0%	35.4%	35.9%	36.4%	36.8%	

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Fees (Blight violation adjudication) and interagency billings
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Information technology contracts

Operational restructuring	
Additional Department employees	- - - - - - - - - -

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Homeland Security - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.0	0.0	0.0	0.1	0.0	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	1.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.3	1.0	2.2	2.8	3.2	2.4	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Total revenues	1.7	1.0	2.2	2.9	3.3	2.4	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Expenditures																
Salaries and wages	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-
Overtime	(0.0)	(0.5)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Medical & fringe benefits	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-
Professional and contractual services	(0.0)	-	(0.1)	(0.7)	(0.8)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Materials & supplies	(0.8)	(0.6)	(0.4)	(1.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Utilities	0.0	(0.0)	(0.0)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.8)	(0.1)	(1.6)	(0.8)	(2.4)	(2.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(2.2)	(1.7)	(2.4)	(2.9)	(3.5)	(4.5)	(2.1)	(2.1)	(2.1)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.3)	(2.3)
Total surplus (deficit)	\$ (0.5)	\$ (0.7)	\$ (0.2)	\$ (0.0)	\$ (0.3)	\$ (2.0)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operational restructuring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted surplus (deficit)	\$ (2.0)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	5	5	1	2	2	1	-	-	-	-	-	-	-	-	-	-
Average salary & wages(1)	\$ 67,938	\$ 69,172	\$ 185,204	\$ 69,322	\$ 73,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average overtime	2,699	90,636	254	583	1,297	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	\$ 70,637	\$ 159,808	\$ 185,458	\$ 69,905	\$ 75,229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Overtime as a % of salary & wages	4.0%	131.0%	0.1%	0.8%	1.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pension as a % of salary & wages						n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medical & fringe as a % of salary & wage	40.1%	36.7%	59.1%	40.8%	49.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Key Items	Comment/Reference
Revenues	
Grant revenue	Federal grant proceeds
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Urban Area Security initiative
Other expenses	FY 2012 and FY 2013 include capital outlays, which will not persist

Operational restructuring	
Additional Department employees	n/a n/a n/a n/a n/a n/a n/a n/a n/a n/a n/a

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

General Services - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	1.7	1.9	5.4	0.7	1.3	0.9	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Revenue from use of assets	(0.0)	-	0.8	1.0	1.2	1.7	8.2	3.4	3.4	3.4	1.7	1.7	1.7	1.7	1.7	1.7
Parking/court fines and other revenue	5.6	5.3	0.2	4.7	5.6	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	1.6	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	5.3	3.2	1.3	2.5	4.8	5.1	5.1	-	-	-	-	-	-	-	-	-
Grant revenue	-	0.0	0.2	4.6	3.5	1.4	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Total revenues	12.6	10.4	7.8	15.1	16.3	13.7	20.9	11.0	11.0	11.0	9.3	9.4	9.4	9.4	9.4	9.4
Expenditures																
Salaries and wages	(21.0)	(20.4)	(17.5)	(16.2)	(12.0)	(9.1)	(10.0)	(9.6)	(9.6)	(9.8)	(10.0)	(10.3)	(10.5)	(10.7)	(10.9)	(11.1)
Overtime	(2.9)	(2.2)	(2.3)	(2.8)	(2.7)	(2.1)	(2.3)	(2.2)	(2.2)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.6)
Pension	(2.3)	(1.7)	(1.3)	(2.2)	(1.6)	(1.3)	(6.3)	(6.9)	(8.0)	(8.9)	(9.9)	(10.4)	(10.9)	(11.4)	(11.9)	(12.4)
Medical & fringe benefits	(12.1)	(11.1)	(10.5)	(10.4)	(9.6)	(9.0)	(8.7)	(8.6)	(8.9)	(9.3)	(9.8)	(10.3)	(10.7)	(11.2)	(11.7)	(12.2)
Professional and contractual services	(11.7)	(13.1)	(10.9)	(11.6)	(9.5)	(8.1)	(8.1)	(7.9)	(8.0)	(8.1)	(8.1)	(8.2)	(8.3)	(8.4)	(8.5)	(8.6)
Materials & supplies	(22.2)	(10.6)	(11.2)	(12.1)	(10.8)	(10.1)	(10.1)	(6.8)	(6.9)	(7.0)	(7.1)	(7.1)	(7.2)	(7.3)	(7.3)	(7.4)
Utilities	(0.2)	(0.5)	(0.8)	(1.4)	(1.0)	(0.9)	(0.9)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Purchased services	(2.5)	(1.7)	(1.9)	(1.2)	(1.2)	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Risk management and insurance	-	-	-	-	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Other expenses	(0.3)	(0.5)	(0.4)	(5.4)	(3.4)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(2.6)	(2.7)	(2.9)	(3.2)	(3.4)	(4.2)	(4.5)	(4.3)	(4.5)	(4.6)	(4.8)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(77.7)	(64.6)	(59.8)	(66.5)	(55.3)	(46.9)	(53.0)	(49.2)	(51.0)	(52.9)	(55.0)	(56.4)	(57.8)	(59.2)	(60.7)	(62.1)
Total surplus (deficit)	\$ (65.0)	\$ (54.1)	\$ (51.9)	\$ (51.4)	\$ (39.0)	\$ (33.2)	\$ (32.1)	\$ (38.2)	\$ (40.0)	\$ (41.9)	\$ (45.6)	\$ (47.0)	\$ (48.4)	\$ (49.9)	\$ (51.4)	\$ (52.7)
Operational restructuring																
Department revenue initiatives	\$ -	\$ 1.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1	\$ 2.1
Expenses																
Additional operating expenditures	-	(2.1)	(8.5)	(13.5)	(13.6)	-	(2.1)	(8.5)	(13.5)	(13.6)	(13.8)	(14.0)	(14.1)	(14.2)	(14.4)	(14.5)
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	(3.8)	(12.7)	(8.9)	(7.3)	-	(3.8)	(12.7)	(8.9)	(7.3)	(5.1)	(4.9)	(4.9)	(5.1)	(5.0)	(5.0)
Implementation costs	(0.0)	-	(0.4)	-	-	-	-	(0.4)	-	-	-	-	-	-	-	-
Subtotal: Expenses	(0.0)	(5.9)	(21.5)	(22.3)	(20.9)	(0.0)	(5.9)	(21.5)	(22.3)	(20.9)	(18.9)	(18.8)	(19.0)	(19.3)	(19.4)	(19.5)
Operational restructuring	\$ (0.0)	\$ (4.8)	\$ (19.4)	\$ (20.2)	\$ (18.8)	\$ (0.0)	\$ (4.8)	\$ (19.4)	\$ (20.2)	\$ (18.8)	\$ (16.7)	\$ (16.7)	\$ (16.8)	\$ (17.2)	\$ (17.2)	\$ (17.4)
Adjusted surplus (deficit)	\$ (33.2)	\$ (36.9)	\$ (57.6)	\$ (60.2)	\$ (60.7)	\$ (33.2)	\$ (36.9)	\$ (57.6)	\$ (60.2)	\$ (60.7)	\$ (62.3)	\$ (63.7)	\$ (65.3)	\$ (67.0)	\$ (68.6)	\$ (70.1)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	676	528	481	447	343	298	298	272	272	272	272	272	272	272	272	272
Average salary & wages(1)	\$ 31,804	\$ 39,503	\$ 36,473	\$ 36,309	\$ 34,874	\$ 30,695	\$ 33,501	\$ 35,176	\$ 35,176	\$ 36,056	\$ 36,957	\$ 37,881	\$ 38,639	\$ 39,412	\$ 40,200	\$ 41,004
Average overtime	4,326	4,194	4,758	6,245	7,778	7,045	7,689	8,073	8,073	8,275	8,482	8,694	8,868	9,045	9,226	9,410
	\$ 36,130	\$ 43,697	\$ 41,231	\$ 42,554	\$ 42,652	\$ 37,740	\$ 41,190	\$ 43,249	\$ 43,249	\$ 44,331	\$ 45,439	\$ 46,575	\$ 47,506	\$ 48,457	\$ 49,426	\$ 50,414
Overtime as a % of salary & wages	13.9%	10.8%	13.1%	17.2%	22.3%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%
Pension as a % of salary & wages						13.9%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	57.6%	54.3%	59.7%	64.3%	80.2%	98.3%	86.7%	89.8%	93.0%	95.1%	97.2%	99.7%	102.0%	104.6%	106.8%	109.1%

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Interagency billings
Revenue from use of assets	Internal real estate rentals; FY 2014 includes the proceeds from sale of the Veteran's building; FY 2015 - FY2017 include receipt of \$5m settlement from the Red Wings/Joe Louis facility for past-due payments
Parking/court fines and other revenue	Revenues for fleet management services
Street fund reimb. and financing proceeds	Reimbursement from street funds for GSD services provided to solid waste; revenue are associated expenses are eliminated with the assumed outsourcing of solid waste beginning FY 2015
Grant revenue	Federal grant proceeds
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Security expenses and inventory management
Materials & supplies	Fuels & lubricant and repairs & maintenance
Utilities	Primarily electricity
Purchased services	Court building operating expense
Other expenses	Primarily capital outlays
Operational restructuring	
Additional Department employees	- 112 112 112 112 112 112 112 112 112 112

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Auditor General - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	0.0	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures																
Salaries and wages	(1.0)	(1.2)	(1.1)	(1.0)	(0.9)	(0.8)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)	(1.3)
Overtime	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.7)	(0.8)	(0.9)	(1.1)	(1.2)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)
Medical & fringe benefits	(0.4)	(0.5)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)
Professional and contractual services	(2.7)	(3.5)	(5.7)	(1.3)	(1.8)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)
Materials & supplies	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.2)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(4.5)	(5.6)	(7.6)	(3.1)	(3.6)	(3.6)	(4.7)	(5.0)	(5.2)	(5.4)	(5.6)	(5.7)	(5.9)	(6.0)	(6.1)	(6.3)
Total surplus (deficit)	\$ (4.5)	\$ (5.5)	\$ (7.6)	\$ (3.1)	\$ (3.6)	\$ (3.6)	\$ (4.7)	\$ (5.0)	\$ (5.2)	\$ (5.4)	\$ (5.6)	\$ (5.7)	\$ (5.9)	\$ (6.0)	\$ (6.1)	\$ (6.3)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	-	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Technology	-	-	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
Operational restructuring	\$ -	\$ -	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.4)	\$ (0.5)	\$ (0.6)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)
Adjusted surplus (deficit)	\$ (3.6)	\$ (4.7)	\$ (5.4)	\$ (5.6)	\$ (5.8)	\$ (6.0)	\$ (6.2)	\$ (6.4)	\$ (6.5)	\$ (6.6)	\$ (6.7)	\$ (6.8)	\$ (6.9)	\$ (7.0)	\$ (7.1)	\$ (7.3)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	21	18	17	15	12	14	17	17	17	17	17	17	17	17	17	17
Average salary & wages(1)	\$ 48,165	\$ 65,138	\$ 63,262	\$ 66,940	\$ 73,255	\$ 62,503	\$ 65,304	\$ 68,569	\$ 68,569	\$ 70,283	\$ 72,041	\$ 73,842	\$ 75,318	\$ 76,825	\$ 78,361	\$ 79,928
Average overtime	2,379	2,325	752	1,373	1,781	1,531	1,600	1,680	1,680	1,722	1,765	1,809	1,845	1,882	1,919	1,958
	\$ 50,544	\$ 67,463	\$ 64,014	\$ 68,313	\$ 75,036	\$ 64,034	\$ 66,904	\$ 70,249	\$ 70,249	\$ 72,005	\$ 73,805	\$ 75,650	\$ 77,163	\$ 78,706	\$ 80,281	\$ 81,886
Overtime as a % of salary & wages	4.9%	3.6%	1.2%	2.1%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Pension as a % of salary & wages						8.5%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	42.5%	38.8%	40.3%	44.8%	53.0%	62.5%	56.0%	55.3%	57.0%	58.1%	59.2%	60.6%	61.8%	63.2%	64.4%	65.6%

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Auditing

Operational restructuring																
Additional Department employees	-	-	4	4	4	4	4	4	4	4	4	4	4	4	4	4

(1) Based on department salaries & wages and employees, see Appendix C.2.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditures																
Salaries and wages	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Overtime	-	-	(0.0)	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Medical & fringe benefits	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Professional and contractual services	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(0.8)	(0.8)	(0.8)	(0.8)	(0.7)	(0.7)	(1.0)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	(1.4)
Total surplus (deficit)	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ (0.7)	\$ (0.9)	\$ (0.9)	\$ (1.0)	\$ (1.0)	\$ (1.1)	\$ (1.1)	\$ (1.2)	\$ (1.2)	\$ (1.2)	\$ (1.3)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Operational restructuring	\$ -	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)	\$ (0.0)
Adjusted surplus (deficit)	\$ (0.7)	\$ (0.9)	\$ (0.9)	\$ (1.0)	\$ (1.0)	\$ (1.1)	\$ (1.1)	\$ (1.2)	\$ (1.2)	\$ (1.3)	\$ (1.3)	\$ (1.4)	\$ (1.4)	\$ (1.5)	\$ (1.5)	\$ (1.6)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	16	15	15	15	12	11	11	11	11	11	11	11	11	11	11	11	
Average salary & wages(1)	\$ 28,828	\$ 29,822	\$ 29,517	\$ 27,705	\$ 29,516	\$ 25,120	\$ 25,120	\$ 26,376	\$ 26,376	\$ 27,035	\$ 27,711	\$ 28,404	\$ 28,972	\$ 29,551	\$ 30,142	\$ 30,745	
Average overtime	-	-	0	-	-	2	2	2	2	2	2	2	2	2	2	2	
	\$ 28,828	\$ 29,822	\$ 29,517	\$ 27,705	\$ 29,516	\$ 25,121	\$ 25,121	\$ 26,378	\$ 26,378	\$ 27,037	\$ 27,713	\$ 28,406	\$ 28,974	\$ 29,553	\$ 30,144	\$ 30,747	
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Pension as a % of salary & wages						8.4%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	39.9%	36.7%	39.2%	44.6%	51.5%	83.8%	97.2%	95.3%	99.0%	101.4%	103.9%	106.7%	109.0%	111.7%	114.1%	116.5%	

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Charged fees
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3

Operational restructuring	
Additional Department employees	- - - - - - - - - -

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

City Council - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	(0.0)	0.0	0.0	0.2	0.1	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	(0.0)	-	0.0	-	0.0	0.1	-	-	-	-	-	-	-	-	-	-
Total revenues	(0.0)	(0.0)	0.0	0.0	0.2	0.1	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(5.8)	(6.0)	(5.3)	(4.1)	(3.4)	(2.9)	(0.6)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.5)	(0.4)	(0.6)	(0.6)	(0.4)	(0.3)	(0.4)	(0.5)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Medical & fringe benefits	(2.6)	(2.5)	(2.5)	(2.2)	(2.4)	(2.2)	(1.6)	(1.7)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)
Professional and contractual services	(2.4)	(2.1)	(2.1)	(3.5)	(3.7)	(3.0)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)	(5.3)	(5.3)	(5.4)	(5.4)	(5.5)
Materials & supplies	(0.1)	(0.2)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Utilities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	0.0	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.4)	(0.9)	(0.7)	(0.6)	(0.6)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Debt service	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)	(1.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(13.6)	(13.0)	(12.4)	(12.2)	(11.7)	(10.2)	(8.6)	(9.0)	(9.2)	(9.5)	(9.7)	(9.9)	(10.1)	(10.3)	(10.5)	(10.7)
Total surplus (deficit)	\$ (13.6)	\$ (13.0)	\$ (12.4)	\$ (12.2)	\$ (11.5)	\$ (10.1)	\$ (8.6)	\$ (9.0)	\$ (9.2)	\$ (9.5)	\$ (9.7)	\$ (9.9)	\$ (10.1)	\$ (10.3)	\$ (10.5)	\$ (10.7)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	0.0	0.4	0.4	0.4	-	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Technology	-	-	(0.1)	(0.0)	(0.0)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	0.0	0.4	0.4	0.4	-	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Operational restructuring	\$ -	\$ 0.0	\$ 0.4	\$ 0.4	\$ 0.4	\$ -	\$ 0.0	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4
Adjusted surplus (deficit)	\$ (10.1)	\$ (8.6)	\$ (8.6)	\$ (8.8)	\$ (9.0)	\$ (9.3)	\$ (9.5)	\$ (9.7)	\$ (9.9)	\$ (10.1)	\$ (10.3)	\$ (10.5)	\$ (10.7)	\$ (10.9)	\$ (11.1)	\$ (11.3)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	90	97	74	61	52	46	9	10	10	10	10	10	10	10	10	10
Average salary & wages(1)	\$ 64,504	\$ 61,899	\$ 71,166	\$ 67,902	\$ 66,094	\$ 63,205	\$ 68,378	\$ 71,500	\$ 71,500	\$ 73,288	\$ 75,120	\$ 76,998	\$ 78,538	\$ 80,108	\$ 81,711	\$ 83,345
Average overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 64,504	\$ 61,899	\$ 71,166	\$ 67,902	\$ 66,094	\$ 63,205	\$ 68,378	\$ 71,500	\$ 71,500	\$ 73,288	\$ 75,120	\$ 76,998	\$ 78,538	\$ 80,108	\$ 81,711	\$ 83,345
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						10.9%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	44.9%	41.5%	48.0%	54.0%	71.1%	76.1%	247.3%	232.0%	239.6%	244.4%	248.6%	255.7%	263.0%	271.4%	278.5%	285.6%

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Support staff personal service contracts and other City Council member's office expenses, media services, and board of review
Other expenses	Primarily rental expense

Operational restructuring	
Additional Department employees	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Ombudsperson - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	0.0	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.0	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(0.7)	(0.8)	(0.8)	(0.6)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)
Medical & fringe benefits	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
Professional and contractual services	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Materials & supplies	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Utilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(1.4)	(1.4)	(1.3)	(1.1)	(1.1)	(0.9)	(1.5)	(1.7)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.1)	(2.2)	(2.3)
Total surplus (deficit)	\$ (1.4)	\$ (1.4)	\$ (1.3)	\$ (1.1)	\$ (1.1)	\$ (0.9)	\$ (1.5)	\$ (1.7)	\$ (1.7)	\$ (1.8)	\$ (1.9)	\$ (2.0)	\$ (2.1)	\$ (2.1)	\$ (2.2)	\$ (2.3)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	-	(0.6)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Technology	-	-	(3.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	-	(3.6)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)	(1.7)
Operational restructuring	\$ -	\$ -	\$ (3.6)	\$ (1.5)	\$ (1.5)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.7)	\$ (1.7)	\$ (1.7)	\$ (1.7)
Adjusted surplus (deficit)	\$ (0.9)	\$ (1.5)	\$ (5.3)	\$ (3.3)	\$ (3.4)	\$ (3.5)	\$ (3.6)	\$ (3.7)	\$ (3.8)	\$ (3.9)	\$ (4.0)	\$ (4.0)	\$ (4.0)	\$ (4.0)	\$ (4.0)	\$ (4.0)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	10	11	11	7	7	6	6	6	6	6	6	6	6	6	6	6
Average salary & wages(1)	\$ 73,193	\$ 75,227	\$ 69,371	\$ 82,534	\$ 79,133	\$ 72,256	\$ 81,064	\$ 85,117	\$ 85,117	\$ 87,245	\$ 89,426	\$ 91,662	\$ 93,495	\$ 95,365	\$ 97,272	\$ 99,217
Average overtime	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 73,193	\$ 75,227	\$ 69,371	\$ 82,534	\$ 79,133	\$ 72,256	\$ 81,064	\$ 85,117	\$ 85,117	\$ 87,245	\$ 89,426	\$ 91,662	\$ 93,495	\$ 95,365	\$ 97,272	\$ 99,217
Overtime as a % of salary & wages	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension as a % of salary & wages						6.2%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	41.2%	37.6%	40.8%	45.5%	51.7%	65.8%	84.7%	84.4%	87.0%	88.6%	90.2%	92.5%	94.7%	97.3%	99.4%	101.6%

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3

Operational restructuring																
Additional Department employees	-	-		13	20	20	20	20	20	20	20	20	20	20	20	20

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
City Clerk - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures																
Salaries and wages	(1.2)	(1.2)	(1.1)	(0.9)	(0.9)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Overtime	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.5)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Medical & fringe benefits	(0.6)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.8)	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)
Professional and contractual services	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Materials & supplies	(0.9)	(0.6)	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Utilities	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Purchased services	(0.0)	0.0	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.5)	(0.5)	(0.5)	(0.4)	(0.7)	(0.3)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(3.6)	(3.1)	(2.9)	(2.6)	(2.7)	(2.2)	(3.2)	(3.3)	(3.5)	(3.6)	(3.8)	(3.9)	(4.0)	(4.1)	(4.2)	(4.3)
Total surplus (deficit)	\$ (3.6)	\$ (3.1)	\$ (2.9)	\$ (2.6)	\$ (2.7)	\$ (2.2)	\$ (3.2)	\$ (3.3)	\$ (3.5)	\$ (3.6)	\$ (3.8)	\$ (3.9)	\$ (4.0)	\$ (4.1)	\$ (4.2)	\$ (4.3)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	(0.3)	(0.4)	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Operational restructuring	\$ -	\$ (0.3)	\$ (0.4)	\$ (0.1)	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
Adjusted surplus (deficit)	\$ (2.2)	\$ (3.5)	\$ (3.8)	\$ (3.6)	\$ (3.4)	\$ (3.5)	\$ (3.6)	\$ (3.4)	\$ (3.5)	\$ (3.6)	\$ (3.8)	\$ (3.9)	\$ (4.0)	\$ (4.1)	\$ (4.0)	\$ (4.1)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	25	23	22	20	18	15	15	15	15	15	15	15	15	15	15	15	
Average salary & wages(1)	\$ 48,947	\$ 53,794	\$ 48,633	\$ 46,038	\$ 48,336	\$ 42,763	\$ 46,300	\$ 48,615	\$ 48,615	\$ 49,831	\$ 51,076	\$ 52,353	\$ 53,400	\$ 54,468	\$ 55,558	\$ 56,669	
Average overtime	26	115	119	85	13	22	24	25	25	26	26	27	28	28	29	29	
	\$ 48,973	\$ 53,909	\$ 48,752	\$ 46,123	\$ 48,349	\$ 42,785	\$ 46,324	\$ 48,640	\$ 48,640	\$ 49,856	\$ 51,103	\$ 52,380	\$ 53,428	\$ 54,497	\$ 55,587	\$ 56,698	
Overtime as a % of salary & wages	0.1%	0.2%	0.2%	0.2%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
Pension as a % of salary & wages						13.2%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	48.7%	40.5%	44.4%	48.0%	57.8%	75.5%	119.7%	119.0%	123.0%	125.6%	128.0%	131.4%	134.8%	138.6%	141.9%	145.2%	

Key Items	Comment/Reference
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Materials & supplies	Printing supplies
Other expenses	Advertising and rental expenses
Operational restructuring	
Additional Department employees	- - (3) (3) (3) (3) (3) (3) (3)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Elections - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	1.2	0.0	0.0	0.0	0.0	1.1	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.0	0.0	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
Total revenues	1.2	0.0	0.0	0.0	0.0	1.2	-	-	-	-	-	-	-	-	-	-
Expenditures																
Salaries and wages	(2.7)	(3.4)	(2.4)	(2.1)	(2.0)	(1.9)	(2.2)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.1)
Overtime	(0.5)	(0.8)	(0.3)	(0.4)	(0.2)	(0.4)	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pension	0.1	0.0	0.2	0.2	0.2	(0.2)	(1.4)	(1.3)	(1.5)	(1.6)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)
Medical & fringe benefits	(1.4)	(1.5)	(1.3)	(1.3)	(1.2)	(1.4)	(2.0)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	(2.3)	(2.4)	(2.5)	(2.6)
Professional and contractual services	(4.2)	(6.5)	(3.4)	(2.9)	(2.5)	(3.3)	(6.1)	(3.3)	(3.3)	(3.3)	(6.6)	(3.3)	(3.3)	(3.3)	(6.6)	(3.3)
Materials & supplies	(0.6)	(0.5)	(0.3)	(0.5)	(0.7)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Utilities	(0.3)	(0.4)	(0.4)	(0.2)	(0.3)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.4)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Debt service	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.6)	(1.0)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(10.8)	(14.1)	(8.7)	(8.0)	(7.6)	(8.5)	(14.2)	(10.1)	(10.4)	(10.7)	(14.4)	(11.3)	(11.6)	(11.8)	(15.4)	(12.3)
Total surplus (deficit)	\$ (9.7)	\$ (14.0)	\$ (8.7)	\$ (8.0)	\$ (7.6)	\$ (7.3)	\$ (14.2)	\$ (10.1)	\$ (10.4)	\$ (10.7)	\$ (14.4)	\$ (11.3)	\$ (11.6)	\$ (11.8)	\$ (15.4)	\$ (12.3)
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses																
Additional operating expenditures	-	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technology	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	-	(0.4)	(0.6)	(0.3)	-	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	0.0	0.1	(0.3)	(0.6)	(0.2)	0.0	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Operational restructuring	\$ -	\$ 0.0	\$ 0.1	\$ (0.3)	\$ (0.6)	\$ (0.2)	\$ 0.0	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)
Adjusted surplus (deficit)	\$ (7.3)	\$ (14.2)	\$ (10.0)	\$ (10.7)	\$ (11.3)	\$ (14.6)	\$ (11.3)	\$ (12.0)	\$ (12.3)	\$ (15.8)	\$ (12.8)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	68	102	55	51	83	80	80	60	60	60	60	60	60	60	60	60	
Average salary & wages(1)	\$ 39,379	\$ 33,805	\$ 44,289	\$ 40,872	\$ 23,655	\$ 24,311	\$ 27,971	\$ 29,370	\$ 29,370	\$ 30,104	\$ 30,856	\$ 31,628	\$ 32,260	\$ 32,906	\$ 33,564	\$ 34,235	
Average overtime	8,088	7,564	5,040	7,017	2,514	5,046	6,259	3,121	3,121	3,199	3,279	3,361	3,428	3,497	3,567	3,638	
	\$ 47,467	\$ 41,369	\$ 49,329	\$ 47,890	\$ 26,169	\$ 29,357	\$ 34,230	\$ 32,491	\$ 32,491	\$ 33,303	\$ 34,136	\$ 34,989	\$ 35,689	\$ 36,403	\$ 37,131	\$ 37,873	
Overtime as a % of salary & wages	20.5%	22.4%	11.4%	17.2%	10.6%	20.8%	22.4%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	
Pension as a % of salary & wages						9.1%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	53.5%	43.5%	52.9%	62.6%	62.0%	73.3%	90.9%	104.5%	108.4%	110.9%	113.4%	116.5%	119.2%	122.3%	125.0%	127.7%	

Key Items	Comment/Reference
General	Due to the FY 2014 election year, overtime and professional and contractual services are temporarily increased
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Administration of conducting elections and information technology contracts
Materials & supplies	Primarily postage
Utilities	Steam, telecommunications, and electricity
Operational restructuring	
Additional Department employees	-

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
36th District Court - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	0.8	0.2	0.7	0.1	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Sales and charges for services	11.2	11.1	9.2	10.1	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	7.5	7.4	6.7	6.8	6.2	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	19.6	18.7	16.6	17.1	16.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6
Expenditures																
Salaries and wages	(20.9)	(21.3)	(21.0)	(19.7)	(18.7)	(18.6)	(16.7)	(17.6)	(17.6)	(18.0)	(18.4)	(18.9)	(19.3)	(19.7)	(20.1)	(20.5)
Overtime	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Pension	(4.1)	(4.3)	(4.7)	(4.7)	(5.1)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Medical & fringe benefits	(7.4)	(6.9)	(7.6)	(7.9)	(7.3)	(6.3)	(6.4)	(6.8)	(7.1)	(7.5)	(7.9)	(8.3)	(8.6)	(8.9)	(9.2)	(9.5)
Professional and contractual services	(2.3)	(2.2)	(2.2)	(2.3)	(2.2)	(2.1)	(3.0)	(3.0)	(3.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.2)	(3.3)	(3.3)
Materials & supplies	(1.0)	(1.0)	(0.9)	(0.8)	(0.5)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Utilities	(0.8)	(0.6)	(0.6)	(0.5)	(0.6)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Purchased services	(5.0)	(4.1)	(3.8)	(3.9)	(3.0)	(0.4)	(3.9)	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)	(4.2)	(4.2)	(4.3)
Risk management and insurance	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Other expenses	(4.1)	(4.9)	(4.1)	(3.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(45.8)	(45.6)	(45.0)	(43.2)	(37.7)	(34.1)	(36.7)	(38.0)	(38.4)	(39.3)	(40.3)	(41.3)	(42.0)	(42.8)	(43.6)	(44.4)
Total surplus (deficit)	\$ (26.3)	\$ (26.8)	\$ (28.4)	\$ (26.2)	\$ (21.2)	\$ (16.5)	\$ (19.1)	\$ (20.4)	\$ (20.8)	\$ (21.7)	\$ (22.7)	\$ (23.7)	\$ (24.4)	\$ (25.2)	\$ (26.0)	\$ (26.8)
Operational restructuring																
Department revenue initiatives																
<u>Expenses</u>																
Additional operating expenditures																
Technology																
Capital expenditures and other infrastructure																
Implementation costs																
Subtotal: Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operational restructuring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted surplus (deficit)	\$ (16.5)	\$ (19.1)	\$ (20.4)	\$ (20.8)	\$ (21.7)	\$ (22.7)	\$ (23.7)	\$ (24.4)	\$ (25.2)	\$ (26.0)	\$ (26.8)					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	285	285	285	285	365	362	362	362	362	362	362	362	362	362	362	362	
Average salary & wages(1)	\$ 73,310	\$ 74,878	\$ 73,616	\$ 69,189	\$ 51,102	\$ 51,391	\$ 46,252	\$ 48,564	\$ 48,564	\$ 49,779	\$ 51,023	\$ 52,299	\$ 53,345	\$ 54,411	\$ 55,500	\$ 56,610	
Average overtime	756	1,012	786	739	458	420	378	397	397	407	417	427	436	445	453	462	
	\$ 74,067	\$ 75,891	\$ 74,403	\$ 69,928	\$ 51,559	\$ 51,811	\$ 46,630	\$ 48,961	\$ 48,961	\$ 50,185	\$ 51,440	\$ 52,726	\$ 53,780	\$ 54,856	\$ 55,953	\$ 57,072	
Overtime as a % of salary & wages	1.0%	1.4%	1.1%	1.1%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	
Pension as a % of salary & wages						26.7%	29.6%	28.2%	28.2%	27.5%	26.9%	26.2%	25.7%	25.2%	24.7%	24.2%	
Medical & fringe as a % of salary & wage	35.4%	32.1%	36.1%	39.9%	39.0%	33.9%	38.0%	38.5%	40.3%	41.6%	43.0%	44.0%	44.7%	45.3%	46.0%	46.6%	

Key Items	Comment/Reference
Revenues	
State revenue sharing	State transferred court fines
Sales and charges for services	Court fees, including traffic, civil, real estate, and general administrative fees
Parking/court fines and other revenue	Court fines
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Legal and other contracts (court administration)
Materials & supplies	Repairs & maintenance, postage, and office supplies
Utilities	Electricity and telecommunications
Purchased services	Court security expense
Operational restructuring	
Additional Department employees	

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
Non-Departmental - general fund
(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ 155.2	\$ 163.7	\$ 143.0	\$ 182.7	\$ 147.8	\$ 133.6	\$ 114.9	\$ 104.2	\$ 100.1	\$ 97.2	\$ 97.1	\$ 95.2	\$ 89.6	\$ 89.5	\$ 90.1	\$ 90.7
Municipal income tax	276.5	240.8	216.5	228.3	233.0	248.0	246.4	250.4	252.1	253.8	255.5	257.1	258.7	260.9	264.1	267.3
Wagering taxes	180.4	173.0	183.3	176.9	181.4	174.6	169.9	168.2	169.9	171.6	173.3	175.0	176.8	178.5	180.3	182.1
Utility users' and other taxes	21.3	21.6	20.6	20.2	17.3	11.9	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	248.8	266.4	263.0	239.2	172.9	183.1	190.8	192.2	193.8	195.4	197.1	198.9	200.7	194.2	195.9	197.6
Sales and charges for services	62.5	61.6	50.7	64.9	56.4	54.7	51.8	51.7	52.2	52.7	53.2	53.7	54.2	54.8	55.3	55.9
Revenue from use of assets	12.9	3.7	1.3	1.6	1.0	0.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Parking/court fines and other revenue	26.9	26.0	24.8	37.2	6.8	3.8	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
DDOT risk mgmt reimbursement	10.8	12.9	10.0	12.1	12.1	1.6	9.9	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Reimb. from parking & vehicle fund	61.6	78.8	66.7	50.1	62.3	74.0	11.9	25.4	25.5	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Street fund reimb. and financing proceeds	73.6	4.7	264.1	6.0	4.3	147.7	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	1,130.4	1,053.2	1,244.1	1,019.1	895.3	1,033.4	812.5	821.1	822.4	804.6	810.2	813.9	814.0	812.0	819.7	827.5
Expenditures																
Salaries and wages	(2.3)	(3.9)	(5.6)	4.7	(6.7)	(0.9)	(0.9)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)
Overtime	(0.2)	(0.2)	0.0	-	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(1.0)	(3.5)	4.4	(1.9)	(0.6)	2.3	(0.5)	(0.5)	(0.6)	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)
Medical & fringe benefits	(7.1)	(19.6)	(15.4)	(9.5)	(1.1)	(8.1)	(0.4)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Professional and contractual services	(12.3)	(9.9)	(2.2)	(2.0)	(3.3)	(13.4)	(3.3)	(3.3)	(3.4)	(3.4)	(3.4)	(3.5)	(3.5)	(3.6)	(3.6)	(3.6)
Materials & supplies	(0.5)	(0.4)	(0.3)	(0.3)	(0.4)	(1.8)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Utilities	(0.3)	(0.0)	(0.2)	(0.0)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(0.4)	(0.9)	(0.1)	(0.7)	0.0	(0.4)	(0.4)	(5.4)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)
Risk management and insurance	(112.4)	(96.2)	(100.4)	(104.0)	(75.2)	(104.0)	(35.2)	(43.2)	(43.6)	(44.0)	(44.5)	(44.9)	(45.4)	(45.8)	(46.3)	(46.7)
Other expenses	(48.7)	(32.4)	(32.5)	19.8	(9.1)	(21.9)	(10.8)	(10.8)	(10.8)	(10.8)	(10.9)	(10.9)	(10.9)	(10.9)	(11.0)	(11.0)
Debt service	(0.7)	(2.7)	(9.9)	(2.5)	(1.3)	(2.3)	(78.1)	(62.1)	(62.1)	(38.9)	(38.8)	(38.8)	(38.9)	(39.3)	(37.6)	(37.5)
Contributions to non-enterprise funds	(108.9)	(44.0)	(23.5)	(17.8)	(12.8)	(18.1)	(10.7)	(29.1)	(29.1)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
POC - principal and interest1	(5.2)	(2.0)	(2.2)	(7.1)	(2.6)	(4.9)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Transfers out	(112.5)	(179.0)	(136.5)	(138.0)	(156.5)	(115.7)	(85.5)	(87.5)	(93.9)	(100.9)	(108.4)	(113.8)	(119.0)	(124.2)	(129.5)	(134.6)
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(412.5)	(394.7)	(324.3)	(259.4)	(269.7)	(289.1)	(226.6)	(243.8)	(250.2)	(214.2)	(222.3)	(228.2)	(234.0)	(240.2)	(244.5)	(250.1)
Total surplus (deficit)	\$ 717.8	\$ 658.5	\$ 919.9	\$ 759.8	\$ 625.7	\$ 744.3	\$ 585.9	\$ 577.3	\$ 572.3	\$ 590.4	\$ 587.9	\$ 585.7	\$ 580.0	\$ 571.8	\$ 575.3	\$ 577.5
Operational restructuring																
Department revenue initiatives	\$ -	\$ 2.7	\$ 13.7	\$ 16.1	\$ 16.2	\$ 13.9	\$ 14.2	\$ 14.4	\$ 14.7	\$ 15.0	\$ 15.3					
Expenses																
Additional operating expenditures	-	-	0.0	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.8					
Technology	-	-	(1.6)	(0.8)	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)					
Capital expenditures and other infrastructure	-	-	(1.0)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)					
Implementation costs	-	-	(1.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)					
Subtotal: Expenses	-	-	(3.6)	(1.0)	(0.6)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)					
Operational restructuring	\$ -	\$ 2.7	\$ 10.1	\$ 15.1	\$ 15.6	\$ 13.4	\$ 13.8	\$ 14.1	\$ 14.4	\$ 14.8	\$ 15.1					
Adjusted surplus (deficit)	\$ 744.3	\$ 588.6	\$ 587.5	\$ 587.4	\$ 606.0	\$ 601.3	\$ 599.6	\$ 594.1	\$ 586.2	\$ 590.0	\$ 592.5					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	44	33	21	20	14	21	21	17	17	17	17	17	17	17	17	17
Average salary & wages(1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average overtime	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Overtime as a % of salary & wages	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pension as a % of salary & wages						n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medical & fringe as a % of salary & wage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Key Items	Comment/Reference
Revenues	
Property taxes	Appendix B.1a
Municipal income tax	Appendix B.2
Wagering taxes	Appendix B.3
Utility users' and other taxes	Reimbursements, including cable franchise fees and interest/penalties on taxes
State revenue sharing	Appendix B.4; State shared taxes and liquor & beer license fees
Sales and charges for services	Primarily interagency billings and Casino municipal services fee
Parking/court fines and other revenue	Other revenue / Misc. receipts
Reimb. from parking & vehicle fund	Reimbursements from Parking Department & Vehicle Fund, revenues and associated expenses offset
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Materials & supplies	Primarily dues and memberships
Purchased services	One-time implementation and recurring payroll administration outsourcing costs reflected beginning Q3 FY 2015. Full year recurring costs reflected beginning FY 2016
Risk management and insurance	General Fund risk management and insurance payments. Historical data captures double count, which gets eliminated by CAFR adjustments
Other expenses	Primarily development authority, construction and capital improvement costs for Pass-Through Recipients funded by grants and special tax revenues
Debt service	General Fund debt service payments
Contributions to non-enterprise funds	Primarily contributions to Municipal Parking, Vehicle Fund, and the museum of African American History
Transfers out	Historical data represents debt service, which gets reallocated by CAFR adjustments
Operational restructuring	
Additional Department employees	- - (15) (25) (25) (25) (25) (25) (25) (25) (25)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections
 BSED - general fund
 (\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	(0.0)	-	-	1.9	1.8	1.9	1.9	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.2	2.3
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue from use of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	3.9	-	-	0.2	1.0	-	-	-	-	-	-	-	-	-	-
Total revenues	(0.0)	3.9	-	2.0	1.9	2.8	1.9	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.3
Expenditures																
Salaries and wages	-	-	-	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)
Overtime	-	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	0.1	0.1	0.1	(0.1)	(0.0)	(0.0)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
Medical & fringe benefits	-	-	-	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Professional and contractual services	-	(3.4)	0.9	(0.7)	(0.4)	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Materials & supplies	-	-	0.0	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
Purchased services	-	-	-	(0.0)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	0.0	-	-	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest ¹	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	0.0	(3.4)	0.9	(1.7)	(1.4)	(1.6)	(1.4)	(1.5)	(1.6)	(1.7)	(1.8)	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)
Total surplus (deficit)	\$ (0.0)	\$ 0.6	\$ 0.9	\$ 0.2	\$ 0.6	\$ 1.2	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
Operational restructuring																
Department revenue initiatives	\$ -	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
Expenses																
Additional operating expenditures	-	0.4	(4.3)	(0.4)	2.3	2.7	3.6	3.6	3.2	3.7	3.7					
Technology	-	-	-	-	-	-	-	-	-	-	-					
Capital expenditures and other infrastructure	-	-	(0.4)	-	-	-	-	-	-	-	-					
Implementation costs	-	-	-	-	-	-	-	-	-	-	-					
Subtotal: Expenses	-	0.4	(4.7)	(0.4)	2.3	2.7	3.6	3.6	3.2	3.7	3.7					
Operational restructuring	\$ -	\$ 0.5	\$ (4.5)	\$ (0.3)	\$ 2.5	\$ 2.9	\$ 3.7	\$ 3.8	\$ 3.3	\$ 3.8	\$ 3.8					
Adjusted surplus (deficit)	\$ 1.2	\$ 1.1	\$ (4.1)	\$ 0.2	\$ 2.9	\$ 3.2	\$ 4.1	\$ 4.1	\$ 3.7	\$ 4.1	\$ 4.1					

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Department employees (baseline)	-	-	-	6	7	6	7	7	7	7	7	7	7	7	7	7	
Average salary & wages(1)	n/a	n/a	n/a	\$ 83,261	\$ 72,376	\$ 67,350	\$ 67,006	\$ 70,356	\$ 70,356	\$ 72,115	\$ 73,918	\$ 75,766	\$ 77,281	\$ 78,827	\$ 80,403	\$ 82,011	
Average overtime	n/a	n/a	n/a	4,143	1,797	2,426	2,414	2,534	2,534	2,598	2,662	2,729	2,784	2,839	2,896	2,954	
	\$ -	\$ -	\$ -	\$ 87,404	\$ 74,174	\$ 69,776	\$ 69,419	\$ 72,890	\$ 72,890	\$ 74,712	\$ 76,580	\$ 78,495	\$ 80,065	\$ 81,666	\$ 83,299	\$ 84,965	
Overtime as a % of salary & wages	n/a	n/a	n/a	5.0%	2.5%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	
Pension as a % of salary & wages						10.1%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%	
Medical & fringe as a % of salary & wage	n/a	n/a	n/a	56.4%	61.1%	72.8%	57.8%	56.8%	58.8%	60.2%	61.6%	63.2%	64.6%	66.2%	67.6%	69.0%	

Key Items	Comment/Reference
Revenues	
Licenses, permits and inspection charges	Business license fees
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Demolition administration and business license center

Operational restructuring																
Additional Department employees	-	2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Parking - general fund

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue from use of assets	(0.0)	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	10.4	12.5	9.8	10.5	9.0	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	10.4	12.5	9.8	10.5	9.0	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Expenditures																
Salaries and wages	(1.9)	(1.9)	(1.8)	(1.6)	(1.6)	(1.4)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)
Overtime	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Pension	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	(1.0)	(1.2)	(1.4)	(1.5)	(1.7)	(1.8)	(1.9)	(1.9)	(2.0)	(2.1)
Medical & fringe benefits	(1.0)	(1.0)	(1.0)	(1.0)	(1.1)	(1.2)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)	(1.5)	(1.6)
Professional and contractual services	(4.7)	(2.7)	(3.2)	(3.3)	(1.9)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.7)	(2.7)	(2.7)	(2.8)	(2.8)	(2.8)
Materials & supplies	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Utilities	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Purchased services	(0.3)	0.0	(0.9)	(0.5)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(0.0)	(0.3)	(0.2)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest (1)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(8.6)	(6.4)	(7.8)	(7.3)	(5.7)	(6.4)	(7.4)	(7.8)	(8.1)	(8.4)	(8.7)	(8.9)	(9.1)	(9.4)	(9.6)	(9.8)
Total surplus (deficit)	\$ 1.8	\$ 6.0	\$ 2.0	\$ 3.2	\$ 3.3	\$ 5.0	\$ 4.0	\$ 3.7	\$ 3.4	\$ 3.0	\$ 2.7	\$ 2.5	\$ 2.3	\$ 2.1	\$ 1.9	\$ 1.7
Operational restructuring																
Department revenue initiatives	\$ -	\$ -	\$ 5.6	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8	\$ 6.8
Expenses																
Additional operating expenditures	-	(0.1)	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure	-	-	(1.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Implementation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses	-	(0.1)	(1.5)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Operational restructuring	\$ -	\$ (0.1)	\$ 4.1	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.6	\$ 6.5	\$ 6.5	\$ 6.5	\$ 6.5	\$ 6.5	\$ 6.4
Adjusted surplus (deficit)	\$ 5.0	\$ 3.9	\$ 7.7	\$ 9.9	\$ 9.7	\$ 9.3	\$ 9.0	\$ 8.8	\$ 8.5	\$ 8.3	\$ 8.1	\$ 7.9	\$ 7.7	\$ 7.5	\$ 7.3	\$ 7.1

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	109	104	97	92	97	90	90	90	90	90	90	90	90	90	90	90
Average salary & wages (1)	\$ 35,423	\$ 36,835	\$ 37,362	\$ 34,955	\$ 30,576	\$ 30,621	\$ 33,594	\$ 35,274	\$ 35,274	\$ 36,156	\$ 37,060	\$ 37,986	\$ 38,746	\$ 39,521	\$ 40,312	\$ 41,118
Average overtime	171	51	25	102	19	46	50	53	53	54	55	57	58	59	60	61
	\$ 35,594	\$ 36,886	\$ 37,387	\$ 35,057	\$ 30,594	\$ 30,667	\$ 33,644	\$ 35,327	\$ 35,327	\$ 36,210	\$ 37,115	\$ 38,043	\$ 38,804	\$ 39,580	\$ 40,372	\$ 41,179
Overtime as a % of salary & wages	1.0%	0.3%	0.1%	0.6%	0.1%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Pension as a % of salary & wages						11.6%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	53.2%	49.5%	53.3%	60.1%	68.8%	84.9%	70.5%	69.0%	71.5%	73.2%	75.0%	76.8%	78.4%	80.2%	81.7%	83.3%

Key Items	Comment/Reference
Revenues	
Parking/court fines and other revenue	Parking fines
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Parking violations bureau contract services
Other expenses	Development costs

Operational restructuring																
Additional Department employees	-	1	7	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)

(1) Based on department salaries & wages and employees, see Appendix C.2.

Ten-Year Financial Projections

Department of Transportation

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Fare box revenue	28.0	27.3	25.0	26.2	21.7	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
State operating assistance (Slate Act 51)	55.1	51.6	53.0	53.8	47.6	47.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4	46.4
Grant revenue (1)	50.8	54.4	63.6	47.8	60.0	34.4	13.3	22.9	22.9	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Subsidy from General Fund	104.1	79.3	80.0	77.0	90.6	47.2	85.5	87.5	93.9	100.9	108.4	113.8	119.0	124.2	129.5	134.6
Other revenue	6.7	5.0	5.5	6.7	3.0	(2.8)	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Total revenues	244.7	217.6	227.1	211.5	222.9	147.6	171.2	182.9	189.3	193.4	200.9	206.2	211.4	216.6	221.9	227.0
Expenses																
Salaries and wages	(47.4)	(48.4)	(45.1)	(40.8)	(36.8)	(30.3)	(30.1)	(33.9)	(34.4)	(35.3)	(36.1)	(37.1)	(37.8)	(38.5)	(39.3)	(40.1)
Overtime	(20.4)	(22.1)	(21.2)	(19.7)	(14.4)	(13.0)	(12.0)	(13.5)	(13.8)	(14.1)	(14.5)	(14.8)	(15.1)	(15.4)	(15.7)	(16.0)
Pension	(6.8)	(7.3)	(6.9)	(9.5)	(10.9)	(2.8)	(23.6)	(27.7)	(31.2)	(34.8)	(38.7)	(40.6)	(42.7)	(44.5)	(46.6)	(48.3)
Benefits (2)	(45.8)	(52.6)	(47.9)	(47.2)	(41.4)	(46.3)	(43.0)	(43.9)	(45.2)	(46.7)	(48.3)	(50.0)	(51.5)	(53.2)	(54.7)	(56.4)
Professional and contractual services	(22.1)	(14.1)	(13.7)	(14.9)	(28.5)	(13.5)	(15.5)	(15.7)	(15.8)	(16.0)	(16.1)	(16.3)	(16.5)	(16.6)	(16.8)	(17.0)
Materials & supplies	(34.7)	(26.5)	(22.5)	(24.9)	(23.9)	(21.6)	(21.6)	(21.9)	(22.1)	(22.3)	(22.5)	(22.7)	(23.0)	(23.2)	(23.4)	(23.7)
Utilities	(4.0)	(4.3)	(3.7)	(4.4)	(3.5)	(2.8)	(3.5)	(4.0)	(4.1)	(4.1)	(4.2)	(4.2)	(4.3)	(4.3)	(4.4)	(4.5)
Purchased services	(5.5)	(8.8)	(9.5)	(16.7)	(6.9)	(10.1)	(10.1)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)	(10.2)
Risk management and insurance	(11.1)	(10.9)	(18.7)	(19.2)	(12.5)	(0.4)	(10.3)	(12.6)	(12.7)	(12.8)	(13.0)	(13.1)	(13.2)	(13.4)	(13.5)	(13.6)
Other expenses	(23.0)	(21.2)	(17.3)	(17.2)	(22.9)	(20.0)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Debt service	-	-	-	-	-	(7.1)	-	-	-	-	-	-	-	-	-	-
Contributions to non-enterprise funds	(6.2)	(6.2)	(6.2)	(4.4)	(3.4)	-	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
POC - principal and interest (3)	(4.5)	(4.7)	(5.0)	(5.5)	(5.9)	(6.2)	(6.6)	(6.8)	(6.9)	(7.1)	(7.3)	(7.1)	(7.2)	(7.2)	(7.2)	(7.2)
Transfer - debt service	-	-	-	-	(7.5)	(1.6)	(4.9)	(2.9)	(2.9)	-	-	-	-	-	-	-
Total expenditures	(231.7)	(227.2)	(217.8)	(224.2)	(218.4)	(175.7)	(186.2)	(197.9)	(204.3)	(208.4)	(215.9)	(221.2)	(226.4)	(231.6)	(236.9)	(242.0)
Total surplus (deficit)	\$ 13.0	\$ (9.6)	\$ 9.3	\$ (12.7)	\$ 4.5	\$ (28.1)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (15.0)	\$ (15.0)
Operational restructuring																
Department revenue initiatives	\$ -	\$ (1.7)	\$ (5.7)	\$ (1.5)	\$ (0.1)	\$ 4.6	\$ 6.3	\$ 10.4	\$ 10.0	\$ 14.1	\$ 15.0					
<u>Expenses</u>																
Additional operating expenditures	-	(0.9)	(3.5)	0.7	(2.4)	(3.8)	(4.4)	(4.4)	(5.1)	(5.6)	(6.6)					
Technology	-	-	-	-	-	-	-	-	-	-	-					
Capital expenditures and other infrastructure	-	-	(1.6)	(2.0)	(2.3)	(2.5)	(1.0)	(1.0)	-	-	-					
Implementation costs	-	-	-	-	-	-	-	-	-	-	-					
Subtotal: Expenses	-	(0.9)	(5.1)	(1.3)	(4.7)	(6.2)	(5.4)	(5.4)	(5.1)	(5.6)	(6.6)					
Operational restructuring	\$ -	\$ (2.6)	\$ (10.8)	\$ (2.8)	\$ (4.8)	\$ (1.7)	\$ 0.9	\$ 5.1	\$ 4.9	\$ 8.5	\$ 8.5					
Adjusted surplus (deficit)	\$ (28.1)	\$ (17.6)	\$ (25.8)	\$ (17.8)	\$ (19.8)	\$ (16.7)	\$ (14.1)	\$ (9.9)	\$ (10.1)	\$ (6.5)	\$ (6.5)					

(1) Forecast excludes capital grants and related expenses.

(2) Includes ~\$15m non-cash OPEB expense which is the difference between the annual required contribution (per actuarial analysis) and actual payments made for retiree benefits.

(3) Historical POC payments have been split out from debt service based on forecasted POC allocation.

Appendix B

Key revenue drivers

Ten-Year Financial Projections

Property tax revenue - without reinvestment

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Change in assessed values</u>																
Real Property	n/a	1.9%	-4.4%	-5.7%	-5.0%	-6.9%	-6.4%	-9.4%	-4.4%	-3.4%	-3.0%	-2.4%	-12.7%	-0.1%	0.7%	0.7%
Personal Property	n/a	-1.9%	-0.6%	-6.2%	-13.9%	3.8%	-1.5%	-2.1%	-1.4%	-0.7%	-0.2%	-0.1%	0.3%	0.3%	0.4%	0.4%
Renaissance Zone	n/a	3.5%	23.9%	-20.3%	70.6%	26.2%	44.0%	1.0%	1.0%	1.0%	-2.5%	1.5%	2.0%	2.0%	2.0%	2.0%
<u>Values</u>																
Real Property	\$ 8,149.5	\$ 8,302.7	\$ 7,937.2	\$ 7,483.9	\$ 7,112.6	\$ 6,622.8	\$ 6,200.3	\$ 5,619.5	\$ 5,369.7	\$ 5,186.9	\$ 5,029.1	\$ 4,910.4	\$ 4,287.3	\$ 4,282.7	\$ 4,312.8	\$ 4,343.1
Personal Property	1,469.0	1,440.6	1,431.9	1,343.6	1,157.5	1,201.8	1,183.7	1,158.3	1,142.4	1,134.5	1,131.8	1,130.4	1,133.3	1,136.3	1,140.6	1,145.0
Total Valuation (for Non-Departmental & Library)	\$ 9,618.5	\$ 9,743.3	\$ 9,369.1	\$ 8,827.5	\$ 8,270.2	\$ 7,824.6	\$ 7,384.0	\$ 6,777.9	\$ 6,512.1	\$ 6,321.4	\$ 6,160.9	\$ 6,040.8	\$ 5,420.6	\$ 5,419.0	\$ 5,453.4	\$ 5,488.1
Renaissance Zone	278.2	287.9	356.8	284.4	485.2	612.5	882.0	890.8	899.7	908.7	885.6	898.9	916.9	935.2	953.9	973.0
Total Valuation (for Debt Service)	\$ 9,896.7	\$ 10,031.3	\$ 9,725.9	\$ 9,111.9	\$ 8,755.4	\$ 8,437.1	\$ 8,266.0	\$ 7,668.6	\$ 7,411.8	\$ 7,230.1	\$ 7,046.5	\$ 6,939.7	\$ 6,337.5	\$ 6,354.2	\$ 6,407.3	\$ 6,461.1
<u>Millage</u>																
Non-Departmental (General City)	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952
Debt Service	8.068	7.478	7.477	8.916	9.556	9.614	9.813	10.465	9.977	10.223	10.030	9.744	10.030	9.865	7.008	6.249
Library	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631
<u>Tax Levy</u>																
Non-Departmental (General City)	\$ 191.9	\$ 194.4	\$ 186.9	\$ 176.1	\$ 165.0	\$ 156.1	\$ 147.3	\$ 135.2	\$ 129.9	\$ 126.1	\$ 122.9	\$ 120.5	\$ 108.2	\$ 108.1	\$ 108.8	\$ 109.5
Debt Service	79.8	75.0	72.7	81.2	83.7	81.1	81.1	80.3	73.9	73.9	70.7	67.6	63.6	62.7	44.9	40.4
Library	44.5	45.1	43.4	40.9	38.3	36.2	34.2	31.4	30.2	29.3	28.5	28.0	25.1	25.1	25.3	25.4
<u>Levy adjustments</u>																
Non-Departmental (General City)	\$ (4.5)	\$ (4.5)	\$ (6.0)	\$ (2.9)	\$ (4.3)	\$ -	\$ -	\$ (1.6)	\$ (1.6)	\$ (1.5)	\$ (1.5)	\$ (1.5)	\$ (1.5)	\$ (1.5)	\$ (1.5)	\$ (1.6)
Debt Service	(0.3)	(2.3)	(1.1)	(1.5)	(1.5)	-	-	-	-	-	-	-	-	-	-	-
Library	(0.4)	(0.4)	(0.8)	(1.0)	(1.0)	-	-	-	-	-	-	-	-	-	-	-
<u>Adjusted tax levy</u>																
Non-Departmental (General City)	\$ 187.4	\$ 189.9	\$ 180.9	\$ 173.2	\$ 160.7	\$ 156.1	\$ 147.3	\$ 133.6	\$ 128.4	\$ 124.6	\$ 121.4	\$ 119.0	\$ 106.6	\$ 106.6	\$ 107.3	\$ 107.9
Debt Service	79.5	72.7	71.7	79.7	82.2	81.1	81.1	80.3	73.9	73.9	70.7	67.6	63.6	62.7	44.9	40.4
Library	44.2	44.8	42.6	39.9	37.3	36.2	34.2	31.4	30.2	29.3	28.5	28.0	25.1	25.1	25.3	25.4
Total	\$ 311.1	\$ 307.4	\$ 295.1	\$ 292.8	\$ 280.1	\$ 273.5	\$ 262.6	\$ 245.3	\$ 232.5	\$ 227.8	\$ 220.6	\$ 214.6	\$ 195.3	\$ 194.4	\$ 177.4	\$ 173.7
<u>Collection rate</u>																
Non-Departmental (General City)	82.8%	86.2%	79.1%	78.8%	77.6%	85.6%	78.0%	78.0%	78.0%	78.0%	80.0%	80.0%	84.0%	84.0%	84.0%	84.0%
Debt Service	88.9%	92.4%	82.1%	87.0%	84.1%	87.0%	82.0%	78.0%	78.0%	78.0%	80.0%	80.0%	84.0%	84.0%	84.0%	84.0%
Library	96.1%	78.9%	84.4%	84.5%	84.0%	84.2%	82.0%	82.0%	82.0%	84.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
<u>City collections</u>																
Non-Departmental (General City) [A]	\$ 155.2	\$ 163.7	\$ 143.0	\$ 136.5	\$ 124.7	\$ 133.6	\$ 114.9	\$ 104.2	\$ 100.1	\$ 97.2	\$ 97.1	\$ 95.2	\$ 89.6	\$ 89.5	\$ 90.1	\$ 90.7
Debt Service	70.7	67.2	58.8	69.3	69.1	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9
Library	42.5	35.3	35.9	33.7	31.3	30.5	28.0	25.7	24.7	24.6	24.2	23.8	21.3	21.3	21.5	21.6
Total	\$ 268.3	\$ 266.2	\$ 237.8	\$ 239.6	\$ 225.2	\$ 234.7	\$ 209.5	\$ 192.6	\$ 182.5	\$ 179.4	\$ 177.9	\$ 173.1	\$ 164.3	\$ 163.5	\$ 149.3	\$ 146.2
<u>Non-Departmental adjustments [B]</u>																
Prior Year delinquent collections	-	-	-	5.8	5.7	-	-	-	-	-	-	-	-	-	-	-
Chargeback Liability Reduction	-	-	-	26.9	5.7	-	-	-	-	-	-	-	-	-	-	-
Pass-Through Recipients Capture - Part of special act millage	-	-	-	9.1	7.3	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	4.4	4.3	-	-	-	-	-	-	-	-	-	-	-
General fund collections [A]+[B]	\$ 155.2	\$ 163.7	\$ 143.0	\$ 182.7	\$ 147.8	\$ 133.6	\$ 114.9	\$ 104.2	\$ 100.1	\$ 97.2	\$ 97.1	\$ 95.2	\$ 89.6	\$ 89.5	\$ 90.1	\$ 90.7

Ten-Year Financial Projections

Property tax revenue - with reinvestment

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Change in assessed values</u>																
Real Property	n/a	1.9%	-4.4%	-5.7%	-5.0%	-6.9%	-6.4%	-9.3%	-3.3%	-2.0%	-0.1%	1.1%	-7.1%	2.8%	3.5%	3.5%
Personal Property	n/a	-1.9%	-0.6%	-6.2%	-13.9%	3.8%	-1.5%	-1.2%	-0.3%	1.0%	1.0%	1.7%	1.8%	2.0%	2.2%	2.2%
Renaissance Zone	n/a	3.5%	23.9%	-20.3%	70.6%	26.2%	48.1%	1.0%	1.0%	1.0%	0.1%	1.5%	2.0%	2.0%	2.0%	2.0%
<u>Values</u>																
Real Property	\$ 8,149.5	\$ 8,302.7	\$ 7,937.2	\$ 7,483.9	\$ 7,112.6	\$ 6,622.8	\$ 6,200.3	\$ 5,624.2	\$ 5,439.7	\$ 5,330.9	\$ 5,327.9	\$ 5,388.2	\$ 5,004.6	\$ 5,145.5	\$ 5,327.4	\$ 5,515.8
Personal Property	1,469.0	1,440.6	1,431.9	1,343.6	1,157.5	1,201.8	1,183.7	1,169.4	1,165.6	1,177.2	1,189.0	1,209.8	1,230.9	1,255.2	1,282.8	1,311.0
Total Valuation (for Non-Departmental & Library)	\$ 9,618.5	\$ 9,743.3	\$ 9,369.1	\$ 8,827.5	\$ 8,270.2	\$ 7,824.6	\$ 7,384.0	\$ 6,793.6	\$ 6,605.2	\$ 6,508.1	\$ 6,516.9	\$ 6,597.9	\$ 6,235.5	\$ 6,400.7	\$ 6,610.1	\$ 6,826.8
Renaissance Zone	278.2	287.9	356.8	284.4	485.2	612.5	907.0	916.1	925.3	934.5	935.8	949.8	968.8	988.2	1,007.9	1,028.1
Total Valuation (for Debt Service)	\$ 9,896.7	\$ 10,031.3	\$ 9,725.9	\$ 9,111.9	\$ 8,755.4	\$ 8,437.1	\$ 8,291.0	\$ 7,709.7	\$ 7,530.5	\$ 7,442.6	\$ 7,452.6	\$ 7,547.7	\$ 7,204.3	\$ 7,388.9	\$ 7,618.1	\$ 7,854.9
<u>Millage</u>																
Non-Departmental (General City)	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952	19.952
Debt Service	8.068	7.478	7.477	8.916	9.556	9.614	9.783	10.410	9.340	9.446	9.252	8.741	8.519	8.191	5.691	4.963
Library	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631	4.631
<u>Tax Levy</u>																
Non-Departmental (General City)	\$ 191.9	\$ 194.4	\$ 186.9	\$ 176.1	\$ 165.0	\$ 156.1	\$ 147.3	\$ 135.5	\$ 131.8	\$ 129.8	\$ 130.0	\$ 131.6	\$ 124.4	\$ 127.7	\$ 131.9	\$ 136.2
Debt Service	79.8	75.0	72.7	81.2	83.7	81.1	81.1	80.3	70.3	70.3	69.0	66.0	61.4	60.5	43.4	39.0
Library	44.5	45.1	43.4	40.9	38.3	36.2	34.2	31.5	30.6	30.1	30.2	30.6	28.9	29.6	30.6	31.6
<u>Levy adjustments</u>																
Non-Departmental (General City)	\$ (4.5)	\$ (4.5)	\$ (6.0)	\$ (2.9)	\$ (4.3)	\$ -	\$ -	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.6)	\$ (1.7)	\$ (1.7)	\$ (1.7)	\$ (1.8)	\$ (1.8)
Debt Service	(0.3)	(2.3)	(1.1)	(1.5)	(1.5)	-	-	-	-	-	-	-	-	-	-	-
Library	(0.4)	(0.4)	(0.8)	(1.0)	(1.0)	-	-	-	-	-	-	-	-	-	-	-
<u>Adjusted tax levy</u>																
Non-Departmental (General City)	\$ 187.4	\$ 189.9	\$ 180.9	\$ 173.2	\$ 160.7	\$ 156.1	\$ 147.3	\$ 133.9	\$ 130.2	\$ 128.2	\$ 128.4	\$ 130.0	\$ 122.7	\$ 126.0	\$ 130.1	\$ 134.4
Debt Service	79.5	72.7	71.7	79.7	82.2	81.1	81.1	80.3	70.3	70.3	69.0	66.0	61.4	60.5	43.4	39.0
Library	44.2	44.8	42.6	39.9	37.3	36.2	34.2	31.5	30.6	30.1	30.2	30.6	28.9	29.6	30.6	31.6
Total	\$ 311.1	\$ 307.4	\$ 295.1	\$ 292.8	\$ 280.1	\$ 273.5	\$ 262.6	\$ 245.6	\$ 231.1	\$ 228.7	\$ 227.5	\$ 226.5	\$ 213.0	\$ 216.2	\$ 204.1	\$ 205.0
<u>Collection rate</u>																
Non-Departmental (General City)	82.8%	86.2%	79.1%	78.8%	77.6%	85.6%	78.0%	78.0%	82.0%	82.0%	82.0%	82.0%	87.0%	87.0%	87.0%	87.0%
Debt Service	88.9%	92.4%	82.1%	87.0%	84.1%	87.0%	82.0%	78.0%	82.0%	82.0%	82.0%	82.0%	87.0%	87.0%	87.0%	87.0%
Library	96.1%	78.9%	84.4%	84.5%	84.0%	84.2%	82.0%	82.0%	82.0%	84.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
<u>City collections</u>																
Non-Departmental (General City) [A]	\$ 155.2	\$ 163.7	\$ 143.0	\$ 136.5	\$ 124.7	\$ 133.6	\$ 114.9	\$ 104.5	\$ 106.8	\$ 105.2	\$ 105.3	\$ 106.6	\$ 106.8	\$ 109.6	\$ 113.2	\$ 116.9
Debt Service	70.7	67.2	58.8	69.3	69.1	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9
Library	42.5	35.3	35.9	33.7	31.3	30.5	28.0	25.8	25.1	25.3	25.7	26.0	24.5	25.2	26.0	26.9
Total	\$ 268.3	\$ 266.2	\$ 237.8	\$ 239.6	\$ 225.2	\$ 234.7	\$ 209.5	\$ 192.9	\$ 189.5	\$ 188.1	\$ 187.5	\$ 186.7	\$ 184.7	\$ 187.5	\$ 176.9	\$ 177.7
<u>Non-Departmental adjustments [B]</u>																
Prior Year delinquent collections	-	-	-	5.8	5.7	-	-	-	-	-	-	-	-	-	-	-
Chargeback Liability Reduction	-	-	-	26.9	5.7	-	-	-	-	-	-	-	-	-	-	-
Pass-Through Recipients Capture - Part of special act millage	-	-	-	9.1	7.3	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	4.4	4.3	-	-	-	-	-	-	-	-	-	-	-
GF collections - restructuring [A]+[B]	\$ 155.2	\$ 163.7	\$ 143.0	\$ 182.7	\$ 147.8	\$ 133.6	\$ 114.9	\$ 104.5	\$ 106.8	\$ 105.2	\$ 105.3	\$ 106.6	\$ 106.8	\$ 109.6	\$ 113.2	\$ 116.9
GF collections - without reinvestment							114.9	104.2	100.1	97.2	97.1	95.2	89.6	89.5	90.1	90.7
Increased collections						\$ -	\$ 0.2	\$ 6.6	\$ 8.0	\$ 8.2	\$ 11.4	\$ 17.2	\$ 20.1	\$ 23.1	\$ 26.3	\$ 26.3

Ten-Year Financial Projections

Income tax revenue - without reinvestment

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Municipal Income Taxes Calculation																
City Residents (A)																
Taxable income growth						2.8%	1.9%	1.5%	0.5%	0.5%	0.5%	0.5%	0.7%	0.7%	1.0%	1.0%
Taxable income	\$ 7,142.5	\$ 6,207.7	\$ 5,581.3	\$ 5,838.5	\$ 6,003.4	\$ 6,174.3	\$ 6,294.0	\$ 6,385.5	\$ 6,414.7	\$ 6,444.0	\$ 6,473.5	\$ 6,503.3	\$ 6,545.8	\$ 6,588.6	\$ 6,654.5	\$ 6,721.1
Income tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total City Resident income taxes	178.6	155.2	139.5	146.0	150.1	148.2	151.1	153.3	154.0	154.7	155.4	156.1	157.1	158.1	159.7	161.3
growth rate		-15.1%	-11.2%	4.4%	2.7%	-1.3%	1.9%	1.4%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	1.0%	1.0%
Non-Residents (B)																
Taxable income growth						2.6%	2.2%	1.7%	0.7%	0.7%	0.7%	0.7%	0.5%	1.2%	1.7%	1.7%
Taxable income	6,848.7	5,952.3	5,351.6	5,598.2	5,784.5	5,932.5	6,065.0	6,168.1	6,211.2	6,254.4	6,297.9	6,341.7	6,373.4	6,449.4	6,558.5	6,669.3
Income tax rate	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Total Non-Resident income taxes	85.6	74.4	66.9	70.0	72.3	71.2	72.8	74.0	74.5	75.1	75.6	76.1	76.5	77.4	78.7	80.0
growth rate		-15.1%	-11.2%	4.4%	3.2%	-1.6%	2.2%	1.7%	0.7%	0.7%	0.7%	0.7%	0.5%	1.2%	1.7%	1.7%
Corporations (C)																
Net tax collection growth						2.3%	2.5%	2.0%	2.0%	2.0%	2.0%	1.5%	1.0%	1.0%	1.0%	1.0%
Taxable income (implied)	1,238.7	907.7	1,033.4	1,043.7	1,064.6	1,102.5	1,128.3	1,156.5	1,179.6	1,203.2	1,227.3	1,245.7	1,258.2	1,270.7	1,283.5	1,296.3
Corporate tax rate	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Net tax collections	12.4	9.1	10.3	10.4	10.6	22.1	22.6	23.1	23.6	24.1	24.5	24.9	25.2	25.4	25.7	25.9
growth rate		-36.5%	12.2%	1.0%	2.0%	51.7%	2.3%	2.4%	2.0%	2.0%	2.0%	1.5%	1.0%	1.0%	1.0%	1.0%
Total Municipal income taxes (D) = (A+B+C)																
Taxable income	15,229.9	13,067.7	11,966.3	12,480.4	12,852.4	13,209.2	13,487.3	13,710.2	13,805.5	13,901.7	13,998.8	14,090.7	14,177.4	14,308.8	14,496.4	14,686.7
Calculated tax rate	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Total Municipal income taxes	276.6	238.7	216.8	226.4	233.0	241.4	246.4	250.4	252.1	253.8	255.5	257.1	258.7	260.9	264.1	267.3
Adjustment Municipal income taxes																
Adjustment for actuals	(0.1)	2.2	(0.2)	1.9	0.0	6.6	-	-	-	-	-	-	-	-	-	-
Total Adjusted Municipal income taxes	\$ 276.5	\$ 240.8	\$ 216.5	\$ 228.3	\$ 233.0	\$ 248.0	\$ 246.4	\$ 250.4	\$ 252.1	\$ 253.8	\$ 255.5	\$ 257.1	\$ 258.7	\$ 260.9	\$ 264.1	\$ 267.3

Ten-Year Financial Projections

Income tax revenue - with reinvestment

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Municipal Income Taxes Calculation																
City Residents (A)																
Taxable income growth						2.8%	2.6%	3.2%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Taxable income	\$ 7,142.5	\$ 6,207.7	\$ 5,581.3	\$ 5,838.5	\$ 6,003.4	\$ 6,174.3	\$ 6,332.7	\$ 6,533.4	\$ 6,680.7	\$ 6,827.2	\$ 6,974.0	\$ 7,124.5	\$ 7,279.5	\$ 7,437.9	\$ 7,599.7	\$ 7,765.0
Income tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total City Resident income taxes	178.6	155.2	139.5	146.0	150.1	148.2	152.0	156.8	160.3	163.9	167.4	171.0	174.7	178.5	182.4	186.4
growth rate		-15.1%	-11.2%	4.4%	2.7%	-1.3%	2.5%	3.1%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Non-Residents (B)																
Taxable income growth						2.6%	2.9%	3.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Taxable income	6,848.7	5,952.3	5,351.6	5,598.2	5,784.5	5,932.5	6,105.4	6,306.5	6,444.0	6,584.5	6,728.0	6,874.7	7,024.6	7,177.7	7,334.2	7,494.1
Income tax rate	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Total Non-Resident income taxes	85.6	74.4	66.9	70.0	72.3	71.2	73.3	75.7	77.3	79.0	80.7	82.5	84.3	86.1	88.0	89.9
growth rate		-15.1%	-11.2%	4.4%	3.2%	-1.6%	2.8%	3.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Corporations (C)																
Net tax collection growth							2.8%	4.7%	4.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Taxable income (implied)	1,238.7	907.7	1,033.4	1,043.7	1,064.6	1,102.5	1,133.4	1,186.6	1,234.1	1,271.1	1,296.5	1,322.5	1,348.9	1,375.9	1,403.4	1,431.5
Corporate tax rate	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Net tax collections	12.4	9.1	10.3	10.4	10.6	22.1	22.7	23.7	24.7	25.4	25.9	26.4	27.0	27.5	28.1	28.6
growth rate		-36.5%	12.2%	1.0%	2.0%	51.7%	2.7%	4.5%	3.8%	2.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total Municipal income taxes (D) = (A+B+C)																
Taxable income	15,229.9	13,067.7	11,966.3	12,480.4	12,852.4	13,209.2	13,571.4	14,026.5	14,358.7	14,682.8	14,998.6	15,321.7	15,653.0	15,991.5	16,337.3	16,690.6
Calculated tax rate	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Total Municipal income taxes	276.6	238.7	216.8	226.4	233.0	241.4	247.9	256.2	262.3	268.3	274.0	279.9	286.0	292.2	298.5	304.9
Adjustment Municipal income taxes																
Adjustment for actuals	(0.1)	2.2	(0.2)	1.9	0.0	6.6	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Income tax revenue - restructuring	\$ 276.5	\$ 240.8	\$ 216.5	\$ 228.3	\$ 233.0	\$ 248.0	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9
Income tax revenue - without reinvestment							246.4	250.4	252.1	253.8	255.5	257.1	258.7	260.9	264.1	267.3
Increased income tax revenues						\$ 1.5	\$ 5.8	\$ 10.3	\$ 14.5	\$ 18.6	\$ 22.8	\$ 27.2	\$ 31.2	\$ 34.4	\$ 37.7	

Ten-Year Financial Projections

Wagering tax revenue

(\$ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Wagering Taxes Drivers</u>																
% Change in Gross Receipts						-4.0%	-2.5%	-1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Adjusted Gross Receipts																
MGM					\$ 608.4	\$ 580.2	\$ 565.4	\$ 559.7	\$ 565.3	\$ 571.0	\$ 576.7	\$ 582.5	\$ 588.3	\$ 594.2	\$ 600.1	\$ 606.1
Motorcity					468.7	457.3	445.6	441.2	445.6	450.0	454.5	459.1	463.7	468.3	473.0	477.7
Greektown					358.0	340.3	331.6	328.3	331.6	334.9	338.2	341.6	345.0	348.5	352.0	355.5
<u>Wagering Taxes Calculation</u>																
Adjusted Gross Receipts (A)																
MGM	\$ 560.2	\$ 564.8	\$ 562.1	\$ 589.6	\$ 608.4	\$ 580.2	\$ 565.4	\$ 559.7	\$ 565.3	\$ 571.0	\$ 576.7	\$ 582.5	\$ 588.3	\$ 594.2	\$ 600.1	\$ 606.1
Motorcity	478.9	459.6	437.4	460.1	468.7	457.3	445.6	441.2	445.6	450.0	454.5	459.1	463.7	468.3	473.0	477.7
Greektown	331.2	319.0	356.6	350.0	358.0	340.3	331.6	328.3	331.6	334.9	338.2	341.6	345.0	348.5	352.0	355.5
Wagering Tax Rate (B)	11.4%	11.2%	11.1%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
Additional Payment (per 2006 operating agreement) (C)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Subtotal Wagering Tax (D) = (A)*(B+C)																
MGM	67.9	67.2	66.9	70.2	72.4	69.0	67.3	66.6	67.3	67.9	68.6	69.3	70.0	70.7	71.4	72.1
Motorcity	59.4	54.7	52.1	54.8	55.8	54.4	53.0	52.5	53.0	53.6	54.1	54.6	55.2	55.7	56.3	56.8
Greektown	42.5	41.2	44.5	41.7	42.6	40.5	39.5	39.1	39.5	39.9	40.3	40.7	41.1	41.5	41.9	42.3
Revenue Target Supplemental Wagering Tax (E)																
MGM	5.6	5.7	5.6	5.9	6.1	5.8	5.7	5.6	5.7	5.7	5.8	5.8	5.9	6.0	6.0	6.1
Motorcity	4.8	4.6	4.4	4.6	4.7	4.6	4.5	4.4	4.5	4.5	4.6	4.6	4.6	4.7	4.7	4.8
Greektown	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Wagering Tax (F) = (D+E)																
MGM	73.5	72.9	72.5	76.1	78.5	74.9	72.9	72.2	72.9	73.7	74.4	75.1	75.9	76.7	77.4	78.2
Motorcity	64.2	59.3	56.4	59.4	60.5	59.0	57.5	56.9	57.5	58.1	58.6	59.2	59.8	60.4	61.0	61.6
Greektown	42.5	41.2	44.5	41.7	42.6	40.5	39.5	39.1	39.5	39.9	40.3	40.7	41.1	41.5	41.9	42.3
Total Wagering Tax	180.1	173.3	173.4	177.1	181.6	174.3	169.9	168.2	169.9	171.6	173.3	175.0	176.8	178.5	180.3	182.1
Adjustment Wagering Taxes																
Adjustment for Actuals	0.3	(0.3)	9.9	(0.2)	(0.1)	0.3	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0
Total Adjusted Wagering Taxes	\$180.4	\$173.0	\$183.3	\$176.9	\$181.4	\$174.6	\$169.9	\$168.2	\$169.9	\$171.6	\$173.3	\$175.0	\$176.8	\$178.5	\$180.3	\$182.1

Ten-Year Financial Projections

State revenue sharing

(\$ in millions)

State Revenue Sharing Calculations

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Constitutional																
2000 Population	949,231	949,231	949,231	949,231	--	--	--	--	--	--	--	--	--	--	--	--
2010 Population	--	--	--	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	--	--
2020 Population	--	--	--	--	--	--	--	--	--	--	--	--	--	625,152	625,152	625,152
October Payment																
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	12.443	11.812	10.837	11.353	12.456	13.001	12.848	12.848	12.848	12.848	12.848	12.848	12.848	12.848	12.848	12.848
October Payment	11.8	11.2	10.3	10.8	8.9	9.3	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	8.0	8.0
December Payment																
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	11.554	12.370	10.291	10.381	12.215	12.287	13.089	13.089	13.089	13.089	13.089	13.089	13.089	13.089	13.089	13.089
December Payment	11.0	11.7	9.8	9.9	8.7	8.8	9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3	8.2	8.2
February Payment																
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	12.010	11.540	11.223	11.969	12.106	12.596	12.949	12.949	12.949	12.949	12.949	12.949	12.949	12.949	12.949	12.949
February Payment	11.4	11.0	10.7	11.4	8.6	9.0	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	8.1	8.1
April Payment																
Population	949,231	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152
Distribution Rate	10.744	8.954	9.423	10.254	11.497	11.214	11.565	11.565	11.565	11.565	11.565	11.565	11.565	11.565	11.565	11.565
April Payment	10.2	8.5	8.9	9.7	8.2	8.0	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	7.2	7.2
June Payment																
Population	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152	625,152
Distribution Rate	10.809	10.623	10.830	11.003	11.645	11.802	12.166	12.166	12.166	12.166	12.166	12.166	12.166	12.166	12.166	12.166
June Payment	10.3	10.1	10.3	7.8	8.3	8.4	8.7	8.7	8.7	8.7	8.7	8.7	8.7	7.6	7.6	7.6
August Payment																
Population	949,231	949,231	949,231	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	712,501	625,152	625,152	625,152
Distribution Rate	11.920	10.228	10.916	11.010	11.620	12.398	12.222	12.222	12.222	12.222	12.222	12.222	12.222	12.222	12.222	12.222
August Payment	11.3	9.7	10.4	7.8	8.3	8.8	8.7	8.7	8.7	8.7	8.7	8.7	8.7	7.6	7.6	7.6
Adjustment (1)																
Adjustment for Actuals	-	-	-	(10.2)	-	(0.0)	0.6	2.0	3.6	5.2	6.9	8.7	10.5	6.1	12.2	13.9
Total Constitutional Payment	\$ 66.4	\$ 63.1	\$ 60.9	\$ 47.6	\$ 51.0	\$ 52.2	\$ 53.9	\$ 55.3	\$ 56.9	\$ 58.5	\$ 60.2	\$ 62.0	\$ 63.8	\$ 57.3	\$ 59.0	\$ 60.7
Statutory (EVIP)																
Accounting and Transparency					40.5	43.3	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4
Consolidation of Services					40.5	43.3	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4
Employee Compensation					40.5	43.3	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4
Adjustment for Actuals					-	0.2	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Statutory Payment (EVIP)	-	-	-	-	121.4	130.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3
Totals																
Total Constitutional Payment	66.4	63.1	60.9	47.6	51.0	52.2	53.9	55.3	56.9	58.5	60.2	62.0	63.8	57.3	59.0	60.7
Total Statutory Payment	181.8	202.6	201.5	191.5	121.4	130.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3	136.3
Estimated State Revenue Sharing	\$ 248.2	\$ 265.8	\$ 262.4	\$ 239.2	\$ 172.3	\$ 182.5	\$ 190.2	\$ 191.6	\$ 193.2	\$ 194.8	\$ 196.5	\$ 198.3	\$ 200.1	\$ 193.6	\$ 195.3	\$ 197.0
State calculations used for FY15 and beyond																
Other shared taxes (including liquor and beer licenses)																
Other shared taxes (including liquor and beer licenses)	\$ 1.4	\$ 0.8	\$ 1.3	\$ 0.1	\$ 1.0	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
Total State Revenue Sharing	\$ 249.6	\$ 266.6	\$ 263.7	\$ 239.3	\$ 173.3	\$ 183.8	\$ 191.5	\$ 192.9	\$ 194.5	\$ 196.1	\$ 197.8	\$ 199.6	\$ 201.4	\$ 194.9	\$ 196.6	\$ 198.3

Notes:

(1) Adjustment due to estimated increases in sales tax collections by the State, resulting in higher assumed distributions

Appendices C - D
Key expense drivers

Ten-Year Financial Projections

Headcount - Full-Time Equivalents

		Detailed Headcount by Department															
		Fiscal year ended actual					Preliminary forecast										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Uniform																	
Police		3,421	3,688	3,288	3,195	3,016	2,909	2,706	2,747	2,882	2,895	2,895	2,895	2,895	2,895	2,895	2,895
Fire		1,444	1,406	1,355	1,330	1,257	1,189	1,183	1,238	1,228	1,228	1,228	1,228	1,228	1,228	1,228	1,228
	Total Uniform	4,865	5,094	4,643	4,525	4,273	4,098	3,890	3,986	4,110	4,123	4,123	4,123	4,123	4,123	4,123	4,123
Civilian																	
Budget		22	23	20	16	15	16	16	16	16	16	16	16	16	16	16	16
DPW		803	788	659	642	542	505	509	509	509	509	509	509	509	509	509	509
DWDD		91	99	113	73	46	7	-	-	-	-	-	-	-	-	-	-
Finance		327	310	285	266	235	228	216	216	206	206	206	206	206	206	206	206
Health & Wellness		348	317	262	243	185	80	14	9	9	9	9	9	9	9	9	9
Human Resources		175	168	171	176	107	93	84	84	60	60	60	60	60	60	60	60
Human Services		117	91	95	85	52	22	-	-	-	-	-	-	-	-	-	-
ITS		99	92	65	46	43	35	35	38	38	38	38	38	38	38	38	38
Law		127	122	113	105	94	86	86	86	86	86	86	86	86	86	86	86
Mayor		108	74	63	52	39	22	22	24	24	24	24	24	24	24	24	24
Planning & Development		172	173	160	154	122	116	116	113	113	113	113	113	113	113	113	113
PLD		225	206	160	123	103	99	70	12	7	5	3	3	3	2	-	-
Recreation		472	388	508	510	300	202	202	202	202	202	202	202	202	202	202	202
General Services		676	528	481	447	343	298	298	272	272	272	272	272	272	272	272	272
Legislative (1)		230	266	194	169	184	172	138	119	119	119	119	119	119	119	119	119
36th District Court		32	33	33	35	31	31	31	31	31	31	31	31	31	31	31	31
Other (2)		103	89	31	36	26	32	30	26	26	26	26	26	26	26	26	26
	Total Civilian	4,127	3,767	3,413	3,178	2,467	2,043	1,868	1,757	1,718	1,716	1,714	1,714	1,714	1,713	1,711	1,711
	Total General Fund	8,992	8,861	8,056	7,703	6,740	6,140	5,758	5,743	5,828	5,839	5,837	5,837	5,837	5,836	5,834	5,834
Enterprise																	
Airport		11	10	9	8	7	5	5	5	5	5	5	5	5	5	5	5
BSED		296	276	258	235	204	192	192	192	192	192	192	192	192	192	192	192
Transportation		1,512	1,514	1,351	1,292	1,131	1,060	978	1,048	1,065	1,065	1,065	1,065	1,065	1,065	1,065	1,065
Parking		109	104	97	92	97	90	90	90	90	90	90	90	90	90	90	90
Water		1,045	1,012	962	981	930	873	873	873	873	873	873	873	873	873	873	873
Sewer		1,215	1,177	1,119	1,142	1,082	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Library		460	466	450	371	334	335	335	335	335	335	335	335	335	335	335	335
	Total Enterprise	4,648	4,559	4,246	4,121	3,785	3,572	3,490	3,560	3,577	3,577	3,577	3,577	3,577	3,577	3,577	3,577
Total City		13,640	13,420	12,302	11,824	10,525	9,712	9,248	9,303	9,405	9,417	9,415	9,415	9,415	9,414	9,412	9,412

(1) Most Recreation department employees are part-time employees.

(2) Includes: Civic Center, Human Rights, Administrative Hearings, Homeland Security, Non-departmental

Ten-Year Financial Projections
Payroll

	Fiscal year ended actual					Average Salary										
	Actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Uniform																
Police	\$53,597	\$51,883	\$56,204	\$60,742	\$58,848	\$52,625	\$51,514	\$54,454	\$54,454	\$55,816	\$57,211	\$58,641	\$59,814	\$61,010	\$62,231	\$63,475
Fire	59,754	62,869	62,968	63,698	65,189	58,311	55,950	58,747	58,747	60,216	61,721	63,264	64,530	65,820	67,137	68,479
Average Uniform	\$55,424	\$54,915	\$58,178	\$61,611	\$60,713	\$54,274	\$52,864	\$55,788	\$55,737	\$57,126	\$58,554	\$60,018	\$61,218	\$62,443	\$63,692	\$64,965
Civilian																
Budget	\$62,323	\$62,796	\$62,338	\$71,811	\$73,322	\$57,557	\$64,173	\$67,381	\$67,381	\$69,066	\$70,792	\$72,562	\$74,013	\$75,494	\$77,003	\$78,544
DPW	30,107	30,392	35,862	30,300	32,448	31,439	33,550	35,112	35,112	35,990	36,890	37,812	38,568	39,339	40,126	40,929
DWDD	69,476	72,088	105,969	104,180	96,126	n/a	-	-	-	-	-	-	-	-	-	-
Finance	44,290	48,404	49,213	48,545	49,479	44,131	45,415	47,685	47,685	48,878	50,099	51,352	52,379	53,427	54,495	55,585
Health & Wellness	38,399	42,069	44,205	39,808	42,873	29,627	60,946	73,547	73,547	75,386	77,270	79,202	80,786	82,402	84,050	85,731
Human Resources	52,849	55,000	49,465	38,861	55,145	44,710	49,727	52,213	52,213	53,519	54,857	56,228	57,353	58,500	59,670	60,863
Human Services	42,296	53,028	47,676	46,749	64,791	44,951	55,538	58,314	58,314	59,772	61,267	62,798	64,054	65,335	66,642	67,975
ITS	51,306	55,548	61,007	74,548	60,681	57,494	57,494	60,369	60,369	61,878	63,425	65,011	66,311	67,637	68,990	70,369
Law	73,486	75,672	72,144	73,252	78,313	71,497	71,497	75,072	75,072	76,949	78,873	80,844	82,461	84,111	85,793	87,509
Mayor	52,946	71,222	73,700	76,927	80,495	98,421	92,861	97,504	97,504	99,942	102,440	105,001	107,101	109,243	111,428	113,657
Planning & Development	54,225	54,491	55,121	51,860	59,007	53,640	53,640	56,322	56,322	57,730	59,173	60,652	61,865	63,103	64,365	65,652
PLD	44,676	46,839	50,059	55,114	55,866	48,724	49,211	84,190	81,474	79,817	79,591	81,182	82,806	84,462	-	-
Recreation (1)	15,783	19,905	13,500	11,659	17,264	16,904	16,904	17,749	17,749	18,193	18,648	19,114	19,496	19,886	20,284	20,690
General Services	31,804	39,503	36,473	36,309	34,874	30,695	33,501	35,176	35,176	36,056	36,957	37,881	38,639	39,412	40,200	41,004
Legislative (2)	51,789	49,387	56,976	54,111	43,790	41,106	39,284	43,415	43,415	44,501	45,613	46,754	47,689	48,642	49,615	50,608
36th District Court	73,310	74,878	73,616	69,189	51,102	51,391	46,252	48,564	48,564	49,779	51,023	52,299	53,345	54,411	55,500	56,610
Other (3)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Civilian	\$37,952	\$41,894	\$43,048	\$39,407	\$42,474	\$37,652	\$39,115	\$41,290	\$40,962	\$41,927	\$42,926	\$43,998	\$44,878	\$45,753	\$46,622	\$47,554
Total General Fund	\$47,405	\$49,380	\$51,768	\$52,450	\$54,037	\$48,745	\$48,404	\$51,352	\$51,381	\$52,659	\$53,965	\$55,314	\$56,420	\$57,544	\$58,686	\$59,859
Enterprise																
Airport	\$46,972	\$51,750	\$49,202	\$44,746	\$42,833	\$39,678	\$64,882	\$68,126	\$68,126	\$69,829	\$71,575	\$73,364	\$74,832	\$76,328	\$77,855	\$79,412
BSED	44,694	49,103	50,316	49,154	48,069	40,757	47,306	49,672	49,672	50,913	52,186	53,491	54,561	55,652	56,765	57,900
Transportation	31,375	31,991	33,352	31,553	32,578	28,576	30,767	32,306	32,306	33,113	33,941	34,790	35,486	36,195	36,919	37,658
Parking	35,423	36,835	37,362	34,955	30,576	30,621	33,594	35,274	35,274	36,156	37,060	37,986	38,746	39,521	40,312	41,118
Water	36,004	41,942	29,473	35,952	36,621	39,949	40,481	42,505	42,505	43,568	44,657	45,774	46,689	47,623	48,575	49,547
Sewer	35,082	39,467	29,002	37,896	38,784	32,781	56,127	58,933	58,933	60,406	61,916	63,464	64,734	66,028	67,349	68,696
Library	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Enterprise	\$31,260	\$34,050	\$28,948	\$32,623	\$33,273	\$30,596	\$38,662	\$40,431	\$40,392	\$41,402	\$42,437	\$43,498	\$44,368	\$45,256	\$46,161	\$47,084
Total City	\$41,903	\$44,172	\$43,892	\$45,540	\$46,570	\$42,070	\$44,727	\$47,172	\$47,201	\$48,383	\$49,585	\$50,824	\$51,841	\$52,874	\$53,925	\$55,003

(1) Most Recreation department employees are part-time employees.

(2) Includes: Auditor General, Zoning, City Council, Ombudsperson, City Clerk, and Elections.

(3) Includes: Civic Center, Human Rights, Administrative Hearings, Homeland Security, Non-departmental

Ten-Year Financial Projections

Benefits

(\$ in millions)

	Preliminary forecast																					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023											
Active employees																						
						Assumed inflation	6.0%	4.0%	4.0%	4.0%	4.0%											
<u>Medical costs per head (\$ in actuals) (1)</u>																						
PFRS	\$	9,205	\$	8,795	\$	9,388	\$	10,051	\$	10,786	\$	11,433	\$	11,890	\$	12,366	\$	12,861	\$	13,375		
General City		8,124		7,954		8,491		9,088		9,751		10,336		10,750		11,180		11,627		12,092		
Department of Transportation		9,841		8,729		9,316		9,968		10,694		11,336		11,790		12,261		12,752		13,262		
Water/Sewer		8,421		8,309		8,871		9,493		10,187		10,799		11,231		11,680		12,147		12,633		
Library		7,441		7,240		7,708		8,255		8,854		9,385		9,761		10,151		10,557		10,980		
36 District Court		12,098		12,944		13,819		14,793		15,875		16,828		17,501		18,201		18,929		19,686		
<u>Heads</u>																						
PFRS		3,890		3,986		4,110		4,123		4,123		4,123		4,123		4,123		4,123		4,123		
General City		1,963		1,853		1,813		1,811		1,809		1,809		1,809		1,808		1,806		1,806		
Department of Transportation		978		1,048		1,065		1,065		1,065		1,065		1,065		1,065		1,065		1,065		
Water/Sewer		1,890		1,890		1,890		1,890		1,890		1,890		1,890		1,890		1,890		1,890		
Library		335		335		335		335		335		335		335		335		335		335		
36 District Court		362		362		362		362		362		362		362		362		362		362		
<u>Total Active Medical costs</u>																						
PFRS	\$	35.8	\$	35.1	\$	38.6	\$	41.4	\$	44.5	\$	47.1	\$	49.0	\$	51.0	\$	53.0	\$	55.2		
General City		15.9		14.7		15.4		16.5		17.6		18.7		19.5		20.2		21.0		21.8		
Department of Transportation		9.6		9.1		9.9		10.6		11.4		12.1		12.6		13.1		13.6		14.1		
Water/Sewer		15.9		15.7		16.8		17.9		19.3		20.4		21.2		22.1		23.0		23.9		
Library		2.5		2.4		2.6		2.8		3.0		3.1		3.3		3.4		3.5		3.7		
36 District Court		4.4		4.7		5.0		5.3		5.7		6.1		6.3		6.6		6.8		7.1		
	\$	84.2	\$	81.7	\$	88.2	\$	94.6	\$	101.5	\$	107.6	\$	111.9	\$	116.3	\$	120.9	\$	125.8		
<u>General Fund Active Medical costs</u>																						
PFRS	\$	35.8	\$	35.0	\$	38.5	\$	41.4	\$	44.4	\$	47.1	\$	49.0	\$	50.9	\$	53.0	\$	55.1		
General City		9.1		8.4		8.6		9.2		9.8		10.4		10.8		11.2		11.7		12.1		
36 District Court		4.4		4.7		5.0		5.3		5.7		6.1		6.3		6.6		6.8		7.1		
	\$	49.2	\$	48.0	\$	52.1	\$	55.9	\$	60.0	\$	63.6	\$	66.1	\$	68.7	\$	71.5	\$	74.3		
Retirees																						
						Assumed inflation (2)	5.0%	5.6%	3.3%	4.6%	4.2%	5.6%	5.2%	5.6%	4.9%	4.8%						
Implied Medical costs per head (\$ in actuals)	\$	10,683	\$	11,213	\$	11,836	\$	12,230	\$	12,790	\$	13,330	\$	14,078	\$	14,804	\$	15,631	\$	16,391	\$	17,178
Heads		17,027		17,027		17,027		17,027		17,027		17,027		17,027		17,027		17,027		17,027		17,027
Total Retiree Medical costs	\$	181.9	\$	190.9	\$	201.5	\$	208.2	\$	217.8	\$	227.0	\$	239.7	\$	252.1	\$	266.1	\$	279.1	\$	292.5
General Fund portion of Retiree Medical costs (3) (4)	\$	130.0	\$	138.3	\$	142.9	\$	149.4	\$	155.7	\$	164.4	\$	172.9	\$	182.6	\$	191.5	\$	200.7		
% of total		68.1%		68.6%		68.6%		68.6%		68.6%		68.6%		68.6%		68.6%		68.6%		68.6%		

Footnotes:

(1) Based on Milliman letter dated November 3, 2013, Re: City of Detroit Active Health Plan Projections.

(2) Based on census data of Retirees by department. Unknown retirees have been allocated across all non-uniform departments. Individuals having retired from departments that no longer exist have been allocated across active General Fund departments.

(3) Growth assumptions based on plan provisions outline in Milliman letter dated June 30, 2013.

(4) Retirees representing departments in transition, such as Health & Wellness and PLD, have been included in the allocation across active General Fund departments.

Ten-Year Financial Projections

Pension

(\$ in millions)

		Preliminary forecast									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Third-party projections</u>											
<i>Milliman</i>											
	PFRS + GRS (baseline @ 7%)	\$ 277.0	\$ 325.0	\$ 363.0	\$ 402.0	\$ 444.0	\$ 457.0	\$ 474.0	\$ 486.0	\$ 495.0	\$ 504.0
	Normal	75.0	76.0	77.0	78.0	80.0	81.0	81.5	82.0	82.6	83.1
	UAAL	43.0	64.0	87.0	110.0	135.0	137.0	138.0	139.1	140.1	141.2
	Existing DC plan (PFRS)	2.0	3.0	4.0	4.0	5.0	6.0	6.6	7.3	8.0	8.8
<u>Total City</u>											
	PFRS	\$ 139.0	\$ 163.0	\$ 180.0	\$ 198.0	\$ 217.0	\$ 219.0	\$ 224.0	\$ 225.0	\$ 222.0	\$ 221.0
	General City	54.4	63.8	72.1	80.4	89.4	93.7	98.5	102.8	107.5	111.5
	DOT	23.6	27.7	31.2	34.8	38.7	40.6	42.7	44.5	46.6	48.3
	Water/Sewer	56.7	66.6	75.2	83.9	93.3	97.8	102.8	107.3	112.2	116.3
	Library	3.4	3.9	4.5	5.0	5.5	5.8	6.1	6.4	6.6	6.9
	Total City Pension plans	\$ 277.0	\$ 325.0	\$ 363.0	\$ 402.0	\$ 444.0	\$ 457.0	\$ 474.0	\$ 486.0	\$ 495.0	\$ 504.0
	36th District Court (State plan)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Total estimated City Pension	\$ 282.0	\$ 330.0	\$ 368.0	\$ 407.0	\$ 449.0	\$ 462.0	\$ 479.0	\$ 491.0	\$ 500.0	\$ 509.0
<u>General Fund</u>											
	PFRS	\$ 138.8	\$ 162.8	\$ 179.8	\$ 197.7	\$ 216.7	\$ 218.7	\$ 223.7	\$ 224.7	\$ 221.7	\$ 220.7
	General City - General Fund	33.4	39.0	43.4	48.3	53.7	56.3	59.1	61.7	64.5	66.8
	Estimated City Pension plans (GF)	\$ 172.2	\$ 201.8	\$ 223.2	\$ 246.0	\$ 270.4	\$ 275.0	\$ 282.8	\$ 286.4	\$ 286.2	\$ 287.5
	36th District Court (State plan)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Total estimated GF Pension	\$ 177.2	\$ 206.8	\$ 228.1	\$ 251.0	\$ 275.4	\$ 280.0	\$ 287.8	\$ 291.4	\$ 291.1	\$ 292.5
Pension unfunded liability											
	PFRS	\$ 1,446.0	\$ 1,428.0	\$ 1,389.0	\$ 1,327.0	\$ 1,241.0	\$ 1,148.0	\$ 1,040.0	\$ 925.0	n/a	n/a
	GRS	2,077.0	2,095.0	2,095.0	2,075.0	2,031.0	1,976.0	1,906.0	1,821.0	n/a	n/a

Footnotes:

(1) Actual FY13 pension expenses accrued are being investigated.

Ten-Year Financial Projections

Debt summary

(\$ in millions)

	Type	Funding source	Maturity	Interest rate	Beg. Bal. 2013	Paid by General Fund							
	LTGO	Sr. Lien on DSA & Self-Insurance	2013-2035	4.00%-8.00%	\$ 452.6	✓							
	Refinance (LTGO)	3rd Lien on DSA	2033	2.50%-5.30%	129.5	✓							
	UTGO	Property taxes	2014-2028	3.75%-5.375%	510.8								
	Capital Lease	n/a	n/a	n/a	1.6	✓							
	POC	n/a	2025-2035	Floating-5.989%	1,451.9	Portion							
	POC swap	Wagering taxes	2029-2034	6.323%-6.356%	n/a	✓							
		Total principal			<u>\$ 2,546.4</u>								
	Preliminary forecast												Partially General Fund
Debt Service	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		
Principal													
LTGO	\$ 41.8	\$ 47.7	\$ 33.5	\$ 35.1	\$ 13.6	\$ 14.2	\$ 14.9	\$ 15.7	\$ 16.8	\$ 16.0	\$ 16.7	✓	
Refinance (LTGO)	-	2.9	4.4	4.6	4.9	5.1	5.3	5.6	5.8	6.1	6.5	✓	
UTGO	41.7	39.8	37.9	34.9	36.7	37.5	37.0	38.2	39.5	26.6	24.2		
Capital Lease	0.5	0.1	-	-	-	-	-	-	-	-	-	✓	
Total debt principal	84.0	90.5	75.8	74.6	55.1	56.8	57.2	59.4	62.1	48.7	47.3		
Interest													
LTGO	23.3	21.3	18.2	16.5	14.8	14.1	13.4	12.7	11.9	11.1	10.4	✓	
Refinance (LTGO)	4.2	6.1	6.0	5.8	5.6	5.4	5.1	4.9	4.7	4.4	4.1	✓	
UTGO	28.9	26.7	24.7	22.8	21.0	19.1	17.1	15.2	13.2	11.2	9.7		
Capital Lease	0.0	0.0	-	-	-	-	-	-	-	-	-	✓	
Total debt interest	56.4	54.1	48.9	45.2	41.4	38.6	35.7	32.8	29.8	26.6	24.2		
GF adjustment (1)	2.7	-	-	-	-	-	-	-	-	-	-		
Total debt service	<u>\$ 143.1</u>	<u>\$ 144.6</u>	<u>\$ 124.7</u>	<u>\$ 119.8</u>	<u>\$ 96.5</u>	<u>\$ 95.4</u>	<u>\$ 92.9</u>	<u>\$ 92.3</u>	<u>\$ 91.9</u>	<u>\$ 75.3</u>	<u>\$ 71.5</u>		
GF debt service (LTGO)	\$ 72.6	\$ 78.1	\$ 62.1	\$ 62.1	\$ 38.9	\$ 38.8	\$ 38.8	\$ 38.9	\$ 39.3	\$ 37.6	\$ 37.5		
Debt service fund (UTGO) (2)	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9		
POC (3)													
Principal													
POC - Governmental	\$ 18.4	\$ 23.6	\$ 26.5	\$ 29.4	\$ 32.6	\$ 36.1	\$ 36.4	\$ 38.3	\$ 40.3	\$ 42.4	\$ 44.6	✓	
POC - EF (incl. DDOT)	4.7	6.0	6.8	7.5	8.3	9.2	9.3	9.8	10.3	10.8	11.4		
Total POC principal	23.1	29.6	33.3	37.0	41.0	45.3	45.7	48.1	50.6	53.2	56.0		
Interest													
POC - Governmental	30.3	29.5	28.4	27.2	25.8	24.2	22.5	21.2	19.8	18.3	16.6	✓	
POC - EF (incl. DDOT)	7.7	7.5	7.3	6.9	6.6	6.2	5.7	5.4	5.1	4.7	4.2		
POC swap - Governmental	40.6	40.6	40.6	40.6	40.6	40.6	40.6	39.8	39.1	38.5	37.9	✓	
POC swap - EF (incl. DDOT)	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.1	5.0	4.9		
Total POC interest	84.0	82.9	81.5	80.0	78.2	76.2	74.1	71.6	69.1	66.4	63.6		
Total POC	<u>\$ 107.1</u>	<u>\$ 112.6</u>	<u>\$ 114.8</u>	<u>\$ 116.9</u>	<u>\$ 119.2</u>	<u>\$ 121.5</u>	<u>\$ 119.7</u>	<u>\$ 119.7</u>	<u>\$ 119.7</u>	<u>\$ 119.7</u>	<u>\$ 119.7</u>		
Total POC - Governmental	\$ 89.3	\$ 93.7	\$ 95.5	\$ 97.2	\$ 99.0	\$ 100.8	\$ 99.4	\$ 99.3	\$ 99.2	\$ 99.2	\$ 99.1		
General Fund adjustment (1)	(11.4)	(15.2)	(15.6)	(16.4)	(16.8)	(17.2)	(16.9)	(17.0)	(17.1)	(17.1)	(17.2)		
General Fund POC	<u>\$ 77.9</u>	<u>\$ 78.5</u>	<u>\$ 79.8</u>	<u>\$ 80.8</u>	<u>\$ 82.2</u>	<u>\$ 83.6</u>	<u>\$ 82.5</u>	<u>\$ 82.3</u>	<u>\$ 82.2</u>	<u>\$ 82.0</u>	<u>\$ 81.9</u>	✓	
Debt service + POC													
Total GF debt service + POC	\$ 150.5	\$ 156.6	\$ 141.9	\$ 142.9	\$ 121.0	\$ 122.4	\$ 121.3	\$ 121.2	\$ 121.5	\$ 119.6	\$ 119.4		
POC allocation to enterprise and other funds	29.1	34.0	35.0	36.1	37.0	37.9	37.3	37.4	37.5	37.7	37.8		
Debt service fund (UTGO debt service)	70.6	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9		
Total	<u>\$ 250.2</u>	<u>\$ 257.2</u>	<u>\$ 239.5</u>	<u>\$ 236.7</u>	<u>\$ 215.7</u>	<u>\$ 216.9</u>	<u>\$ 212.7</u>	<u>\$ 212.0</u>	<u>\$ 211.6</u>	<u>\$ 195.0</u>	<u>\$ 191.1</u>		

Footnotes:

(1) Represents allocations to/from other funds/departments.

(2) UTGO debt service already accounted for within gross property taxes, from which a transfer is made to the Debt Service fund.

(3) See Appendix D.2 for additional POC allocation detail.

Ten-Year Financial Projections

POC summary

(\$ in millions)

		Preliminary forecast									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total POC payments											
Total Principal Payments		\$ (29.6)	\$ (33.3)	\$ (37.0)	\$ (41.0)	\$ (45.3)	\$ (45.7)	\$ (48.1)	\$ (50.6)	\$ (53.2)	\$ (56.0)
Total Interest Payments		(32.2)	(30.8)	(29.3)	(27.5)	(25.5)	(23.4)	(21.9)	(20.2)	(18.4)	(16.3)
Total Quarterly Interest (Part of Set-Aside Requirements)		(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.7)	(4.6)	(4.5)
Total Interest Swap Payments - PFRS (1)		(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.1)	(28.5)	(28.1)	(27.6)
Total Interest Swap Payments - GRS (1)		(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.0)	(15.7)	(15.4)	(15.2)
Total payments		\$ (112.6)	\$ (114.8)	\$ (116.9)	\$ (119.2)	\$ (121.5)	\$ (119.7)	\$ (119.7)	\$ (119.7)	\$ (119.7)	\$ (119.7)
POC payments by Pension system											
PFRS											
Principal		\$ (11.1)	\$ (12.4)	\$ (13.8)	\$ (15.3)	\$ (16.9)	\$ (17.1)	\$ (18.0)	\$ (18.9)	\$ (19.9)	\$ (21.0)
Interest		(12.0)	(11.5)	(11.0)	(10.3)	(9.6)	(8.7)	(8.2)	(7.6)	(6.9)	(6.1)
Quarterly		(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.7)	(1.7)	(1.7)
Swap		(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.6)	(29.1)	(28.5)	(28.1)	(27.6)
Subtotal: PFRS		(54.6)	(55.4)	(56.2)	(57.0)	(57.9)	(57.2)	(57.0)	(56.8)	(56.6)	(56.4)
DGRS											
Principal		(18.6)	(20.8)	(23.1)	(25.6)	(28.3)	(28.6)	(30.1)	(31.7)	(33.3)	(35.1)
Interest		(20.1)	(19.3)	(18.3)	(17.2)	(16.0)	(14.6)	(13.7)	(12.7)	(11.5)	(10.2)
Quarterly		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(2.9)	(2.9)	(2.8)
Swap		(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.3)	(16.0)	(15.7)	(15.4)	(15.2)
Subtotal: DGRS		(58.0)	(59.4)	(60.8)	(62.2)	(63.6)	(62.5)	(62.7)	(62.9)	(63.1)	(63.3)
Total payments		\$ (112.6)	\$ (114.8)	\$ (116.9)	\$ (119.2)	\$ (121.5)	\$ (119.7)	\$ (119.7)	\$ (119.7)	\$ (119.7)	\$ (119.7)
DGRS POC payments by funding group											
DDOT		11.4%	\$ (6.6)	\$ (6.8)	\$ (6.9)	\$ (7.1)	\$ (7.3)	\$ (7.1)	\$ (7.2)	\$ (7.2)	\$ (7.2)
Water/Sewer		18.5%	(10.7)	(11.0)	(11.2)	(11.5)	(11.7)	(11.5)	(11.6)	(11.6)	(11.7)
Library		2.6%	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.6)	(1.7)	(1.7)	(1.7)
General City (2)		67.5%	(39.1)	(40.1)	(41.0)	(41.9)	(42.9)	(42.3)	(42.5)	(42.6)	(42.7)
Total GRS payments		100.0%	\$ (58.0)	\$ (59.4)	\$ (60.8)	\$ (62.2)	\$ (63.6)	\$ (62.5)	\$ (62.7)	\$ (62.9)	\$ (63.3)
POC Swap payments by funding group											
PFRS		\$ (29.6)	\$ (29.6)	\$ (29.6)	\$ (29.6)	\$ (29.6)	\$ (29.6)	\$ (29.1)	\$ (28.5)	\$ (28.1)	\$ (27.6)
DDOT		(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.8)	(1.8)	(1.8)	(1.7)
Water/Sewer		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(2.9)	(2.9)	(2.8)	(2.8)
Library		(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
General City (2)		(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(10.8)	(10.6)	(10.4)	(10.2)
Total POC swap payments		\$ (45.9)	\$ (45.9)	\$ (45.9)	\$ (45.9)	\$ (45.9)	\$ (45.9)	\$ (45.0)	\$ (44.2)	\$ (43.5)	\$ (42.8)
Supporting allocations											
		Allocations									
		2005-A									
		2006-A, 2006-B									
		Refunding Transaction	Principal & Interest	GRS Swap	PFRS Swap						
Funding Group											
DDOT		\$ 106.3	7.2%	11.4%	0.0%						
Water/Sewer		171.4	11.5%	18.5%	0.0%						
Library		24.5	1.6%	2.6%	0.0%						
General City (2)		626.9	42.2%	67.5%	0.0%						
Subtotal: DGRS		\$ 929.1	62.6%	100.0%	0.0%						
PFRS		\$ 555.4	37.4%	0.0%	100.0%						
Total		\$ 1,484.5	100.0%	100.0%	100.0%						

Footnotes:
(1) Allocation of swap interest based on \$283.7 million of notional principal for GRS and \$516.3 million of notional principal for PFRS.
(2) General City is comprised of a General Fund component as well as a portion allocated to other funds (i.e. Solid Waste fund, Street funds, and certain cost centers within Planning & Development, BSEED and Parking).

This page intentionally left blank

EXHIBIT K

FORTY-YEAR FINANCIAL PROJECTIONS

City of Detroit
Plan of Adjustment - 40 year projections

The attached Plan of Adjustment preliminary forecast (the “POA Financial Projections”), its assumptions and underlying data are the product of the Client and its management (“Management”) and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP (“EY”) did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client’s responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client’s POA Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

Plan of Adjustment - 40 year projections

Assumptions

(\$ in millions)

Plan of Adjustment - 40 year projections

General Fund Cash Flows	GF 40yr cash flows	\$4.2b funds available for unsecured claims
	DIP financing	Quality of Life (\$120m @ 6.5% assumed to be refinanced as part of exit facility)
	Exit financing	\$300m note @ 6.0% maturing in FY23
	Swap treatment	\$85m settlement
	Contingency	Reflects 1.0% of total revenues
Revenue stream from DWSD	Pension	\$429m for pension in the first 10 years
	OPEB	12.1% of OPEB - current retirees payments
	POC	11.5% of total POC payments
Reimbursement from other funds	Reimbursements from Parking (non-GF) and Library	
Hypothetical art proceeds (a)	Foundations	\$366m over 20 years
	DIA	\$100m over 20 years
Hypothetical State settlement (a)	Contributions to pension	\$195m in FY15
Hypothetical claims treatment		
PFRS		
Pension	Contributions (years 1-10)	Estimated to be \$261m from foundations / State settlement
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$681m (b) amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	78%
GRS		
Pension	Contributions (years 1-10)	Estimated to be \$99m from State settlement; \$429m from DWSD; \$45m from DIA; \$146m from GF & other funds
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$695m (b) amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	70%
UTGO	Hypothetical Note A	\$287.5m note funded with pass-through UTGO millage
Other unsecured	Hypothetical Notes B	\$650m note paid over 30 years - \$450m OPEB, \$18m LTGO, \$162m POC, \$4m notes/loans and \$16m other

Footnotes:

- (a) Hypothetical art and State settlement proceeds are subject to a consensual agreement with respect to the treatment of pension-related claims.
- (b) Estimated pension contributions to retirement systems and unfunded pension liabilities as of June 30, 2023 are subject to change.

Plan of Adjustment - 40 year projections

Recovery summary

(\$ in millions)

10 Years

10 Years		Hypothetical distributions					
Creditor	Claim	State settlement	Art proceeds	Cash	Notes		10 year \$
					A (UTGO)	B	
PFRS pension	\$1,250	\$96	\$165				\$261
GRS pension	\$1,879	\$99	\$45	\$575			\$719
PFRS OPEB	\$2,208			\$9		\$79	\$88
GRS OPEB	\$2,095			\$11		\$74	\$85
UTGO	\$388				\$328		\$328
LTGO	\$164					\$6	\$6
POC	\$1,473					\$55	\$55
Notes/loans payable	\$34					\$1	\$1
Other unsecured items	\$150					\$6	\$6
	\$9,640	\$195	\$210	\$595	\$328	\$221	\$1,548

40 Years

40 Years		Hypothetical distributions									
Creditor	Claim	State settlement	Art proceeds	Cash	Notes		Illustrative Recoveries				Adjusted
					A (UTGO)	B	\$	\$ PV (a)	%		%
PFRS pension	\$1,250	\$96	\$233	\$1,325			\$1,654	\$735	59%	Excludes State, Foundation, and DIA proceeds	39%
GRS pension	\$1,879	\$99	\$233	\$1,809			\$2,141	\$1,118	60%		48%
PFRS OPEB	\$2,208			\$9		\$436	\$445	\$212	10%		
GRS OPEB	\$2,095			\$11		\$409	\$420	\$201	10%		
UTGO	\$388				\$368		\$368	\$288	74%		
LTGO	\$164					\$34	\$34	\$16	10%		
POC	\$1,473					\$304	\$304	\$141	10%		
Notes/loans payable	\$34					\$7	\$7	\$3	10%		
Other unsecured items	\$150					\$31	\$31	\$14	10%		
	\$9,640	\$195	\$466	\$3,154	\$368	\$1,221	\$5,404	\$2,730	28%		

Description of Hypothetical notes

Note	Face value	Interest rate	Recipients	Term	Comments
Note A	\$287.5	n/a	UTGO	14 years	Represents ~87% of UTGO scheduled debt service
Note B	\$650.0	4%, 4%, 6%	OPEB, LTGO, POC, Notes & Other unsec.	30 years	10 yrs interest only, and straight-line amortization thereafter

Footnotes:

(a) Present value amounts calculated assuming 5% discount rate.

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

		2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Revenues	<u>Growth after FY23</u>					
Municipal income tax	2.4% - 2.8%	\$ 2,770.2	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.1
State revenue sharing	0.1% - 1.7%	1,963.9	2,076.3	2,262.5	2,488.6	8,791.3
Wagering taxes	1.0%	1,745.7	1,924.6	2,126.0	2,348.4	8,144.7
Property taxes	1.5% - 2.2%	1,089.7	1,368.5	1,638.6	1,901.7	5,998.4
Utility users' taxes	1.5% - 1.7%	257.2	304.3	353.2	409.9	1,324.6
Sales and charges for services	2.0%	1,118.9	1,162.6	1,417.2	1,727.5	5,426.2
Other revenue	2.0%	712.8	753.5	918.5	1,119.7	3,504.5
General Fund reimbursements	2.0%	264.1	238.8	291.1	354.9	1,149.0
Transfers in for UTGO	n/a	532.8	147.6	22.1	-	702.4
Restructuring:						
Department revenue initiatives	2.0%	477.2	578.3	704.9	859.3	2,619.6
QOL / exit financing proceeds (net)	n/a	292.7	-	-	-	292.7
Total revenues		11,225.1	12,064.6	14,324.6	17,269.2	54,883.5
Expenditures						
Salaries/overtime/fringe - Public Safety	2.0% - 2.25%	(2,858.7)	(3,524.5)	(4,356.5)	(5,442.1)	(16,181.8)
Salaries/overtime/fringe - Non-Public Safety	2.0% - 2.25%	(901.6)	(1,087.2)	(1,343.9)	(1,678.8)	(5,011.5)
Health benefits (a)	~4% inflation cap beg. FY20	(752.3)	(928.2)	(1,373.9)	(2,033.7)	(5,088.1)
OPEB payments - future retirees	~1% of wages uniform / 2% of wages non-uniform	(43.9)	(53.5)	(65.6)	(81.1)	(244.1)
Active pension plan	11.2%/12.25% uniform / 5.75% non-uniform	(326.7)	(417.5)	(515.6)	(643.2)	(1,903.0)
Other operating expenses	2.0%	(3,013.7)	(3,436.4)	(4,189.0)	(5,106.4)	(15,745.5)
Restructuring:						
Additional operating expenditures	2.0%	(368.9)	(379.2)	(462.3)	(563.5)	(1,774.0)
Working capital	n/a	(24.8)	-	-	-	(24.8)
Secured debt service	n/a	(390.5)	(391.0)	(67.2)	-	(848.6)
Contributions to income stabilization fund	n/a	(17.8)	(2.2)	-	-	(20.0)
Swap interest set-aside	n/a	(103.7)	-	-	-	(103.7)
QOL / exit financing principal/interest payments	n/a	(420.9)	-	-	-	(420.9)
Reorganization (Capital investments)	2.0%	(609.4)	(415.4)	(501.4)	(605.3)	(2,131.5)
Restructuring professional fees	n/a	(130.0)	-	-	-	(130.0)
Blight (excludes heavy commercial)	n/a	(420.0)	-	-	-	(420.0)
PLD decommission	n/a	(75.0)	-	-	-	(75.0)
Contingency	n/a	(101.1)	(120.6)	(143.2)	(172.7)	(537.7)
Reinvestment deferrals	n/a	45.2	146.6	52.3	(244.2)	-
Total expenditures		(10,513.8)	(10,609.2)	(12,966.2)	(16,570.9)	(50,660.1)
Funds available for unsecured claims		\$ 711.3	\$ 1,455.3	\$ 1,358.4	\$ 698.3	\$ 4,223.4

Footnotes:

(a) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

Sources

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Funds available for unsecured claims	\$ 711.3	\$ 1,455.3	\$ 1,358.4	\$ 698.3	\$ 4,223.4
Revenue stream from DWSD - no transaction					
Pension	428.5	-	-	-	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	19.9	41.4	39.1	3.0	103.5
POC (based on 11.5% of total POC payments)	6.4	14.2	13.5	1.0	35.1
Sub-total: Revenue stream from DWSD	454.8	55.7	52.6	4.1	567.1
Reimbursement from other funds	27.6	32.9	25.3	15.3	101.1
Hypothetical art proceeds					
Foundation fundraising	164.7	201.3	-	-	366.0
DIA contributions	45.0	55.0	-	-	100.0
State settlement	194.8	-	-	-	194.8
Total hypothetical sources	\$ 1,598.2	\$ 1,800.2	\$ 1,436.3	\$ 717.7	\$ 5,552.4

Uses

Hypothetical retiree payments					
PFRS pension payments	(260.7)	(617.7)	(464.5)	(311.3)	(1,654.2)
GRS pension payments	(718.6)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	(10.9)
Subtotal: hypothetical retiree distributions	(999.3)	(1,248.1)	(938.5)	(628.9)	(3,814.9)
Hypothetical notes					
Note A (UTGO)	(327.5)	(40.8)	-	-	(368.4)
Note B (\$650m - 10yr Interest only)	(221.0)	(495.4)	(468.0)	(36.3)	(1,220.6)
Subtotal: hypothetical notes	(548.5)	(536.2)	(468.0)	(36.3)	(1,589.0)
Total hypothetical distributions / total uses	\$ (1,547.8)	\$ (1,784.3)	\$ (1,406.5)	\$ (665.2)	\$ (5,403.9)
Surplus / (deficit)	\$ 50.4	\$ 15.8	\$ 29.7	\$ 52.5	\$ 148.5
Ending cash balance	\$ 86.4	\$ 102.2	\$ 131.9	\$ 184.5	\$ 184.5

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Total distributions to creditors					
PFRS pension (c)	\$ (260.7)	\$ (617.7)	\$ (464.5)	\$ (311.3)	\$ (1,654.2)
GRS pension (c)	(718.6)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB	(9.1)	-	-	-	(9.1)
GRS OPEB	(10.9)	-	-	-	(10.9)
UTGO (Note A)	(327.5)	(40.8)	-	-	(368.4)
<u>Note B</u>					
PFRS OPEB	(78.9)	(176.9)	(167.2)	(13.0)	(436.0)
GRS OPEB	(74.1)	(166.0)	(156.8)	(12.2)	(409.0)
LTGO	(6.1)	(13.7)	(12.9)	(1.0)	(33.7)
POC	(55.0)	(123.4)	(116.5)	(9.0)	(304.0)
Notes/loans payable	(1.3)	(2.8)	(2.7)	(0.2)	(6.9)
Other unsecured items	(5.6)	(12.6)	(11.9)	(0.9)	(31.0)
Total hypothetical distributions to unsecured creditors	(1,547.8)	(1,784.3)	(1,406.5)	(665.2)	(5,403.9)
Total secured debt service (including QOL/Exit financing)	(811.4)	(391.0)	(67.2)	-	(1,269.5)
Total distributions to creditors	\$ (2,359.2)	\$ (2,175.3)	\$ (1,473.7)	\$ (665.2)	\$ (6,673.5)
Percentage of total revenues (including other sources)	19.5%	17.5%	10.2%	3.8%	11.9%

	Claims (a)		40 years			
	\$ in millions	%	Nominal (b)	%	PV @ 5.0% (b)	%
PFRS pension (c)	1,250.0	13%	1,325.2	106%	481.8	39%
GRS pension (c)	1,879.0	19%	1,808.9	96%	895.5	48%
PFRS OPEB	2,207.8	23%	445.1	20%	211.9	10%
GRS OPEB	2,095.2	22%	419.9	20%	201.1	10%
Sub-total: Pension and OPEB	7,432.1	77%	3,999.2	54%	1,790.3	24%
UTGO (Note A)	387.9	4%	368.4	95%	288.4	74%
<u>Notes B (excl. OPEB)</u>						
LTGO	163.5	2%	33.7	21%	15.7	10%
POC	1,472.9	15%	304.0	21%	141.4	10%
Notes/loans payable	33.6	0%	6.9	21%	3.2	10%
Other unsecured items	150.0	2%	31.0	21%	14.4	10%
Sub-total: Note B (excl. OPEB)	1,820.1	19%	375.6	21%	174.7	10%
Total	\$ 9,640.0	100%	\$ 4,743.1	49%	\$ 2,253.4	23%

Footnotes:

- (a) Subject to ongoing legal review/negotiation. Final allowed claim amounts under these categories may be materially different.
(b) Nominal pension system payments have each been adjusted by \$661m for PFRS and GRS combined (State settlement & art proceeds) for the calculation of recoveries.
(c) Retirement system pension claims based on actuarial valuation as of June 30, 2013.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	Preliminary forecast										2014- 2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.2
State revenue sharing	191.5	192.9	194.5	196.1	197.8	199.6	201.4	194.9	196.6	198.3	1,963.9
Wagering taxes	169.9	168.2	169.9	171.6	173.3	175.0	176.8	178.5	180.3	182.1	1,745.7
Property taxes	114.9	104.5	106.8	105.2	105.3	106.6	106.8	109.6	113.2	116.9	1,089.7
Utility users' taxes	20.1	24.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0	257.2
Sales and charges for services	131.5	118.0	115.8	113.7	111.5	109.3	107.1	104.5	103.4	104.1	1,118.9
Other revenue	86.3	80.1	78.7	67.3	66.0	66.3	66.6	66.9	67.2	67.5	712.8
General Fund reimbursements	29.8	42.9	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	264.1
Transfers in for UTGO	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
Restructuring:											
Department revenue initiatives	7.2	72.0	48.3	53.0	56.2	45.8	46.2	46.1	50.6	51.8	477.2
QOL / exit financing proceeds (net)	52.5	240.2	-	-	-	-	-	-	-	-	292.7
Total revenues	1,118.2	1,362.1	1,100.7	1,079.6	1,088.1	1,084.5	1,092.4	1,094.0	1,096.5	1,109.0	11,225.1
Expenditures											
Salaries/overtime/fringe - Public Safety	(245.2)	(264.1)	(270.3)	(277.5)	(284.4)	(291.5)	(297.4)	(303.3)	(309.4)	(315.6)	(2,858.7)
Salaries/overtime/fringe - Non-Public Safety	(85.7)	(86.9)	(86.0)	(86.1)	(88.0)	(90.2)	(92.0)	(93.8)	(95.4)	(97.3)	(901.6)
Health benefits (a)	(173.0)	(67.1)	(52.1)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(752.3)
OPEB payments - future retirees	(3.9)	(4.1)	(4.2)	(4.3)	(4.4)	(4.5)	(4.5)	(4.6)	(4.7)	(4.8)	(43.9)
Active pension plan	(17.0)	(31.4)	(32.0)	(32.9)	(33.7)	(34.5)	(35.2)	(35.9)	(36.6)	(37.4)	(326.7)
Other operating expenses	(290.9)	(313.6)	(312.8)	(293.3)	(296.7)	(295.7)	(297.6)	(299.4)	(306.1)	(307.7)	(3,013.7)
Restructuring:											
Additional operating expenditures	(12.6)	(68.9)	(51.3)	(42.6)	(32.9)	(29.7)	(32.2)	(31.7)	(33.1)	(34.0)	(368.9)
Working capital	(39.8)	15.0	-	-	-	-	-	-	-	-	(24.8)
Secured debt service	(35.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(390.5)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Swap interest set-aside	(45.9)	(57.8)	-	-	-	-	-	-	-	-	(103.7)
QOL / exit financing principal/interest payments	(1.3)	(14.6)	(18.0)	(18.0)	(18.0)	(68.0)	(90.0)	(85.5)	(81.0)	(26.5)	(420.9)
Reorganization (Capital investments)	(31.2)	(152.1)	(91.0)	(61.7)	(52.4)	(49.3)	(45.5)	(44.4)	(41.8)	(40.0)	(609.4)
Restructuring professional fees	(82.2)	(47.8)	-	-	-	-	-	-	-	-	(130.0)
Blight (excludes heavy commercial)	(2.0)	(98.0)	(80.0)	(80.0)	(80.0)	(80.0)	-	-	-	-	(420.0)
PLD decommission	-	(25.0)	(25.0)	(25.0)	-	-	-	-	-	-	(75.0)
Contingency	-	(13.6)	(11.0)	(10.8)	(10.9)	(10.8)	(10.9)	(10.9)	(11.0)	(11.1)	(101.1)
Reinvestment deferrals	-	-	62.5	38.0	1.7	59.4	(15.4)	(10.9)	(16.0)	(74.2)	45.2
Total expenditures	(1,066.2)	(1,271.9)	(1,012.7)	(991.7)	(1,001.2)	(1,000.0)	(1,028.4)	(1,030.7)	(1,047.5)	(1,063.6)	(10,513.8)
Funds available for unsecured claims	\$ 51.9	\$ 90.3	\$ 88.0	\$ 87.9	\$ 86.9	\$ 84.5	\$ 64.0	\$ 63.3	\$ 49.1	\$ 45.4	\$ 711.3

Footnotes:

(a) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

Sources

	Preliminary forecast										2014-2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Funds available for unsecured claims	\$ 51.9	\$ 90.3	\$ 88.0	\$ 87.9	\$ 86.9	\$ 84.5	\$ 64.0	\$ 63.3	\$ 49.1	\$ 45.4	\$ 711.3
Revenue stream from DWSD - no transaction											
Pension	-	65.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	-	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	19.9
POC (based on 11.5% of total POC payments)	-	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	6.4
Sub-total: Revenue stream from DWSD	-	68.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	454.8
Reimbursement from other funds	-	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0	3.0	27.6
Hypothetical art proceeds											
Foundation fundraising	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
DIA contributions	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
State settlement	-	194.8	-	-	-	-	-	-	-	-	194.8
Total hypothetical sources	\$ 51.9	\$ 379.8	\$ 162.7	\$ 162.7	\$ 161.6	\$ 159.3	\$ 138.6	\$ 137.9	\$ 123.7	\$ 120.0	\$ 1,598.2

Uses

Hypothetical retiree payments											
PFRS pension payments	-	(114.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(260.7)
GRS pension payments	-	(188.2)	(76.9)	(76.9)	(76.8)	(76.6)	(56.5)	(56.5)	(55.2)	(54.9)	(718.6)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	-	-	-	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	-	-	-	-	-	-	(10.9)
Subtotal: hypothetical retiree distributions	(20.0)	(302.5)	(95.2)	(95.2)	(95.1)	(94.9)	(74.8)	(74.8)	(73.5)	(73.2)	(999.3)
Hypothetical notes											
Note A (UTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(24.1)	(20.8)	(327.5)
Note B (\$650m - 10yr Interest only)	-	(13.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(221.0)
Subtotal: hypothetical notes	-	(58.8)	(67.5)	(67.5)	(66.5)	(64.4)	(63.8)	(63.1)	(50.1)	(46.8)	(548.5)
Total hypothetical distributions / total uses	\$ (20.0)	\$ (361.4)	\$ (162.7)	\$ (162.7)	\$ (161.6)	\$ (159.3)	\$ (138.6)	\$ (137.9)	\$ (123.7)	\$ (120.0)	\$ (1,547.8)
Surplus / (deficit)	\$ 32.0	\$ 18.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50.4
Ending cash balance	\$ 68.0	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4

This page intentionally left blank

EXHIBIT L

DWSD CURRENT AND HISTORICAL FINANCIAL INFORMATION

City of Detroit
Detroit Water and Sewer Department
Water Fund
Historical Water Fund Income Statement

	For the Fiscal Year Ended					
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Water Sales - Detroit	\$ 74,442,186	\$ 65,360,449	\$ 65,580,546	\$ 74,810,362	\$ 71,540,060	\$ 75,653,761
Water Sales - Suburban	216,867,005	206,282,285	210,662,057	237,099,865	258,587,439	275,185,243
Miscellaneous	1,674,029	2,452,729	9,227,823	4,091,974	6,002,446	4,688,757
Total Revenues	292,983,220	274,095,463	285,470,426	316,002,201	336,129,945	355,527,761
Source of Supply	1,991,566	1,435,307	1,600,836	5,683,036	9,680,853	3,787,570
Low-lift Pumping	5,070,132	6,136,788	4,897,562	8,269,998	8,145,801	7,152,542
High-lift Pumping	21,329,905	22,052,260	17,971,502	19,581,883	22,998,901	21,686,100
Purification	17,077,316	19,062,007	15,464,412	17,681,131	19,335,784	15,998,705
Water Quality Operations	1,244,597	1,111,392	792,590	787,600	815,616	782,672
Pumping Stations	0	0	0	16,741,756	24,908,886	19,328,514
Transmission and Distributions	26,448,973	43,536,055	34,158,895	28,596,533	23,503,906	28,420,176
Services and Meters	5,977,508	5,812,986	8,096,307	13,235,615	11,678,595	16,750,695
Hydrant Division	128,697	3,489	314,729	697,442	417,833	508,762
Commercial	6,112,874	7,046,284	7,632,044	6,129,979	7,572,727	6,919,951
Operations and Maintenance	30,371,887	33,709,777	45,426,798	0	0	0
Central City Staff Services	7,994,520	5,664,954	6,225,681	0	0	0
Administrative and General	17,621,924	20,172,634	15,351,608	29,475,444	36,021,547	24,996,371
Nonrecurring Capital Asset Adjustments	28,283,497	0	0	0	0	18,735,709
Net OPEB Obligation	0	0	0	0	0	17,248,909
Other Items	0	0	0	14,638,350	15,124,239	0
Depreciation	67,504,841	71,084,673	81,660,122	71,995,060	81,602,960	83,031,094
Total Operating Expenses	237,158,237	236,828,606	239,593,086	233,513,827	261,807,648	265,347,771
Operating Income	55,824,983	37,266,857	45,877,340	82,488,374	74,322,297	90,179,990
Investment Earnings (Losses)	29,312,849	13,749,381	(23,979,799)	14,479,871	(72,582,266)	(6,941,979)
Loss on Disposal of Capital Assets	0	0	0	0	0	0
Interest Expense, Net of Capitalized Interest	(123,619,840)	(112,905,999)	(107,044,663)	(111,666,753)	(108,750,464)	(127,866,520)
Amortization of Bond Issuance Costs	0	0	0	0	(7,059,640)	(8,533,883)
Miscellaneous Revenue (Expense)	1,679,909	(7,920,379)	664,100	1,588,987	453,615	6,404,158
Total Other Income (Expenses)	(92,627,082)	(107,076,997)	(130,360,362)	(95,597,895)	(187,938,755)	(136,938,224)
Decrease in Net Assets before Capital Contributions, Transfers, and Special Items	(36,802,099)	(69,810,140)	(84,483,022)	(13,109,521)	(113,616,458)	(46,758,234)
Capital Contributions	605,746	340,076	111,777	211,745	20,500	165,403
Transfers In	9,575,331	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
Special Items	0	0	0	0	0	0
Capital Contributions, Transfers In, Transfers Out, and Special Items	10,181,077	340,076	111,777	211,745	20,500	165,403
Increase (Decrease) in Net Assets	(26,621,022)	(69,470,064)	(84,371,245)	(12,897,776)	(113,595,958)	(46,592,831)
Net Assets, Beginning	400,952,650	374,331,628	304,861,564	136,375,840	123,478,064	9,882,106
Adjustments to Net Assets	0	0	(84,114,479)	0	0	0
Net Assets, Beginning (Adjusted)	400,952,650	374,331,628	220,747,085	136,375,840	123,478,064	9,882,106
Increase (Decrease) in Net Assets	(26,621,022)	(69,470,064)	(84,371,245)	(12,897,776)	(113,595,958)	(46,592,831)
Net Assets, Ending	\$ 374,331,628	\$ 304,861,564	\$ 136,375,840	\$ 123,478,064	\$ 9,882,106	\$ (36,710,725)

Source: FY 2013 information obtained from preliminary financial statements; FY 2008 - 2012 obtained from audited financial statements.

City of Detroit
Detroit Water and Sewer Department
Sewage Disposal Fund
Historical Sewage Fund Income Statement

	For the Fiscal Year Ended					
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
General Customers	\$ 135,966,630	\$ 162,813,091	\$ 167,986,001	\$ 188,929,588	\$ 186,551,894	\$ 193,098,413
Suburban Customers	201,722,312	219,638,029	187,874,924	213,888,870	242,759,761	238,301,009
City Departments	3,441,917	642,654	532,109	567,670	617,325	635,188
Sewage Surcharge	1,435,519	2,957,031	3,730,043	3,424,043	2,601,809	5,204,732
Miscellaneous	4,342,453	4,075,593	5,414,313	3,908,904	5,124,102	3,623,918
Total Revenues	346,908,831	390,126,398	365,537,390	410,719,075	437,654,891	440,863,260
Sewage Treatment Plant	131,877,214	129,314,215	141,078,880	149,268,127	144,270,145	128,418,729
Interceptors and Regulators	3,419,697	6,363,301	2,175,886	9,867,867	14,030,425	8,456,026
Sewer Pumping Stations	3,220,434	7,362,432	2,684,307	13,671,159	8,458,261	8,444,193
Sewer Maintenance and Engineering	13,027,555	19,710,820	20,009,122	8,585,844	4,581,284	0
Meters	0	0	0	0	0	142,199
Industrial Waste Control	0	0	0	0	0	4,145,645
Sewer	0	0	0	0	0	8,201,988
Combined Sewage Overflow Control Basins	489,622	569,971	714,292	4,608,783	5,042,764	5,319,475
Commercial	7,610,884	8,107,329	6,655,589	9,290,038	5,970,441	6,519,748
Operations and Maintenance	16,152,236	16,626,233	13,624,330	9,517,917	5,240,561	0
Central Services and General Fund Reimbursements	5,688,320	7,778,365	4,046,518	0	0	0
Administrative and General	32,943,836	24,906,841	19,465,067	26,001,008	29,429,706	35,065,939
Other Items	0	0	0	16,439,026	15,332,241	50,579,250
Depreciation	94,145,601	96,509,481	97,713,277	150,660,578	115,604,049	121,464,302
Total Operating Expenses	308,575,399	317,248,988	308,167,268	397,910,347	347,959,877	376,757,496
Operating Income	38,333,432	72,877,410	57,370,122	12,808,728	89,695,014	64,105,764
Investment Earnings (Losses)	27,634,679	11,501,806	(23,300,503)	(1,168,864)	(64,450,366)	(7,939,285)
Loss on Disposal of Capital Assets	0	0	0	(91,476,801)	0	(2,752)
Interest Expense, Net of Capitalized Interest	(120,537,137)	(133,029,160)	(118,561,130)	(119,734,891)	(108,153,176)	(142,081,167)
Amortization of Bond Issuance Costs	0	0	0	0	(8,796,332)	(14,978,455)
Miscellaneous Revenue	1,548,292	9,331,912	124,285	2,209,701	1,846,318	861,759
Total Other Income (Expenses)	(91,354,166)	(112,195,442)	(141,737,348)	(210,170,855)	(179,553,556)	(164,139,900)
Decrease in Net Assets before Capital Contributions, Transfers, and Special Items	(53,020,734)	(39,318,032)	(84,367,226)	(197,362,127)	(89,858,542)	(100,034,136)
Capital Contributions	0	2,322,233	6,610,573	5,523,194	0	0
Transfers In	1,511,419	0	0	0	0	0
Transfers Out	(8,063,912)	0	0	0	0	0
Special Items	(141,962,894)	(36,900,173)	0	0	0	0
Capital Contributions, Transfers In, Transfers Out, and Special Items	(148,515,387)	(34,577,940)	6,610,573	5,523,194	0	0
Increase (Decrease) in Net Assets	(201,536,121)	(73,895,972)	(77,756,653)	(191,838,933)	(89,858,542)	(100,034,136)
Net Assets, Beginning	877,308,457	675,772,336	601,876,364	439,161,426	247,322,493	157,463,951
Adjustments to Net Assets	0	0	(84,958,285)	0	0	0
Increase (Decrease) in Net Assets	(201,536,121)	(73,895,972)	(77,756,653)	(191,838,933)	(89,858,542)	(100,034,136)
Net Assets, Ending	\$ 675,772,336	\$ 601,876,364	\$ 439,161,426	\$ 247,322,493	\$ 157,463,951	\$ 57,429,815

Source: FY 2013 information obtained from preliminary financial statements; FY 2008 - 2012 obtained from audited financial statements.

**City of Detroit
Detroit Water and Sewer Department
Water Fund
Historical Water Fund Balance Sheet**

	As of:					
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Cash and Cash Equivalents	\$ 48,660,120	\$ 80,194	\$ 11,585,084	\$ 7,357,748	\$ 17,969,040	\$ 21,321,725
Investments	49,496,338	44,013,126	21,192,353	84,018,134	0	55,599,174
Billed Accounts Receivable	62,904,132	70,619,839	61,573,023	72,914,205	85,327,741	76,807,485
Unbilled Accounts Receivable	23,088,374	24,551,149	26,702,430	30,350,253	37,465,551	31,426,122
Other Accounts Receivable	1,740,581	0	2,284,629	3,757,139	4,410,841	2,827,025
Less: Allowance for Doubtful Accounts	(35,952,199)	(41,327,531)	(25,061,864)	(25,387,639)	(28,259,741)	(27,158,423)
Total Accounts Receivable, Net	51,780,888	53,843,457	65,498,218	81,633,958	98,944,392	83,902,209
Due from Other Funds	21,334,188	67,887,115	118,670,060	66,690,098	41,459,509	48,334,968
Due from Fiduciary Funds	0	0	0	0	0	1,680,314
Inventories	7,350,654	5,554,349	7,251,842	5,939,985	5,660,326	6,261,724
Prepaid Expenses	1,498,226	1,211,910	1,273,189	1,510,001	4,497,545	3,819,179
Restricted Cash and Cash Equivalents	23,731,177	27,303,429	5,554,329	8,870,389	40,565,853	0
Restricted Investments	106,114,606	84,743,357	106,879,144	134,715,746	139,056,728	0
Restricted Other Accounts Receivable	0	0	339,247	0	0	0
Restricted Due from Other Funds	13,824,852	6,610,671	9,393,793	4,045,774	0	0
Total Current Assets	323,791,049	291,247,608	347,637,259	394,781,833	348,153,393	220,919,293
Restricted Cash and Cash Equivalents	11,884,886	15,461,872	14,192,858	3,810,114	2,179,760	24,045,179
Restricted Investments	435,763,345	338,514,873	221,486,588	45,032,315	195,711,983	281,068,512
Other Receivables						5,121,918
Net Pension Asset	77,642,310	81,680,247	85,525,858	88,474,553	90,677,096	101,134,107
Deferred Charges	0	42,545,292	40,268,106	37,990,918	38,321,804	36,280,286
Fair Value of Derivatives	0	0	26,984,477	27,693,455	0	0
Bond and Pension Obligation Certificate Issuance Costs	45,222,267	0	0	0	0	0
Total Non-Current Assets	570,512,808	478,202,284	388,457,887	203,001,355	326,890,643	447,650,002
Net Capital Assets	2,045,920,357	2,131,725,774	2,164,861,726	2,172,321,545	2,157,804,200	2,083,632,381
Deferred Outflows of Resources	0	0	4,500,379	1,927,019	14,179,042	0
Total Assets	\$ 2,940,224,214	\$ 2,901,175,666	\$ 2,905,457,251	\$ 2,772,031,752	\$ 2,847,027,278	\$ 2,752,201,676
Current Liabilities						
Accounts and Contracts Payable	\$ 36,663,387	\$ 32,601,306	\$ 33,222,785	\$ 28,951,855	\$ 36,736,029	\$ 23,947,477
Accrued Salaries and Wages	3,114,934	2,418,786	2,519,342	922,524	1,096,137	969,965
Due to Other Funds	15,392,726	58,809,093	115,215,099	36,204,233	14,972,320	8,272,748
Due to Fiduciary Funds	1,788,861	3,226,516	5,056,959	8,549,055	10,952,567	0
Accrued Interest Payable	49,689,756	57,500,394	58,466,586	57,839,797	66,907,594	66,454,704
Other Accrued Liabilities	5,226,448	5,612,337	12,532,988	18,295,619	10,092,925	10,592,704
Revenue Bonds and State Revolving Loans Payable, Net	32,890,000	35,170,000	36,760,000	45,090,000	33,195,000	41,380,000
Pension Obligation Certificates of Participation	0	257,831	593,104	913,613	1,250,905	2,855,885
Capital Leases Payable within One Year	863,422	894,020	663,649	30,534	0	0
Accrued Compensated Absences	7,288,290	7,091,446	7,078,769	6,427,622	6,806,399	9,340,642
Accrued Workers' Compensation	2,056,000	2,087,000	2,011,000	1,868,000	1,489,000	1,435,000
Claims and Judgements	528,700	6,000	80,000	3,531,000	68,000	17,236
Pollution Remediation Obligations	0	20,992	0	0	0	0
Total Current Liabilities	155,502,524	205,695,721	274,200,281	208,623,852	183,566,876	168,266,361
Long-Term Liabilities						
Revenue Bonds and State Revolving Loans Payable, Net	2,295,236,022	2,263,338,649	2,153,379,619	2,114,741,662	2,485,717,942	2,447,241,502
Pension Obligation Certificates of Participation Payable, Net	81,333,125	81,072,429	80,477,124	79,560,644	78,306,872	76,699,025
Capital Leases Payable	1,503,991	657,430	22,423	0	0	0
Net OPEB Obligation	7,614,170	16,611,769	27,944,436	40,578,926	53,303,165	70,552,075
Accrued Compensated Absences	8,620,754	11,919,904	4,059,727	4,453,598	2,614,912	1,282,223
Accrued Workers' Compensation	9,072,000	8,608,000	8,942,000	8,469,000	8,850,000	8,155,000
Claims and Judgements	7,010,000	8,410,200	4,469,000	243,000	218,500	226,750
Pollution Remediation Obligations	0	0	80,000	0	0	0
Derivative Instruments - Swap Liability	0	0	215,506,801	191,883,006	24,566,905	16,489,465
Total Long-Term Liabilities	2,410,390,062	2,390,618,381	2,494,881,130	2,439,929,836	2,653,578,296	2,620,646,040
Total Liabilities	2,565,892,586	2,596,314,102	2,769,081,411	2,648,553,688	2,837,145,172	2,788,912,401
Invested in Capital Assets, Net of Debt Related	131,959,821	98,352,666	131,394,921	62,141,704	235,302,277	(22,450,280)
Restricted for Capital Acquisitions	57,338,174	87,293,229	25,818,115	22,648,822	0	0
Restricted for Debt Service	66,934,304	78,420,017	97,828,028	101,862,800	203,831,414	142,557,878
Unrestricted	118,099,329	40,795,652	(118,665,224)	(63,175,262)	(429,251,585)	(156,818,323)
Total Net Assets	\$ 374,331,628	\$ 304,861,564	\$ 136,375,840	\$ 123,478,064	\$ 9,882,106	\$ (36,710,725)

Footnotes:

Reporting classification of current liabilities differs from audited financial statements for comparison

Source: FY 2013 information obtained from preliminary financial statements; FY 2008 - 2012 obtained from audited financial statements.

**City of Detroit
Detroit Water and Sewer Department
Sewage Disposal Fund
Historical Sewage Fund Balance Sheet**

	As of:					
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Cash and Cash Equivalents	\$ 42,472,216	\$ 6,913,527	\$ 4,088,652	\$ 5,292,173	\$ 25,643,695	\$ 11,071,610
Investments	29,222,612	36,722,118	32,055,864	125,640,610	0	0
Billed Accounts Receivable	129,857,010	130,776,339	111,384,353	123,620,671	131,636,100	126,545,085
Unbilled Accounts Receivable	46,995,974	55,982,465	54,205,923	63,807,974	55,915,921	67,490,396
Grants Receivable	0	0	1,083,458	0	0	0
Other Accounts Receivable	2,271,581	168,267	10,850,578	25,485,867	25,910,127	10,800,510
Less: Allowance for Doubtful Accounts	(90,605,647)	(81,078,369)	(54,927,143)	(57,467,793)	(70,130,129)	(68,548,573)
Total Accounts Receivable, Net	88,518,918	105,848,702	122,597,169	155,446,719	143,332,019	136,287,418
Due from Other Funds	20,030,027	67,772,718	102,440,110	30,251,006	14,898,805	14,751,256
Due from Fiduciary Funds	0	0	0	0	0	1,409,855
Inventories	7,972,508	7,823,491	6,561,739	6,977,146	8,884,679	9,762,803
Prepaid Expenses	1,870,227	1,851,410	3,538,840	3,441,704	1,819,151	853,192
Restricted Cash and Cash Equivalents	19,993,654	35,118,436	8,136,025	3,015,785	215,249,247	0
Restricted Investments	71,438,000	109,529,976	125,839,450	143,315,183	146,371,609	0
Restricted Due from Other Funds	13,500,000	2,537,711	12,105,832	12,570,717	10,640,798	0
Total Current Assets	295,018,162	374,118,089	417,363,681	485,951,043	566,840,003	174,136,134
Restricted Cash and Cash Equivalents	0	5,491,507	6,334,576	2,556,843	0	100,037,594
Restricted Investments	475,640,082	290,953,454	210,268,220	84,171,807	129,227,781	355,482,764
Other Receivables	0	0	0	0	0	3,750,000
Net Pension Asset	84,465,857	87,286,336	88,455,199	86,874,832	86,245,896	91,319,602
Deferred Charges	0	47,480,761	44,772,379	42,063,997	45,428,167	43,193,749
Fair Value of Derivatives	0	0	14,947,297	14,408,688	0	0
Bond and Pension Obligation Certificate Issuance Costs	50,203,227	0	0	0	0	0
Total Non-Current Assets	610,309,166	431,212,058	364,777,671	230,076,167	260,901,844	593,783,709
Net Capital Assets	3,022,810,992	3,094,661,240	3,130,366,599	2,929,134,451	2,923,013,636	2,861,256,656
Deferred Outflows of Resources	0	0	73,286,652	63,548,517	15,979,577	0
Total Assets	\$ 3,928,138,320	\$ 3,899,991,387	\$ 3,985,794,603	\$ 3,708,710,178	\$ 3,766,735,060	\$ 3,629,176,499
Current Liabilities						
Accounts and Contracts Payable	\$ 36,518,723	\$ 33,436,847	\$ 29,902,794	\$ 49,085,299	\$ 53,141,033	\$ 50,488,376
Accrued Salaries and Wages	1,494,149	1,579,810	1,608,515	519,646	705,067	602,720
Due to Other Funds	22,823,654	72,444,082	131,927,362	70,900,052	40,083,914	52,036,220
Due to Fiduciary Funds	7,150,822	16,970,730	1,772,294	8,603,294	6,989,284	0
Accrued Interest Payable	48,788,672	52,830,943	62,455,024	61,396,780	54,945,024	70,858,984
Revenue Bonds and State Revolving Loans Payable, Net	58,645,000	60,630,000	70,345,000	72,944,000	76,575,000	78,385,000
Pension Obligation Certificates of Participation Payable	0	290,746	672,089	1,035,281	1,417,492	3,236,213
Other Accrued Liabilities	7,051,673	9,316,193	16,208,631	16,667,493	17,811,488	23,327,269
Capital Leases Payable within One Year	863,422	894,020	663,649	30,534	0	0
Accrued Compensated Absences	4,590,574	4,577,518	4,293,031	4,120,387	3,830,144	717,569
Accrued Workers' Compensation	797,000	784,000	741,000	667,000	565,000	551,000
Claims and Judgements	80,000	625,500	865,074	0	19,500	0
Pollution Remediation Obligations	0	890,000	956,878	973,113	340,613	0
Total Current Liabilities	188,803,689	255,270,389	322,411,341	286,942,879	256,423,559	280,203,351
Long-Term Liabilities						
Revenue Bonds and State Revolving Loans Payable, Net	2,948,130,743	2,920,111,415	2,870,184,745	2,821,254,302	3,173,429,787	3,112,192,669
Pension Obligation Certificates of Participation Payable, Net	92,165,806	91,871,829	91,195,843	90,157,332	88,736,610	86,914,659
Capital Leases Payable	1,503,991	657,430	22,423	0	0	0
Net OPEB Obligation	8,868,194	17,924,439	30,452,039	43,203,839	56,836,081	70,445,095
Accrued Compensated Absences	6,301,561	8,277,527	3,266,334	3,803,238	1,672,337	477,410
Accrued Workers' Compensation	3,185,000	2,883,000	2,969,000	2,875,000	2,989,000	2,742,000
Claims and Judgements	3,407,000	261,494	43,392	1,500,000	1,500,000	190,000
Pollution Remediation Obligations	0	857,500	151,157	0	0	0
Derivative Instruments - Swap Liability	0	0	225,936,903	211,651,095	27,683,735	18,581,500
Total Long-Term Liabilities	3,063,562,295	3,042,844,634	3,224,221,836	3,174,444,806	3,352,847,550	3,291,543,333
Total Liabilities	3,252,365,984	3,298,115,023	3,546,633,177	3,461,387,685	3,609,271,109	3,571,746,684
Invested in Capital Assets, Net of Debt Related	427,406,590	397,705,998	423,561,717	122,747,952	553,873,948	216,368,007
Restricted for Capital Acquisitions	60,588,611	36,232,528	30,070,066	31,318,712	0	0
Restricted for Debt Service	112,949,550	142,214,512	127,990,977	145,174,047	255,972,332	227,211,405
Unrestricted	74,827,585	25,723,326	(142,461,334)	(51,918,218)	(652,382,329)	(386,149,597)
Total Net Assets	\$ 675,772,336	\$ 601,876,364	\$ 439,161,426	\$ 247,322,493	\$ 157,463,951	\$ 57,429,815

Footnotes:

Reporting classification of current liabilities differs from audited financial statements for comparison

Source: FY 2013 information obtained from preliminary financial statements; FY 2008 - 2012 obtained from audited financial statements.

EXHIBIT M

DWSD FINANCIAL PROJECTIONS

City of Detroit
Water and Sewage Disposal Fund
10-Year Projections

City of Detroit
Water and Sewage Disposal Fund
Assumptions

Assumptions	Description
Revenue:	
Volumes	
Detroit Retail - Water/Sewer	FY 2014 and FY 2015 based on DWSD budget estimates. Approximately 6.3% in total volume decline from FYs' 2015 - 2023 based upon SEMCOG population decline.
Wholesale - Sewer	FY 2014 and FY 2015 based on DWSD budget estimates by customer. FYs' 2016 - 2023 reflect no growth from FY 2015 estimates.
Wholesale - Water	FY 2014 based on DWSD budget estimate by customer less 2.0%. FY 2015 based on DWSD budget estimate by customer. FY's 2015 - 2023 reflect total volume decline of approximately 2.0%.
Flint - Water	Assumed to exit the Water System in FY 2017.
Bad debt	
Detroit Retail - Sewer	15.0% of retail revenues in FY 2014 improving to 11.0% by FY 2018 and staying constant at 11.0% of retail revenues through the forecast period.
Wholesale - Sewer	2.0% of suburban revenues throughout the forecast period.
Wholesale - Water	n/a
Detroit Retail - Water	14.0% of retail revenues in FY 2014 improving to 10.0% by FY 2018 and staying constant at 10.0% of retail revenues through the forecast period.
Miscellaneous operating	
IWC Charges	FY 2014 represents DWSD budget estimates and increases 4.0% annually thereafter.
Industrial Surcharges	FY 2014 and FY 2015 represent DWSD budget estimates. FYs' 2016 - 2023 reflect no growth from FY 2015 budget estimates.
Other	Base amount represents normalized historical average, assumed to increase annually by inflation growth rate.
Nonoperating	Base amount represents normalized historical average, assumed to increase annually by inflation growth rate.
Earnings on investment	1.5% of adjusted annual fund balances. Return based on adjusted average return in prior three years.

City of Detroit
Water and Sewage Disposal Fund
Assumptions (cont'd)

Assumptions	Description
Operating & maintenance expenditures:	
Salaries & wages	
Headcount	Beginning FTE of 1,706 based on 6/30/13 level. Optimization of labor to 1,000 FTE by FY 2020 through natural attrition assumed to be 10.0% in FY 2014 and 5.0% in FYs' 2015 - 2018. FYs' 2019 and 2020 reflect attrition required to reach FTE goal of 1,000. Total headcount allocation assumed to be 63.0% Water and 37.0% Sewer per management estimates. Employees whose services are shared between Water and Sewer Systems are budgeted in the Water System. Shared labor costs are transferred from the Water System to the Sewer System.
Average wages	FY 2014 average wage rate of \$43,600 based on current DWSD budget analysis. Assumed 10.0% increase in FY 2015 related to job classification and management input on related compensation changes due to optimization. FYs' 2016 - 2023 reflect FY 2015 base amount with annual inflationary increases.
Overtime	FYs' 2014 - 2020 base amount represents historical average dollar amount with slow decline; FYs' 2021 - 2023 based upon historical average percentage of salaries and wages.
Pension	FY 2014 pension contributions are equal to amounts contributed by the Water and Sewer Systems in FY 2013. FYs' 2015 - 2023 represent required reimbursements to general fund per Plan of Adjustment ("POA") forecast; additional amounts for defined contribution plan of 5.75% of salaries and wages.
Other fringes	OPEB - Represents required reimbursements to general fund per POA forecast, additional 2.0% of salaries and wages for future retiree healthcare; Active employee healthcare - assumed to be \$8,250 per FTE in FY 2014 (active employee healthcare growth rates: FY 2015 7.5%; FY 2016 7.0%; FY 2017 6.5%; FY 2018 6.0%; FY 2019 5.5%; FYs' 2020 - 2023 5.0%); Other fringe benefits - includes fixed and variable expenses, variable portion based upon historical average of salaries and wages, fixed portion assumed to be inflationary.
Purchased services	Base amount represents FY 2014 DWSD budgeted amount reduced for various City of Detroit shared costs in FY 2015 and FY 2016; inflationary growth thereafter.
Telecommunications	Base amount represents FY 2014 budgeted amount; inflationary growth thereafter.
Contractual services	Based on normalized amounts with additional outsourcing costs; inflationary growth thereafter.
Repairs & maintenance	FY 2014 represents adjusted budgeted amount; inflationary growth thereafter.
Utilities	Based upon forecasted volumes with 80.0% variable and 20.0% fixed, cost per mcf increase of 3.2% annually.
Chemicals	Based upon forecasted volumes with 80.0% variable and 20.0% fixed, cost per mcf increase inflationary.
Other	Base amount represents normalized historical average; inflationary growth thereafter.

City of Detroit
Water and Sewage Disposal Fund
Assumptions (cont'd)

Assumptions	Description
Financing:	
Debt	
Existing debt	Represents existing debt amortization on currently outstanding DWSD debt.
New money bonds	Issuance amounts necessary to fund CIP requirements; interest rate - 4.63% based upon Miller Buckfire analysis.
Issuance costs	Cost of issuance - 1.5% of the size of issuance.
Debt service reserve	Reserve funding - 6.5% of the size of issuance.
Reserve funding:	
O&M fund	Operating reserve fund increase from 45 days to 90 days of O&M expenses by FY 2023.
ER&R fund	Maintained at bond ordinance requirements.
Other:	
Transfer account	Represents transfer of expenses between Water and Sewer Systems. Based upon management allocation.
Biosolids savings	Projected operating expense savings related to biosolids program assumed to begin in FY 2017. Source: PMA Consultants
Capital Improvement Program:	
Annual estimates	Based upon 10-year study completed by OHM Advisors. Additional CIP added (unidentified capital projects) in FYs' 2020 - 2023. FY 2014 and FY 2015 reflect CIP amounts per DWSD's budget.

City of Detroit
Consolidated Systems
Proforma Income Statement Projections
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Operating revenues	\$ 894.4	\$ 909.2	\$ 953.0	\$ 968.1	\$ 995.8	\$ 1,032.2	\$ 1,070.1	\$ 1,111.3	\$ 1,154.2	\$ 1,198.8
Expenses:										
Operating & maintenance	389.3	430.1	414.8	417.0	423.2	427.4	427.1	431.1	441.5	452.2
Depreciation	201.8	207.4	213.1	218.8	223.4	228.0	233.4	239.5	246.7	254.7
Total operating expenses	591.1	637.5	627.9	635.8	646.6	655.3	660.5	670.6	688.2	706.9
Operating income	303.3	271.6	325.1	332.3	349.2	376.8	409.6	440.7	466.0	491.9
Nonoperating revenues (expenses):										
Interest expense	(278.0)	(279.5)	(281.4)	(284.5)	(284.7)	(283.7)	(283.3)	(282.4)	(282.4)	(282.5)
Amortization of bond issuance costs	(23.3)	(23.4)	(23.5)	(23.4)	(23.5)	(23.5)	(23.6)	(23.7)	(23.8)	(22.8)
Earnings on investments	10.6	10.4	9.5	10.5	10.8	11.2	11.8	12.6	13.2	13.9
Nonoperating revenue	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Total nonoperating income (expenses)	(290.1)	(291.8)	(294.8)	(296.7)	(296.7)	(295.4)	(294.4)	(292.9)	(292.2)	(290.6)
Increase (decrease) in net assets	13.2	(20.2)	30.3	35.6	52.5	81.5	115.2	147.9	173.8	201.4
Fund net assets - beginning ¹	20.7	33.9	13.8	44.0	79.7	132.2	213.6	328.8	476.7	650.5
Fund net assets - ending	\$ 33.9	\$ 13.8	\$ 44.0	\$ 79.7	\$ 132.2	\$ 213.6	\$ 328.8	\$ 476.7	\$ 650.5	\$ 851.9

Footnotes:

¹ FY 2014 beginning fund net assets obtained from preliminary draft audited financial statements subject to audit opinion issuance.

City of Detroit
Consolidated Systems
Revenue Requirement Projections
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue available:										
Operating revenue	\$ 832.2	\$ 817.6	\$ 851.2	\$ 869.8	\$ 917.1	\$ 950.9	\$ 986.1	\$1,024.4	\$1,064.3	\$1,105.8
Rate increases	-	32.7	41.9	46.5	36.7	38.0	39.4	41.0	42.6	44.2
Other revenue	73.4	69.9	70.1	63.0	53.4	55.1	57.1	59.2	61.3	63.5
Total revenue available	905.6	920.2	963.1	979.3	1,007.2	1,044.1	1,082.6	1,124.6	1,168.2	1,213.5
Revenue requirements:										
Operating & maintenance	389.3	430.1	414.8	417.0	423.2	427.4	427.1	431.1	441.5	452.2
Net revenue	516.3	490.1	548.3	562.3	584.0	616.7	655.5	693.5	726.7	761.3
Debt service:										
New issuances	0.1	7.9	23.7	36.7	46.0	54.6	64.4	74.3	86.0	99.0
Senior lien	251.3	258.6	258.9	267.0	266.8	266.2	256.6	254.9	245.9	258.1
Second lien	95.1	103.1	105.1	96.3	96.3	96.9	105.2	106.9	117.5	109.1
Junior lien	48.3	48.1	48.3	48.2	48.2	47.9	47.6	46.3	41.9	41.2
Total debt service	394.7	417.7	436.1	448.2	457.4	465.6	473.8	482.4	491.2	507.5
Pension obligation certificates	3.0	4.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Renewals & replacements	15.0	15.0	15.3	15.6	15.9	16.0	16.0	16.0	16.0	16.0
Fund deposits	18.4	17.2	3.6	6.1	6.9	7.2	6.0	7.3	9.4	10.0
Revenue financed capital	85.2	35.7	92.5	91.6	103.1	127.2	158.9	187.0	209.3	227.1
Total revenue requirements	\$ 905.6	\$ 920.2	\$ 963.1	\$ 979.3	\$1,007.2	\$1,044.1	\$1,082.6	\$1,124.6	\$1,168.2	\$1,213.5
Debt service coverage ¹ :										
Senior lien	205%	184%	194%	185%	187%	192%	204%	211%	219%	213%
Second lien	149%	133%	141%	141%	143%	148%	154%	159%	162%	163%
Junior lien	131%	117%	126%	125%	128%	132%	138%	144%	148%	150%

Footnotes:

¹ New debt issuances treated as senior lien in coverage calculations.

City of Detroit
Consolidated Systems
Capital Improvement Program Financing
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital spending:										
OHM Advisors CIP Estimates ¹	\$ 229.0	\$ 281.2	\$ 284.4	\$ 284.4	\$ 229.4	\$ 229.4	\$ 229.2	\$ 229.2	\$ 136.7	\$ 136.7
Unidentified capital projects	-	-	-	-	-	-	42.6	75.9	222.4	265.2
Total capital spending	<u>229.0</u>	<u>281.2</u>	<u>284.4</u>	<u>284.4</u>	<u>229.4</u>	<u>229.4</u>	<u>271.8</u>	<u>305.1</u>	<u>359.1</u>	<u>401.9</u>
<hr/>										
Sources & Uses:										
<u>Improvement & Extension Fund ²:</u>										
Beginning balance	6.3	85.2	35.7	92.5	91.6	103.1	127.2	158.9	187.0	209.3
Plus: Revenue deposits	85.2	35.7	92.5	91.6	103.1	127.2	158.9	187.0	209.3	227.1
Less: Use of funds	<u>(6.3)</u>	<u>(85.2)</u>	<u>(35.7)</u>	<u>(92.5)</u>	<u>(91.6)</u>	<u>(103.1)</u>	<u>(127.2)</u>	<u>(158.9)</u>	<u>(187.0)</u>	<u>(209.3)</u>
Ending balance	85.2	35.7	92.5	91.6	103.1	127.2	158.9	187.0	209.3	227.1
<u>Construction Bond Fund ²:</u>										
Beginning balance	312.7	93.0	13.9	-	-	-	-	-	-	-
Plus: Bond issuance	-	123.8	253.6	208.5	149.7	137.3	157.1	158.9	187.0	209.3
Plus: SRF funds	3.0	3.0	1.5	-	-	-	-	-	-	-
Less: Fees and reserve deposits	-	(9.9)	(20.3)	(16.7)	(12.0)	(11.0)	(12.6)	(12.7)	(15.0)	(16.7)
Less: Use of funds	<u>(222.7)</u>	<u>(196.0)</u>	<u>(248.7)</u>	<u>(191.8)</u>	<u>(137.7)</u>	<u>(126.3)</u>	<u>(144.5)</u>	<u>(146.2)</u>	<u>(172.1)</u>	<u>(192.6)</u>
Ending balance	93.0	13.9	-	-	-	-	-	-	-	-
Total use of funds	\$ (229.0)	\$ (281.2)	\$ (284.4)	\$ (284.4)	\$ (229.4)	\$ (229.4)	\$ (271.8)	\$ (305.1)	\$ (359.1)	\$ (401.9)

Footnotes:

¹ FY 2014 and FY 2015 reflect CIP amounts per DWSD's budget.

² FY 2014 beginning reserve balances obtained from DWSD management.

City of Detroit
Consolidated Systems
Reserve Balance Projections¹
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Operating & maintenance:</u>										
Beginning balance	\$ 31.7	\$ 48.7	\$ 59.7	\$ 63.4	\$ 69.5	\$ 76.4	\$ 83.1	\$ 89.0	\$ 95.8	\$ 104.2
Plus: Deposits	17.0	11.1	3.6	6.1	6.9	6.7	5.9	6.8	8.4	8.8
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	48.7	59.7	63.4	69.5	76.4	83.1	89.0	95.8	104.2	113.0
<i>Days of operating reserve</i>	45	50	55	60	65	70	75	80	85	90
<u>Extraordinary repair & replacement:</u>										
Beginning balance	57.0	58.4	64.5	64.5	64.5	64.5	65.0	65.1	65.6	66.6
Plus: Deposits	1.4	6.1	-	-	-	0.5	0.1	0.5	1.0	1.2
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	58.4	64.5	64.5	64.5	64.5	65.0	65.1	65.6	66.6	67.8
<u>Improvement & extension:</u>										
Beginning balance	6.3	85.2	35.7	92.5	91.6	103.1	127.2	158.9	187.0	209.3
Plus: Deposits	85.2	35.7	92.5	91.6	103.1	127.2	158.9	187.0	209.3	227.1
Less: Use of funds	(6.3)	(85.2)	(35.7)	(92.5)	(91.6)	(103.1)	(127.2)	(158.9)	(187.0)	(209.3)
Ending balance	85.2	35.7	92.5	91.6	103.1	127.2	158.9	187.0	209.3	227.1
<u>Total revenue generated funds:</u>										
Beginning balance	94.9	192.2	160.0	220.4	225.7	244.0	275.3	313.0	348.5	380.2
Plus (less): Net deposits (uses)	97.3	(32.3)	60.5	5.2	18.4	31.3	37.7	35.4	31.7	27.8
Ending balance	192.2	160.0	220.4	225.7	244.0	275.3	313.0	348.5	380.2	408.0
<u>Construction bond fund:</u>										
Beginning balance	312.7	93.0	13.9	-	-	-	-	-	-	-
Plus: Bond issuance	-	123.8	253.6	208.5	149.7	137.3	157.1	158.9	187.0	209.3
Plus: SRF funds	3.0	3.0	1.5	-	-	-	-	-	-	-
Less: Fees and reserve deposits	-	(9.9)	(20.3)	(16.7)	(12.0)	(11.0)	(12.6)	(12.7)	(15.0)	(16.7)
Less: Use of funds	(222.7)	(196.0)	(248.7)	(191.8)	(137.7)	(126.3)	(144.5)	(146.2)	(172.1)	(192.6)
Ending balance	\$ 93.0	\$ 13.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Footnotes:

¹ FY 2014 beginning reserve balances obtained from DWSD management.

City of Detroit
Consolidated Systems
Debt Balances
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>New issues ¹:</u>										
Beginning balance	\$ -	\$ 3.0	\$ 127.8	\$ 376.8	\$ 575.5	\$ 712.6	\$ 834.5	\$ 972.9	\$1,109.8	\$1,270.7
New issues	3.0	126.8	255.1	208.5	149.7	137.3	157.1	158.9	187.0	209.3
Principal amortization	-	(2.0)	(6.1)	(9.8)	(12.6)	(15.4)	(18.6)	(22.1)	(26.1)	(30.6)
Ending balance	3.0	127.8	376.8	575.5	712.6	834.5	972.9	1,109.8	1,270.7	1,449.4
<u>Senior lien bonds:</u>										
Beginning balance	3,745.1	3,677.7	3,599.1	3,515.9	3,419.9	3,319.0	3,213.4	3,112.1	3,007.2	2,905.8
Principal amortization	(70.9)	(81.7)	(86.0)	(98.4)	(102.9)	(107.1)	(102.4)	(105.5)	(101.3)	(119.0)
Accrued PIK interest	3.4	3.1	2.8	2.4	2.0	1.6	1.1	0.6	-	-
Ending balance	3,677.7	3,599.1	3,515.9	3,419.9	3,319.0	3,213.4	3,112.1	3,007.2	2,905.8	2,786.9
<u>Second lien bonds:</u>										
Beginning balance	1,606.0	1,594.6	1,574.4	1,551.1	1,535.6	1,519.3	1,501.6	1,474.4	1,443.9	1,400.9
Principal amortization	(11.5)	(20.2)	(23.3)	(15.5)	(16.3)	(17.7)	(27.2)	(30.4)	(43.0)	(36.8)
Ending balance	1,594.6	1,574.4	1,551.1	1,535.6	1,519.3	1,501.6	1,474.4	1,443.9	1,400.9	1,364.1
<u>Junior lien bonds:</u>										
Beginning balance	504.3	466.9	428.7	389.5	349.5	308.6	267.0	224.8	182.8	144.4
Principal amortization	(37.5)	(38.2)	(39.2)	(40.0)	(40.9)	(41.6)	(42.2)	(41.9)	(38.4)	(38.7)
Ending balance	466.9	428.7	389.5	349.5	308.6	267.0	224.8	182.8	144.4	105.8
 Total debt	 \$5,742.1	 \$5,730.1	 \$5,833.3	 \$5,880.5	 \$5,859.5	 \$5,816.5	 \$5,784.2	 \$5,743.7	 \$5,722.0	 \$5,706.2

Footnotes:

¹ Assumed senior lien.

City of Detroit
Consolidated Systems
Operating & Maintenance Expense Projections
(in millions of dollars)

	Actual	For the Fiscal Year Ended									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Personnel expenses:											
Salaries & wages	\$ 70.3	\$ 70.7	\$ 71.9	\$ 70.0	\$ 68.1	\$ 66.3	\$ 62.9	\$ 57.7	\$ 55.7	\$ 57.1	\$ 58.5
Overtime	14.1	14.5	14.8	14.8	14.5	13.9	13.2	12.1	10.6	10.9	11.1
Subtotal	84.4	85.1	86.7	84.8	82.6	80.3	76.2	69.8	66.3	67.9	69.6
Pension & fringes ¹	60.5	72.3	100.1	78.6	78.4	78.2	77.2	75.4	74.8	75.8	76.8
Total personnel expenses	144.9	157.4	186.8	163.4	161.0	158.5	153.4	145.2	141.1	143.7	146.5
Non-personnel expenses:											
Purchased services	10.3	14.2	9.4	8.1	8.3	8.5	8.7	9.0	9.2	9.4	9.6
Telecommunications	7.6	6.8	6.9	7.1	7.3	7.5	7.7	7.9	8.0	8.2	8.5
Contractual services	122.7	85.9	99.2	104.7	109.8	114.2	118.8	121.7	124.8	127.9	131.1
Repairs & maintenance	15.6	16.2	16.6	17.0	17.5	17.9	18.4	18.8	19.3	19.8	20.3
Utilities	76.5	77.8	78.9	81.2	81.5	83.9	86.4	88.9	91.6	94.5	97.4
Chemicals	21.4	23.8	23.9	24.4	24.5	25.1	25.7	26.2	26.9	27.5	28.2
Other	15.8	12.5	13.6	14.0	14.3	14.7	15.0	15.4	15.8	16.2	16.6
Clearing account	(8.2)	(5.2)	(5.2)	(5.0)	(4.8)	(4.4)	(3.9)	(3.3)	(2.8)	(2.8)	(2.9)
Biosolids savings	-	-	-	-	(2.5)	(2.5)	(2.6)	(2.7)	(2.8)	(2.8)	(2.9)
Total non-labor expenses	261.7	231.9	243.4	251.5	256.0	264.8	274.0	281.9	290.0	297.8	305.7
Total operating & maintenance expense	<u>\$ 406.6</u>	<u>\$ 389.3</u>	<u>\$ 430.1</u>	<u>\$ 414.8</u>	<u>\$ 417.0</u>	<u>\$ 423.2</u>	<u>\$ 427.4</u>	<u>\$ 427.1</u>	<u>\$ 431.1</u>	<u>\$ 441.5</u>	<u>\$ 452.2</u>

Footnotes:

¹ FY 2013 actual reduced by net OPEB obligation to allow for comparison.

City of Detroit
Consolidated Systems
Pension & Fringes Projection Detail
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Pension & fringes:</u>										
GF pension reimbursements ¹	\$ 24.3	\$ 65.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4
GF OPEB reimbursements ¹	14.7	3.6	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
New defined contribution plan ²	4.1	4.1	4.0	3.9	3.8	3.6	3.3	3.2	3.3	3.4
New retiree healthcare ³	-	1.4	1.4	1.4	1.3	1.3	1.2	1.1	1.1	1.2
Active employee healthcare ⁴	13.4	13.3	13.5	13.7	13.7	13.4	12.6	12.5	13.1	13.7
Social security ⁵	6.5	6.6	6.5	6.3	6.1	5.8	5.3	5.1	5.2	5.3
Other fringes ⁶	9.4	5.6	5.6	5.6	5.6	5.5	5.4	5.4	5.5	5.7
Total pension & fringes	\$ 72.3	\$ 100.1	\$ 78.6	\$ 78.4	\$ 78.2	\$ 77.2	\$ 75.4	\$ 74.8	\$ 75.8	\$ 76.8

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>FTE Schedule:</u>										
FTE count - beginning	1,706	1,535	1,459	1,386	1,316	1,251	1,125	1,000	1,000	1,000
Less: Attrition	(171)	(77)	(73)	(69)	(66)	-	-	-	-	-
Less: Layoffs	-	-	-	-	-	(125)	(125)	-	-	-
Ending FTE count	1,535	1,459	1,386	1,316	1,251	1,125	1,000	1,000	1,000	1,000

Assumptions:

¹ Based upon amounts included in Plan of Adjustment (Disclosure Statement - Exhibit 3b of EY 40-year projections). FY 2014 pension contributions are equal to FY 2013 pension contributions.

² 5.75% of salaries and wages.

³ 2.0% of salaries and wages.

⁴ \$8,250 per FTE in FY 2014 (active employee healthcare growth rates: FY 2015 7.5%; FY 2016 7.0%; FY 2017 6.5%; FY 2018 6.0%; FY 2019 5.5%; FYs' 2020 - 2023 5.0%).

⁵ 7.65% of salaries, wages, and overtime.

⁶ Includes fixed and variable expenses, variable portion based upon historical average of salaries and wages, fixed portion assumed to be inflationary.

City of Detroit
Water Fund
Proforma Income Statement Projections
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Water Sales	\$ 379.2	\$ 391.2	\$ 414.5	\$ 417.6	\$ 434.1	\$ 450.0	\$ 466.6	\$ 484.5	\$ 503.2	\$ 522.5
Miscellaneous	4.1	4.2	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
Total operating revenues	383.3	395.4	418.8	422.0	438.6	454.7	471.4	489.4	508.2	527.6
Expenses:										
Operating & maintenance	154.7	173.4	164.5	164.9	166.6	167.3	166.2	166.9	170.7	174.7
Depreciation	82.9	85.4	88.3	91.2	93.8	96.5	99.4	102.9	106.9	111.1
Total operating expenses	237.5	258.7	252.8	256.0	260.4	263.8	265.6	269.7	277.6	285.8
Operating income	145.8	136.7	166.0	166.0	178.2	190.9	205.8	219.7	230.6	241.8
Nonoperating revenues (expenses):										
Interest expense	(131.7)	(129.7)	(130.1)	(131.3)	(131.9)	(131.9)	(131.6)	(131.8)	(132.3)	(132.8)
Amortization of bond issuance costs	(8.2)	(8.2)	(8.3)	(8.1)	(8.1)	(8.1)	(8.2)	(8.2)	(8.3)	(7.9)
Earnings on investments	4.4	4.7	4.0	4.5	4.5	4.8	5.1	5.4	5.7	6.0
Nonoperating revenue	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Total nonoperating income (expenses)	(135.0)	(132.8)	(133.9)	(134.3)	(135.0)	(134.7)	(134.2)	(134.1)	(134.3)	(134.1)
Increase (decrease) in net assets	10.8	3.9	32.1	31.6	43.3	56.2	71.7	85.6	96.3	107.7
Fund net assets - beginning ¹	(36.7)	(25.9)	(22.0)	10.1	41.7	85.0	141.2	212.9	298.5	394.8
Fund net assets - ending	<u>\$ (25.9)</u>	<u>\$ (22.0)</u>	<u>\$ 10.1</u>	<u>\$ 41.7</u>	<u>\$ 85.0</u>	<u>\$ 141.2</u>	<u>\$ 212.9</u>	<u>\$ 298.5</u>	<u>\$ 394.8</u>	<u>\$ 502.5</u>

Footnotes:

¹ FY 2014 beginning fund net assets obtained from preliminary draft audited financial statements subject to audit opinion issuance.

City of Detroit
Water Fund
Revenue Requirement Projections
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue available:										
Water sales	\$ 379.2	\$ 376.2	\$ 391.0	\$ 390.3	\$ 417.4	\$ 432.7	\$ 448.7	\$ 465.9	\$ 483.8	\$ 502.4
Rate increases	-	15.0	23.5	27.3	16.7	17.3	17.9	18.6	19.4	20.1
Miscellaneous operating	4.1	4.2	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
Nonoperating	4.9	5.2	4.5	5.0	5.1	5.3	5.6	6.0	6.3	6.6
Total revenue available	388.3	400.6	423.3	427.0	443.7	460.0	477.0	495.4	514.5	534.2
Revenue requirements:										
Operating & maintenance	154.7	173.4	164.5	164.9	166.6	167.3	166.2	166.9	170.7	174.7
Net revenue	233.6	227.3	258.8	262.1	277.1	292.7	310.9	328.6	343.7	359.5
Debt service:										
New issuances	-	-	6.9	12.7	17.9	22.5	27.3	33.0	39.4	46.3
Senior lien	129.4	139.0	138.9	139.0	138.9	138.2	128.9	128.8	129.1	129.2
Second lien	40.3	40.3	42.8	42.7	42.7	43.2	51.4	51.3	51.3	51.3
Junior lien	2.0	2.0	2.0	2.0	2.0	1.7	1.6	1.6	1.6	1.6
Total debt service	171.7	181.3	190.5	196.3	201.5	205.7	209.2	214.7	221.5	228.4
Pension obligation certificates	1.4	2.1	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Renewals & replacements	7.5	7.5	7.7	7.8	7.9	8.0	8.0	8.0	8.0	8.0
Fund deposits	6.8	7.5	1.1	2.3	2.6	2.5	2.1	2.5	3.2	3.6
Revenue financed capital	46.2	28.8	59.2	55.3	64.8	76.2	91.2	103.0	110.7	119.2
Total revenue requirements	\$ 388.3	\$ 400.6	\$ 423.3	\$ 427.0	\$ 443.7	\$ 460.0	\$ 477.0	\$ 495.4	\$ 514.5	\$ 534.2
<u>Debt service coverage ¹:</u>										
Senior lien	181%	163%	178%	173%	177%	182%	199%	203%	204%	205%
Second lien	138%	127%	137%	135%	139%	143%	150%	154%	156%	159%
Junior lien	136%	125%	136%	134%	138%	142%	149%	153%	155%	157%
% Rate increase ²	n/a	4%	6%	7%	4%	4%	4%	4%	4%	4%

Footnotes:

¹ New debt issuances treated as senior lien in coverage calculations.

² Represents an average customer rate increase, not specific to any customer or customer class.

City of Detroit
Water Fund
Capital Improvement Program Financing
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital spending:										
OHM Advisors CIP Estimates ¹	\$ 63.4	\$ 125.2	\$ 144.4	\$ 144.4	\$ 132.9	\$ 132.9	\$ 103.7	\$ 103.7	\$ 64.5	\$ 64.5
Unidentified capital projects	-	-	-	-	-	-	42.6	71.4	133.4	148.0
Total capital spending	63.4	125.2	144.4	144.4	132.9	132.9	146.3	175.1	197.8	212.5
<hr/>										
Sources & Uses:										
<u>Improvement & Extension Fund ²:</u>										
Beginning balance	6.3	46.2	28.8	59.2	55.3	64.8	76.2	91.2	103.0	110.7
Plus: Revenue deposits	46.2	28.8	59.2	55.3	64.8	76.2	91.2	103.0	110.7	119.2
Less: Use of funds	(6.3)	(46.2)	(28.8)	(59.2)	(55.3)	(64.8)	(76.2)	(91.2)	(103.0)	(110.7)
Ending balance	46.2	28.8	59.2	55.3	64.8	76.2	91.2	103.0	110.7	119.2
<u>Construction Bond Fund ²:</u>										
Beginning balance	150.1	92.9	13.9	-	-	-	-	-	-	-
Plus: Bond issuance	-	-	110.6	92.6	84.3	74.0	76.2	91.2	103.0	110.7
Less: Fees and reserve deposits	-	-	(8.8)	(7.4)	(6.7)	(5.9)	(6.1)	(7.3)	(8.2)	(8.9)
Less: Use of funds	(57.1)	(79.1)	(115.6)	(85.2)	(77.6)	(68.1)	(70.1)	(83.9)	(94.8)	(101.8)
Ending balance	92.9	13.9	-	-	-	-	-	-	-	-
Total use of funds	\$ (63.4)	\$ (125.2)	\$ (144.4)	\$ (144.4)	\$ (132.9)	\$ (132.9)	\$ (146.3)	\$ (175.1)	\$ (197.8)	\$ (212.5)

Footnotes:

¹ FY 2014 and FY 2015 reflect CIP amounts per DWSD's budget.

² FY 2014 beginning reserve balances obtained from DWSD management.

City of Detroit
Water Fund
Reserve Balance Projections¹
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Operating & maintenance:</u>										
Beginning balance	\$ 12.7	\$ 19.3	\$ 24.1	\$ 25.1	\$ 27.5	\$ 30.1	\$ 32.5	\$ 34.6	\$ 37.1	\$ 40.3
Plus: Deposits	6.6	4.7	1.1	2.3	2.6	2.5	2.1	2.5	3.2	3.4
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	19.3	24.1	25.1	27.5	30.1	32.5	34.6	37.1	40.3	43.7
<i>Days of operating reserve</i>	45	50	55	60	65	70	75	80	85	90
<u>Extraordinary repair & replacement:</u>										
Beginning balance	22.9	23.2	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Plus: Deposits	0.3	2.8	-	-	-	-	-	-	-	0.2
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	23.2	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.2
<u>Improvement & extension:</u>										
Beginning balance	6.3	46.2	28.8	59.2	55.3	64.8	76.2	91.2	103.0	110.7
Plus: Deposits	46.2	28.8	59.2	55.3	64.8	76.2	91.2	103.0	110.7	119.2
Less: Use of funds	(6.3)	(46.2)	(28.8)	(59.2)	(55.3)	(64.8)	(76.2)	(91.2)	(103.0)	(110.7)
Ending balance	46.2	28.8	59.2	55.3	64.8	76.2	91.2	103.0	110.7	119.2
<u>Total revenue generated funds:</u>										
Beginning balance	42.0	88.7	78.9	110.3	108.8	120.9	134.7	151.8	166.1	177.0
Plus (less): Net deposits (uses)	46.7	(9.8)	31.4	(1.5)	12.1	13.8	17.1	14.3	10.8	12.1
Ending balance	88.7	78.9	110.3	108.8	120.9	134.7	151.8	166.1	177.0	189.1
<u>Construction bond fund:</u>										
Beginning balance	150.1	92.9	13.9	-	-	-	-	-	-	-
Plus: Bond issuance	-	-	110.6	92.6	84.3	74.0	76.2	91.2	103.0	110.7
Less: Fees and reserve deposits	-	-	(8.8)	(7.4)	(6.7)	(5.9)	(6.1)	(7.3)	(8.2)	(8.9)
Less: Use of funds	(57.1)	(79.1)	(115.6)	(85.2)	(77.6)	(68.1)	(70.1)	(83.9)	(94.8)	(101.8)
Ending balance	\$ 92.9	\$ 13.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Footnotes:

¹ FY 2014 beginning reserve balances obtained from DWSD management.

City of Detroit
Water Fund
Debt Balances
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>New issues ¹:</u>										
Beginning balance	\$ -	\$ -	\$ -	\$ 108.8	\$ 198.1	\$ 277.6	\$ 345.3	\$ 413.7	\$ 495.3	\$ 586.7
New issues	-	-	110.6	92.6	84.3	74.0	76.2	91.2	103.0	110.7
Principal amortization	-	-	(1.8)	(3.3)	(4.8)	(6.3)	(7.8)	(9.6)	(11.7)	(14.0)
Ending balance	-	-	108.8	198.1	277.6	345.3	413.7	495.3	586.7	683.3
<u>Senior lien bonds:</u>										
Beginning balance	1,884.2	1,849.9	1,803.9	1,755.5	1,704.4	1,650.9	1,595.2	1,546.3	1,495.0	1,440.6
Principal amortization	(34.3)	(46.0)	(48.4)	(51.1)	(53.6)	(55.6)	(49.0)	(51.3)	(54.4)	(57.2)
Ending balance	1,849.9	1,803.9	1,755.5	1,704.4	1,650.9	1,595.2	1,546.3	1,495.0	1,440.6	1,383.4
<u>Second lien bonds:</u>										
Beginning balance	640.6	635.0	629.2	620.5	611.6	602.1	591.6	572.1	551.6	529.9
Principal amortization	(5.6)	(5.8)	(8.7)	(9.0)	(9.5)	(10.5)	(19.5)	(20.5)	(21.7)	(22.9)
Ending balance	635.0	629.2	620.5	611.6	602.1	591.6	572.1	551.6	529.9	507.0
<u>Junior lien bonds:</u>										
Beginning balance	21.5	19.9	18.4	16.8	15.2	13.5	12.1	10.7	9.2	7.8
Principal amortization	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)
Ending balance	19.9	18.4	16.8	15.2	13.5	12.1	10.7	9.2	7.8	6.3
 Total debt	<u>\$2,504.8</u>	<u>\$2,451.5</u>	<u>\$2,501.7</u>	<u>\$2,529.2</u>	<u>\$2,544.0</u>	<u>\$2,544.2</u>	<u>\$2,542.8</u>	<u>\$2,551.1</u>	<u>\$2,564.9</u>	<u>\$2,580.0</u>

Footnotes:

¹ Assumed senior lien.

City of Detroit
Water Fund
Operating & Maintenance Expense Projections
(in millions of dollars)

	Actual	For the Fiscal Year Ended									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Personnel expenses:											
Salaries & wages	\$ 47.1	\$ 44.5	\$ 45.3	\$ 44.1	\$ 42.9	\$ 41.8	\$ 39.7	\$ 36.4	\$ 35.1	\$ 35.9	\$ 36.8
Overtime	6.9	7.1	7.3	7.3	7.1	6.7	6.4	5.8	4.7	4.8	4.9
Subtotal	54.0	51.6	52.5	51.4	50.0	48.5	46.1	42.1	39.8	40.8	41.8
Pension & fringes ¹	31.2	40.9	55.4	44.4	44.3	44.1	43.5	42.2	41.8	42.4	43.1
Total personnel expenses	85.3	92.5	107.9	95.8	94.3	92.7	89.5	84.3	81.6	83.2	84.9
Non-personnel expenses:											
Purchased services	4.4	6.5	4.1	3.5	3.6	3.7	3.8	3.8	3.9	4.0	4.1
Telecommunications	7.2	6.3	6.5	6.6	6.8	6.9	7.1	7.3	7.5	7.7	7.9
Contractual services	36.5	44.8	46.3	48.9	51.4	53.4	55.5	56.9	58.3	59.8	61.3
Repairs & maintenance	7.0	7.7	7.9	8.1	8.3	8.5	8.7	8.9	9.1	9.4	9.6
Utilities	40.5	40.1	41.0	42.2	41.3	42.4	43.6	44.9	46.2	47.6	49.1
Chemicals	8.6	8.8	8.9	9.1	8.8	9.0	9.2	9.4	9.6	9.8	10.1
Other	10.2	5.2	7.9	8.1	8.3	8.5	8.7	8.9	9.2	9.4	9.6
Clearing account	(34.5)	(57.1)	(57.1)	(57.7)	(57.8)	(58.5)	(58.8)	(58.4)	(58.6)	(60.2)	(61.8)
Total non-labor expenses	79.8	62.2	65.5	68.8	70.6	73.9	77.8	81.8	85.3	87.5	89.8
Total operating & maintenance expense	<u>\$ 165.0</u>	<u>\$ 154.7</u>	<u>\$ 173.4</u>	<u>\$ 164.5</u>	<u>\$ 164.9</u>	<u>\$ 166.6</u>	<u>\$ 167.3</u>	<u>\$ 166.2</u>	<u>\$ 166.9</u>	<u>\$ 170.7</u>	<u>\$ 174.7</u>

Footnotes:

¹ FY 2013 actual reduced by net OPEB obligation to allow for comparison.

City of Detroit
Water Fund
Pension & Fringes Projection Detail
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Pension & fringes:</u>										
GF pension reimbursements ¹	\$ 14.8	\$ 33.5	\$ 23.3	\$ 23.3	\$ 23.3	\$ 23.3	\$ 23.3	\$ 23.3	\$ 23.3	\$ 23.3
GF OPEB reimbursements ¹	6.3	1.5	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
New defined contribution plan ²	2.6	2.6	2.5	2.5	2.4	2.3	2.1	2.0	2.1	2.1
New retiree healthcare ³	-	0.9	0.9	0.9	0.8	0.8	0.7	0.7	0.7	0.7
Active employee healthcare ⁴	8.4	8.4	8.5	8.6	8.7	8.5	7.9	7.9	8.2	8.7
Social security ⁵	3.9	4.0	3.9	3.8	3.7	3.5	3.2	3.0	3.1	3.2
Other fringes ⁶	4.9	4.4	4.4	4.3	4.3	4.2	4.0	4.0	4.1	4.2
Total pension & fringes	\$ 40.9	\$ 55.4	\$ 44.4	\$ 44.3	\$ 44.1	\$ 43.5	\$ 42.2	\$ 41.8	\$ 42.4	\$ 43.1

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>FTE Schedule ⁷:</u>										
FTE count - beginning	1,075	967	919	873	829	788	709	630	630	630
Less: Attrition	(107)	(48)	(46)	(44)	(41)	-	-	-	-	-
Less: Layoffs	-	-	-	-	-	(79)	(79)	-	-	-
Ending FTE count	967	919	873	829	788	709	630	630	630	630

Assumptions:

¹ Based upon amounts included in Plan of Adjustment (Disclosure Statement - Exhibit 3b of EY 40-year projections). FY 2014 pension contributions are equal to FY 2013 pension contributions.

² 5.75% of salaries and wages.

³ 2.0% of salaries and wages.

⁴ \$8,250 per FTE in FY 2014 (active employee healthcare growth rates: FY 2015 7.5%; FY 2016 7.0%; FY 2017 6.5%; FY 2018 6.0%; FY 2019 5.5%; FYs' 2020 - 2023 5.0%).

⁵ 7.65% of salaries, wages, and overtime.

⁶ Includes fixed and variable expenses, variable portion based upon historical average of salaries and wages, fixed portion assumed to be inflationary.

Footnotes:

⁷ Employees whose services are shared between Water and Sewer Systems are budgeted in the Water System. Shared labor costs are transferred from the Water System to the Sewer System.

City of Detroit
Sewage Disposal Fund
Proforma Income Statement Projections
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Sewer sales	\$ 485.3	\$ 493.3	\$ 513.8	\$ 535.0	\$ 557.1	\$ 577.5	\$ 598.7	\$ 621.9	\$ 646.1	\$ 671.2
Look-back revenues	25.7	20.5	20.5	11.1	-	-	-	-	-	-
Total operating revenues	511.0	513.8	534.2	546.2	557.1	577.5	598.7	621.9	646.1	671.2
Expenses:										
Operating & maintenance	234.6	256.8	250.3	252.2	256.7	260.0	261.0	264.3	270.8	277.5
Depreciation	118.9	122.0	124.8	127.6	129.6	131.5	134.0	136.6	139.8	143.6
Total operating expenses	353.5	378.8	375.1	379.8	386.2	391.5	395.0	400.9	410.6	421.1
Operating income	157.5	135.0	159.1	166.4	170.9	186.0	203.7	221.0	235.4	250.1
Nonoperating revenues (expenses):										
Interest expense	(146.2)	(149.7)	(151.3)	(153.3)	(152.7)	(151.9)	(151.7)	(150.6)	(150.1)	(149.7)
Amortization of bond issuance costs	(15.1)	(15.2)	(15.2)	(15.3)	(15.4)	(15.4)	(15.4)	(15.5)	(15.5)	(14.8)
Earnings on investments	6.2	5.7	5.5	6.1	6.3	6.5	6.8	7.2	7.5	7.9
Nonoperating revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total nonoperating income (expenses)	(155.0)	(159.1)	(160.9)	(162.4)	(161.7)	(160.7)	(160.2)	(158.8)	(158.0)	(156.4)
Increase (decrease) in net assets	2.4	(24.1)	(1.8)	4.0	9.2	25.3	43.5	62.3	77.5	93.7
Fund net assets - beginning ¹	57.4	59.9	35.8	33.9	37.9	47.1	72.4	115.9	178.2	255.7
Fund net assets - ending	\$ 59.9	\$ 35.8	\$ 33.9	\$ 37.9	\$ 47.1	\$ 72.4	\$ 115.9	\$ 178.2	\$ 255.7	\$ 349.3

Footnotes:

¹ FY 2014 beginning fund net assets obtained from preliminary draft audited financial statements subject to audit opinion issuance.

City of Detroit
Sewage Disposal Fund
Revenue Requirement Projections
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue available:										
Sewer sales	\$ 452.9	\$ 441.5	\$ 460.1	\$ 479.5	\$ 499.7	\$ 518.2	\$ 537.4	\$ 558.5	\$ 580.5	\$ 603.4
Rate increases	-	17.7	18.4	19.2	20.0	20.7	21.5	22.3	23.2	24.1
Look-back revenues	25.7	20.5	20.5	11.1	-	-	-	-	-	-
Miscellaneous operating	32.4	34.2	35.2	36.3	37.4	38.6	39.8	41.1	42.4	43.7
Nonoperating	6.3	5.8	5.6	6.2	6.4	6.6	6.9	7.3	7.7	8.1
Total revenue available	517.3	519.6	539.8	552.3	563.5	584.1	605.6	629.2	653.7	679.3
Revenue requirements:										
Operating & maintenance	234.6	256.8	250.3	252.2	256.7	260.0	261.0	264.3	270.8	277.5
Net revenue	282.7	262.8	289.5	300.2	306.9	324.0	344.6	364.9	382.9	401.8
Debt service:										
New issuances	0.1	7.9	16.8	24.0	28.1	32.1	37.1	41.3	46.6	52.7
Senior lien	121.8	119.6	120.0	127.9	127.9	128.0	127.7	126.1	116.7	128.9
Second lien	54.8	62.8	62.3	53.7	53.7	53.6	53.9	55.6	66.2	57.8
Junior lien	46.3	46.2	46.3	46.2	46.2	46.2	46.0	44.7	40.2	39.6
Total debt service	223.0	236.4	245.5	251.9	255.9	259.9	264.6	267.7	269.7	279.0
Pension obligation certificates	1.6	2.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Renewals & replacements	7.5	7.5	7.7	7.8	8.0	8.0	8.0	8.0	8.0	8.0
Fund deposits	11.5	9.7	2.6	3.8	4.3	4.7	3.9	4.9	6.2	6.4
Revenue financed capital	39.0	6.9	33.4	36.3	38.3	51.0	67.7	84.0	98.6	107.9
Total revenue requirements	\$ 517.3	\$ 519.6	\$ 539.8	\$ 552.3	\$ 563.5	\$ 584.1	\$ 605.6	\$ 629.2	\$ 653.7	\$ 679.3
Debt service coverage ¹ :										
Senior lien	232%	206%	212%	198%	197%	203%	209%	218%	235%	221%
Second lien	160%	138%	145%	146%	146%	152%	158%	164%	167%	168%
Junior lien	127%	111%	118%	119%	120%	125%	130%	136%	142%	144%
% Rate increase ²	n/a	4%	4%	4%	4%	4%	4%	4%	4%	4%

Footnotes:

¹ New debt issuances treated as senior lien in coverage calculations.

² Represents an average customer rate increase, not specific to any customer or customer class.

City of Detroit
Sewage Disposal Fund
Capital Improvement Program Financing
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital spending:										
OHM Advisors CIP Estimates ¹	\$ 165.6	\$ 156.0	\$ 140.0	\$ 140.0	\$ 96.5	\$ 96.5	\$ 125.5	\$ 125.5	\$ 72.2	\$ 72.2
Unidentified capital projects	-	-	-	-	-	-	-	4.5	89.1	117.2
Total capital spending	165.6	156.0	140.0	140.0	96.5	96.5	125.5	130.0	161.3	189.4
<hr/>										
Sources & Uses:										
<u>Improvement & Extension Fund ²:</u>										
Beginning balance	-	39.0	6.9	33.4	36.3	38.3	51.0	67.7	84.0	98.6
Plus: Revenue deposits	39.0	6.9	33.4	36.3	38.3	51.0	67.7	84.0	98.6	107.9
Less: Use of funds	-	(39.0)	(6.9)	(33.4)	(36.3)	(38.3)	(51.0)	(67.7)	(84.0)	(98.6)
Ending balance	39.0	6.9	33.4	36.3	38.3	51.0	67.7	84.0	98.6	107.9
<u>Construction Bond Fund ²:</u>										
Beginning balance	162.6	0.1	-	-	-	-	-	-	-	-
Plus: Bond issuance	-	123.8	143.0	115.9	65.4	63.3	80.9	67.7	84.0	98.6
Plus: SRF funds	3.0	3.0	1.5	-	-	-	-	-	-	-
Less: Fees and reserve deposits	-	(9.9)	(11.4)	(9.3)	(5.2)	(5.1)	(6.5)	(5.4)	(6.7)	(7.9)
Less: Use of funds	(165.6)	(117.0)	(133.1)	(106.6)	(60.2)	(58.2)	(74.5)	(62.3)	(77.3)	(90.7)
Ending balance	0.1	-	-	-	-	-	-	-	-	-
Total use of funds	\$(165.6)	\$(156.0)	\$(140.0)	\$(140.0)	\$ (96.5)	\$ (96.5)	\$(125.5)	\$(130.0)	\$(161.3)	\$(189.4)

Footnotes:

¹ FY 2014 and FY 2015 reflect CIP amounts per DWSD's budget.

² FY 2014 beginning reserve balances obtained from DWSD management.

City of Detroit
Sewage Disposal Fund
Reserve Balance Projections¹
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Operating & maintenance:</u>										
Beginning balance	18.9	29.3	35.7	38.2	42.0	46.3	50.6	54.4	58.7	63.9
Plus: Deposits	10.4	6.3	2.6	3.8	4.3	4.2	3.8	4.4	5.2	5.4
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	29.3	35.7	38.2	42.0	46.3	50.6	54.4	58.7	63.9	69.4
<i>Days of operating reserve</i>	45	50	55	60	65	70	75	80	85	90
<u>Extraordinary repair & replacement:</u>										
Beginning balance	34.1	35.2	38.5	38.5	38.5	38.5	39.0	39.1	39.6	40.6
Plus: Deposits	1.1	3.3	-	-	-	0.5	0.1	0.5	1.0	1.0
Less: Use of funds	-	-	-	-	-	-	-	-	-	-
Ending balance	35.2	38.5	38.5	38.5	38.5	39.0	39.1	39.6	40.6	41.6
<u>Improvement & extension:</u>										
Beginning balance	-	39.0	6.9	33.4	36.3	38.3	51.0	67.7	84.0	98.6
Plus: Deposits	39.0	6.9	33.4	36.3	38.3	51.0	67.7	84.0	98.6	107.9
Less: Use of funds	-	(39.0)	(6.9)	(33.4)	(36.3)	(38.3)	(51.0)	(67.7)	(84.0)	(98.6)
Ending balance	39.0	6.9	33.4	36.3	38.3	51.0	67.7	84.0	98.6	107.9
<u>Total revenue generated funds:</u>										
Beginning balance	53.0	103.5	81.1	110.1	116.9	123.1	140.6	161.2	182.4	203.2
Plus (less): Net deposits (uses)	50.6	(22.5)	29.0	6.7	6.3	17.5	20.6	21.2	20.8	15.7
Ending balance	103.5	81.1	110.1	116.9	123.1	140.6	161.2	182.4	203.2	218.9
<u>Construction bond fund:</u>										
Beginning balance	162.6	0.1	-	-	-	-	-	-	-	-
Plus: Bond issuance	-	123.8	143.0	115.9	65.4	63.3	80.9	67.7	84.0	98.6
Plus: SRF funds	3.0	3.0	1.5	-	-	-	-	-	-	-
Less: Fees and reserve deposits	-	(9.9)	(11.4)	(9.3)	(5.2)	(5.1)	(6.5)	(5.4)	(6.7)	(7.9)
Less: Use of funds	(165.6)	(117.0)	(133.1)	(106.6)	(60.2)	(58.2)	(74.5)	(62.3)	(77.3)	(90.7)
Ending balance	0.1	-	-	-	-	-	-	-	-	-

Footnotes:

¹ FY 2014 beginning reserve balances obtained from DWSD management.

City of Detroit
Sewage Disposal Fund
Debt Balances
(in millions of dollars)

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>New issues ¹:</u>										
Beginning balance	\$ -	\$ 3.0	\$ 127.8	\$ 268.0	\$ 377.4	\$ 435.0	\$ 489.2	\$ 559.2	\$ 614.5	\$ 684.1
New issues	3.0	126.8	144.5	115.9	65.4	63.3	80.9	67.7	84.0	98.6
Principal amortization	-	(2.0)	(4.4)	(6.4)	(7.8)	(9.2)	(10.9)	(12.5)	(14.4)	(16.6)
Ending balance	3.0	127.8	268.0	377.4	435.0	489.2	559.2	614.5	684.1	766.1
<u>Senior lien bonds:</u>										
Beginning balance	1,860.9	1,827.7	1,795.2	1,760.4	1,715.5	1,668.2	1,618.2	1,565.8	1,512.2	1,465.2
Principal amortization	(36.6)	(35.7)	(37.6)	(47.3)	(49.4)	(51.5)	(53.4)	(54.2)	(47.0)	(61.8)
Accrued PIK interest	3.4	3.1	2.8	2.4	2.0	1.6	1.1	0.6	-	-
Ending balance	1,827.7	1,795.2	1,760.4	1,715.5	1,668.2	1,618.2	1,565.8	1,512.2	1,465.2	1,403.5
<u>Second lien bonds:</u>										
Beginning balance	965.5	959.6	945.2	930.5	924.0	917.2	910.0	902.2	892.3	871.0
Principal amortization	(5.9)	(14.4)	(14.7)	(6.5)	(6.8)	(7.2)	(7.8)	(9.9)	(21.3)	(13.8)
Ending balance	959.6	945.2	930.5	924.0	917.2	910.0	902.2	892.3	871.0	857.2
<u>Junior lien bonds:</u>										
Beginning balance	482.9	446.9	410.3	372.8	334.4	295.1	255.0	214.1	173.6	136.7
Principal amortization	(35.9)	(36.6)	(37.6)	(38.4)	(39.2)	(40.2)	(40.8)	(40.5)	(36.9)	(37.2)
Ending balance	446.9	410.3	372.8	334.4	295.1	255.0	214.1	173.6	136.7	99.5
 Total debt	 \$3,237.3	 \$3,278.6	 \$3,331.6	 \$3,351.3	 \$3,315.5	 \$3,272.3	 \$3,241.4	 \$3,192.6	 \$3,157.0	 \$3,126.3

Footnotes:

¹ Assumed senior lien.

City of Detroit
Sewage Disposal Fund
Operating & Maintenance Expense Projections
(in millions of dollars)

	Actual	For the Fiscal Year Ended									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Personnel expenses:											
Salaries & wages	\$ 23.2	\$ 26.1	\$ 26.6	\$ 25.9	\$ 25.2	\$ 24.5	\$ 23.3	\$ 21.4	\$ 20.6	\$ 21.1	\$ 21.6
Overtime	7.2	7.4	7.5	7.5	7.4	7.2	6.8	6.3	5.9	6.1	6.2
Subtotal	30.4	33.5	34.1	33.4	32.6	31.7	30.1	27.7	26.5	27.2	27.8
Pension & fringes ¹	29.3	31.4	44.7	34.2	34.1	34.1	33.8	33.2	33.0	33.3	33.7
Total personnel expenses	59.6	64.9	78.9	67.6	66.7	65.8	63.9	60.9	59.5	60.5	61.6
Non-personnel expenses:											
Purchased services	5.9	7.8	5.3	4.6	4.7	4.9	5.0	5.1	5.2	5.4	5.5
Telecommunications	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Contractual services	86.2	41.1	52.9	55.7	58.4	60.8	63.2	64.8	66.4	68.1	69.8
Repairs & maintenance	8.6	8.5	8.7	9.0	9.2	9.4	9.7	9.9	10.1	10.4	10.7
Utilities	36.0	37.6	37.9	39.0	40.2	41.5	42.7	44.0	45.4	46.8	48.3
Chemicals	12.8	15.0	15.0	15.4	15.7	16.1	16.5	16.8	17.3	17.7	18.1
Other	5.6	7.3	5.7	5.9	6.0	6.1	6.3	6.5	6.6	6.8	7.0
Clearing account	26.4	52.0	51.9	52.7	53.1	54.1	54.9	55.1	55.9	57.4	58.9
Biosolids savings	-	-	-	-	(2.5)	(2.5)	(2.6)	(2.7)	(2.8)	(2.8)	(2.9)
Total non-labor expenses	181.9	169.7	177.9	182.7	185.5	190.9	196.2	200.1	204.8	210.3	215.9
Total operating & maintenance expense	<u>\$ 241.6</u>	<u>\$ 234.6</u>	<u>\$ 256.8</u>	<u>\$ 250.3</u>	<u>\$ 252.2</u>	<u>\$ 256.7</u>	<u>\$ 260.0</u>	<u>\$ 261.0</u>	<u>\$ 264.3</u>	<u>\$ 270.8</u>	<u>\$ 277.5</u>

Footnotes:

¹ FY 2013 actual reduced by net OPEB obligation to allow for comparison.

City of Detroit
Sewage Disposal Fund
Pension & Fringes Projection Detail
(in millions of dollars)

	For the Fiscal Year Ended									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Pension & fringes:</u>										
GF pension reimbursements ¹	\$ 9.5	\$ 31.9	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1	\$ 22.1
GF OPEB reimbursements ¹	8.4	2.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
New defined contribution plan ²	1.5	1.5	1.5	1.4	1.4	1.3	1.2	1.2	1.2	1.2
New retiree healthcare ³	-	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Active employee healthcare ⁴	4.9	4.9	5.0	5.1	5.1	5.0	4.7	4.6	4.8	5.1
Social security ⁵	2.6	2.6	2.6	2.5	2.4	2.3	2.1	2.0	2.1	2.1
Other fringes ⁶	4.5	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Total pension & fringes	\$ 31.4	\$ 44.7	\$ 34.2	\$ 34.1	\$ 34.1	\$ 33.8	\$ 33.2	\$ 33.0	\$ 33.3	\$ 33.7

	As of Fiscal Year End									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>FTE Schedule ⁷:</u>										
FTE count - beginning	631	568	540	513	487	463	416	370	370	370
Less: Attrition	(63)	(28)	(27)	(26)	(24)	-	-	-	-	-
Less: Layoffs	-	-	-	-	-	(46)	(46)	-	-	-
Ending FTE count	568	540	513	487	463	416	370	370	370	370

Assumptions:

¹ Based upon amounts included in Plan of Adjustment (Disclosure Statement - Exhibit 3b of EY 40-year projections). FY 2014 pension contributions are equal to FY 2013 pension contributions.

² 5.75% of salaries and wages.

³ 2.0% of salaries and wages.

⁴ \$8,250 per FTE in FY 2014 (active employee healthcare growth rates: FY 2015 7.5%; FY 2016 7.0%; FY 2017 6.5%; FY 2018 6.0%; FY 2019 5.5%; FYs' 2020 - 2023 5.0%).

⁵ 7.65% of salaries, wages, and overtime.

⁶ Includes fixed and variable expenses, variable portion based upon historical average of salaries and wages, fixed portion assumed to be inflationary.

Footnotes:

⁷ Employees whose services are shared between Water and Sewer Systems are budgeted in the Water System. Shared labor costs are transferred from the Water System to the Sewer System.

City of Detroit
Water and Sewerage Disposal Fund
Volume Projections
(in mcf)

	Actual	For the Fiscal Year Ended									
	2013	2014 (B)¹	2015 (B)	2016	2017	2018	2019	2020	2021	2022	2023
<u>Water System</u>											
Wholesale	15,687,868	15,890,308	15,852,800	15,812,817	14,588,930	14,552,134	14,515,431	14,478,821	14,442,304	14,405,878	14,369,544
Retail	3,660,327	4,000,000	3,775,000	3,731,972	3,689,434	3,647,381	3,605,808	3,564,708	3,555,996	3,547,306	3,538,637
Total Volumes	19,348,195	19,890,308	19,627,800	19,544,789	18,278,364	18,199,515	18,121,239	18,043,529	17,998,300	17,953,184	17,908,181
 <u>Sewer System</u>											
Wholesale	13,286,460	15,124,450	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500	14,884,500
Retail	3,087,199	3,600,000	3,275,000	3,237,671	3,200,767	3,164,284	3,128,217	3,092,561	3,085,003	3,077,464	3,069,943
Total Volumes	16,373,659	18,724,450	18,159,500	18,122,171	18,085,267	18,048,784	18,012,717	17,977,061	17,969,503	17,961,964	17,954,443

Footnotes:

¹ FY 2014 water wholesale budgeted volumes have been reduced by 2.0%.

(B) - Budgeted

THE BANKRUPTCY COURT HAS NOT APPROVED THE PROPOSED DISCLOSURE STATEMENT TO ACCOMPANY THIS PLAN. THE DISTRIBUTION OF THIS PLAN AND THE DISCLOSURE STATEMENT IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, A SOLICITATION OF VOTES ON THIS PLAN. THE CITY OF DETROIT, MICHIGAN RESERVES THE RIGHT TO MODIFY, AMEND, SUPPLEMENT, RESTATE OR WITHDRAW THIS PLAN, THE DISCLOSURE STATEMENT AND ALL ANCILLARY DOCUMENTS AT ANY TIME.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

-----	X	
	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----	X	

**FOURTH AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT
(May 5, 2014)**

DAVID G. HEIMAN
HEATHER LENNOX
THOMAS A. WILSON
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
tawilson@jonesday.com

BRUCE BENNETT
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 489-3939
Facsimile: (213) 243-2539
bbennett@jonesday.com

JONATHAN S. GREEN
STEPHEN S. LAPLANTE
MILLER, CANFIELD,
PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE DEBTOR

TABLE OF CONTENTS

ARTICLE I DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME	1
A. Defined Terms.	1
B. Rules of Interpretation and Computation of Time.	24
1. Rules of Interpretation.	24
2. Computation of Time.	24
ARTICLE II CLASSIFICATION OF CLAIMS; CRAMDOWN; EXECUTORY CONTRACTS AND UNEXPIRED LEASES	24
A. Unclassified Claims.	25
1. Payment of Administrative Claims.	25
2. Bar Dates for Administrative Claims.	25
B. Classified Claims.	26
1. Designation of Classes.	26
2. Subordination; Reservation of Rights to Reclassify Claims.	27
3. Treatment of Claims.	27
C. Confirmation Without Acceptance by All Impaired Classes	37
D. Treatment of Executory Contracts and Unexpired Leases	37
1. Assumption.	37
2. Assumption of Ancillary Agreements.	37
3. Approval of Assumptions and Assignments.	37
4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases	38
5. Contracts and Leases Entered Into After the Petition Date.	38
6. Rejection of Executory Contracts and Unexpired Leases.	38
7. Rejection Damages Bar Date.	38
8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.	39
9. Insurance Policies.	39
ARTICLE III CONFIRMATION OF THE PLAN	39
A. Conditions Precedent to the Effective Date.	39
B. Waiver of Conditions to the Effective Date.	40
C. Effect of Nonoccurrence of Conditions to the Effective Date.	40
D. Effect of Confirmation of the Plan.	40
1. Dissolution of Retiree Committee.	40
2. Preservation of Rights of Action by the City.	40
3. Comprehensive Settlement of Claims and Controversies.	41
4. Discharge of Claims.	41

5.	Injunction	41
6.	Exculpation	42
7.	Releases	43
E.	No Diminution of State Power	43
F.	Effectiveness of the Plan	44
G.	Binding Effect of Plan	44
ARTICLE IV MEANS FOR IMPLEMENTATION OF THE PLAN		44
A.	DWSD	44
1.	Rates and Revenues	44
2.	DWSD CBAs	44
3.	The New DWSD Bonds and New Existing Rate DWSD Bonds	44
B.	The New B Notes	44
C.	The Plan COP Settlement	45
D.	The UTGO Settlement	45
E.	The State Contribution Agreement	45
1.	State Contribution	45
2.	Income Stabilization Payments	45
3.	Conditions to State's Participation	46
4.	Release of Claims Against the State and State Related Entities	46
F.	The DIA Settlement	46
1.	Funding Contributions	46
2.	Transfer of DIA Assets	47
3.	Conditions to the Foundations' Participation	47
G.	Contingent Payment Rights	47
1.	Special Restoration	47
2.	General Restoration	48
H.	The OPEB Settlement	48
I.	Issuance of the New Securities	48
J.	Cancellation of Existing Bonds and Bond Documents	48
K.	Release of Liens	49
L.	Professional Fee Reserve	49
M.	Assumption of Indemnification Obligations	49
N.	Incorporation of Retiree Health Care Settlement Agreement	49
O.	Payment of Workers' Compensation Claims	49
P.	Payment of Certain Claims Relating to the Operation of City Motor Vehicles	50
Q.	Payment of Tax Refund Claims	50
R.	Utility Deposits	50

S.	Pass-Through Obligations.....	50
T.	Exit Facility.....	50
U.	Post-Effective Date Governance.....	51
ARTICLE V PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN.....		51
A.	Appointment of Disbursing Agent.....	51
B.	Distributions on Account of Allowed Claims.....	51
C.	Certain Claims to Be Expunged.....	51
D.	Record Date for Distributions; Exception for Bond Claims.....	51
E.	Means of Cash Payments.....	52
F.	Selection of Distribution Dates for Allowed Claims.....	52
G.	Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.....	52
H.	City's Rights of Setoff Preserved.....	52
I.	Delivery of Distributions and Undeliverable or Unclaimed Distributions.....	52
1.	Delivery of Distributions Generally.....	52
2.	Delivery of Distributions on Account of Bond Claims.....	52
3.	De Minimis Distributions / No Fractional New Securities.....	53
4.	Undeliverable or Unclaimed Distributions.....	53
5.	Time Bar to Cash Payment Rights.....	53
J.	Other Provisions Applicable to Distributions in All Classes.....	53
1.	No Postpetition Interest.....	53
2.	Compliance with Tax Requirements.....	54
3.	Allocation of Distributions.....	54
4.	Surrender of Instruments.....	54
ARTICLE VI PROCEDURES FOR RESOLVING DISPUTED CLAIMS.....		55
A.	Treatment of Disputed Claims.....	55
1.	General.....	55
2.	ADR Procedures.....	55
3.	Tort Claims.....	55
B.	Disputed Claims Reserve.....	56
C.	Objections to Claims.....	56
1.	Authority to Prosecute, Settle and Compromise.....	56
2.	Application of Bankruptcy Rules.....	56
3.	Expungement or Adjustment of Claims Without Objection.....	56
4.	Extension of Claims Objection Bar Date.....	56
5.	Authority to Amend List of Creditors.....	56
ARTICLE VII RETENTION OF JURISDICTION.....		57

ARTICLE VIII MISCELLANEOUS PROVISIONS	58
A. Modification of the Plan.	58
B. Revocation of the Plan.	58
C. Disclosure of Amounts to Be Paid for Chapter 9 Case Services.....	58
D. Severability of Plan Provisions.	58
E. Effectuating Documents and Transactions.....	59
F. Successors and Assigns.....	59
G. Plan Controls.....	59
H. Notice of the Effective Date.....	59
I. Governing Law.	59
J. Request for Waiver of Automatic Stay of Confirmation Order.	59
K. Term of Existing Injunctions and Stays.	59
L. Service of Documents	60
1. The City	60
2. The Retiree Committee.....	60

TABLE OF EXHIBITS

Exhibit I.A.61	Schedule of COP Swap Agreements
Exhibit I.A.78	Form of Detroit General VEBA Trust Agreement
Exhibit I.A.82	Form of Detroit Police and Fire VEBA Trust Agreement
Exhibit I.A.91	Principal Terms of DIA Settlement
Exhibit I.A.92	Form of DIA Settlement Documents
Exhibit I.A.110	Schedule of DWSD Bond Documents & Related DWSD Bonds
Exhibit I.A.117	Schedule of DWSD Revolving Sewer Bond Documents & Related DWSD Revolving Sewer Bonds
Exhibit I.A.120	Schedule of DWSD Revolving Water Bond Documents & Related DWSD Revolving Water Bonds
Exhibit I.A.135	Principal Terms of Exit Facility
Exhibit I.A.159	Schedule of HUD Installment Note Documents & Related HUD Installment Notes
Exhibit I.A.168	Interest Rate Reset Chart
Exhibit I.A.173	Schedule of Limited Tax General Obligation Bond Documents & Related Limited Tax General Obligation Bonds
Exhibit I.A.183	Principal Terms of New B Notes
Exhibit I.A.184	Form of New B Notes Documents
Exhibit I.A.186	Principal Terms of New DWSD Bonds
Exhibit I.A.188	Principal Terms of New Existing Rate DWSD Bonds
Exhibit I.A.189.a	Form of New GRS Active Pension Plan
Exhibit I.A.189.b	Principal Terms of New GRS Active Pension Plan
Exhibit I.A.191.a	Form of New PFRS Active Pension Plan
Exhibit I.A.191.b	Principal Terms of New PFRS Active Pension Plan
Exhibit I.A.214	Form of Plan COP Settlement Documents
Exhibit I.A.220	Prior GRS Pension Plan
Exhibit I.A.221	Prior PFRS Pension Plan
Exhibit I.A.236	Retiree Health Care Settlement Agreement
Exhibit I.A.244	Schedule of Secured GO Bond Documents

Exhibit I.A.268	State Contribution Agreement
Exhibit I.A.279	Schedule of Unlimited Tax General Obligation Bond Documents & Related Unlimited Tax General Obligation Bonds
Exhibit I.A.285	Principal Terms of UTGO Settlement
Exhibit II.B.3.q.ii.A	Schedule of Payments and Sources of Payments for Modified PFRS Pension Benefits
Exhibit II.B.3.q.ii.C	Terms of PFRS Pension Restoration
Exhibit II.B.3.r.ii.A	Schedule of Payments and Sources of Payments for Modified GRS Pension Benefits
Exhibit II.B.3.r.ii.C	Terms of GRS Pension Restoration
Exhibit II.D.5	Schedule of Postpetition Collective Bargaining Agreements
Exhibit II.D.6	Executory Contracts and Unexpired Leases to Be Rejected
Exhibit III.D.2	Retained Causes of Action

INTRODUCTION

The City of Detroit proposes the following plan for the adjustment of its debts pursuant to and in accordance with chapter 9 of the Bankruptcy Code.

A discussion of the City's organizational structure, operations, capital structure and events leading to the commencement of the City's Chapter 9 Case, as well as a summary and description of the Plan, risk factors and other related matters, is included in the Disclosure Statement. Retirees of the City will receive a supplement summarizing important information relevant to their entitlement to benefits (the "Retiree Supplement"). Other agreements and documents, which have been or will be Filed with the Bankruptcy Court, are referenced in the Plan or the Disclosure Statement and are available for review.

The City encourages all of its creditors to read the Plan, the Disclosure Statement and the other material that has been approved for use in soliciting votes on the Plan and encourages holders of claims for pensions and other post-employment benefits to read the Retiree Supplement and to consider the information included on the Ballot before casting a vote to accept or reject the Plan and before choosing among available treatment options.

ARTICLE I

DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME

A. Defined Terms.

Capitalized terms used in the Plan have the meanings set forth in this Section I.A. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules.

1. "2005 COPs" means, collectively, the Detroit Retirement Systems Funding Trust 2005 Certificates of Participation Series 2005-A, issued by the Detroit Retirement Systems Funding Trust 2005 pursuant to the 2005 COPs Agreement, in an initial principal amount of \$640 million, bearing interest at 4.0% to 4.948%.

2. "2005 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 2, 2005, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

3. "2006 COPs" means, collectively, the (a) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-A, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$148.5 million, bearing interest at 5.989%; and (b) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-B, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$800 million, bearing interest at a floating rate.

4. "2006 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 12, 2006, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

5. "36th District Court" means the district court for the thirty-sixth judicial district of the State.

6. "Active Employee" means an active employee of the City on and after the Confirmation Date.

7. "Actual Return" means, for each Fiscal Year during the period beginning July 1, 2003 and ending June 30, 2013, the actual net return percentage on invested GRS assets for that Fiscal Year; provided that, if the actual net return percentage on invested GRS assets for any given Fiscal Year is greater than 7.9%, the Actual

Return for that Fiscal Year shall be 7.9%, and if the actual net return percentage on invested GRS assets for any given Fiscal Year is less than 0.0%, the Actual Return for that Fiscal Year shall be 0.0%.

8. "Adjusted Pension Amount" means the GRS Adjusted Pension Amount and/or the PFRS Adjusted Pension Amount, as applicable.

9. "Administrative Claim" means a Claim against the City arising on or after the Petition Date and prior to the Effective Date for a cost or expense of administration related to the Chapter 9 Case that is entitled to priority or superpriority under sections 364(c)(1), 503(b) or 507(b)(2) of the Bankruptcy Code, including (a) Claims, pursuant to section 503(b)(9) of the Bankruptcy Code, for the value of goods received by the City in the 20 days immediately prior to the Petition Date and sold to the City in the ordinary course of the City's operations and (b) any Allowed Claims for reclamation under section 546(c)(1) of the Bankruptcy Code and/or section 2-702 of the Uniform Commercial Code; provided that no claim for professional fees or any other costs or expenses incurred by any official or unofficial creditors' committee (other than the Retiree Committee) or any member thereof shall be considered an Administrative Claim.

10. "ADR Injunction" means the injunction set forth at Section I.B of the ADR Procedures.

11. "ADR Procedures" means the alternative dispute resolution procedures approved by the ADR Procedures Order, as such procedures may be modified by further order of the Bankruptcy Court.

12. "ADR Procedures Order" means the Order, Pursuant to Sections 105 and 502 of the Bankruptcy Code, Approving Alternative Dispute Resolution Procedures to Promote the Liquidation of Certain Prepetition Claims (Docket No. 2302), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on December 24, 2013, as it may be subsequently amended, supplemented or otherwise modified.

13. "Affiliate" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

14. "Allowed Claim(s)" means: (a) a Claim, proof of which has been timely Filed by the applicable Bar Date (or for which Claim under express terms of the Plan, the Bankruptcy Code or a Final Order of the Bankruptcy Court, a proof of Claim is not required to be Filed); (b) a Claim (i) that is listed in the List of Creditors, (ii) that is not identified on the List of Creditors as contingent, unliquidated or disputed and (iii) for which no proof of Claim has been timely Filed; (c) a Claim allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; (d) a Claim designated as allowed in a stipulation or agreement between the City and the Holder of the Claim that is Filed; or (e) a Claim designated as allowed in a pleading entitled "Designation of Allowed Claims" (or a similar title of the same import) that is Filed; provided that with respect to any Claim described in clauses (a) or (b) above, such Claim shall be considered allowed only if and to the extent that (x) no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or (y) if an objection is so interposed, the Claim shall have been allowed by a Final Order. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed to be an Allowed Claim unless and until such Entity pays in full the amount that it owes the City. "Allow" and "Allowing" shall have correlative meanings.

15. "Annuity Savings Fund" means that sub-account and pension benefit arrangement that is part of the GRS and operated by the trustees of the GRS.

16. "Annuity Savings Fund Excess Amount" means: (a) for an ASF Current Participant who has not received any distributions from the Annuity Savings Fund, the difference between (i) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (ii) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return; (b) for an ASF Current Participant who has received any distribution from the Annuity Savings Fund other than a total distribution, the difference between (i) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (B) all distributions received by such participant from the Annuity Savings Fund during the ASF Recoupment Period and (ii) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return and (B) the value of the participant's distribution calculated as of the date of distribution using the Actual

Return through such date; and (c) for an ASF Distribution Recipient, the difference between (i) the value of such ASF Distribution Recipient's Annuity Savings Fund account as of the date of distribution from the Annuity Savings Fund, provided such date falls within the ASF Recoupment Period, and (ii) the value of such participant's Annuity Savings Fund account as of such date, calculated using the Actual Return. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from his Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

17. "ASF/GRS Reduction" means, with respect to a Holder of a GRS Pension Claim who is a retiree who is receiving a monthly pension as of June 30, 2014 or such retiree's later-surviving beneficiary, the 4.5% reduction in the Current Accrued Annual Pension amount described in Section I.A.154, plus the ASF Recoupment.

18. "ASF Current Participant" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) is not an ASF Distribution Recipient.

19. "ASF Distribution Recipient" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) has received a total distribution from the Annuity Savings Fund.

20. "ASF Recoupment" means the amount to be deducted from an ASF Current Participant's Annuity Savings Fund account or an ASF Distribution Recipient's monthly pension check, as applicable, pursuant to the formulae set forth in Section II.B.3.r.ii.D.

21. "ASF Recoupment Cap" means, for both ASF Current Participants and ASF Distribution Recipients, 20% of the highest value of such participant's Annuity Savings Fund account during the ASF Recoupment Period. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from such participant's Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

22. "ASF Recoupment Period" means the period beginning July 1, 2003 and ending June 30, 2013.

23. "Assigned UTGO Bond Tax Proceeds" means the rights to the proceeds of the UTGO Bond Tax Levy in an amount equal to the principal and interest payable on the Reinstated Stub UTGO Bonds, which rights shall be assigned to a designee or designees of the City pursuant to the UTGO Settlement, substantially on the terms set forth on Exhibit I.A.285.

24. "Ballot" means the ballot upon which a Holder of an Impaired Claim entitled to vote shall cast its vote to accept or reject the Plan and make certain elections provided for in the Plan.

25. "Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as now in effect or hereafter amended.

26. "Bankruptcy Court" means the United States Bankruptcy Court for the Eastern District of Michigan having jurisdiction over the Chapter 9 Case, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the General Order of the District Court pursuant to § 151 of title 28 of the United States Code, the District Court.

27. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the general, local and chambers rules of the Bankruptcy Court, as now in effect or hereafter amended, as applicable to the Chapter 9 Case.

28. "Bar Date" means the applicable bar date by which a proof of Claim must be or must have been Filed, as established by an order of the Bankruptcy Court, including a Bar Date Order and the Confirmation Order.

29. "Bar Date Order" means any order of the Bankruptcy Court establishing Bar Dates for Filing proofs of Claim in the Chapter 9 Case, including the Order, Pursuant to Sections 105, 501 and 503 of the Bankruptcy Code and Bankruptcy Rules 2002 and 3003(c), Establishing Bar Dates for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof (Docket No. 1782), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on November 21, 2013, as it may be amended, supplemented or otherwise modified.

30. "Bond Agent" means a trustee, paying agent or similar Entity, as applicable, under the Bond Documents.

31. "Bond Claims" means, collectively, the DWSD Bond Claims, the DWSD Revolving Bond Claims, the General Obligation Bond Claims, the HUD Installment Note Claims, the Parking Bond Claims and the Secured GO Bond Claims.

32. "Bond Documents" means, collectively, the DWSD Bond Documents, the DWSD Revolving Bond Documents, the General Obligation Bond Documents, the HUD Installment Note Documents, the Parking Bond Documents and the Secured GO Bond Documents.

33. "Bond(s)" means, individually or collectively, the DWSD Bonds, the DWSD Revolving Bonds, the General Obligation Bonds, the HUD Installment Notes, the Parking Bonds and/or the Secured GO Bonds.

34. "Bondholder" means any beneficial or record holder of a Bond.

35. "Bond Insurance Policies" means those policies, surety policies and/or other instruments insuring any Bond and obligations related thereto, including all ancillary and related documents that may obligate the City to pay any amount to a Bond Insurer for any reason.

36. "Bond Insurance Policy Claim" means a Claim held by a Bond Insurer arising under or in connection with a Bond Insurance Policy.

37. "Bond Insurer" means any party, other than the City, that has issued a Bond Insurance Policy.

38. "Business Day" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

39. "Cash" means legal tender of the United States of America and equivalents thereof.

40. "Causes of Action" means, without limitation, any and all actions, causes of action, controversies, liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever, whether known or unknown, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Effective Date, including without limitation (a) claims and causes of action under sections 502(d), 510, 544, 545, 547, 548, 549(a), 549(c), 549(d), 550, 551 and 553 of the Bankruptcy Code and (b) any other avoidance or similar claims or actions under the Bankruptcy Code or under similar or related state or federal statutes or common law, and, in the case of each Cause of Action, the proceeds thereof, whether received by judgment, settlement or otherwise.

41. "CFSEM Supporting Organization" means the Foundation for Detroit's Future, a supporting organization of, and an Entity legally separate from, the Community Foundation for Southeast Michigan, solely in its capacity as a participant in the DIA Settlement.

42. "Chapter 9 Case" means the bankruptcy case commenced by the City under chapter 9 of the Bankruptcy Code, captioned as *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.), and currently pending before the Bankruptcy Court.

43. "City" means the City of Detroit, Michigan.

44. "City Council" means the duly-elected City Council of the City.
45. "Claim" means a claim, as defined in section 101(5) of the Bankruptcy Code, against the City.
46. "Claims and Balloting Agent" means Kurtzman Carson Consultants, LLC, in its capacity as Bankruptcy Court-appointed claims and balloting agent for the Chapter 9 Case.
47. "Claims Objection Bar Date" means the deadline for objecting to a Claim, which shall be on the date that is the later of (a) one year after the Effective Date, subject to extension by an order of the Bankruptcy Court, (b) 90 days after the Filing of a proof of Claim for such Claim and (c) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court.
48. "Claims Register" means the official register of Claims maintained by the Claims and Balloting Agent.
49. "Class" means a class of Claims, as described in Section II.B.
50. "COLAs" means the cost of living adjustments made to annual pension benefits pursuant to collective bargaining agreements, other contracts or ordinances (as applicable) to account for the effects of inflation, which adjustments sometimes are called "escalators" in such collective bargaining agreements.
51. "Confirmation" means the entry of the Confirmation Order by the Bankruptcy Court on the docket of the Chapter 9 Case.
52. "Confirmation Date" means the date on which the Bankruptcy Court enters the Confirmation Order on the docket in the Chapter 9 Case, within the meaning of Bankruptcy Rules 5003 and 9021.
53. "Confirmation Hearing" means the hearing held by the Bankruptcy Court on Confirmation of the Plan, as such hearing may be continued.
54. "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan pursuant to section 943 of the Bankruptcy Code, as it may be subsequently amended, supplemented or otherwise modified.
55. "Convenience Claim" means a Claim that would otherwise be an Other Unsecured Claim that is (a) an Allowed Claim in an amount less than or equal to \$25,000.00; or (b) in an amount that has been reduced to \$25,000.00 pursuant to an election made by the Holder of such Claim; provided that, where any portion(s) of a single Claim has been transferred, (y) the amount of all such portions will be aggregated to determine whether a Claim qualifies as a Convenience Claim and for purposes of the Convenience Claim election and (z) unless all transferees make the Convenience Claim election on the applicable Ballots, the Convenience Claim election will not be recognized for such Claim.
56. "COPs" means, collectively, the 2005 COPs and the 2006 COPs.
57. "COP Claim" means a Claim under or evidenced by the COP Service Contracts.
58. "COP Litigation" means the adversary proceeding captioned as *City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006*, Case No. 14-04112 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 31, 2014.
59. "COP Service Contracts" means, collectively, the (a) the GRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit General Retirement System Service Corporation; (b) the PFRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit Police and Fire Retirement System Service Corporation; (c) the GRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit General Retirement System Service Corporation; and (d) the PFRS Service Contract 2006,

dated June 7, 2006, by and between the City and the Detroit Police and Fire Retirement System Service Corporation, as each of the foregoing may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

60. "COP Service Corporations" means, collectively, the Detroit General Retirement System Service Corporation and the Detroit Police and Fire Retirement System Service Corporation.

61. "COP Swap Agreements" means the 1992 ISDA Master Agreements (Local Currency Single Jurisdiction) between the COP Service Corporations and the COP Swap Counterparties, as set forth on Exhibit I.A.61, together with all ancillary and related instruments and agreements, as the same may have been subsequently amended, restated, supplemented or otherwise modified.

62. "COP Swap Claim" means a Claim by the COP Swap Counterparties arising under the COP Swap Documents.

63. "COP Swap Collateral Agreement" means the Collateral Agreement among the City, the COP Service Corporations, the COP Swap Collateral Agreement Custodian and the COP Swap Counterparties, together with all ancillary and related instruments and agreements.

64. "COP Swap Collateral Agreement Custodian" means U.S. Bank National Association as custodian under the COP Swap Collateral Agreement or any successor custodian.

65. "COP Swap Counterparties" means UBS AG and Merrill Lynch Capital Services, Inc., as successor to SBS Financial Products Company LLC, under the COP Swap Documents.

66. "COP Swap Documents" means the COP Swap Agreements and the COP Swap Collateral Agreement.

67. "COP Swap Settlement" means that Settlement and Plan Support Agreement among the City and the COP Swap Counterparties filed with the Bankruptcy Court on the docket of the Chapter 9 Case on March 26, 2014 (Docket No. 3234), as the same may be subsequently amended, restated, supplemented or otherwise modified in accordance therewith.

68. "COP Swap Settlement Approval Order" means the order entered by the Bankruptcy Court approving the COP Swap Settlement (Docket No. 4094).

69. "Counties" means, collectively, Macomb County, Oakland County and Wayne County.

70. "Creditor Representative" means (a) if all Retiree Classes accept the Plan and the Retiree Committee supports the Plan, the Retiree Committee, (b) if any Retiree Class rejects the Plan or the Retiree Committee does not support the Plan, and Class 7 accepts the Plan, a person or committee of persons appointed by the five largest beneficial holders of Class 7 Claims other than the LTGO Insurer and (c) if any Retiree Class rejects the Plan or the Retiree Committee does not support the Plan, and Class 7 rejects the Plan, a person or committee of persons appointed by the Emergency Manager.

71. "Cure Amount Claim" means a Claim based upon the City's defaults under an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the City under section 365 of the Bankruptcy Code to the extent such Claim is required to be cured by section 365 of the Bankruptcy Code.

72. "Current Accrued Annual Pension" means, with respect to any Holder of a Pension Claim, the amount of annual pension benefits that the applicable Retirement System (a) is obligated to pay to such Holder as of June 30, 2014 to the extent such Holder is retired or a surviving beneficiary and receiving, or terminated from City employment and eligible to receive, a monthly pension as of such date or (b) would be obligated to pay such Holder upon his or her future retirement to the extent such Holder is actively employed by the City on June 30, 2014, assuming such Holder's annual pension is frozen as of June 30, 2014, and such Holder is no longer able to accrue

pension benefits after such date under the current terms and conditions of the applicable Retirement System, in either case as reflected on the books and records of the applicable Retirement System as of June 30, 2014.

73. "Current GRS Retiree Adjustment Cap" means, if the funding from the State Contribution Agreement and the DIA Settlement is received, an ASF/GRS Reduction in an amount not to exceed 20% of the Current Accrued Annual Pension of a person who was a current retiree as of June 30, 2014.

74. "CUSIP" means the nine-character identifier (consisting of letters and numbers) that uniquely identifies any particular issue of DWSD Bonds.

75. "Detroit General Retiree" means a retired employee or surviving beneficiary of a retired employee of a department of the City who (a) is not a Detroit Police and Fire Retiree, (b) retired (or is a surviving beneficiary of one who retired) on or before December 31, 2014 and (c) is a Holder of an OPEB Claim.

76. "Detroit General VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit General VEBA Beneficiaries and certain of their dependents.

77. "Detroit General VEBA Beneficiary" means a Holder of an Allowed OPEB Claim who is a Detroit General Retiree.

78. "Detroit General VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit General VEBA, in substantially the form attached hereto as Exhibit I.A.78.

79. "Detroit Police and Fire Retiree" means a retired employee or surviving beneficiary of a retired employee of the Detroit Police Department or the Detroit Fire Department who (a) was not an employee of the Emergency Medical Services Division of the Detroit Fire Department, (b) is a Holder of an OPEB Claim and (c) retired (or was a surviving beneficiary of one who retired) on or before December 31, 2014.

80. "Detroit Police and Fire VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents.

81. "Detroit Police and Fire VEBA Beneficiary" means a Holder of an Allowed OPEB Claim that is a Detroit Police and Fire Retiree.

82. "Detroit Police and Fire VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit Police and Fire VEBA, in substantially the form attached hereto as Exhibit I.A.82.

83. "DIA" means The Detroit Institute of Arts, a museum and cultural facility located at 5200 Woodward Avenue, Detroit, Michigan 48202.

84. "DIA Assets" means the assets identified on Exhibit A to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.91, to the extent that the City holds title to any such assets as of the Effective Date.

85. "DIA Corp." means The Detroit Institute of Arts, a Michigan non-profit corporation.

86. "DIA Funders" means those persons, businesses, business-affiliated foundations and other foundations listed on Exhibit C to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.91, and all additional persons, businesses, business-affiliated foundations and any other foundations from which DIA Corp. secures commitments to contribute monies in furtherance of the DIA Settlement.

87. "DIA Funding Parties" means the Foundations, the DIA Funders and DIA Corp.
88. "DIA Proceeds" means, collectively, the irrevocable funding commitments described in Section IV.F.1.
89. "DIA Proceeds Default Amount" means a reduction in the Adjusted Pension Amount of a Holder of a Pension Claim (or a surviving beneficiary) by virtue of a DIA Proceeds Payment Default, as determined by the trustees of the GRS or the PFRS, the aggregate amount of which shall be commensurate with the pertinent DIA Proceeds Payment Default.
90. "DIA Proceeds Payment Default" means a default that has not been cured during any applicable grace period, as determined by the trustees of the GRS or the PFRS, by one or more DIA Funding Parties respecting material amounts scheduled to be paid to the City in accordance with the DIA Settlement that the City, in turn, is required to pay over to the GRS or the PFRS in accordance with the terms and conditions of the Plan.
91. "DIA Settlement" means the comprehensive settlement regarding the DIA Assets, as described at Section IV.F and as definitively set forth in the DIA Settlement Documents, the principal terms of which are attached hereto as Exhibit I.A.91.
92. "DIA Settlement Documents" means the definitive documentation, including grant award letters, to be executed in connection with the DIA Settlement, in substantially the form attached hereto as Exhibit I.A.92, which documents will substantially conform to the term sheet attached hereto as Exhibit I.A.91.
93. "Disbursing Agent" means the disbursing agent(s) appointed pursuant to Section V.A.
94. "Disclosure Statement" means the disclosure statement (including all exhibits and schedules thereto or referenced therein) that relates to the Plan and has been prepared and distributed by the City and approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code, as the same may be amended, supplemented or otherwise modified.
95. "Disclosure Statement Order" means the [_____] (Docket No. [____]), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on [____], 2014, approving the Disclosure Statement as containing adequate information pursuant to section 1125 of the Bankruptcy Code, as it may have been subsequently amended, supplemented or otherwise modified.
96. "Discounted Value" means the net present value of all Net DWSD Transaction Proceeds to be received immediately or in the future utilizing a 6.75% discount rate.
97. "Disputed Claim" means any Claim that is not Allowed.
98. "Disputed COP Claims Reserve" means the reserve for Disputed COP Claims established pursuant to Section II.B.3.p.iii.B.1.
99. "Distribution" means any initial or subsequent payment or transfer made on account of an Allowed Claim under or in connection with the Plan.
100. "Distribution Amount" means the principal amount of \$42,500,000 for each of the COP Swap Counterparties, plus interest, on and after October 15, 2014, on the unpaid Net Amount at the rate applicable to obligations under the Postpetition Financing Agreement, payable in cash in the manner set forth in the COP Swap Settlement Agreement.
101. "Distribution Date" means any date on which a Distribution is made.
102. "Distribution Record Date" means 5:00 p.m., Eastern Time, on the Confirmation Date.

103. "District Court" means the United States District Court for the Eastern District of Michigan.
104. "Document Website" means the internet site address <http://www.kccllc.net/Detroit>, at which the Plan, the Disclosure Statement and all Filed Exhibits to the Plan shall be available to any party in interest and the public, free of charge.
105. "Downtown Development Authority Claims" means Claims in respect of the Downtown Development Authority Loans.
106. "Downtown Development Authority Loans" means loans made pursuant to that certain Loan Agreement, dated August 26, 1991, by and between the City and the City of Detroit Downtown Development Authority, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements.
107. "DRCEA" means the Detroit Retired City Employees Association.
108. "DWSD" means the Detroit Water and Sewerage Department, which is a department of the City.
109. "DWSD Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Bond Documents, including a Claim for principal and interest on the DWSD Bonds.
110. "DWSD Bond Documents" means the ordinances passed, resolutions adopted, orders issued and/or indentures executed with respect to the DWSD Bonds, as set forth on Exhibit I.A.110, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.
111. "DWSD Bonds" means the secured bonds issued pursuant to the DWSD Bond Documents, as set forth on Exhibit I.A.110.
112. "DWSD CVR" means a single series of contingent value right certificates representing the right to receive 50% of the Net DWSD Transaction Proceeds received by the General Fund on account of a Qualifying DWSD Transaction.
113. "DWSD Revolving Bond Claims" means, collectively, the DWSD Revolving Sewer Bond Claims and the DWSD Revolving Water Bond Claims.
114. "DWSD Revolving Bond Documents" means, collectively, the DWSD Revolving Sewer Bond Documents and the DWSD Revolving Water Bond Documents.
115. "DWSD Revolving Bonds" means, collectively, the DWSD Revolving Sewer Bonds and the DWSD Revolving Water Bonds.
116. "DWSD Revolving Sewer Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Sewer Bond Documents, including a Claim for principal and interest on the DWSD Revolving Sewer Bonds.
117. "DWSD Revolving Sewer Bond Documents" means the ordinances passed, resolutions adopted and/or indentures or agreements executed with respect to the DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.117, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.
118. "DWSD Revolving Sewer Bonds" means the secured bonds issued pursuant to the DWSD Revolving Sewer Bond Documents, as set forth on Exhibit I.A.117.

119. "DWSD Revolving Water Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Water Bond Documents, including a Claim for principal and interest on the DWSD Revolving Water Bonds.

120. "DWSD Revolving Water Bond Documents" means the ordinances passed, resolutions adopted and/or indentures or agreements executed with respect to the DWSD Revolving Water Bonds, as set forth on Exhibit I.A.120, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

121. "DWSD Revolving Water Bonds" means the secured bonds issued pursuant to the DWSD Revolving Water Bond Documents, as set forth on Exhibit I.A.120.

122. "DWSD Series" means an individual issue of DWSD Revolving Bonds having the same lien priority, issue date and series designation.

123. "Effective Date" means the Business Day, as determined by the City, on which each applicable condition contained in Section III.A has been satisfied or waived.

124. "Eligible Pensioner" means a Holder of a Pension Claim who is eligible to receive an Income Stabilization Payment because such Holder (a) is, as of the Effective Date, at least 60 years of age or is a minor child receiving survivor benefits from GRS or PFRS and (b) has an aggregate annual household income equal to or less than 140% of the Federal Poverty Level in 2013 (as determined by reference to their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation); provided, that no new persons will be eligible to receive Income Stabilization Payments at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

125. "Emergency Manager" means Kevyn D. Orr, in his capacity as emergency manager for the City serving in accordance with PA 436 or any successor emergency manager.

126. "Employee Health and Life Insurance Benefit Plan" means the Employee Health and Life Insurance Benefit Plan, a welfare benefit plan sponsored and administered by the City, which provides health, dental, vision care and life insurance benefits to (a) all officers and employees of the City who were employed on the day preceding the effective date of the benefit plan, and who continued to be employed by the City on and after the Effective Date and (b) substantially all retired officers and employees of the City.

127. "Employees Death Benefit Board of Trustees" means the governing board of the City of Detroit Employee Health and Life Insurance Benefit Plan, which operates and administers the Employees Death Benefit Plan.

128. "Employees Death Benefit Plan" means the City of Detroit Employee Death Benefit Plan, a pre-funded defined benefit plan and trust administered by the Employees Death Benefit Board of Trustees that provides supplemental death benefits to active and retired officers and employees of the City.

129. "Entity" shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

130. "Estimated Future Liability" means the Income Stabilization Payments anticipated to be made from GRS or PFRS, as applicable, in the future in order for the respective Retirement System to fulfill the obligation to make Income Stabilization Payments, as determined by the respective Retirement System's board of trustees in the year 2022, provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to the Retirement System at any time prior to 2022.

131. "Excess Assets" means the amount by which, if at all, the Income Stabilization Fund of either GRS or PFRS is credited with assets in excess of its Estimated Future Liability.

132. "Exculpated Parties" means, collectively and individually, (a) the RDPFFA and its board of trustees/directors, attorneys, advisors and professionals, (b) the DRCEA and its board of trustees/directors, attorneys, advisors and professionals, (c) the postpetition officers of the Detroit Police Lieutenants and Sergeants Association, (d) the postpetition officers of the Detroit Police Command Officers Association, (e) GRS and its postpetition professional advisors, (f) PFRS and its postpetition professional advisors and (g) Gabriel, Roeder, Smith & Company.

133. "Executory Contract" means a contract to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

134. "Exhibits" means, collectively, the documents listed on the "Table of Exhibits" included herein, all of which will be made available on the Document Website once they are Filed. The City reserves the right, in accordance with the terms hereof, to modify, amend, supplement, restate or withdraw any of the Exhibits after they are Filed and shall promptly make such changes available on the Document Website. For the avoidance of doubt, Exhibits I.A.92 and I.A.135 will be Filed only if the transactions related to and/or underlying such Exhibits are to be consummated by the City.

135. "Exit Facility" means a credit facility that will be entered into by the City, the Exit Facility Agent and the other financial institutions party thereto on the Effective Date on substantially the terms set forth on Exhibit I.A.135.

136. "Exit Facility Agent" means the agent under the Exit Facility.

137. "Face Amount" means either (a) the full stated amount claimed by the holder of such Claim in any proof of Claim Filed by the Bar Date or otherwise deemed timely Filed under applicable law, if the proof of Claim specifies only a liquidated amount; (b) if no proof of Claim is Filed by the Bar Date or otherwise deemed timely Filed under applicable law, the full amount of the Claim listed on the List of Creditors, provided that such amount is not listed as disputed, contingent or unliquidated; or (c) the amount of the Claim (i) acknowledged by the City in any objection Filed to such Claim, (ii) estimated by the Bankruptcy Court for such purpose pursuant to section 502(c) of the Bankruptcy Code, or (iii) proposed by City, if (A) no proof of Claim has been Filed by the Bar Date or has otherwise been deemed timely Filed under applicable law and such amount is not listed in the List of Creditors or is listed in List of Creditors as disputed, contingent or unliquidated or (B) the proof of Claim specifies an unliquidated amount (in whole or in part).

138. "Federal Poverty Level" means the poverty guidelines issued each year in the *Federal Register* by the United States Department of Health and Human Services.

139. "Fee Examiner" means Robert M. Fishman, in his capacity as the fee examiner appointed pursuant to the Fee Examiner Order.

140. "Fee Examiner Order" means the Order Appointing Fee Examiner (Docket No. 383), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on August 19, 2013, as it may have been amended, supplemented or otherwise modified.

141. "Fee Examiner Parties" means, collectively, (a) the Fee Examiner and (b) all counsel and other professionals advising the Fee Examiner whose fees and expenses are subject to the Fee Review Order.

142. "Fee Review Order" means the Fee Review Order (Docket No. 810), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on September 11, 2013, as it may have been amended, supplemented or otherwise modified.

143. "Fee Review Professionals" means, collectively, (a) those professionals retained by the City and the Retiree Committee to render services in connection with the Chapter 9 Case who seek payment of compensation and reimbursement of expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order and (b) the Fee Examiner Parties. For the avoidance of doubt, any professionals retained by any

official committee appointed in the Chapter 9 Case other than the Retiree Committee are not Fee Review Professionals.

144. "Fee Review Professional Fees" means the fees and expenses of the Fee Review Professionals incurred during the period beginning on the Petition Date and ending on the Effective Date.

145. "File," "Filed," or "Filing" means file, filed or filing with the Bankruptcy Court or the Claims and Balloting Agent, as applicable, in the Chapter 9 Case.

146. "Final Order" means an order or judgment of the Bankruptcy Court, or any other court of competent jurisdiction, as entered on the docket in the Chapter 9 Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari or move, under Bankruptcy Rule 9023 and/or Rule 59 of the Federal Rules of Civil Procedure, for a new trial, reargument or rehearing has expired, and no appeal or petition for certiorari or other proceedings for a new trial, reargument or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing shall have been denied or resulted in no modification of such order; provided that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed shall not prevent such order from being a Final Order.

147. "Fiscal Year" means a fiscal year for the City, commencing on July 1 of a year and ending on June 30 of the following year. A Fiscal Year is identified by the calendar year in which the Fiscal Year ends, such that, for example, the 2015 Fiscal Year is the Fiscal Year commencing on July 1, 2014, and ending on June 30, 2015.

148. "Foundations" means those entities identified on Exhibit B to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.91, solely in their capacity as participants in the DIA Settlement.

149. "General Fund" means the primary governmental fund and the chief operating fund of the City, which fund accounts for several of the City's primary services, including police, fire, public works, community and youth services.

150. "General Obligation Bond Claims" means, collectively, the Limited Tax General Obligation Bond Claims and the Unlimited Tax General Obligation Bond Claims.

151. "General Obligation Bond Documents" means, collectively, the Limited Tax General Obligation Bond Documents and the Unlimited Tax General Obligation Bond Documents.

152. "General Obligation Bonds" means, collectively, the Limited Tax General Obligation Bonds and the Unlimited Tax General Obligation Bonds.

153. "GRS" means the General Retirement System for the City of Detroit.

154. "GRS Adjusted Pension Amount" means, with respect to a Holder of a GRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 4.5% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment, provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and

(b) If Classes 10 and 11 do not vote to accept the Plan and/or funding is not received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 27% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment; provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and provided further, that with respect to Holders who are Active Employees, in the event the unfunded liabilities of the GRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the GRS as of June 30, 2013, the monthly pension amount shall be decreased to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

155. "GRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the GRS or any trustee thereof or any other Entity acting on the GRS's behalf, against the City or any fund managed by the City (including, but not limited to, the General Fund, the water fund, the sewage disposal fund, the Detroit General Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability or other post-retirement payment or distribution in respect of the employment of current or former employees or (b) the payment by the GRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the GRS.

156. "GRS Restoration Payment" means an addition to the pension benefits that comprise the GRS Adjusted Pension Amount as described in Exhibit II.B.3.r.ii.C.

157. "Holder" means an Entity holding a Claim.

158. "HUD Installment Note Claims" means any Claim against the City arising under or evidenced by the HUD Installment Note Documents, including a Claim for principal and interest on the HUD Installment Notes.

159. "HUD Installment Note Documents" means the promissory notes executed with respect to the HUD Installment Notes, as set forth on Exhibit I.A.159, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

160. "HUD Installment Notes" means, collectively, the secured notes issued under the HUD Installment Note Documents, as set forth on Exhibit I.A.159.

161. "Impaired" means, with respect to a Class or a Claim, that such Class or Claim is impaired within the meaning of section 1124 of the Bankruptcy Code.

162. "Income Stabilization Benefit" means a supplemental pension benefit in an amount necessary to ensure that (a) each Eligible Pensioner's total household income is equal to 130% of the Federal Poverty Level in 2013 or (b) the annual pension benefit payment payable to each Eligible Pensioner equals 100% of the annual pension benefit payment actually received by the Eligible Pensioner in 2013, whichever amount is lower.

163. "Income Stabilization Benefit Plus" means a supplemental pension benefit in an amount necessary to ensure that (a) an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in a given calendar year is equal to 105% of the Federal Poverty Level for such year or (b) the annual pension benefit payment payable to an Eligible Pensioner equals 100% of the Eligible Pensioner's Current Accrued Annual Pension, plus COLAs, whichever amount is lower.

164. "Income Stabilization Payments" means the Income Stabilization Benefit and the Income Stabilization Benefit Plus, which will be paid from the Income Stabilization Fund in each of GRS and PFRS to Eligible Pensioners in accordance with the State Contribution Agreement.

165. "Income Stabilization Fund" means a separate recordkeeping sub-account that will be established in each of GRS and PFRS for the sole purpose of paying Income Stabilization Payments to Eligible Pensioners. The assets credited to these sub-accounts will be invested on a commingled basis with the GRS and PFRS assets, as applicable, and will be credited with a pro rata portion of the applicable Retirement System's earnings and losses.

166. "Indirect 36th District Court Claim" means any claim arising in connection with a Cause of Action against the 36th District Court, solely to the extent that (a) the 36th District Court is entitled to receive funding from the City to satisfy any such claim and (b) any Claim for such funding by the 36th District Court is resolved pursuant to the Plan and the treatment accorded to any Allowed Other Unsecured Claims held by the 36th District Court pursuant to Section II.B.3.u.

167. "Indirect Employee Indemnity Claim" means any claim against an employee or former employee of the City with respect to which such employee has an Allowed Claim against the City for indemnification and/or payment or advancement of defense costs based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law.

168. "Interest Rate Reset Chart" means a chart identifying interest rates for the New DWSD Bonds, attached as Exhibit I.A.168.

169. "Investment Committee" means, as applicable, the investment committee established by GRS or PFRS for the purpose of making recommendations to, and approving certain actions by, the respective Retirement System's board of trustees and/or making determinations and taking action under, and with respect to certain matters described in, the State Contribution Agreement.

170. "Liabilities" means any and all claims, obligations, suits, judgments, damages, demands, debts, rights, derivative claims, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, arising in law, equity or otherwise, that are based in whole or in part on any act, event, injury, omission, transaction, agreement, employment, exposure or other occurrence taking place on or prior to the Effective Date.

171. "Lien" shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

172. "Limited Tax General Obligation Bond Claims" means any Claim against the City arising under or evidenced by the Limited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Limited Tax General Obligation Bonds.

173. "Limited Tax General Obligation Bond Documents" means the resolutions adopted and orders issued with respect to the Limited Tax General Obligation Bonds, as set forth on Exhibit I.A.173, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

174. "Limited Tax General Obligation Bonds" means, collectively, the unsecured bonds issued under the Limited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.173.

175. "List of Creditors" means the Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (together with the summaries and schedules attached thereto), attached as Exhibit A to the Notice of Filing of Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (Docket No. 1059), Filed by the City on September 30, 2013, as such list, summaries and/or schedules may be amended, restated, supplemented or otherwise modified.

176. "Liquidity Event" shall be deemed to occur only if the City has at all times complied with its obligations under the COP Swap Settlement to use its best efforts to secure sufficient exit financing to pay the Net Amount on or promptly following the Effective Date, and failing that, as soon thereafter as possible, but, notwithstanding such compliance, is unable to secure sufficient exit financing to pay the Net Amount on or promptly following the Effective Date.

177. "LTGO Insurer" means Ambac Assurance Corp., solely in its capacity as insurer of certain of the City's obligations with respect to the Limited Tax General Obligation Bonds.

178. "Macomb County" means the County of Macomb, Michigan.

179. "Mayor" means the duly-elected mayor of the City.

180. "Municipal Obligation" means the local government municipal obligation to be delivered by the City to the Michigan Finance Authority in accordance with the UTGO Settlement and applicable law.

181. "Net Amount" means the Distribution Amount less the sum of all quarterly payments received by the COP Swap Counterparties under the COP Swap Collateral Agreement in respect of amounts owed under the COP Swap Agreements since January 1, 2014.

182. "Net DWSD Transaction Proceeds" means (a) the cash proceeds received by or for the benefit of, or for attribution to, the General Fund as a result of a Qualifying DWSD Transaction less (1) any cash payments made by or on behalf of the General Fund in connection with a Qualifying DWSD Transaction, (2) any cash payments previously anticipated or projected to be contributed to GRS by DWSD but for the Qualifying DWSD Transaction and (3) any cash payments previously anticipated or projected to be received by or on behalf of the General Fund but for the Qualifying DWSD Transaction; and (b) any other net payments, assumption of scheduled monetary liability or cancellation of indebtedness or other monetary obligations that inures to the direct benefit of the General Fund as a result of the Qualifying DWSD Transaction. In applying this definition, the City and the Restoration Trust (or the Retiree Committee if prior to the Effective Date) will work to develop a schedule of Net DWSD Transaction Proceeds at the time of the Qualifying DWSD Transaction that will inform any Value Determination (if requested) and allow the parties to subsequently track actual results and adjust applicable pension restoration levels accordingly.

183. "New B Notes" means the unsecured bonds to be issued by the City pursuant to the New B Notes Documents, substantially on the terms set forth on Exhibit I.A.183.

184. "New B Notes Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued and/or indentures to be executed with respect to the New B Notes, in substantially the form attached hereto as Exhibit I.A.184.

185. "New DWSD Bond Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued and/or indentures to be executed with respect to the New DWSD Bonds.

186. "New DWSD Bonds" means the secured bonds to be issued by the City pursuant to the New DWSD Bond Documents, substantially on the terms set forth on Exhibit I.A.186.

187. "New Existing Rate DWSD Bond Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued and/or indentures to be executed to be executed with respect to the New Existing Rate DWSD Bonds.

188. "New Existing Rate DWSD Bonds" means the secured bonds to be issued by the City pursuant to the New Existing Rate DWSD Bond Documents, substantially on the terms set forth on Exhibit I.A.188.

189. "New GRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active non-public safety employees of the City in connection with employment service performed on and after July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.189.a and the material terms of which are attached hereto as Exhibit I.A.189.b.

190. "New GRS Active Pension Plan Formula" means an accrual rate for active employee participants in the GRS for benefits earned for service on or after July 1, 2014 that equals the product of (a) 1.5% multiplied by (b) an employee's average base compensation over such employee's final 10 years of service, multiplied by (c) such

employee's years of service after July 1, 2014. For purposes of this definition, base compensation will exclude overtime, longevity or other bonuses, and unused sick leave, and the New GRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

191. "New PFRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active public safety employees of the City in connection with employment service performed on and after July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.191.a and the material terms of which are set forth at Exhibit I.A.191.b.

192. "New PFRS Active Pension Plan Formula" means an accrual rate for active employee participants in the PFRS for benefits earned on or after July 1, 2014 that equals the product of (a) 2.0% multiplied by (b) an employee's average base compensation over the employee's final 10 years of service, multiplied by (c) such employee's years of service after July 1, 2014. For purposes of this definition, base compensation will mean the employee's actual base compensation and will exclude overtime, longevity or other bonuses, and unused sick leave, and the New PFRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

193. "New Securities" means, collectively, the New DWSD Bonds, the New Existing Rate DWSD Bonds, the New B Notes and the Municipal Obligation.

194. "Oakland County" means the County of Oakland, Michigan.

195. "OPEB Benefits" means, collectively, post-retirement health, vision, dental, life and death benefits provided to retired employees of the City and their surviving beneficiaries pursuant to the Employee Health and Life Insurance Benefit Plan and the Employees Death Benefit Plan, including the members of the certified class in the action captioned *Weiler et. al. v. City of Detroit*, Case No. 06-619737-CK (Wayne County Circuit Court), pursuant to the "Consent Judgment and Order of Dismissal" entered in that action on August 26, 2009.

196. "OPEB Claim" means any Claim against the City for OPEB Benefits held by a retiree who retired on or before December 31, 2014 and is otherwise eligible for OPEB Benefits, and any eligible surviving beneficiaries of such retiree.

197. "Other Secured Claim" means a Secured Claim, other than a COP Swap Claim, a DWSD Bond Claim, a DWSD Revolving Bond Claim, a HUD Installment Note Claim, a Parking Bond Claim or a Secured GO Bond Claim.

198. "Other Unsecured Claim" means any Claim that is not an Administrative Claim, a Convenience Claim, a COP Claim, a Downtown Development Authority Claim, a General Obligation Bond Claim, a GRS Pension Claim, an OPEB Claim, a PFRS Pension Claim, a Secured Claim or a Subordinated Claim. For the avoidance of doubt, Section 1983 Claims, Indirect Employee Indemnity Claims and Indirect 36th District Court Claims are included within the definition of Other Unsecured Claim.

199. "PA 436" means Public Act 436 of 2012 of the State, also known as the Local Financial Stability and Choice Act, Michigan Compiled Laws §§ 141.1541-141.1575.

200. "Parking Bond Claim" means any Claim against the City arising under or evidenced by the Parking Bond Documents, including a Claim for principal and interest on the Parking Bonds.

201. "Parking Bond Documents" means the resolutions adopted, ordinances passed and orders issued with respect to the Parking Bonds, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

202. "Parking Bonds" means the secured \$27,000,000 City of Detroit Building Authority Revenue Bonds (Parking and Arena System), Series 1998A, issued pursuant to the Parking Bond Documents in the outstanding principal amount of \$8,080,000 as of the Petition Date.

203. "Pass-Through Obligations" means the City's obligations to the Pass-Through Recipients with respect to which the City acts, or may in the future act, as a tax-collecting agent for tax increment revenues derived from property taxes of the City and certain other taxing jurisdictions and required to be transmitted by the Treasurer of the City to the Pass-Through Recipients under their respective tax increment financing enabling statutes.

204. "Pass-Through Recipients" means, collectively, the (a) City of Detroit Downtown Development Authority, (b) Local Development Finance Authority, (c) Detroit Brownfield Redevelopment Authority and (d) City of Detroit Eight Mile/Woodward Corridor Improvement Authority, each of which are separate legal entities from the City.

205. "Patient Protection and Affordable Care Act" means Public Law 111-148, 111th Congress, 42 U.S.C. §§ 18001, *et seq.*

206. "Pension Claim" means a GRS Pension Claim or a PFRS Pension Claim.

207. "Petition Date" means July 18, 2013.

208. "PFRS" means the Police and Fire Retirement System for the City of Detroit.

209. "PFRS Adjusted Pension Amount" means, with respect to a Holder of a PFRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: Holders of PFRS Pension Claims will continue to receive their Current Accrued Annual Pension, but COLAs from and after June 30, 2014 shall be 45% of the COLAs provided for in police and fire collective bargaining agreements, other contracts or ordinances; and

(b) If Classes 10 and 11 do **not** vote to accept the Plan and/or funding is **not** received from the DIA Settlement and the State Contribution Agreement: (i) for a Holder of a PFRS Pension Claim who is (A) either retired and receiving a monthly pension or a surviving beneficiary or (B) a terminated employee with a right to receive a PFRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs; and (ii) for a Holder of a PFRS Pension Claim who is an Active Employee, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus elimination of the deferred retirement option plan feature of PFRS for certain Active Employees who have not already irrevocably elected to participate in the feature; provided that, with respect to Holders that are Active Employees, in the event the unfunded liabilities of the PFRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the PFRS as of June 30, 2013, the monthly pension amount shall be reduced to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

210. "PFRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the PFRS or any trustee thereof or any other Entity acting on the PFRS's behalf, against the City or any fund managed by the City (including, but not limited to, the General Fund, the Police and Fire Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability, or other post-retirement payment or distribution in respect of the employment of such current or former employees or (b) the payment by the PFRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the PFRS.

211. "PFRS Restoration Payment" means an addition to the pension benefits that comprise the PFRS Adjusted Pension Amount as described in Exhibit II.B.3.q.ii.C.

212. "Plan" means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

213. "Plan COP Settlement" means the comprehensive settlement regarding COP Claims on terms and conditions described in Section II.B.3.p.iii.A and more definitively set forth in the Plan COP Settlement Documents.

214. "Plan COP Settlement Documents" means the definitive documentation to be executed in connection with the Plan COP Settlement, in substantially the form attached hereto as Exhibit I.A.214.

215. "Plan Supplement" means any supplement to the Plan containing Exhibits that were not Filed as of the date of the entry of the Disclosure Statement Order. A Plan Supplement or Plan Supplements containing Exhibits 189.a, 191.a, 220, 221 and II.D.6 will be Filed no later than five Business Days prior to the Voting Deadline. All other Plan Supplements will be Filed no later than ten days before the Confirmation Hearing.

216. "Pledged Property" means the collateral pledged by the City under the COP Swap Collateral Agreement and/or Ordinance No. 05-09 of the City.

217. "Postpetition Financing Agreement" means, collectively, (a) the Bond Purchase Agreement by and among the City and Barclays Capital, Inc., as purchaser, (b) the Financial Recovery Bond Trust Indenture by and among the City and UMB Bank, N.A., as trustee, and (c) all ancillary and related instruments and agreements approved by the Bankruptcy Court pursuant to the Postpetition Financing Order.

218. "Postpetition Financing Order" means the Order Pursuant to 11 U.S.C. §§ 105, 362, 364(c)(1), 364(c)(2), 364(e), 364(f), 503, 507(a)(2), 904, 921 and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Claim Status and (III) Modifying Automatic Stay (Docket No. 3067) entered by the Bankruptcy Court on the docket of the Chapter 9 Case on April 2, 2014, approving the Postpetition Financing Agreement.

219. "Postpetition Purchaser Claims" means any Claim against the City under or evidenced by (a) the Postpetition Financing Agreement and (b) the Postpetition Financing Order.

220. "Prior GRS Pension Plan" means the terms and conditions of the GRS in effect as of June 30, 2014 and applicable to benefits accrued by members of GRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.220.

221. "Prior PFRS Pension Plan" means the terms and conditions of the PFRS in effect as of June 30, 2014 and applicable to benefits accrued by members of PFRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.221.

222. "Pro Rata" means, when used with reference to a distribution of property to Holders of Allowed Claims in a particular Class or other specified group of Claims, proportionately so that with respect to a particular Allowed Claim in such Class or in such group, the ratio of (a)(i) the amount of property to be distributed on account of such Claim to (ii) the amount of such Claim, is the same as the ratio of (b)(i) the amount of property to be distributed on account of all Allowed Claims in such Class or group of Claims to (ii) the amount of all Allowed Claims in such Class or group of Claims. Until all Disputed Claims in a Class or other specified group of Claims are resolved, Disputed Claims shall be treated as Allowed Claims in their Face Amount for purposes of calculating a Pro Rata distribution of property to holders of Allowed Claims in such Class or group of Claims.

223. "Professional Fee Reserve" means the reserve for Fee Review Professional Fees established pursuant to Section IV.L.

224. "Qualifying DWSD Transaction" means a potential transaction involving the transfer to a third party (including but not limited to a lease) of a majority of the assets of, or the right to operate and manage, the City's water and/or sewage disposal systems currently operated by the DWSD in one or a series of related transactions.

225. "RDPFFA" means the Retired Detroit Police and Fire Fighters Association.

226. "Reinstated" means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the Holder or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) the cure of any such default other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) the reinstatement of the maturity of such Claim as such maturity existed before such default; (iii) compensation of the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim arises from any failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensation of the Holder of such Claim for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Holder. "Reinstated" and "Reinstatement" shall have correlative meanings.

227. "Reinstated Stub UTGO Bonds" means Unlimited Tax General Obligation Bonds in the principal amount of \$43,410,000 that, from and after the Effective Date, will remain outstanding and will be payable from the UTGO Bond Tax Levy, as more particularly described on Exhibit I.A.285.

228. "Related Entity" means, with respect to any Entity, such Entity's Affiliates, predecessors, successors and assigns (whether by operation of law or otherwise), and with respect to any of the foregoing their respective present and former Affiliates and each of their respective current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity, and any Entity claiming by or through any of them (including their respective officials, officers, directors, employees, managers, advisors and professionals).

229. "Released Parties" means, collectively and individually, the Retiree Committee, the members of the Retiree Committee, the Retiree Committee Professionals, the DIA Funding Parties and their Related Entities and the CFSEM Supporting Organization and its Related Entities.

230. "Restoration Trust" means a trust to be established (a) to hold the DWSD CVR and enforce rights related to its terms and (b) consult with the trustees and Investment Committee of PFRS or GRS with respect to restoration rights affecting retirees of PFRS or GRS, respectively; provided, however, that the Restoration Trust shall not have any right to initiate enforcement proceedings against the trustees or Investment Committee of either PFRS or GRS with respect to Special Restoration or the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

231. "Restructured UTGO Bonds" means the bonds to be issued by the Michigan Finance Authority to the current Holders of Unlimited Tax General Obligation Bonds in the amount of \$287,500,000 pursuant to the UTGO Settlement, which bonds shall be limited obligations of the Michigan Finance Authority and shall be secured as more particularly described on Exhibit I.A.285.

232. "Retiree Classes" means Classes 10, 11 and 12, as set forth in Section II.B.

233. "Retiree Committee" means the official committee of retired employees first appointed by the United States Trustee in the Chapter 9 Case on August 22, 2013 (Docket No. 566), as such committee may be reconstituted, solely in its capacity as such.

234. "Retiree Committee Professionals" means those professionals retained by the Retiree Committee to render services in connection with the Chapter 9 Case that seek payment of compensation and reimbursement of

expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order, solely in their capacity as such.

235. "Retiree Health Care Litigation" means the adversary proceeding captioned as *Official Committee of Retirees of the City of Detroit, Michigan, et al. v. City of Detroit, Michigan, et al.*, Case No. 14-04015 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 9, 2014.

236. "Retiree Health Care Settlement Agreement" means the Settlement Agreement, effective February 14, 2014, between the parties to the Retiree Health Care Litigation, pursuant to which such parties agreed to certain modifications to the changes in retiree health care benefits that the City was otherwise to implement on March 1, 2014, a copy of which is attached hereto as Exhibit I.A.236.

237. "Retiree Health Plan" means the City of Detroit Retiree Health Plan, a welfare benefit plan sponsored and administered by the City, which, effective for the period beginning March 1, 2014 and ending December 31, 2014, provides health, dental and vision care benefits to retired officers and employees of the City who enrolled in the plan as of March 1, 2014.

238. "Retirement System Indemnity Obligations" means any and all obligations of the City, as of the Petition Date, to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of any party in connection with any Causes of Action relating in any way to either GRS or PFRS and/or the management, oversight, administration or activities thereof, as such obligations may be as provided for in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements.

239. "Retirement Systems" means, collectively, the GRS and the PFRS.

240. "Section 115" means section 115 of the Internal Revenue Code of 1986, as amended.

241. "Section 1983 Claim" means any claim against the City, its employees or both arising under 42 U.S.C. § 1983 that has not been settled, compromised or otherwise resolved and with respect to which Claim a lawsuit was pending before the District Court on or prior to the Petition Date.

242. "Secured Claim" means a Claim that is secured by a Lien on property in which the City has an interest or that is subject to valid setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the City's interest in such property or to the extent of the amount subject to valid setoff, as applicable, as determined pursuant to section 506 of the Bankruptcy Code.

243. "Secured GO Bond Claims" means, collectively, the Secured GO Series 2010 Claims, the Secured GO Series 2010(A) Claims, the Secured GO Series 2012(A)(2) Claims, the Secured GO Series 2012(A2-B) Claims, the Secured GO Series 2012(B) Claims and the Secured GO Series 2012(B2) Claims.

244. "Secured GO Bond Documents" means, collectively, the Secured GO Series 2010 Bond Documents, the Secured GO Series 2010(A) Bond Documents, the Secured GO Series 2012(A)(2) Bond Documents, the Secured GO Series 2012(A2-B) Bond Documents, the Secured GO Series 2012(B) Bond Documents and the Secured GO Series 2012(B2) Bond Documents.

245. "Secured GO Bonds" means, collectively, the Secured GO Series 2010 Bonds, the Secured GO Series 2010(A) Bonds, the Secured GO Series 2012(A)(2) Bonds, the Secured GO Series 2012(A2-B) Bonds, the Secured GO Series 2012(B) Bonds and the Secured GO Series 2012(B2) Bonds.

246. "Secured GO Series 2010 Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010 Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

247. "Secured GO Series 2010 Bonds" means the secured \$249,790,000 Distributable State Aid General Obligation (Limited Tax) Bonds, Series 2010, issued pursuant to the Secured GO Series 2010 Bond Documents.

248. "Secured GO Series 2010 Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010 Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010 Bonds.

249. "Secured GO Series 2010(A) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010(A) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

250. "Secured GO Series 2010(A) Bonds" means the secured \$100,000,000 Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds – Direct Payment), issued pursuant to the Secured GO Series 2010(A) Bond Documents.

251. "Secured GO Series 2010(A) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010(A) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A) Bonds.

252. "Secured GO Series 2012(A)(2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A)(2) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

253. "Secured GO Series 2012(A)(2) Bonds" means the secured \$38,865,000 Self-Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A)(2), issued pursuant to the Secured GO Series 2012(A)(2) Bond Documents.

254. "Secured GO Series 2012(A)(2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A)(2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A)(2) Bonds.

255. "Secured GO Series 2012(A2-B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A2-B) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

256. "Secured GO Series 2012(A2-B) Bonds" means the secured \$53,520,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B), issued pursuant to the Secured GO Series 2012(A2-B) Bond Documents.

257. "Secured GO Series 2012(A2-B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A2-B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(A2-B) Bonds.

258. "Secured GO Series 2012(B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

259. "Secured GO Series 2012(B) Bonds" means the \$6,405,000 General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation), Series 2012(B), issued pursuant to the Secured GO Series 2012(B) Bond Documents.

260. "Secured GO Series 2012(B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B) Bonds.

261. "Secured GO Series 2012(B2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B2) Bonds, as set forth on Exhibit I.A.244, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

262. "Secured GO Series 2012(B2) Bonds" means the \$30,730,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2), issued pursuant to the Secured GO Series 2012(B2) Bond Documents.

263. "Secured GO Series 2012(B2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B2) Bonds.

264. "Settling COP Claimant" means a beneficial holder of a COP Claim that elects to participate in the Plan COP Settlement as to some or all COP Claims held by or assigned to it and its Affiliates by so indicating on a timely-retained Ballot.

265. "Special Restoration" means the potential restoration or replacement of benefit reductions imposed by the Plan in connection with a Qualifying DWSD Transaction, as described in Section IV.G.

266. "State" means the state of Michigan.

267. "State Contribution" means payments to be made to GRS and PFRS by the State or the State's authorized agent for the purpose of funding Adjusted Pension Amounts in an aggregate amount equal to the net present value of \$350 million payable over 20 years using a discount rate of 6.75%, pursuant to the terms of the State Contribution Agreement. References to the "disbursement of the State Contribution" in the Plan shall be construed to refer to either the distribution of the discrete lump sum payments to GRS and PFRS or the payment of the first installment of the State Contribution to GRS and PFRS, as the case may be.

268. "State Contribution Agreement" means the definitive documentation to be executed in connection with the comprehensive settlement regarding Pension Claims as described in Section IV.E, in substantially the form attached hereto as Exhibit I.A.268.

269. "State Related Entities" means, collectively: (a) all officers, legislators, employees, judges and justices of the State; (b) the Governor of the State; (c) the Treasurer of the State; (d) all members of the Local Emergency Financial Assistance Loan Board created under the Emergency Municipal Loan Act, Michigan Compiled Laws §§ 141.931-141.942; (e) each of the State's agencies and departments; and (f) the Related Entities of each of the foregoing.

270. "Stay Extension Order" means the Order Pursuant to Section 105(a) of the Bankruptcy Code Extending the Chapter 9 Stay to Certain (A) State Entities, (B) Non-Officer Employees and (C) Agents and Representatives of the Debtor (Docket No. 166), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on July 25, 2013, as it may be amended, supplemented or otherwise modified.

271. "Subordinated Claim" means a Claim of the kind described in sections 726(a)(3) or 726(a)(4) of the Bankruptcy Code and/or Claims subordinated under sections 510(b) or 510(c) of the Bankruptcy Code.

272. "Swap Insurance Policies" means those policies and/or other instruments insuring the COP Swap Agreements and obligations related thereto.

273. "Tax" means: (a) any net income, alternative or add-on minimum, gross income, gross receipts, gross margins, sales, use, stamp, real estate transfer, mortgage recording, ad valorem, value added, transfer, franchise, profits, license, property, payroll, employment, unemployment, occupation, disability, excise, severance, withholding, environmental or other tax, assessment or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax or additional amount) imposed by any federal, state, local or foreign taxing authority; or (b) any liability for payment of any amounts of the foregoing types as a result of being a member of an affiliated, consolidated, combined or unitary group, or being a transferee or successor or a party to any agreement or arrangement whereby liability for payment of any such amounts is determined by reference to the liability of any other Entity.

274. "Tort Claim" means any Claim that has not been settled, compromised or otherwise resolved that arises out of allegations of personal injury or wrongful death claims and is not a Section 1983 Claim.

275. "Unexpired Lease" means a lease to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

276. "Unimpaired" means, with respect to a Class or a Claim, that such Class or Claim is not Impaired.

277. "United States Trustee" means the Office of the United States Trustee for the Eastern District of Michigan.

278. "Unlimited Tax General Obligation Bond Claims" means any Claim against the City arising under or evidenced by the Unlimited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Unlimited Tax General Obligation Bonds.

279. "Unlimited Tax General Obligation Bond Documents" means the resolutions passed and orders issued with respect to the Unlimited Tax General Obligation Bonds, as set forth on Exhibit I.A.279, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all instruments and agreements related thereto.

280. "Unlimited Tax General Obligation Bonds" means, collectively, the bonds issued under the Unlimited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.279.

281. "Unsecured Claim" means a Claim that is not a Secured Claim or an Administrative Claim.

282. "Unsecured Pro Rata Share" means, when used with reference to a Distribution of New B Notes to Holders of Allowed Claims within Classes 7, 9, 12, 13 and 14 entitled to receive a distribution of New B Notes, the proportion that an Allowed Claim bears to the sum of all Allowed Claims and Disputed Claims within such Classes. Until all Disputed Claims in a Class are resolved, Disputed Claims shall be treated as Allowed Claims in their Face Amount for purposes of calculating the Unsecured Pro Rata Share of property to be distributed to Holders of Allowed Claims in such Class, unless otherwise ordered by the Bankruptcy Court.

283. "UTGO Bond Tax Levy" means that portion of the proceeds of the ad valorem tax millage levies pledged to and on account of the Unlimited Tax General Obligation Bonds.

284. "UTGO Litigation" means, together, the adversary proceedings filed in the Chapter 9 Case on November 8, 2013, captioned as *National Public Finance Guarantee Corporation and Assured Guaranty Municipal Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05309 (Bankr. E.D. Mich.), and *Ambac Assurance Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05310 (Bankr. E.D. Mich.), to the extent that such proceedings relate to the Unlimited Tax General Obligation Bonds.

285. "UTGO Settlement" means the comprehensive settlement regarding Unlimited Tax General Obligation Bond Claims and related Bond Insurance Policy Claims, the principal terms of which are attached hereto as Exhibit I.A.285 and described in Section IV.D.

286. "Value Determination" means a valuation of the expected Net DWSD Transaction Proceeds.

287. "Voting Deadline" means the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order for submitting Ballots to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code.

288. "Voting Record Date" means the record date fixed by the Bankruptcy Court in the Disclosure Statement Order establishing the Holders of Claims entitled to vote to accept or reject the Plan.

289. "Wayne County" means the Charter County of Wayne, Michigan.

B. Rules of Interpretation and Computation of Time.

1. Rules of Interpretation.

For purposes of the Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference herein to an existing document or Exhibit Filed or to be Filed shall mean such document or Exhibit, as it may have been or may be amended, restated, supplemented or otherwise modified pursuant to the Plan, the Confirmation Order or otherwise; (d) any reference to an Entity as a Holder of a Claim includes that Entity's successors, assigns and Affiliates; (e) all references to Sections or Exhibits are references to Sections and Exhibits of or to the Plan; (f) the words "herein," "hereunder," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (h) the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words "without limitation"; and (i) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply to the extent not inconsistent with any other provision of this Section.

2. Computation of Time.

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

ARTICLE II CLASSIFICATION OF CLAIMS; CRAMDOWN; EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims are classified under the Plan for all purposes, including voting, Confirmation and Distribution. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, as described in Section II.A, have not been classified and thus are excluded from the Classes described in Section II.B.1. A Claim shall be deemed classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim qualifies within the description of such other Class. Notwithstanding the foregoing, in no event shall any Holder of an Allowed Claim be entitled to receive payments or Distributions under the Plan that, in the aggregate, exceed the Allowed amount of such Holder's Claim.

A. Unclassified Claims.

1. Payment of Administrative Claims.

a. Administrative Claims in General.

Except as specified in this Section II.A.1, and subject to the bar date provisions herein, unless otherwise agreed by the Holder of an Administrative Claim and the City, or ordered by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of such Allowed Administrative Claim, Cash in an amount equal to such Allowed Administrative Claim either: (1) on the Effective Date or as soon as reasonably practicable thereafter; or (2) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim. No Claim of any official or unofficial creditors' committee (other than the Retiree Committee) or any member thereof for professionals' fees or other costs and expenses incurred by such creditors' committee or by a member of such creditors' committee shall constitute an Allowed Administrative Claim.

b. Claims Under the Postpetition Financing Agreement.

Unless otherwise agreed by Barclays Capital, Inc. pursuant to the Postpetition Financing Agreement, on or before the Effective Date, Postpetition Purchaser Claims that are Allowed Administrative Claims will be paid in Cash equal to the amount of those Allowed Administrative Claims.

2. Bar Dates for Administrative Claims.

a. General Bar Date Provisions

Except as otherwise provided in Section II.A.2.b or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the City pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, no later than 30 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the City and the requesting party by the later of (i) 150 days after the Effective Date, (ii) 60 days after the Filing of the applicable request for payment of Administrative Claims or (iii) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims.

b. Claims Under the Postpetition Financing Agreement.

Holders of Administrative Claims that are Postpetition Purchaser Claims will not be required to File or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied pursuant to Section II.A.1.b.

c. No Modification of Bar Date Order.

The Plan does not modify any other Bar Date Order, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

B. Classified Claims.

1. Designation of Classes.

The following table designates the Classes and specifies whether such Classes are Impaired or Unimpaired by the Plan.

CLASS	NAME	IMPAIRMENT
<i>Secured Claims</i>		
1A	All Classes of DWSD Bond Claims (One Class for each CUSIP of DWSD Bonds, as set forth on Exhibit I.A.110)	Unimpaired/Nonvoting or Impaired/Voting, as set forth on Exhibit I.A.110
1B	All Classes of DWSD Revolving Sewer Bond Claims (One Class for each DWSD Series of DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.117)	Unimpaired/Nonvoting
1C	All Classes of DWSD Revolving Water Bond Claims (One Class for each DWSD Series of DWSD Revolving Water Bonds, as set forth on Exhibit I.A.120)	Unimpaired/Nonvoting
2A	Secured GO Series 2010 Claims	Unimpaired/Nonvoting
2B	Secured GO Series 2010(A) Claims	Unimpaired/Nonvoting
2C	Secured GO Series 2012(A)(2) Claims	Unimpaired/Nonvoting
2D	Secured GO Series 2012(A2-B) Claims	Unimpaired/Nonvoting
2E	Secured GO Series 2012(B) Claims	Unimpaired/Nonvoting
2F	Secured GO Series 2012(B2) Claims	Unimpaired/Nonvoting
3	Other Secured Claims	Unimpaired/Nonvoting
4	HUD Installment Notes Claims	Unimpaired/Nonvoting
5	COP Swap Claims	Impaired/Voting
6	Parking Bond Claims	Unimpaired/Nonvoting
<i>Unsecured Claims</i>		
7	Limited Tax General Obligation Bond Claims	Impaired/Voting
8	Unlimited Tax General Obligation Bond Claims	Impaired/Voting
9	COP Claims	Impaired/Voting
10	PFRS Pension Claims	Impaired/Voting
11	GRS Pension Claims	Impaired/Voting
12	OPEB Claims	Impaired/Voting
13	Downtown Development Authority Claims	Impaired/Voting
14	Other Unsecured Claims	Impaired/Voting
15	Convenience Claims	Impaired/Voting
16	Subordinated Claims	Impaired/Nonvoting

2. Subordination; Reservation of Rights to Reclassify Claims.

Except with respect to Bond Insurance Policy Claims, the allowance, classification and treatment of Allowed Claims and the respective Distributions and treatments specified in the Plan take into account the relative priority and rights of the Claims in each Class and all contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Pursuant to section 510 of the Bankruptcy Code, the City reserves the right to re-classify any Disputed Claim in accordance with any applicable contractual, legal or equitable subordination. For the avoidance of doubt, this Section II.B.2 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims, which are preserved for enforcement by the City or by the relevant Bond Insurer.

3. Treatment of Claims.

a. Class 1A – DWSD Bond Claims.

i. Classification and Allowance.

DWSD Bond Claims relating to each CUSIP of DWSD Bonds shall be separately classified, as reflected on Exhibit I.A.110, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.110.

ii. Treatment.

A. Unimpaired Classes.

Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as unimpaired on Exhibit I.A.110 shall have its Allowed DWSD Bond Claim Reinstated on the Effective Date, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.

B. Impaired Classes.

Each Holder of an Allowed DWSD Bond Claim in a Class of DWSD Bond Claims that is identified as impaired on Exhibit I.A.110 shall receive on or as soon as reasonably practicable after the Effective Date, in full satisfaction of such Allowed Claim, at the option of the City, either (1) New DWSD Bonds having a principal amount equal to the principal amount of the DWSD Bonds held by such Holder; or (2) Cash in the full amount of the principal and interest portion of such Allowed DWSD Bond Claim, unless such Holder agrees to a different treatment of such Claim. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents shall be paid in full in Cash once Allowed.

Treatment Option for Classes that Accept the Plan: Each Holder of an Allowed DWSD Bond Claim in an impaired Class of DWSD Bond Claims that accepts the Plan may elect to receive New Existing Rate DWSD Bonds having a principal amount equal to the principal amount of the DWSD Bonds held by such Holder in lieu of New DWSD Bonds.

Accrued and unpaid interest as of the Distribution Date with respect to those DWSD Bonds for which a Holder of an Allowed DWSD Bond Claim receives New DWSD Bonds or New Existing Rate DWSD Bonds pursuant to the Plan shall be, at the option of the City, either (1) paid in Cash on the first Distribution Date following the date on which such DWSD Bond Claim is Allowed or (2) added to the principal amount of the New DWSD Bonds or New Existing Rate DWSD Bonds, as applicable, distributed to such Holder pursuant to the Plan.

b. Class 1B – DWSD Revolving Sewer Bond Claims

i. Classification and Allowance.

DWSD Revolving Sewer Bond Claims relating to each DWSD Series of DWSD Revolving Sewer Bonds shall be separately classified, as reflected on Exhibit I.A.117, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Sewer Bond Claims shall be deemed Allowed in the aggregate amounts set forth on Exhibit I.A.117.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Sewer Bond Claim shall have its Allowed DWSD Revolving Sewer Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

c. Class 1C – DWSD Revolving Water Bond Claims

i. Classification and Allowance.

DWSD Revolving Water Bond Claims relating to each DWSD Series of DWSD Revolving Water Bonds shall be separately classified, as reflected on Exhibit I.A.120, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Water Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.120.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Water Bond Claim shall have its Allowed DWSD Revolving Water Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

d. Class 2A – Secured GO Series 2010 Claims.

On the Effective Date, (i) the Secured GO Series 2010 Claims shall be deemed Allowed in the aggregate amount of \$252,475,366 and (ii) each Holder of an Allowed Secured GO Series 2010 Claim shall have its Allowed Secured GO Series 2010 Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

e. Class 2B – Secured GO Series 2010(A) Claims.

On the Effective Date, (i) the Secured GO Series 2010(A) Claims shall be deemed Allowed in the aggregate amount of \$101,707,848 and (ii) each Holder of an Allowed Secured GO Series 2010(A) Claim shall have its Allowed Secured GO Series 2010(A) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

f. Class 2C – Secured GO Series 2012(A)(2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A)(2) Claims shall be deemed Allowed in the aggregate amount of \$39,254,171 and (ii) each Holder of an Allowed Secured GO Series 2012(A)(2) Claim shall have its Allowed Secured GO Series 2012(A)(2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

g. Class 2D – Secured GO Series 2012(A2-B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A2-B) Claims shall be deemed Allowed in the aggregate amount of \$54,055,927 and (ii) each Holder of an Allowed Secured GO Series 2012(A2-B) Claim

shall have its Allowed Secured GO Series 2012(A2-B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

h. Class 2E - Secured GO Series 2012(B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B) Claims shall be deemed Allowed in the aggregate amount of \$6,469,135 and (ii) each Holder of an Allowed Secured GO Series 2012(B) Claim shall have its Allowed Secured GO Series 2012(B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

i. Class 2F – Secured GO Series 2012(B2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B2) Claims shall be deemed Allowed in the aggregate amount of \$31,037,724 and (ii) each Holder of an Allowed Secured GO Series 2012(B2) Claim shall have its Allowed Secured GO Series 2012(B2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

j. Class 3 – Other Secured Claims.

On the Effective Date, each Holder of an Allowed Other Secured Claim shall have its Allowed Other Secured Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

k. Class 4 – HUD Installment Note Claims.

On the Effective Date, (i) the HUD Installment Note Claims shall be deemed Allowed in the aggregate amount of \$90,075,004 and (ii) each Holder of a HUD Installment Note Claim shall have its Allowed HUD Installment Note Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

l. Class 5 – COP Swap Claims.

i. Allowance.

The COP Swap Claims shall be deemed Allowed as Secured Claims, which, solely for purposes of distributions from the City, will be equal to the Distribution Amount.

ii. Treatment.

Each Holder of an Allowed COP Swap Claim, in full satisfaction of such Allowed Claim, shall receive, either: (A) within thirty days following the Effective Date, the Net Amount in full in cash, provided that until paid in cash in full, such Secured Claims will remain secured by the Pledged Property; or (B) solely in the case of a Liquidity Event, the Net Amount in cash in full within 180 days following the Effective Date, provided that (1) other than with respect to net proceeds used to repay the Postpetition Financing Agreement, to the extent permitted by law but without taking into consideration any limitations imposed by the City, including in any ordinance or resolution of the City, the first dollars of any net cash proceeds of any financing or refinancing consummated in connection with, or subsequent to, the consummation of such Plan and either (a) supported by the full faith and credit of the City or (b) payable from the general fund of the City, will be used to pay the Net Amount, (2) the City will continue to comply with its obligations under the COP Swap Settlement and the COP Swap Settlement Approval Order until the Net Amount is paid in cash in full, (3) until paid in cash in full, such Secured Claims will remain secured by the Pledged Property, (4) from and after the Effective Date, the unpaid Net Amount will accrue interest at the rate applicable to obligations under the Postpetition Financing Agreement plus 1.5% with the interest obligation likewise being secured by the Pledged Property and (5) the COP Swap Counterparties will receive from the City on the Effective Date a deferral fee in cash equal to 1.0% of the Net Amount to be shared equally between them.

m. Class 6 – Parking Bond Claims.

On the Effective Date, (i) the Parking Bond Claims shall be deemed Allowed in the amount of \$8,099,287 and (ii) each Holder of an Allowed Parking Bond Claim shall have its Allowed Parking Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

n. Class 7 – Limited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Limited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$163,543,187.86.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Limited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

o. Class 8 – Unlimited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Unlimited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of Restructured UTGO Bonds. Such Holders shall retain ownership of the Reinstated Stub UTGO Bonds, subject to Sections I.A.23 and IV.D.

p. Class 9 – COP Claims.

i. Disputed.

The COP Claims are Disputed Claims and are not Allowed by the Plan, and the City reserves all rights to (A) object to, avoid or subordinate such Claims on any and all available grounds, including through the assertion of any and all grounds asserted in the COP Litigation, and (B) assign the right to object to, avoid or subordinate such Claims or the City's rights in the COP Litigation to the Creditor Representative. If the City seeks to settle the COP Litigation on terms other than those set forth herein, the City will use its best efforts to reach agreement with the Retiree Committee or the Detroit General VEBA and the Detroit Police and Fire VEBA, as applicable, on any such settlement.

ii. Assignment.

Solely for purposes of facilitating Distributions under this Plan and for no other purpose, on and as of the Effective Date, those portions of COP Claims that relate to, and are measured by, the payment schedule under the COPs shall be deemed assigned to the beneficial holders of the COPs on a Pro Rata basis, with each beneficial holder deemed to receive such portions of COP Claims in an amount equal to the proportion that the unpaid principal amount of such holder's COPs bears to the aggregate unpaid principal amount of all COPs. Each beneficial holder of COPs may elect to participate in the Plan COP Settlement in respect of some or all of those portions of COP Claims that would be deemed assigned to it and its Affiliates in the event that the Effective Date occurs.

iii. Treatment.

A. Plan COP Settlement Option.

Each beneficial holder of COPs may settle issues relating to allowance of the COP Claims that are deemed assigned to it and become a Settling COP Claimant as to some or all COPs held by it and its Affiliates by electing to participate in the Plan COP Settlement on a timely-returned Ballot accepting the Plan. Each Settling COP Claimant shall have its COP Claims deemed to be Allowed Claims in an amount equal to 40% of the aggregate unpaid principal amount of COPs held by such Settling COP Claimant and shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

B. Non-Settling Holders.

Each beneficial holder of COPs shall receive the following treatment on account of its COP Claims unless such holder agrees to a different treatment of such Claims:

1. Disputed COP Claims Reserve.

On the Effective Date, the City shall establish the Disputed COP Claims Reserve. The Disputed COP Claims Reserve shall contain no less than (a) an Unsecured Pro Rata Share of New B Notes, calculated as if such Disputed COP Claims were Allowed (i) in an amount equal to the aggregate unpaid principal amount as of the Petition Date for the COPs not subject to the Plan COP Settlement or (ii) in such lesser amount as may be required by an order of the Bankruptcy Court, and (b) any distributions made on account of New B Notes held in the Disputed COP Claims Reserve.

2. Distributions From The Disputed COP Claims Reserve.

If and to the extent that Disputed COP Claims become Allowed Claims, the Holders of such Allowed Claims shall be sent a Distribution from the Disputed COP Claims Reserve of no less than (a) the portion of New B Notes held in the Disputed COP Claims Reserve initially allocated to the Disputed COP Claims that became Allowed Claims; and (b) any distributions received by the Disputed COP Claims Reserve on account of such portion of New B Notes. Upon the entry of an order by the trial court having jurisdiction over the objections to the Disputed COP Claims resolving all objections to the Disputed COP Claims and after all Distributions on account of Allowed COP Claims have been made or provided for, any and all New B Notes and distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed as follows: (a) an amount of New B Notes and/or distributions thereon in an amount equal to the costs, fees and expenses related to the COP Litigation incurred from and after the Effective Date shall be distributed to the City; (b) following such distribution, 65% of the New B Notes and any distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the New B Notes allocated to each pursuant to Sections II.B.3.s.ii.A and II.B.3.s.ii.B; and (c) following such distribution, the remaining New B Notes and distributions thereon shall revert to the City, provided that the City, in its sole discretion, may choose to distribute such remaining property among holders of Allowed Claims in Classes 7, 13 and/or 14.

q. Class 10 – PFRS Pension Claims.

i. Allowance.

The PFRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,250,000,000.

ii. Treatment.

A. Contributions to PFRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.q.ii.A. The exclusive source for such contributions shall be certain DIA Proceeds and a portion of the State Contribution. After June 30, 2023, (1) PFRS will receive certain additional DIA Proceeds and (2) the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of PFRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the trustees of the PFRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS that shall be 6.75%.

C. Modification of Benefits for PFRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a PFRS Pension Claim shall be equal to the PFRS Adjusted Pension Amount for such Holder, provided that such PFRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any PFRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.q.ii.C. For purposes of calculating a PFRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.q.ii.A or any State contributions if the PFRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G.

E. Accrual of Future Benefits.

Each Holder of a PFRS Pension Claim who is an Active Employee shall receive, in addition to his or her PFRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New PFRS Active Pension Plan Formula and the New PFRS Active Pension Plan.

F. Governance.

On or as soon as reasonably practicable after the Effective Date, PFRS shall establish an Investment Committee in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date.

G. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the PFRS, the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, or any successor plan or trust, that govern the calculation of pension benefits (including the PFRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior PFRS Pension Plan, the PFRS Restoration Payment, the New PFRS Active Pension Plan Formula and the terms of the New PFRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B, the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

H. State Contribution Agreement.

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

r. Class 11 – GRS Pension Claims.

i. Allowance.

The GRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,879,000,000.

ii. Treatment.

A. Contributions to GRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior GRS Pension Plan only in the amounts identified on Exhibit II.B.3.r.ii.A. The exclusive sources for such contributions shall be certain City sources, pension-related, administrative and restructuring payments received from the DWSD equal to approximately \$428.5 million, a portion of the State Contribution and certain DIA Proceeds. After June 30, 2023, (1) certain DIA Proceeds shall be contributed to the GRS and (2) the City will contribute such additional funds as are necessary to pay each Holder of a GRS Pension Claim his or her GRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior GRS Pension Plan. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of GRS if such party chooses to do so.

B. Investment Return Assumption

During the period that ends on June 30, 2023, the board of trustees of the GRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the GRS that shall be 6.75%.

C. Modification of Benefits for GRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a GRS Pension Claim shall be equal to the GRS Adjusted Pension Amount for such Holder, provided that

such GRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any GRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.r.ii.C. For purposes of calculating a GRS Restoration Payment, market value of assets shall not include any City contributions other than those listed on Exhibit II.B.3.r.ii.A or any State contributions if the GRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.F.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Annuity Savings Fund Recoupment.

1. ASF Current Participants.

On or as soon as reasonably practicable after the Effective Date, the Annuity Savings Fund Excess Amount will be calculated for each ASF Current Participant and will be deducted from such participant's Annuity Savings Fund account and be used to fund the accrued pension benefits of all GRS participants; provided, however, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.

2. ASF Distribution Recipients.

The Annuity Savings Fund Excess Amount will be calculated for each ASF Distribution Recipient, will then be converted into monthly annuity amounts based on each ASF Distribution Recipient's life expectancy and other factors and will be deducted from the ASF Distribution Recipient's monthly pension check; provided, however, that in no event shall the total amount deducted from an ASF Distribution Recipient's monthly pension checks exceed the ASF Recoupment Cap or, if applicable, the Current GRS Retiree Adjustment Cap.

E. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.G.

F. Accrual of Future Benefits.

Each Holder of a GRS Pension Claim who is an Active Employee shall receive, in addition to his or her GRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014, consistent with the terms and conditions of the New GRS Active Pension Plan Formula and the New GRS Active Pension Plan.

G. Governance.

On or as soon as reasonably practicable after the Effective Date, GRS shall establish an Investment Committee in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date.

H. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the GRS, the City, the trustees of the GRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the GRS, or any successor plan or trust, that

govern the calculation of pension benefits (including the GRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior GRS Pension Plan, the GRS Restoration Payment, the New GRS Active Pension Plan Formula and the terms of the New GRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.r.ii.B, the contribution to the GRS, or the calculation or amount of GRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

I. State Contribution Agreement

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

s. Class 12 – OPEB Claims.

i. Allowance.

As a result of a settlement between the City and the Retiree Committee, the OPEB Claims shall be allowed in an aggregate amount equal to \$4,303,000,000.

ii. Treatment.

A. Detroit General VEBA.

Establishment of Detroit General VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit General VEBA to provide health benefits to Detroit General VEBA Beneficiaries and certain of their dependents. The Detroit General VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA Beneficiaries. The Detroit General VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.78, and shall, among other things, identify the members of the Detroit General VEBA's initial board of trustees. The DRCEA and the Retiree Committee will each be able to appoint board members in equal numbers, and such appointees will constitute a majority of the initial Detroit General VEBA board; the City will appoint the remaining members. Nothing in the Plan precludes either the Detroit General VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit General VEBA: On the Effective Date, the City shall distribute to the Detroit General VEBA New B Notes in the aggregate principal amount of \$218,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit General VEBA Beneficiaries. The Detroit General VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2.

B. Detroit Police and Fire VEBA.

Establishment of Detroit Police and Fire VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit Police and Fire VEBA to provide health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents. The Detroit Police and Fire VEBA will be governed by a board of trustees that will be responsible for, among other things, management of property held by the Detroit

Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.82, and shall, among other things, identify the members of the Detroit Police and Fire VEBA's initial board of trustees. The initial board members will be appointed by the City, the Retiree Committee and the RDPFFA. Nothing in the Plan precludes either the Detroit Police and Fire VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit Police and Fire VEBA: On the Effective Date, the City shall distribute to the Detroit Police and Fire VEBA New B Notes in the aggregate principal amount of \$232,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA shall also be entitled to contingent additional distributions from the Disputed COP Claims Reserve as set forth in Section II.B.3.p.iii.B.2.

C. No Further Responsibility.

From and after the Effective Date, the City shall have no further responsibility to provide retiree healthcare or any other retiree welfare benefits. The City shall have no responsibility from and after the Effective Date to provide life insurance or death benefits to current or former employees. On the Effective Date, the Employees Death Benefit Plan will be frozen, and the City will no longer have an obligation to contribute to fund death benefits under the plan for any participant or beneficiary. The Employees Death Benefit Plan will be self-liquidating, and existing retirees who participate in the plan will be granted a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the plan funding. For the avoidance of doubt, the Employees Death Benefit Plan shall not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. The Employees Death Benefit Board of Trustees shall continue to manage the Employees Death Benefit Plan and employ the staff of the Retirement Systems to administer the disbursement of benefits thereunder, the costs of which administration shall be borne by the assets of the Employees Death Benefit Plan.

t. Class 13 – Downtown Development Authority Claims.

i. Allowance.

On the Effective Date, the Downtown Development Authority Claims shall be deemed Allowed in the amount of \$33,600,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Downtown Development Authority Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

u. Class 14 – Other Unsecured Claims.

i. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes.

v. Class 15 – Convenience Claims.

i. Treatment.

Each Holder of an Allowed Convenience Claim, in full satisfaction of such Allowed Claim, shall receive Cash equal to the amount of 25% of such Allowed Claim (as reduced, if applicable, pursuant to an election by such Holder in accordance with Section I.A.55) on or as soon as reasonably practicable after the Effective Date, unless such Holder agrees to a different treatment of such Claim.

w. Class 16 – Subordinated Claims.

i. Treatment.

On the Effective Date, all Subordinated Claims shall be disallowed, extinguished and discharged without Distribution under the Plan, and Holders of Subordinated Claims shall not receive or retain any property on account of such Claims. Pursuant to section 1126(g) of the Bankruptcy Code, Class 16 is deemed to have rejected the Plan and Holders of Subordinated Claims are not entitled to cast a Ballot in respect of such Claims.

C. Confirmation Without Acceptance by All Impaired Classes

The City requests Confirmation under section 1129(b) of the Bankruptcy Code in the event that any impaired Class does not accept or is deemed not to accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Plan shall constitute a motion for such relief.

D. Treatment of Executory Contracts and Unexpired Leases

1. Assumption.

Except as otherwise provided in the Plan, in any contract, instrument, release or other agreement or document entered into in connection with the Plan or in a Final Order of the Bankruptcy Court, or as requested in any motion Filed by the City on or prior to the Effective Date, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the City will be deemed to assume all Executory Contracts and Unexpired Leases to which it is a party. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged.

2. Assumption of Ancillary Agreements.

Each Executory Contract and Unexpired Lease assumed pursuant to Section II.D.1 will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such Executory Contract or Unexpired Lease, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section II.D.6 or designated for rejection in accordance with Section II.D.3.

3. Approval of Assumptions and Assignments.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 (and any related assignment) as of the Effective Date, except for Executory Contracts or Unexpired Leases that (a) have been rejected pursuant to a Final Order of the Bankruptcy Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 or (e) are designated for rejection in accordance with the last sentence of this paragraph. An order of the Bankruptcy Court (which may be the Confirmation Order) entered on or prior to the Confirmation Date will specify the procedures for providing notice to each party whose Executory Contract or Unexpired Lease is being assumed pursuant to the Plan of: (a) the Executory Contract or Unexpired Lease being assumed; (b) the Cure

Amount Claim, if any, that the City believes it would be obligated to pay in connection with such assumption; (c) any assignment of an Executory Contract or Unexpired Lease; and (d) the procedures for such party to object to the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease. If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be deemed effective as of the Effective Date.

4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the City: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding: (a) the amount of any Cure Amount Claim, (b) the ability of the City or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to the assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order resolving the dispute and approving the assumption.

5. Contracts and Leases Entered Into After the Petition Date

Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5, will be performed by the City in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

6. Rejection of Executory Contracts and Unexpired Leases.

On the Effective Date, each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 shall be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. The City reserves its right, at any time on or prior to the Effective Date, to amend Exhibit II.D.6 to delete any Executory Contract or Unexpired Lease therefrom, thus providing for its assumption pursuant to Section II.D.1, or add any Executory Contract or Unexpired Lease thereto, thus providing for its rejection pursuant to this Section II.D.6. The City will provide notice of any amendments to Exhibit II.D.6 to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then-applicable service list in the Chapter 9 Case. Listing a contract or lease on Exhibit II.D.6 shall not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

7. Rejection Damages Bar Date.

Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served upon counsel to the City on or before the later of: (a) 30 days after the Effective Date; or (b) 30 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City.

8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.

Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the City under such contract or lease. Notwithstanding any applicable non-bankruptcy law to the contrary, the City expressly reserves and does not waive any right to receive, or any continuing obligation of a non-City party to provide, warranties, indemnifications or continued maintenance obligations on goods previously purchased, or services previously received, by the City from non-City parties to rejected Executory Contracts or Unexpired Leases, and any such rights shall remain vested in the City as of the Effective Date.

9. Insurance Policies.

From and after the Effective Date, each of the City's insurance policies (other than welfare benefits insurance policies) in existence as of or prior to the Effective Date shall be reinstated and continue in full force and effect in accordance with its terms and, to the extent applicable, shall be deemed assumed by the City pursuant to section 365 of the Bankruptcy Code and Section II.D.1. Nothing contained herein shall constitute or be deemed a waiver of any Causes of Action that the City may hold against any Entity, including any insurer under any of the City's insurance policies. For the avoidance of doubt, nothing contained in this Section II.D.9 shall apply to reinstate or continue any obligation of the City or any fund thereof to any Bond Insurer.

**ARTICLE III
CONFIRMATION OF THE PLAN**

A. Conditions Precedent to the Effective Date.

The Effective Date will not occur, and the Plan will not be consummated, unless and until the City has determined that all of following conditions have been satisfied or waived in accordance with Section III.B:

1. The Bankruptcy Court shall have entered the Confirmation Order in form and substance satisfactory to the City.
2. The Bankruptcy Court shall have entered an order (which may be included in the Confirmation Order) approving and authorizing the City to take all actions necessary or appropriate to implement the Plan, including the transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, settlements, releases and other agreements or documents entered into or delivered in connection with the Plan.
3. The Confirmation Order shall not be stayed in any respect.
4. All actions and all contracts, instruments, settlements, releases and other agreements or documents necessary to implement the terms and provisions of the Plan are effected or executed and delivered, as applicable, in form and substance satisfactory to the City.
5. All authorizations, consents and regulatory approvals, if any, required in connection with the consummation of the Plan have been obtained and not revoked, including all governmental and Emergency Manager consents and approvals required to carry out the terms of the UTGO Settlement.
6. Any legislation that must be passed by the Michigan Legislature to effect any term of the Plan shall have been enacted.
7. The Michigan Finance Authority board shall have approved the issuance of the Restructured UTGO Bonds.

8. The Plan and all Exhibits shall have been Filed and shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made in accordance with Section VIII.A.

9. If Classes 10 and 11 have accepted the Plan, all conditions to the effectiveness of the State Contribution Agreement and the DIA Settlement Documents have been satisfied.

10. The Effective Date shall have occurred within 180 days of the entry of the Confirmation Order, unless the City requests an extension of such deadline and such deadline is extended by the Bankruptcy Court.

B. Waiver of Conditions to the Effective Date.

The conditions to the Effective Date set forth in Section III.A may be waived in whole or part at any time by the City in its sole and absolute discretion.

C. Effect of Nonoccurrence of Conditions to the Effective Date.

If each of the conditions to the Effective Date is not satisfied, or duly waived in accordance with Section III.B, then upon motion by the City made before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is satisfied before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section III.C: (1) the Plan will be null and void in all respects, including with respect to (a) the discharge of Claims pursuant to section 944(b) of the Bankruptcy Code, (b) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Section II.D and (c) the releases described in Section III.D.7; and (2) nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, will be or will be deemed to be (a) a waiver or release of any Claims by or against the City, (b) an admission of any sort by the City or any other party in interest or (c) prejudicial in any manner the rights of the City or any other party in interest.

D. Effect of Confirmation of the Plan.

1. Dissolution of Retiree Committee.

Following the Effective Date, the Retiree Committee, to the extent not previously dissolved or disbanded, will dissolve and disband, and the members of the Retiree Committee and their respective professionals will cease to have any role arising from or related to the Chapter 9 Case, provided, however, that, if and only if the Retiree Committee is the Creditor Representative under the Plan, the Retiree Committee shall continue to exist solely for the purposes of objecting to or otherwise asserting the City's or its creditors' rights with respect to Disputed COP Claims pursuant to Section II.B.3.p.i. If the Retiree Committee is the Creditor Representative, it shall be disbanded upon the final resolution of all Disputed COP Claims or pursuant to an order of the Bankruptcy Court, which order may be sought by the City for good cause shown. All fees and expenses of the Creditor Representative shall be subject to the approval of the City. All disputes relating to the approval of fees and expenses shall be determined by the Bankruptcy Court. No party to any such dispute shall have any right to appeal an order of the Bankruptcy Court resolving any such dispute.

2. Preservation of Rights of Action by the City.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the City will retain and may enforce any claims, demands, rights, defenses and Causes of Action that it may hold against any Entity, including but not limited to any and all Causes of Action against any party relating to the past practices of the Retirement Systems (including any investment decisions related to, and the management of, the Retirement Systems' respective pension plans and/or assets), to the extent not expressly released under the Plan or

pursuant to any Final Order of the Bankruptcy Court. A nonexclusive schedule of currently pending actions and claims brought by the City is attached as Exhibit III.D.2. The City's inclusion of, or failure to include, any right of action or claim on Exhibit III.D.2 shall not be deemed an admission, denial or waiver of any claims, demands, rights or Causes of Action that the City may hold against any Entity, and all Entities are hereby notified that the City intends to preserve all such claims, demands, rights or Causes of Action.

3. Comprehensive Settlement of Claims and Controversies.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim may have with respect to any Allowed Claim or any Distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are (a) in the best interests of the City, its property and Claim Holders and (b) fair, equitable and reasonable. For the avoidance of doubt, this Section III.D.3 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims.

4. Discharge of Claims.

a. Complete Satisfaction, Discharge and Release.

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date, discharge the City from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the Holder of a Claim based on such debt has accepted the Plan.

b. Discharge.

In accordance with Section III.D.4.a, except as expressly provided otherwise in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of a discharge of all Claims and other debts and Liabilities against the City, pursuant to sections 524(a)(1), 524(a)(2) and 944(b) of the Bankruptcy Code, and such discharge will void any judgment obtained against the City at any time, to the extent that such judgment relates to a discharged Claim; provided that such discharge will not apply to (i) Claims specifically exempted from discharge under the Plan; and (ii) Claims held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case.

5. Injunction.

On the Effective Date, except as otherwise provided herein or in the Confirmation Order,

a. all Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims, along with their Related Entities, shall be permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order):

1. commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property

(including (A) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (B) Indirect 36th District Court Claims, and (C) Indirect Employee Indemnity Claims);

2. enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property;

3. creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the City or its property;

4. asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property;

5. proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth herein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and

6. taking any actions to interfere with the implementation or consummation of the Plan.

b. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan will be permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan.

6. Exculpation.

From and after the Effective Date, to the fullest extent permitted under applicable law, neither the City, its Related Entities (including the members of the City Council, the Mayor and the Emergency Manager), to the extent a claim arises from actions taken by such Related Entity in its capacity as a Related Entity of the City, the State, the State Related Entities, the Exculpated Parties nor the Released Parties shall have or incur any liability to any person or Entity for any act or omission in connection with, relating to or arising out of the City's restructuring efforts and the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the formulation, preparation, negotiation, dissemination, consummation, implementation, confirmation or approval (as applicable) of the Plan, the property to be distributed under the Plan, the settlements implemented under the Plan, the Exhibits, the Disclosure Statement, any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan or the management or operation of the City; provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities, the State, the State Related Entities, the Released Parties and the Exculpated Parties that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct or any act or omission occurring before the Petition Date. The City, its Related Entities (with respect to actions taken by such Related Entities in their capacities as Related Entities of the City), the State, the State Related Entities, the Released Parties and the Exculpated Parties shall be entitled to rely upon the advice of counsel and financial advisors with respect to their duties and responsibilities under, or in connection with, the Chapter 9 Case, the administration thereof and the Plan.

7. Releases

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement):

- a. each holder of a Claim that votes in favor of the Plan, to the fullest extent permissible under law, will be deemed to forever release, waive and discharge all Liabilities in any way relating to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, the Exhibits or the Disclosure Statement that such entity has, had or may have against the City, its Related Entities, the State, the State Related Entities and the Released Parties (which release will be in addition to the discharge of Claims provided herein and under the Confirmation Order and the Bankruptcy Code), provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; provided further that this Section III.D.7.a shall not apply to any Exculpated Party; and provided further, however, that if Classes 10 and 11 vote to accept the Plan, but any necessary conditions precedent to the receipt of the initial funding from the State (pursuant to the State Contribution Agreement) and the DIA Funding Parties (pursuant to the DIA Settlement) that can be satisfied or waived by the applicable funding party prior to the Confirmation Hearing (including, but not limited to, adoption of relevant legislation and appropriations by the State and execution of necessary and irrevocable agreements for their funding commitments by each of the DIA Funding Parties, which conditions may not be waived) are not satisfied or waived by the applicable funding party prior to the Confirmation Hearing, then Holders of Claims in Classes 10 and 11 that voted to accept the Plan shall be deemed to have voted to reject the Plan, and the voluntary release set forth in the first sentence of this Section III.D.7.a shall not apply to Holders of Claims in Classes 10 and 11; and
- b. if the State Contribution Agreement is consummated, each holder of a Pension Claim will be deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees and/or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law and/or the Plan.

E. No Diminution of State Power

No provision of this Plan shall be construed: (1) so as to limit or diminish the power of the State to control, by legislation or otherwise, the City in the exercise of the political or governmental powers of the City, including expenditures for such exercise; (2) so as to limit or diminish the power of the State to effect setoffs necessary to compensate the State or relieve the State of liability against funds (a) owing to the City from the State, (b) granted to the City by the State, or (c) administered by the State on behalf of the City or the federal government (including funds resulting from federal or state grants), for acts or omissions by the City (including but not limited to misappropriation or misuse of funds); and (3) as a waiver by the State of its rights as a sovereign or rights granted to

it pursuant to the Tenth Amendment to the United States Constitution, or limit or diminish the State's exercise of such rights.

F. Effectiveness of the Plan.

The Plan shall become effective on the Effective Date. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

G. Binding Effect of Plan.

Pursuant to section 944(a) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall bind all Holders of Claims, and their respective successors and assigns, whether or not the Claim of any such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan. The releases and settlements effected under the Plan will be operative, and subject to enforcement by the Bankruptcy Court, from and after the Effective Date, including pursuant to the injunctive provisions of the Plan. Once approved, the compromises and settlements embodied in the Plan, along with the treatment of any associated Allowed Claims, shall not be subject to any collateral attack or other challenge by any Entity in any court or other forum. As such, any Entity that opposes the terms of any compromise and settlement set forth in the Plan must (1) challenge such compromise and settlement prior to Confirmation of the Plan and (2) demonstrate appropriate standing to object and that the subject compromise and settlement does not meet the standards governing bankruptcy settlements under Bankruptcy Rule 9019 and other applicable law.

**ARTICLE IV
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. DWSD.

1. Rates and Revenues.

DWSD will maintain Fiscal Year 2015 rate setting protocols for a minimum of five years, subject to certain changes necessary to stabilize water and sewer revenues. The City may seek to implement a rate stability program for City residents, which program may, among other things, (a) provide a source of funds to mitigate against rate increases, (b) enhance affordability and (c) provide a buffer against delinquent payments.

2. DWSD CBAs.

Collective bargaining agreements with respect to current DWSD employees that are in effect and not expired as of the Effective Date will be assumed by the City.

3. The New DWSD Bonds and New Existing Rate DWSD Bonds.

DWSD shall, as necessary: (a) execute the New DWSD Bond Documents, issue the New DWSD Bonds substantially on the terms set forth on Exhibit I.A.186, and distribute the New DWSD Bonds as set forth in the Plan; and (b) execute the New Existing Rate DWSD Bond Documents, issue the New Existing Rate DWSD Bonds substantially on the terms set forth on Exhibit I.A.188, and distribute the New Existing Rate DWSD Bonds as set forth in the Plan.

B. The New B Notes.

On the Effective Date, the City shall execute the New B Notes Documents, issue the New B Notes, substantially on the terms set forth on Exhibit I.A.183, and distribute the New B Notes as set forth in the Plan.

C. The Plan COP Settlement.

The City shall consummate the Plan COP Settlement on the Effective Date, substantially on the terms set forth on Exhibit I.A.214. Settling COP Claimants shall receive the treatment described in Section II.B.3.p.iii.A.

D. The UTGO Settlement.

The City shall consummate the UTGO Settlement on the Effective Date, substantially on the terms set forth on Exhibit I.A.285. The treatment of Unlimited Tax General Obligation Bond Claims under the Plan is provided for pursuant to the UTGO Settlement, which involves the settlement of, among other things, the UTGO Litigation and is subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019.

Pursuant to the UTGO Settlement, among other things: (1) the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000; (2) the City shall issue the Municipal Obligation to the Municipal Finance Authority, which in turn will issue the Restructured UTGO Bonds; (3) Holders of Allowed Unlimited Tax General Obligation Bond Claims shall be entitled to receive their Pro Rata share of Restructured UTGO Bonds; and (4) a designee or designees of the City shall have the right to receive the Assigned UTGO Bond Tax Proceeds, which Assigned UTGO Bond Tax Proceeds will be distributed over a 14-year period to the Income Stabilization Funds of GRS and PFRS for the payment of Income Stabilization Payments to Eligible Pensioners and to the Retirement Systems, in accordance with applicable agreements.

E. The State Contribution Agreement.

On the Effective Date, if Classes 10 and 11 vote to accept the Plan, the City and the State will enter into the State Contribution Agreement, substantially on the terms set forth on Exhibit I.A.268.

1. State Contribution.

The State or the State's authorized agent will contribute the net present value of \$350 million payable over 20 years using a discount rate of 6.75% to GRS and PFRS for the benefit of the Holders of Pension Claims.

2. Income Stabilization Payments.

The Income Stabilization Funds of GRS and PFRS will receive not less than an aggregate amount of \$20 million over 14 years of the Assigned UTGO Bond Tax Proceeds in the form of annual installment payments pursuant to a payment schedule approved by the State. Following the Effective Date, on an annual basis, GRS and PFRS will distribute such portion of the funds held in their respective Income Stabilization Fund to Eligible Pensioners entitled to receive the Income Stabilization Benefit and the Income Stabilization Benefit Plus. The Income Stabilization Benefit, which will be calculated in the first year following the Effective Date and will not increase thereafter, will be provided by the applicable Retirement System to each Eligible Pensioner. In addition, to the extent that an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in any calendar year after the first year of the income stabilization program is less than 105% of the Federal Poverty Level for such year, the applicable Retirement System will distribute the Income Stabilization Benefit Plus to such Eligible Pensioner.

In the event that, in 2022 (provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to GRS or PFRS, as applicable, at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee of GRS or PFRS, as applicable, that the Income Stabilization Fund of the applicable Retirement System is credited with Excess Assets, the respective Investment Committee may recommend that the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System. In the event that any funds remain in the Income Stabilization Fund of each or either of GRS or PFRS on the date upon which no Eligible

Pensioners under the applicable Retirement System are living, such funds shall be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System.

3. Conditions to State's Participation.

The State's payment of the State Contribution is conditioned upon satisfaction of the conditions precedent set forth in the State Contribution Agreement, including, among other things, the following: (a) the Confirmation Order becoming a Final Order no later than September 30, 2014, which Confirmation Order must contain certain provisions as set forth in the State Contribution Agreement; (b) the occurrence of the Effective Date no later than December 31, 2014; (c) acceptance of the Plan by Classes 10 and 11, which Plan must be in form and substance reasonably acceptable to the State and contain certain release provisions; (d) the Retiree Committee's endorsement of the Plan, including a letter from the Retiree Committee recommending that Classes 10 and 11 vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in Classes 10 and 11; (e) active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way the litigation described in subsection (f) of this Section by, the City, the Retiree Committee, the Retirement Systems and certain unions and retiree associations, or equivalent assurances of litigation finality; (f) cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, (i) challenging PA 436 or any actions taken pursuant to PA 436 as it relates to the City or (ii) to enforce Article IX, Section 24 of the Michigan Constitution, or equivalent assurances of finality of such litigation; (g) a firm commitment by the Foundations to contribute an aggregate amount of not less than \$366 million to fund the DIA Settlement; (h) a firm commitment by DIA Corp. to raise at least \$100 million from its donors to fund the DIA Settlement; (i) assurances that the State Contribution may only be used to fund payments to Holders of Pension Claims in accordance with the terms of the State Contribution Agreement; (j) assurances that the Retirement Systems must at all times during the 20 years following the Effective Date maintain an Investment Committee for the purpose of making recommendations to, and approving certain actions by, the respective Retirement System's board of trustees and/or making determinations and taking action under, and with respect to certain matters described in, the State Contribution Agreement; (k) assurances that an income stabilization program will be operated; (l) assurances that the provisions of the State Contribution Agreement regarding governance of the Retirement Systems will be approved; (m) the execution of the State Contribution Agreement acceptable in form and substance to the City and the State; and (n) the passage of legislation prior to Confirmation authorizing the State Contribution.

4. Release of Claims Against the State and State Related Entities.

The State Contribution Agreement requires that the Plan provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

F. The DIA Settlement.

On the Effective Date, the City, the Foundations and DIA Corp. will enter into the DIA Settlement, pursuant to which (1) the DIA Funding Parties have committed to assist in the funding of the City's restructured legacy pension obligations and (2) the City has agreed to enter into certain transactions that will cause the DIA Assets to remain in the City in perpetuity and to otherwise make the DIA Assets available for the benefit of the residents of the City and the Counties and the citizens of the State. The DIA Settlement Documents attached hereto as Exhibit I.A.92 will qualify the description of the DIA Settlement in the Plan, Disclosure Statement and Exhibit I.A.91.

1. Funding Contributions.

The DIA Settlement will be funded as follows: (a) an irrevocable commitment of at least \$366 million by the Foundations; and (b) in addition to its continuing commitments outside of the DIA Settlement, an irrevocable commitment from DIA Corp. to raise at least \$100 million from its donors (subject to certain adjustments as set forth in the DIA Settlement Documents), the payment of which \$100 million will be guaranteed

by DIA Corp., subject to the terms of the DIA Settlement Documents. The foregoing commitments shall be funded over the course of the 20-year period immediately following the Effective Date (subject to the annual confirmation of the City's continuing compliance with the terms of the DIA Settlement) according to an "Agreed Required Minimum Schedule" and "Present Value Discount," as set forth in Exhibit I.A.91. Amounts committed by the Foundations will be paid to the CFSEM Supporting Organization, which will (a) transfer such amounts for the purpose of funding the Retirement Systems upon the City's satisfaction of certain conditions and (b) not be subject to claims of creditors of the Community Foundation for Southeast Michigan.

2. Transfer of DIA Assets.

On the Effective Date, the City shall irrevocably transfer the DIA Assets to DIA Corp., as trustee, to be held in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and the Counties and the citizens of the State.

3. Conditions to the Foundations' Participation.

The DIA Funding Parties participation in the DIA Settlement is conditioned upon, among other things, the following: (a) execution of the DIA Settlement Documents by each Foundation; (b) the irrevocable commitment from the DIA Corp. described in Section IV.F.1; (c) the acceptance of the Plan by Classes 10 and 11; (d) the irrevocable transfer by the City of the DIA Assets described in Section IV.F.2; (e) the existence of appropriate governance and oversight structures at DIA Corp. that include representation of the City, the DIA Funding Parties and other stakeholders; (f) the earmarking of all funds provided by the DIA Funding Parties towards the recoveries upon Pension Claims under the Plan for Holders of Claims in Classes 10 and 11; (g) the existence of appropriate prospective governance and financial oversight mechanisms for the Retirement Systems; (h) the affirmation by County authorities of certain existing funding obligations with respect to DIA Corp.; (i) the approval of the DIA Settlement by the Attorney General for the State; (j) the agreement of the State to provide the State Contribution in an aggregate amount of \$350 million; (k) the occurrence of the Effective Date no later than December 31, 2014; and (l) the City's agreement to indemnify and hold harmless the DIA Funding Parties and the CFSEM Supporting Organization and their Related Entities pursuant to, and in accordance with, the terms of the DIA Settlement Documents.

G. Contingent Payment Rights

On or as soon as reasonably practicable after the Confirmation Date, the City shall establish the Restoration Trust. The City shall issue the DWSD CVR to the Restoration Trust. If a Qualifying DWSD Transaction has not occurred before the seventh anniversary of the Effective Date, the DWSD CVR shall terminate and expire. The Restoration Trust shall distribute proceeds from the DWSD CVR in the following amounts and priorities: (1) first, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have their 4.5% pension reductions restored; (2) second, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have 92% of their COLA benefits restored; and (3) third, 53% to GRS and 47% to PFRS. If the City makes any contributions to either GRS or PFRS out of its portion of the Net DWSD Transaction Proceeds, such contributions and earnings thereon shall not be taken into account for determining whether any pension restoration may be made. The DWSD CVR may not be transferred.

1. Special Restoration

Any proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated on or before the Effective Date, or fully executed and enforceable before the Effective Date but consummated after the Effective Date, shall be utilized for the purpose of funding the Special Restoration; provided that the City shall act in good faith so as not to unreasonably delay the execution of a Qualifying DWSD Transaction solely to avoid Special Restoration. In such case, the City will perform a Value Determination and arrive at the Discounted Value. The City will engage in good faith discussion as to the reasonableness of the Value Determination with the Retiree Committee or Restoration Trust, as applicable. In the event that the Retiree Committee or the Restoration Trust, as applicable, does not accept the Value Determination, the Retiree Committee or the Restoration Trust, as applicable, may seek to have the Bankruptcy Court determine the dispute, and the City consents to such jurisdiction.

Special Restoration shall follow the priorities of restoration of benefits set forth in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C. In order for benefits to be restored pursuant to the Special Restoration, such benefits must be fully funded by 50% of the Discounted Value for the full actuarially-determined lives of all participants for whom benefits are restored. In the event that actual Net DWSD Transaction Proceeds from the DWSD CVR do not equal 50% of the contemplated Net DWSD Transaction Proceeds as of the date of the Value Determination, the Investment Committees of the Retirement Systems will reduce or eliminate the Special Restoration benefits, as applicable, by the amount that 50% of the Discounted Value exceeds the actual Net DWSD Transaction Proceeds from the DWSD CVR received or projected to be received using a 6.75% discount rate. In the event that the Retiree Committee, the Restoration Trust or the City, as applicable, does not agree with the reduction in the Special Restoration benefits, the Retiree Committee or the Restoration Trust, as applicable, or the City may consult with the trustees and Investment Committees of PFRS or GRS with respect to any such reduction. Neither the Retiree Committee nor the Restoration Trust shall have any right to initiate any enforcement proceeding with respect to Special Restoration.

2. General Restoration

Any Net DWSD Transaction Proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated after the Effective Date, if such Qualifying Transaction was not fully executed and enforceable before the Effective Date, shall be utilized for the purpose of funding the pension trusts, and such cash contributions shall be included in any calculations allowing for the restoration of benefits in accordance with the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

H. The OPEB Settlement

The City and the Retiree Committee have reached a settlement related to the allowance and calculation of the OPEB Claims in Class 12 and the treatment of such Allowed OPEB Claims. The Plan reflects the terms of that settlement, and the Confirmation Order shall constitute an order approving such settlement pursuant to Bankruptcy Rule 9019.

I. Issuance of the New Securities.

The City shall issue the New Securities on the Effective Date or a subsequent Distribution Date, as applicable. To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-bankruptcy law, the issuance of New Securities will be exempt from registration under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder and any other applicable non-bankruptcy law or regulation.

J. Cancellation of Existing Bonds and Bond Documents.

Except (a) as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, (b) for purposes of evidencing a right to Distribution under the Plan or (c) as specifically provided otherwise in the Plan, on the Effective Date, the Bonds and the Bond Documents will be deemed automatically cancelled, terminated and of no further force or effect against the City without any further act or action under any applicable agreement, law, regulation, order or rule and the obligations of the parties, as applicable, under the Bonds and the Bond Documents shall be discharged; provided, however, that the Bonds and Bond Documents shall continue in effect solely (i) to allow the Disbursing Agent to make any Distributions as set forth in the Plan and to perform such other necessary administrative or other functions with respect thereto, (ii) for any trustee, agent or similar entity under the Bond Documents to have the benefit of all the rights and protections and other provisions of the Bond Documents and all other related agreements with respect to priority in payment and lien rights with respect to any Distribution and (iii) as may be necessary to preserve any claim by a Bondholder and/or Bond Agent under a Bond Insurance Policy or against any Bond Insurer. Notwithstanding the foregoing, and except as otherwise expressly provided in the Plan, such Bonds and/or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City. Nothing in the Plan impairs, modifies, affects or otherwise alters the rights of (a) Bondholders and/or Bond Agents with respect to claims under applicable Bond

Insurance Policies and/or against the Bond Insurers or (b) Holders of COP Claims with respect to claims under applicable policies and/or other instruments insuring the COPs and obligations related thereto.

K. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, or where a Claim is Reinstated, on the Effective Date, all Liens against the City's property will be deemed fully released and discharged, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, will revert to the City. As of the Effective Date, (1) the holders of such Liens will be authorized and directed to release any collateral or other property of the City (including any cash collateral) held by such Holder and to take such actions as may be requested by the City to evidence the release of such Lien, including the execution, delivery, filing or recording of such releases as may be requested by the City, and (2) the City shall be authorized to execute and file on behalf of creditors Form UCC-3 Termination Statements or such other forms as may be necessary or appropriate to implement the provisions of this Section IV.K.

L. Professional Fee Reserve

On the Effective Date, the City shall establish and fund the Professional Fee Reserve. The Professional Fee Reserve shall be funded in an amount sufficient to pay the Fee Review Professional Fees that remain unpaid as of the Effective Date. The funds held in the Professional Fee Reserve may not be used for any purpose other than the payment of Fee Review Professional Fees until any and all disputes regarding the Fee Review Professional Fees, including any disputes arising under the Fee Review Order, have been fully and finally resolved pursuant to a Final Order or a stipulation between the disputing parties. Any amounts remaining in the Professional Fee Reserve after final resolution of all such disputes and the payment of all Fee Review Professional Fees determined to be reasonable in accordance with the Fee Review Order shall be released to the General Fund.

M. Assumption of Indemnification Obligations.

Notwithstanding anything otherwise to the contrary in the Plan, nothing in the Plan shall discharge or impair the obligations of the City as provided in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements as of the Petition Date to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of officers and employees of the City (consistent with the injunction provisions of Section III.D.5 and including the members of the City Council, the Mayor and the Emergency Manager) and their Related Entities, in each case to the extent such Entities were acting in such capacity, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, foreseen or unforeseen, asserted or unasserted; provided that this Section IV.M shall be read in conjunction with the provisions for Indirect Employee Indemnity Claims set forth in Section III.D.5. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. For the avoidance of doubt, no indemnification provision in any loan document, bond document, Bond Insurance Policy or other agreement with a Bond Insurer is exempted from discharge by reason of this Section IV.M.

N. Incorporation of Retiree Health Care Settlement Agreement.

The terms of the Retiree Health Care Settlement Agreement resolving the Retiree Health Care Litigation, which agreement is attached hereto as Exhibit I.A.236, are incorporated herein by reference and shall be binding upon the parties thereto.

O. Payment of Workers' Compensation Claims.

From and after the Effective Date, (a) the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for benefits and liabilities for which the City is responsible under applicable State workers' compensation law, regardless of when the applicable injuries were incurred, in accordance with the City's prepetition practices and procedures and governing State workers'

compensation law, and (b) nothing in the Plan shall discharge, release or relieve the City from any current or future liability under applicable State workers' compensation law. The City expressly reserves the right to challenge the validity of any claim for benefits or liabilities arising under applicable State workers' compensation law.

P. Payment of Certain Claims Relating to the Operation of City Motor Vehicles

If the City determines to maintain self-insurance with respect to the operation of its motor vehicles in a notice Filed not less than ten days before the Confirmation Hearing, this Section IV.P will apply. Subject to the foregoing, from and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay valid prepetition Claims for liabilities with respect to which the City is required to maintain insurance coverage pursuant to MCL § 500.3101 in connection with the operation of the City's motor vehicles, as follows: (1) Claims for personal protection benefits as provided by MCL § 500.3107 and MCL § 500.3108, for which insurance coverage is required by MCL § 500.3101(1), shall be paid in full, to the extent valid, provided, however, that the City will not be liable for or pay interest or attorneys' fees under MCL § 500.3142 or MCL § 500.3148 on prepetition Claims for personal protection benefits; (2) tort claims permitted by MCL § 500.3135, for which residual liability insurance coverage is required by MCL § 500.3101(1) and MCL § 500.3131, shall be paid, to the extent valid, only up to the minimum coverages specified by MCL § 500.3009(1), i.e., up to a maximum of (a) \$20,000 because of bodily injury to or death of one person in any one accident, and subject to that limit for one person, (b) \$40,000 because of bodily injury to or death of two or more persons in any one accident and (c) \$10,000 because of injury to or destruction of property of others in any accident; and (3) Claims for property protection benefits under MCL § 500.3121 and MCL § 500.3123 shall be paid, to the extent valid, only up to the maximum benefits specified in MCL § 500.3121; provided, however, for the avoidance of doubt, to the extent any valid Claim subject to subsections 2 and 3 above exceeds the applicable payment limits, the excess claim amount shall be treated as an Other Unsecured Claim or a Convenience Claim (as applicable). If this Section IV.P becomes effective, nothing in the Plan shall discharge, release or relieve the City from any current or future liability with respect to Claims subject to insurance coverage pursuant to MCL § 500.3101 or Claims within the minimum coverage limits in MCL § 500.3009(1). The City expressly reserves the right to challenge the validity of any Claim subject to this Section IV.P, and nothing herein shall be deemed to expand the City's obligations or claimants' rights with respect to these Claims under State law.

Q. Payment of Tax Refund Claims.

From and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for income tax refunds and property tax refunds for which the City is responsible under applicable law, regardless of when the applicable right to a refund arose, in accordance with the City's prepetition practices and procedures. The City expressly reserves the right to challenge the validity of any claim for an income tax refund and/or property tax refund.

R. Utility Deposits.

From and after the Effective Date, the City will continue to administer utility deposits in accordance with the City's prepetition practices and procedures, including the payment of any undisputed, non-contingent, liquidated claims against the City for the refund of a utility deposit.

S. Pass-Through Obligations

The City shall continue to honor its Pass-Through Obligations to the Pass-Through Recipients.

T. Exit Facility.

On the Effective Date, the City shall enter into the Exit Facility, as well as any ancillary notes, documents or agreements in connection therewith, including, without limitation, any documents required in connection with the creation or perfection of the liens securing the Exit Facility.

U. Post-Effective Date Governance

Prior to or on the Effective Date, a financial oversight board shall be established pursuant to and in accordance with State law now in effect or hereafter enacted to ensure that, post-Effective Date, the City adheres to the Plan and continues to implement financial and operational reforms that should result in more efficient and effective delivery of services to City residents. The financial oversight board shall be composed of individuals with recognized financial competence and experience and shall have the authority to, among other things, impose limits on City borrowing and expenditures and require the use of financial best practices.

**ARTICLE V
PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN**

A. Appointment of Disbursing Agent.

The City may act as Disbursing Agent or may employ or contract with other Entities to act as the Disbursing Agent or to assist in or make the Distributions required by the Plan. Any Disbursing Agent appointed by the City will serve without bond. Other than as specifically set forth in the Plan, the Disbursing Agent shall make all Distributions required to be made under the Plan.

B. Distributions on Account of Allowed Claims.

Except as otherwise provided in the Plan, on the Effective Date or as soon as practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive from the Disbursing Agent the Distributions that the Plan provides for Allowed Claims in the applicable Class. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Section VI.B. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the Distributions provided for in the Plan, regardless of whether such Distributions are delivered on or at any time after the Effective Date. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a Distribution in excess of the Allowed amount of such Claim.

C. Certain Claims to Be Expunged.

Any Claim that has been or is hereafter listed in the List of Creditors as contingent, unliquidated or disputed, and for which no proof of Claim is or has been timely Filed, is not considered to be an Allowed Claim and shall be expunged without further action by the City and without further notice to any party or any action, approval or order of the Bankruptcy Court.

D. Record Date for Distributions; Exception for Bond Claims.

With the exception of Bond Claims, neither the City nor any Disbursing Agent will have any obligation to recognize the transfer of, or the sale of any participation in, any Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims (including Holders of Claims that become Allowed after the Distribution Record Date) that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. With the exception of the Bond Claims, the City and any Disbursing Agent shall instead be entitled to recognize and deal for all purposes under the Plan with only those record Holders stated on the official Claims Register as of the close of business on the Distribution Record Date. Unless otherwise set forth in the Confirmation Order, the City shall not establish a record date for Distributions to Holders of Bond Claims.

E. Means of Cash Payments.

Except as otherwise specified herein, all Cash payments made pursuant to the Plan shall be in U.S. currency and made by check drawn on a domestic bank selected by the Disbursing Agent or, at the option of the Disbursing Agent, by wire transfer, electronic funds transfer or ACH from a domestic bank selected by the Disbursing Agent; provided, however, that Cash payments to foreign Holders of Allowed Claims may be made, at the option of the Disbursing Agent, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

F. Selection of Distribution Dates for Allowed Claims.

Except where the Plan requires the making of a Distribution on account of a particular Allowed Claim within a particular time, the Disbursing Agent shall have the authority to select Distribution Dates that, in the judgment of the Disbursing Agent, provide Holders of Allowed Claims with payments as quickly as reasonably practicable while limiting the costs incurred in the distribution process. Upon the selection of a Distribution Date by the Disbursing Agent, the Disbursing Agent shall File a notice of such Distribution Date that provides information regarding the Distribution to be made.

G. Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.

No Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the City's insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy; provided that, if the City believes a Holder of an Allowed Claim has recourse to an insurance policy and intends to direct the Disbursing Agent to withhold a Distribution pursuant to this Section V.G, the City shall provide written notice to such Holder regarding what the City believes to be the nature and scope of applicable insurance coverage. To the extent that one or more of the City's insurance carriers agrees to satisfy a Claim in full, then immediately upon such agreement such Claim may be expunged without a Claims objection having to be Filed and without any further notice or any action, order or approval of the Bankruptcy Court. Nothing in the Plan, including this Section V.G, shall constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities that any Entity may hold against any other Entity, including the City's insurance carriers and Bond Insurers, other than the City. For the avoidance of doubt, this Section shall not apply to Bond Insurance Policies or Swap Insurance Policies.

H. City's Rights of Setoff Preserved.

Notwithstanding anything to the contrary in the Plan, pursuant to section 553 of the Bankruptcy Code or otherwise applicable non-bankruptcy law, the City may set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim the claims, rights and Causes of Action of any nature that the City may assert against the Holder of such Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim pursuant to the terms of the Plan shall constitute a waiver or release by the City of any claims, rights and Causes of Action that the City may assert against such Holder, all of which are expressly preserved.

I. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Delivery of Distributions Generally.

Except as set forth in Section V.I.2, Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the City's records unless such addresses are superseded by proofs of Claim or transfers of Claim Filed pursuant to Bankruptcy Rule 3001.

2. Delivery of Distributions on Account of Bond Claims.

Distributions on account of the Bond Claims shall (a) be made by the Disbursing Agent to the Bond Agent under the applicable Bond Documents for the benefit of Holders of Bond Claims and (b) be deemed

completed when made by the Disbursing Agent to the Bond Agent as if such Distributions were made directly to the Holders of such Claims. The applicable Bond Agent, in turn, shall make such distributions to the applicable Holders pursuant to the terms and conditions of the applicable Bond Documents and subject to the respective rights, claims and interests, if any, that the Bond Agent may have under the applicable Bond Documents or otherwise to the recovery and/or reimbursement of their fees, costs and expenses (including the fees, costs and expenses of counsel and financial advisors) from any distribution hereunder, whether such rights, claims or interests are in the nature of a charging lien or otherwise. The Bond Agent shall not be required to give any bond, surety or other security for the performance of its duties with respect to such Distributions.

3. De Minimis Distributions / No Fractional New Securities.

No distribution shall be made by the Disbursing Agent on account of an Allowed Claim if the amount to be distributed to the specific Holder of an Allowed Claim on the applicable Distribution Date has an economic value of less than \$25.00. No fractional New Securities shall be distributed. Where a fractional portion of a New Security otherwise would be called for under the Plan, the actual issuance shall reflect a rounding down to the nearest whole New Security.

4. Undeliverable or Unclaimed Distributions.

In the event that any Distribution to any Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such Distribution shall be made to such Holder without interest.

Any Holder of an Allowed Claim that does not claim an undeliverable or unclaimed Distribution within six months after the Effective Date shall be deemed to have forfeited its claim to such Distribution and shall be forever barred and enjoined from asserting any such claim against the City or its property. In such cases, any Cash held by the City on account of such undeliverable or unclaimed Distributions shall become the property of the City free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary. Any New Securities held for distribution on account of such Claims shall be canceled and of no further force or effect. Nothing contained in the Plan shall require any Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

5. Time Bar to Cash Payment Rights.

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Disbursing Agent by the Holder of the Allowed Claim to whom such check originally was issued within 180 days after the date of the original check issuance. After such date, the Claim of any Holder to the amount represented by such voided check shall be released and forever barred from assertion against the City and its property.

J. Other Provisions Applicable to Distributions in All Classes

1. No Postpetition Interest.

Except as otherwise specifically provided for in the Plan, or required by applicable bankruptcy law, the City shall have no obligation to pay any amount that constitutes or is attributable to interest on an Allowed Claim accrued after the Petition Date and no Holder of a Claim shall be entitled to be paid any amount that constitutes or is attributable to interest accruing on or after the Petition Date on any Claim without regard to the characterization of such amounts in any document or agreement or to whether such amount has accrued for federal income tax purposes. Any such amount that constitutes or is attributable to interest that has been accrued and has not been paid by the City shall be cancelled as of the Effective Date for federal income tax purposes.

2. Compliance with Tax Requirements.

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the City and any Disbursing Agent shall comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions under the Plan shall be subject to such withholding and reporting requirements. All such amounts withheld and paid to the appropriate governmental unit shall be treated as if made directly to the Holder of an Allowed Claim. The City and the Disbursing Agent shall be authorized to take any actions that they determine, in their reasonable discretion, to be necessary or appropriate to comply with such withholding and reporting requirements, including withholding Distributions pending receipt of information necessary to facilitate such Distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

Notwithstanding any other provision of the Plan, each Entity receiving or deemed to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax imposed on such Entity on account of such Distribution, including income, withholding and other Tax obligations. The City has the right, but not the obligation, to refuse, or to direct a Disbursing Agent to refuse, to make a Distribution until a Holder of an Allowed Claim has made arrangements satisfactory to the City and any Disbursing Agent for payment of any such Tax obligations. The City may require, as a condition to making a Distribution, that the Holder of an Allowed Claim provide the City or any Disbursing Agent with a completed Form W-8, W-9 and/or other Tax information, certifications and supporting documentation, as applicable.

If the City makes such a request and the Holder of an Allowed Claim fails to comply before the date that is 180 days after the initial request is made, the amount of such Distribution shall irrevocably revert to the City and any Claim in respect of such Distribution shall be released and forever barred from assertion against the City and its property.

3. Allocation of Distributions.

All Distributions to Holders of Allowed Claims that have components of principal and interest shall be deemed to apply first to the principal amount of such Claim until such principal amount is paid in full, and then the remaining portion of such Distributions, if any, shall be deemed to apply to any applicable accrued interest included in such Claim to the extent interest is payable under the Plan.

4. Surrender of Instruments.

As a condition to participation under this Plan, the Holder of a note, debenture or other evidence of indebtedness of the City that desires to receive the property to be distributed on account of an Allowed Claim based on such note, debenture or other evidence of indebtedness shall surrender such note, debenture or other evidence of indebtedness to the City or its designee (unless such Holder's Claim will not be Impaired by the Plan, in which case such surrender shall not be required), and shall execute and deliver such other documents as are necessary to effectuate the Plan; provided, however, that, if a claimant is a Holder of a note, debenture or other evidence of indebtedness for which no physical certificate was issued to the Holder but which instead is held in book-entry form pursuant to a global security held by the Depository Trust Company or other securities depository or custodian thereof, there shall be no requirement of surrender. In the City's sole discretion, if no surrender of a note, debenture or other evidence of indebtedness occurs and the Holder of Claim does not provide an affidavit and indemnification agreement, in form and substance reasonably satisfactory to the City, that such note, debenture or other evidence of indebtedness was lost, then no distribution may be made to such Holder in respect of the Claim based on such note, debenture or other evidence of indebtedness. For the avoidance of doubt, (a) no Bond, note, debenture or other evidence of indebtedness of the City shall be surrendered or deemed surrendered that is subject to any Bond Insurance Policy and (b) no COP shall be surrendered or deemed surrendered hereby to the extent necessary to make and/or preserve a claim under any applicable policies and/or other instruments insuring the COPs and obligations related thereto or against any party, other than the City, that insures the COPs. Notwithstanding the foregoing, such Bonds and/or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City.

ARTICLE VI
PROCEDURES FOR RESOLVING DISPUTED CLAIMS

A. Treatment of Disputed Claims.

1. General.

No Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) allowing such Claim. Notwithstanding any other provision of the Plan, no payments or Distributions shall be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. Without limiting the foregoing in any way, no partial payments and no partial Distributions will be made with respect to a disputed, contingent or unliquidated Claim, or with respect to any Claim for which a proof of Claim has been Filed but not Allowed, until the resolution of such disputes or estimation or liquidation of such Claim by settlement or by Final Order.

2. ADR Procedures.

At the City's option, any Disputed Claim designated or eligible to be designated for resolution through the ADR Procedures may be submitted to the ADR Procedures in accordance with the terms thereof and the ADR Procedures Order. For the avoidance of doubt, the designation of a Disputed Claim for resolution through the ADR Procedures, either prior to or after the Effective Date, will not modify, and will not be deemed to have modified, the terms of the ADR Injunction imposed pursuant to the ADR Procedures Order. Disputed Claims not resolved through the ADR Procedures will be resolved pursuant to the Plan.

3. Tort Claims.

At the City's option, any unliquidated Tort Claim (as to which a proof of Claim was timely Filed in the Chapter 9 Case) not resolved through the ADR Procedures or pursuant to a Final Order of the Bankruptcy Court will be determined and liquidated in the administrative or judicial tribunal(s) in which it is pending on the Effective Date (subject to the City's right to seek removal or transfer of venue) or, if no action was pending on the Effective Date, in an administrative or judicial tribunal of appropriate jurisdiction selected by the City that (a) has personal jurisdiction over the parties, (b) has subject matter jurisdiction over the Tort Claim and (c) is a proper venue. The City may exercise the above option by service upon the holder of the applicable Tort Claim of a notice informing such holder that the City has exercised such option (which notice shall be deemed to satisfy the notice requirements of Section I.B of the ADR Procedures). Upon the City's service of such notice, the automatic stay imposed pursuant to sections 362 and 922 of the Bankruptcy Code (along with any extension of such stay pursuant to the terms of the Stay Extension Order) or, after the Effective Date, the injunction set forth at Section III.D.5, will be deemed modified, without the necessity for further Bankruptcy Court approval or any further action by the City, solely to the extent necessary to allow the parties to determine or liquidate the Tort Claim in the applicable administrative or judicial tribunal(s); provided that nothing contained in this Section will modify, or will be deemed to have modified, the terms of the Stay Extension Order with respect to any Tort Claim prior to the City having served notice of its intent to determine and liquidate such Tort Claim pursuant to this Section. If the City does not serve such a notice upon a holder of a Tort Claim by the Claims Objection Bar Date, such holder may file a motion with the Bankruptcy Court seeking relief from the discharge injunction imposed pursuant to Section III.D.5 in order to liquidate and determine its Claim.

Any Tort Claim determined and liquidated pursuant to a judgment obtained in accordance with this Section VI.A.3 and applicable non-bankruptcy law that is no longer appealable or subject to review will be deemed an Allowed Claim, provided that only the amount of such Allowed Tort Claim that is not satisfied from proceeds of insurance payable to the holder of such Allowed Tort Claim will be treated as an Allowed Claim for the purposes of distributions under the Plan. Distributions on account of any such Allowed Tort Claim shall be made in accordance with the Plan. Nothing contained in this Section will constitute or be deemed a waiver of any claim, right or Cause of Action that the City may have against any Entity in connection with or arising out of any Tort Claim, including any rights under section 157(b)(5) of title 28 of the United States Code. All claims, demands, rights, defenses and Causes of Action that the City may have against any Entity in connection with or arising out of any Tort Claim are expressly retained and preserved.

B. Disputed Claims Reserve.

On and after the Effective Date, until such time as all Disputed Claims have been compromised and settled or determined by Final Order and before making any Distributions, consistent with and subject to section 1123(a)(4) of the Bankruptcy Code, the City shall establish and maintain a reserve of property equal to (1) the Distributions to which Holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the Face Amount of such Disputed Claims or (2) such lesser amount as required by an order of the Bankruptcy Court. On the first Distribution Date that is at least 30 days (or such fewer days as may be agreed to by the City in its sole discretion) after the date on which a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall remit to the Holder of such Allowed Claim any Distributions such Holder would have been entitled to under the Plan on account of such Allowed Claim had such Claim been Allowed as of the Effective Date. If a Disputed Claim is disallowed by Final Order, the property reserved on account shall become available for Distribution to the Holders of Allowed Claims within the Class(es) entitled to receive such property. Each Holder of a Disputed Claim that ultimately becomes an Allowed Claim will have recourse only to the assets held in the disputed claims reserve and not to any other assets held by the City, its property or any property previously distributed on account of any Allowed Claim. Notwithstanding the foregoing, the disputed claim reserve established pursuant to this Section shall not include any reserve of property on account of Disputed COP Claims, which shall receive the treatment set forth in Section II.B.3.p.iii.

C. Objections to Claims.

1. Authority to Prosecute, Settle and Compromise.

The City's rights to object to, oppose and defend against all Claims on any basis are fully preserved. Except as otherwise provided in Section II.B.3.p.i with respect to Disputed COP Claims, as of the Effective Date, only the City shall have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, including pursuant to the ADR Procedures or any similar procedures approved by the Bankruptcy Court. Any objections to Claims shall be Filed no later than the Claims Objection Bar Date. On and after the Effective Date, the City may settle or compromise any Disputed Claim or any objection or controversy relating to any Claim without any further notice or any action, order or approval of the Bankruptcy Court.

2. Application of Bankruptcy Rules.

To facilitate the efficient resolution of Disputed Claims, the City shall be permitted to File omnibus objections to claims notwithstanding Bankruptcy Rule 3007(c).

3. Expungement or Adjustment of Claims Without Objection.

Any Claim that has been paid, satisfied or superseded shall be expunged from the Claims Register by the Claims and Balloting Agent at the request of the City, and any Claim that has been amended by the Holder of such Claim shall be adjusted on the Claims Register by the Claims and Balloting Agent at the request of the City, without the Filing of an objection and without any further notice or any action, order or approval of the Bankruptcy Court.

4. Extension of Claims Objection Bar Date.

Upon motion by the City to the Bankruptcy Court, the City may request, and the Bankruptcy Court may grant, an extension to the Claims Objection Bar Date generally or with respect to specific Claims. Any extension granted by the Bankruptcy Court shall not be considered to be a modification to the Plan under section 1127 of the Bankruptcy Code.

5. Authority to Amend List of Creditors.

The City will have the authority to amend the List of Creditors with respect to any Claim and to make Distributions based on such amended List of Creditors without approval of the Bankruptcy Court. If any such

amendment to the List of Creditors reduces the amount of a Claim or changes the nature or priority of a Claim, the City will provide the Holder of such Claim with notice of such amendment and such Holder will have 20 days to File an objection to such amendment with the Bankruptcy Court. If no such objection is Filed, the Disbursing Agent may proceed with Distributions based on such amended List of Creditors without approval of the Bankruptcy Court.

ARTICLE VII RETENTION OF JURISDICTION

Pursuant to sections 105(c), 945 and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 9 Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

A. Allow, disallow, estimate, determine, liquidate, reduce, classify, re-classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the amount, allowance, priority or classification of Claims;

B. Enforce the term (maturity) of the collective bargaining agreements identified on Exhibit II.D.5 of the Plan, notwithstanding any state law to the contrary;

C. Resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including claims for payment of any cure amount;

D. Ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

E. Adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving the City that may be pending on the Effective Date or brought thereafter;

F. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

G. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;

H. Approve any modification of the Plan or approve any modification of the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any order, the Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or enter any order in aid of confirmation pursuant to sections 945 and 1142(b) of the Bankruptcy Code, in such manner as may be necessary or appropriate to consummate the Plan;

I. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

J. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or Distributions pursuant to the Plan are enjoined or stayed;

K. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

L. Enforce or clarify any orders previously entered by the Bankruptcy Court in the Chapter 9 Case;

M. Enter a final decree closing the Chapter 9 Case pursuant to section 945(b) of the Bankruptcy Code; and

N. Hear any other matter over which the Bankruptcy Court has jurisdiction under the provisions of the Bankruptcy Code and the Bankruptcy Rules subject to any limits on the Bankruptcy Court's jurisdiction and powers under sections 903 and 904 of the Bankruptcy Code.

ARTICLE VIII MISCELLANEOUS PROVISIONS

A. Modification of the Plan.

Subject to section 942 and 1127(d) of the Bankruptcy Code, the City may alter, amend or modify the Plan or the Exhibits at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as altered, amended or modified so long as the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

B. Revocation of the Plan.

The City reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the City revokes or withdraws the Plan, or if the Confirmation Date does not occur, then the Plan shall be null and void in all respects, and nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, shall be or shall be deemed to be: (1) a waiver or release of any claims by or against the City; (2) an admission of any sort by the City or any other party in interest, or (3) prejudicial in any manner to the rights of the City or any other party in interest.

C. Disclosure of Amounts to Be Paid for Chapter 9 Case Services.

No later than five days before the Confirmation Hearing, (1) the City shall File a statement of all amounts to be paid by it for services or expenses in the Chapter 9 Case or incident to the Plan; and (2) as applicable, all other persons shall File statements of all amounts to be paid by them for services or expenses in the Chapter 9 Case or incident to the Plan. Pursuant to section 943(b)(3) of the Bankruptcy Code, the Bankruptcy Court must approve such amounts as reasonable as a condition to Confirmation.

D. Severability of Plan Provisions.

If any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, in each case at the election of and with the consent of the City, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the City's consent; and (3) non-severable and mutually dependent.

E. Effectuating Documents and Transactions.

The City is authorized to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and any notes or securities issued pursuant to the Plan. All such actions shall be deemed to have occurred and shall be in effect pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the City Council, the Emergency Manager, the Mayor or any employees or officers of the City. On the Effective Date, the appropriate employees and officers of the City are authorized and directed to execute and deliver the agreements, documents and instruments contemplated by the Plan, and to take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan, in the name and on behalf of the City.

F. Successors and Assigns.

Except as expressly provided otherwise in the Plan, the rights, benefits and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign, Affiliate, representative, beneficiary or guardian, if any, of each Entity.

G. Plan Controls.

In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence.

H. Notice of the Effective Date.

On or before ten Business Days after occurrence of the Effective Date, the City shall mail or cause to be mailed to all Holders of Claims a notice that informs such Holders of (1) entry of the Confirmation Order; (2) the occurrence of the Effective Date; (3) the assumption and rejection of Executory Contracts and Unexpired Leases pursuant to the Plan, as well as the deadline for the filing of Claims arising from such rejection; (4) the deadline for the filing of Administrative Claims; and (5) such other matters as the City deems to be appropriate.

I. Governing Law.

Unless (1) a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or (2) otherwise specifically stated herein or in any contract, articles or certificates of incorporation, bylaws, codes of regulation, ordinance, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the laws of the State of Michigan, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan and any contract, articles or certificates of incorporation, bylaws, codes of regulation, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan.

J. Request for Waiver of Automatic Stay of Confirmation Order.

The Plan shall serve as a motion seeking a waiver of the automatic stay of the Confirmation Order imposed by Bankruptcy Rule 3020(e). Any objection to this request for waiver shall be Filed and served on the parties listed in Section VIII.L on or before the Voting Deadline.

K. Term of Existing Injunctions and Stays.

All injunctions or stays provided for in the Chapter 9 Case under sections 105, 362 or 922 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

L. Service of Documents

Any pleading, notice or other document required by the Plan or the Confirmation Order to be served on or delivered to (1) the City and (2) the Retiree Committee must be sent by overnight delivery service, facsimile transmission, courier service or messenger to:

1. The City

David G. Heiman, Esq.
Heather Lennox, Esq.
Thomas A. Wilson, Esq.
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett, Esq.
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243 2382
Facsimile: (213) 243 2539

Jonathan S. Green, Esq.
Stephen S. LaPlante, Esq.
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

(Counsel to the City)

2. The Retiree Committee

Claude Montgomery, Esq.
Carole Neville, Esq.
DENTONS US LLP
1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 768-6700
Facsimile: (212) 768-6800

Sam J. Alberts, Esq.
DENTONS US LLP
1301 K Street NW, Suite 600, East Tower
Washington, DC 20005-3364
Telephone: (202) 408-6400
Facsimile: (202) 408-6399

Matthew E. Wilkins, Esq.
Paula A. Hall, Esq.
BROOKS WILKINS SHARKEY & TURCO PLLC
401 South Old Woodward, Suite 400
Birmingham, Michigan 48009
Telephone: (248) 971-1711
Facsimile: (248) 971-1801

(Counsel to the Retiree Committee)

Dated: May 5, 2014

Respectfully submitted,

The City of Detroit, Michigan

By: /s/ Kevyn D. Orr
Name: Kevyn D. Orr
Title: Emergency Manager for the City of Detroit, Michigan

COUNSEL:

/s/ David G. Heiman
David G. Heiman
Heather Lennox
Thomas A. Wilson
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243 2382
Facsimile: (213) 243 2539

Jonathan S. Green
Stephen S. LaPlante
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

ATTORNEYS FOR THE DEBTOR

EXHIBIT I.A.61

SCHEDULE OF COP SWAP AGREEMENTS

SCHEDULE OF COP SWAP AGREEMENTS

COP Swap Agreements
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005, between Detroit Police and Fire Retirement System Service Corporation (" <u>DPFRS Service Corporation</u> ") and Merrill Lynch Capital Services, Inc. (as successor to SBS Financial Products Company LLC) (" <u>Merrill Lynch</u> ") and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0010) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005 between DFPRS Service Corporation and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0011) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005 between Detroit General Retirement System Service Corporation (" <u>DGRS Service Corporation</u> ") and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0009) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of June 7, 2006 between DGRS Service Corporation and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0012) (as amended, modified or supplemented).
ISDA Master Agreement between DGRS Service Corporation and UBS AG, dated as of June 7, 2006, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS AG Reference No. 37380291 (as amended, modified or supplemented).
ISDA Master Agreement between DFPRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS AG Reference No. 37380351 (as amended, modified or supplemented).
ISDA Master Agreement between DFPRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS Reference No. 37380313 (as amended, modified or supplemented).
ISDA Master Agreement between DGRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS Reference No. 37380341 (as amended, modified or supplemented).

EXHIBIT I.A.78

FORM OF DETROIT GENERAL VEBA TRUST AGREEMENT

CITY OF DETROIT RETIREE HEALTH CARE TRUST

THIS TRUST AGREEMENT, entered into effective _____, 2014, by and among, the City of Detroit ("Detroit" or the "City") and [_____] Bank] (the "Bank").

WITNESSETH:

WHEREAS, the Detroit filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 in the United States Bankruptcy Court for the United States Bankruptcy Court Eastern District of Michigan (the "Court");

WHEREAS, pursuant to the Plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), the City agreed to establish a voluntary employees beneficiary association ("VEBA") to provide health care benefits to certain retirees and their Eligible Dependents;

WHEREAS, Detroit hereby establishes this City of Detroit Retiree Health Care Trust (the "Trust");

WHEREAS, the Board of Trustees shall be responsible for: (i) managing the property held by, and administration of, this Trust; and (ii) designing, adopting, maintaining and administering the "Health Care Plan for Retirees of the City of Detroit" (the "Plan"), through which all health care benefits to the Trust's beneficiaries shall be provided;

WHEREAS, the Board of Trustees is willing to exercise the authority granted to it herein with regard to the Trust and Plan;

WHEREAS, through this Trust Agreement, Detroit intends to designate the Bank to serve in the capacity of the institutional trustee with respect to the Trust and to maintain custody of the Trust assets;

WHEREAS, the Bank is willing to receive, hold, and invest the assets of the Trust in accordance with the terms of this Trust Agreement; and

WHEREAS, the Trust and the interdependent Plan are intended to comply with the requirements of section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the "Code"), and are together intended to constitute a "governmental plan" within the meaning of section 3(32) of the Employee Retirement Income Security Act of 1974;

NOW THEREFORE, in consideration of the premises and the covenants contained herein, Detroit and the Bank agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Bank. The entity referred to in the Preamble to this Trust Agreement named to perform the duties set forth in this Trust Agreement, or any successor thereto appointed by Detroit in accordance with Section 7.3. Any corporation continuing as the result of any merger or consolidation to which the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed automatically to be continuing as the Bank.

Section 1.2 Board of Trustees or Board. The Board is the body described in Article VIII to which Detroit has delegated responsibility for: (i) managing the property held by, and administering, this Trust; and (ii) designing, adopting, maintaining and administering the Plan, through which all benefits to the Trust's beneficiaries shall be provided. It shall be constituted and operated in accordance with Article IX.

Section 1.3 Code. The Internal Revenue Code of 1986, as amended, and any successor statute thereto.

Section 1.4 Detroit VEBA Beneficiary. Has the meaning given to that term in the Plan of Adjustment.

Section 1.5 Detroit VEBA Contribution. Has the meaning given to that term in the Plan of Adjustment.

Section 1.6 Eligible Dependent. Means an Eligible Retiree Member's dependent, within the meaning of Code section 501(c)(9) and the regulations promulgated thereunder, who is eligible to receive benefits under the Plan in accordance with its terms.

Section 1.7 Eligible Retiree Member. Means a former employee of Detroit who is a Detroit VEBA Beneficiary.

Section 1.8 Investment Act. Means Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws, as amended, which governs the investment of assets of public employee retirement systems or plans.

Section 1.9 Investment Manager. An investment manager appointed by the Board or its successor in accordance with the provisions of Section 9.4 hereof.

Section 1.10 New B Notes. Has the meaning given to that term in the Plan of Adjustment.

Section 1.11 OPEB Claims Notes. Means the New B Notes contributed to the Trust pursuant to the Detroit VEBA Contribution.

Section 1.12 Participant. An Eligible Retiree Member or Eligible Dependent who is entitled to health care benefits pursuant to the terms of the Plan.

Section 1.13 Plan. The Health Care Plan for Retirees of the City of Detroit, to be adopted and thereafter amended from time to time by the Board, as specified herein, and which will provide health care benefits permitted to be provided by a VEBA under Code section 501(c)(9).

Section 1.14 Plan of Adjustment. The Plan for the Adjustment of Debts of the City of Detroit.

Section 1.15 Trust Agreement. This agreement as it may be amended thereafter from time to time by the parties hereto.

Section 1.16 Trust or Trust Fund. The Detroit Retiree Health Care Trust established by this Trust Agreement, comprising all property or interests in property held by the Bank from time to time under this Trust Agreement.

ARTICLE II ESTABLISHMENT OF TRUST

Section 2.1 Purpose. The Trust is established for the purpose of providing health care benefits, directly or through the purchase of insurance, to the Participants in accordance with the Plan and consistent with Section 501(c)(9) of the Code and the regulations and other guidance promulgated thereunder. The Trust, together with the Plan, is intended to constitute a VEBA under Section 501(c)(9) of the Code.

Section 2.2 Receipt of Funds. The Bank shall accept all sums of money and other property contributed to the Trust by Detroit pursuant to Article III. The Bank shall hold, manage and administer the Trust Fund without distinction between principal and income. The Bank shall be accountable for the contributions or transfers it receives, but shall not be responsible for the collection of any contributions or transfers to the Trust or enforcement of the terms of the OPEB Claims Notes.

Section 2.3 Inurement and Reversion Prohibited. At no time shall any part of the principal or income of the Trust Fund be used for, or diverted to, any purpose other than sponsoring, operating and administering the Plan and Trust to provide benefits that are permitted under Code section 501(c)(9) to Participants. Nothing in this Trust Agreement shall be construed in such a way as to prohibit the use of assets of the Trust Fund to pay reasonable fees and other expenses and obligations incurred in maintaining, administering and investing the Trust Fund or in sponsoring, administering and operating the Plan in accordance with the provisions of this Trust Agreement. At no time shall any part of the net earnings inure to the benefit of any individual other than through the provision of benefits as permitted under Code section 501(c)(9) and the regulations promulgated thereunder. In no event will the assets held in the Trust Fund revert to Detroit. Upon termination of the Trust Fund, any assets remaining upon satisfaction of all liabilities to existing Participants shall be applied, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits under Code section 501(c)(9) and the rules and regulations promulgated thereunder, pursuant to criteria consistent with such rules and regulations.

Section 2.4 No Guarantee. Nothing contained in the Trust or the Plan shall constitute a guarantee that the assets of the Trust Fund will be sufficient to pay any benefit to any person or make any other payment. The obligation of the Plan to pay any benefit provided under the Plan is expressly conditioned on the availability of cash in the Trust to pay the benefit, and no plan fiduciary or any other person shall be required to liquidate the OPEB Claims Notes or any other Plan asset in order to generate cash to pay benefits. Detroit shall not have any obligation to contribute any amount to the Trust except as provided in Article III. Except for payments of benefits under the Plan, no Participant shall receive any distribution of cash or other thing of current or exchangeable value, either from the Board or the Bank, on account of or as a result of the Trust Fund created hereunder.

Section 2.5 No Interest. Detroit shall not have any legal or equitable interest in the assets of the Trust Fund at any time, including following the termination of the Trust.

ARTICLE III
CONTRIBUTIONS TO THE TRUST FUND

Section 3.1 Detroit Contributions. The Trust Fund shall accept from Detroit the Detroit VEBA Contribution. Apart from the Detroit VEBA Contribution, Detroit shall have no further obligation to contribute to the Trust or otherwise fund the Plan.

ARTICLE IV
PAYMENTS FROM THE TRUST FUND

Section 4.1 Payments from the Trust Fund.

(a) Subject to paragraph (b) below, the Bank shall make payments from the Trust Fund to provide, directly or through the purchase of insurance, benefits under the Plan as directed by the Board.

(b) To the extent permitted by law, the Bank shall be fully protected in making payments out of the Trust Fund, and shall have no responsibility to see to the application of such payments or to ascertain whether such payments comply with the terms of the Plan, and shall not be liable for any payment made by it in good faith and in the exercise of reasonable care without actual notice or knowledge of the impropriety of such payments hereunder. The Bank may withhold all or any part of any payment as the Bank in the exercise of its reasonable discretion may deem proper, to protect the Bank and the Trust against any liability or claim on account of any income or other tax whatsoever; and with all or any part of any such payment so withheld, may discharge any such liability. Any part of any such payment so withheld by the Bank that may be determined by the Bank to be in excess of any such liability will upon such determination by the Bank be paid to the person or entity from whom or which it was withheld.

Section 4.2 Method of Payments. The Bank may make any payment required to be made by it hereunder, unless directed otherwise by the Board, by direct electronic deposit of the amount thereof to the financial institution where the person or entity to whom or to which such payment is to be made maintains an account, or by mailing a check in the amount thereof by first class mail in a sealed envelope addressed to such person or entity to whom or to which such payment is to be made, according to the direction of the Board. If any dispute arises as to the identity or rights of persons who may be entitled to benefits hereunder, the Bank may withhold payment until such dispute is resolved by a court of competent jurisdiction or, at the discretion of the Board, is settled by written stipulation of the parties concerned.

Section 4.3 Excessive Payments. If the payment of any benefit under the Plan is determined to have been excessive or improper, and the recipient thereof fails to make repayment to the Bank or Bank's agent of such excessive or improper payment upon the Bank's request, the Bank shall deduct the amount of such excessive or improper payment from any other benefits thereafter payable to such person. Until repaid to the Bank or Bank's agent, the amount of said excessive or improper payment shall not be included in the Trust Fund.

ARTICLE V BANK POWERS AND DUTIES

Section 5.1 Powers of the Bank Generally. The Bank has whatever powers are required to discharge its obligations and to accomplish any of the purposes of this Trust Agreement, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Bank under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Bank.

Section 5.2 Powers Exercisable by the Bank in Its Discretion. The Bank is authorized and empowered to exercise the following powers at its discretion in satisfaction of the duties imposed on it under this Trust Agreement:

- (a) To place securities orders, settle securities trades, hold securities in custody, deposit securities with custodians or securities clearing corporations or depositories or similar organizations, and other related activities as shall be necessary and appropriate in performing its duties under this Trust Agreement. Any indicia of ownership of any Trust Fund assets, however, shall not be maintained outside the jurisdiction of the district courts of the United States. Trades and related activities conducted through a broker shall be subject to reasonable fees and commissions established by the broker, which may be paid from the Trust Fund or netted from the proceeds of trades.
- (b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.
- (c) To cause any investment in the Trust Fund to be registered in, or transferred into, its name as the institutional trustee or the name of its nominee or nominees, or to retain such investments unregistered in a form permitting transfer by delivery, but the books and records of the Bank shall at all times show that all such investments are part of the Trust Fund, and the Bank shall be fully responsible for any misappropriation in respect of any investment held by its nominee or held in unregistered form and shall cause the indicia of ownership to be maintained within the jurisdiction of the district courts of the United States;
- (d) To deliver to the Board, or the person or persons identified by the Board, on a timely basis as required under Section 5.5, proxies and powers of attorney and related informational material, for any shares or other property held in the Trust.

Section 5.3 Powers Exercisable by the Bank Only Upon the Direction of the Board. The Bank shall exercise the following powers only upon the direction of the Board (or, in the case of subparagraphs (a) and (b)), a duly appointed Investment Manager):

- (a) To receive, hold, invest and reinvest Trust Fund assets and income under provisions of law from time to time existing and in accordance with Article IX.

- (b) To exercise or abstain from exercising any option, privilege or right attaching to any Trust Fund assets.
- (c) To make payments from the Trust Fund for the provision of benefits in accordance with Article IV and for the payment of expenses as provided in Section 5.8.
- (d) To employ suitable agents and depositaries (domestic or foreign), public accountants, brokers, custodians, ancillary trustees, appraisers, enrolled actuaries, and legal counsel as shall be necessary and appropriate, and to pay their reasonable expenses and compensation.
- (e) To pay any income or other tax or estimated tax, charge or assessment attributable to any property or benefit out of such property or benefit in its sole discretion, or any tax on unrelated business income of the Trust, if any, out of the Trust Fund.
- (f) To vote, in person or by general or limited proxy, at any election of any corporation in which the Trust Fund is invested, and similarly to exercise, personally or by a general or limited power of attorney, any right appurtenant to any investment held in the Trust Fund.
- (g) To accept, compromise or otherwise settle any obligations or liability due to or from them as the Bank hereunder, including any claim that may be asserted for taxes, assessments or penalties under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

Section 5.4 Title to Trust Fund. All rights, title and interest in and to the Trust Fund shall at all times be vested exclusively in the Bank.

Section 5.5 General Duties and Obligations of Bank.

- (a) In accordance with Article II, the Bank shall hold all property received by it and any income and gains thereupon. In accordance with this Article and Article IX, the Bank shall manage, invest and reinvest the Trust Fund following the directions of the Board or a duly appointed Investment Manager, shall collect the income therefrom, and shall make payments or disbursements as directed by the Board.
- (b) Subject to the provisions of Articles VII and X, the Bank shall comply with any directive issued by the Board to withdraw and transfer all or any part of the Trust Fund to another institutional trustee, custodian or a funding agent.
- (c) The Board shall have responsibility for directing the Bank as to the voting (by proxy or in person) of any shares or other property held in the Trust. Accordingly, the Bank shall deliver to the Board (or the person or persons identified by the Board), on a timely basis, proxies, powers of attorney and related informational material that are necessary for the Board to fulfill its responsibility.

The Bank may use agents to effect such delivery to the Board (or the person or persons identified by the Board).

(d) The Bank shall discharge its duties in the interests of Participants and for the exclusive purpose of providing benefits to Participants and defraying reasonable expenses of administering the Trust and the Plan and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in conduct of an enterprise of like character and with like aims. The Bank will be under no liability or obligation to anyone with respect to any failure of the Board to perform any of its obligations under the Plan or Trust Agreement or for any error or omission of the Board.

Section 5.6 Determination of Rights. The Bank shall have no power, authority, or duty hereunder in respect to the determination of the eligibility of any person to coverage under the Plan, or the entitlement of any person to any benefit payments under the Plan.

Section 5.7 Continuance of Plan; Availability of Funds. Neither the Board, the Bank nor Detroit assumes any contractual obligation as to the continuance of the Plan and shall not be responsible for the adequacy of the Trust Fund to meet and discharge any liabilities under the Plan, and the Bank's obligation to make any payment shall be limited to amounts held in the Trust Fund at the time of the payment.

Section 5.8 Payment of Expenses. The Bank shall apply the assets of the Trust Fund to pay all reasonable costs, charges, and expenses (including, but not limited to, all brokerage fees and transfer tax expenses and other expenses incurred in connection with the sale or purchase of investments, all real and personal property taxes, income taxes and other taxes of any kind at any time levied or assessed under any present or future law upon, or with respect to, the Trust Fund or any property included in the Trust Fund and all legal, actuarial, accounting and financial advisory expenses) reasonably incurred by the Bank or the Board in connection with establishing, sponsoring, administering or operating the Trust or Plan. The Board shall by written certificate provided to the Bank request payment for any expenses related to the administration of the Trust and/or the Plan. Upon receipt of the written certificate, the Bank may make the payment requested by the Board. The expenses of the Bank shall constitute a lien on the Trust Fund.

Section 5.9 Bank Compensation. The Bank will apply the assets of the Trust Fund to pay its own fees in the amounts and on the dates [set forth in Exhibit A]. The Bank's compensation shall constitute a lien on the Trust Fund.

Section 5.10 Reliance on Written Instruments. The Bank shall be fully protected in acting upon any instrument, certificate or paper believed by it to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

ARTICLE VI BANK ACCOUNTS

Section 6.1 Records. The Bank shall maintain accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions with respect to the Trust, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Board or such person or persons as the Board may designate.

Section 6.2 Annual Audit. The Trust Fund shall be audited annually, and a statement of the results of such audit shall be provided to the Bank and also made available for inspection by interested persons at the principal office of the Trust.

Section 6.3 No Interest by Participants. In no event shall any Participant or beneficiary have any interest in any specific asset of the Trust Fund. At no time shall any account or separate fund be considered a savings account or investment or asset of any particular Participant, beneficiary, or class of Participants and beneficiaries, and no Participant or beneficiary shall have any right to any particular asset which the Board or Bank may have allocated to any account or separate fund for accounting purposes.

Section 6.4 Furnishing Written Accounts. The Bank shall file with the Board a written account setting forth a description of all securities and other property purchased and sold, and all receipts, disbursements, and other transactions effected by it during the accounting period to which the Board and the Bank have agreed, and showing the securities and other properties held, and their fair market values at such times and as of such dates as may be agreed by the Board and the Bank in writing. Such written account shall be filed with the Board within thirty (30) days after the close of each calendar quarter.

Section 6.5 Accounting Year, Cash Basis. The accounting year of the Trust shall be the calendar year. All accounts of the Bank shall be kept on a cash basis.

Section 6.6 Judicial Proceedings. If the Bank and the Board cannot agree with respect to any act or transaction reported in any statement, the Bank shall have the right to have its accounts settled by judicial proceedings in which only the Bank and the Board shall be necessary parties. No Participant shall have any right to compel an accounting, judicial or otherwise, by the Bank.

ARTICLE VII PROCEDURES FOR THE BANK

Section 7.1 Removal. The Bank may be removed by Detroit at any time upon thirty (30) days' advance written notice. Such removal shall be effective on the date specified in such written notice, provided that notice has been given to the Bank of the appointment of a successor institutional trustee or custodian in the manner set forth in Section 7.3 below.

Section 7.2 Resignation. The Bank may resign by filing with Detroit a written resignation that shall take effect ninety (90) days after the date of such filing, unless prior thereto a successor institutional trustee or custodian has been appointed by the Board. In no event may the Bank's resignation take effect before a successor institutional trustee or custodian has been appointed. If Detroit fails to appoint a successor institutional trustee or custodian, the retiring Bank may seek the appointment of a successor entity in the manner set forth in Section 7.3.

Section 7.3 Successor.

- (a) Detroit may appoint a successor institutional trustee or custodian by delivering to such successor an instrument in writing, executed by an authorized representative of Detroit, appointing such successor entity, and by delivering to the removed or resigning Bank an acceptance in writing, executed by the successor so appointed. Such appointment shall take effect upon the date specified in Section 7.1 or 7.2 above, as applicable.
- (b) Alternatively, Detroit may appoint a successor institutional trustee or custodian by securing from such successor an amendment to this Trust Agreement, executed by both the successor and an authorized representative of Detroit, which replaces the current Bank with the successor institutional trustee or custodian, appointing such successor institutional trustee or custodian, and by delivering to the removed or resigning Bank an executed copy of the amendment. Such appointment shall take effect upon the date specified in the amendment.
- (c) If no appointment of a successor institutional trustee or custodian is made by Detroit within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Bank, appoint a successor institutional trustee or custodian after such notice to Detroit and the retiring Bank, as such court may deem suitable and proper.

Section 7.4 Effect of Removal or Resignation of Bank. Upon the removal or resignation of the Bank in accordance with Section 7.1 or 7.2 above, the Bank shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law.

Section 7.5 Merger or Consolidation of the Bank. Any corporation continuing as the result of any merger or resulting from any consolidation, to which merger or consolidation the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed to be continuing as the Bank.

ARTICLE VIII
COMPOSITION OF AND PROCEDURES FOR THE BOARD OF TRUSTEES

Section 8.1 Number and Appointment of Members. The Board of Trustees shall consist of seven (7) voting members, who are selected by the Mayor of Detroit and by the Eligible Retiree Members (directly or indirectly through a representative) as provided below.

(a) The Mayor of Detroit shall appoint three (3) voting members, both of whom shall be residents of the State of Michigan and neither of whom may be an employee, contractor, agent or affiliate of the City or any labor union representing employees of the City, a member of any such labor union, or a Participant. At least one (1) of such independent members shall have expert knowledge or extensive experience with respect to economics, finance, or institutional investments, and at least one (1) of such independent members shall have expert knowledge or extensive experience with respect to administration of public or private health and welfare benefit plans, executive management, benefits administration or actuarial science. The voting members of the Board selected by the Mayor as of the Effective Date shall be [_____, _____ and _____.]

(b) The Eligible Retiree Members shall select four (4) voting members pursuant to procedures established by the Board; provided, however, that two (2) such voting members shall initially be designated by the Official Committee of Retirees of the City of Detroit, Michigan, and two (2) such voting members shall initially be designated by the Detroit Retired City Employees Association on behalf of such Eligible Retiree Members. The members initially selected on behalf of the Eligible Retiree Members are [_____, _____, _____ and _____].

Each Board member shall acknowledge his or her appointment and acceptance of the duties and responsibilities set forth in this Trust Agreement in writing.

Section 8.2 Term of Office. Each member of the Board shall serve a period of four (4) years, or if earlier, until his or her death, incapacity to serve hereunder, or resignation. In the event of a vacancy, the replacement Board member shall be appointed as provided in Section 8.1.

Section 8.3 Resignation. A Board member may resign, and shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law, by giving at least ninety (90) days' advance written notice to Detroit stating a date when such resignation shall take effect, which notice or time period may be waived by the Board.

Section 8.4 Fees and Expenses. The Board members appointed by the Mayor shall each be paid a stipend of [\$12,000] per year (payable ratably on a monthly basis). The Board members selected by the Eligible Retiree Members shall each be paid a stipend of [\$_____] per year (payable ratably on a monthly basis). Each Board member may be reimbursed by the Trust for reasonable expenses properly and actually incurred in the performance of its duties. Compensation payable to the Board members and all reimbursed expenses shall be payable out of the Trust.

Section 8.5 Operation of the Board; Quorum. The Board shall select from among its members a chair and a vice chair. The Board shall hold regular meetings, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure and shall keep a record of proceedings. Each Board Member shall be entitled to one vote on each question before the Board. Five (5) members shall constitute a quorum at any meeting. A majority vote of the members present at a meeting of the Board at which a quorum exists shall be necessary for a decision by the Board.

ARTICLE IX POWERS AND DUTIES OF THE BOARD OF TRUSTEES

Section 9.1 General. The Board shall be responsible for designing, adopting, maintaining and administering the Plan, as well as administering the Trust and managing the Trust assets as provided herein. Subject to the provisions of this Trust Agreement, the Plan documents and applicable laws, the Board shall have sole, absolute and discretionary authority to adopt such rules and regulations and take all actions that it deems desirable for the administration of the Plan and Trust, and to interpret the terms of the Plan and Trust. The decisions of the Board will be final and binding on all Participants and all other parties to the maximum extent allowed by law.

Section 9.2 Plan Design and Administration.

(a) Adoption of Plan. The Board shall adopt a Plan to offer health care benefits to Participants. All terms of the Plan shall be determined by the Board; provided that such terms shall be consistent with this Trust Agreement, Code section 501(c)(9) and the regulations promulgated thereunder. The Board shall be under no obligation to design the Plan to assure that the assets of the Trust Fund are sufficient to provide benefits to all potential Participants of the Plan in subsequent years.

(b) Benefits. The Plan shall include benefits and any other features including, without limitation, premium-sharing or other cost-sharing, that the Board from time to time determines appropriate or desirable in its sole discretion. The Plan may provide for different benefit structures or programs for different groups of Participants, as determined by the Board in its sole discretion. In designing the Plan and the benefits to be provided thereunder, the Board may take into account relevant circumstances, including, without limitation, the degree to which Participants may have alternative resources or coverage sources, as well as the resources of the Trust Fund. Benefits provided under the Plan shall be limited to those health care benefits permitted by Code Section 501(c)(9), and any Plan eligibility restrictions established by the Board shall conform with the requirements set forth in Treasury Regulation Section 1.501(c)(9)-2.

(c) Method of Providing Benefits. Benefits under the Plan may be fully insured, partially insured or self-insured, as determined by the Board from time to time in its sole discretion. The expected cost of benefits under the Plan shall not exceed the amount expected to be available under the Trust.

(d) Plan Documentation. The Board shall be responsible for creating, adopting and/or executing any documents necessary to set forth the Plan's governing terms, and shall be responsible for communicating the terms of the Plan to the Eligible Retiree Members and Eligible Dependents in accordance with applicable law.

Section 9.3 Investment of the Trust. The Board shall have full power and authority to manage, control, invest and reinvest the money and other assets of the Trust Fund subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by the Investment Act, and the Bank shall comply with the

proper written direction of the Board concerning those assets. The Board may employ outside advisors, including investment advisors, to advise it with regard to the investment of the assets of the Trust Fund. Any outside advisors who are investment fiduciaries (as defined in the Investment Act) shall satisfy any applicable requirements of the Investment Act.

Section 9.4 Appointment of Investment Managers. The Board, from time to time, may appoint one or more independent Investment Managers, pursuant to a written investment management agreement describing the powers and duties of the Investment Manager, to direct the investment and reinvestment of all or a portion of the Trust (hereinafter referred to as an "Investment Account"). The Board shall determine that each Investment Manager satisfies the requirements of section 38.1133(11) of the Investment Act and, is entitled (under its investment management agreement) to direct the investment and reinvestment of the Investment Account for which it is responsible, in its sole and independent discretion and without limitation, except for any limitations which from time to time the Board determines shall modify the scope of such authority. If an Investment Manager is appointed, it shall have the authority of the Bank specified in Section 5.1 hereof with respect to the Investment Account over which it has investment discretion and the Bank's duties with respect to such Investment Account shall be limited to following the instructions of the Investment Manager. Provided that an Investment Manager is prudently selected and monitored by the Board, the Board shall have no liability (a) for the acts or omissions of such Investment Manager; (b) for following directions of such Investment Manager which are given in accordance with this Trust Agreement; or (c) for any loss of any kind which may result by reason of the manner of division of the Trust into Investment Accounts.

Section 9.5 Government Reports and Returns. The Board shall file all reports and returns that are required to be made with respect to the Trust and the Plan.

Section 9.6 Compromise or Settle Claims. The Board may compromise, settle and release claims or demands in favor of or against the Trust or the Board on such terms and conditions as the Board may deem advisable.

Section 9.7 Appointment of Administrator. The Board may appoint a third party to perform any administrative functions it has with regard to the Trust or Plan.

Section 9.8 Employment of Assistance. The Board has the exclusive authority to employ, contract and pay for all professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation and administration of the Plan and Trust. The powers granted to the Board in this subparagraph include complete control of the procurement process, including contracts for office space, computer hardware and software, and human resource services. In accordance with the provisions of Section 5.3 hereof, the Board may direct the Bank to pay reasonable compensation therefor from the Trust Fund. The Board may take or may refrain from taking any action in accordance with or reliance upon the opinion of counsel or such expert advisors.

Section 9.9 Reliance on Written Instruments. The Board shall be fully protected in acting upon any instrument, certificate or paper believed by him or her to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any

investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 9.10 No Individual Liability on Contracts. The Board shall not be liable personally for any debts, obligations, or undertakings contracted by them, or for the breach of any contracts. Such claims and obligations shall be paid out of the Trust; provided, however, that the Board shall not be exempt from personal liability for willful misconduct, intentional wrongdoing, breach of applicable fiduciary duty, or fraud, and the Trust shall not indemnify the Board for such liabilities, or to the extent that application of this sentence would violate any law.

Section 9.11 Detroit Not Liable for Conduct of Board. The Board is not in its capacity as Board an officer, agent, employee, or representative of Detroit. In its capacity as Board, the Board is a principal acting independently of Detroit, which shall not be liable for any act, omission, contract, obligation, or undertaking of the Board or its officers, agents, or representatives.

Section 9.12 Liability Insurance. The Board may obtain and keep current a policy or policies of insurance, insuring the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in connection with the performance of their duties, responsibilities and obligations under this Trust Agreement or the Plan. To the extent permitted by applicable law, the premiums on such policies may be paid from the Trust Fund.

Section 9.13 Reimbursement for Defense of Claims. To the extent permitted by applicable law and not otherwise covered by liability insurance purchased by the Trust (without regard to any non-recourse rider purchased by the insured), the Board, employees of the Board and persons acting on the Board's behalf pursuant to an express written delegation (each separately, the "Indemnified Party") shall be reimbursed by the Trust Fund for reasonable expenses, including without limitation attorneys fees, incurred in defense of any claim that seeks a recovery of any loss to the Plan or Trust Fund or for any damages suffered by any party to, or beneficiary of this Trust Agreement (a) for which the Indemnified Party is adjudged not liable, or (b) which is dismissed or compromised in a final settlement, where the Board – or, where required by applicable law, an independent fiduciary – determines that the settling Indemnified Party was not primarily responsible (in such cases, all or only a portion of the settling Indemnified Party's reasonable expenses may be reimbursed, as directed by the Board or an independent fiduciary), provided that, the Board shall have the right to approve of the retention of any counsel whose fees would be reimbursed by the Trust Fund, but such approval shall not be withheld unreasonably.

Section 9.14 Subrogation and Reimbursement. If the Plan is self-insured, the following provisions regarding subrogation and third-party reimbursement will apply.

- (a) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of an individual ("Benefit Recipient"), the Trust Fund shall be subrogated as provided in this Section 9.14 to all the Benefit Recipient's rights of recovery with respect to the illness or injury for which the payment of benefits is made by the Trust Fund. The right of recovery referred to in the preceding sentence shall include the right to make a claim, sue,

and recover against any person or entity from the first dollars of any funds which are paid or payable as a result of a personal injury claim or any reimbursement of health care expenses. If requested in writing by the Board, the Benefit Recipient shall take, through any representative designated by the Board, such action as may be necessary or appropriate to recover such payment from any person or entity, said action to be taken in the name of the Benefit Recipient. In the event of a recovery or settlement, the Trust Fund shall be reimbursed in full on a first priority basis out of such recovery or settlement for expenses, costs, and attorneys' fees incurred by it in connection therewith.

(b) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of a Benefit Recipient for an illness or injury, the Trust Fund shall be entitled to, and shall have a first priority equitable lien on, the proceeds of any recovery, by judgment, settlement or otherwise, with respect to the illness or injury, and if paid to the Benefit Recipient, the Benefit Recipient shall immediately pay any such proceeds to the Trust Fund. If the Benefit Recipient fails to pay such proceeds, or does not cause such proceeds to be paid, to the Trust Fund, the Board may, in addition to any other remedy to which it may be entitled, recover the proceeds directly or by offset against claims for benefits under the Plan and Trust made with respect to the affected Benefit Recipient (or such Benefit Recipient's beneficiaries, heirs, attorneys, agents, representatives, or estate).

(c) The Trust Fund shall have the right of subrogation and reimbursement set forth in this Section 9.14 regardless of whether the Benefit Recipient is made whole and regardless of whether the recovery, or any part thereof, is designated as payment for health care expenses, pain and suffering, loss of income or any other specified or unspecified damages or reason, and without regard to whether recovery is designated as including or excluding the health care expenses covered by the Plan and Trust. Any recovery by a Benefit Recipient, an attorney or other third party shall be deemed to be for the benefit of the Plan and Trust and shall be held in constructive trust for the Trust Fund until the Trust Fund is reimbursed in full for all amounts paid by the Trust Fund. The subrogation and reimbursement rights of the Trust Fund described in this Section 9.14 include all rights against, and include all rights with respect to, proceeds from or held by any attorney, third party, insurance carrier or payer of medical benefits, including an uninsured or under-insured motorist carrier, a no-fault carrier and a school insurance carrier, even if such coverage was purchased by the Benefit Recipient, and without regard to whether the proceeds have been paid or are payable.

(d) By participating in the Plan, each Benefit Recipient agrees to cooperate fully with the Plan and Trust and to execute and deliver agreements, liens and other documents and do whatever else the Board deems necessary to enable and assist the Trust Fund in exercising its rights under this Section 9.14, but the Trust Fund's rights under this Section 9.14 shall be effective regardless of whether the Benefit Recipient actually signs any agreements, liens or other documents. By participating in the Plan, each Benefit Recipient also agrees (i) that he or she will not make or maintain any make whole, common trust fund or apportionment action or claim in contravention of the subrogation and reimbursement provisions of this Section 9.14; and (ii) that he or she will not oppose any proceeding by the Trust Fund to obtain reimbursement on procedural grounds. The Benefit Recipient, directly or through his or her representatives, shall not do anything to

impair the Trust Fund's rights. If the Board determines that any Trust Fund recovery rights under Section 9.14 have been impaired by any action of the Benefit Recipient or his or her representatives or by the Benefit Recipient's or such other person's failure to comply with the Benefit Recipient's obligations under Section 9.14, the Board may, in addition to any other remedy to which it may be entitled, determine the amount by which the Trust Fund's recovery rights have been impaired and recover such amount directly or by offset against claims for benefits under the Trust Fund made with respect to the affected Benefit Recipient.

(e) This Section 9.14 entitles the Trust Fund to subrogation and reimbursement equal to the entire amount paid by the Trust Fund for the illness or injury to which the subrogation or reimbursement relates, including related expenses, costs and attorneys' fees, which shall be from the first dollars payable to or received by the Benefit Recipient, his representatives, heirs, legal counsel, estate or any other third party from any settlement, judgment or other payment, without reduction for attorneys' fees or for any other reason. The common fund, make-whole, apportionment or any similar doctrines shall not apply to any amounts received. Any attorneys' fees shall be the responsibility solely of the Benefit Recipient, and the Trust Fund shall not pay any attorneys' fees or costs associated with a Benefit Recipient's claim or lawsuit without the Board's prior written authorization.

(f) The intention of this Section 9.14 is to give the Trust Fund the first right of subrogation and reimbursement in full with respect to the first dollars paid or payable, even though the Benefit Recipient is not made whole. Each Benefit Recipient agrees that as a condition to receiving benefits under the Plan and from the Trust Fund, the Benefit Recipient shall comply with the requirements of this Section 9.14.

ARTICLE X
AMENDMENT, TERMINATION AND MERGER

Section 10.1 Amendment. The Trust Agreement may be amended at any time in writing by Detroit or by Court order upon proper motion, provided, however, that no amendment may impose a contribution obligation on Detroit; and provided further that no amendment shall adversely affect the exempt status of the Trust or Plan under Section 501(c)(9) of the Code. No amendment to the Trust Agreement shall modify the responsibilities of the Bank hereunder unless the Bank has first consented to such amendment.

Section 10.2 Termination.

(a) The Trust and this Trust Agreement may be terminated at any time in writing by Detroit with a copy of such written instrument to be provided to the Bank, or by Court order upon proper motion. Upon termination of this Trust Agreement, the assets of the Trust Fund shall be paid out at the direction of the Board in the following order of priority: (i) the payment of reasonable and necessary administrative expenses (including taxes); (ii) the payment of benefits to Participants entitled to payments for claims arising prior to such termination; and (iii) upon satisfaction of all liabilities to existing Participants, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits in accordance with Code section 501(c)(9) and the rules and regulations promulgated thereunder. Neither Detroit nor the Board shall have any beneficial interest in the Trust Fund. The Trust Fund shall remain in existence until all assets have been distributed.

(b) Upon termination, the Bank and the Board shall continue to have all of the powers provided in this Trust Agreement as are necessary or desirable for the orderly liquidation and distribution of the Trust Fund in accordance with the provisions hereof.

Section 10.3 Transfer of Assets and/or Liabilities. To the extent permitted by Code section 501(c)(9) and other applicable law, some or all of the assets and/or liabilities of the Trust Fund may at the discretion of the Board be transferred directly to another trust for the purpose of providing health or welfare benefits to some or all of the Participants on such terms and conditions as the Board may determine.

ARTICLE XI MISCELLANEOUS

Section 11.1 Rights in Trust Fund. No Participant or other person shall have any right, title or interest in the Trust Fund or any legal or equitable right against the Bank, the Board, or Detroit, except as may be otherwise expressly provided in the Plan or in this Trust Agreement.

Section 11.2 Non-Alienation. Except to the extent required by applicable law, the rights or interest of any Participant to any benefits or future payments hereunder or under the provisions of the Plan shall not be subject to attachment or garnishment or other legal process by any creditor of any such Participant, nor shall any such Participant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingent or otherwise, under this Trust Agreement.

Section 11.3 Controlling Laws. The Trust shall be construed and the terms hereof applied according to the laws of the state of Michigan to the extent not superseded by federal law.

Section 11.4 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

Section 11.5 Headings. The headings and subheadings of this Trust Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Trust Agreement.

Section 11.6 Notices. All notices, requests, demands and other communications under this Trust Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (b) on the first business day after sending if sent for guaranteed next day delivery by Federal Express or other next-day courier service; or (c) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to the Bank:

[insert name and address]

If to the Board:

[insert name and address]

IN WITNESS WHEREOF, and as evidence of the establishment of the Trust created hereunder, the parties hereto have caused this instrument to be executed as of the date above first written.

[insert name] Dated: _____

BANK
[_____ Bank]

By: _____

Print Name

CITY OF DETROIT

By: _____

Print Name

Title

Dated: _____

EXHIBIT A

Bank Compensation

EXHIBIT I.A.82

FORM OF DETROIT POLICE AND FIRE VEBA TRUST AGREEMENT

CITY OF DETROIT POLICE AND FIRE RETIREE HEALTH CARE TRUST

THIS TRUST AGREEMENT, entered into effective _____, 2014, by and among, the City of Detroit ("Detroit" or the "City") and [_____] Bank] (the "Bank").

WITNESSETH:

WHEREAS, Detroit filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 in the United States Bankruptcy Court for the United States Bankruptcy Court Eastern District of Michigan (the "Court");

WHEREAS, pursuant to the Plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), the City agreed to establish a voluntary employees beneficiary association ("VEBA") to provide health care benefits to certain retirees and their Eligible Dependents;

WHEREAS, Detroit hereby establishes this City of Detroit Retiree Health Care Trust (the "Trust");

WHEREAS, the Board of Trustees shall be responsible for: (i) managing the property held by, and administration of, this Trust; and (ii) designing, adopting, maintaining and administering the "Health Care Plan for Retirees of the City of Detroit" (the "Plan"), through which all health care benefits to the Trust's beneficiaries shall be provided;

WHEREAS, the Board of Trustees is willing to exercise the authority granted to it herein with regard to the Trust and Plan;

WHEREAS, through this Trust Agreement, Detroit intends to designate the Bank to serve in the capacity of the institutional trustee with respect to the Trust and to maintain custody of the Trust assets;

WHEREAS, the Bank is willing to receive, hold, and invest the assets of the Trust in accordance with the terms of this Trust Agreement; and

WHEREAS, the Trust and the interdependent Plan are intended to comply with the requirements of section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the "Code"), and are together intended to constitute a "governmental plan" within the meaning of section 3(32) of the Employee Retirement Income Security Act of 1974;

NOW THEREFORE, in consideration of the premises and the covenants contained herein, Detroit and the Bank agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Bank. The entity referred to in the Preamble to this Trust Agreement named to perform the duties set forth in this Trust Agreement, or any successor thereto appointed by Detroit in accordance with Section 7.3. Any corporation continuing as the result of any merger or consolidation to which the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed automatically to be continuing as the Bank.

Section 1.2 Board of Trustees or Board. The Board of Trustees is the body described in Article VIII to which Detroit has delegated responsibility for: (i) managing the property held by, and administering, this Trust; and (ii) designing, adopting, maintaining and administering the Plan, through which all benefits to the Trust's beneficiaries shall be provided. It shall be constituted and operated in accordance with Article IX.

Section 1.3 Code. The Internal Revenue Code of 1986, as amended, and any successor statute thereto.

Section 1.4 Detroit Police and Fire VEBA Beneficiary. Has the meaning given to that term in the Plan of Adjustment.

Section 1.5 Detroit Police and Fire VEBA Contribution. Has the meaning given to that term in the Plan of Adjustment.

Section 1.6 Eligible Dependent. Means an Eligible Retiree Member's dependent, within the meaning of Code section 501(c)(9) and the regulations promulgated thereunder, who is eligible to receive benefits under the Plan in accordance with its terms.

Section 1.7 Eligible Retiree Member. Means a former employee of Detroit who is a Detroit Police and Fire VEBA Beneficiary.

Section 1.8 Investment Act. Means Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws, as amended, which governs the investment of assets of public employee retirement systems or plans.

Section 1.9 Investment Manager. An investment manager appointed by the Board or its successor in accordance with the provisions of Section 9.4 hereof.

Section 1.10 New B Notes. Has the meaning given to that term in the Plan of Adjustment.

Section 1.11 OPEB Claims Notes. Means the New B Notes contributed to the Trust pursuant to the Detroit Police and Fire VEBA Contribution.

Section 1.12 Participant. An Eligible Retiree Member or Eligible Dependent who is entitled to health care benefits pursuant to the terms of the Plan.

Section 1.13 Plan. The Health Care Plan for Retirees of the City of Detroit, to be adopted and thereafter amended from time to time by the Board, as specified herein, and which will provide health care benefits permitted to be provided by a VEBA under Code section 501(c)(9).

Section 1.14 Plan of Adjustment. The Plan for the Adjustment of Debts of the City of Detroit.

Section 1.15 Trust Agreement. This agreement as it may be amended thereafter from time to time by the parties hereto.

Section 1.16 Trust or Trust Fund. The Detroit Police and Fire Retiree Health Care Trust established by this Trust Agreement, comprising all property or interests in property held by the Bank from time to time under this Trust Agreement.

ARTICLE II ESTABLISHMENT OF TRUST

Section 2.1 Purpose. The Trust is established for the purpose of providing health care benefits, directly or through the purchase of insurance, to the Participants in accordance with the Plan and consistent with Section 501(c)(9) of the Code and the regulations and other guidance promulgated thereunder. The Trust, together with the Plan, is intended to constitute a VEBA under Section 501(c)(9) of the Code.

Section 2.2 Receipt of Funds. The Bank shall accept all sums of money and other property contributed to the Trust by Detroit pursuant to Article III. The Bank shall hold, manage and administer the Trust Fund without distinction between principal and income. The Bank shall be accountable for the contributions or transfers it receives, but shall not be responsible for the collection of any contributions or transfers to the Trust or enforcement of the terms of the OPEB Claims Notes.

Section 2.3 Inurement and Reversion Prohibited. At no time shall any part of the principal or income of the Trust Fund be used for, or diverted to, any purpose other than sponsoring, operating and administering the Plan and Trust to provide benefits that are permitted under Code section 501(c)(9) to Participants. Nothing in this Trust Agreement shall be construed in such a way as to prohibit the use of assets of the Trust Fund to pay reasonable fees and other expenses and obligations incurred in maintaining, administering and investing the Trust Fund or in sponsoring, administering and operating the Plan in accordance with the provisions of this Trust Agreement. At no time shall any part of the net earnings inure to the benefit of any individual other than through the provision of benefits as permitted under Code section 501(c)(9) and the regulations promulgated thereunder. In no event will the assets held in the Trust Fund revert to Detroit. Upon termination of the Trust Fund, any assets remaining upon satisfaction of all liabilities to existing Participants shall be applied, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits under Code section 501(c)(9) and the rules and regulations promulgated thereunder, pursuant to criteria consistent with such rules and regulations.

Section 2.4 No Guarantee. Nothing contained in the Trust or the Plan shall constitute a guarantee that the assets of the Trust Fund will be sufficient to pay any benefit to any person or make any other payment. The obligation of the Plan to pay any benefit provided under the Plan is expressly conditioned on the availability of cash in the Trust to pay the benefit, and no plan fiduciary or any other person shall be required to liquidate the OPEB Claims Notes or any other Plan asset in order to generate cash to pay benefits. Detroit shall not have any obligation to contribute any amount to the Trust except as provided in Article III. Except for payments of benefits under the Plan, no Participant shall receive any distribution of cash or other thing of current or exchangeable value, either from the Board or the Bank, on account of or as a result of the Trust Fund created hereunder.

Section 2.5 No Interest. Detroit shall not have any legal or equitable interest in the assets of the Trust Fund at any time, including following the termination of the Trust.

ARTICLE III
CONTRIBUTIONS TO THE TRUST FUND

Section 3.1 Detroit Contributions. The Trust Fund shall accept from Detroit the Detroit Police and Fire VEBA Contribution. Apart from the Detroit Police and Fire VEBA Contribution, Detroit shall have no further obligation to contribute to the Trust or otherwise fund the Plan.

ARTICLE IV PAYMENTS FROM THE TRUST FUND

Section 4.1 Payments from the Trust Fund.

(a) Subject to paragraph (b) below, the Bank shall make payments from the Trust Fund to provide, directly or through the purchase of insurance, benefits under the Plan as directed by the Board.

(b) To the extent permitted by law, the Bank shall be fully protected in making payments out of the Trust Fund, and shall have no responsibility to see to the application of such payments or to ascertain whether such payments comply with the terms of the Plan, and shall not be liable for any payment made by it in good faith and in the exercise of reasonable care without actual notice or knowledge of the impropriety of such payments hereunder. The Bank may withhold all or any part of any payment as the Bank in the exercise of its reasonable discretion may deem proper, to protect the Bank and the Trust against any liability or claim on account of any income or other tax whatsoever; and with all or any part of any such payment so withheld, may discharge any such liability. Any part of any such payment so withheld by the Bank that may be determined by the Bank to be in excess of any such liability will upon such determination by the Bank be paid to the person or entity from whom or which it was withheld.

Section 4.2 Method of Payments. The Bank may make any payment required to be made by it hereunder, unless directed otherwise by the Board, by direct electronic deposit of the amount thereof to the financial institution where the person or entity to whom or to which such payment is to be made maintains an account, or by mailing a check in the amount thereof by first class mail in a sealed envelope addressed to such person or entity to whom or to which such payment is to be made, according to the direction of the Board. If any dispute arises as to the identity or rights of persons who may be entitled to benefits hereunder, the Bank may withhold payment until such dispute is resolved by a court of competent jurisdiction or, at the discretion of the Board, is settled by written stipulation of the parties concerned.

Section 4.3 Excessive Payments. If the payment of any benefit under the Plan is determined to have been excessive or improper, and the recipient thereof fails to make repayment to the Bank or Bank's agent of such excessive or improper payment upon the Bank's request, the Bank shall deduct the amount of such excessive or improper payment from any other benefits thereafter payable to such person. Until repaid to the Bank or Bank's agent, the amount of said excessive or improper payment shall not be included in the Trust Fund.

ARTICLE V BANK POWERS AND DUTIES

Section 5.1 Powers of the Bank Generally. The Bank has whatever powers are required to discharge its obligations and to accomplish any of the purposes of this Trust Agreement, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Bank under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Bank.

Section 5.2 Powers Exercisable by the Bank in Its Discretion. The Bank is authorized and empowered to exercise the following powers at its discretion in satisfaction of the duties imposed on it under this Trust Agreement:

- (a) To place securities orders, settle securities trades, hold securities in custody, deposit securities with custodians or securities clearing corporations or depositories or similar organizations, and other related activities as shall be necessary and appropriate in performing its duties under this Trust Agreement. Any indicia of ownership of any Trust Fund assets, however, shall not be maintained outside the jurisdiction of the district courts of the United States. Trades and related activities conducted through a broker shall be subject to reasonable fees and commissions established by the broker, which may be paid from the Trust Fund or netted from the proceeds of trades.
- (b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.
- (c) To cause any investment in the Trust Fund to be registered in, or transferred into, its name as the institutional trustee or the name of its nominee or nominees, or to retain such investments unregistered in a form permitting transfer by delivery, but the books and records of the Bank shall at all times show that all such investments are part of the Trust Fund, and the Bank shall be fully responsible for any misappropriation in respect of any investment held by its nominee or held in unregistered form and shall cause the indicia of ownership to be maintained within the jurisdiction of the district courts of the United States;
- (d) To deliver to the Board, or the person or persons identified by the Board, on a timely basis as required under Section 5.5, proxies and powers of attorney and related informational material, for any shares or other property held in the Trust.

Section 5.3 Powers Exercisable by the Bank Only Upon the Direction of the Board. The Bank shall exercise the following powers only upon the direction of the Board (or, in the case of subparagraphs (a) and (b)), a duly appointed Investment Manager):

- (a) To receive, hold, invest and reinvest Trust Fund assets and income under provisions of law from time to time existing and in accordance with Article IX.

- (b) To exercise or abstain from exercising any option, privilege or right attaching to any Trust Fund assets.
- (c) To make payments from the Trust Fund for the provision of benefits in accordance with Article IV and for the payment of expenses as provided in Section 5.8.
- (d) To employ suitable agents and depositaries (domestic or foreign), public accountants, brokers, custodians, ancillary trustees, appraisers, enrolled actuaries, and legal counsel as shall be necessary and appropriate, and to pay their reasonable expenses and compensation.
- (e) To pay any income or other tax or estimated tax, charge or assessment attributable to any property or benefit out of such property or benefit in its sole discretion, or any tax on unrelated business income of the Trust, if any, out of the Trust Fund.
- (f) To vote, in person or by general or limited proxy, at any election of any corporation in which the Trust Fund is invested, and similarly to exercise, personally or by a general or limited power of attorney, any right appurtenant to any investment held in the Trust Fund.
- (g) To accept, compromise or otherwise settle any obligations or liability due to or from them as Bank hereunder, including any claim that may be asserted for taxes, assessments or penalties under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

Section 5.4 Title to Trust Fund. All rights, title and interest in and to the Trust Fund shall at all times be vested exclusively in the Bank.

Section 5.5 General Duties and Obligations of Bank.

- (a) In accordance with Article II, the Bank shall hold all property received by it and any income and gains thereupon. In accordance with this Article and Article IX, the Bank shall manage, invest and reinvest the Trust Fund following the directions of the Board or a duly appointed Investment Manager, shall collect the income therefrom, and shall make payments or disbursements as directed by the Board.
- (b) Subject to the provisions of Articles VII and X, the Bank shall comply with any directive issued by the Board to withdraw and transfer all or any part of the Trust Fund to another institutional trustee, custodian or a funding agent.
- (c) The Board shall have responsibility for directing the Bank as to the voting (by proxy or in person) of any shares or other property held in the Trust. Accordingly, the Bank shall deliver to the Board (or the person or persons identified by the Board), on a timely basis, proxies, powers of attorney and related informational material that are necessary for the Board to fulfill its responsibility.

The Bank may use agents to effect such delivery to the Board (or the person or persons identified by the Board).

(d) The Bank shall discharge its duties in the interests of Participants and for the exclusive purpose of providing benefits to Participants and defraying reasonable expenses of administering the Trust and the Plan and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in conduct of an enterprise of like character and with like aims. The Bank will be under no liability or obligation to anyone with respect to any failure of the Board to perform any of its obligations under the Plan or Trust Agreement or for any error or omission of the Board.

Section 5.6 Determination of Rights. The Bank shall have no power, authority, or duty hereunder in respect to the determination of the eligibility of any person to coverage under the Plan, or the entitlement of any person to any benefit payments under the Plan.

Section 5.7 Continuance of Plan; Availability of Funds. Neither the Board, the Bank nor Detroit assumes any contractual obligation as to the continuance of the Plan and shall not be responsible for the adequacy of the Trust Fund to meet and discharge any liabilities under the Plan, and the Bank's obligation to make any payment shall be limited to amounts held in the Trust Fund at the time of the payment.

Section 5.8 Payment of Expenses. The Bank shall apply the assets of the Trust Fund to pay all reasonable costs, charges, and expenses (including, but not limited to, all brokerage fees and transfer tax expenses and other expenses incurred in connection with the sale or purchase of investments, all real and personal property taxes, income taxes and other taxes of any kind at any time levied or assessed under any present or future law upon, or with respect to, the Trust Fund or any property included in the Trust Fund and all legal, actuarial, accounting and financial advisory expenses) reasonably incurred by the Bank or the Board in connection with establishing, sponsoring, administering or operating the Trust or Plan. The Board shall by written certificate provided to the Bank request payment for any expenses related to the administration of the Trust and/or the Plan. Upon receipt of the written certificate, the Bank may make the payment requested by the Board. The expenses of the Bank shall constitute a lien on the Trust Fund.

Section 5.9 Bank Compensation. The Bank will apply the assets of the Trust Fund to pay its own fees in the amounts and on the dates [set forth in Exhibit A]. The Bank's compensation shall constitute a lien on the Trust Fund.

Section 5.10 Reliance on Written Instruments. The Bank shall be fully protected in acting upon any instrument, certificate or paper believed by it to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

ARTICLE VI BANK ACCOUNTS

Section 6.1 Records. The Bank shall maintain accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions with respect to the Trust, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Board or such person or persons as the Board may designate.

Section 6.2 Annual Audit. The Trust Fund shall be audited annually, and a statement of the results of such audit shall be provided to the Bank and also made available for inspection by interested persons at the principal office of the Trust.

Section 6.3 No Interest by Participants. In no event shall any Participant or beneficiary have any interest in any specific asset of the Trust Fund. At no time shall any account or separate fund be considered a savings account or investment or asset of any particular Participant, beneficiary, or class of Participants and beneficiaries, and no Participant or beneficiary shall have any right to any particular asset which the Board or Bank may have allocated to any account or separate fund for accounting purposes.

Section 6.4 Furnishing Written Accounts. The Bank shall file with the Board a written account setting forth a description of all securities and other property purchased and sold, and all receipts, disbursements, and other transactions effected by it during the accounting period to which the Board and the Bank have agreed, and showing the securities and other properties held, and their fair market values at such times and as of such dates as may be agreed by the Board and the Bank in writing. Such written account shall be filed with the Board within thirty (30) days after the close of each calendar quarter.

Section 6.5 Accounting Year, Cash Basis. The accounting year of the Trust shall be the calendar year. All accounts of the Bank shall be kept on a cash basis.

Section 6.6 Judicial Proceedings. If the Bank and the Board cannot agree with respect to any act or transaction reported in any statement, the Bank shall have the right to have its accounts settled by judicial proceedings in which only the Bank and the Board shall be necessary parties. No Participant shall have any right to compel an accounting, judicial or otherwise, by the Bank.

ARTICLE VII PROCEDURES FOR THE BANK

Section 7.1 Removal. The Bank may be removed by Detroit at any time upon thirty (30) days' advance written notice. Such removal shall be effective on the date specified in such written notice, provided that notice has been given to the Bank of the appointment of a successor institutional trustee or custodian in the manner set forth in Section 7.3 below.

Section 7.2 Resignation. The Bank may resign by filing with Detroit a written resignation that shall take effect ninety (90) days after the date of such filing, unless prior thereto a successor institutional trustee or custodian has been appointed by the Board. In no event may the Bank's resignation take effect before a successor institutional trustee or custodian has been appointed. If Detroit fails to appoint a successor institutional trustee or custodian, the retiring Bank may seek the appointment of a successor entity in the manner set forth in Section 7.3.

Section 7.3 Successor Bank.

- (a) Detroit may appoint a successor institutional trustee or custodian by delivering to such successor an instrument in writing, executed by an authorized representative of Detroit, appointing such successor entity, and by delivering to the removed or resigning Bank an acceptance in writing, executed by the successor so appointed. Such appointment shall take effect upon the date specified in Section 7.1 or 7.2 above, as applicable.
- (b) Alternatively, Detroit may appoint a successor institutional trustee or custodian by securing from such successor an amendment to this Trust Agreement, executed by both the successor and an authorized representative of Detroit, which replaces the current Bank with the successor institutional trustee or custodian, appointing such successor institutional trustee or custodian, and by delivering to the removed or resigning Bank an executed copy of the amendment. Such appointment shall take effect upon the date specified in the amendment.
- (c) If no appointment of a successor institutional trustee or custodian is made by Detroit within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Bank, appoint a successor institutional trustee or custodian after such notice to Detroit and the retiring Bank, as such court may deem suitable and proper.

Section 7.4 Effect of Removal or Resignation of Bank. Upon the removal or resignation of the Bank in accordance with Section 7.1 or 7.2 above, the Bank shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law.

Section 7.5 Merger or Consolidation of the Bank. Any corporation continuing as the result of any merger or resulting from any consolidation, to which merger or consolidation the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed to be continuing as the Bank.

ARTICLE VIII
COMPOSITION OF AND PROCEDURES FOR THE BOARD OF TRUSTEES

Section 8.1 Number and Appointment of Members. The Board of Trustees shall consist of seven (7) voting members, who are selected by the Mayor of Detroit and by the Eligible Retiree Members (directly or indirectly through a representative) as provided below.

(a) The Mayor of Detroit shall appoint three (3) voting members, both of whom shall be residents of the State of Michigan and neither of whom may be an employee, contractor, agent or affiliate of the City or any labor union representing employees of the City, a member of any such labor union, or a Participant. At least one (1) of the such independent members shall have expert knowledge or extensive experience with respect to economics, finance, or institutional investments, and at least one (1) of such independent members shall have expert knowledge or extensive experience with respect to administration of public or private health and welfare benefit plans, executive management, benefits administration or actuarial science. The voting members of the Board selected by the Mayor as of the Effective Date shall be [_____, _____ and _____.]

(b) The Eligible Retiree Members shall select four (4) voting members pursuant to procedures established by the Board; provided, however, that two (2) such voting members shall initially be designated by the Official Committee of Retirees of the City of Detroit, Michigan, and two (2) such voting members shall initially be designated by the Retired Detroit Police and Fire Fighters Association on behalf of such Eligible Retiree Members. The members initially selected on behalf of the Eligible Retiree Members are [_____, _____, _____ and _____.]

Each Board member shall acknowledge his or her appointment and acceptance of the duties and responsibilities set forth in this Trust Agreement in writing.

Section 8.2 Term of Office. Each member of the Board shall serve a period of four (4) years, or if earlier, until his or her death, incapacity to serve hereunder, or resignation. In the event of a vacancy, the replacement Board member shall be appointed as provided in Section 8.1.

Section 8.3 Resignation. A Board member may resign, and shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law, by giving at least ninety (90) days' advance written notice to Detroit stating a date when such resignation shall take effect, which notice or time period may be waived by the Board.

Section 8.4 Fees and Expenses. The Board members appointed by the Mayor shall each be paid a stipend of [\$12,000] per year (payable ratably on a monthly basis). The Board members selected by the Eligible Retiree Members shall each be paid a stipend of [\$_____] per year (payable ratably on a monthly basis). Each Board member may be reimbursed by the Trust for reasonable expenses properly and actually incurred in the performance of its duties. Compensation payable to the Board members and all reimbursed expenses shall be payable out of the Trust.

Section 8.5 Operation of the Board; Quorum. The Board shall select from among its members a chair and a vice chair. The Board shall hold regular meetings, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure and shall keep a record of proceedings. Each Board Member shall be entitled to one vote on each question before the Board. Five (5) members shall constitute a quorum at any meeting. A majority vote of the members present at a meeting of the Board at which a quorum exists shall be necessary for a decision by the Board.

ARTICLE IX POWERS AND DUTIES OF THE BOARD OF TRUSTEES

Section 9.1 General. The Board shall be responsible for designing, adopting, maintaining and administering the Plan, as well as administering the Trust and managing the Trust assets as provided herein. Subject to the provisions of this Trust Agreement, the Plan documents and applicable laws, the Board shall have sole, absolute and discretionary authority to adopt such rules and regulations and take all actions that it deems desirable for the administration of the Plan and Trust, and to interpret the terms of the Plan and Trust. The decisions of the Board will be final and binding on all Participants and all other parties to the maximum extent allowed by law.

Section 9.2 Plan Design and Administration.

(a) Adoption of Plan. The Board shall adopt a Plan to offer health care benefits to Participants. All terms of the Plan shall be determined by the Board; provided that such terms shall be consistent with this Trust Agreement, Code section 501(c)(9) and the regulations promulgated thereunder. The Board shall be under no obligation to design the Plan to assure that the assets of the Trust Fund are sufficient to provide benefits to all potential Participants of the Plan in subsequent years.

(b) Benefits. The Plan shall include benefits and any other features including, without limitation, premium-sharing or other cost-sharing, that the Board from time to time determines appropriate or desirable in its sole discretion. The Plan may provide for different benefit structures or programs for different groups of Participants, as determined by the Board in its sole discretion. In designing the Plan and the benefits to be provided thereunder, the Board may take into account relevant circumstances, including, without limitation, the degree to which Participants may have alternative resources or coverage sources, as well as the resources of the Trust Fund. Benefits provided under the Plan shall be limited to those health care benefits permitted by Code Section 501(c)(9), and any Plan eligibility restrictions established by the Board shall conform with the requirements set forth in Treasury Regulation Section 1.501(c)(9)-2.

(c) Method of Providing Benefits. Benefits under the Plan may be fully insured, partially insured or self-insured, as determined by the Board from time to time in its sole discretion. The expected cost of benefits under the Plan shall not exceed the amount expected to be available under the Trust.

(d) Plan Documentation. The Board shall be responsible for creating, adopting and/or executing any documents necessary to set forth the Plan's governing terms, and shall be responsible for communicating the terms of the Plan to the Eligible Retiree Members and Eligible Dependents in accordance with applicable law.

Section 9.3 Investment of the Trust. The Board shall have full power and authority to manage, control, invest and reinvest the money and other assets of the Trust Fund subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by the Investment Act, and the Bank shall comply with the

proper written direction of the Board concerning those assets. The Board may employ outside advisors, including investment advisors, to advise it with regard to the investment of the assets of the Trust Fund. Any outside advisors who are investment fiduciaries (as defined in the Investment Act) shall satisfy any applicable requirements of the Investment Act.

Section 9.4 Appointment of Investment Managers. The Board, from time to time, may appoint one or more independent Investment Managers, pursuant to a written investment management agreement describing the powers and duties of the Investment Manager, to direct the investment and reinvestment of all or a portion of the Trust (hereinafter referred to as an "Investment Account"). The Board shall determine that each Investment Manager satisfies the requirements of section 38.1133(11) of the Investment Act and, is entitled (under its investment management agreement) to direct the investment and reinvestment of the Investment Account for which it is responsible, in its sole and independent discretion and without limitation, except for any limitations which from time to time the Board determines shall modify the scope of such authority. If an Investment Manager is appointed, it shall have the authority of the Bank specified in Section 5.1 hereof with respect to the Investment Account over which it has investment discretion and the Bank's duties with respect to such Investment Account shall be limited to following the instructions of the Investment Manager. Provided that an Investment Manager is prudently selected and monitored by the Board, the Board shall have no liability (a) for the acts or omissions of such Investment Manager; (b) for following directions of such Investment Manager which are given in accordance with this Trust Agreement; or (c) for any loss of any kind which may result by reason of the manner of division of the Trust into Investment Accounts.

Section 9.5 Government Reports and Returns. The Board shall file all reports and returns that are required to be made with respect to the Trust and the Plan.

Section 9.6 Compromise or Settle Claims. The Board may compromise, settle and release claims or demands in favor of or against the Trust or the Board on such terms and conditions as the Board may deem advisable.

Section 9.7 Appointment of Administrator. The Board may appoint a third party to perform any administrative functions it has with regard to the Trust or Plan.

Section 9.8 Employment of Assistance. The Board has the exclusive authority to employ, contract and pay for all professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation and administration of the Plan and Trust. The powers granted to the Board in this subparagraph include complete control of the procurement process, including contracts for office space, computer hardware and software, and human resource services. In accordance with the provisions of Section 5.3 hereof, the Board may direct the Bank to pay reasonable compensation therefor from the Trust Fund. The Board may take or may refrain from taking any action in accordance with or reliance upon the opinion of counsel or such expert advisors.

Section 9.9 Reliance on Written Instruments. The Board shall be fully protected in acting upon any instrument, certificate or paper believed by him or her to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any

investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 9.10 No Individual Liability on Contracts. The Board shall not be liable personally for any debts, obligations, or undertakings contracted by them, or for the breach of any contracts. Such claims and obligations shall be paid out of the Trust; provided, however, that the Board shall not be exempt from personal liability for willful misconduct, intentional wrongdoing, breach of applicable fiduciary duty, or fraud, and the Trust shall not indemnify the Board for such liabilities, or to the extent that application of this sentence would violate any law.

Section 9.11 Detroit Not Liable for Conduct of Board. The Board is not in its capacity as Board an officer, agent, employee, or representative of Detroit. In its capacity as Board, the Board is a principal acting independently of Detroit, which shall not be liable for any act, omission, contract, obligation, or undertaking of the Board or its officers, agents, or representatives.

Section 9.12 Liability Insurance. The Board may obtain and keep current a policy or policies of insurance, insuring the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in connection with the performance of their duties, responsibilities and obligations under this Trust Agreement or the Plan. To the extent permitted by applicable law, the premiums on such policies may be paid from the Trust Fund.

Section 9.13 Reimbursement for Defense of Claims. To the extent permitted by applicable law and not otherwise covered by liability insurance purchased by the Trust (without regard to any non-recourse rider purchased by the insured), the Board, employees of the Board and persons acting on the Board's behalf pursuant to an express written delegation (each separately, the "Indemnified Party") shall be reimbursed by the Trust Fund for reasonable expenses, including without limitation attorneys fees, incurred in defense of any claim that seeks a recovery of any loss to the Plan or Trust Fund or for any damages suffered by any party to, or beneficiary of this Trust Agreement (a) for which the Indemnified Party is adjudged not liable, or (b) which is dismissed or compromised in a final settlement, where the Board – or, where required by applicable law, an independent fiduciary – determines that the settling Indemnified Party was not primarily responsible (in such cases, all or only a portion of the settling Indemnified Party's reasonable expenses may be reimbursed, as directed by the Board or an independent fiduciary), provided that, the Board shall have the right to approve of the retention of any counsel whose fees would be reimbursed by the Trust Fund, but such approval shall not be withheld unreasonably.

Section 9.14 Subrogation and Reimbursement. If the Plan is self-insured, the following provisions regarding subrogation and third-party reimbursement will apply.

- (a) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of an individual ("Benefit Recipient"), the Trust Fund shall be subrogated as provided in this Section 9.14 to all the Benefit Recipient's rights of recovery with respect to the illness or injury for which the payment of benefits is made by the Trust Fund. The right of recovery referred to in the preceding sentence shall include the right to make a claim, sue,

and recover against any person or entity from the first dollars of any funds which are paid or payable as a result of a personal injury claim or any reimbursement of health care expenses. If requested in writing by the Board, the Benefit Recipient shall take, through any representative designated by the Board, such action as may be necessary or appropriate to recover such payment from any person or entity, said action to be taken in the name of the Benefit Recipient. In the event of a recovery or settlement, the Trust Fund shall be reimbursed in full on a first priority basis out of such recovery or settlement for expenses, costs, and attorneys' fees incurred by it in connection therewith.

(b) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of a Benefit Recipient for an illness or injury, the Trust Fund shall be entitled to, and shall have a first priority equitable lien on, the proceeds of any recovery, by judgment, settlement or otherwise, with respect to the illness or injury, and if paid to the Benefit Recipient, the Benefit Recipient shall immediately pay any such proceeds to the Trust Fund. If the Benefit Recipient fails to pay such proceeds, or does not cause such proceeds to be paid, to the Trust Fund, the Board may, in addition to any other remedy to which it may be entitled, recover the proceeds directly or by offset against claims for benefits under the Plan and Trust made with respect to the affected Benefit Recipient (or such Benefit Recipient's beneficiaries, heirs, attorneys, agents, representatives, or estate).

(c) The Trust Fund shall have the right of subrogation and reimbursement set forth in this Section 9.14 regardless of whether the Benefit Recipient is made whole and regardless of whether the recovery, or any part thereof, is designated as payment for health care expenses, pain and suffering, loss of income or any other specified or unspecified damages or reason, and without regard to whether recovery is designated as including or excluding the health care expenses covered by the Plan and Trust. Any recovery by a Benefit Recipient, an attorney or other third party shall be deemed to be for the benefit of the Plan and Trust and shall be held in constructive trust for the Trust Fund until the Trust Fund is reimbursed in full for all amounts paid by the Trust Fund. The subrogation and reimbursement rights of the Trust Fund described in this Section 9.14 include all rights against, and include all rights with respect to, proceeds from or held by any attorney, third party, insurance carrier or payer of medical benefits, including an uninsured or under-insured motorist carrier, a no-fault carrier and a school insurance carrier, even if such coverage was purchased by the Benefit Recipient, and without regard to whether the proceeds have been paid or are payable.

(d) By participating in the Plan, each Benefit Recipient agrees to cooperate fully with the Plan and Trust and to execute and deliver agreements, liens and other documents and do whatever else the Board deems necessary to enable and assist the Trust Fund in exercising its rights under this Section 9.14, but the Trust Fund's rights under this Section 9.14 shall be effective regardless of whether the Benefit Recipient actually signs any agreements, liens or other documents. By participating in the Plan, each Benefit Recipient also agrees (i) that he or she will not make or maintain any make whole, common trust fund or apportionment action or claim in contravention of the subrogation and reimbursement provisions of this Section 9.14; and (ii) that he or she will not oppose any proceeding by the Trust Fund to obtain reimbursement on procedural grounds. The Benefit Recipient, directly or through his or her representatives, shall not do anything to

impair the Trust Fund's rights. If the Board determines that any Trust Fund recovery rights under Section 9.14 have been impaired by any action of the Benefit Recipient or his or her representatives or by the Benefit Recipient's or such other person's failure to comply with the Benefit Recipient's obligations under Section 9.14, the Board may, in addition to any other remedy to which it may be entitled, determine the amount by which the Trust Fund's recovery rights have been impaired and recover such amount directly or by offset against claims for benefits under the Trust Fund made with respect to the affected Benefit Recipient.

(e) This Section 9.14 entitles the Trust Fund to subrogation and reimbursement equal to the entire amount paid by the Trust Fund for the illness or injury to which the subrogation or reimbursement relates, including related expenses, costs and attorneys' fees, which shall be from the first dollars payable to or received by the Benefit Recipient, his representatives, heirs, legal counsel, estate or any other third party from any settlement, judgment or other payment, without reduction for attorneys' fees or for any other reason. The common fund, make-whole, apportionment or any similar doctrines shall not apply to any amounts received. Any attorneys' fees shall be the responsibility solely of the Benefit Recipient, and the Trust Fund shall not pay any attorneys' fees or costs associated with a Benefit Recipient's claim or lawsuit without the Board's prior written authorization.

(f) The intention of this Section 9.14 is to give the Trust Fund the first right of subrogation and reimbursement in full with respect to the first dollars paid or payable, even though the Benefit Recipient is not made whole. Each Benefit Recipient agrees that as a condition to receiving benefits under the Plan and from the Trust Fund, the Benefit Recipient shall comply with the requirements of this Section 9.14.

ARTICLE X
AMENDMENT, TERMINATION AND MERGER

Section 10.1 Amendment. The Trust Agreement may be amended at any time in writing by Detroit or by Court order upon proper motion, provided, however, that no amendment may impose a contribution obligation on Detroit; and provided further that no amendment shall adversely affect the exempt status of the Trust or Plan under Section 501(c)(9) of the Code. No amendment to the Trust Agreement shall modify the responsibilities of the Bank hereunder unless the Bank has first consented to such amendment.

Section 10.2 Termination.

(a) The Trust and this Trust Agreement may be terminated at any time in writing by Detroit with a copy of such written instrument to be provided to the Bank, or by Court order upon proper motion. Upon termination of this Trust Agreement, the assets of the Trust Fund shall be paid out at the direction of the Board in the following order of priority: (i) the payment of reasonable and necessary administrative expenses (including taxes); (ii) the payment of benefits to Participants entitled to payments for claims arising prior to such termination; and (iii) upon satisfaction of all liabilities to existing Participants, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits in accordance with Code section 501(c)(9) and the rules and regulations promulgated thereunder. Neither Detroit nor the Board shall have any beneficial interest in the Trust Fund. The Trust Fund shall remain in existence until all assets have been distributed.

(b) Upon termination, the Bank and the Board shall continue to have all of the powers provided in this Trust Agreement as are necessary or desirable for the orderly liquidation and distribution of the Trust Fund in accordance with the provisions hereof.

Section 10.3 Transfer of Assets and/or Liabilities. To the extent permitted by Code section 501(c)(9) and other applicable law, some or all of the assets and/or liabilities of the Trust Fund may at the discretion of the Board be transferred directly to another trust for the purpose of providing health or welfare benefits to some or all of the Participants on such terms and conditions as the Board may determine.

ARTICLE XI MISCELLANEOUS

Section 11.1 Rights in Trust Fund. No Participant or other person shall have any right, title or interest in the Trust Fund or any legal or equitable right against the Bank, the Board, or Detroit, except as may be otherwise expressly provided in the Plan or in this Trust Agreement.

Section 11.2 Non-Alienation. Except to the extent required by applicable law, the rights or interest of any Participant to any benefits or future payments hereunder or under the provisions of the Plan shall not be subject to attachment or garnishment or other legal process by any creditor of any such Participant, nor shall any such Participant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingent or otherwise, under this Trust Agreement.

Section 11.3 Controlling Laws. The Trust shall be construed and the terms hereof applied according to the laws of the state of Michigan to the extent not superseded by federal law.

Section 11.4 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

Section 11.5 Headings. The headings and subheadings of this Trust Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Trust Agreement.

Section 11.6 Notices. All notices, requests, demands and other communications under this Trust Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (b) on the first business day after sending if sent for guaranteed next day delivery by Federal Express or other next-day courier service; or (c) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to the Bank:

[insert name and address]

If to the Board:

[insert name and address]

IN WITNESS WHEREOF, and as evidence of the establishment of the Trust created hereunder, the parties hereto have caused this instrument to be executed as of the date above first written.

[insert name] Dated: _____

BANK
[_____ Bank]

By: _____

Print Name

CITY OF DETROIT

By: _____

Print Name

Title

Dated: _____

EXHIBIT A

Bank Compensation

EXHIBIT I.A.91

PRINCIPAL TERMS OF DIA SETTLEMENT

Term Sheet

Definitions	<p>For the purposes of this Term Sheet the following terms have the meanings provided below:</p> <p><u>CFSEM</u> means Community Foundation for Southeast Michigan.</p> <p><u>City</u> means the City of Detroit.</p> <p><u>Closing</u> means the closing of the transactions contemplated herein.</p> <p><u>Definitive Documentation</u> means the definitive agreements and other transaction documents to be executed and delivered at Closing.</p> <p><u>DIA Funders</u> means those persons, businesses, business-affiliated foundations and other foundations that are listed on Exhibit C to this Term Sheet and all additional persons, businesses, business-affiliated foundations and any other foundations from which The DIA secures commitments to contribute monies as “DIA Funders” in furtherance of the transactions contemplated by this Term Sheet.</p> <p><u>Foundation Funders</u> means the foundations that are listed on Exhibit B to this Term Sheet and any additional foundations (other than foundations that are DIA Funders) that, subsequent to the date of this Term Sheet, agree to contribute monies as “Foundation Funders” in furtherance of the transactions contemplated by this Term Sheet.</p> <p><u>Funder</u> means a Foundation Funder, a DIA Funder, or The DIA (collectively, the “Funders”).</p> <p><u>Museum</u> means the museum that is commonly referred to as the Detroit Institute of Arts.</p> <p><u>Museum Assets</u> means the Museum art collection, operating assets, buildings, parking lots and structures, and any other assets having title vested in the City that are used primarily in servicing the Museum, including those covered by the 1997 Operating Agreement between the City and The DIA (the “Operating Agreement”) all as more particularly described on Exhibit A to this Term Sheet.</p> <p><u>Payment Amount</u> means at least \$815 million without interest and, to the extent applicable, reduced by any Present Value Discount.</p>
-------------	--

	<p><u>Payment Period</u> means the twenty year period commencing on and immediately following the date of the Closing.</p> <p><u>State</u> means the State of Michigan.</p> <p><u>Supporting Organization</u> means the Foundation for Detroit's Future, a Michigan nonprofit corporation, which is a supporting organization of CFSEM, which was established to accommodate the contribution and payment of monies from the Funders, as contemplated under this Term Sheet, and will obtain 501(c)(3) status prior to the Closing.</p> <p><u>The DIA</u> means The Detroit Institute of Arts, a Michigan not-for-profit corporation.</p> <p><u>Tri-Counties</u> means the Counties of Macomb, Oakland and Wayne, all in the State.</p> <p>Other capitalized terms are defined elsewhere in this Term Sheet.</p>
Scope of Settlement	<p>The consummation of the transactions contemplated in this Term Sheet shall be in full and final settlement of all disputes relating to the rights of the City, the Police and Fire Retirement System and the General Retirement System for the City (collectively, the "Pensions"), The DIA, and the State with respect to the Museum, including the Museum Assets. Disputes held by other of the City's creditors pertaining to the foregoing subject matter shall be resolved by confirmation of the Plan of Adjustment (defined below).</p>
Reservation of Rights	<p>This Term Sheet proposes a settlement of disputed factual and legal issues. Nothing in this Term Sheet constitutes an admission as to any factual or legal issue or a waiver of any claim or defense, and all rights of the City, The DIA, the Funders and all other parties in the City's bankruptcy case regarding the Museum and the Museum Assets are fully preserved until the Closing.</p>
Treatment of Museum Assets	<p>As a result of this settlement, at Closing, all right, title and interest in and to the Museum Assets shall be conveyed to The DIA to be held in perpetual charitable trust for the benefit of the people of the City and the State, including the citizens of the Tri-Counties, permanently free and clear of all liens, encumbrances, claims and interests of the City and its creditors (the "Transfer").</p>

<p style="text-align: center;">Funding Commitments</p>	<p>All commitments of the Funders shall, subject to the terms and conditions of this Term Sheet and the Definitive Documentation, be the irrevocable, authorized, valid and binding commitments by the Funders, enforceable against such Funders, except that the commitment of The DIA as to any DIA Deficiency will be subject to its right of substitution as discussed in “<i>DIA Commitment Regarding Funding</i>” below. Exhibit B and Exhibit C, as applicable, set forth the commitment amount and, to the extent known prior to the date of this Term Sheet, the payment schedule for each Funder. Prior to execution of the Definitive Documentation, each Funder with respect to which the payment schedule was not known as of the date of this Term Sheet (unless such party becomes a “Funder” only after the date of the Definitive Documentation) shall agree to a payment schedule. Each Funder shall have the right to prepay its commitment in whole or in part at any time without penalty and no interest will be owed on any Funder’s payments.</p> <p>All payments by the Funders shall be made as set forth in “<i>Payment Mechanism</i>” of this Term Sheet. (The mechanics, timing and terms of all payments by the State shall be determined between the State and the City.)</p> <p>The parties acknowledge that Funder payments are conditioned on the City meeting certain conditions both initially and on a continuing basis. See “<i>Conditions to Future Funding Obligations</i>” of this Term Sheet. Failure of the City to meet those conditions in any material respect may result in the delay of a scheduled payment by the Funders to the Supporting Organization and a delay of a scheduled payment by the Supporting Organization to the City until (i) all material requisite conditions for that payment are met; or (ii) cancellation of that payment if the material requisite conditions are not met within any established cure period.</p> <p>Funding commitments of the following amounts (before giving effect to any Present Value Discount, as applicable) are required as a condition to Closing:</p> <table data-bbox="727 1577 1341 1682"> <tr> <td>Foundation Funders (net)</td><td>\$366 million</td></tr> <tr> <td>DIA Funders and DIA</td><td>\$100 million*</td></tr> <tr> <td>State</td><td>\$350 million</td></tr> </table> <p style="text-align: center;">*inclusive of the intended funding amounts for the identified Foundation Funders</p>	Foundation Funders (net)	\$366 million	DIA Funders and DIA	\$100 million*	State	\$350 million
Foundation Funders (net)	\$366 million						
DIA Funders and DIA	\$100 million*						
State	\$350 million						

	<p>listed in Exhibit B</p> <p>To the extent the City fails to meet its indemnity obligations further described in Exhibit D, the Funders', the Supporting Organization's and The DIA's (with respect to a DIA Deficiency or under the Guaranty) funding commitments will be reduced by any litigation or defense costs, damages or settlement costs incurred by the applicable Funder, the Supporting Organization or The DIA in connection therewith. Similarly, the Funders, the Supporting Organization and The DIA may reduce their funding commitments to the extent that any litigation or defense costs, damages or settlement costs incurred by them and arising from the transactions contemplated by this Term Sheet and the Definitive Documentation are not otherwise covered by the City's indemnity obligations described in Exhibit D.</p>
<p>Present Value Discount</p>	<p>To the extent that the DIA Funders and The DIA have agreed upon an aggregate payment schedule (determined as of the Closing and adjusted after the Closing for any New Donor Commitments), that provides for the payment of greater than an aggregate of \$5 million per year during the Payment Period (the "Agreed Required Minimum Schedule"), the amount and timing of such annual excess in commitments shall, applying a discount rate to be agreed upon hereafter but prior to Closing, which may or may not be the same earnings rate that the Pensions use as provided for in the confirmed Plan of Adjustment as the Pensions' assumed future investment return, result in a present value discount in an amount which reflects the payments required to be made being instead made more rapidly than required by the Agreed Required Minimum Payment Schedule, which present value discount shall reduce the aggregate amount of the commitments that The DIA is required to secure or, as to any DIA Deficiency, undertake itself (the "Present Value Discount").</p> <p>Each Foundation Funder which funds its commitment more rapidly than ratably over twenty years shall likewise be entitled to a Present Value Discount determined in the same manner as set forth in the preceding paragraph.</p> <p>Any disputes regarding the calculation or application of a Present Value Discount will be irrevocably determined,</p>

	based upon the formula described in this Term Sheet, by an independent auditing firm to be agreed upon in the Definitive Documentation.
The DIA Commitment Regarding Funding	The DIA undertakes to secure commitments for contributions of \$100 million (subject to the Present Value Discount) from the business community (and their related foundations), other foundations and individuals. As of the Closing, The DIA shall be responsible for any portion of the \$100 million (subject to the Present Value Discount) for which it has not secured commitments from DIA Funders as of the Closing (the “ DIA Deficiency ”). However, The DIA shall have the right after the Closing to substitute for its obligation to pay any or all of the DIA Deficiency commitments from new DIA Funders or an increased funding commitment from an existing DIA Funder (each a “ New Donor Commitment ”) for such amount of the DIA Deficiency. Subject to the terms of this Term Sheet, all New Donor Commitments shall be payable according to payment schedules which shall not run later than the end of the Payment Period. In addition, The DIA agrees that it will have no claims against the Foundation Funders for failure to fund their commitments and that the Foundation Funders have made no commitments beyond those set forth in this Term Sheet (as will be reflected in the Definitive Documentation).
DIA Guaranty	Subject to the terms and conditions of this Term Sheet, The DIA shall guaranty (the “ Guaranty ”) the payment by all DIA Funders of all amounts such DIA Funders pledge against the \$100 million (subject to the Present Value Discount) commitment of The DIA under the “ <i>Funding Commitment</i> ” section of this Term Sheet. The City may take action to collect Default Amounts under the Guaranty as permitted under the “ <i>Default and Remedies</i> ” section of this Term Sheet. The City shall not otherwise take action to collect any amounts under the Guaranty, and under no circumstances will anyone other than the City have any right to take any action to collect any amounts under the Guaranty. The DIA Guaranty shall be in form and substance acceptable to the City and the Funders.
Default and Remedies	All Funders (including The DIA, both as to any DIA Deficiency and with respect to the Guaranty) shall have the right to rely upon the determination of the Board of Directors of the Supporting Organization as to whether the conditions

to a scheduled payment have been satisfied and, if not initially satisfied, whether they have been timely cured. In the event that the Supporting Organization has determined that the conditions have not been satisfied (or timely cured) and the City disputes that determination, the City's only recourse shall be to dispute the Supporting Organization's determination. The City shall have no claim against any Funder (or under the Guaranty) for such Funder's reliance upon the determination of the Board of Directors of the Supporting Organization. Any dispute between the City and the Supporting Organization regarding whether the conditions had been satisfied or timely cured shall be determined in accordance with the "*Dispute Resolution*" section of this Term Sheet.

In the event it is determined by the Supporting Organization or through arbitration that the conditions to a scheduled payment have been satisfied or timely cured, all Funders shall be required to make their scheduled payments to the Supporting Organization (or, as to DIA Funders that so elect in accordance with the "*Payment Mechanism*" section of this Term Sheet, to The DIA, which will be required to make its scheduled payments to the Supporting Organization). If a Foundation Funder, a DIA Funder or The DIA (either with respect to a Deficiency Amount or on behalf of a DIA Funder who elects to make its payments to The DIA) has made its scheduled payment to the Supporting Organization, the City shall have recourse only to the Supporting Organization (and not any Funder that made its scheduled payment) for such payment. If a Foundation Funder, a DIA Funder or The DIA (either with respect to a Deficiency Amount or on behalf a DIA Funder who elects to make its payments to The DIA) has not made its scheduled payment after it is determined by the Supporting Organization or through arbitration that the conditions to such payment have been satisfied or timely cured, the Supporting Organization shall, after making reasonable efforts to collect the scheduled payment from the Funder (the "**Non-funding Party**"), assign its right to enforce payment of that scheduled payment (the "**Default Amount**") to the City in full satisfaction of the Supporting Organization's obligation to make such payment to the City.

If the Supporting Organization assigns to the City, in accordance with the preceding paragraph, the Supporting Organization's right to enforce payment of a Default Amount from a DIA Funder (a "**Defaulted DIA Funder**"), during the twelve-month period following the assignment of the claim

	<p>to the City (the “City Collection Period”), the City shall exercise commercially reasonable efforts to collect the Default Amount from that Defaulted DIA Funder, and any amounts collected from that Defaulted DIA Funder shall reduce the amount subject to the Guaranty. If the City is unable to collect the Default Amount from a Defaulted DIA Funder during the City Collection Period, upon the expiration of the City Collection Period, the City may collect the Default Amount from The DIA under the Guaranty and, in such event, assign to The DIA all right and title to (and exclusive authority to collect) the Default Amount.</p> <p>In no event will any Funder other than the Non-funding Party have any responsibility for the payment or obligations of such Non-funding Party (except, as to The DIA, under the Guaranty), and the City will not have any right to collect any amounts from any Funder except as set forth above. Moreover, there will be no third-party beneficiaries to the rights of the City or the Supporting Organization, and no party other than the City or the Supporting Organization (or The DIA in respect of the Guaranty), as applicable, shall have the right to assert any claim against any Funder in respect of the obligations arising under the Definitive Documentation. Without limiting the foregoing, the failure of any Funder or the Supporting Organization to make a scheduled payment shall give rise to a claim by the City against such Non-funding Party, as set forth above, and not against any other Funder, the Supporting Organization, The DIA or the Museum Assets; provided, however, (i) as contemplated in “<i>The DIA Commitment Regarding Funding</i>” above, The DIA will be obligated for any DIA Deficiency except to the extent the DIA Deficiency is replaced during the Payment Period with a New Donor Commitment, and (ii) The DIA will have its obligations under the Guaranty.</p> <p>The City will be responsible for all costs of its enforcement against the Non-funding Party and will not seek reimbursement of costs of enforcement from any other party or the Supporting Organization. No other person or entity shall have the right to enforce payment.</p>
Initial Payment	<p>At and as a condition to the Closing (a) each of the Foundation Funders and the State shall pay at least 5% of its commitment under this Term Sheet and (b) The DIA and the DIA Funders in the aggregate shall pay at least \$5 million.</p>

<p>Transfer on Initial Payment</p>	<p>The Transfer shall be irrevocably consummated upon the Initial Payment to the City Account (defined in “<i>Conditions to Future Funding Obligations</i>” of this Term Sheet) (which shall be made at the Closing). In addition, at the Closing, the City and The DIA will enter into an agreement that (1) terminates the Operating Agreement, (2) includes a mutual release of pre-Closing claims, and (3) assigns (without recourse) from the City to The DIA all current and future commitments or gifts made or intended for the benefit of the Museum or The DIA, including without limitation money and works of art. The City will not, however, make any representations or warranties relating to the condition of, or title to, the Museum Assets or such commitments and will not have any liability with respect thereto.</p>
<p>Payment Mechanism</p>	<p>All payments by the Funders shall be made directly to the Supporting Organization which shall hold such payments in a segregated account (the “Account”) pending payment to the City. Notwithstanding the foregoing, any DIA Funder may make its payments to The DIA instead of to the Supporting Organization; payments by The DIA (either with respect to a Deficiency Amount or on behalf a DIA Funder who elects pursuant to the preceding sentence to make its payments to The DIA) to the Supporting Organization shall be pursuant to the terms of an agreement which will be entered into between The DIA and the Supporting Organization in connection with the execution of the Definitive Documentation. As set forth under “<i>Default and Remedies</i>” above, only the City will have recourse or claims against the Account, provided all conditions specified in “<i>Conditions to Future Funding Obligations</i>” of this Term Sheet have been satisfied and as otherwise provided in this Term Sheet, and the City shall be paid when due, directly from the Account for the exclusive payment of the Pensions. The City will not be entitled to any interest or earnings on the balances of the Account. The City shall then pay such amounts to and for the exclusive payment of the Pensions in accordance with the allocation determined by the City and agreed by the Funders.</p>
<p>DIA Commitment for State-wide Services for State Contribution</p>	<p>In addition to continuing to operate the Museum for the benefit of the people of the City and the State, including the citizens of the Tri-Counties, and continuing to provide the special services to the residents of the Tri-Counties during the millage term that are provided for in the millage</p>

	<p>agreements, during the Payment Period The DIA will provide an array of art programs at no or discounted costs to the residents of the State. In determining which programs to offer, both the cost to The DIA of developing and operating these programs and The DIA's other fundraising obligations, including its need to raise funds for general operations and its stated goal of building endowment funds, as well as any fundraising obligation under this settlement, will be taken into account. As appropriate, The DIA will collaborate with its Michigan museum colleagues in the development of these programs. Given the length of the Payment Period, it is expected that these programs would be developed and adjusted over time. Such programs could include at the outset:</p> <ul style="list-style-type: none"> • Two exhibitions in each twelve-month period, with the first such period beginning six months after the Closing, of objects from the Museum collection that would rotate through museums and art centers around the State on a schedule to be determined by The DIA and the recipient museums. Each exhibition will be developed and organized by The DIA and will include installation and de-installation of the objects, a marketing package (logo and advertising template) and, possibly, input on programming and education opportunities. • An annual professional development program coordinated with the Michigan Museums Association designed to strengthen museum professionals and introduce museum job opportunities to student audiences. • An expansion of the Museum's popular Inside/Out program (during the tenure of the program), which places high-quality art reproductions in Southeast Michigan communities, to include two additional outstate locations annually, supporting tourism, cultural awareness and life-long learning. • Art object conservation services at a discounted rate to Michigan museums conducted in consultation with the Museum conservators and the curatorial staff of the requesting museum. • The development of an educational program based on the Museum collection that supports National Common Core Standards, to be offered in two
--	--

	Michigan communities annually and to include follow-up support for educators.
DIA Operating and Maintenance Commitments	<p>(1) Subject to the terms set forth herein and the Definitive Documentation, The DIA shall have complete responsibility for and control over Museum operations, capital expenditures, collection management, purchase or sale of assets, <i>etc.</i> and will be responsible for all related liabilities, including existing liabilities of The DIA to its employees, contractors and vendors.</p> <p>(2) The permanent primary situs of The DIA and its art collection will remain in the City in perpetuity. This Term Sheet and the Definitive Documentation will not otherwise restrict the ability of The DIA to lend or to otherwise allow works to travel outside of the City or the State, consistent with ordinary Museum operations and the state-wide services proposed under this settlement. Notwithstanding anything to the contrary set forth in this Term Sheet, The DIA acknowledges and agrees that the Museum shall be operated primarily for the benefit of the people of the City and the State, including the citizens of the Tri-Counties.</p> <p>(3) The DIA will be required to operate the Museum as an encyclopedic art museum in the City, in accordance with changing future demands in the operation of such a Museum. The DIA will not deaccession from its collection or sell, lease, pledge, mortgage, or otherwise encumber art that is accessioned to or otherwise held in its collection except in accordance with the code of ethics or applicable standards for museums published by the American Alliance of Museums (the “AAM”) as amended or modified by the accreditation organization. If the AAM ceases to exist or to be generally regarded by leading American art museums as the preeminent American art museum accreditation organization, then the AAM’s successor organization or such other organization that is at that time generally regarded by leading American art museums as the preeminent American art museum accreditation organization shall be substituted for the AAM.</p>

	<p>(4) In the event of a liquidation of The DIA, the Museum Assets will be transferred only to another not-for-profit entity (which entity shall be subject to the reasonable approval of the City and the Supporting Organization, if then in existence, and otherwise by majority vote of the City and the then-existing Foundation Funders). Such successor entity would subject itself to the same conditions as set forth in this Term Sheet and the Definitive Documentation, including but not limited to holding the Museum Assets in perpetual charitable trust for the people of the City and the State, including the citizens of the Tri-Counties. For the purposes of determining the majority vote described above, and for the avoidance of doubt, the parties agree that the City and each of the then-existing Foundation Funders shall each have one vote with respect to such approval.</p>
<p>City Commitments Relating to Pensions</p>	<p>(1) The City will adopt and maintain pension governance mechanisms that meet or exceed commonly accepted best practices reasonably satisfactory to the Funders and the State to ensure acceptable fiscal practices and procedures for management and investment of pensions and selection of acceptable pension boards to ensure the foregoing.</p> <p>(2) The City will establish, by the Effective Date (as defined below), a Receivership Transition Review Board ("Review Board") or other independent fiduciary that is independent of the City and any association of City employees or retirees for future supervision of the Pensions' management, administration and investments for at least twenty years after the Effective Date.</p> <p>(3) Any commitments by the City to make payments hereunder, or cause payments to be made, to the Pensions shall be subject to receipt of the related payment amount from the Supporting Organization which, in turn, will be conditioned on the City's compliance with the above.</p> <p>(4) The Pension funds themselves shall agree as part of the settlements approved through the confirmed Plan of Adjustment that they waive and release</p>

	<p>any and all claims against, and shall have no recourse directly against, the Funders or the Supporting Organization with respect to enforcement of the City's commitment to make payments to the Pensions or any such party, nor for any matter arising from the contemplated transaction. The agreement of the Pension funds, as implemented through the Plan of Adjustment and any associated court orders shall be binding on the Pensions and all entities or persons claiming through the Pensions, including without limitation any successors or assigns and any plan participants, and any of their representatives, successors or assigns.</p>
<p>Other City Commitments</p>	<ol style="list-style-type: none"> (1) The City shall pass no charter, ordinance or other provision that solely affects or primarily targets the Museum, The DIA or museums within the City generally which such charter, ordinance or other provision has a material adverse impact on the Museum or The DIA (it being understood that a "material adverse impact" shall include any adverse financial impact or any contradiction, or adverse impact on the enforceability, of the terms of this settlement), except pursuant to State-enabling legislation, and the City agrees that the Detroit Arts Commission will henceforth have no oversight of The DIA, the Museum or the Museum Assets. (2) The City shall not impose any fee, tax or other cost on the Museum or The DIA that solely affects or primarily targets the Museum, The DIA or museums within the City generally. (3) The City shall provide (or cause to be provided) utilities and other City services to The DIA at the same pricing and on the same terms upon which the City offers to provide utilities and such other City services to arm's-length third parties generally. (4) The City agrees that there are no further commitments from the Funders, the Supporting Organization, The DIA or the State relating to the Museum or the Museum Assets beyond those contained in the Term Sheet or the Definitive

	<p>Documentation.</p> <p>(5) The City agrees to the indemnification, jurisdiction, venue and choice of law language contained in Exhibit D for the benefit of the Funders.</p>
<p>Bankruptcy Court Approval Process</p>	<p>The settlement between the City and The DIA over the Transfer in exchange for the Funders' and the State's commitments for the Payment Amount and The DIA's commitment to provide for the operation and maintenance of the Museum is subject to the Bankruptcy Court's approval in a manner acceptable to the parties hereto, which the City shall seek promptly after the signing of the Definitive Documentation for the settlement.</p>
<p>Conditions to The DIA's, the City's and the Funders' Commitments and Initial Payments under the Settlement</p>	<p>The City's and the Funders' obligations under the settlement will become binding only upon:</p> <ol style="list-style-type: none"> (1) execution of Definitive Documentation acceptable in all respects to The DIA, the City, the State and the Funders, memorializing the terms of this Term Sheet, including irrevocable commitments (subject to The DIA's right of substitution as to the DIA Deficiency) of the Funders, in the aggregate, for the full Payment Amount, (2) Bankruptcy Court entry of an order confirming the Plan of Adjustment of Debts of the City of Detroit, Michigan (the "Plan of Adjustment") that is binding on The DIA, the City and all of the City's creditors and provides, among other things, for approval and inclusion of all of the terms of this settlement, including treatment of the Payment Amount in accordance with this Term Sheet and protection of the Museum Assets as provided in "<i>Treatment of Museum Assets</i>" of this Term Sheet, and not stayed on appeal, (3) occurrence of the Effective Date, (4) approval of the settlement by the Michigan Attorney General as consistent with Michigan law and with Attorney General Opinion No. 7272, (5) agreement by the millage authorities for each of the Tri-Counties to the settlement for protection of the three-county millage payable to the Museum for the balance of the millage period approved in 2012,

	<p>(6) approval of the relevant City and State persons or entities specified in the Local Financial Stability and Choice Act (PA 436) to the extent applicable, including, but not limited to, the Emergency Manager, the Governor of the State and/or the Treasurer of the State and (if needed) the Detroit City Council and/or Detroit Arts Commission, in each case, for the Transfer,</p> <p>(7) The DIA, the Foundation Funders, the City and the State being satisfied with The DIA's governance structure, mechanisms and documents, program for provision of statewide services, multi-year fundraising plan, insurance coverage, policies, practices and procedures and such other matters as the Funders determine are critical to their decision to fund and the City determines are critical to its decision to execute the Definitive Documentation,</p> <p>(8) Closing occurring no later than December 31, 2014,</p> <p>(9) All existing agreements and other arrangements between the City and The DIA are either affirmed, modified or terminated, as provided in this Term Sheet or as otherwise agreed between the City and The DIA.</p> <p>(10) The DIA agrees to indemnify and hold harmless the Foundation Funders, the City and the Supporting Organization from any and all claims against them (together with all reasonable associated costs and expenses) that result from The DIA's failure to perform any of its obligations under the Definitive Documentation. The DIA acknowledges that the Foundation Funders and the Supporting Organization have no financial obligations other than, in the case of the Foundation Funders, the amount specified in the "Funding Commitments" of this Term Sheet and are not guaranteeing payment to the City of any amount committed by the DIA Funders or The DIA.</p>
Closing of Settlement	<p>Upon satisfaction of all "Conditions to The DIA's, the City's, the State's and the Funders' Commitments and Initial Payments under the Settlement" under this Term Sheet (any of which may be waived by agreement of all parties to this Term Sheet for whose benefit the condition exists) and the occurrence of the</p>

	effective date of the Plan of Adjustment (" Effective Date ").
Conditions to Future Funding Obligations	<p>The Funders' obligations to continue to fund the settlement (and the Supporting Organization's obligation to continue to pay funds provided by the Funders to the City) are conditioned on the following:</p> <ol style="list-style-type: none"> (1) all amounts paid by the Funders shall be used only to pay Pensions as provided in this Term Sheet and the confirmed Plan of Adjustment, (2) the Funders' receipt of an annual certification from the Review Board or other oversight authority reasonably acceptable to the Funders that the City is in compliance with its obligation to use the amounts paid by the Funders solely for the benefit of the pensioners and that the amounts received from the Funders are unencumbered by the City or any other entity, (3) the amounts paid by the Funders and transmitted by the Supporting Organization to the City are placed into a segregated account to be used for payments to the Pensions only and shown separately on the City's books ("City Account"), (4) the Funders' receipt of an annual reconciliation report of the City Account prepared by external auditors reasonably satisfactory to the Funders at the City's expense, certifying use of funds in a manner consistent with the settlement, (5) full compliance by the City with the terms of the funding agreements with the Funders or the Supporting Organization, and (6) the City's continued compliance with the first two commitments set forth above in the provision entitled "<i>City Commitments Relating to Pensions</i>" of this Term Sheet. <p>The City shall have the opportunity to cure any breach or failure of these conditions within 180 days of issuance of notice of the same by the Funders or the Supporting Organization. Notwithstanding the foregoing, to the extent that the applicable event of default cannot reasonably be cured within the period specified above, and as long as the City has commenced to cure, and diligently pursues the cure of such default in good faith, such cure period shall be</p>

	<p>extended by a reasonable period of time to permit the City to cure such event of default; provided, however, such additional extended cure period shall not extend beyond the later of: (i) 180 days beyond the initial cure period; and (ii) the date that the next applicable payment is due the City by the Supporting Organization. The City's ability to receive the benefit of the extended cure period, beyond the initial cure period, shall be subject to the approval of the Supporting Organization upon receipt of a written request from the City setting forth why the City is entitled to such extended cure period by meeting the requirements set forth above, which approval shall not be unreasonably withheld, conditioned or delayed. All obligations of the Funders and Supporting Organization to make payments shall be suspended for the duration of the cure period. If the City fails to cure a breach or failure during the cure period each Funder and the Supporting Organization shall have the right to cancel its remaining commitments.</p>
Changes in DIA Governance	<p>The DIA shall establish an ad-hoc committee (the "Governance Committee") to review best practices in museum governance, gather input from the parties to this Term Sheet and the State, and make recommendations regarding the future governance of The DIA. In addition to three members representing the perspective of The DIA, The DIA shall appoint to the Governance Committee one member representing each of the following perspectives: 1) the Foundation Funders; 2) the City; and 3) the State. In addition, The DIA shall appoint to the Governance Committee one person who is selected by agreement of the millage authorities of the Tri-Counties. The parties believe the proposed make-up of the Governance Committee will appropriately represent the perspectives of The DIA, the City, the State, the millage authorities and the Foundation Funders, but The DIA will consider adjustments to the proposed membership to the extent necessary to address any concerns raised by the State. Susan Nelson, principal of Technical Development Corporation, will facilitate and advise the process, with funding as required from the Foundation Funders. The process will be completed as quickly as possible but in any event prior to the Closing, with the Governance Committee's recommendations taking effect upon their approval by The DIA's Board of Directors and prior to Closing. The goal of the Governance Committee will be to ensure that The DIA has the best possible governance</p>

	structure for maintaining its position as one of America's great art museums.
Future Obligations of The DIA	The DIA will provide to the other Funders and the City, or their representatives, on an annual basis, a narrative report covering overall operations, fundraising and state services, as well as audited financial statements.
Dispute Resolution	In connection with the negotiation of the Definitive Documentation, the parties shall use good faith efforts to work with the State to identify and agree upon alternative dispute resolution mechanisms that provide a process for resolution of disputes surrounding whether conditions to a scheduled payment have been satisfied or cured while considering the ability of the public, Pensions and other stakeholders to monitor such alternative dispute resolution process.

EXHIBIT A

MUSEUM ASSETS

1. The Museum building and grounds, and the employee parking lot located at 5200 Woodward Avenue, Detroit, Michigan, comprised of land and improvements bounded by Woodward Avenue as widened, existing John R Street, existing East Kirby Avenue and the South line of Farnsworth Avenue, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in Commitment for Title Insurance No. 58743275 revision 5, with an effective date of December 16, 2013, and Commitment for Title Insurance No. 58781215, with an effective date of December 26, 2013, (collectively, the "Title Commitment") issued by Title Source Inc., as follows:

PARCEL 1: Block A; together with the Northerly half of vacated Frederick Douglass Avenue adjacent thereto, of Ferry's Subdivision of Park Lot 40 and of Lots 1 to 18 inclusive of Farnsworth's Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 18 of Plats, Page 71, Wayne County Records.

PARCEL 6: Lots 43 through 78, both inclusive, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 43 through 58, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 63 through 78, and together with vacated alleys appurtenant to said lots.

PARCEL 11: Lots 103 through 120, both inclusive, together with the Southerly half of vacated Farnsworth Avenue adjacent to Lots 103 through 118, and vacated portions of Farnsworth Avenue adjacent to the South of Lots 103 through 117 and Lot 120, and vacated alleys appurtenant to said lots, of Farnsworth Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

2. The Frederick Lot (across from the Museum, Easterly from existing John R to existing Brush) located, in the City of Detroit, Wayne County, Michigan, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in the Title Commitment as follows:

PARCEL 4: Lots 31 to 37 of Farnsworth Subdivision of Park Lots 38 and 39, together with the southerly half of vacated Frederick Douglass Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

PARCEL 7: Lots 79 and 80 of Farnsworth Subdivision of Park Lots 38 and 39, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 9: The East 5 feet of Lot 85 and Lots 86 and 87 and the West 16 feet of Lot 88, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots of Farnsworth Subdivision of Park Lots 38 and 39, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 12: Lots 1 through 5, both inclusive, and Lots 10 through 14, both inclusive, Block 25, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 1 through 5, Block 25, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 10 through 14, Block 25 and together with the vacated alley appurtenant to said lots of Brush's Subdivision of that part of the Brush Farm lying between the North line of Farnsworth Street and South line of Harper Avenue, as recorded in Liber 17, Page 28 of Plats, Wayne County Records.

3. The cultural center underground garage¹ *i.e.*, the parking garage with all appurtenant utilities, equipment, drives, pedestrian and vehicular entrances and easements therefor, on the south side of the Museum building located at 40 Farnsworth, Detroit, Michigan, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in the Title Commitment as follows:

PARCEL 14: A parking structure in the City of Detroit occupying space under and on the following described parcel of land. Land in the City of Detroit, being a part of Lots 62 through 68 inclusive; parts of Lot 112 and 118 through 120 inclusive; all that part of Lots 113 through 117 inclusive not set aside as a part of Farnsworth Avenue, parts of public alleys and Farnsworth Avenue (60 feet wide) vacated by the Common Council on October 7, 1924 and January 11, 1927; all as platted in "Farnsworth's Subdivision of Park Lots 38 and 39, City of Detroit" recorded in Liber 1, Page 16 of Plats, Wayne County Records and also a portion of the Northerly 49 feet of Farnsworth Avenue (70 feet wide), which was opened as a public street by action of the Common Council on October 7, 1924. Being more particularly described as follows: Commencing at the intersection of the South line of Farnsworth Avenue 70 feet wide and the East line of Woodward Avenue as widened August 2, 1932, J.C.C. Page 1279, thence North 29 degrees 42 minutes 10 seconds West 22.17 feet, thence North 60 degrees 17 minutes 50 seconds East 6.00 feet to the point of beginning of this parcel, thence North 29 degrees 42 minutes 10 seconds West 248.16 feet; thence North 60 degrees 11 minutes 50 seconds East 268.00 feet; thence South 29 degrees 42 minutes 10 seconds East 15.79 feet; thence North 60 degrees 17 minutes 50 seconds East 1.00 feet to a point of curve; thence 11.77 feet along the arc of a curve concave to the Northeast with a Radius of 14.00 feet, a Delta of 48 degrees 11 minutes 23 seconds with a Long Chord of 11.43 feet which bears South 53 degrees 47 minutes 52 seconds East to a point of reverse curve; thence 26.07 feet along the arc of curve concave to the Southwest, with a Radius of 31 feet, a Delta 48

¹ In connection with the preparation for Closing, the City will advise on the mechanics for the release of existing encumbrances on title to the garage.

degrees 11 minutes 23 seconds with a Long Chord of 25.31 feet which bears South 53 degrees 47 minutes 52 seconds East; thence South 29 degrees 42 minutes 10 seconds East 140.50 feet; thence 78.54 feet along the arc of a curve concave to the Northwest, with a Radius of 50.00 feet, a Delta of 90 degrees with a Long Chord of 70.71 feet which bears South 15 degrees 17 minutes 50 seconds West; thence South 60 degrees 17 minutes 50 seconds West 0.50 feet; thence South 29 degrees 42 minutes 10 seconds East 4.00 feet; thence South 60 degrees 17 minutes 50 seconds West 4.00 feet; thence South 29 degrees 42 minutes 10 seconds East 6.00 feet; thence South 60 degrees 17 minutes 50 seconds West 39.50 feet; thence North 29 degrees 42 minutes 10 seconds West 1.67 feet; thence South 60 degrees 17 minutes 50 seconds West 190 feet to the point of beginning.

The bottom floor of this structure is at elevation 129.10 feet as related to the City of Detroit Datum Plane; the structure has two (2) floors of vehicle parking with the top of the roof at elevation 149.34 feet. The structure has three (3) pedestrian exit buildings, four (4) air exhaust shafts and a vehicular ramp all of which extend upwards from the garage roof to the ground surface at elevations varying from 150.6 to 153.7 feet.

Together with the Easements created in Liber 20846, Page 762, Wayne County Records.

4. The collection of works of art owned by the City and located primarily at the Museum, the Museum's off-site warehouse or the Josephine Ford Sculpture Garden located at or about 201 East Kirby Street, Detroit, Michigan (which included at the effective date of the Operating Agreement the items listed in Exhibit 2 to the Operating Agreement) or included in the Museum collection (whether or not accessioned), whether or not reflected on any inventory and irrespective of the manner in which acquired by the City.
5. All assets of any kind located on or within the real estate described in items 1-4 above and used in the operations of the Museum, as well as any easements or other property rights benefiting such real estate.
6. All intangible property solely to the extent used in connection with the Museum and its art collection, including trademarks, copyrights and intellectual property, whether or not related to collection pieces.
7. All City records, books, files, records, ledgers and other documents (whether on paper, computer, computer disk, tape or other storage media) presently existing to the extent relating to the Museum, its art collection or its operations or to The DIA (other than those documents which are confidential to the City and not The DIA).
8. All monies held by the City that are designated for The DIA or the Museum or that were raised for the benefit of, or express purpose of supporting, The DIA or the Museum, including the approximately \$900,000 balance of proceeds of bonds issued for the benefit of The DIA by the City in 2010.

EXHIBIT B

FOUNDATION FUNDERS

NOTE: The list of Foundation Funders below is being provided based on information known as of March 27, 2014. Foundation Funder commitments remain subject to: (i) final approval of the commitments by the appropriate governing body of the respective foundation listed below; (ii) all conditions otherwise contained in the Term Sheet and Definitive Documentation being met; (iii) approval of the Definitive Documentation by the Foundation Funder; and (iv) approval of the Plan of Adjustment through the bankruptcy proceedings.

<u>Foundation Funder</u>	<u>Intended Funding Amount</u>
Community Foundation for Southeast Michigan	\$10,000,000
William Davidson Foundation	25,000,000
The Fred A. and Barbara M. Erb Family Foundation	10,000,000
Max M. and Marjorie S. Fisher Foundation	2,500,000*
Ford Foundation	125,000,000
Hudson-Webber Foundation	10,000,000
The Kresge Foundation	100,000,000
W. K. Kellogg Foundation	40,000,000
John S. and James L. Knight Foundation	30,000,000
McGregor Fund	6,000,000
Charles Stewart Mott Foundation	10,000,000
A. Paul and Carol C. Schaap Foundation	5,000,000*
Total	\$373,500,000
Less Credits to DIA Commitments	(7,500,000)
Net Total	\$366,000,000

*The payment of the intended funding amount by these Foundation Funders will be credited against the \$100 million to be paid by DIA Funders and the DIA provided under *Funding Commitments* of the Term Sheet.

Payment Schedule

Each Foundation Funder intends to make payments available at 5% of the total intended funding amount per year over the 20 year term, subject to the right of any Foundation Funder to pay early without penalty and as otherwise provided in the Term Sheet and Definitive Documentation. Collectively, this will result in an annual payment of **\$18,300,000** (exclusive of Foundation Funder commitments credited to the DIA) to the City of Detroit as provided in the Term Sheet and Definitive Documentation.

EXHIBIT C

DIA FUNDERS

[to be provided]

EXHIBIT D

INDEMNIFICATION, JURISDICTION, VENUE AND CHOICE OF LAW

All capitalized terms used but not defined in this Exhibit D are defined in the Term Sheet.

- (a) To the maximum extent permitted by law, the City shall indemnify, defend, and hold the Foundation Funders, the DIA Funders, The DIA and the Supporting Organization and their affiliates and all their respective shareholders, officers, directors, members, managers, employees, successors, assigns, representatives, attorneys and agents (the “**Indemnified Parties**”) harmless from, against, and with respect to any claim, liability, obligation, loss, damage, assessment, judgment, cost and expense (including, without limitation, actual out-of-pocket attorney fees and actual expenses incurred in investigating, preparing, defending against, or prosecuting any litigation or claim, action, suit, hearing, proceeding or demand) of any kind or character, arising out of or in any manner, incident, relating or attributable to the following (provided indemnification will not be available to an Indemnified Party to the extent resulting from such Indemnified Party’s breach of contract, sole ordinary negligence, gross negligence or intentional wrongful acts):
 - (i) *Any claims by third parties or the City arising out of any action properly taken by the Indemnified Parties under the Definitive Documentation with respect to the contemplated transaction including, but not limited to, any payment, non-payment or other obligation of the Indemnified Parties permitted thereunder;*
 - (ii) *Any breach or failure of any representation or warranty of the City contained in the Definitive Documentation between the City and the Indemnified Parties and/or other parties related to the contemplated transaction;*
 - (iii) *Any failure by the City to perform, satisfy or comply with any covenant, agreement or condition to be performed, satisfied or complied with by the City under the Definitive Documentation with the Indemnified Parties or under agreements with any third parties contemplated by this transaction;*
 - (iv) *Reliance by the Indemnified Parties upon any books or records of the City or reliance by them on any written information furnished by the City or any of the City’s employees, officials or agents to them to the extent any such information should prove to be false or materially inaccurate or misleading (including, without limitation, by omission), but only to the extent that such books, records or written information was furnished by the City in connection with the City showing its compliance with the conditions to initial or future funding as set forth in the Term Sheet;*
 - (v) *Any claim or objection made in the City’s Chapter 9 Bankruptcy (Case No. 13-53846) or any other action brought against, or involving, the Indemnified Parties with respect to their participation in any transaction contemplated by the proposed or confirmed Plan of Adjustment;*

(vi) *The transfer, assignment or sale by the City to The DIA of any assets or property (real or personal) and any rights, title and interests therein including, but not limited to, the Museum and all of the Museum Assets;*

(vii) *Any action or claim against the Indemnified Parties made by the Pensions, including any successors or assigns and any plan participants, or their representatives, successors or assigns (collectively, the "Pension Funds"), as nothing under the Term Sheet or the Definitive Documentation is intended to, nor are they to be construed or interpreted to, make the Indemnified Parties a party in privity with, or having an obligation in any capacity to the Pension Funds. By way of illustration and not limitation, the following statements apply:*

First, the Indemnified Parties have no responsibility for the operation or administration of the Pension Funds and have no fiduciary responsibility for the Pension Funds as plan sponsor, plan administrator, investment advisor or otherwise.

Second, the Indemnified Parties have no obligation to contribute towards the funding of the Pension Funds and are not a funding guarantor.

(viii) *Any action or claim brought by the City, The DIA, the Pension Funds or any other party concerning non-payment of the contributions pursuant to the contemplated transaction by the Indemnified Parties due to the breach of the Definitive Documentation by the City, the DIA, the Pension Funds or any other party, so long as the Indemnified Parties have made a good faith determination of the breach of the Definitive Documentation or payment condition.*

(b) An Indemnified Party shall notify the City in a timely manner of any matters as to which the Indemnified Party is entitled to receive indemnification and shall set forth in such notice reasonable detail regarding specific facts and circumstances then known by the Indemnified Party which pertain to such matters. Failure or delay in providing such notice shall not relieve the City of its defense or indemnity obligations except to the extent the City's defense of an applicable claim against an Indemnified Party is actually prejudiced by such Indemnified Party's failure or delay.

(c) The City shall not contest on any grounds the enforceability of its indemnification obligations hereunder.

(d) Notwithstanding the foregoing, the parties acknowledge that the City is not making any representations to The DIA regarding the City's title to the Museum Assets prior to the Closing and that The DIA will not be entitled to indemnification in connection with its defense of any post-Closing claims by third parties challenging The DIA's title to any Museum Asset to the extent that such claim is based on an allegation that the City did not have legal title to the particular Museum Asset prior to the Closing (a "**Quitclaim Challenge**"). To be clear, however, The DIA will be entitled to indemnification by the City under this Exhibit D in connection with any post-Closing challenges to The DIA's title to Museum Assets that are in any way based upon a claim that the title that the City

had to the Museum Assets prior to Closing was not effectively conveyed to The DIA at and as a result of the Closing.

Defense of Indemnity Claims

(a) To the extent the City is notified of claim for which it is required to indemnify an Indemnified Party, the City shall be solely responsible for responding to or otherwise defending such claim. In such event, the City shall assume exclusive control of the defense of such claim at its sole expense using counsel of its sole choosing and may settle such claim in its sole discretion; provided, however, that (i) with respect to any claim that involves allegations of criminal wrongdoing, the City shall not settle such claim without the prior written approval of the Indemnified Party, which approval may be withheld in such Indemnified Party's sole discretion, and (ii) with respect to any other claim, the City shall not settle such claim in a manner that requires the admission of liability, fault, or wrongdoing on the part of an Indemnified Party, that fails to include a release of all covered claims pending against the Indemnified Party, or that imposes any obligation on the Indemnified Party without the prior written approval of the Indemnified Party, which approval may be withheld in such Indemnified Party's sole discretion. The City will keep the Indemnified Party reasonably informed of the status of any negotiations or legal proceedings related to any claim, and the Indemnified Party shall be entitled to engage counsel (at its own expense) to monitor the handling of any claim by the City. Notwithstanding the foregoing, other than as relates to a Quitclaim Challenge (for which The DIA will not be entitled to indemnification, as set forth above), The DIA shall be entitled to defend on its own behalf any claims regarding title to, interest in or control of the Museum Assets or operation of the Museum. To the extent The DIA intends to exercise such right, the City and The DIA shall use their commercially reasonable efforts in good faith to coordinate a joint defense of such claim (including as to selection of joint counsel). If the City and The DIA cannot agree on a joint defense of the claim, each party shall undertake its own defense, reserving all rights against the other for indemnification hereunder with respect to such claim, but, in such case, The DIA shall not be entitled to indemnification of its defense costs in connection therewith.

(b) Notwithstanding anything to the contrary set forth in this Exhibit D or the Term Sheet, to the extent that the City is required to indemnify an Indemnified Party hereunder, and the underlying claim being indemnified does not arise out of the City's breach of contract, sole ordinary negligence, gross negligence or intentional wrongful acts and is not due to a claim brought by the City, the City may reimburse itself for the costs of such indemnity out of the payments from the Supporting Organization, in which case the amount payable by the City to the Pensions shall be reduced by the amount reimbursed to the City for such indemnity.

Jurisdiction/Venue/Choice of Law

The parties agree that, except as to disputes that are subject to arbitration in accordance with the "*Dispute Resolution*" section of the Term Sheet, jurisdiction shall be retained by

the United States Bankruptcy Court for the Eastern District of Michigan for all matters related to the contemplated transaction and venue shall be in Detroit. The parties agree that this agreement is to be governed by Michigan law.

EXHIBIT I.A.110

SCHEDULE OF DWSD BOND DOCUMENTS & RELATED DWSD BONDS

**SCHEDULE OF (I) DWSD BOND DOCUMENTS, (II) RELATED DWSD BONDS,
(III) CLASSES OF DWSD BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD BOND CLAIMS**

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Ordinance No. 01-05 adopted January 26, 2005 (" <u>Water Bond Ordinance</u> ") ¹ Trust Indenture dated as of February 1, 2013 among the City of Detroit, Detroit Water and Sewerage Department and U.S. Bank National Association, as trustee (" <u>Water Indenture</u> ") Bond Resolution adopted on October 14, 1993 Resolution adopted October 22, 1993 Final Report of the Finance Director delivered to City Council December 22, 1993	Series 1993	251255TP0	Class 1A-1	\$24,725,000.00	Unimpaired
Water Bond Ordinance Water Indenture Bond Resolution adopted July 9, 1997 Sale Order of the Finance Director of the City of Detroit dated August 6, 1997	Series 1997-A	251255XM2	Class 1A-2	\$6,520,000.00	Unimpaired
		251255XN0	Class 1A-3	\$6,910,000.00	Unimpaired

¹ Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Ordinance No. 01-05 adopted January 26, 2005 (" <u>Water Bond Ordinance</u> ") ² Trust Indenture dated February 1, 2013 among City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee (" <u>Water Indenture</u> ") Bond Authorizing Resolution of City Council adopted January 31, 2001 and Resolution Amending Bond Authorizing Resolution, adopted April 25, 2001 Sale Order of Finance Director of City of Detroit dated May 17, 2001	Series 2001-A	251255A21	Class 1A-4	\$73,790,000.00	Unimpaired
Water Bond Ordinance Water Indenture Resolution of the City Council adopted April 25, 2001 Sale Order of the Finance Director of the City of Detroit dated May 31, 2001 and Supplement to Prior Sale Orders of Finance Director dated May 6, 2008	Series 2001-C	251255U4	Class 1A-5	\$350,000.00	Unimpaired
		251255V2	Class 1A-6	\$365,000.00	Unimpaired
		251255W0	Class 1A-7	\$380,000.00	Unimpaired
		251255X8	Class 1A-8	\$390,000.00	Unimpaired
		251255Y6	Class 1A-9	\$415,000.00	Unimpaired
		251255Z3	Class 1A-10	\$12,510,000.00	Impaired
		251255A7	Class 1A-11	\$13,235,000.00	Impaired
		251255B5	Class 1A-12	\$14,025,000.00	Impaired
		251255C3	Class 1A-13	\$14,865,000.00	Impaired
		251255D1	Class 1A-14	\$15,750,000.00	Impaired
		251255E9	Class 1A-15	\$16,690,000.00	Impaired
		251255F6	Class 1A-16	\$17,690,000.00	Impaired
		251255G4	Class 1A-17	\$18,735,000.00	Impaired
		251255H2	Class 1A-18	\$19,945,000.00	Impaired
		251255J8	Class 1A-19	\$4,000,000.00	Impaired
		251255L3	Class 1A-20	\$20,090,000.00	Unimpaired
		251255K5	Class 1A-21	\$18,815,000.00	Unimpaired

² Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted Nov. 27, 2002 (" <u>2003 Water Resolution</u> ") Sale Order of the Finance Director of the City of Detroit dated January 24, 2003 and Supplement to Sale Order of the Finance Director – 2003 Bonds, dated February 6, 2003 (collectively, " <u>2003 Sale Order</u> ")	Series 2003-A	251255D77	Class 1A-22	\$500,000.00	Unimpaired
		251255D93	Class 1A-23	\$250,000.00	Unimpaired
		251255E27	Class 1A-24	\$3,550,000.00	Unimpaired
		251255F8	Class 1A-25	\$9,970,000.00	Unimpaired
		251255K20	Class 1A-26	\$20,955,000.00	Unimpaired
		251255K38	Class 1A-27	\$21,900,000.00	Unimpaired
		251255E68	Class 1A-28	\$121,660,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2003 Water Resolution 2003 Sale Order	Series 2003-B	2512555H4	Class 1A-29	\$41,770,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2003 Water Resolution 2003 Sale Order	Series 2003-C	251255J22	Class 1A-30	\$2,120,000.00	Unimpaired
		251255J30	Class 1A-31	\$2,620,000.00	Unimpaired
		251255J48	Class 1A-32	\$2,655,000.00	Unimpaired
		251255J55	Class 1A-33	\$2,930,000.00	Unimpaired
		251255J63	Class 1A-34	\$2,790,000.00	Unimpaired
		251255J71	Class 1A-35	\$2,965,000.00	Unimpaired
		251255J89	Class 1A-36	\$4,580,000.00	Unimpaired
		251255J97	Class 1A-37	\$4,665,000.00	Unimpaired
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted November 27, 2002 Sale Order of Finance Director of the City of Detroit dated February 5, 2003	Series 2003-D	251255H99	Class 1A-38	\$2,330,000.00	Unimpaired
		2512552T1	Class 1A-39	\$325,000.00	Unimpaired
		2512552U8	Class 1A-40	\$335,000.00	Unimpaired
		2512552V6	Class 1A-41	\$350,000.00	Unimpaired
		2512552W4	Class 1A-42	\$360,000.00	Unimpaired
		2512552X2	Class 1A-43	\$370,000.00	Unimpaired
		2512552Y0	Class 1A-44	\$2,585,000.00	Impaired
		2512552Z7	Class 1A-45	\$29,410,000.00	Impaired
		2512553A1	Class 1A-46	\$23,920,000.00	Impaired
		2512553B9	Class 1A-47	\$82,930,000.00	Unimpaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted January 21, 2004 (" <u>2004 Bond Resolution</u> ") Sale Order of Finance Director of the City of Detroit dated May 12, 2004 (" <u>2004 Sale Order</u> ")	Series 2004-A	2512553G8	Class 1A-48	\$4,250,000.00	Unimpaired
		2512553H6	Class 1A-49	\$4,475,000.00	Unimpaired
		2512553J2	Class 1A-50	\$4,710,000.00	Impaired
		2512553K9	Class 1A-51	\$4,955,000.00	Impaired
		2512553L7	Class 1A-52	\$5,215,000.00	Impaired
		2512553M5	Class 1A-53	\$5,490,000.00	Impaired
		2512553N3	Class 1A-54	\$5,780,000.00	Impaired
		2512553P8	Class 1A-55	\$6,085,000.00	Impaired
		2512553Q6	Class 1A-56	\$6,400,000.00	Impaired
		2512553R4	Class 1A-57	\$6,735,000.00	Impaired
		2512553S2	Class 1A-58	\$14,505,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2004 Bond Resolution 2004 Sale Order	Series 2004-B	2512554A0	Class 1A-59	\$85,000.00	Unimpaired
		2512554B8	Class 1A-60	\$90,000.00	Unimpaired
		2512554C6	Class 1A-61	\$10,000,000.00	Impaired
		2512554D4	Class 1A-62	\$3,545,000.00	Unimpaired
		2512554E2	Class 1A-63	\$13,925,000.00	Impaired
		2512554F9	Class 1A-64	\$350,000.00	Unimpaired
		2512554G7	Class 1A-65	\$14,940,000.00	Impaired
		2512554H5	Class 1A-66	\$15,810,000.00	Impaired
		2512554J1	Class 1A-67	\$16,665,000.00	Impaired
		2512554K8	Class 1A-68	\$16,085,000.00	Impaired
		2512554L6	Class 1A-69	\$16,935,000.00	Impaired
Water Bond Ordinance Water Indenture Amended and Restated Resolution of the City Council adopted January 26, 2005 (" <u>2005-A/C Bond Resolution</u> ") Sale Order of Finance Director of the City of Detroit dated March 3, 2005 (Series 2005-A)	Series 2005-A	251255M85	Class 1A-71	\$50,000.00	Unimpaired
		251255Q81	Class 1A-72	\$2,070,000.00	Unimpaired
		251255M93	Class 1A-73	\$85,000.00	Unimpaired
		251255Q99	Class 1A-74	\$2,145,000.00	Unimpaired
		251255N27	Class 1A-75	\$95,000.00	Unimpaired
		251255R23	Class 1A-76	\$2,265,000.00	Unimpaired
		251255N35	Class 1A-77	\$125,000.00	Unimpaired
		251255R31	Class 1A-78	\$2,370,000.00	Unimpaired
		251255N43	Class 1A-79	\$20,000.00	Unimpaired
		251255R49	Class 1A-80	\$2,615,000.00	Unimpaired
		251255N50	Class 1A-81	\$2,790,000.00	Unimpaired
		251255N68	Class 1A-82	\$2,955,000.00	Unimpaired
		251255N76	Class 1A-83	\$3,030,000.00	Unimpaired
		251255N84	Class 1A-84	\$3,225,000.00	Unimpaired
		251255N92	Class 1A-85	\$3,430,000.00	Unimpaired
		251255P25	Class 1A-86	\$3,650,000.00	Unimpaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
		251255P33	Class 1A-87	\$3,790,000.00	Unimpaired
		251255P41	Class 1A-88	\$4,080,000.00	Unimpaired
		251255P58	Class 1A-89	\$4,290,000.00	Unimpaired
		251255P66	Class 1A-90	\$4,615,000.00	Unimpaired
		251255P74	Class 1A-91	\$4,890,000.00	Unimpaired
		251255P82	Class 1A-92	\$5,145,000.00	Unimpaired
		251255P90	Class 1A-93	\$5,415,000.00	Unimpaired
		251255Q24	Class 1A-94	\$5,715,000.00	Unimpaired
		251255Q32	Class 1A-95	\$19,525,000.00	Unimpaired
Water Bond Ordinance Water Indenture Amended and Restated Resolution of the City Council dated March 22, 2005 (Series 2005-B) Sale Order of Finance Director of the City of Detroit dated March 22, 2005 (Series 2005-B), Amendment No. 1 to Sale Order of the Finance Director dated April 23, 2008 and Supplement to Prior Sale Orders of Finance Director dated May 6, 2008	Series 2005-B	2512557R0	Class 1A-96	\$2,125,000.00	Unimpaired
		2512557S8	Class 1A-97	\$2,225,000.00	Unimpaired
		2512557T6	Class 1A-98	\$2,305,000.00	Unimpaired
		2512557U3	Class 1A-99	\$2,385,000.00	Unimpaired
		2512557V1	Class 1A-100	\$2,465,000.00	Impaired
		2512557W9	Class 1A-101	\$2,575,000.00	Impaired
		2512557X7	Class 1A-102	\$2,690,000.00	Impaired
		2512557Y5	Class 1A-103	\$2,905,000.00	Impaired
		2512557Z2	Class 1A-104	\$3,025,000.00	Impaired
		2512558A6	Class 1A-105	\$3,145,000.00	Impaired
		2512558B4	Class 1A-106	\$3,270,000.00	Impaired
		2512558C2	Class 1A-107	\$3,490,000.00	Impaired
		2512558D0	Class 1A-108	\$3,620,000.00	Impaired
		2512558E8	Class 1A-109	\$3,850,000.00	Impaired
		2512558F5	Class 1A-110	\$3,980,000.00	Impaired
		2512558G3	Class 1A-111	\$28,415,000.00	Unimpaired
Water Bond Ordinance Water Indenture 2005-A/C Bond Resolution Sale Order of Finance Director of the City of Detroit dated March 3, 2005 (Series 2005-C)	Series 2005-C	2512558H1	Class 1A-112	\$57,365,000.00	Impaired
		2512558J7	Class 1A-113	\$57,500,000.00	Unimpaired
		2512558S63	Class 1A-114	\$9,270,000.00	Unimpaired
		251255S71	Class 1A-115	\$9,735,000.00	Unimpaired
		251255S89	Class 1A-116	\$17,545,000.00	Unimpaired
		251255S97	Class 1A-117	\$18,425,000.00	Unimpaired
		251255T21	Class 1A-118	\$18,700,000.00	Unimpaired
		251255T39	Class 1A-119	\$8,245,000.00	Unimpaired
		251255T47	Class 1A-120	\$8,655,000.00	Unimpaired
Water Bond Ordinance Water Indenture Resolution of the City Council adopted November 18, 2005	Series 2006-A	251255T54	Class 1A-121	\$9,090,000.00	Unimpaired
		251255T62	Class 1A-122	\$9,540,000.00	Unimpaired
		251255V36	Class 1A-123	\$7,285,000.00	Unimpaired
		251255V44	Class 1A-124	\$7,650,000.00	Unimpaired
		251255V51	Class 1A-125	\$8,030,000.00	Impaired
		251255V69	Class 1A-126	\$8,430,000.00	Impaired
		251255V77	Class 1A-127	\$8,855,000.00	Impaired

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class	Impairment
Ordinance No. 18-01 adopted October 18, 2001 (" <u>Sewage Bond Ordinance</u> ") ⁴ Trust Indenture dated as of June 1, 2012 among the City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee (" <u>Sewage Indenture</u> ") Bond Authorizing Resolution adopted August 1, 2001; Amendment October 10, 2001 Composite Sale Order of the Finance Director of the City of Detroit dated August 1, 2001	Series 2001-D	251237WY5	Class 1A-242	\$21,300,000.00	Unimpaired
Sewage Bond Ordinance Sewage Indenture 2001 Bond Resolution 2001 Sale Order, 2001 Amendment and 2001/2006 Supplement to Sale Orders	Series 2001-E	2512374R1	Class 1A-243	\$136,150,000.00	Impaired
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution of the City Council adopted May 7, 2003 (" <u>2003 Bond Resolution</u> ") Composite Sale Order of the Finance Director of the City of Detroit dated May 14, 2003	Series 2003-A	251237YK3	Class 1A-244	\$3,815,000.00	Unimpaired
		251237Q89	Class 1A-245	\$10,000.00	Unimpaired
		251237ZE6	Class 1A-246	\$25,000.00	Unimpaired
		251237ZB2	Class 1A-247	\$50,000.00	Unimpaired
		251237R21	Class 1A-248	\$180,000.00	Unimpaired
		251237YQ0	Class 1A-249	\$190,000.00	Unimpaired
		251237YT4	Class 1A-250	\$250,000.00	Unimpaired
		251237YM9	Class 1A-251	\$275,000.00	Unimpaired
		251237YZ0	Class 1A-252	\$300,000.00	Unimpaired
		251237YW7	Class 1A-253	\$535,000.00	Unimpaired
		251237ZG1	Class 1A-254	\$1,000,000.00	Unimpaired
		251237Q97	Class 1A-255	\$3,200,000.00	Unimpaired
		251237K77	Class 1A-256	\$3,225,000.00	Unimpaired
		251237K85	Class 1A-257	\$3,325,000.00	Unimpaired
		251237ZD8	Class 1A-258	\$4,795,000.00	Unimpaired
		251237ZF3	Class 1A-259	\$5,440,000.00	Unimpaired

⁴ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

EXHIBIT I.A.117

**SCHEDULE OF DWSD REVOLVING SEWER BONDS
DOCUMENTS & RELATED DWSD REVOLVING SEWER BONDS**

SCHEDULE OF (I) DWSD REVOLVING SEWER BOND DOCUMENTS, (II) RELATED DWSD REVOLVING SEWER BONDS, (III) CLASSES OF DWSD REVOLVING SEWER BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD REVOLVING SEWER BOND CLAIMS

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Ordinance No. 18-01 adopted October 18, 2001 (" <u>Sewage Bond Ordinance</u> ") ¹ Trust Indenture dated as of June 1, 2012 among the City of Detroit (" <u>City</u> "), Detroit Water and Sewage Department and U.S. Bank National Association, as trustee (" <u>Sewage Indenture</u> ") Bond Authorizing Resolution adopted September 9, 1992 Supplemental Agreement dated September 24, 1992, among City, Michigan Bond Authority (" <u>Authority</u> ") and the State of Michigan acting through the Department of Natural Resources	Series 1992-B-SRF	Class 1B-1	\$115,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted September 30, 1993 Supplemental Agreement regarding \$6,603,996 Sewage Disposal System Revenue Bond Series 1993-B -SRF, among the City, Authority and DEQ	Series 1993-B-SRF	Class 1B-2	\$775,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 30, 1997 Supplemental Agreement dated September 30, 1997, among City, the Authority and the State of Michigan acting through the Department of Environmental Quality (" <u>DEQ</u> ")	Series 1997-B-SRF	Class 1B-3	\$1,870,000.00

¹ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 12, 1999 Supplemental Agreement regarding \$21,475,000 City Sewage Disposal System Revenue Bond, Series 1999-SRF1, dated June 24, 1999, among City, Authority and DEQ	Series 1999-SRF-1	Class 1B-4	\$8,750,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted August 4, 1999 (" <u>1999 SRF Resolution</u> ") Supplemental Agreement regarding \$46,000,000 SRF-2, \$31,030,000 SRF-3, \$40,655,000 SRF-4 dated September 30, 1999 (" <u>1999 SRF Supplemental Agreement</u> "), among City, Authority and DEQ	Series 1999-SRF-2	Class 1B-5	\$25,860,000.00
Sewage Bond Ordinance Sewage Indenture 1999 SRF Resolution 1999 SRF Supplemental Agreement	Series 1999-SRF-3	Class 1B-6	\$14,295,000.00
Sewage Bond Ordinance Sewage Indenture 1999 SRF Resolution 1999 SRF Supplemental Agreement	Series 1999-SRF-4	Class 1B-7	\$18,725,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted February 9, 2000 Supplemental Agreement regarding Sewage Disposal System Revenue Bond (SRF Junior Lien), Series 2000-SRF1, dated March 30, 2000, among City, Authority and DEQ	Series 2000-SRF-1	Class 1B-8	\$21,947,995.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 19, 2000 Supplemental Agreement regarding Sewage Disposal System Revenue Bond (SRF Junior Lien) Series 2000-SRF2 dated September 28, 2000, among City, Authority and DEQ	Series 2000-SRF-2	Class 1B-9	\$36,051,066.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted March 7, 2001 Supplemental Agreement regarding City of Detroit Sewage Disposal System Revenue Bonds (SRF Junior Lien), Series 2001-SRF-1, dated June 28, 2001 among City, Authority and DEQ	Series 2001-SRF-1	Class 1B-10	\$54,145,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 21, 2001 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2001-SRF2, dated December 20, 2001 among City, Authority and DEQ	Series 2001-SRF-2	Class 1B-11	\$39,430,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted June 5, 2002 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF1, dated June 27, 2002 among City, Authority and DEQ	Series 2002-SRF-1	Class 1B-12	\$10,660,000.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted June 5, 2002 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF2, dated June 27, 2002 among City, Authority and DEQ	Series 2002-SRF-2	Class 1B-13	\$865,369.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 13, 2002 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF3, dated December 19, 2002 among City, Authority and DEQ	Series 2002-SRF-3	Class 1B-14	\$19,189,466.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 14, 2003 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2003-SRF1, dated June 26, 2003 among City, Authority and DEQ	Series 2003-SRF-1	Class 1B-15	\$34,215,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 9, 2003 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2003-SRF2, dated September 25, 2003 among City, Authority and DEQ	Series 2003-SRF-2	Class 1B-16	\$16,390,370.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted April 21, 2004 (" <u>2004 SRF Resolution</u> ") Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF1, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-1	Class 1B-17	\$1,890,000.00
Sewage Bond Ordinance Sewage Indenture 2004 SRF Resolution Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF2, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-2	Class 1B-18	\$11,888,459.00
Sewage Bond Ordinance Sewage Indenture 2004 SRF Resolution Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF3, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-3	Class 1B-19	\$8,232,575.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 16, 2007 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2007-SRF1, dated September 20, 2007 among City, Authority and DEQ	Series 2007-SRF-1	Class 1B-20	\$140,109,096.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 5, 2008 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2009-SRF1, dated April 17, 2009 among City, Authority and DEQ	Series 2009-SRF-1	Class 1B-21	\$9,806,301.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted September 29, 2009 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2010-SRF1, dated January 22, 2010 among City, Authority and DEQ	Series 2010-SRF-1	Class 1B-22	\$3,358,917.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted December 13, 2011 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2012-SRF1, dated August 30, 2012 among City, Authority and DEQ	Series 2012-SRF	Class 1B-23	\$4,302,413.00

EXHIBIT I.A.120

SCHEDULE OF DWSD REVOLVING WATER BOND
DOCUMENTS & RELATED DWSD REVOLVING WATER BONDS

SCHEDULE OF (I) DWSD REVOLVING WATER BOND DOCUMENTS, (II) RELATED DWSD REVOLVING WATER BONDS, (III) CLASSES OF DWSD REVOLVING WATER BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD REVOLVING WATER BOND CLAIMS

DWSD Revolving Water Bonds Documents	Series of DWSD Revolving Water Bonds	Class	Allowed Amount of DWSD Revolving Water Bonds Claims in Class
Ordinance No. 01-05 adopted January 26, 2005 (" <u>Water Bond Ordinance</u> ") ¹ Trust Indenture dated as of February 1, 2013 among the City of Detroit (" <u>City</u> "), Detroit Water and Sewerage Department and U.S. Bank National Association, as trustee (" <u>Water Indenture</u> ") Bond Authorizing Resolution adopted April 29, 2005 (" <u>2005 SRF Resolution</u> ") Supplemental Agreement dated as of September 22, 2005 among City, Michigan Municipal Bond Authority (" <u>Authority</u> ") and Michigan Department of Environmental Quality (" <u>DEQ</u> ")	Series 2005-SRF-1	Class 1C-1	\$9,960,164.00
Water Bond Ordinance Water Indenture 2005 SRF Resolution Supplemental Agreement regarding the Water Supply System SRF Junior Lien Revenue Bond, Series 2005-SRF2, dated September 22, 2005 among City, Authority and DEQ	Series 2005-SRF-2	Class 1C-2	\$6,241,730.00
Water Bond Ordinance Water Indenture Bond Authorizing Resolution adopted February 15, 2006 Supplemental Agreement regarding the Water Supply System SRF Junior Lien Revenue Bond, Series 2006-SRF1, dated September 21, 2006 among City, Authority and DEQ	Series 2006-SRF-1	Class 1C-3	\$3,715,926.00

¹ Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Revolving Water Bonds Documents	Series of DWSD Revolving Water Bonds	Class	Allowed Amount of DWSD Revolving Water Bonds Claims in Class
Water Bond Ordinance Water Indenture Bond Authorizing Resolution and Bond Ordinance, adopted July 15, 2008 Supplemental Agreement regarding Water Supply System SRF Junior Lien Revenue Bonds, Series 2008-SRF1, dated September 29, 2008 among City, Authority and DEQ	Series 2008-SRF-1	Class 1C-4	\$1,535,941.00

EXHIBIT I.A.159

SCHEDULE OF HUD INSTALLMENT NOTE
DOCUMENTS & RELATED HUD INSTALLMENT NOTES

HUD Installment Note Documents (Identified by note number. Ancillary instruments and agreements related thereto are not separately identified)	HUD Installment Notes	Estimated Allowed Amount as of Petition Date (The estimated allowed amount is the sum of all advances and conversion date advances under the HUD Installment Notes identified in this schedule, less principal amounts paid through the Petition Date, plus interest due on principal amounts outstanding. The Estimated Aggregate HUD Installment Note Amount is the sum of the estimated allowed amount for all the HUD Installment Notes identified in this schedule)
City Note No. B-94-MC-26-0006-A	Garfield Project Note [*]	\$764,442
City Note No. B-94-MC-26-0006-D	Stuberstone Project Note [*]	\$122,346
City Note No. B-97-MC-26-0006	Ferry Street Project Note [*]	\$1,928,285
City Note No. B-98-MC-26-0006-A	New Amsterdam Project Note [*]	\$8,345,728
City Note No. B-98-MC-26-0006-B	Vernor Lawndale Project Note [*]	\$1,844,974
City Note No. B-02-MC-26-0006	Mexicantown Welcome Center Project Note [*]	\$3,689,487
City Note No. B-03-MC-26-0006	Garfield II Note 1 [*]	\$6,570,458
City Note No. B-03-MC-26-0006	Garfield II Note 2 [*]	\$2,111,028
City Note No. B-03-MC-26-0006	Garfield II Note 3 [°]	\$6,717,760
City Note No. B-03-MC-26-0006	Garfield II Note 4 [°]	\$1,602,954
City Note No. B-05-MC-26-0006	Woodward Garden Project 1 Note [*]	\$7,202,570
City Note No. B-05-MC-26-0006	Woodward Garden Project 2 Note	\$6,315,019
City Note No. B-05-MC-26-0006	Woodward Garden Project 3 Note [°]	\$5,770,733
City Note No. B-05-MC-26-0006-A	Book Cadillac Project Note [*]	\$7,486,218

^{*} HUD Installment Note has a fixed interest rate. Estimated allowed amount represents the aggregate of outstanding principal and fixed interest payments set forth in the amortization schedule for the HUD Installment Note.

[°] HUD Installment Note has a variable interest rate. Estimated allowed amount represents the aggregate of outstanding principal and an estimate of the variable interest payments at the rate set forth in the HUD Installment Note.

City Note No. B-05-MC-26-0006-A	Book Cadillac Project Note II*	\$10,938,812
City Note No. B-05-MC-26-0006-B	Fort Shelby Project Note*	\$18,664,190

EXHIBIT I.A.168

INTEREST RATE RESET CHART

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer Bonds								
Sewer1998A	251237S87	Senior	NPFG	7/1/2014	3,110,000	5.50%	N/A	Unimpaired
Sewer1998A	251237S95	Senior	NPFG	7/1/2015	3,225,000	5.50%	N/A	Unimpaired
Sewer1998A	251237T29	Senior	NPFG	7/1/2016	3,540,000	5.50%	N/A	0.87%
Sewer1998A	251237T37	Senior	NPFG	7/1/2017	3,660,000	5.50%	N/A	1.20%
Sewer1998A	251237T45	Senior	NPFG	7/1/2018	3,885,000	5.25%	7/1/2017	1.54%
Sewer1998A	251237T52	Senior	NPFG	7/1/2019	4,095,000	5.25%	7/1/2017	1.93%
Sewer1998A	251237T60	Senior	NPFG	7/1/2020	7,415,000	5.25%	7/1/2017	2.37%
Sewer1998A	251237T78	Senior	NPFG	7/1/2021	7,745,000	5.25%	7/1/2017	2.81%
Sewer1998A	251237T86	Senior	NPFG	7/1/2022	12,585,000	5.25%	7/1/2017	3.17%
Sewer1998A	251237T94	Senior	NPFG	7/1/2023	13,350,000	5.25%	7/1/2017	3.47%
					62,610,000			
Sewer1998B	251237U92	Senior	NPFG	7/1/2014	3,125,000	5.50%	N/A	Unimpaired
Sewer1998B	251237V26	Senior	NPFG	7/1/2015	3,240,000	5.50%	N/A	Unimpaired
Sewer1998B	251237V34	Senior	NPFG	7/1/2016	3,455,000	5.50%	N/A	0.87%
Sewer1998B	251237V42	Senior	NPFG	7/1/2017	3,575,000	5.50%	N/A	1.20%
Sewer1998B	251237V59	Senior	NPFG	7/1/2018	3,895,000	5.25%	7/1/2017	1.54%
Sewer1998B	251237V67	Senior	NPFG	7/1/2019	4,015,000	5.25%	7/1/2017	1.93%
Sewer1998B	251237V75	Senior	NPFG	7/1/2020	7,330,000	5.25%	7/1/2017	2.37%
Sewer1998B	251237V83	Senior	NPFG	7/1/2021	7,665,000	5.25%	7/1/2017	2.81%
Sewer1998B	251237V91	Senior	NPFG	7/1/2022	12,600,000	5.25%	7/1/2017	3.17%
Sewer1998B	251237W25	Senior	NPFG	7/1/2023	13,265,000	5.25%	7/1/2017	3.47%
					62,165,000			
Sewer2001C1 (Ins)	251237G3	Senior	Assured Guaranty	7/1/2014	575,000	5.25%	N/A	Unimpaired
Sewer2001C1 (Ins)	251237H1	Senior	Assured Guaranty	7/1/2015	600,000	5.25%	N/A	Unimpaired
Sewer2001C1 (Ins)	251237J7	Senior	Assured Guaranty	7/1/2016	625,000	5.25%	N/A	0.87%
Sewer2001C1 (Ins)	251237K4	Senior	Assured Guaranty	7/1/2017	655,000	5.25%	N/A	1.20%
Sewer2001C1 (Ins)	251237L2	Senior	Assured Guaranty	7/1/2018	690,000	5.25%	N/A	1.54%
Sewer2001C1 (Ins)	251237M0	Senior	Assured Guaranty	7/1/2019	720,000	5.25%	N/A	1.93%
Sewer2001C1 (Ins)	251237P3	Senior	Assured Guaranty	7/1/2027	110,510,000	7.00%	7/1/2019	4.05%
					114,375,000			
Sewer2001C1 (Unins)	251237N8	Senior	N/A	7/1/2024	38,000,000	6.50%	7/1/2019	3.44%
					38,000,000			
Sewer2001C2	2512374G5	Senior	NPFG / BHAC	7/1/2014	310,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374H3	Senior	NPFG / BHAC	7/1/2015	325,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374J9	Senior	NPFG / BHAC	7/1/2016	345,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374K6	Senior	NPFG / BHAC	7/1/2017	365,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374L4	Senior	NPFG / BHAC	7/1/2018	380,000	4.00%	N/A	Unimpaired
Sewer2001C2	2512374M2	Senior	NPFG / BHAC	7/1/2019	400,000	4.00%	7/1/2018	Unimpaired
Sewer2001C2	2512374N0	Senior	NPFG / BHAC	7/1/2027	4,090,000	4.50%	7/1/2018	Unimpaired
Sewer2001C2	2512374P5	Senior	NPFG / BHAC	7/1/2028	21,600,000	5.25%	7/1/2018	4.42%
Sewer2001C2	2512374Q3	Senior	NPFG / BHAC	7/1/2029	93,540,000	5.25%	7/1/2018	4.49%
					121,355,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer2003A (Call)	251237K77	Senior	Assured Guaranty	7/1/2014	3,225,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YM9	Senior	Assured Guaranty	7/1/2015	275,000	3.65%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237K85	Senior	Assured Guaranty	7/1/2015	3,325,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YQ0	Senior	Assured Guaranty	7/1/2016	190,000	3.70%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Q89	Senior	Assured Guaranty	7/1/2016	10,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YT4	Senior	Assured Guaranty	7/1/2017	250,000	3.80%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Q97	Senior	Assured Guaranty	7/1/2017	3,200,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YW7	Senior	Assured Guaranty	7/1/2018	535,000	4.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237R21	Senior	Assured Guaranty	7/1/2018	180,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237YZ0	Senior	Assured Guaranty	7/1/2019	300,000	4.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZB2	Senior	Assured Guaranty	7/1/2020	50,000	4.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZD8	Senior	Assured Guaranty	7/1/2021	4,795,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZE6	Senior	Assured Guaranty	7/1/2022	25,000	4.25%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZF3	Senior	Assured Guaranty	7/1/2022	5,440,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZG1	Senior	Assured Guaranty	7/1/2023	1,000,000	4.30%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZH9	Senior	Assured Guaranty	7/1/2023	7,935,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237ZJ5	Senior	Assured Guaranty	7/1/2024	18,215,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Y72	Senior	Assured Guaranty	7/1/2025	13,210,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Y80	Senior	Assured Guaranty	7/1/2026	9,005,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Y98	Senior	Assured Guaranty	7/1/2028	19,485,000	5.00%	7/1/2013	Unimpaired
Sewer2003A (Call)	251237Z22	Senior	Assured Guaranty	7/1/2032	38,290,000	5.00%	7/1/2013	Unimpaired
					128,940,000			
Sewer2003A (Not Call)	251237YK3	Senior	Assured Guaranty	7/1/2014	3,815,000	3.50%	N/A	Unimpaired
Sewer2003A (Not Call)	251237YN7	Senior	Assured Guaranty	7/1/2015	11,880,000	5.50%	N/A	Unimpaired
Sewer2003A (Not Call)	251237YR8	Senior	Assured Guaranty	7/1/2016	12,535,000	5.50%	N/A	0.87%
Sewer2003A (Not Call)	251237YU1	Senior	Assured Guaranty	7/1/2017	13,215,000	5.50%	N/A	1.20%
Sewer2003A (Not Call)	251237YX5	Senior	Assured Guaranty	7/1/2018	13,950,000	5.50%	N/A	1.54%
					55,395,000			
Sewer2003B	2512376Q1	Senior	Assured Guaranty	7/1/2033	150,000,000	7.50%	7/1/2019	4.84%
					150,000,000			
Sewer2004A	251237B69	Senior	Assured Guaranty	7/1/2014	7,310,000	5.00%	N/A	Unimpaired
Sewer2004A	251237B77	Senior	Assured Guaranty	7/1/2019	14,830,000	5.25%	N/A	1.93%
Sewer2004A	251237B85	Senior	Assured Guaranty	7/1/2020	15,605,000	5.25%	N/A	2.37%
Sewer2004A	251237B93	Senior	Assured Guaranty	7/1/2021	5,525,000	5.25%	N/A	2.81%
Sewer2004A	251237C27	Senior	Assured Guaranty	7/1/2022	5,545,000	5.25%	N/A	3.17%
Sewer2004A	251237C35	Senior	Assured Guaranty	7/1/2023	5,835,000	5.25%	N/A	3.47%
Sewer2004A	251237C43	Senior	Assured Guaranty	7/1/2024	6,145,000	5.25%	N/A	3.68%
					60,795,000			
Sewer2006C	251237P31	Senior	NPFG	7/1/2016	8,495,000	5.25%	N/A	0.87%
Sewer2006C	251237P49	Senior	NPFG	7/1/2017	8,915,000	5.00%	7/1/2016	1.20%
Sewer2006C	251237P56	Senior	NPFG	7/1/2018	9,150,000	5.00%	7/1/2016	1.54%
					26,560,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer2012A (Ins)	251250AC0	Senior	Assured Guaranty	7/1/2016	8,880,000	5.00%	N/A	0.87%
Sewer2012A (Ins)	251250AE6	Senior	Assured Guaranty	7/1/2018	9,750,000	5.00%	N/A	1.54%
Sewer2012A (Ins)	251250AS5	Senior	Assured Guaranty	7/1/2039	50,000,000	5.00%	7/1/2022	Unimpaired
					68,630,000			
Sewer2012A (Unins - 22 Call)	251250AA4	Senior	N/A	7/1/2014	5,820,000	5.00%	N/A	Unimpaired
Sewer2012A (Unins - 22 Call)	251250AB2	Senior	N/A	7/1/2015	6,005,000	5.00%	N/A	Unimpaired
Sewer2012A (Unins - 22 Call)	251250AD8	Senior	N/A	7/1/2017	6,430,000	5.00%	N/A	1.20%
Sewer2012A (Unins - 22 Call)	251250AF3	Senior	N/A	7/1/2019	19,930,000	5.00%	N/A	1.93%
Sewer2012A (Unins - 22 Call)	251250AG1	Senior	N/A	7/1/2020	13,925,000	5.00%	N/A	2.37%
Sewer2012A (Unins - 22 Call)	251250AH9	Senior	N/A	7/1/2021	9,845,000	5.00%	N/A	2.81%
Sewer2012A (Unins - 22 Call)	251250AJ5	Senior	N/A	7/1/2022	14,860,000	5.00%	N/A	3.17%
Sewer2012A (Unins - 22 Call)	251250AK2	Senior	N/A	7/1/2023	22,275,000	5.00%	7/1/2022	3.47%
Sewer2012A (Unins - 22 Call)	251250AN6	Senior	N/A	7/1/2026	13,170,000	5.25%	7/1/2022	4.08%
Sewer2012A (Unins - 22 Call)	251250AP1	Senior	N/A	7/1/2027	9,890,000	5.25%	7/1/2022	4.24%
Sewer2012A (Unins - 22 Call)	251250AQ9	Senior	N/A	7/1/2032	120,265,000	5.00%	7/1/2022	4.72%
Sewer2012A (Unins - 22 Call)	251250AR7	Senior	N/A	7/1/2039	292,865,000	5.25%	7/1/2022	Unimpaired
					535,280,000			
Sewer2012A (Unins - 17 Call)	251250AL0	Senior	N/A	7/1/2024	23,630,000	5.50%	7/1/2017	3.68%
Sewer2012A (Unins - 17 Call)	251250AM8	Senior	N/A	7/1/2025	32,240,000	5.50%	7/1/2017	3.88%
					55,870,000			
Sewer2001B	251237WV1	Second	NPFG	7/1/2029	110,550,000	5.50%	N/A	4.49%
					110,550,000			
Sewer2001E	2512374R1	Second	FGIC / BHAC	7/1/2031	136,150,000	5.75%	7/1/2018	5.01%
					136,150,000			
Sewer2005A	251237E41	Second	NPFG	7/1/2014	625,000	3.60%	N/A	Unimpaired
Sewer2005A	251237E58	Second	NPFG	7/1/2015	490,000	3.70%	N/A	Unimpaired
Sewer2005A	251237E66	Second	NPFG	7/1/2016	510,000	3.75%	7/1/2015	Unimpaired
Sewer2005A	251237E74	Second	NPFG	7/1/2017	545,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237E82	Second	NPFG	7/1/2018	555,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237E90	Second	NPFG	7/1/2019	830,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237F24	Second	NPFG	7/1/2020	860,000	4.00%	7/1/2015	Unimpaired
Sewer2005A	251237F32	Second	NPFG	7/1/2021	905,000	4.10%	7/1/2015	Unimpaired
Sewer2005A	251237F40	Second	NPFG	7/1/2022	925,000	4.13%	7/1/2015	Unimpaired
Sewer2005A	251237F57	Second	NPFG	7/1/2023	970,000	4.25%	7/1/2015	Unimpaired
Sewer2005A	251237F65	Second	NPFG	7/1/2024	490,000	4.25%	7/1/2015	Unimpaired
Sewer2005A	251237Z55	Second	NPFG	7/1/2028	19,415,000	5.00%	7/1/2015	Unimpaired
Sewer2005A	251237Z63	Second	NPFG	7/1/2033	24,820,000	5.13%	7/1/2015	Unimpaired
Sewer2005A	251237F99	Second	NPFG	7/1/2035	138,945,000	5.00%	7/1/2015	Unimpaired
Sewer2005A	251237G23	Second	NPFG	7/1/2035	47,000,000	4.50%	7/1/2015	Unimpaired
					237,885,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer2005B	251237G64	Second	NPFG	7/1/2014	7,775,000	5.00%	N/A	Unimpaired
Sewer2005B	251237G72	Second	NPFG	7/1/2015	8,010,000	5.00%	N/A	Unimpaired
Sewer2005B	251237G80	Second	NPFG	7/1/2021	10,420,000	5.50%	N/A	3.12%
Sewer2005B	251237G98	Second	NPFG	7/1/2022	10,990,000	5.50%	N/A	3.48%
					37,195,000			
Sewer2005C	251237J20	Second	NPFG	7/1/2014	4,140,000	5.00%	N/A	Unimpaired
Sewer2005C	251237J38	Second	NPFG	7/1/2015	4,345,000	5.00%	N/A	Unimpaired
Sewer2005C	251237J46	Second	NPFG	7/1/2016	4,570,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J53	Second	NPFG	7/1/2017	4,795,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J61	Second	NPFG	7/1/2018	5,030,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J79	Second	NPFG	7/1/2019	5,280,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J87	Second	NPFG	7/1/2020	7,355,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237J95	Second	NPFG	7/1/2021	7,720,000	5.00%	7/1/2015	Unimpaired
Sewer2005C	251237K28	Second	NPFG	7/1/2025	6,345,000	5.00%	7/1/2015	Unimpaired
					49,580,000			
Sewer2006A	2512373Z4	Second	NPFG / BHAC	7/1/2036	123,655,000	5.50%	7/1/2018	Unimpaired
					123,655,000			
Sewer2006B	251237M83	Second	NPFG	7/1/2014	1,835,000	5.00%	N/A	Unimpaired
Sewer2006B	251237M91	Second	NPFG	7/1/2015	1,825,000	5.00%	N/A	Unimpaired
Sewer2006B	251237N25	Second	NPFG	7/1/2016	1,430,000	5.00%	N/A	1.13%
Sewer2006B	251237N33	Second	NPFG	7/1/2017	1,505,000	5.00%	7/1/2016	1.47%
Sewer2006B	251237N41	Second	NPFG	7/1/2018	1,590,000	5.00%	7/1/2016	1.82%
Sewer2006B	251237N58	Second	NPFG	7/1/2022	7,515,000	4.50%	7/1/2016	Unimpaired
Sewer2006B	251237N66	Second	NPFG	7/1/2025	6,540,000	4.25%	7/1/2016	Unimpaired
Sewer2006B	251237N74	Second	NPFG	7/1/2033	24,400,000	5.00%	7/1/2016	Unimpaired
Sewer2006B	251237N82	Second	NPFG	7/1/2034	40,000,000	4.63%	7/1/2016	Unimpaired
Sewer2006B	251237N90	Second	NPFG	7/1/2036	156,600,000	5.00%	7/1/2016	Unimpaired
					243,240,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Sewer Capital Appreciation and Variable Bonds								
Sewer1999A ⁽¹⁾	251237VM2	Senior	NPFG	7/1/2014	8,395,000	N/A	N/A	Unimpaired
Sewer1999A ⁽¹⁾	251237VN0	Senior	NPFG	7/1/2015	8,228,111	6.04%	N/A	Unimpaired
Sewer1999A ⁽¹⁾	251237VP5	Senior	NPFG	7/1/2016	8,174,016	6.09%	N/A	0.87%
Sewer1999A ⁽¹⁾	251237VQ3	Senior	NPFG	7/1/2017	7,597,422	6.14%	N/A	1.20%
Sewer1999A ⁽¹⁾	251237VR1	Senior	NPFG	7/1/2018	7,155,785	6.19%	N/A	1.54%
Sewer1999A ⁽¹⁾	251237VS9	Senior	NPFG	7/1/2019	6,762,707	6.24%	N/A	1.93%
Sewer1999A ⁽¹⁾	251237VT7	Senior	NPFG	7/1/2020	6,048,715	6.29%	N/A	2.37%
Sewer1999A ⁽¹⁾	251237VU4	Senior	NPFG	7/1/2021	6,628,298	6.31%	N/A	2.81%
					58,990,054			
Sewer2006D ⁽²⁾	251237W66	Senior	Assured Guaranty	7/1/2032	288,780,000	0.77%	7/1/2011	Unimpaired
					288,780,000			
Sewer2001D ⁽³⁾	251237WY5	Second	NPFG	7/1/2032	21,300,000	0.28%	7/1/2012	Unimpaired
					21,300,000			

Notes

(1) Sewer 1999A capital appreciation bonds amount outstanding as of 7/1/2014. Effective interest rate calculated.

(2) Variable interest rate: 67% of Three Month LIBOR plus 0.60%. New bonds will retain existing rate. Current coupon approximated to be 0.749%.

(3) Variable interest rate calculated per Auction Rate. New bonds will retain existing rate. Current coupon approximated to be 0.28%.

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water Bonds								
Water1993	251255TP0	Senior	NPFG	7/1/2015	24,725,000	6.50%	N/A	Unimpaired
					24,725,000			
Water1997A	251255XM2	Senior	NPFG	7/1/2014	6,520,000	6.00%	N/A	Unimpaired
Water1997A	251255XN0	Senior	NPFG	7/1/2015	6,910,000	6.00%	N/A	Unimpaired
					13,430,000			
Water2001A	251255A21	Senior	NPFG	7/1/2030	73,790,000	5.00%	7/1/2011	Unimpaired
					73,790,000			
Water2003A	251255D77	Senior	NPFG	7/1/2019	500,000	4.50%	7/1/2013	Unimpaired
Water2003A	251255D93	Senior	NPFG	7/1/2021	250,000	4.70%	7/1/2013	Unimpaired
Water2003A	251255E27	Senior	NPFG	7/1/2022	3,550,000	4.75%	7/1/2013	Unimpaired
Water2003A	251255F8	Senior	NPFG	7/1/2025	9,970,000	5.00%	7/1/2013	Unimpaired
Water2003A	251255K20	Senior	NPFG	7/1/2026	20,955,000	5.00%	7/1/2013	Unimpaired
Water2003A	251255K38	Senior	NPFG	7/1/2027	21,900,000	5.00%	7/1/2013	Unimpaired
Water2003A	251255E68	Senior	NPFG	7/1/2034	121,660,000	5.00%	7/1/2013	Unimpaired
					178,785,000			
Water2003C (Fix)	251255J22	Senior	NPFG	7/1/2015	2,120,000	4.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J30	Senior	NPFG	7/1/2016	2,620,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J48	Senior	NPFG	7/1/2017	2,655,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J55	Senior	NPFG	7/1/2018	2,930,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J63	Senior	NPFG	7/1/2019	2,790,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J71	Senior	NPFG	7/1/2020	2,965,000	5.25%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J89	Senior	NPFG	7/1/2021	4,580,000	5.00%	7/1/2013	Unimpaired
Water2003C (Fix)	251255J97	Senior	NPFG	7/1/2022	4,665,000	5.00%	7/1/2013	Unimpaired
					25,325,000			
Water2003D	2512552T1	Senior	NPFG	7/1/2014	325,000	4.00%	N/A	Unimpaired
Water2003D	2512552U8	Senior	NPFG	7/1/2015	335,000	4.10%	N/A	Unimpaired
Water2003D	2512552V6	Senior	NPFG	7/1/2016	350,000	4.20%	N/A	Unimpaired
Water2003D	2512552W4	Senior	NPFG	7/1/2017	360,000	4.25%	7/1/2016	Unimpaired
Water2003D	2512552X2	Senior	NPFG	7/1/2018	370,000	4.25%	7/1/2016	Unimpaired
Water2003D	2512552Y0	Senior	NPFG	7/1/2024	2,585,000	5.00%	7/1/2016	2.95%
Water2003D	2512552Z7	Senior	NPFG	7/1/2027	29,410,000	5.00%	7/1/2016	4.07%
Water2003D	2512553A1	Senior	NPFG	7/1/2028	23,920,000	5.00%	7/1/2016	4.42%
Water2003D	2512553B9	Senior	NPFG	7/1/2033	82,930,000	5.00%	7/1/2016	Unimpaired
					140,585,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2004B	2512554A0	Senior	NPFG	7/1/2014	85,000	4.00%	N/A	Unimpaired
Water2004B	2512554B8	Senior	NPFG	7/1/2015	90,000	4.00%	N/A	Unimpaired
Water2004B	2512554C6	Senior	NPFG	7/1/2016	10,000,000	5.00%	N/A	0.87%
Water2004B	2512554D4	Senior	NPFG	7/1/2016	3,545,000	4.25%	N/A	Unimpaired
Water2004B	2512554E2	Senior	NPFG	7/1/2017	13,925,000	5.00%	7/1/2016	1.20%
Water2004B	2512554F9	Senior	NPFG	7/1/2017	350,000	4.25%	7/1/2016	Unimpaired
Water2004B	2512554G7	Senior	NPFG	7/1/2018	14,940,000	5.00%	7/1/2016	1.54%
Water2004B	2512554H5	Senior	NPFG	7/1/2019	15,810,000	5.00%	7/1/2016	1.93%
Water2004B	2512554J1	Senior	NPFG	7/1/2020	16,665,000	5.00%	7/1/2016	2.37%
Water2004B	2512554K8	Senior	NPFG	7/1/2021	16,085,000	5.00%	7/1/2016	2.81%
Water2004B	2512554L6	Senior	NPFG	7/1/2022	16,935,000	5.00%	7/1/2016	3.17%
Water2004B	2512554M4	Senior	NPFG	7/1/2023	6,280,000	5.00%	7/1/2016	3.47%
					114,710,000			
Water2005A	251255M85	Senior	NPFG	7/1/2014	50,000	3.75%	N/A	Unimpaired
Water2005A	251255Q81	Senior	NPFG	7/1/2014	2,070,000	5.00%	N/A	Unimpaired
Water2005A	251255M93	Senior	NPFG	7/1/2015	85,000	3.85%	N/A	Unimpaired
Water2005A	251255Q99	Senior	NPFG	7/1/2015	2,145,000	5.00%	N/A	Unimpaired
Water2005A	251255N27	Senior	NPFG	7/1/2016	95,000	3.90%	7/1/2015	Unimpaired
Water2005A	251255R23	Senior	NPFG	7/1/2016	2,265,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N35	Senior	NPFG	7/1/2017	125,000	4.00%	7/1/2015	Unimpaired
Water2005A	251255R31	Senior	NPFG	7/1/2017	2,370,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N43	Senior	NPFG	7/1/2018	20,000	4.00%	7/1/2015	Unimpaired
Water2005A	251255R49	Senior	NPFG	7/1/2018	2,615,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N50	Senior	NPFG	7/1/2019	2,790,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N68	Senior	NPFG	7/1/2020	2,955,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N76	Senior	NPFG	7/1/2021	3,030,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N84	Senior	NPFG	7/1/2022	3,225,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255N92	Senior	NPFG	7/1/2023	3,430,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P25	Senior	NPFG	7/1/2024	3,650,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P33	Senior	NPFG	7/1/2025	3,790,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P41	Senior	NPFG	7/1/2026	4,080,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P58	Senior	NPFG	7/1/2027	4,290,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P66	Senior	NPFG	7/1/2028	4,615,000	5.00%	7/1/2015	Unimpaired
Water2005A	251255P74	Senior	NPFG	7/1/2029	4,890,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255P82	Senior	NPFG	7/1/2030	5,145,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255P90	Senior	NPFG	7/1/2031	5,415,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255Q24	Senior	NPFG	7/1/2032	5,715,000	4.50%	7/1/2015	Unimpaired
Water2005A	251255Q32	Senior	NPFG	7/1/2035	19,525,000	4.50%	7/1/2015	Unimpaired
					88,385,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2005B	2512557R0	Senior	FGIC / BHAC	7/1/2014	2,125,000	5.00%	N/A	Unimpaired
Water2005B	2512557S8	Senior	FGIC / BHAC	7/1/2015	2,225,000	4.00%	N/A	Unimpaired
Water2005B	2512557T6	Senior	FGIC / BHAC	7/1/2016	2,305,000	4.00%	N/A	Unimpaired
Water2005B	2512557U3	Senior	FGIC / BHAC	7/1/2017	2,385,000	4.00%	N/A	Unimpaired
Water2005B	2512557V1	Senior	FGIC / BHAC	7/1/2018	2,465,000	5.50%	N/A	1.54%
Water2005B	2512557W9	Senior	FGIC / BHAC	7/1/2019	2,575,000	5.50%	7/1/2018	1.93%
Water2005B	2512557X7	Senior	FGIC / BHAC	7/1/2020	2,690,000	5.50%	7/1/2018	2.37%
Water2005B	2512557Y5	Senior	FGIC / BHAC	7/1/2021	2,905,000	5.50%	7/1/2018	2.81%
Water2005B	2512557Z2	Senior	FGIC / BHAC	7/1/2022	3,025,000	5.50%	7/1/2018	3.17%
Water2005B	2512558A6	Senior	FGIC / BHAC	7/1/2023	3,145,000	5.50%	7/1/2018	3.47%
Water2005B	2512558B4	Senior	FGIC / BHAC	7/1/2024	3,270,000	5.50%	7/1/2018	3.68%
Water2005B	2512558C2	Senior	FGIC / BHAC	7/1/2025	3,490,000	5.50%	7/1/2018	3.88%
Water2005B	2512558D0	Senior	FGIC / BHAC	7/1/2026	3,620,000	5.50%	7/1/2018	4.08%
Water2005B	2512558E8	Senior	FGIC / BHAC	7/1/2027	3,850,000	5.50%	7/1/2018	4.24%
Water2005B	2512558F5	Senior	FGIC / BHAC	7/1/2028	3,980,000	5.50%	7/1/2018	4.42%
Water2005B	2512558G3	Senior	FGIC / BHAC	7/1/2034	28,415,000	4.75%	7/1/2018	Unimpaired
Water2005B	2512558H1	Senior	FGIC / BHAC	7/1/2035	57,365,000	5.50%	7/1/2018	4.93%
Water2005B	2512558J7	Senior	FGIC / BHAC	7/1/2035	57,500,000	5.25%	7/1/2018	Unimpaired
					187,335,000			
Water2005C	251255S63	Senior	NPFG	7/1/2014	9,270,000	5.00%	N/A	Unimpaired
Water2005C	251255S71	Senior	NPFG	7/1/2015	9,735,000	5.00%	N/A	Unimpaired
Water2005C	251255S89	Senior	NPFG	7/1/2016	17,545,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255S97	Senior	NPFG	7/1/2017	18,425,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T21	Senior	NPFG	7/1/2018	18,700,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T39	Senior	NPFG	7/1/2019	8,245,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T47	Senior	NPFG	7/1/2020	8,655,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T54	Senior	NPFG	7/1/2021	9,090,000	5.00%	7/1/2015	Unimpaired
Water2005C	251255T62	Senior	NPFG	7/1/2022	9,540,000	5.00%	7/1/2015	Unimpaired
					109,205,000			
Water2006A	251255V36	Senior	Assured Guaranty	7/1/2014	7,285,000	5.00%	N/A	Unimpaired
Water2006A	251255V44	Senior	Assured Guaranty	7/1/2015	7,650,000	5.00%	N/A	Unimpaired
Water2006A	251255V51	Senior	Assured Guaranty	7/1/2016	8,030,000	5.00%	N/A	0.87%
Water2006A	251255V69	Senior	Assured Guaranty	7/1/2017	8,430,000	5.00%	7/1/2016	1.20%
Water2006A	251255V77	Senior	Assured Guaranty	7/1/2018	8,855,000	5.00%	7/1/2016	1.54%
Water2006A	251255V85	Senior	Assured Guaranty	7/1/2019	9,295,000	5.00%	7/1/2016	1.93%
Water2006A	251255V93	Senior	Assured Guaranty	7/1/2020	9,760,000	5.00%	7/1/2016	2.37%
Water2006A	251255W27	Senior	Assured Guaranty	7/1/2021	10,250,000	5.00%	7/1/2016	2.81%
Water2006A	251255W35	Senior	Assured Guaranty	7/1/2022	10,760,000	5.00%	7/1/2016	3.17%
Water2006A	251255W43	Senior	Assured Guaranty	7/1/2023	11,300,000	5.00%	7/1/2016	3.47%
Water2006A	251255W50	Senior	Assured Guaranty	7/1/2024	11,865,000	5.00%	7/1/2016	3.68%
Water2006A	251255W68	Senior	Assured Guaranty	7/1/2025	12,460,000	5.00%	7/1/2016	3.88%
Water2006A	251255W76	Senior	Assured Guaranty	7/1/2026	13,080,000	5.00%	7/1/2016	4.08%
Water2006A	251255W84	Senior	Assured Guaranty	7/1/2034	131,150,000	5.00%	7/1/2016	Unimpaired
					260,170,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final	Total	Coupon	Call	New Interest
				Maturity	Principal		Date	Rate
Water2006D	251255Z81	Senior	Assured Guaranty	7/1/2014	15,000	4.00%	N/A	Unimpaired
Water2006D	251255Z99	Senior	Assured Guaranty	7/1/2015	15,000	4.10%	N/A	Unimpaired
Water2006D	2512552A2	Senior	Assured Guaranty	7/1/2016	15,000	4.20%	N/A	Unimpaired
Water2006D	2512552B0	Senior	Assured Guaranty	7/1/2017	20,000	4.25%	7/1/2016	Unimpaired
Water2006D	2512552C8	Senior	Assured Guaranty	7/1/2018	20,000	4.30%	7/1/2016	Unimpaired
Water2006D	2512552D6	Senior	Assured Guaranty	7/1/2019	2,650,000	5.00%	7/1/2016	1.93%
Water2006D	2512552E4	Senior	Assured Guaranty	7/1/2020	3,200,000	5.00%	7/1/2016	2.37%
Water2006D	2512552F1	Senior	Assured Guaranty	7/1/2023	20,135,000	5.00%	7/1/2016	3.47%
Water2006D	2512552G9	Senior	Assured Guaranty	7/1/2024	27,425,000	5.00%	7/1/2016	3.68%
Water2006D	2512552H7	Senior	Assured Guaranty	7/1/2025	9,955,000	5.00%	7/1/2016	3.88%
Water2006D	2512552J3	Senior	Assured Guaranty	7/1/2032	21,105,000	4.63%	7/1/2016	Unimpaired
Water2006D	2512552K0	Senior	Assured Guaranty	7/1/2032	57,650,000	5.00%	7/1/2016	Unimpaired
					142,205,000			
Water2011A	251256BA0	Senior	N/A	7/1/2014	3,410,000	5.00%	N/A	Unimpaired
Water2011A	251256BB8	Senior	N/A	7/1/2015	3,550,000	5.00%	N/A	Unimpaired
Water2011A	251256BC6	Senior	N/A	7/1/2016	3,695,000	5.00%	N/A	0.87%
Water2011A	251256BD4	Senior	N/A	7/1/2017	3,845,000	5.00%	N/A	1.20%
Water2011A	251256BE2	Senior	N/A	7/1/2018	4,000,000	5.00%	N/A	1.54%
Water2011A	251256BF9	Senior	N/A	7/1/2019	3,160,000	5.00%	N/A	1.93%
Water2011A	251256BG7	Senior	N/A	7/1/2020	3,225,000	5.00%	N/A	2.37%
Water2011A	251256BH5	Senior	N/A	7/1/2021	4,215,000	5.00%	N/A	2.81%
Water2011A	251256BJ1	Senior	N/A	7/1/2022	4,195,000	5.25%	7/1/2021	3.17%
Water2011A	251256BK8	Senior	N/A	7/1/2023	4,170,000	5.25%	7/1/2021	3.47%
Water2011A	251256BL6	Senior	N/A	7/1/2024	4,140,000	5.25%	7/1/2021	3.68%
Water2011A	251256BM4	Senior	N/A	7/1/2025	4,085,000	5.25%	7/1/2021	3.88%
Water2011A	251256BN2	Senior	N/A	7/1/2026	4,020,000	5.25%	7/1/2021	4.08%
Water2011A	251256BP7	Senior	N/A	7/1/2027	3,930,000	5.25%	7/1/2021	4.24%
Water2011A	251256BQ5	Senior	N/A	7/1/2031	14,665,000	5.00%	7/1/2021	4.56%
Water2011A	251256BR3	Senior	N/A	7/1/2036	28,890,000	5.00%	7/1/2021	Unimpaired
Water2011A	251256BT9	Senior	N/A	7/1/2037	49,315,000	5.75%	7/1/2021	5.02%
Water2011A	251256BS1	Senior	N/A	7/1/2041	224,300,000	5.25%	7/1/2021	Unimpaired
					370,810,000			
Water2011B	251256AV5	Senior	N/A	7/1/2016	1,970,000	3.61%	N/A	Unimpaired
Water2011B	251256AW3	Senior	N/A	7/1/2021	3,760,000	5.00%	N/A	2.01%
Water2011B	251256AX1	Senior	N/A	7/1/2033	9,740,000	6.00%	7/1/2021	4.22%
					15,470,000			
Water2011C	251256BV4	Senior	N/A	7/1/2021	2,700,000	5.00%	N/A	2.81%
Water2011C	251256BW2	Senior	N/A	7/1/2023	9,965,000	5.25%	7/1/2021	3.47%
Water2011C	251256BX0	Senior	N/A	7/1/2024	10,490,000	5.25%	7/1/2021	3.68%
Water2011C	251256BY8	Senior	N/A	7/1/2025	11,035,000	5.25%	7/1/2021	3.88%
Water2011C	251256BZ5	Senior	N/A	7/1/2026	11,615,000	5.25%	7/1/2021	4.08%
Water2011C	251256CA9	Senior	N/A	7/1/2027	5,000,000	5.25%	7/1/2021	4.24%
Water2011C	251256CC5	Senior	N/A	7/1/2027	7,230,000	4.50%	7/1/2021	Unimpaired
Water2011C	251256CB7	Senior	N/A	7/1/2041	44,630,000	5.00%	7/1/2021	Unimpaired
					102,665,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2001C	2512556U4	Second	FGIC / BHAC	7/1/2014	350,000	3.50%	N/A	Unimpaired
Water2001C	2512556V2	Second	FGIC / BHAC	7/1/2015	365,000	4.25%	N/A	Unimpaired
Water2001C	2512556W0	Second	FGIC / BHAC	7/1/2016	380,000	4.25%	N/A	Unimpaired
Water2001C	2512556X8	Second	FGIC / BHAC	7/1/2017	390,000	4.25%	N/A	Unimpaired
Water2001C	2512556Y6	Second	FGIC / BHAC	7/1/2018	415,000	4.25%	N/A	Unimpaired
Water2001C	2512556Z3	Second	FGIC / BHAC	7/1/2019	12,510,000	5.75%	7/1/2018	2.21%
Water2001C	2512557A7	Second	FGIC / BHAC	7/1/2020	13,235,000	5.75%	7/1/2018	2.66%
Water2001C	2512557B5	Second	FGIC / BHAC	7/1/2021	14,025,000	5.75%	7/1/2018	3.12%
Water2001C	2512557C3	Second	FGIC / BHAC	7/1/2022	14,865,000	5.75%	7/1/2018	3.48%
Water2001C	2512557D1	Second	FGIC / BHAC	7/1/2023	15,750,000	5.75%	7/1/2018	3.79%
Water2001C	2512557E9	Second	FGIC / BHAC	7/1/2024	16,690,000	5.75%	7/1/2018	4.00%
Water2001C	2512557F6	Second	FGIC / BHAC	7/1/2025	17,690,000	5.75%	7/1/2018	4.22%
Water2001C	2512557G4	Second	FGIC / BHAC	7/1/2026	18,735,000	5.75%	7/1/2018	4.43%
Water2001C	2512557H2	Second	FGIC / BHAC	7/1/2027	19,945,000	5.75%	7/1/2018	4.59%
Water2001C	2512557J8	Second	FGIC / BHAC	7/1/2028	4,000,000	5.75%	7/1/2018	4.78%
Water2001C	2512557L3	Second	FGIC / BHAC	7/1/2029	20,090,000	4.50%	7/1/2018	Unimpaired
Water2001C	2512557K5	Second	FGIC / BHAC	7/1/2029	18,815,000	4.75%	7/1/2018	Unimpaired
					188,250,000			
Water2003B	2512555H4	Second	NPFG	7/1/2034	41,770,000	5.00%	7/1/2013	Unimpaired
					41,770,000			
Water2004A	2512553G8	Second	NPFG	7/1/2014	4,250,000	5.25%	N/A	Unimpaired
Water2004A	2512553H6	Second	NPFG	7/1/2015	4,475,000	5.25%	N/A	Unimpaired
Water2004A	2512553J2	Second	NPFG	7/1/2016	4,710,000	5.25%	N/A	1.13%
Water2004A	2512553K9	Second	NPFG	7/1/2017	4,955,000	5.25%	7/1/2016	1.47%
Water2004A	2512553L7	Second	NPFG	7/1/2018	5,215,000	5.25%	7/1/2016	1.82%
Water2004A	2512553M5	Second	NPFG	7/1/2019	5,490,000	5.25%	7/1/2016	2.21%
Water2004A	2512553N3	Second	NPFG	7/1/2020	5,780,000	5.25%	7/1/2016	2.66%
Water2004A	2512553P8	Second	NPFG	7/1/2021	6,085,000	5.25%	7/1/2016	3.12%
Water2004A	2512553Q6	Second	NPFG	7/1/2022	6,400,000	5.25%	7/1/2016	3.48%
Water2004A	2512553R4	Second	NPFG	7/1/2023	6,735,000	5.25%	7/1/2016	3.79%
Water2004A	2512553S2	Second	NPFG	7/1/2025	14,505,000	4.50%	7/1/2016	Unimpaired
					68,600,000			
Water2006B	251256AG8	Second	Assured Guaranty	7/1/2014	100,000	3.90%	N/A	Unimpaired
Water2006B	251256AH6	Second	Assured Guaranty	7/1/2015	100,000	4.00%	N/A	Unimpaired
Water2006B	251256AJ2	Second	Assured Guaranty	7/1/2016	100,000	4.25%	N/A	Unimpaired
Water2006B	251256AK9	Second	Assured Guaranty	7/1/2017	100,000	4.60%	N/A	Unimpaired
Water2006B	251256AL7	Second	Assured Guaranty	7/1/2018	100,000	4.80%	N/A	Unimpaired
Water2006B	251256AM5	Second	Assured Guaranty	7/1/2019	100,000	5.00%	N/A	2.21%
Water2006B	251256AN3	Second	Assured Guaranty	7/1/2023	400,000	5.50%	7/1/2019	3.26%
Water2006B	251256AP8	Second	Assured Guaranty	7/1/2036	56,600,000	7.00%	7/1/2019	5.40%
Water2006B	251256AQ6	Second	Assured Guaranty	7/1/2036	62,100,000	6.25%	7/1/2019	5.40%
					119,700,000			

DWSD Debt Analysis - Interest Rate Reset

Series Name	CUSIP	Lien	Insurer	Final Maturity	Total Principal	Coupon	Call Date	New Interest Rate
Water2006C	251255X83	Second	Assured Guaranty	7/1/2014	1,100,000	4.00%	N/A	Unimpaired
Water2006C	251255X91	Second	Assured Guaranty	7/1/2015	3,725,000	5.00%	N/A	Unimpaired
Water2006C	251255Y25	Second	Assured Guaranty	7/1/2016	3,795,000	5.00%	N/A	1.13%
Water2006C	251255Y33	Second	Assured Guaranty	7/1/2017	4,010,000	5.00%	7/1/2016	1.47%
Water2006C	251255Y41	Second	Assured Guaranty	7/1/2018	4,765,000	5.00%	7/1/2016	1.82%
Water2006C	251255Y58	Second	Assured Guaranty	7/1/2022	5,860,000	5.00%	7/1/2016	2.89%
Water2006C	251255Y66	Second	Assured Guaranty	7/1/2026	14,880,000	5.00%	7/1/2016	4.28%
Water2006C	251255Y74	Second	Assured Guaranty	7/1/2029	32,045,000	5.00%	7/1/2016	Unimpaired
Water2006C	251255Y82	Second	Assured Guaranty	7/1/2033	146,500,000	5.00%	7/1/2016	Unimpaired
					216,680,000			

Water Variable Bonds

Water2003C (Var) ⁽⁴⁾	251255H99	Senior	NPFG	7/1/2014	2,330,000	2.41%	7/1/2013	Unimpaired
---------------------------------	-----------	--------	------	----------	-----------	-------	----------	------------

Notes

(4) Variable interest rate based on MUNI - CPI Rate. New bonds will retain existing rate. Current coupon estimated at approximately 2.41%.

EXHIBIT I.A.173

SCHEDULE OF LIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED LIMITED TAX GENERAL OBLIGATION BONDS

**SCHEDULE OF LIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED LIMITED TAX GENERAL OBLIGATION BONDS**

Limited Tax General Obligation Bond Documents	Series of Limited Tax General Obligation Bonds	Balance as of Petition Date
Bond Authorizing Resolution adopted May 26, 2004 Finance Director's Order approving sale of General Obligation Self-Insurance Bonds (Limited Tax) Series 2004, dated August 27, 2004	Self Insurance - Series 2004	\$13,186,559
Bond Authorizing Resolution adopted May 6, 2005 (" <u>2005 LTGO Resolution</u> ") Finance Director's Order dated June 24, 2005 (" <u>2005 Sale Order</u> ")	Series 2005-A(1)	\$60,776,168
2005 LTGO Resolution 2005 Sale Order	Series 2005-A(2)	\$11,080,060
2005 LTGO Resolution 2005 Sale Order	Series 2005-B	\$9,003,535
Resolution of the City Council adopted November 17, 2006 (" <u>2006 LTGO Resolution</u> ") Finance Director's Order dated May 30, 2008 (" <u>2008 LTGO Sale Order</u> ")	Series 2008-A(1)	\$43,905,085
2006 LTGO Resolution 2008 LTGO Sale Order	Series 2008-A(2)	\$25,591,781

EXHIBIT I.A.183

NEW B NOTES
SUMMARY OF PRINCIPAL TERMS

NEW B NOTES
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New B Notes and distribute them as set forth in the Plan. The definitive documentation governing the New B Notes shall provide generally for the following terms:

Obligation	The City's obligations with respect to the New B Notes shall be a general and unsecured obligation of the City.
Initial Principal Amount	\$650.0 million.
Interest Rate	4.0% for the first 20 years; 6.0% for years 21 through 30.
Maturity	30 years.
Amortization	Interest only for 10 years; amortization in 20 equal annual installments beginning on the interest payment date nearest to the 11th anniversary from issuance.
Disclosure	The City will provide a continuing disclosure undertaking under 17 C.F.R. § 240.15c2-12 in connection with the delivery of the New B Notes.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

EXHIBIT I.A.184

FORM OF NEW B NOTES DOCUMENTS

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT,
COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE
ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$650,000,000
FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE
PURPOSE OF SATISFYING CERTAIN CLAIMS AS PROVIDED IN THE
BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE
EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND
TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE SALE AND
DELIVERY OF SAID BONDS.

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	3
Section 101. Definitions.....	3
Section 102. Interpretation.....	6
ARTICLE II DETERMINATIONS.....	6
Section 201. Finding, and Declaration of Need to Issue Bonds	6
ARTICLE III AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS	7
Section 301. Authorization of Bonds to Satisfy the Claims and Pledge.....	7
Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims	7
Section 303. Execution, Authentication and Delivery of Bonds	8
Section 304. Authentication of the Bonds	9
Section 305. Transfer of Registration and Exchanges on the Bonds	9
Section 306. Regulations with Respect to Exchanges and Transfers	9
Section 307. Form of the Bonds	10
Section 308. Registration	16
Section 309. Mutilated, Destroyed, Stolen or Lost Bonds.....	16
Section 310. Book-Entry-Only System Permitted	16
ARTICLE IV FUNDS AND ACCOUNTS	17
Section 401. Establishment of Accounts and Funds.....	17
Section 402. Debt Retirement Fund.....	17
Section 403. Investment of Monies in the Funds and Accounts.....	17
Section 404. Satisfaction of Claims	17
ARTICLE V THE PAYING AGENT	18
Section 501. Paying Agent.....	18
ARTICLE VI SUPPLEMENTAL ORDERS AND RESOLUTIONS.....	18
Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds	18
Section 602. Opinion and Filing Under Act 34	19
ARTICLE VII DEFEASANCE	19
Section 701. Defeasance	19
ARTICLE VIII OTHER PROVISIONS OF GENERAL APPLICATION.....	19
[Section 801. Credit Enhancement	19
Section 802. Approval of Other Documents and Actions.....	20
Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers	20
Section 804. Approving Legal Opinions with Respect to the Bonds	20
Section 805. Appointment of Bond Counsel; Engagement of Other Parties.....	20
Section 806. Preservation of Records	21
Section 807. Parties in Interest.....	21

TABLE OF CONTENTS
(continued)

	Page
Section 808. No Recourse Under Resolution	21
Section 809. Severability	21
Section 810. Cover Page, Table of Contents and Article and Section Headings.....	21
Section 811. Conflict	21
Section 812. Governing Law and Jurisdiction.....	21
Section 813. Order and Supplemental Order are a Contract.....	21
Section 814. Effective Date	21
Section 815. Notices	21

ORDER NO. ____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$650,000,000 FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN CLAIMS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE SALE AND DELIVERY OF SAID BONDS.

WHEREAS, on March 1, 2013, the Governor (the "Governor") of the State of Michigan (the "State") determined that a financial emergency existed within the City of Detroit, County of Wayne, State of Michigan (the "City") pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended ("Act 72"); and

WHEREAS, on March 14, 2013, the Governor confirmed that a financial emergency existed within the City and, pursuant to Act 72, assigned to the Local Emergency Financial Assistance Loan Board established pursuant to the Emergency Municipal Loan Act, Act 243 Public Acts of Michigan, 1980, as amended (the "Board") the responsibility for managing the financial emergency; and

WHEREAS, on March 14, 2013, pursuant to Act 72, the Board appointed Kevyn D. Orr as Emergency Financial Manager for the City; And

WHEREAS, by operation of law the financial emergency continues to exist within the City pursuant to the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012 ("Act 436") and the Emergency Financial Manager continues in the capacity of the Emergency Manager for the City (the "Emergency Manager"); and

WHEREAS, on July 18, 2013 (the "Petition Date"), in accordance with Act 436 and the approval of the Governor, the Emergency Manager filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, on _____ 2014, the Emergency Manager filed on behalf of the City a Plan for the Adjustment (the "Plan of Adjustment") in the Bankruptcy Court to provide for the adjustment of the debts of the City pursuant to and in accordance with Chapter 9 of the Bankruptcy Code; and

WHEREAS, the Plan of Adjustment provides, among other things, for the satisfaction of certain claims of unsecured creditors as set out in the Plan of Adjustment (the "Claims") in exchange for the receipt of the New B Notes (the "New B Notes"); and

WHEREAS, upon satisfaction of all of the terms and conditions required of the City related to the confirmation of the Plan of Adjustment, the City shall establish the Business Day (the “Effective Date”) upon which the Plan of Adjustment shall be consummated; and

WHEREAS, on or as reasonably practicable after the Effective Date, the City shall execute New B Notes Documents and issue New B Notes in the form of the Financial Recovery Bonds authorized under Section 36a of the Home Rule City Act, Act 279, Public Acts of Michigan, 1909, as amended (“Act 279”) and this Order, and distribute the New B Notes in the form of the Financial Recovery Bonds to the holders of the Claims, as provided in the Plan of Adjustment; and

WHEREAS, on _____, 2014, pursuant to Section 12(1) and Section 19(1) of Act 436, the Emergency Manager filed with the City Council of the City his Order No. __ Approval of Plan of Adjustment and Financing (“Order No. __”); and

[WHEREAS, Order No. __ proposed, among other things, for the issuance by the City of Financial Recovery Bonds, in one or more series, under Section 36a of Act 279, to provide financing for the satisfaction of the Claims and other certain claims of creditors under the Plan of Adjustment of the City, upon the terms and conditions and parameters set forth in the Plan of Adjustment (the “POA Financing”); and

[WHEREAS, on _____, 2014, in accordance with Section 19(1) of Act 436, the City Council of the City (the “City Council”) [approved/disapproved] the POA Financing; and]

[WHEREAS, pursuant to Section 19(2) of Act 436, City Council was afforded 7 days following its disapproval of the POA Financing to propose an “alternative proposal that would yield substantially the same financial result as” the POA Financing to the Local Financial Assistance Emergency Loan Board (the “Board”) created under Act 243, Public Acts of Michigan, 1980, as amended; and]

[WHEREAS, City Council failed to offer an alternative proposal to the Board during the time period prescribed in Section 19(2) of Act 436 and as a consequence, the Board does not have to approve implementation of the POA Financing by the Emergency Manager; and]

WHEREAS, on _____, 2014, the Bankruptcy Court entered an order (the “Confirmation Order”) confirming the Plan of Adjustment pursuant to Section 943 of the Bankruptcy Code; and

WHEREAS, the Emergency Manager of the City deems it necessary to authorize the issuance of Financial Recovery Bonds in one or more series (the “Bonds”), in the aggregate principal amount of not to exceed Six Hundred Fifty Million Dollars (\$650,000,00) pursuant to Section 36a of Act 279; and

WHEREAS, the Bonds will be secured by a pledge of the City’s limited tax full faith and credit; and

WHEREAS, Section 36a of Act 279 authorizes a city, for which a financial emergency has been determined to exist, such as the City, to borrow money and issue Financial Recovery Bonds subject to the terms and conditions approved by the Board; and

WHEREAS, the City must receive prior approval of the terms and conditions for the issuance of the Bonds from the Board in accordance with Section 36a of Act 279; and

WHEREAS, the Emergency Manager desires to submit this Order to the Board proposing the issuance by the City of Financial Recovery Bonds, in one or more series, under Section 36a of Act 279, to provide for a portion of the POA Financing for the City, solely to satisfy the Claims [and to pay certain administrative and other costs related to the issuance of the bonds, upon the terms and conditions and parameters approved by the Board; and]

NOW, THEREFORE, BE IT ORDERED AS FOLLOWS:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 101. Definitions. The words and terms defined in the preambles and recitals hereof and the following words and terms as used in this Order shall have the meanings ascribed therein, herein or in the Plan of Adjustment to them unless a different meaning clearly appears from the context:

“Act 243” means Act No. 243, Public Acts of Michigan, 1980, as amended.

“Act 279” means Act No. 279, Public Acts of Michigan, 1909, as amended.

“Act 436” means Act No. 436, Public Acts of Michigan, 2012.

“Authorized Denominations” shall mean denominations of Bonds equal to multiples of \$100,000 or integral multiples of \$5,000 in excess thereof.

“Authorized Officer” means (i) the Emergency Manager or his designee or successor, or if the City is no longer operating under a financial emergency pursuant to Act 436, the chief administrative officer of the City, the Finance Director or his or her designee, or (ii) any other person authorized by a Certificate of an Authorized Officer to act on behalf of or otherwise represent the City in any legal capacity, which such certificate shall be delivered, if at all, in the City’s sole discretion.

“Bankruptcy Case” means the City’s Bankruptcy Case No. 13-53846 in the U.S. Bankruptcy Court for the Eastern District of Michigan.

“Board” has the meaning set forth in recitals hereto.

“Bond Counsel” means Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, or such other nationally recognized firm of attorneys experienced in matters pertaining to municipal bonds and appointed to serve in such capacity by the City with respect to the Bonds.

“Bond” or “Bonds” means the Financial Recovery Bonds, Series 2014B of the City authorized to be issued by the Order in the aggregate principal amount not to exceed \$650,000,000, in one or more series, and bearing such other designations as determined by the Authorized Officer in the Supplemental Order.

“Bond Purchase Agreement” means the Bond Purchase Agreement by and between the Purchaser and the City related to the Bonds.

“Bond Registry” means the books for the registration of Bonds maintained by the Trustee.

“Bondowner”, “Owner” or “Registered Owner” means, with respect to any Bond, _____, as the Disbursing Agent on behalf of the Claimants, and in whose name such Bond is registered in the Bond Registry.

“Bonds” means the City’s Financial Recovery Bonds, Series 2014B, with such series designations as may be determined by the Authorized Officer in the Supplemental Order.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which the Trustee or banks and trust companies in New York, New York are authorized or required to remain closed, (iii) a day on which the New York Stock Exchange is closed, or (iv) a day on which the Federal Reserve is closed.

“Certificate” means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Indenture or (ii) the report of an Authorized Officer as to audits or other procedures called by the Indenture, as the case may be.

“Charter” means the Charter of the City, as amended from time to time.

“City” means the City of Detroit, County of Wayne, State of Michigan.

“Claimants” means the beneficial owners of the Claims.

“Claims” has the meaning set forth recitals hereto.

“Closing Date” means the date or dates upon which the Bonds are issued to satisfy the Claims.

“Code” means the Internal Revenue Code of 1986, as amended.

“Constitution” means the Constitution of the State of Michigan of 1963, as amended.

“Confirmation Order” has the meaning set forth in recitals hereto.

“Date of Original Issue” means the date upon which all conditions precedent set forth in the Bond Purchase Agreement to the transactions contemplated therein and herein have been satisfied and the Bonds have been issued to the Purchaser.

“Disbursing Agent” means the Registered Owner of the Bonds.

“Debt Retirement Fund” means the Debt Retirement Fund established under Section 501 hereof, and any subaccounts thereof established hereunder for the payment of principal of and premium and interest on the Bonds.

“Emergency Manager” has the meaning set forth in the recitals hereto.

“Fiscal Year” means the period from July 1 to and including June 30 of the immediately succeeding calendar year or such other fiscal year of the City as in effect from time to time.

“Interest Payment Date” means April 1 and October 1 of each year commencing with the April 1 or October 1 specified in the Supplemental Order.

“Interest Rate” means 4% per annum from the Date of Original Issue until the twentieth (20th) anniversary of the Date of Original Issue, and thereafter 6% per annum until the Maturity Date, or such other interest rates as confirmed in the Supplemental Order.

“Maturity Date” means the thirtieth (30th) anniversary of the Date of Original Issue or such other final date of maturity of each series of the Bonds as specified in the Supplemental Order.

“Maximum Aggregate Principal Amount” has the meaning given such term in Section 201.

“Order” means this Order of the Emergency Manager as supplemented by the Supplemental Order, and as amended from time to time pursuant to Article VII.

“Order No. ___” means Order No. ___, Approval of Plan of Adjustment, executed by the Emergency Manager on _____, 2014.

“Outstanding” when used with respect to:

- (1) the Bonds, means, as of the date of determination, the Bonds theretofore authenticated and delivered under this Order, except:
 - (A) Bonds theretofore canceled by the Paying Agent or delivered to such Paying Agent for cancellation;
 - (B) Bonds for whose payment money in the necessary amount has been theretofore deposited with the Paying Agent in trust for the registered owners of such Bonds;

- (C) Bonds delivered to the Paying Agent for cancellation in connection with (x) the exchange of such Bonds for other Bonds or (y) the transfer of the registration of such Bonds;
- (D) Bonds alleged to have been destroyed, lost or stolen which have been paid or replaced pursuant to this Order or otherwise pursuant to law; and
- (E) Bonds deemed paid as provided in Section 701.

“Paying Agent” means the bond registrar, transfer agent and paying agent for the Bonds.

“Plan of Adjustment” has the meaning set forth in the recitals hereto.

“Registered Owner” means the registered owner of a Bond as the registered owner’s name appears on the Bond Registry under Section 305.

“Regular Record Date” has the meaning given such term in Section 302.

“Security Depository” has the meaning given such term in Section 310.

“State” has the meaning set forth in the recitals hereto.

“State Treasurer” means the Treasurer of the State of Michigan.

“Supplemental Order” means the order or orders of the Authorized Officer making certain determinations and confirming the final details on the Bonds upon issuance, in accordance with the parameters of this Order.

Section 102. Interpretation. (a) Words of the feminine or masculine genders include the correlative words of the other gender or the neuter gender.

(b) Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons.

(c) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Order.

(d) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Order, refer to this Order as a whole unless otherwise expressly stated.

ARTICLE II

DETERMINATIONS

Section 201. Finding, and Declaration of Need to Issue Bonds. The Emergency Manager hereby finds and declares that it is necessary for the City to issue the Bonds hereunder in such

sum as shall be determined and approved by the Emergency Manager, not in excess of \$650,000,000 (the “Maximum Aggregate Principal Amount”), and to evidence such debt by the issuance of the Bonds in one or more series not in excess of the Maximum Aggregate Principal Amount, in Authorized Denominations, pursuant to and in accordance with the provisions of Section 36a of Act 279, for the purpose of satisfying the Claims as shall be specified in the Plan of Adjustment as being paid through B Notes in the Supplemental Order, or subsequently confirmed by the Authorized Officer to Bond Counsel, all as finally determined by the Authorized Officer in the Supplemental Order.

ARTICLE III

AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS

Section 301. Authorization of Bonds to Satisfy the Claims and Pledge. The City hereby authorizes the issuance of the Bonds as hereinafter defined in such principal amount as shall be confirmed in the Supplemental Order to satisfy the Claims as determined by the Authorized Officer in the Supplemental Order or subsequently confirmed by the Authorized Officer to Bond Counsel. The principal of and interest on the Bonds shall hereby be secured by the limited tax full faith and credit pledge of the City.

The City pledges to pay the principal of and interest on the Bonds as a first budget obligation from its general funds and in case of insufficiency thereof, from the proceeds of an annual levy of ad valorem taxes on all taxable property of the City, subject to applicable constitutional, statutory and charter tax rate limitations.

Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims. (a) The Bonds shall be designated “FINANCIAL RECOVERY BONDS, SERIES 2014B” (the “Bonds”) and may bear such later or earlier dates and additional or alternative designations, series or subseries as the Authorized Officer may determine in the Supplemental Order, shall be issued in fully registered form and shall be consecutively numbered from “R-1” upwards, unless otherwise provided by the Authorized Officer in the Supplemental Order. The Bonds shall be dated and issued in such denominations all as determined by the Authorized Officer and confirmed by the Authorized Officer in the Supplemental Order.

(b) The Bonds of each series shall mature on such Maturity Dates not in excess of 30 years from the Date of Original Issue and shall bear interest at the Interest Rate on a taxable basis, payable on the Interest Payment Dates, all as shall be determined and confirmed by the Authorized Officer in the Supplemental Order. Unless otherwise provided by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be calculated on the basis of the actual number of days elapsed in a 360 day year. The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America.

(c) The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America. Except as may be otherwise determined by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be payable to the Registered Owner as of the 15th day of the month, whether or not a Business Day (a “Regular Record Date”), prior to each

Interest Payment Date. Interest on the Bonds shall be payable to such Registered Owners by check or draft drawn on the Paying Agent on each Interest Payment Date and mailed by first class mail or, upon the written request of the Owner of \$1,000,000 or more in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Owner. Such a request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent.

(d) Interest on Bonds not punctually paid or duly provided for on an Interest Payment Date shall forthwith cease to be payable to the Registered Owners on the Regular Record Date established for such Interest Payment Date, and may be paid to the Registered Owners as of the close of business on a date fixed by the Paying Agent (a "Special Record Date") with respect to the payment of such defaulted interest to be fixed by the Paying Agent, or may be paid at any time in any other lawful manner. The Paying Agent shall give notice to the Registered Owners at least seven days before any such Special Record Date.

(e) The principal of the Bonds shall be payable to the Registered Owners of the Bonds upon the presentation of the Bonds to the Paying Agent at the principal corporate trust office of the Paying Agent.

(f) The Bonds shall be subject to redemption and/or tender for purchase prior to maturity or shall not be subject thereto, upon such terms and conditions as shall be determined by the Authorized Officer and confirmed in the Supplemental Order.

Unless waived by any registered owner of Bonds to be redeemed, official notice of redemption shall be given by the Paying Agent on behalf of the City. Such notice shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption, the called amounts of each certificate; the redemption date; the redemption price or premium; the place where Bonds called for redemption are to be surrendered for payment; and that interest on Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

In addition, further notice shall be given by the Paying Agent in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

Section 303. Execution, Authentication and Delivery of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Emergency Manager and the Finance Director of the City and authenticated by the manual signature of the Finance Director or an authorized representative of the Paying Agent, as the case may be, and a facsimile of the seal of the City shall be imprinted on the Bonds. Additional Bonds bearing the manual or facsimile signatures of the Emergency Manager or Mayor of the City and the Finance Director, and upon which the facsimile of the seal of the City is imprinted may be delivered to

the Paying Agent for authentication and delivery in connection with the exchange or transfer of Bonds. The Paying Agent shall indicate on each Bond the date of its authentication.

Section 304. Authentication of the Bonds. (a) No Bond shall be entitled to any benefit under this Order or be valid or obligatory for any purpose unless there appears on such Bond a Certificate of Authentication substantially in the form provided for in Section 307 of this Order, executed by the manual or facsimile signature of the Finance Director or by an authorized signatory of the Paying Agent by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

(b) The Paying Agent shall manually execute the Certificate of Authentication on each Bond upon receipt of a written direction of the Authorized Officer of the City to authenticate such Bond.

Section 305. Transfer of Registration and Exchanges on the Bonds. (a) The registration of each Bond is transferable only upon the Bond Registry by the Registered Owner thereof, or by his attorney duly authorized in writing, upon the presentation and surrender thereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor.

(b) Each Bond may be exchanged for one or more Bonds in equal aggregate principal amount of like maturity and tenor in one or more authorized denominations, upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing.

Section 306. Regulations with Respect to Exchanges and Transfers. (a) In all cases in which the privilege of exchanging Bonds or transferring the registration of Bonds is exercised, the City shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Order. All Bonds surrendered in any such exchanges or transfers shall be forthwith canceled by the Paying Agent.

(b) For every exchange or transfer of Bonds, the City or the Paying Agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and, except as otherwise provided in this Order, may charge a sum sufficient to pay the costs of preparing each new Bond issued upon such exchange or transfer, which shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

(c) The Paying Agent shall not be required (i) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Bonds contained in Section 307 of this Order and ending at the close of business on the day of

that giving of notice, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. The City shall give the Paying Agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

Section 307. Form of the Bonds. The Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Order or as approved by an Authorized Officer in the Supplemental Order:

[Forms of Bonds]

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF WAYNE

CITY OF DETROIT
FINANCIAL RECOVERY BOND, SERIES 2014B

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
		_____, 2014	

Registered Owner:

Principal Amount: _____ Dollars

The City of Detroit, County of Wayne, State of Michigan (the "City"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon at the Interest Rate of 4.0% per annum from the Date of Original Issue specified above until the twentieth (20th) anniversary of the Date of Original Issue, and thereafter at 6.0% per annum, until the Maturity Date specified above or until the Principal Amount specified above is paid in full. Interest is payable semiannually on April 1 and October 1 in each year commencing on _____ (each an "Interest Payment Date"). The interest so payable, and punctually paid or duly provided for, will be paid, as provided in the hereinafter defined Order, to the person in whose name this Bond is registered on the books maintained for such purpose by the hereinafter defined Paying Agent (the "Bond Registry"), on the close of business on the Regular Record Date for such interest payment, which shall be the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall herewith cease to be payable to the Registered Owner on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice of which shall be given to Registered Owners at least seven days before such Special Record Date, or may be paid at any time in any other lawful manner. Capitalized terms used herein but not defined herein, shall have the meanings ascribed to them in the Order.

The principal of this Bond is payable in lawful money of the United States of America upon presentation and surrender of this Bond at the designated corporate trust office of _____, _____, _____, as registrar, transfer agent and paying agent under the Order (such bank and any successor as paying agent, the "Paying Agent"). Interest on this Bond is payable in like money by check or draft drawn on the Paying Agent and mailed to the Registered Owner entitled thereto, as provided above, by first class mail

or, upon the written request of a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Registered Owner, and such request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent. Interest shall be computed on the basis of a 360-day year consisting of twelve 30 day months. For prompt payment of this Bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

This bond is one of a series of bonds aggregating the principal sum of \$_____, issued under and in full compliance with the Constitution and statutes of the State of Michigan, and particularly Section 36a of Act No. 279, Public Acts of Michigan, 1909, as amended ("Act 279"), for the purpose of satisfying certain Claims, as defined in the Order. Pursuant to the Order, the bonds of this series (the "Bonds") are limited tax general obligations of the City, and the City is obligated to levy annually ad valorem taxes on all taxable property in the Issuer, subject to applicable constitutional, statutory and charter tax rate limitations.

The "Order" is an Order of the Emergency Manager issued on _____, 2014, supplemented by a Supplemental Order of an Authorized Officer of the City issued on _____, 2014, authorizing the issuance of the Bonds.

The bonds of this series shall be subject to redemption prior to maturity as follows:

(a) *Optional Redemption.* Bonds or portions of bonds in Authorized Denominations of multiples of \$100,000 or integral multiples of \$5,000 in excess thereof are subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine, and by lot within a maturity [TO BE DETERMINED].

(b) *Mandatory Redemption.* [TO BE DETERMINED]

General Redemption Provisions. In case less than the full amount of an outstanding bond is called for redemption, the Trustee, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption [TO BE DETERMINED]

Reference is hereby made to the Order for the provisions with respect to the nature and extent of the security for the Bonds, the manner and enforcement of such security, the rights, duties and obligations of the City, and the rights of the Paying Agent and the Registered Owners of the Bonds. As therein provided, the Resolution may be amended in certain respects without the consent of the Registered Owners of the Bonds. A copy of the Order is on file and available for inspection at the office of the Finance Director and at the principal corporate trust office of the Paying Agent.

The City and the Paying Agent may treat and consider the person in whose name this Bond is registered on the Bond Registry as the absolute owner hereof, whether this Bond shall be

overdue or not, for the purpose of receiving payment of, or on account of, the principal hereof and interest hereon and for all other purposes whatsoever, and all such payments so made to such person or upon his order shall be valid and effectual to satisfy and discharge the liability hereon to the extent of the sum or sums so paid.

The registration of this Bond is transferable only upon the Bond Registry by the Registered Owner hereof or by his attorney duly authorized in writing upon the presentation and surrender hereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution upon the payment of the charges, if any, therein prescribed.

It is hereby certified, recited and declared that all acts, conditions and things required by law to exist, happen and to be performed, precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Michigan, and that the total indebtedness of the City, including the Bonds does not exceed any constitutional, statutory or charter limitation.

This Bond is not valid or obligatory for any purpose until the Paying Agent's Certificate of Authentication on this Bond has been executed by the Paying Agent.

IN WITNESS WHEREOF, the City of Detroit, by its Emergency Manager, has caused this bond to be signed in the name of the City by the facsimile signatures of its Emergency Manager and Finance Director of the City, and a facsimile of its corporate seal to be printed hereon, all as of the Date of Original Issue.

CITY OF DETROIT

By: _____
Emergency Manager

By: _____
Finance Director

(SEAL)

(Form of Paying Agent's Certificate of Authentication)

DATE OF AUTHENTICATION:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Order.

_____, Michigan
Paying Agent

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite name and address of transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of such person's authority to act must accompany the bond.

Signature(s) must be guaranteed by a commercial bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges. The transfer agent will not effect transfer of this bond unless the information concerning the transferee requested below is provided.

PLEASE INSERT SOCIAL
SECURITY NUMBER OR OTHER
IDENTIFYING NUMBER OF
TRANSFeree.

(Insert number for first named
transferee if held by joint account.)

Name and Address: _____

(Include information for all joint owners
if the bond is held by joint account.)

Section 308. Registration. The City and the Paying Agent may treat and consider the Registered Owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal (and premium, if any) thereof and interest thereon and for all other purposes whatsoever, and all such payments so made to such Bondowner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 309. Mutilated, Destroyed, Stolen or Lost Bonds. (a) Subject to the provisions of Act 354, Public Acts of Michigan, 1972, as amended and any other applicable law, if (i) any mutilated Bond is surrendered to the Paying Agent or the City and the Paying Agent and the City receive evidence to their satisfaction of the destruction, loss or theft of any Bond and (ii) there is delivered to the City and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

(c) Any new Bond issued pursuant to this Section in substitution for a Bond alleged to be mutilated, destroyed, stolen or lost shall constitute an original additional contractual obligation on the part of the City, and shall be equally secured by and entitled to equal proportionate benefits with all other Bonds issued under this Order.

Section 310. Book-Entry-Only System Permitted. (a) If determined by the Authorized Officer in the Supplemental Order, the Bonds shall be issued to a securities depository selected by the Authorized Officer (the "Security Depository") to be held pursuant to the book-entry-only system maintained by the Security Depository and registered in the name of the Security Depository or its nominee. Ownership interests in Bonds held under such book-entry-only system shall be determined pursuant to the procedures of the Security Depository and Article 8 of the applicable Uniform Commercial Code (such persons having such interests, "Beneficial Owners").

(b) If (i) the City and the Paying Agent receive written notice from the Security Depository to the effect that the Security Depository is unable or unwilling to discharge its responsibilities with respect to the Bonds under the book-entry-only system maintained by it or (ii) the Authorized Officer determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bonds in certificated form, then the City may so notify the Security Depository and the Paying Agent, and, in either event, the City and the Paying Agent shall take appropriate steps to provide the Beneficial Owners with Bonds in certificated form to evidence their respective ownership interests in the Bonds. Whenever the Security Depository requests the City and the Paying Agent to do so, the Authorized Officer on behalf of the City and the Paying Agent will cooperate with the Security Depository in taking appropriate action after

reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(c) Notwithstanding any other provision of the Order to the contrary, so long as the Bonds are held pursuant to the book-entry-only system maintained by the Security Depository:

(i) all payments with respect to the principal and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Security Depository as provided in the representation letter from the City and the Paying Agent to the Security Depository with respect to such Bonds; and

(ii) all payments with respect to principal of the Bonds and interest on the Bonds shall be made in such manner as shall be prescribed by the Security Depository.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 401. Establishment of Accounts and Funds. The City hereby establishes and creates the Debt Retirement Fund as a special, separate and segregated account and fund which shall be held for and on behalf of the City by a bank or banks or other financial institution which the Finance Director of the City designates as depository of the City.

The Finance Director is hereby authorized to establish such additional accounts, subaccounts or funds as shall be required for the Bonds, if any, to accommodate the requirements of such series of Bonds.

Section 402. Debt Retirement Fund. General funds of the City, proceeds of all taxes levied pursuant to Section 301 hereof [and any amounts transferred from the debt retirement funds related to the LTGO Bonds and the COPs, if any,] shall be used to pay the principal of and interest on the Bonds when due. The foregoing amounts shall be placed in the Debt Retirement Fund and held in trust by the Paying Agent, and so long as the principal of or interest on the Bonds shall remain unpaid, no moneys shall be withdrawn from the Debt Retirement Fund except to pay such principal and interest. Any amounts remaining in the Debt Retirement Fund after payment in full of the Bonds and the fees and expenses of the Paying Agent shall be retained by the City to be used for any lawful purpose.

Section 403. Investment of Monies in the Funds and Accounts. (a) The Finance Director shall direct the investment of monies on deposit in the Funds and Accounts established hereunder, and the Paying Agent, upon written direction or upon oral direction promptly confirmed in writing by the Finance Director, shall use its best efforts to invest monies on deposit in the Funds and Accounts in accordance with such direction.

(b) Monies on deposit in the Funds and Accounts may be invested in such investments and to the extent permitted by applicable law.

Section 404. Satisfaction of Claims. On the Effective Date, the City shall issue the Bonds in an amount sufficient to satisfy the Claims. An Authorized Officer shall arrange for

delivery of the Bonds to the Registered Owner to act as the Disbursing Agent to satisfy the Claims on behalf of the Claimants of each class of creditors entitled to New B Notes as provided in the Plan of Adjustment. Upon delivery of the Bonds to the Registered Owner, an Authorized Officer shall take all necessary steps to extinguish any related existing debt, including the cancellation of any related bonds or notes of the City representing portions of the Claims.

ARTICLE V

THE PAYING AGENT

Section 501. Paying Agent. The Paying Agent for the Bonds shall act as bond registrar, transfer agent and paying agent for the Bonds and shall be initially _____, Detroit, Michigan, or such other bank or trust company located in the State which is qualified to act in such capacity under the laws of the United States of America or the State. The Paying Agent means and includes any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided, that such company shall be a trust company or bank which is qualified to be a successor to the Paying Agent as determined by an Authorized Officer, shall be authorized by law to perform all the duties imposed upon it by this Order, and shall be the successor to the Paying Agent without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding. An Authorized Officer is authorized to enter into an agreement with such a bank or trust company, and from time to time as required, may designate a similarly qualified successor Paying Agent and enter into an agreement therewith for such services.

ARTICLE VI

SUPPLEMENTAL ORDERS AND RESOLUTIONS

Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds. The City may without the consent of any Bondowner adopt orders or resolutions supplemental to this Order for any one or more of the following purposes:

- (i) to confirm or further assure the security hereof or to grant or pledge to the holders of the Bonds any additional security;
- (ii) to add additional covenants and agreements of the City for the purposes of further securing the payment of the Bonds;
- (iii) to cure any ambiguity or formal defect or omission in this Order; and
- (iv) such other action not materially, adversely and directly affecting the security of the Bonds.

provided that (A) no supplemental order or resolution amending or modifying the rights or obligations of the Paying Agent shall become effective without the consent of the Paying Agent and (B) the effectiveness of any supplemental resolution is subject to Section 702 to the extent applicable.

Section 602. Opinion and Filing Under Act 34. Before any supplemental order or resolution under this Article shall become effective, a copy thereof shall be filed with the Paying Agent, together with an opinion of Bond Counsel that such supplemental order or resolution is authorized or permitted by this Article; provided that, Bond Counsel in rendering any such opinion shall be entitled to rely upon certificates of an Authorized Officer or other City official, and opinions or reports of consultants, experts and other professionals retained by the City to advise it, with respect to the presence or absence of facts relative to such opinion and the consequences of such facts.

ARTICLE VII

DEFEASANCE

Section 701. Defeasance. Bonds shall be deemed to be paid in full upon the deposit in trust of cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment thereof, will come due at such times and in such amounts, as to be fully sufficient to pay when due, the principal of such Bonds and interest to accrue thereon, as confirmed by a verification report prepared by an independent certified public accountant; provided, that if any of such Bonds are to be called for redemption prior to maturity, irrevocable instructions to call such Bonds for redemption shall be given to the Paying Agent. Such cash and securities representing such obligations shall be deposited with a bank or trust company and held for the exclusive benefit of the Owners of such Bonds. After such deposit, such Bonds shall no longer be entitled to the benefits of this Order (except for any rights of transfer or exchange of Bonds as therein or herein provided for) and shall be payable solely from the funds deposited for such purpose and investment earnings, if any, thereon, and the lien of this Order for the benefit of such Bonds shall be discharged.

ARTICLE VIII

OTHER PROVISIONS OF GENERAL APPLICATION

[Section 801. Credit Enhancement. (a) There is hereby authorized to be obtained municipal bond insurance or other credit enhancement or a combination thereof to secure the payment of all or part of the Bonds, if, and provided that, it shall be determined by an Authorized Officer that obtaining such Municipal Bond Insurance Policy or other credit enhancement or a combination thereof is in the best interest of the City. Such municipal bond insurance or other credit enhancement providers may be afforded certain rights and remedies to direct the proceedings with respect to the enforcement of payment of the Bonds as shall be provided in the documents relating thereto. In the event a commitment for a Municipal Bond Insurance Policy is obtained or a commitment for other credit enhancement is obtained, an Authorized Officer is

hereby authorized, to approve the terms, perform such acts and execute such instruments that shall be required, necessary or desirable to effectuate the terms of such commitment and the transactions described therein and in this Order and the Supplemental Order provided that such terms are not materially adverse to the City.

(b) In connection with the execution of any of the agreements authorized by this Section, an Authorized Officer is authorized to include therein such covenants as shall be appropriate.]

Section 802. Approval of Other Documents and Actions. The Mayor, the Finance Director, the Treasurer, the City Clerk and any written designee of the Emergency Manager are each hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Order.

Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers.
(a) Each Authorized Officer is hereby authorized and directed to do and perform any and all acts and things with respect to the Bonds which are necessary and appropriate to carry into effect, consistent with this Order, the authorizations therein and herein contained, including without limitation, the securing of ratings by bond rating agencies, if cost effective, the negotiation for and acquisition of bond insurance and/or other credit enhancement, if any, to further secure the Bonds or any portions thereof, the acquisition of an irrevocable surety bond to fulfill the City's obligation to fund any reserve account, the printing of the Bonds and the incurring and paying of reasonable fees, costs and expenses incidental to the foregoing and other costs of issuance of the Bonds including, but not limited to fees and expenses of bond counsel, financial advisors, accountants and others, from Bond proceeds or other available funds, for and on behalf of the City.

(b) Except as otherwise provided herein, all determinations and decisions of the Authorized Officer with respect to the issuance and sale of the Bonds or the negotiation, execution or delivery of agreements as permitted or required by this Order shall be confirmed by this Authorized Officer in a Supplemental Order or Supplemental Orders, and such confirmations shall constitute determinations that any conditions precedent to such determinations and decisions of the Authorized Officer have been fulfilled.

Section 804. Approving Legal Opinions with Respect to the Bonds. Delivery of the Bonds shall be conditioned upon receiving, at the time of delivery of the Bonds; the approving opinion of Bond Counsel, approving legality of the Bonds.

Section 805. Appointment of Bond Counsel; Engagement of Other Parties. The appointment by the Emergency Manager of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable from available funds in accordance with the agreement of such firm on file with the Finance Director.

Section 806. Preservation of Records. So long as any Bond remains Outstanding, all documents received by the Paying Agent under the provisions of this Order shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, and the Bondowners, and their agents and representatives, any of whom may make copies thereof.

Section 807. Parties in Interest. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the City or Paying Agent shall be for the sole and exclusive benefit of the City, the Paying Agent and the Bondowners.

Section 808. No Recourse Under Resolution. All covenants, agreements and obligations of the City contained in this Order shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal or interest on the Bonds or for any claim based thereon or on this Order against any councilperson, member, officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

Section 809. Severability. If any one or more sections, clauses or provisions of this Order shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 810. Cover Page, Table of Contents and Article and Section Headings. The cover page, table of contents and Article and Section headings hereof are solely for convenience of reference and do not constitute a part of this Order, and none of them shall affect its meaning, construction or effect.

Section 811. Conflict. All resolutions or parts of resolutions or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

Section 812. Governing Law and Jurisdiction. This Order shall be governed by and construed in accordance with the laws of the State.

Section 813. Order and Supplemental Order are a Contract. The provisions of this Order and the Supplemental Order shall constitute a contract between the City, the Paying Agent, the Bond Insurer and the Bondowners.

Section 814. Effective Date. This Order shall take effect immediately upon its adoption by the Council.

Section 815. Notices. All notices and other communications hereunder shall be in writing and given by United States certified or registered mail, expedited courier overnight delivery service or by other means (including facsimile transmission) that provides a written record of such notice and its receipt. Notices hereunder shall be effective when received and

shall be addressed to the address set forth below or to such other address as any of the below persons shall specify to the other persons:

If to the City, to:

City of Detroit
Finance Department
1200 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Attention: Finance Director

If to the Paying Agent, to:

Attention: _____

SO ORDERED this ____ day of _____, 2014.

Kevyn D. Orr
Emergency Manager
City of Detroit, Michigan

22096296.4\022765-00202

EXHIBIT I.A.186

NEW DWSD BONDS
SUMMARY OF PRINCIPAL TERMS

NEW DWSD BONDS
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New DWSD Bonds and distribute them as set forth in the Plan. The definitive documentation governing the New DWSD Bonds shall provide generally for the following terms:

Principal	The principal shall be equal to (i) the amount of DWSD Bonds receiving New DWSD Bonds, plus (ii) amounts necessary to pay expenses of the financing, plus (iii) at the City's option, an amount equal to accrued and unpaid interest as of the first Distribution Date following the date on which the applicable DWSD Bond Claim is Allowed.
Interest Rate	The interest rate of the New DWSD Bonds shall be calculated by reference to the Interest Rate Reset Chart attached as Exhibit I.A.159 to the Plan.
Maturity Dates	The maturity date(s) of the New DWSD Bonds shall be the same as the existing maturity(ies) of each CUSIP of DWSD Bonds receiving New DWSD Bonds.
Prepayment	The City may prepay or redeem all or any portion of the New DWSD Bonds issued to a holder of DWSD Bonds at any time on or after the earlier of (i) the date that is five years after the date such New DWSD Bonds are issued or (ii) the date upon which the DWSD Bonds for which such New DWSD Bonds were exchanged pursuant to the Plan would have matured.
Other Terms	The New DWSD Bonds otherwise shall have the same terms and conditions as the applicable CUSIP of DWSD Bonds receiving New DWSD Bonds.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

EXHIBIT I.A.188

NEW EXISTING RATE DWSD BONDS
SUMMARY OF PRINCIPAL TERMS

NEW EXISTING RATE DWSD BONDS
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New Existing Rate DWSD Bonds and distribute them as set forth in the Plan. The definitive documentation governing the New Existing Rate DWSD Bonds shall provide generally for the following terms:

Principal	The principal of the New Existing Rate DWSD Bonds shall be equal to (i) the amount of DWSD Bonds receiving New Existing Rate DWSD Bonds, plus (ii) amounts necessary to pay expenses of the financing, plus (iii) at the City's option, an amount equal to accrued and unpaid interest as of the first Distribution Date following the date on which the applicable DWSD Bond Claim is Allowed.
Interest Rate	The interest rate(s) of the New Existing Rate DWSD Bonds shall be the same as existing interest rates of each CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.
Maturity Dates	The maturity date(s) of the New Existing Rate DWSD Bonds shall be the same as the existing maturity(ies) of each CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.
Prepayment	The City may prepay or redeem all or any portion of the New Existing Rate DWSD Bonds at any time at its option and without penalty or premium.
Other Terms	The New Existing Rate DWSD Bonds otherwise shall have the same terms and conditions as the applicable CUSIP of DWSD Bonds receiving New Existing Rate DWSD Bonds.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

EXHIBIT I.A.189.b

PRINCIPAL TERMS OF NEW GRS ACTIVE PENSION PLAN

NEW GRS ACTIVE PENSION PLAN -- MATERIAL TERMS

1. Benefit Formula: FAC (average base compensation over last 10 consecutive years of employment) x Years of Service x 1.5%. If an employee had leave of not less than 2 months without pay under the Family and Medical Leave Act in the last 2 years of employment, such employee's FAC will be determined using the highest 10 consecutive years of base compensation over the last 12 consecutive years of employment. Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus.
2. Actual time for accrual is actual time served. For vesting and eligibility, 1,000 hours for a year of service.
3. Normal Retirement Age – age 62 with a transition period for active employees as of June 30, 2014 as follows:

<u>Age as of July 1, 2014</u>	<u>Normal Retirement Age</u>
61 years	60 years
60 years	60 years
59 years	60.3 years
58 years	60.6 years
57 years	60.9 years
56 years	61.0 years
55 years	61.3 years
54 years	61.6 years
53 years	61.9 years
52 years	62 years

4. 10 Years of Service for vesting.
5. Early retirement -- Eligible at 55 & 30 years of service, with true actuarial reduction. No pension payments allowed below age 55; terminated employees must wait until 62.
6. Deferred Vested -- 10 Years payable at 62.
7. Disability -- to be provided by commercial insurance until normal retirement age. In applying the formula for an age 62 pension, a disabled employee will be credited with service for the period of long-term disability leave.
8. Annuity Savings Fund - voluntary Annuity Savings Fund contributions equal to 3%, 5% or 7% of after-tax pay. Interest will be credited at the actual net investment rate of return for GRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted.

9. Investment Return/Discount Rate – 6.75%
10. COLA - Variable COLA benefit payable after the hybrid plan has been in effect for 4 full plan years, provided that the funding level is above 100%. A simple 2% COLA on hybrid benefit. Retirees become eligible for a COLA only for plan years after the retiree reaches age 62 and has been retired for a minimum of 12 months.
11. Contributions - Employer contribution of 5% of the base compensation of eligible employees. A portion of such contribution is used to fund normal cost and a portion is credited to a rate stabilization fund. Employees contribute 4% of base compensation toward normal cost.
12. If the funding level is below 100% (based on 3 year look back of smoothed returns), the plan's risk-shifting levers listed below will be applied in the listed order, until the actuary can state that by virtue of the use of levers, and a 6.75% discount rate and return assumption, the funding level is projected to be 100% on a market value basis within the next 5 years.
 - (a) No COLAs will be paid;
 - (b) Amounts credited to the rate stabilization fund will be used to fund accrued benefits; and
 - (c) Employee contributions to the hybrid will increase by 1% to 5% of base compensation for up to a 5 year period.

If the funding level is below 80% (without taking into account the use of rate stabilization funds and the 1% increase in employee contributions):

- (d) The steps taken in (a), (b) and (c) above will be continued;
- (e) The most recently awarded COLA is rescinded (i.e., Members' future benefit payments will be not include that COLA);
- (f) Employee contributions to the hybrid will increase to 6% of base compensation for up to a 5 year period;
- (g) The second most recently awarded COLA is rescinded; and
- (h) The benefit accrual rate is decreased from 1.5% to 1% for up to 5 years.

EXHIBIT I.A.191.b

PRINCIPAL TERMS OF NEW PFRS ACTIVE PENSION PLAN

NEW PFRS ACTIVE PENSION PLAN -- MATERIAL TERMS

1. Benefit Formula:
 - a. Detroit Fire Fighters Association Employees
 - i. $FAC \text{ (average base compensation over last 10 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
 - b. Detroit Police Command Officers Association Employees
 - i. $FAC \text{ (average base compensation over last 5 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
 - c. Detroit Police Officers Association Employees
 - i. $FAC \text{ (average base compensation over last 10 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. $FAC \text{ (average base compensation over last 5 consecutive years of employment)} \times \text{Years of Service earned after June 30, 2014} \times 2.0\%$.
Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
2. Actual time for benefit accrual is actual time served. For vesting service, 1,000 hours in a 12 month period to earn a year of service.
3. Normal Retirement Age
 - a. Detroit Fire Fighters Association Employees
 - i. age 52 with 25 years of service
 - b. Detroit Police Command Officers Association Employees
 - i. age 50 with 25 years of service, with 5 year transition period to be determined by the City
 - c. Detroit Police Officers Association Employees
 - i. age 52 with 25 years of service
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. age 50 with 25 years of service, with the following 5 year transition period:

Fiscal Year
2015

Age and Service
Age 43 and 20 years

2016	Age 43 and 20 years
2017	Age 44 and 21 years
2018	Age 45 and 22 years
2019	Age 46 and 23 years
2020	Age 47 and 24 years
2021 and thereafter	Age 50 and 25 years

4. 10 Years of Service for vesting.
5. Deferred vested pension -- 10 years of service and age 55.
6. Duty Disability - consistent with current PFRS
7. Non-Duty Disability – consistent with current PFRS
8. Non-Duty Death Benefit for Surviving Spouse – consistent with current PFRS
9. Duty Death Benefit for Surviving Spouse – consistent with current PFRS
10. COLA
 - a. Detroit Fire Fighters Association Employees
 - i. no COLA
 - b. Detroit Police Command Officers Association Employees
 - i. 1% compounded, variable
 - c. Detroit Police Officers Association Employees
 - i. no COLA
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. 1% compounded, variable
11. DROP Accounts
 - a. Detroit Fire Fighters Association Employees
 - i. no future payments into DROP.
 - b. Detroit Police Command Officers Association Employees
 - i. available for existing and future accrued benefits for employees who are eligible to retire under concurrent eligibility requirements. No more than 5 years of DROP participation for employees not already in DROP. DROP accounts will be managed by the PFRS instead of ING, if administratively and legally feasible. If managed by PFRS, interest will be credited to DROP accounts at a rate equal to 75% of the actual net investment return of PFRS, but in no event lower than 0% or higher than 7.75%.

- c. Detroit Police Officers Association Employees
 - i. no future payments into DROP.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. available for existing and future accrued benefits for employees who are eligible to retire under concurrent eligibility requirements. No more than 5 years of DROP participation for employees not already in DROP. DROP accounts will be managed by the PFRS instead of ING, if administratively and legally feasible. If managed by PFRS, interest will be credited to DROP accounts at a rate equal to 75% of the actual net investment return of PFRS, but in no event lower than 0% or higher than 7.75%.
- 12. Annuity Savings Fund
 - a. Detroit Fire Fighters Association Employees
 - i. no future Annuity Savings Fund contributions.
 - b. Detroit Police Command Officers Association Employees
 - i. voluntary Annuity Savings Fund contributions up to 10% of after-tax pay. Interest will be credited at the actual net investment rate of return for PFRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted.
 - c. Detroit Police Officers Association Employees
 - i. no future Annuity Savings Fund contributions.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. voluntary Annuity Savings Fund contributions up to 10% of after-tax pay. Interest will be credited at the actual net investment rate of return for PFRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted.
- 13. Investment Return/Discount rate – 6.75%
- 14. City Contributions
 - a. Detroit Fire Fighters Association Employees
 - i. 11.2% of the base compensation of eligible employees. A portion of such contribution (not less than 1% of base compensation) will be credited to a rate stabilization fund.
 - b. Detroit Police Command Officers Association Employees
 - i. 12.25% of the base compensation of eligible employees. A portion of such contribution will be credited to a rate stabilization fund.

- c. Detroit Police Officers Association Employees
 - i. 11.2% of the base compensation of eligible employees. A portion of such contribution (not less than 1% of base compensation) will be credited to a rate stabilization fund.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. 12.25% of the base compensation of eligible employees. A portion of such contribution will be credited to a rate stabilization fund.
15. Employee Contributions – Employees hired before July 1, 2014 (current actives) will contribute 6% of base compensation (pre-risk shifting); employees hired on or after July 1, 2014 (new employees) will contribute 8% of base compensation (pre-risk shifting). Maximum employee contributions of 10% (current actives) and 12% (new employees).
16. Risk Shifting:
- a. If the funding level is less than 90% (using the fair market value of assets), COLAs will be eliminated (to the extent applicable).
 - b. If the funding level is 90% or lower (using the fair market value of assets and a 3-year look back period), the following corrective actions will be taken in the order listed below, until the actuary can state that by virtue of the use of corrective action, and a 6.75% discount rate and return assumption, the funding level is projected to be 100% on a market value basis within the next 5 years:
 - i. eliminate COLAs (if applicable);
 - ii. use amounts credited to the rate stabilization fund to fund accrued benefits;
 - iii. increase employee contributions by 1% per year (6% to 7% for current actives and 8% to 9% for new employees) for up to 5 years;
 - iv. increase employee contributions (active and new employees) by an additional 1% per year;
 - v. increase employee contributions (active and new employees) by an additional 1% per year;
 - vi. implement a 1 year COLA fallback;
 - vii. implement a second 1 year COLA fallback;
 - viii. increase employee contributions by an additional 1% per year; and
 - ix. increase City contributions consistent with applicable actuarial principles and PERSIA.

EXHIBIT I.A.214

FORM OF PLAN COP SETTLEMENT DOCUMENTS

Plan COP Settlement

This Plan COP Settlement is made and entered into as of the date that the City of Detroit (the “City”) received from the beneficial holder of certain (a) Detroit Retirement Systems Funding Trust 2005 Certificates of Participation Series 2005-A, issued by the Detroit Retirement Systems Funding Trust 2005 pursuant to the 2005 COPs Agreement, in an initial principal amount of \$640 million, bearing interest at 4.0% to 4.948%, and/or (b) the (i) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-A, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$148.5 million, bearing interest at 5.989%; and (ii) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-B, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$800 million, bearing interest at a floating rate (collectively, the “COPs”) (such beneficial holder, a “Settling COP Claimant”) a timely-returned Ballot (a) accepting the SECOND AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT (April 15, 2014) (as it has been or may be further modified, supplemented or amended, the “Plan”) and (b) electing to participate in this Plan COP Settlement. The City and the Settling COP Claimant shall each be referred to individually as a “Party” and collectively as the “Parties.” Capitalized terms used herein, but not otherwise defined, have the meaning ascribed to such terms in the Plan.

RECITALS:

WHEREAS, pursuant to City Ordinance No. 05-05, the City organized the Detroit General Retirement System Service Corporation and the Detroit Police and Fire Retirement System Service Corporation (collectively, the “COP Service Corporations”);

WHEREAS, the City is party to the (a) the GRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit General Retirement System Service Corporation; (b) the PFRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit Police and Fire Retirement System Service Corporation; (c) the GRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit General Retirement System Service Corporation; and (d) the PFRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit Police and Fire Retirement System Service Corporation, as each of the foregoing may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments (collectively, the “COP Service Contracts”);

WHEREAS, the Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006 (collectively, the “Funding Trusts”) were formed pursuant to (a) the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 2, 2005, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments (the “2005 COPs Agreement”), and (b) the Trust Agreement by and between the COP Service

Corporations and U.S. Bank National Association, as trustee, dated June 12, 2006, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments (the "2006 COPs Agreement"), respectively;

WHEREAS, pursuant to the 2005 COPs Agreement and 2006 COPs Agreement, the COP Service Corporations made an absolute transfer of all of their rights to receive certain payments from the City under their respective COP Service Contracts to the Funding Trusts;

WHEREAS, the City filed a petition for bankruptcy under chapter 9 of the Bankruptcy Code, 11 U.S.C. § 901, et seq., on July 18, 2013;

WHEREAS, the City filed the adversary proceeding captioned as *City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006*, Case No. 14-04112 (Bankr. E.D. Mich.), in the Chapter 9 Case on January 31, 2014 (the "COP Litigation"); and

WHEREAS, the City and the Settling COP Claimant desire to compromise certain COP Claims as set forth herein and in the timely-returned Ballot.

WHEREAS, this Plan COP Settlement is intended to set forth the terms and conditions of the settlement agreed to by the Parties hereto;

NOW, THEREFORE, in consideration of the recitals set forth above and promises made herein, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

Section 1. Allowance & Distribution

(a) For purposes of this Plan COP Settlement, "COP Claims" shall mean a Claim under, resulting from, or evidenced by the COP Service Contracts, including any Claim against the City for any act, omission, or representation (however described) arising from or relating to the (i) issuance, offering, underwriting, purchase, sale, ownership or trading of COPs, (ii) the COP Service Contracts, (iii) the 2005 COPs Agreement or 2006 COPs Agreement, (iv) the Funding Trusts, (v) the allegations that have been made or could have been made by the City or any other person in the COP Litigation or (vi) any policy of insurance relating to the COPs.

(b) The Settling COP Claimant[, on behalf of itself and its Affiliates,] shall have its COP Claims deemed to be Allowed Claims in an amount equal to 40% of the aggregate unpaid principal amount of COPs held by such Settling COP Claimant as reflected on the timely-returned Ballot submitted by or on behalf of such Settling COP Claimant and shall receive, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of New B Notes pursuant to Section II.B.3.p.iii.A of the Plan.

Section 2. Full Satisfaction, No Double-Recovery

(a) Full Satisfaction. The allowance and distribution provided in Section 1 hereof shall be in full satisfaction, settlement, release and discharge of, and in exchange for, such COP Claims.

(b) No Double-Recovery. To the extent any party has filed or files a proof of claim against the City on behalf of the Settling COP Claimant or any of its Affiliates relating to the COP Claims subject to this Plan COP Settlement, the Settling COP Claimant agrees to return to the City any funds received by it or its Affiliates from the City on account of such proof of claim.

Section 3. Representations.

(a) The Settling COP Claimant represents and warrants to the City that (i) this Plan COP Settlement has been duly executed and delivered and constitutes a valid and binding obligation of such Party, enforceable against such Party in accordance with the terms hereof, (ii) it is not relying upon any statements, understandings, representations, expectations or agreements other than those expressly set forth in this Plan COP Settlement, (iii) it has had the opportunity to be represented and advised by legal counsel in connection with this Plan COP Settlement, which it enters voluntarily and of its own choice and not under coercion or duress, (iv) it has made its own investigation of the facts and is relying upon its own knowledge and the advice of its counsel and (v) it knowingly waives any and all claims that this Plan COP Settlement was induced by any misrepresentation or non-disclosure and knowingly waives any and all rights to rescind or avoid this Plan COP Settlement based upon presently existing facts, known or unknown. These representations and warranties shall survive the execution of this Plan COP Settlement indefinitely without regard to statutes of limitations.

(b) The Settling COP Claimant represents and warrants that the certifications set forth in the timely-returned Ballot are true and correct as of the date hereof.

(c) The Settling COP Claimant agrees and stipulates that the City is relying upon the representations and warranties in this Section in entering into the Plan COP Settlement. Furthermore, the Settling COP Claimant agrees that these representations and warranties are a material inducement for the City in entering into this Plan COP Settlement.

Section 4. Plan.

(a) Entire Agreement. This Plan COP Settlement shall constitute and form a part of the Plan. The failure to specifically describe or reference in this Plan COP Settlement any particular provision of the Plan shall not diminish or impair the effectiveness of any such provision.

(b) Effectiveness. This Plan COP Settlement is expressly conditioned upon and shall only become effective upon the occurrence of the Effective Date.

(c) Inconsistency. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of this Plan COP Settlement, the provisions of the Plan shall control and take precedence.

(d) Governing Law. This Plan COP Settlement will be governed by and construed in accordance with the “Governing Law” and “Retention of Jurisdiction” provisions of the Plan.

Section 5. No Third Party Rights.

Nothing herein shall be deemed to affect or impair any rights of the City or the Settling COP Claimant against any person or entity not included as a Party hereto. This Plan COP Settlement grants no rights to any third party.

Section 6. Intervention Rights

The Settling COP Claimant hereby waives any right it may have to seek to intervene, appear, support or otherwise participate in the COP Litigation.

Section 7. Miscellaneous.

(a) Binding Obligation; Successors and Assigns. This Plan COP Settlement is a legally valid and binding obligation of the Parties, enforceable in accordance with its terms, and will inure to the benefit of the Parties and their respective successors, assigns and transferees.

(b) Headings. The headings of all sections of this Plan COP Settlement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

(c) Execution in Counterparts. This Plan COP Settlement may be executed in any number of counterparts and by different Parties in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page by facsimile or PDF transmission shall be as effective as delivery of a manually executed counterpart.

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Plan COP Settlement on the date first written above.

EXHIBIT I.A.236

RETIREE HEALTH CARE SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

Plaintiffs, the Official Committee of Retirees of the City of Detroit, Michigan (the “Committee”), Detroit Retired City Employees Association, Retired Detroit Police and Fire Fighters Association, and AFSCME Sub-Chapter 98, City of Detroit Retirees (collectively with the Committee, the “Plaintiffs”) and Defendants, the City of Detroit, Michigan (the “City”) and Kevyn Orr, individually and in his official capacity as Emergency Manager of the City of Detroit, Michigan (collectively with the City, the “Defendants”), hereby enter into this Settlement Agreement as of the 14th day of February, 2014 (the “Agreement”), which contains the following terms:

I. GENERAL PROVISIONS

1. **Agreement Modifies March 1, 2014 Plan.** The City agrees to make the changes listed in Part II herein to the City of Detroit Retiree Health Care Plan for the period March 1, 2014 through December 31, 2014. The changes enumerated in Part II are modifications to the City of Detroit Retiree Health Care Plan described in the 2014 Health Care Plan Options Booklet (“Booklet”) distributed approximately January 2, 2014. These modifications are premised on the terms summarized in the Booklet going into effect on March 1, 2014, subject only to the modifications set forth in this Agreement, which resolves the Plaintiffs’ claims in Adversary Proceeding No. 14-04015 (the “Adversary Proceeding”).

2. **Modifications Will Not Decrease Benefits Offered in March 1, 2014 Plan.** None of the modifications in Part II reduces or eliminates any of the benefits in the City of Detroit Retiree Health Care Plan for the period March 1, 2014 through December 31, 2014 as described in the Booklet, except as specified in Part II(4)(a) and (b) below.

3. **Effective Date of Plan Modifications.** The modifications listed in Part II of this Agreement shall be effective with the beginning of the plan on March 1, 2014 unless otherwise noted in the Agreement.

4. **Aggregate Caps.** Unless specifically noted below, there is no cap on the amount that the City will spend to fulfill the modifications listed in Part II. For the two modifications listed in Part II(3)(a)/(b) and (d)/(e) that expressly include capped funds of \$2,500,000 and \$3,000,000, respectively, the City shall aggregate those caps to a total of \$5,500,000 such that if one capped fund is exhausted the City must draw from the other capped fund to the extent that the other capped fund has not been exhausted.

5. **Conditions on Agreement.** This Agreement, and the additional benefits set forth herein, are conditioned upon the City receiving debtor in possession financing that can be used for quality of life purposes on or before May 1, 2014 (the “DIP”). In the event the DIP is not in effect on or before May 1, 2014 and the City is unable to otherwise perform under this

Agreement, this Agreement shall be null and void and the parties shall be returned to their respective positions.

II. MODIFICATIONS TO THE CITY'S RETIREE HEALTH CARE PLAN FOR THE PERIOD MARCH 1, 2014 THROUGH DECEMBER 31, 2014

1. Modification of Dental and Vision Coverage.

- (a) **Dental Coverage.** The City will make available an additional dental benefits option in addition to the dental benefits coverage option described in the Booklet. The additional option will be offered by Golden Dental Inc. ("Golden"). The premium charged for this group coverage option will be no greater than \$23.73 per month for single coverage, \$38.83 per month for two-person coverage, and \$57.17 per month for family coverage, and the benefits will be as described in Exhibit 1 hereto; provided, however, that the amount charged to the retiree shall be increased to include an additional administrative charge, which administrative charge shall not exceed 20% of the applicable premium. The enrolling retiree will be fully responsible to pay the premium associated with this dental option, including the additional administrative charge, and the City shall allow the retirees to utilize the pension reduction feature for payment of the monthly premium. The City will use Reasonable Efforts to have such coverage effective June 1, 2014, including taking Reasonable Efforts to notify retirees by mail of this option as soon as practicable, and taking Reasonable Efforts to minimize the administrative charge. Reasonable Efforts, as used in this Agreement, requires the City to use good faith and reasonable diligence in light of its capabilities.
- (b) **Vision Coverage.** The City will make available an additional vision benefits option in addition to the vision benefits coverage option described in the Booklet. The additional option will be offered by Heritage Vision Plans, Inc. ("Heritage"). The premium for this group coverage option will be no greater than \$6.95 per month for single coverage and \$13.75 per month for 2 or more person coverage; provided, however, that the amount charged to the retiree shall be increased to include an additional administrative charge, which administrative charge shall not exceed 20% of the applicable premium. The option shall be a national network vision option similar to the option that the City provides to active employees. The enrolling retiree will be fully responsible to pay the premium associated with this vision option, including the additional administrative charge, and the City shall allow the retirees to utilize the pension reduction feature for payment of the monthly premium. The City will use Reasonable Efforts to have such coverage effective June 1, 2014, including taking Reasonable Efforts to notify retirees by mail of this option as soon as practicable, and taking Reasonable Efforts to minimize the administrative charge.

2. Modifications for Retirees Eligible for Medicare.

- (a) **Extension of Enrollment Deadline to Opt Out of Medicare Advantage Plan Coverage.** For retirees of the City who are enrolled in Medicare and receive

coverage under a City-sponsored Medicare Advantage Plan through February 28, 2014, the date to opt out of such coverage was extended to February 7, 2014. Such retirees may opt out by hand delivery (no later than close of business February 7) or first-class mail delivery (post-marked on or before February 7) of the designated opt out form to the City Benefits Administration Office at Suite 1026, 2 Woodward Avenue, Detroit MI 48226. Retirees were permitted to request the designated opt out form by calling the City's Benefit Administration Customer Service Line or contacting the City Benefits Administration Office at the address above. The City will use Reasonable Efforts to process any such opt outs for which it receives timely notice in a manner so as to eliminate such Medicare Advantage Plan coverage effective March 1, 2014. To the extent the City is not able to process the timely sent opt out notices in a manner so as to eliminate such coverage effective March 1, 2014, such coverage shall be eliminated effective April 1, 2014. Retirees who did not opt out by February 7, 2014 will be enrolled in a City-sponsored Medicare Advantage Plan as described in the Booklet.

- (b) **HRA Contribution for Medicare-Eligible Retirees Who Opt Out.** For each Medicare-eligible retiree who opted out of coverage under the City-sponsored Medicare Advantage Plans on or prior to February 7, 2014, the City shall automatically enroll such retiree in a City-sponsored Health Reimbursement Arrangement ("HRA"). The HRA shall be administered by Flex Plan, Inc. The City will provide each electing enrollee with a vested \$115 monthly contribution credit to his or her HRA during the remainder of 2014, which will carry forward until used by the retiree or otherwise forfeited under terms to be negotiated by the parties hereto. The City will make all Reasonable Efforts to implement the HRA credits effective May 1, 2014, retroactive to March 1, 2014. The initial monthly credit for May 2014 shall be in an amount equal to the total of \$115 multiplied by the number of months starting March 2014 for which the enrolled retiree did not have Medicare Advantage Plan coverage (e.g., if John Smith had City-sponsored Medicare Advantage Plan coverage until February 28, 2014, the initial monthly credit for May 2014 will be \$345, covering March, April, and May; thereafter, the payments shall be \$115 per month for each month in 2014).
- (c) **Medicare Advantage Plan Catastrophic Drug Expenses.** Each of the Medicare Advantage Plans sponsored by the City for the period March 1, 2014 through December 31, 2014 include Medicare Part D prescription drug coverage, under which, once the \$4,550 out-of-pocket threshold is met, the participant's cost sharing obligation is limited to the greater of 5% of the cost of the prescription, or \$2.55 per prescription for generic and preferred multi-source drugs or \$6.35 per prescription for all other prescription drugs; provided, that the participant's cost sharing obligation shall never be greater than the cost sharing that applied prior to the participant meeting such threshold. For each participant who meets the \$4,550 out-of-pocket threshold while enrolled in one of the City's Medicare Advantage Plans during the period March 1, 2014 through December 31, 2014, the City will reimburse the amount of this cost sharing obligation to the related

retiree. For the avoidance of doubt, participant means both retiree and any retiree's spouse who is covered by the City's Medicare Advantage Plans.

3. Modifications for Retirees Not Eligible for Medicare.

- (a) **Additional Stipend to Retirees With \$75,000 or Lower Household Income Who Acquire Health Care Coverage on an Exchange.** The City will provide non-duty disabled retirees who are not eligible for Medicare a \$125 stipend that they may use to purchase health care coverage. The City will increase this stipend by \$50 for any non-Medicare eligible retiree who either (i) was enrolled in the City's retiree health program on December 31, 2013 or (ii) transitioned from active City benefits to retiree City benefits on or after November 1, 2013; but only to the extent such retiree described in (i) or (ii) above meets the following requirements:

- i) Not eligible for Medicare or Medicaid;
- ii) Not eligible for a benefit under Part II(4);
- iii) Not a duty-disabled retiree (duty-disabled retirees are eligible for higher stipends as provided for in the Booklet);
- iv) Under 65 years old (non-Medicare eligible retirees age 65 and older may receive an increased stipend under Part II(3)(c) below);
- v) Household income is \$75,000 or less, as demonstrated by satisfaction of the process set forth in Part II(3)(b);
- vi) Does not acquire a City-offered group health plan as set forth in Part II(3)(f); and
- vii) Purchases or is covered by a health insurance policy acquired through a health insurance exchange ("Exchange") established pursuant to the Patient Protection and Affordable Care Act.

(b) Process to Obtain Additional \$50 Monthly Stipend.

- i) The City will retain Aon Hewitt to administer the eligibility process for the additional \$50 monthly stipend set forth above in Part II(3)(a). Retirees will be given a 30-day notice period, to expire no later than April 30, 2014, during which they shall provide to Aon Hewitt the following:
 - (1) Submission of having purchased an insurance policy through an Exchange that covers such retiree. Such submission shall include information necessary to validate the retiree's eligibility, including the name of the insurer, monthly premium amount, and the amount of federal

subsidy, if any, that the retiree is to receive in connection with such Exchange-acquired coverage; and

- (2) If the proof of Exchange-acquired coverage shows that the retiree's premium does not also include a federal subsidy amount, such retiree shall also submit a copy of his or her most recently filed federal income tax return with proof of filing, but in no event a return prior to the 2011 tax year. If such federal income tax return shows household income in excess of \$75,000 and the retiree believes that household income in 2013 was below \$75,000, the retiree shall also submit – along with a copy of the most recently filed federal income tax return – proof sufficient for Aon Hewitt to conclude that his or her household income in 2013 was less than \$75,000.
- ii) Aon Hewitt shall submit to the City its list of retirees eligible for the additional \$50 monthly stipend and the monthly stipends shall be paid to the approved eligible retirees beginning in the month of June 2014 or as soon thereafter as administratively practical, with payments retroactive to March 1, 2014. For example, if the first payment is made in June 2014, it will be in the amount of \$200 for the months of March, April, May, and June; thereafter, the payments shall be \$50 per month for each succeeding month in 2014. The list provided by Aon Hewitt shall be final and no changes shall be made to such list for the remainder of 2014.

The City shall cap the amount that it pays for this additional \$50 stipend during the period from March through December 2014 at \$3,000,000. In the event that there are more retirees meeting the requirements in Part II(3)(a) and (b) (i.e., retirees listed on the final list) than can be paid in full for \$3,000,000, each retiree will have his or her stipend amount reduced pro rata, unless there are additional funds that can be used as detailed in Part I(4).

- (c) **Additional Payment to Non-Medicare Eligible Retirees Age 65 and Older.**
The City will increase the stipend that it gives non-Medicare eligible retirees who are 65-years-old and older to \$300/month. For such purposes, a non-Medicare eligible retiree is any retiree age 65 or older who is not – directly or through his or her spouse – eligible to automatically enroll in and obtain premium-free coverage under Part A of Medicare as evidenced by a denial letter from the Centers for Medicare and Medicaid Services (“CMS”). Retirees who have previously submitted such a letter to the City will not be required to resubmit it. Non-Medicare eligible retirees who are duty-disabled will not be eligible for this increase because their stipend is already \$300 or more. The City will coordinate with Blue Cross Blue Shield of Michigan to determine the number of non-Medicare eligible retirees who are eligible for this \$300 stipend. The increased stipend will apply for each month from March 2014 through December 2014. The City will make all Reasonable Efforts to implement the \$300 increased

monthly stipend beginning April 1, 2014, with payment of the increased amount over the stipend otherwise paid for prior months being retroactive to March 1, 2014; thereafter, the stipend shall be \$300 per month for each succeeding month in 2014. Such eligible retirees will not receive any other stipend amounts from the City that are described in the Booklet or this Agreement.

(d) **\$125 Monthly Stipend For City Retirees' Spouses Who are Under Age 65, With \$75,000 or Lower Household Income, and Are Enrolled in Health Care Coverage on an Exchange.**

The City will provide a \$125 stipend to certain married retirees whose spouses either (i) were enrolled in the City's retiree health program on December 31, 2013 or (ii) transitioned from active City benefits to retiree City benefits on or after November 1, 2013; but only to the extent such spouse described in (i) or (ii) above meets the following requirements:

- i) Not eligible to enroll in one of the City's Medicare Advantage Plans;
- ii) Not eligible for Medicaid;
- iii) Not eligible for a benefit under Part II(4);
- iv) Under 65 years old;
- v) Household income is \$75,000 or less, as demonstrated by satisfaction of the process set forth in Part II(3)(e);
- vi) Does not acquire a City-offered group health plan as set forth in Part II(3)(f); and
- vii) Purchases or is covered by a health insurance policy acquired through an Exchange.

(e) **Process to Obtain \$125 Monthly Spouse Stipend.**

- i) The City will retain Aon Hewitt to administer the eligibility process for the \$125 monthly spouse stipend. Retirees will be given a 30-day notice period, to expire no later than April 30, 2014, during which they shall provide to Aon Hewitt the following proof:
 - (1) Submission of proof that their spouse is covered under an insurance policy purchased through an Exchange, including information necessary to validate the retirees' eligibility, including the name of the insurer, monthly premium amount, and the amount of federal subsidy, if any, that the spouse is to receive in connection with such Exchange-acquired coverage; and
 - (2) If the proof of Exchange-acquired coverage shows that the spouse's premium does not also include a federal subsidy

amount, such retiree shall also submit a copy of his or her most recently filed federal income tax return with proof of filing, but in no event a return prior to the 2011 tax year. If such federal income tax return shows household income in excess of \$75,000 and the retiree believes that household income in 2013 was below \$75,000, the retiree shall also submit – along with a copy of the most recently filed federal income tax return – proof sufficient for Aon Hewitt to conclude that his or her household income in 2013 was less than \$75,000.

- ii) Aon Hewitt shall submit to the City its list of retirees who are eligible for this \$125 monthly stipend and the monthly stipends shall be paid to the approved married retirees beginning in the month of June 2014 or as soon thereafter as administratively practical, with payments retroactive to March 1, 2014. For example, if the first payment is made in June 2014, it will be in the amount of \$500 for the months of March, April, May, and June; thereafter, the payments shall be \$125 per month for each succeeding month in 2014. The list provided by Aon Hewitt shall be final and no changes shall be made to such list for the remainder of 2014, except as follows:

- (1) if an eligible retiree ceases to be married (whether by death or divorce), the retiree's spouse will cease to be eligible for this stipend and the retiree shall be removed from the list effective as of the month immediately following such event; and
- (2) if a retiree's spouse transitions from active City benefits to retiree City benefits during 2014 and meets the eligibility provisions described in Part II(3)(d) and is approved as eligible pursuant to the process described in Part II(3)(e), the related retiree shall be added to the list effective as of the month in which the transition to retiree City benefits occurs, provided there is sufficient availability under the Aggregate Caps as described below.

The City will cap the amount that it pays for spousal stipends at \$2,500,000. In the event that there are more retirees initially satisfying the requirements in Part II(3)(e) (*i.e.*, retirees listed on the first list submitted by Aon Hewitt to the City) than can be paid in full for \$2,500,000, each such retiree will have his or her stipend amount reduced pro rata, provided that if there are additional funds that can be used as detailed in Part I(4), each such retiree will only have his or her stipend amount reduced pro rata to the extent the aggregate amount is not sufficient to satisfy the full amount of such stipends. Retirees who become eligible for this spousal stipend during the year, as described above, shall only be eligible for a stipend to the extent there is sufficient availability under the

Aggregate Caps detailed in Part I(4). The addition or removal of retirees from the list shall not impact the amount of the stipend being paid to other eligible retirees.

- (f) **City Group Plan.** In 2014, the City agrees to contract with Blue Cross Blue Shield of Michigan to offer a fully-insured group health plan option to retirees who are not eligible for Medicare. Such plan option shall be reasonably equivalent to the coverage offered by the City to active employees in 2014. The enrolling retiree will be fully responsible to pay the monthly premium associated with this option. The premium cost to retirees of such policy will include the cost to the City of enrollment and administration related to this policy option, so that the City will not incur any additional expense in offering this policy. The parties will use Reasonable Efforts to have such coverage effective May 1, 2014. The City shall provide a monthly stipend of \$100 to each retiree who enrolls in the City group plan, beginning with the May 1, 2014 payment. No other stipend amounts from the City that are described in the Booklet or this Agreement shall be available to retirees enrolling in this group option, unless either (i) the retiree is duty-disabled, in which case, he or she will instead receive the stipend available to duty-disabled retirees described in the Booklet, or (ii) the retiree is eligible for the stipend described in Part II(3)I, in which case, he or she will instead receive such stipend.

4. Modifications for Retirees Below the Federal Poverty Level.

- (a) **Coverage for Michigan Resident Retirees Eligible For Medicaid Coverage On or After April 1, 2014.** The parties recognize that CMS has approved the State of Michigan's request to operate the "Healthy Michigan" program for adults who will become eligible for Medicaid under Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act, and that on April 1, 2014 Michigan will provide Medicaid coverage to all adults residing in the State with income up to and including 133% of the Federal Poverty Level. "Federal Poverty Level" means the applicable poverty guideline based on state of residence and household size issued annually by the U.S. Department of Health and Human Services. For those retirees who are eligible for Medicaid under the scheduled April 1, 2014 expansion, the City will facilitate their transition in the following manner: Within 10 days of the effective date of this Agreement, the City shall contact by letter those non-Medicare eligible retirees, who, according to the Retirement Systems' records, reside in Michigan and whose annual pension income is in an amount less than 100% of the Federal Poverty Level. Such retirees will be given a 30 day opportunity to submit to Aon Hewitt proof that their income falls below the Federal Poverty Level. Upon receipt by Aon Hewitt of a list of such retirees falling below the Federal Poverty Level, the City shall provide payment to such retirees of the amount equal to the value of the federal subsidy for the month of March that they would have received in connection with the second lowest cost Exchange-purchased silver plan, had such retiree, and to the extent the retiree is married, such retiree's spouse, been eligible for such subsidy for the month of March 2014 for such plan based on a determination of household income at 100% of the Federal Poverty Level. A similar payment will be made by the City in

connection with insurance coverage for April 2014 if such retiree and spouse are not covered by Medicaid. To the extent that the Medicaid expansion rules in Michigan have not provided such retirees the opportunity to migrate into the Michigan Medicaid program by May 1, 2014, the City shall cease its continued payment but the parties agree to negotiate in good faith an additional reasonable accommodation to such retirees that balances the City's and such retirees' interests. *Retirees eligible for payments under this subsection are not eligible for any other payment offered by the City as set forth in the Booklet or as set forth in this Agreement.*

- (b) **Coverage for Non-Medicare Eligible Retirees in States that Have Not Expanded Medicaid.** The City recognizes that not all States have chosen to expand Medicaid coverage in accordance with Title II of the Patient Protection and Affordable Care Act, and certain non-Medicare eligible retirees residing outside the State of Michigan whose incomes fall below 133% of the Federal Poverty Level will not be eligible for Medicaid coverage. Accordingly, in connection with such retirees, the City will pay a monthly amount equal to the lesser of: (1) the second lowest cost monthly premium for a silver plan for such retiree and spouse purchased through an Exchange in their place of residence; or (2) the ratable monthly amount necessary to increase the retiree's annual household income to 100% of the Federal Poverty Level. Within 10 days of the effective date of this Agreement, the City shall contact by letter those retirees, who, according to the Retirement Systems' records, reside in states that do not provide Medicaid coverage to adults up to the Federal Poverty Level, and whose annual pension income is in an amount less than 100% of the Federal Poverty Level. Such retirees will be given a 30 day opportunity to submit to Aon Hewitt proof that their income falls below the Federal Poverty Level. The City shall commence such payments as soon as reasonably practicable after receiving a list of such retirees from Aon Hewitt. *Retirees eligible for payments under this subsection are not eligible for any other payment offered by the City as set forth in the Booklet or as set forth in this Agreement.*

III. RELEASES, FUTURE LEGAL PROCEEDINGS, AND MISCELLANEOUS

1. **Future Claims in City Plan Confirmation Proceedings.** This Agreement is entered into without prejudice to any party to this litigation with respect to any issue involving the rights, claims, obligations, and payments of health care and other post-employment benefits ("OPEB"); provided that the City will not seek to recover directly from the retirees any postpetition OPEB payments made to or on behalf of retirees. Each party expressly reserves its rights on OPEB issues in connection with negotiations of a plan of adjustment, and the Plaintiffs are free to pursue, and the City to oppose, their position that the postpetition OPEB payments the City made to or on behalf of retirees were a business necessity.

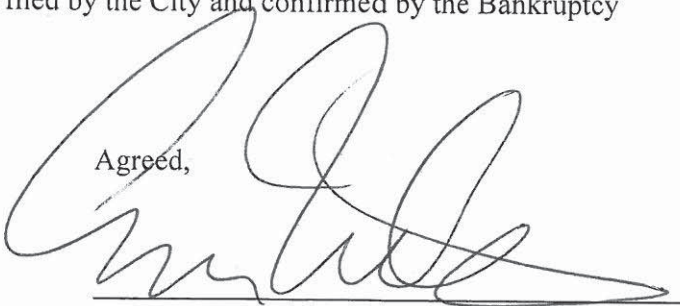
2. **Release.** Following the execution of this Agreement, the Plaintiffs will promptly dismiss the lawsuit – which solely addresses 2014 retiree health care benefits – with prejudice; provided, however, that any party to the lawsuit may bring an action in the Bankruptcy Court to enforce the terms of this Agreement resolving the lawsuit (an "Enforcement Action") and if the

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

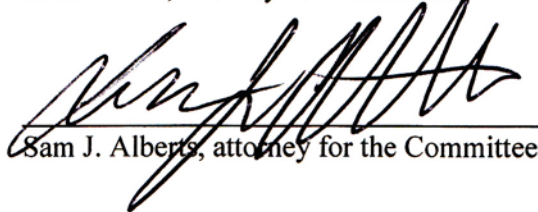
3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants



Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.


4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee



Brian O'Keefe, attorney for Detroit Retired City Employees Association and Retiree Police and Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City Employees Association and Retiree Police and Fire Fighters Association



Richard Mack, attorney for AFSCME Sub-Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

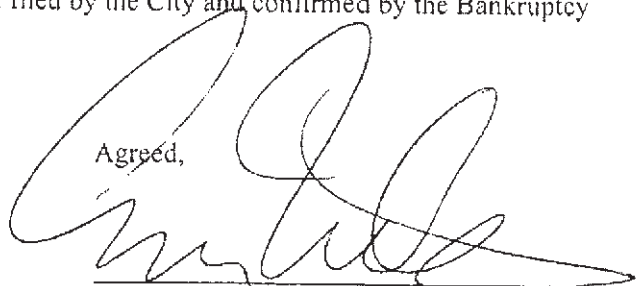
conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,



Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:



Judge Wiley Daniel, Mediator

EXHIBIT 1

(See next page)



January 2014

Certificate of Coverage City of Detroit Retirees

CLASS I

Diagnostic and Preventive:

Exams, X-Rays, Prophylaxis, Fluoride -up to age 19 **100%**

CLASS II

Restorative:

Fillings, Root Canals, Routine Extractions **100%**

CLASS III

Prosthetics:

Crowns, Bridges, Partials, Dentures, Space Maintainers **80%**

CLASS IV

Specialty Care:

Periodontics
Endodontics
Oral Surgery **70%**

ORTHODONTICS (Interceptive excluded)

Lifetime Benefit Maximum: Dependents up to age 19 **\$3,000**

Lifetime Benefit Maximum: Subscriber and Spouse **\$3,000**

Out-Of-Area Emergency Coverage \$100 reimbursement

Annual Maximum: \$1,600.00

Annual Renewal: 07/01

Membership Card Reads: Detroit Retirees

Rate Type	Current Rates
Single Person	\$23.73
Family of two	\$38.83
Family	\$57.17

EXHIBIT I.A.244

SCHEDULE OF SECURED GO BOND DOCUMENTS

SCHEDULE OF SECURED GO BOND DOCUMENTS

Secured GO Bond Documents	Series of Secured GO Bonds	Balance as of Petition Date
Resolution of the City Council adopted February 23, 2010 Finance Director's Order dated March 11, 2010 Master Debt Retirement Trust Indenture dated as of March 1, 2010, as supplemented and amended (the " <u>Master Indenture</u> "), between the City of Detroit and U.S. Bank National Association, as trustee	Distributable State Aid General Obligation Limited Tax Bonds, Series 2010	\$252,475,366
Resolution of the City Council adopted July 20, 2010 Finance Director's Order dated December 9, 2010 Master Indenture	Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds – Direct Payment)	\$101,707,848
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(A2) and Series 2012(B2)) Finance Director's Order dated July 3, 2012 (Series 2012 (A2) and Series 2012(B2)) Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2)) Master Indenture	Self Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A2)	\$39,254,171
Resolution of the City adopted March 27, 2012 Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2)) Master Indenture	Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B)	\$31,037,724

Secured GO Bond Documents	Series of Secured GO Bonds	Balance as of Petition Date
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(B)) Finance Director's Order dated July 3, 2012 (Series 2012(B)) Finance Director's Order dated August 16, 2012 (Series 2012(B)) Master Indenture	General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation), Series 2012(B)	\$6,469,135
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(A2) and Series 2012(B2)) Finance Director's Order dated July 3, 2012 (Series 2012 (A2) and Series 2012(B2)) Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2)) Master Indenture	Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2)	\$54,055,927

EXHIBIT I.A.268

FORM OF STATE CONTRIBUTION AGREEMENT

CONTRIBUTION AGREEMENT

This Contribution Agreement ("Agreement"), dated as of _____, 2014, is made by and among the Michigan Settlement Administration Authority, a Michigan body public corporate (the "Authority"), the General Retirement System for the City of Detroit, the Police and Fire Retirement System for the City of Detroit and the City of Detroit (the "City").

RECITALS

A. The City filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 (the "Chapter 9 Case") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Court").

B. During the course of the Chapter 9 Case, the City has asserted that the City's Police and Fire Retirement System (the "PFRS" or a "System") and the General Retirement System (the "GRS" or a "System") are underfunded.

C. During the course of the Chapter 9 Case, there have been suggestions that the State of Michigan (the "State") may be obligated to pay a portion of the underfunding of pension benefits payable to retirees, a suggestion the State vigorously disputes.

D. As part of the mediation process in the Chapter 9 Case, the mediators asked the State and other parties to consider contributing funds to assist in reducing the amount of underfunding in the PFRS and GRS pension funds by providing additional settlement funds for the benefit of pensioners that would not be otherwise available.

E. As part of its determination that the City was eligible to file the Chapter 9 Case, the Court determined that pension obligations of the City can be impaired or diminished in the Chapter 9 Case and are not protected from such impairment or diminution by the State Constitution.

F. In support of confirmation of the City's Fourth Amended Plan of Adjustment dated May 2, 2014 (as may be further amended from time to time, the "Plan"), the State has agreed, subject to satisfaction of specific conditions, to make a contribution to the GRS and PFRS in return for releases from, among other things, any claims against the State and the State Related Entities described in this Agreement.

G. On _____, 2014, the Authority was established as the disbursement agent for the State with respect to the State Contribution (as defined below).

H. Capitalized terms used in this Agreement but not defined have the same meaning as set forth in the Plan.

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. State Contribution. On the later of (a) the date on which the Conditions Precedent have been satisfied, and (b) 60 days after the Effective Date of the Plan, the Authority shall disburse \$[_____] to GRS and \$[_____] to PFRS (collectively, the "State Contribution")

for the purpose of increasing the assets of the PFRS and GRS. The total aggregate State Contribution is equal to the net present value of \$350,000,000 payable over 20 years determined using a discount rate of 6.75%, which results in a total contribution by the State of \$194,800,000. The State Contribution shall only be used to fund payments to holders of GRS Pension Claims and PFRS Pension Claims, each as defined in the Plan.

2. Governance Requirements of the GRS and PFRS. At all times during the 20 year period following the disbursement of the State Contribution to the GRS and PFRS, the GRS and PFRS each must establish an investment committee (the “Investment Committee”) for the purpose of making recommendations to, and approving certain actions by, the respective System's board of trustees and/or making determinations and taking action under and with respect to Investment Management, as set forth in the terms and conditions enumerated on **Exhibit A** and **Exhibit B**, respectively, each attached to and incorporated by reference into this Agreement.

3. Income Stabilization Funds and Income Stabilization Payments. The City, GRS and PFRS shall establish an income stabilization program and amend the governing documents for GRS and the governing documents for PFRS to include the following:

- a. A supplemental pension income stabilization payment (the “Income Stabilization Payment”) payable on an annual basis beginning not later than 120 days after the Effective Date, to each Eligible Pensioner equal to the lesser of (a) the amount needed to restore the Eligible Pensioner's reduced pension benefit to the amount of the pension benefit that the Eligible Pensioner received from GRS or PFRS in 2013, or (b) the amount needed to bring the total annual household income of the Eligible Pensioner up to 130% of the Federal Poverty Level in 2013.
- b. In addition, to the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income in any calendar year is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional benefit (“Income Stabilization Benefit Plus”). The Income Stabilization Benefit Plus shall be equal to the lesser of either (a) the amount needed to restore 100% of the Eligible Pensioner's pension benefits, including escalators and cost of living adjustments; or (b) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.
- c. An Eligible Pensioner's “Estimated Adjusted Annual Household Income” shall be calculated as follows: (i) the annual pension benefit amount paid in 2013 shall be subtracted from the Eligible Pensioner's 2013 total household income (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation), as adjusted for inflation or Social Security COLA increases, to create a base additional income amount, plus (ii) the following three items as applicable, (x) the reduced pension benefit that GRS or PFRS will pay the

Eligible Pensioner for that year, (y) any GRS or PFRS pension restoration due to an improved GRS or PFRS funding level, and (z) the Eligible Pensioner's Income Stabilization Benefit. Notwithstanding the foregoing, Income Stabilization Payments, including the Income Stabilization Benefit Plus, under both GRS and PFRS shall not exceed \$20 million in aggregate.

- d. A separate recordkeeping sub-account called the "Income Stabilization Fund" will be set up under each of GRS and PFRS for the sole purpose of paying the Income Stabilization Payments, including Income Stabilization Benefit Plus payments, to Eligible Pensioners. The assets credited to the sub-accounts will be invested on a commingled basis with the applicable System's assets and will be credited with a pro-rata portion of the System's earnings and losses.
- e. Amounts credited to the Income Stabilization Fund, including the Assigned UTGO Bond Tax Proceeds, may not be used for any purpose other than the payment of Income Stabilization Payments, including Income Stabilization Benefit Plus payments, to Eligible Pensioners, except as expressly provided in subparagraph (f) below.
- f. In 2022, provided that the State has not issued a certificate of default with respect to a System at any time prior to 2022, the Investment Committee for that System shall conduct a valuation to determine the Income Stabilization Payments, including Income Stabilization Benefit Plus payments, anticipated to be made from the System in the future, in order for the System to fulfill the obligation to make such payments (the "Estimated Future Liability"). In the event that 75% of the independent members of the Investment Committee determine that the GRS or PFRS Income Stabilization Fund is credited with assets in excess of its Estimated Future Liability (the "Excess Assets"), the Investment Committee may, in its sole discretion, recommend to the Board of Trustees that the Excess Assets, but not more than \$35 million, be used to fund that System's Adjusted Pension Benefits. The Investment Committee shall have the right to engage professionals to assist in this task as necessary, and such expenses shall be paid by the Systems. If any funds remain in the GRS or PFRS Income Stabilization Fund on the date upon which no Eligible Pensioners under their respective System are living, the remainder of that System's Income Stabilization Fund shall be used to fund that System's Adjusted Pension Benefits.
- g. "Eligible Pensioners" are those retirees or surviving spouses who are at least 60 years of age or those minor children receiving survivor benefits from GRS or PFRS, each as of the Effective Date, whose pension benefit from GRS or PFRS will be reduced by the confirmed Plan, and who have a total household income equal to or less than 140% of the Federal Poverty Line in 2013 (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation).

No new persons will be eligible to receive an Income Stabilization Payment at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

- h. The initial determination of Eligible Pensioners, and the amounts of Income Stabilization Payments payable to Eligible Pensioners shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board of Trustees of GRS and PFRS, as applicable. The Board of Trustees, with the assistance of the Investment Committee of GRS and PFRS, shall be responsible for properly administering the respective Income Stabilization Fund and annually certifying to the Treasurer that it has properly administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners.

4. Conditions Precedent. The Authority's obligations under this Agreement are not effective or enforceable until each of the following conditions (the "Conditions Precedent") have been met to the satisfaction of the Authority and the Treasurer, unless any one or more of such conditions are waived in a writing executed by the Authority and the Treasurer:

- a. The Authority receives the State Contribution from the State.
- b. An endorsement of the Plan by the Official Retiree Committee which will include a letter from the Official Retiree Committee as part of the Plan solicitation package recommending to Classes 10 and 11 a vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in the respective classes.
- c. Cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, as it related to the City (a) challenging PA 436 or any actions taken pursuant to PA 436, including but not limited to, a dismissal with prejudice of the cases set forth on **Exhibit D**, or (b) seeking to enforce Article IX, Section 24 of the Michigan Constitution.
- d. Active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way (including funding) the litigation described in subparagraph 4(c) by the parties listed on **Exhibit C**, or equivalent assurance of litigation finality
- e. Classes 10 and 11 accept the Plan.
- f. By September 30, 2014, the Court enters a final, non-appealable order confirming the Plan that includes, at a minimum, the following:
 - i. A release of the State and State Related Entities by each holder of a Pension Claim of all Liabilities arising from or related to the

City, the Chapter 9 case (including the authorization to file the Chapter 9 Case), the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution.

- ii. A requirement that the governing documents of GRS and the governing documents of PFRS be amended to include:
 - a) the governance terms and conditions set forth in Paragraph 2, Exhibit A and Exhibit B of this Agreement; and
 - b) the Income Stabilization Payments, the Income Stabilization Benefit Plus payments, and Income Stabilization Fund described in Paragraph 3 of this Agreement.
- iii. Approval of, and authority for the City to enter into, the UTGO Settlement.
- iv. A requirement that the City irrevocably assigns the right to receive not less than an aggregate amount of \$20,000,000 of the payments on the Reinstated Stub UTGO Bonds to the Income Stabilization Funds of the GRS and PFRS. Such payments will be made to the Income Stabilization Funds in the form of annual installment payments over a 14 year period, **[pursuant to a payment schedule approved by the State.]**
- v. Approval of, and authority for the City to enter into, the DIA Settlement.
- vi. Agreement to and compliance with MCL 141.1561 and cooperation with the transition advisory board appointed pursuant to MCL 141.1563, or compliance with any new legislation that is enacted regarding post-bankruptcy governance.
- g. Evidence satisfactory to the State of an irrevocable commitment by:
 - i. The Foundations to fund \$366,000,000 (or the net present value thereof) as part of the DIA Settlement; and
 - ii. The DIA Corp. to fund \$100,000,000 (or the net present value thereof) as part of the DIA Settlement.
- h. The Plan Effective Date occurs on or before December 31, 2014.

5. Non-occurrence of Conditions Precedent. If the Conditions Precedent are not met to the satisfaction of the Authority and the Treasurer on or before December 31, 2014, upon

written request of the Treasurer, the Authority shall remit the State Contribution to the Department and shall have no further obligations under this Agreement.

6. Default by GRS and PFRS and Remedies.

- a. A System will be in default if the System has not complied with any of the conditions set forth in the Plan, its respective governing documents, or this Agreement, including but not limited to failing to make the required Income Stabilization Payments or Income Stabilization Benefit Plus payments, or using funds in the Income Stabilization Fund for unauthorized purposes.
- b. In the event of default by a System, and failure of the System to promptly cure such default to the satisfaction of the Treasurer within the time period reasonably established by the Treasurer, no portion of the total State Contribution to the defaulting System, as adjusted for earnings and losses, may be taken into consideration by the System during the remainder of the 20 year period following the date of such default for purposes of determining whether benefits reduced by the Plan may be restored. Notwithstanding the foregoing, in the event that a default is cured in a subsequent year, the Treasurer may determine in his or her sole discretion (taking into consideration such factors as the financial impact of the default on the System) that the defaulting System may once again include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.
- c. Each Board of Trustees shall provide reports to the Treasurer on a semi-annual basis and at such other times as the Treasurer reasonably may request in order for the Treasurer to determine that the conditions set forth herein have been satisfied. The Treasurer shall provide either a certificate of compliance, or in the event of a default that has not been cured to the Treasurer's satisfaction, a notice of default, upon request of the System or any of the independent members of the Board of Trustees.
- d. Notwithstanding the foregoing, in the event of a default, the Treasurer and the Authority shall have the right to pursue all available legal and equitable remedies against the Board of Trustees for the defaulting System, the Investment Committee, or any other person.

7. Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

8. Governing Law/Jurisdiction. This Agreement shall be construed in accordance with the laws of the State of Michigan, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with

such laws. The Bankruptcy Court of the Eastern District of Michigan shall have exclusive jurisdiction over any action or proceeding solely with respect to this Agreement, and each party, to the extent permitted by law, agrees to submit to such jurisdiction and to waive any defense based on venue or jurisdiction of such court.

9. Amendment. This Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived only by an instrument in writing signed by each of the Parties.

10. Limitation of Liability. The obligation to make the State Contribution is not a general obligation or indebtedness of the State or the Authority and is subject to satisfaction of the conditions described herein. Furthermore, neither the State nor the Authority has any liability or obligation arising from or related to the contributions and funding of the Income Stabilization Fund of each System. Notwithstanding anything contained herein to the contrary, no State Related Entity or board member of the Authority shall have any liability for the representations, warranties, covenants, agreements or other obligations of the State or the Authority hereunder or in any of the certificates, notices or agreements delivered pursuant hereto.

11. Severability. If any one or more of the covenants, agreements or provisions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of any such covenants, agreements and provisions shall in no way affect the validity or effectiveness of the remainder of this Agreement, and it shall continue in force to the fullest extent permitted by law.

12. Headings. Any headings preceding the text of the several articles and sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience or reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

[Remainder of Page Intentionally Left Blank – Signatures on Following Page]

**MICHIGAN SETTLEMENT ADMINISTRATION
AUTHORITY**

By: _____
Title: Authorized Officer

**GENERAL RETIREMENT SYSTEM FOR THE
CITY OF DETROIT**

By: _____
Title: Authorized Officer

**POLICE AND FIRE RETIREMENT SYSTEM FOR
THE CITY OF DETROIT**

By: _____
Title: Authorized Officer

CITY OF DETROIT

By: _____
Title: Emergency Manager

EXHIBIT A – GRS Governance Terms

In re City of Detroit, Michigan

INVESTMENT COMMITTEE GOVERNANCE
FOR GENERAL RETIREMENT SYSTEM

PREAMBLE	This document was prepared to set forth the pension governance requirements under the State Contribution Agreement applicable to the General Retirement System of the City of Detroit (GRS).
SCOPE OF GOVERNANCE	The GRS is currently administered by a ten (10) member Board of Trustees that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The GRS Board currently makes all administrative, actuarial and investment related decisions for the GRS. Upon the Effective Date under the POA, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee (“IC”) which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the GRS Board in the ordinary course of its affairs.
INVESTMENT COMMITTEE	<p>The GRS Investment Committee (“GRS IC”) shall consist of seven (7) voting members consisting of:</p> <ul style="list-style-type: none">i. Five (5) Independent Members;ii. One (1) Employee Member; andiii. One (1) Retiree Member. <p>Collectively, or individually, “Members” or “Member”.</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined by MCL 38.1132d (4).</p> <p>Each Independent Member of the GRS IC shall have expert knowledge or extensive experience with respect to either: (a) economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the GRS IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the GRS IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial GRS IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the GRS Board, in consultation with the Foundations, and named in the POA. Successor Independent Members shall be appointed by a majority of the remaining Independent Members after three (3) weeks’ notice to the GRS Board and the State Treasurer of the individuals chosen, in accordance with such rules and regulations</p>

	<p>as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>If the five (5) initial GRS IC Independent Members are not selected by mutual agreement by the time of confirmation of the City's Plan of Adjustment, then the five (5) initial GRS IC Independent Members shall be selected by the Bankruptcy Court.</p> <p>In the event the Bankruptcy Court selects the Independent Members as described immediately above, Successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the GRS Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Member shall be an employee-elected Member from the GRS Board appointed by the GRS Board. The initial Employee Member will be _____.</p> <p>The Retiree Member shall be a retiree-elected Member from the GRS Board appointed by the GRS Board. The initial Retiree Member will be _____.</p> <p>The terms of office of the initial GRS IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the GRS IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the GRS IC and neglects to perform those duties, (b) the Member has committed a material breach of GRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the GRS IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC</p>
--	--

	<p>Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by avote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the GRS IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the GRS IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the GRS shall be payable out of the investment returns of the GRS.</p> <p>The GRS IC shall be an investment fiduciary to the GRS. An IC Member or other fiduciary under the GRS shall discharge his or her duties with respect to the GRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the GRS IC shall comply with all GRS Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
GRS IC MEETINGS	<p>The GRS IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The GRS IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the GRS IC, so long as at least three (3) Independent Members are present. Each Member shall be entitled to one vote on each question before the IC and at least four (4) concurring votes shall</p>

	be necessary for a decision of the committee.
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The GRS IC shall serve in a fiduciary capacity with respect to the Investment Management of all GRS Plan Assets, the investment return assumption, and GRS Board compliance with benefit plan provisions, as set forth more fully below. The GRS IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5).</p> <p>All Investment Management decisions approved by the GRS Board shall require a recommendation by an affirmative vote of the GRS IC, in accordance with the provisions of this agreement. All actions and recommendations of the GRS IC shall be forwarded to the GRS Board for consideration and are subject to GRS Board approval. The GRS Board shall take no action with respect to any matter for which the GRS IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the GRS IC. If the GRS Board fails to act with respect to an Investment Management decision that has been recommended by an affirmative vote of the GRS IC, and such failure continues for 45 days after the date that the recommendation was made to the GRS Board, then the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the GRS Board disapproves action recommended by an affirmative vote of the GRS IC and does not provide a detailed written response outlining the reasons for such disapproval, then the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the GRS Board disapproves such action and provides a detailed written response outlining the reasons for such disapproval, the IC shall have 45 days after the receipt of the response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days of such request by the GRS IC, unless a later date is agreed to in writing by the GRS Board and the GRS IC, to discuss the disapproval by the Board described in the written response. Within ten (10) days of the conclusion of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision.</p> <p>"Investment Management" with respect to GRS Plan Assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing sound and consistent investment goals, objectives and performance measurement standards

	<p>which are consistent with the needs of the Plan.</p> <ol style="list-style-type: none"> 2. Within 120 days after the Effective Date of the POA, all of the GRS assets not already under qualified management, if any, must be managed by qualified managers selected by the IC. 3. Evaluating and selecting Qualified Manager(s) to invest and manage the Plan's assets. 4. Evaluating and selecting the Plan Actuary to prepare annual actuarial valuation reports and any other projections or reports used to determine restoration of pension benefits. 5. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 6. Determining how Plan assets should be allocated among various asset classes. 7. Determining, in conjunction with the Plan Actuary, any and all calculations and/or assessments underlying the restoration of pension benefits. 8. Reviewing and evaluating the results of the investment managers in context with established standards of performance, including restoration of pension benefits. 9. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 10. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 11. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 12. Reviewing and approving, prior to issuance, the annual audit and all financial reports prepared on behalf of the GRS. 13. Causing an asset/liability valuation study to be performed for GRS every two (2) years, or as requested by the GRS IC or GRS Board. <p>The GRS IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of asset allocation policy, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. In establishing the GRS investment allocation and
--	---

	<p>investment policy target return, the desire to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Variable Restoration Program, to the extent that is prudent.</p> <p>3. The liquidity needs of the GRS Plan.</p> <p>The fact that the IC makes a recommendation to the Board which is not recommended by the CRS CIO or the Investment Consultant shall not be a basis or factor in determining a breach of fiduciary duty.</p>
CHIEF INVESTMENT OFFICER (CIO)	The IC shall have the exclusive power to retain and discharge the GRS CIO, set and approve any and all compensation for, and terms of employment of, the GRS CIO. With respect to GRS plan assets, the GRS CIO shall report directly to the GRS IC and the GRS Board. The CIO shall be responsible for assisting the GRS IC and the GRS Board in overseeing the GRS's investment portfolio.
PLAN ACTUARY	[To Be Negotiated and Agreed Upon]
QUALIFIED MANAGER(S)	[To Be Negotiated and Agreed Upon]

DETROIT 56620-1 1313895v8

EXHIBIT B – PFRS Governance Terms

INVESTMENT COMMITTEE GOVERNANCE FOR POLICE AND FIRE RETIREMENT SYSTEM

PREAMBLE	This document was prepared to set forth the pension governance requirement under the State Contribution Agreement applicable to the Police and Fire Retirement System of the City of Detroit (PFRS).
SCOPE OF GOVERNANCE	The PFRS is currently administered by a ten (10) member Board of Trustees that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The PFRS Board currently makes all administrative, actuarial and investment related decisions for the PFRS. Upon the Effective Date under the POA, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee (“IC”) which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the PFRS Board in the ordinary course of its affairs.
INVESTMENT COMMITTEE	<p>The PFRS Investment Committee (“PFRS IC”) shall consist of nine (9) voting members consisting of:</p> <ul style="list-style-type: none"> i. Five (5) Independent Members; ii. Two (2) Employee Members; and iii. Two (2) Retiree Members. <p>There shall be one Employee Member elected by the active police officers eligible for a pension from the PFRS and one from the active firefighters eligible for a pension from the PFRS.</p> <p>There shall be one Retiree Member elected by the retired police officers receiving a pension from the PFRS and one retired firefighter receiving a pension from the PFRS. Each of the four (4) uniformed Members shall have one-half (1/2) vote.</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined in MCL 38.1132d(4).</p> <p>Each Independent Member of the PFRS IC shall have expert knowledge or extensive experience with respect to either: (a)</p>

	<p>economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the PFRS IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the PFRS IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial GRS IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the GRS Board, in consultation with the Foundations, and named in the POA. Successor Independent Members shall be appointed by a majority of the remaining Independent Members after three (3) weeks' notice to the GRS Board and the State Treasurer of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>If the five (5) initial GRS IC Independent Members are not selected by mutual agreement by the time of confirmation of the City's Plan of adjustment, then the five (5) initial GRS IC Independent Members shall be selected by the Bankruptcy Court.</p> <p>In the event the Bankruptcy Court selects the Independent Members as described immediately above, Successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the GRS Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Members shall be employee-elected Members from the PFRS Board appointed by the PFRS Board. The initial Employee Members will be _____.</p> <p>The Retiree Members shall be retiree-elected Members from the PFRS Board appointed by the PFRS Board. The initial Retiree Members will be _____.</p> <p>The terms of office of the initial PFRS IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent</p>
--	---

	<p>Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the PFRS IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the PFRS IC and neglects to perform those duties, (b) the Member has committed a material breach of PFRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the PFRS IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by a vote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the PFRS IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the PFRS IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the PFRS shall be payable out of the investment returns of the PFRS.</p> <p>The PFRS IC shall be an investment fiduciary to the PFRS. An</p>
--	--

	<p>IC Member or other fiduciary under the PFRS shall discharge his or her duties with respect to the PFRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the PFRS IC shall comply with all PFRS Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
PFRS IC MEETINGS	<p>The PFRS IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The PFRS IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the PFRS IC, so long as at least three (3) Independent Members are present. Each Independent Member shall be entitled to one vote on each question before the IC and each Employee Member and Retiree Member shall be entitled to one-half (1/2) vote on each question before the IC. In each case, at least four (4) concurring votes shall be necessary for a decision of the committee.</p>
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The PFRS IC shall serve in a fiduciary capacity with respect to the Investment Management of all PFRS Plan Assets, the investment return assumption, and PFRS Board compliance with benefit plan provisions, as set forth more fully below. The PFRS IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5).</p> <p>All Investment Management decisions approved by the PFRS Board shall require a recommendation by an affirmative vote of the PFRS IC, in accordance with the provisions of this agreement. All actions and recommendations of the PFRS IC shall be forwarded to the PFRS Board for consideration and are</p>

	<p>subject to PFRS Board approval. The PFRS Board shall take no action with respect to any matter for which the PFRS IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the PFRS IC. If the PFRS Board fails to act with respect to an Investment Management decision that has been recommended by an affirmative vote of the PFRS IC, and such failure continues for 45 days after the date that the recommendation was made to the PFRS Board, then the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the PFRS Board disapproves action recommended by an affirmative vote of the PFRS IC and does not provide a detailed written response outlining the reasons for such disapproval, then the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the PFRS Board disapproves such action and provides a detailed written response outlining the reasons for such disapproval, the PFRS IC shall have 45 days after the receipt of the response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days of such request by the PFRS IC, unless a later date is agreed to in writing by the PFRS Board and the PFRS IC, to discuss the disapproval by the Board described in the written response. Within ten (10) days of the commencement of the conference, or twenty (20) days following the IC’s request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC’s decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision.</p> <p>“Investment Management” with respect to PFRS Plan Assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan. 2. Within 120 days after the Effective Date of the POA, all of the PFRS assets not already under qualified management, if any, must be managed by qualified managers selected by the IC.
--	---

	<ol style="list-style-type: none"> 3. Evaluating and selecting Qualified Manager(s) to invest and manage the Plan's assets. 4. Evaluating and selecting the Plan Actuary to prepare annual actuarial valuation reports and any other projections or reports used to determine restoration of pension benefits. 5. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 6. Determining how Plan assets should be allocated among various asset classes. 7. Determining, in conjunction with the Plan Actuary, any and all calculations and/or assessments underlying the restoration of pension benefits. 8. Reviewing and evaluating the results of the investment managers in context with established standards of performance, including restoration of pension benefits. 9. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 10. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 11. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 12. Reviewing and approving, prior to issuance, the annual audit and all financial reports prepared on behalf of the PFRS. 13. Causing an asset/liability valuation study to be performed for PFRS every two (2) years, or as requested by the PFRS IC or PFRS Board. <p>The PFRS IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of asset allocation policy, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. In establishing the PFRS investment allocation and investment policy target return, the desire to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Variable Restoration Program, to the extent that is prudent.
--	--

	<p>3. The liquidity needs of the PFRS Plan.</p> <p>The fact that the IC makes a recommendation to the Board which is not recommended by the CRS CIO or the Investment Consultant shall not be a basis or factor in determining a breach of fiduciary duty.</p>
CHIEF INVESTMENT OFFICER (CIO)	The IC shall have the exclusive power to retain and discharge the PFRS CIO, set and approve any and all compensation for, and terms of employment of, the PFRS CIO. With respect to PFRS plan assets, the PFRS CIO shall report directly to the PFRS IC and the PFRS Board. The CIO shall be responsible for assisting the PFRS IC and the PFRS Board in overseeing the PFRS's investment portfolio.
PLAN ACTUARY	[To Be Negotiated and Agreed Upon]
QUALIFIED MANAGER(S)	[To Be Negotiated and Agreed Upon]

DETROIT 56620-1 1314911v2

EXHIBIT C

1. General Retirement System
2. Police and Fire Retirement System
3. AFSCME
4. UAW
5. Detroit Police Officers Association
6. Detroit Police Command Officers Association
7. Detroit Police Lieutenants and Sergeants Association
8. Detroit Fire Fighters Association
9. Retired Detroit Police and Fire Fighters Association
10. Retired Detroit Police Members Association
11. Detroit Retired City Employees Association
12. Official Retirees Committee
13. City of Detroit

EXHIBIT D

LANSING 40432-1 490647v9

Cases to be dismissed:

1. GRS et al. v. Emergency Manager of Detroit (Ingham County Circuit Court)
2. United Retired Government Employees (URGE) et al. v. Governor, et al. (E.D. Mich.)
3. Webster et al. v. State of Michigan, Governor, and State Treasurer (Ingham County Circuit Court)
4. Detroit Library Commission v. Governor, State Treasurer, and Detroit Public Schools Emergency Manager (Ingham County)
5. Flowers et al. v. Governor, State Treasurer, and State of Michigan (Ingham County Circuit Court)
6. DPOA v. City of Detroit (Michigan Court of Appeals)

The settling parties will not attempt to amend to include the City of Detroit or its Emergency Manager as a defendant, or collaterally or retroactively attack the Detroit bankruptcy or actions of Detroit or its EM, or otherwise participate, support, fund, or appeal in the following cases:

1. Phillips et al v. Governor and State Treasurer (E.D. Mich.)
2. Michigan AFSCME Council 25 v. Governor, State Treasurer, et al. (E.D. Mich.)
3. NAACP v. Governor, State Treasurer, and Secretary of State (E.D. Mich.)
4. Robert Davis/Citizens United Against Corrupt Government v. Governor, State of Michigan, Dept. of Treasury, Dept. of State Police, et al. (Ingham County Circuit Court)
5. Robert Davis/Citizens United Against Corrupt Government v. Michigan Department of Treasury and Carla Robert (Wayne County Circuit Court)
6. Robert Davis v. Local Emergency Financial Assistance Loan Board (Ingham Court)
7. Robert Davis v. Weatherspoon, Governor, Attorney General, and State Treasurer (E.D. Mich.)
8. Allen Park Retirees v. EM Parker, City of Allen Park (Wayne Circuit)
9. Allen Park Retirees v. State (Court of Claims)
10. Deborah Moore-El v. Snyder (E.D. Mich.)
11. Faith, et al. v. Snyder (E.D. Mich.)
12. Sarella Johnson, et al. v. Snyder (E.D. Mich.)

EXHIBIT I.A.279

SCHEDULE OF UNLIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED UNLIMITED TAX GENERAL OBLIGATION BONDS

**SCHEDULE OF UNLIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED UNLIMITED TAX GENERAL OBLIGATION BONDS**

Unlimited Tax General Obligation Bond Documents	Series of Unlimited Tax General Obligation Bonds	Balance as of Petition Date
Resolution of the City Council adopted March 3, 1999 Finance Director's Order dated April 1, 1999	Series 1999-A	\$18,747,364
Amended and Restated Resolution of the City Council adopted April 6, 2001 and Supplement No. 1 to Amended and Restated Resolution, adopted June 13, 2001 (collectively, " <u>2001 UTGO Resolution</u> ") Finance Director's Order dated August 1, 2001 (" <u>2001 UTGO Sale Order</u> ")	Series 2001-A(1)	\$78,787,556
2001 UTGO Resolution 2001 UTGO Sale Order	Series 2001-B	\$4,063,616
Resolution of the City Council adopted July 24, 2002 Finance Director's Order dated August 2, 2002	Series 2002	\$6,745,767
Resolution of the City Council adopted September 19, 2003 Finance Director's Order dated October 9, 2003	Series 2003-A	\$34,908,150
Bond Authorizing Resolution adopted June 14, 2004 (" <u>2004 UTGO Resolution</u> ") Finance Director's Order dated August 27, 2004 (" <u>2004 UTGO Sale Order</u> ")	Series 2004-A(1)	\$39,872,258
2004 UTGO Resolution 2004 UTGO Sale Order	Series 2004-B(1)	\$38,206,678
2004 UTGO Resolution 2004 UTGO Sale Order	Series 2004-B(2)	\$736,241
Resolution of the City Council adopted July 6, 2005 (" <u>2005 UTGO Resolution</u> ") Finance Director's Order dated December 5, 2005 (" <u>2005 UTGO Sale Order</u> ")	Series 2005-B	\$45,452,501
2005 UTGO Resolution 2005 UTGO Sale Order	Series 2005-C	\$18,671,105

Unlimited Tax General Obligation Bond Documents	Series of Unlimited Tax General Obligation Bonds	Balance as of Petition Date
Resolution of the City Council adopted November 17, 2006 (" <u>2008 UTGO Resolution</u> ") Finance Director's Order dated May 30, 2008 (" <u>2008 UTGO Sale Order</u> ")	Series 2008-A	\$59,487,564
2008 UTGO Resolution 2008 UTGO Sale Order	Series 2008-B(1)	\$28,982,532

EXHIBIT I.A.285

PRINCIPAL TERMS OF UTGO SETTLEMENT

Term Sheet for Plan Treatment of UTGO Bond Claims and Related Insurer Claims
SUBJECT TO FRE 408—MEDIATION/SETTLEMENT COMMUNICATION

The Unlimited Tax General Obligation Bonds other than the City's 2010 A Bonds defined below (the "UTGOs") will be treated in the City's plan of adjustment (the "Plan") as follows: (i) for purposes of the Plan, the total UTGOs claim will be allowed in the amount of \$388 million, (ii) of which \$287.5 million principal amount of UTGOs shall be deemed reinstated on a pro rata basis (the "Reinstated UTGOs") pursuant to their respective terms (interest rate, maturity date and amortization remain the same), with all existing provisions, subject to the additional terms below, and (iii) the remaining portion of the UTGOs that are not Reinstated UTGOs (the "Stub UTGOs") shall remain outstanding and the rights to payment on the Stub UTGOs shall be assigned by the Plan (without any consent or action on the part of, or additional consideration payable to, the Bond Insurers or UTGOs bondholders) to [TBD/City designee]. The policies issued by the insurers of the UTGOs (the "Bond Insurers") shall remain outstanding to ensure payment of the debt service as originally scheduled for the UTGOs. Mechanics to accomplish all of the above shall be reasonably satisfactory to the Bond Insurers and the City.

Confirmation order/findings to (i) as of the effective date, confirm the existence of a lien in favor of the Reinstated UTGOs on ad valorem tax revenues (millage) in the full amount that was pledged to repay the original UTGOs (the "UTGOs Millage") for so long as either the Reinstated UTGOs or the Stub UTGOs are outstanding, (ii) find that the UTGOs Millage constitutes special revenues under Section 902 of the Bankruptcy Code, (iii) direct that all debt millage collected by the City must be segregated and transmitted no less often than weekly when receipts equal or exceed \$20,000 to U.S. Bank as escrow agent (the "Escrow Agent"), which shall promptly transfer amounts payable on the Reinstated UTGOs and the 2010A Bonds to the trustee (the "Master Trustee") under the City's Master Indenture, as amended, (the "Master Indenture"), as described below, and (iv) as of the effective date, find the existence of a statutory lien and trust on DSA (defined below) as provided in Section 15(2) of the Shared Credit Rating Act in favor of the MFA Bonds (defined below).

The confirmation order shall provide that each year no later than June 30, the City shall certify that it has imposed a debt millage levy projected to be an amount necessary to pay the debt service coming due on all unlimited tax general obligation bonds (including both the Reinstated UTGOs and the Stub UTGOs) before the next annual tax levy, including any past due amounts, plus any amounts necessary to reimburse the City for other City funds used to pay prior debt service, less any millage proceeds already on deposit with the Escrow Agent which are available to pay the debt service next coming due. Such annual certification shall be in form and substance acceptable to the City and the Bond Insurers, and shall be provided to the Bond Insurers. The City shall comply with applicable law in levying and collecting ad valorem millage levied to pay all unlimited tax general obligation bonds. The City will use reasonable efforts to explain the collection process to the Bond Insurers, including the allocation methods used for partial property tax payments.

On or before the Plan effective date, the Reinstated UTGOs shall be exchanged for bonds ("MFA Bonds") issued by the Michigan Finance Authority ("MFA"), which shall be secured by an unlimited tax general obligation bond of the City (the "Municipal Obligation") secured by a

fourth lien (the “DSA Lien”) on distributable state aid (“DSA”). With respect to the DSA Lien, the City shall not incur debt senior to the Municipal Obligation’s DSA Lien in an aggregate principal amount that exceeds \$ _____¹ from and after the date the parties reach agreement on this term sheet, unless and until the Reinstated UTGOs have been paid in full. Further, the City shall not incur debt *pari passu* with the DSA Lien that secures the Municipal Obligation from and after the date the parties reach agreement on this term sheet, unless and until the Reinstated UTGOs have been paid in full. The Municipal Obligation issued by the City to the MFA shall provide the same rights (other than priority) in and to DSA, and be entitled to the same protections, as the City’s Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation, Series 2010(A) (Taxable – Recovery Zone Economic Development Bonds) (the “2010A Bonds”) that are currently outstanding; provided, however that the City’s required date balance requirements shall be as described in the next paragraph. The ad valorem levy shall be used to pay the Reinstated UTGOs prior to the use of DSA revenues, in the same manner as provided for the 2010A Bonds. The City shall create a separate tax levy account (“Tax Levy Account”) for the Reinstated UTGOs under the Master Indenture related to the Municipal Obligation. To the extent the Master Trustee does not have on deposit in the Tax Levy Account the required portions of principal and interest due on the next October 1 or April 1 on the dates set forth below, the Master Indenture shall provide for the intercept of all, or such lesser amount of that month’s DSA distribution necessary to correct the deficiency.²

MONTH OF DSA PAYMENT	PORTION OF NEXT INTEREST PAYMENT	PORTION OF NEXT PRINCIPAL PAYMENT
November	1/3	4/6
January	2/3	5/6
March	100%	100%
September	100%	3/6

The proceeds of the ad valorem debt millage levy for all outstanding unlimited tax general obligation bonds, as received by the City, will be transferred to the Escrow Agent which shall allocate the revenue pro rata among such outstanding bonds The proceeds of the debt millage

¹ Dollar amount will represent existing senior lien (1st, 2^d and 3rd) bonds secured by DSA plus existing DSA capacity based on FY 2012/13 DSA revenues. Existing 2^d or 3rd lien bonds may be refinanced provided savings are realized in each year.

² Subject to confirmation by the Bond Insurers’ financial advisor that City’s projected cashflows demonstrate adequate coverage in August and September of each year.

levy allocated to the 2010A Bonds and any unlimited tax general obligation bonds other than the UTGOs shall be transferred by the Escrow Agent to the paying agent or trustee for the respective bonds. The proceeds of the debt millage levy allocated to the UTGOs will be transferred as received by the Escrow Agent (i) first, to the Tax Levy Account held by the Master Trustee for the Reinstated UTGO's in an amount sufficient, together with funds already on deposit therein to pay debt service due on the Reinstated UTGOs on the October 1 and April 1 following such deposit, together with any past due debt service on the Reinstated UTGOs, and (ii) second, to pay the scheduled debt service on the Stub UTGOs to the [assignee of the rights to payment on] the Stub UTGOs. Neither the holders of the MFA Bonds nor the Bond Insurers shall seek payment from the UTGOs Millage in excess of the amounts necessary to pay the Reinstated UTGOs scheduled annual debt service together with any amount necessary to pay past due Reinstated UTGOs debt service. The bond insurance applicable to the Reinstated UTGOs will transfer as part of this exchange of Reinstated UTGO for MFA Bonds, in a manner acceptable to the Bond Insurers.

The Emergency Manager, on behalf of the City, shall issue an order granting a lien on its interest in the DSA and, to the extent permitted by Section 12(1)(x) of Act 436 and subject to State Treasurer approval, the UTGOs Millage.

If the City's Plan is not effective by September 30, 2014 for any reason other than the actions or positions taken by any of the executing Bond Insurers, solely in their capacity as the insurers of the UTGOs, the City will pay into an escrow to be established with the current Paying Agent for the UTGOs the *pro rata* portion of the October 2014 UTGOs scheduled interest debt service payment, and any *pro rata* payments due thereafter, as if the transaction contemplated in this term sheet had closed (*i.e.*, City will pay into escrow the *pro rata* portion of scheduled UTGOs debt service payments on the \$287.5 million of Reinstated UTGOs due after September 30, 2014 through Plan effectiveness, on the same terms and schedule as set forth in the current UTGOs documents). Such escrow shall be subject to terms and conditions acceptable to the City and the Bond Insurers. In the event that the Plan is not effective by March 31, 2015, and the Bankruptcy Court has issued an order (that is not stayed pending appeal) approving the settlement embodied in this term sheet, the monies in such escrow will be released to the Bond Insurers, and the City will make all subsequent debt service payments directly as if the Reinstated UTGOs transaction had closed. If an order is entered but is subject to a stay pending appeal, the City shall continue to pay into escrow the *pro rata* portion of the scheduled UTGOs debt service on the Reinstated UTGOs for so long as such stay remains in effect, and shall release all monies in the escrow amounts as soon as such order is no longer subject to stay. If the City's Plan is not effective by September 30, 2014, then within fifteen (15) days of a request by the Bond Insurers thereafter, the City shall file a motion pursuant to Bankruptcy Rule 9019 with the Bankruptcy Court seeking approval of the settlement embodied in this term sheet. The City and the Bond Insurers may mutually agree to seek Court approval of this settlement pursuant to Bankruptcy Rule 9019 at any time.

Bond counsel to provide at closing customary legal opinions relating to the validity, priority and enforceability of any MFA transaction in form and substance reasonably satisfactory to the Bond Insurers; such opinions will include standard bankruptcy opinion exceptions. No opinion will be provided with respect to any aspect of any lien on UTGOs Millage.

The City will communicate to the Bond Insurers the substance and ultimate results of the State's efforts to establish oversight of the City's finances and budget on a post-confirmation basis.

"Most Favored Nations" clause (the "MFN") in favor of Reinstated UTGOs shall provide that (i) as of Plan confirmation, the Plan recovery percentage for the Reinstated UTGOs as a whole shall be greater than the Plan recovery percentage for each impaired unsecured (or deemed unsecured) class of Limited Tax General Obligation Bond Claims and COP Claims (each as defined in the Plan and collectively, the "Impaired Unsecured Financial Creditors") and (ii) if actual recoveries from and after the Plan effective date on any instrument or combination of instruments or any other interests provided to any class of Impaired Unsecured Financial Creditors results in such class receiving over time 69.5% of the allowed claim for any such class, then the City will pay to the Bond Insurers (in reimbursement for their payment of claims) an amount equal to the percentage recovery of the Impaired Unsecured Financial Creditors that exceeds 69.5% multiplied by \$100.5 million.³ For purposes of this term sheet, all actual recoveries for Impaired Unsecured Financial Creditors shall be determined by discounting the payments using a 5% discount rate back to the date of Plan confirmation. Under no circumstance shall any Impaired Unsecured Financial Creditors recover more than the UTGOs.

All Plan documents, the confirmation order and findings of fact, in each case, as they relate to the settlement embodied in this term sheet (i) to be in form and substance reasonably satisfactory to the executing Bond Insurers and to the City and be consistent with this term sheet, (ii) to provide that Plan treatment for UTGOs is part of a Bankruptcy Rule 9019 settlement of the pending UTGOs litigation (which litigation shall be stayed pending the effective date of a plan confirming this settlement), and (iii) to include a provision providing that the Bankruptcy Court will have post-confirmation authority and power to enforce the settlement, including the Reinstated UTGOs.

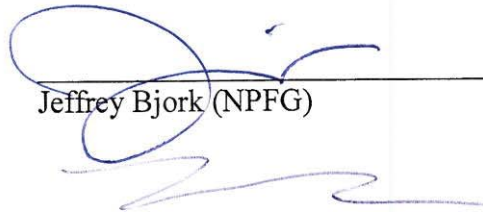
The Bond Insurers will support the treatment of the UTGOs in the City's Plan on the terms set forth herein and will vote the UTGOs claims in support of such Plan treatment. The Plan shall provide that such treatment, consistent with this term sheet, is the treatment for the entire class of UTGOs. The Bond Insurers will provide support to the City for their voting rights.

All settlement documentation will be reasonably satisfactory to all parties to this term sheet. This term sheet is for discussion purposes only and does not constitute an offer or other binding obligation of the parties, including the executing Bond Insurers and City of Detroit.

The contents of this Term Sheet shall be held in confidence and not be disclosed to any third party without the consent of the Mediator.

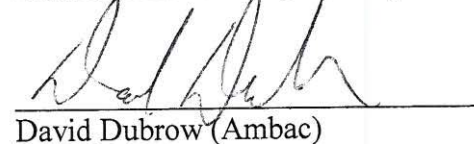
³ For example, assuming that a class of Impaired Unsecured Financial Creditors were to receive, after giving effect to the 5% discount rate, a 70% recovery on account of their allowed claims, the additional recovery to the Bond Insurers under the MFN would be \$502,500.

The undersigned confirm that the attached Term Sheet reflects the agreement of their respective clients.



Jeffrey Bjork (NPFG)

Lawrence A. Larose (Assured)



David Dubrow (Ambac)



David Heiman (City of Detroit)

22035825.4\022765-00202

DRAFT 3/25/14 12:37 PM

EXHIBIT II.B.3.g.ii.A

**SCHEDULE OF PAYMENTS AND SOURCES OF
PAYMENTS FOR MODIFIED PFRS PENSION BENEFITS**

City of Detroit
PFRS Pension contributions (FY14 - FY23)
\$ in millions

PFRS	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
Source:											
State	\$ -	\$ 96.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96.0
Foundations	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
Total	-	114.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	260.7

EXHIBIT II.B.3.q.ii.C

TERMS OF PFRS PENSION RESTORATION

Terms of PFRS Pension Restoration

Pension Restoration Process

The following rules shall govern how accrued pensions, including COLA benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the Confirmation Order. The pension restoration process shall be supervised and restoration decisions undertaken by the Investment Committee of each of PFRS or GRS, or except as may be otherwise provided in the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto.

GENERAL RESTORATION RULES

I. PFRS RESTORATION

1. Waterfall Categories

There will be three Waterfall Classes:

- a. PFRS Waterfall Class 1 – Retirees in retirement benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries
- b. PFRS Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses and beneficiaries, and who are in pay status as of the end of the PFRS Fiscal Year prior to the year in which the restoration decision is made
- c. PFRS Waterfall Class 3 – All retirees, surviving spouses, and beneficiaries in pay status and all other PFRS participants who as of June 30, 2014 are not in retirement benefit pay status

2. General PFRS Pension Restoration Through June 30, 2023

Each year in conjunction with the annual actuarial valuation report, the PFRS actuary will project the PFRS Funded Ratio as of 2023 based upon the market value of plan assets relative to the actuarial accrued liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses, future employer contributions as set forth in the Plan of Adjustment and such other actuarial assumptions as utilized by the PFRS actuary. The Projected Funded Level will be 75%, and the Restoration Target will be 78%, both projected to June 30, 2023. If the actuary projects that Funded Level as of 2023 exceeds the Restoration Target (i.e., 78%), a credit of assets for bookkeeping purposes will be made into a notional Restoration Reserve Account. The notional credit will be an amount equal to the excess of assets above the amount needed to satisfy the Restoration Target. Each year thereafter, additional assets will be credited to the Restoration

Reserve Account equal to the net return on plan investments but capped at the actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023) In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished.

Actual restoration payments and restoration credits will work as follows: each year in conjunction with the preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the PFRS actuary will determine whether there are sufficient funds in such account to restore COLA benefits in a minimum amount of 10% or more . For Example: If a retiree's then current COLA benefit is a 1.0% annual compounded COLA, the minimum incremental restoration would increase the COLA benefit to 1.225%. COLA restoration only will occur if the funding level in the Restoration Reserve Account can fund 100% of the COLA increase over the actuarially-projected lives of the eligible recipient PFRS Waterfall Class. If the actuary certifies that the Restoration Reserve Account as of the end of the prior PFRS fiscal year satisfies the required funding level, then in the next immediate PFRS fiscal year, actual COLA restoration payments will be made to PFRS Waterfall Class 1 members until an amount sufficient to fund 66% of the value of their future COLA payments has been funded . At that juncture, and to the extent that additional assets in the Restoration Reserve Account will fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), PFRS Waterfall Class 2 members will receive COLA restoration until an amount sufficient to fund 66% of the value of their future COLA payments has been funded . At that juncture, and to the extent that additional assets in the Restoration Reserve Account will fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), PFRS Waterfall Class 3 members will receive COLA restoration on a pro-rata basis. For PFRS Waterfall Class 3 members who are in pay status at that time of restoration, they will receive COLA payments; for active employees at the time of restoration, they will receive credits granting them a right upon retirement to receive COLA restoration equal to the 10% increments that are fully funded to PFRS Waterfall Class 3 members. For Example: Assume there are sufficient assets credited to the Restoration Reserve Account as of the end of a fiscal year to fully fund 66% of the value of the COLA for all PFRS Waterfall Class 1 and Class 2 members. To the extent additional assets are available in the Restoration Reserve Account, to fully fund at least a 10% COLA increment, all retirees would receive a restoration payment of 76% of the value of their COLAs and a 10% COLA increment would be credited to eligible active employees which would be included in their benefit payments upon retirement (thus causing their COLAs to increase in value from 45% to 55%). Restoration amounts actually paid from the Restoration Reserve Account will be debited from such account.

Once restoration payments and credits begin, as long as the Restoration Reserve Account continues to have assets to fund 100%% of an incremental COLA

restoration amount for such Waterfall Class for their actuarially projected lives, the restoration payments and credits will continue; provided, however, that in the event the PFRS Funding Level projected to 2023 falls below 76% (hereinafter, "Restoration Reserve Suspension Trigger"), then further allocations to the notional Restoration Reserve Account will cease notwithstanding the actual net PFRS investment returns for the fiscal year in question. Furthermore, if the PFRS funded level projected to 2023 falls below the Projected Funded Level (75%) then restoration payments to retirees and credits to active employees in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the PFRS Pension Reserve Account in sufficient amounts to restore PFRS funded level to 75%; (2) if following such transfer, the remaining Restoration Reserve Account assets (if any) are sufficient to fully fund one or more COLA restoration increments (i.e., 10% COLA values) to one or more PFRS Waterfall Class categories, then as to such increments, the restoration payments shall continue.

In connection with preparation of the actuarial report for FY 2023, the PFRS actuary will determine whether PFRS has satisfied the Permanent Restoration Target of 78%. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the PFRS Ffunded Level as of June 30, 2023 is equal to or greater than the Permanent Restoration Target of 78%, then the amounts in the Restoration Reserve Account that fully fund incremental COLA restoration payments for a PFRS Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

3. General PFRS Pension Restoration from July 1, 2023 to June 30, 2033.

During this period, the Projected Funded Level will be [85%], the Restoration Target shall be [88%], and the Restoration Reserve Suspension Trigger shall be [86%] all as of 2033. The same rules for restoration payments that applied during the period ending June 30, 2023 shall apply except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan actuary shall project investment returns through June 30, 2033 at the then current investment return assumption and the applicable actuarial assumptions as utilized in the annual actuarial valuation. . Further, the Plan actuary shall assume, for purposes of satisfying the Restoration Target, that the annual City contribution amount shall be the annual amount of contributions necessary to fund the PFRS based upon an amortization of the actual 2023 UAAL (using the market value of assets) (with interest on the outstanding principal at the then investment return rate) over 30 years (hereinafter, the "2023 UAAL Amortization"). To the extent that the City's actual contributions to the PFRS in any of the FYs 2024 through 2033 are greater than the projected annual

contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in PFRS called the Extra Contribution Account. In determining pension restoration during the period from FY 2023 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected Funded Level for the Restoration Trigger. To the extent that the City's actual contributions to the PFRS in any of the FYs 2023 through 2033 are less than the projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Restoration Reserve Account.

Each year in addition to the credit of assets above the Restoration Target, additional assets will be allocated to the Restoration Reserve Account, equal to the net return on plan investments, but capped at the then actuarial investment return assumption.

In connection with preparation of the annual actuarial valuation report for FY 2033, the PFRS actuary will determine whether PFRS has satisfied the Permanent Restoration Target of [88%]. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2033 is equal to or greater than the Permanent Restoration Target of [88%], then the amounts in the Restoration Reserve Account that fully fund incremental COLA restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

4. General PFRS Pension Restoration from July 1, 2033 to June 30, 2043.

During this period, the Projected Funded Level will be [92%], the Restoration Target shall be [95%], and the Restoration Reserve Suspension Trigger shall be [93%]. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply.

In connection with preparation of the annual actuarial valuation report for FY 2043, the PFRS actuary will determine whether PFRS has satisfied the Permanent Restoration Target of [95%]. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2043 is equal to or greater than the Permanent Restoration Target of [95%], then the amounts in the Restoration Reserve Account that fully fund incremental COLA restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to

the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

EXHIBIT II.B.3.r.ii.A

**SCHEDULE OF PAYMENTS AND SOURCES OF
PAYMENTS FOR MODIFIED GRS PENSION BENEFITS**

City of Detroit

GRS Pension contributions (FY14 - FY23)

\$ in millions

GRS	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
Source:											
DWSD	\$ -	\$ 65.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 428.5
UTGO	-	4.4	4.0	4.0	3.9	3.7	3.7	3.6	2.3	2.0	31.7
State	-	98.8	-	-	-	-	-	-	-	-	98.8
DIA	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
Other	-	14.6	22.5	22.5	22.5	22.5	2.5	2.5	2.5	2.5	114.6
Total	-	188.2	76.9	76.9	76.8	76.6	56.5	56.5	55.2	54.9	718.6

EXHIBIT II.B.3.r.ii.C

TERMS OF GRS PENSION RESTORATION

Terms of GRS Pension Restoration

Pension Restoration Process

The following rules shall govern how accrued pensions, including COLA benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the Confirmation Order. The pension restoration process shall be supervised and restoration decisions undertaken by the Investment Committee of each of PFRS or GRS, or except as may be otherwise provided in the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto.

GENERAL RESTORATION RULES

I. GRS RESTORATION

1. Waterfall Categories

There will be three Waterfall Classes:

- a. GRS Waterfall Class 1 – Retirees, in retirement benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries
- b. GRS Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses, and beneficiaries, and who are in pay status as of the end of the GRS Fiscal Year prior to the year in which the restoration decision is made
- c. GRS Waterfall Class 3 – All other GRS participants who as of June 30, 2014 are not in retirement benefit pay status

2. General GRS Pension Restoration Through June 30, 2023

Each year in conjunction with the annual actuarial valuation report, the GRS Plan actuary will project the GRS Funded Ratio as of 2023 based upon the market value of plan assets relative to the Actuarial Accrued Liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses, future employer contributions as set forth in the Plan of Adjustment and such other actuarial assumptions as utilized by the GRS actuary. The Projected Funded Level will be 70%, the Restoration Target will be 75%, and the Restoration Reserve Suspension Trigger will be 71%, all projected to June 30, 2023. If the actuary projects that the Funded Level as of June 30, 2023 exceeds the Restoration Target (i.e., 75%), a credit of assets for bookkeeping purposes will be made into a new notional Restoration Reserve Account. The notional credit will be in an amount equal to the excess of assets above the amount needed to satisfy the Restoration Target. Each year thereafter, additional assets will be credited to the Restoration Reserve Account,

equal to the net return on plan investments, but capped at actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023). In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished.

Actual restoration payments and credits will work as follows: Each year in conjunction with preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the GRS actuary will determine whether there are sufficient funds in such account to restore a portion of the 4.5% across the board pension cuts in minimum incremental portions equal to $\frac{1}{2}\%$ of the monthly benefit for each member of GRS Waterfall Class 1 (i.e. reducing the initial across the board cut to 4.0%). This restoration only occurs if the funded level in the Restoration Reserve Account can fund 100% of each incremental increase over the remaining actuarially-projected lives of the eligible recipients in GRS Waterfall Class 1. If the Restoration Reserve Account satisfies the required funding level, then in the next GRS fiscal year, actual restoration payments will be made to Waterfall Class 1 members in amounts equal to the increments that have been fully funded in the Restoration Reserve Account. Once Waterfall Class 1 has sufficient assets in the GRS Restoration Reserve Account to fully fund and restore the 4.5% cut in their monthly benefits, and to the extent that additional assets in the Restoration Reserve Account remain and will fully fund at least $\frac{1}{2}\%$ of the monthly benefit for each member of GRS Waterfall Class 2, then GRS Waterfall Class 2 members will receive pension restoration in minimum $\frac{1}{2}\%$ benefit increments until an amount equal to the 4.5% cuts in their monthly benefits has been fully funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account remain and will fund at least a minimum $\frac{1}{2}\%$ of the monthly benefit of each member in GRS Waterfall Class 3, then each such member of the class shall receive a credit granting them a right upon retirement to receive pension restoration equal to the benefit increments that are fully funded.

After the full 4.5% across the board pension cuts are restored for all three GRS Waterfall Classes, and to the extent there are additional assets in the Restoration Reserve Account, such assets will be used to fully fund and restore a portion of the COLA values that were eliminated as part of the POA. COLA will be restored in minimum 10% COLA value increments up to 50% of the future COLA values for each member of GRS Waterfall Class 1, then up to 50% of the future COLA values for each member of Waterfall Class 2, and then up to 50% of the future COLA values for each member of Waterfall Class 3 until all members of the three GRS Waterfall Classes have had 50% of the value of their COLAs fully funded and restored. After 50% of the future values of COLA have been fully funded and restored, and to the extent there are additional assets in the Restoration Reserve Account for each of the three GRS Waterfall Classes, then a second 50% COLA restoration will be made, first to members of GRS Waterfall Class 1, then Waterfall Class 2, and then Waterfall Class 3. Classes will be restored in minimum 10% COLA value increments.

If the amounts in the Restoration Reserve Account are sufficient to fully-fund the 4.5% across the board pension cuts for all three GRS Waterfall Classes and 100% COLA restoration for all three GRS Waterfall Classes, then any additional assets in the Restoration Reserve Account shall be used to increase the frozen accrued benefits of active and other GRS participants whose ASF accounts were diminished as part of the ASF Recoupment, such that they receive treatment equal to the 20/20 CAP applied to retirees in pay status under the Plan of Adjustment. If after such pension restoration there are additional assets in the Restoration Reserve Account, GRS Waterfall Class 1 members will receive pension restoration in $\frac{1}{2}\%$ benefit increments of the reductions to their monthly pension due to ASF Recoupment, and once such pension benefits are restored, Waterfall Class 2 members will receive pension restoration in $\frac{1}{2}\%$ benefit increments in connection with the reductions to their monthly pensions due to ASF Recoupment.

Once restoration payments to applicable retirees and restoration credits to active employees begin, as long as the Restoration Reserve Account continues to have assets sufficient to fund 100% of an incremental pension restoration amount for such GRS Waterfall Class members for their actuarially projected lives, such restoration payments and credits will continue; provided, however, that in the event the GRS Funded Level falls below the Restoration Reserve Suspension Trigger, then further credits to the notional Restoration Reserve Account will cease notwithstanding the actual net GRS investment returns for the fiscal year in question. Furthermore, if the GRS funded level projected to 2023 falls below the Projected Funded Level (70%) then restoration payments and credits in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the GRS Pension Reserve Account in sufficient amounts to restore GRS funding to 70%; (2) if following such transfer, the remaining Restoration Account Assets (if any) are sufficient to fully fund one or more pension restoration increments (e.g., a $\frac{1}{2}\%$ monthly pension benefit) to one or more GRS Waterfall Class categories, then as to such increments the restoration payments shall continue.

In connection with preparation of the actuarial report for FY 2028, the GRS actuary will determine whether GRS has satisfied the Permanent Restoration Target of 75%. Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the GRS Funded Level as of June 30, 2028 is equal to or greater than the Permanent Restoration Target of 75%, then the amounts in the Restoration Reserve Account that fully fund incremental pension restoration payments for a GRS Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

3. General GRS Pension Restoration from July 1, 2023 to June 30, 2033.

During this period, the Projected Funded Level will be [82%], the Restoration Target shall be [85%], and the Restoration Reserve Suspension Trigger shall be [83%]. The same rules for restoration payments and credits that applied during the period ending June 30, 2023 shall apply except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan actuary shall project investment returns through June 30, 2033 at the then current investment return assumption and the applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the GRS Plan actuary shall assume, for purposes of satisfying the Restoration Target, that the annual City contribution amount shall be the annual amount of contributions necessary to fund the GRS based upon an amortization of the actual 2023 UAAL at market value (with interest on the outstanding principal at the then investment return rate) over 30 years (hereinafter, the "2023 UAAL Amortization"). To the extent that the City's actual contributions to the GRS in any of the FYs 2024 through 2033 are greater than the projected annual contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in GRS called the Extra Contribution Account. In determining pension restoration during the period from FY 2023 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected Funded Level for the Restoration Trigger. To the extent that the City's actual contributions in any of the FYs 2024 through 2033 are less than the projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Restoration Reserve Account. .

Each year, in addition to the credit of assets above the Restoration Target, additional assets will be credited to the Restoration Reserve Account, equal to the net return on plan investments, but capped at the then investment return assumption.

In connection with preparation of the annual actuarial valuation report for FY 2033, the GRS actuary will determine whether GRS has satisfied the Permanent Restoration Target ([83%]). Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2033 is equal to or greater than the Restoration Target funded, then the amounts in the Restoration Reserve Account that fully fund at minimum one or more incremental pension restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

4. General GRS Pension Restoration from July 1, 2033 to June 30, 2043.

During this period, the Projected Funded Level will be [90%], the Restoration Target shall be [93%], and the Restoration Reserve Suspension Trigger shall be [91%]. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply.

In connection with preparation of the annual actuarial valuation report for FY 2043, the GRS actuary will determine whether GRS has satisfied the Permanent Restoration Target [91%]. Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If the funding level as of June 30, 2043 is equal to or greater than the Permanent Restoration Target , then the amounts in the Restoration Reserve Account that fully fund at minimum one or more incremental pension restoration payments for a Waterfall Class shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored and shall no longer be variable.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----X	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----X	:	

ORDER APPROVING THE PROPOSED DISCLOSURE STATEMENT

This matter came before the Court on the *Motion of the City of Detroit for Approval of the Proposed Disclosure Statement* (the "Motion") (Docket No. 2713). The Court reviewed the Motion, the *Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit* (Docket No. 4391) (as it may be further amended, modified or supplemented, the "Disclosure Statement"), and the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit* (Docket No. 4392) (as it may be further amended, modified or supplemented, the "Plan") and heard the statements of counsel regarding the relief requested in the Motion at hearings before the Court on April 17, 2014 and April 28, 2014 (together, the "Hearing"). The Court has determined, after due deliberation, that (i) it has jurisdiction over this matter, (ii) this matter is a core proceeding, (iii) notice of the Motion and the Hearing was

adequate under the circumstances and (iv) the relief requested in the Motion is fair, equitable and in the best interests of the City of Detroit (the "City"), its creditors and other parties in interest.¹

Accordingly, it is hereby ORDERED that:

1. The Motion is granted, as set forth herein.
2. All objections to the Motion are overruled in their entirety to the extent not resolved or rendered moot by the City's amendments, modifications or supplements to the Disclosure Statement.
3. The Disclosure Statement contains "adequate information" as defined by section 1125(a)(1) of title 11 of the United States Code and is hereby approved.
4. The Disclosure Statement provides adequate notice of, and satisfies Federal Rule of Bankruptcy Procedure 3016(c) with respect to, the injunction provisions contained in Article III of the Plan.
5. The City is authorized to make non-substantive or immaterial changes to the Disclosure Statement and all related documents (including, without limitation, all related exhibits), without further order of the Court, including, without limitation, (a) ministerial changes to correct typographical and grammatical errors, (b) conforming changes among the Disclosure Statement, the

¹ To the extent any finding of fact in this order constitutes a conclusion of law, it is adopted as such. To the extent any conclusion of law in this order constitutes a finding of fact, it is adopted as such.

Plan and any related materials and (c) altering the format of such documents to facilitate their efficient distribution.

6. The terms and conditions of this Order shall be immediately effective and enforceable upon entry of this Order.

7. The City and its counsel are authorized, in their discretion, to take or refrain from taking any action necessary or appropriate to effect the terms of and relief granted by the Order in accordance with the Motion and without further order of the Court.

8. The Court retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and enforcement of this Order.

Signed on May 05, 2014

/s/ Steven Rhodes
Steven Rhodes
United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846
MICHIGAN, .
 . Detroit, Michigan
 . September 15, 2014
Debtor. . 8:30 a.m.

CONTINUED TRIAL RE. OBJECTIONS TO CONFIRMATION OF
CHAPTER 9 PLAN; (#7061) MOTION/THE DETROIT
RETIREMENT SYSTEMS' MOTION TO EXCLUDE PORTIONS OF
MARTHA KOPACZ'S TESTIMONY FILED BY CREDITORS
GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT,
POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT;
(#7003) CONCURRENCE/FINANCIAL GUARANTY INSURANCE COMPANY'S
JOINDER IN SYNCORA'S MOTION TO EXCLUDE CERTAIN OF THE
EXPERT OPINIONS OF MARTHA KOPACZ UNDER FEDERAL RULE
OF EVIDENCE 702 FILED BY CREDITOR FINANCIAL GUARANTY
INSURANCE COMPANY; (#6999) MOTION TO EXCLUDE CERTAIN OF
THE EXPERT OPINIONS OF MARTHA KOPACZ UNDER FEDERAL
RULE OF EVIDENCE 702 FILED BY INTERESTED PARTIES SYNCORA
CAPITAL ASSURANCE, INC., SYNCORA GUARANTEE, INC.
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Debtor: Jones Day
By: EVAN MILLER
THOMAS CULLEN, JR.
GEOFFREY STEWART
51 Louisiana Avenue, N.W.
Washington, DC 20001
(202) 879-3939

Jones Day
By: HEATHER LENNOX
CORINNE BALL
222 East 41st Street
New York, NY 10017
(212) 326-3837

Jones Day
By: DAVID G. HEIMAN
North Point
901 Lakeside Avenue
Cleveland, OH 44114
(216) 586-7175

APPEARANCES (continued):

For Syncora Holdings, Ltd., Syncora Guarantee Inc., and Syncora Capital Assurance Inc.:	Kirkland & Ellis, LLP By: RYAN BENNETT 300 North LaSalle Chicago, IL 60654 (312) 862-2000
For County of Macomb, Michigan:	Dechert, LLP By: DEBRA O'GORMAN ALLAN BRILLIANT 1095 Avenue of the Americas New York, NY 10036 (212) 698-3600
For Financial Guaranty Insurance Company:	Weil, Gotshal & Manges, LLP By: EDWARD SOTO 1395 Bricknell Avenue, Suite 1200 Miami, FL 33131 (305) 577-3177
	Weil, Gotshal & Manges, LLP By: ALFREDO PEREZ 700 Louisiana, Suite 1600 Houston, TX 77002 (713) 546-5040
For Official Committee of Retirees:	Dentons, US, LLP By: CLAUDE D. MONTGOMERY 670 Fifth Avenue New York, NY 10020 (212) 632-8390
For Ad Hoc Water and Sewer Bondholders:	Kramer Levin Naftalis & Frankel, LLP By: JONATHAN M. WAGNER 1177 Avenue of the Americas New York, NY 10036 (212) 715-9393
For the State of Michigan:	Dickinson Wright By: STEVEN HOWELL 500 Woodward Avenue, Suite 4000 Detroit, MI 48226-3245 (313) 223-3033
For the Detroit Retirement Systems:	Clark Hill, PLC By: JENNIFER GREEN 500 Woodward Avenue, Suite 3500 Detroit, MI 48226 (313) 965-8274

Court Recorder: LaShonda Moss
United States Bankruptcy Court
211 West Fort Street, 21st Floor
Detroit, MI 48226-3211
(313) 234-0068

Transcribed By: Lois Garrett
1290 West Barnes Road
Leslie, MI 49251
(517) 676-5092

Proceedings recorded by electronic sound recording,
transcript produced by transcription service.

1 THE CLERK: Calling the matter of 13-53846, City of
2 Detroit, Michigan.

3 THE COURT: Good morning. Looks like everyone is
4 here. Go ahead, sir.

5 MR. HEIMAN: Good morning, your Honor. David
6 Heiman, Jones Day, on behalf of the city, and I'm very
7 pleased this morning. Once again, I've said this, but to do
8 something -- to announce a development that we probably had
9 concluded would not happen has happened today. I'm pleased
10 and privileged to report that more than a year of litigation
11 between the city and Syncora has now come to an end, and we
12 have settled our dispute. I want to make it clear that the
13 settlement does not resolve the Class 9 treatment. FGIC will
14 continue to object, as far as we understand it. They can
15 speak for themselves today, but efforts to reach a settlement
16 with them at least thus far have not been successful.
17 However, the settlement, in our minds, a very favorable one
18 to the city, is a very significant step in the city's efforts
19 to move swiftly through this confirmation process and to exit
20 Chapter 9 as soon as possible and to return the city to its
21 citizens.

22 With that in mind and maybe a little bit out of
23 order, I'd like to thank some people here if I may because
24 this is the reflection, manifestation of a huge amount of
25 work by a lot of people, so I'd like to first thank the

1 Court, who has been encouraging of settlement and also
2 provided the time for the parties to actually work together
3 to settle. And as your Honor knows, the mediators have been
4 incredibly instrumental in helping the parties find common
5 ground, the mediators in this particular instance being
6 Judges Rosen and Perris and Eugene Driker. So I want to
7 thank them for just another example of persistence and
8 tireless efforts on their part, and I think, as your Honor
9 knows, I think it's hard to know where we'd be in this case
10 without the support of the mediators throughout this process.

11 I'd like to thank the parties themselves, both the
12 city and Syncora, who have laid down their swords after much
13 fighting. It takes a lot of emotional and, you know, mature
14 effort to do that. In particular, I'd like to thank the
15 advisors, professionals on both sides. Again, after being
16 passionate adversaries for more than a year in litigation,
17 today those professionals are now acting in concert in
18 support of the city.

19 Just a word or two about the plan -- I'm sorry --
20 the settlement, which will become part of the plan -- Ms.
21 Ball will be more specific in a moment, but I'd like to do
22 just a little bit of an overview. First, and of great value
23 to the city, is that Syncora will be withdrawing all
24 objections across the board in connection with the plan or
25 other aspects and appeals that may be outside of the plan,

1 and they will become a supporter of the plan as well as a
2 supporter of continuing litigation relating to the COPs
3 causes of action that are existing today in front of the
4 Court. The plan itself provides for a 13.7-percent recovery
5 on the Syncora-related claims both to be paid by virtue of a
6 portion of the B notes -- 60 percent of the reserve on the B
7 notes will go to Syncora -- and other consideration that Ms.
8 Ball will detail.

9 The other part of the settlement is to establish a
10 commercial relationship between Syncora and the city for the
11 long term regarding development of certain assets that the
12 city owns or will transfer to a Syncora subsidiary, and the
13 city and Syncora will work together in the development of
14 those properties. So that part of the settlement will be
15 reflected in the implementation section of the plan, and
16 Ms. Lennox can address more specifics on that if you want, so
17 we have two parts to the settlement. One part is claim
18 treatment, and the other is related to the new commercial
19 relationship.

20 What I'd like to do today is have various of our
21 lawyers plus Ryan Bennett speak to specifics of the
22 settlement or procedures, so -- and in this case, it does
23 take a village to get this done, so I would have Ms. Ball
24 address the specifics of the settlement, Mr. Bennett comment
25 to the extent he feels necessary, Ms. Lennox report to the

1 Court on where we stand on the documentation that reflects
2 the settlement and the filing of that, Mr. Miller on certain
3 commitments to the Retirees' Committee, and Mr. Cullen on
4 what the city sees as an appropriate procedure for continuing
5 the confirmation trial. I apologize for all of that, but
6 it's -- as I say, it was a complicated settlement and
7 requires a lot of thought and presentation to the Court.

8 As to the status of the agreement, I want to make it
9 clear we have an agreement. The last time we saw you, it was
10 an agreement in principle, and everybody went to work until
11 the wee hours this morning to come up with what is an
12 agreement. There are aspects of the agreement that we still
13 need to work on, but we're agreed on how to do that. So not
14 surprisingly, when there are transfers of properties and
15 diligence required and planning for development of those
16 properties, there is -- there are a little bit of moving
17 targets on which properties and so forth, so the one tag area
18 of the settlement that we need to continue to work on but is
19 not going to come back before the Court is with respect to
20 two properties, so late last night the city discovered
21 certain parcels previously included in the development
22 agreement that could not be conveyed to Syncora. As a
23 result, the city agrees that by the close of business on
24 Tuesday, September 16, 2014, the city will provide Syncora
25 with properties that represent reasonably equivalent value

1 consistent with that development scheme or their development
2 scheme that are reasonably accepted to Syncora. They may
3 actually conceivably be the same properties or replacement
4 properties. The parties have agreed that we can fix this one
5 tag issue hopefully with relative ease within the next 48
6 hours and probably sooner.

7 As to the documentation that is necessary for this,
8 Ms. Lennox will report to you on it, but as far as we're
9 concerned and I think as far as Kirkland & Ellis is
10 concerned, we're pretty much done with that, still, you know,
11 some wordsmithing, I suppose.

12 One last point. We have been working -- well, since
13 last Thursday with the Retirees' Committee and the holders of
14 the LTGOs to discuss how they view the impact of this
15 settlement on them, and we have made a lot of progress in
16 those discussions and expect to continue those discussions
17 this morning and are confident that we can conclude those
18 discussions, so we will need to do that before we file the
19 documents. Thank you, your Honor.

20 MS. BALL: Good morning, your Honor. Corinne Ball
21 of Jones Day for the city. Perhaps we should start with just
22 a review of the context that brings us here. As your Honor
23 is aware, there are many relationships between Syncora and
24 the city other than Syncora's role as COP -- an insurer of
25 the certificates of participation. Syncora is a swap

1 insurer. Syncora has insured the unlimited tax general
2 obligation bonds. Syncora is an insurer of the certificates
3 of participation. Syncora is a holder of the certificates of
4 participation. And in addition to that, Syncora, through its
5 subsidiary, American Roads and Pike Pointe, is a lessee of
6 the city on the Windsor Tunnel and, as a consequence of that,
7 is also present in surrounding buildings as a lessee at the
8 terminus of the tunnel on the Detroit side. In fact, it has
9 some hundred employees in Detroit in its headquarters in that
10 location.

11 Your Honor, with that, perhaps I'd like to walk you
12 through, with your permission, the elements of the
13 settlement, and we have -- if your Honor would like one, I
14 have a PowerPoint, if I may approach.

15 THE COURT: Yes.

16 MS. BALL: Perhaps we can walk through it. Your
17 Honor, this is a global settlement and a global resolution of
18 the multiple roles and relationships that Syncora has with
19 the city and has had over the past year in this courtroom.
20 If we could go through it, it is a -- we are entering into a
21 development agreement, which Mr. Heiman described, which
22 relates to properties, in essence, near the terminus of the
23 Windsor Tunnel. We are amending the lease for the Windsor
24 Tunnel and assuming it under the plan. Your Honor may or may
25 not be aware, but the lessee of that tunnel went through its

1 own bankruptcy in parallel with the city's bankruptcy, and
2 Syncora has, in fact, taken over that role as of September
3 2013, so they're new to the city, and we needed a new and
4 better relationship. We're also settling Syncora's COPs
5 situation, and we're resolving all litigation related to the
6 Chapter 9 whether in this court, your Honor, or on the
7 appellate levels. And that, of course, your Honor, will also
8 resolve their secured claims -- their asserted secured
9 claims, which your Honor may recall were one of the very
10 first disagreements that the city and Syncora had.

11 On the development agreement, the city and a
12 subsidiary of Syncora called Pike Pointe will enter into a
13 development agreement. Under the agreement, the developer is
14 granted an option to acquire certain specified properties
15 that will last five years from the effective date subject to
16 extension in certain instances. Prior to the exercise of the
17 option, the developer may undertake due diligence of the
18 properties. Once the option is exercised, the developer must
19 develop the applicable property into parking facilities,
20 residential housing, commercial retail space, and any other
21 use suitable for location consistent with the city's urban
22 planning policies and the city's comprehensive development
23 plan. The developer will have 15 months to begin developing
24 the property or else it will revert to the city. The
25 developer must also complete construction within three years

1 and three months of exercising its option. The city and the
2 Syncora subsidiary will also enter into an option to enter
3 into a 30-year concession with respect to the Grand Circus
4 garage including an obligation to invest 13.5 million in
5 capital expenditures during the first five years of that
6 long-term leasing arrangement for that parking garage.

7 With respect to the tunnel lease, the city will
8 extend and assume the lease as amended of the Detroit-Windsor
9 Tunnel and the related properties which I mentioned earlier,
10 your Honor, surrounding the terminus of the tunnel. The
11 amended lease will extend the term from November 2020 to
12 December 2040. The amended lease will contain additional
13 reporting requirements on the part of the tunnel company, and
14 the city will only be limited in its ability to disclose that
15 information in very certain specific circumstances, which
16 compares to today, which it is a fairly opaque relationship
17 from the city's point of view. The tunnel company will
18 maintain the city portion of the tunnel to the same standard
19 as the Windsor side. The amended lease will also allow the
20 tunnel company to offset certain capital expenditures made to
21 improve the tunnel against the tunnel's rent obligations.
22 During the initial term of the lease, your Honor, which is
23 the current lease, which runs through 2020, the tunnel may
24 credit capital expenditures against its rent up to the full
25 amount of the rent due during this period. During the

1 extension term, your Honor, they may credit capital
2 expenditures against 75 percent of the annual rent subject to
3 certain limitations. In all, the tunnel company may not
4 credit more than eight million of capital expenditures
5 against rent during the extension term, but in all, your
6 Honor, it represents a substantial commitment to improve the
7 condition and safety of the tunnel. The amendment
8 anticipates and does not preclude a new joint operating
9 agreement with respect to the Windsor portion of the tunnel
10 and a new -- potentially new intergovernmental authority
11 between Detroit and Windsor to allow the tunnel to be
12 operated in an integrated manner. Your Honor, that's
13 providing for the future.

14 With respect to the settlement of the COPs held and
15 insured by Syncora, your Honor, the plan provides for the
16 creation of a litigation trust, and the remaining interest in
17 that trust I may remind your Honor belongs to other creditors
18 of the city, does not revert to the city. The litigation
19 trust established under the plan will purchase Syncora's COPs
20 and COPs claims in exchange for new B notes. Your Honor,
21 that's the nomenclature that has been in the plan to describe
22 the notes issued to the various unsecured classes under the
23 plan, the OPEB class, Class 12, general unsecured class,
24 Class 14, and the COPs class, Class 19. It also provides for
25 an enhancement for Class 9 consisting of new C notes and

1 something that we call settlement credits. That, your Honor,
2 is what, in essence, leads us to describe the Class 9
3 treatment as being enhanced to provide 13.9 percent as
4 opposed to the original estimates of 10 percent on account of
5 Class 9. As a settling party, Syncora will be included as an
6 exculpated party under the plan of adjustment subject to
7 certain agreed carveouts. Importantly, your Honor, this
8 settlement offer with the enhanced portion of the C notes and
9 the settlement credits will be made available to any COP
10 claimant that opts into the settlement prior to the effective
11 date on the plan of adjustment. The COP claimants that do
12 not participate in the settlement will receive the treatment
13 previously set forth in the sixth amended plan. Notably,
14 your Honor, no enhancement with the C notes and the
15 settlement credits unless the COP claimants opt in.

16 Your Honor, if we move ahead, on the effective date,
17 Syncora will receive 23.5 million in new B notes. Your
18 Honor, that number refers to the face amount, and that number
19 represents 60.358 percent of the total COP claims asserted by
20 Syncora. If we move ahead, the enhancement on the settlement
21 of the COPs is on the effective date Syncora will receive
22 approximately 21.3 million in new unsecured five-percent C
23 notes due in 2026. These new 12-year C notes bear interest
24 at the rate of five percent. Through the operation of the
25 parking system in the city, the city will segregate certain

1 parking revenues each year until monies sufficient to meet
2 the annual debt service on these new C notes is set aside.
3 The notes are unsecured, and, though due in 2026, they must
4 be prepaid in the event of certain parking asset disposition
5 should the city decide to sell or outsource its parking, and
6 they may be prepaid at the city's option at any time without
7 premium or penalty.

8 I think, your Honor, if we move ahead to the
9 settlement credits, alternately called vouchers, and to some
10 others almost green stamps, I think was the phrase that we
11 used -- on the effective date, Syncora will receive 6.25
12 million in Class 9 settlement credits. What are they?
13 Settlement credits may be applied towards the purchase of
14 eligible city assets. Eligible city assets include the Joe
15 Louis Arena post-demolition in 2017 when it's available.
16 Should the city pursue a proposal for its parking assets,
17 that's an eligible asset. And real property located -- your
18 Honor, it's real property within three miles of the tunnel
19 terminus, again, back to their current presence. To apply
20 the credits, the owner must participate in the normal
21 procurement or auction process run by the city. It has to be
22 the final party selected in that procurement or auction
23 process and otherwise satisfy all the requirements.
24 Settlement credits can only be used for 50 percent of the
25 purchase price of an eligible asset. Importantly, your

1 Honor, these settlement credits can be freely assigned or
2 transferred. We thought that was an important feature
3 particularly for those COPs holders who may not have a
4 relationship with the City of Detroit on an ongoing basis.

5 Your Honor, if we move to the litigation front,
6 whether it's the swaps, the COPs, the UTGOs, or the appeals,
7 the many appeals, Syncora will now support the plan, and I
8 think it has already filed some withdrawal of its objections,
9 but it will promptly withdraw all objections to confirmation
10 of the city's plan of adjustment, which will be, your Honor,
11 at this time without prejudice but obviously will mature as
12 we move forward through confirmation. Subject to definitive
13 documentation on the confirmation date of the plan, Syncora
14 will withdraw all plan objections with prejudice. Syncora's
15 appeals will be held in abeyance, your Honor, as we plan to
16 file a joint motion to stay them until the process is
17 complete and the plan becomes effective at which point such
18 appeals will be withdrawn with prejudice. And, your Honor,
19 among others, it includes the public lighting authority
20 appeal, the post-petition financing appeal, the automatic
21 stay appeal, the swaps settlement appeal, the mediation
22 appeal, and I think there may be a few I've missed. In
23 satisfaction of its asserted secured claims relating to the
24 collateral account, your Honor may recall, that was
25 associated with the casino revenues and other litigation

1 claims, Syncora will receive \$5 million. I think Mr. Cullen
2 will assist the Court, but we anticipate there will be
3 further trial process motions and exhibits which will accord
4 and reinforce Syncora's agreement to support the plan. With
5 that, your Honor, I'm happy to answer any questions you may
6 have.

7 THE COURT: Can we go back to Slide 5, please?

8 MS. BALL: Yes, sir.

9 THE COURT: For other COP claimants who opt in, what
10 do they give up by opting in, and what does the city get?

11 MS. BALL: Your Honor, they will be selling their
12 COPs claims to the litigation trust, and the city would be
13 distributing not only the B notes, which were described in
14 the existing sixth amended plan, they will also be getting
15 their share of the enhancement, the new C notes and the
16 settlement credits.

17 THE COURT: Thank you.

18 MS. BALL: Anything else, your Honor?

19 THE COURT: No.

20 MS. BALL: Thank you. With that I would defer to
21 Ms. Lennox as to how we're working this through the plan.

22 MR. BENNETT: Good morning, your Honor. Ryan
23 Bennett of Kirkland & Ellis on behalf of Syncora. I'm very
24 glad to be standing here before you today, your Honor. This
25 is a big day for Syncora and a big day for the City of

1 Detroit. We'd like to thank the Court, the Court's staff for
2 the time and patience over the past many months and thank the
3 mediators for their assistance, particularly over the past
4 three weeks as we've worked through what has been a very
5 complicated and creative resolution to Syncora's unique
6 relationship with the City of Detroit. Ms. Ball and Mr.
7 Heiman captured the settlement accurately. Syncora will
8 shortly be withdrawing its objections to the plan, its
9 various motions that are pending before the Court without
10 prejudice to our ability to renew our litigation should the
11 definitive documentation not be reasonably acceptable to the
12 city and Syncora and the plan not be confirmed, but we
13 expect, as Mr. Heiman highlighted, that we are substantially
14 done. We know we are substantially done and that that will
15 be coming shortly. Our appeals, likewise, will be held in
16 abeyance, as Ms. Ball pointed out, and dismissed with
17 prejudice upon the effective date. Your Honor, that's all I
18 have, fortunately. Thank you very much.

19 THE COURT: Thank you.

20 MS. LENNOX: Good morning, your Honor. With respect
21 to the plan process, as these developments with respect to
22 the settlement that Ms. Ball outlined have progressed, the
23 draft of the seventh amended plan has kept pace, so that is
24 in fairly good shape. We have, I think, a couple of things
25 that we're hoping to iron out with some other parties today.

1 Our goal is to file that plan today, you know, subject to
2 ironing out the differences, but we are in good shape on
3 that, your Honor.

4 MR. HEIMAN: Your Honor, before we call on Mr.
5 Cullen, I did mention that we would be hearing from Evan
6 Miller today, and -- oh, he was hiding, and I don't blame him
7 because he's a target for a lot of people.

8 MR. MILLER: Thank you for those kind words. Good
9 morning, your Honor. Evan Miller, Jones Day, for the City of
10 Detroit. I wanted to briefly talk about an issue in
11 connection with the Class 12, the so-called OPEB settlement.
12 Certain issues have arisen in connection with the -- excuse
13 me -- implementation and start-up of the so-called VEBA
14 trusts. Those would be the trusts that pursuant to the
15 settlement would be providing and paying for retiree health
16 insurance. And I want to advise the Court that the City of
17 Detroit commits to negotiate in good faith a resolution of
18 all of those issues relating to the start-up of the VEBAs.
19 We will do so as soon as practicable with the mediators, and
20 I can personally advise the Court that I'm confident that it
21 will be done in relatively short order. Thank you.

22 THE COURT: Thank you.

23 MR. CULLEN: Good morning, your Honor. Thomas
24 Cullen of Jones Day on behalf of the city. In light of these
25 developments, the city does propose to move forward with its

1 order of witnesses this week. We have -- that order,
2 serendipitously enough, really addresses issues at the front
3 end which are unconnected with the Syncora settlement,
4 principally the actuarial issues, art, and we have attempted
5 to move certain DWSD witnesses in front of any dealings with
6 the implications of the Syncora settlement. The first
7 witness to deal with those issues will be Mr. Malhotra, who
8 we believe comes up at the end -- on Friday, if at all, this
9 week. He's covering a great deal of ground, of course, and
10 there will be -- if not this week, there will be time over
11 the weekend to prepare any additional cross with respect to
12 the settlement for Mr. Malhotra. We believe that the -- that
13 that will allow the parties the ability to address the well-
14 trodden issues of art, DWSD, and actuaries this week and then
15 address the settlement-related issues either at the very end
16 of the week or early next.

17 THE COURT: Before you go, let's review your witness
18 order.

19 MR. CULLEN: Yes.

20 THE COURT: And can you describe in a sentence or
21 two what each will cover?

22 MR. CULLEN: Yes. This is what we have, your Honor.
23 Mr. Bowen is an actuary for Milliman. He worked on the
24 derivation and the implementation of the 6.75 revenue
25 assessment. He is a percipient witness, not an expert in

1 this case. He's going to testify about what actually
2 happened. Mr. Perry is an expert witness who will testify as
3 to the reasonableness of the 6.5. Ms. Fusco is the
4 representative of --

5 THE COURT: When you say 6.5 --

6 MR. CULLEN: 6.75.

7 THE COURT: 75, yeah.

8 MR. CULLEN: 6.75. I apologize, your Honor.

9 THE COURT: Let's not confuse the world on this.

10 MR. CULLEN: Yeah. I'm sorry. Thank you, your
11 Honor. Ms. Fusco is the representative of Christie's who
12 will testify as to their work. Ms. Nichol is an expert
13 witness who's going to be --

14 THE COURT: Well, stop there because we also have a
15 hearing today regarding Ms. Kopacz.

16 MR. CULLEN: Yes, your Honor. I was only addressing
17 the order of witnesses.

18 THE COURT: Okay.

19 MR. CULLEN: And this is all subject to the movement
20 of the Court, subject to the length of the cross-examination.
21 Ms. Nichol is going to be dealing with the issues of what is
22 the appropriate baseline to measure discrimination in the
23 plan. It's a witness of the Retirement Committee and
24 presented by them. Ms. Taranto is another actuarial witness.
25 We're hoping to get Mr. Bloom, who is the investment banker

1 on behalf of the Retirement Committees, who will testify as
2 to the arm's length nature of the negotiations and the result
3 of those negotiations with respect to pension issues.
4 Erickson and Plummer are both art -- are art valuation and
5 sale of the art issues. Mr. Satter has to do with the value
6 of the DWSD assets. Mr. Penske is a local notable developer
7 and a citizen of the city who will testify as to grand
8 bargain issues and investment in the city. Mr. Buckfire's
9 issues have been made available to the Court in his report.
10 He is not expected to testify with respect to the Syncora
11 settlement. Ms. McCormick will deal with -- McCormick will
12 deal with the DWSD issues and the operation of DWSD and
13 concerns which have been raised in this proceeding about the
14 capital expenditure budget and its sufficiency. Mr. Malhotra
15 is the E&Y witness with whom the Court is familiar, who will
16 testify as to the projections which will underlie the plan
17 and the baseline projections for the city. Mr. Orr then
18 comes up to testify with respect to the broad range of issues
19 relating to the plan and the settlements and feasibility and
20 other issues. Mr. Kaunelis is another DWSD witness with
21 respect to certain assumptions with respect to investment
22 principally. And Mr. Gilbert is, again, a citizen of Detroit
23 who will testify with respect to the grand bargain impact on
24 Detroit, et cetera. That is how we see it as of now, your
25 Honor.

1 THE COURT: And this is your projection for this
2 week and next?

3 MR. CULLEN: Yes, yes.

4 THE COURT: All right. Thank you. Let's leave that
5 up for a bit, if you don't mind. Okay. Thank you. I want
6 to add one other point here in relation to Syncora, which is
7 related only because it deals with Syncora. It has nothing
8 to do with the settlement, per se. The Court had entered an
9 order to show cause directed to Syncora and its attorneys why
10 they should not be sanctioned for the scandalous and
11 defamatory aspects of their second supplemental objection to
12 the plan. In the meantime, Kirkland & Ellis, on behalf of
13 itself and Syncora, has apologized to Judge Rosen and to Mr.
14 and Mrs. Driker for its conduct. The Court concludes that
15 those apologies, in the interest of justice, resolve any
16 issue of sanctions, and, accordingly, the Court here today
17 will be entering an order that vacates the order to show
18 cause and disposes of that issue. All right. Who wants to
19 be heard now?

20 MR. PEREZ: Good morning, your Honor. Alfredo Perez
21 on behalf of FGIC. Your Honor, we've listened to everything
22 that was said this morning, and I think I'm kind of standing
23 here in the same place I was a week ago or so last Tuesday.
24 We're going to need some time to prepare, and the issue is
25 when can we schedule that time. And so if the Court wants to

1 proceed with the actuaries and the art and then give us an
2 opportunity to prepare, I think that's perfectly appropriate,
3 but we're going to need a continuance for the two reasons
4 that we set forth in our papers. One, the additional time to
5 prepare, and, two, the additional time to prepare to the new
6 plan, which I'm glad we are going to get it today, and that
7 will give us -- but likely, your Honor, we're going to have
8 to have additional expert report. Likely, your Honor, we're
9 going to need to take one or two depositions, and we're going
10 to have to be able to be in a position to put on our case in
11 response to this new plan. So if the Court wants to proceed
12 with the actuaries and the, you know, several art witnesses
13 this week and then continue us until the 29th, I think we're
14 perfectly happy to do that, and I think that would allow
15 us -- although I really -- we really wanted to ask for two
16 weeks in our motion last night, but we decided that probably
17 wasn't doable and it wasn't as credible, but we are going to
18 need some time as set forth.

19 And we have this issue with the expert. There's no
20 reason why the city couldn't have agreed to let us use that
21 expert. They knew about it. They had the report. In the
22 interim, we're going to go and have to find our own expert.
23 So, your Honor, we're happy to proceed this week with those
24 sets of witnesses and then whenever Mr. Satter ends, take
25 that time off to prepare and come back on the -- and come

1 back on the 29th, and that's what we would propose.

2 MR. CULLEN: Thomas Cullen again, your Honor, for
3 the city. I would only say this, that distinctions must be
4 made here between the various interests we are working with
5 in dealing with the continuance of this proceeding. There is
6 the interest of the city itself in resolution of the
7 proceeding. There is the integrity of the proceeding. There
8 is the convenience of the witnesses to this proceeding, and,
9 finally, there is convenience of counsel. There's no doubt
10 about the interests of the city. The interests of the city
11 are to move forward as quickly as possible. The Court is
12 aware of the tremendous run rate of expense of this
13 proceeding. A week off from presenting evidence is not a
14 week off from the run rate of those expenses for the city.
15 The transition of the city to the post-emergency manager
16 world is proceeding apace as we speak. The sooner we get out
17 of this proceeding, the better it is for the city, the better
18 it is for that transition. The resolution of all of these
19 issues is critical to how the city moves forward.

20 With respect to the witnesses, it's no doubt that
21 they've rearranged their life to do this. You look at where
22 we are with Mr. Penske and Mr. Gilbert. As you might
23 imagine, they are very difficult people to schedule for
24 various good and sufficient reasons. I believe that the
25 sooner we get Mr. Malhotra on and all of his testimony in the

1 better that the opponents of the city will know how -- what
2 they need in terms of experts or not. The sooner we get
3 Mr. Orr in front of the Court, the better that they will know
4 going into those -- the gap between the 25th and the 26th in
5 the proceeding. So they've made significant adjustments in
6 their lives. Now, in these circumstances, the convenience of
7 the lawyers is only important to the extent that it threatens
8 or undermines the integrity of the proceeding, and I think
9 that that is a difficult case to make here. There are no
10 surprises certainly in the testimony of any of the witnesses
11 for this week. There are no surprises in the broader issues
12 that affect and surround the Syncora settlement in this. The
13 cone that Ms. Ball talked about has been there all along of
14 considerations and otherwise.

15 With respect to all of these witnesses, there has
16 been -- there have been depositions. There's been a very
17 thorough opening. The witnesses are no surprise, and it's
18 certainly no surprise that an ally in one of these
19 proceedings might follow its self-interest out of the case.
20 There's been something of an Agatha Christie mystery vibe
21 about this as parties disappear one by one all throughout
22 this case. And mediation is confidential, but the bodies of
23 Mr. Sprayregen and Mr. LeBlanc are not, and they've been
24 through this building continuously over the past few weeks.
25 So we have pulled this together. We pulled it together under

1 some time pressure, but in order for the city to move
2 forward, we think that people have and have -- have enough
3 preparation, have seen enough, can plead only attenuated
4 surprise with respect to the recent turns of events, and have
5 the materials in order to represent their client fairly as we
6 move forward. That's all I have, your Honor.

7 MR. PEREZ: May I respond, your Honor?

8 THE COURT: Yes, but let me just ask if anyone else
9 wants to be heard first.

10 MR. BRILLIANT: Your Honor, Allan Brilliant on
11 behalf of Macomb Interceptor Drain Drainage District, a Class
12 14 claimant, and I would have gotten up before Mr. Cullen,
13 but he beat me to the podium after Mr. Perez had spoken. We
14 join in Mr. Perez's argument with respect to requesting, you
15 know, a continuance. There's really two issues here, your
16 Honor. Mr. Cullen focuses really just solely on the Syncora
17 withdrawal aspect of the issue, which obviously makes things
18 a little bit more difficult for the various parties since
19 there had been an agreement and allocation of who was going
20 to deal with what witnesses, which all needs to be changed
21 now, but the more fundamental issue we have here, your Honor,
22 is there's a new very complicated deal that Syncora has
23 entered into, which needs to be analyzed by all the parties
24 to determine what additional objections they may have. And
25 as Mr. Perez said, it's likely, you know, to lead to

1 additional discovery, and obviously we're going to need to
2 put on additional testimony with respect to the issues. It's
3 not as if Syncora was just being given a certain amount of --

4 THE COURT: Assuming you object to it.

5 MR. BRILLIANT: Assuming we object to it, but we
6 need to have some opportunity to determine --

7 THE COURT: I just found it interesting your
8 presumption that you would object.

9 MR. BRILLIANT: Well, your Honor, at a minimum,
10 they're saying that Syncora is getting 13.9 --

11 THE COURT: On behalf of your \$25 million claim.

12 MR. BRILLIANT: Twenty-six, your Honor, but the --

13 THE COURT: Forgive me.

14 MR. BRILLIANT: But at a minimum, your Honor, it
15 would appear they're getting, you know, a 40-percent, you
16 know, larger distribution, you know, at face value if one
17 believes that all of these other issues that are here are
18 not, you know, on account of their COPs claims. But, your
19 Honor, the problem that we have, you know, in going forward
20 and doing the investigation as to the, you know -- you know,
21 the fairness and whether or not it unfairly -- the new
22 settlement unfairly discriminates against, you know, Class 14
23 is that we have to -- if you agree with the city, is we have
24 to file the objection, do that analysis, discovery, retain
25 witnesses, while we're reorganizing our workload, you know,

1 among all the objectors in light of Syncora's withdrawal from
2 the plan, and that just -- your Honor, is just, you know, too
3 much, you know, to expect from all the objectors at this
4 point in time. And really, your Honor, it's just in the
5 interest of justice at some point, you know -- doesn't
6 necessarily have to be today, although we would prefer that
7 it be sooner rather than later, but at some point the parties
8 have to be given an opportunity to do that analysis. And
9 given all the -- if all the resources are being used here in
10 preparing for the cross-examination of the witnesses, it's
11 just not going to be able to -- you know, to be accomplished
12 in a fair way.

13 THE COURT: Thank you. Would anyone else like to be
14 heard?

15 MR. HOWELL: Yes, your Honor. Steven G. Howell,
16 Dickinson Wright, special assistant attorney general,
17 appearing on behalf of the state. Your Honor, the State of
18 Michigan also opposes an adjournment in this matter and
19 supports the city's objection to it and believes that for all
20 the parties that are involved with the exception of a couple,
21 this has been a long process, and we would like to see this
22 continue. We believe that this is not that big a surprise
23 that this came along, and we would like to see the Court
24 continue to move forward with this on the schedule we have
25 set. Thank you, your Honor.

1 THE COURT: Thank you. Would anyone else like to be
2 heard? Mr. Perez.

3 MR. PEREZ: Your Honor, three points. What you
4 didn't hear from Mr. Cullen was due process, and that's,
5 frankly, the only issue that we have before the Court. Are
6 we receiving due process? Furthermore, your Honor, to some
7 extent this is a situation where if we're not granted a
8 continuance, no good deed goes unpunished because the
9 objectors collectively determined we had to allocate our
10 time. We had to allocate our resources. We didn't want to
11 be duplicative. And now as a result -- and we're not asking
12 for a long continuance, your Honor, and the fact that the
13 schedule is how it is really shortens the time that we would
14 be asking for a continuance. But, your Honor, to say that we
15 do not need additional time to prepare based on the record,
16 the fact that we were all sharing time, the fact that the
17 Court encouraged us to have a lead questioner for the
18 witnesses, just is -- just doesn't comport with due process.

19 Furthermore, your Honor, I would -- I only hearken
20 back to the time when the Court asked somebody whether, you
21 know, being here and supporting Detroit wasn't the most
22 important thing they were doing. I'm sure that the witnesses
23 are important people who need to be -- you know, need to be
24 doing important things, but this is actually more important.
25 Your Honor, I commit to you that we will work as diligently

1 as possible, but, for instance, this whole situation with the
2 one expert witness, it's a total self-inflicted wound by the
3 city. There's no reason for them to have done that other
4 than to be vindictive.

5 THE COURT: What witness are you talking about, sir?

6 MR. PEREZ: Murphy, your Honor. Thank you.

7 THE COURT: Anything further on this issue? All
8 right. The Court will take it under advisement.

9 MR. CULLEN: One moment.

10 THE COURT: Sir.

11 MR. CULLEN: Thank you.

12 THE COURT: Yes.

13 MR. CULLEN: I do think that we were addressing the
14 due process issue when I talked about the integrity of the
15 process versus the convenience of counsel. These are all
16 well-represented parties. They've had notice of these issues
17 for some time. And I'm sure that this is hard, and if this
18 were a mere game, we would grant this courtesy as a courtesy,
19 but it is not. It is a proceeding about the fate of Detroit.
20 Time is very important to us. The expense of it is very
21 important to us. The transition is very important to us.
22 And we think that there is sufficient opportunity for very
23 talented counsel to make a record on the issues about which
24 they care about. That's all, your Honor.

25 THE COURT: All right.

1 MR. PEREZ: May I respond, your Honor?

2 THE COURT: If you have anything new to add,
3 absolutely.

4 MR. PEREZ: Your Honor, the only question I have is
5 I wonder what they would be saying if the shoe was on the
6 other foot. Thank you.

7 THE COURT: Okay. I'm going to take this under
8 advisement and take a recess now, and we'll reconvene at
9 9:30, please.

10 THE CLERK: All rise. Court is in recess.

11 (Recess at 9:20 a.m., until 9:39 a.m.)

12 THE CLERK: All rise. Court is in session. You may
13 be seated.

14 THE COURT: It appears everyone is present.

15 MR. STEWART: Your Honor, Geoffrey Stewart, Jones
16 Day, for the city. The city calls its next witness, Glenn
17 Bowen.

18 THE COURT: Well, hang on. I've got to give a
19 ruling on --

20 MR. STEWART: Oh, I'm sorry.

21 THE COURT: -- the matter I took under advisement.

22 MR. STEWART: I better sit down.

23 THE COURT: Good idea. As the Court discerns the
24 motion for adjournment here, there are three relatively
25 distinct grounds for it, and the issue before the Court is

1 whether these grounds constitute extraordinary cause for the
2 delay or continuance that is sought here. The three are that
3 Syncora's withdrawal from the defense of the city's case
4 causes FGIC and the other objecting parties, which at this
5 point are mainly the Macomb Drainage District, to take over
6 those parts of the defense that FGIC had taken responsibility
7 for in their division of labor. The second is the strong
8 potential for FGIC to need to retain experts that Syncora had
9 retained or maybe it's only one -- excuse me -- so that it
10 can properly pursue its defense of the city's case in the
11 absence of Syncora and its experts. And the third is the
12 potential need to file supplemental objections to the -- what
13 will be, I guess, the seventh amended plan to be filed here
14 promptly along with any potential need for additional
15 discovery relating to those supplemental objections to the
16 amendments in the plan.

17 The Court must conclude that the first two of those
18 asserted grounds do not constitute extraordinary cause for
19 any adjournment, and to the extent the motion is based on
20 those two grounds, it is denied. There is merit in the
21 city's position that Syncora's negotiations with the city
22 over the past several weeks have been well-known, and in
23 those circumstances it seems to the Court that it was
24 incumbent upon all objecting parties, consistent with their
25 obligations to their clients, to prepare for the contingency

1 that, in fact, Syncora might settle at some point, and that
2 preparation would have included necessarily preparation to
3 take over for the examination of the witnesses that Syncora
4 was going to cover and, in the absence of an agreement
5 regarding experts, locating experts. In this regard, the
6 Court will also note parenthetically but importantly that
7 nothing in FGIC's motion or its presentation today identified
8 any steps that FGIC took in regard to cross-examination
9 preparation or locating and preparing an expert since the
10 agreement in principle was announced last Tuesday night or
11 addressed how those five days was insufficient to meet its
12 preparation needs.

13 On the other hand, the Court must conclude that the
14 city's filing of an amended plan incorporating its settlement
15 with Syncora does require the Court to accommodate the
16 interests of FGIC and the Macomb Drainage District and other
17 objecting parties to have an opportunity to examine that plan
18 or the amendments to it and to file supplemental objections
19 to that plan as they deem appropriate, to take discovery as
20 necessary in relation to that, and to prepare to address the
21 Syncora settlement as part of this confirmation hearing.

22 Having said that, however, it's less clear to the
23 Court how the details of that should play out, and so,
24 accordingly, I'm going to ask counsel for FGIC and Macomb and
25 any other objecting creditors to meet and confer with counsel

1 for the city to see if you can come to some agreed upon
2 schedule or plan that will -- excuse me -- accommodate the
3 interests of the city in the promptest possible resolution
4 here and in the objecting parties' interests in an adequate
5 opportunity to address the new plan, and perhaps you can do
6 that over the lunch hour and then let the Court know where
7 you stand at that time. I think that's as much as we can do
8 on this now, and I will ask the city to proceed with its
9 case.

10 MR. SOTO: Your Honor, one -- if I can just sit --

11 THE COURT: Yeah.

12 MR. SOTO: FGIC will be asking the Court for an
13 accommodation with respect to the adding or replacing of the
14 one expert witness. We've located another witness, had
15 initial conversations with him. I've had some initial
16 conversations with Mr. Cullen, and he will be replacing Dr.
17 Murphy. It's a fellow named Dr. Jonathan Guryan is who we
18 are working with, so --

19 THE COURT: What's the name, sir?

20 MR. SOTO: Dr. Jonathan Guryan, who's at
21 Northwestern.

22 THE COURT: Okay.

23 MR. SOTO: I guess the other guy was in Chicago. So
24 we'll be coming to the Court for that accommodation with
25 respect to this.

1 THE COURT: Well, I urge you to discuss that
2 accommodation, whatever it is you will be seeking, with the
3 city and see what you can work out.

4 MR. SOTO: Thank you, your Honor.

5 THE COURT: If I have to decide something, I will,
6 but I think it is appropriate to ask you all to try to figure
7 out how to deal with this in the meantime. Mr. Stewart.

8 MR. STEWART: And I apologize for jumping the gun
9 earlier.

10 THE COURT: Okay.

11 MR. STEWART: Geoffrey Stewart, Jones Day, for the
12 city. The city calls its next witness, Glenn Bowen. Your
13 Honor, if I may have leave to approach, I have five sets of
14 the exhibits we would use with Mr. Bowen.

15 THE COURT: Yes, sir. Step forward, please, sir,
16 and raise your right hand.

17 GLENN BOWEN, CITY'S WITNESS, SWORN

18 THE COURT: All right. You may sit down in the
19 witness box. Thank you.

20 MR. STEWART: May I proceed, your Honor?

21 THE COURT: One second. Seems like we're still
22 getting organized here. Okay. You may proceed.

23 MR. STEWART: Thank you, your Honor.

24 DIRECT EXAMINATION

25 BY MR. STEWART:

1 Q Good morning, Mr. Bowen.

2 A Good morning.

3 Q Could you please give us your full name and address?

4 A Glenn David Bowen, Wayne, Pennsylvania.

5 Q Okay. Are you employed?

6 A Yes.

7 Q And by whom are you employed?

8 A Milliman, Incorporated.

9 Q And what is Milliman, Incorporated?

10 A An actuarial consulting firm.

11 Q Okay. And where are the offices of Milliman in which you
12 work?

13 A I work in the Wayne, Pennsylvania, office.

14 Q And Wayne is a suburb of Philadelphia?

15 A Correct.

16 Q Okay. Tell us, if you could, of your college education?

17 A I have a bachelor's degree and a master's degree in civil
18 engineering from the University of Delaware.

19 Q And what year did you receive those -- what years did you
20 receive those degrees?

21 A The bachelor's degree in 1989, master's degree in 1994.

22 Q Did there come a time when you became an actuary?

23 A Yes.

24 Q When was that?

25 A I was hired in 1996 by Towers Perrin Company, now called

1 Towers Watson.

2 Q Okay. And you were hired by them as an actuary?

3 A An actuarial analyst, yes.

4 Q And how long did you remain at Towers Perrin?

5 A Roughly five years.

6 Q And what was your job after that?

7 A I was hired by Milliman in 2001.

8 Q Okay. And tell us, if you could, what -- in brief what
9 your career at Milliman has been.

10 A I am a pension actuary, so I consult to pension plan
11 sponsors and legislative bodies that have interests in the
12 pensions that are sponsored in their jurisdictions.

13 Q Okay. You just used a term "pension plan sponsors."
14 What is a pension plan sponsor?

15 A There can really be I'll say two broad kinds. In the
16 corporate sector, you would typically think of it as the
17 employer who sponsors the pension plan, and in the
18 governmental sector, it would be the local government or
19 other governmental authority.

20 Q Okay. And in your practice as an actuary, what
21 percentage of your time have you spent working with
22 government sponsored pension plans?

23 A I would say it's certainly morphed over my career from a
24 focus on corporate to a focus on public, and public is now 90
25 percent or more of what I do.

1 Q And how many different public pension plans have you
2 worked with over the course of your career?

3 A I'll say dozens, and I've also worked with retiree
4 healthcare plans in the public sector as well, about a
5 hundred of them.

6 Q Are you qualified as an actuary?

7 A I'm a fellow of the Society of Actuaries, also an
8 enrolled actuary under ERISA and a member of the American
9 Academy of Actuaries.

10 Q Are those the credentialing bodies for actuaries in the
11 U.S.?

12 A Yes.

13 Q Have you published any papers or other articles in the
14 field of being an actuary?

15 A About a half dozen.

16 Q Okay. Now, let's -- I'd like to just make sure we have
17 our definitions nailed down before we go further. The city,
18 of course, has two Retirement Systems, does it not?

19 A Yes.

20 Q Are they sometimes also called pension plans?

21 A Yes.

22 Q What are the city's two Retirement Systems?

23 A There's the General Retirement System and the Police and
24 Fire Retirement System.

25 Q And are they sometimes known by their initials, the GRS

1 and the PFRS respectively?

2 A Yes.

3 Q And just a minor point, is it the case that Milliman
4 refers to them as the DGRS and the DPFRS?

5 A That is correct.

6 Q But the terms are interchangeable. We don't need the D?

7 A We do not.

8 Q We all know we're talking about Detroit here?

9 A Yes.

10 Q Okay.

11 A I speak for myself only saying that.

12 Q And you're aware of something called a -- called the
13 DWSD?

14 A Yes, I am.

15 Q What is the DWSD?

16 A The Detroit Water and Sewer Department.

17 Q Do the employees of the DWSD -- are they members of
18 any -- either of the city's Retirement Systems?

19 A Yes, they are.

20 Q Which system?

21 A The General Retirement System.

22 Q And, by the way, am I correct that one refers to the
23 employees as members?

24 A In a public pension plan, yes.

25 Q Now, you're aware of something called a defined benefit

1 plan?

2 A Yes.

3 Q What is a defined benefit plan?

4 A A defined benefit plan is a retirement plan where, as
5 it's titled, the benefit is defined. There will be a formula
6 that will determine the amount of the pension that you
7 receive.

8 Q And who makes contributions to a defined benefit plan?

9 A The plan sponsor will make contributions. In some
10 instances, the employees will be required to make a
11 contribution as well.

12 Q Okay. So did there come a time when you began working on
13 matters relating to the City of Detroit's two pension plans?

14 A Yes.

15 Q When was that?

16 A It was in the middle of 2012.

17 Q And what were you asked to do in the middle of 2012?

18 A Our very first assignment was a request that we review
19 the annual actuarial valuation reports that had been prepared
20 by the Systems' retained actuary and provide us, as much as
21 possible, a description of the status of the plans in
22 laymen's terms.

23 Q Okay. And let me direct your attention to the exhibits
24 before you. They may be at the bottom of your pile, but
25 they're two.

1 MR. STEWART: And let's put them up in order, if we
2 could, Syncora Exhibit 4054 and Syncora Exhibit 4776. And,
3 your Honor, I believe these have been stipulated into
4 evidence.

5 MR. WAGNER: We have no objection, your Honor.

6 BY MR. STEWART:

7 Q Mr. Bowen, do you have these two exhibits before you?

8 A I do.

9 Q Tell me, if you --

10 THE COURT: Let me just say for the record that in
11 case they are not already in evidence, Exhibits 4054 and 4776
12 are admitted.

13 (Syncora Exhibits 4054 and 4776 received at 9:56 a.m.)

14 BY MR. STEWART:

15 Q Mr. Bowen, could you tell us what these two exhibits are?

16 A These exhibits are the annual actuarial valuation reports
17 prepared by the Systems' retained actuary. One report is for
18 the General Retirement System and one is for the Police and
19 Fire Retirement System.

20 Q Now, you just used the phrase "Systems actuary." What is
21 the Systems actuary?

22 A Excuse me. I use that phrase to define the actuary who
23 has the responsibility for conducting the annual valuation.

24 Q And that's the actuary hired by the Retirement System
25 itself?

1 A Yes.

2 Q Who is the actuary for these two Retirement Systems?

3 A Gabriel, Roeder, Smith & Company.

4 Q And their name appears in the upper right-hand corner of
5 each of these two exhibits?

6 A Yes.

7 Q Okay. And so I believe you were telling us that your
8 first assignment had to do with looking at these two, and, by
9 the way, these are, once again, called annual valuation
10 reports?

11 A Yes.

12 Q Do you sometimes call them AVR's?

13 A I do not, but I can if you would like.

14 Q I won't either then. I'll call them annual valuation
15 reports. So what was it you were asked to do in particular
16 with respect to these annual valuation reports?

17 A As I mentioned, we were asked to review them, and we were
18 asked to explain them to city personnel who did not have
19 extensive pension background.

20 Q Now, I think you testified this engagement came to you in
21 the middle of 2012?

22 A Yes.

23 Q These are the reports, however, for the year ended 2011,
24 are they not?

25 A That's correct.

1 Q Why was it you were dealing with 2011 reports when you
2 were doing your work in 2012?

3 A These were the most recently published reports that
4 existed at that time.

5 Q Okay. And so as a result of looking at these reports,
6 what did you do next?

7 A We documented our results in a letter and met with the
8 city personnel.

9 Q Now, you just used the term "letter." Does the term
10 "letter" in the way -- in your work for the city have any
11 particular meaning?

12 A Our relationship with the city over time has been ad hoc
13 consulting, you know, ad hoc requests, and in those cases we
14 will typically write a letter because a template does not
15 exist to respond to such a request.

16 Q Fair to say that the deliverable that Milliman has in its
17 work for the city has been letters?

18 A Yes.

19 Q How many letters over the course of Milliman's engagement
20 by the city has Milliman delivered to the city?

21 A Speaking for the pension side, it has been over a
22 hundred.

23 Q Okay. Now, was one of the things you were asked to do
24 here in 2012 to look at the city's contribution?

25 A Later in 2012, yes.

1 Q Okay. Let's move on then, but before I do that, let me
2 just ask you about something else.

3 MR. STEWART: Can we please put up on the screen
4 Exhibit 633, which is a demonstrative exhibit?

5 BY MR. STEWART:

6 Q Mr. Bowen, is Exhibit 633 in front of you?

7 A Yes.

8 Q Have you seen this before?

9 A I have.

10 Q What is Exhibit 633?

11 A It is -- it contains an equation and a pictorial diagram,
12 which is a very high-level description of how a pension plan
13 needs to stay in balance over time.

14 MR. STEWART: Your Honor, I would move into evidence
15 only for purposes of being a demonstrative Exhibit 633.

16 THE COURT: Any objections?

17 MR. WAGNER: No objection, your Honor. And just for
18 the record, Jonathan Wagner from Kramer Levin Naftalis &
19 Frankel on behalf of the COPs.

20 THE COURT: Thank you, sir.

21 MR. STEWART: And I think --

22 THE COURT: 633 is admitted.

23 (City Exhibit 633 received at 10:00 a.m.)

24 MR. STEWART: Sorry, your Honor.

25 MR. WAGNER: For demonstrative purposes.

1 BY MR. STEWART:

2 Q And Exhibit 633 sets forth an equation?

3 A Yes.

4 Q What is the purpose -- what is the explanatory purpose of
5 this equation?

6 A Over the long term, the inflows and the outflows of the
7 pension plan must be in balance in order for the plan to pay
8 the promised benefits.

9 Q Okay. Let's go through each of the letters here. What
10 does the letter "C" stand for?

11 A "C" stands for contributions.

12 Q And would that be the city contribution we talked about
13 earlier?

14 A Yes.

15 Q What does "I" stand for?

16 A "I" is investments.

17 Q And when you say "investments," what's being invested?

18 A There is a current pool of assets and an expectation of
19 future income over time.

20 Q Okay. Is the round blue figure -- is that -- does that
21 represent the current assets?

22 A That represents a tank, if you will, and if you think of
23 the assets as water, the tank is the trust. It holds the
24 assets.

25 Q Okay. And then what is "B"?

1 A "B" is benefits.

2 Q And when you say "benefits," what are you referring to?

3 A In this case, this is a -- we don't actually use this
4 equation, per se. It's not that simple. But that's a
5 measure of the liability for the benefits that have been
6 promised.

7 Q These are the benefits to be paid to retirees?

8 A Yes.

9 Q Okay. And how do you know what those benefits are?

10 A That's the -- one of the main purposes of conducting the
11 annual valuation.

12 Q Okay. And then "E" is our final letter. What is "E"?

13 A That is expenses.

14 Q Okay. And so tell us now that we've walked through this
15 how this model works.

16 A Okay. It's I'll say easy to conceptualize on a single
17 person. If there was one person in a pension plan, you would
18 effectively spend their career putting money in on the left
19 and earning a return on it, and then the pool would be
20 effectively full at the time of retirement, and during the
21 time of retirement the benefits would flow out.

22 Q And at various times in your work for the city, were you
23 asked to determine individual values for either "C" or "B" or
24 "I" or even "E"?

25 A We've worked with all of them over time.

1 Q Okay. And now let me ask you about the next assignment.
2 Later in 2012, were you asked to do something new by the
3 city?

4 A I believe the next assignment in late 2012 was to do a
5 simple forecast of employer contributions.

6 Q Of "C"?

7 A Correct.

8 Q And, once again, did you work with an actuarial valuation
9 report?

10 A Yes.

11 Q Do you know whether it was the ones we've already seen,
12 or was it a new report?

13 A I believe at the time our initial assignment, the 2011
14 was still the most recently published report.

15 Q So what did you do vis-a-vis the 2011 report?

16 A We looked at the report, and there are various I'll say
17 facts and figures in there of an actuarial nature. Using
18 those facts and figures and some extrapolation techniques, we
19 projected forward five years and used the methodology that
20 was in use to produce contributions in order to demonstrate
21 what the expected pattern of contributions was going to be.

22 Q Now, let me direct your attention now to 2013. Have you
23 heard of something called a pension task force?

24 A Yes.

25 Q What is or was the pension task force?

1 A The pension task force was a group of advisors that had
2 been retained by the city that was responsible for pension
3 matters.

4 Q Okay. And what sort of things, in a very general matter,
5 did the pension task force look at?

6 A The pension task force looked at a lot of things. On
7 this diagram, most of the focus was on -- most of the focus
8 of the tasks that came to Milliman was on benefits.

9 Q Okay. And I apologize if I've asked you already. Who
10 are the -- who are the members of the task force?

11 A The two members that interfaced with the most were Evan
12 Miller from Jones Day and Chuck Moore from Conway MacKenzie.

13 Q Was this before or was it after the city filed its
14 bankruptcy petition?

15 A The pension task force was formed in early 2013, so it
16 would have been before.

17 Q Okay. Now, let me ask you some definitions before we
18 move forward. Have you heard of something called an accrued
19 actuarial liability?

20 A Yes.

21 Q And that is sometimes called AAL, is it not?

22 A Yes, it is.

23 Q Okay. What is it?

24 A It is the measure that the actuary will determine in the
25 annual valuation report that represents the liability that is

1 categorized under "B" in this long-term equation.

2 Q Okay. So is it a present value or is it calculated in
3 some different way?

4 A It is a present value.

5 Q So the AAL is the present value of "B"?

6 A Correct.

7 Q Okay. Have you heard of something called an unfunded
8 accrued actuarial liability?

9 A Yes.

10 Q What is that?

11 A That is the difference between the present value of the
12 liability we were just discussing and the assets that are
13 currently on hand.

14 Q So if we look at our diagram here, that would have some
15 bearing on the level of the water in this blue tank we have?

16 A If there was a UAAL, unfunded actuarial liability, that
17 would be like saying the tank is not quite as full as we'd
18 like it to be today.

19 Q Okay. So just to summarize, the AAL is the "B" in our
20 diagram; correct?

21 A Correct.

22 Q And the UAAL would be if the tank wasn't as high up as it
23 ought to be?

24 A Correct.

25 Q Okay. Let me ask you about a couple of other terms.

1 Have you heard of something called an investment return
2 assumption?

3 A Yes.

4 Q What is that?

5 A That is the rate of return that, on average, you are
6 expected to earn on your invested assets in the future.

7 Q And how does it figure into the calculation we see in
8 Exhibit 633?

9 A In the first step and where the actuary spends most of
10 their time is in the determination of the "B," benefits, the
11 accrued liability. We calculate those on a nominal basis in
12 all future years, and to develop a present value, we will
13 discount them based on the expected investment return.

14 Q Okay. What is the relationship between the investment
15 return assumption and the level of the city's contributions?

16 A The higher the investment return assumption, you're
17 assuming that more of the ultimate benefits will be paid by
18 investment return, and in the short term, that depresses the
19 contribution level.

20 Q Okay. And the lower the investment return assumption,
21 what effect does that have?

22 A That's the opposite. That assumes that since you're
23 going to earn less on your investments, more contributions
24 would be needed over time, and it raises the short-term
25 contributions.

1 Q Okay. Have you heard of the term used "funding status"?

2 A Yes.

3 Q What is funding status as that term is used with respect
4 to public pension plans?

5 A Funding status is the assets divided by the liabilities.

6 Q Okay. And what does it -- what does it tell us?

7 A Higher funded status is better.

8 Q You have more funds?

9 A Yes.

10 Q Okay. Did there come a time in 2014 you were asked to do
11 something called a replication or a replication audit?

12 A Yes.

13 Q What is a replication?

14 A A replication is when an outside actuary, not the system
15 actuary, is asked to effectively take all of the inputs used
16 by the system actuary, program their own valuation system or
17 their own software, and attempt to reproduce similar results.

18 Q And when were you asked to do a replication audit?

19 A We were actually asked at some point in 2013.

20 Q Okay. And which systems were you asked to -- were you
21 asked to do one for both of the systems?

22 A Yes.

23 Q Okay. Now, I think you said that a purpose of this was
24 to check the work or duplicate the work of the system
25 actuary?

1 A That was part of it, yes.

2 Q Okay. And what role in that assignment did Gabriel,
3 Roeder's annual valuation reports play?

4 A That was really the fundamental document we looked to to
5 learn about the plan.

6 Q Okay. So look, if you could, at the following documents
7 which are before you.

8 MR. STEWART: And these, I believe, have been, once
9 again, stipulated into evidence, but let's put them up. It's
10 1001, 1004, 1023, and 1024. And, your Honor, as I said, I
11 think these came in under the operation of the pretrial
12 order, but for avoidance of data, I will move them into
13 evidence if there's no objection.

14 MR. WAGNER: That's fine. They were actually on our
15 exhibit list, so we -- no problem.

16 THE COURT: All right. All right. If they were not
17 previously admitted, they are now.

18 (COPs Exhibits 1001, 1004, 1023, and 1024 received at
19 10:09 a.m.)

20 BY MR. STEWART:

21 Q Okay. Now, in your replication audit, to spend a minute
22 on these, tell us, if you could, what these four exhibits
23 are.

24 A Well, I only see one on my screen, but I assume you have
25 two valuation reports or four valuation reports.

1 Q Yeah. You actually have them in your packet there.
2 There's a mound of paper. But let me ask you this. In your
3 replication that you did in 2014, which of these valuation
4 reports did you work with?

5 A Well, our task was to replicate the 2013 valuations.

6 Q And so would that be Exhibit 1023 and 1024?

7 A Yes. They are the 2013 valuations.

8 Q And which one is for the GRS?

9 A 1023 is GRS.

10 Q Okay. And the PFRS is 1024?

11 A Correct.

12 Q Okay.

13 A Yes.

14 Q Let's go through these reports so we have an
15 understanding of how they work, and let's do it with 1024, if
16 we could. Do you have that before you?

17 A You said 1024?

18 Q I did.

19 A Okay.

20 Q Yeah. And the cover, of course, is the cover, and the
21 second page is the table of contents; correct?

22 A Yes.

23 Q And the third and fourth page are the cover letter from
24 Gabriel, Roeder to the trustees of the system?

25 A Correct.

1 Q Okay. Let's now go, if we could, to page 4. And I
2 think -- is that 4? Yeah, there we go. Page 4. What is
3 page 4 of Exhibit 1024?

4 A Page 4 is a summary. You could best describe it as "B"
5 in our earlier equation, benefits, the present value of the
6 benefits payable by the system.

7 Q Okay. At the top it says "actuarial accrued liabilities
8 as of June 30th, 2013"?

9 A Correct.

10 Q And that's the term we talked about earlier?

11 A Yes.

12 Q And then we have a series of calculations here on the
13 table?

14 A Yes, yes.

15 Q Okay. Now, at the bottom -- at the very bottom of it, is
16 there a place where this report sets forth the actuarial
17 accrued liabilities for the System?

18 A Yes.

19 Q And where is that?

20 A That is the first line in the third box under "System
21 Totals."

22 Q Okay. And that number is \$3.89 billion?

23 A Correct.

24 Q Below that there's something called accrued assets.

25 A Yes.

1 Q What does "accrued assets" mean?

2 A In this case, I believe it is the smoothed value of
3 assets that is used in the contribution calculation.

4 Q Okay. And then at the bottom we have -- is that the
5 UAAL?

6 A Yes.

7 Q Okay. Let's keep going through the report. If we could,
8 let's turn to page 15. I think it's -- there we go. Do you
9 have page 15 before you?

10 A Yes.

11 Q What is page 15 and the pages following it?

12 A It's labeled "Summary of Benefit Provisions," and this is
13 where the actuary sets forth eligibility conditions and
14 resulting benefits that define what the members will receive.

15 Q Okay. And do you know where this information comes from?

16 A My understanding is that some of it may be set in
17 statute, and some of it is in collective bargaining
18 agreements.

19 Q Now, in your replication audit, your replication
20 procedure, what use did you make of this part of the exhibit
21 that summarized benefit provisions?

22 A One of the requirements of performing a valuation is that
23 we in our system code the benefits that members are eligible
24 for, so we started with this document.

25 Q Okay. Let's go, if we could, to page 21. What is page

1 21 and the pages after it? What do they set forth?

2 A These are summaries of what I call census data. It is
3 data regarding the members of the system.

4 Q Okay. And what does it say? What does it tell us about
5 the members of the system?

6 A These are summary tables that summarize the data which is
7 on each individual member's record of quantities that are
8 important for the pension valuation.

9 Q And what relevance does this have to your work in a
10 replication procedure?

11 A We need to know the membership of the system to be able
12 to value to perform the replication.

13 Q Let's go, if we could, now to page 31. 31 and the pages
14 after it, what do they set forth?

15 A These are assumptions, which is I'll say the third
16 component of running a valuation or doing a replication.

17 Q And what's the relevance of assumptions in this exercise?

18 A What we are trying to model in the determination of "B"
19 is the expected future cash flows that the system will
20 disgorge over time, and they are all contingent upon what the
21 members do, how long they work, how long they live, et
22 cetera.

23 Q Now, I've been asking you about Exhibit 1024, which is
24 the actuarial valuation report for the PFRS. Is the
25 structure of the report for the GRS similar?

1 A Yes.

2 Q Okay. So before I go further, let me ask you this. Does
3 Milliman have a calculation engine known as VAL 2000?

4 A Yes.

5 Q Who or what is VAL 2000?

6 A VAL 2000 is a software system developed and maintained by
7 Milliman for use in preparing valuations of pensions and
8 retiree healthcare systems.

9 Q Have you used VAL 2000 in your career at Milliman?

10 A Yes.

11 Q How often have you used it?

12 A Continuously.

13 Q How long since you joined Milliman have you worked with
14 VAL 2000?

15 A It was there when I joined, so continuously since 2001.

16 Q How well do you know the operation and features of this
17 software?

18 A Very well.

19 Q Okay. Now, what role did VAL -- did this software play
20 in the replication procedure you've described to us?

21 A I think you used the phrase "calculation engine."

22 Q I did.

23 A So VAL 2000 you can think of as a template that is
24 designed to accept inputs and then do the resulting
25 calculations.

1 Q Okay. And what inputs -- in this replication procedure
2 were inputs loaded into the software?

3 A That would be the three we just mentioned. The census
4 data is loaded into the software, the actuarial assumption
5 tables are loaded into the software, and we code the benefit
6 provisions.

7 Q Okay. From the report that we looked at?

8 A Correct.

9 Q Okay. And who did the loading of this information?

10 A Various members on staff.

11 Q And what was your role in terms of that part of the work?

12 A I guess the best way to characterize it is the analysts
13 on staff work under the direction of the consultants, so in
14 terms of some of the mechanical loading procedures, we set
15 forth what I call a job description.

16 Q Okay. And what role did you have in assuring that the
17 job description was adhered to?

18 A We have a series of peer review or checking that gets
19 done after those procedures are completed.

20 Q Okay. And once the data was loaded, it was then recited
21 in the software; correct?

22 A I'm not sure I understand the meaning of "recited."

23 Q The data was loaded into VAL 2000 --

24 A Yes.

25 Q -- is that right?

1 A Yes.

2 Q Was it at that point then saved and archived in the
3 system?

4 A Yes.

5 Q Is it still there?

6 A Yes.

7 Q Okay. Now, let's, if we could -- and did there come a
8 time when you, in fact, performed the replication procedure?

9 A Yes.

10 Q Okay. And what -- and did you report to the city what
11 you found?

12 A Yes.

13 Q What form was your report?

14 A That was a letter for each of the systems.

15 Q Okay. Let's, if we could, look at Exhibits 1008 and 491.
16 Mr. Bowen, do you have Exhibits 1008 and 491 before you?

17 A I'm working on it.

18 Q Okay.

19 MR. STEWART: Can you put up 491? Ah, there we go.

20 MR. WAGNER: I'm sorry. Can I get a copy of 491? I
21 don't see it in the book.

22 MR. STEWART: Is it not in the book?

23 THE WITNESS: Yes, I have them.

24 BY MR. STEWART:

25 Q Okay. All right. Before we go further, tell us what

1 these two exhibits are.

2 A 491 is our report on the replication of DGRS, and 1008 is
3 our report on the replication of DPFRS.

4 Q Who wrote these two letters?

5 A Myself and a colleague of mine.

6 Q And is your -- does your signature appear at the back of
7 each letter?

8 A Yes.

9 Q Okay. And before these letters went out, what did you do
10 to assure the accuracy of the contents of the letters?

11 A I was involved in the process all the way through,
12 drafting the letter, reviewing the results that are in the
13 letter.

14 MR. STEWART: Your Honor, I move admission of both
15 exhibits.

16 MR. WAGNER: No objection.

17 THE COURT: They are admitted.

18 (City Exhibit 491 and COPs Exhibit 1008 received at 10:19
19 a.m.)

20 BY MR. STEWART:

21 Q Okay. Let us, once again, deal with just the PFRS side
22 of this. That's Exhibit 1008. Do you have that before you?

23 A I do.

24 Q Okay. Let's go through it, if we could. We have a -- we
25 have the first page, and then on the second is something

1 called project description.

2 A Yes.

3 Q And just as a general matter, what is the project
4 description?

5 A The project description is to determine the June 30,
6 2013, actuarial liability for the PFRS.

7 Q Okay. And it refers, does it not, to the actuarial
8 valuation report we've been talking about?

9 A The 2012 report of DPFRS, yes.

10 Q And has the link to where it could be found on the
11 Internet?

12 A Correct.

13 Q Okay. Now, further down there's a paragraph entitled
14 "Investment Return."

15 A Yes.

16 Q Do you see that?

17 A I do.

18 Q Now, does this indicate that you ran this replication
19 using two different investment return assumptions?

20 A Yes.

21 Q One was eight percent, and one was 6.75 percent?

22 A Correct.

23 Q Where did the eight-percent assumption come from?

24 A That is the rate that is used in the valuation report.

25 Q And where did the 6.75-percent assumption come from?

1 A That was a request from the city.

2 Q Okay. As a result of this replication procedure, were
3 you able to determine the AAL for the system under these two
4 different investment return assumptions?

5 A Yes.

6 Q And let's look, if we could, at page 6 of the exhibit.
7 Do you see the table on page 6?

8 A Yes.

9 Q And what does the table on page 6 set forth for us?

10 A That is the results of our replication based on an eight-
11 percent investment return rate and a 6.75-percent investment
12 return rate.

13 Q Okay. Just for the record, what was the determination
14 you made when you applied the eight-percent investment return
15 assumption?

16 A 3.794 billion.

17 Q And when you applied the 6.75-percent investment return
18 assumption?

19 A 4.285 billion.

20 Q Okay. And I think earlier we talked about the actuarial
21 valuation report you were working with, and do I remember
22 correctly you were still working with the 2012 report or was
23 it the 2013?

24 A At this point in time, the 2012 was the most recent that
25 we had access to.

1 Q So let's look at Exhibit 1004 and, in particular, page 3
2 of our exhibit -- of that exhibit, I should say. What was
3 the AAL calculated by Gabriel, Roeder for this system for
4 that period of time?

5 A As of 2012, the AAL was 3.823 billion.

6 Q And how did it compare to what your replication procedure
7 determined?

8 A Well, actually that is a different date, so we did not
9 compare those two numbers.

10 Q I'm sorry. I had misunderstood. Let's look then at the
11 2013 actuarial valuation report. Do you have Exhibit 1024 in
12 front of you?

13 A I do.

14 Q Okay. Let's look, if we could, at the comparable table
15 in Exhibit 1024. That's on page 4 of the exhibit. Now, how
16 does the -- what did Gabriel, Roeder determine as of June
17 30th, 2013, was the AAL for the PFRS?

18 A 3.890 billion.

19 Q And how does that compare with the value you came up with
20 in your replication?

21 A It's in between two and three percent different.

22 Q Okay. Now let's go, if we could, to Exhibit 491. Do you
23 have Exhibit 491 before you?

24 A I do.

25 Q And Exhibit 491 is what?

1 A The report of our replication audit of DGRS.

2 Q Okay. And I think you described already the procedure.
3 Was anything done differently with GRS than you had done with
4 PFRS?

5 A No. The procedures were similar.

6 Q Let's look, if we could, at page 6 of Exhibit 491 and at
7 the table there.

8 MR. STEWART: If we could blow the table up, please.

9 BY MR. STEWART:

10 Q Now, the table has results under two different investment
11 return assumptions; correct?

12 A Yes.

13 Q One is 7.9 percent?

14 A Correct.

15 Q Where did that come from?

16 A That is the rate that is used in the annual actuarial
17 valuation.

18 Q Okay. And the other column has the investment return
19 assumption of 6.75 percent?

20 A Yes.

21 Q Where did that come from?

22 A That was requested by the city.

23 Q And so what did your procedure determine with respect to
24 the AAL for the GRS as of June 30th, 2013?

25 A Under the basis used in the valuation report, 3.601

1 billion and under the 6.75-percent return 3.978 billion.

2 Q Okay. Let's go, if we could, to Exhibit 1023, which is
3 in evidence, and let's go to page 4, please, A-4. It's the
4 one that in the lower right-hand corner has a control number
5 2982. There we go. This is the Gabriel, Roeder actuarial
6 valuation report for the GRS as of June 30th, 2013?

7 A Correct.

8 Q What had Gabriel, Roeder determined was the AAL for that
9 system on that date?

10 A 3.609 billion.

11 Q And how did that compare with the value you determined
12 using their investment return assumption?

13 A That was -- that differed by roughly \$8 million.

14 Q Out of a total of how much?

15 A 3.6 billion.

16 Q Okay. Now, after you had finished the replication audit,
17 did you -- did Milliman remain involved in the city's
18 matters?

19 A Yes.

20 Q And in the months following it, what -- without getting
21 into what you did, what generally was your role?

22 A We were asked to prepare various analyses using our
23 replication as a baseline in making adjustments.

24 Q Okay. And there was a mediation process going forward,
25 was there not?

1 A There was.

2 Q Okay. And without saying what you did, just tell us what
3 was your role in the mediation?

4 A We were --

5 MR. PEREZ: Your Honor, excuse me. I'm going to
6 object. If he's not going to say what his role is, then --

7 THE COURT: You can stay seated. You don't have
8 to --

9 MR. PEREZ: Yeah.

10 THE COURT: -- injure your back making objections to
11 evidence.

12 MR. PEREZ: Your Honor, to the extent that he's
13 going to go into the mediation, we're obviously not going to
14 be -- not going to be able to ask him any questions, so I'm
15 not sure what the intent of the question is.

16 MR. STEWART: I'm not sure what the intent of the
17 question was either actually, Judge. I'm going to ask the
18 witness this.

19 BY MR. STEWART:

20 Q After that, did you --

21 THE COURT: That is a withdrawal of the question,
22 yes.

23 MR. STEWART: Withdrawal.

24 BY MR. STEWART:

25 Q After that, did you remain involved in supporting the

1 mediation process?

2 A Yes.

3 Q Thank you. Now, by now, by the time we get to 2014,
4 you've been working with the city's two pension plans for how
5 long?

6 A We started in the middle of 2012.

7 Q About two years?

8 A With some gaps, but, yes, two years.

9 Q How well would you say you knew the plans by then?

10 A We had to know them very well to be able to perform the
11 replication.

12 Q Now, have you heard the term before a frozen plan?

13 A Yes.

14 Q What is a frozen plan?

15 A There's more than one variety of frozen plans, but the
16 most common definition would be where there is a freeze date.
17 Employees who were hired after the freeze date do not become
18 members of the plan, so they will not accrue benefits under
19 the plan. And employees who are working as of the freeze
20 date will cease accruing any benefits in the future.

21 Q Okay. Who makes the decision to freeze a plan?

22 A In my experience, in a corporate sector plan the plan
23 sponsor sometimes has the unilateral right to do so.
24 Sometimes it is subject to collective bargaining.

25 Q Let me direct your attention, if I could, to the date of

1 July 18, 2013. Do you understand that was the date --

2 THE COURT: Excuse me one second.

3 MR. STEWART: Yes.

4 THE COURT: The answer you just gave, you said that
5 was in the corporate setting?

6 THE WITNESS: Yes.

7 THE COURT: Is there another answer for the public
8 setting -- sector setting?

9 THE WITNESS: Well, the plan freezes are very common
10 in the corporate sector, very uncommon in the public sector,
11 and I think that's really a legal matter as to who gets to
12 freeze the plan that I can't answer to.

13 THE COURT: Thank you, sir.

14 BY MR. STEWART:

15 Q So let me direct your attention, if I could, to July 18,
16 2013. Do you understand that was the date upon which the
17 city filed its petition in bankruptcy?

18 A Yes.

19 Q As of that date, do you know whether or not the GRS plan
20 was frozen?

21 A It was not.

22 Q How do you know that?

23 A There was no piece of information that we provided, were
24 provided or found that said the plan was frozen.

25 Q And in your dealings with the city and with the plan, who

1 said anything to you about it being frozen?

2 A Nobody said anything to us about it being frozen.

3 Q And as of that date, can you tell us whether or not the
4 PFRS plan was frozen?

5 A It was not.

6 Q Subsequent to that time, have there been proposals that
7 the plan should be frozen?

8 A Yes.

9 Q Do you know whether that has happened yet?

10 A I do not.

11 Q Now, let me ask you a couple of --

12 MR. STEWART: Let's put up, if we could, Exhibit
13 632.

14 BY MR. STEWART:

15 Q Mr. Bowen, do you see Exhibit 632 on the screen in front
16 of you?

17 A Yes.

18 Q What is Exhibit 632?

19 A There is a formula at the top which is a -- I'll say the
20 generic template of how a final average pay pension plan
21 calculates a benefit, and there is a diagram below that which
22 is illustrative of a member moving through their working
23 career and their retirement years.

24 Q Okay. So the formula -- and who prepared this?

25 A Jones Day.

1 Q And have you looked at it?

2 A Yes, I have.

3 Q Is it accurate?

4 A It's a very high-level representation, so, yes, it's
5 accurate.

6 MR. STEWART: Your Honor, I would move 632 into
7 evidence as a demonstrative exhibit only.

8 MR. WAGNER: That's fine, your Honor.

9 THE COURT: All right. For that purpose, it is
10 admitted.

11 (City Exhibit 632 received at 10:31 a.m.)

12 BY MR. STEWART:

13 Q So, if we could, Mr. Bowen, let's look at the top.

14 There's a formula. Could you tell us, first of all, what the
15 formula says and, second, what it is?

16 A Okay. It says pension equals "X" percent times service
17 times final average pay, and this formula is used to
18 determine the pension that a member will receive based upon
19 the service they have rendered and their final average pay
20 and the "X" percent multiplier, which is part of the pension
21 plan design.

22 Q So where does the "X" percent come from?

23 A The "X" percent is -- I believe that's a statutory
24 figure, but it is set at the -- it is set as part of the
25 benefit design to determine the overall level of the benefit.

1 Q What does "service" mean?

2 A Service is basically the amount of time that the member
3 works for the city.

4 Q Okay. And what is final average pay?

5 A Final average pay is in most cases for the city's plans
6 three highest years of pay at the end of the period of
7 service.

8 Q Okay. So let's look at our chart. On the far left
9 corner we have DOH. What does that stand for?

10 A The date of hire.

11 Q Okay. Now, have you heard the term "accrual" as that
12 term is used in pension plans?

13 A Yes.

14 Q What does "accrual" mean?

15 A As a synonym, you could use the word "earned." You
16 accrue your benefits over your career. You're earning your
17 benefits as you're working.

18 Q So if I worked for the city, and after one year when do I
19 start accruing my benefits?

20 A You start accruing them upon hire.

21 Q The day I started?

22 A Yes.

23 Q Okay. Now, have you -- when do my benefits stop
24 accruing?

25 A When you separate from service.

1 Q Okay. Now, is there a term called "vesting"? And there
2 is vesting on our exhibit as well.

3 A Yes, there is.

4 Q What does "vesting" mean?

5 A If you discontinue your service with the plan sponsor
6 prior to reaching the vesting date, in this example, ten
7 years, you forfeit your right to receive a pension.

8 Q And what is the vesting period for the GRS and the PFRS?

9 A With some exceptions, it's ten years.

10 Q Okay. So back to me again. Let's assume I work for the
11 city and quit in year nine. What are my vested benefits?

12 A None.

13 Q Why?

14 A Because you have not rendered the requisite period of
15 service.

16 Q How many years have I accrued?

17 A Nine.

18 Q But I still get no benefits?

19 A Correct.

20 Q If I work to 11 years, then quit, how many years have I
21 accrued?

22 A Eleven.

23 Q And how many have I vested?

24 A Eleven.

25 Q So what benefits do I get under the formula here, and

1 what's the service -- the value of the service variable in
2 our equation?

3 A At that -- in that example, it would be 11.

4 Q Okay. Now, up here we have something called final
5 average pay. Let me ask this. What do the words "final pay"
6 mean in the phrase "final average pay"?

7 A They're meant to denote the pay near the end of your
8 period of service, end of your career.

9 Q And average is the three years you told us about?

10 A Yes, for these systems.

11 Q Now, in calculating the AAL for a system, is one of the
12 benefits a system takes into account the future cost it's
13 going to have for people who have not retired yet?

14 A Yes.

15 Q How does the system know what their final average pay is?

16 A One of the actuarial assumptions used in the valuation is
17 a projection of salaries over time.

18 Q So the system projects the final average pay of people
19 who have not yet reached that segment of their career where
20 they measure the final average pay; is that correct?

21 A Everything is projected, so, yes.

22 Q Okay. Now, what assumptions does -- do these two plans
23 use to project that final average pay?

24 A Well, there -- I mean there is a salary assumption that's
25 the baseline for projecting what the salary would be, and

1 there are additional assumptions that determine the
2 probability of separating from service in each future year,
3 termination if you're not retirement eligible and then
4 ultimately retirement.

5 Q And then are there assumptions about wage increases and
6 inflation?

7 A I kind of consider them all baked into the salary
8 assumption scale, yes.

9 Q But they're part of the salary assumption?

10 A Yes.

11 Q Where do we find that?

12 A They can be listed in the valuation report.

13 Q So the actuarial valuation reports that are already in
14 evidence set those forth?

15 A Yes.

16 Q And by the way, are both GRS and PFRS final average pay
17 plans?

18 A Yes.

19 Q Now, let's move on. Did there come a time more recently
20 in April when you were asked to perform other calculations
21 from the information stored in the VAL 2000 system?

22 A Yes.

23 MR. STEWART: And let's put up, if we could --
24 pardon me -- Exhibits 473 -- pardon me -- and 474. And, your
25 Honor, both of these are also exhibits that the COPs parties

1 have put on their list as 1011 and 1012 respectively.

2 BY MR. STEWART:

3 Q Before we go further, Mr. Bowen, could you just tell us
4 what these two letters are?

5 A Okay. Exhibit 1011 is regarding DPFERS, and we were asked
6 to calculate the funded status in 2023 under a variety of a
7 specified scenarios.

8 Q And what is the other letter?

9 A That concerns DGRS, and we were asked -- we were given a
10 desired target to be hit in terms of funded status in 2023
11 and were asked to calculate the employer contributions that
12 would be required to do so.

13 Q And who prepared these two letters?

14 A They were both prepared by Milliman.

15 Q Okay. And did you -- pardon me. What was your role in
16 the letters?

17 A I was involved in the process from beginning to end.

18 Q And did you sign both?

19 A Yes.

20 Q And what did you do before signing to assure yourself of
21 the accuracy of the matters set forth in the two letters?

22 A As I mentioned before, we have a series of peer review
23 checks, and they apply to the various portions of the overall
24 procedure.

25 MR. STEWART: Your Honor, I'd move into evidence

1 both exhibits.

2 MR. WAGNER: No objection.

3 THE COURT: Thank you. They are admitted.

4 (City Exhibits 473 and 474 received at 10:37 a.m.)

5 BY MR. STEWART:

6 Q Let's start, if we could, with Exhibit 473, and I notice
7 I'm using the city's exhibit number, and you used the COPs
8 exhibit number. Why don't we use the city's exhibit number
9 for sake of simplicity, and that is 473?

10 A Okay.

11 Q And if we could, let's spend a minute on the structure of
12 the letter here. Once again, the first page sets forth some
13 background of the scope and intent of the exercise; is that
14 correct?

15 A Yes.

16 Q And then on page 2 we have the paragraph entitled
17 "Project Description"?

18 A Correct.

19 Q What is the project description of this project?

20 A There are several bullet points of inputs that were
21 provided to us, and we were asked to use all of those and
22 project the funded status -- excuse me -- and also the
23 unfunded liability of DPFRS in 2023.

24 Q Okay. So at the very first lines -- pardon me -- speaks
25 of estimating the funded status and unfunded liability for

1 that Retirement System; correct?

2 A Yes.

3 Q And then what are the bullet points again?

4 A These are the series of inputs that were provided to us
5 by the city to be used in this exercise.

6 Q And what role did you have in choosing those inputs?

7 A We did not choose them. They were provided to us.

8 Q In other words, they were givens in this work?

9 A Correct.

10 Q All right. What did you do then with these assumptions?

11 A I'll take the second bullet point to start with, a 55-
12 percent reduction to future COLAs moving from two and a
13 quarter percent to one percent. That is a change to "B," so
14 we took our baseline valuation and made that adjustment as
15 we're going to be determining a different value of "B."

16 Q Okay. Once again, were you using the VAL 2000 software
17 that you've described to us?

18 A Yes.

19 Q And that had the other values in it from your previous
20 work. Am I right?

21 A Yes.

22 Q Okay. Now, after putting these assumptions into the
23 calculation engine, did you get results? Did the results
24 come out?

25 A Yes.

1 Q And let's look at the next page, the table in the next
2 page. What does that table set forth?

3 A We were asked to value two separate employer contribution
4 streams and two separate market value rates of return for
5 2013-14, which led us to four scenarios, and the results are
6 in the two right-hand columns. The third column is the
7 projected funded status under each scenario, and the final
8 column is the estimated dollar amount of the unfunded
9 liability in 2023.

10 Q So if we take the first row, that has an assumption of
11 employer contributions of \$260.7 million and a market rate of
12 return of 11.9 -- 59 percent; correct?

13 A Yes.

14 Q And those are the assumptions you were given?

15 A Yes.

16 Q And then the next two columns show us what?

17 A The projected results in 2023 under those assumptions.

18 Q Okay. And you were being asked to forecast what the
19 situation would be in 2023; correct?

20 A Yes.

21 Q Okay. Now, if we go to the very end, just a few pages
22 back there are a series of tables. Just generally can you
23 tell us what these are?

24 A Yes. We were asked -- in addition to providing the
25 results on page 3, we were asked to provide year-by-year

1 information on various items, assets, liabilities, cash
2 flows, from the period 2014-15 up through 2023.

3 Q I see an abbreviation BOY here. What does BOY stand for?

4 A Beginning of year.

5 Q Okay. And if we look at this particular page -- I guess
6 it's Exhibit 1 -- and the table, we have the actuarial
7 accrued liability at BOY. Do you see that?

8 A I do.

9 Q Okay. And then below that unfunded liability at BOY;
10 correct?

11 A Yes.

12 Q Okay. And if you go all the way over to the right, does
13 that -- do those numbers sum up the year-by-year values in
14 those rows?

15 A Yes. Those are the year-by-year values.

16 Q Okay. Let's now, if we could, look at Exhibit 474. And
17 this is the letter you wrote with respect to the GRS. Am I
18 right?

19 A Correct.

20 Q So let's start again with page 2 in the project
21 description.

22 MR. STEWART: And let's blow up that first
23 paragraph.

24 BY MR. STEWART:

25 Q And what was the project that you were asked to do that

1 is recounted here in Exhibit 474?

2 A In this situation, the target was set as having a 70-
3 percent funded ratio, and that's the funded status we
4 referred to earlier, in 2023. We were given a variety of
5 input parameters and asked to solve for the amount of
6 employer contributions that would be needed based on those
7 parameters to hit the goal.

8 Q Okay. What assumption were you given by the city in
9 terms of the investment return assumption?

10 A This was 6.75 percent.

11 Q Okay. And then am I correct that in addition to that,
12 there were city-specified annual contributions to the DWSD?

13 A The city specified the methodology, yes.

14 Q Okay. And then there was going to be a recoupment from
15 the annuity savings fund?

16 A Yes.

17 Q Did both of those require you to have the system do some
18 calculations before you could come up with a final answer?

19 A Yes.

20 Q Okay. So let's, if we could, go to the next page. And
21 by the way, let's just frame this a little bit. One of the
22 things you had to do was to determine the DWSD contribution
23 projection?

24 A Yes.

25 Q And the other was the ASF recoupment?

1 A Yes.

2 Q So let's go through those in that order. The top of the
3 next page, page 3, is that the section where you deal with
4 the contribution projection?

5 A That's the beginning of the section, yes.

6 Q Okay. And, once again, we have bullet points. What are
7 those bullet points?

8 A Those are the parameters that were used in the DWSD
9 contribution projection.

10 Q Okay. Now, if we look at the main body of that
11 paragraph, it -- oops -- refers to a city-specified
12 contribution schedule. Do you see that?

13 A Yes.

14 Q And what was that contribution schedule that the city
15 specified?

16 A I'll say to be maybe more precise, the city specified
17 that we should do a valuation of DWSD effectively only, a
18 mini valuation, their portion of the overall system, and once
19 that unfunded liability is known to develop a nine-year
20 contribution.

21 Q Okay. And did you do that?

22 A Yes.

23 Q Let's look, if we could, at page 6 of our exhibit. And
24 do you see the header that says "results"? Okay.

25 A Yes.

1 Q Does that first paragraph set forth what you determined
2 when it came to the DWSD contribution?

3 A Yes.

4 Q And what did you -- what did you determine?

5 A It's in the last sentence, annual contribution of 45.4
6 million per year.

7 Q Okay. And as part of this, did the system also determine
8 the unfunded liability for DWSD as of July 1, 2014?

9 A Yes.

10 Q And what was that number?

11 A That is the 292.1 million in the second line.

12 Q Okay. Now, I think we were talking about the recoupment
13 from the annuity savings funds, and let's go, if we could,
14 now to page 3, to the very bottom of page 3.

15 MR. STEWART: Let's blow that up, if we could.

16 BY MR. STEWART:

17 Q Under ASF recoupment, it talks about the city providing
18 census data file. Do you see that?

19 A Yes.

20 Q Who provided the census data file to you?

21 A It was actually provided to us by Conway MacKenzie.

22 Q And who from Conway MacKenzie?

23 A Chuck Moore.

24 Q Okay. And what was this data file?

25 A This was a data file, as it mentions here, 13,650

1 members, so that's not everybody, but that is the subset of
2 members that the city deemed to have received excess interest
3 credits in their accounts.

4 Q Okay. Let's go to the next page, please. Let's look at
5 the top carryover paragraph. That's all we need to see.
6 Just reading, it says the interest credits were 387.4 million
7 as of June 30th, 2013; is that correct?

8 A Yes.

9 Q Now, then you did procedures against that data file;
10 correct?

11 A Yes.

12 Q Fair to say you were not able to match all the census
13 data?

14 A Yes.

15 Q Let's look at the table, the line that says "total."
16 What does that represent?

17 A Well, we received this census data file separate from the
18 census data that we already had in VAL 2000 in our
19 replication, so the first task was to match these excess
20 interest credit amounts by individual member into our
21 valuation system, and they did not all match.

22 Q So in your table you have numbers of people. You also
23 have dollar numbers.

24 A Yes.

25 Q What do those two numbers add up to?

1 A The count of people adds up to the 13,000-some-odd that
2 was on the last page, and the excess interest amounts add up
3 to the 387.4 million at the top of this page.

4 Q Okay.

5 MR. STEWART: Now, let's, if we could, scroll down
6 to the next table. Blow that up.

7 BY MR. STEWART:

8 Q And at the top the language says, "For this analysis, the
9 maximum recoupment amount for an individual member was capped
10 at 20 percent of the highest ASF balance during the excess
11 interest determination period." Who capped it at 20 percent?

12 A That was a decision made by the city.

13 Q Not you?

14 A No.

15 Q Okay. So what does this table show us?

16 A This table shows that once the -- I'll say the original
17 excess interest amount that was calculated was subjected to
18 the cap, the total possible recoupment amount, which is in
19 the third column, was reduced.

20 Q To what number?

21 A 226.5 million.

22 Q Okay. And was that the number you took into account when
23 you went back to the beginning to determine the contribution
24 level the city would have in the coming years?

25 A Yes. This was worked into this valuation pass.

1 Q Now, before I --

2 MR. STEWART: Let's go to the next page, if we
3 could, and before we leave this subject, could you blow up
4 the top three bullet points?

5 BY MR. STEWART:

6 Q Was there a methodology that the city was going to use to
7 recoup these excess payments from the ASF?

8 A Yes.

9 Q And fair to say there were three categories of people
10 that had to be recouped from?

11 A Yes.

12 Q And tell us, if you could, generally what the recoupment
13 method was.

14 A Okay. What's highlighted on the screen now is for active
15 members and deferred vesteds, deferred vesteds being members
16 who have ceased working for the city but are not yet in pace;
17 that is, receiving a benefit. So, quite simply, the approach
18 in our valuation procedure was that if a member's excess
19 interest amount was lower than the current value of their
20 account, it would be subtracted, and that was it.

21 Q Just offset?

22 A Just offset directly, yes.

23 Q Second category?

24 A There are members who have a larger excess interest
25 amount than their current account because there is the

1 ability to withdraw some funds while in service, so for those
2 members it was a two-part test subtracting the ASF account to
3 the extent possible and then for the remainder of the amount
4 to be recouped projecting an offsetting against the ultimate
5 expected pension.

6 Q Okay. And how did you determine how to -- what the
7 amount of the offset should be?

8 A The amount of the offset was -- as summarized in the
9 chart on the preceding page, it was the excess interest
10 amount provided by the city ultimately subjected to the 20-
11 percent cap.

12 Q Okay. And was this done in a sense with a reverse
13 annuity; in other words, a certain amount would be deducted
14 from the benefit check?

15 A Yes.

16 Q And how was that calculated?

17 A To convert a lump sum to an annuity, we have an interest
18 and a mortality assumption.

19 Q Okay. Is that something you came up with?

20 A It was provided to us by the city.

21 Q Okay. And the last category? Who were they?

22 A The third bullet point here is really a subset of the
23 second, and these are -- this is the specific class of
24 members who have no account, so there is no subtraction
25 possible, and the entire recoupment amount is then projected

1 and offset against the pension.

2 Q Okay. Now, lets go, if we could, to page 6 and to the
3 last paragraph on the page. Now, by the time -- this is the
4 results paragraph for your letter; is that correct?

5 A Yes.

6 Q Okay. Now, by the time you've gotten here, you've done
7 the DWSD calculation; correct?

8 A Correct.

9 Q The ASF calculation; correct?

10 A Correct.

11 Q And you're now able to finish the calculation you were
12 asked to do?

13 A Yes.

14 Q What did you determine?

15 A Well, we were provided with certain specified inputs, so
16 we used those, and that's the 150.8 million from non-DWSD
17 sources. We calculated the DWSD based upon the methodology,
18 and that became an input. In total what we did is we
19 calculated the total amount of employer contributions needed
20 during this time period, and since there were certain -- you
21 know, those two streams of specified employer -- two streams
22 of specified contributions, we then determined the residual
23 employer contribution that would be needed to hit the 70-
24 percent funded target.

25 Q Okay. So the bullet points, once again, are either

1 assumptions given to you or the results of your previous
2 calculations you just told us about; correct?

3 A Yes.

4 Q So let's look at the main paragraph. What is it you
5 estimated would be the additional contribution per year from
6 the employer from 2015-16 to 2022-23 to have a 70-percent
7 funded status as of the end of fiscal year 2023?

8 A \$19.9 million per year.

9 Q Okay. Based on all the assumptions that you see here?

10 A Yes.

11 Q And based on the other calculations in your work;
12 correct?

13 A Yes.

14 MR. STEWART: Okay. Thank you, Mr. Bowen. That's
15 all I have.

16 THE COURT: All right. Let's take a brief recess
17 now, reconvene at 11:10, please, for cross-examination.

18 THE CLERK: All rise. Court is in recess.

19 (Recess at 10:54 a.m., until 11:12 a.m.)

20 THE CLERK: All rise. Court is back in session.

21 You may be seated.

22 MR. WAGNER: Your Honor, again, Jonathan Wagner on
23 behalf of the COPs. I have binders -- may I pass them out --
24 that have the exhibits?

25 THE COURT: Yes, please.

1 MR. WAGNER: May I proceed?

2 THE COURT: Yes, sir.

3 CROSS-EXAMINATION

4 BY MR. WAGNER:

5 Q Mr. Bowen, nice to see you again. You're dressed a
6 little bit better than last time I saw you last night in the
7 elevator.

8 A Thank you.

9 Q Mr. Stewart took you through some of the work that you
10 did or Milliman did in connection with this matter; correct?

11 A Yes, he did.

12 Q But he didn't take you through all the work, did he?

13 A He did not.

14 Q And you gave some testimony about the 6.75 rate of
15 return. Do you recall that?

16 A Yes.

17 Q And Mr. Stewart showed you several letters that Milliman
18 prepared in connection with this matter?

19 A Yes.

20 Q But he didn't show you your November 4, 2013, letters,
21 did he?

22 A He did not.

23 Q And in those letters Milliman concluded that a return
24 assumption of 7.2 percent would better reflect the expected
25 investment returns for both plans net of expenses without any

1 bias; correct?

2 A You used the phrase "better reflect." I would say that
3 was the calculation of median expected return.

4 THE COURT: Is the letter you're referring to in
5 evidence?

6 MR. WAGNER: Yes, it is, but we'll put them up on
7 the screen. Can you put up COPs Exhibit 1028, which is City
8 Exhibit 495? There's been no objection.

9 BY MR. WAGNER:

10 Q Can you turn to page 4 of the letter in your book or you
11 can look at it on the screen?

12 A It's rather tight up here for the book.

13 Q Okay. If you look at it on the screen, the paragraph
14 beginning "Based on the above results," do you see that?

15 A I do.

16 Q Can you read that, sir?

17 A "Based on the above results, we believe that an
18 assumption of 7.2 percent would better reflect expected
19 investment returns net of plan investment expenses and
20 provide an unbiased expectation of future results."

21 Q And that's with respect to GRS; correct?

22 A I can't tell from looking at this page.

23 Q Well, if you look at the first page of the document,
24 you'll see that it pertains to GRS. Can you turn to page 1?

25 Do you see that?

1 A Yes. This says DGRS.

2 MR. WAGNER: And can you put up Exhibit 1029, City
3 Exhibit 496?

4 BY MR. WAGNER:

5 Q That's your letter with respect to PFRS; correct?

6 A Yes, it is.

7 Q And can you turn to page 4? Same paragraph, "Based on,"
8 can you read that, sir?

9 A "Based on the above results, we believe that an
10 assumption of 7.2 percent would better reflect expected
11 investment returns net of plan investment expenses and
12 provide an unbiased expectation of future results."

13 Q And that's important information, isn't it?

14 A I believe that it is.

15 Q And at the time you wrote these letters, you believe the
16 recommended investment rate assumptions you presented were
17 the best recommendations based on the data available to you;
18 correct?

19 A At the time, yes.

20 Q And you don't have any concerns or issues with respect to
21 the investment returns that you recommended in those letters;
22 correct?

23 A No, I do not.

24 Q And Milliman did the best job it could coming up with the
25 7.2 percent; correct?

1 A Yes, we did.

2 Q And you did the best job you could; right?

3 A Yes, I did.

4 Q And there are no mistakes in those letters, are there?

5 A They've been through our peer review process. I will
6 assume there are no mistakes.

7 Q Very heavily vetted; correct?

8 A Correct.

9 Q The letters were cc'd to people from the city; right?

10 A They were.

11 Q The letters went to Evan Miller of Jones Day. You know
12 who he is?

13 A They were addressed to him, yes.

14 Q And you have confidence in those numbers, don't you?

15 A Yes.

16 Q And you stand by those letters?

17 A Yes.

18 Q And, by the way, the period in those letters, if I'm
19 right, is you did a 30-year analysis and a 75-year analysis;
20 correct?

21 A I would need to see the chart put in front of me, but we
22 look at several different time durations in our capital
23 market assumptions model.

24 Q Well, can you look at page 4, sir, and confirm to me on
25 either of those documents that you did a 30-year analysis and

1 75-year analysis?

2 A Yes. The table shows one year, thirty years and seventy-
3 five years.

4 Q And of those, you believe the 75-year was the best
5 analysis to use; correct?

6 A Yes, for an ongoing pension plan, absolutely.

7 Q Now, Mr. Stewart also showed you numbers concerning
8 actuarial accrued liability; right? Do you recall that?

9 A Yes, he did.

10 Q He didn't show you the unfunded actuarial accrued
11 liability numbers, did he?

12 A For DWSD, I believe we discussed that, not for the
13 systems in total.

14 Q But he didn't put that up on the screen. He just went
15 through the liabilities; right?

16 A Yes.

17 Q And you have to subtract the assets from the liabilities
18 to determine the unfunded portion; correct?

19 A That is true.

20 Q Okay. Now, let's go back to the beginning. Would you
21 believe -- would you agree with me, sir, that it's important
22 for an actuary to get -- to use the right input?

23 A It's very difficult to answer that question the way it's
24 asked because I'm not aware of a definition of the right
25 inputs.

1 Q Let me rephrase it. It's important for an actuary to use
2 accurate inputs?

3 A I would give you the same response.

4 Q You have your deposition transcript at the front of the
5 binder. Can you look at it, sir?

6 MR. STEWART: Page and line?

7 MR. WAGNER: 157, line 10.

8 BY MR. WAGNER:

9 Q Do you have it there, sir?

10 A I do.

11 Q Were you asked the following question, and did you give
12 the following response at your deposition?

13 "Question: Well, with respect to the inputs you
14 just mentioned, am I right that it's important to
15 use accurate inputs?

16 Answer: Generally speaking, it's important to
17 use accurate inputs."

18 Did you give that answer?

19 A That is reflected in the transcript.

20 Q And would you agree with me that it's important for an
21 actuary to use reasonable assumptions?

22 A I would agree with that.

23 Q And that's something you strive to do; correct?

24 A Yes.

25 Q And would you agree with me that Detroit is a very

1 important assignment?

2 A Yes, I would.

3 Q That's why we're all sitting here; right?

4 A Yes, it is.

5 Q Okay. Let me switch gears for a second and ask you about
6 Mr. Fornia, who's been retained as an expert for the COPs.

7 You know Mr. Fornia; right?

8 A I do.

9 Q And you've worked with him?

10 A Yes, I have.

11 Q And you've invited him to speak at at least one Milliman
12 event?

13 A Yes.

14 Q Presentation was well-received by Milliman?

15 MR. STEWART: Objection, your Honor. What's the
16 relevance of this? And I don't think vouching or reverse
17 vouching for experts is appropriate.

18 MR. WAGNER: It's a point that Mr. Hackney raised.
19 I could call him as part of our direct case, but --

20 THE COURT: I'm not sure you could actually.

21 MR. WAGNER: Okay.

22 THE COURT: The objection is sustained.

23 BY MR. WAGNER:

24 Q Now, I'm right that Milliman performed an actuarial
25 exercise to calculate the size of the pension claims; right?

1 A No.

2 Q I'm sorry?

3 A No. I would not say that's correct.

4 Q Okay. Well, can you look at your April 17 letter?
5 That's Exhibit 1033.

6 A I have a May 5th letter, 1033.

7 Q Okay. And if you look at page 2, this is a letter
8 concerning GRS; correct?

9 A Yes. I apologize. I thought you were talking about did
10 Milliman determine the claim. Milliman did allocate the
11 claim for --

12 MR. STEWART: Object. This could be fixed, but the
13 letter is not properly redacted to eliminate mediation
14 privileged material.

15 MR. WAGNER: I'm not -- I don't know what they're
16 referencing, but I'm obviously not going to go into any
17 material that may be in here that should be redacted.

18 MR. STEWART: Well, I'm not suggesting you are.

19 THE COURT: Well, hold on one second. What exhibit
20 number are we on here?

21 MR. WAGNER: This is Exhibit 1033 for which there
22 was no objection posed by the city in the pretrial order.

23 THE COURT: Is it in evidence?

24 MR. STEWART: I don't believe it is, Judge.

25 MR. WAGNER: Well, it's technically in evidence

1 based on your Honor's ruling that unobjected to documents are
2 in evidence, but we can -- we will fix whatever needs to be
3 fixed if there is something that needs to be fixed.

4 MR. STEWART: I have no objection to fixing it. I
5 just wanted to make sure before it goes into a public record
6 that it is -- that the redaction issue is fixed.

7 THE COURT: Okay. Let me ask the two of you to just
8 work that out and --

9 MR. WAGNER: That's fine.

10 THE COURT: -- let me know.

11 MR. WAGNER: That's fine. And let me just go back
12 and make clear that I move Exhibits 495, which is our Exhibit
13 1028, and 496, which is 1029, into evidence.

14 MR. STEWART: No objection.

15 MR. WAGNER: Okay.

16 THE COURT: All right. They are admitted.

17 (City Exhibits 495 and 496, COPS Exhibits 1028 and 1029
18 received at 11:23 a.m.)

19 BY MR. WAGNER:

20 Q Okay. Now, sir, do you see under aggregate claim the
21 paragraph lists assets for GRS as about 2.099 billion;
22 correct?

23 A I see that.

24 Q Okay. And if you turn a few pages -- it's actually a
25 page that Mr. Stewart showed you. If you turn to the April

1 17 letter, which is attached to this letter, and that's how
2 it was produced to us, if you turn to page 6 of the April 17
3 letter, do you see that there are assets -- I'm sorry -- that
4 there are liabilities of 3978 with a 6.75 return rate? Do
5 you see that?

6 A Yes.

7 Q So 3978 in liabilities minus 2.099 in assets is about
8 1.879 billion; correct?

9 A I didn't follow the math that fast, but that's in the
10 right neighborhood.

11 Q Okay. And can we agree that that's the number in the
12 disclosure statement that sets out the size of the GRS claim,
13 or should I -- do I have to show you the disclosure
14 statement?

15 A No. I can agree that that's the number.

16 Q Okay.

17 MR. WAGNER: That's, your Honor, page 38 of the
18 disclosure statement.

19 BY MR. WAGNER:

20 Q Now, let's go through the exercise with respect to PFRS.
21 Can you turn to Exhibit 1034 in the book, page 2 of that
22 document?

23 MR. STEWART: Objection. Your Honor, we have the
24 same redaction issue with this exhibit, although I assume we
25 can work it out.

1 MR. WAGNER: That's fine.

2 THE COURT: Thank you.

3 BY MR. WAGNER:

4 Q Do you see under aggregate claim you list overall
5 liabilities of 4.825 billion? Do you see that?

6 A Yes.

7 Q And you see assets of 3.035 billion? Do you see that?

8 A Yes.

9 Q And that's a net of about 1285 -- 1.25 billion?

10 A Yes, it is.

11 Q And would you take my word for it that that's the amount
12 in the disclosure statement for the PFRS claim?

13 A I will.

14 Q So if I'm right, it's fair to say that the figures for
15 the amount of the claim came from these letters; correct?

16 A That's fair.

17 Q Okay. And, again, you use a 6.75 rate here; right?

18 A Yes.

19 Q Didn't use the risk-free rate?

20 A We did not use a risk-free rate.

21 Q Okay. Now, let's get into what's part of the claim. For
22 both GRS and PFRS in these letters, you use something called
23 the entry age normal method; right?

24 A Yes.

25 Q Okay. And the assumption underlying those letters was

1 that the plans would be ongoing; correct?

2 A This was a replication of the valuation of an ongoing
3 plan.

4 Q Okay. And when one uses the entry age normal method for
5 an ongoing plan, one is going to include liabilities that
6 haven't vested yet; correct?

7 A That is true.

8 Q And as Mr. Stewart elicited from you, when you do that
9 calculation, you're also going to include benefits with
10 future salary increases included; right?

11 A That is correct.

12 Q And you're going to include calculation that includes
13 future wage benefits; right?

14 A That's a function of the future salary, yes.

15 Q And it's going to include an element of inflation; right?

16 A That underlies salary increases, yes.

17 Q Now, sir, a frozen plan is a different ball game with
18 respect to treatment of future salary increases and future
19 services, is it not?

20 A It can be.

21 Q And when you do the calculation for a plan freeze, you
22 eliminate future service and future salary; right?

23 A To the extent it has been seized for the participants in
24 the plan, the members in the plan.

25 Q So one would see no future salary increases once a plan

1 is frozen; right?

2 A Under a hard freeze scenario, that's correct.

3 Q And the liability would drop; correct?

4 A That is correct.

5 Q And if a plan were frozen, you wouldn't include future
6 wage inflation; right?

7 A Since that is a subset of the salary increase, that's
8 correct.

9 Q Okay. And just to finish up this --

10 THE COURT: I'm a little confused about your
11 questions here.

12 MR. WAGNER: Okay.

13 THE COURT: Are you asking about some hypothetical
14 freeze or the Detroit freeze?

15 MR. WAGNER: I'm asking about -- well, my questions
16 are general questions. I believe -- we believe that --

17 THE COURT: Okay. Then they're irrelevant to me.

18 MR. WAGNER: Well, they -- we believe they apply to
19 the Detroit freeze, and I'm laying the groundwork for future
20 testimony on this issue.

21 THE COURT: Ask the witness about the Detroit
22 freeze.

23 BY MR. WAGNER:

24 Q Does the Detroit freeze include -- the Detroit plan is
25 frozen; correct?

1 A To my knowledge. I'm not sure of the legal status today.

2 Q Okay. And do you know whether if you -- when you freeze
3 those plans, whether future inflation should be included? Do
4 you know one way or the other?

5 A The proposal is a hard freeze.

6 Q Okay. And would you give the same answer with respect to
7 vested benefits?

8 A I'm not sure.

9 THE COURT: What's the question as to vested
10 benefits?

11 BY MR. WAGNER:

12 Q The question is with the hard freeze, you wouldn't
13 include benefits -- when you did your calculation of the
14 liability, you wouldn't include benefits that haven't vested;
15 right?

16 A In my experience, I've seen that done in the corporate
17 sector. I'm not sure of the legal status of vested benefits
18 in the governmental sector.

19 Q Okay. And with a frozen plan like Detroit's, you would
20 not include in calculating the size of the claim, the amount
21 of unfunded liability, you wouldn't include the calculation
22 that takes into account wage inflation, would you?

23 A For a frozen plan, there would be no future wage
24 inflation in the calculation.

25 Q And let me just finish up this --

1 THE COURT: I'm sorry. Does that answer apply to
2 the Detroit plan or just some generalized frozen plan?

3 THE WITNESS: The proposal for the Detroit plan is
4 that the plan would be frozen and future wages past the
5 freeze date would not ultimately impact the member's
6 calculations.

7 THE COURT: Thank you.

8 BY MR. WAGNER:

9 Q Okay. By the way, just to finish up this topic, do you
10 know what the unit cost method is? Ever hear of that term?

11 A If you mean the unit credit cost method, yes.

12 Q Yes. And that's a method that looks at past service and
13 past salary; right?

14 A That is correct.

15 Q Okay. Now, let's talk about investment rates. Am I
16 right that the discount rate assumption is arguably the most
17 critical assumption in determining pension obligation?

18 A Arguably, yes.

19 Q And the investment return assumption forms the basis for
20 the assumed asset returns of investments within a pension
21 system; correct?

22 A As far as it goes, yes.

23 Q And the investment rate -- the investment return
24 assumption for public -- for a public plan is also used to
25 measure the liabilities by discounting future payment

1 benefits at the assumed rate of return?

2 A That is the common practice.

3 Q And that's the way you've always seen it done; right?

4 A For purposes of funding, yes.

5 Q I'm also right that the funded status of a plan would
6 decrease if you used a lower investment rate?

7 A That is correct.

8 Q And the higher the investment rate assumption, the better
9 the funding status of the plan; correct?

10 A In both cases, the current measure of the funded status,
11 yes.

12 Q Okay. And now just a couple more questions about risk-
13 free rate. You're not aware of any public pension funds that
14 have measured liabilities discounting future benefit at any
15 rate other than the assumed investment return; correct?

16 A No. I am.

17 Q Well, you weren't aware at your deposition; correct?

18 A I don't -- I can say I am. I was deposed for three days.
19 If we have a question which is slightly different that I
20 answered, that's possible.

21 Q Okay. But Milliman doesn't use the risk-free rate in
22 calculating a valuation rate or return rate; correct?

23 A That's a very broad question, so I would have to say it's
24 not correct in all cases.

25 Q Can you turn to your deposition, page 237, line 25?

1 MR. STEWART: I don't have --

2 MR. WAGNER: I'm sorry. We'll come back to that,
3 your Honor.

4 THE COURT: Okay.

5 BY MR. WAGNER:

6 Q Now, let's get back to your November letters. There came
7 a time when you were asked to present an analysis for
8 recommended return on investment for PFRS and GRS; correct?

9 A True, yes.

10 Q And those are the -- your work is set out in the November
11 4 letters; correct?

12 A Yes.

13 Q And the assumptions in your analysis were based on the
14 asset allocations for GRS and PFRS at the time; correct?

15 A The most recent asset allocations that were made
16 available to us; correct.

17 Q And you've not seen any different asset allocations for
18 those two funds since then; correct?

19 A I have not been involved in the --

20 Q You've not seen any change in the asset allocation
21 between November 4 and today; correct?

22 A I have not looked at new allocations or have not, yeah.

23 Q Now, there is -- the plan doesn't use your 7.2-percent
24 rate, does it?

25 A Neither rate does now. Neither plan uses that rate.

1 Q It uses 6.75; right?

2 A Oh, the plan of adjustment. The system actuary does not
3 use it nor does the plan of adjustment.

4 Q Okay. I'm sorry. I should identify which plan, but,
5 yes, the plan of adjustment uses 6.75 percent; right?

6 A That is correct.

7 Q Okay. And that 6.75 did not result -- was not anything
8 that resulted from Milliman's work, was it?

9 A It was not.

10 Q And it didn't reflect any asset allocation of which you
11 were aware; correct?

12 A That is correct.

13 Q And you've not been provided with any asset allocation
14 that produces a 6.75-percent investment return; right?

15 A The 6.75 percent was -- we call it a prescribed
16 assumption.

17 Q And you've not been asked to revisit your analysis;
18 correct?

19 A I have not been asked to revisit that November 2013
20 analysis.

21 Q And you have not revisited that analysis, have you?

22 A I have not.

23 Q Now, I'm right that you don't know the asset allocation
24 that pertains to the 6.75 percent; right?

25 A The 6.75 was not based on a particular asset allocation.

1 Q Okay.

2 A It was --

3 Q I'm right that one of the things an actuary does is look
4 at an asset allocation and come up with an investment rate;
5 right?

6 A That's the usual practice.

7 Q And here what's going on is you've been given 6.75, and
8 now someone is trying to come up with an investment rate.
9 Isn't that what's going on here?

10 A That was the nature of this assignment, yes.

11 Q Okay. Now, I think you testified that you've been the --
12 you've served as an actuary for dozens of plans; right?

13 A Yes.

14 Q Okay. And am I right that industry surveys could be a
15 useful data point when determining a projected rate of return
16 for a pension system investment?

17 A I don't hold that view.

18 Q Can you turn to your deposition, page 83, line 7? 83,
19 line 7. "Fair enough."

20 "Question: Fair enough. In your view then,
21 could industry surveys be a useful data point when
22 determining projected rate of return for a pension
23 system's investment?

24 Answer: If you're using the phrase 'industry
25 surveys' in terms of surveys of prospective returns,

1 yes."

2 Do you see -- did you give -- were you asked that
3 question, and did you give that answer?

4 A That response is different than the question that I
5 understood that you just asked.

6 Q My only question is did the court reporter transcribe the
7 question correctly?

8 MR. STEWART: Objection, your Honor. I think he
9 said this is not proper impeachment because the questions do
10 not match. Makes no difference what the court reporter did.

11 THE COURT: Okay.

12 MR. STEWART: The question is Mr. Wagner's question
13 that he claims is inconsistent. That, I believe, is the
14 issue here.

15 THE COURT: Okay. Well, it's not for the witness to
16 claim improper impeachment. That's for you to claim. The
17 only issue -- or question before him was whether he gave that
18 question -- whether he heard that question and gave that
19 answer. Is that right?

20 THE WITNESS: I have no reason to believe that this
21 is improperly typed if that is your question.

22 THE COURT: All right. To the extent the city is
23 objecting on the grounds of improper impeachment, the Court
24 will overrule the objection.

25 BY MR. WAGNER:

1 Q Now, sir, can you turn to Exhibit 1036 in the book? This
2 is the public fund survey; right?

3 A It's labeled "Public Fund Survey."

4 Q And this is put out by NASRA?

5 A I'm not sure if this is the NASRA survey or --

6 THE COURT: Have you seen this before, sir?

7 THE WITNESS: I believe I saw this in deposition.

8 MR. WAGNER: Your Honor, there's been no objection
9 to this exhibit. I move it into evidence. There's been no
10 objection by the city.

11 MR. STEWART: That's fine.

12 THE COURT: Is it in evidence?

13 MR. STEWART: No objection, your Honor.

14 MR. WAGNER: Okay.

15 BY MR. WAGNER:

16 Q Sir, you've heard of the term NASRA; correct?

17 A Yes, I have.

18 Q And what is NASRA?

19 A National Association of State Retirement Administrators.

20 Q And are you aware that Ms. Kopacz cited NASRA report in
21 her report?

22 A I reviewed her report briefly. I can't say whether she
23 did or not.

24 Q Are you aware that Ms. Nichol cited it?

25 A Same answer.

1 Q Okay. If you look at the first page, have you -- you've
2 seen the public fund survey before; right?

3 A As I mentioned, I believe I saw this document in
4 deposition.

5 Q Okay. And do you see at the top it says "Median" --
6 first of all, look at the top left, the date of 6-25, 2014.

7 A I see that.

8 Q Okay. And do you see it says "Median for the 126 plans
9 shown here, investment return 7.9 percent." Do you see that?

10 A I see that.

11 Q And you see it has an inflation assumption of three
12 percent. Do you see that?

13 A Yes, I do.

14 Q Okay.

15 MR. WAGNER: And, your Honor, we have another
16 version of this exhibit, again, not objected to by the city,
17 1040. I move both of them into evidence.

18 MR. STEWART: No objection, your Honor.

19 BY MR. WAGNER:

20 Q Now --

21 THE COURT: All right. It's admitted.

22 (COPs Exhibits 1036 and 1040 received at 11:38 a.m.)

23 BY MR. WAGNER:

24 Q Can you turn to Exhibit 10164 in the book? Now, NASRA is
25 a well-known organization in the field, is it not?

1 A In the state pension plan field, yes.

2 MR. WAGNER: Your Honor, I move this document --

3 BY MR. WAGNER:

4 Q And generally the information from NASRA is considered
5 reliable?

6 A I have no reason to doubt its reliableness.

7 MR. WAGNER: Your Honor, I move this exhibit into
8 evidence.

9 MR. STEWART: Let me check our objections.

10 MR. WAGNER: I believe it's admissible whether they
11 object or not. It's admissible under 803 --

12 THE COURT: Well, I have to give them a chance --

13 MR. WAGNER: Sorry.

14 THE COURT: -- regardless.

15 MR. WAGNER: Sorry. Just trying to speed it up.

16 MR. STEWART: Whose exhibit is it? Whose exhibit?
17 Whose exhibit is this? I mean --

18 THE COURT: What's the number again, sir?

19 MR. WAGNER: It's 101 -- 10164 happens to have
20 been -- again, it was cited in --

21 THE COURT: I just asked the number.

22 MR. WAGNER: Okay.

23 THE COURT: Hang on.

24 MR. WAGNER: Sorry.

25 MR. STEWART: We can't -- your Honor, are you sure

1 that's the right exhibit number?

2 MR. WAGNER: That's what I'm told, yeah.

3 THE COURT: It is -- it's not in evidence by our
4 final pretrial order.

5 MR. WAGNER: Right. I think that's right.

6 THE COURT: It's a Retiree Committee exhibit.

7 MR. WAGNER: I would ask that it be admitted, and I
8 think I've established the foundation under 803(17). It's
9 also been -- it's been cited by Ms. Kopacz in her report, and
10 it's been cited by Ms. Nichol in her report.

11 THE COURT: Have you seen this before?

12 THE WITNESS: Yes, I have seen this.

13 THE COURT: Is it anything that you relied on when
14 you were preparing your work for the city?

15 THE WITNESS: No, it is not.

16 MR. STEWART: And, your Honor, I object for any
17 number of reasons, but I would also point out we did not
18 offer Mr. Bowen as an expert. The questions are getting into
19 expert testimony. We will consider the door now open, and if
20 what Mr. Wagner is doing is to -- going into this having
21 conceded this is an expert witness, we will withdraw our
22 objection, but the redirect will be using him as an expert.

23 MR. WAGNER: Your Honor, I don't think I've opened
24 the door. I asked him a question, whether industry
25 surveys --

1 THE COURT: Well, let's deal with whether the door
2 is open when and if you actually decide to do that.

3 MR. WAGNER: Okay.

4 THE COURT: Right now we're just going to deal with
5 the admissibility of this document. My question for you is
6 if the witness didn't rely upon it for any purpose here, how
7 is it admissible?

8 MR. WAGNER: Because the issue isn't whether he
9 relied on it. The issue is whether I can use it to cross-
10 examine him with respect to the 6.75 rate and the 7.2 rate.
11 That's what this is about. These are rates used by public
12 pension funds that are much higher than what's being used
13 here, and Mr. Bowen has already testified -- though he tried
14 to walk away from it, he's already testified that surveys of
15 this type are useful data. And I'd also note that Ms. Kopacz
16 relies on it, and Ms. Nichol relies on it.

17 MR. STEWART: Then perhaps when those witnesses take
18 the stand, it could be used. This is the sort of cross-
19 examination one uses with an expert witness. The witness did
20 not see -- did not rely upon this. I don't see it is
21 admissible in his examination. And I object as well to the
22 use of evidentiary --

23 THE COURT: Mr. Stewart, I'm sorry. I need to cut
24 you off and ask you to speak right into the microphone,
25 please.

1 MR. STEWART: I'm sorry, your Honor.

2 THE COURT: And you can have a seat while you do
3 that.

4 MR. STEWART: Okay. I apologize. Sorry. I don't
5 see the relevance that Ms. Kopacz and Ms. Nichol relied on
6 it. That means nothing. This witness, unless he is deemed
7 an expert, should not be examined on matters he did not rely
8 on. This would be for an expert something he could be asked,
9 but I thought Mr. Wagner said he's not treating the witness
10 as an expert.

11 MR. WAGNER: I'm just posing him questions on
12 something that he believed is -- he said himself is relevant.

13 THE COURT: The objection is sustained.

14 BY MR. WAGNER:

15 Q Now, sir, in your November 2013 letters, you used a rate
16 of inflation of two and a half percent; correct?

17 A That is correct.

18 Q And using a two and a half-percent rate of inflation, you
19 came up with a 7.2 percent return; correct?

20 A Yes.

21 Q And if the rate of inflation were three percent, the rate
22 of return would have been closer to 7.7 percent; correct?

23 A Yes.

24 Q And I'm right that there are lots of Milliman plans that
25 use rates of inflation higher than two and a half percent;

1 isn't that true?

2 A There are.

3 Q I'm right L.A. County uses an inflation rate of 3.45
4 percent?

5 A I imagine you have it in a survey somewhere. I don't
6 know that off the top of my head.

7 MR. WAGNER: Your Honor, may I show him Exhibit
8 103 -- 1040, which has been admitted into evidence and the
9 city hasn't objected to?

10 BY MR. WAGNER:

11 Q Can you turn to Exhibit 1040? Actually, why don't we use
12 1036? I think it's a little bit easier. Sir, L.A. County,
13 that's -- you look -- it's supposed to be alphabetical, but I
14 guess it's alphabetical by state, so L.A. comes under --
15 comes after Arizona on the first page. Do you see that?
16 L.A. County, you see that?

17 A Yes, I do.

18 Q That's a Milliman -- Milliman is the actuary for that
19 plan; right?

20 A Yes, we are.

21 Q And there the rate of return is 7.7 percent; right?

22 A Correct.

23 Q Inflation rate is 3.45 percent; right?

24 A Both as of June 30, 2011; correct.

25 Q Okay. California Teachers, is that another Milliman --

1 is that another plan for which Milliman is the actuary?

2 A Yes.

3 Q Okay. And there the rate of inflation used is 3.5 --
4 is -- I'm sorry -- three percent?

5 A Correct.

6 Q And the rate of return is seven and a half percent?

7 A Yes.

8 Q By the way, do you happen to know the funded status of
9 that plan?

10 A Of California Teachers?

11 Q California.

12 A I do not.

13 Q Would it surprise you if it was about 67 percent?

14 MR. STEWART: Objection, your Honor.

15 THE COURT: What is the objection?

16 MR. STEWART: "Would it surprise you if."

17 THE COURT: Yeah. His surprise is of no relevance.

18 The objection is sustained.

19 MR. STEWART: Okay.

20 BY MR. WAGNER:

21 Q Can you turn to Florida RS? Is that another Milliman
22 plan?

23 A Yes, it is.

24 Q And there the rate of inflation used is three percent?

25 A As of 7-1, 2012, yes.

1 Q Idaho, is that another Milliman plan?

2 A Yes.

3 Q Rate of inflation there uses 3.25 percent?

4 A As of 7-1-12, yes.

5 Q Okay. New Jersey Teachers, that's a Milliman plan, is it
6 not?

7 A Yes, it is.

8 Q And the other -- the inflation rate used is 2.75 percent,
9 is it not?

10 A As of 2011, yes.

11 Q Okay. By the way, that's a pension plan that's serviced
12 from your office, is it not?

13 A Yes, it is.

14 Q And by my math, five plans out of the 126 listed here use
15 an inflation rate of about two and a half percent. Is
16 that -- is your math the same as mine?

17 A I have not looked through the survey exhaustively, so I
18 don't know the answer to that.

19 Q Well, can you turn to Exhibit 1040, which arranges the
20 plans based on the rate of inflation? Can you count how many
21 use an inflation rate of two and a half or less?

22 MR. MONTGOMERY: If I may --

23 THE COURT: No, you may not. If you want to, you
24 can step forward and approach a microphone.

25 MR. MONTGOMERY: Your Honor, this is not an

1 unobjected to exhibit, and I just wanted to make the record
2 clear that the Retiree Committee had objected to the
3 admission of 1040.

4 THE COURT: Oh, well --

5 MR. WAGNER: Well, it's a little bit late for that.
6 I mentioned that the city didn't object to it, and I never
7 heard anything from the back.

8 THE COURT: Was it admitted?

9 MR. WAGNER: I think you admitted it.

10 MR. STEWART: Yes, your Honor. You admitted it.

11 THE COURT: 1040 was admitted. All right.

12 MR. WAGNER: Okay.

13 BY MR. WAGNER:

14 Q Do you see that there are five plans out of the 126
15 listed here that use a rate of inflation of two and a half or
16 less?

17 A On Exhibit 1040, I see seven back in the time frame 2010
18 to 2012.

19 Q Okay. So seven out of 126; right?

20 A If there's 126 here, then yes.

21 Q Okay. That's about -- well, you're the actuary, but
22 that's about six percent or so; right?

23 A You're in the ballpark, I'm sure.

24 THE COURT: I think we've got enough percentages to
25 deal --

1 MR. WAGNER: Okay.

2 THE COURT: -- with without having to worry about
3 that one.

4 MR. WAGNER: That's fine.

5 BY MR. WAGNER:

6 Q Let me move to another subject, sir, ASF. Now, you were
7 asked some questions on direct about ASF. Do you recall
8 that?

9 A Yes.

10 Q And I'm right that in calculating from an actuarial point
11 of view the amount of actuarial liability for a pension fund,
12 you would include the amounts that are due under the relevant
13 plan?

14 A Yes.

15 Q And you would not include benefits that are not included
16 under the plan?

17 A Correct.

18 Q Now, Milliman has done some work on ASF; right?

19 A We have.

20 Q And we saw before that the unfunded liability calculated
21 by Milliman for GRS was about 1.879 billion; correct?

22 A I believe that's the figure.

23 Q Okay. And that figure includes an amount of ASF; right?

24 A The system has liability for both the pensions and the
25 ASF.

1 Q And you understand that there's an issue with respect to
2 ASF; correct?

3 A I do.

4 Q You understand that there were benefits presented to you
5 that were labeled as excess credits, right --

6 A We were provided --

7 Q -- excess interest credits; right?

8 A We were provided with that information.

9 Q And you understand the city is looking to recoup a
10 portion of those benefits; correct?

11 A Yes.

12 MR. WAGNER: Nothing further, your Honor.

13 THE COURT: Thank you. Any other cross-examination
14 of the witness? Redirect.

15 MR. STEWART: Just very briefly.

16 REDIRECT EXAMINATION

17 BY MR. STEWART:

18 Q First of all, here's your glass of water. You were just
19 shown Exhibit -- gosh, looks like 1036 -- and various
20 inflation numbers. Do you remember those questions a few
21 moments ago?

22 A Yes.

23 Q And you, in your answer, mentioned the dates of some of
24 those entries went back to 2011 or times a couple of years
25 ago. What change has there been in recent years in terms of

1 assumptions actuaries use about inflation?

2 A Well, I can speak specifically for Milliman. Our return
3 was 2.75 percent in our capital market assumptions model
4 prior to being reduced to 2.5. I don't recall the exact date
5 that our committee made that determination, but to address
6 your specific question more broadly, there has been a
7 decrease. The trend -- the general trend in recent years has
8 been a decrease.

9 Q Why?

10 A Again, I can't speak for the entirety of the industry,
11 but market interest rates have been low. Inflation has been
12 low. And to the extent that those recent experiences get
13 factored into forward-looking expectations, they're -- the
14 market is putting a lower price on inflation now than they
15 were several years ago is the best way to sum it up.

16 Q Let me ask you just briefly about this investment return
17 assumption that you were questioned about. The investment
18 return assumption represents what exactly?

19 A In these surveys that we've been looking at, these are
20 the --

21 Q No. Just in terms of the --

22 A Okay.

23 Q -- city's plans, not the surveys.

24 A In terms of the city's plans, the investment return
25 assumption is used to discount the expected future cash flows

1 to be paid from the plan to determine a present value.

2 Q And in terms of the city's agreement with the plans, the
3 investment return assumption also represents a certain
4 commitment by the city, does it not?

5 A I'm not sure I fully understand that.

6 Q Well, let me ask it better in that case. These are
7 defined benefit plans?

8 A Correct.

9 Q If the rate of -- if the investment return falls below
10 what the investment return assumption is, what is the
11 exposure of the city?

12 A Thinking back to the analysis we did earlier where we
13 were asked to determine specific targets, if the interim
14 period between now and the target date -- if experience is
15 not -- if experience is less positive than expected, the city
16 will have a larger exposure 2023 forward.

17 Q Fair to say that the investment return assumption from
18 the city's point of view represents the city's agreement on
19 the level of risk it is prepared to take on this obligation?

20 MR. PEREZ: Objection, your Honor. Leading.

21 MR. WAGNER: Objection. Yeah, leading --

22 MR. STEWART: I'll reask it.

23 MR. WAGNER: -- and argumentative.

24 THE COURT: The objection is sustained twice.

25 MR. STEWART: And it was only one question.

1 BY MR. STEWART:

2 Q From the city's point of view, what does the investment
3 return assumption reflect in terms of the city's risk?

4 A The way it was communicated to me originally was the
5 city --

6 MR. BRILLIANT: Objection, your Honor. Hearsay.

7 MR. WAGNER: Yes, yeah. It's hearsay.

8 MR. STEWART: Oh, I think by now that door, your
9 Honor, is off the hinges much less wide open.

10 MR. WAGNER: No, your --

11 THE COURT: The objection is sustained.

12 BY MR. STEWART:

13 Q Okay. From the standpoint -- put to one side what the
14 city communicated to you, simply as somebody who works with
15 these numbers. From the standpoint of the sponsor of the
16 system, what does the investment return assumption reflect in
17 terms of the sponsor's risk?

18 MR. WAGNER: Objection. Foundation.

19 THE COURT: Overruled. Go ahead, sir.

20 THE WITNESS: Let me try to phrase it this way. The
21 investment return is the hurdle rate that you have to hit in
22 practice year over year. To the extent you do better, the
23 plan sponsor is the recipient of that positive experience.
24 To the extent you do worse, the plan sponsor has to continue
25 to fund the plan and actually increase the contributions to

1 the plan to make up for that shortfall.

2 BY MR. STEWART:

3 Q And in this calculation, what is the lower rate of risk,
4 a lower investment return assumption or a higher investment
5 return assumption?

6 A Yes. A lower investment return assumption gives you a
7 lower hurdle to hit in investing your assets.

8 Q And a lower risk in terms of future contributions from
9 the city?

10 A Lower risk of volatility in contributions, yes.

11 MR. STEWART: Thank you. That's all I have, your
12 Honor.

13 MR. WAGNER: Your Honor, just a short --

14 THE COURT: Yeah. Go ahead.

15 MR. WAGNER: -- recross.

16 RECROSS-EXAMINATION

17 BY MR. WAGNER:

18 Q Do you understand that under the plan if the rate of --
19 if the returns exceed 6.75 percent, that money goes to the
20 retirees? Are you aware of that?

21 A I understand there's a provision for that.

22 Q And you understand that an investment return assumption
23 that is too low will overstate liabilities?

24 A Oh, I thought you said lower state. You said overstate?

25 Q Yes, overstate.

1 A Okay.

2 Q You want me to read it again? You want me to pose it to
3 you again?

4 A If you would, please.

5 Q Am I right that an investment return assumption that is
6 too low will overstate liabilities and costs?

7 A If you have a definition of "too low" and are asking that
8 in a general sense, I could agree to that's the way the math
9 works.

10 Q And in preparing the November 4 letters, am I right that
11 you didn't do an analysis of the historical rate of return
12 for GRS and PFRS, did you?

13 A We did not.

14 Q And you didn't take into account that in most years GRS
15 and PFRS actually exceeded their rate of -- their expected
16 rate of returns, did you?

17 A That was not taken into account in our specific November
18 analysis.

19 MR. WAGNER: Thank you.

20 THE COURT: Nothing further, sir?

21 MR. STEWART: Nothing further.

22 THE COURT: All right. I have some questions for
23 you. Addressing the investment return assumption, is there
24 one correct assumption that should be applied like
25 everywhere, or is it fair to say that there is an acceptable

1 range of such interest rate assumptions?

2 THE WITNESS: Well, to specifically answer the first
3 part of the question, I would say there is definitely not one
4 assumption, and I would say to the second part of your
5 question we believe there is a range of reasonable
6 assumptions, but that is not an absolute range. It's a range
7 which varies by plan.

8 THE COURT: What are the factors that impact where
9 within a range -- one second -- where within a range a
10 pension plan would choose its investment return assumption?

11 THE WITNESS: Certainly. In Actuarial Standard of
12 Practice 27, which deals with selection of investment
13 returns, the concept is that when the actuary gets done or
14 the investment consultant gets done with doing their
15 mechanics, which I can describe further if you would like, we
16 should recommend a range in which the expected rate of return
17 is more likely than not to fall, so the results of our
18 capital market assumptions model where we can take a specific
19 systems asset allocation and use it as an input to develop a
20 range of outputs will develop percentiles, and so we'll look
21 from the 25th percentile where three out of four times we
22 think we'll hit that hurdle and we'll go up to the 75th
23 percentile, which one out of four times we'll hit that. In
24 between those two end points is a 50-percent range centered
25 around the median expected return, and from the perspective

1 of the standard, when we recommend it in just that fashion,
2 we recommend to the sponsor that is our expected range based
3 upon your particular asset allocation. Where the plan
4 sponsor decides to fall within that range would be dependent
5 upon their tolerance for risk.

6 THE COURT: And that issue, the issue of the
7 sponsor's tolerance for risk, is that something that the
8 actuary makes a recommendation or even gets involved in
9 helping the client to assess?

10 THE WITNESS: That's not something that the actuary
11 recommends, and from the perspective of assessing, I would
12 not say it's typical for an actuary to assess a plan
13 sponsor's budgetary ability to handle volatility, but what --
14 I mean the way that I would approach this is if you think
15 back to the tank that we had on the earlier demonstrative,
16 lowering an investment return assumption would cause a higher
17 measure of liability currently, which would increase current
18 contributions, the "C" that was going into the tank, with a
19 lower hurdle of "I" in the future, so we could explain to
20 plan sponsors, as we did for the city -- we ran several
21 different investment return assumptions to illustrate how
22 sensitive the results were, and the lower -- to oversimplify,
23 but the lower "I" that you choose, the lower investment
24 return you assume you're going to have over time, the more
25 cash you may put in up front, but the much more likely you

1 are to hit your targets over time, and vice versa all of that
2 would be true as well.

3 THE COURT: So is it the role of an actuary for a
4 plan sponsor ever to say to the sponsor under the guidelines
5 that we, as actuaries, use, you should not use the investment
6 return assumption that you have chosen to use?

7 THE WITNESS: I would say it's close to that, not
8 exact. The plan sponsor -- the trustees for the system are
9 free to choose their rate of return. To the extent that we
10 feel it's outside our reasonable range, we have a
11 responsibility to disclose that.

12 THE COURT: Did you ever say to the city here that
13 the city and this pension plan should not choose 6.75
14 percent?

15 THE WITNESS: We did not.

16 THE COURT: In the beginning of your testimony, you
17 mentioned what your credentials were.

18 THE WITNESS: Yes.

19 THE COURT: Can you state for the Court what you had
20 to do or what you had to demonstrate to get those
21 credentials?

22 THE WITNESS: Sure. The first one I would have
23 mentioned is fellowship in the Society of Actuaries, and that
24 is the -- one of their significant roles is examinations and
25 continuing education, so a credentialing organization. The

1 examination process is several years in length. It took me
2 five or six years to get through the process. Having a
3 master's degree, I would characterize the fellowship process
4 as PhD level. It was significantly more intense.

5 The other examination credential I mentioned is
6 the -- I'm an enrolled actuary under ERISA, and that's what's
7 known as the joint board of the Department of Labor and
8 Treasury administers examinations for actuaries who want to
9 practice in private pensions and assist the plan sponsors in
10 filing their various governmental forms.

11 THE COURT: Um-hmm. You mentioned that you had, I
12 think you said, half a dozen publications.

13 THE WITNESS: Yes.

14 THE COURT: What was the name of what you consider
15 to be your most important publication, and where was it
16 published?

17 THE WITNESS: I'm not sure I could really say which
18 one was the most important from a personal perspective.
19 Well --

20 THE COURT: Well, then pick one.

21 THE WITNESS: From a personal perspective, I wrote
22 an article on GASB 45, which is an accounting standard that
23 came into place about ten years ago for governmental retiree
24 healthcare plans, and I practice significantly in that area
25 as well as pensions, so that one was very important to me

1 personally.

2 THE COURT: And where was that published, sir?

3 THE WITNESS: That was a Milliman publication for
4 our clients and general consumption.

5 THE COURT: Okay. All right. Anything further
6 questions for the witness?

7 MR. WAGNER: Nothing further.

8 THE COURT: No? All right. Sir, you may step down,
9 and you are excused.

10 THE WITNESS: Thank you.

11 (Witness excused at 12:04 p.m.)

12 THE COURT: We'll break for lunch now until 1:30.

13 Mr. Cullen.

14 MR. CULLEN: Over the smaller break we got a start
15 on our homework with respect to the Court's concern over the
16 objections and the schedule with respect to those objections,
17 and I think that I can say that we are in agreement that if,
18 first, they would agree to file their objections on Friday
19 and we would file our objections on the following Friday --

20 THE COURT: File your responses?

21 MR. CULLEN: File our responses -- sorry -- on the
22 following Friday. During that period in between those
23 Fridays we would do any factual depositions or discovery that
24 we agreed on during that period. They would file their
25 expert -- an expert report responsive to any changes affected

1 by the Syncora agreement at that next Friday.

2 MR. PEREZ: No.

3 MR. CULLEN: No?

4 MR. PEREZ: The following Monday. Next Friday is
5 Rosh Hashanah.

6 MR. CULLEN: Oh, the following Monday. And then
7 that expert -- the expert depositions with respect to that
8 would go on while the trial was going on. In order to get
9 that objection work done, what the objectors would like to
10 have happen is that they would like to do as much as we could
11 do through Thursday night this week, not have trial hearing
12 days next week, and start full bore on the next Monday, and
13 specifically with respect to doing as much as we could do,
14 that would absolve us of any break in the testimony, for
15 instance, of Mr. Malhotra or Mr. Orr while the objection
16 process was going on, so that seemed all sensible to us.

17 The thing that we remain somewhat at odds upon is
18 the issue of the additional expert to replace Mr. Murphy, the
19 expert on the subject of employee motivation. I had
20 interpreted the Court's rulings with respect to the first and
21 second aspect of the procedural concern to subsume the idea
22 of Mr. Murphy on the following reasoning, that on other
23 instances, for instance, on the art, when FGIC wanted their
24 own expert, they hired their own expert or provided for an
25 expert on that subject. That has not been done with respect

1 to Mr. Murphy, so we would retain -- we disagree with respect
2 to the need to schedule or to do things with respect to an
3 additional expert to replace Mr. Murphy, but, as we told
4 them, if the Court feels otherwise and there is an additional
5 expert, we will agree to a schedule for that.

6 THE COURT: I do. I think FGIC should have the
7 opportunity at this point to retain its own expert.

8 MR. PEREZ: And, your Honor, we've already talked
9 to -- Mr. Soto has already talked to him this -- I'll sit
10 down -- over the weekend, and the reason we picked the
11 Monday, 29th, date for an expert report is because I think
12 that's what they indicated they would need for an expert
13 report.

14 MR. CULLEN: If that is the Court's clarification,
15 then I think the city would agree to let them use Mr. Murphy,
16 and we will depose Mr. Murphy in the course of either next
17 week or the week thereafter.

18 MR. PEREZ: That's even better.

19 MR. CULLEN: Is that --

20 MR. SOTO: In other words, just if I'm understanding
21 that, we'll stay with Murphy. We just have him deposed.
22 That's fine, your Honor.

23 THE COURT: Okay. So let me ask the parties here to
24 memorialize --

25 MR. CULLEN: Yes.

1 THE COURT: -- this agreement into a stipulation. I
2 didn't quite understand from your presentation when we would
3 actually be resuming testimony in this scenario.

4 MR. CULLEN: End of the day Thursday we stop.
5 The -- a week -- the succeeding Monday we start, which I
6 believe is the 29th.

7 THE COURT: It is.

8 MR. PEREZ: And, your Honor, this is all on the
9 assumption that we actually get the plan tonight. I mean,
10 that -- if --

11 THE COURT: Yeah. I was going to -- I was going to
12 clarify that, too. Is there any issue about that as to --

13 MR. CULLEN: Not to the best of my knowledge, your
14 Honor, but I'm pledging others' labor on that, so -- there's
15 one other --

16 THE COURT: He wants to say something to you.

17 MR. CULLEN: Yes. There are a couple of things that
18 may happen as a result of this with respect to the order of
19 witnesses. In particular, we've talked about taking some of
20 the witnesses out of order with sufficient notice if we --

21 THE COURT: Right.

22 MR. CULLEN: -- allowing us to accommodate this
23 schedule. There's one other caveat for the Court. I
24 received a note from Mr. Chiara, who is listening over the
25 phone, who said that he wanted to be included in our meet and

1 confer on this. On the idea that it wasn't actually a meet
2 and confer and he wasn't on the motion and time runs, I
3 thought we would present this to the Court, but I don't mean
4 to prejudice Mr. Chiara.

5 MR. PEREZ: Your Honor --

6 MR. CULLEN: DeChiara. Sorry.

7 MR. PEREZ: -- he does raise a good point because I
8 forgot what date we were supposed to set aside for Mr.
9 DeChiara, and we don't want to disturb that. And it may have
10 been the 29th or the 30th. I'm not sure.

11 MR. CULLEN: I think it's the 30th.

12 THE COURT: Well, let me ask you to --

13 MR. CULLEN: Sorry.

14 MR. PEREZ: We can work --

15 THE COURT: -- dive into that over lunch, and we can
16 clarify it.

17 MR. CULLEN: Okay.

18 MR. WAGNER: More short term, at 1:30 are we
19 addressing anything left first with respect to Ms. Kopacz?

20 THE COURT: Yes.

21 MR. WAGNER: Is that still on for 1:30?

22 THE COURT: The Court intends to first examine
23 Ms. Kopacz herself regarding issues affecting her
24 qualifications and methodology, and we still have the Retiree
25 Committee's motion that's outstanding, and so I want to give

1 them an opportunity to question her as well. And we still
2 have to clarify what's happening with the Macomb County
3 objections as well, so, anyway, we've used up enough time
4 that we're going to push our start till 1:40.

5 MR. PEREZ: Thank you, your Honor.

6 MR. CULLEN: Thank you, your Honor.

7 MR. STEWART: Thank you, your Honor.

8 THE CLERK: All rise. Court is in recess.

9 (Recess at 12:11 p.m., until 1:40 p.m.)

10 THE CLERK: All rise. Court is back in session.
11 You may be seated. Recalling Case Number 13-53846, City of
12 Detroit, Michigan.

13 THE COURT: Looks like everyone is here. Please
14 stand by one moment, please. Okay. So on the matter of the
15 Macomb County objections, do we need to argue the issue that
16 the Court set for hearing today, or can we just say that
17 we're done with that?

18 MR. BRILLIANT: Your Honor, Allan Brilliant on
19 behalf of Macomb County by and through its public works
20 commissioner, Anthony Marrocco. We believe, your Honor, that
21 the issue is now, you know, moot and that there's no reason
22 to have argument on it.

23 THE COURT: What's the city's position on this?

24 MS. LENNOX: Good afternoon, your Honor. Heather
25 Lennox of Jones Day on behalf of the city. We believe, in

1 light of the withdrawal of the objection, even though it was
2 not withdrawn with prejudice, as long as it remains
3 withdrawn, we can avoid arguing the matter before your Honor
4 today. Should it be refiled, however, we would have to take
5 it up.

6 THE COURT: Okay. All right. The Court will
7 consider that matter resolved then and won't conduct any
8 further argument on it.

9 MR. BRILLIANT: Thank you, your Honor.

10 THE COURT: Okay. Let's turn our attention to the
11 matter relating to the Daubert motions for Ms. Kopacz. I may
12 have misspoken before the lunch break and suggested that the
13 Retiree Committee had filed a motion. It was not the Retiree
14 Committee. It was the Retirement Systems. My apologies for
15 that mixup. Ms. Kopacz, are you here? Step forward, please.
16 Slide all the way through, if you can, and we'll get you on
17 the witness stand. Please raise your right hand before you
18 sit down.

19 MARTHA E.M. KOPACZ, COURT'S WITNESS, SWORN

20 THE COURT: All right. Please sit down. All right.
21 Is there any objection if the Court proceeds with its
22 examination and then opens it up to others for their
23 examinations of the witness?

24 MR. STEWART: No objection.

25 MS. GREEN: No objection other than we are not going

1 to argue the motion first. We're going to do that after the
2 testimony or in the middle or --

3 THE COURT: Well, I -- well, we're going to have --
4 we would have argument after the testimony in any event, so I
5 would just prefer to defer until then.

6 MS. GREEN: Okay.

7 THE COURT: Okay.

8 DIRECT EXAMINATION

9 BY THE COURT:

10 Q What is your name?

11 A Martha Ellen Middleton Kopacz.

12 Q And what city do you live in?

13 A I live in Norwell, Massachusetts.

14 Q And where are you currently employed?

15 A I am employed with Phoenix Management Services in Boston.

16 Q And what kinds of work is Phoenix typically retained to
17 perform?

18 A Phoenix Management Services and its affiliated companies
19 are advisors to operationally and financially troubled
20 organizations. We also do investment banking and transaction
21 advisory work.

22 Q And what is your title at Phoenix?

23 A Senior managing director.

24 Q And what are your responsibilities in that position?

25 A I am a member of the senior partnership group of the

1 firm, and I service clients and promote our services to
2 nonclients. I write and speak and supervise staff.

3 Q What is your understanding of your assignment in this
4 case?

5 A My understanding of my assignment is to serve as your
6 independent expert and to fulfill the order you signed
7 appointing me to render an opinion on the feasibility of the
8 plan of adjustment for the City of Detroit and to render an
9 opinion on the reasonableness of the assumptions that
10 underlie the revenues, expenses, and the plan payments.

11 Q And did you fulfill that assignment?

12 A I did.

13 Q Before we get into the issues here --

14 A Um-hmm.

15 Q -- I want to make a complete record of our
16 communications.

17 A Okay.

18 Q First, did I ever state or suggest or imply what I
19 thought your opinions should be on the issues that I
20 presented or assigned to you?

21 A No, never.

22 Q Did I ever state, suggest, or imply the principles or
23 methods that you should use in this assignment?

24 A Not at all.

25 Q In fact, have we ever discussed your conclusions and

1 opinions in this case?

2 A No, never.

3 Q Have we ever discussed the substance of your work in any
4 way?

5 A Not at all.

6 Q Did we have a conversation about what your testimony will
7 be at this hearing?

8 A We had a conversation about this hearing, not what my
9 testimony would be.

10 Q What did we discuss?

11 A We discussed the logistics for today and that you would
12 be asking me questions, and that was really it. Oh, and
13 whether or not my attorneys could be here.

14 Q Did I e-mail to you the questions that I'm going to ask
15 you today?

16 A You e-mailed me a list, yes.

17 Q What is your understanding of why I did that?

18 A I'm not really sure other than to maybe help me focus my
19 preparation.

20 Q And did I request that you provide me comments or
21 feedback or suggestions regarding my questions?

22 A You said I could if I wanted to.

23 Q Did you do that?

24 A I did not.

25 Q Did we have any discussion about what your answers to

1 these questions would be or should be?

2 A No.

3 Q Did you keep a contemporaneous log of all of your
4 communications with me and my office?

5 A I did.

6 Q What is your understanding of why we are here today and
7 what this hearing is about?

8 A We're here today because the Retirement Systems have an
9 objection, and I don't mean that in a legal sense, but there
10 are a couple paragraphs in my report that they really don't
11 like.

12 Q Okay. You understand that other parties, FGIC and
13 Syncora, had also filed motions challenging your
14 qualifications or methods --

15 A Yes.

16 Q -- and that those have since been withdrawn?

17 A They have been, yes.

18 Q Okay. Only because those questions were raised, I intend
19 to address those issues here today even though no one is
20 pursuing those issues.

21 A Okay. That's fine.

22 Q Do you understand that today is not the day for you to
23 testify about your opinions and the grounds for them? It is
24 just to determine whether your opinions are admissible under
25 the criteria for the admission of expert testimony in Rule

1 702 of the Federal Rules of Evidence?

2 A I understand the first part of that. This is not my --
3 this is not my testimony as to my opinion. In terms of what
4 I did or didn't do, I know that there were objections raised
5 to not doing enough or doing too much or something like that.

6 Q Okay. So let me review Rule 702 with you. It says, "A
7 witness who is qualified as an expert by knowledge, skill,
8 experience, training, or education may testify in the form of
9 an opinion if: (a) the expert's scientific, technical, or
10 specialized knowledge will help the trier of fact to
11 understand the evidence or to determine an issue; (b) the
12 testimony is based on sufficient facts or data; the testimony
13 is the product of reliable principles and methods; and the
14 expert has reliably applied the principles and methods to the
15 facts of the case." So I want to review each of these
16 criteria with you carefully and then the specific issues
17 raised in the motions that challenge your qualifications or
18 methods --

19 A Um-hmm.

20 Q -- so that I can determine whether your opinions are
21 admissible. So let's begin with your knowledge, skill,
22 experience, training, or education. What is your education?

23 A I have a bachelor's of science in business from the
24 Kelley School of Business at Indiana University with a
25 concentration in marketing, and I have a master's of business

1 administration also from the Kelley School with a
2 concentration in finance and investments.

3 Q Um-hmm. And what continuing professional education have
4 you participated in since then?

5 A Since then most of my career I have been a consultant in
6 a public accounting firm, and I've also been certified
7 professionally since shortly after I got out of graduate
8 school, so I have had a 120-hour requirement every three
9 years, so on average 40 hours a year, so I've probably done
10 somewhere between 1,200 and 1,500 hours of continuing ed in
11 my career.

12 Q And what is your employment history?

13 A After graduate school, I joined a firm called Peterson &
14 Company in Chicago. It was a spinoff from Arthur Andersen.
15 I was there for nine years in Chicago, New York, and Boston.
16 I left Peterson in 1990 and joined Price Waterhouse, and I
17 was at Price Waterhouse through the merger with Coopers,
18 through the sale to FTI Consulting, and I left FTI in 2003.
19 I joined Alvarez & Marsal. I was recruited by them to start
20 their public sector not for profit practice, and I was there
21 until March of '06 when I was recruited by Grant Thornton to
22 start their United States corporate restructuring practice,
23 and I stayed at Grant through just about the end of 2011. I
24 intended to take a sabbatical, but I ended up with some
25 clients hiring me individually when I left, so I formed Brant

1 Point Advisors and continued to serve clients on a much
2 smaller scale and on a part-time basis until I joined Phoenix
3 about a year ago.

4 Q Do you have any licenses or certifications?

5 A I do. I'm a certified management accountant, and I'm a
6 certified insolvency and restructuring advisor.

7 Q And how did you achieve those certifications?

8 A Certified management accountant is very similar to a CPA
9 except most of the people that hold it are inside corporate
10 accounting and finance as opposed to public accounting. I
11 sat for the exam shortly after I finished graduate school,
12 and then I think there were some experience requirements, and
13 then I was licensed after that.

14 Q And who grants that certification?

15 A It is the association of certified management
16 accountants. It's like -- again, it's a trade -- I would say
17 it's a trade organization like the AICPA or something like
18 that, and so that's -- I immediately got into continuing
19 education requirements as a result of that. And then the
20 CIRA, I don't recall exactly when that certification was
21 promulgated, but it was a group of industry professionals
22 sometime back in -- I'm guessing the late '80s, the early
23 '90s, who wanted to add some rigor to our restructuring
24 advisory practice, and I was part of that group with Grant
25 Newton that was part of the first group certified in that.

1 Q Do you have any publications?

2 A I don't have any publications, but I've written some
3 articles, so most recently for the ABI Journal a couple
4 months ago.

5 Q What was that on?

6 A That was -- and they changed the title, but it was along
7 the lines of the missing link in successful restructurings,
8 and it was really a piece about how important the management
9 skill set and the talent is. It's not just the liabilities
10 and the assets and how the numbers all work together, but
11 it's really about the people that are going to be in charge
12 once all of the professionals leave.

13 Q Do you have any professional affiliations or memberships?

14 A I do. I'm a fellow of the American College of Bankruptcy
15 in the twelfth class, so a long time ago. I am a charter
16 member of the Turnaround Management Association. I'm a
17 charter member of the -- of IWIRC, which is the International
18 Women's Insolvency and Restructuring Confederation. I
19 started that chapter in Boston many years ago. I'm a member
20 of the ABI, 25-plus years with that. INSOL, and then the
21 rest of it is all more civic and whatever, but those are the
22 main professional associations.

23 Q Have you held any positions of leadership within those
24 organizations other than what you've already described?

25 A Yeah, I have, and the only one right now is I'm on the

1 admissions committee for Circuit American College.

2 Q Other than the American College of Bankruptcy, any other
3 professional honors or recognitions?

4 A I've received some service awards from the Legal Aid
5 Society in New York and from Judge Kaye in the State of New
6 York. I received some recognition from the National Women's
7 Conference, but, yeah.

8 Q Okay. Focusing now on your work in private sector
9 business cases --

10 A Okay.

11 Q -- please describe for us your experience in serving as
12 an expert either in bankruptcy cases or in out-of-court
13 business workout situations and identify some of the relevant
14 and significant cases and your assignments in them.

15 A Okay. The very first expert testimony I gave was back in
16 the mid-'80s in Louisville, Kentucky, in front of Judge
17 Roberts in a case called Belknap. It was a hardware chain
18 distributor and retailer, and that was testimony around
19 insolvency preferences, fraudulent conveyances. And there
20 were a lot of cases filed -- individual adversary
21 proceedings, so I probably testified before Judge Roberts I
22 would say 15 times, something like that, really early in my
23 career. And then sometime again I'm thinking more into the
24 '90s I was retained in a matter called Healthco. Originally,
25 the bankruptcy was in front of Judge Queenan, but the case

1 was tried in District Court in Massachusetts. It was about a
2 fraudulent conveyance, whether a leveraged buyout would be a
3 fraudulent conveyance. And I testified about the projections
4 and the assumptions that the company, its investment bankers,
5 and its accountants had made at that time. Also about the
6 same time I testified in Tennessee in a case called Tennessee
7 Hotel Associates, and I don't -- it was in Chattanooga, but I
8 know the judge has retired since then, and I don't recall his
9 name. That was a valuation case and some discussion around
10 reasonable value of use and occupancy and the like. And then
11 the last expert testimony prior to this occurred in late '95
12 or early '96 in front of Judge Cristol in Tampa in a case
13 called Lykes Brothers Steamship, and it was about the
14 condition of the debtor and its prospects for reorganization.
15 So those are the only cases that I've actually testified in
16 as an expert as opposed to a fact witness in Bankruptcy
17 Court, and while I have been retained to be an expert in some
18 other matters, I've never testified in court.

19 Q Um-hmm. In approximately how many of these kinds of
20 matters have you worked where you didn't actually testify,
21 where you were just a consultant or another kind of witness?

22 A I have -- I've participated in over a hundred
23 restructurings in my career, and I've really stopped counting
24 even though I keep a list of them to this day, and the --
25 and, again, my very first consulting engagement was the

1 bankruptcy of a public accounting firm in Chicago in April of
2 1982. And I just got involved in the business at that point
3 and have continued to this day, so I've done -- I would say
4 probably half have been in court and about half have been
5 out, and about half of them are debtor company organization
6 side, and about half are another -- you know, a creditor
7 constituency, a bank, a bondholder.

8 Q Approximately how many of them involved evaluation on
9 your part of the debtor's plan?

10 A I counted them last night, and there are 29 that are --
11 in which I evaluated the company's plan in a formal context
12 either in court or out of court but in a formal restructuring
13 context and about 22 that I prepared.

14 Q Do you have experience -- or what experience do you have
15 in evaluating executive leadership in the context of
16 evaluating the feasibility of a business or a municipal
17 restructuring?

18 A In every case, whether I've been involved in preparing
19 the projections in the plan or evaluating the projections in
20 the plan, I evaluated management and their ability to carry
21 out that plan.

22 Q Um-hmm. And why did you do that in each and every case?

23 A Because I believe that the plans, no matter what the
24 numbers say, they're predicated on having people in place who
25 can deliver.

1 Q Okay. You did work for the Nassau County Interim Finance
2 Authority?

3 A I did.

4 Q What was that work?

5 A I was retained by the Interim Finance Authority. We
6 called it NIFA. It is a state control board that was put in
7 place now probably 12 or 13 years ago when Nassau County got
8 into financial difficulty. I was retained in -- I'm
9 thinking -- I'm thinking back -- maybe 2010, early '10 or '11
10 when it was clear that the deficit in Nassau County was at a
11 point where it was challenging the viability of the county,
12 and the control board had the power under the state statute
13 to take control and to freeze wages and to, in essence, take
14 the checkbook. That required a finding by the control board
15 that the county was insolvent or likely to become insolvent.
16 There was a significant difference of opinion between the
17 county executives and the NIFA staff and the NIFA board as to
18 whether or not the county was structurally in a deficit
19 position, and I was retained at that time to advise NIFA on
20 whether or not a control period could be instituted. So the
21 first part of that work was really to look at not only the
22 annual budget through -- which was June, and I think I got
23 involved in July after the budget had been issued, and they
24 do three-year budgets there, but to look at those three years
25 as well as to look at some of the prior budgets in terms of

1 how the county had accounted for certain revenues. And then
2 I provided a written statement to the control board with my
3 findings as to what I believed the deficit was and whether or
4 not the county had the ability to do anything to get out from
5 under that deficit. That was the first part of it.

6 And then the second part of NIFA was during that
7 control period, we undertook a really kind of top to bottom
8 operational and business review of the county to identify
9 opportunities to reduce costs, improve services, make things
10 more efficient, and we did that through the lens of looking
11 at it on a time frame, what could be done in 90 days, what
12 would take a year or more, what would take three to five
13 years, so that there was a time frame, and we also looked at
14 with all of those initiatives, which ones impacted collective
15 bargaining agreements, which ones could be executed without
16 collective bargaining negotiations, and we did the same thing
17 and looked at those relative to legislation charter issues
18 and whether or not you would need enabling legislation to do
19 some of these things, so --

20 Q Did that work involve any evaluation on your part of any
21 pension-related issues?

22 A Yes, although pension is not as big of an issue in New
23 York because the pensions are funded, in essence, by the
24 state, so if you don't make your pension contribution, the
25 state simply withholds aid so that they get paid, so they

1 were not in as unfunded position as many other states and
2 municipalities.

3 Q What was your work in that case as it related to pensions
4 then?

5 A We looked at the -- what we expected to be the future
6 funding requirements over the next few years relative to were
7 they going up, were they going down, and -- because the state
8 had given -- had made some accommodations over the last few
9 years, which reduced the amount of contributions that Nassau
10 County had to make and when did we have to make those catch-
11 up payments.

12 Q Did that work involve evaluating on your part the
13 accuracy of the county's revenue forecasts?

14 A Very much so, yes.

15 Q What was the county's annual budget, if you can recall?

16 A Just about \$3 billion. If it were a state, it would be
17 the tenth largest state in the country, tenth -- I mean
18 tenth -- there would be ten states in this country that are
19 smaller than Nassau County. Sorry. I said that backwards.

20 Q And have you done work for the Legal Aid Society in New
21 York City?

22 A I did.

23 Q What was that work?

24 A In 2004 and 2005 I served as the interim president and
25 the chief restructuring officer of the Legal Aid Society in

1 New York.

2 Q And what were your responsibilities in that role?

3 A In that role Legal Aid was about 150 years old at the
4 time, \$150 million budget of which about 130 million are
5 funded by the State of New York and the City of New York.
6 The society was operating at a deficit although didn't really
7 know how much because there had been some embezzlement and
8 some intentional falsifying of records by the former CFO, so
9 while I was serving in those capacities -- and there was an
10 attorney in chief who handled the legal work obviously
11 because I couldn't do that, but in terms of restructuring, we
12 did a complicated out-of-court restructuring in which we had
13 to renegotiate both of our union contracts. The first one
14 was with the SEIU, who had the collective bargaining
15 agreement with our paralegals, our social workers, our
16 clerical people, and then with the UAW, who was the
17 collective bargaining agreement with our lawyers, so we had
18 to do -- we had to renegotiate those. We did a top to bottom
19 strategic plan, did a lot of cost cutting, did some fund-
20 raising, renegotiated leases, consolidated real estate. We
21 froze the existing pension plans and renegotiated with the
22 unions new pension programs going forward moving from a
23 defined benefit into more of a defined contribution mode.
24 What else did I -- oh, my gosh. We ended up taking about \$65
25 million of liability off the balance sheet and getting the

1 society from losing arguably a million plus a month to better
2 than break even.

3 Q Are there any other nonprofit or municipal assignments
4 that you've had that you think may have assisted you in
5 preparing for the work in this case?

6 A Yeah. There's one other, and it was a private out-of-
7 court restructuring in which I represented seven transit
8 authorities, including MTA in New York, MBTA in Boston, CTA
9 in Chicago, Minneapolis, Dallas, San Francisco. I'm
10 forgetting somebody. I'm forgetting a couple. Anyhow, had
11 an opportunity to work with the finance and budgeting teams
12 from each of those transit authorities in terms of working
13 with their annual development of revenue, so --

14 Q How would you say that that work helped you in this case?

15 A It really helped me when I was looking at the DDOT
16 deficit in this case, right, because DDOT -- DDOT is unique
17 in that it's an enterprise fund operation, but because it
18 operates at a deficit, it has to be funded by the general
19 fund, and that's really helpful. It also -- I think
20 anytime -- in all of those cases, we're looking at the
21 projection of revenues. Similarly, with Legal Aid, we're
22 very involved with the city and the state in terms of how
23 they were budgeting for our work and how we were getting
24 authorizations through the council and the legislature, so --

25 Q Focusing again on your work for the Legal Aid Society in

1 New York, you mentioned that you did some work on their
2 pension issues and that when you went in, there was a defined
3 benefit pension plan; is that right?

4 A Yes.

5 Q What was your work specifically in evaluating that, that
6 situation?

7 A Yeah. The first thing that I realized was that
8 because -- the Legal Aid Society is a not for profit, but
9 because it's not a public entity, it is subject to ERISA
10 laws, so there were going to be cash funding requirements
11 that -- some of which hadn't been made as timely as they
12 should have been in the past, but it was going to be a
13 significant crunch for the society to make those, so I
14 reached out to the society's actuaries. And one of the
15 unique things about Legal Aid is I had 17 law firms on
16 retainer on a pro bono basis, and we had 1 firm who was
17 really, really good in pensions, so I asked them to get
18 involved and to look at our options for how to do -- to
19 figure out how we were going to be able to do this. We also
20 got involved -- I also got involved immediately with the
21 unions because there was a union plan. There was also a plan
22 for our nonunionized workforce which had to be modified as
23 well. And it took probably I would say three or four months
24 of work between the society's pension advisory group, their
25 investment group, the subcommittee of the board that looked

1 at that, the outside lawyers, and we looked at a lot of
2 options as to how to handle that, and then ultimately we had
3 to negotiate what was the freezing of the plan and putting
4 together a new plan, so --

5 Q So what was it about your expertise or the scope of your
6 expertise that you felt allows you to work on pensions?

7 A Well, I mean I have -- I do have an MBA in finance and
8 investments. Okay. So I had educational training in higher
9 order finance concepts. I've been in the restructuring world
10 for, at that point, probably, you know, 20-plus years, having
11 come across pension issues and OPEB issues in the private
12 sector from time to time, having clients who've had to turn
13 their pensions over to PBGC, et cetera. And, quite frankly,
14 pension is the kind of topic that I will never say that I
15 like it, but you can put your head in it, and you can
16 understand it when you have to. It's not -- there's some
17 nuances to it. There's some things that are very complicated
18 about it. But at the end of the day, it's about obligations.
19 It's about investments. It's about finance, and that can be
20 understood by most people as long as somebody is willing to
21 teach you about that.

22 Q I take it this is the first time you've served as a
23 court-appointed expert?

24 A Yes.

25 Q Is there something you need to retrieve?

1 A Yes. I just dropped my glasses. I don't know why I have
2 them, but I dropped them.

3 Q What would you say has been different about your service
4 as a court-appointed expert in this case compared to your
5 service as experts for parties in prior cases?

6 A That's the main -- that's the main difference is I don't
7 really have a client that has a point of view. Every other
8 engagement I've had, whether it involved expert testimony or
9 just advisory work, I've always had a client that had some
10 point of view about something, and so the independent nature
11 of this role has been really very liberating and at some
12 points in time a little unsettling.

13 Q Did other professionals in the Phoenix firm participate
14 with you in meeting your responsibilities as the Court's
15 expert?

16 A Yes.

17 Q Can you please identify them and the specific roles that
18 each played?

19 A Yes. Let me go through that. First and foremost is
20 Brian Gleason, who is my partner at Phoenix. Brian has 20-
21 plus years' experience in this business and has done
22 extensive work in the public sector in southeast
23 Pennsylvania, in Philadelphia, in Delaware, in New Jersey,
24 both on an interim management in public sector as well as
25 advisory assessing sorts of things. Brian -- I made Brian be

1 my client during this engagement, and I made him challenge
2 what we were doing as a team and helping me really think
3 through to make sure that we were following a good approach
4 and being mindful. Brian also helped manage the rest of the
5 Phoenix team because I spent a significant portion of my
6 time, particularly early on, in reaching out to parties of
7 interest in the constituencies here, people that I felt that
8 could help me get up to speed quickly. And so while I was
9 focused on external sources of information, Brian was working
10 with our team making sure that we were getting what we needed
11 from the city, so -- and Brian was probably, along with me,
12 the chief architect of the feasibility definition.

13 Q Who else?

14 A Okay. Next would have been Bob Childree. Bob worked
15 with us as a subcontractor, but Bob and I had done the NIFA
16 engagement together and Jefferson County at Grant Thornton.
17 He had been involved in that, although I hadn't been involved
18 in it. He was the former comptroller of the State of Alabama
19 for 20-some years, and, you know, he's a government
20 accounting guy. He's an expert in all of those accounting,
21 finance, financing, budgeting, pensions, operations, ERP
22 systems. Anything that you would put under the
23 responsibility of a CFO for a state, Bob did that, and he did
24 it for 20-some years, plus he's very, very active in the
25 professional government accounting and finance groups. He's

1 just a very wise guy, and he was really helpful. He was the
2 one who helped in the very early part on NIFA in terms of
3 defining what revenue is and how GAAP applies in a government
4 context, so Bob did -- I asked Bob to work on finance,
5 accounting, and IT, clearly areas of his expertise. I asked
6 him to work on pensions, and at various points in time I
7 asked him to help on things like state revenue sharing, so
8 things that were within his domain.

9 The third member of the team was Al Mink. Al is
10 kind of one our resident geeky CPA, CFA, you know, those
11 kinds of guys, prior experience in the private sector as a
12 CFO. He was the CFO of the Philadelphia Gas Works on an
13 interim basis. Strong accountant, strong budgeter. And he
14 and Bob -- he really worked on all of the areas of finance
15 and accounting and the IT area. Next was Mike Gaul. Okay.
16 Right away I looked at that. And I was going to say Al
17 has -- I forget where his undergraduate degree is. His MBA
18 is from Seton Hall, and he's got a whole bunch of letters
19 behind his name.

20 And then the next would have been Mike Gaul. Mike
21 has a business degree from Georgetown, done a lot of interim
22 management on the finance and operations side. Mike handled
23 most of the revenue. He handled the revenue that -- most of
24 those revenue items. He worked on pension, did some
25 drafting, some first drafts on those sections, worked with me

1 on blight, and then -- okay. That was Mike. And then -- I'm
2 forgetting some of Mike's areas.

3 And then there was Kevin Barr. Kevin is analyst --
4 phenomenal analyst. He's a Wharton grad. He's a CFA. Oh, I
5 know. Mike Gaul is a licensed investment banker, not that he
6 does a lot of that, but he is. Anyhow, Kevin was the person
7 that really understood the ins and outs of all of the plans
8 and the models, so Kevin -- and he worked with Mike on a lot
9 of the other revenue issues and those sorts of things.

10 And then at the end we added a junior person by the
11 name of Jack Murdoch as we were getting into the report
12 writing, and he basically did anything that Mike or Kevin
13 told him to do. So that was my team.

14 Q Does your report include any analysis or conclusions that
15 are beyond your expertise or the expertise of your team?

16 A I don't think so.

17 Q Are there any other facts that you think the Court should
18 consider in determining whether you are qualified as an
19 expert by your knowledge, skill, experience, training, or
20 education to testify to the opinions that the Court has
21 requested of you?

22 A I don't think so.

23 Q Let's turn our attention to the next issue under Rule
24 702, whether your testimony is based on sufficient facts or
25 data.

1 A Okay.

2 Q Do you believe that your opinions are based on sufficient
3 facts or data?

4 A I do.

5 Q Take your time and identify as specifically as you can
6 the sources of facts and data that your opinions are based
7 on.

8 A Okay. They fall into two broad categories, and that -- I
9 guess three broad categories. One would be information that
10 I and my team gathered from interviews and working sessions
11 with people. The second category would be information that
12 we gathered and analyzed from the city or constituencies in
13 this proceeding, and the third would be information that came
14 from parties outside this proceeding. So we -- between when
15 I was appointed and when we issued the report, we
16 participated and conducted over 200 meetings in that time
17 frame. I have met -- we'll just go through this -- the
18 mayor, the emergency manager, their respective staffs. I've
19 met with almost all of the department heads in the city, with
20 their financial people. Most of the department heads also
21 have a finance person. We've met with all of them.
22 Extensive work with E&Y, Conway. I've met with the
23 creditors' lawyers and financial advisors. I've worked with
24 AlixPartners, with FTI, with Alvarez, with Goldin, with
25 Houlihan, had dialogue back and forth with most of the

1 lawyers that are involved in this case. I've met with the
2 land bank. I've met with the Art Institute people. I've met
3 with benefactors to the city. I've met with the foundation
4 people. I've met with the city council and the chief of
5 staff of the city council. I've met with former city council
6 people. And then my team, some people have been involved in
7 those meetings. A lot of those I've done -- I did on my own,
8 but they have met and worked with almost everybody on the E&Y
9 team, almost everybody on the Conway team. They've also
10 worked with all of the department heads in accounting and
11 finance, so risk management, purchasing, treasury,
12 accounting. They've met with the auditor general. They've
13 met with the assessor, all of the IT people, police, fire, so
14 it's -- it is -- those people provided an enormous amount of
15 information not only as to what the city is doing from
16 rendering services but how those services are delivered and
17 how the costs flow from that, you know. Similarly, on the
18 revenue side, you talk to people in treasury about how monies
19 are collected and the interplay with the county, but they
20 also lead you to documents, and I would say -- I can't even
21 count how many documents we've probably collectively looked
22 at. There is a seven-page list of the tiny -- like five-
23 point font of documents that came to us from the city that
24 came because we asked, not because they were already in the
25 data room. So the city has the data room, and then when we

1 started requesting more information, they kept a separate
2 list of that and put all that stuff in the data room so that
3 anybody -- so that whatever I had everybody else could have
4 if they wanted. Now, you know, there are parties here that
5 probably don't care about the resumes of all of the
6 department heads, the subdepartment heads in finance, but I
7 care about that, so those are things like -- it's tens of
8 thousands of pages of information. And then the outside
9 information came from the blight task force, Future City's
10 reports, consulting reports, people just voluntarily sending
11 me things. Some of the other experts that you had
12 interviewed sent me information that they had used that they
13 thought would be helpful, so an enormous amount of
14 information. And then sometimes we would go -- it wouldn't
15 be -- we would then go to the city itself to the people in
16 either the departments or the finance and accounting and get
17 really granular data, so --

18 Q Okay. So who did you or your team talk to relating to
19 the pension issues?

20 A I had the first meeting on pension with -- it was at
21 Clark Hill, the lawyers for the Systems, and it was Bob
22 Gordon, then two gentlemen who were the general counsels of
23 each system. There was another lawyer that was in and out
24 that I don't recall his name. And those were my first
25 meetings on the pension system. Once I had a good overall

1 view of kind of what the pension issues were going to be, I
2 then delegated that to Brian Gleason and Mike Gaul and to Bob
3 Childree, and they had subsequent meetings with that same
4 group and then with other people at the city. I reinserted
5 myself in the pension discussions when I met and got to know
6 Dick Ravitch because Dick has some interesting views. We had
7 all -- we had known about Dick through his work before at the
8 Rockefeller Institute and some of those publications, and
9 obviously I relied heavily on Bob Childree's view on pensions
10 and appropriate funding, but, yeah, that was how we did that.

11 Q Were there any meetings with any of the pension funds' or
12 pensions plans' professionals or their advisors?

13 A I didn't have -- other than lawyers, I did not have. My
14 staff did with some telephone calls. I don't believe there
15 were any in-person meetings.

16 Q Okay.

17 A And there were -- I'm sorry. There were also pension
18 meetings with the city and Jones Day. There were a lot of
19 those.

20 Q Did you keep a contemporaneous log of all of the people
21 with whom you and the members of your staff communicated in
22 this assignment?

23 A I would say I did a 95-percent job on my own behalf, and
24 I know that once we decided -- it was a couple of days into
25 it that we decided the team needed to do the same thing, I

1 think they made a similarly diligent effort to keep that --
2 to keep those records, and I think between our detailed time
3 records and the contemporaneous log, I think between those
4 two documents, we've got it.

5 Q And so those logs or that time record have been made
6 available to the parties in the case?

7 A Yes.

8 Q Did you keep a list of the documents that you reviewed?

9 A My team did, and I kept a drawer in my office at the
10 CAYMAC of anything that I looked at that wasn't in the data
11 room or that came from the city, so like my copy of the
12 blight report, my copy of the triennial budget that came from
13 the city, those sorts of things I kept in a big file drawer,
14 and then when we were preparing our exhibit of documents for
15 the report, one of my team members came in and inventoried
16 that.

17 Q What was the condition of the city's financial
18 information during the time when you were doing your work?

19 A Again, I think of it in a couple of different ways. When
20 we got involved, the city had financial -- had completed its
21 audits through June of '12, okay, and were working on fiscal
22 '13. However, Ernst & Young had control of cash, so as has
23 oftentimes been my experience with troubled businesses, when
24 the bookkeeping gets out of sync in a time frame or
25 completeness, you go to cash. And the good news with the

1 city is that E&Y has been controlling cash for probably three
2 years now so that you can actually get answers to questions,
3 you know. You can get how many people are on payroll, what
4 does this cost, those sorts of things. The historical
5 records are not timely. It's a concern of mine. I've talked
6 about it. I complain about it all the time. And that's
7 because the information systems are so bad, so it is -- you
8 can get the answer -- you can get an answer that I believe is
9 truthful and accurate from the city. It'll just take you
10 awhile, and you have to go find someone who knows how to pull
11 it out of the awful bookkeeping and information technology
12 systems, so I mean it's -- they're bad, but they're no worse
13 than what I'm -- what I see in other places.

14 Q Well, that's my next question. Is it common for an
15 entity in need of financial restructuring or experience
16 problems -- to experience problems in providing adequate data
17 to an expert who is asked to evaluate its projections?

18 A Almost never -- and I have one client that I've had
19 recently that this is not true -- almost never does a client
20 or a party, you know, a debtor or a debtor in waiting have
21 adequate information that they can give to you on a real time
22 basis; right? It's just --

23 Q DIW.

24 A DIW, debtors in waiting. And they just -- it's never --
25 it's not timely. It's where they cut staff. It's where they

1 don't pay attention. It's always a mess.

2 Q Did anyone from whom you requested information withhold
3 that data from you?

4 A Ultimately, no.

5 Q Okay. Okay.

6 A I had to get you involved. No. I had to --

7 Q What do you mean by "ultimately"?

8 A Recall that I never got the working models of the
9 projections until Memorial Day.

10 Q And then you did?

11 A And then I did.

12 Q Were there other sources of data that, in your
13 professional judgment, you should have accessed in forming
14 your opinions?

15 A I don't think so.

16 Q Is there anything else you want to tell the Court about
17 the sufficiency of the facts or data that you used?

18 A Again, I think that at the end of the day I got
19 sufficient information. I was confident in the information
20 that I received or was able to get, right, because had I not,
21 I wouldn't have been able to come to my opinion, so while I
22 would still like to have more information about certain
23 things because I'm curious and I'd like to know more, at the
24 end of the day, I got what I needed or I couldn't have
25 rendered an opinion.

1 Q Let's turn to the next criteria under Rule 702, which is
2 whether your opinions are the product of reliable principles
3 and methods. Do you believe that your opinions are the
4 product of reliable principles and methods?

5 A I do.

6 Q Let's first review what principles and methods you used
7 were, and then we will discuss why you believe they are
8 reliable --

9 A Okay.

10 Q -- so please note that this criteria is not about whether
11 you reliably applied the principles and methods -- we'll
12 discuss that later -- this is just about the principles and
13 methods themselves and whether they are reliable, so take
14 your time and tell us about the principles and methods or
15 steps that you used in carrying out your assignment.

16 A Okay. I think the -- I go back to my proposal, which
17 laid out an approach that I envisioned using if I was
18 appointed in this case, and now after the fact I can look
19 back at that approach and say that's exactly what we did.
20 And it is -- is it a little bit different because of this
21 situation, sure, because everyone is, but it is the approach
22 that I have used my entire career and that other people in
23 the restructuring advisory community use, so in -- with the
24 City of Detroit, we collected about six years' worth of
25 historical data, sometimes a little bit more, sometimes a

1 little bit less, for all of the revenue and the expense
2 assumptions both in the ten-year plan, the ten-year, forty-
3 year plan and the RRI's, so we looked at historical
4 information. We looked at current spending levels or receipt
5 levels, depending on where it was because, again, didn't have
6 financial statements that were completed at that time.
7 Obviously looked at all of the reports that had been
8 developed by the various state agencies, the treasurer,
9 reports the emergency manager had done, gathered information
10 from all the outside consultants. I mean Detroit was a -- is
11 a -- was a city that was consulted to death, so used all of
12 that and then factored that in with all of the information we
13 gathered from all of the interviews and the analysis. And
14 what was going on from in late April and May until we got the
15 working models is Kevin Barr was, in essence, building a
16 bridge between the projections and the RRI's, so by the time I
17 actually got the working models and could say, ah, that's the
18 assumption for this revenue projection or, oh, I really see
19 that now for the expense, Kevin had reverse engineered most
20 of this model so that we actually could look at the
21 underlying assumptions, look at the baseline, what the
22 starting numbers were, and see if those projections made
23 sense going forward, so it is -- in restructuring history,
24 it's important for certain kinds of revenues and expenses if
25 they're going to continue, but the other thing that happens

1 with restructuring, thank goodness, is activities in the past
2 can be radically changed as a result of the restructuring, so
3 sometimes you can -- you know, perfect example here is with
4 lighting; right? You wouldn't project lighting revenues to
5 go forward when you've transferred the lighting authority
6 over to a different entity, so you just make an individual
7 assessment on each assumption. And after you do that, then
8 you do the sensitivity analysis on your critical assumptions
9 to see if you're going to be wrong and you know you will be
10 wrong with projections, right, which are the assumptions that
11 a small change in the assumption will create a big impact in
12 the projections.

13 Q So to what extent did the fact that this is a municipal
14 case rather than a business case impact the principles or
15 methods that you used?

16 A It didn't impact the principles or the methods or the
17 approach. The difference in it is that there is not an
18 option to stop doing things because the city has to deliver
19 some sort of basic service. You can't -- just because it
20 costs too much to run that bus route doesn't mean you get to
21 stop it.

22 Q To what extent did the time deadline that the Court
23 imposed upon you impact the principles and methods that you
24 used?

25 A It did not impact -- I mean it did impact; right? It

1 impacted the level of effort. It impacted the size of my
2 team; right? For the kinds of work we do at Phoenix, you
3 know, six people in one place full time is a huge team of
4 resources.

5 Q Right, but my question is the impact on the methods and
6 principles.

7 A It didn't -- it really didn't impact the method and the
8 principles. I think there are points where when I got
9 satisfied with an issue or something, I said stop doing that;
10 right? So, you know, at the end of the day when I knew what
11 my perspective was going to be on IT, right, it's like stop
12 going deeper onto that; right? Just stop. So I think there
13 were points in time where I probably pulled my team back from
14 continuing to go deeper into issues that I felt we had
15 adequately covered.

16 Q So did the time limit result in any compromise of your
17 professional judgment or conclusions or methods in the case?

18 A No, because I asked you twice for extensions; right? I
19 mean I knew that first time that there was no way that I
20 could get done what I needed to get done given when I had got
21 in the working models, and then at the end I needed those
22 last few days because we had gotten a new set of projections,
23 so --

24 Q Um-hmm. Apart from what you've already mentioned, are
25 there any other factors in the case that impacted the

1 principles and methods that you used?

2 A No, not really. I was asked in my deposition about
3 methods, and I actually went back and looked at those because
4 I hadn't heard those words since I was in grad school. So
5 there's a big method and a little method. I think the little
6 method, the approach that I used in this engagement, is the
7 approach that restructuring advisors, whether they're working
8 for a debtor, a company, a municipality, or advising a
9 creditor, that's what you do. You look at history. You
10 sensitize it. You judgmentize it. You talk to people about
11 it. You get down to source documents. And then you make a
12 projection with -- that you feel is reasonable, and I think
13 that's what we do. Do we do things like time series
14 analysis? We do. Do we do regression analysis? We do. But
15 we don't sit down and say, "Oh, my God, I'm going to use the
16 delphi method to estimate this," or, "I'm going to use the
17 naive" -- those are just -- those are like Wikipedia words,
18 and I recall them now that -- from a long, long time ago, but
19 we did do some of that.

20 Q Was it part of the methods that you used in this case to
21 reconstruct from scratch the -- or a set of financial
22 projections for the city's general fund?

23 A No. That was not -- that was not my scope, and that's
24 not what I would do in the role of evaluating any plan.

25 Q Do experts in your field when evaluating feasibility

1 normally reconstruct financial projections like that?

2 A No.

3 Q Are there any circumstances when this is done within the
4 scope of this kind of an assignment?

5 A I thought about that. I did it once in 1991 in a case
6 called Lang Laboratories, and I represented the creditors.
7 And about 30 days into that case, the CEO resigned. We
8 agreed with the company to do a complete exchange of debt for
9 equity, and at that point in time the creditors' committee
10 advisors took over all the rest of the work on the
11 reorganization plan, and, yes, so we really -- we started all
12 over, but that was -- it was like 1991 that I did that.

13 Q Just so our record is complete, why did you not do that
14 in this case?

15 A Because it doesn't make sense to do that. My job was to
16 evaluate the plan -- or my job still is to evaluate the plan
17 and the projections that underlie that.

18 Q Okay. Let's turn our attention to the reliability of the
19 principles and methods that you used. Do you believe that
20 your education, training, and experience has given you an
21 understanding of the principles and methods that others use
22 in your field and that are generally accepted when assessing
23 the feasibility of municipal restructuring plans or a debt
24 adjustment plan in a Chapter 9 case?

25 A I do.

1 Q Are any of the principles and methods that you used in
2 this case materially different from the principles and
3 materials -- principles and methods that are generally
4 accepted in your field when the assignment is like it was in
5 this case?

6 A I don't think so.

7 Q Are there reliable principles and methods for evaluating
8 a 40-year projection for either a business or a municipality?

9 A I don't think so.

10 Q Why not?

11 A Because 40 years is so far into the future that it is
12 very, very, very, very hypothetical, and as I was thinking
13 about what 40 years ago was from today back, it's -- we were
14 all children, and I can't imagine what the city's budget
15 would have looked like 40 years ago because we had just had
16 the first oil embargo and, you know, how that would have
17 affected automobiles and the development of the city, so
18 it's -- 40 years is such a long time horizon that while I
19 think it is instructive to think about it, right, there's no
20 reliable method for projecting 40 years in the future.

21 Q Is that a view that you would say is generally held
22 within your field?

23 A It is.

24 Q What was the definition of feasibility that you decided
25 to apply in determining whether the city's plan of adjustment

1 is feasible?

2 A It was a definition that I developed.

3 Q What was it?

4 A We spent a lot of time getting the words right on this,
5 and it would be better if I had it to read. I know it's on
6 page 13, which was kind of an easy to remember page; right?
7 The feasibility definition -- and I'll do it as best I can
8 from memory -- is is it likely that the City of Detroit,
9 after confirmation of the plan of adjustment, will be able to
10 sustainably provide basic municipal services to the citizens
11 of Detroit and make the -- and meet the obligations in the
12 plan without the probability of a significant default.
13 That's close.

14 Q Um-hmm.

15 A But it has three concepts. It has provide services, meet
16 plan obligations, and not likely default.

17 Q Um-hmm. And how did you decide that that was the
18 appropriate definition?

19 A It evolved out of my view that feasibility is both a
20 quantitative and a qualitative measure, that, yes, there
21 are -- there's the numbers side. Can you generate the
22 revenue? Can you deliver the services at a price point such
23 that you've got enough cash to make plan payments? But it's
24 also about the skill and the will, and this goes to the
25 management, the human capital side. Do you have people who

1 are left behind who can execute on the plan?

2 Q Is that definition or one similar to it generally
3 accepted in your field as an appropriate definition of
4 feasibility?

5 A Well, I think time will tell. I think this is the first
6 time that anybody in my profession has tried to define
7 feasibility in a Chapter 9, so I think it makes sense, but I
8 think time will tell. Ultimately you'll decide.

9 Q Is that definition of feasibility or one like it
10 generally accepted in the business context?

11 A I think it is, and I think the -- again, we don't get any
12 help from the Code in terms of what feasibility is. On the
13 commercial side we've got a lot more case history, so, like I
14 said, it makes intuitive sense to me that it's both
15 qualitative and quantitative. There's clearly a time horizon
16 concept with feasibility, which I think is more challenging
17 in the Chapter 9 environment, and I also think the
18 feasibility is a range. It is a -- values can have -- can be
19 reasonable and feasible within a range. They're not just a
20 point estimate.

21 Q So do you see any reason to use a different definition in
22 a municipal case compared to a business case?

23 A Only to the extent that I think it is important that the
24 municipality be able to sustainably deliver basic municipal
25 services. They don't have to be best in class. I've said

1 that, but they've got to be able to deliver basic services.

2 Q Is there anything further that you'd like to tell the
3 Court about the principles and methods that you used or their
4 reliability?

5 A I don't think so.

6 Q So, finally, let's turn our attention to the last
7 criteria under Rule 702, whether you reliably applied to the
8 facts of this case the principles and methods that you chose
9 to use. Do you believe that you reliably applied to the
10 facts of the case the principles and methods that you chose
11 to use?

12 A I do.

13 Q One of your two tasks, as you've pointed out, was to
14 investigate and reach a conclusion on whether the assumptions
15 that underlie the city's cash flow projections and forecasts
16 regarding its revenues, expenses, and plan payments are
17 reasonable. Did you carry out that task?

18 A I did.

19 Q Could you define for the Court what is an assumption?

20 A An assumption is -- I'm thinking of synonyms. It's a
21 hypothesis. It's an axiom. It's a presumption. It is
22 something that you believe is going to happen. You take it
23 for granted that it's going to happen.

24 Q Is that the generally accepted definition of assumption
25 in the field?

1 A I think so, yes.

2 Q Can you estimate how many such assumptions underlie the
3 city's cash flow projections and forecasts regarding its
4 revenues, expenses, and plan payments?

5 A It's many hundreds and arguably probably thousands. The
6 projections are contained in over 300 spreadsheets that are
7 assimilated into the various projections in the RRI's, and
8 each of those have many columns and many lines. And you
9 would logically expect an assumption to be associated with
10 each line item over time, so, you know, it's clearly,
11 clearly, clearly, clearly into over the hundreds into the
12 thousands.

13 Q Did you investigate each and every one of those
14 assumptions?

15 A Kevin Barr has looked at every cell in every sheet and
16 can tell you where it comes from and how it's calculated.

17 Q Earlier you used the phrase "critical assumption."

18 A Yes.

19 Q What does that phrase denote or mean?

20 A Again, it's a word that I chose when we were putting our
21 proposal together in recognition of the complexity of what
22 these projections were going to look like. And I knew once
23 we got underneath them that they were going to be complex,
24 and I knew that the fact that there were multiple parts of it
25 that piece together was going to make it -- was going to make

1 it complicated, but -- and given the time frame, there are
2 critical assumptions that either lay the foundation for many
3 of the other assumptions or they're critical because they're
4 so sensitive to small changes having big impacts that you
5 really had to look at them, so --

6 Q Okay. So that's my next question.

7 A Yeah.

8 Q What is the purpose of identifying some of the
9 assumptions as critical assumptions?

10 A Because there are -- there is some subset of those
11 thousands of assumptions that are really, really important,
12 so, for example, right, one of the most critical assumptions
13 in the city's projections are the head count assumptions, so
14 at a foundational level, we've got to get comfortable that
15 the projected head count by department of people doing what
16 they're doing, right, makes sense.

17 Q You're talking about employment head count?

18 A Employment head count because, you know, again, you've
19 got 60-plus percent of your costs that are derived either
20 from salaries, wages, or benefits that are paid, so you
21 better have the head count projections. You better be
22 comfortable with that before you move on to say that, you
23 know, the budget for this department or that department is
24 okay, so that's an example.

25 Q Is it generally accepted within your field to separate

1 assumptions by how critical they are in --

2 A It is.

3 Q -- determining whether and to what extent to investigate
4 them?

5 A It is because it's the -- it's a cost-benefit analysis so
6 that you can -- you know, you want to make sure that you get
7 all of the important assumptions analyzed, critiqued,
8 evaluated, and the lesser assumptions either will have very
9 little impact or you may run out of time or you may run out
10 of budget to do them, so --

11 Q Was there ever an instance in the case when someone asked
12 you to investigate an assumption because they thought it was
13 a critical assumption but you decided not to?

14 A Not that I recall.

15 Q Were there any assumptions that, in your judgment, should
16 have been investigated as critical assumptions but for
17 whatever reason you did not investigate?

18 A No.

19 Q Well, what challenges or obstacles did you face in
20 reliably applying to the facts of the case the principles and
21 methods that you chose to use?

22 A Other than initially getting access to data that we felt
23 was important that maybe the city either hadn't already
24 collected or didn't think was important, once we kind of got
25 over that hump, then there really weren't any other

1 impediments.

2 Q Okay. So you're satisfied that you worked through those
3 challenges or obstacles?

4 A Yeah. I couldn't have rendered an opinion.

5 Q So there were no challenges in this regard that you did
6 not successfully meet or overcome?

7 A That's correct.

8 Q Is there anything further that you want to tell us about
9 the reliability of your application of the principles and
10 methods that you used?

11 A Not that I can think of.

12 Q Let's address some of the more specific objections or
13 issues regarding your testimony that the parties asserted in
14 their motions even though some of them have been withdrawn.

15 A Okay.

16 Q Are you generally familiar with those issues that the
17 parties have raised?

18 A I am.

19 Q How have you become familiar with them?

20 A I read the pleadings, and then I discussed them with my
21 attorneys.

22 Q Do you believe that any of those objections have merit?

23 A I don't.

24 Q All right. So what I'm going to do now is summarize each
25 objection and simply ask you how you respond to it.

1 A Okay.

2 Q One objection, for example, is that you did not actually
3 test the reasonableness of a majority of the city's
4 assumptions in its forecasts and that instead you opined that
5 the city's assumptions are reasonable when considered in the
6 aggregate.

7 A Okay.

8 Q What is your response to that objection?

9 A My response is that we did look at individual
10 assumptions. We did analyze them. We did critique them
11 individually. We looked at the assumptions in total
12 obviously in the result. My challenge is with the word
13 "test." Okay. This is not a blood test. You can't put a
14 dipstick in it and get something to turn blue or pink. Okay.
15 You have to look at the information about the assumptions and
16 the data, so when you look at my report, much of -- and let's
17 go back to the head count example; right? The head count
18 analysis that we did in looking at the individual assumptions
19 around head count by department over time, right, that
20 information is information that we pulled together so that we
21 could analyze it. That isn't something that somebody gave
22 us. That is something that Kevin developed. So did you test
23 it? I got a problem with the "testing" word. Did we analyze
24 it? Did we verify it? Did we make sure that the head count
25 that we looked at in different places made sense? Absolutely

1 we did. Did we do that for every single assumption? No,
2 because some of them are minor. Again, some of them are
3 minor, but I do believe that for all of the assumptions
4 individually, collectively we did it. I only -- in my report
5 I only called out certain of the assumptions that I either
6 thought were important to make a statement that I agreed with
7 or certain of the assumptions that I felt it was important
8 that I make a statement that I don't agree with. So I think
9 silence on some of the assumptions has maybe been
10 misconstrued as I didn't look at them, but that's not the
11 case.

12 Q Another objection that was made is that there is no way
13 to test some of your opinions on some specific assumptions.
14 How do you respond to that?

15 A Again, I don't know how to respond to that because it
16 doesn't make sense to me. This is not -- this is not a
17 laboratory experiment; right? We're not putting two
18 chemicals together to see if we get smoke; right? It is you
19 look at information, you analyze it, and you assess its
20 veracity and validity.

21 Q It is also asserted that you did not make any
22 determination about the quality of E&Y's work.

23 A I read that, and I remember at some point being asked
24 about that, and I didn't -- I relied on what E&Y did. I
25 trust their professionalism. I believe they were honest with

1 me. We checked all the math; right? So I didn't have to --
2 I didn't have to just accept it; right? We went and checked
3 all the math, and we verified the assumptions, so I just
4 didn't feel a necessity to make a statement about the quality
5 of their work or similarly about Conway's work, but I mean
6 they've done an amazing job; right? Do I agree with
7 everything they've done? Absolutely not; right? Would they
8 agree with everything I did? Absolutely not. But it's not
9 like anything is inferior or substandard or unprofessional.

10 Q Well, was your assessment, evaluation, review, reliance
11 on E&Y's work, consistent with what is generally accepted in
12 the industry in these kinds of circumstances?

13 A Absolutely. When you're the evaluator of the plan and
14 the projections as opposed to the developer, I think most
15 evaluators, based on reputation, prior experience, whatever,
16 would tend to rely on the preparer to some level based on
17 their own ability to review and analyze.

18 Q It is asserted that you did not understand the city's
19 methodology and, therefore, could not have evaluated it. How
20 do you respond to that?

21 A I got a little bit tripped up with this big M, little M
22 thing. I got asked about methodologies from an academic and
23 a textbook perspective, and I wasn't very facile with those
24 words. I knew what we did. We did trend analysis. We did
25 time series. We looked at regressions. We looked at

1 sensitivities. I didn't -- I don't think about that. That's
2 not the words that people in my business use even though when
3 I look in retrospect we absolutely did use some of those
4 methods.

5 Q It is asserted that you were forced to rely on the city's
6 unreliable and insufficient data and only when the city was
7 willing to provide it to you because you did not have
8 sufficient time to independently verify it.

9 A I don't believe that -- I mean there was -- there's never
10 been a context in my career where you go in and you reaudit
11 something. That doesn't make any sense. Okay. It's
12 historical. You rely on the information that's there that's
13 been audited by other folks that's been put into the city's
14 annual report, so there wasn't -- even if I'd had all the
15 time in the world, it's not something I would have done
16 because it wouldn't have provided much value.

17 Q It is asserted that you lack experience with municipal
18 finance and budgeting.

19 A I disagree with that.

20 Q Based on your work in Nassau County and with the Legal
21 Aid Society and --

22 A Yes.

23 Q -- with your staff's work with Jefferson County and
24 Philadelphia and the other experiences?

25 A We have a -- we have a lot of experience with municipal

1 budgeting and finance both from a preparer and an evaluator's
2 perspective.

3 Q We'll hear more about this in a moment, but it is
4 asserted that you lack the qualifications to give opinions
5 and conclusions relating to pension issues.

6 A I disagree with that. I agree that I am not an actuary,
7 that I could not do an actuarial calculation. Quite frankly,
8 I don't know how anybody did those things before computers
9 because they're just -- they're mind-numbing; right? But,
10 again, pension issues are not magical. They're not a super
11 science that we can't understand. Everybody in this room can
12 understand basic concepts around pensions, how benefits are
13 calculated, how liabilities are calculated, how investments
14 are made, how monies are discounted, so I just disagree with
15 that.

16 Q A theme that came through the objections was that you
17 were on the city's side in this case. Were you biased in
18 favor of the city?

19 A No. I don't think the city would say that at all.

20 Q Did you come into this assignment with any preconceived
21 notion regarding the feasibility of the city's plan of
22 adjustment or the reasonableness of its assumptions?

23 A I didn't. I would not have put myself forward if I had
24 had some perspective.

25 Q Is there anything else in the objections that you read

1 that you want to address?

2 A I don't remember them all, but I don't think so.

3 Q Okay. Just some final questions and conclusions here --
4 in conclusion here. Have you reviewed the transcript of your
5 deposition?

6 A I have.

7 Q Is there any testimony in your deposition that you want
8 to correct or clarify?

9 A No. There's nothing in my testimony that needs to be
10 corrected or clarified. There are typographical and phonetic
11 spelling errors which we've not undertaken to do an errata
12 sheet, but, you know, in reading it, are there things I'd
13 like to explain better, but realizing that that's not the
14 opportunity for me to have a say -- I'm just answering
15 questions -- I don't think that there's anything that's
16 technically wrong with my testimony.

17 Q In these circumstances, the Supreme Court made the
18 following statement, and for the lawyers in the room it's
19 Kumho Tire versus Carmichael, 526 U.S. 137, 1998 -- quote,
20 "The objective of that requirement is to ensure the
21 reliability and relevancy of expert testimony. It is to make
22 certain that an expert, whether basing testimony upon
23 professional studies or personal experience, employs in the
24 courtroom the same level of intellectual rigor that
25 characterizes the practice of an expert in the relevant

1 field." Did your work in this case meet that standard of
2 intellectual rigor that the Supreme Court described?

3 A Absolutely.

4 Q Finally, do you plan to update your report?

5 A I have heard that we're getting a new plan maybe later
6 today or tomorrow with new projections, so probably.

7 Q I take it that until you see that, you're probably not in
8 a position to see how much work that would involve or what
9 the timing of that would be?

10 A I don't. I don't have any idea.

11 Q Okay.

12 THE COURT: All right. That's all the questions I
13 have. Let's take a break now for 15 minutes until 3:30, and
14 then we'll see if others have questions, so I will see you
15 then.

16 THE CLERK: All rise. Court is in recess.

17 (Recess at 3:13 p.m., until 3:29 p.m.)

18 THE CLERK: All rise. Court is back in session.
19 You may be seated.

20 THE COURT: Okay. Ms. Green, do you have questions?

21 MS. GREEN: Yes, I do.

22 MR. STEWART: I have no questions.

23 CROSS-EXAMINATION

24 BY MS. GREEN:

25 Q Good afternoon. It's Kopacz as in rhymes with topaz;

1 correct?

2 THE COURT: Could you --

3 MS. GREEN: Thank you.

4 THE COURT: -- pull the mike --

5 MS. GREEN: Yes.

6 THE COURT: -- right in front of you and talk
7 right --

8 MS. GREEN: Just wanted to make sure --

9 THE WITNESS: Yes, yes.

10 MS. GREEN: -- I had the pronunciation right.

11 BY MS. GREEN:

12 Q I wanted to go over a little bit of your prior experience
13 at Nassau County. You identified your engagement there as
14 involving some pension-related work; correct?

15 A I'm sorry. My involvement where?

16 Q At Nassau County.

17 A Oh, in Nassau County, yes.

18 Q And you identified your involvement there as having some
19 pension-related work; correct?

20 A Pension was a significant budgetary item for Nassau
21 County, so, yes, we did look at it.

22 Q But there the state provided a backstop, and so you did
23 not have to opine as to the cause of the underfunding;
24 correct?

25 A The state actually funded and took a deduction from the

1 county.

2 Q And I believe you stated that you only looked at the
3 future funding requirements for Nassau County as part of that
4 engagement; correct?

5 A That's correct.

6 Q And at the Legal Aid Society you testified that your
7 involvement with respect to pensions was to change a defined
8 benefit plan to a defined contribution plan?

9 A We froze one and changed one.

10 Q Okay. But your role in this case has nothing to do with
11 changing the Retirement Systems in Detroit from a defined
12 benefit plan to a defined contribution plan; correct?

13 A That's correct.

14 Q And the scope of your engagement here is on two items,
15 correct, feasibility and the reasonableness of the city's
16 projections?

17 A Yes.

18 Q And you were not retained to opine on past investment or
19 actuarial practices of the Detroit Retirement Systems;
20 correct?

21 A Correct.

22 Q And you were not retained to opine about the
23 appropriateness of the former assumed rate of return for the
24 pension systems; correct?

25 A I don't believe I have. That's correct.

1 Q And you were not retained to opine on the appropriateness
2 of any smoothing method or amortization period used by the
3 Detroit Retirement Systems; correct?

4 A Correct.

5 Q And you were not retained to recommend proper pension
6 plan reporting requirements for the Detroit Retirement
7 Systems; correct?

8 A I said during my interview with the judge that to the
9 extent that my involvement -- out of my involvement I would
10 hope that it would improve aspects of the plan or aspects of
11 the communication around the plan that I intended to include
12 that in my report.

13 Q But that's not laid out in the order appointing you as an
14 expert witness; correct?

15 A It is not in my order.

16 Q Okay.

17 A Correct.

18 Q Thank you. And you were not retained to opine on the
19 causes of the pension plan's underfunding; correct?

20 A Correct.

21 Q And I believe you just testified earlier that you admit
22 that you are not an expert in the realm of public pensions.

23 A I am not. I said I am not an expert. I am not an
24 actuary. I do not consider myself to be a pension expert.

25 Q And you're also not experienced as an investment manager

1 of a public pension fund; correct?

2 A No. That's correct.

3 Q And you've never opined or given any conclusions as to
4 the proper rate of return for a public pension fund; correct?

5 A Correct.

6 Q And you're unfamiliar with smoothing mechanisms and
7 amortization periods used by public pension funds; correct?

8 A I don't think that's correct. I mean I'm familiar with
9 them.

10 Q If I asked you if you could opine on the appropriateness
11 of, for instance, a seven-year smoothing period, you would
12 agree with me that you would not be able to answer that
13 question; correct?

14 A I would have to study that question.

15 Q And similarly with respect to an appropriate amortization
16 period, you would have no basis to know whether a five- or a
17 ten- or a twenty- or thirty-year amortization period would be
18 an appropriate period for a public pension plan such as
19 Detroit's; correct?

20 A I would have to study that, yes.

21 Q And you're not published in the area of public pensions
22 or actuarial science; correct?

23 A Correct.

24 Q And when asked when any of the pension risks that you
25 cite in your report give you any pause with respect to the

1 city's plan of adjustment, you would agree that the long-term
2 risks associated with the pension plans do not negatively
3 impact your assessment of feasibility; correct?

4 A I'm sorry. Could you either repeat it or break it down?

5 Q I can. I can.

6 A Thanks.

7 Q The pension risks that are cited in your report, you
8 would agree with me that your conclusions do not impact
9 feasibility or your assessment of feasibility of the city's
10 plan of adjustment; correct?

11 A I think we need to talk about what pension risks we're
12 talking about.

13 Q Well, you didn't identify any particular pension risk
14 that caused you to conclude that the city's plan was not
15 feasible; correct?

16 A That's correct.

17 Q I believe you just stated that pensions are not magical.
18 They're not a super science. But you agree that you are here
19 being offered solely as an expert witness; correct?

20 THE COURT: I would agree with that.

21 THE WITNESS: Okay. Then I'll agree with that.

22 BY MS. GREEN:

23 Q Okay. So you did not personally interact with the
24 Detroit pension systems prior to your engagement in 2014;
25 correct?

1 A Correct.

2 Q Okay.

3 A Correct.

4 Q So you have no first-hand knowledge before your
5 engagement by the Court into the Detroit Retirement Systems?

6 A That's correct.

7 Q With respect to investment rates of return used
8 previously by the Retirement Systems, you did not do a
9 detailed comparison of the Detroit Retirement Systems assumed
10 rate of return compared to other public pension plans in your
11 work --

12 A Correct.

13 Q -- correct? And you did not make any efforts to quantify
14 what portion of any funding shortfall was attributable to any
15 allegedly aggressive rates of return; correct?

16 A I did not analyze the causes of the shortfall.

17 Q Let's discuss your conclusions relating to the Retirement
18 Systems investment practices.

19 A Um-hmm.

20 Q You had no quarrel with the Systems' investment
21 distributions or asset allocation; correct?

22 A I don't recall having any quarrel with that.

23 Q And you never looked at the written investment policies
24 for either of the Detroit Retirement Systems?

25 A I did not, but someone on my team did.

1 Q And if asked about which specific investments you believe
2 to be risky, you cannot identify any particular investment by
3 name; correct?

4 A I have -- other than the supposed investments that the
5 former mayor directed to his business associates and friends.

6 Q But you did not quantify whether that particular
7 investment actually contributed to any funding shortfalls;
8 correct?

9 A Correct.

10 Q And you did not actually analyze the asset mix in the
11 Retirement Systems' investment portfolio; right?

12 A Like I said, I didn't do it. I know someone on my team
13 looked at that asset mix and gave me their perspective, yes.

14 Q And after looking at it, then there was no quarrel with
15 the particular asset mix used by the Systems?

16 A It was not something that we went further into; correct.

17 Q And at the time you prepared your report, you had no
18 information reflecting negatively on the current pension
19 advisors to the city; correct?

20 A No. That's correct.

21 Q And at the time you prepared your report, you had not met
22 with any of the Retirement Systems professional investment
23 consultants; correct?

24 A Correct. I did not. I don't know -- like I said, I
25 think people on my team had conversations with them but

1 didn't -- I don't think that they met with them.

2 Q Well, let's identify who those professional consultants
3 were. If your communications log did not list meetings with
4 NEPC or Wilshire, would that change your testimony as to
5 whether people on your team met with the --

6 A Those are the current consultants; correct?

7 Q Correct.

8 A Correct. Yes. Like I said, I don't -- I can't tell you
9 anything more than I've told you. I don't know that they
10 have not met. I believe they met with somebody at least
11 telephonically at some point.

12 Q And, similarly, you did not meet with or consult with the
13 Retirement Systems chief investment officer, Ryan Bigelow;
14 correct?

15 A That's correct.

16 Q And you never met with the Systems' actuaries -- the
17 current actuaries either; correct?

18 A I did not; correct.

19 Q Or any of the trustees for either System?

20 A I think that maybe one of the people that I met with at
21 Clark Hill was on the board.

22 Q Would you be able to identify that person? Let's do it
23 this way. If they were not listed on your communications log
24 as being present at the meeting --

25 A A trustee? Okay.

1 Q -- would that reflect that they were not present?

2 A That would reflect my -- that would be correct.

3 Q Okay. And you did not investigate when the Systems were
4 fully funded versus when they became underfunded; correct?

5 A Correct.

6 Q And you agree that in terms of feasibility, knowing the
7 timeline of events relating to the underfunding is not
8 something that you cared about in your analysis; correct?

9 A Correct.

10 Q And you admit that there are no allegations of misconduct
11 against current trustees in relation to either Retirement
12 System?

13 A I have no knowledge of that one way or another.

14 Q And you're aware that there are certain governance
15 changes being imposed under the plan within each Retirement
16 System; correct?

17 A Like I said, I don't know that one way or another.

18 Q You would agree with me that past misconduct, whether
19 true or not, did not impact your feasibility analysis?

20 A That's correct.

21 Q And you never attempted to quantify the actual economic
22 impact that you would have attributed to any alleged
23 misconduct within the Retirement Systems; correct?

24 A That's correct.

25 Q And you admit that certain portions of your report

1 consisted of words that you took from a declaration of
2 Charles Moore; right?

3 A Yes.

4 Q And you never independently verified the factual points
5 that you took from the Charles Moore declaration; correct?

6 A I did not personally. That's correct.

7 Q And your instructions to your team were to cite
8 information that already existed in the record; correct?

9 A That is correct.

10 Q Let's talk about the due diligence relating to the cause
11 of the Systems' underfunding. You did not look at what
12 typical losses were to other public pension systems during
13 the great recession; correct?

14 A I did not.

15 Q And you did not consult any publications or studies to
16 compare how the Detroit Retirement Systems fared compared to
17 other public systems as a result of the great recession;
18 correct?

19 A Generally, I'm aware of what happened both in the public
20 and the private sector during that time frame, so I didn't
21 really feel a need to look historically in terms of that.

22 Q And you did not review any data from the U.S. Census
23 Bureau related to public pensions during that time period?

24 A Not that I recall, no.

25 Q And you did not review the NASRA public funding survey

1 for that time period; correct?

2 A I think we did review NASRA.

3 Q And do you agree that the NASRA report concluded that the
4 market decline in 2008 resulted in a median investment return
5 for public pension funds of a negative 25.3 percent for the
6 year 2008?

7 A I would have to look at the publication again, but the
8 losses were in the 20-plus percent category.

9 Q And you would agree that the losses to the Detroit
10 Retirement Systems were actually in line with the figures
11 that were published by NASRA; correct?

12 A As I said, I don't remember the two data points. I know
13 that they were both in the minus 20's.

14 THE COURT: Let me caution you to restrict your
15 questions to those that relate to Daubert issues. This
16 sounds like it's wandering into more substantive --

17 MS. GREEN: It does relate --

18 THE COURT: -- opinion testimony.

19 MS. GREEN: -- your Honor, to the -- whether she
20 looked at particular data points and whether her methodology
21 would have been reliable based on what she looked at, but I
22 only have a few more questions and I'm done.

23 THE COURT: Well, but you're asking her what her
24 opinions were having done that.

25 MS. GREEN: Okay.

1 THE COURT: That's where the --

2 MS. GREEN: I will restrict them.

3 THE COURT: -- line gets crossed.

4 BY MS. GREEN:

5 Q Regardless of the cause of the underfunding, you agree
6 that in terms of your feasibility analysis, what was
7 important to you when you wrote your report is how the
8 Retirement Systems are being dealt with in the future under
9 the city's plan; correct?

10 A That's correct.

11 MS. GREEN: Thank you, your Honor.

12 THE COURT: Okay. Does anyone else have any
13 questions for the witness? I have nothing further. You are
14 excused. Thank you very much for coming today. We will let
15 you know when we need you back. And let me know when you
16 come to a conclusion about when you'll do your supplemental.

17 (Witness excused at 3:44 p.m.)

18 THE COURT: Ms. Green, did you want to make an
19 argument?

20 MS. GREEN: I have to admit that objecting to the
21 testimony offered by the Court-appointed expert is a little
22 awkward. I feel like Mr. Hackney must have last week when he
23 objected to your questions of Chuck Moore. But as you
24 commented then, every once in awhile the Court sustains its
25 own objection, and --

1 THE COURT: That's true.

2 MS. GREEN: -- so I will proceed. Our motion is
3 limited, and it is not intended in any way to --

4 THE COURT: Hang on. Hang on. I always sustain my
5 own objections. What I only sometimes do is sustain other
6 parties' objections to my questions.

7 MS. GREEN: Either way, our motion is limited. It's
8 not intended to stifle in any way Ms. Kopacz's feasibility or
9 her opinions regarding the reasonableness of the city's
10 projections, and we're not disputing her qualifications in
11 that aspect. Her municipal finance and restructuring
12 expertise were well-established during your direct
13 examination of her. But as she admitted, she's not a
14 pensions expert and not an actuary. She's not an investment
15 manager. And to the extent that certain of her opinions
16 relate to pension systems and the cause of the underfunding
17 and all those sorts of things, we feel that it's
18 inappropriate to have her testify.

19 She also stated that pensions are not magical,
20 they're not a super science and that they don't even require
21 expert testimony under 702. If that's the case and she's
22 only being offered as an expert witness, then I don't think
23 it's appropriate to have her testify at all because she's not
24 a percipient witness. And under Rule 601, as a lay witness,
25 she would be unable to have any firsthand knowledge about our

1 underfunding, mismanagement, actuarial practices, things of
2 that nature, so for that reason, had I known that before we
3 submitted our motion to the Court, I would have added the
4 argument that if she's not an expert, then -- I'm sorry -- if
5 it doesn't require expert testimony, then there would be no
6 need for her to opine on those either way.

7 Furthermore, the scope of her testimony was limited
8 by your order to two discrete subjects, and all of the
9 pension-related opinions that she lists in her report go well
10 outside the bounds of that. She affirmed today that her
11 feasibility analysis is not impacted by any of her
12 conclusions relating to past investment practices or past
13 actuarial practices of the systems, and, therefore, under
14 your order, it's not relevant to these proceedings or to plan
15 confirmation. And I believe that the reason that you had
16 appointed a feasibility expert was because you were concerned
17 that there would be no adversarial process relating to
18 feasibility, but, as you've seen, that's not the problem with
19 the pension issues. There are experts on both sides, and
20 it's hotly contested outside of Ms. Kopacz's testimony.
21 Therefore, I think, again, it's almost duplicative or
22 cumulative of the other testimony that you'll hear in the
23 proceedings.

24 Finally, if she is not an expert, as we stated in
25 our other motion, which has not yet been decided, regardless

1 of whether she's an expert, the report itself should not come
2 in. It's inadmissible hearsay. The protocol we've been
3 using throughout these proceedings is not to admit an expert
4 witness' report because it is hearsay, and so the Retirement
5 Systems also object to the admissibility of her report into
6 the record as evidence. Thank you.

7 THE COURT: Thank you. Would anyone else like to
8 say anything about the Daubert issues? I want to hold on the
9 issue of admissibility for right after this.

10 MR. STEWART: Your Honor, Geoffrey Stewart of Jones
11 Day for the city, and I'll be very brief. First of all, as
12 to the scope of the assignment, feasibility is a very broad
13 charge, and nothing is more key to feasibility than whether
14 the city in the years that are yet to come is going to be
15 able to service the pension obligations it will see, which
16 could well be crushing. It is for that reason issues such as
17 the investment return assumption, pension, all the other
18 things we heard from Bowen, we'll hear from others, are, in
19 fact, key to that just as they're key to other things, too,
20 so I don't think it's beyond the scope of the assignment, per
21 se.

22 As to expertise, Ms. Kopacz testified that although
23 she may not be an expert in this, she is able to understand
24 it, and she dealt with at least three, if not four, people
25 who were experts, first of all, Mr. Gaul, then Mr. Childree,

1 then Mr. Gleason, and finally Mr. Ravitch, who needs no
2 introduction because of his enormous expertise, and she dealt
3 with all of those, and, therefore, her opinion is informed by
4 those. It is not fair to claim that either she or her effort
5 lacked expertise.

6 As to, though, the relevance of these issues about
7 past behavior and conduct of the Systems, I think actually
8 she dealt with that in a telling answer that she gave, and
9 I'm going to have to read from my notes for obvious reasons,
10 but let me grab them. In response to one of your Honor's
11 questions, she testified that -- about executive leadership.
12 She said in every case she evaluated management and their
13 ability to carry out the plan because every plan depends on
14 the debtor's ability to carry it out and execute it
15 faithfully. It may well be that there's new management in
16 these Retirement Systems, and that's a good thing; however,
17 it's not possible to wholly ignore the history, and it's not
18 possible in confirming a plan or looking at feasibility to
19 turn a blind eye at things that went before that to many of
20 us are shocking. So I don't believe this disqualifies
21 Ms. Kopacz in any way nor do I think it renders unreliable or
22 irrelevant the observations she made or the materials she
23 relied upon in reaching her conclusions. And a good portion
24 of her report going beyond pensions deals with the question
25 of post-confirmation governance and who's going to run the

1 city and how they're going to do this difficult job. And I
2 don't think pensions or Retirement Systems should be excluded
3 from that because she has spoken about other parts of the
4 city as well. That's all I have, your Honor.

5 THE COURT: Okay. I'm going to take this under
6 advisement and issue a written opinion. Let's focus our
7 attention on the admissibility of Ms. Kopacz's report, per
8 se. Ms. Green, was there anything further you wanted to say
9 about that?

10 MS. GREEN: Only to reiterate that the clear
11 standard in the Sixth Circuit is that expert reports are, in
12 fact, hearsay. And in addition to that, Ms. Kopacz stated
13 again today on the record that several of the statements
14 contained in the pension-related conclusions of her report
15 were, in fact, taken from a declaration of Chuck Moore and
16 were not her own words. We cited case law in our brief that
17 stated it's inappropriate for an expert to simply rely on
18 someone else's hearsay, plop that into their report, and then
19 use that as sort of a subterfuge to get around hearsay rules.
20 And she stated several times during her deposition rather
21 than write our own language, we chose to use someone else's
22 declaration, and she stated that she was just reciting
23 someone else's kind of version of the facts. So, in addition
24 to the entire report being hearsay, we have specific
25 objections to portions of her report since they are merely

1 words taken from another person's document and basically word
2 for word placed into her own expert report.

3 MR. STEWART: Your Honor, I wonder if to some degree
4 a lot of this is moot anyway since other expert reports have
5 been marked and admitted as demonstrative exhibits, which
6 might pretermitt a lot of the issues that are discussed by all
7 sides here. However, I would make a couple of very brief
8 observations. Part of the Court's task here is to determine
9 whether or not Ms. Kopacz's opinions are well-considered and
10 are well-founded, and the statements contained in the report
11 are probative of that because it shows what she considered,
12 what her sources were, and in many cases what weight she gave
13 them. This is not hearsay if it is used to demonstrate the
14 basis of the expert's opinion because it's not offered for
15 the truth of the underlying statement. It's offered instead
16 to corroborate the rigor of the expert's work.

17 Finally, I would say that as to forecasting, which
18 is not something we've talked about today, a lot of the
19 content of the report that comes from others is relevant
20 because it is necessary to demonstrate that the forecasts and
21 other assumptions Ms. Kopacz is opining about are, indeed,
22 the same ones that we're seeing in the plan that will be
23 before the Court. That's all I have, your Honor.

24 MR. SOTO: Your Honor --

25 THE COURT: Sir.

1 MR. SOTO: -- Ed Soto on behalf of FGIC. Our
2 position has consistently been that -- actually two
3 positions. One is that as a demonstrative piece of evidence
4 that it could be admitted without admitting the truth of it,
5 and I think Mr. Stewart alluded to that. Our second position
6 has also been experienced here, and that is to the degree
7 that a subsequent witness -- expert witness, indeed,
8 testifies throughout about the substance of the report, it is
9 no longer hearsay and may be admitted in another way, so we
10 would like to adhere to those positions. And until
11 Ms. Kopacz is able to do -- well, we have no problem with it
12 coming in as a demonstrative, and if she's able --

13 THE COURT: Okay.

14 MR. SOTO: -- to do the latter, we would address it
15 then.

16 THE COURT: Thank you. Does anyone else want to be
17 heard regarding the admissibility of Ms. Kopacz's report?
18 All right. The Court will take that under advisement as
19 well. Can we return to our trial sequence?

20 MR. MILLER: Your Honor, may I approach with some
21 documents?

22 THE COURT: Sir?

23 MR. MILLER: May I approach with some documents?

24 THE COURT: Yes.

25 MR. MILLER: Good afternoon, your Honor. Evan

1 Miller, Jones Day, for the City of Detroit. And the city
2 would like to call as a witness Mr. Alan Perry.

3 THE COURT: Please raise your right hand.

4 ALAN H. PERRY, CITY'S WITNESS, SWORN

5 THE COURT: Please sit down.

6 DIRECT EXAMINATION

7 BY MR. MILLER:

8 Q Good afternoon, Mr. Perry.

9 A Good afternoon.

10 Q Please state your full name for the record.

11 A Alan Hopkins Perry.

12 Q And where do you live, Mr. Perry?

13 A Wynnewood, Pennsylvania.

14 Q And could you please describe your educational
15 background, specifically any college and graduate school?

16 A I have a bachelor's in business administration from the
17 Wharton School at the University of Pennsylvania and a
18 master's in science and actuarial science from the Temple
19 University Graduate School of Business in Philadelphia.

20 THE COURT: Excuse me one second. Can you pull that
21 microphone slightly closer to you? I think the base may
22 slide. There you go. See if that works better. Go ahead.

23 BY MR. MILLER:

24 Q And what years did you receive those degrees?

25 A Undergraduate degree was 1988, and my master's degree was

1 1990.

2 Q And what is your profession, sir?

3 A I'm an actuary.

4 Q And how long have you been doing actuarial work?

5 A The last 24 years.

6 Q So that would be since 1990. What kind of work did you
7 do before you began doing actuarial work?

8 A I worked as an equity and equity derivatives trader for
9 an investment firm.

10 Q And what firm was that?

11 A It was called the Chicago Corporation.

12 Q And where was that based?

13 A Chicago and Philadelphia.

14 Q And do you have any designations in the actuarial field?

15 A I'm a fellow of the Society of Actuaries and a member of
16 the American Academy of Actuaries.

17 Q And how does one become a fellow in the Society of
18 Actuaries?

19 A It takes a long series of actuarial examinations.

20 Q And what do those examinations cover?

21 A Mathematics, economics, finance, principles of insurance,
22 principles of employee benefits, so on.

23 Q Are there subspecialties in the actuarial profession?

24 A Right. During the fellowship, you have to have in-depth
25 knowledge in a particular actuarial practice area such as

1 insurance or life insurance or investments.

2 Q And do you yourself have a subspecialty in the field?

3 A Yes. My practice field is investments.

4 Q And in addition to your being a fellow in the Society of
5 Actuaries, what other professional designations do you hold?

6 A I have my CFA charter, Chartered Financial Analyst.

7 Q And what entity issues a CFA or Chartered Financial
8 Analyst designation?

9 A The CFA Institute.

10 Q And how does one become a Chartered Financial Analyst?

11 A I know there's the professional examinations, and there
12 are also experience requirements.

13 Q When you began in the actuarial field in 1990, where were
14 you employed?

15 A Milliman in Philadelphia.

16 Q And is that where you work today?

17 A Yes.

18 Q And do you work in the same office as Mr. Bowen?

19 A I do.

20 Q And is that office in Philadelphia proper or a suburb of
21 Philadelphia?

22 A In the suburbs, Wayne, Pennsylvania.

23 Q Okay. And where else does Milliman have offices?

24 A We have 31 offices throughout the United States and I
25 believe another 27 outside of the United States.

1 Q What type of services does Milliman provide to its
2 clients?

3 A Actuarial and other general business consulting to life
4 insurance companies, property casualty insurance, healthcare
5 providers, and employee benefits plans and investment
6 consulting.

7 Q I'm sorry. You said and investment consulting?

8 A And investment consulting.

9 Q In brief, can you summarize the work that you did in your
10 first several years at Milliman?

11 A Primarily investment analysis of pension portfolios,
12 developing capital market assumptions for our pension
13 clients.

14 Q Okay. And what is your current title at Milliman?

15 A I'm a principal consulting actuary and a senior
16 investment consultant.

17 Q And what are your current roles at Milliman?

18 A I have many roles. My primary role is to manage
19 Milliman's pension asset liability modeling services.

20 Q And what is that?

21 A We provide -- we team up with pension actuaries and
22 provide asset liability studies periodically for our pension
23 clients.

24 Q And who are the clients that would use these asset
25 liability studies?

1 A Generally, they'd be intermediate to large size public
2 and corporate and multi-employer pension funds.

3 Q And how would they use and apply these studies that you
4 would provide to them?

5 A Asset liability studies are a very in-depth look at the
6 long-term funding and risks to pension plans typically
7 focusing on asset allocation, risk management, long-term
8 costs.

9 Q And approximately how many asset liability studies does
10 the pension asset liability modeling group perform in a given
11 year?

12 A Typically ten to fifteen per year.

13 Q And I think you previously indicated that this work has
14 been provided to public sector pension plans; is that right?

15 A Public and corporate and multi-employer.

16 Q And can you name some of the public plan clients who've
17 received these pension asset liability modeling studies?

18 A Sure. City of Hartford, Connecticut; Iowa Public
19 Employees Retirement System; Kansas Public Employees
20 Retirement System. I've also done a lot of the same kind of
21 modeling more recently for the State of New York, State of
22 New Jersey, State of Minnesota, Oregon Public Employees
23 Retirement System, City of Portland.

24 Q Thank you. Do you have any other roles at Milliman?

25 A I also sit on Milliman's investment oversight committee.

1 Q And can you describe for us what the investment oversight
2 committee does?

3 A The investment oversight committee provides oversight to
4 Milliman's investment consultants in situations where the
5 investment consultants have some discretionary authority over
6 the asset management for their pension clients.

7 Q So if a Milliman investment consultant has the
8 discretionary authority with respect to a Retirement System
9 to terminate an investment manager, say a large cap
10 investment manager, how would he or she interact with your
11 committee?

12 A He or she would have to take that decision to the
13 investment oversight committee, explain the rationale for
14 that, and then the committee would approve it or not.

15 Q And you would evaluate the decision and opine whether the
16 investment consultant on behalf of Milliman could execute his
17 recommendation?

18 MR. WAGNER: Objection.

19 THE WITNESS: Yes.

20 MR. WAGNER: Leading.

21 THE WITNESS: Yes.

22 THE COURT: The objection is sustained.

23 BY MR. MILLER:

24 Q Mr. Perry, do you speak on actuarial matters or financial
25 advisory matters?

1 A From time to time I do.

2 Q And at what organizations would you typically speak?

3 A National Association of State Treasurers, International
4 Foundation of Employee Benefit Plans, public pension fund
5 conferences like the Pension Fund Summit, the Enrolled
6 Actuaries meeting.

7 Q And what would typically be the topics that you might
8 speak on at these meetings?

9 A Typically it would be asset allocation or pension risk
10 management.

11 Q Have you authored any publications in the field of
12 investment advisory services?

13 A Just a few.

14 Q And can you give us some examples of those?

15 A Published an article in Contingencies, which is a
16 publication by the American Academy of Actuaries, an article
17 in Benefits Quarterly, and I'm co-author of Milliman's
18 corporate pension funding study.

19 Q And tell us -- tell the Court about that study.

20 A That study -- there's a full study that goes out once a
21 year reporting on the funded status of the 100 largest
22 corporate pension -- defined benefit pension plans in the
23 U.S., and then the data -- the funding ratio index is updated
24 every single month.

25 Q And is that study widely used in the actuarial field?

1 A It's widely quoted.

2 Q Do you have any leadership positions at Milliman?

3 A I am chair of Milliman's capital markets committee.

4 Q How long have you served on that committee?

5 A About 19 years.

6 Q And how long have you served as chair of that committee?

7 A The last two or three.

8 Q And what does Milliman's capital markets committee do?

9 A Develops capital market assumptions to be used by both
10 Milliman's investment consultants and Milliman's pension
11 actuaries in their work providing guidance to their pension
12 clients.

13 Q And these capital market assumptions would be related to
14 what sort of projections?

15 A Typically it's expected returns and risk measures for all
16 the asset classes that our pension clients invest in.

17 Q And how is this -- how is the work product, the capital
18 market assumptions that are developed by the capital markets
19 committee, used by Milliman clients?

20 A Our investment consultants use them to help their clients
21 make asset allocation decisions, and Milliman's pension
22 actuaries use them to provide guidance to their clients on
23 setting the expected return assumption for their valuations.

24 Q And approximately how many pension plans throughout the
25 United States use the capital market assumptions that are

1 developed by the committee that you chair?

2 A Hundreds.

3 Q How many of them are governmental pension plans or public
4 pensions plans?

5 A I'd say about 50.

6 Q And approximately how many retiree health plans in the
7 U.S. use the capital market assumptions that are developed by
8 the capital markets committee that you chair?

9 A I'd say more than a thousand.

10 MR. MILLER: Your Honor, the city moves to have Mr.
11 Perry qualified as an expert witness on the subject of
12 actuarial science and pension investment analysis.

13 MR. WAGNER: No objection.

14 THE COURT: You may proceed.

15 MR. MILLER: Thank you.

16 BY MR. MILLER:

17 Q I'd like to begin the more substantive part of the exam
18 by talking about core principles of pension plan investing.
19 In the field of pension plan investing, what is the most
20 important decision that a governmental pension plan must
21 make?

22 A I would consider the asset allocation decision to be the
23 most important.

24 Q And what do you mean by asset allocation decision?

25 A The way the pension plan divides up their investments

1 into the -- among the different asset classes such as stocks
2 and bonds and real estate.

3 Q And can you offer the Court a hypothetical example of a
4 pension plan asset allocation portfolio?

5 A Sure. A plan might have, you know, 30 percent in U.S.
6 stocks, 30 percent in non-U.S. stocks, 30 percent in fixed
7 income, and 10 percent in real estate. That would be their
8 asset allocation.

9 Q Why is the asset allocation decision the most important
10 investment decision that a governmental pension plan can
11 make?

12 A Many studies have shown, studies by companies such as
13 Morningstar Associates, that, you know, asset allocation is
14 the dominant factor in the level of long-term returns that
15 pension funds earn.

16 Q And who's Morningstar?

17 A Morningstar is a Chicago-based investment research mutual
18 fund rating organization widely followed.

19 Q And do investments in certain asset classes tend to
20 produce higher returns than investments in other asset
21 classes?

22 A Yes.

23 Q And which asset classes have historically provided higher
24 returns than the others?

25 A Equity, equity-like asset classes have typically provided

1 the highest returns.

2 Q What type of equity classes?

3 A Public equity common stocks and also private equity.

4 Q In that case, why don't all retirement systems --
5 governmental pension plans, that is -- invest entirely in
6 equities?

7 A That would be too risky. If the equity markets suffered
8 a major correction, the entire portfolio would suffer that
9 correction, too. There would be no other assets to diversify
10 away some of that risk from the equity markets.

11 MR. MILLER: Can you put up City Demonstrative
12 Exhibit 633?

13 BY MR. MILLER:

14 Q Mr. Perry, have you seen this demonstrative before?

15 A Yes, I have.

16 Q And the equation that is at the top of the demonstrative,
17 contributions plus investments equal benefits plus expenses,
18 have you seen that formula before?

19 A Yes, I have.

20 Q And is this a widely recognized formula in the actuarial
21 field?

22 A Yes, indeed.

23 Q Can you explain to the Court the mathematical role that
24 investment risk plays in this C plus I equals B plus E
25 equation?

1 A Investment risk, volatility of investment returns
2 generally would need to be balanced out by similarly volatile
3 contributions to keep the fund in balance, so if investment
4 returns aren't as high as anticipated, then contributions
5 would need to be increased to make up for the difference.

6 Q So volatility of "I" or investments affects volatility of
7 contributions?

8 A Yes.

9 Q Who typically makes the asset allocation decision for
10 retirement systems?

11 A Pension trustees, pension committee.

12 Q Do actuaries often make the asset allocation decision?

13 A Not that I'm aware of.

14 Q So how do governmental pension plans, retirement system
15 trustees make their asset allocation decisions? How do they
16 go about doing that?

17 A Ideally they conduct an asset liability study, and what
18 they're trying to do there is explore and discover the
19 intersection with their investment return objectives and
20 their risk tolerance.

21 Q What determines a retirement system's investment risk
22 tolerance?

23 A Generally the financial strength of the plan sponsor.
24 That governs the plan's ability and willingness to take risk.

25 Q If the sponsor of a retirement system -- that is, a city

1 or county, a governmental entity that makes the pension
2 promise -- does not have the ability to take on significant
3 risk, how should the retirement system trustees then go about
4 making their asset allocation decision?

5 MR. WAGNER: Objection, your Honor. This is not in
6 his expert report. None of this is in his expert report. He
7 opined on one thing in his expert report, the proper return
8 rate, not on how trustees make decisions.

9 THE COURT: The objection is overruled. You may
10 proceed, sir.

11 THE WITNESS: If the plan sponsor is not strong
12 enough to step in and increase contributions if investments
13 are too volatile, then they should have a less aggressive
14 investment policy such that they can handle the kind of
15 losses that would be occurred -- incurred under a lower risk
16 portfolio.

17 BY MR. MILLER:

18 Q Now I want to move away briefly from asset allocations
19 and discuss another concept in the field of pension plan
20 investing, the investment return assumption. In pension plan
21 investing, what is your understanding of the concept of
22 investment return assumption?

23 A Generally, the investment return assumption is related to
24 the expected long-term rate of return on the pension
25 portfolio.

1 Q In your experience, who typically decides the investment
2 return assumption?

3 A It's also the plan, the plan trustees.

4 Q Okay. Are you aware of certain instances involving
5 governmental plans where the decision is not made by the
6 trustees, by another party?

7 A There are a few public plans such as New York, the State
8 of New Jersey, I believe Minnesota, where that assumption is
9 set by the legislature.

10 Q What is the mathematical relationship between the asset
11 allocation decision and the investment return assumption?

12 A They're generally positively correlated. The higher the
13 expected return --

14 THE COURT: Excuse me one second.

15 THE WITNESS: Pardon me.

16 THE COURT: We're having a technical issue we need
17 to address. Caroline, what's being done here? Can we
18 proceed?

19 THE CLERK: Believe so.

20 THE COURT: Good.

21 MR. MILLER: Thank you, your Honor. I do want to
22 make a request of the witness.

23 BY MR. MILLER:

24 Q If you could speak a little bit louder and a little bit
25 closer to the microphone and a little bit more slowly -- I

1 apologize. I was having a little trouble hearing you.

2 A I'll try.

3 Q Thank you.

4 THE COURT: What did you say? No, seriously.

5 THE WITNESS: I will try.

6 BY MR. MILLER:

7 Q Yeah, please. Just closer to the microphone and a little
8 louder. Thank you.

9 MR. MILLER: Your Honor, can I repeat the question
10 that was pending?

11 THE COURT: Yes. Good idea.

12 MR. MILLER: Thank you so much.

13 BY MR. MILLER:

14 Q Again, what is the mathematical relationship between the
15 asset allocation decision and the investment return
16 assumption?

17 A They're generally highly positively correlated, meaning
18 the higher the expected return on the portfolio, the higher
19 the expected return assumption.

20 Q And the converse is also true?

21 A Yes.

22 Q Are you familiar with the terms of the pension settlement
23 that the city reached with the Retiree Committee and the two
24 Retirement Systems?

25 A At a general level, yes.

1 Q And are you familiar with the terms governing the use of
2 a 6.75-percent investment return assumption?

3 A Yes.

4 MR. MILLER: Can you put up City Exhibit 1, page 44?
5 And can you blow up capital B in the middle of the page
6 there? Little lower. There we go. Thank you. Thank you.

7 BY MR. MILLER:

8 Q Mr. Perry, can you read and review that sentence? And
9 please read it into the record.

10 A During the period that ends on June 30th, 2023, the
11 trustees of the PFRS or the trustees of any successor trust
12 or pension plan shall adopt and maintain an investment return
13 assumption and discount rate for purposes of determining the
14 assets and liabilities of the PFRS that shall be 6.75
15 percent.

16 Q And what is your understanding of that requirement that
17 is a part of the pension settlement?

18 A I interpret this sentence as the plan addressing the idea
19 of a risk budget that the trustees should be targeting a
20 portfolio with an expected return of 6.75 percent and
21 maintain a portfolio that will be expected to deliver 6.75
22 percent with no more risk.

23 Q And this phrase that you just used, "risk budget," is
24 that a concept or phrase that investment consultants --
25 pension investment consultants use?

1 A Yes.

2 Q And what does "risk budget" mean?

3 A It means developing a strategy that has some sort of a
4 cap on the amount of risk that the plan can take.

5 Q So it -- I'm sorry. Go ahead. So is it fair to say and
6 is it your view that the requirement of a 6.75-percent
7 investment return assumption through the period ending June
8 30, 2023, essentially acts as a cap on risk?

9 A Yes, it is.

10 Q In your judgment, how does the 6.75-percent investment
11 return assumption that's required by the pension settlement
12 through 2023 compare to the investment return assumptions
13 that are selected by other governmental pension plans?

14 A It's low. It's at or near the bottom of the assumption
15 that we would see for the largest public plans.

16 Q Do you know of any governmental pension plans with lower
17 investment return assumptions?

18 A Just one or two that I'm aware of.

19 Q And what are those plans?

20 A I believe the District of Columbia is at 6-1/2, and I
21 believe the State of Indiana is at 6.75.

22 Q Any other plans -- governmental pension plans that you're
23 aware of that use either a 6.75-percent investment return
24 assumption or something lower?

25 A Not that I'm aware of based on, you know, the surveys and

1 things that we've been looking at, which have a lag to them.

2 Q And, again, if you could speak a little bit more slowly.

3 I'm sorry. I'm having trouble hearing. I now want to talk

4 about Milliman's capital markets model and how that capital

5 markets model is constructed and operated. You testified

6 earlier that you're the current chair of Milliman's capital

7 markets committee. What does the capital markets model

8 develop and make assumptions for?

9 A The capital markets model develops expected average

10 returns, expected standard deviation of returns, and expected

11 correlations between the returns of different assets for a

12 large set of asset classes that our pension clients invest

13 in.

14 Q Does it attempt to predict returns for all of the asset

15 classes that pension plans, corporate and governmental, tend

16 to invest in?

17 A Most of them. They keep finding new ones.

18 Q Okay. And what kind of software program do you use for

19 this capital markets model?

20 A When the model is put together, it's an Excel program.

21 Q And who determines the various assumptions that go into

22 and are yielded by application of the model?

23 A Milliman's capital markets committee.

24 Q The committee you chair?

25 A Yes.

1 Q And how many members does that committee have?

2 A It varies. In a typical year it's -- it could be as low
3 as five, as high as eight or nine.

4 Q And what's the expertise of the men and women who serve
5 on that committee?

6 A Generally, they are senior investment consultants.

7 Q Are there also actuaries on that committee?

8 A Right now there are two actuaries, me -- you know, myself
9 and one other, and we're both actuaries who are investment
10 consultants.

11 Q Okay. And, again, just to repeat for the record, what
12 are the three categories of assumptions that your committee
13 develops as part of this capital markets model?

14 A Right. Expected average returns, expected standard
15 deviations as a measure of the volatility of the annual
16 returns, and the expected correlations between the returns of
17 different asset classes.

18 Q And, again, just for the record, what do you mean by
19 correlations between asset classes?

20 A Correlation is the statistical measure that shows how
21 closely related the returns of two different asset classes
22 are. If they tend to move in lockstep together, if they're
23 both high at the same time or they're both low at the same
24 time, those have a high positive correlation. Two asset
25 classes that move in the opposite direction, when one has a

1 high return, the other one tends to have a low return, those
2 have a negative correlation. And asset classes that appear
3 to be not related to one another in terms of their returns,
4 they're independent, they generally have a zero correlation.

5 Q And why is it important to measure correlations between
6 asset classes in developing capital market assumptions?

7 A Correlations allow us to reflect the diversification
8 that's in a particular portfolio. If the assets in the
9 portfolio are not perfectly correlated, that'll reduce the
10 expected volatility or the standard deviation at the total
11 portfolio level, and that's -- you know, that's the holy
12 grail of investing is to be -- is to be very diversified.

13 Q And that can affect return?

14 A Absolutely.

15 Q Okay. Let's focus on the first category of assumptions
16 that you identified, expected future average returns on asset
17 classes. How does the capital markets committee go about
18 forecasting expected future average returns on asset classes?

19 A We use a lot of data and capital markets theory, the idea
20 being that capital market theory, sometimes known as modern
21 portfolio theory, suggests that expected returns are driven
22 by risk, and it's not just the volatility of one asset class.
23 It's not just that asset class of standard deviation. It's
24 really the amount of risk that that asset class adds to a
25 portfolio or a portfolio of all assets. That risk is called

1 covariance. So the portfolio theory says that expected
2 return on an asset class is directly related to its
3 covariance. The data that we use, historical returns, that
4 allows us to estimate those covariances over historical
5 periods, you know, how have each asset class' returns varied
6 with the portfolio of all assets, and if we can establish
7 what that relationship is, you know, what is the expected
8 return per unit of that covariance risk, we can develop a set
9 of capital market assumptions for all these asset classes.

10 Q And is there a particular asset class or two that you
11 focus on first in developing these expected returns among a
12 spectrum of asset classes?

13 A Right. To estimate what the expected return per unit of
14 risk is, we independently develop expected returns for
15 probably the two key assets classes that particular U.S.
16 pension funds hold. That would be U.S. large cap stocks such
17 as the S&P 500 and U.S. investment grade bonds, perhaps
18 Barclays Aggregate Bond Index.

19 Q And how do you go about projecting future average returns
20 on large cap U.S. domestic equity?

21 A Right. We primarily rely on the widely used dividend
22 discount model, which is kind of a building block model, but
23 it basically says that the price of the stock market is equal
24 to the present value of all the expected cash flows to be
25 received from holding those stocks. We have the price --

1 Q Let me stop you right there. Those cash flows being
2 what?

3 A Dividends, you know -- you know, perpetuity of dividends.

4 Q Okay.

5 A Right. Growing dividends hopefully. And if we know the
6 price today and we have the projected cash flows in the
7 security, we can estimate what the discount rate is that
8 equates those projected cash flows with the price. That's
9 the expected return on -- on this case, on stocks. And
10 taking that apart, the answer is it's the sum of three
11 components. The first component is today's dividend yield.
12 The next component is a forecast of the expected growth rate
13 in corporate earnings, thus the growth rate in dividends they
14 can pay out, and that's a real number. It's based on real
15 growth in earnings. And the third number is expected
16 inflation over the measurement period that we're forecasting.

17 Q And what is the inflation assumption that the capital
18 markets committee is currently using in its capital market
19 assumptions for purposes of developing expected future
20 average returns?

21 A It is currently two and a half percent per year.

22 Q And what are the sources that your committee used and
23 referred to in determining an inflation assumption of 2.5
24 percent?

25 A Right. We rely on what's called break even inflation,

1 which is the difference between the yields on conventional
2 U.S. treasury bonds and the yields on inflation indexed U.S.
3 treasury bonds. And break even inflation is the rate of
4 inflation that would need to -- that we would need to
5 experience such that returns on, for example, a 30-year
6 conventional treasury bond and a 30-year inflation index
7 treasury bond would be the same, so that's regarded as the
8 bond market's forecast for expected inflation over -- you can
9 look at a ten-year, twenty-, thirty-year horizon. We also
10 look at forecasts of inflation from economists, which are
11 published in survey form. We also look at --

12 Q Well, let me stop you there and ask what surveys in
13 particular do you refer to to obtain economists' view of
14 future inflation?

15 A Right. We use the survey called the Blue Chip Financial
16 Forecasts published monthly by Aspen Publishers. It's widely
17 followed.

18 Q Okay. And in addition to looking at economists'
19 forecasts and the break even inflation rate, anything else
20 that you refer to in developing that inflation assumption?

21 A Right. Another source is the U.S. Congressional budget
22 office. They put out the longest forecast of anybody that
23 I'm aware of, which runs out to 100 years, so they have their
24 forecast for inflation for each of the next 100 years.

25 Q Anything else or --

1 A We look at history, but, you know, more just to, you
2 know, get an idea of, you know, volatility measures of
3 inflation and correlations between inflation and real
4 returns.

5 Q And how long has the capital markets committee been
6 employing a 2.5-percent inflation assumption in connection
7 with its development of expected future average returns on
8 asset classes?

9 A It's been about the last two, possibly three years. It
10 was 2.75 percent two or three years ago.

11 Q Was it higher or lower more than two years ago?

12 A A couple years ago for maybe a year or two it was 2.75.
13 Before that it was 2.5. Again, it's been down there for
14 awhile.

15 Q So you indicated that there were essentially three
16 building block tools that you used to forecast expected
17 future average returns as it relates to this large cap
18 domestic equity class --

19 A Yes.

20 Q -- dividend yield, real growth in earnings, and
21 inflation. Do I have that right?

22 A Yes.

23 Q Great. And the expected future average returns on that
24 large cap equity class is the sum of those three data points
25 over a period of time?

1 A Essentially, yes.

2 Q And after developing the expected future average return
3 on large cap equities, what is the next asset class that you
4 focus on in order to develop these returns across an asset
5 class spectrum?

6 A Right. Our other anchor, so to speak, is U.S. investment
7 grade fixed income, you know, the broad investment grade U.S.
8 bond market.

9 Q I'm sorry. Can you repeat that? I couldn't hear.

10 A The broad U.S. investment grade fixed income market
11 sometimes referred to as the aggregate fixed income market.

12 Q Thank you. And how do you go about developing the
13 expected future average returns on that investment grade bond
14 portfolio?

15 A Right. Well, the nice feature of bonds is they have a
16 stated yield. They are referred to as fixed income, so we
17 don't have to forecast what the cash flows will be. They're
18 built into the bonds, so you can get a quote on the yield to
19 maturity of the entire bond market. And generally with bonds
20 what you see is what you get. The future return is going to
21 be very close to the yield when you buy it. However, we are
22 in an environment right now where, due to the actions of the
23 U.S. Federal Reserve and other central banks, they are
24 influencing the interest rate markets significantly. Short-
25 term interest rates are near zero, and long-term interest

1 rates are still just a little above historical lows. Those
2 Blue Chip Financial Forecasts and other forecasts that we
3 look at, the consensus is that interest rates will be moving
4 up over the next five years and even a little bit beyond five
5 years out ten years, so I feel it's important to reflect that
6 expectation of rising interest rates when we develop the
7 assumption for fixed income. Fixed income -- you know, bonds
8 have a fixed maturity. It's not in perpetuity like equities,
9 so bonds are going to mature. You're going to roll over and
10 you're going to buy new bonds. We expect them to have a
11 higher interest rate, a higher yield as we go forward. So we
12 reflect where we think interest rates are going based on
13 these economists' forecasts, and based on the interest rate
14 sensitivity of this bond market, we can calculate total
15 returns, which would be, you know, coupon yield and also a
16 price impact, generally bad as interest rates go up, and we
17 can get the average return over the time period you're
18 interested in by following and playing that out.

19 Q Got it.

20 A Right.

21 Q So once you have what I think you referred to as the two
22 anchors, your projected returns on large cap domestic U.S.
23 equities and investment grade bonds, how do you go about
24 filling in the expected returns for the rest of the asset
25 classes that pension plans would ordinarily invest in?

1 A Right. With those two anchors -- as I say, two points
2 determine a line -- we can determine what we think is the
3 market's expected return per unit of risk where, again, risk
4 is that covariance measure. So we have it for the two
5 points. We can figure out what it is because we're assuming
6 that it's constant. It's a constant function of what the
7 covariance is, so historically we can measure the covariance
8 of all of the asset classes and then we can determine sort of
9 by interpolation where the expected return is for each of the
10 other asset classes based on that measure of covariance and
11 how it compares to those two anchors.

12 Q So it's essentially an interpolation exercise?

13 A Right. It starts out that way.

14 Q You had mentioned a second category of inputs, which are
15 expected standard deviation. How does the capital markets
16 committee go about forecasting expected standard deviation of
17 annual returns for asset classes that pension plans may
18 invest in?

19 A Generally for standard deviations we use the historical
20 standard deviation measured over a long time period. There
21 are a couple of asset classes that are assets that don't
22 trade in regular markets, things like private equity and
23 private real estate. They suffer from some appraisal-based
24 pricing and so, based on some research, we make some
25 adjustments to those standard deviations, but for most of the

1 other asset classes, it's based on actual historical standard
2 deviations.

3 Q Okay. And how does the capital markets committee go
4 about forecasting that third category and last category of
5 inputs, correlation between asset classes?

6 A Same way as the standard deviation. We base that on
7 historical returns over that same time period that we use for
8 the standard deviation.

9 Q Okay. And is there a deliberative process that the
10 capital markets committee undertakes before it approves the
11 assumptions in each of these categories?

12 A Yes. After the data is collected and the model is put
13 together and we've set the returns for the two anchors and we
14 have the set for all the capital asset classes, we go through
15 them one by one, you know. Essentially the committee
16 discusses them, if needed, and we approve them.
17 Particularly, we approve any changes over what the
18 assumptions were, you know, at the previous calibration of
19 the model.

20 Q Okay. And, indeed, how often do you recalibrate and
21 update the model?

22 A Generally every six months, December 31st and June 30th.

23 Q And as part of each six-month update, do you undertake
24 any checks on your capital market model result?

25 A Yeah. Because of the size of Milliman, we benefit from

1 seeing the capital market assumptions of a lot of other
2 consulting firms and actuarial firms. We are joint
3 consultants often for the same client. And, you know, we
4 keep track of how our assumptions compare to other investment
5 consulting firms and actuarial firms' assumptions. There are
6 also some forecasts of particularly U.S. large cap equity and
7 investment grade fixed income that we can look at to see, you
8 know, how we compare with those.

9 Q And generally how do Milliman's capital market assumption
10 results compare to those of peer groups?

11 A Very close. We're kind of in the middle of the pack more
12 often than not.

13 Q And what are some of the other firms that, in your
14 judgment, are part of this peer group that you compare your
15 results to?

16 A Right. Certainly the other large actuarial consulting
17 firms such as Mercer, Towers Watson, Aon Hewitt, and then
18 some of the larger widely used investment consulting firms
19 such as Wilshire and NEPC and Callan and Frank Russell and
20 others.

21 Q You mentioned Wilshire. Does Wilshire Associates have
22 any current relationship to any of the two Retirement Systems
23 that the City of Detroit sponsors?

24 A My understanding, they are the investment consultant for
25 PFRS.

1 Q And NEPC, that's New England Pension Consultants; is that
2 right?

3 A Yes.

4 Q Yeah. Do they have a current relationship with any of
5 the Retirement Systems that the City of Detroit sponsors?

6 A It's my understanding they are the investment consultant
7 for GRS.

8 Q And you said that generally Milliman's capital markets
9 assumptions fare -- compare closely to the assumptions that
10 are generated by these sorts of investment consultants?

11 A Generally, yes.

12 Q Let me ask this question. In forecasting expected future
13 average returns on asset classes, do you look at what
14 governmental pension plans have historically been returning
15 on these asset classes?

16 A Not as a matter of setting our assumptions, you know.
17 Obviously as an investment consultant I see those returns all
18 the time, but they do not go into our model. They're not one
19 of the inputs.

20 Q And why is that?

21 A The returns are forward looking. As I said, they're
22 based on prices today and forecasts of future cash flows
23 received from investments, and, you know, what they've been
24 in the past doesn't influence, you know, that math at all.

25 Q And it's the -- is it your judgment that in forecasting

1 expected future average returns on asset classes, it is not
2 important to look at what institutional investors such as
3 pension plans have returned on those asset classes --

4 MR. WAGNER: Objection.

5 BY MR. MILLER:

6 Q -- in the past?

7 MR. WAGNER: Objection. Leading.

8 MR. MILLER: I'll withdraw it.

9 BY MR. MILLER:

10 Q I now want to turn to the work that you did for the City
11 of Detroit. Did there come a time when the city retained you
12 to project investment returns for its two Retirement Systems,
13 GRS and PFRS?

14 A Yes.

15 Q And when was that assignment given to you?

16 A June of 2014.

17 Q And over what time horizons did the city ask you to
18 project investment returns?

19 A Investment returns for the next ten years and for the
20 next thirty years.

21 Q And how would you compare the two requested time horizon
22 periods, a ten-year time horizon and a thirty-year time
23 horizon? How would you compare them to the investment
24 horizon periods that are typically requested by your clients
25 that seek investment projection work?

1 A Those are typically the two standard time horizons.
2 Certainly for investment consultant -- investment consulting,
3 ten years is the common time period. Occasionally you'll see
4 seven years, something like that. And on the actuarial side,
5 30 years is also a very common projection. Sometimes you'll
6 see 20, but 30 is very common. We've been using it for 20
7 years.

8 Q And did you, in fact, undertake the assignment?

9 A Yes.

10 Q Yeah. And did you complete the assignment?

11 A Yes.

12 Q And did you prepare and submit an expert report in
13 connection with the assignment?

14 A Yes.

15 Q And does that expert report contain a summary of your
16 results of the assignment?

17 A Yes.

18 MR. MILLER: Could you put up City Exhibit 465? And
19 why don't you turn to page 11, which is called Exhibit 1
20 within that document? Blow that up.

21 BY MR. MILLER:

22 Q And this document -- or this page relates to the work
23 that you did in connection with which of the two Retirement
24 Systems?

25 A Exhibit 1 is PFRS.

1 Q Okay. Before we get into the particulars of this page,
2 Mr. Perry, you mentioned before that your capital markets
3 committee updates its capital markets model every six months.
4 What was the date for the capital market assumptions that
5 were used in undertaking this project for the city?

6 A December 31, 2013.

7 Q And had there been any changes made to the capital market
8 assumptions between July 1, 2013, and December 31, 2013?

9 A Yes, there were changes.

10 Q And what were the most important of those changes?

11 A Generally, the expected return on equities and most of
12 the alternative asset classes were decreased by 25 basis
13 points, a quarter of a percent, and the -- due to higher
14 yields by the end of the year, the expected returns on fixed
15 income were increased very slightly, just a few basis points.

16 Q Okay. So what would have been the impact on the
17 projected investment returns that would have been yielded by
18 application of the December 31, 2013, capital market
19 assumptions relative to the ones that you had for July 1,
20 2013?

21 A For a pension plan with a lot of equities and
22 alternatives in it, they would have decreased.

23 Q Thank you. Okay. What was the first step that you
24 employed in the process to complete this investment
25 projection assignment you had received several weeks ago?

1 A The first step was to obtain information about the
2 investment policy targets for the two systems.

3 Q And how did you obtain that information?

4 A We requested it from the city, and we received an exhibit
5 from the city, and we also received reports from the two
6 investment consultants, Wilshire and NEPC.

7 Q Okay. And why did you request policy target allocations
8 rather than the actual asset class percentages based on the
9 actual value of investments at the time of the measurement?

10 A We think it's more appropriate to use the investment
11 policy. That's their home base. That's what's supposed to
12 be guiding their long-term asset allocation. The actual
13 allocation on any one day generally deviates from that just
14 due to market movements, so we prefer to use the targets
15 because that's what we think is going to be the long-term
16 average asset allocation over the measurement period.

17 MR. MILLER: And can you highlight the vertical
18 column that's denominated 12 -- December 31, 2013, policy
19 target allocation?

20 BY MR. MILLER:

21 Q And are those the policy target percentages that you
22 recall working with?

23 A Yes.

24 Q Okay. Okay. After receiving the policy target
25 allocations for PFRS, what was the next step?

1 A Well, we study those targets so we can map the asset
2 classes that are represented in those targets as accurately
3 as possible into our model, make sure that we have the best
4 match on each of the asset classes that the system is
5 invested in.

6 Q Okay. And then once you've reached a judgment that you
7 have properly mapped the policy targets to asset classes in
8 your model, what is the next step?

9 A The next step is to enter them into the model and examine
10 the results.

11 Q Got it. And I want to focus your attention right now to
12 the three vertical columns under the heading "Milliman Ten-
13 Year Assumptions as of December 31, 2013."

14 MR. MILLER: And can you highlight those three
15 columns in the box right under there?

16 BY MR. MILLER:

17 Q And, Mr. Perry, what are those percentages?

18 A The first column labeled "Geometric Mean," that's another
19 word for the annualized rate of return. The middle column is
20 the arithmetic mean. That's the expected average return in
21 any one year. And the third column is the expected standard
22 deviation for that asset class.

23 Q And these three columns of numbers, are these the actual
24 ten-year capital market assumptions for the model for these
25 particular asset classes?

1 A Yeah. These are the general -- the results for the
2 general model that would apply for any plan -- any plan
3 invested in these asset classes.

4 Q So these capital market assumptions that you see on this
5 table, they weren't developed exclusively for the city's
6 assignment?

7 A No.

8 Q Okay. They would apply to any pension plan or other
9 entity seeking a capital market projection of returns?

10 A Yes.

11 MR. WAGNER: Objection. Leading.

12 THE COURT: Sustained.

13 MR. MILLER: Okay. I now want to highlight the
14 numbers right under that table under the heading "Milliman
15 Ten-Year Assumptions." Okay.

16 BY MR. MILLER:

17 Q Mr. Perry, can you walk the Court through the process by
18 which you developed those numbers that are shown in the
19 highlighted yellow?

20 A Sure. The first step is relatively easy. We start with
21 the middle column, the arithmetic mean, because the
22 arithmetic mean return on a portfolio of assets is the simple
23 weighted average mean of the individual asset classes
24 weighted by that asset class' allocation, so we can just
25 multiply those together, 12 percent times 8.25, 7 percent

1 times 9.20 and so forth, and when we add those up, we'll get
2 the number at the bottom under the arithmetic mean column,
3 the 7.43 percent. And that's essentially an intermediate
4 step. Unfortunately, for the risk of the portfolio, the
5 standard deviation at the portfolio level, it's a more
6 complicated weighted average because we have to reflect also
7 those correlation coefficients that we discussed. They're
8 not shown here, but they have to be reflected. The weighted
9 average on the portfolio is not a simple weighted average of
10 the standard deviations. We reflect correlations, and that
11 leads to the standard deviation for the total portfolio,
12 which is the 12.75-percent number you see under the standard
13 deviation column.

14 Q Yes.

15 A Now, armed with those two numbers, the arithmetic mean
16 for the portfolio and the standard deviation of the annual
17 return for the portfolio, we can calculate the expected
18 geometric mean, the annualized rate of return, over the ten-
19 year period.

20 Q And what is that number?

21 A And that's the 6.75-percent number.

22 Q And that's the number that your capital markets model
23 showed for this portfolio of target allocations?

24 A Right.

25 MR. WAGNER: Same objection. There's just way too

1 much leading here.

2 MR. MILLER: Go ahead.

3 THE COURT: The objection is sustained.

4 THE WITNESS: Okay.

5 THE COURT: No. The objection is sustained.

6 MR. MILLER: Oh, I'm sorry. Withdraw the question.

7 BY MR. MILLER:

8 Q Continue going through the process.

9 A All right. So the 6.75 is the expected mean annualized
10 rate of return over ten years, but due to the way investment
11 returns compound over time, that number has a little positive
12 skew to it, so as actuaries we don't like to use that.
13 That's not the most likely outcome. The most likely outcome
14 is the median or the 50th percentile of this possible return
15 distribution, so we make one final adjustment down to that
16 6.68-percent number. That is the median or 50th percentile
17 expected return and most likely return over the next ten
18 years.

19 Q And then can you explain to the Court the impact of the
20 horizontal line that says net of .10 percent investment
21 management fees?

22 A Right. Actuarial Standards of Practice 27 generally
23 discourages assuming that actively managed investments will
24 outperform sort of index funds or benchmarks, and you pay a
25 lot of extra fees for that, so we're developing expected

1 returns for essentially index funds or passive investments,
2 and they have very small fees, so we're estimating the fees
3 on that kind of a portfolio at only .1 percent or ten basis
4 points. So after we take those fees off, we're down at 6.58
5 percent as the expected net of fees median most likely return
6 over the next ten years.

7 Q So what figure does represent your best estimate of the
8 PFRS projected returns for the next ten years?

9 A 6.58 percent.

10 Q Now let's move to the table on the far right under the
11 column "Milliman 30-Year Assumptions." And did you
12 essentially undertake the same process in determining your
13 best estimate of the return for the PFRS portfolio over the
14 next 30 years?

15 A Yes. We followed the exact same process. We're just
16 using different individual asset class expected returns.

17 Q And what is your best estimate of PFRS returns for the
18 next 30 years under your capital markets model?

19 A 7.12 percent.

20 Q Why is the 30-year best estimate higher than the 10-year
21 best estimate for the PFRS portfolio?

22 A It's because, as I mentioned earlier, built into our
23 capital market assumptions is the expectation of rising
24 interest rates in general over the next ten years, so the 30-
25 year assumptions have the same first ten years as the 10-year

1 assumptions, but then when we get out, for example, to year
2 11, we're anticipating higher interest rates plus higher
3 returns on the fixed income asset classes that will then --
4 the portfolio would then benefit from those for the remaining
5 20 years of the 30-year horizon, so that's going to push
6 those 30-year numbers up within the fixed income asset
7 classes.

8 Q Okay. Mr. Perry, did you yourself prepare these tables?

9 A Yes, I did.

10 Q Okay. And do these tables and the results on those
11 tables, in fact, show the projected returns that your
12 analysis concluded?

13 A Yes.

14 MR. WAGNER: Objection. Leading.

15 THE COURT: Overruled. What's your answer?

16 THE WITNESS: Yes.

17 MR. MILLER: Steve, can you put on the screen the
18 next page of City Exhibit 465? It's called Exhibit 2. And
19 let's highlight, right, on the top left. And can you yellow
20 the top left corner? Right.

21 BY MR. MILLER:

22 Q And what does this exhibit represent, Mr. Perry?

23 A This is the same analysis but for GRS.

24 Q Okay. And did you follow the same process to develop the
25 projected investment returns for GRS that --

1 A Yes.

2 Q -- you had for PFRS?

3 A Yes.

4 Q And what is the best estimate of the projected GRS
5 returns for the next ten years?

6 A 6.52 percent.

7 Q And for the next 30 years?

8 A 7.04 percent.

9 Q And, again, the 30-year projection is higher than the 10-
10 year projection, and why is that so?

11 A Same reason. We have higher expected average returns in
12 fixed income over 30 years than we do over the next 10.

13 Q Now, when Milliman runs a capital markets projection,
14 does that projection provide, in addition to a single best
15 estimate that you've testified to, a range of best estimates?

16 A Yes, it does.

17 Q And why is that, sir?

18 A Because Actuarial Standard of Practice 27, which is the
19 standard covering the development of economic assumptions for
20 measuring pension obligations, it calls for the actuary to
21 develop a best estimate range, and the pension industry
22 generally has interpreted that to mean the 25th to 75th
23 percentile of this median long-term return distribution.

24 MR. MILLER: Steve, can I ask you to stick with City
25 Exhibit 465 and now move to page 2 of that exhibit? And can

1 you highlight the two charts near the top of that page?

2 Thank you.

3 BY MR. MILLER:

4 Q And, Mr. Perry, the top chart, what does that represent?

5 A Those are the expected returns and the best estimate
6 range for the two systems for the ten-year horizon.

7 Q And the bottom chart?

8 A The same for the 30-year horizon.

9 Q Okay. And can you explain how the capital markets
10 committee determined the best estimate range percentages that
11 are shown on the top chart for DGRS and DPFRS?

12 A So based on the same data, the same results we just
13 developed on the previous exhibits, with the expected average
14 return and the standard deviation for the portfolio, we can
15 use that information to estimate the 25th and the 75th
16 percentile just as we did for the 50th percentile.

17 MR. WAGNER: Your Honor, can -- I'm sorry. Can I
18 ask whether the -- what's being offered -- is this being
19 offered into evidence, and what part of the document is being
20 offered into evidence, whether it's the charts?

21 THE COURT: Good question.

22 MR. MILLER: Yeah. Your Honor, the city moves to
23 offer into evidence as demonstratives the Exhibit 1 chart
24 respecting PFRS, the Exhibit 2 charts respecting GRS, and
25 these charts on this page.

1 MR. WAGNER: No objection as demonstratives.

2 THE COURT: All right. For that limited purpose,
3 these -- those identified parts of this exhibit are admitted.
4 And it is closing time, so we will take our --

5 MR. MILLER: Your Honor, I'm sorry.

6 THE COURT: We will not take our break now.

7 MR. MILLER: We will not. I beg your indulgence.
8 The city would like to extract these materials from the
9 expert report and move to have them entered into and admitted
10 as evidence and not merely demonstratives.

11 THE COURT: Okay. So just for the record, what
12 would your next exhibit number be? Anybody know?

13 MR. STEWART: 706.

14 MR. MILLER: 706.

15 THE COURT: Is there any objection to that?

16 MR. MILLER: No.

17 THE COURT: All right. Then for all purposes, the
18 Court will admit Exhibit 706.

19 (City Exhibit 706 received at 5:00 p.m.)

20 THE COURT: Now can I call a recess for the day?

21 (Proceedings concluded at 5:00 p.m.)

INDEX

<u>WITNESSES:</u>	<u>Direct</u>	<u>Cross</u>	<u>Redirect</u>	<u>Recross</u>
Glenn Bowen	35	89	120	124
Martha E.M. Kopacz	137	186		
Alan H. Perry	206			

<u>EXHIBITS:</u>	<u>Received</u>
City Exhibit 473	76
City Exhibit 474	76
City Exhibit 491	60
City Exhibit 495	97
City Exhibit 496	97
City Exhibit 632 (demonstrative)	70
City Exhibit 633 (demonstrative)	44
City Exhibit 706	248
Syncora Exhibit 4054	41
Syncora Exhibit 4776	41
COPs Exhibit 1001	52
COPs Exhibit 1004	52
COPs Exhibit 1008	60
COPs Exhibit 1023	52
COPs Exhibit 1024	52
COPs Exhibit 1028	97
COPs Exhibit 1029	97
COPs Exhibit 1036	110
COPs Exhibit 1040	110

I certify that the foregoing is a correct transcript
from the sound recording of the proceedings in the above-
entitled matter.

/s/ Lois Garrett

September 21, 2014

Lois Garrett

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846
MICHIGAN, .
 . Detroit, Michigan
 . September 29, 2014
Debtor. . 9:06 a.m.

HEARING RE. (#7667) EMERGENCY MOTION FOR RELIEF FROM
STAY AND WAIVING THE FRBP 4001(a)(3) FILED BY
CREDITOR CITIZENS UNITED AGAINST CORRUPT GOVERNMENT;
CONTINUED TRIAL RE. OBJECTIONS TO CHAPTER 9 PLAN
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Debtor:

Jones Day
By: HEATHER LENNOX
222 East 41st Street
New York, NY 10017
(212) 326-3837

Jones Day
By: GREGORY M. SHUMAKER
GEOFFREY S. STEWART
THOMAS CULLEN
51 Louisiana Avenue, N.W.
Washington, DC 20001
(202) 879-3939

Jones Day
By: DAVID G. HEIMAN
North Point, 901 Lakeside Avenue
Cleveland, OH 44114
(216) 586-3939

Pepper Hamilton, LLP
By: ROBERT S. HERTZBERG
4000 Town Center, Suite 1800
Southfield, MI 48075-1505
(248) 359-7333

Miller, Canfield, Paddock & Stone, PLC
By: MEGAN P. NORRIS
150 West Jefferson, Suite 2500
Detroit, MI 48226
(313) 963-6420

APPEARANCES (continued):

For Citizens United Against Corrupt Government:	Paterson Law Office By: ANDREW A. PATERSON, JR. 46350 Grand River Avenue, Suite C Novi, MI 48374 (248) 568-9712
For Financial Guaranty Insurance Company:	Weil, Gotshal & Manges, LLP By: EDWARD SOTO 1395 Bricknell Avenue, Suite 1200 Miami, FL 33131 (305) 577-3177
For Macomb County Drain Drainage District:	Dechert, LLP By: DEBRA O'GORMAN 1095 Avenue of the Americas New York, NY 10036 (212) 698-3600
For AFSCME:	Miller Cohen, PLC By: RICHARD MACK, JR. 6700 West Lafayette Blvd., 4th Floor Detroit, MI 48226-3191 (313) 566-4787
For Ad Hoc Water and Sewer Bondholders:	Kramer Levin Naftalis & Frankel, LLP By: JONATHAN M. WAGNER 1177 Avenue of the Americas New York, NY 10036 (212) 715-9393
Court Recorder:	LaShonda Moss United States Bankruptcy Court 211 West Fort Street, 21st Floor Detroit, MI 48226-3211 (313) 234-0068
Transcribed By:	Lois Garrett 1290 West Barnes Road Leslie, MI 49251 (517) 676-5092

Proceedings recorded by electronic sound recording,
transcript produced by transcription service.

1 THE COURT: Let's turn our attention to the
2 emergency motion for relief from stay, please.

3 MR. PATERSON: Andrew Paterson on behalf of the
4 petitioners.

5 MS. NORRIS: Megan Norris of Miller Canfield --

6 THE COURT: All right. Stand by one second while
7 those who would like to leave the courtroom get an
8 opportunity to do that.

9 MR. THORNBLADH: Thank you, your Honor.

10 MS. JENNINGS: Thank you, your Honor.

11 THE COURT: You're welcome. Let's give folks one
12 more minute. And I think we are ready to proceed, sir.

13 MR. PATERSON: Your Honor, this is petitioner's --
14 movant's motion for relief from the stay for purposes of
15 filing in the Wayne County Circuit Court an open meetings
16 case against the Detroit City Council. And I would first
17 indicate that the ideal of a democratic government is too
18 often thwarted by bureaucratic secrecy and unresponsive
19 officials. Citizens frequently find it difficult to discover
20 what decisions are being made and what facts lie behind those
21 decisions. The Open Meetings Act protects citizens' right to
22 know what's going on in government by opening to full public
23 view the process by which elected and nonelected officials
24 make decisions on citizens' behalf. Those are not my words.
25 Those are the words of the Michigan legislature upon the

1 introduction of the Open Meetings Act and the Freedom of
2 Information Act in 1976 in the post-Watergate era. The
3 Section 3 of the Open Meetings Act states in its very first
4 sentence, "All meetings of a public body shall be open," and
5 the law as it is developed construes exemptions from that
6 narrowly and broadly protects the right of citizens to know
7 what's going on in their government.

8 The response from the debtor on behalf of the city
9 council indicated, and I think correctly, that the violation
10 of the Open Meetings Act is not really the issue before this
11 Court, and I think that's correct, although the bulk of the
12 response did try to repeat over and over and over again that
13 it was a permitted meeting under various exemptions,
14 particularly the legal matters. The evidence that the
15 movants intend to introduce would be the extensive public
16 statements about the meetings from the participants in the
17 meetings indicating that there were negotiations and
18 discussions for three full days. I think it was a patent
19 violation of the Open Meetings Act, and the plaintiffs intend
20 to seek as well as a declaration of that an injunction
21 against further violations by the Detroit City Council with
22 respect to the Open Meetings Act.

23 THE COURT: Well, how do you deal with the city's
24 argument that your claim is moot?

25 MR. PATERSON: It's not. I mean they've

1 indicated --

2 THE COURT: How do you deal with it? What's your
3 response?

4 MR. PATERSON: They've indicated repeatedly that
5 these were meetings and discussions addressing the facts
6 behind the decisions, and those are clearly covered by the
7 Open Meetings Act. The city's response or the debtor's
8 response is the response that it may want to make to a
9 circuit judge, but for purposes of this Court's relief, the
10 merits of the case aren't really before it, although I'm
11 confident this is a lay-down open meetings violation. The
12 city has failed in its response to point to any specific harm
13 that would happen to this proceeding or in this court.
14 They've made --

15 THE COURT: Well, but I need an answer to my
16 question because if the matter is moot, there's no sense in
17 granting relief from the stay.

18 MR. PATERSON: I'm seeking an injunction.

19 THE COURT: What's not moot about it?

20 MR. PATERSON: I'm seeking --

21 THE COURT: What relief can a court provide to your
22 clients?

23 MR. PATERSON: The Circuit Court can and probably
24 will enjoin them from further violations of the Open Meetings
25 Act. Citizen's right to know. It's a fundamental right of

1 every citizen of this state to see that public bodies --

2 THE COURT: But there's no more --

3 MR. PATERSON: I did in our motion --

4 THE COURT: Let me just -- let me just finish my
5 question.

6 MR. PATERSON: Yeah. Go ahead.

7 THE COURT: There's no more imminent or threatened
8 violation of the Open Meeting Act at this point.

9 MR. PATERSON: The circuit judge may determine that
10 and may not issue an injunction, but I am going to seek an
11 injunction against further violations. I must say I have in
12 the past sued the city's city council for past violations.
13 This is not a new thing to disregard the public's right to
14 know. I don't understand it as a philosophy of governance.
15 I would think that you would want to educate your
16 constituents as to all of the issues behind all of your
17 decisions so that they better understand it and don't suspect
18 that there's some secret deal, I think particularly in this
19 case. There's not been any decision made by this city
20 council other than the initial one back 18 months ago that's
21 been more important. The citizens are wondering.

22 THE COURT: What happened 18 months ago?

23 MR. PATERSON: Mr. Orr was accepted and appointed to
24 the emergency manager position under Act 43 --

25 THE COURT: Did the city council do that?

1 MR. PATERSON: City council did not oppose it. I
2 think it was a five to four vote, as I recall, or four -- it
3 was a one vote majority. That's that last decision that the
4 council made that had the importance to this decision, and I
5 don't think that there's any particular dispute with the
6 merits of the decision. It's probably a good thing. I don't
7 think that's the issue. I think the way they have gone about
8 it in hiding it from their constituents is the issue. That
9 doesn't serve the public interest well. It doesn't --

10 THE COURT: Does the law require a public body to
11 open up its meetings when it's seeking legal advice from its
12 attorneys?

13 MR. PATERSON: I think it's pretextual that they
14 said that. How do you negotiate --

15 THE COURT: Please answer my question.

16 MR. PATERSON: Oh, the law permits certain matters
17 that are legal matters that are involved in litigation but
18 also in the public body's obligations under contract or the
19 law to be discussed, and they do allow them to be discussed
20 in private.

21 THE COURT: And so why -- where is the evidence that
22 something other than that happened here?

23 MR. PATERSON: The evidence is in the public
24 statements of the participants in the meeting.

25 THE COURT: Like what?

1 MR. PATERSON: Pardon?

2 THE COURT: Like what? Name one.

3 MR. PATERSON: Three days of negotiations. Even in
4 their own brief, they talked about reaching a consensus. All
5 of the facts that underlie the decision that was made and the
6 agreements that were reached have been excluded from the
7 public view.

8 THE COURT: Now, you said there were public
9 statements that suggest that something at these meetings
10 happened other than council deliberating with its attorneys
11 on legal matters.

12 MR. PATERSON: I do say that. I do say that, and I
13 think the defendants --

14 THE COURT: I'd ask you to identify one.

15 MR. PATERSON: The defendants indicate that in their
16 response. They indicate that the closed sessions were
17 conducted for the purposes of obtaining legal advice.
18 They've said that repeatedly, repeatedly, repeatedly, but
19 they also indicate --

20 THE COURT: The fact that they state it repeatedly
21 doesn't make it wrong.

22 MR. PATERSON: No, but if I call a dog's tail a leg,
23 he still only has four legs, as Lincoln observed.

24 THE COURT: Okay.

25 MR. PATERSON: The statement in the defendant's

1 response indicates that they reached a consensus and that the
2 consensus was reflected in the agreements that were signed
3 and authorized by the city council. Those agreements --

4 THE COURT: Well, but they were -- it was a -- it
5 was a consensus concerning this litigation.

6 MR. PATERSON: It's a consensus as to how to proceed
7 with respect to the future --

8 THE COURT: This litigation.

9 MR. PATERSON: I don't see that as an exemption
10 under the Open Meetings Act.

11 THE COURT: Well, but --

12 MR. PATERSON: All public meetings -- all
13 meetings --

14 THE COURT: I thought you had already admitted that
15 there was an exemption for legal advice relating to
16 litigation.

17 MR. PATERSON: Yes, and I think the public
18 statements by the participants in the meeting indicate that
19 was pretextual, very simply pretextual.

20 THE COURT: Okay. But I'm asking you --

21 MR. PATERSON: In fact, you don't need to see the
22 smirk of the mayor when he was asked that question to know
23 that it was pretextual. Other members that attended the
24 meeting saw that they had a lot of negotiations to do over
25 the timing and all of those issues that were involved that

1 are substantive.

2 THE COURT: But I'm asking you why isn't all of that
3 covered by the exemption?

4 MR. PATERSON: It's not. It's not legal matters.

5 THE COURT: But to tell me it's not doesn't answer
6 my question. Why isn't it? What's the --

7 MR. PATERSON: Participating --

8 THE COURT: What's the legal analysis that
9 establishes that it's not?

10 MR. PATERSON: Participating in a negotiation with
11 parties is not legal analysis. That's not discerning legal
12 analysis. That's my right to participate in a negotiation,
13 and the city council is told that in their legal opinion, and
14 then they proceed to negotiate. Those are public
15 discussions.

16 THE COURT: But it's negotiation over a legal matter
17 in litigation.

18 MR. PATERSON: It does not exempt the facts that
19 underlie the decision and the consensus and the discussions
20 that were reached with respect to this. Not all legal --

21 THE COURT: What's the best case you've got in
22 support of your position?

23 MR. PATERSON: I think I cited them in my brief, and
24 they do address the scope of the legal exemption. It's
25 certainly in the context of litigation it can arise. It is

1 also, though, important to know what were the bases reached
2 for some compromise within those litigations or the facts
3 underlying -- the discussion of the facts underlying and the
4 truth of those facts. The substance of that decision is the
5 kind of decision that a Circuit Court would make.

6 THE COURT: Well, let me propose -- let me propose
7 to you a hypothetical. Counsel for the city wants to give --
8 all right. The term "counsel" obviously has two distinct
9 meaning here. The attorney for the city wants to give the
10 council -- the city council legal advice on how to settle a
11 personal injury suit and explain why he's recommending a
12 settlement at X dollars. Okay. They go into closed session
13 because it's in litigation, and one of the members says, "I
14 don't want to -- I don't think we should settle this for X.
15 I think we should settle it for Y," and they continue to have
16 a discussion with the attorney about the legal merits of the
17 case, the strengths and weaknesses on each side, and they
18 come to a resolution to offer a settlement at Z. How much,
19 if any, of that needs to be in public under the Open Meetings
20 Act?

21 MR. PATERSON: The legal obligations or the
22 recommendation of the attorney if it's in writing is
23 certainly something that can be discussed. Why did you reach
24 that number, why do you propose settling it, and here's what
25 I propose settling it for because of and gives them the

1 merits, objections to it, discussion of it, starts to
2 borderline whether or not that is exempt. That's the circuit
3 judge's obligation to determine in the proceeding, and the
4 minutes --

5 THE COURT: So your position is that even the
6 attorney's statement of reasons why the case should not be
7 settled at Y, it should be settled at X, is something that
8 might be subject to the Open Meetings Act?

9 MR. PATERSON: Might be; might be. Not likely, but
10 might be. More than often -- more often than not there will
11 be a consensus reached, but the discussions here travel
12 beyond the settlement of a lawsuit. This is the active
13 participation of the city in its future of the most
14 fundamental aspects of it and the regaining of the power to
15 do that. That was what was on the table according to Mr. Orr
16 and his orders that were entered in respect to that. Those
17 are matters that reach well beyond the legal obligations of
18 the city and involve widespread negotiation over the
19 regaining of the power of the elected members of the city
20 council.

21 THE COURT: Well, but all in relation to the
22 administration of this bankruptcy from the city's
23 perspective.

24 MR. PATERSON: The city is also obligated and the
25 emergency manager is also obligated to administer the city

1 and administer under the law all of the obligations of the
2 city and the business of the city. They can't blanket the
3 business of the city with a, well, it's in Bankruptcy Court;
4 therefore, the stay is a shield against violations of the
5 Open Meetings Act and other violations of law.

6 THE COURT: Anything further, sir?

7 MR. PATERSON: No, other than I did in my motion
8 indicate to the Court that I'm not seeking to undo, as I'd
9 have the right to do under the Open Meetings Act, the actions
10 taken. The relief that we're seeking in the Circuit Court
11 would be prospective only, and it would be prospective with
12 respect to further violations of the Open Meetings Act by the
13 Detroit City Council.

14 THE COURT: And of course you'd want attorney fees.

15 MR. PATERSON: And of course I would want attorney's
16 fees.

17 THE COURT: Thank you.

18 MR. PATERSON: Thank you.

19 MS. NORRIS: Good morning, your Honor. Megan Norris
20 on behalf of the city. I'll be brief. It's clear that
21 you've reviewed everything. First of all, the timing of the
22 motion and the substance of plaintiff's motion makes it clear
23 that the events at issue are over. Plaintiffs filed their
24 motion mid-day on Thursday. By the end of the day Thursday,
25 the city and state had filed with this Court a joint notice

1 of transition plan, which outlines a proposed transition from
2 the emergency manager to the city elected officials.
3 Plaintiff in their motion does not -- petitioners don't argue
4 that there have been any other violations of the Closed
5 Meetings Act by city council. City council has been in and
6 out of closed session for a number of reasons on a number of
7 occasions since this bankruptcy trial began. The only issue
8 are the meetings that have just taken place. One of the
9 Garzoni factors is the creditor's claim -- whether the
10 creditor's claim is likely to succeed on the merits, and as
11 the Court has noted, there is no evidence of any violation.
12 The meeting was properly closed. The statute was cited. The
13 transition -- the subject being the transition, specifically
14 PA 436 transition matters, was cited in city council's
15 closure resolution. This was not a blanket business of the
16 city closure. This was not even a blanket attorney-client
17 privilege closure. This was specifically to discuss the
18 memoranda of counsel and the advice of counsel and discussion
19 of the memoranda relating to the transition. Clearly there
20 can be harm to the city if this is allowed to go forward at
21 this time, and that really is the question. It's not whether
22 it can go forward. It's whether it can go forward at this
23 time, whether the stay should be lifted. As this Court has
24 noted repeatedly in the trial in front of it as we speak, the
25 issue on the plan of adjustment is not simply whether debts

1 can be resolved. The issue is also whether the city has a
2 viable plan to go forward, and a big part of that plan is how
3 the city moves from the emergency manager that has
4 effectively guided the city through this bankruptcy back to
5 the elected officials as the city goes forward to allow a
6 lawsuit against exactly those players, city council, but
7 obviously the mayor would be involved. Obviously the
8 emergency manager would be involved. To allow a lawsuit
9 involving those folks to go forward at this time would be
10 detrimental to exactly what this Court is trying to
11 accomplish in smoothing the transition of the city out of
12 bankruptcy. If you have any questions, I'm happy to answer
13 them.

14 THE COURT: What's the connection given that Mr.
15 Paterson says all he wants is an injunction against future
16 violations of the Open Meetings Act?

17 MS. NORRIS: Right. So the connection is it's a
18 law -- first, he has to prove a violation, so there's a
19 lawsuit, and in that lawsuit there will be arguments about
20 what happened or didn't happen. That will require at minimum
21 an in camera review of what happened in closed session. In
22 many cases Mr. Paterson has sought to take depositions of
23 people involved to determine whether the mayor's smirk -- I
24 use Mr. Paterson's term -- means anything, to determine
25 whether, as in the Wyoming case, there were winks or nods or

1 slips of paper across the table, so there's discovery in that
2 case. So before there's any finding of a violation, before
3 any injunction is issued, before any attorney's fees are
4 awarded, there has to be a finding, and that is exactly the
5 kind of action that the city does not need to be going
6 through right now. It is a very sensitive area. The orders
7 have been issued. You've seen the transition, the joint
8 notice of transition. As Mr. Paterson noted, there was a
9 city council meeting at the beginning not to oppose the
10 appointment of Kevyn Orr, and there has been a meeting at the
11 end. The parties have agreed that there is a date certain --
12 i.e., the effective date of the plan of adjustment -- and
13 Mr. Orr has begun the transition, so there's no evidence that
14 there would be meetings on this topic going forward. If
15 there were, they would be noticed in the same way, but to say
16 that the notice was pretextual in some way when the results
17 of the meeting are exactly the topic identified in the legal
18 memoranda, it's not like the results of the meeting are
19 something unrelated to exactly what was identified. The
20 transition plan is absolutely without any support.

21 THE COURT: Thank you.

22 MS. NORRIS: Thank you.

23 MR. PATERSON: If the Court is concerned, I'm fairly
24 satisfied that there's ample evidence that won't require the
25 deposition of the mayor or the emergency manager in this

1 case. Statements made by city council members and others are
2 public and ample, and I, frankly, expect that they will have
3 to admit those statements once the proceeding has begun.

4 THE COURT: The city questions why this can't wait,
5 if it needs to be pursued at all, until after the bankruptcy
6 is over.

7 MR. PATERSON: The injunction relief would prevent
8 further violations of the Open Meetings Act and allow the
9 citizens to see what decisions are being made in public and
10 what the facts are that lie behind those decisions.

11 THE COURT: Well, fair enough, but you don't have
12 any evidence of any imminent or threatened violation of the
13 Open Meetings Act other than, well, they did it once, so they
14 might do it again.

15 MR. PATERSON: I think that question flips the
16 burden. I think the proceeding, if the stay were lifted, is
17 not going to affect this Court's actions or anything in this
18 Court whatsoever. It's going to carry on independent of
19 that, and there's absolutely no burden on this Court by
20 removing and lifting the stay with respect to this
21 litigation, and, in fact, I think that --

22 THE COURT: Well, the argument isn't based on burden
23 on this Court. The argument is based on burden to the city
24 in having to address your lawsuit while it's trying to wrap
25 up this --

1 MR. PATERSON: The city --

2 THE COURT: -- critical litigation here.

3 MR. PATERSON: The city law department has had
4 little to do during this proceeding because many of the cases
5 that were stayed did not proceed. I know for --

6 THE COURT: You're concerned about full employment
7 for the city law department?

8 MR. PATERSON: I think they're more than able and
9 capable of defending this action.

10 THE COURT: Well, but it's not just the law
11 department. It's the city.

12 MR. PATERSON: I don't see how potentially, I guess,
13 a deposition -- if there's a failure to admit public
14 statements that were made and a request for that admission is
15 denied, I suppose at that point I need to take the deposition
16 of the person that made the statement, and in most cases it's
17 members of the city council that were explaining their vote
18 and why they carried out for three days the discussions on
19 this matter. That doesn't seem to impose any burden on this
20 Court.

21 THE COURT: All right. Thank you. Anything
22 further?

23 MR. PATERSON: Thank you.

24 MS. NORRIS: No, your Honor.

25 THE COURT: All right. I'll take this under

1 advisement for 15 minutes, and we'll reconvene at 9:45,
2 please.

3 THE CLERK: All rise. Court is in recess.

4 (Recess at 9:30 a.m., until 9:50 a.m.)

5 THE CLERK: All rise. Court is back in session.
6 You may be seated.

7 THE COURT: It appears everyone is present. The
8 standard by which the Court determines this and other motions
9 for relief from the stay is whether the moving party has
10 established cause. The matter is, of course, addressed to
11 the Court's discretion. In evaluating whether there is cause
12 for relief from the stay, the Court considers the harm to the
13 moving party if the stay is maintained and the harm to the
14 debtor if this motion is granted and relief from stay is
15 granted. In this case, if relief from the stay is denied and
16 the stay is maintained in effect, the plaintiffs will be
17 forced to wait to pursue their claim against the city until
18 the stay terminates, which would happen either upon
19 confirmation or dismissal of the case. If the motion is
20 granted, the city will be, of course, required to defend the
21 lawsuit that would be filed.

22 The city maintains that the lawsuit is moot and that
23 it otherwise lacks merit under the Open Meetings Act and that
24 it should not be forced to defend a lawsuit that is either
25 moot or lacks merit or both. There are certainly aspects of

1 the claimed violation of the Open Meetings Act that are moot,
2 but it appears that there are aspects that are not moot. For
3 example, the motion states that if the Circuit Court were to
4 find a violation of the Open Meetings Act, the plaintiffs
5 would seek disclosure of certain materials relating to the
6 closed meeting such as minutes or transcripts, et cetera.

7 The Court also must find in the circumstances that
8 the claimed violation of the Open Meetings Act is not a
9 frivolous claim. If it were, the Court, of course, would not
10 grant relief from the stay since no party should be required
11 to defend a frivolous action. The claim is not frivolous.
12 The city has a defense to it, perhaps even a strong defense,
13 but the claim itself is not a frivolous claim.

14 On the city's contention that the requirement to
15 defend the lawsuit may somehow impact its ability to
16 efficiently pursue this bankruptcy, the Court must find that
17 there is really nothing to support or suggest that.

18 Accordingly, in the circumstances, the Court
19 concludes that its discretion should be exercised in favor of
20 granting the motion, and the motion is granted. Mr.
21 Paterson, please prepare an order, have it approved as to
22 form by city counsel -- the city's attorneys and have it --
23 and then submit it to the Court.

24 MR. PATERSON: Will do, your Honor. Thank you.

25 THE COURT: All right. Let's turn our attention

1 back to the trial then. And let's stand by one second while
2 the courtroom settles down again. Sir.

3 MR. HEIMAN: Good morning, your Honor. David Heiman
4 of Jones Day for the city. I would like to just take a
5 minute, with your indulgence, to mark the moment of the
6 transition that was just the subject of your prior hearing,
7 and we did not want to let this moment pass. At a time like
8 this, many thoughts race through one's mind, and I'm sure in
9 Mr. Orr's case hundreds or thousands of thoughts race through
10 his mind based on the last 18 months. But as your Honor
11 knows, his term, if I can call it that, essentially expired
12 yesterday at the conclusion of the 18 months, and that term
13 was dealt with by the four legal authorities, government
14 entities, including Mr. Orr, that have some participation in
15 this matter. That would be the state, the mayor, Mayor
16 Duggan, city council, and Mr. Orr himself. And at least in
17 my view, this should be looked upon as somewhat of a right of
18 passage for the City of Detroit, a very momentous occasion
19 even though we are, indeed, in the middle of a trial seeking
20 confirmation of the plan of adjustment. So I would like to
21 address both perhaps gratuitously all the benefits that have
22 been derived from the implementation of 436 and explain to
23 the Court, as I assume you've read in the newspapers as well
24 as the papers that were filed, the joint notice that was
25 filed, but an event that is perhaps new and different for

1 those who have lived in Detroit the last few decades where
2 four legal authorities that impact the City of Detroit have
3 come together in a unified fashion in the best interest of
4 Detroit.

5 So in doing that and explaining what we see is
6 happening now, I would also like to make it clear to the
7 Court that we -- that I rise without presumption. We are
8 fully cognizant that it is and will continue to be the city's
9 burden to demonstrate that it has earned the right to emerge
10 from Chapter 9. We are in the process of doing that. We
11 have every hope and expectation we will be able to do that,
12 but we also totally recognize that the gavel remains in the
13 hands of your Honor and that we submit ourselves to that
14 process with the hope that we will swiftly emerge from
15 Chapter 9.

16 As I said, Mr. Orr's statutory reign, if you will,
17 has expired, but not without a lot of consideration on how to
18 transition from Mr. Orr's supervision back to the city
19 council and the mayor, and so what you've seen through the
20 joint notice is a 9-0 resolution of the city -- city council,
21 that is -- which is confirmed by the mayor, and as
22 acknowledged and confirmed by Mr. Orr, that the city itself
23 is ready to take back the reins through the mayor's office
24 and city council. And the good news for the bankruptcy is
25 that the city council, the mayor, and the state have

1 recognized that we are here today this far in the progress --
2 in the process as a result of Mr. Orr's supervision, and it
3 only makes good sense to provide that Mr. Orr shall see it to
4 its conclusion hopefully and that his ability to continue to
5 supervise the bankruptcy, the pursuit of the confirmation of
6 the plan of adjustment as well as implementation of a plan of
7 adjustment should it be confirmed should remain intact, and,
8 therefore, the authorities have determined that he should
9 stay in place for that limited purpose until the effective
10 date of the plan.

11 With that, I would like to refer you to the
12 specifics of the city council resolution. There is a recital
13 on the first page that confirms that the city council is
14 supportive of the plan of adjustment and seeks a smooth
15 completion and that it has agreed to retain with Mr. Orr
16 those powers necessary to see that occur. And Mr. Orr
17 himself has issued Order #42, Emergency Manager Order Number
18 42, which delineates the allocation of responsibilities among
19 himself, the city council, and the mayor, and, of course, his
20 role will continue to be, as I said, the management of the
21 bankruptcy proceeding and the implementation of the plan of
22 adjustment, so with that -- and if the Court has any
23 questions, I'd be happy to try to address them.

24 THE COURT: No. Thank you, sir.

25 MR. HEIMAN: Thank you.

1 MR. HERTZBERG: Good morning, your Honor. Robert
2 Hertzberg, Pepper Hamilton, on behalf of the city. Tomorrow
3 is a date that the Court set aside to handle the objection
4 filed by the UAW. We've been in discussions with the UAW.
5 We have a mediation now set up for tomorrow in a hope to try
6 and resolve the dispute with the UAW. Based upon that, we
7 would ask that the Court allow us to go to mediation
8 tomorrow, adjourn the hearing on the UAW's objection, and
9 allow them to come back if we're not able to resolve our
10 differences in the future and have a full hearing.

11 THE COURT: Who is your mediation with?

12 MR. HERTZBERG: Mr. Driker.

13 THE COURT: Does the UAW support this request?

14 MR. HERTZBERG: I believe they do, your Honor.

15 THE COURT: Is there anyone here from the UAW?

16 MR. MACK: Richard Mack, your Honor, with AFSCME.
17 We've actually filed objections as well over a similar issue,
18 and we do, in fact, support the request.

19 THE COURT: Are you involved or is your client
20 involved in the mediation also?

21 MR. MACK: Yes.

22 THE COURT: What time is the mediation set for?

23 MR. MACK: 9:30. I just got the e-mail a little bit
24 ago.

25 THE COURT: All right. Well, it's been the Court's

1 practice and policy when these kinds of situations arise to
2 consult with the mediator and to follow the mediator's advice
3 regarding my processes, and so that's what I'll do here, and
4 I'll get back to you.

5 MR. HERTZBERG: Thank you, your Honor.

6 MR. MACK: Thank you, your Honor.

7 THE COURT: One more thing before we get underway.
8 My apologies to you for not printing out the compilation of
9 your remaining time for today. I'm showing for the city a
10 balance of 46 hours and 53 minutes and for the objectors 67
11 hours and 9 minutes. And while we're on the subject, I want
12 to have a discussion with you all tomorrow about the extent
13 to which it is appropriate to reduce these times in light of
14 the Syncora settlement.

15 MR. SHUMAKER: Certainly, your Honor. Greg
16 Shumaker, Jones Day, for the city, your Honor. Just a couple
17 of housekeeping matters that we wanted to raise with you.

18 THE COURT: Go ahead.

19 MR. SHUMAKER: First of all, your Honor, as you
20 know, we broke last week, and the city and the objectors had
21 multiple discussions about discovery in light of the Syncora
22 settlement. I wanted to advise you -- your Honor probably
23 noticed -- that FGIC issued two 30(b)(6) deposition notices,
24 one to the city and one to Syncora. Those depositions are to
25 take place tomorrow and -- tomorrow is going be Mr. Doak's

1 deposition. He's going to be the gentleman from Miller
2 Buckfire who is the 30(b)(6) witness for the city. And --
3 I'm sorry -- M.J. is the name of the woman who was being
4 designated for Syncora. I don't know her last name. She is
5 being deposed on Wednesday, so that's proceeding apace.

6 The city also, as we informed your Honor last
7 probably Tuesday or two Tuesdays ago, put forth a
8 supplemental expert report for Mr. Buckfire, and so that went
9 out in the middle of last week, and the objectors agreed that
10 they did not want to depose Mr. Buckfire, so that took place
11 as well.

12 Another matter -- just a couple of other things. We
13 understand that the objectors, FGIC in particular, will be
14 submitting a supplemental expert report from Mr. Spencer, and
15 I believe that's going to come on Friday of this week, if I'm
16 not mistaken, and so that's also moving forward. And then
17 also the parties got together about stipulating to two
18 declarations from two witnesses at KCC, the voting tally --
19 voting tallier, and so we're putting together those
20 declarations, and we'll be able to submit those to the Court
21 later today or tomorrow.

22 The impact of UAW day on witness scheduling and
23 order I wanted to raise with your Honor. What we were hoping
24 to do is Mr. Malhotra will go today. We'll see how long he
25 takes. He will have a significant amount of testimony.

1 Obviously don't know how long cross will last. But then
2 Mr. Buckfire is scheduled to go after Mr. Malhotra. What the
3 city plans on doing is trying to move up Mr. Kaunelis, who is
4 a DWSD witness on the capital expenditures, going to move him
5 up in front because the Doak deposition is going forward
6 tomorrow. We're trying to work this so that then Mr. Doak
7 can testify after Mr. Kaunelis, and then Mr. Orr would
8 testify, so that's a slight modification to the order that
9 was currently -- that's currently in place or that the city
10 has filed. One issue, though, your Honor, because of UAW day
11 perhaps moving to keep in mind is notice to the pro se
12 objectors about Mr. Orr's appearance. Depending on how fast
13 this moves, Mr. Orr could come up sometime tomorrow, and I
14 just wanted to raise that with your Honor because I know
15 that's something your Honor has been concerned about in the
16 past.

17 THE COURT: So are you representing that if we
18 adjourn the UAW testimony or portion of the trial off of
19 tomorrow, that Mr. Doak would testify after Mr. Orr or still
20 before?

21 MR. SHUMAKER: Well, we're hoping Mr. Doak could
22 testify before Mr. Orr about the Syncora settlement so that
23 your Honor has the benefit of his before Mr. Orr gets on and
24 starts, you know, talking about why the Syncora settlement
25 was a good thing. That's why we had ordered it the way we

1 had.

2 THE COURT: It still feels a little aggressive to
3 suggest that Mr. Orr might testify tomorrow, but I do want to
4 thank you for alerting the Court to the possibility because
5 we do want to try to notify people. It will either be
6 tomorrow or Wednesday might be --

7 MR. SHUMAKER: That's fine, your Honor. Wonderful.

8 THE COURT: -- might be the message we should send.

9 MR. SHUMAKER: And then one final matter, your
10 Honor, was during the break the city took the opportunity to
11 review its exhibit list and to take a look at those exhibits
12 that with the withdrawal of the objections by the DWSD
13 parties, the counties, and Syncora, there are no longer any
14 outstanding objections to those exhibits, and -- in other
15 words, neither FGIC nor the COPs holders nor MIDDD has
16 objected to them, so we would ask that those exhibits be
17 admitted into the record pursuant to the Court's protocol
18 previously. We have a list of those. There are about 144.
19 I could read them into the record, but I also have copies
20 that I could hand up to you and proceed in that way.

21 THE COURT: Let me suggest a slightly different
22 procedure. Please share that list with the remaining
23 objecting parties, and then perhaps after lunch I can hear
24 from them on any issues arising from your request.

25 MR. SHUMAKER: Will do, your Honor.

1 THE COURT: Is that all right with you, sir?

2 MR. SOTO: Yes, your Honor.

3 MR. SHUMAKER: I think that's all I had, your Honor.
4 Thank you.

5 THE COURT: All right.

6 MR. SOTO: Your Honor, with respect to those
7 logistics -- by the way, Ed Soto, FGIC. With respect to
8 those logistics, we have --

9 THE COURT: Pull the microphone closer to in front
10 of you.

11 MR. SOTO: -- we have only an issue with the timing
12 of Doak, which we thought we had discussed with the city.
13 Mr. Doak can only be made available to be deposed tomorrow.
14 We are going to, in fact, depose him tomorrow. We did get
15 access to M.J. prior to that through the people at Syncora,
16 but we had hoped to be able to take his deposition, as we've
17 now read his 30-page expert report, prepare for his testimony
18 and then do his testimony, and we hope to be able to do that
19 on Friday, your Honor, because of the sequence of the
20 difficulty of just trying to get it all together. From a
21 timing standpoint, that's where we are.

22 One other thing, your Honor, the -- we're now -- and
23 we've informed the city of this -- working on trying to
24 obtain our fifth labor expert. We've gone through four of
25 them who were unable to appear either because of timing or

1 because of some other conflicts. We know the Court has given
2 us an opportunity to do that. We know the time is getting
3 short. We just wanted to let the Court know we're --

4 THE COURT: Right.

5 MR. SOTO: -- frantically deciding whether we need
6 that expert or if we can obtain that expert.

7 THE COURT: Mr. Shumaker, it does feel appropriate
8 to have Mr. Doak's testimony after his deposition, doesn't
9 it?

10 MR. SHUMAKER: I would agree that would be fair,
11 your Honor.

12 THE COURT: All right. Well, let's work that out
13 then.

14 MR. SHUMAKER: Yes. And part of this complication
15 is there are some witnesses can -- only can testify on
16 Friday, so we're trying to --

17 THE COURT: And Friday is a half a day --

18 MR. SHUMAKER: That's right, your Honor. That's
19 right.

20 THE COURT: -- or at least part -- we're going to
21 stop at one.

22 MR. SHUMAKER: Correct; correct. So we will
23 continue to work on that.

24 THE COURT: All right. All right.

25 MR. SHUMAKER: But the Mr. Orr issue is still out

1 there because --

2 THE COURT: Right.

3 MR. WAGNER: Your Honor, Jonathan Wagner on behalf
4 of the COPS. You may remember that if the -- when the UAW
5 hearing was scheduled, Ms. Thomas, the executive director of
6 the pension plans, was going to testify, and then we were
7 going to do our cross, so if that's -- if we're going forward
8 tomorrow, we'll do the cross tomorrow. If not, we'll do it
9 probably at the beginning of our case.

10 THE COURT: Okay.

11 MR. WAGNER: The second point is there are, I think,
12 six witnesses on the city's may call list. It would be good
13 to have a date by which we know whether those witnesses are
14 going to be called.

15 THE COURT: Any thoughts on that, Mr. Shumaker?

16 MR. SHUMAKER: I would think, your Honor, that we
17 would be in a position to tell the objectors that by the end
18 of the week. I think that's right.

19 THE COURT: Okay.

20 MR. SHUMAKER: Thank you.

21 THE COURT: Can we get underway now?

22 MR. STEWART: Your Honor, Geoffrey Stewart of Jones
23 Day for the city. The city would call its next witness,
24 Mr. Gaurav Malhotra.

25 THE COURT: Raise your right hand.

1 GAURAV MALHOTRA, CITY'S WITNESS, SWORN

2 THE COURT: Please sit down.

3 MR. STEWART: Your Honor, if I may approach, I have
4 binders and USB drives for the exhibits. Just for the
5 record, the binders are full of paper. We have five exhibits
6 which are, in fact, the EY model of the city's finances,
7 which are only in electronic form, so we've reduced them to
8 USB drives, which --

9 THE COURT: Okay.

10 MR. STEWART: -- I would bring forward.

11 THE COURT: Thank you for that, sir. You may
12 proceed.

13 MR. STEWART: Thank you, your Honor.

14 DIRECT EXAMINATION

15 BY MR. STEWART:

16 Q Mr. Malhotra, could you please give for us your name and
17 address?

18 A Gaurav Malhotra. I live in Chicago, Illinois.

19 Q Okay. And tell us if you could -- you, by the way, have
20 testified before in the court, have you not?

21 A Yes, I have.

22 Q Okay. Tell us briefly, if you could, about your
23 education.

24 A I went to -- for my undergrad to the University of Delhi
25 where I graduated with a bachelor's in commerce, and then I

1 went for my grad school to Case Western Reserve University
2 where I got an MBA in finance and business policy.

3 Q What year did you receive your MBA from Case?

4 A In 2001.

5 Q Okay. What was your first job after you received your
6 MBA?

7 A I joined Ernst & Young in the corporate finance practice.

8 Q In Chicago?

9 A In Cleveland.

10 Q In Cleveland. And how long were you with them in
11 Cleveland?

12 A I was with Ernst & Young in Cleveland for, I think,
13 approximately five years.

14 Q Okay. And then what happened?

15 A And then I moved to Michigan. I stayed here for five
16 years, again, with Ernst & Young, doing restructuring and
17 distressed M&A transactions following which the restructuring
18 practice of Ernst & Young was sold to Giuliani Capital, and I
19 continued to do restructuring advisory work there.

20 Q Okay. Let me stop you right there. You just used the
21 phrase "restructuring and distressed asset analysis." Just
22 for the record, tell us what that is.

23 A So restructuring advisory is where we help distressed
24 clients evaluate their business plans, their operations, and
25 long-term projections in order to -- how to recover as a part

1 of an overall restructuring strategy.

2 Q Okay. And then you said there came a time when that part
3 of EY's practice was sold.

4 A That is correct.

5 Q And when was it sold, and who was it sold to?

6 A In 2004 the U.S. restructuring practice was sold to
7 Giuliani Capital Advisors.

8 Q You better slow down. I'm having trouble following you.
9 It just may be the acoustics of the room. So it was sold to
10 who again?

11 A To Giuliani Capital Advisors.

12 Q Okay. All right. And did you still remain in the office
13 you'd occupied before?

14 A Yes.

15 Q And did your practice change at all after Giuliani
16 Capital Advisors purchased the practice?

17 A No. It was essentially a different name but continued to
18 do restructuring.

19 Q Okay. Did there come a time when the name changed again?

20 A Yes. The Giuliani Capital Advisors restructuring and M&A
21 practice was sold to Macquarie Capital Advisors.

22 Q Okay. And then how long did Macquarie control the
23 practice?

24 A For about three years.

25 Q What year are we up to by now?

1 A 2009.

2 Q Okay. And after that what came of the practice?

3 A Well, I was offered an opportunity to come back to Ernst
4 & Young --

5 Q Okay.

6 A -- and join the restructuring practice at EY, so I left
7 Macquarie and came to Ernst & Young.

8 Q What year did you return to EY?

9 A It was 2009.

10 Q '09. And you've been at Ernst & Young ever since?

11 A That is correct.

12 Q Been five years?

13 A Yes.

14 Q What is your title at Ernst & Young?

15 A I am a principal and a senior managing director in our
16 restructuring practice --

17 Q Okay.

18 A -- as well as I lead our central region restructuring
19 practice.

20 Q All right. And so tell the Court, if you could, the sort
21 of work your restructuring practice has involved since you
22 returned to Ernst & Young in 2009.

23 A It has involved helping distressed companies and -- in
24 terms of developing their business plans, taking some through
25 bankruptcy, involving asset sales as well as developing long-

1 term business plans for either a city or a public school
2 district.

3 Q Let me ask you just the names of some of the
4 representative private sector clients that you've worked with
5 since you returned to Ernst & Young.

6 A Schutt Sports, which we took through Chapter 11 process,
7 ongoing with Liberty Medical that we are helping with right
8 now are two that come to mind straightaway.

9 Q Now, in addition to the private sector clients, what work
10 have you done for public sector clients?

11 A On the public sector side, we have been involved with the
12 Detroit Public Schools.

13 Q And when did you start your involvement with the public
14 schools?

15 A Sometime in late 2011.

16 Q Is that ongoing?

17 A It is still ongoing in some fashion, yes.

18 Q Okay. Any other public sector clients?

19 A Yes. We've also helped two other cities in terms of
20 helping evaluate their cash flows and long-term projections.

21 Q And what cities are those, if you can disclose them?

22 A They're confidential in terms of our involvement with
23 them.

24 Q Okay. When did you begin your work for the City of
25 Detroit?

1 A Approximately just over three years ago.

2 Q And when you began your work, what was Ernst & Young
3 hired to do?

4 A Our role initially was to help the city assess its short-
5 term cash flow projections.

6 Q Okay. And what did that entail?

7 A It entailed first trying to just get a clear
8 understanding of what the city's cash position truly was for
9 the general fund and trying to break out the cash that was
10 restricted or that was related to enterprise funds, so we had
11 to sort of manually create reports based on the information
12 that was given that, to the best our ability, we could
13 ascertain what the general fund's starting cash position was
14 and from there on based on discussions with departments,
15 going through budgets, going through bank balance -- bank
16 statements, developing short-term projections to really
17 highlight what the city's cash and liquidity position would
18 be in the coming 12 months or so.

19 Q Now, you used a term a moment ago "general fund."

20 A Yes.

21 Q What is the general fund?

22 A The general fund is what essentially is the core
23 operating fund that is not related to any enterprise fund, so
24 it's where the majority of the taxes are collected and
25 services such as police and fire and budget are paid for.

1 Q And then you used the term "enterprise fund." What is an
2 enterprise fund? What's an example of an enterprise fund?

3 A Until now Detroit Water and Sewer Department has been an
4 enterprise fund in which their operations are essentially
5 break-even and not -- should not be impacting the operations
6 of the general fund.

7 Q Now, let me direct your attention to spring of last year.
8 Did there come a time in the spring of 2013 when the scope of
9 EY's work changed?

10 A Yes.

11 Q How did it change?

12 A It began to evolve in terms of expanding the outlook of
13 what the cash and revenue and expense projections were going
14 to be over a longer time frame versus looking at it on a much
15 shorter time frame.

16 Q What had been the time frame you were using?

17 A I would say all through 2011 and majority of the year
18 2012 we were looking at 12, 18, or 24 months of cash flows.
19 That was the context of what we were working within.

20 Q Okay. And how did things change?

21 A Well, they changed in which we started to go over to ten-
22 year projections and to look at what the city's financial
23 profile would look like over a ten-year time frame under a
24 couple of different scenarios, and then from there it just
25 evolved into looking at 40-year estimates in terms of what

1 the city's revenues and expenses could be over a much longer
2 time frame.

3 Q And what was the purpose of forecasting the city's
4 financial position out so long as ten years or even forty
5 years?

6 A Well, on the ten-year projections, we used that to really
7 highlight what the city's cash and deficit position would be
8 over the next ten years really to illustrate the cost and the
9 weight of the legacy liabilities the city was carrying and
10 what revenues it would have or not have in order to service
11 those liabilities, and over forty years we had wanted to
12 expand it to really ascertain the commitments that the city
13 was making to its creditors that are long-term commitments as
14 to what the potential was and how the city would make up for
15 those commitments.

16 Q Now, the city filed for Chapter 9 protection on July 18,
17 2013?

18 A That is correct.

19 Q At that time, just describe for us what was the work EY
20 was doing for the city? Just enumerate what projects EY had
21 going on.

22 A We were developing the cash flow projections in detail.
23 We were continuing to work on the ten-year plan on a
24 department-by-department basis. We were also looking at the
25 different claims information that was coming through. We

1 were assisting with the -- assisting the city's management
2 team with vendor management because of all the vendor issues
3 that were taking place, and we were really trying to develop
4 the -- at least at that point of time right around the filing
5 is what sort of funds the city would have available for its
6 unsecured obligations.

7 Q Okay. Now, in the 18 -- well, 14 months since the
8 bankruptcy filing, has E&Y added additional tasks to its
9 scope of work?

10 A We have been assisting with all those. In addition, our
11 technology teams are helping the city evaluate its HR
12 technology and ERP technology footprint, but the majority of
13 these services have been related to what I mentioned earlier.

14 Q What is the total amount of fees Ernst & Young has
15 charged or billed the city for since it began its work three
16 years ago?

17 A Over the last three-plus years, I believe we've been paid
18 roughly \$20 million in total over the -- and majority of that
19 I believe are during the bankruptcy process.

20 Q Now, do I understand correctly that the city negotiated
21 something called a holdback arrangement with Ernst & Young?

22 A Yes.

23 Q What's being held back and why?

24 A Ten percent of all of our invoices post-bankruptcy
25 separate and apart from the fee examiner holdback are being

1 held back over and above, which was an additional
2 accommodation we provided to -- provided we could wrap up the
3 bankruptcy case prior to the end of December of this year.

4 Q So if the bankruptcy case is wrapped up before December
5 31, what happens to the money that's being held back?

6 A If the case is wrapped up by December 31st, the ten-
7 percent holdbacks would be payable to EY.

8 Q And if it's not wrapped up, what happens?

9 A Those amounts are in no way payable to EY.

10 Q Now, you served as an expert witness before.

11 THE COURT: Excuse me one second. What does
12 "wrapped up" mean?

13 THE WITNESS: Your Honor, I believe our engagement
14 letter says that a plan -- it's tied to the plan of
15 confirmation date is -- has to be prior to December 31st.

16 BY MR. STEWART:

17 Q Now, Mr. Malhotra, you've testified before in this
18 proceeding and, in fact, have testified as an expert witness
19 before, have you not?

20 A Yes, I have.

21 Q Before this case, you had never served as an expert
22 witness before?

23 A No, I have not.

24 Q And fair to say that when you took on the engagement for
25 the city, no one told you it would involve being an expert

1 witness; is that right?

2 A That is correct.

3 Q But you understand that the city has designated you as an
4 expert witness for purposes of this hearing?

5 A Yes.

6 Q And you've submitted an expert report?

7 A Yes.

8 Q Now, you testified earlier that you work in the field of
9 restructuring, and tell us, since you received your graduate
10 degree, what percentage of your time has been spent in that
11 field?

12 A I would say pretty much a hundred percent.

13 Q Okay. Now, in order to be a specialist in the field of
14 financial restructuring, what sort of things does a
15 professional need to know?

16 A Have a robust knowledge of the interplay of financial
17 statements, be able to understand Excel working models to
18 take large amounts of data and to be able to analyze trends
19 as well as what are short-term events versus long-term
20 trends, is to interview management teams and to understand at
21 a very detail level, to break down large components of data
22 into smaller pieces and then once you deconstruct the data to
23 build back up with some robust assumptions.

24 Q Now, when you're dealing with a client that is a
25 municipality, what else do you need to know?

1 A I think you have to know the interplay between the
2 general fund versus enterprise funds and also how different
3 departments come together in terms of the buildup of each
4 department and the services that are being provided by
5 certain departments, and so -- as well as to really
6 understand clearly what the legacy liabilities are versus
7 core operating cash flows are, but really to understand the
8 different departments and how they come together is something
9 that's important.

10 Q What knowledge do you need to have of the manner in which
11 municipalities account for their funds?

12 A I think you have to have a pretty decent understanding of
13 the overall impact of a general fund and its transfers and
14 revenues and expenses and compared to how they break out from
15 enterprise funds overall.

16 Q And do I understand correctly that municipalities use a
17 principle called fund accounting and do not follow what is
18 often known as generally accepted accounting principles?

19 A That is correct.

20 Q What do you need to know in order to apply what you've
21 learned in the private sector to assignments in the public
22 sector when it comes to understanding their accounting?

23 A It's actually pretty straightforward in terms of the
24 principles that are applied with respect to financial reviews
25 and analyses. I would say they are very identical in terms

1 of how the auditors who deal with municipalities may deal
2 with versus situations in the corporate side may differ
3 slightly, but from a financial review standpoint, the
4 principles are pretty much similar of going through the
5 financial analytics.

6 Q Now, and since the time of the bankruptcy -- actually,
7 let me start earlier than that. In the past two years, what
8 sort of analyses -- in other words, work product -- has Ernst
9 & Young generated for the city?

10 A We have helped the city in developing ten-year
11 projections on a department-by-department basis with detailed
12 revenue and expense assumptions. We have then developed 40-
13 year projections that show on a line item basis what the
14 revenues and expenses could be predominantly for the general
15 fund, and as a part of that, we have also overlaid the
16 construct of the city's restructuring plan and its overall --
17 in terms of the settlements that have been reached with
18 various creditors, how those payments are going to be funded
19 over the next 10 and 40 years.

20 Q Okay. Now, in preparing these analyses, where do you get
21 the information that you need in order to do your work?

22 A It's a combination of places. It starts with the city's
23 management team and their core data and reports that are
24 available in the system.

25 Q And just by name, who would some of those individuals be

1 or by position? Excuse me.

2 A People like Rick Drumb from the finance department, folks
3 that we dealt with extensively, people in the treasury
4 department that we dealt with, John Hill, the CFO; Pam
5 Scales, the budget director. So I would say there are a
6 number of people that we have gone through to try and pull
7 the data together in terms of the raw data. And then in the
8 course of building up these projections, we have also relied
9 on other subject matter experts where their expertise on
10 particular topics has been taken into consideration. And
11 then we sort of build it up piece by piece to ascertain how
12 all of the information comes together before -- as we build
13 up the projections.

14 Q You used the phrase "raw data." What's an example of
15 some of the raw data you would have compiled or worked with
16 in preparing your analyses?

17 A So we have this in our financial models, but it was raw
18 data that we got from the city for 2008, 2009, '10, '11, and
19 '12 historically that was the files that they used to develop
20 their audited financial statements.

21 Q Okay. The audited financial statements were sometimes
22 called a CAFR?

23 A That is correct.

24 Q Okay. And who audits them?

25 A KPMG.

1 Q That's another large auditing firm?

2 A Yes.

3 Q Okay. Now, you'd mentioned earlier that you relied upon
4 the work of other advisors to the city.

5 A Yes.

6 Q Who are those entities or people?

7 A For pieces when it came to the quality of life, all the
8 exit financing assumptions, we had and relied upon the
9 discussions with Miller Buckfire.

10 Q Okay.

11 A When it came to developing specific revenue assumptions
12 that required our economist to be involved, I relied on Bob
13 Cline and Caroline Sallee. When it came to some of the
14 reinvestment initiatives, I relied on the information given
15 by Chuck Moore.

16 Q At Conway MacKenzie?

17 A That is correct.

18 Q Okay.

19 A When it came to understanding all of the other revenues
20 and all of the expenditure line items, it was myself and my
21 team that I was working with, and also we relied upon the
22 plan of adjustment in terms of certain other revenues that
23 were coming through as a part of the overall plan so I could
24 sit back and see how these pieces were coming together and
25 what impact they were having on the city's financial profile.

1 Q Now, you mentioned your team, and I apologize for not
2 having asked you before. How large was your team at EY?

3 A The team that I have working here is roughly about ten or
4 fifteen people at any given point of time.

5 Q Now, is there a standard methodology in your field that
6 is used to create financial models?

7 A Yes. It's generally in Excel.

8 Q Okay. Walk us through how professionals in your field
9 create financial models.

10 A So we start with the raw data that -- to the best of the
11 information that we have available from the client, and then
12 we really deconstruct it to understand what the different
13 components are of that particular buildup versus just taking
14 the high level information. We kind of understand the data
15 at a very detailed level. We look at it on a line-by-line
16 basis to understand what of that information is one-off
17 events versus ongoing trends. We have discussions with the
18 management team to understand our understanding of their data
19 to make sure that we corroborate what we think we are seeing.
20 We also then use either run rates as assumptions for short-
21 term and long-term projections as well as we overlay specific
22 changes that we know are going to happen based on discussions
23 with the management team of the client to then at a very
24 detailed level forecast changes, and then on a longer-term
25 basis also rely upon information that we have from public

1 agencies for inflation-type assumptions to overlay those
2 items that may not be specifically highlighted over the long
3 term but may grow because of an inflationary component.

4 Q What do you do to test the accuracy of this information
5 that you rely upon?

6 A We compare the raw data to the information in the audited
7 financial statements. For some of the items where we can, we
8 actually compare it to the cash receipts and disbursements
9 activity of the client to ensure that we can understand the
10 linkage between the financial statements and the cash
11 activity, and so we scrub through the data to make sure we
12 understand what the components are, and the process of the
13 interviews with the management team is in large part a
14 validation process also.

15 Q Now, a couple of times you've mentioned the computer
16 application called Excel. Just for the record, what is
17 Excel?

18 A It's a Microsoft application that helps on addition,
19 subtraction, and just basic financial analyses.

20 Q And your model is actually put into a Microsoft Excel
21 workbook?

22 A That is correct.

23 Q Okay. So tell us then how you went about preparing the
24 financial analyses that you did prepare from the information
25 that the city gave you in this case as opposed to as you do

1 it, you know, theoretically.

2 A We started with getting the raw information by department
3 for the last five years. By "raw information," I mean
4 detailed sales and expense categories that were not only
5 broken down by department but by fund because a particular
6 department could have operations that impact different funds,
7 and we started the process of first analyzing all of that
8 information on a department-by-department basis. Then we
9 actually took that department information and broke it down
10 by fund so that we could focus our efforts on all of that
11 activity across every department that was impacting the
12 general fund. Once we did that, we were then at a much lower
13 level of detail able to come up with for all of the revenue
14 and expense line items after discussions with the management
15 team what specifically items would change in a baseline
16 scenario if nothing had changed, so went through and looked
17 at the 2012-2013 information as well as the previous four
18 years to ascertain what were ongoing trends where we saw big
19 changes in either the revenue line items or the expense line
20 items, what was driving that change, and so that's where we
21 started to develop the forecast at a much more granular level
22 to understand what each department and each department's fund
23 position would be from a forecast standpoint.

24 Q Thank you.

25 MR. STEWART: Your Honor, I would proffer

1 Mr. Malhotra as an expert witness based upon his testimony
2 about his qualifications and background.

3 THE COURT: Expert witness on --

4 MR. STEWART: Issues of restructuring and financial
5 analysis, your Honor.

6 THE COURT: Any objections?

7 MR. SOTO: No objection, your Honor.

8 MR. WAGNER: No objection.

9 THE COURT: All right. You may proceed.

10 MR. STEWART: Thank you.

11 BY MR. STEWART:

12 Q If we could, Mr. Malhotra, let's now turn to the details
13 of your work. Let's begin, if we could, with Exhibit 738.
14 Do you have 738 before you, Mr. Malhotra?

15 A Yes, I do.

16 Q 738 is -- I think you've already testified about the
17 sources you relied upon in your work, but I wanted to ask you
18 in a little bit more detail about the organization of the
19 effort that led to the construction of your financial models.
20 Have you seen 738 before?

21 A Yes, I have.

22 Q And who prepared it?

23 A It was the Jones Day team along with our input.

24 Q Does this reflect in a schematic way the organization of
25 the effort that was put together in order to prepare the

1 financial analyses for the city?

2 A Yes, it does.

3 MR. STEWART: Your Honor, I would move admission of
4 738 as a demonstrative exhibit.

5 THE COURT: Any objections?

6 MR. SOTO: Well, your Honor, I see that it is a
7 chart, and I see the names. I don't see how it is a
8 schematic of what he did. I assume he will testify about
9 that at some point, so I'm wondering if he shouldn't give
10 some meat to these bones, and then I have no problem with it
11 as a demonstrative. And I certainly don't mind him using it
12 while he testifies about it.

13 THE COURT: Well, all right. Subject to that
14 connection, the Court will admit it into evidence.

15 (City Exhibit 738 received at 10:44 a.m.)

16 BY MR. STEWART:

17 Q Mr. Malhotra, so let's look at Exhibit 738. Your name is
18 in the upper left-hand corner?

19 A That's correct.

20 Q In the upper right-hand corner who appears?

21 A Kevyn Orr, Mayor Duggan, and John Hill.

22 Q And why are they in the upper right-hand corner in this
23 structure?

24 A Because they're essentially the client at the end of the
25 day that has to review and approve what we're seeing in

1 aggregate.

2 Q Okay. Now, on the left-hand side of Exhibit 738 is a
3 column entitled "revenues."

4 A Yes.

5 Q On the right-hand side a column entitled "expenditures"?

6 A That is correct.

7 Q Do I understand correctly the left-hand side lists the
8 sources of information you relied upon for revenues?

9 A That is correct.

10 Q Could you tell us then quickly what each of the persons
11 or groups on the left-hand side contributed to your analysis?

12 A Sure. So from Bob Cline from EY, the detailed
13 information that he provided us was with respect to the
14 forecasts over ten and forty years for the income, wagering,
15 and utility users' taxes under two different scenarios, and I
16 was able to take the information that Bob had provided, have
17 a number of discussions with him in terms of the assumptions
18 and look at the output that was being provided by Bob as well
19 as make sure that it was consistent with the numbers we're
20 using and overall also look at some of the public sources of
21 information that he had used with respect to the assumption,
22 so that built up the -- once we had the final information
23 from Bob, the input for the income, wagering, and utility
24 taxes.

25 Q And then below Mr. Cline is Caroline Sallee?

1 A Yes. With Ms. Sallee we did the similar process for
2 property taxes and state revenue sharing in which I went
3 through the files that they had sent over. We had
4 discussions about it and also made sure that I understood the
5 broad assumptions that were being used in addition to some of
6 the public sources of data that were being relied upon.

7 Q Okay. And the next, it's the EY restructuring team?

8 A Yes. That's essentially my day-to-day team where I
9 looked at the other revenue items and sales and charges for
10 services, some other transfers that were coming into the
11 general fund in addition to UTGO-type property tax
12 collection, so -- that were related to debt service as well
13 as the overall assumption of the DWSD revenue stream that has
14 been incorporated into the plan of adjustment.

15 Q And then city management is the next line.

16 A Yes. And this is similar to the line item up above on
17 other revenue items because there are a number of line items
18 that make up the other revenue category, and we went through
19 department by department to make sure we understood what were
20 certain run rates and what changes were being made or should
21 have been made to those line items going forward.

22 Q Now, the next two boxes are for the advisors you've
23 spoken of, Conway MacKenzie and Miller Buckfire. In a
24 nutshell, what did they -- what input did they have to your
25 work?

1 A So Mr. Moore provided us the information with respect to
2 the department revenue initiatives on a department-by-
3 department basis where I actually wanted to make sure that
4 there was no double count between the other revenue line
5 items or any of the information that Mr. Cline or Ms. Sallee
6 used compared to the information that Mr. Moore was using, so
7 that was a process to make sure that there was no double
8 counting. And from Mr. Buckfire it was the assumptions in
9 terms of the quality of life loan proceeds as well as the
10 assumptions related to the exit financing.

11 Q And, finally, what inputs were there from the plan of
12 adjustment itself?

13 A It was predominantly the proceeds from the grand bargain.

14 Q Okay. On the right-hand side under expenditures, the EY
15 team, again, what did they give you in terms of information
16 there?

17 A So I worked with my team there on looking at all of the
18 salaries and benefit costs for the active employees as well
19 as the expenditures related to the legacy liabilities of the
20 city in terms of the assumptions we used for the contingency
21 reserve, and those would be -- and the other expense
22 categories with respect to the main operating costs of the
23 city.

24 Q And actually all of the remaining boxes are people or
25 entities that you dealt with on the revenue side as well.

1 Just quickly run down what their input was to you on the
2 expenditure side.

3 A So in city management it was the input on the operating
4 expenditures as well as the information we received on debt
5 schedules to highlight the nonrestructured debt service.
6 From Mr. Moore it was the information with respect to
7 incremental costs required on a department-by-department
8 basis and the blight budget. For Mr. Buckfire it was the
9 costs and structure of the quality of life and exit
10 financing. And then in terms of the plan of adjustment is
11 where we have incorporated the settlements or the
12 potential -- the settlements that were reached with the
13 various classes in terms of what the financial implications
14 of those would be.

15 Q Thank you. And we can take that down if you'd like.
16 Now, did there come a time when you began the construction of
17 the financial model?

18 A Yes.

19 Q When? When did that start?

20 A I would say it was early part of 2013 is where we really
21 started to build out the projections over ten years.

22 Q And who was it on your team if there was only one
23 person -- or who on your team constructed the model?

24 A It was several people, but I would say two or three of
25 our analysts did the heavy lifting with respect to the actual

1 construction of the model, but we had different people build
2 up specific modules for different work streams, and that's
3 how the models came together.

4 Q How well do you know the model personally?

5 A I know it very well.

6 Q What did EY do to test the model for its completeness?

7 A For its completeness, we made sure that, "A," the model
8 was accurate, and we go through internal quality check
9 processes. I spot-checked a significant number of places in
10 the model to make sure that the accuracy was valid as well as
11 from a completeness standpoint is the sources of information
12 that we were relying upon for the input that I was able to
13 tie back to the sources of data that were used for some of
14 the assumptions.

15 MR. STEWART: Let's put up, if we could, Exhibit
16 112, and I believe that's an electronic document.

17 BY MR. STEWART:

18 Q Mr. Malhotra, we've put up on the screen here Exhibit
19 112. Can you tell us what Exhibit 112 is?

20 A Exhibit 112 is the ten-year financial projections model,
21 which I think this would be the baseline scenario.

22 Q Now, at the bottom I see a number of tabs. What do those
23 represent?

24 A Those are individual worksheets that contain information
25 either on a summary or department-by-department basis.

1 Q How many worksheets are there?

2 A I think there's over 300-plus worksheets in this model.

3 Q Okay.

4 MR. STEWART: Your Honor, I'd move the admission of
5 Exhibit 112.

6 THE COURT: Any objections?

7 MR. SOTO: No, your Honor.

8 BY MR. STEWART:

9 Q Now --

10 THE COURT: It is admitted.

11 MR. STEWART: I'm sorry, your Honor.

12 (City Exhibit 112 received at 10:52 a.m.)

13 BY MR. STEWART:

14 Q Mr. Malhotra, this is an Excel spreadsheet?

15 A Yes, it is.

16 Q And the spreadsheet itself sometimes is known as a
17 workbook?

18 A Yes.

19 Q And the pages sometimes are called worksheets; correct?

20 A Correct.

21 Q Let's go to any worksheet you'd like. Just choose one,
22 if you could.

23 A We can go to ESUM or --

24 Q Right there. Okay. Okay. Let's scroll to the center.
25 Okay. Now, the construction of worksheets is such that

1 vertically you have something called columns?

2 A Yes.

3 Q Okay. And this column is entitled "Column A"; correct?

4 A That's correct.

5 Q What's in Column A?

6 A Those are -- highlight the revenue titles and the expense
7 titles on this page.

8 Q Okay. And then across, those are called rows; correct?

9 A Yes.

10 Q What is Row 17, for example? What is that? What is
11 that?

12 A That shows general fund reimbursements.

13 Q Okay. Now, when rows and columns intersect, you have
14 something called a cell?

15 A Yes.

16 Q Let's highlight cell G-17. Now, up at the top there's a
17 box. Do you see that? There's a -- I don't know what you
18 call -- you tell me what you call it. Do you see at the top
19 there's something that says "sum," and then there's a bunch
20 of words after it or figures after it?

21 A Yes.

22 Q What is that?

23 A It's a formula.

24 Q It's a formula, and the formulas or the values of cells
25 appear in that box?

1 A That's correct.

2 Q What does that formula represent, if you can tell?

3 A It's summing up from the EDET tab, which would be the
4 detail tab, rows 21 through 23 of Column G, so this tab, for
5 instance, would be a more summary view of the detail tab on
6 the EDET tab.

7 Q Okay. So, in other words, these worksheets borrow from
8 each other?

9 A Yes.

10 Q How complex is the borrowing of one worksheet to another?

11 A In my view, it's not overly complex. I mean it's --
12 they're formulas, and once you understand the logic, it's not
13 overly complex.

14 Q Okay.

15 MR. STEWART: Let's, if we could, scroll to the
16 right just to show the number -- no -- just of the workbook
17 just to show the number of -- not the sheet, the workbook
18 itself -- just to show the number of tabs we're talking about
19 here.

20 BY MR. STEWART:

21 Q Each of those tabs, Mr. Malhotra, represents a set of
22 calculations?

23 A I would say the information on the raw data that would be
24 in the model would not be calculations, but a lot of these
25 tabs would have some calculations on them unless they're raw

1 data files.

2 Q And so the tabs we see scrolling by would be where the
3 raw data was captured or compiled?

4 A The tabs that we are looking at right now would be
5 where -- would be the output of the information that would
6 have been after the raw data had been analyzed.

7 Q Okay. And we're still scrolling. I should have asked
8 you something earlier. You're aware that the Court has
9 appointed an expert, Marti Kopacz of Phoenix, as the Court's
10 expert?

11 A Yes, I am.

12 Q What access has Phoenix had to this model?

13 A Full access of working Excel models.

14 Q In this -- in the native format as we see it here on the
15 screen?

16 A That is correct.

17 Q Okay. Now, what is done on your model to take all of
18 this raw data and put it in one place?

19 A Well, it's sort of like that summary tab that we were
20 looking at is you take all of the raw data that is developed
21 that is provided by fund by department, and you take that
22 information and then deconstruct it to basically highlight
23 for every single department how that information is then
24 broken out between each fund, so we take all of the
25 information that is given to us by every department, break it

1 down by every individual department for every single tab, and
2 then that department is further broken down into a general
3 fund component or the enterprise fund component. And then we
4 sum up all of the general fund only tabs for every single
5 department.

6 Q Now, let's turn in your book, if we could, to Exhibit
7 109.

8 MR. STEWART: And please put, Tom, if you could --
9 BY MR. STEWART:

10 Q Mr. Malhotra, could you tell us what is Exhibit 109?

11 A This is a sample of the ten-year projections of the city.

12 Q Okay. Is this the hard copy version of the model we were
13 just looking at?

14 A Yes. I believe this is the July 2nd version, so it -- I
15 think it is.

16 MR. STEWART: Your Honor, I'd move the admission of
17 Exhibit 109.

18 THE COURT: Any objections?

19 MR. WAGNER: No, your Honor.

20 BY MR. STEWART:

21 Q Could you show us --

22 (City Exhibit 109 received at 10:58 a.m.)

23 THE COURT: It is admitted.

24 MR. STEWART: Sorry, your Honor.

25 BY MR. STEWART:

1 Q Mr. Malhotra, could you show us on Exhibit 109 where
2 you'd see the summary page you described to us just a minute
3 ago?

4 A It would be on page 6 of 82.

5 Q Okay. And so that is a page where all of the data we saw
6 in the model ultimately bubbles up to to become a one-page
7 analysis?

8 A Yes. For the baseline information, that would be the
9 page that it would all sum up to.

10 Q Okay.

11 MR. STEWART: Let's now put up on the screen Exhibit
12 113.

13 BY MR. STEWART:

14 Q Mr. Malhotra, we've now placed on the screen Exhibit 113.
15 Could you tell us what is Exhibit -- what is Exhibit 113?

16 A Exhibit 113 looks like the tab from the 40-year
17 projections as the tab from what I can tell.

18 Q What's the relationship between the 40 -- is this the 40-
19 year model?

20 A This should be the 40-year model, yes.

21 Q What is the relationship between the ten-year model --
22 and what's the date, by the way, of this version of the
23 forty-year model?

24 A I believe this one is the July 2nd version.

25 Q What's the relationship between the 40-year model and the

1 10-year model?

2 A Well, the ten-year model is 300 plus tabs, so we have to
3 bring in the summary information off the ten-year into the
4 forty-year and then on a line-by-line item basis project over
5 the forty years what the revenues and expenses would be using
6 primarily the same sources I had talked about earlier, and
7 then the forty-year model was used to really illustrate
8 what -- how the city was going to pay for the overall
9 settlements it has reached with various classes, so the
10 forty-year was more of an expansion of the ten-year but
11 looking at it purely from the lens more so of how the
12 restructuring plan comes together.

13 Q Okay.

14 MR. STEWART: Now, let's put up Exhibit 111, please.

15 BY MR. STEWART:

16 Q Could you tell us, Mr. Malhotra, what is Exhibit 111?

17 A Exhibit 111 is the 40-year projections of the city.

18 Q Is this the hard copy version of the model we just looked
19 at?

20 A Yes.

21 MR. STEWART: Your Honor, I'd move the admission of
22 Exhibit 111.

23 THE COURT: Any objections?

24 MR. SOTO: No.

25 MR. WAGNER: No, your Honor.

1 MR. SOTO: No. Sorry.

2 THE COURT: It is admitted.

3 (City Exhibit 111 received at 11:02 a.m.)

4 BY MR. STEWART:

5 Q Now, during the period of time --

6 MR. STEWART: And you can take down 111 if you'd
7 like.

8 BY MR. STEWART:

9 Q During the period of time you've been preparing the
10 model, is it fair to say there have been a succession of
11 models?

12 A Yes.

13 Q And some have had different forecast periods; correct?

14 A That is correct.

15 Q And some have had different assumptions in them?

16 A Yes.

17 Q Has EY archived each version of each model?

18 A We do the best we can. There's hundreds of versions, but
19 I think most of them are saved somewhere.

20 Q Okay. Let me ask you just about a few of the models
21 leading up to where we are today, and let's start with
22 Exhibit 33. Mr. Malhotra, do you have Exhibit 33 in front of
23 you?

24 A I do.

25 Q And could you tell us what is Exhibit 33?

1 A Exhibit 33 is the original June 14th proposal for
2 creditors.

3 Q Did you prepare any part of Exhibit 33?

4 A I did.

5 Q Let's go, if we could --

6 MR. STEWART: And, your Honor, I am going -- I'm not
7 going to move the admission of the entire exhibit because the
8 witness did not prepare the entire exhibit. I would move to
9 pages he did prepare and move those into evidence and leave
10 it to another witness to get the larger document in.

11 BY MR. STEWART:

12 Q Mr. Malhotra, let's go, if we could, to page 90, nine
13 zero, of our document here.

14 MR. STEWART: It would be nine zero in the -- Tom,
15 it would be -- apparently, your Honor, I'm advised it's
16 already been admitted into evidence.

17 MR. SOTO: Your Honor, it's one of those that was --
18 the only objecting party was Syncora, and they're no longer
19 here, so we have no objection to this.

20 THE COURT: All right. The Court will admit Exhibit
21 33.

22 (City Exhibit 33 received at 11:04 a.m.)

23 BY MR. STEWART:

24 Q Okay. All right. But I'm still going to confine my
25 questions to page 90 and 91. You have page 90 of the exhibit

1 before you, Mr. Malhotra. Could you tell me, first of all,
2 what is Exhibit 190 -- I mean -- I'm sorry -- what is page
3 90? Confused myself.

4 A Page 90 shows the operating revenues and operating
5 expenditures of the general fund for the next ten years as
6 was presented in the June 13th proposal absent any
7 restructuring.

8 Q And let's just go down briefly the revenues. First of
9 all, we have various taxes and revenue sharing; correct?

10 A That is correct.

11 Q And from whom did you get those numbers?

12 A The municipal income taxes and state revenue sharing
13 would have been provided by -- the income tax would have been
14 provided by Bob Cline. State revenue sharing would have come
15 from Caroline Sallee. And the wagering taxes would have come
16 from Bob Cline, and the property taxes would have come from
17 Caroline Sallee. And the utility users would have come from
18 Bob Cline as well. I'm positive about the income taxes and
19 property taxes. I don't know about the other two if Bob and
20 Caroline were doing it for us at that point in time or not,
21 but they were for income taxes and property taxes for sure.

22 Q All right. And these were projected out for the coming
23 ten years; correct?

24 A That is correct.

25 Q And tell us how you went about being able to project

1 these numbers out for ten years.

2 A Well, we would have started by looking at each one of
3 those categories on a historical basis, so for the income
4 taxes it would have been what the city's historical
5 performance was but also, more importantly, as to where the
6 city was headed in terms of projected population and wage
7 assumptions to ascertain what the income levels were assuming
8 there were no changes in the property tax or in the income
9 tax rates. State revenue sharing, we get input even from the
10 state budget department. Wagering taxes was again based on
11 what some of the historical casino revenues were and sort of
12 using a small reduction based on the introduction of the new
13 Ohio casinos and then a one-percent growth rate over the
14 forecast period. For the sales and charges for services, it
15 would have been looking at each one of the departments in
16 detail to understand what the charges were for the services
17 being offered. Property taxes would have been developed on a
18 commercial and residential standpoint. The other revenue
19 would have also been broken down in terms of what was the
20 overall other taxes or other revenues that were not included
21 in the services above, whether it was court fines or parking
22 tickets, and then general fund reimbursements for the
23 reimbursements that come from some of the historical -- on a
24 by fund basis and even on a projected basis, and then what
25 the UTGO millage was in certain non-general fund POCs, so --

1 Q Sure.

2 A -- it was the historical information combined with the
3 forecast on a line-by-line basis.

4 Q While we're at it, could you tell us what is meant when
5 you have a line that says "general fund reimbursements"?

6 A Those are items such as reimbursements from the
7 Department of Transportation for their share of the insurance
8 costs or risk management costs, come in as a general fund
9 reimbursement, but there's a corresponding expense in the
10 operating expenditures, so there's at times a net effect for
11 some of these revenues and expenses based on how the city
12 accounts for them.

13 Q Okay. And then you have transfers in for UTGO millage
14 and non-general fund POCs. Tell us what that represents.

15 A The transfers in from the UTGO millage represents the --
16 would have represented the portion that comes in as UTGO tax
17 collections. There would be a corresponding transfer out to
18 reflect the transfer that would be made to the debt service
19 fund, so this was basically reflected to show what the
20 activity was. And also on non-general fund POCs there were a
21 certain portion of the COPs that were allocated to the
22 different enterprise funds, and we wanted to make sure that
23 those reimbursements under a base case scenario or a no
24 restructuring scenario were shown up above.

25 Q Okay. Now, the expenditures, without going into a lot of

1 detail, also done generally the same way?

2 A Yes.

3 Q At the bottom you have something called net operating
4 surplus. Just, first of all, what is it?

5 A It is the difference between the operating revenues and
6 the operating expenditures.

7 Q Okay. Let's go, if we could -- and, by the way, this was
8 presented at the June 2013 meeting with the creditors;
9 correct?

10 A That's correct.

11 Q Did you speak at that meeting?

12 A I did.

13 Q And what did you speak about at that meeting?

14 A Well, in addition to the city's precarious cash position,
15 this was one of the -- a couple of the pages that I talked
16 about that showed that on an operating basis the city was
17 actually generating potentially a \$3 billion surplus over the
18 next ten years or roughly 300 million a year without
19 accounting for any of the costs related to the city's legacy
20 liabilities.

21 Q So let's go to the next page of Exhibit 33. Is this a
22 continuation of the calculations we just looked at?

23 A Yes.

24 Q And what does this page reveal?

25 A So on this page, as we continue from the previous page

1 where we had three -- the city was projecting almost \$3
2 billion of surplus over ten years, this page showed the
3 nonrestructured costs of debt service, the POCs, the swaps as
4 they stood, the pension contributions under the assumption
5 the city was using at that point of time, under changed
6 assumptions that the city wanted to use at that point of
7 time, the ongoing costs of health benefits for retirees,
8 which in aggregate from the line items up above, it showed
9 that the city would have almost \$7 billion potentially in
10 forthcoming legacy liability expenditures over the next ten
11 years.

12 Q And you called these in this page legacy expenditures;
13 correct?

14 A Yes.

15 Q What do you mean by "legacy"?

16 A Our way of looking at the legacy expenditures was what
17 the -- the costs that were not associated with providing
18 service or operations today, so it was -- we were trying to
19 exclude the majority of the share of costs related to the
20 active employees and supplies as well as exclude the costs
21 associated with debt that the city had taken on in prior
22 periods.

23 Q Now, we have a line that says "total surplus" and then in
24 parentheses the word "deficit." What does that line
25 represent?

1 A That line represents that the -- the delta between the
2 operating surplus that we saw on the prior page, and if you
3 reduce that operating surplus by the full impact of the cost
4 of the legacy expenditures, what the delta is.

5 Q Okay. So so far in our analysis, on an operating basis,
6 the city actually had a surplus, but once the legacy
7 expenditures were taken into account, that turned into the
8 deficit we see in the middle of the page?

9 A That's correct.

10 Q Okay. And the deficit is how much projected over ten
11 years back in June of 2013?

12 A For the ten years, the projection showed in excess -- or
13 just shy of \$4 billion or roughly 390 to \$400 million a year.

14 Q Below that is a series of lines under the heading
15 "reinvestment in the city." What is that section of this
16 page about?

17 A In that section, we were showing the information that we
18 had gotten from Conway MacKenzie that was provided with
19 respect to revenue and operating expenditure assumptions on a
20 by department basis as well as capital investments and blight
21 that were at that point in time estimated for the city, which
22 in aggregate added up to about a billion dollars net.

23 Q But how could the city be spending money on reinvestment
24 when it had a deficit at the levels we see in the middle of
25 the -- of page 91?

1 A It was probably unlikely that the city would have been
2 able to.

3 Q So why did we have -- why do you have here a section
4 about reinvestment at all?

5 A Well, the reason we wanted to show it is because based on
6 the discussions we had with the city that the reinvestment
7 was a necessity. It was in order to get the city back and
8 avoid a spiral, but that was the assumption as of then.

9 Q Okay. Is this analysis, page 90 and 91, sometimes called
10 a baseline analysis?

11 A Yes.

12 Q Why is it called a baseline analysis?

13 A Because on 90 and 91 we have not incorporated any
14 bankruptcy-type provisions, so it's sort of outside of a
15 bankruptcy what the projections could look like, but it does
16 not take into impact any of the restructuring activities that
17 the city has undertaken as a part of the bankruptcy.

18 Q Okay. Thank you.

19 MR. STEWART: And we can take down that exhibit.
20 Your Honor, I'm reminded I failed to move Exhibit 113 into
21 evidence. That was the native -- in other words, the
22 electronic version -- of the 40-year forecast, and I'd move
23 it into evidence now.

24 THE COURT: Any objections?

25 MR. WAGNER: No, your Honor.

1 THE COURT: All right. It is admitted.

2 (City Exhibit 113 received at 11:15 a.m.)

3 MR. STEWART: Let's, if we could, put up Exhibit 3.

4 BY MR. STEWART:

5 Q Mr. Malhotra, Exhibit 3 is in front of you. Can you tell
6 us what is Exhibit 3?

7 A That's the fourth amended disclosure statement.

8 Q Okay.

9 MR. STEWART: And, your Honor, I believe this has
10 been admitted into evidence, although I'm susceptible of
11 correction if I have that wrong.

12 BY MR. STEWART:

13 Q Mr. Malhotra, did this disclosure statement also set
14 forth forecasts that Ernst & Young had prepared?

15 A Yes.

16 MR. STEWART: Let's go, if we could, to page 89 of
17 212, so we have to go to the appendix, Appendix A, page 89.
18 No, that's not it.

19 BY MR. STEWART:

20 Q While they're doing that, let me just ask you some
21 questions about the disclosure statement, Mr. Malhotra.

22 THE COURT: Excuse me. Excuse me just one second,
23 please.

24 MR. STEWART: Yes.

25 THE COURT: So what I'm showing is -- I'm sorry.

1 One more second. What I'm showing is that on September 9th
2 the document was admitted during the testimony of Terri
3 Renshaw but only to show what she relied upon --

4 MR. STEWART: Okay.

5 THE COURT: -- for what she did, and then I'm also
6 showing that, although Exhibit 3 was initially admitted as
7 part of the final pretrial order, that was vacated and only
8 Exhibit M to Exhibit 3 was subsequently admitted on September
9 8th.

10 MR. SOTO: Your Honor, we have no objection to the
11 admission of Exhibit 3. I think the only party that had
12 objected on the exhibit list, again, was Syncora. There's
13 some of their objections which we would adopt, but this is
14 not one of them.

15 THE COURT: All right. Would you like to offer
16 Exhibit 3 then?

17 MR. STEWART: Yes, your Honor.

18 THE COURT: All right. Exhibit 3 is admitted for
19 all purposes.

20 (City Exhibit 3 received at 11:17 a.m.)

21 BY MR. STEWART:

22 Q Now, Mr. Malhotra, I'm now going to direct you to one of
23 the appendices of Exhibit 3, page 89 of 200 and -- I think of
24 212.

25 MR. STEWART: Let's go back, if we could. Just go

1 one more page. Do you have -- sorry. It's page 99. Oops.
2 Where were we? Just next page, please, and keep going. One
3 more. Keep going. Keep going. There you go. Page 94.

4 BY MR. STEWART:

5 Q Tell us, if you could, what page 94 of 212 is on Exhibit
6 3.

7 A This would have been the same slightly updated baseline
8 scenario that was used for the disclosure statement, so I
9 believe this would be the May 5th version of the projections.

10 Q Okay. And did the disclosure statement also have a
11 comparable summary of the 40-year model that E&Y had
12 produced?

13 A I believe so, yes.

14 Q Okay. Let's move on. Let's go back, if we could, now to
15 Exhibit 109 and use the hard copy form of 109, and this has
16 been admitted into evidence. So a couple of months after the
17 disclosure statement, you had a new edition of your model?

18 A Yes.

19 Q Okay. And that's what you have before you is Exhibit
20 109?

21 A That is correct.

22 Q Now, it appears to be 82 pages long?

23 A That is correct.

24 Q Now, the cover has this red language there. Can you tell
25 me what that's doing on the cover of your model?

1 A It's our standard disclaimer.

2 Q Okay. What are you disclaiming?

3 A That the assumptions and the data are at the end of the
4 day the product of the client.

5 Q Are you disclaiming the accuracy of the model?

6 A No.

7 Q Are you disclaiming that you believe it to be an accurate
8 forecast?

9 A Yeah. Based on the assumptions, we believe this is --
10 it's accurate.

11 Q Okay. So now let's go to page 3.

12 MR. SOTO: You know, Judge, on that one -- forgive
13 me for interrupting, but I couldn't read a thing of what he
14 was -- what he had there, so I have no idea what he was
15 disclaiming, so -- and I would point that out, your Honor.

16 MR. STEWART: Well, we could go back, and can we
17 make it any bigger?

18 MR. SOTO: Could you? Thanks.

19 MR. STEWART: There we go. Probably going to have
20 to read it in halves.

21 MR. SOTO: Thank you, Geoff. Thank you, your Honor.

22 BY MR. STEWART:

23 Q If we could, let's go to page 5. And what is page 5 of
24 the model?

25 A It's a continuation of the assumptions --

1 Q Okay.

2 A -- that are being used, the primary assumptions that are
3 being used in the model.

4 Q So the beginning of the model, we set forth what your
5 assumptions are?

6 A Yes.

7 Q Okay. Now let's go to page 6. And just for the
8 record -- I think we've seen this before -- what is page 6?

9 A Page 6 is the slightly updated baseline scenario that was
10 used for the disclosure statement projections. I think it
11 was around May 5th.

12 Q Okay. So this is an updated version of the forecast we
13 saw that had also been in the June 2013 documentation;
14 correct?

15 MR. WAGNER: Objection. Leading. I think in
16 general there's been too much leading.

17 THE COURT: I agree, and that objection is
18 sustained.

19 MR. STEWART: Okay.

20 BY MR. STEWART:

21 Q How does this relate to the pages we looked at, page 91
22 of Exhibit 33?

23 A 109 is the July 2nd update of the projections, and so we
24 would have updated it since May 5th for the items that we
25 knew we had changed because it was during this time frame

1 that there were a couple of settlements that were reached,
2 but on the baseline scenario, other than some changes that we
3 would have made for new information that we would have
4 received, majority of this would have essentially remained
5 the same or close to it.

6 Q What is the next page of the exhibit?

7 A Well, on this page of the exhibit we have tried to show
8 the restructuring scenario specifically before distributions
9 are made or could be made to unsecured creditors because what
10 we have done on this page is taken the operating revenues and
11 expenditures from the prior page, eliminated majority of
12 the -- eliminated the majority of the unsecured creditor
13 payments, included in here the reinvestment expenditures to
14 show what funds the city would have available for the next
15 ten years to make payments for its unsecured creditors.

16 Q Okay. Let's look at the next page. What is this page?

17 A Page 8 of 82 on Exhibit 4. I think it is a detailed
18 version of the pages we saw two pages prior, which was the
19 summary view of the baseline. This is a detailed view of the
20 baseline.

21 Q Okay. Let's now go to page 10. This says it's a general
22 fund department detail. What is a department detail?

23 A This is how we have built up the ten-year projections, so
24 it shows the detail of the summary view and the summary
25 detail view but now being broken down by department.

1 Q Let's go to the next page then. What is page 11?

2 A This is the summary of the budget department.

3 Q That's a department of the city?

4 A Yes.

5 Q And why is this page organized the way that it is
6 organized?

7 A Because all the pages after this on every single
8 department is organized the same way.

9 Q And how many such pages are there that go through the
10 department detail?

11 A Probably 50-plus.

12 Q Let's go to one in particular just so I can ask you about
13 it, which will be page 17 of 82. This is the detail for the
14 fire department.

15 MR. STEWART: And can we blow that up so it's easier
16 to see? Just blow up the left-hand half of it. Maybe
17 that'll be easier.

18 BY MR. STEWART:

19 Q So, Mr. Malhotra, I want you to walk us through how this
20 detail was done for, in this case, the fire department.

21 A So the information that is here on the left would have
22 been the information that we would have gotten first in the
23 raw data from the city by line item, and this would have
24 probably been only for the general fund because fire just has
25 the general fund essentially, and then we would have gone

1 through actually the details that broke up the licenses,
2 permits, and charges, and the same things for sales and
3 charges for services and then looked at each one of the
4 expense categories in terms of the salaries, the overtime,
5 what the pension allocation was, the basis for the fringe
6 benefits that were allocated to the fire department, so there
7 would be another layer down in terms of the detail. And
8 based on that, we would have actually developed the
9 projections on a headcount basis for the fire department.

10 Q What part of this sheet is purely historical information?

11 A The left part, 2008 through 2012.

12 Q Okay. So let's now expand the right side so we can see
13 some of the projected information. Now, Mr. Malhotra, how
14 did you go about projecting revenue and expense items as they
15 related to the fire department?

16 A Well, when it came to the revenues, the fire department
17 does not have a lot of revenues, so we would have looked at
18 the assumptions with respect to like the first line here
19 would have been the -- I believe it would be the inspection
20 charges, but they had generally been following a consistent
21 trend, and then based on discussions with management for any
22 specific initiative that was being undertaken to increase the
23 overall fees or the inspection charges, we would have
24 increased it and then left it flat over the forecast period
25 because there was not necessarily a plan in terms of how

1 those inspection charges would continue to go up.

2 Q Now -- go ahead. Have you finished?

3 A The second line, I think, is the sales and charges for
4 services, and those, again, would be EMS fees or charges that
5 could be generated by the fire department. And, again,
6 between 12.6 and the 14.9, we would have been specifically
7 highlighting any specific initiative based on discussions
8 with the management team that were being used or looking at
9 even what those charges were historically to come up with
10 what the 2014 number would be and also for keeping that flat
11 depending on the kind of revenue initiative it was. The
12 grant revenue was essentially the SAFER grant in which we
13 knew that the city has gotten the SAFER grant extended
14 through fiscal year '15 and '16, so we left that in but
15 dropped it '17, '18, and '19 in the baseline, but when you
16 will look below in the revenue initiatives that are not shown
17 on this page, we assumed that the grant would actually get
18 renewed for two more years, but we did not want to
19 incorporate that in the baseline that's shown down below in
20 terms of the reinvestment initiatives.

21 Q Then under "expenditures," just in a nutshell, tell us
22 how you went about coming up with the numbers that we see.

23 A So the biggest line item again, which is salaries and
24 wages, that would have been developed based on -- again, we
25 have schedules in the back -- based on the assumptions of the

1 actual headcount by department. We had that historically as
2 well as the most current state, and we would have used the
3 current assumptions of the headcount at the average salary
4 level that we had been provided for that particular
5 department and forecast that over the course of the time
6 frame. And, again, we would have based headcount assumptions
7 compared to what the headcount assumptions were a few months
8 ago because there had been an ongoing attrition, and so we
9 assumed in the baseline that the attrition would be replaced
10 in the projections.

11 Q Okay. Now, at the bottom of this page -- let's go to the
12 whole page once again. What do we have in the bottom couple
13 of lines?

14 A So those are the operational restructuring and
15 reinvestment initiatives, which was the information that was
16 given to us by Conway MacKenzie on a department-by-department
17 basis, but we ensured that there was -- that these
18 expenditures were reviewed, so there was not a double
19 counting of either a revenue or an expense between what was
20 in the baseline versus not.

21 Q Okay. And this was done for how many of the city's
22 departments?

23 A All the departments that impacted the general fund.

24 Q And if we could just flip to the next page and the page
25 after that, what sort of departments do we have here? That's

1 fire. What's the next one?

2 A Health and wellness.

3 Q Do you see it on your screen, Mr. Malhotra? It may be
4 easier to see it on the screen.

5 A Yes. The health and wellness department.

6 Q And after that? And let's do the next page after that.

7 A The human resources department.

8 Q Okay. And could we go on until we've gone through every
9 department in the city?

10 A Yes.

11 Q And where were these all compiled in this forecast?

12 A All of the information for the general fund came together
13 in the summary tab, which we had looked at earlier.

14 Q That's what? Page 6 and 7?

15 A Yes. Page 6 was the baseline view, which is where all of
16 the individual departments would add up to, and then page 7
17 was more for restructured view.

18 Q Now, let's look at Exhibit -- we can put that down.

19 Let's look at Exhibit 111, and if we can go back to page 4 of
20 11. What does page 4 do?

21 A Page 4 is -- shows the projected ten-year and forty-year
22 view of the city under the restructuring view scenario, which
23 shows what funds are available to pay unsecured claims over
24 the next ten, twenty, thirty, or forty years.

25 Q Okay. All right.

1 MR. STEWART: So now let's go back to Exhibit 111
2 and, in particular, to pages 5 and 6. Sorry. Let's make it
3 page 6 actually. Is that 6? I'm losing my eyesight. I'm
4 sorry. Make it 109, page -- that's the wrong page -- make it
5 page 109 -- sorry -- Exhibit 109, page 6, please, and let's
6 highlight, if we could, the left-hand column that has the --
7 all the way down, please. There we go. Thank you. Okay.

8 BY MR. STEWART:

9 Q So I think I've already asked you, Mr. Malhotra, about
10 the sources of some of the information you have here, and I
11 believe we talked about other revenues.

12 MR. STEWART: Could we put up, if we could --

13 BY MR. STEWART:

14 Q We have sales and charges for services. Do you see that?

15 A Yes, I do.

16 Q And also other revenues?

17 A Yes, I do.

18 Q Okay.

19 MR. STEWART: Let's put up --

20 BY MR. STEWART:

21 Q I'm going to ask you about the details of sales and
22 charges for services.

23 MR. STEWART: Let's put up demonstrative Exhibit
24 716. Okay.

25 BY MR. STEWART:

1 Q And, Mr. Malhotra, what I would like to do is ask you
2 what the detail is that is behind the line that says "sales
3 and charges for services." First of all, what is Exhibit
4 716?

5 A It shows the build-up of the sales and charges for
6 services by department.

7 Q Who prepared Exhibit 716?

8 A We did.

9 Q Okay.

10 MR. STEWART: Your Honor, I'd move the admission of
11 716 solely for purposes of being a demonstrative exhibit.

12 MR. SOTO: No objection, your Honor.

13 MR. STEWART: Could we --

14 THE COURT: It is admitted.

15 (City Exhibit 716 received at 11:35 a.m.)

16 MR. STEWART: Sorry. I'm never going to get this
17 right, your Honor.

18 BY MR. STEWART:

19 Q Mr. Malhotra, could you walk us through and tell us what
20 items of revenue there are that underlie the line that's
21 entitled "Sales and Charges for Services"?

22 A Yes. The main categories are by department. The first
23 one is nondepartmental in which you have probably three or
24 four main items that are captured in there, the first one
25 being the municipal service fee. The second main item that

1 is also captured in there is the overall reimbursements that
2 come from other departments for services that are provided by
3 the general fund, so it's almost a netting out of an expense
4 with a revenue. The PLD Department also has all of -- has
5 the costs or the revenues related to its customers, which are
6 continuing to show -- go down, which is as the grid is
7 transitioned to a third party provider, the PLD Department is
8 no longer going to be collecting revenues from those
9 particular customers. The fire department is, again -- this
10 specifically relates to predominantly the fees that are being
11 charged also by EMS. That is sort of built up in the fire
12 department. The 36th District Court as well, this is related
13 to the fees that are historically charged, so -- and we can
14 go down, but those are sort of the main components of the
15 sales and charges for services.

16 Q Okay. And then if we went back to Exhibit 109, there's
17 also this category entitled -- pardon me -- "Other Revenue."

18 MR. STEWART: Let's put up, if we could, Exhibit
19 717.

20 BY MR. STEWART:

21 Q Do you have Exhibit 717 before you, Mr. Malhotra?

22 A Yes, I do.

23 Q What is Exhibit 717?

24 A Exhibit 717 breaks down the other revenues into more
25 detail in terms of how we -- the items that we had included

1 in other revenues in the summary.

2 Q Who prepared Exhibit 717?

3 A We did.

4 MR. STEWART: Your Honor, I'd move its admission as
5 a demonstrative exhibit.

6 MR. SOTO: No objection, your Honor.

7 THE COURT: It is admitted.

8 (City Exhibit 717 received at 11:37 a.m.)

9 BY MR. STEWART:

10 Q Mr. Malhotra, could you walk us through what items
11 comprise the line entry that has been entitled "Other
12 Revenues"?

13 A The items there would be other taxes, which I believe is
14 an industrial facility tax; the parking and court fines,
15 which is predominantly parking tickets; grant revenue, which
16 would be related to the grant revenues in specific
17 departments such as the SAFER grant or the COPs grant. The
18 licenses and permits would be fees charged by the building
19 department and building permits and the inspections by even
20 the fire department. The revenue from use of assets would be
21 some rental income, some one-time asset sales. The general
22 fund reimbursements would be, again, predominantly
23 reimbursements coming from the Department of Transportation
24 for paying the self-insurance funds. The transfers in from
25 UTGO would be the component of property -- of tax collections

1 that were related to the UTGO millage. The department
2 revenue initiatives would be the operating initiatives by
3 department that would be shown on a department-by-department
4 basis that would be flowing into other revenue.

5 Q Let me ask you about the transfers in for the UTGOs. Why
6 is that treated as revenue?

7 A Because there is an incoming source that is coming in in
8 terms of the taxes that are collected and then a
9 corresponding transfer, though, to the debt service fund
10 under a baseline scenario initially, yes.

11 Q And then the department revenue initiatives, I believe
12 we've talked about those before. Are those existing revenues
13 or projected revenues?

14 A Those are projected revenues coming through the
15 reinvestment initiatives. We got that line from Conway
16 MacKenzie.

17 MR. STEWART: So let's go back to Exhibit 109 and to
18 the general fund summary that we were looking at there, and
19 let's expand the lower left-hand corner. Now, we're going to
20 want to go higher up to the expense part. See the -- yeah,
21 there we are.

22 BY MR. STEWART:

23 Q What was the source of your information for the items,
24 first of all, that are salaries, health benefits, and other
25 operating expenses?

1 A On a historical basis, it would be the city's information
2 that we got on a department-by-department basis of what
3 salaries and wages were allocated by fund by department.

4 Q Okay. Let me direct your attention. The top line says
5 "salaries over time and fringe"; correct?

6 A Yes.

7 Q And that's projected out for a number of years?

8 A That is correct.

9 Q What inflation assumption did you make with respect to
10 wage inflation over that term of years?

11 A With respect to wage inflation in the first few years, we
12 used the information that was at the time being discussed
13 with the different unions with respect to five percent up
14 front in terms of the wage increase, zero following, and then
15 it was about 2-1/2, 2-1/2, 2-1/2 after that. Beyond the
16 first five years, we used a two-percent wage inflation
17 assumption.

18 Q Do you know how that compared with the wage rate of
19 inflation Dr. Cline used in his projections of income taxes?

20 A The two percent should be similar.

21 Q Okay.

22 MR. STEWART: Now, if we go further down, under net
23 operating surplus, we have -- oops -- let's see. Go, if you
24 could, back to what we -- just stay with what we had
25 originally, if you could. Thank you. You got to go to the

1 next page. Let's go to the next page, if we could. And you
2 see the upper left-hand corner? Go further down. Oops.
3 There you go. Thank you.

4 BY MR. STEWART:

5 Q Under expenses we have a variety of expenses I wanted to
6 ask you about. Let's talk about the reinvestment. You have
7 OPEB payments for current and future retirees?

8 A That is correct.

9 Q Where did those -- where did those numbers come from?

10 A For the current retirees, we had the information based on
11 what the historical performance of the city was with respect
12 to payments for its existing plans as well as some of the
13 information we would have received from Milliman on the cost
14 of the plans on a per head basis.

15 Q Okay.

16 A And for future retirees, it was based on two percent of
17 healthcare -- two percent of wages for the nonuniform
18 employees, and for the uniform employees it was a million
19 dollar fixed payment for the forecast period.

20 Q Now, let's go, if we could, to the overall sheet, to the
21 overall page that we had, and as a result of your modeling
22 exercise that you've described to us, Mr. Malhotra, have you
23 reached an opinion looking at these pages of Exhibit 109 as
24 to the reasonableness of the city's projections of its
25 revenues and expenditures for the next ten years?

1 A Yes.

2 Q What is your opinion?

3 A My opinion is based on the assumptions here, the revenues
4 and expenditures appear to be reasonable as shown here until
5 the funds available for unsecured claims that the revenues
6 and expenses seem reasonable.

7 Q Let's now go -- pardon me -- if we could, to Exhibit 111
8 and, in particular, to page 4 of 9. I believe you looked at
9 this sheet before, Mr. Malhotra. As a result of the work you
10 did that you described to us, have you reached an opinion
11 about the reasonableness of the city's forecast of revenues
12 and expenditures for the 40-year period that's set forth on
13 page 4 of 9 of Exhibit 111?

14 A Yes.

15 Q What is your opinion?

16 A My opinion is that based on the assumptions we have here,
17 these revenues and expenses appear reasonable for 40 years in
18 terms of the line item up to the funds available for
19 unsecured claims.

20 Q Thank you. Now, more recently you updated your July
21 forecast just last week, did you not?

22 A That is correct.

23 Q Let's put up -- and tell us why you updated the July
24 forecast.

25 A The primary change for that was the Syncora settlement.

1 It is why we updated the projections recently, and there were
2 some other small changes as well.

3 MR. STEWART: Let's put up Exhibit 733, please.

4 BY MR. STEWART:

5 Q What is Exhibit 733?

6 A 733 is the ten-year projections that were prepared last
7 week.

8 Q And who prepared Exhibit 733?

9 A We did in conjunction with the other advisors and the
10 city.

11 Q What was Exhibit 733 based upon?

12 A It was the same information that we had in the prior
13 versions other than an update for the Syncora settlement as
14 well as some of the timing changes based on the updated
15 information we have.

16 MR. STEWART: Your Honor, I'd move the admission of
17 Exhibit 733.

18 MR. SOTO: No objections, your Honor.

19 MR. STEWART: Let's put up 734 if we could. Your
20 Honor, I'm never going to get this right. I mean I just give
21 up. I think you should imprison me or something. I've now
22 messed this up, I think, seven times.

23 THE COURT: It is admitted.

24 (City Exhibit 733 received at 11:45 a.m.)

25 MR. STEWART: I apologize. Let's put up --

1 BY MR. STEWART:

2 Q Exhibit 734, Mr. Malhotra, is front of you. Can you tell
3 us what is Exhibit 734?

4 A 734 is the 40-year projections that were prepared last
5 week.

6 Q And why was there an update as of last week of the 40-
7 year projections?

8 A It was to reflect the -- primarily the Syncora
9 settlement, and there were other -- some small changes from a
10 timing standpoint.

11 Q What's the relationship between the recent update for the
12 40-year projections and what we saw back in July?

13 A It's the -- essentially the same data. It's just been
14 updated for the settlement and the timing of the changes.

15 Q Do these documents also exist in native format?

16 A Yes.

17 MR. STEWART: Do we have those loaded? If not, we
18 can do it after the break.

19 BY MR. STEWART:

20 Q While we're waiting for that to happen, let me ask you
21 this. Are you familiar with something in analytics called a
22 bridge?

23 A Yes.

24 Q What is a bridge?

25 A It helps compare, in my view, the previous set of

1 projections to the current set of projections.

2 Q Did you prepare a bridge to span the change from the July
3 projections to the September projections?

4 A Yes.

5 MR. STEWART: Let's put up Exhibit -- I'm sorry.
6 Let's go to page 11 of this exhibit.

7 BY MR. STEWART:

8 Q What is page 11 of our exhibit?

9 A Page 11 shows the annual changes over the next ten years
10 and forty years of the changes that were made to the July 2nd
11 projections to the most recent projections.

12 MR. STEWART: Your Honor, I'm wondering if I
13 remembered to move into evidence Exhibit 734. I'm not sure
14 that I did.

15 MR. SOTO: Your Honor, our only point on Exhibit
16 734, the witness said there were some minor -- I think he
17 called them changes. Could he describe what it is so we can
18 find them or see them? I don't have a problem with it,
19 but --

20 MR. STEWART: I'm doing it right now.

21 MR. SOTO: Is that what you're doing? Okay. Then
22 no objection, your Honor.

23 THE COURT: All right. It is admitted.

24 (City Exhibit 734 received at 11:48 a.m.)

25 BY MR. STEWART:

1 Q All right. So let's focus, if we could, on page 11 of
2 14. Please tell us how this page connects the July forecast
3 to the September forecast.

4 A So each one of these sections are highlighting the
5 changes that have been made since the July projections, so
6 the first section is the financing changes.

7 MR. STEWART: Let's blow up that left side of this
8 so we can see those all the way down. There you go. Thank
9 you.

10 BY MR. STEWART:

11 Q So please tell us what the changes were.

12 A The first section shows the financing changes in terms of
13 the assumptions on the quality of life borrowings and amount
14 of exit financing. The next section shows the changes in
15 terms of the Syncora settlement as well as other items that
16 were related to Syncora. The next section showed the 36th
17 District Court settlement, and the fourth section showed the
18 changes in terms of the timing of when the quality of life
19 proceeds were being drawn and when the expenditures were
20 made. And there's also a slight change in the contingency
21 amount based on the new borrowing. The blight timing was
22 updated. There was amount included for a draw from the
23 state-controlled escrow as well as the professional fees were
24 updated based on the latest information we had, and the
25 overall reinvestment deferrals were also updated.

1 Q Okay.

2 MR. STEWART: Let's go back to the full view, if we
3 could, again, Tom.

4 BY MR. STEWART:

5 Q And so what do these numbers mean as they're scheduled
6 across the columns of this page?

7 A The first line shows a negative number in '15 and '16
8 which essentially represents that the city is borrowing less
9 cash. The initial assumption in July was that the city would
10 borrow \$300 million in exit financing whereas the latest
11 assumption that the -- that we are using is the city will
12 only borrow \$275 million of exit financing. The line below
13 just shows the changes in the assumptions with respect to the
14 principal and interest payments for the exit financing based
15 on the latest information we had from Miller Buckfire. The
16 POC settlements show for note C the Syncora portion of note
17 C, which is a payment of roughly \$2.4 million a year for 12
18 years. There were some nonbankruptcy settlement items, which
19 was about a \$5 million cash payment, as well as the extension
20 of a tunnel lease or foregone rent from the tunnel until a
21 period of time in which it capped out at about \$8 million.
22 We also updated for increased other fund reimbursements and
23 increased DWSD revenue stream to allocate the increased cost
24 of the Syncora settlement to DWSD and the other funds because
25 they typically have about 11-1/2 percent allocation of the

1 POCs. The 36th District Court settlement was based on what's
2 in the plan with respect to the settlement of claims. It's
3 about \$2 million over the next five years. The contingency
4 was just changed to reflect the one-percent amount based on
5 updated revenues. Quality of life proceeds, in July we had
6 still assumed that we would have borrowed 52-1/2 million in
7 2014, which we did not, so we pushed it forward to 2015.
8 Also, the timing of certain expenditures that were
9 incorporated through fiscal year '14 of 131.2 million were
10 forecasted to be made in the following year in terms of when
11 the cash is really going to go out. Blight timing in terms
12 of where the city was, instead of \$100 million expense in
13 2015, it was taken down to 80, so this reflected the \$20
14 million variance for 2015 that would subsequently get caught
15 up over the following four years. We also had now shown the
16 full draw of the available escrow proceeds. While the city
17 has to continue to reserve for some self-insurance reasons,
18 there is -- the remaining balance in the escrow proceeds was
19 assumed to be drawn. We also did on an advisor-by-advisor
20 basis analysis of the invoices that the city has been
21 receiving and updated the estimate of the professional fees
22 through the end of December 2015 based on the information we
23 had from the various professionals. And then we had -- we
24 changed some of the reinvestment deferrals so increased a
25 portion of the deferrals in '16 and '17 cumulatively between

1 2017 of about 25-plus million dollars and then caught those
2 up in the subsequent years in the forecast period, so there
3 was a timing change in terms of how the reinvestments were
4 being spread.

5 Q Let me ask about the professional fees. Those increased
6 between your July forecast and your September forecast by \$52
7 million?

8 A That is correct.

9 Q How did that happen?

10 A We asked for all the professionals to give us their
11 estimates, and we wanted to -- we included them in the
12 forecast.

13 Q And who are the professionals we're talking about whose
14 projections or invoices are combined in that line,
15 "additional professional fees"?

16 A It is a combination of the city's advisors, which
17 includes the financial and the legal advisors, as well as the
18 Retiree Committee's advisors and the other advisors the city
19 has been using in this process. It included some estimates
20 through December.

21 Q Is there a detail on this document or another document
22 that sets -- that breaks that down by advisor?

23 A Yes. We have the information by advisor. It's not -- I
24 don't think it's in this document, but we have the supporting
25 schedules that break down all of the variances.

1 Q Okay. All right. So now you've told us about --

2 THE COURT: Excuse me. Do you have that here?

3 THE WITNESS: I don't have it here, but I can get it
4 over the break, but I do have it, yes, your Honor.

5 THE COURT: Please.

6 BY MR. STEWART:

7 Q Now, you've described for us, Mr. Malhotra, this bridge,
8 and so if you take all these numbers, how do they connect the
9 two forecasts?

10 A If you take the July forecast, you incorporate these
11 changes, you will get to the September forecast.

12 Q Okay. Now, we've looked at the general fund summary
13 before. It has all sorts of lines. Why are there so few
14 lines, relatively speaking, on the bridge compared on the --
15 to the general fund summary?

16 A Because these are the only line items that changed.

17 Q Okay. Now, let's go, if we could, to page 10 of this
18 exhibit. What is page 10 of the exhibit?

19 A Page 10 of this exhibit is the 40-year bridge, which is a
20 summary view of the bridge that we were just looking at in
21 detail, and it just breaks down the financing charges
22 changes, the impact of the Syncora settlement plus some of
23 the other impacts from the nonbankruptcy changes with
24 Syncora, but it's just a summary view of what we were just
25 looking at, the detail view over 40 years.

1 Q And how does it connect the July 40-year forecast to the
2 September 40-year forecast?

3 A The detail line items would be the only changes that
4 would have been made since the July forecast.

5 Q Okay. Let's, if we could, now go to Exhibit 733. Okay.
6 And this is the ten-year; correct?

7 A That is correct.

8 Q Exhibit 109 was the ten-year forecast for the -- in July,
9 and, of course, this the one in September. What differences
10 are there in the format of these two forecasts?

11 A The September forecast on Exhibit 733 is about 113 pages.
12 The July projections for the ten-year were about 82 pages.
13 The first -- the format of the first 82 pages is essentially
14 identical, but in these projections we have included just a
15 different way of looking at the numbers, so none of the
16 numbers have essentially changed, but we recut the ten-year
17 projections as well based on input that we were receiving as
18 to a more -- a simpler view of looking at the department
19 budgets post-restructuring.

20 Q Okay. And where does that simpler view begin?

21 A It should be on page 83 of this.

22 MR. STEWART: Let's go, if we could, to page 83.

23 Back up to page 82 actually first.

24 BY MR. STEWART:

25 Q So these are Appendices E to F?

1 A Yes.

2 Q Okay. So what is it that begins on page 83?

3 A So what page 83 does is it's, again, a summary view of
4 the general fund, revenues and expenditures, in which all of
5 the restructuring revenue initiatives, restructuring expenses
6 have been flown -- have been followed through by department,
7 so this is a sum of a department view again, but unlike the
8 restructuring initiatives or expenditures or revenues being
9 broken out separately or just using the historical
10 nonrestructured legacy liabilities, what we have tried to do
11 here is to show a more simplistic view of the general fund,
12 probably a more realistic view as to how the financial
13 information will come about post-restructure.

14 Q Does this analysis have a name?

15 A It's a post-restructuring view.

16 Q Have you heard the phrase used "the mayor's view"?

17 A Yes. At times we have referred to this format and
18 another format as the mayor's view because it is a better
19 format to kind of look at the overall picture.

20 Q Did the mayor ask for it to be done this way?

21 A No, not directly. We did it.

22 Q What conversations did you have with the Court's expert,
23 Ms. Kopacz, about preparing a different view to set forth the
24 data in the way you've just described to us?

25 A I mentioned to the Court's expert that this is another

1 way that we are looking at it, you know, based on some of the
2 comments that we had also read through in the report as to
3 how to make this more user friendly since we've been looking
4 at it over the evolution for the last couple of years as to
5 how to sort of make this a much more effective document going
6 forward. I'm sure there will be some more changes to the
7 format, but this is along the lines of making it more user
8 friendly going forward.

9 Q Does this view also have department-by-department
10 breakdowns?

11 A It does.

12 Q Let's go to the one for the fire department, if we could.

13 THE COURT: Actually, before we do that, let's stop
14 now for lunch.

15 MR. STEWART: Your Honor, in three minutes I can
16 wrap up this whole section --

17 THE COURT: Oh, all right. Go for it.

18 MR. STEWART: -- because it's just one page and then
19 two questions, and then we --

20 THE COURT: Okay.

21 MR. STEWART: -- move on to something perhaps more
22 interesting.

23 MR. SOTO: I don't believe it.

24 BY MR. STEWART:

25 Q Do you have the fire department before you, Mr. Malhotra?

1 A Yes, I do.

2 Q How does this compare to the sheet we looked at earlier
3 in the other view for the fire department?

4 A It should be very similar in terms of the line items, but
5 the sales and charges for services, like, for instance, in
6 2015 would be a summation of what was in the baseline plus
7 the revenue initiatives below the line that were highlighted
8 would now be captured together.

9 Q Okay. You've heard of the -- pardon me -- the phrase
10 "harmonization"?

11 A Yes.

12 Q What is harmonization?

13 A It's syncing up essentially of two different files'
14 formats.

15 Q Okay. What role does this part of the exhibit play in
16 the process of harmonization between the forecast of Ernst &
17 Young and the budgeting process of the city?

18 A I think it's the first couple of steps because 2015 is
19 going to be a transition year for the budget department as
20 well as as we continue to look at the projections, but this
21 is along the road of trying to harmonize the budget
22 department, but like I said, there will still continue to be
23 some changes the way the budget department creates the
24 budget, but this will definitely go -- be sort of the first
25 step of that harmonization process.

1 MR. STEWART: Thank you. Your Honor, if this is a
2 good time to break, this would be an appropriate time for me,
3 too.

4 THE COURT: Okay. We'll be in recess until 1:30,
5 please.

6 THE CLERK: All rise. Court is in recess.

7 (Recess at 12:03 p.m., until 1:30 p.m.)

8 THE CLERK: All rise. Court is back in session.
9 You may be seated. Recalling Case Number 13-53846, City of
10 Detroit, Michigan.

11 THE COURT: You may proceed.

12 MR. STEWART: Thank you, your Honor. Your Honor,
13 may I approach the bench, please?

14 THE COURT: Yes.

15 MR. STEWART: And may I also approach the witness?

16 THE COURT: Yes.

17 BY MR. STEWART:

18 Q Mr. Malhotra -- for the record, Geoffrey Stewart, Jones
19 Day, for the city. Mr. Malhotra, I placed before you a
20 document marked as Exhibit 767. Could you tell the Court
21 what Exhibit 767 is?

22 A This exhibit shows the breakdown of professional fees by
23 advisor for fiscal year '14 and the estimates through fiscal
24 year '15 and then the total column for professional fees by
25 advisor and also the breakdown of the variance that we had

1 spoken about earlier.

2 Q Is this a detail of fees that you testified to before the
3 lunch break?

4 A Yes, the variance of the professional fees by advisor.
5 That is correct.

6 Q Okay. And the detail that Judge Rhodes asked you to
7 prepare and bring to Court this afternoon?

8 A That is correct.

9 MR. STEWART: Your Honor, I'd move the admission of
10 Exhibit 767.

11 THE COURT: Any objections?

12 MR. WAGNER: No objection, your Honor.

13 MR. SOTO: No objection.

14 THE COURT: It is admitted.

15 (City Exhibit 767 received at 1:32 p.m.)

16 MR. STEWART: I also wanted to go back to some other
17 exhibits we spoke of this morning and move their admission.
18 Could we first put up Exhibit 757?

19 BY MR. STEWART:

20 Q Mr. Malhotra, do you see exhibit 757 on your screen?

21 A I do.

22 Q Could you tell us what Exhibit 757 is?

23 A 757 looks like the ten-year projections. I'm just trying
24 to see which version they would be.

25 Q I'm sorry.

1 A I'm just trying to figure out which version they would
2 be.

3 Q Perhaps at the bottom there would be a time or a date
4 shown on the first page.

5 A I would be able to tell if you could please go to the e-
6 summary tab. If you scroll to the bottom right, please.
7 These appear to be the September projections of the ten
8 years.

9 Q In native format?

10 A That is correct.

11 MR. STEWART: Your Honor, I'd move the admission of
12 Exhibit 757.

13 THE COURT: Any objections?

14 MR. SOTO: No objection, your Honor. I would note
15 for the record that he couldn't tell what it was from just
16 the front page.

17 THE COURT: I noticed. Okay. 757 is admitted.

18 (City Exhibit 757 received at 1:33 p.m.)

19 MR. STEWART: Let's put up 758.

20 BY MR. STEWART:

21 Q Could you tell -- if you'd like, go to the second or
22 third page of 758. Can you tell us, Mr. Malhotra, what is
23 Exhibit 758?

24 A 758 is the post-restructuring scenario which we spoke
25 about earlier from pages 83 onwards, which is a recut of the

1 ten-year financials under a different format.

2 Q Did you prepare 758?

3 A Yes.

4 MR. STEWART: Your Honor, I'd move the admission of
5 758.

6 MR. SOTO: No objection, your Honor.

7 THE COURT: It is admitted.

8 (City Exhibit 758 received at 1:34 p.m.)

9 MR. STEWART: Let's look up 759, please, 759.

10 BY MR. STEWART:

11 Q Mr. Malhotra, do you have Exhibit 759 before you?

12 A I do.

13 Q What is Exhibit 759?

14 A 759 should be the 40-year projections and should be the
15 September version, but I can just confirm if you go to the
16 40-year tab. Yeah. I believe these are the September
17 projections.

18 MR. STEWART: Your Honor, I'd move the admission of
19 Exhibit 759.

20 MR. SOTO: No objection, your Honor.

21 THE COURT: It is admitted.

22 (City Exhibit 759 received at 1:35 p.m.)

23 THE COURT: I meant to announce at the beginning of
24 court here after lunch that the mediator did recommend
25 adjourning tomorrow's proceedings relating to the UAW claim,

1 so the Court will agree to do that. Do you have a new date
2 in mind for that?

3 MR. HERTZBERG: We hadn't discussed a date, and what
4 I suggest is let's see how it goes tomorrow, and then I can
5 talk to the other side about slotting in a date and come back
6 to you.

7 THE COURT: I do want a date.

8 MR. HERTZBERG: Okay.

9 THE COURT: I don't want to leave it open.

10 MR. HERTZBERG: I'll take good care of it, your
11 Honor.

12 THE COURT: Before you leave the lectern, Mr.
13 Hertzberg -- and I don't know if you're the right person to
14 talk to about this, but we had an inquiry this morning from
15 Mr. Flynn on behalf of the Detroit Fire Fighters Association.
16 They were also scheduled for their issues tomorrow, and he
17 was asking about whether and how that was going to proceed.
18 Is that your issue or someone else's?

19 MR. HERTZBERG: I'm not aware of that issue, your
20 Honor. Let me check over here. Your Honor, could I suggest
21 that Mr. Flynn check with Heather Lennox? And we can track
22 it down, and then we can come back and report to you.

23 THE COURT: Okay. I will do that, but I will ask
24 you to try to communicate to Ms. Lennox to reach out to Mr.
25 Flynn also.

1 MR. HERTZBERG: I will, your Honor.

2 THE COURT: All right.

3 MR. STEWART: Your Honor, I'm sorry if I jumped the
4 gun even after the lunch break, but I have a note to myself
5 now stuck on the lectern which says "wait."

6 THE COURT: Always good advice.

7 BY MR. STEWART:

8 Q So, Mr. Malhotra, let me -- let's move on to a new area.
9 You understand that the city has settled with the claims of
10 some of its creditors?

11 A Yes.

12 Q What is the extent of your knowledge of those
13 settlements?

14 A It's pretty extensive.

15 Q And do you understand the city proposes to issue
16 securities as part of some of those settlements?

17 A Yes.

18 MR. STEWART: Let's put up Exhibit 728.

19 BY MR. STEWART:

20 Q Do you see Exhibit 728 before you, Mr. Malhotra?

21 A I do.

22 Q What is Exhibit 728?

23 A Exhibit 728 highlights the new notes that are going to be
24 issued as a part of the overall restructuring in order to
25 settle the claims of various classes.

1 Q Who prepared Exhibit 728?

2 A It was our team along with the Jones Day team.

3 MR. STEWART: Your Honor, I'd move the admission of
4 728 as a demonstrative exhibit.

5 THE COURT: Any objections?

6 MR. SOTO: No objection as a demonstrative.

7 THE COURT: It is admitted.

8 (City Exhibit 728 received at 1:38 p.m.)

9 BY MR. STEWART:

10 Q Mr. Malhotra, let's go, if we could, through the exhibit,
11 and at the top there's something called restructured UTGO
12 notes. Please tell us what those are.

13 A Those are the restructured unlimited tax general
14 obligation notes that will be issued in \$288 million in face
15 value and would be paid off over 14 years at various interest
16 rates by tranche, but essentially these notes are going to be
17 paid off over the same time frame and at the same interest
18 rate as the original UTGO notes.

19 Q So what about them has been restructured?

20 A The face value and the claim amount compared to the claim
21 amount.

22 Q And do you know what the original face value of the UTGO
23 claims was?

24 A The claim amount is about 388 million.

25 Q What's the next line?

1 A New LTGO bonds.

2 Q And what are those for?

3 A Those are new limited tax general obligation bonds that
4 are being issued by the city in order to settle the LTGO --
5 settle with the LTGO class, but the city does have the option
6 to pay off the entire amount in cash at emergence.

7 Q And please tell us about the face value and other terms
8 of the new LTGO bonds.

9 A The bonds would be \$55 million in face value payable over
10 23 years at an interest rate of 5.65 percent if the city does
11 not pay the -- those notes off earlier in its entirety in
12 cash.

13 Q And who will be the holders of these new notes?

14 A They would be the LTGO bondholders.

15 Q Okay. Now, below that is something called the new B
16 notes. What are the new B notes?

17 A The new B notes are new notes that are being issued as a
18 part of the plan for reaching settlement with the classes of
19 the LTGOs, the OPEBs, as well as a portion of the COPs and
20 other unsecured creditors. They would be \$632 million of
21 notes payable over 30 years at an interest rate of four
22 percent for the first 20 years and six percent for the last
23 decade, and they're going to be interest only for the first
24 ten years.

25 Q And you told us who the holders would be of the B notes?

1 A Yes. It would be a combination of the classes for OPEB,
2 LTGOs, the COPs, notes, and the other unsecured creditors.

3 Q Now, have you heard of something called a COPs reserve?

4 A Yes.

5 Q What is the COPs reserve?

6 A The COPs reserve is the -- it's a portion of the B notes
7 that was set aside in connection with the COPs litigation.

8 MR. STEWART: Let's put up demonstrative Exhibit
9 751, please.

10 BY MR. STEWART:

11 Q Do you see Exhibit 751 before you, Mr. Malhotra?

12 A I do.

13 Q Who prepared 751?

14 A We did along with the Jones Day team.

15 Q And what does 751 purport to depict?

16 A It breaks down the overall B notes of \$632 million into
17 as to how they get allocated between the different classes.

18 MR. STEWART: I'd move the admission of
19 demonstrative Exhibit 751, your Honor, but only as a
20 demonstrative.

21 MR. SOTO: No objection, your Honor.

22 THE COURT: It is admitted.

23 (City Exhibit 751 received at 1:42 p.m.)

24 BY MR. STEWART:

25 Q Mr. Malhotra, on the left-hand side we see a pie chart;

1 correct?

2 A That is correct.

3 Q What part of the pie chart represents the COPs reserve?

4 A The \$162 million.

5 Q And then there is a segment to the right, a bar chart, I
6 guess. Why is that there?

7 A That was there to illustrate as to depending on how the
8 COPs litigation plays out, how the COPs reserve would get
9 allocated between the OPEB class, the LTGOs, and the other
10 unsecured creditors.

11 Q Now, you mentioned the COPs litigation. What are you
12 referring to?

13 A There's ongoing litigation in terms of the validity of
14 the COPs.

15 Q And does that litigation affect the -- or how, if at all,
16 does that litigation affect the COPs reserve?

17 A Well, if the litigation -- from my understanding, if the
18 litigation goes in favor of the city, the \$162 million of
19 COPs reserve would be broken out pretty much between the
20 OPEB, the LTGOs, and the other unsecured creditors for the
21 most part.

22 Q And if it goes against the city, how does it get broken
23 up?

24 A If it goes against the city, the city would be reserving
25 that \$162 million of the B notes for the COPs holders.

1 Q Okay. Let's go back to Exhibit 728 now.

2 MR. SOTO: Excuse me, your Honor. Just to clarify
3 something in that last one, is that -- if you'd go back to
4 the last one --

5 MR. STEWART: Yeah.

6 MR. SOTO: It says sixth amended plan. Is that
7 what's intended there?

8 MR. STEWART: Let me ask.

9 BY MR. STEWART:

10 Q Mr. Malhotra, this says sixth amended plan, does it not?

11 A Yes, it does.

12 Q Do you know why it says sixth amended plan?

13 A This chart did not reflect on this particular page the
14 component of the COPs reserve that gets crystallized for
15 Syncora as a part of the seventh amended plan, so that
16 portion would change to reflect the Syncora settlement.

17 Q This is how things stood before there was a Syncora
18 settlement?

19 A That is correct.

20 Q Now, if we could go back to 728. Right. We're back to
21 728, and there's a category called new C notes. What are the
22 new C notes?

23 A The new C notes are new notes that are being issued for
24 Syncora in a face value of \$21 million that would be payable
25 over 12 years at an interest rate of five percent, so it's

1 approximately \$2.4 million a year.

2 Q Is there a particular stream of revenue that is pledged
3 to service the new C notes?

4 A I don't know if there's a revenue item that's
5 particularly pledged, but it is tied into some parking, but I
6 don't know if the parking revenue is pledged.

7 Q So let's look at the balance of 728. In the lower left-
8 hand corner we have a pie chart that says face value. What
9 is that intended to reflect?

10 A That reflects all the new notes that are going to be
11 issued under the plan.

12 Q And to the right there is a bar chart that says "debt
13 service." What is debt service intended to depict here?

14 A It shows the cost of servicing the new notes that are
15 being issued over the next approximately 40 years.

16 Q Okay. So could you walk us through the bar chart and
17 show us -- the bars are segmented by color, are they not?

18 A Yes.

19 Q If you could please walk us through the chart to show us
20 how the debt service depiction works here.

21 A So the first column or the first decade really from 2014
22 to 2023, lion's share of that debt service is the UTGO bonds
23 because, as I mentioned earlier, they're getting -- going to
24 get repaid over 14 years consistent with their original
25 repayment schedule, so the yellow gets -- UTGO bonds get paid

1 off in the first decade, and then there's a sliver in the
2 second decade. The second component is the LTGO bonds, which
3 is in purple, and in the assumptions that we have in the
4 projections, the city is assuming that the \$55 million will
5 be paid off in cash at emergence versus being paid off over
6 23 years, which is why that is only in the first stack chart.
7 The third section, which is the section in orange, represents
8 the servicing of the B notes, and the reason that is smaller
9 in the first ten years compared to the next two columns is
10 because that -- the new B notes are interest only for the
11 first ten years, and the last sliver is the new C notes,
12 which are getting paid off over 12 years, which is why we
13 have the stack in the first column and a small amount in the
14 second decade.

15 Q And then starting in year 2034 and thereafter, what
16 notes, if any, are still being serviced?

17 A At '34 and onwards it's only the new B notes that are
18 being serviced.

19 Q Okay. All right.

20 MR. STEWART: Thank you. You can take that down.

21 BY MR. STEWART:

22 Q Now, I think I've asked you about settlements the city
23 has reached with creditors, and let me go through them now.

24 MR. STEWART: Let's put up Exhibit 718.

25 BY MR. STEWART:

1 Q Do you see demonstrative Exhibit 718, Mr. Malhotra?

2 A Yes, I do.

3 Q Who prepared this exhibit?

4 A We did along with the Jones Day team.

5 Q And very briefly, what is it? What does it purport to
6 depict?

7 A It shows a summary of the settlement of the Class 7
8 claims and also shows what the claims actually were.

9 Q And do I understand correctly Class 7 claims are the LTGO
10 claims, the LTGO claims?

11 A Yes.

12 Q Please walk us through this, the terms of the settlement.

13 A So as a part of the settlement, the LTGO class is going
14 to get new LTGO bonds.

15 Q Actually, stop.

16 MR. STEWART: Your Honor, I move into evidence as a
17 demonstrative exhibit Exhibit 718.

18 MR. SOTO: No objection, your Honor.

19 BY MR. STEWART:

20 Q Sorry I interrupted you, Mr. Malhotra.

21 THE COURT: It is admitted.

22 (City Exhibit 718 received at 1:49 p.m.)

23 BY MR. STEWART:

24 Q Now, could you walk us through Exhibit 718?

25 A Yes. The settlement on -- with Class 7 is essentially to

1 settle the claims of the LTGO bondholders on the series that
2 are listed here. As a part of the settlement, the class is
3 going to get new LTGO bonds in the amount of \$55 million. In
4 addition, as a part of the settlement with Syncora, there is
5 a portion of the COPs reserve that now -- that was initially
6 being attributable to the LTGO notes that gets crystallized
7 and is given, and the LTGO class is given new B notes. So
8 essentially it's \$55 million of new LTGO bonds and \$4.2
9 million of B notes assuming a Syncora settlement in exchange
10 for \$164 million of claims. The interest is 5.65 percent on
11 the new LTGO bonds, and it is four to six percent on the B
12 notes, as I mentioned earlier, with a maturity of 23 years
13 for the new LTGO bonds and 30 years on the B notes. However,
14 the city is going to in its current assumptions pay the \$55
15 million with the exit financing in settlement of the new --
16 with the LTGO class.

17 Q Now, in the lower right-hand corner is a circle that says
18 "recovery illustrative." Could you tell me what that is?

19 A That shows under a five-percent discount rate what sort
20 of recovery is generated in the -- as a part of the
21 settlement against the claims of Class 7.

22 MR. STEWART: Let's put up Exhibit 719, please.

23 BY MR. STEWART:

24 Q Mr. Malhotra, do you see Exhibit 719 before you?

25 A Yes, I do.

1 Q Who prepared Exhibit 719?

2 A We did with the Jones Day team.

3 Q What does this represent?

4 A This represents the settlement with Class 8, the
5 unlimited tax GO bonds claims in which the existing claim is
6 being restructured as new -- as restructured UTGO bonds.

7 Q Let me stop you there so I can move the admission of our
8 exhibit.

9 MR. STEWART: Your Honor, I'd move the admission of
10 Exhibit 719 as a demonstrative exhibit.

11 MR. SOTO: No objection, your Honor, as a
12 demonstrative.

13 MR. WAGNER: No objection.

14 THE COURT: It is admitted.

15 (City Exhibit 719 received at 1:52 p.m.)

16 BY MR. STEWART:

17 Q Please continue, Mr. Malhotra.

18 A The face value of the new notes is -- of the new
19 restructured UTGO bonds is going to be \$288 million, and the
20 interest rate and the maturity of the these bonds will be the
21 same as it was as the original UTGO bonds. They will be paid
22 over the course of approximately 14 years consistent with the
23 way they were being scheduled to be paid off earlier, and
24 there is a portion of stub UTGO bonds that is reinstated, but
25 that's not a part of the settlement, but the overall

1 settlement of the UTGO bonds is the \$288 million.

2 Q What happens to the stub UTGO bonds that have been
3 reinstated?

4 A The stub UTGO bonds that are reinstated are broken down
5 into two components. They, too, will be being paid
6 consistent with the collections from the UTGO tax millage.
7 The 20 million of those bonds will be paid into the income
8 stabilization fund, and approximately \$23 million will be
9 paid into the General Retirement System.

10 Q What is the income stabilization fund?

11 A It's a fund that has been established to assist those
12 retirees whose pension does get cut and who are below certain
13 income threshold levels in order to provide assistance to get
14 their income back to either the level it was pre-cut or back
15 to a threshold level.

16 Q Now, once again, in the lower right-hand corner we have a
17 circle speaking of recoveries. What is that?

18 A That shows the illustrative recovery using a five-percent
19 discount rate.

20 Q And what is the recovery?

21 A Seventy-four percent.

22 Q Seventy-four percent of what?

23 A Of their claim.

24 MR. STEWART: Let's put up 737 now.

25 BY MR. STEWART:

1 Q Mr. Malhotra, you have Exhibit 737 before you. Who
2 prepared this exhibit?

3 A We did along with the input from the Jones Day team.

4 Q And what does it represent?

5 A It represents the settlement with Syncora of Class -- of
6 part of Class 9.

7 MR. STEWART: Your Honor, I would move the admission
8 of Exhibit 737 as a demonstrative exhibit.

9 MR. SOTO: No objection, your Honor.

10 THE COURT: It is admitted.

11 (City Exhibit 737 received at 1:55 p.m.)

12 BY MR. STEWART:

13 Q If you could, Mr. Malhotra, please walk us through
14 Exhibit 737 and what it depicts.

15 A It shows that the settlement with Syncora is -- in
16 exchange for their claim is going to be -- take the form of
17 new B notes in the amount of \$23-1/2 million, which would
18 essentially be coming out of the COPs reserve and at an
19 interest rate of four to six percent and payable over 30
20 years consistent with the overall B notes. In addition,
21 Syncora will be getting new C notes in the face value of
22 \$21.3 million at a five-percent interest rate payable over 12
23 years. In addition, Syncora will also receive as a part of
24 the bankruptcy settlement credits in the nominal amount of
25 \$6.3 million.

1 Q Credits to do what?

2 A My understanding is it's credits that can be used in
3 terms of purchases of real estate down the road.

4 Q Okay. And then what's the illustrative recovery for
5 Syncora?

6 A The illustrative recovery including the \$6.3 million of
7 credits, assuming those are at par, was 13 percent.

8 Q Okay. Now, you had mentioned that when it came to the B
9 notes, the 23.5 million came from the COPs reserve.

10 A That is correct.

11 MR. STEWART: Let's put up, if we could, Exhibit
12 727.

13 BY MR. STEWART:

14 Q Could you tell me, first of all, what is Exhibit 727?

15 A 727 shows the breakdown of the new B note -- of the B
16 notes of \$632 million and who the holders of those B notes
17 will be.

18 Q Okay. Now, in the pie chart on the left a segment has
19 been pulled out. What does that segment represent?

20 A On the left that segment represents the original COPs
21 reserve is the one that is in brackets.

22 Q Okay. And then the -- that's the COPs reserve, but it's
23 been subdivided now. Can you tell me why it has been
24 subdivided?

25 A It's been subdivided because there's a portion of the

1 COPS -- original COPS reserve in the amount of \$24 million
2 that's going to now become B notes for Syncora. That
3 remainder of the COPS reserve that was initially reserved for
4 Syncora in the amount of \$15 million is now split between the
5 OPEB and LTGO classes, so the \$15 million is broken down
6 between OPEB and LTGOs. Syncora gets its \$24 million, and
7 \$123 million remains in the COPS reserve.

8 Q How does this splitting of the \$15 million differ from
9 the original allocation of the COPS reserve among OPEB, LTGO
10 and the other unsecured creditors?

11 A I believe it is higher. The split of the \$15 million is
12 higher in favor of the OPEB and the LTGOs compared to the
13 previous split.

14 Q Now, the purple segment of our chart says 123 million.
15 What does that represent?

16 A That represents the remaining COPS reserve.

17 Q And who are the claimants, to your understanding, on the
18 remaining part of the COPS reserve?

19 A My understanding is it's in litigation, and it's with
20 FGIC.

21 Q So FGIC seeks it, but if FGIC doesn't get it, it goes to
22 these other people?

23 A That is my understanding.

24 Q Now, before we move from Class 9, let's go back, by the
25 way, to -- let's just leave it here. You understand, do you

1 not, that under the plan FGIC is also put into Class 9?

2 A That is correct.

3 Q What is the status, if any, to your knowledge, to the
4 extent you're free to disclose it, of FGIC's possible
5 settlement with the city?

6 A My understanding from reading the seventh plan is that
7 FGIC has an option to opt into a similar settlement as or the
8 same settlement as Syncora, but I don't know all the details.

9 Q If FGIC did opt in, what would the effect be on the COPs
10 reserve?

11 A If they were to opt in under the same structure, a
12 portion of that \$123 million would get allocated to FGIC, and
13 the remaining portion at a certain percentage would -- my
14 guess is get allocated between the unsecureds, the LTGOs --

15 MR. SOTO: Objection, your Honor. I don't think
16 he's here to guess.

17 MR. STEWART: Okay. We can move on. That's fine.
18 Let's put up Exhibit 720.

19 BY MR. STEWART:

20 Q Do you see Exhibit 720?

21 A I do.

22 Q What is Exhibit 720?

23 A 720 shows the settlement with the -- with Class 12, the
24 OPEB claims.

25 Q And who prepared 720?

1 A We did with the Jones Day team.

2 MR. STEWART: Your Honor, I'd move the admission of
3 Exhibit 720 as a demonstrative exhibit.

4 MR. SOTO: No objection.

5 THE COURT: It is admitted.

6 (City Exhibit 720 received at 2:01 p.m.)

7 BY MR. STEWART:

8 Q Please describe for us, Mr. Malhotra, what is set forth
9 in Exhibit 720.

10 A On Exhibit 720 shows the settlement with the -- with
11 Class 12, and it shows that the original claim of four
12 point -- in exchange for the original claim of \$4.303
13 billion, which represented the OPEB claim pursuant to the
14 settlement, the settlement is going to be \$450 million of B
15 notes contributed to GRS and PFRS VEBAs in total and also as
16 a -- pursuant to the Syncora settlement, \$11 million of
17 additional B notes that would be coming out of the COPs
18 reserve.

19 Q So let me stop you there. What is a VEBA?

20 A It's a voluntary employee beneficiary association trust.

21 Q And what does a VEBA do?

22 A It's supposed to go forward, manage the benefit plans for
23 the retirees or the employees that it is set up for.

24 Q And do I understand correctly all of the value going to
25 Class 12 is in B notes?

1 A That is correct. There are some other start-up costs,
2 but the value that is going to the VEBA trust is in the form
3 of B notes.

4 Q Now, on the amount line, we have on the right-hand side
5 the 11.0 million. Tell us where those B notes come from.

6 A They come from the original COPs reserve -- from the
7 original COPs reserve, from the portion that was left behind
8 after the Syncora settlement.

9 Q And is that consistent with the exhibit we looked at a
10 minute ago that showed how it was broken up?

11 A Yes. That's the breakdown of the \$15 million.

12 Q Please let's go to the line about interest. Tell us,
13 please, what is the interest relating to the B notes?

14 A It is four percent for the first two decades and six
15 percent for the last decade.

16 Q And maturity?

17 A It's 30 years.

18 Q And under "other" you have a few items. Please tell us
19 what those are.

20 A That shows certain start-up costs that are also going --
21 are benefitting the VEBA, which is \$8 million from the rate
22 stabilization fund and approximately \$3-1/2 million from
23 charitable contributions as well as advance of the October
24 2015 interest on the excess B notes to be advanced earlier.

25 Q Why were these start-up costs added as part of the

1 settlement with Class 12?

2 A It's a part of the settlement to essentially get the
3 VEBAs going.

4 Q Okay. And what's the recovery of Class 12 as you
5 calculated it?

6 A Ten percent.

7 MR. STEWART: And we can take that down. Actually,
8 no. Before you take it down -- sorry about that -- put up
9 721 or take that down and put up 721.

10 BY MR. STEWART:

11 Q What is Exhibit 721, Mr. Malhotra?

12 A 721 shows the nominal dollars and as a percentage of
13 general fund revenue, the comparison of both costs and
14 percentage both post-restructuring and before restructuring
15 in terms of what the trends were over the next 20 years.

16 Q Who prepared Exhibit 721?

17 A We did.

18 MR. STEWART: Your Honor, I'd move the admission of
19 Exhibit 721 as a demonstrative exhibit.

20 MR. SOTO: No objection as a demonstrative.

21 THE COURT: It is admitted.

22 (City Exhibit 721 received at 2:05 p.m.)

23 BY MR. STEWART:

24 Q Mr. Malhotra, let's focus on 721. There are two
25 different sets of bars and two different sets of lines.

1 First of all, if you could tell us what the bars represent in
2 the exhibit.

3 A The pink or orange bars that are on that chart represent
4 the projected payments on retiree healthcare obligations for
5 the existing retirees and forthcoming retirees over a 20-year
6 period.

7 Q Where did these projections come from?

8 A We got the inflation assumptions with respect to retiree
9 healthcare from Milliman, and we used the count of retirees
10 that we had.

11 Q All right. So the top bars, they show what for each
12 year?

13 A Show what the retiree healthcare payments would have been
14 absent a restructuring.

15 Q Okay. And then below that we have a line. What does
16 that line represent?

17 A The line represents what those payments for retiree
18 healthcare are as a percentage of general fund revenue as to
19 how it was going to continue to increase over the next 20
20 years.

21 Q So, for example, what would the number be for 2026 as a
22 percentage of general fund revenue absent restructuring?

23 A It would show that absent the restructuring the retiree
24 healthcare as a percentage of general fund revenue would
25 approximately be 23 percent, so 23 cents of every dollar

1 would be used to fund retiree healthcare.

2 Q So now let's look at the lower part of the chart. First
3 of all, explain to us what the bars mean. I guess they're
4 light blue.

5 A The light blue represents the portion of the B note that
6 is the city's obligation going forward in terms of this class
7 is going to be -- is shown in the blue chart. In addition,
8 we have added the ongoing potential cost of retiree
9 healthcare for active employees that will be retiring in the
10 future to ensure we can do an apples to apples comparison.

11 Q Why is the number higher in 2015 than it is in 2016?

12 A Because the existing run rate that the city is on for
13 fiscal year '15 was slightly higher than January 1, 2015,
14 when the city transitions to the new VEBA plans.

15 Q Why does it rise as it does in 2026?

16 A That's because that's when the city starts servicing the
17 principal on the B note, and we wanted to make sure that we
18 can show that it's not just the first ten years where it was
19 more of an interest only comparison but going forward 2026
20 onwards once we -- once the city is servicing the principal
21 on the B notes, what that delta still is.

22 Q Explain for us, if you would, the -- looks like a green
23 line across the bottom of the chart.

24 A It shows the retiree healthcare costs as a percentage of
25 revenue, general fund revenue.

1 Q So as a result of the settlement with the OPEB class, how
2 have the city -- how has the city's exposure to OPEB cost
3 changed?

4 A The city, as a part of the settlement, is not exposed to
5 OPEB costs any longer other than for the commitments that the
6 city is making to provide an amount -- a nominal amount for
7 its active employees and what their retiree healthcare plans
8 would be or their healthcare contribution would be, but in
9 terms of the city's obligations for its existing retirees,
10 the city's obligations are limited to it servicing the B
11 notes.

12 MR. STEWART: Let's put up Exhibit 722.

13 BY MR. STEWART:

14 Q Could you please tell us what is Exhibit 722?

15 A It is a settlement with Class 17 claims for the 36th
16 District Court.

17 Q And who prepared Exhibit 722?

18 A It was the Jones Day team primarily with some input from
19 us as well.

20 MR. STEWART: Your Honor, I would move the admission
21 of 722 as a demonstrative exhibit.

22 MR. SOTO: No objection.

23 MR. WAGNER: No objection.

24 THE COURT: It is admitted.

25 (City Exhibit 722 received at 2:10 p.m.)

1 BY MR. STEWART:

2 Q Please describe to us, if you could, Mr. Malhotra, the
3 settlement with Class 17 as set forth in our exhibit.

4 A It shows that as a part of the settlement in the claims
5 that were approximately \$6 million for those claims that are
6 less than \$100,000, 33 percent of the claim would be paid in
7 cash at emergence, and for those individual claims that
8 are -- or those claims that are greater than \$100,000 each,
9 33 percent of the claims would be payable in five equal
10 annual installments at -- and there's a simple interest rate
11 of five percent.

12 Q And what's the illustrative recovery of Class 17?

13 A Thirty-three percent.

14 Q I don't know if I remembered to ask you what the
15 illustrative recovery was of Class 12.

16 A Ten percent.

17 Q Do you remember what that was? How much?

18 A Ten percent.

19 Q Ten percent. Okay

20 MR. STEWART: We can take that down.

21 BY MR. STEWART:

22 Q Let me move to ask you about something else. Among other
23 things, what occasion did you have to look at the city's
24 pension liabilities?

25 A We've looked at the city's pension liabilities,

1 especially over the course of the last year, last 18 months.
2 Q Let's go back to Exhibit 33 and, in particular, to page
3 91. I believe we looked at this page before today. This is,
4 Mr. Malhotra, a page from the proposal to creditors of June
5 of last year that you talked about earlier. What analysis
6 had you done as of that time of the city's exposure to
7 pension liabilities?

8 A At that point in time, the main work that was done with
9 respect to the pension liabilities was under a variety of
10 assumptions like the changes in the rate of investment return
11 or the amortization period of the unfunded liability, what
12 the city's required contributions would be over the next ten
13 years.

14 Q And what had you found that those contributions would be
15 in 2023 as matters stood back in June of 2013?

16 A Based on the assumptions that were being used for the
17 preparation of this report, the pension contributions were
18 going to be close to \$3 billion under the assumptions that
19 were being used for this report.

20 Q So has the city reached a settlement with the Retirement
21 Systems?

22 A Yes.

23 MR. STEWART: And just for the record, let's put up
24 Exhibit 723. Maybe that will be simpler.

25 BY MR. STEWART:

1 Q Do you see Exhibit 723, Mr. Malhotra?

2 A I do.

3 Q What is this?

4 A It shows the key items of the settlement with GRS and
5 PFRS as a part of the plan of adjustment.

6 Q Okay. And just for the record, could you tell us what
7 are GRS and PFRS?

8 A The General Retirement System and the Police and Fire
9 Retirement System.

10 Q Do you know off the top of your head what class each is
11 in?

12 A Class 10 and 11.

13 Q Now, tell us --

14 MR. STEWART: Your Honor, if I could, I would move
15 the admission of Exhibit 723 as a demonstrative exhibit.

16 MR. SOTO: No objection, your Honor.

17 MR. WAGNER: Yeah. No objection as a demonstrative.

18 THE COURT: It is admitted.

19 (City Exhibit 723 received at 2:14 p.m.)

20 BY MR. STEWART:

21 Q Mr. Malhotra, could you explain to us what is set forth
22 on Exhibit 723?

23 A Yes. It shows the components of some of the changes
24 between what the assumptions were and what the funding status
25 was of the -- each of the pension plans compared to where

1 they are as a part of the plan of adjustment.

2 Q Okay. Let's start at the top. There's something called
3 an assumed rate of return. Please tell us how that has
4 changed.

5 A That has changed from 7.9 percent for GRS and eight
6 percent for PFRS to 6.75 percent for GRS and PFRS, which is
7 fixed for the next -- through 2023.

8 Q And do you know how the rate of 6.75 percent was derived?

9 A It was a part of the settlement.

10 Q Below that is UAAL?

11 A That's right.

12 Q First of all, what is UAAL?

13 A That's the unfunded actuarial accrued liability.

14 Q And please describe to us what this part of the
15 demonstrative shows.

16 A It shows that the pre-petition UAAL for GRS and PFRS was
17 about 1.879 billion and 1.25 billion respectively, so
18 collectively roughly about \$3.1 billion, and as of June 2013
19 and as a part of the plan of adjustment, the June 2014 UAAL
20 is 894 million for GRS and 553 million for PFRS.

21 Q And then underneath that it says "Target." How did those
22 targets come to be calculated?

23 A Those were calculated overall as the UAAL that would be
24 remaining based on the targeted funding percentage status, so
25 70 percent for GRS and 78 percent for PFRS.

1 Q And that takes us to the next line, which is funding
2 status. What does the term "funding status" mean?

3 A Funding status means the overall comparison of the assets
4 in the plan to the liabilities in the plan.

5 Q And what -- tell us -- walk us through what the funding
6 status percentages were and what they are projected to
7 become.

8 A They were 53 and 71 percent, and the target is by 2053 to
9 have these plans fully funded.

10 Q Do you know what the funding percentage is today?

11 A I believe it's pretty close to the target as of 2023, but
12 that's what I believe it is.

13 Q Do you know why today's funding status is so close to the
14 target in 2023?

15 A Well, the assets have returned better, so the assets have
16 done better than what -- so the funding status has improved
17 since June of 2013.

18 Q Do you know of a term called "defunding" as it applies to
19 retirement systems?

20 A I have a general understanding.

21 Q What, if anything, is going on with these retirement
22 systems in terms of defunding in the coming years?

23 A In the coming years, from the information that I have
24 seen, there's going to be ongoing defunding of these plans
25 based on the contributions that are going in relative to the

1 assets that are coming out of the pension systems.

2 Q And do you know why that is?

3 A It's the nature of the demographics and the profiles of
4 the plan.

5 Q Our next line says "POA liability reduction." Could you
6 tell us what that's -- what that describes?

7 A That describes some of the changes that have taken place
8 as a part of the overall plan of adjustment in each one of
9 the plans.

10 Q Okay. So what does "plan freeze" mean?

11 A It means that there's no more accrual of benefits under
12 these plans, so they are frozen, which has an impact of
13 reducing the liability of the plans.

14 Q And then there's a reference to monthly pension
15 reduction.

16 A Yes.

17 Q Can you tell us what that is?

18 A In GRS that's a 4-1/2 percent cut in the actual pension
19 checks that are going out, and there's no change in that
20 under PFRS, which also has an impact from a liability
21 reduction standpoint as a part of the plan of adjustment.

22 Q Okay. And then there is a reference to COLA. Is that
23 cost of living allowance?

24 A Yes.

25 Q What has happened to the cost of living allowance?

1 A It has been eliminated for GRS, and it has been reduced
2 by 55 percent for PFRS.

3 Q And then finally it's -- there's something called an ASF
4 recoupment. What is that?

5 A That is basically some of the excess interest that was
6 earned that is being transferred back into the General
7 Retirement System in the neighborhood of \$200 million.

8 Q Then at the bottom we have the segment entitled "Future
9 Contributions." Please tell us what those are and, more
10 importantly, how you calculated them.

11 A Those contributions through 2023 are 719 million and 261
12 million, and the majority of that funding is coming through
13 either the contributions through the grand bargain or from
14 the DWSD contributions, and beyond 2024 to 2053, that shows
15 the contributions required to amortize the UAAL at the end of
16 2023 as to what the cost would be assuming a 6.75-percent
17 interest rate. And majority of those contributions, though,
18 would be paid by the general fund, although there will still
19 be some portion through 2024 in that decade from external
20 funding.

21 Q And so the total of future contributions turns out to be
22 what?

23 A Through 2023 it is just shy of a billion dollars, and
24 then from 2024 to 2053, the nominal dollars over that time
25 frame are roughly \$2-1/2 billion, \$2.8 billion.

1 Q And so the total at the very bottom of the contributions
2 the city is facing turns out to be what?

3 A Just about \$3.8 billion.

4 MR. STEWART: So let's put up Exhibit 732.

5 THE COURT: Excuse me. Before we leave this one --

6 MR. STEWART: Sorry.

7 THE COURT: Thank you. What does the phrase we see
8 here, "equivalent to 8.8-percent reduction in liability,"
9 mean?

10 THE WITNESS: Your Honor, it means that as a part of
11 the overall changes from the ASF recoupment, the actual GRS
12 liability has been reduced by approximately \$200 million.

13 THE COURT: What is 8.8 percent? What is that a
14 percent of?

15 THE WITNESS: It would be a percentage of the actual
16 total accrued liability, your Honor, versus just the UAAL.
17 It would be the accrued liability in its entirety.

18 THE COURT: Does the plan commit the city to make
19 the payments in your section of the chart here called "Future
20 Contributions"?

21 THE WITNESS: Those contributions are assumed in the
22 plan, your Honor, and the city --

23 THE COURT: They are what?

24 THE WITNESS: They are assumed to be made in the
25 plan, your Honor, so the city is in the projections making

1 those payments beyond 2024 into the pension systems in the
2 plan.

3 THE COURT: My question was a slightly different
4 one. Does the plan commit the city, legally commit the city
5 to make those payments?

6 THE WITNESS: My understanding is the city is
7 committed to fund the unfunded liability. I just don't
8 know -- the city and the Retirement Systems have to decide
9 what the amortization methodology is of the UAAL at the
10 end -- at the end of year ten, and the city is committed to
11 fund that underfunded liability. Depending on what
12 amortization schedule gets picked, the payments can change
13 slightly because of the interest rate, but my understanding
14 is the city is committed to make the payments beyond 2024
15 into those pension systems.

16 THE COURT: Do you know the answer to my question?

17 MR. STEWART: Your Honor, I confess that I do not.

18 THE COURT: Anybody know the answer to my question?

19 MR. CULLEN: The answer is yes, your Honor.

20 THE COURT: All right. Thank you.

21 BY MR. STEWART:

22 Q Let me ask this. How would the change in amortization
23 after 2024 affect the contribution level?

24 A It depends on the amortization methodology. What we have
25 used in the projections is a straight line principle in which

1 the city is making higher payments in the first decade, and
2 over the course of the 30 years it makes lower payments going
3 forward. You can change the amortization methodology to make
4 it like a level payment over 30 years in which the city will
5 have lower payments in the first, say, ten years, but over
6 the course of the 30 years the city will end up paying more
7 because it has to pay more interest, so it's more on the
8 methodology aspect as to how that liability gets serviced.

9 MR. STEWART: Can we now put up Exhibit 732?

10 BY MR. STEWART:

11 Q Mr. Malhotra, what is Exhibit 732?

12 A 732 shows the pension contributions for the General
13 Retirement System and the Police and Fire Retirement System
14 over the first ten years and the sources of the funding.

15 Q And who prepared Exhibit 732?

16 A We did.

17 MR. STEWART: Your Honor, I would move the admission
18 of Exhibit 732 as a demonstrative exhibit.

19 MR. SOTO: No objection.

20 MR. WAGNER: Same.

21 THE COURT: It is admitted.

22 (City Exhibit 732 received at 2:25 p.m.)

23 BY MR. STEWART:

24 Q Mr. Malhotra, please explain to us what is depicted in
25 Exhibit 732.

1 A 732 for the General Retirement System shows that the
2 total contributions going into the retirement -- General
3 Retirement System are 719 million through 2023. \$428.5
4 million of that is coming through DWSD. \$31.7 million in
5 nominal dollars is coming through UTGOs, which are really the
6 stub UTGOs. \$98.8 million is coming from the state
7 settlement. \$45 million is coming from DIA, and the
8 remaining 114.6 million is coming from the general/other
9 funds, which is reimbursement from other funds. Of that
10 114.6 approximately \$90 million is general fund dollars.

11 Q Nine zero?

12 A That's right, about 90 million. That's right.

13 Q Why is such a large segment of the GRS side of this
14 coming from the DWSD?

15 A It's a part of the overall pension settlement in terms of
16 the required dollars for the -- for GRS.

17 Q Okay. Now, to the right we have another pie chart;
18 correct?

19 A Yes.

20 Q Why is it smaller than the one on the left?

21 A It's smaller because the overall contributions to the
22 police and fire system are 261 million compared to the 719
23 million on the left side. And one thing I would just
24 clarify, the DWSD contributions -- sorry -- are coming in
25 over nine years because they're fully repaying their unfunded

1 liability over a much shorter time frame, so I just wanted to
2 clarify that as well.

3 Q Let's go back and deal with it before we go to the PFRS.
4 You're saying that the 428.5 million is from the DWSD;
5 correct?

6 A That is correct.

7 Q What does that represent with respect to the DWSD?

8 A It represents DWSD paying its UAAL that exists today but
9 paying it over the course of the next nine years in its
10 entirety in addition to some professional fees and admin
11 expenses that are being allocated for to DWSD, but they're
12 essentially paying their UAAL at a much faster rate compared
13 to the rest of the General Retirement System.

14 Q How does one know how much of the UAAL for the GRS is
15 attributable to the DWSD as opposed to attributable to
16 everybody else?

17 Q It's given to us by Milliman.

18 Q By the actuaries?

19 A That is correct.

20 Q Then you mentioned the nine years. Tell me, once again,
21 why they're paying it in nine years instead of some other
22 period of time.

23 A They're paying it over nine years as a part of an overall
24 settlement because in aggregate the total dollars that are
25 coming from DWSD are still significantly lower than what DWSD

1 would have been responsible for outside of a restructuring.

2 Q Now let's go back to the PFRS, and I believe there are
3 two sources of payment there. Please describe those to us.

4 A The blue chart represents the -- the blue part of the pie
5 chart represents the money that is going to come in from the
6 foundations into PFRS over the first ten years and -- through
7 2023, and \$96 million is coming in from the state.

8 Q All right. Now, the contributions you've talked about,
9 are any of those the result of something known as the grand
10 bargain?

11 A Yes.

12 Q What is the grand bargain?

13 A The grand bargain in terms of the financial elements that
14 are -- the contributions that are coming into the city,
15 there's approximately \$366 million of contributions that are
16 supposed to come in from the foundations over a 20-year time
17 frame and nominal dollars -- excuse me -- approximately \$100
18 million from DIA in nominal dollars over 20 years and from
19 the state approximately \$194.8 million that are coming in up
20 front, which is their share of \$350 million at a present
21 value.

22 MR. STEWART: Let me ask to put up Exhibit 724.

23 BY MR. STEWART:

24 Q Do you have Exhibit 724 before you?

25 A I do.

1 Q Is that a summary of the terms of the grand bargain?

2 A Yes.

3 Q Who prepared this?

4 A Jones Day team along with our input.

5 MR. STEWART: Your Honor, I'd move the admission for
6 demonstrative purposes alone of Exhibit 724.

7 MR. SOTO: No objection, your Honor.

8 MR. WAGNER: No objection.

9 THE COURT: It is admitted.

10 (City Exhibit 724 received at 2:31 p.m.)

11 BY MR. STEWART:

12 Q Mr. Malhotra, I probably should have put this up before I
13 asked you the question I asked a minute ago, but could you
14 walk us through what the economic terms are for the grand
15 bargain?

16 A Yes. The state contribution agreement is -- provides for
17 \$194.8 million in cash, which is equal to the PV of \$350
18 million over 20 years at a 6.75-percent discount rate.

19 Q What does PV mean?

20 A Present value.

21 Q And why is there -- and that's at a discount rate of 6.75
22 percent?

23 A That's correct.

24 Q Where did that discount rate come from?

25 A The state was using the same discount rate that the

1 pension systems are using.

2 Q Okay. And why was the period of 20 years chosen?

3 A The general parameters of the contributions coming in for
4 the grand bargain was over 20 years.

5 Q So the state contribution, how much in dollars is it
6 going to end up being?

7 A I'm sorry.

8 Q How much will the state contribution end up being in
9 actual dollars?

10 A The present value dollars are \$194.8 million, which would
11 be dollars much earlier, versus \$350 million over 20 years.

12 Q Do you know when it is the state is going to make that
13 payment?

14 A I do not know the exact date. It's, of course, tied to
15 the effective date of the plan. I do not know the exact
16 date.

17 Q Let me ask a different way. Do you know what the state
18 will do versus making a single payment versus spreading the
19 payment out over a period of time?

20 A The state is planning to make a single payment.

21 Q And then going further we have the income stabilization
22 payments. Can you tell me what those are?

23 A Those are the payments that are going into the income
24 stabilization fund that are being paid through the stub
25 UTGOs, so this would be no less than \$20 million over 14

1 years in which the city continues to collect its UTGO taxes
2 per the millage, and a portion of that money is going to be
3 paid into the income stabilization fund.

4 Q Why is that not shown on your table here?

5 A That is basically money that's coming -- it's not new
6 money that's coming from the state. This is UTGO collections
7 that are going to be set aside, and it's just a part of the
8 overall state settlement in terms of the state also
9 contributing the 194.8 million is to ensure that this 20
10 million will be available for the income stabilization fund
11 that will be funded through the collection of UTGO taxes.

12 Q Please describe to us then the economic elements of the
13 DIA settlement.

14 A The foundations are required to contribute \$366 million
15 of nominal amount over 20 years, and the DIA is required to
16 contribute \$100 million in nominal dollars over 20 years.

17 Q And how does the grand bargain then affect the city's
18 unfunded actuarial accrued liabilities?

19 A It definitely will help reduce it or at least reduces the
20 city's requirement of funding those contributions.

21 Q Now, let me ask you --

22 MR. STEWART: Set's put up Exhibit 732, please.

23 BY MR. STEWART:

24 Q What is -- I believe we looked at 732 a minute ago, and
25 I'd ask you about the portion of this that's coming from the

1 DWSD, and that's the \$428.5 million; correct?

2 A That is correct.

3 Q Have you performed a calculation of the overall economic
4 effect on the DWSD of the city's plan of adjustment?

5 A Yes.

6 MR. STEWART: Let's put up Exhibit 201.

7 THE COURT: Excuse me. Before we do that, can we go
8 back to the screen that was up and now the one before this
9 one and back to the next one, please? Am I missing
10 something, or is the pie chart on the left for the General
11 Retirement System not showing the foundations' contribution?

12 THE WITNESS: Your Honor, this chart represents the
13 first ten years only, so the foundations' money that's coming
14 into the General Retirement Systems is coming in the second
15 decade, and so it's --

16 THE COURT: Okay.

17 THE WITNESS: -- a timing issue.

18 THE COURT: Okay. Thank you.

19 BY MR. STEWART:

20 Q Mr. Malhotra, I have Exhibit 201 on the screen, and we've
21 been able to blow it up. I realize this can be hard to read.
22 That's why it's in the binders, and it may be easier for
23 some --

24 THE COURT: I can read it. Thank you.

25 MR. STEWART: -- to look at in hard copy.

1 BY MR. STEWART:

2 Q Please tell us, if you could, Mr. Malhotra, first of all,
3 who prepared Exhibit 201.

4 A This was a schedule we had prepared some time ago.

5 Q And what is it a schedule of?

6 A It was -- it's a schedule that shows the pension payments
7 under the plan of adjustment and the OPEB payments under the
8 plan of adjustment for DWSD as compared to those under no
9 restructuring scenario.

10 Q Okay. So let me, if I could, ask you about it. At the
11 top -- and this was based on an Excel spreadsheet, I assume?

12 A That is correct.

13 Q Let's look at the top. The top segment says POA, and
14 what does that part of our exhibit discuss?

15 A The pension payments and the professional fees and the
16 pension administration costs that are assumed to come in from
17 DWSD as a part of the plan of adjustment.

18 Q And what period of time is covered by the POA segment of
19 Exhibit 201?

20 A It went through 40 years.

21 Q Okay. Now, we, first of all, have pension payments at
22 the top. What are those?

23 A Those are the payments that are coming in from DWSD over
24 the next nine years in terms of DWSD fully funding its UAAL
25 over the next nine years.

1 Q And then professional fees, what is that for?

2 A Professional fees is the allocation to DWSD of the total
3 professional fees that were projected at that point of time
4 for DWSD to get its pro rata share.

5 Q Would that be higher today?

6 A Yes.

7 Q Do you know how much higher it would be today?

8 A It would probably be seven or eight -- could be seven or
9 \$8 million higher.

10 Q What's the next line?

11 A Pension administration, administrative costs.

12 Q Okay. And what are those?

13 A Those are admin costs related to the General Retirement
14 System and DWSD's allocation.

15 Q Below that?

16 A That represents the OPEB for current retirees, so the
17 allocation of the B note to DWSD for its pro rata -- on the
18 basis of its pro rata share.

19 Q And that would be going forward as long as there are B
20 notes out there?

21 A Yes.

22 Q What's POC a reference to?

23 A Similar in terms of an allocation to DWSD of the B notes
24 or the reserve in some fashion to what would be allocated to
25 DWSD.

1 Q Has that changed recently?

2 A We have -- well, this schedule does not reflect the
3 Syncora settlement.

4 Q What would the effect of the Syncora settlement be on
5 this line?

6 A It would go up slightly.

7 Q How much?

8 A Probably a hundred or \$200,000 per year.

9 Q What does the reference to swaps mean?

10 A That's a part of the overall swaps settlement and a
11 portion that could be allocated to DWSD.

12 Q Okay. So let's go back so we can see the full view. As
13 a result of this, you have something called total DWSD legacy
14 payments. What does that represent?

15 A The total DWSD legacy payments represents the summation
16 of the subtotal up above -- that's the subtotal DWSD legacy
17 payments -- plus what DWSD could theoretically be paying --
18 or could be paying for its pension and OPEB obligations for
19 its current active employees.

20 Q And what is the assumption this part of the exhibit is
21 based on?

22 A The assumption is that DWSD, similar to the rest of the
23 general nonuniform employees, will be contributing
24 approximately 5.75 percent with respect to the pension for
25 active employees and on the future retirees would be paying

1 two percent of payroll.

2 Q So this segment shows what the effect would be on DWSD
3 under the plan. Do I understand that correctly?

4 A That is correct.

5 Q So let's go down to no restructuring. And before getting
6 into any numbers, what do you mean by "no restructuring"?

7 A No restructuring -- when we developed the schedule, it
8 was meant to reflect what DWSD's obligations were going to be
9 had none of the OPEB or POC obligations or swap obligations
10 been settled or restructured, and with respect to the pension
11 payment, given the fact that there are multiple scenarios,
12 all we did is we took the Gabriel, Roeder report and saw what
13 the 2015 pension payment was attributable to DWSD and kept
14 that flat.

15 Q So let's go look at the full view. You have a line,
16 "Total DWSD Legacy Payments," and so what does that
17 represent?

18 A That represents what the DWSD legacy payments would be
19 absent a restructuring and assuming these very conservative
20 pension payments.

21 Q And at the bottom we have "Savings/Additional Cost."
22 What are those calculations intended to depict?

23 A What they were intended to do was to show how much
24 savings are being generated as a part of the restructuring
25 that benefit DWSD.

1 Q And let's go back to the full view, and what did you
2 determine in terms of the overall economic effect on DWSD of
3 the plan as it exists -- proposed, I should say, today? Go
4 ahead.

5 A We saw that the total additional -- the total savings for
6 2015 to 2023 just on a conservative basis would be
7 approximately \$172.8 million -- could be higher than that --
8 just for those nine years, and then DWSD continued to benefit
9 from these savings going into the next two decades partly
10 because, of course, they have assumed to pay their pension
11 faster, but, more importantly, there's significant savings in
12 the OPEB costs for DWSD as a part of this plan of adjustment.

13 MR. STEWART: Your Honor, I would like to move
14 Exhibit 201 into evidence.

15 MR. SOTO: No objection, your Honor.

16 MR. WAGNER: Same.

17 THE COURT: It is admitted.

18 (City Exhibit 201 received at 2:44 p.m.)

19 BY MR. STEWART:

20 Q Let me ask you -- let's go, if we could, now to Exhibit
21 734 again and to page 3 of 14. Could you tell us,
22 Mr. Malhotra, what page 3 of 14 of Exhibit 734 sets forth?

23 A It sets forth per the September projections under the
24 assumptions in there -- the first section on top is -- first
25 section over the next ten years by different creditor

1 classes, what distributions are going to be in nominal
2 dollars for those classes and the source of that funding over
3 the next ten years, and that same has been repeated down
4 below for 40 years along with recovery calculations using a
5 five-percent discount rate.

6 Q So this is a table; correct?

7 A That's correct.

8 MR. STEWART: If we can, let's blow up the top part
9 and the left side of the top part so we can all see it more
10 legibly. That's fine. Good. All right.

11 BY MR. STEWART:

12 Q And so we have for the ten-year the various settlements
13 that we've talked about; correct?

14 A That's correct.

15 Q All right. Then walk us through this table and show how
16 you've scheduled out these various settlements.

17 A So for Class 7, which is the limited tax general
18 obligation bonds, those are assumed to get paid \$55 million
19 in full upon the effective date, so -- or right around the
20 effective date, so there is no interest that is being paid on
21 that. In addition, they're getting a portion of the B notes
22 as well.

23 Q Without going through each of these, tell us how this
24 table correlates to the settlements you described to us
25 earlier when we went through the various demonstratives.

1 A They're the same.

2 Q Okay. And it shows the amount of the claim and then what
3 the claimant is getting; correct?

4 A That's right. And this table reflects the cash over the
5 first ten years, and the table below it showed over forty.

6 Q So let's go to the 40-year now. Why, by the way, has it
7 been necessary to extend this table out to 40 years instead
8 of just stopping at 10?

9 A Because the commitments that the city is making in terms
10 of its B notes as well as its pension obligation commitments
11 at the end of ten years go nearly forty years, and that's the
12 reason we've developed a forty-year forecast.

13 Q So let's now focus on the right side of the part that we
14 have -- we've expanded here, and tell us, if you could, what
15 that depicts.

16 A The right side shows the nominal dollars that are getting
17 paid in the first column over the 40-year time frame and the
18 present value calculation assuming a five-percent discount
19 rate for all of these classes.

20 Q And then you have percentages there. Well, first of all,
21 let me ask this. Why do we -- the middle column is PV for
22 present value; correct?

23 A That is correct.

24 Q Why have you reduced these to present value?

25 A Because these are getting paid over a period of time to

1 reflect what the value today is assuming a five-percent
2 discount rate.

3 Q Okay. And then you have a percentage column. Tell us
4 again what that stands for.

5 A It stands for the percentage of the present value divided
6 by the claim.

7 Q And if we just look from the creditor line over to the
8 percentage line, that will tell us what each class is getting
9 as a percentage is. Have I read that correctly?

10 A That is correct.

11 Q So let's go now on the same exhibit to page 7. You can
12 just leave it like that for now. So I want to recap with you
13 where we've been in your testimony, Mr. Malhotra. As we look
14 at our page, have we now gone over all the elements of
15 revenues and expenditures for the city?

16 A On this page 7, we have gone through all of the revenues
17 and operating expenditures, but the settlements or the
18 payments are shown on the following page.

19 Q You're getting ahead of me. I wanted to go to the very
20 bottom line on this page and have you describe for me what
21 that represents.

22 A That represents the funds available for unsecured claims.

23 Q When you say "funds available for unsecured claims," what
24 are you referring to?

25 A It refers to the amount of cash the city will have

1 available to meet its unsecured -- to meet its obligations as
2 proposed under the plan of adjustment under these assumptions
3 going forward.

4 Q So let's now go to the next page, which would be eight of
5 fourteen. Now, eight of fourteen has a line called
6 "Sources." Do you see that?

7 A Yes.

8 Q And what do you mean when you use the word or you refer
9 to sources?

10 A An inflow of cash.

11 Q And what's the relation between what we just looked at,
12 which is funds available for unsecured claims, and where we
13 begin on page 8 with sources?

14 A It should be the same amount. It's carrying forward from
15 the previous page.

16 Q So that's the first line?

17 A That is correct.

18 Q Okay. Show us the additional sources then that we have
19 in the coming years as set forth on this page of our exhibit.

20 A Those are shown below in terms of the amounts that are
21 coming from DWSD for its pension obligations, its OPEB
22 obligations and POC, which both are essentially their pro
23 rata share of B note payments, some of the reimbursements
24 from other funds that include library and parking, the
25 funding from the grand bargain, which includes the

1 foundations, the DIA, and the state settlement, to come up
2 with the total sources that are going to be available for
3 making distributions.

4 Q And my eyes aren't as good as they once were, but it
5 appears to be 1664.5 as the total sources for the ten-year
6 period or the period that will end in 2023?

7 A That's correct.

8 Q So now let's go to uses, if we could. What do you mean,
9 first of all, by the phrase "uses"?

10 A An outflow of cash.

11 Q Okay. So let's go through them. Tell us what the top
12 part of uses is.

13 A The top part is the PFRS and GRS pension contributions
14 that are going to be made over the next ten years in
15 aggregate, some PFRS and GRS OPEB payments for current
16 retirees.

17 Q So we have a subtotal for retiree distributions; correct?

18 A That's correct.

19 MR. STEWART: Let's go back to the full view so we
20 can see what that adds up to if we can just expand that on
21 the right-hand side.

22 BY MR. STEWART:

23 Q That comes up to how much?

24 A Just shy of a billion dollars.

25 Q And below that we have "note and cash payments." Are we

1 on the same part of the document?

2 MR. STEWART: Actually, what you just had. Put that
3 back up. Thanks. There we go.

4 BY MR. STEWART:

5 Q What notes are we talking about here?

6 A The same notes we went through earlier, UTGOs, LTGOs, the
7 B notes, and the C notes.

8 Q And what do they add up to as uses during this period?

9 A \$620 million.

10 Q Okay. And then so we add up the uses, and what do they
11 aggregate to?

12 A Just north of a billion six, 1.61 billion.

13 Q Okay.

14 MR. STEWART: So let's now go back to the full view
15 again. I'm sorry to go back and forth this way.

16 BY MR. STEWART:

17 Q So we then have a line that says surplus or deficit. Do
18 you see that?

19 A Yes.

20 Q And where does that number come from?

21 A It's just the delta between the total sources and the
22 total uses.

23 Q Okay. And below that we have ending cash balance.

24 A That's correct.

25 MR. STEWART: Let's go back to the full view again.

1 BY MR. STEWART:

2 Q And the ending cash balance is going -- is projected to
3 be how much as of the end of 2015?

4 A The end of 2015 the ending cash balance is projected to
5 be 75.6 million.

6 Q Now, in the years after 2015, how much does that number
7 change?

8 A Not much. It only goes up to \$80 million.

9 Q Do you know why it is the ending cash balance remains the
10 way it is over the period of these years?

11 A That's because under these assumptions, the city is
12 distributing what it is collecting from an overall
13 perspective.

14 Q Has the city -- what policy decision, if any, has the
15 city made with respect to the cash balance it intends to keep
16 on hand in the coming ten years?

17 A Well, the assumption that's used in here is a two month
18 of payroll and benefits minimum cash balance or at the same
19 time to at least hold five percent of -- excuse me -- five
20 percent of the following year's budgeted expenditures to --
21 for the city to have that in cash at the end of the previous
22 fiscal year.

23 Q And although we didn't focus on it, fair to say that if
24 we looked at the previous page, we'd see an entry for
25 contingency there?

1 A Yes.

2 Q And why don't we go to the previous page and look at it
3 briefly at the bottom left? What is that a reference to?

4 A That is a contingency for unforeseen items of either a
5 revenue reduction or an increase in an expense, and we've
6 assumed a one percent of revenue contingency throughout this
7 forecast period.

8 Q Let's go then to the following page one more time and
9 look at the cash. Are you aware of recent legislation in
10 Michigan that would require the city to maintain reserves of
11 five percent of expenses?

12 A Yes.

13 Q And where is that reflected in your analysis?

14 A Our assumption is that in the ending cash balance of the
15 75 or \$80 million at the end of any fiscal year the city
16 should still have -- will still have at least five percent of
17 its following year's budgeted expenditures reserved in that
18 cash number, so it's basically at least a minimum cash
19 threshold over the forecast period.

20 Q Now, you've reviewed with us for some period of time
21 today the model that you prepared and the settlements and so
22 on. What does this analysis tell us in terms of the city's
23 ability in the coming years to satisfy its operating
24 expenses?

25 A Based on these assumptions, the city should be able to

1 satisfy its operating expenses.

2 Q What does this analysis say in the coming years about the
3 city's ability to pay its obligations under the plan?

4 A Based on the assumptions in this forecast, the city
5 should have the ability to pay its obligations as scheduled
6 in these distributions.

7 Q And, finally, what does this analysis say in terms of the
8 city's ability to maintain a cash reserve in the coming
9 years?

10 A Based on these assumptions, the city should be able to
11 maintain a cash balance consistent with these assumptions.

12 Q Let's go now to page 4 of this --

13 THE COURT: Excuse me. Before we leave this page,
14 is the five-percent contingency that the law requires
15 reflected here in the line called "Ending Cash Balance"? Is
16 that your testimony?

17 THE WITNESS: Yes, your Honor. That's the way we
18 are anticipating it, that these are June 30th, so these are
19 fiscal year-end cash balances, and so the city should at
20 least have five percent of the following year's expenditures,
21 which are roughly approximately a billion dollars. So the
22 city should at least have at any given point of time five
23 percent of those budgeted expenditures in its cash balance.

24 BY MR. STEWART:

25 Q Let me ask one thing about timing. Is it the case that

1 the city's revenue receipts are not steady month to month
2 over the course of the year?

3 A That is correct.

4 Q What is the time during the year when the cash on hand
5 typically is at its lowest?

6 A Typically it is at the end of the fiscal year before the
7 summer taxes start flowing in.

8 Q Sorry. Summer taxes?

9 A Sorry. Summer property taxes start coming into the city
10 in the July, August time frame, so end of the fiscal year
11 generally is a low point in terms of the city's cash balance.

12 Q Let's, if we could, then go to page --

13 THE COURT: All right. Before we move on, let's go
14 ahead and take our afternoon recess at this time, and we'll
15 reconvene at 3:15, please.

16 THE CLERK: All rise. Court is in recess.

17 (Recess at 3:00 p.m., until 3:17 p.m.)

18 THE CLERK: All rise. Court is back in session.
19 You may be seated.

20 MR. HERTZBERG: Your Honor, Robert Hertzberg. We
21 are trying to track down who Mr. Flynn is, and we're not
22 aware of what it is. We're going to check with Mr. Legghio
23 and Ms. Patek, but unless the Court has any other
24 information, we're struggling right now on it.

25 THE COURT: The only additional information I can

1 share with you is that he called my office today asking what
2 the consequences would be for tomorrow's hearing if he
3 withdrew his joinder in the DPOA objections, and, of course,
4 we were not able to answer that question, so --

5 MR. HERTZBERG: So it sounds like he --

6 THE COURT: -- we suggested that he reach out, you
7 know, to you all to try to work it out, whatever you could do
8 in terms of answering that question.

9 MR. HERTZBERG: It sounds like maybe he filed an
10 objection, he wants withdrawal, because we looked on the pro
11 se list also in the -- a scheduling order, and his name was
12 not in there.

13 THE COURT: No.

14 MR. HERTZBERG: Okay.

15 THE COURT: I mean --

16 MR. HERTZBERG: We'll keep trying to track it down,
17 though.

18 THE COURT: Let me ask you -- maybe the most
19 efficient way to get your question answered is for you to
20 talk to my assistant, Chris, directly --

21 MR. HERTZBERG: Okay.

22 THE COURT: -- you know, here in the next few
23 minutes, and she might be able to fill you in a little bit
24 better.

25 MR. HERTZBERG: Okay. Thank you, your Honor.

1 THE COURT: Okay.

2 MR. STEWART: Your Honor, one -- I think I neglected
3 to move into evidence demonstrative Exhibit 727, which I
4 would move into evidence now. Maybe we should put it up so
5 that others can see the document we're talking about. And I
6 would move it into evidence as a demonstrative exhibit.

7 THE COURT: Any objections?

8 MR. WAGNER: No.

9 MR. SOTO: No, your Honor.

10 THE COURT: All right. It is admitted.

11 (City Exhibit 727 received at 3:19 p.m.)

12 BY MR. STEWART:

13 Q So if we could, let's now go to page 4 of Exhibit 734.
14 Mr. Malhotra, do you have page 4 of Exhibit 734 in front of
15 you?

16 A I do.

17 Q And is this a sources and uses for the 40-year period?

18 A Yes.

19 Q And what does it have -- and the first column is for the
20 first ten years; correct?

21 A That is correct.

22 Q But then there are three more columns. Tell us, if you
23 could, what those three columns are intended to represent.

24 A They represent the revenue and expenditures over the next
25 three decades.

1 Q Now, where, if at all, here do the city's obligations
2 under the plan appear under the 30 years that begin in 2024?

3 A They are not included in here on this particular page.

4 Q Okay. Is there a page -- let's go to the next page then.
5 We've been looking at the sources page; correct?

6 A That is correct.

7 Q Let's go to the next page, page 5. And, first of all,
8 the top line, is that the carry-over from the previous page?

9 A That is correct.

10 Q And then further down, where does it appear what the
11 city's ongoing obligations will be under the plan if the plan
12 were confirmed?

13 A Under the uses.

14 Q Okay. Where in particular should we be looking?

15 A Under the uses you would see under the retiree payments
16 the PFRS and GRS payments extending all the way into 40 years
17 to reflect the amortization of the UAAL over the time frame,
18 and it shows that the second decade payments are higher, of
19 course, compared to the following two decades, and then
20 further down below it shows the obligations of the city under
21 the new notes, so it's the UTGOs, the LTGOs, the B notes, and
22 the payments on the C notes as well over the forecast period.

23 Q What is your analysis -- so this is the analysis for the
24 40-year period; correct?

25 A Yes. Under these assumptions, yes.

1 Q What does your analysis indicate in terms of the city's
2 ability in the coming 40 years to pay its operating expenses?

3 A Based on the assumptions that are included here, I
4 believe the city should be able to have the resources to make
5 its obligations.

6 Q And what does it indicate in terms of the city's ability
7 in that time frame to pay its obligations under the plan?

8 A Based on the assumptions that are included in these set
9 of projections, it shows that the city should be able to meet
10 its obligations.

11 Q And, finally, what does it indicate in terms of the
12 city's ability to retain a sufficient cash balance over those
13 40 years after having met its other obligations?

14 A So it shows under these obligations the city will have
15 \$80 million of cash and up to 160 -- \$160 million of cash at
16 the end of 2053, so the city is always maintaining a minimum
17 cash balance.

18 Q Now, under these two forecasts, you have included C
19 notes; correct?

20 A That is correct.

21 Q Now, have you -- what C notes have you included in these
22 two forecasts?

23 A The C notes related to Syncora.

24 Q Now, how would this change, if at all, if FGIC chose to
25 opt into a settlement like the Syncora settlement?

1 A Using the same assumptions as the Syncora settlement, the
2 cost of FGIC opting in is somewhere between 85 and \$90
3 million over a 12-year time frame, so we would have to look
4 at the assumptions with respect to the costs, the
5 reinvestment expenses to ascertain -- and certain policy
6 decisions that will have to be made by the leadership team of
7 the city to ascertain the appropriate way of handling a FGIC
8 settlement -- potential FGIC opt-in.

9 Q If they opted in. Okay. Let's go, if we could, to
10 Exhibit 614. Let me ask a background question or two. Who
11 prepared Exhibit 614?

12 A We did.

13 Q And what does it purport to set forth?

14 A It shows the COPs balances under the three components,
15 those COPs that had a fixed rate interest rate, those COPs
16 that had a variable interest rate through -- due 2029, and
17 those portion of the COPs that had a variable interest rate
18 and they were due in 2034.

19 MR. STEWART: Your Honor, I would move the admission
20 of Exhibit 614 as a set of calculations.

21 THE COURT: Any objections?

22 MR. SOTO: No, your Honor.

23 THE COURT: It is admitted.

24 (City Exhibit 614 received at 3:25 p.m.)

25 BY MR. STEWART:

1 Q Can you tell me why you prepared Exhibit 614?

2 A It was at the request of counsel.

3 Q Counsel being who?

4 A Mr. Bruce Bennett.

5 Q And let's go through the calculations, if we could. Tell
6 us, first of all, at the highest level what these
7 calculations purport to be calculating?

8 A The first three sections just calculate the total
9 principal and interest payments that would be due under these
10 three sets of COPs that were outstanding and with the LIBOR
11 assumptions over the forecast period that were provided to us
12 based on the spread that exists under the existing
13 agreements.

14 Q Let me stop you there. The upper left-hand corner it
15 says "fixed rate." Is that referring to any particular part
16 of the COPs?

17 A The fixed interest rate, yes.

18 Q Okay. What part of the COPs does variable rate 2029
19 refer to?

20 A The ones with the outstanding balance of 299.2 million.

21 Q Okay.

22 A Those ones had a variable interest rate.

23 Q And what part of the COPs does the entry "variable rate
24 2034" refer to?

25 A The COPs had about \$500.8 million of principal that was

1 outstanding that had a variable interest rate component.

2 Q And then there's a reference here to LIBOR in different
3 ways. First of all, what is LIBOR?

4 A It's the London Interbank Offered Rate.

5 Q Why is it relevant here?

6 A It's a forward looking interest rate curve or more like
7 an index that is used often.

8 Q Okay. And as a result of doing the analysis that you did
9 on these three issues of COPs, what did you calculate?

10 A We calculated what the payments would be. We got the
11 LIBOR forward forecast from Miller Buckfire, and we did the
12 calculation as to what the payments of interest and principal
13 would be on these COPs in the three different tranches that
14 we were looking at.

15 Q And where does that -- where does the sum of that appear
16 on Exhibit 614?

17 A Under the total payment section.

18 Q I see. And is that the bold number we see as the sum
19 there that starts with 39.7?

20 A Yes.

21 Q And were those added up to some overall amount at some
22 point?

23 A Yes.

24 Q Where is the sum of all those?

25 A In the total payments.

1 Q Okay. If we looked at the lower right, would there be a
2 number that sums up all the total payments?

3 A It doesn't appear to be the case.

4 Q Okay. So once you had calculated the total payments,
5 what did you next do?

6 A We were asked to discount those payments at a 6.75-
7 percent discount rate.

8 Q Why a 6.75 discount rate?

9 A That was what was given to us by counsel.

10 Q And did you do that?

11 A Yes.

12 Q And what was the result of your calculation?

13 A It showed that based on that payment stream, if you were
14 to discount it at 6.75 percent, it would equate to a sum of
15 about a billion one.

16 Q And is that what is shown in the lower left-hand
17 corner --

18 A Yes.

19 Q -- of the exhibit?

20 MR. WAGNER: Your Honor, just --

21 BY MR. STEWART:

22 Q Right now --

23 MR. WAGNER: I'm sorry. Just before we leave the
24 document, it does have a notation, which is very hard to
25 read, and you can't see it on the screen, "Privileged and

1 confidential settlement communication in court-ordered
2 mediation, not to be presented to or admitted into evidence
3 in any action or proceeding." I mean it's just numbers, so
4 maybe we don't have an objection to it, but that shouldn't be
5 taken as any sort of waiver that the mediation -- that
6 documents covered by the mediation order can be selectively
7 produced and shown to witnesses.

8 THE COURT: Okay. Thank you.

9 BY MR. STEWART:

10 Q If we could now go to Exhibit 742, what is Exhibit 742?

11 A 742 shows the present value at 6.75 percent of the
12 payments to the Retirement Systems for a 40-year period.

13 Q And who calculated the numbers we see on Exhibit 742?

14 A We calculated the payments based on the 6.75-percent
15 discount rate.

16 Q And why did you do that?

17 A At the request of counsel.

18 Q And who was the counsel who requested that of you?

19 A Bruce Bennett.

20 Q Let's put up --

21 MR. STEWART: Your Honor, I would move into evidence
22 Exhibit 742 as a demonstrative exhibit.

23 MR. SOTO: No objection, your Honor.

24 MR. WAGNER: Same.

25 THE COURT: It is admitted.

1 (City Exhibit 742 received at 3:30 p.m.)

2 MR. STEWART: Let's put up briefly Exhibit 749, and
3 we'll come back to this.

4 BY MR. STEWART:

5 Q What is Exhibit 749?

6 A 749 shows --

7 Q First of all, who prepared Exhibit 749?

8 A We did.

9 Q Okay. And why did you prepare it?

10 A The top part of 749, which shows the GRS and PFRS, was
11 the backup for the contributions by source that are going
12 into GRS and PFRS respectively. The section at the bottom
13 starting at Row 42 we added at the request of counsel to
14 present value those contributions at a 6.75-percent discount
15 rate.

16 MR. STEWART: Your Honor, I'd move into evidence
17 Exhibit 749.

18 MR. SOTO: No objection, your Honor.

19 MR. WAGNER: Same.

20 THE COURT: It is admitted.

21 (City Exhibit 749 received at 3:31 p.m.)

22 BY MR. STEWART:

23 Q Let's now go back to 742. Tell me, if you could,
24 Mr. Malhotra, what Exhibit 742 discloses to us. What does it
25 describe?

1 A It describes the total payments that are going into the
2 pension systems by various source over the course of the next
3 40 years,, what the present value of those contributions
4 would be at 6.75-percent discount rate.

5 Q And what did you determine that that present value would
6 be?

7 A As this chart shows, it would be about \$976 million for
8 GRS and about 608 million for PFRS.

9 Q Thank you.

10 MR. STEWART: We can take that down.

11 BY MR. STEWART:

12 Q Let's, if we could, go to Exhibit 733 and, in particular,
13 to page 6 of our document, of this exhibit. Can you tell me,
14 Mr. Malhotra, what is page 6 of Exhibit 733?

15 A Page 6 is the ten-year projections under a pre-
16 restructuring or sort of a no bankruptcy scenario.

17 Q Is this the baseline scenario you disclosed to us
18 earlier?

19 A Yes.

20 Q And what was the date on which you prepared page 6 of
21 Exhibit 733?

22 MR. SOTO: What exhibit is that?

23 MR. STEWART: 733.

24 MR. SOTO: Thank you.

25 THE WITNESS: It was slightly updated in September,

1 but most of the schedule has generally remained intact other
2 than some changes, but I would have updated it in September
3 consistent with the rest of the projections.

4 BY MR. STEWART:

5 Q All right. And the page we have before us, tell us just
6 in very general terms what it sets forth.

7 A It shows that under a no restructuring scenario, the
8 city's revenues over the next ten years were forecasted to be
9 approximately 10.4 billion, operating expenditures in total
10 of about 7.4 billion, so an operating surplus of roughly
11 three billion and legacy liabilities of the original debt and
12 UTGO debt service, POC principal and interest, the POC swaps
13 had the settlement not been made, the pension contributions
14 based on the assumptions that were being used from the June
15 13th proposal and the health benefits for the retirees, the
16 legacy expenditures were roughly seven billion, so resulting
17 in a deficit of approximately four billion over the next ten
18 years.

19 Q And then this below that talks about reinvestment in the
20 city?

21 A That's correct.

22 Q What's that a reference to?

23 A That refers to the latest reinvestment forecast, which
24 was a net 876 million.

25 Q Okay. So let's go to the next page, please. What does

1 the next page cover?

2 A It just covers the restructuring scenario and what the
3 funds available for unsecured claims were.

4 Q Now, so page 6 is the baseline, and page 7 is the
5 restructuring; is that right?

6 A Yes. Page 7 lays out a restructuring of the amounts
7 available for unsecured claims.

8 Q Okay. And in terms of the plan of adjustment, what does
9 page 7 describe? Let me ask a different question. Fair to
10 say page 7 is the representation of what would happen if the
11 plan were confirmed?

12 A That is correct. Under these assumptions, these would be
13 the funds that would then get allocated to the various
14 creditors if the plan were confirmed.

15 Q And what does page 6 represent today?

16 A Page 6 would represent what would happen if there was no
17 bankruptcy or if the city was just continuing as though
18 nothing had happened.

19 Q Have you heard of something called a dismissal analysis?

20 MR. SOTO: Objection, your Honor.

21 MR. STEWART: I think I'm allowed to ask him if he's
22 heard of it.

23 MR. SOTO: Well, I don't want to have another one of
24 these where we waived it.

25 THE COURT: What is the objection, sir?

1 MR. SOTO: In his expert report and during his
2 deposition Mr. Malhotra did not offer us -- he offered no
3 opinions regarding a dismissal analysis, exactly none. He
4 was specifically asked, as the city's Rule 30(b)(6) witness,
5 if he had prepared a dismissal analysis, and his answer was a
6 very clear, no, I had not, because he had not been asked to.
7 And what the city is about to try to do is to try to backfill
8 on the fact that this witness did not prepare a dismissal
9 analysis by asking him if he can prepare one or if the
10 baseline could be arguably one. When he answered his
11 questions at deposition and when he gave his expert report,
12 the baseline already existed, and yet he knew and he
13 testified and he admitted on behalf of the city that he had
14 not prepared a dismissal analysis. And it would be highly
15 prejudicial at this point to allow the city to try to turn
16 Mr. Malhotra into something that he already admitted he was
17 not.

18 MR. STEWART: The question was, "Have you heard" --

19 THE COURT: Excuse me one second.

20 MR. WAGNER: We join the objection, very eloquently
21 stated.

22 THE COURT: You, too?

23 MS. O'GORMAN: Yes.

24 MR. STEWART: The question was has he heard of
25 something called a dismissal analysis.

1 THE COURT: True enough, and normally I would deal
2 with objections on a question-by-question basis, but where
3 are you going with this?

4 MR. STEWART: I'm going to ask him how this is
5 different from a dismissal analysis.

6 THE COURT: How what is different?

7 MR. STEWART: This document is different.

8 THE COURT: What's the purpose of asking that?

9 MR. STEWART: It would be a foundation to something
10 else, but it would also be useful so that we could see what
11 we do have versus what we do not have.

12 MR. SOTO: Your Honor, this --

13 THE COURT: Is that just another way of saying you
14 want to use this as your dismissal analysis?

15 MR. STEWART: No. It's what it is. I, frankly,
16 don't think it's very far from one, but I'm not saying it is
17 a dismissal analysis. On the other hand, I think it's very
18 probative of other issues in the case.

19 THE COURT: What other issues?

20 MR. STEWART: Well, it's probative of what the
21 legacy liabilities look like if the case is dismissed. It's
22 probative of what the city's cash flows look like if the case
23 is dismissed. It's probative of all those things. The
24 question he was asked is did he do a dismissal analysis, and
25 he said he did not. Fair point. They didn't ask further

1 questions than that, but I don't think that should handcuff
2 him to talk about the things that he did do.

3 THE COURT: Well, but wasn't the city asked to
4 provide whatever -- well, wasn't the city asked to provide
5 whatever testimony it was going to provide about a dismissal
6 analysis, and isn't this that testimony?

7 MR. STEWART: It is not that testimony. He was
8 asked about dismissal analysis. He was not asked to prepare
9 one and so on. This, though, as Mr. Soto correctly says, has
10 been in the record one way or the other for over a year. He
11 was questioned about this at no small length, and he did
12 testify about this, so there's no surprise as to this
13 document. In fact, as we remember, this is something we
14 first saw in June of 2013, so I don't believe that. If the
15 objection instead is, well, this isn't called a dismissal
16 analysis, and you're not offering it as such, I'll say that's
17 certainly true, but on the other hand, I don't think it is an
18 absolutely irrelevant exercise that he went through, and I
19 think certain of the things that are shown here as a result
20 of the meticulous modeling we have been through all too much
21 today are improbative or not probative of anything. And I
22 would add, finally, much of this would even go to weight and
23 could be dealt with on cross-examination.

24 MR. SOTO: Your Honor, if I can respond when you
25 feel it's necessary.

1 THE COURT: It feels to me like the relevance that
2 you offer for this is a dismissal analysis, although you deny
3 that, so I'm going to sustain the objection.

4 MR. STEWART: Okay. Let me then ask a few
5 questions, and I will wrap up.

6 BY MR. STEWART:

7 Q What does -- what do these two pages of Exhibit 733 set
8 forth?

9 A Page 6 shows the baseline scenario or pre-restructuring
10 scenario, and page 7 -- which basically shows the deficit,
11 and page 7 shows the post-restructuring scenario and the
12 funds available for unsecured claims.

13 Q Did you discuss this with any of the other advisors to
14 the city?

15 A Yes. These pages have been in our -- in the ten-year
16 projections, and so they've been discussed with all the other
17 advisors.

18 Q What did you say, if anything, to Mr. Buckfire about it?

19 A Page 6 and 7 have been a package, so what we've talked
20 about at length is the cost of the legacy liabilities and the
21 projection of the legacy liabilities of the city.

22 Q What discussions, if any, have you had with Mr. Orr about
23 your baseline analysis?

24 A It was similar in terms of the assumptions behind the
25 projections and the cost of the legacy liabilities for the

1 city.

2 Q Thank you.

3 MR. STEWART: Your Honor, one last thing. I'm not
4 sure I moved Exhibit 742 into evidence, so if I failed to do
5 so, I would move it in now. If you could put that up --

6 THE COURT: Any objections?

7 MR. SOTO: No objection, your Honor.

8 MR. WAGER: As a demonstrative, that's fine.

9 MR. STEWART: As a demonstrative. That's right.

10 THE COURT: All right. It is admitted.

11 (City Exhibit 742 received at 3:42 p.m.)

12 MR. STEWART: Thank you. Your Honor, that is all I
13 have with Mr. Malhotra.

14 MR. SOTO: Your Honor, not to impose on the Court,
15 but if the Court wouldn't mind if I could turn the podium a
16 little.

17 THE COURT: Fine.

18 MR. SOTO: Okay. Thanks.

19 THE COURT: Yep.

20 CROSS-EXAMINATION

21 BY MR. SOTO:

22 Q Mr. Malhotra, I had a neck operation, and I'm not
23 supposed to turn to the right. That's why I'm --
24 Mr. Malhotra, we haven't met, and my name is Ed Soto. I have
25 a few questions on some of the exhibits that you just went

1 over. And I think I'll hit those first, and then we'll go to
2 some questions I have about your expert opinions and your
3 prior testimony. All right. So, first of all, if I could
4 ask you to take a look at Exhibit 728. I just had a question
5 about your testimony on that.

6 MR. SOTO: And if we could put up Exhibit 728 --

7 BY MR. SOTO:

8 Q So looking at Exhibit 728, under the column of interest
9 where it says -- so on the first line where it says
10 "restructured UTG notes," and it goes to interest, various,
11 3.7 to 5.375, you see that?

12 A Yes.

13 Q Okay. So as to that interest rate, in calculating it,
14 did you take into account whether or not the UTG notes were
15 taxable or nontaxable?

16 A No, because those interest rates are the same as they
17 were on the original UTGO bonds.

18 Q Okay. And going down to the --

19 THE COURT: Excuse me one second. I want to nip
20 this issue in the bud. I want you just to answer the
21 question. Do you see how you didn't just answer the last
22 question? It was, "Did you take into account the tax,"
23 whatever. You said, "No, because." Please just answer the
24 question. We'll be here, I think, much less time.

25 BY MR. SOTO:

1 Q And then again with respect to the new LTGO bonds where
2 you have a 5.65 percent, do you know whether the underlying
3 obligations of those LTGO bonds are taxable or nontaxable?

4 A No.

5 Q You don't know?

6 A I don't know.

7 Q And then again with respect to the new B notes where it's
8 four percent and four percent and six percent, do you know if
9 the obligations reflected under those notes are taxable or
10 untaxable?

11 A I do not.

12 Q And then again with respect to the new C notes where it
13 was five percent, do you know if the obligations reflected by
14 the new C notes are taxable or untaxable?

15 A No, I do not.

16 Q And with respect to the restructured UTGO notes, do you
17 know if those obligations are taxable or untaxable?

18 A I do not.

19 Q All right.

20 MR. SOTO: If you could put up 737. That's my next
21 slide I had a question on.

22 BY MR. SOTO:

23 Q So looking at -- I think it's -- yeah, 737, what discount
24 rate did you use to determine the value of the B notes?

25 A We used five percent.

1 Q Five percent? Okay. And what discount rate did you use
2 to determine the value of the C notes?

3 A We used a five-percent discount rate to calculate the
4 present value.

5 Q And how did you value the settlement credits of -- I
6 think it's 6.3 million?

7 A In the 13 percent, they were included at the value of 6.3
8 million.

9 Q That's it?

10 A Yes.

11 Q Did you value the extension of the tunnel lease in
12 connection with this exhibit?

13 A No.

14 Q Did you value what Syncora got under the development
15 agreement in connection with this exhibit?

16 A No.

17 Q Did you value any other consideration received by Syncora
18 like the \$5 million in cash in arriving at this exhibit?

19 A No.

20 Q So if I could -- this is so hard to read, but Exhibit
21 614 -- on Exhibit 614, if the city intends to reject the
22 service contracts, did you calculate the rejection damages in
23 connection with your preparation of this exhibit?

24 A There were no rejection damages that were a part of this
25 exhibit.

1 Q All right. Let's change gears just a second. It's true,
2 isn't it, that in your view the biggest source of untapped
3 revenue for the City of Detroit is asset sales; correct?

4 A Yes. That is a primary -- that was a primary
5 opportunity, yes.

6 Q And it's also true that other cities all over the country
7 have privatized assets, and by that I mean they've taken
8 public assets and sold them and, therefore, made them
9 private; correct?

10 A They've entered P3 partnerships, yes.

11 Q But in all of your projections that we just went through,
12 you didn't consider the impact of the sale of even a single
13 piece of the art from the DIA collection, the impact that
14 would have on the city's revenues, did you?

15 A That is correct.

16 Q And so the record is clear, you also didn't consider the
17 impact that the sale of the entire collection of the DIA
18 would have on the city's revenue either, did you?

19 A That is correct.

20 Q And you also didn't consider the impact that any
21 alternative form of monetization of that art -- for example,
22 a loan against that art or a lease against that art, you
23 didn't consider what impact that would have on the city's
24 revenues; right?

25 A We included the proceeds from the grand bargain, so I

1 don't know if that's what you mean by "alternate" or not, but
2 that's --

3 Q Other than the grand bargain, you didn't include any
4 other potential monetization of the art?

5 A That is correct.

6 Q And you haven't run any alternative ten-year or forty-
7 year forecast that provided for a different treatment of the
8 art than what is currently contemplated by what is referred
9 to as the grand bargain; correct?

10 A Not that I recall. That is correct.

11 Q And you didn't perform that alternative analysis because
12 you weren't asked to; correct?

13 A That's correct.

14 Q Switching gears again, Mr. Malhotra, you talked briefly
15 about the new B notes that are included in the plan of
16 adjustment, and in the 40-year projection you summarize
17 hypothetical distributions to creditors; right?

18 A That is correct.

19 Q And you've included a present value calculation of the
20 new B notes using a five-percent discount rate; right?

21 A We have used a five-percent discount rate to calculate
22 the present value of recoveries, yes.

23 Q And you base this discount rate in part on what the
24 average interest rate on the outstanding limited tax general
25 obligation debt is of the city or I think you called it the

1 LTGO debt rate; right?

2 A That's one of the factors.

3 Q And so when you considered the appropriateness of a five-
4 percent discount rate for the present valuing of, you know,
5 creditor distributions, you looked at the LTGO interest rates
6 but not at their yields; correct?

7 A That is correct.

8 Q And just to clarify for the Court, the interest rate is a
9 static rate; right? It's set at the time of the issuance of
10 the bonds; correct?

11 A That is correct unless it's a floating rate, yes.

12 Q And a bond's yield reflects not only the interest rate
13 but also the price the bond is trading at on the open market;
14 right?

15 A Sure.

16 Q So the bond's yields tells us how the market values that
17 bond, right, which would include not only the interest rate
18 but also other factors that might impact the price of the
19 bond on the open market; correct?

20 A Potentially, yes.

21 Q But you didn't know at the time that you did your
22 analysis whether or not the new B notes were going to be LTGO
23 bonds or some other type of obligation; right?

24 A That is correct.

25 Q And you don't know if the market will value the new B

1 notes in the same way the market values the city's LTGO debt,
2 do you?

3 A The market will value what the market will value. I do
4 not know what the market will value.

5 Q Thank you. I agree. Now, you also based the five-
6 percent discount rate for present valuing the new B notes in
7 part on the long-term interest rates of AA-rated municipal
8 bonds; right?

9 A That is correct.

10 Q But you don't know whether the city will be a AA-rated
11 municipality for purposes of bond financing upon emergence of
12 Chapter 9, do you?

13 A I do not.

14 Q Switching gears again, Mr. Malhotra, you've been working
15 with the city now on various projects, if I understood your
16 testimony, since May of 2011; correct?

17 A That is correct.

18 Q And before the city filed its Chapter 9 petition, the
19 city was already engaged in restructuring efforts to improve
20 its fiscal condition; correct?

21 A That is correct.

22 Q And prior to that Chapter 9 filing, the emergency manager
23 put together an operating plan; correct?

24 A I would have to think back. I believe that's the case,
25 but I would have to see it just to get the exact date.

1 Q Let me hone in on then something you did testify. And on
2 June 14th, 2013, prior to the commencement of this Chapter 9
3 case, the city provided creditors with a proposal that you
4 referred to earlier, the proposal to creditors; right?

5 A That is correct.

6 Q You had some input on the creation of that proposal;
7 correct?

8 A I did.

9 Q And that proposal to creditors included restructuring and
10 reinvestment initiatives, didn't it?

11 A That is correct.

12 Q And so you understand as you worked on that proposal that
13 the city didn't need to file a Chapter 9 filing in order to
14 identify and propose a plan of action with respect to those
15 operational restructuring reinvestment initiatives that it
16 had proposed in the proposal to creditors in June of 2013;
17 correct?

18 A You would have to repeat that question. It was way too
19 long.

20 Q So you understood as you worked on that proposal that the
21 city didn't need to file a Chapter 9 filing in order to
22 identify and propose reinvestment initiatives like they did
23 in the proposal to creditors; correct?

24 A I want to make sure I answer this in -- the way I
25 understand your question is --

1 Q Oh, please do. If I can help you, let me know.

2 A Yeah. If you could just break that down into two
3 components because all I'm -- this sounds like there's two
4 questions in there. The city identified at that point --

5 Q You knew -- so, for example, in June of 2013, you knew
6 you were working on a proposal that included reinvestment
7 initiatives; correct?

8 A Yes.

9 Q And you knew there was no Chapter 9 filing; right?

10 A At that point in time, there wasn't.

11 Q And yet you knew you were proposing a proposal to
12 creditors that included reinvestment initiatives; correct?

13 A Yes. It was meant to -- yes.

14 Q Okay. Now, the city was proposing to do those
15 initiatives outside of Chapter 9; right?

16 A The city was highlighting the need that it had for the
17 different departments, and I'm highlighting the funding
18 required for those costs, but --

19 Q And, in fact, it was proposing those initiatives, wasn't
20 it, in a proposal to creditors?

21 A It was proposing what the city wanted to do in terms of
22 right-sizing the city's operations.

23 Q And you were doing that outside of Chapter 9; correct?

24 A That is correct.

25 Q Now, Mr. Malhotra, you had done work for the Detroit

1 Public Schools before your engagement by the City of Detroit
2 here; right?

3 A That is correct.

4 Q But you hadn't done a forecast of an actual city or
5 municipality before you performed the forecasts for the City
6 of Detroit in this Chapter 9; correct?

7 A That is correct.

8 Q Before you worked for the City of Detroit in this Chapter
9 proceeding, you had never done forecasting specifically for
10 any city; correct?

11 A Yes. That's correct.

12 Q And you haven't published any publications on
13 forecasting; right?

14 A Not on -- no, I have not.

15 Q And you don't hold yourself out as an expert in Chapter 9
16 bankruptcy, do you?

17 A No, I don't.

18 Q In fact, this is the first Chapter 9 bankruptcy that
19 you've worked on; correct?

20 A It is.

21 Q Now, the model that you used for the forecasting was
22 created by you and the folks at E&Y for the City of Detroit;
23 correct?

24 A Yes.

25 Q It didn't exist before E&Y created it in this engagement;

1 correct?

2 A That's correct.

3 Q And in connection with your work for the city when you
4 were pulling together that model, you didn't look at any
5 other Chapter 9 financial models; correct?

6 A We did not look at other Chapter 9 financial models.

7 Q And, in fact, when you were putting together your model,
8 you didn't know the components of financial models used in
9 other Chapter 9 cases, did you?

10 A The components of -- no. I think the components of
11 financial models are revenues and expenses, so I don't know
12 about if there's a Chapter 9 model somewhere. I did not look
13 at other Chapter 9 models.

14 Q One second. Let me hand you your deposition, see if --

15 A Okay.

16 Q It's a copy of your July 15th, 2014, deposition, and I'll
17 ask you to look at page 38 starting at line 5 to line 9. Did
18 I ask you this question --

19 MR. STEWART: Could we wait till I can get to it in
20 my --

21 MR. SOTO: Sure.

22 MR. STEWART: Go ahead.

23 BY MR. SOTO:

24 Q "Question: That wasn't my question. You
25 haven't looked at any other Chapter 9 financial

1 models; correct?

2 Answer: I did not go and look at other Chapter
3 9 financial models. That is correct."

4 Is that your -- is that your answer to that
5 question?

6 A Yes.

7 Q And you were telling the truth then?

8 A Yes.

9 Q And, in fact, when you were putting together your
10 financial model, you didn't know the components is the next
11 question I asked you. Do you recall -- looking again at line
12 16 through 20 of page 39, did I ask you this question, and
13 did you give this answer?

14 MR. SOTO: Geoff, you ready?

15 MR. STEWART: Oh, yeah. I would object. I don't
16 think it's proper impeachment, your Honor, because I don't
17 think there was an inconsistent answer, but -- so I don't
18 think it's appropriate, but I'll leave that up to Court.

19 THE COURT: You may proceed.

20 BY MR. SOTO:

21 Q "Question: You don't know what financial models
22 have been used in Chapter 9's; correct?" is the
23 question.

24 "Answer: I do not know the components of the
25 financial models of other Chapter 9 cases. That is

1 correct."

2 Did I ask that question? Did you give that answer?

3 A Yeah. That was a question that was asked, and that was
4 the answer that I gave at that time, yes.

5 Q And you were telling the truth then; correct?

6 A Yes.

7 Q And you can't identify any Chapter 9 bankruptcy where an
8 expert has done forecasting similar to what you've done in
9 this case; right?

10 A That is correct.

11 Q In fact, before you put together your expert report in
12 this case, you didn't attempt to investigate what had been
13 done in other Chapter 9 bankruptcies; right?

14 A What had done with financial models in bankruptcies?

15 Q Right.

16 A That is -- could you ask me that question once again,
17 please?

18 Q Sure. The question I asked before was can you identify
19 any Chapter 9 bankruptcy where an expert has done forecasting
20 similar to what you've done in this case?

21 A I do not -- yes, I cannot.

22 Q Okay. Switching gears again so you get in the context,
23 it's correct, isn't it, that as of the time of your analysis
24 and, in fact, even when you were deposed, the city had made
25 no arrangement with Ernst & Young to continue updating your

1 forecast after this bankruptcy is done; right?

2 A Yeah. We had not reached a formal arrangement. That is
3 correct --

4 Q And the scope --

5 A -- at that point in time.

6 Q I'm sorry. Go ahead. I didn't mean to interrupt.

7 A At that point in time.

8 Q And the scope of Ernst & Young's role in the event that
9 the plan of adjustment is confirmed has not been agreed upon
10 yet, has it?

11 A It has.

12 Q Okay. Fair enough. Can you tell the Court what it is?

13 A EY's restructuring team is going to continue to assist
14 the city through December of 2015 in monitoring cash flows
15 and helping with actual versus forecast performance.

16 Separately, EY is engaged to help the city on its HR
17 implementation technology and its ERP program.

18 Q And, again, through December of 2015 on both of those?

19 A I'm not sure of the exact date of -- the outside date of
20 both of those. I'm confident of the date for the
21 restructuring services.

22 Q But it's a fact, isn't it, that you've produced many
23 versions of your -- I think I saw many today -- of your ten-
24 year projection and your forty-year projection; correct?

25 A Yes.

1 Q And that's because you've had to continuously update the
2 forecasts as assumptions change and other inputs change;
3 correct?

4 A That is correct.

5 Q And you agree that any of the assumptions in your model
6 can change over a ten-year and forty-year period; correct?

7 A Some assumptions can change over a ten-year and forty-
8 year period.

9 Q And you agree that the timing of the reinvestment
10 expenditures, for example, as they're paced could change,
11 which, again, would affect the assumptions in your model;
12 right?

13 A If you change the timing assumptions from what they are
14 today, the numbers will change.

15 Q And you agree that unforeseen changes can have an impact
16 on your forecast; right?

17 A Yes.

18 Q And, again, you haven't included a line item in your
19 forecasts -- I went back to look -- in which you've provided
20 for ongoing professional fees of Ernst & Young for a ten-year
21 period or a forty-year period consistent with your
22 projections; right?

23 A The fees for Ernst & Young for the forthcoming year after
24 the current fiscal year will be funded through specific
25 projects, but there are no additional fees over ten and forty

1 years.

2 Q Because you might not be there over ten or forty years;
3 correct?

4 A That is correct.

5 Q And it would also be fair to say that the assumptions in
6 your forecast depend on certain policy choices by Detroit
7 officials; correct?

8 A Yes.

9 Q And in the future during the ten-year period addressed by
10 your ten-year forecast, there might be different decision-
11 makers who are responsible for determining Detroit's
12 policies; right?

13 A Yes. People -- yes.

14 Q You would agree that the projections that you testified
15 about this morning and actually through the afternoon are
16 dependent on the successful implementation of the city's
17 budget and the reliability of other estimates and assumptions
18 that are the basis of your projections; correct?

19 A I'd request you to break that question down, please.

20 Q Sure. Would you agree that the projections that you
21 testified about today are dependent on the successful
22 implementation of the city's budget, that they stick to the
23 budget that's part of your projections?

24 A The city generally does a one-year budget or two --
25 they're going to go to a triennial budget. The 2015 budget

1 is going to be a transitional year, so the city is going to
2 use these projections to form the basis of a budget, so I'm
3 just not sure that I completely understand your question
4 because there isn't -- the budget is going to continue to
5 evolve and is an iterative process that continues to get
6 amended, so 15 and 16 and 17 will be essentially based on the
7 projections that are existing today.

8 Q So it's your view that, for example, the projections that
9 you created have both form of budgets in it. They presume
10 certain things are going to be done and certain items are
11 going to be in the city's budget; correct? That's part of
12 your projection for ten years. That's also part of your
13 projection for forty years; correct?

14 A Yes.

15 Q And if those presumptions are not carried on by the city,
16 if they're not included, for example, in the one-year budgets
17 that you just discussed, they would have an impact on your
18 projections; correct?

19 A I'm trying to just think of specifics. If you change the
20 assumptions, the numbers do change.

21 MR. SOTO: Thank you, Mr. Malhotra. Your Honor, we
22 have to proffer two clips of Mr. Malhotra's testimony as a
23 30(b)(6) witness for the city. We would proffer them at this
24 time and play them at this time.

25 THE COURT: Any objections?

1 MR. STEWART: I need to know what clips they are and
2 what page and lines they are.

3 MR. SOTO: Sure. They are the -- they're both from
4 the July 15th, 2014, deposition. They are page 144, lines 9
5 through 12, and page 115, line 25, through page 116, line 6.
6 They have actually both been played before in this courtroom.

7 MR. STEWART: I have no objection, but we'll have to
8 on redirect, your Honor, deal with a completeness issue as to
9 the second clip.

10 THE COURT: Okay. Mr. Stewart, can you pull that
11 microphone closer to you, please?

12 MR. STEWART: Very good.

13 THE COURT: All right. You may proceed, sir.

14 MR. SOTO: And actually I'm only playing the first
15 clip, so you won't have to worry about it. I don't know why
16 I said that. The first clip, which is page 144, nine through
17 twelve, is the only one we're proffering. If you could play
18 it --

19 (Deposition clip of Mr. Malhotra's deposition played as
20 follows:)

21 "Question: You haven't been asked to look at
22 what would happen if the petition is dismissed by
23 the city or the state; correct?

24 Answer: That is correct."

25 (Deposition clip concluded)

1 MR. SOTO: No further questions, your Honor.

2 THE COURT: Okay.

3 MR. WAGNER: Your Honor, Jonathan Wagner on behalf
4 of the COPs. May I proceed?

5 THE COURT: Yes, please.

6 CROSS-EXAMINATION

7 BY MR. WAGNER:

8 Q Good afternoon, Mr. Malhotra. You and I have never met,
9 have we?

10 A I don't believe so, no.

11 Q I also have some questions -- a few questions about the
12 exhibits that we're seeing for the first time today.

13 MR. WAGNER: Can you put up Exhibit 742?

14 BY MR. WAGNER:

15 Q Now, this is one of the calculations that you were
16 instructed to perform at the direction of counsel; is that
17 correct?

18 A That is correct.

19 Q Now, the totals there by my math equal about 1.6 billion;
20 is that fair?

21 A Yes.

22 Q And if the UAAL was 3.1 billion, then the -- or if the
23 liability -- if the amount of the claim was 3.1 billion, then
24 the return rate for the pension classes would be about 51, 52
25 percent, 1.6 over 3.1?

1 A Could you ask me that question again? I apologize.

2 Q If you add those two together and you divide by 3.1
3 billion, which is the size of the pension claim you testified
4 to earlier today, that's a recovery rate of about 52, 53
5 percent; right?

6 A That math sounds right.

7 Q Okay. But that's not anywhere in the plan, is it?

8 THE COURT: Excuse me one second. We've had a
9 disconnect here. The question was not or not entirely about
10 the math. The question was whether the recovery rate is 50
11 or 51 percent.

12 THE WITNESS: Your Honor, under -- using \$1.6
13 billion of a present value over a \$3.2 billion claim and
14 where the \$1.6 billion has been calculated at a 6.75-percent
15 discount rate, that recovery percentage equates as long as
16 the claim is also valued at \$3.2 billion.

17 THE COURT: Okay.

18 BY MR. WAGNER:

19 Q But the percentages in the plan are 59 and 60 percent,
20 are they not?

21 A Are we using a five-percent discount rate?

22 Q That's what you used in the plan; correct?

23 A That is the same -- that is the five percent discount
24 rate we have used, yes.

25 Q And the plan has been amended several times since you

1 first laid out -- since the city first laid out the 59- and
2 60-percent return rates?

3 A Yes. The plan has been amended.

4 Q The plan was amended as late as two weeks ago; correct?

5 A That is correct.

6 Q And it still uses 59 and 60 percent; right?

7 A Yes. We use the same discount rate.

8 Q And your projections that you prepared originally showed
9 a recovery rate of 59 and 60 percent, did they not?

10 A Yes. They showed a 59- or 60-percent on that claim
11 amount and the distributions assuming a five-percent discount
12 rate.

13 Q Okay. And the projections that you prepared just a week
14 ago also show 59- and 60-percent recovery, do they not?

15 A Based on the same assumptions that I just answered
16 earlier, yes.

17 Q And, again, the only reason you prepared -- used 6.75 is
18 because your counsel told you to; right?

19 A That is correct.

20 MR. WAGNER: Now, can you put up Exhibit 723? No.
21 The city has to put it up, 723.

22 BY MR. WAGNER:

23 Q Now, here you showed UAAL pre-petition of a billion eight
24 for GRS and a billion 250 for PFRS; correct?

25 A That's correct.

1 Q And now -- this is as of 2014 -- you've had a substantial
2 reduction in the UAAL; correct?

3 A Yes.

4 Q I think you testified that the unfunded liability has
5 gone from 53 percent -- about 53 percent and 71 percent to in
6 the 70s for both of them; is that correct?

7 A I think I said it was pretty close to the target. PFRS
8 may be slightly higher. I do not remember the exact funded
9 percentage status today. I think GRS may be close to 70, and
10 PFRS may be a little higher, but I do not remember the exact
11 numbers.

12 Q I'm right for PFRS you've already hit the target; right?

13 A Yes.

14 Q And by the way, the billion 879 and a billion 250, that
15 was calculated and used -- that was calculated using a 6.75
16 discount rate; correct?

17 A That is correct.

18 Q And if you used a higher discount rate, the UAAL would be
19 smaller, correct, or the unfunded portion would be smaller?

20 A If that is the only assumption that you changed, the
21 numbers would be different.

22 Q And you also testified that the 6.75 was a negotiated
23 rate; right?

24 A It was a part of the settlement, yes.

25 Q And are you aware that the retiree has said that the 6.75

1 is not based on pension practice?

2 A I'm not aware of that.

3 Q Okay. And are you aware that the expert for the Retiree
4 Committee --

5 MR. STEWART: Objection, your Honor. I'd like to
6 know why he's asking one witness about the testimony of
7 another.

8 THE COURT: Well, let me hear the whole question,
9 and then I'll hear your objection. Go ahead, sir.

10 BY MR. WAGNER:

11 Q Are you aware that the Retiree Committee expert has
12 testified that the 6.75 is an outlier?

13 MR. STEWART: I'd repeat my objection, your Honor.

14 MR. WAGNER: Well, he's testified to why he used
15 particular numbers. I think I'm entitled to show because he
16 has given testimony about the UAAL that the numbers he's used
17 misstate the UAAL.

18 THE COURT: The objection is sustained.

19 BY MR. WAGNER:

20 Q Now, this past year I'm right that the returns have
21 exceeded 6.75 percent?

22 A Yes.

23 Q And that's why the unfunded liability has gone down;
24 correct?

25 A That's only one of the reasons.

1 Q We'll get to that in a minute. You testified concerning
2 the fees that have been incurred. This is Exhibit 767. I
3 think the total fees are 182 million for 2014 and 2015;
4 correct?

5 A That is correct. It includes an estimate as well for
6 fiscal year '15, but that is what the schedule shows. That
7 is correct.

8 Q Now, does this figure also include the fees prior to
9 2014?

10 A No.

11 Q Do you know what the fees have been from the time -- all
12 the professional fees from the time you were retained in 2011
13 until this chart?

14 A I do not.

15 Q Was it \$10 million? Was it more than \$10 million?

16 A My recollection is it would be less than \$10 million.

17 Q Okay. But just the 182 million, that exceeds the amount
18 of the COP reserve, does it not?

19 A The \$182 million is larger than the \$162 million COPs
20 reserve.

21 Q You also gave some testimony about the return to COPs.
22 The total amount of COPs are a billion four; right?

23 A That's the COPs claim.

24 Q And the interest rate on those COPs under the B notes at
25 the beginning is four percent; right?

1 A Yes. The B notes the interest rate is four percent for
2 the first decade.

3 Q So am I right that the debt service on another ten
4 percent of the COPs, 140 million, would be \$5-1/2 million?
5 Putting aside amortization, just the interest cost would be
6 5-1/2 -- about 5.6 million, 140 times .04?

7 A Yeah. I mean that -- overall in terms of the actual
8 incremental interest, if you're just looking at interest, I
9 think that would be the rough math.

10 Q Now, you also gave some testimony about a plan freeze.
11 Do you recall that?

12 A Yes.

13 Q And I think you said there'd be no more accrual of
14 benefits under the plan on account of a plan freeze. Do you
15 recall that?

16 A Yes, under the old plan.

17 Q And do you recall that you said that that would reduce
18 the pension liability?

19 A Yes.

20 Q And there's no dispute about that, is there?

21 A I do not know there's a dispute or not.

22 Q Okay.

23 MR. WAGNER: Can you put up Exhibit 1009? Your
24 Honor, this is a letter from Milliman. It's already in
25 evidence based on your Honor's September 2nd order.

1 BY MR. WAGNER:

2 Q Can you turn to page 3 of the document?

3 MR. STEWART: Do you have a hard copy version of
4 that?

5 MR. WAGNER: I don't with me. I didn't realize he'd
6 be testifying about these issues, so I didn't know.

7 MR. STEWART: Excuse me a moment.

8 MR. WAGNER: Now, can you blow up the portion that
9 says "estimated plan freeze impact"?

10 BY MR. WAGNER:

11 Q Do you see it says, "Our preliminary result as of June
12 30, 2013, based on an investment return assumption of 6.75 is
13 that the impact of the plan freeze represents a decrease of
14 roughly 95 billion -- 95 million or roughly 12 percent of the
15 active liability"? Do you see that?

16 A Yes.

17 MR. WAGNER: And can you just go to page one of the
18 document, and can you highlight the "re." line?

19 BY MR. WAGNER:

20 Q So this is for -- this is for GRS; right?

21 A Yes.

22 Q So the impact of a plan freeze with respect to GRS is a
23 reduction of liability of 95 million; right?

24 MR. STEWART: Objection.

25 THE COURT: What is your objection?

1 MR. STEWART: That's what the document says. A
2 question is -- I don't know if he's saying that that's what
3 the document says or whether he's asking the witness his
4 independent view.

5 THE COURT: Which is it?

6 MR. WAGNER: I'm asking if he knows. He testified
7 he got input from Milliman. I'm asking whether he -- if
8 that's his understanding.

9 THE WITNESS: That's what the document says.

10 MR. WAGNER: Can you turn to Exhibit 1010? Can you
11 put up Exhibit 1010?

12 THE COURT: Well, let me say, counsel, that we don't
13 need you to have this witness read into the record documents
14 that are already in evidence. If there's some other purpose,
15 go for it, but --

16 MR. WAGNER: That's fine.

17 BY MR. WAGNER:

18 Q Now, you discounted the state contribution at a rate of
19 6.75 percent?

20 A That is correct.

21 Q And why did you do that? Is that also at the instruction
22 of counsel?

23 A That was part of the discussion with the state.

24 Q And was the 6.75 supposed to represent any risk that
25 payment would not be made?

1 A That's a question I guess to ask the state, but the 6.75-
2 percent discount rate used to calculate the present value of
3 the \$350 million the state is contributing was based on an
4 overall agreement with the state.

5 Q So that was simply another agreement that was negotiated;
6 correct?

7 A Yes.

8 MR. WAGNER: Nothing further, your Honor.

9 CROSS-EXAMINATION

10 BY MS. O'GORMAN:

11 Q Good afternoon, Mr. Malhotra. My name is Debra O'Gorman.
12 I represent MIDDD. Now, you're not an expert in tax policy,
13 are you?

14 A I am not.

15 Q And you're not an expert in tax forecasting, are you?

16 A I am not.

17 Q You're not an economist, are you?

18 A I am not.

19 Q You have no expertise in pensions; correct?

20 A I'm not an actuary.

21 Q You don't have any expertise in urban policy or planning,
22 do you?

23 A No, I do not.

24 Q You don't have any expertise in blight reduction, do you?

25 A No, I do not.

1 Q Are you an expert in art valuation?

2 A No.

3 Q Are you a CPA?

4 A I am not.

5 Q And you've never before been qualified as an expert in
6 accounting; correct?

7 A That is correct.

8 Q Now, in preparing your forecast, you relied on many
9 others to provide assumptions for you; is that correct?

10 A Input, yes.

11 Q And these were other experts as well as various people
12 from the city; correct?

13 A Yes.

14 Q And as to the anticipated tax revenues that are built
15 into your forecasts, you didn't perform your own work in that
16 regard; correct?

17 A We had experts for that, but I did look through the
18 assumptions.

19 Q Thank you. You answered my question. So you relied on
20 Mr. Cline and Ms. Sallee for that information?

21 A I relied on Ms. Sallee and Bob Cline.

22 Q And you're not offering any opinions on tax policy;
23 correct?

24 A That's correct.

25 Q And you're not offering any opinions on whether the city

1 could seek to increase taxes, are you?

2 A I'm not making any comment on policy, tax policy.

3 Q And you're not offering any opinion on whether the city
4 could ask the state to collect taxes on their behalf, are
5 you?

6 A That is correct.

7 Q Would you agree that Mr. Cline and Ms. Sallee are the
8 most knowledgeable about the analysis they performed with
9 respect to tax revenues?

10 A Yes, for each of the purposes that they -- for each of
11 the tax lines that they forecasted, yes.

12 Q And would you agree that taxes are the biggest driver of
13 city revenues?

14 A Yes.

15 Q And they're the primary source of revenue for any
16 municipality; correct?

17 A They are. They are. Taxes are a primary source of
18 revenues and -- yes.

19 Q Okay. And you relied on others for that work; right?

20 A I relied on experts for that work.

21 Q Okay. And you also relied on Conway MacKenzie; correct?

22 A Yes, for specific revenue and expense items.

23 Q And those were the reinvestment initiative items that you
24 relied on Conway MacKenzie for?

25 A Yes, and, as I said, in conjunction with the work that we

1 had already done to make sure there was no double counting.

2 Q And you didn't do any independent analysis or testing of
3 those numbers, did you?

4 A I did.

5 Q You did?

6 A Yes. I just said I made sure that none of the operating
7 revenue initiatives or any of the operating expenditures were
8 double counted in any fashion in the baseline.

9 Q So you just avoided the double counting, but you did no
10 other analysis of the accuracy of any of the numbers
11 themselves?

12 A In terms of the analysis, I mean we also went through the
13 headcount assumptions in a lot of detail in terms of what
14 were the average revenue -- average salary assumptions that
15 were being used in terms of all the headcount that was coming
16 in and regardless of any double counting to make sure that
17 the fringe rates and the average salary levels and the
18 headcount assumptions were vetted by department.

19 Q Okay. But you would agree that Conway MacKenzie would be
20 the most knowledgeable about their work; correct?

21 A Yes. People who only do specific work, yes, are more
22 knowledgeable about their work.

23 Q Okay. And you also relied on Miller Buckfire for your
24 assumptions?

25 A For the quality of life loan and the exit financing

1 assumptions, yes.

2 Q Did you verify the accuracy of Miller Buckfire's work?

3 A I had supporting information that was provided by the
4 financing sources, and we had discussions about the structure
5 based on what input they got from the financing sources, so
6 we did spend a lot of time discussing those versus just
7 plugging them into a model.

8 Q Okay. Did you also rely on Milliman in forming your
9 assumptions?

10 A Yes. We used Milliman's input on the assumptions in some
11 of the legacy liabilities.

12 Q And Milliman would be most knowledgeable about the work
13 that they performed; correct?

14 A Yes.

15 Q And you were asked by Mr. Soto about policy choices by
16 future decision-makers. Would you be required to speculate
17 in order to determine what policy choices Detroit's future
18 leaders would make over the next ten years?

19 A Could you ask me that question again, please?

20 Q Would it be speculation on your part for you to determine
21 now today what Detroit's future leaders -- what decisions
22 they would make?

23 A Yeah. I cannot decide or comment on all the policy
24 decisions the future governments make.

25 Q So you'd be speculating; right?

1 A Yes. I mean they -- yes. If any --

2 Q Okay. Thank you.

3 A I can't comment on all the policy decisions or policy
4 decisions that government leaders will make in the future.

5 Q Because you'd have no way of knowing what will happen;
6 right?

7 A Well, I would not know of anything about tax policies
8 that -- yes. I would not know what some administration does
9 down the road in the future.

10 Q You wouldn't know what decisions would be made in the
11 future; correct?

12 A That is correct, in the future.

13 Q Okay. Now, you didn't use any kind of mathematical
14 formula in identifying the historical trends that went into
15 your forecast; correct?

16 A No, that's not.

17 Q In what way is that incorrect?

18 A Well, I just want to make sure I'm -- there are lots of
19 line items if you've gone through individual line items, and
20 in terms of looking at the trends, we've looked at some of
21 the line items that needed either an average or we used some
22 of the last 2013 numbers in terms of the forecast, so --

23 Q So you used averages, but you didn't use a regression
24 analysis or any kind of sophisticated mathematical modeling;
25 correct?

1 A I don't know if regression analysis is sophisticated
2 mathematical modeling, but in terms of the actual costs that
3 were in specific departments or revenues, we did use
4 mathematical formulas in our forecasting.

5 Q But I'm asking you a different question about historical
6 trends. Didn't you just take a couple of years of data and
7 do an average and make some adjustments and carry those
8 numbers forward? Isn't that what you did?

9 A No. I think we went through a very robust process of
10 looking through and understanding what the changes were, what
11 the assumptions were. We spoke to the management team. We
12 reviewed those numbers with the management team and then
13 started to come up with forecasts versus just look at a
14 couple of years and put a number in there.

15 Q Right. So you had historical data, and you made some
16 adjustments based on your conversations with city department
17 heads; right?

18 A And analyses of each of those line items to understand
19 what was in there, what were one-time trends, what was
20 repeating numbers and going -- that would impact the forecast
21 going forward.

22 Q Now, would you agree that increased taxes would be a
23 potential source of revenue for the city? I'm just asking if
24 it could be a potential source of revenue.

25 A Leaving everything else aside and leaving everything else

1 the same, if taxes go up, the revenues -- the overall picture
2 will look better.

3 Q Right. And you were instructed by the emergency manager
4 to assume that tax rates would remain constant; correct?

5 A That's right.

6 Q And you were also asked to assume by the emergency
7 manager that there would be no new taxes, you know,
8 additional taxes that don't exist today?

9 A That is correct.

10 Q And you've done no analysis of the collection of
11 delinquent taxes in your model?

12 A We have not.

13 Q And I wanted to ask you about the B and C notes that we
14 talked about earlier. Now, the new B notes are interest only
15 for ten years; correct?

16 A That is correct.

17 Q And those are unsecured obligations of the city; correct?

18 A Yes.

19 Q And you don't know whether they're taxable or not?

20 A I do not.

21 Q Now, would you agree that as a general proposition that a
22 higher rate of return would typically be demanded by the
23 market for a taxable bond versus a nontaxable bond?

24 A I don't want to -- I can't comment on that.

25 Q Now, under the plan the city is issuing new C notes;

1 correct?

2 A That is correct.

3 Q And those have a 12-year maturity as opposed to 30 years
4 with B notes; correct?

5 A That is correct.

6 Q And would you agree that notes with shorter maturities
7 would typically have less payment risk than those with longer
8 maturities?

9 A I would not want to comment on that.

10 Q And the new C notes amortize principal with the first
11 annual payment; correct?

12 A That is correct.

13 Q And the B notes are interest only; correct?

14 A They are interest only for the first ten years.

15 Q And the C notes pay what interest rate?

16 A Five percent.

17 Q And the B notes pay four percent for the first 20 years;
18 correct?

19 A That is correct.

20 Q Would you agree that the amortizations -- that under the
21 new C notes there's less of a risk of nonpayment than the B
22 notes?

23 A The money is coming from the city. The risk profile is
24 the risk profile.

25 Q But the new C notes, there is a payment of principal from

1 the start; correct?

2 A That is correct. I'm saying the source of the funding is
3 the same. It's the city, its cash flows.

4 Q Well, that's not really true, is it, because the C notes
5 are paid from parking revenues; correct?

6 A At the end of the day, the C notes are paid through
7 improvement in parking revenues, but it's going to come out
8 of the general fund at the end of the day.

9 Q Okay. Well, is there any segregation of funds for
10 payment of the new B notes?

11 A No.

12 Q They come from the general obligations of the city;
13 correct?

14 A Yes.

15 Q Have you taken into account improvements in the economy
16 in the last four or five years in your forecast?

17 A In terms of the tax forecasts?

18 Q Generally, the economy in general.

19 A I would think that the pieces that impact Detroit, for
20 instance, for what we have seen in the trends and the sales
21 and charges for services -- I don't know if it's anything
22 related to the improvement in economy versus not, but I've
23 looked at in detail all the revenue items that are impacting
24 Detroit, so I don't know if -- what you would ascertain to an
25 improvement in economy versus not.

1 Q But you do agree that the economy of Detroit has been
2 improving since 2008, 2009; correct?

3 A I would say that overall since 2008, 2009 I think the
4 economy overall has improved.

5 Q And you didn't make any specific effort to include those
6 improvements in your forecast; correct?

7 A Well, we have looked at the trends from 2008, 2009 in all
8 of the department financials, so my point is they would be
9 imbedded in there if there was any direct improvement.

10 MS. O'GORMAN: Okay. Thank you. That's all I have.

11 THE COURT: Any other cross-examination of the
12 witness?

13 MR. SOTO: No, your Honor.

14 THE COURT: Redirect?

15 MR. STEWART: No redirect, your Honor.

16 THE COURT: Stand by one second, please. So to what
17 extent, sir, did you make independent judgment about the
18 reasonableness of the assumptions in the city's ten-year
19 forecast or projections?

20 THE WITNESS: It was quite extensive, your Honor.

21 THE COURT: It was. Are you familiar with the
22 concept of critical assumption?

23 THE WITNESS: Yes.

24 THE COURT: Okay. I want to ask you what are the
25 two or three most critical assumptions in the city's ten-year

1 forecast or projections that concern you the most?

2 THE WITNESS: The first one, your Honor, one would
3 be the unfunded pension liability of the city at the end of
4 the ten years because -- and a lot of this in terms of the
5 settlements of the creditors we have boxed in what the city's
6 liability will be. On the side of the pensions, we are still
7 using calculations to estimate what that ten-year unfunded
8 liability will be. So that would be my first one as a
9 concern because it's an unknown. It's an estimate, but it's
10 still not boxed in in terms of how we have boxed in our best
11 ability of the other claims.

12 The second assumption in terms of what would give me
13 concern is we are trying to get five-year labor agreements,
14 and we just want to make sure that even after those five
15 years there are various assumptions in the plan with respect
16 to retiree healthcare for our current active employees that
17 have been taken down significantly, so just so that the city
18 has gone through a painful process of dealing with the
19 retiree healthcare of its current retirees so that it does
20 not happen again could be a five-year contract, so I just
21 don't know what happens after those five years.

22 Those would be the top two, and then the last one,
23 which is more general, is just the implementation of the plan
24 now because the roadwork has been created in some fashion.
25 Our blueprint is existing, but I think the same amount of

1 rigor has to now go into the implementation or probably even
2 more rigor than in sort of developing the blueprint, and I
3 would say those, in my view --

4 THE COURT: What concerns you about the
5 implementation of the plan? Can you be more specific about
6 what your concerns are?

7 THE WITNESS: There's a lot of change, your Honor --
8 I mean that has to happen over the next four to five years
9 with respect to the -- all of the department revenue
10 initiatives as well as the process improvements, and so I
11 am -- from all the time I've spent with the mayor and the
12 CFO, I'm very comfortable there in terms of the
13 implementation ability, but it's just the speed of the
14 implementation. We have significant uptick in revenues in
15 the plan that are based on reinvestments. Yes, they come
16 five years down the road, but -- so I think we will just have
17 to make sure that we have the rigor to implement the plan.

18 THE COURT: Make sure we have the what?

19 THE WITNESS: A rigorous focus on implementing the
20 plan. I'm less concerned about line items moving up and down
21 in terms of costs, but I would not want to have a change in
22 terms of taking one-time CAPEX items and converting that into
23 long-term increased cost of the -- increasing the fixed cost
24 structure of the city long term.

25 THE COURT: Well, do you have any concern about

1 willingness or the ability of the city to implement the plan?

2 THE WITNESS: From all the conversations I have had
3 with the leadership team, I have -- I do not have concern
4 about the willingness to implement the plan. The ability of
5 the collective team to implement the plan is a function of
6 time and focus on these particular efforts once the city
7 exits from bankruptcy. And I've been involved with the city
8 for over three and a half years and understand the practical
9 limitations that the city will be faced with of implementing
10 the plan post-bankruptcy, and it's that constant focus of
11 making sure that the city is going to implement this plan is
12 critical.

13 THE COURT: Did you testify earlier that E&Y's
14 contract with the city has been extended through 2015?

15 THE WITNESS: That is correct, your Honor.

16 THE COURT: Calendar year or fiscal year?

17 THE WITNESS: December 31st, 2015.

18 THE COURT: December 31st. And will part of that
19 work continue the work that E&Y has done with respect to cash
20 management?

21 THE WITNESS: Yes, your Honor.

22 THE COURT: What is your judgment on whether the
23 city will be able to take over those cash management
24 functions that E&Y does now and will do through December of
25 2015 at that time?

1 THE WITNESS: It will -- it depends, your Honor, on
2 the people that are hired over the course of the next few
3 months, and so it's hard for me to comment today. Today I
4 wouldn't be comfortable saying that I could just hand it
5 over, but I think as the existing team at the city continues
6 to get some more resources around them, there is a potential
7 that these cash management services can be transitioned,
8 especially once we have a little more stability through this
9 transitional year that the city is going to be going through.

10 THE COURT: What would the consequences be if the
11 city did not renew the contract after December of 2015 or
12 find a substitute contractor to do the work and it were not
13 ready to assume proper cash management functions?

14 THE WITNESS: The risk in that scenario, your Honor,
15 is exactly twofold, one, because of the state law and having
16 a clear amount -- a handle on cash before you're going into
17 the next budget year because you have to maintain that five
18 percent, so it's a controls issue in terms of that may get
19 impacted, and really so -- and I would say what would get
20 impacted is the long-term forecast ability of the city will
21 get impacted because a lot of -- a lot of the issues have
22 come up because the city did these one-year budgets or one-
23 year outlooks whereas looking at cash flows over a longer
24 time frame and managing cash over the long term, so that is
25 the risk that we run into in which we can again focus back

1 into the very short term and make decisions based on the
2 outlook of a very short term.

3 THE COURT: So is it fair to say that it is your
4 judgment that maintaining adequate cash flow competency
5 either by an outside contractor or adequate inside resources
6 is critical to the implementation and feasibility of the
7 plan?

8 THE WITNESS: I do, your Honor.

9 THE COURT: All right. That's all I have. Any
10 follow-up questions? All right. Before we break for the
11 day -- you're excused, sir.

12 (Witness excused at 4:45 p.m.)

13 THE COURT: I think that rather than start on
14 another witness, we will recess here in a moment, but,
15 Ms. Lennox, I want to talk to you, please.

16 MS. LENNOX: Yes, sir.

17 THE COURT: First, I have a news flash for you.

18 MS. LENNOX: Okay.

19 THE COURT: You have a message from my assistant,
20 Chris. Please call her.

21 MS. LENNOX: Okay. I will do that, your Honor.

22 THE COURT: Have you had any conversation with Mr.
23 Flynn about the plans to deal with the Detroit Fire Fighters'
24 issues tomorrow?

25 MS. LENNOX: I have, your Honor, and --

1 THE COURT: Where are we with that?

2 MS. LENNOX: So I guess we were confused where this
3 came from, and apparently it came from an entry that your
4 Honor put on the docket on September 3rd stating that the
5 issues for the UAW and the DFFA will be presented on
6 September 30th.

7 THE COURT: Right.

8 MS. LENNOX: Well, the DFFA had never designated any
9 witnesses. They were not -- they did not indicate to us that
10 they were planning to put on a fact case, and so we were a
11 little confused by what DFFA issues because they hadn't
12 designated witnesses. After I spoke with Mr. Flynn, he
13 indicated that they do not intend to present factual issues.
14 In fact, they will be withdrawing the objections to
15 confirmation as to certain factual matters. They are
16 preserving their objections with respect to the legal issues,
17 which, as your Honor may recall, Mr. Legghio and I argued
18 back in July. So I believe it is their view -- and we would
19 concur since they don't plan to present witnesses -- that
20 they would have no need to come into court tomorrow unless
21 your Honor has questions for them that you'd like them to
22 answer.

23 THE COURT: Okay. Thank you for that report. Has
24 the mediation with the Detroit Fire Fighters Association
25 concluded yet?

1 MS. LENNOX: It has not concluded. I can report
2 that we've made --

3 THE COURT: It has not concluded?

4 MS. LENNOX: No. And I believe they're planning to
5 meet again this Wednesday. I can report that we have made
6 significant progress actually since last time we were before
7 your Honor. Certainly it's our view that we'd like to
8 conclude this as soon as we can.

9 THE COURT: All right. So it sounds like we will be
10 proceeding with our regular trial schedule tomorrow
11 uninterrupted by any previously slotted in issues. Does that
12 sound right? Wednesday we do have to carve out some time for
13 objections to claims; right?

14 MS. LENNOX: Correct, your Honor.

15 THE COURT: That's what --

16 MS. LENNOX: I believe the MIDD trial is on
17 Wednesday as well.

18 THE COURT: You believe what?

19 MS. LENNOX: The MIDD objection is up Wednesday.

20 THE COURT: I think that's what Ms. Sikula wants to
21 talk to you about.

22 MS. LENNOX: Okay.

23 THE COURT: All right. Anything further for today?
24 Sir?

25 MR. STEWART: Nothing further from me, your Honor.

1 THE COURT: Thank you.

2 MS. LENNOX: Thank you, your Honor.

3 MR. SHUMAKER: Your Honor, one thing on Mr. Orr. I
4 just wanted to let you know that I've been talking with Mr.
5 Soto about when Mr. Doak will testify, and I don't think that
6 that's going to happen until Thursday or Friday, which would
7 mean tomorrow's lineup would be Mr. Buckfire, Mr. Kaunelis
8 from the DWSD, and then Mr. Orr. And I just wanted to advise
9 your Honor of that for notice purposes.

10 THE COURT: All right.

11 MR. SHUMAKER: Thank you, your Honor.

12 THE COURT: Anything else for today? All right.

13 We're in recess until tomorrow morning then.

14 THE CLERK: All rise. Court is adjourned.

15 (Proceedings concluded at 4:49 p.m.)

INDEX

<u>WITNESSES:</u>	<u>Direct</u>	<u>Cross</u>	<u>Redirect</u>	<u>Recross</u>
-------------------	---------------	--------------	-----------------	----------------

Gaurav Malhotra	32	180/199/208		
-----------------	----	-------------	--	--

<u>EXHIBITS:</u>	<u>Received</u>
------------------	-----------------

City Exhibit 3	74
City Exhibit 33	65
City Exhibit 109	61
City Exhibit 111	64
City Exhibit 112	57
City Exhibit 113	73
City Exhibit 201	152
City Exhibit 614	167
City Exhibit 716 (demonstrative)	85
City Exhibit 717 (demonstrative)	87
City Exhibit 718 (demonstrative)	117
City Exhibit 719 (demonstrative)	119
City Exhibit 720 (demonstrative)	125
City Exhibit 721 (demonstrative)	127
City Exhibit 722 (demonstrative)	130
City Exhibit 723 (demonstrative)	133
City Exhibit 724 (demonstrative)	144
City Exhibit 727 (demonstrative)	164
City Exhibit 728 (demonstrative)	110
City Exhibit 732 (demonstrative)	140
City Exhibit 733	92
City Exhibit 734	94
City Exhibit 737 (demonstrative)	121
City Exhibit 738 (demonstrative)	51
City Exhibit 742 (demonstrative)	171/180
City Exhibit 749	172
City Exhibit 751 (demonstrative)	112
City Exhibit 757	106
City Exhibit 758	107
City Exhibit 759	107
City Exhibit 767	105

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

October 3, 2014

 Lois Garrett

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

-----	X	
	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
	:	
-----	X	

**EIGHTH AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT
(October 22, 2014)**

DAVID G. HEIMAN
HEATHER LENNOX
THOMAS A. WILSON
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
tawilson@jonesday.com

BRUCE BENNETT
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 489-3939
Facsimile: (213) 243-2539
bbennett@jonesday.com

JONATHAN S. GREEN
STEPHEN S. LAPLANTE
MILLER, CANFIELD,
PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE DEBTOR

TABLE OF CONTENTS

ARTICLE I DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME	1
A. Defined Terms.	1
B. Rules of Interpretation and Computation of Time.	30
1. Rules of Interpretation.	30
2. Computation of Time.	30
ARTICLE II CLASSIFICATION OF CLAIMS; CRAMDOWN; EXECUTORY CONTRACTS AND UNEXPIRED LEASES	30
A. Unclassified Claims.	31
1. Payment of Administrative Claims.	31
2. Bar Dates for Administrative Claims.	31
B. Classified Claims.	32
1. Designation of Classes.	32
2. Subordination; Reservation of Rights to Reclassify Claims.	33
3. Treatment of Claims.	33
C. Confirmation Without Acceptance by All Impaired Classes.	45
D. Treatment of Executory Contracts and Unexpired Leases.	45
1. Assumption.	45
2. Assumption of Ancillary Agreements.	45
3. Approval of Assumptions and Assignments.	45
4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases.	46
5. Contracts and Leases Entered Into After the Petition Date.	46
6. Rejection of Executory Contracts and Unexpired Leases.	46
7. Rejection Damages Bar Date.	46
8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.	47
9. Insurance Policies.	47
ARTICLE III CONFIRMATION OF THE PLAN	47
A. Conditions Precedent to the Effective Date.	47
B. Waiver of Conditions to the Effective Date.	48
C. Effect of Nonoccurrence of Conditions to the Effective Date.	49
D. Effect of Confirmation of the Plan.	49
1. Dissolution of Retiree Committee.	49
2. Preservation of Rights of Action by the City.	49
3. Comprehensive Settlement of Claims and Controversies.	49
4. Discharge of Claims.	50

5.	Injunction	50
6.	Exculpation	51
7.	Releases	52
E.	No Diminution of State Power	53
F.	Effectiveness of the Plan	53
G.	Binding Effect of Plan	53
ARTICLE IV MEANS FOR IMPLEMENTATION OF THE PLAN		54
A.	DWSD	54
1.	Rates and Revenues	54
2.	DWSD CBAs	54
3.	Potential DWSD Authority Transaction	54
B.	The New B Notes, New C Notes and New LTGO Bonds	55
C.	The UTGO Settlement	55
D.	The State Contribution Agreement	55
1.	State Contribution	55
2.	Income Stabilization Payments	55
3.	Conditions to State's Participation	56
4.	Release of Claims Against the State and State Related Entities	56
E.	The DIA Settlement	57
1.	Funding Contributions	57
2.	Transfer of DIA Assets	57
3.	Conditions to the DIA Funding Parties' Participation	57
F.	Contingent Payment Rights	58
1.	Special Restoration	58
2.	General Restoration	58
G.	The OPEB Settlement	58
H.	The LTGO Settlement	59
I.	The Syncora Settlement	59
J.	The FGIC/COP Settlement	59
K.	Issuance of the New Securities	59
L.	Cancellation of Existing Bonds, Bond Documents, COPs and COP Documents	60
M.	Release of Liens	60
N.	Professional Fees	61
1.	Professional Fee Reserve	61
2.	Fee Review Order	61
3.	Dismissal of the Fee Examiner	61
4.	Potential Review of Fees Not Subject to Fee Review Order	61

5.	Court-Appointed Expert	62
O.	Assumption of Indemnification Obligations.	62
P.	Incorporation of Retiree Health Care Settlement Agreement.	62
Q.	Payment of Workers' Compensation Claims.....	62
R.	36th District Court Settlement.	62
S.	Payment of Certain Claims Relating to the Operation of City Motor Vehicles.	62
T.	Payment of Tax Refund Claims.	63
U.	Utility Deposits.	63
V.	Pass-Through Obligations.....	63
W.	Exit Facility.....	63
X.	Post-Effective Date Governance.	63
ARTICLE V PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN		64
A.	Appointment of Disbursing Agent.	64
B.	Distributions on Account of Allowed Claims.	64
C.	Certain Claims to Be Expunged.....	64
D.	Record Date for Distributions; Exception for Bond Claims.	64
E.	Means of Cash Payments.	64
F.	Selection of Distribution Dates for Allowed Claims.....	65
G.	Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.	65
H.	City's Rights of Setoff Preserved.	65
I.	Delivery of Distributions and Undeliverable or Unclaimed Distributions.....	65
1.	Delivery of Distributions Generally.....	65
2.	Delivery of Distributions on Account of Bond Claims.....	65
3.	De Minimis Distributions / No Fractional New Securities.	66
4.	Undeliverable or Unclaimed Distributions.	66
5.	Time Bar to Cash Payment Rights.....	66
J.	Other Provisions Applicable to Distributions in All Classes.	66
1.	No Postpetition Interest.	66
2.	Compliance with Tax Requirements.....	66
3.	Allocation of Distributions.	67
4.	Surrender of Instruments.	67
ARTICLE VI PROCEDURES FOR RESOLVING DISPUTED CLAIMS		67
A.	Treatment of Disputed Claims.	67
1.	General.....	67
2.	ADR Procedures.	68
3.	Tort Claims.....	68

B.	Disputed Claims Reserve	68
C.	Objections to Claims	69
1.	Authority to Prosecute, Settle and Compromise	69
2.	Expungement or Adjustment of Claims Without Objection	69
3.	Extension of Claims Objection Bar Date	69
4.	Authority to Amend List of Creditors	69
ARTICLE VII RETENTION OF JURISDICTION		69
ARTICLE VIII MISCELLANEOUS PROVISIONS		71
A.	Plan Supplements	71
B.	Modification of the Plan.	71
C.	Revocation of the Plan.	71
D.	Severability of Plan Provisions.	71
E.	Effectuating Documents and Transactions.....	71
F.	Successors and Assigns.....	72
G.	Plan Controls.....	72
H.	Notice of the Effective Date.....	72
I.	Governing Law.	72
J.	Request for Waiver of Automatic Stay of Confirmation Order.	72
K.	Term of Existing Injunctions and Stays.	72
L.	Service of Documents	72
1.	The City	73
2.	The Retiree Committee.....	73

TABLE OF EXHIBITS

Exhibit I.A.9	Principal Terms of 36th District Court Settlement
Exhibit I.A.66	Schedule of Class 9 Eligible City Assets
Exhibit I.A.88	Schedule of COP Swap Agreements
Exhibit I.A.108	Form of Detroit General VEBA Trust Agreement
Exhibit I.A.112	Form of Detroit Police and Fire VEBA Trust Agreement
Exhibit I.A.126	Principal Terms of DIA Settlement
Exhibit I.A.127	Form of DIA Settlement Documents
Exhibit I.A.132	Dismissed FGIC/COP Litigation
Exhibit I.A.133	Dismissed Syncora Litigation
Exhibit I.A.148	Schedule of DWSD Bond Documents & Related DWSD Bonds
Exhibit I.A.156	Schedule of DWSD Revolving Sewer Bond Documents & Related DWSD Revolving Sewer Bonds
Exhibit I.A.159	Schedule of DWSD Revolving Water Bond Documents & Related DWSD Revolving Water Bonds
Exhibit I.A.183	Principal Terms of Exit Facility
Exhibit I.A.197	Form of FGIC/COP Settlement Documents
Exhibit I.A.198	Form of FGIC Development Agreement
Exhibit I.A.216	Schedule of HUD Installment Note Documents & Related HUD Installment Notes
Exhibit I.A.230	Schedule of Limited Tax General Obligation Bond Documents & Related Limited Tax General Obligation Bonds
Exhibit I.A.237	Form of LTGO Settlement Agreement
Exhibit I.A.246	Principal Terms of New B Notes
Exhibit I.A.247	Form of New B Notes Documents
Exhibit I.A.248	Principal Terms of New C Notes
Exhibit I.A.249	Form of New C Notes Documents
Exhibit I.A.250.a	Form of New GRS Active Pension Plan
Exhibit I.A.250.b	Principal Terms of New GRS Active Pension Plan
Exhibit I.A.254.a	Form of New PFRS Active Pension Plan

Exhibit I.A.254.b	Principal Terms of New PFRS Active Pension Plan
Exhibit I.A.280	Prior GRS Pension Plan
Exhibit I.A.281	Prior PFRS Pension Plan
Exhibit I.A.292	Restoration Trust Agreement
Exhibit I.A.298	Retiree Health Care Settlement Agreement
Exhibit I.A.305	Schedule of Secured GO Bond Documents
Exhibit I.A.332	State Contribution Agreement
Exhibit I.A.340	Form of Syncora Development Agreement
Exhibit I.A.344	Form of Syncora Settlement Documents
Exhibit I.A.354	Schedule of Unlimited Tax General Obligation Bond Documents & Related Unlimited Tax General Obligation Bonds
Exhibit I.A.360	Form of UTGO Settlement Agreement
Exhibit II.B.3.q.ii.A	Schedule of Payments and Sources of Payments for Modified PFRS Pension Benefits
Exhibit II.B.3.q.ii.C	Terms of PFRS Pension Restoration
Exhibit II.B.3.r.ii.A	Schedule of Payments and Sources of Payments for Modified GRS Pension Benefits
Exhibit II.B.3.r.ii.C	Terms of GRS Pension Restoration
Exhibit II.D.5	Schedule of Postpetition Collective Bargaining Agreements
Exhibit II.D.6	Executory Contracts and Unexpired Leases to Be Rejected
Exhibit III.D.2	Retained Causes of Action

INTRODUCTION

The City of Detroit proposes the following plan for the adjustment of its debts pursuant to and in accordance with chapter 9 of the Bankruptcy Code.

A discussion of the City's organizational structure, operations, capital structure and events leading to the commencement of the City's Chapter 9 Case, as well as a summary and description of the Plan, risk factors and other related matters, is included in the Disclosure Statement. Retirees of the City will receive a supplement summarizing important information relevant to their entitlement to benefits (the "Retiree Supplement"). Other agreements and documents, which have been or will be Filed with the Bankruptcy Court, are referenced in the Plan or the Disclosure Statement and are available for review.

The City encourages all of its creditors to read the Plan, the Disclosure Statement and the other material that has been approved for use in soliciting votes on the Plan and encourages holders of claims for pensions and other post-employment benefits to read the Retiree Supplement and to consider the information included on the Ballot before casting a vote to accept or reject the Plan and before choosing among available treatment options.

ARTICLE I

DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME

A. Defined Terms.

Capitalized terms used in the Plan have the meanings set forth in this Section I.A. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules.

1. "2005 COPs" means, collectively, the Detroit Retirement Systems Funding Trust 2005 Certificates of Participation Series 2005-A, issued by the Detroit Retirement Systems Funding Trust 2005 pursuant to the 2005 COPs Agreement, in an initial principal amount of \$640 million, bearing interest at 4.0% to 4.948%.

2. "2005 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 2, 2005, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

3. "2006 COPs" means, collectively, the (a) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-A, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$148.5 million, bearing interest at 5.989%; and (b) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-B, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$800 million, bearing interest at a floating rate.

4. "2006 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 12, 2006, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

5. "2014 DWSD Refinancing Obligations" means, collectively, the (i) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014D, (ii) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014E, (iii) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2014F, (iv) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2014G, (v) City of Detroit, Michigan, Detroit Water and Sewerage Department Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014A, (vi) City of Detroit, Michigan, Detroit Water and Sewerage

Department Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014B, (vii) City of Detroit, Michigan, Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Bonds, Series 2014C, and (viii) City of Detroit, Michigan, Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Bonds, Series 2014D.

6. "2014 Revenue and Revenue Refinancing Bonds" means, collectively, one or more series of Sewage Disposal System Revenue and Revenue Refunding Bonds and Water Supply System Revenue Refunding Bonds.

7. "2014 Revenue Refinancing Bonds" means, collectively, the Michigan Finance Authority's (i) Local Government Loan Program Revenue Bonds, Series 2014C-4 (Insured) (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (ii) Local Government Loan Program Revenue Bonds, Series 2014C-5 (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (iii) Local Government Loan Program Revenue Bonds, Series 2014C-6 (Insured) (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (iv) Local Government Loan Program Revenue Bonds, Series 2014C-7 (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (v) Local Government Loan Program Revenue Bonds, Series 2014D-1 (Insured) (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (vi) Local Government Loan Program Revenue Bonds, Series 2014D-2 (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (vii) Local Government Loan Program Revenue Bonds, Series 2014D-3 (Insured) (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, and (viii) Local Government Loan Program Revenue Bonds, Series 2014D-4 (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds.

8. "36th District Court" means the district court for the thirty-sixth judicial district of the State.

9. "36th District Court Settlement" means the settlement between the City and the Settling 36th District Court Claimants, substantially on the terms set forth on Exhibit I.A.9.

10. "Active Employee" means an active employee of the City on and after the Confirmation Date.

11. "Actual Return" means, for each Fiscal Year during the period beginning July 1, 2003 and ending June 30, 2013, the actual net return percentage on invested GRS assets for that Fiscal Year; provided that, if the actual net return percentage on invested GRS assets for any given Fiscal Year is greater than 7.9%, the Actual Return for that Fiscal Year shall be 7.9%, and if the actual net return percentage on invested GRS assets for any given Fiscal Year is less than 0.0%, the Actual Return for that Fiscal Year shall be 0.0%.

12. "Ad Hoc Committee of DWSD Bondholders" means, collectively, Blackrock Financial Management, Inc., Eaton Vance Management, Fidelity Management & Research Company, Franklin Advisers, Inc. and Nuveen Asset Management.

13. "Adjusted Pension Amount" means the GRS Adjusted Pension Amount or the PFRS Adjusted Pension Amount, as applicable.

14. "Administrative Claim" means a Claim against the City arising on or after the Petition Date and prior to the Effective Date for a cost or expense of administration related to the Chapter 9 Case that is entitled to priority or superpriority under sections 364(c)(1), 503(b) or 507(b)(2) of the Bankruptcy Code, including (a) Claims, pursuant to section 503(b)(9) of the Bankruptcy Code, for the value of goods received by the City in the 20 days

immediately prior to the Petition Date and sold to the City in the ordinary course of the City's operations and (b) any Allowed Claims for reclamation under section 546(c)(1) of the Bankruptcy Code or section 2-702 of the Uniform Commercial Code; provided that no claim for professional fees or any other costs or expenses incurred by any official or unofficial creditors' committee or any member thereof shall be considered an Administrative Claim, except that the Retiree Committee's members and the Retiree Committee Professionals shall be entitled to payment in accordance with the Fee Review Order.

15. "ADR Injunction" means the injunction set forth at Section I.B of the ADR Procedures.

16. "ADR Procedures" means the alternative dispute resolution procedures approved by the ADR Procedures Order, as such procedures may be modified by further order of the Bankruptcy Court.

17. "ADR Procedures Order" means the Order, Pursuant to Sections 105 and 502 of the Bankruptcy Code, Approving Alternative Dispute Resolution Procedures to Promote the Liquidation of Certain Prepetition Claims (Docket No. 2302), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on December 24, 2013, as it may be subsequently amended, supplemented or otherwise modified.

18. "Affiliate" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

19. "Allowed Claim(s)" means: (a) a Claim, proof of which has been timely Filed by the applicable Bar Date (or for which Claim under express terms of the Plan, the Bankruptcy Code or a Final Order of the Bankruptcy Court, a proof of Claim is not required to be Filed); (b) a Claim (i) that is listed in the List of Creditors, (ii) that is not identified on the List of Creditors as contingent, unliquidated or disputed and (iii) for which no proof of Claim has been timely Filed; (c) a Claim allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; (d) a Claim designated as allowed in a stipulation or agreement between the City and the Holder of the Claim that is Filed; or (e) a Claim designated as allowed in a pleading entitled "Designation of Allowed Claims" (or a similar title of the same import) that is Filed; provided that with respect to any Claim described in clauses (a) or (b) above, such Claim shall be considered allowed only if and to the extent that (x) no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or (y) if an objection is so interposed, the Claim shall have been allowed by a Final Order. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed to be an Allowed Claim unless and until such Entity pays in full the amount that it owes the City. "Allow" and "Allowing" shall have correlative meanings.

20. "Ambac" means Ambac Assurance Corporation.

21. "Annuity Savings Fund" means that sub-account and pension benefit arrangement that is part of the GRS and operated by the trustees of the GRS.

22. "Annuity Savings Fund Excess Amount" means the following: (a) for an ASF Current Participant who has not received any distributions from the Annuity Savings Fund, the difference between (i) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (ii) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return; (b) for an ASF Current Participant who has received any distribution from the Annuity Savings Fund other than a total distribution, the difference between (i) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (B) all distributions received by such participant from the Annuity Savings Fund during the ASF Recoupment Period and (ii) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return and (B) the value of the participant's distribution calculated as of the date of distribution using the Actual Return through such date; and (c) for an ASF Distribution Recipient, the difference between (i) the value of such ASF Distribution Recipient's Annuity Savings Fund account as of the date of distribution from the Annuity Savings Fund, provided such date falls within the ASF Recoupment Period, and (ii) the value of such participant's Annuity Savings Fund account as of such date, calculated using the Actual Return. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from his Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

23. "ASF/GRS Reduction" means, with respect to a Holder of a GRS Pension Claim who is a retiree who is receiving a monthly pension as of June 30, 2014 or such retiree's later-surviving beneficiary, the 4.5% reduction in the Current Accrued Annual Pension amount described in Section I.A.211, plus the ASF Recoupment.

24. "ASF Current Participant" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) is not an ASF Distribution Recipient.

25. "ASF Distribution Recipient" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) has received a total distribution from the Annuity Savings Fund.

26. "ASF Election Date" means the date that is 35 days after the date on which the ASF Election Form is mailed.

27. "ASF Election Form" means a form to be mailed to each ASF Distribution Recipient with the ASF Election Notice to allow such ASF Distribution Recipient to elect the ASF Recoupment Cash Option.

28. "ASF Election Notice" means a notice to be mailed to each ASF Distribution Recipient notifying such ASF Distribution Recipient of the ASF Recoupment Cash Option and providing such recipient with an ASF Election Form.

29. "ASF Final Cash Payment Date" means the later of (a) 90 days after the Effective Date or (b) 50 days after the date of mailing of an ASF Final Cash Payment Notice.

30. "ASF Final Cash Payment Notice" means a notice to be provided by GRS to each ASF Distribution Recipient who timely elects the ASF Recoupment Cash Option indicating the amount of such ASF Distribution Recipient's ASF Recoupment Cash Payment.

31. "ASF Recoupment" means the amount to be deducted from an ASF Current Participant's Annuity Savings Fund account or an ASF Distribution Recipient's monthly pension check, as applicable, pursuant to the formulae set forth in Section II.B.3.r.ii.D.

32. "ASF Recoupment Cap" means, for both ASF Current Participants and ASF Distribution Recipients, 20% of the highest value of such participant's Annuity Savings Fund account during the ASF Recoupment Period plus an interest component of 6.75% if the amount recouped is amortized over time. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from such participant's Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

33. "ASF Recoupment Cash Option" means an election that may be exercised by an ASF Distribution Recipient to pay the total amount of such ASF Distribution Recipient's ASF Recoupment in a single lump sum.

34. "ASF Recoupment Cash Payment" means the amount of the cash payment that an ASF Distribution Recipient who elects the ASF Recoupment Cash Option will be required to pay on account of such ASF Distribution Recipient's ASF Recoupment.

35. "ASF Recoupment Period" means the period beginning July 1, 2003 and ending June 30, 2013.

36. "Assigned UTGO Bond Tax Proceeds" means the rights to the proceeds of the UTGO Bond Tax Levy in an amount equal to the principal and interest payable on the Stub UTGO Bonds (but subject to the prior rights of the holders of the Municipal Obligation), which rights shall be assigned to a designee or designees of the City pursuant to the UTGO Settlement Agreement, substantially on the terms set forth on Exhibit I.A.360.

37. "Assured" means, together, Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance, Inc., and Assured Guaranty Corp.

38. "Ballot" means the ballot upon which a Holder of an Impaired Claim entitled to vote shall cast its vote to accept or reject the Plan and make certain elections provided for in the Plan.

39. "Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as now in effect or hereafter amended.

40. "Bankruptcy Court" means the United States Bankruptcy Court for the Eastern District of Michigan having jurisdiction over the Chapter 9 Case, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 or the General Order of the District Court pursuant to § 151 of title 28 of the United States Code, the District Court.

41. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the general, local and chambers rules of the Bankruptcy Court, as now in effect or hereafter amended, as applicable to the Chapter 9 Case.

42. "Bar Date" means the applicable bar date by which a proof of Claim must be or must have been Filed, as established by an order of the Bankruptcy Court, including a Bar Date Order and the Confirmation Order.

43. "Bar Date Order" means any order of the Bankruptcy Court establishing Bar Dates for Filing proofs of Claim in the Chapter 9 Case, including the Order, Pursuant to Sections 105, 501 and 503 of the Bankruptcy Code and Bankruptcy Rules 2002 and 3003(c), Establishing Bar Dates for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof (Docket No. 1782), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on November 21, 2013, as it may be amended, supplemented or otherwise modified.

44. "Bond Agent" means a trustee, paying agent or similar Entity, as applicable, under the Bond Documents.

45. "Bond Claims" means, collectively, the DWSD Bond Claims, the DWSD Revolving Bond Claims, the General Obligation Bond Claims, the HUD Installment Note Claims and the Secured GO Bond Claims.

46. "Bond Documents" means, collectively, the DWSD Bond Documents, the DWSD Revolving Bond Documents, the General Obligation Bond Documents, the HUD Installment Note Documents and the Secured GO Bond Documents.

47. "Bond(s)" means, individually or collectively, the DWSD Bonds, the DWSD Revolving Bonds, the General Obligation Bonds, the HUD Installment Notes or the Secured GO Bonds.

48. "Bondholder" means any beneficial or record holder of a Bond.

49. "Bond Insurance Policies" means those policies, surety policies or other instruments insuring any Bond and obligations related thereto, including all ancillary and related documents that may obligate the City to pay any amount to a Bond Insurer for any reason.

50. "Bond Insurance Policy Claim" means a Claim held by a Bond Insurer arising under or in connection with a Bond Insurance Policy.

51. "Bond Insurer" means any party, other than the City, that has issued a Bond Insurance Policy.

52. "Business Day" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

53. "Cash" means legal tender of the United States of America and equivalents thereof.

54. "Causes of Action" means, without limitation, any and all actions, causes of action, controversies, liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever, whether known or

unknown, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Effective Date, including without limitation (a) claims and causes of action under sections 502(d), 510, 544, 545, 547, 548, 549(a), 549(c), 549(d), 550, 551 and 553 of the Bankruptcy Code and (b) any other avoidance or similar claims or actions under the Bankruptcy Code or under similar or related state or federal statutes or common law, and, in the case of each Cause of Action, the proceeds thereof, whether received by judgment, settlement or otherwise.

55. "CFSEM Supporting Organization" means the Foundation for Detroit's Future, a supporting organization of, and an Entity legally separate from, the Community Foundation for Southeast Michigan, solely in its capacity as a participant in the DIA Settlement.

56. "Chapter 9 Case" means the bankruptcy case commenced by the City under chapter 9 of the Bankruptcy Code, captioned as *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.), and currently pending before the Bankruptcy Court.

57. "City" means the City of Detroit, Michigan.

58. "City Council" means the duly-elected City Council of the City.

59. "City Parking Assets" means, collectively, the City's right, title and interest in (a) the Parking Garages, (b) operating revenue received by the City generated by the Parking Garages, (c) revenues collected from fines received by the City related to tickets issued for parking violations (other than any such revenue that would otherwise be paid to the 36th District Court), (d) revenue received by the City generated by parking meters owned by the City and (e) revenue received by the City generated by "boot and tow" operations conducted by the City.

60. "Claim" means a claim, as defined in section 101(5) of the Bankruptcy Code, against the City.

61. "Claims and Balloting Agent" means Kurtzman Carson Consultants, LLC, in its capacity as Bankruptcy Court-appointed claims and balloting agent for the Chapter 9 Case.

62. "Claims Objection Bar Date" means the deadline for objecting to a Claim, which shall be on the date that is the latest of (a) 180 days after the Effective Date, subject to extension by an order of the Bankruptcy Court, (b) 90 days after the Filing of a proof of Claim for such Claim and (c) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court, which other period may be set without notice to Holders of Claims.

63. "Claims Register" means the official register of Claims maintained by the Claims and Balloting Agent.

64. "Class" means a class of Claims, as described in Section II.B.

65. "Class 9 Settlement Asset Pool" means (a) either: (i) the New C Notes or (ii) in the event of a disposition or monetization of the City Parking Assets prior to distribution of the New C Notes, the proceeds from such disposition or monetization, in an amount not less than \$80 million; and (b) the Class 9 Settlement Credits.

66. "Class 9 Eligible City Asset" means those assets identified on Exhibit I.A.66.

67. "Class 9 Settlement Credits" means assignable, transferable settlement credits in the aggregate amount of \$25 million that may be applied to offset not more than 50% of the purchase price of a Class 9 Eligible City Asset; provided that, in all cases, to apply a Class 9 Settlement Credit, the owner thereof must (a) be the final party selected in a procurement process or auction conducted by the City and (b) otherwise satisfy all other elements of the procurement or auction process applicable to a particular Class 9 Eligible City Asset (in each of (a) and (b), without regard to such owner's offsetting any portion of the purchase price with such Class 9 Settlement Credit and irrespective of such owner's ability to apply to apply any Class 9 Settlement Credit).

68. "COLAs" means the cost of living adjustments made to annual pension benefits pursuant to collective bargaining agreements, other contracts or ordinances (as applicable) to account for the effects of inflation, which adjustments sometimes are called "escalators" in such collective bargaining agreements, other contracts or ordinances.

69. "Confirmation" means the entry of the Confirmation Order by the Bankruptcy Court on the docket of the Chapter 9 Case.

70. "Confirmation Date" means the date on which the Bankruptcy Court enters the Confirmation Order on the docket in the Chapter 9 Case, within the meaning of Bankruptcy Rules 5003 and 9021.

71. "Confirmation Hearing" means the hearing held by the Bankruptcy Court on Confirmation of the Plan, as such hearing may be continued.

72. "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan pursuant to section 943 of the Bankruptcy Code, as it may be subsequently amended, supplemented or otherwise modified.

73. "Contract Administration Agreement 2005" means the Contract Administration Agreement dated June 2, 2005, by and among the COP Service Corporations, the Detroit Retirement Systems Funding Trust 2005, the COP Contract Administrator and the COP Swap Counterparties.

74. "Contract Administration Agreement 2006" means the Contract Administration Agreement dated June 12, 2006, by and among the COP Service Corporations, the Detroit Retirement Systems Funding Trust 2006, the COP Contract Administrator and the COP Swap Counterparties.

75. "Contract Administration Agreements" means, together, the Contract Administration Agreement 2005 and the Contract Administration Agreement 2006.

76. "Convenience Claim" means a Claim that would otherwise be an Other Unsecured Claim that is (a) an Allowed Claim in an amount less than or equal to \$25,000.00; or (b) in an amount that has been reduced to \$25,000.00 pursuant to an election made by the Holder of such Claim; provided that, where any portion(s) of a single Claim has been transferred, (y) the amount of all such portions will be aggregated to determine whether a Claim qualifies as a Convenience Claim and for purposes of the Convenience Claim election and (z) unless all transferees make the Convenience Claim election on the applicable Ballots, the Convenience Claim election will not be recognized for such Claim.

77. "COP Agent" means a contract administrator, trustee, paying agent or similar Entity, as applicable, under the COP Documents.

78. "COP Agent Fees" means reasonable, actual and documented fees payable to the COP Agent for services rendered or expenses incurred in accordance with and pursuant to the terms of the COPs Documents.

79. "COP Claim" means a Claim under or evidenced by the COP Service Contracts. For the avoidance of doubt, except as provided in any Final Order of the Bankruptcy Court, the definition of COP Claim shall include any Claim (other than a COP Swap Claim) on account of any act, omission or representation (however described) based upon, arising out of or relating to: (a) the issuance, offering, underwriting, purchase, sale, ownership or trading of any COPs (to the extent any such Claim is not a Subordinated Claim); (b) the COP Service Corporations; (c) any COP Service Contracts; (d) the 2005 COPs Agreement; (e) the 2006 COPs Agreement; (f) the Detroit Retirement Systems Funding Trust 2005; (g) the Detroit Retirement Systems Funding Trust 2006; (h) the Contract Administration Agreement 2005; (i) the Contract Administration Agreement 2006; (j) any allegations that have been made or could have been made by or against the City or any other person in the COP Litigation; or (k) any policy of insurance relating to the COPs.

80. "COP Contract Administrator" means Wilmington Trust, National Association, as successor to U.S. Bank, N.A.

81. "COP Documents" means, collectively, the COP Service Contracts, the 2005 COPs Agreement, the 2006 COPs Agreement and the Contract Administration Agreements.

82. "COP Insurance Policies" means those certain policies or other instruments insuring the 2005 COPs issued under the 2005 COPs Agreement and the 2006 COPs issued under the 2006 COPs Agreement, including all ancillary and related documents that may obligate the City to pay any amount to a COP Insurer for any reason.

83. "COP Insurance Policies Claim" means a Claim held by a COP Insurer arising under or in connection with a COP Insurance Policy.

84. "COP Insurer" means any party, other than the City, that has issued a COP Insurance Policy.

85. "COP Litigation" means the adversary proceeding captioned as *City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006*, Case No. 14-04112 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 31, 2014.

86. "COP Service Contracts" means, collectively, the (a) the GRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit General Retirement System Service Corporation; (b) the PFRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit Police and Fire Retirement System Service Corporation; (c) the GRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit General Retirement System Service Corporation; and (d) the PFRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit Police and Fire Retirement System Service Corporation, as each of the foregoing may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

87. "COP Service Corporations" means, collectively, the Detroit General Retirement System Service Corporation and the Detroit Police and Fire Retirement System Service Corporation.

88. "COP Swap Agreements" means the 1992 ISDA Master Agreements (Local Currency Single Jurisdiction) between the COP Service Corporations and the COP Swap Counterparties, as set forth on Exhibit I.A.88, together with all ancillary and related instruments and agreements, as the same may have been subsequently amended, restated, supplemented or otherwise modified.

89. "COP Swap Claim" means a Claim by the COP Swap Counterparties arising under the COP Swap Documents.

90. "COP Swap Collateral Agreement" means the Collateral Agreement among the City, the COP Service Corporations, the COP Swap Collateral Agreement Custodian and the COP Swap Counterparties, together with all ancillary and related instruments and agreements.

91. "COP Swap Collateral Agreement Custodian" means U.S. Bank National Association as custodian under the COP Swap Collateral Agreement or any successor custodian.

92. "COP Swap Counterparties" means UBS AG and Merrill Lynch Capital Services, Inc., as successor to SBS Financial Products Company LLC, under the COP Swap Documents.

93. "COP Swap Documents" means the COP Swap Agreements and the COP Swap Collateral Agreement.

94. "COP Swap Exculpated Parties" means the COP Swap Counterparties and their affiliates and each of their respective present and former (a) officers, (b) directors, (c) employees, (d) members, (e) managers, (f) partners and (g) attorneys, attorneys-in-fact and other advisors, in each case solely in their capacity as such.

95. "COP Swap Settlement" means that Settlement and Plan Support Agreement among the City and the COP Swap Counterparties filed with the Bankruptcy Court on the docket of the Chapter 9 Case on March 26, 2014 (Docket No. 3234), as the same may be subsequently amended, restated, supplemented or otherwise modified in accordance therewith.

96. "COP Swap Settlement Approval Order" means the order entered by the Bankruptcy Court approving the COP Swap Settlement (Docket No. 4094).

97. "COP Syncora Swap Insurance Policies" shall mean policy numbers CA03049E, CA03049D, CA3049C and CA03049B issued by XL Capital Assurance Inc.

98. "COPs" means, collectively, the 2005 COPs and the 2006 COPs.

99. "COP Trustee" means Wilmington Trust, National Association, as Successor Trustee for the Detroit Retirement Systems Funding Trust 2005 and the Detroit Retirement Systems Funding Trust 2006, or any successor thereto.

100. "Counties" means, collectively, Macomb County, Oakland County and Wayne County.

101. "Cure Amount Claim" means a Claim based upon the City's defaults under an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the City under section 365 of the Bankruptcy Code to the extent such Claim is required to be cured by section 365 of the Bankruptcy Code.

102. "Current Accrued Annual Pension" means, with respect to any Holder of a Pension Claim, the amount of annual pension benefits that the applicable Retirement System (a) is obligated to pay to such Holder as of June 30, 2014 to the extent such Holder is retired or a surviving beneficiary and receiving, or terminated from City employment and eligible to receive, a monthly pension as of such date or (b) would be obligated to pay such Holder upon his or her future retirement to the extent such Holder is actively employed by the City on June 30, 2014, assuming such Holder's annual pension is frozen as of June 30, 2014, and such Holder is no longer able to accrue pension benefits after such date under the current terms and conditions of the applicable Retirement System, in either case as reflected on the books and records of the applicable Retirement System as of June 30, 2014.

103. "Current GRS Retiree Adjustment Cap" means, if the funding from the State Contribution Agreement and the DIA Settlement is received, an ASF/GRS Reduction in an amount not to exceed 20% of the Current Accrued Annual Pension (including an interest component of 6.75% on the ASF Recoupment portion of the ASF/GRS Reduction if the ASF Recoupment is amortized over time) of a person who was a current retiree as of June 30, 2014.

104. "CUSIP" means the nine-character identifier (consisting of letters and numbers) that uniquely identifies any particular issue of DWSD Bonds.

105. "Detroit General Retiree" means a retired employee or surviving beneficiary of a retired employee of a department of the City who (a) is not a Detroit Police and Fire Retiree, (b) retired (or is a surviving beneficiary of one who retired) on or before December 31, 2014 and (c) is a Holder of an OPEB Claim.

106. "Detroit General VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit General VEBA Beneficiaries and certain of their dependents.

107. "Detroit General VEBA Beneficiary" means either (a) a Holder of an Allowed OPEB Claim who is a Detroit General Retiree or (b) a retired employee (or surviving beneficiary of a retired employee) of the Detroit Public Library or the Detroit Regional Convention Facility Authority who (i) retired (or is a surviving beneficiary of one who retired) on or before December 31, 2014 and (ii) holds a valid claim for OPEB Benefits against the Detroit Public Library or the Detroit Regional Convention Facility Authority.

108. "Detroit General VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit General VEBA, in substantially the form attached hereto as Exhibit I.A.108.

109. "Detroit Police and Fire Retiree" means a retired employee or surviving beneficiary of a retired employee of the Detroit Police Department or the Detroit Fire Department who (a) was not an employee of the Emergency Medical Services Division of the Detroit Fire Department, (b) is a Holder of an OPEB Claim and (c) retired (or was a surviving beneficiary of one who retired) on or before December 31, 2014.

110. "Detroit Police and Fire VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents.

111. "Detroit Police and Fire VEBA Beneficiary" means a Holder of an Allowed OPEB Claim that is a Detroit Police and Fire Retiree.

112. "Detroit Police and Fire VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit Police and Fire VEBA, in substantially the form attached hereto as Exhibit I.A.112.

113. "Detroit Retirement Systems Funding Trust 2005" means the funding trust established pursuant to the 2005 COPs Agreement.

114. "Detroit Retirement Systems Funding Trust 2006" means the funding trust established pursuant to the 2006 COPs Agreement.

115. "Developer" means FGIC or its designee(s) under the FGIC Development Agreement.

116. "DDA" means the City of Detroit Downtown Development Authority.

117. "DIA" means The Detroit Institute of Arts, a museum and cultural institution located at 5200 Woodward Avenue, Detroit, Michigan 48202.

118. "DIA Assets" means the "Museum Assets" as defined in the DIA Settlement Documents.

119. "DIA Corp." means The Detroit Institute of Arts, a Michigan non-profit corporation.

120. "DIA Direct Funders" means DIA Corp. and those DIA Funders whose commitments to contribute monies in furtherance of the DIA Settlement are made directly to the CFSEM Supporting Organization.

121. "DIA Funders" means those persons, businesses, business-affiliated foundations and other foundations from which DIA Corp. secures commitments, whether before or after the Effective Date, to contribute monies or otherwise secures contributions of monies in support of DIA Corp.'s payment obligations under the DIA Settlement, whether paid directly to the CFSEM Supporting Organization or to DIA Corp. for the purpose of supporting DIA Corp.'s payments to the CFSEM Supporting Organization.

122. "DIA Funding Parties" means the Foundations and the DIA Direct Funders.

123. "DIA Proceeds" means, collectively, the irrevocable funding commitments described in Section IV.E.1.

124. "DIA Proceeds Default Amount" means a reduction in the Adjusted Pension Amount of a Holder of a Pension Claim (or a surviving beneficiary) by virtue of a DIA Proceeds Payment Default, as determined by the trustees of the GRS or the PFRS, the aggregate amount of which shall be commensurate with the pertinent DIA Proceeds Payment Default.

125. "DIA Proceeds Payment Default" means a default that has not been cured during any applicable grace period, as determined by the trustees of the GRS or the PFRS, by one or more DIA Funding Parties respecting material amounts scheduled to be paid to the City in accordance with the DIA Settlement that the City, in turn, is required to pay over to the GRS or the PFRS in accordance with the terms and conditions of the Plan.

126. "DIA Settlement" means the comprehensive settlement regarding the DIA Assets, as described at Section IV.E and as definitively set forth in the DIA Settlement Documents, the principal terms of which are attached hereto as Exhibit I.A.126.

127. "DIA Settlement Documents" means the definitive documentation to be executed in connection with the DIA Settlement, in substantially the form attached hereto as Exhibit I.A.127, which documents substantially conform to the term sheet attached hereto as Exhibit I.A.126.

128. "Disbursing Agent" means the disbursing agent(s) appointed pursuant to Section V.A.

129. "Disclosure Statement" means the disclosure statement (including all exhibits and schedules thereto or referenced therein) that relates to the Plan and has been prepared and distributed by the City and approved by the Bankruptcy Court in the Disclosure Statement Order, as the same may be amended, supplemented or otherwise modified.

130. "Disclosure Statement Order" means the Order Approving the Proposed Disclosure Statement (Docket No. 4401), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on May 5, 2014, approving the Disclosure Statement as containing adequate information pursuant to section 1125 of the Bankruptcy Code, as it may have been subsequently amended, supplemented or otherwise modified.

131. "Discounted Value" means the net present value of all Net DWSD Transaction Proceeds to be received immediately or in the future utilizing a 6.75% discount rate.

132. "Dismissed FGIC/COP Litigation" means all litigation pending between the City and FGIC (including all appeals) arising out of or related to, and all motions or objections pending in, the Chapter 9 Case, including the litigation set forth on Exhibit I.A.132, which litigation shall be dismissed or withdrawn as set forth in the FGIC/COP Settlement Documents.

133. "Dismissed Syncora Litigation" means all litigation pending between the City and Syncora (including all appeals) arising out of or related to, and all motions or objections pending in, the Chapter 9 Case, including the litigation set forth on Exhibit I.A.133, which litigation shall be dismissed or withdrawn as set forth in the Syncora Settlement Documents.

134. "Disputed Claim" means any Claim that is not Allowed.

135. "Distribution" means any initial or subsequent payment or transfer made on account of an Allowed Claim under or in connection with the Plan.

136. "Distribution Amount" means the principal amount of \$42,500,000 for each of the COP Swap Counterparties, plus interest, on and after October 15, 2014, on the unpaid Net Amount at the rate applicable to obligations under the Postpetition Financing Agreement, payable in cash in the manner set forth in the COP Swap Settlement Agreement.

137. "Distribution Date" means any date on which a Distribution is made.

138. "Distribution Record Date" means 5:00 p.m., Eastern Time, on the Confirmation Date.

139. "District Court" means the United States District Court for the Eastern District of Michigan.

140. "Document Website" means the internet site address <http://www.kccllc.net/Detroit>, at which the Plan, the Disclosure Statement and all Filed Exhibits to the Plan shall be available to any party in interest and the public, free of charge.

141. "Downtown Development Authority Claims" means Claims in respect of the Downtown Development Authority Loans.

142. "Downtown Development Authority Loans" means loans made pursuant to that certain Loan Agreement, dated August 26, 1991, by and between the City and the DDA, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements.

143. "DRCEA" means the Detroit Retired City Employees Association.

144. "DWSD" means the Detroit Water and Sewerage Department, which is a department of the City.

145. "DWSD Authority" means an authority that may be formed pursuant to a DWSD Authority Transaction to conduct many or all of the operations currently conducted by DWSD as described in Section IV.A.3.

146. "DWSD Authority Transaction" means the potential formation (including the potential transfer of certain assets owned by DWSD) and operation of the DWSD Authority, as described in Section IV.A.3.

147. "DWSD Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Bond Documents, including a Claim for principal and interest on the DWSD Bonds.

148. "DWSD Bond Documents" means the ordinances passed, resolutions adopted, orders issued or indentures executed with respect to the DWSD Bonds, as set forth on Exhibit I.A.148, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

149. "DWSD Bonds" means the secured bonds issued pursuant to the DWSD Bond Documents, as set forth on Exhibit I.A.148.

150. "DWSD CVR" means a single series of contingent value right certificates representing the right to receive 50% of the Net DWSD Transaction Proceeds received by the General Fund on account of a Qualifying DWSD Transaction.

151. "DWSD Exculpated Parties" means, collectively, the DWSD Settlement Parties and their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, solely in their capacity as such.

152. "DWSD Revolving Bond Claims" means, collectively, the DWSD Revolving Sewer Bond Claims and the DWSD Revolving Water Bond Claims.

153. "DWSD Revolving Bond Documents" means, collectively, the DWSD Revolving Sewer Bond Documents and the DWSD Revolving Water Bond Documents.

154. "DWSD Revolving Bonds" means, collectively, the DWSD Revolving Sewer Bonds and the DWSD Revolving Water Bonds.

155. "DWSD Revolving Sewer Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Sewer Bond Documents, including a Claim for principal and interest on the DWSD Revolving Sewer Bonds.

156. "DWSD Revolving Sewer Bond Documents" means the ordinances passed, resolutions adopted or indentures or agreements executed with respect to the DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.156, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

157. "DWSD Revolving Sewer Bonds" means the secured bonds issued pursuant to the DWSD Revolving Sewer Bond Documents, as set forth on Exhibit I.A.156.

158. "DWSD Revolving Water Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Water Bond Documents, including a Claim for principal and interest on the DWSD Revolving Water Bonds.

159. "DWSD Revolving Water Bond Documents" means the ordinances passed, resolutions adopted or indentures or agreements executed with respect to the DWSD Revolving Water Bonds, as set forth on Exhibit I.A.159, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

160. "DWSD Revolving Water Bonds" means the secured bonds issued pursuant to the DWSD Revolving Water Bond Documents, as set forth on Exhibit I.A.159.

161. "DWSD Series" means an individual issue of DWSD Revolving Bonds having the same lien priority, issue date and series designation.

162. "DWSD Settlement Date" means the date prior to the Effective Date upon which each of (i) consummation of the purchase of the DWSD Tendered Bonds, (ii) issuance of the 2014 DWSD Refinancing Obligations and (iii) issuance of the 2014 Revenue Refinancing Bonds occurs, which date is identified as September 4, 2014 in the DWSD Tender Invitations (subject to rescheduling to a date earlier or later than that date by the City in its sole discretion).

163. "DWSD Settlement Parties" means, collectively, Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance Inc., Berkshire Hathaway Assurance Corp., FGIC (solely in its capacity as a DWSD Bond Insurer), NPFG, the Ad Hoc Committee of DWSD Bondholders and U.S. Bank National Association, as trustee for the DWSD Bonds.

164. "DWSD Tender" means the offers, subject to acceptance at the City's election and in its sole discretion, to purchase for cancellation some or all of the DWSD Bonds that have been tendered and accepted in connection with, and on the terms provided in, the DWSD Tender Invitations.

165. "DWSD Tendered Bonds" means the DWSD Bonds that have been tendered for purchase or cancellation pursuant to the DWSD Tender.

166. "DWSD Tender Invitations" means the invitations and accompanying disclosure statements sent by the City to holders of DWSD Bonds on August 7, 2014, in the form of those collectively attached as Exhibits 8A and 8B to the DWSD Tender Motion.

167. "DWSD Tender Motion" means the Motion of the Debtor for a Final Order Pursuant to (I) 11 U.S.C. §§105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922 and 928 (A) Approving Postpetition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections (Docket No. 6644), Filed by the City on August 11, 2014.

168. "DWSD Tender Order" means the Order, Pursuant to (I) 11 U.S.C. §§ 105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922 and 928 (A) Approving Postpetition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections (Docket No. 7028), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on August 25, 2014.

169. "Effective Date" means the Business Day, as determined by the City, on which each applicable condition contained in Section III.A has been satisfied or waived.

170. "Eligible Pensioner" means a Holder of a Pension Claim who is eligible to receive an Income Stabilization Payment because such Holder (a) is, as of the Effective Date, at least 60 years of age or is a minor child receiving survivor benefits from GRS or PFRS and (b) has an aggregate annual household income equal to or less than 140% of the Federal Poverty Level in 2013 (as determined by reference to their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation); provided, that no new persons will be eligible to receive Income Stabilization Payments at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

171. "Emergency Manager" means Kevyn D. Orr, in his capacity as emergency manager for the City serving in accordance with PA 436 or any successor emergency manager.

172. "Employee Health and Life Insurance Benefit Plan" means the Employee Health and Life Insurance Benefit Plan, a welfare benefit plan sponsored and administered by the City, which provides health, dental, vision care and life insurance benefits to (a) all officers and employees of the City who were employed on the day preceding the effective date of the benefit plan, and who continue to be employed by the City on and after the Effective Date and (b) substantially all retired officers and employees of the City.

173. "Employees Death Benefit Board of Trustees" means the governing board of the City of Detroit Employee Health and Life Insurance Benefit Plan, which operates and administers the Employees Death Benefit Plan.

174. "Employees Death Benefit Plan" means the City of Detroit Employee Death Benefit Plan, a pre-funded defined benefit plan and trust administered by the Employees Death Benefit Board of Trustees that provides supplemental death benefits to active and retired officers and employees of the City.

175. "Entity" shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

176. "Estimated Future Liability" means the Income Stabilization Payments anticipated to be made from GRS or PFRS, as applicable, in the future in order for the respective Retirement System to fulfill the obligation to make Income Stabilization Payments, as determined by the respective Retirement System's board of trustees in the year 2022, provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to the Retirement System at any time prior to 2022.

177. "Excess Assets" means the amount by which, if at all, the Income Stabilization Fund of either GRS or PFRS is credited with assets in excess of its Estimated Future Liability.

178. "Excess New B Notes" means, collectively: (a) the Syncora Excess New B Notes and (b) New B Notes in the aggregate face amount of approximately \$48.71 million, representing the difference between (i) the New B Notes that would have been distributed to FGIC or the FGIC COP Holders had their respective asserted COP Claims for principal and interest in Class 9 been Allowed in full and (ii) the New B Notes to be provided to FGIC and the FGIC COP Holders as partial consideration pursuant to the terms of the FGIC/COP Settlement.

179. "Excluded Actions" means (a) any claims with respect to enforcement of the FGIC/COP Settlement Documents or the FGIC Development Agreement, (b) any claims with respect to the New B Notes, the New C Notes or the Class 9 Settlement Credits, (c) any claims held by FGIC against the (i) COP Swap Counterparties or (ii) Related Entities of any of the foregoing, or (d) any claims asserted against the City in the proofs of claim filed by FGIC and the COP Trustee; provided that, with respect to the claims described in clause (d), notwithstanding any other provision of the Plan, such claims shall be subject to the treatment, discharge and injunction provisions set forth herein.

180. "Exculpated Parties" means, collectively and individually, (a) the RDPFFA and its board of trustees/directors, attorneys, advisors and professionals, (b) the DRCEA and its board of trustees/directors,

attorneys, advisors and professionals, (c) the postpetition officers of the Detroit Police Lieutenants and Sergeants Association, (d) the postpetition officers of the Detroit Police Command Officers Association, (e) GRS and its postpetition professional advisors, (f) PFRS and its postpetition professional advisors, (g) Gabriel, Roeder, Smith & Company, (h) the COP Swap Exculpated Parties, (i) the LTGO Exculpated Parties, (j) the UTGO Exculpated Parties, (k) the DWSD Exculpated Parties, (l) the RDPMA Exculpated Parties, (m) the Syncora Exculpated Parties, (n) the COP Agent and (o) the FGIC/COP Exculpated Parties. For the avoidance of doubt, Exculpated Parties shall not include the COP Service Corporations.

181. "Executory Contract" means a contract to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

182. "Exhibits" means, collectively, the documents listed on the "Table of Exhibits" included herein, all of which will be made available on the Document Website once they are Filed. The City reserves the right, in accordance with the terms hereof, to modify, amend, supplement, restate or withdraw any of the Exhibits after they are Filed and shall promptly make such changes available on the Document Website.

183. "Exit Facility" means a credit facility that will be entered into by the City, the Exit Facility Agent and the other financial institutions party thereto on the Effective Date on substantially the terms set forth on Exhibit I.A.183.

184. "Exit Facility Agent" means the agent under the Exit Facility.

185. "Face Amount" means either (a) the full stated amount claimed by the holder of such Claim in any proof of Claim Filed by the Bar Date or otherwise deemed timely Filed under applicable law, if the proof of Claim specifies only a liquidated amount; (b) if no proof of Claim is Filed by the Bar Date or otherwise deemed timely Filed under applicable law, the full amount of the Claim listed on the List of Creditors, provided that such amount is not listed as disputed, contingent or unliquidated; or (c) the amount of the Claim (i) acknowledged by the City in any objection Filed to such Claim, (ii) estimated by the Bankruptcy Court for such purpose pursuant to section 502(c) of the Bankruptcy Code, or (iii) proposed by City, if (A) no proof of Claim has been Filed by the Bar Date or has otherwise been deemed timely Filed under applicable law and such amount is not listed in the List of Creditors or is listed in List of Creditors as disputed, contingent or unliquidated or (B) the proof of Claim specifies an unliquidated amount (in whole or in part).

186. "Federal Poverty Level" means the poverty guidelines issued each year in the *Federal Register* by the United States Department of Health and Human Services.

187. "Fee Examiner" means Robert M. Fishman, in his capacity as the fee examiner appointed pursuant to the Fee Examiner Order.

188. "Fee Examiner Order" means the Order Appointing Fee Examiner (Docket No. 383), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on August 19, 2013, as it may have been amended, supplemented or otherwise modified.

189. "Fee Examiner Parties" means, collectively, (a) the Fee Examiner and (b) all counsel and other professionals advising the Fee Examiner whose fees and expenses are subject to the Fee Review Order.

190. "Fee Review Order" means the Fee Review Order (Docket No. 810), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on September 11, 2013, as it may have been amended, supplemented or otherwise modified, including pursuant to the Order Amending and Clarifying Fee Review Order of September 11, 2013 (Docket No. 5150), entered on May 29, 2014.

191. "Fee Review Professionals" means, collectively, (a) those professionals retained by the City and the Retiree Committee to render services in connection with the Chapter 9 Case who seek payment of compensation and reimbursement of expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order and (b) those additional professionals retained by third parties to provide services in connection with

the Chapter 9 Case that seek reimbursement by or payment from the City or any of its departments and are, or are determined (by Bankruptcy Court order or otherwise) to be, subject to the Fee Review Order or the terms of this Plan. For the avoidance of doubt, any professionals retained by any official committee appointed in the Chapter 9 Case other than the Retiree Committee are not Fee Review Professionals.

192. "Fee Review Professional Fees" means, collectively, (a) the fees and expenses of the Fee Review Professionals incurred during the period beginning on the Petition Date and ending on the Effective Date and (b) the fees and expenses of the Fee Examiner Parties through the projected date of dismissal of the Fee Examiner pursuant to Section IV.N.3.

193. "FGIC" means Financial Guaranty Insurance Company.

194. "FGIC/COP Exculpated Parties" means (a) FGIC and its Related Entities, (b) the FGIC COP Holders and their respective Related Entities and (c) the COP Agent and its Related Entities, in each case solely in their respective capacities as holders of, insurer of or administrator, trustee, or paying agent with respect to COP Claims.

195. "FGIC COP Holders" means the registered and beneficial holders of COPs originally insured by FGIC.

196. "FGIC/COP Settlement" means the comprehensive settlement with FGIC and the FGIC COP Holders, as described at Section IV.J and as definitively set forth in the FGIC/COP Settlement Documents.

197. "FGIC/COP Settlement Documents" means the definitive documentation to be executed in connection with the FGIC/COP Settlement, in substantially the form attached hereto as Exhibit I.A.197, and in any case in form and substance reasonably acceptable to the City, FGIC and the FGIC COP Holders. Whenever the consent of the FGIC COP Holders is required hereunder, or any document is required to be reasonably satisfactory to the FGIC COP Holders, such consent shall be deemed given and such document shall be deemed reasonably satisfactory unless within the period of time specified for such consent or document (which shall be reasonable under the circumstances and in any event not less than 48 hours after the request for such consent or proposed document shall have been filed with the court) unless beneficial holders of a majority of the COPs originally insured by FGIC shall have objected in writing to the action or document.

198. "FGIC Development Agreement" means that certain development agreement to be entered into by the City and the Developer, in substantially the form attached hereto as Exhibit I.A.198.

199. "FGIC Settlement Consideration" means the share of the Class 9 Settlement Asset Pool and New B Notes to be distributed for the benefit of FGIC and the FGIC COP Holders pursuant to Section II.B.3.p.i.A in respect of COPs originally insured by FGIC.

200. "File," "Filed," or "Filing" means file, filed or filing with the Bankruptcy Court or the Claims and Balloting Agent, as applicable, in the Chapter 9 Case.

201. "Final Order" means an order or judgment of the Bankruptcy Court, or any other court of competent jurisdiction, as entered on the docket in the Chapter 9 Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari or move, under Bankruptcy Rule 9023 or Rule 59 of the Federal Rules of Civil Procedure, for a new trial, reargument or rehearing has expired, and no appeal or petition for certiorari or other proceedings for a new trial, reargument or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing shall have been denied or resulted in no modification of such order; provided that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed shall not prevent such order from being a Final Order.

202. "Financial Review Commission" means the financial review commission appointed under Section 4 of the Financial Review Commission Act.

203. "Financial Review Commission Act" means Public Act 181 of 2014 of the State, also known as the Michigan Financial Review Commission Act, Michigan Compiled Laws §§ 141.1631, *et seq.*

204. "Fiscal Year" means a fiscal year for the City, commencing on July 1 of a year and ending on June 30 of the following year. A Fiscal Year is identified by the calendar year in which the Fiscal Year ends, such that, for example, the 2015 Fiscal Year is the Fiscal Year commencing on July 1, 2014, and ending on June 30, 2015.

205. "Foundations" means those entities identified on Exhibit B to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.126.

206. "General Fund" means the primary governmental fund and the chief operating fund of the City, which fund accounts for several of the City's primary services, including police, fire, public works, community and youth services.

207. "General Obligation Bond Claims" means, collectively, the Limited Tax General Obligation Bond Claims and the Unlimited Tax General Obligation Bond Claims.

208. "General Obligation Bond Documents" means, collectively, the Limited Tax General Obligation Bond Documents and the Unlimited Tax General Obligation Bond Documents.

209. "General Obligation Bonds" means, collectively, the Limited Tax General Obligation Bonds and the Unlimited Tax General Obligation Bonds.

210. "GRS" means the General Retirement System of the City of Detroit.

211. "GRS Adjusted Pension Amount" means, with respect to a Holder of a GRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 4.5% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment, provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and

(b) If Classes 10 and 11 do not vote to accept the Plan or funding is not received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 27% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment; provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and provided further, that with respect to Holders who are Active Employees, in the event the unfunded liabilities of the GRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the GRS as of June 30, 2013, the monthly pension amount shall be decreased to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

212. "GRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City or any participants in GRS, their heirs or beneficiaries or by the GRS or any trustee thereof or any other Entity acting on the GRS's behalf, against the City or any fund managed by the City (including,

but not limited to, the General Fund, the water fund, the sewage disposal fund, the Detroit General Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability or other post-retirement payment or distribution in respect of the employment of current or former employees or (b) the payment by the GRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the GRS.

213. "GRS Restoration Payment" means an addition to the pension benefits that comprise the GRS Adjusted Pension Amount as described in Exhibit II.B.3.r.ii.C.

214. "Holder" means an Entity holding a Claim. With respect to any COP originally insured by FGIC, "Holder" includes the beneficial holders of any such COP.

215. "HUD Installment Note Claims" means any Claim against the City arising under or evidenced by the HUD Installment Note Documents, including a Claim for principal and interest on the HUD Installment Notes.

216. "HUD Installment Note Documents" means the promissory notes executed with respect to the HUD Installment Notes, as set forth on Exhibit I.A.216, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

217. "HUD Installment Notes" means, collectively, the secured notes issued under the HUD Installment Note Documents, as set forth on Exhibit I.A.216.

218. "Impaired" means, with respect to a Class or a Claim, that such Class or Claim is impaired within the meaning of section 1124 of the Bankruptcy Code.

219. "Income Stabilization Benefit" means a supplemental pension benefit in an amount necessary to ensure that (a) each Eligible Pensioner's total household income is equal to 130% of the Federal Poverty Level in 2013 or (b) the annual pension benefit payment payable to each Eligible Pensioner equals 100% of the annual pension benefit payment actually received by the Eligible Pensioner in 2013, whichever amount is lower.

220. "Income Stabilization Benefit Plus" means a supplemental pension benefit in an amount necessary to ensure that (a) an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in a given calendar year is equal to 105% of the Federal Poverty Level for such year or (b) the annual pension benefit payment payable to an Eligible Pensioner equals 100% of the Eligible Pensioner's Current Accrued Annual Pension, plus COLAs, whichever amount is lower.

221. "Income Stabilization Payments" means the Income Stabilization Benefit and the Income Stabilization Benefit Plus, which will be paid from the Income Stabilization Fund in each of GRS and PFRS to Eligible Pensioners in accordance with the State Contribution Agreement.

222. "Income Stabilization Fund" means a separate recordkeeping sub-account that will be established in each of GRS and PFRS for the sole purpose of paying Income Stabilization Payments to Eligible Pensioners. The assets credited to these sub-accounts will be invested on a commingled basis with the GRS and PFRS assets, as applicable, and will be credited with a pro rata portion of the applicable Retirement System's earnings and losses.

223. "Indirect 36th District Court Claim" means any claim arising in connection with a Cause of Action against the 36th District Court, solely to the extent that (a) the 36th District Court is entitled to receive funding from the City to satisfy any such claim and (b) any Claim for such funding by the 36th District Court is resolved pursuant to the Plan and the 36th District Court Settlement.

224. "Indirect Employee Indemnity Claim" means any claim against an employee or former employee of the City with respect to which such employee has an Allowed Claim against the City for indemnification or

payment or advancement of defense costs based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law.

225. "Insured LTGO Bonds" means those Limited Tax General Obligation Bonds that are insured by the LTGO Insurer.

226. "Investment Committee" means, as applicable, the investment committee established by GRS or PFRS for the purpose of making recommendations to, and approving certain actions by, the respective Retirement System's board of trustees or making determinations and taking action under, and with respect to certain matters described in, the State Contribution Agreement.

227. "Liabilities" means any and all claims, obligations, suits, judgments, damages, demands, debts, rights, derivative claims, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, arising in law, equity or otherwise, that are based in whole or in part on any act, event, injury, omission, transaction, agreement, employment, exposure or other occurrence taking place on or prior to the Effective Date.

228. "Lien" shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

229. "Limited Tax General Obligation Bond Claim" means any Claim against the City arising under or evidenced by the Limited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Limited Tax General Obligation Bonds.

230. "Limited Tax General Obligation Bond Documents" means the resolutions adopted and orders issued with respect to the Limited Tax General Obligation Bonds, as set forth on Exhibit I.A.230, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

231. "Limited Tax General Obligation Bonds" means, collectively, the unsecured bonds issued under the Limited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.230.

232. "Liquidity Event" shall be deemed to occur only if the City has at all times complied with its obligations under the COP Swap Settlement to use its best efforts to secure sufficient exit financing as set forth therein, but is nonetheless unable to secure sufficient exit financing to pay the Net Amount on or promptly following the Effective Date.

233. "List of Creditors" means the Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (together with the summaries and schedules attached thereto), attached as Exhibit A to the Notice of Filing of Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (Docket No. 1059), Filed by the City on September 30, 2013, as such list, summaries or schedules may be amended, restated, supplemented or otherwise modified.

234. "LTGO Distribution Agent" means U.S. Bank National Association, in its capacity as agent under a distribution agreement to be entered into in connection with the LTGO Settlement Agreement or such other entity as may be agreed to among the parties to the LTGO Settlement Agreement.

235. "LTGO Exculpated Parties" means (a) the LTGO Insurer, (b) BlackRock Financial Management, solely in its capacity as a Holder of Limited Tax General Obligation Bonds, and (c) their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents, attorneys, advisors, accountants, consultants, financial advisors and investment bankers, solely in their capacity as such.

236. "LTGO Insurer" means Ambac, solely in its capacity as insurer of certain of the City's obligations with respect to the Limited Tax General Obligation Bonds.

237. "LTGO Settlement Agreement" means the comprehensive settlement regarding Limited Tax General Obligation Bond Claims and related Bond Insurance Policy Claims, substantially in the form attached hereto as Exhibit I.A.237.

238. "LTGO Settlement Parties" means (a) the LTGO Insurer and (b) BlackRock Financial Management, on behalf of certain managed funds and accounts set forth in the LTGO Settlement Agreement.

239. "Macomb County" means the County of Macomb, Michigan.

240. "Mayor" means the duly-elected mayor of the City.

241. "MFA" means the Michigan Finance Authority.

242. "Municipal Obligation" means the local government municipal obligation to be delivered by the City to the MFA in accordance with the LTGO Settlement Agreement and applicable law.

243. "NPFG" means National Public Finance Guarantee Corporation.

244. "Net Amount" means the Distribution Amount less the sum of all quarterly payments received by the COP Swap Counterparties under the COP Swap Collateral Agreement in respect of amounts owed under the COP Swap Agreements since January 1, 2014.

245. "Net DWSD Transaction Proceeds" means (a) the cash proceeds received by or for the benefit of, or for attribution to, the General Fund as a result of a Qualifying DWSD Transaction less (1) any cash payments made by or on behalf of the General Fund in connection with a Qualifying DWSD Transaction, (2) any cash payments previously anticipated or projected to be contributed to GRS by DWSD but for the Qualifying DWSD Transaction and (3) any cash payments previously anticipated or projected to be received by or on behalf of the General Fund but for the Qualifying DWSD Transaction; and (b) any other net payments, assumption of scheduled monetary liability or cancellation of indebtedness or other monetary obligations that inures to the direct benefit of the General Fund as a result of the Qualifying DWSD Transaction. In applying this definition, the City and the Restoration Trust (or the Retiree Committee if prior to the Effective Date) will work to develop a schedule of Net DWSD Transaction Proceeds at the time of the Qualifying DWSD Transaction that will inform any Value Determination (if requested) and allow the parties to subsequently track actual results and adjust applicable pension restoration levels accordingly.

246. "New B Notes" means the unsecured bonds to be issued by the City pursuant to the New B Notes Documents, substantially on the terms set forth on Exhibit I.A.246.

247. "New B Notes Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued or indentures to be executed with respect to the New B Notes, in substantially the form attached hereto as Exhibit I.A.247.

248. "New C Notes" means the unsecured bonds to be issued by the City pursuant to the New C Notes Documents, substantially on the terms set forth on Exhibit I.A.248 and in any case in form and substance reasonably acceptable to the City and Syncora.

249. "New C Notes Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued or indentures to be executed with respect to the New C Notes, in substantially the form attached hereto as Exhibit I.A.249 and in any case in form and substance reasonably acceptable to the City and Syncora.

250. "New GRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active non-public safety employees of the City or another entity that participates in GRS in connection with employment service performed on and after July 1, 2014, in substantially the form attached hereto as Exhibit I.A.250.a and the material terms of which are attached hereto as Exhibit I.A.250.b.

251. "New GRS Active Pension Plan Formula" means an accrual rate for active employee participants in the GRS for benefits earned for service on or after July 1, 2014 that equals the product of (a) 1.5% multiplied by (b) an employee's average base compensation over such employee's final 10 years of service, multiplied by (c) such employee's years of service after July 1, 2014. For purposes of this definition, base compensation will exclude overtime, longevity or other bonuses, and unused sick leave, and the New GRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

252. "New LTGO Bond Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued or indentures to be executed with respect to the New LTGO Bonds, in substantially the form attached as an exhibit to the LTGO Settlement Agreement.

253. "New LTGO Bonds" means the bonds to be issued by the City pursuant to the New LTGO Bond Documents, substantially on the terms set forth on Schedule 1 of the LTGO Settlement Agreement.

254. "New PFRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active public safety employees of the City in connection with employment service performed on and after July 1, 2014, in substantially the form attached hereto as Exhibit I.A.254.a and the material terms of which are attached hereto as Exhibit I.A.254.b.

255. "New PFRS Active Pension Plan Formula" means an accrual rate for active employee participants in the PFRS for benefits earned on or after July 1, 2014 that equals the product of (a) 2.0% multiplied by (b) an employee's average base compensation over the employee's final five years of service, as set forth on Exhibit I.A.254.b, multiplied by (c) such employee's years of service after July 1, 2014. For purposes of this definition, base compensation will mean the employee's actual base compensation and will exclude overtime, longevity or other bonuses, and unused sick leave, and the New PFRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

256. "New Securities" means, collectively, the New B Notes, the New C Notes, the New LTGO Bonds and the Municipal Obligation.

257. "Non-Settling UTGO Bond Insurer" means, together, Syncora Capital Assurance Inc. and Syncora Guarantee Inc., solely in their capacity as insurers of certain of the City's obligations with respect to the Unlimited Tax General Obligation Bonds.

258. "Oakland County" means the County of Oakland, Michigan.

259. "OPEB Benefits" means, collectively, post-retirement health, vision, dental, life and death benefits provided to retired employees of the City, the Detroit Public Library or the Detroit Regional Convention Facility Authority and their surviving beneficiaries pursuant to the Employee Health and Life Insurance Benefit Plan, the Employees Death Benefit Plan or any comparable plan, including the members of the certified class in the action captioned *Weiler et. al. v. City of Detroit*, Case No. 06-619737-CK (Wayne County Circuit Court), pursuant to the "Consent Judgment and Order of Dismissal" entered in that action on August 26, 2009.

260. "OPEB Claim" means any Claim against the City for OPEB Benefits held by a retiree who retired on or before December 31, 2014 and is otherwise eligible for OPEB Benefits, and any eligible surviving beneficiaries of such retiree.

261. "Other Secured Claim" means a Secured Claim, other than a COP Swap Claim, a DWSD Bond Claim, a DWSD Revolving Bond Claim, a HUD Installment Note Claim or a Secured GO Bond Claim.

262. "Other Unsecured Claim" means any Claim that is not an Administrative Claim, a Convenience Claim, a COP Claim, a Downtown Development Authority Claim, a General Obligation Bond Claim, a GRS Pension Claim, an OPEB Claim, a PFRS Pension Claim, a Secured Claim, an Indirect 36th District Court Claim or a

Subordinated Claim. For the avoidance of doubt, Section 1983 Claims and Indirect Employee Indemnity Claims are included within the definition of Other Unsecured Claim.

263. "PA 436" means Public Act 436 of 2012 of the State, also known as the Local Financial Stability and Choice Act, Michigan Compiled Laws §§ 141.1541-141.1575.

264. "Parking Garages" means, collectively, parking garages owned by the City other than (a) that certain underground parking garage, commonly known as the "Grand Circus Parking Garage," located at 1600-01 Woodward Avenue, Detroit, Michigan, (b) that certain underground parking garage, commonly known as the "Cultural Center Garage," located at 41 Farnsworth Street, Detroit, Michigan and (c) that certain multi-story parking structure near the Riverfront Arena with an address of 900 W. Jefferson Avenue, Detroit, Michigan having a capacity of approximately 3,200 car spaces commonly known as "Joe Louis Arena Garage." For the avoidance of doubt, (a) that certain parking lot located at 5200 Woodward Avenue, Detroit, Michigan and (b) that certain parking lot, commonly known as the "Frederick Lot," located at 318 Frederick Street, Detroit, Michigan, shall not be considered Parking Garages.

265. "Pass-Through Obligations" means the City's obligations to the Pass-Through Recipients with respect to which the City acts, or may in the future act, as a tax-collecting agent for tax increment revenues derived from property taxes of the City and certain other taxing jurisdictions and required to be transmitted by the Treasurer of the City to the Pass-Through Recipients under their respective tax increment financing enabling statutes.

266. "Pass-Through Recipients" means, collectively, the (a) DDA, (b) Local Development Finance Authority, (c) Detroit Brownfield Redevelopment Authority and (d) City of Detroit Eight Mile/Woodward Corridor Improvement Authority, each of which are separate legal entities from the City.

267. "Pension Claim" means a GRS Pension Claim or a PFRS Pension Claim.

268. "Petition Date" means July 18, 2013.

269. "PFRS" means the Police and Fire Retirement System of the City of Detroit.

270. "PFRS Adjusted Pension Amount" means, with respect to a Holder of a PFRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: Holders of PFRS Pension Claims will continue to receive their Current Accrued Annual Pension, but COLAs from and after June 30, 2014 shall be 45% of the COLAs provided for in police and fire collective bargaining agreements, other contracts or ordinances; and

(b) If Classes 10 and 11 do not vote to accept the Plan or funding is not received from the DIA Settlement and the State Contribution Agreement: (i) for a Holder of a PFRS Pension Claim who is (A) either retired and receiving a monthly pension or a surviving beneficiary or (B) a terminated employee with a right to receive a PFRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs; and (ii) for a Holder of a PFRS Pension Claim who is an Active Employee, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus elimination of the deferred retirement option plan feature of PFRS for certain Active Employees who have not already irrevocably elected to participate in the feature; provided that, with respect to Holders that are Active Employees, in the event the unfunded liabilities of the PFRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the PFRS as of June 30, 2013, the monthly pension amount shall be reduced to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

271. "PFRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the PFRS or any trustee thereof or any other Entity acting on the PFRS's behalf, against the City or any fund managed by the City (including, but not

limited to, the General Fund, the Police and Fire Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability, or other post-retirement payment or distribution in respect of the employment of such current or former employees or (b) the payment by the PFRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the PFRS.

272. "PFRS Restoration Payment" means an addition to the pension benefits that comprise the PFRS Adjusted Pension Amount as described in Exhibit II.B.3.q.ii.C.

273. "Plan" means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

274. "Plan COP Settlement" means the comprehensive settlement regarding COP Claims on terms and conditions described in Section II.B.3.p.i.A.

275. "Plan Supplement" means any supplement to the Plan containing Exhibits that were not Filed as of the date of the entry of the Disclosure Statement Order.

276. "Pledged Property" means the collateral pledged by the City under the COP Swap Collateral Agreement or Ordinance No. 05-09 of the City.

277. "Postpetition Financing Agreement" means, collectively, (a) the Bond Purchase Agreement by and among the City and Barclays Capital, Inc., as purchaser, (b) the Financial Recovery Bond Trust Indenture by and among the City and UMB Bank, N.A., as trustee, and (c) all ancillary and related instruments and agreements approved by the Bankruptcy Court pursuant to the Postpetition Financing Order.

278. "Postpetition Financing Order" means the Order Pursuant to 11 U.S.C. §§ 105, 362, 364(c)(1), 364(c)(2), 364(e), 364(f), 503, 507(a)(2), 904, 921 and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Claim Status and (III) Modifying Automatic Stay (Docket No. 3067) entered by the Bankruptcy Court on the docket of the Chapter 9 Case on April 2, 2014, approving the Postpetition Financing Agreement.

279. "Postpetition Financing Claims" means any Claim against the City under or evidenced by (a) the Postpetition Financing Agreement and (b) the Postpetition Financing Order.

280. "Prior GRS Pension Plan" means the terms and conditions of the GRS in effect as of June 30, 2014 and applicable to benefits accrued by members of GRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.280.

281. "Prior PFRS Pension Plan" means the terms and conditions of the PFRS in effect as of June 30, 2014 and applicable to benefits accrued by members of PFRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.281.

282. "Pro Rata" means, when used with reference to a distribution of property to Holders of Allowed Claims in a particular Class or other specified group of Claims, proportionately so that with respect to a particular Allowed Claim in such Class or in such group, the ratio of (a)(i) the amount of property to be distributed on account of such Claim to (ii) the amount of such Claim, is the same as the ratio of (b)(i) the amount of property to be distributed on account of all Allowed Claims in such Class or group of Claims to (ii) the amount of all Allowed Claims in such Class or group of Claims. Until all Disputed Claims in a Class or other specified group of Claims are resolved, Disputed Claims shall be treated as Allowed Claims in their Face Amount for purposes of calculating a Pro Rata distribution of property to holders of Allowed Claims in such Class or group of Claims.

283. "Professional Fee Reserve" means the reserve for Fee Review Professional Fees established pursuant to Section IV.N.1.

284. "Qualifying DWSD Transaction" means a potential transaction involving the transfer to a third party (including but not limited to a lease) of a majority of the assets of, or the right to operate and manage, the City's water or sewage disposal systems currently operated by the DWSD in one or a series of related transactions.

285. "RDPFFA" means the Retired Detroit Police and Fire Fighters Association.

286. "RDPMA" means the Retired Detroit Police Members Association.

287. "RDPMA Exculpated Parties" means the RDPMA and its board of trustees/directors, attorneys, advisors and professionals, solely in their capacity as such.

288. "Reinstated" means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the Holder or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) the cure of any such default other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) the reinstatement of the maturity of such Claim as such maturity existed before such default; (iii) compensation of the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim arises from any failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensation of the Holder of such Claim for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Holder. "Reinstate" and "Reinstatement" shall have correlative meanings.

289. "Related Entity" means, with respect to any Entity, such Entity's Affiliates, predecessors, successors and assigns (whether by operation of law or otherwise), and with respect to any of the foregoing their respective present and former Affiliates and each of their respective current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity, and any Entity claiming by or through any of them (including their respective officials, officers, directors, employees, managers, advisors and professionals).

290. "Released Parties" means, collectively and individually, the Retiree Committee, the members of the Retiree Committee, the Retiree Committee Professionals, the Foundations, DIA Corp., the DIA Funders and their Related Entities and the CFSEM Supporting Organization and its Related Entities.

291. "Restoration Trust" means a trust to be established pursuant to the Restoration Trust Agreement to (a) hold the DWSD CVR and enforce rights related to its terms and (b) consult with the trustees and the Investment Committee of PFRS or GRS with respect to restoration rights affecting retirees of PFRS or GRS, respectively; provided, however, that the Restoration Trust shall not have any right to initiate enforcement proceedings against the trustees or Investment Committee of either PFRS or GRS with respect to Special Restoration or the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

292. "Restoration Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Restoration Trust, in substantially the form attached hereto as Exhibit I.A.292.

293. "Restructured UTGO Bonds" means the bonds to be issued by the MFA to the current Holders of Unlimited Tax General Obligation Bond Claims, the Settling UTGO Bond Insurers and the Non-Settling UTGO Bond Insurer in the amount of \$287,560,790 pursuant to the UTGO Settlement Agreement, which bonds shall be limited obligations of the MFA and shall be secured as more particularly described in the UTGO Settlement Agreement.

294. "Retiree Classes" means Classes 10, 11 and 12, as set forth in Section II.B.

295. "Retiree Committee" means the official committee of retired employees first appointed by the United States Trustee in the Chapter 9 Case on August 22, 2013 (Docket No. 566), as such committee may be reconstituted, solely in its capacity as such.

296. "Retiree Committee Professionals" means those professionals retained by the Retiree Committee to render services in connection with the Chapter 9 Case that seek payment of compensation and reimbursement of expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order, solely in their capacity as such.

297. "Retiree Health Care Litigation" means the adversary proceeding captioned as *Official Committee of Retirees of the City of Detroit, Michigan, et al. v. City of Detroit, Michigan, et al.*, Case No. 14-04015 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 9, 2014.

298. "Retiree Health Care Settlement Agreement" means the Settlement Agreement, effective February 14, 2014, between the parties to the Retiree Health Care Litigation, pursuant to which such parties agreed to certain modifications to the changes in retiree health care benefits that the City was otherwise to implement on March 1, 2014, a copy of which is attached hereto as Exhibit I.A.298.

299. "Retirement System Indemnity Obligations" means any and all obligations of the City, as of the Petition Date, to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of any party in connection with any Causes of Action relating in any way to either GRS or PFRS or the management, oversight, administration or activities thereof, as such obligations may be as provided for in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements.

300. "Retirement Systems" means, collectively, the GRS and the PFRS.

301. "Section 115" means section 115 of the Internal Revenue Code of 1986, as amended.

302. "Section 1983 Claim" means any Claim against the City, its employees or both arising under 42 U.S.C. § 1983 that has not been settled, compromised or otherwise resolved and with respect to which Claim a lawsuit was pending before the District Court on or prior to the Petition Date.

303. "Secured Claim" means a Claim that is secured by a Lien on property in which the City has an interest or that is subject to valid setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the City's interest in such property or to the extent of the amount subject to valid setoff, as applicable, as determined pursuant to section 506 of the Bankruptcy Code.

304. "Secured GO Bond Claims" means, collectively, the Secured GO Series 2010 Claims, the Secured GO Series 2010(A) Claims, the Secured GO Series 2012(A)(2) Claims, the Secured GO Series 2012(A2-B) Claims, the Secured GO Series 2012(B) Claims and the Secured GO Series 2012(B2) Claims.

305. "Secured GO Bond Documents" means, collectively, the Secured GO Series 2010 Bond Documents, the Secured GO Series 2010(A) Bond Documents, the Secured GO Series 2012(A)(2) Bond Documents, the Secured GO Series 2012(A2-B) Bond Documents, the Secured GO Series 2012(B) Bond Documents and the Secured GO Series 2012(B2) Bond Documents.

306. "Secured GO Bonds" means, collectively, the Secured GO Series 2010 Bonds, the Secured GO Series 2010(A) Bonds, the Secured GO Series 2012(A)(2) Bonds, the Secured GO Series 2012(A2-B) Bonds, the Secured GO Series 2012(B) Bonds and the Secured GO Series 2012(B2) Bonds.

307. "Secured GO Series 2010 Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010 Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

308. "Secured GO Series 2010 Bonds" means the secured \$249,790,000 Distributable State Aid General Obligation (Limited Tax) Bonds, Series 2010, issued pursuant to the Secured GO Series 2010 Bond Documents.

309. "Secured GO Series 2010 Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010 Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010 Bonds.

310. "Secured GO Series 2010(A) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010(A) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

311. "Secured GO Series 2010(A) Bonds" means the secured \$100,000,000 Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds – Direct Payment), issued pursuant to the Secured GO Series 2010(A) Bond Documents.

312. "Secured GO Series 2010(A) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010(A) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A) Bonds.

313. "Secured GO Series 2012(A)(2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A)(2) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

314. "Secured GO Series 2012(A)(2) Bonds" means the secured \$38,865,000 Self-Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A)(2), issued pursuant to the Secured GO Series 2012(A)(2) Bond Documents.

315. "Secured GO Series 2012(A)(2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A)(2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A)(2) Bonds.

316. "Secured GO Series 2012(A2-B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A2-B) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

317. "Secured GO Series 2012(A2-B) Bonds" means the secured \$53,520,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B), issued pursuant to the Secured GO Series 2012(A2-B) Bond Documents.

318. "Secured GO Series 2012(A2-B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A2-B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(A2-B) Bonds.

319. "Secured GO Series 2012(B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

320. "Secured GO Series 2012(B) Bonds" means the \$6,405,000 General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation), Series 2012(B), issued pursuant to the Secured GO Series 2012(B) Bond Documents.

321. "Secured GO Series 2012(B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B) Bonds.

322. "Secured GO Series 2012(B2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B2) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

323. "Secured GO Series 2012(B2) Bonds" means the \$30,730,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2), issued pursuant to the Secured GO Series 2012(B2) Bond Documents.

324. "Secured GO Series 2012(B2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B2) Bonds.

325. "Securities Act" means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended, or any similar federal, state, or local law.

326. "Settling 36th District Court Claimants" means (a) the 36th District Court, (b) Local 917 of the American Federation of State, County and Municipal Employees, (c) Local 3308 of the American Federation of State, County and Municipal Employees and (d) those individuals identified as "Individual Claimants" on the term sheet attached hereto as Exhibit I.A.9.

327. "Settling COP Claimant" means (a) those holders of COP Claims that are the subject of the Syncora Settlement Documents or (b) those Holders of COP Claims that are the subject of the FGIC/COP Settlement Documents.

328. "Settling UTGO Bond Insurers" means, collectively, Ambac, Assured and NPFG and each of their respective successors and assigns, solely in their capacity as insurers of certain of the City's obligations with respect to the Unlimited Tax General Obligation Bonds.

329. "Special Restoration" means the potential restoration or replacement of benefit reductions imposed by the Plan in connection with a Qualifying DWSD Transaction, as described in Section IV.F.

330. "State" means the state of Michigan.

331. "State Contribution" means payments to be made to GRS and PFRS by the State or the State's authorized agent for the purpose of funding Adjusted Pension Amounts in an aggregate amount equal to the net present value of \$350 million payable over 20 years using a discount rate of 6.75%, pursuant to the terms of the State Contribution Agreement.

332. "State Contribution Agreement" means the definitive documentation to be executed in connection with the comprehensive settlement regarding Pension Claims as described in Section IV.D, in substantially the form attached hereto as Exhibit I.A.332.

333. "State Related Entities" means, collectively: (a) all officers, legislators, employees, judges and justices of the State; (b) the Governor of the State; (c) the Treasurer of the State; (d) all members of the Local Emergency Financial Assistance Loan Board created under the Emergency Municipal Loan Act, Michigan Compiled Laws §§ 141.931-141.942; (e) each of the State's agencies and departments; and (f) the Related Entities of each of the foregoing.

334. "Stay Extension Order" means the Order Pursuant to Section 105(a) of the Bankruptcy Code Extending the Chapter 9 Stay to Certain (A) State Entities, (B) Non-Officer Employees and (C) Agents and

Representatives of the Debtor (Docket No. 166), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on July 25, 2013, as it may be amended, supplemented or otherwise modified.

335. "Stub UTGO Bonds" means Unlimited Tax General Obligation Bonds in the principal amount of \$43,349,210 that, from and after the Effective Date, will (a) be reinstated, (b) remain outstanding and (c) be payable from the UTGO Bond Tax Levy, as more particularly described in the UTGO Settlement Agreement.

336. "Subordinated Claim" means a Claim of the kind described in sections 726(a)(3) or 726(a)(4) of the Bankruptcy Code or Claims subordinated under sections 510(b) or 510(c) of the Bankruptcy Code.

337. "Supplemental Trust Agreements" means, collectively, (a) one or more supplemental trust agreements between the COP Trustee and COP Service Corporations, entered into with the consent of FGIC and (b) one or more supplemental trust agreements between the COP Trustee and COP Service Corporations, entered into with the consent of Syncora, in each case to be executed prior to the Effective Date, which agreements shall, among other things, for purposes of distributions of trust assets explicitly supersede the 2005 COPs Agreement and the 2006 COPs Agreement, which incorporates by reference Sections 6.5 and 9.1 of each Contract Administration Agreement and Section 8.03 of each COP Service Contract.

338. "Swap Insurance Policies" means those policies or other instruments insuring the COP Swap Agreements and obligations related thereto.

339. "Syncora" means, collectively, Syncora Guarantee, Inc. and Syncora Capital Assurance Inc.

340. "Syncora Development Agreement" means that certain development agreement by and between the City and Pike Point Holdings, LLC, a wholly owned indirect subsidiary of Syncora, in substantially the form attached hereto as Exhibit I.A.340, including all exhibits thereto, and in any case in form and substance reasonably acceptable to the City and Syncora.

341. "Syncora Excess New B Notes" means New B Notes in the aggregate face amount of approximately \$15.43 million, representing the difference between (a) the New B Notes that would have been distributed to Syncora had its asserted COP Claim for principal and interest in Class 9 been Allowed in full and (b) the New B Notes to be provided to Syncora as partial consideration pursuant to the terms of the Syncora Settlement.

342. "Syncora Exculpated Parties" means Syncora and their Related Entities, solely with respect to issues arising in connection with Syncora's capacity as holder or insurer of Unlimited Tax General Obligation Bond Claims and COP Claims.

343. "Syncora Settlement" means the comprehensive settlement with Syncora, as described at Section IV.I and as definitively set forth in the Syncora Settlement Documents.

344. "Syncora Settlement Documents" means the definitive documentation to be executed in connection with the Syncora Settlement, in substantially the form attached hereto as Exhibit I.A.344, and in any case in form and substance reasonably acceptable to the City and Syncora.

345. "Tax" means: (a) any net income, alternative or add-on minimum, gross income, gross receipts, gross margins, sales, use, stamp, real estate transfer, mortgage recording, ad valorem, value added, transfer, franchise, profits, license, property, payroll, employment, unemployment, occupation, disability, excise, severance, withholding, environmental or other tax, assessment or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax or additional amount) imposed by any federal, state, local or foreign taxing authority; or (b) any liability for payment of any amounts of the foregoing types as a result of being a member of an affiliated, consolidated, combined or unitary group, or being a transferee or successor or a party to any agreement or arrangement whereby liability for payment of any such amounts is determined by reference to the liability of any other Entity.

346. "Top-Off Payments" means the payments to be made to the Settling UTGO Bond Insurers pursuant to the UTGO Settlement Agreement if a Trigger Event occurs in amounts equal to the product of: (a) the amount by which the recovery received by Holders of Allowed Limited Tax General Obligation Bond Claims or Allowed COP Claims, as applicable, under the Plan exceeds 69.5% of the aggregate amount of all such Allowed Claims in such Class, multiplied by (b) the quotient of (i) \$100.5 million, divided by (ii) the sum of (x) 30.5% of the aggregate amount of all Allowed Limited Tax General Obligation Bond Claims or Allowed COP Claims, as the case may be, and (y) \$100.5 million.

347. "Tort Claim" means any Claim that has not been settled, compromised or otherwise resolved that arises out of allegations of personal injury or wrongful death claims and is not a Section 1983 Claim.

348. "Trigger Event" means the receipt by Holders of Allowed Limited Tax General Obligation Bond Claims or Allowed COP Claims, as applicable, of consideration pursuant to the Plan of 69.5% or more of the aggregate amount of all of the Allowed Claims in such Class. For purposes of determining whether a Trigger Event has occurred, all actual recoveries for Holders of Allowed Limited Tax General Obligation Bond Claims and Allowed COP Claims shall be determined by discounting the payments made to such Classes using a 5% discount rate back to the date of Confirmation.

349. "Tunnel Lease" means, collectively, (a) that certain Tube Lease, dated March 20, 1978, by and between the City, as landlord, and Detroit Windsor Tunnel LLC, as successor-in-interest to Detroit & Canada Tunnel Corporation, as tenant, and (b) that certain Sublease, dated March 20, 1978, by and between the City, as landlord, as successor-in-interest to Ford Motor Properties, Inc. as sublandlord, and Detroit Windsor Tunnel LLC, as successor-in-interest to Detroit & Canada Tunnel Corporation, as subtenant, each as may be amended, restated, supplemented or otherwise modified, in any case in form and substance reasonably acceptable to the City and Syncora.

350. "Unexpired Lease" means a lease to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

351. "Unimpaired" means, with respect to a Class or a Claim, that such Class or Claim is not Impaired.

352. "United States Trustee" means the Office of the United States Trustee for the Eastern District of Michigan.

353. "Unlimited Tax General Obligation Bond Claim" means any Claim against the City arising under or evidenced by the Unlimited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Unlimited Tax General Obligation Bonds.

354. "Unlimited Tax General Obligation Bond Documents" means the resolutions passed and orders issued with respect to the Unlimited Tax General Obligation Bonds, as set forth on Exhibit I.A.354, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

355. "Unlimited Tax General Obligation Bonds" means, collectively, the bonds issued under the Unlimited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.354.

356. "Unsecured Claim" means a Claim that is not a Secured Claim or an Administrative Claim.

357. "UTGO Bond Tax Levy" means that portion of the proceeds of the ad valorem tax millage levies pledged to and on account of the Unlimited Tax General Obligation Bonds.

358. "UTGO Exculpated Parties" means, collectively, Ambac, Assured and NPFG, solely in their capacity as insurers of certain of the City's obligations with respect to the Unlimited Tax General Obligation Bonds, and each of their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents,

attorneys, advisors, accountants, consultants, restructuring consultants, financial advisors and investment bankers, solely in their capacity as such.

359. "UTGO Litigation" means, together, the adversary proceedings filed in the Chapter 9 Case on November 8, 2013, captioned as *National Public Finance Guarantee Corporation and Assured Guaranty Municipal Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05309 (Bankr. E.D. Mich.), and *Ambac Assurance Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05310 (Bankr. E.D. Mich.), to the extent that such proceedings relate to the Unlimited Tax General Obligation Bonds.

360. "UTGO Settlement Agreement" means that certain Settlement Agreement, dated as of July 18, 2014, among the City and the Settling UTGO Bond Insurers, substantially in the form attached hereto as Exhibit I.A.360.

361. "Value Determination" means a valuation of the expected Net DWSD Transaction Proceeds.

362. "Voting Deadline" means the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order for submitting Ballots to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code.

363. "Wayne County" means the Charter County of Wayne, Michigan.

B. Rules of Interpretation and Computation of Time.

1. Rules of Interpretation.

For purposes of the Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference herein to an existing document or Exhibit Filed or to be Filed shall mean such document or Exhibit, as it may have been or may be amended, restated, supplemented or otherwise modified pursuant to the Plan, the Confirmation Order or otherwise; (d) any reference to an Entity as a Holder of a Claim includes that Entity's successors, assigns and Affiliates; (e) all references to Sections or Exhibits are references to Sections and Exhibits of or to the Plan; (f) the words "herein," "hereunder," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (h) the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words "without limitation"; and (i) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply to the extent not inconsistent with any other provision of this Section.

2. Computation of Time.

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

ARTICLE II CLASSIFICATION OF CLAIMS; CRAMDOWN; EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims are classified under the Plan for all purposes, including voting, Confirmation and Distribution. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, as described in Section II.A, have not been classified and thus are excluded from the Classes described in Section II.B.1. A Claim shall be deemed classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and shall be deemed classified in a different

Class to the extent that any remainder of such Claim qualifies within the description of such other Class. Notwithstanding the foregoing, in no event shall any Holder of an Allowed Claim be entitled to receive payments or Distributions under the Plan that, in the aggregate, exceed the Allowed amount of such Holder's Claim.

A. Unclassified Claims.

1. Payment of Administrative Claims.

a. Administrative Claims in General.

Except as specified in this Section II.A.1, and subject to the bar date provisions herein, unless otherwise agreed by the Holder of an Administrative Claim and the City, or ordered by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of such Allowed Administrative Claim, Cash in an amount equal to such Allowed Administrative Claim either: (1) on the Effective Date or as soon as reasonably practicable thereafter; or (2) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim. No Claim of any official or unofficial creditors' committee or any member thereof for professionals' fees or other costs and expenses incurred by such creditors' committee or by a member of such creditors' committee shall constitute an Allowed Administrative Claim, except that the Retiree Committee's members and the Retiree Committee Professionals shall be entitled to payment in accordance with the Fee Review Order.

b. Claims Under the Postpetition Financing Agreement.

Unless otherwise agreed by Barclays Capital, Inc. pursuant to the Postpetition Financing Agreement, on or before the Effective Date, Postpetition Financing Claims that are Allowed Administrative Claims will be paid in Cash equal to the amount of those Allowed Administrative Claims.

2. Bar Dates for Administrative Claims.

a. General Bar Date Provisions.

Except as otherwise provided in Section II.A.2.b, Section II.A.2.c or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the City no later than 45 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the City and the requesting party by the later of (i) 150 days after the Effective Date, (ii) 60 days after the Filing of the applicable request for payment of Administrative Claims or (iii) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims. The foregoing procedures shall be specified in the Confirmation Order and the notice of entry of the Confirmation Order and served on all parties in interest.

b. Ordinary Course Claims

Holders of Claims based on Liabilities incurred by the City after the Petition Date in the ordinary course of its operations will not be required to File or serve any request for payment or application for allowance of such Claims. Such Claims will be paid by the City, pursuant to the terms and conditions of the particular transaction giving rise to such Claims, without further action by the Holders of such Claims or further action or approval of the Bankruptcy Court.

c. Claims Under the Postpetition Financing Agreement.

Holders of Administrative Claims that are Postpetition Financing Claims will not be required to File or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied pursuant to Section II.A.1.b.

d. No Modification of Bar Date Order.

The Plan does not modify any other Bar Date Order, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

B. Classified Claims.

1. Designation of Classes.

The following table designates the Classes and specifies whether such Classes are Impaired or Unimpaired by the Plan.

CLASS	NAME	IMPAIRMENT
<i>Secured Claims</i>		
1A	All Classes of DWSD Bond Claims (One Class for each CUSIP of DWSD Bonds, as set forth on Exhibit I.A.148)	Unimpaired
1B	All Classes of DWSD Revolving Sewer Bond Claims (One Class for each DWSD Series of DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.156)	Unimpaired/Nonvoting
1C	All Classes of DWSD Revolving Water Bond Claims (One Class for each DWSD Series of DWSD Revolving Water Bonds, as set forth on Exhibit I.A.159)	Unimpaired/Nonvoting
2A	Secured GO Series 2010 Claims	Unimpaired/Nonvoting
2B	Secured GO Series 2010(A) Claims	Unimpaired/Nonvoting
2C	Secured GO Series 2012(A)(2) Claims	Unimpaired/Nonvoting
2D	Secured GO Series 2012(A2-B) Claims	Unimpaired/Nonvoting
2E	Secured GO Series 2012(B) Claims	Unimpaired/Nonvoting
2F	Secured GO Series 2012(B2) Claims	Unimpaired/Nonvoting
3	Other Secured Claims	Unimpaired/Nonvoting
4	HUD Installment Notes Claims	Unimpaired/Nonvoting
5	COP Swap Claims	Impaired/Voting
6	Claims Previously Classified in Class 6 Paid in Full	N/A
<i>Unsecured Claims</i>		
7	Limited Tax General Obligation Bond Claims	Impaired/Voting
8	Unlimited Tax General Obligation Bond Claims	Impaired/Voting
9	COP Claims	Impaired/Voting

CLASS	NAME	IMPAIRMENT
10	PFRS Pension Claims	Impaired/Voting
11	GRS Pension Claims	Impaired/Voting
12	OPEB Claims	Impaired/Voting
13	Downtown Development Authority Claims	Impaired/Voting
14	Other Unsecured Claims	Impaired/Voting
15	Convenience Claims	Impaired/Voting
16	Subordinated Claims	Impaired/Nonvoting
17	Indirect 36th District Court Claims	Impaired/Voting

2. Subordination; Reservation of Rights to Reclassify Claims.

Except with respect to Bond Insurance Policy Claims, the allowance, classification and treatment of Allowed Claims and the respective Distributions and treatments specified in the Plan take into account the relative priority and rights of the Claims in each Class and all contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Except as expressly set forth herein, consistent with section 510(a) of the Bankruptcy Code, nothing in the Plan shall, or shall be deemed to, modify, alter or otherwise affect any right of a Holder of a Claim to enforce a subordination agreement against any Entity other than the City to the same extent that such agreement is enforceable under applicable nonbankruptcy law. Pursuant to section 510 of the Bankruptcy Code, the City reserves the right to reclassify any Disputed Claim in accordance with any applicable contractual, legal or equitable subordination. For the avoidance of doubt, this Section II.B.2 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims, which are preserved for enforcement by the City or by the relevant Bond Insurer.

3. Treatment of Claims.

a. Class 1A – DWSD Bond Claims.

i. Classification and Allowance.

DWSD Bond Claims relating to each CUSIP of DWSD Bonds shall be separately classified, as reflected on Exhibit I.A.148, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.148.

ii. Treatment.

Each Holder of an Allowed DWSD Bond Claim shall have its Allowed DWSD Bond Claim Reinstated on the Effective Date, unless such Holder agrees to a different treatment of such Claim. All votes and elections previously delivered in Class 1A shall not be counted and shall be of no force and effect. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents arising in connection with such Allowed DWSD Bond Claims shall be paid in full in Cash once Allowed pursuant to the DWSD Tender Order, by agreement of the parties or by order of the Bankruptcy Court. In addition, all claims for fees, costs and expenses authorized pursuant to or in accordance with the DWSD Tender Order shall be paid as provided therein.

b. Class 1B – DWSD Revolving Sewer Bond Claims

i. Classification and Allowance.

DWSD Revolving Sewer Bond Claims relating to each DWSD Series of DWSD Revolving Sewer Bonds shall be separately classified, as reflected on Exhibit I.A.156, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Sewer Bond Claims shall be deemed Allowed in the aggregate amounts set forth on Exhibit I.A.156.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Sewer Bond Claim shall have its Allowed DWSD Revolving Sewer Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

c. Class 1C – DWSD Revolving Water Bond Claims

i. Classification and Allowance.

DWSD Revolving Water Bond Claims relating to each DWSD Series of DWSD Revolving Water Bonds shall be separately classified, as reflected on Exhibit I.A.159, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Water Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.159.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Water Bond Claim shall have its Allowed DWSD Revolving Water Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

d. Class 2A – Secured GO Series 2010 Claims.

On the Effective Date, (i) the Secured GO Series 2010 Claims shall be deemed Allowed in the aggregate amount of \$252,475,366 and (ii) each Holder of an Allowed Secured GO Series 2010 Claim shall have its Allowed Secured GO Series 2010 Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

e. Class 2B – Secured GO Series 2010(A) Claims.

On the Effective Date, (i) the Secured GO Series 2010(A) Claims shall be deemed Allowed in the aggregate amount of \$101,707,848 and (ii) each Holder of an Allowed Secured GO Series 2010(A) Claim shall have its Allowed Secured GO Series 2010(A) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

f. Class 2C – Secured GO Series 2012(A)(2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A)(2) Claims shall be deemed Allowed in the aggregate amount of \$39,254,171 and (ii) each Holder of an Allowed Secured GO Series 2012(A)(2) Claim shall have its Allowed Secured GO Series 2012(A)(2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

g. Class 2D – Secured GO Series 2012(A2-B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A2-B) Claims shall be deemed Allowed in the aggregate amount of \$54,055,927 and (ii) each Holder of an Allowed Secured GO Series 2012(A2-B) Claim

shall have its Allowed Secured GO Series 2012(A2-B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

h. Class 2E - Secured GO Series 2012(B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B) Claims shall be deemed Allowed in the aggregate amount of \$6,469,135 and (ii) each Holder of an Allowed Secured GO Series 2012(B) Claim shall have its Allowed Secured GO Series 2012(B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

i. Class 2F – Secured GO Series 2012(B2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B2) Claims shall be deemed Allowed in the aggregate amount of \$31,037,724 and (ii) each Holder of an Allowed Secured GO Series 2012(B2) Claim shall have its Allowed Secured GO Series 2012(B2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

j. Class 3 – Other Secured Claims.

On the Effective Date, each Holder of an Allowed Other Secured Claim shall have its Allowed Other Secured Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

k. Class 4 – HUD Installment Note Claims.

On the Effective Date, (i) the HUD Installment Note Claims shall be deemed Allowed in the aggregate amount of \$90,075,004 and (ii) each Holder of a HUD Installment Note Claim shall have its Allowed HUD Installment Note Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

l. Class 5 – COP Swap Claims.

i. Allowance.

The COP Swap Claims shall be deemed Allowed as Secured Claims, which, solely for purposes of distributions from the City, will be equal to the Distribution Amount.

ii. Treatment.

Each Holder of an Allowed COP Swap Claim, in full satisfaction of such Allowed Claim, shall receive, either: (A) within thirty days following the Effective Date, the Net Amount in full in cash, provided that until paid in cash in full, such Secured Claims will remain secured by the Pledged Property; or (B) solely in the case of a Liquidity Event, the Net Amount in cash in full within 180 days following the Effective Date, provided that (1) other than with respect to net proceeds used to repay the Postpetition Financing Agreement, to the extent permitted by law but without taking into consideration any limitations imposed by the City, including in any ordinance or resolution of the City, the first dollars of any net cash proceeds of any financing or refinancing consummated in connection with, or subsequent to, the consummation of such Plan and either (a) supported by the full faith and credit of the City or (b) payable from the general fund of the City, will be used to pay the Net Amount, (2) the City will continue to comply with its obligations under the COP Swap Settlement and the COP Swap Settlement Approval Order until the Net Amount is paid in cash in full, (3) until paid in cash in full, such Secured Claims will remain secured by the Pledged Property, (4) from and after the Effective Date, the unpaid Net Amount will accrue interest at the rate applicable to obligations under the Postpetition Financing Agreement plus 1.5% with the interest obligation likewise being secured by the Pledged Property and (5) the COP Swap Counterparties will receive from the City on the Effective Date a deferral fee in cash equal to 1.0% of the Net Amount to be shared equally between them.

m. Class 6.

[Claims previously classified in Class 6 paid in full – Paragraph intentionally left blank]

n. Class 7 – Limited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Limited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$163,544,770.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, (A) each Holder of an Allowed Limited Tax General Obligation Bond Claim that is not attributable to the Insured LTGO Bonds and (B) the LTGO Insurer with respect to those Allowed Limited Tax General Obligation Bond Claims attributable to the Insured LTGO Bonds, in full satisfaction of such Allowed Claim(s), shall receive, on or as soon as reasonably practicable after the Effective Date, (X) a Pro Rata share of, at the City's option, (1) \$55,000,000 in Cash or (2) the New LTGO Bonds and (Y) distributions in accordance with Section II.B.3.p.i.A.

The City will use its best efforts to prepay the New LTGO Bonds on the Effective Date or as soon as reasonably practicable thereafter from the proceeds of the Exit Facility. If the City cannot prepay all of the New LTGO Bonds on the Effective Date or as soon as reasonably practicable thereafter, the City will use its best efforts to prepay as much of the New LTGO Bonds as reasonably possible, and the LTGO Settlement Parties will accept such partial prepayment. Upon a partial prepayment of the New LTGO Bonds, such New LTGO Bonds will be redeemed by lot.

iii. Impact of UTGO Settlement.

Pursuant to the UTGO Settlement Agreement, the City has agreed that (a) the Plan shall not permit the Holders of Allowed Limited Tax General Obligation Bond Claims to recover more on a percentage basis on account of such Allowed Limited Tax General Obligation Bond Claims than the Holders of Allowed Unlimited Tax General Obligation Bond Claims recover on a percentage basis on account of such Allowed Unlimited Tax General Obligation Bond Claims, as such percentage recoveries are projected on the terms set forth in the UTGO Settlement Agreement at Confirmation; and (b) if a Trigger Event occurs, the Settling UTGO Bond Insurers shall receive Top-Off Payments (as set forth in Section IV.C).

o. Class 8 – Unlimited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Unlimited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of Restructured UTGO Bonds as set forth in Schedules 1a and 1b to the UTGO Settlement Agreement. Those Holders identified on Schedule 1a of the UTGO Settlement Agreement shall retain ownership of the Stub UTGO Bonds, subject to Sections I.A.36 and IV.C, which Stub UTGO Bonds shall be reinstated.

p. Class 9 – COP Claims.

i. Treatment.

A. Plan COP Settlement Option.

On the Effective Date, the City shall deliver to the COP Trustee, solely for the benefit of, and for distribution to, the COP Insurers and the Settling COPs Claimants in accordance with (1) the Supplemental Trust Agreements and (2) the instructions of the applicable COP Insurer, (x) the Class 9 Settlement Asset Pool and (y) New B Notes in the face amount of \$97,692,787, based upon each Settling COP Claimant's Pro Rata share calculated as an amount equal to the proportion that the unpaid principal amount plus accrued prepetition interest of COPs held by such Settling COP Claimant bears to the aggregate unpaid principal amount of all COPs plus all accrued prepetition interest thereon; provided, that the allocation of distributions among FGIC COP Holders shall be determined in accordance with agreements among FGIC and the FGIC COP Holders disclosed in a term sheet filed in court on October 22, 2014, as the same may be subsequently amended and more fully documented. For the avoidance of doubt, a Settling COP Claimant shall not be required to transfer (1) any claim against a COP Insurer or (2) the COPs it holds to the City pursuant to the Plan COP Settlement or otherwise pursuant to the Plan, the Syncora Settlement Documents or the FGIC/COP Settlement Documents. The COP Service Corporations shall enter into such Supplemental Trust Agreements as FGIC and Syncora may reasonably request with respect to their respective insured COPs as long as such Supplemental Trust Agreements do not impose any additional obligations or liability on the COP Service Corporations.

The City has granted the LTGO Settlement Parties, on behalf of the holders of Allowed Limited Tax General Obligation Bond Claims in Class 7, and the Retiree Committee consent rights regarding pre-Effective Date settlements of the COP Litigation if and as permitted under applicable non-bankruptcy law. The LTGO Settlement Parties have consented to the Syncora Settlement and FGIC/COP Settlement. On the Effective Date, on account of such consent rights, the Excess New B Notes shall be distributed as follows: (1) approximately \$42.68 million to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the New B Notes allocated to each pursuant to Sections II.B.3.s.ii.A and II.B.3.s.ii.B; (2) approximately \$17.34 million to be distributed Pro Rata among holders of Allowed Limited Tax General Obligation Bond Claims in Class 7; and (3) approximately \$4.12 million to be distributed Pro Rata among holders of Allowed Other Unsecured Claims in Class 14. With respect to the distribution of the Syncora Excess New B Notes, on April 1, 2015, the City shall pay the interest then due on the Syncora Excess New B Notes and shall also prepay the October 1, 2015 interest payment on the Syncora Excess New B Notes (as a consequence of which, no interest payment shall be made on the Syncora Excess New B Notes on October 1, 2015). The VEBAs may not sell or otherwise transfer their right, title or interest in the Syncora Excess New B Notes prior to October 2, 2015.

As part of the Plan COP Settlement, on or as soon as reasonably practicable after the Effective Date, Syncora shall cause to be paid \$500,126.94 in cash to the COP Agent on account of COP Agent Fees. As part of the Plan COP Settlement, FGIC shall cause to be paid to the COP Agent 75.945% of the reasonable COP Agent Fees in cash out of the first proceeds of the distributions to or for the benefit of the FGIC COP Holders.

Nothing in this Section II.B.3.p.i.A shall, or shall be asserted or construed to, affect or prejudice any rights, claims or defenses between the COP Swap Counterparties on the one hand and any Settling COP Claimant (including Syncora, FGIC and the FGIC COP Holders) on the other hand.

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each Settling COP Claimant shall, to the fullest extent permitted under law, be deemed to forever release, waive and discharge all Liabilities relating to COP Documents such Settling COP Claimant has, had or may have against the (1) GRS, (2) PFRS or (3) Related Entities of either GRS or PFRS. At the direction of FGIC, which shall be deemed given on the Effective Date, the COP Contract Administrator shall have irrevocably agreed (on behalf of itself, any successors and each FGIC COP Holder) to release and not to sue any COP Holder or any COP Insurer on behalf of any FGIC COP Holder, COP Insurer, the Detroit Retirement Systems Funding Trust 2005 or the Detroit Retirement

Systems Funding Trust 2006 in connection with any liability arising in connection with or related to (1) Sections 6.5 and 9.1 of the Contract Administration Agreements, (2) Section 8.03 of the COP Service Contracts, (3) distributions made pursuant to or in connection with this Section II.B.3.p.i.A, (4) the FGIC Settlement or (5) the Syncora Settlement. On the Effective Date, Syncora and FGIC shall, to the fullest extent permitted under law, be deemed to forever mutually release, waive and discharge all liabilities against each other relating to distributions made pursuant to or in connection with this Section II.B.3.p.i.A, Sections 6.5 and 9.1 of the Contract Administration Agreements or Section 8.03 of the COP Service Contracts.

ii. Impact of UTGO Settlement.

Pursuant to the UTGO Settlement Agreement, the City has agreed that (a) the Plan shall not permit the Holders of Allowed COP Claims to recover more on a percentage basis on account of such Allowed COP Claims than the Holders of Allowed Unlimited Tax General Obligation Bond Claims recover on a percentage basis on account of such Allowed Unlimited Tax General Obligation Bond Claims, as such percentage recoveries are projected on the terms set forth in the UTGO Settlement Agreement at Confirmation; and (b) if a Trigger Event occurs, the Settling UTGO Bond Insurers shall receive Top-Off Payments (as set forth in Section IV.C).

q. Class 10 – PFRS Pension Claims.

i. Allowance.

The PFRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,250,000,000.

ii. Treatment.

A. Contributions to PFRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.q.ii.A. The exclusive source for such contributions shall be certain DIA Proceeds and a portion of the State Contribution. After June 30, 2023, (1) PFRS will receive certain additional DIA Proceeds and (2) the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of PFRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the trustees of the PFRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS that shall be 6.75%.

C. Modification of Benefits for PFRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a PFRS Pension Claim shall be equal to the PFRS Adjusted Pension Amount for such Holder, provided that such PFRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any PFRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.q.ii.C. For purposes of calculating a PFRS Restoration Payment, market value of assets shall not include any City contributions through June 30, 2023, other than those listed on Exhibit II.B.3.q.ii.A or any State contributions if the PFRS trustees fail to comply with the requirements described in

the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.E.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.F.

E. Accrual of Future Benefits.

Each Holder of a PFRS Pension Claim who is an Active Employee shall receive, in addition to his or her PFRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New PFRS Active Pension Plan Formula and the New PFRS Active Pension Plan.

F. Governance.

On or as soon as reasonably practicable after the Effective Date, an Investment Committee shall be established under PFRS in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date. The initial independent members of the Investment Committee established by PFRS shall be (1) Woodrow S. Tyler, (2) McCullough Williams III, (3) Robert C. Smith, (4) Joseph Bogdahn and (5) Rebecca Sorenson.

G. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the PFRS or to comply with the terms of the Plan, the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, or any successor plan or trust, that govern the calculation of pension benefits (including the PFRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior PFRS Pension Plan, the PFRS Restoration Payment, the New PFRS Active Pension Plan Formula and the terms of the New PFRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B, the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

H. State Contribution Agreement.

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

r. Class 11 – GRS Pension Claims.

i. Allowance.

The GRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,879,000,000.

ii. Treatment.

A. Contributions to GRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior GRS Pension Plan only in the amounts identified on Exhibit II.B.3.r.ii.A. The exclusive sources for such contributions shall be certain pension related, administrative and restructuring payments received from the DWSD equal to approximately \$428.5 million, a portion of the State Contribution, certain DIA Proceeds, a portion of the Assigned UTGO Bond Tax Proceeds and certain revenues from City departments, the Detroit Public Library and the Detroit Regional Convention Facility Authority. After June 30, 2023, (1) certain DIA Proceeds shall be contributed to the GRS and (2) the City will contribute such additional funds as are necessary to pay each Holder of a GRS Pension Claim his or her GRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior GRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of GRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the board of trustees of the GRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the GRS that shall be 6.75%.

C. Modification of Benefits for GRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a GRS Pension Claim shall be equal to the GRS Adjusted Pension Amount for such Holder, provided that such GRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any GRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.r.ii.C. For purposes of calculating a GRS Restoration Payment, market value of assets shall not include any City contributions through June 30, 2023, other than those listed on Exhibit II.B.3.r.ii.A or any State contributions if the GRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.E.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Annuity Savings Fund Recoupment.

1. ASF Current Participants.

On or as soon as reasonably practicable after the Effective Date, the Annuity Savings Fund Excess Amount will be calculated for each ASF Current Participant and will be deducted from such participant's Annuity Savings Fund account and be used to fund the accrued pension benefits of all GRS participants; provided, however, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.

2. ASF Distribution Recipients.

i. Monthly Deduction

For each ASF Distribution Recipient who does not elect the ASF Recoupment Cash Option described in Section II.B.3.r.ii.D.2.ii and in the case of any ASF Distribution Recipient that elected the ASF Recoupment Cash Option but does not timely deliver the ASF Recoupment Cash Payment to the GRS, the Annuity Savings Fund Excess Amount will: (A) be calculated and converted into monthly annuity amounts based on common actuarial assumptions (such as the ASF Distribution Recipient's life expectancy, and, if not already retired, expected date of retirement) and amortized using a 6.75% interest rate; and (B) then be deducted from the ASF Distribution Recipient's monthly pension check; provided, however, that in no event shall the total amount deducted from an ASF Distribution Recipient's monthly pension check exceed the ASF Recoupment Cap or the Current GRS Retiree Adjustment Cap, if applicable. The total ASF Recoupment from the ASF Distribution Recipient's monthly pension checks over time shall not exceed the amount necessary to amortize the applicable Annuity Savings Fund Excess Amount at 6.75% interest.

ii. Single Lump Sum Payment

Each ASF Distribution Recipient shall be afforded the ASF Recoupment Cash Option.

No later than seven days following the Effective Date, the City, through its Claims and Balloting Agent, shall send the ASF Election Notice and the ASF Election Form by first-class U.S. mail to each ASF Distribution Recipient. The ASF Election Form shall explain that the amount of the ASF Recoupment Cash Payment shall be equal to the total amount of ASF Recoupment shown on the ASF Distribution Recipient's Ballot, unless the aggregate amount of ASF Recoupment for all ASF Distribution Recipients electing the ASF Recoupment Cash Option exceeds \$30,000,000, in which case (A) the ASF Recoupment Cash Payment will be the ASF Distribution Recipient's Pro Rata portion of \$30,000,000, and (B) the remaining portion of the ASF Distribution Recipient's ASF Recoupment will be annuitized and deducted from the ASF Distribution Recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i.

An ASF Distribution Recipient must return his or her ASF Election Form to the Claims and Balloting Agent so that it is actually received by the Claims and Balloting Agent by the ASF Election Date.

GRS shall mail the ASF Final Cash Payment Notice no later than 14 days after the ASF Election Date. ASF Distribution Recipients shall have until the ASF Final Cash Payment Date to make the ASF Recoupment Cash Payment, which payment must be made by cashier's check or wire transfer and may not be made by personal check. If an ASF Distribution Recipient's ASF Recoupment Cash Payment is not received by the ASF Final Cash Payment Date, GRS will notify the ASF Distribution Recipient of the failure to timely pay, and ASF Recoupment will be effected through diminution of such recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i. The calculation of each electing ASF Distribution Recipient's ASF Recoupment Cash Payment shall not be adjusted under any circumstances, including as a result of default by any other electing ASF Distribution Recipient to remit his or her ASF Recoupment Cash Payment by the ASF Final Cash Payment Date.

E. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.F.

F. Accrual of Future Benefits.

Each Holder of a GRS Pension Claim who is an Active Employee shall receive, in addition to his or her GRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014, consistent with the terms and conditions of the New GRS Active Pension Plan Formula and the New GRS Active Pension Plan.

G. Governance.

On or as soon as reasonably practicable after the Effective Date, an Investment Committee shall be established under GRS in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date. The initial independent members of the Investment Committee established by GRS shall be (1) Kerrie VandenBosch, (2) Doris Ewing, (3) Robert Rietz, (4) David Sowerby and (5) Ken Whipple.

H. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the GRS or to comply with the terms of the Plan, the City, the trustees of the GRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the GRS, or any successor plan or trust, that govern the calculation of pension benefits (including the GRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior GRS Pension Plan, the GRS Restoration Payment, the New GRS Active Pension Plan Formula and the terms of the New GRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.r.ii.B, the contribution to the GRS, or the calculation or amount of GRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

I. State Contribution Agreement

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

s. Class 12 – OPEB Claims.

i. Allowance.

As a result of a settlement between the City and the Retiree Committee, the OPEB Claims shall be allowed in an aggregate amount equal to \$4,303,000,000.

ii. Treatment.

A. Detroit General VEBA.

Establishment of Detroit General VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit General VEBA to provide health benefits to Detroit General VEBA Beneficiaries and certain of their dependents. The Detroit General VEBA will be governed by a seven member board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA Beneficiaries. The Detroit General VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.108. With respect to the initial appointment of the board of trustees, the Mayor will appoint one member, and the DRCEA and the Retiree Committee will each appoint three board members. The DRCEA will fill board member vacancies created by the departure of members initially appointed by the Retiree Committee or the DRCEA, and the Mayor will fill a board member vacancy created by the departure of the member appointed by the Mayor. The initial members of the Detroit General VEBA board of trustees shall be (1) Floyd Allen, (2) Roger Cheek, (3) Suzanne Daniels Paranjpe, (4) Doris Ewing,

(5) Barbara Wise-Johnson, (6) Shirley Lightsey and (7) Thomas Sheehan. Nothing in the Plan precludes either the Detroit General VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit General VEBA: On the Effective Date, the City shall distribute to the Detroit General VEBA New B Notes in the aggregate principal amount of \$218,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit General VEBA Beneficiaries. The Detroit General VEBA shall also be entitled to additional distributions as set forth in Section II.B.3.p.i.A.

B. Detroit Police and Fire VEBA.

Establishment of Detroit Police and Fire VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit Police and Fire VEBA to provide health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents. The Detroit Police and Fire VEBA will be governed by a seven member board of trustees and, for the first four years, one additional non-voting, ex-officio member. The board of trustees will be responsible for, among other things, management of property held by the Detroit Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.112. With respect to the initial appointment of the board of trustees, the Mayor will appoint one member, and the RDPFFA and the Retiree Committee will each appoint three board members. The RDPMA will appoint the non-voting, ex-officio member. The RDPFFA will fill board member vacancies created by the departure of voting members initially appointed by the Retiree Committee or the RDPFFA, and the Mayor will fill a board member vacancy created by the departure of the member appointed by the Mayor. The RDPMA will fill a non-voting, ex-officio board member vacancy created by the departure of the member initially appointed by the RDPMA, but such non-voting, ex-officio member position shall expire on December 31, 2018. The initial members of the Detroit Police and Fire VEBA board of trustees shall be (1) Floyd Allen, (2) Gregory Best, (3) John Clark, (4) Andrew Dillon, (5) Allan Grant, (6) Thomas Sheehan, (7) Greg Trozak and (8) Shirley Berger (*ex officio*). Nothing in the Plan precludes either the Detroit Police and Fire VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit Police and Fire VEBA: On the Effective Date, the City shall distribute to the Detroit Police and Fire VEBA New B Notes in the aggregate principal amount of \$232,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA shall also be entitled to additional distributions as set forth in Section II.B.3.p.i.A.

C. No Further Responsibility.

From and after the Effective Date, the City shall have no further responsibility to provide retiree healthcare or any other retiree welfare benefits. The City shall have no responsibility from and after the Effective Date to provide life insurance or death benefits to former employees. On the Effective Date, the Employees Death Benefit Plan will be frozen for former employees, and the City will no longer have an obligation to contribute to fund death benefits under the plan for any participant or beneficiary who is a former employee. Existing retirees who participate in the plan will be granted a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the plan funding. For the avoidance of doubt, the Employees Death Benefit Plan shall not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. The Employees Death Benefit Board of Trustees shall continue to manage the Employees Death Benefit Plan and employ the staff of the Retirement Systems to administer the disbursement of benefits thereunder, the costs of which administration shall be borne by the assets of the Employees Death Benefit Plan.

Retirees (and active employees that retire prior to December 31, 2014) of the Detroit Public Library and the Detroit Regional Convention Facility Authority are Detroit General VEBA Beneficiaries and will receive the treatment set forth above. However, the collective bargaining and other legal rights and obligations of the Detroit Public Library and the Detroit Regional Convention Facility Authority, on one hand, and their respective unions and former and current employees, on the other hand, are not affected by the Plan. These parties retain the

right to negotiate further or additional benefits; provided, however, that the City shall not be responsible for, or have any obligation with respect to, any such further or additional benefits or the administration thereof. In addition, in consideration of the eligible retirees of the Detroit Public Library and the Detroit Regional Convention Facility Authority participating in the Detroit General VEBA, the Detroit Public Library and the Detroit Regional Convention Facility Authority shall reimburse the City for their allocable share of the New B Note debt service related to the Detroit General VEBA.

t. Class 13 – Downtown Development Authority Claims.

i. Allowance.

On the Effective Date, the Downtown Development Authority Claims shall be deemed Allowed in the amount of \$33,600,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Downtown Development Authority Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of approximately \$3.69 million in New B Notes.

u. Class 14 – Other Unsecured Claims.

i. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive (A) on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of approximately \$16.48 million in New B Notes and (B) distributions in accordance with Section II.B.3.p.i.A.

v. Class 15 – Convenience Claims.

i. Treatment.

Each Holder of an Allowed Convenience Claim, in full satisfaction of such Allowed Claim, shall receive Cash equal to the amount of 25% of such Allowed Claim (as reduced, if applicable, pursuant to an election by such Holder in accordance with Section I.A.76) on or as soon as reasonably practicable after the Effective Date, unless such Holder agrees to a different treatment of such Claim.

w. Class 16 – Subordinated Claims.

i. Treatment.

On the Effective Date, all Subordinated Claims shall be disallowed, extinguished and discharged without Distribution under the Plan, and Holders of Subordinated Claims shall not receive or retain any property on account of such Claims. Pursuant to section 1126(g) of the Bankruptcy Code, Class 16 is deemed to have rejected the Plan and Holders of Subordinated Claims are not entitled to cast a Ballot in respect of such Claims.

x. Class 17 – Indirect 36th District Court Claims.

i. Treatment.

Unless such Holder agrees to a different treatment of its Claim, each Holder of an Allowed Indirect 36th District Court Claim, in full satisfaction of such Allowed Claim, shall receive: (A) if the Allowed amount of such Indirect 36th District Court Claim is less than \$100,000.00, on or as soon as reasonably practicable after the Effective Date, Cash in an amount equal to 33% of the Allowed amount of such Allowed Indirect 36th

District Court Claim; or (B) if the Allowed amount of such Indirect 36th District Court Claim is equal to or more than \$100,000.00, Cash equal to 33% of the Allowed amount of such Indirect 36th District Court Claim, plus simple interest on outstanding amounts at a rate of five percent per annum, payable in five equal annual installments, with the first installment to be paid on or as soon as reasonably practicable after the Effective Date and the remaining four installments to be paid on the date of the first four anniversaries of the Effective Date or, if any such date is not a Business Day, on the first Business Day thereafter.

ii. Further Obligation of City, State and 36th District Court.

Subject to the terms of the 36th District Court Settlement, the treatment of Allowed Indirect 36th District Court Claims set forth in Section II.B.3.x.i shall fulfill any obligation of the City and the 36th District Court that may exist with respect to all Indirect 36th District Court Claims. Nothing in Section II.B.3.x.i prevents the Holder of an Indirect 36th District Court Claim from seeking further relief or payment from the State with respect to such Indirect 36th District Court Claim to the extent such Claim is not satisfied pursuant to the Plan.

C. Confirmation Without Acceptance by All Impaired Classes.

The City requests Confirmation under section 1129(b) of the Bankruptcy Code in the event that any impaired Class does not accept or is deemed not to accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Plan shall constitute a motion for such relief.

D. Treatment of Executory Contracts and Unexpired Leases.

1. Assumption.

Except as otherwise provided in the Plan, in any contract, instrument, release or other agreement or document entered into in connection with the Plan or in a Final Order of the Bankruptcy Court, or as requested in any motion Filed by the City on or prior to the Effective Date, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the City will be deemed to assume all Executory Contracts and Unexpired Leases to which it is a party. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. For the avoidance of doubt, the City shall assume the Tunnel Lease pursuant to this Section II.D.1.

2. Assumption of Ancillary Agreements.

Each Executory Contract and Unexpired Lease assumed pursuant to Section II.D.1 will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such Executory Contract or Unexpired Lease, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section II.D.6 or designated for rejection in accordance with Section II.D.3.

3. Approval of Assumptions and Assignments.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 (and any related assignment) as of the Effective Date, except for Executory Contracts or Unexpired Leases that (a) have been rejected pursuant to a Final Order of the Bankruptcy Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 or (e) are designated for rejection in accordance with the last sentence of this paragraph. An order of the Bankruptcy Court (which may be the Confirmation Order) entered on or prior to the Confirmation Date will specify the procedures for providing notice to each party whose Executory Contract or Unexpired Lease is being assumed pursuant to the Plan of: (a) the Executory Contract or Unexpired Lease being assumed; (b) the Cure Amount Claim, if any, that the City believes it would be obligated to pay in connection with such assumption; (c) any assignment of an Executory Contract or Unexpired Lease; and (d) the procedures for such party to object to

the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease. If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be deemed effective as of the Effective Date.

4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases.

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the City: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding: (a) the amount of any Cure Amount Claim, (b) the ability of the City or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to the assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order resolving the dispute and approving the assumption.

5. Contracts and Leases Entered Into After the Petition Date.

Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5, will be performed by the City in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

6. Rejection of Executory Contracts and Unexpired Leases.

On the Effective Date, each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 shall be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. The City reserves its right, at any time on or prior to the Effective Date, to amend Exhibit II.D.6 to delete any Executory Contract or Unexpired Lease therefrom, thus providing for its assumption pursuant to Section II.D.1, or add any Executory Contract or Unexpired Lease thereto, thus providing for its rejection pursuant to this Section II.D.6. The City will provide notice of any amendments to Exhibit II.D.6 to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then-applicable service list in the Chapter 9 Case. Listing a contract or lease on Exhibit II.D.6 shall not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

7. Rejection Damages Bar Date.

Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served upon counsel to the City on or before the later of: (a) 45 days after the Effective Date; or (b) 45 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City.

8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.

Pursuant to section 365(g) of the Bankruptcy Code, rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall constitute a breach of such contract or lease and not a termination thereof, and all obligations owing to the City under such contract or lease as of the date of such breach shall remain owing to the City upon rejection. Notwithstanding any applicable non-bankruptcy law to the contrary, the City expressly reserves and does not waive any right to receive, or any continuing obligation of a non-City party to provide, warranties, indemnifications or continued maintenance obligations on goods previously purchased, or services previously received, by the City from non-City parties to rejected Executory Contracts or Unexpired Leases, and any such rights shall remain vested in the City as of the Effective Date.

9. Insurance Policies.

From and after the Effective Date, each of the City's insurance policies (other than welfare benefits insurance policies) in existence as of or prior to the Effective Date shall be reinstated and continue in full force and effect in accordance with its terms and, to the extent applicable, shall be deemed assumed by the City pursuant to section 365 of the Bankruptcy Code and Section II.D.1. Nothing contained herein shall constitute or be deemed a waiver of any Causes of Action that the City may hold against any Entity, including any insurer under any of the City's insurance policies. For the avoidance of doubt, nothing contained in this Section II.D.9 shall apply to reinstate or continue any obligation of the City or any fund thereof to any Bond Insurer.

**ARTICLE III
CONFIRMATION OF THE PLAN**

A. Conditions Precedent to the Effective Date.

The Effective Date will not occur, and the Plan will not be consummated, unless and until the City has determined that all of following conditions have been satisfied or waived in accordance with Section III.B:

1. The Bankruptcy Court shall have entered the Confirmation Order in form and substance satisfactory to the City.
2. The Bankruptcy Court shall have entered an order (which may be included in the Confirmation Order) approving and authorizing the City to take all actions necessary or appropriate to implement the Plan, including the transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, settlements, releases and other agreements or documents entered into or delivered in connection with the Plan.
3. The Confirmation Order shall not be stayed in any respect.
4. The Confirmation Order shall contain (a) a finding that the FGIC Settlement Consideration and the FGIC Development Agreement are solely for the benefit of FGIC and the FGIC COP Holders (subject to any provision set forth herein for payment of COP Agent Fees), and (b) an ordered provision that such consideration be administered and distributed to FGIC and the FGIC COP Holders in a manner consistent therewith and with the Plan.
5. The Confirmation Order shall contain (a) a finding that the Syncora Development Agreement is solely for the benefit of Syncora (subject to any provision set forth herein for payment of COP Agent Fees), and (b) an ordered provision that such consideration be administered and distributed to Syncora in a manner consistent therewith and with the Plan.
6. All actions and all contracts, instruments, settlements, releases and other agreements or documents necessary to implement the terms and provisions of the Plan are effected or executed and delivered, as applicable, in form and substance satisfactory to the City.

7. All authorizations, consents and regulatory approvals, if any, required in connection with the consummation of the Plan have been obtained and not revoked, including all governmental and Emergency Manager consents and approvals required to carry out the terms of the LTGO Settlement Agreement.

8. Any legislation that must be passed by the State legislature to effect any term of the Plan shall have been enacted.

9. The MFA board shall have approved the issuance of the Restructured UTGO Bonds and the Restructured UTGO Bonds shall have been issued.

10. The City shall have obtained all governmental and Emergency Manager consents and approvals required to carry out the terms of the UTGO Settlement Agreement.

11. The Plan and all Exhibits shall have been Filed and shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made in accordance with Section VIII.B.

12. If Classes 10 and 11 have accepted the Plan, all conditions to the effectiveness of the State Contribution Agreement and the DIA Settlement Documents have been satisfied.

13. The Syncora Settlement and the Syncora Settlement Agreement shall have been approved by the Bankruptcy Court in form and substance reasonably acceptable to the City and Syncora, and such approval shall not have been vacated or otherwise modified, and the definitive documents contemplated thereby shall have been executed and delivered.

14. The Syncora Development Agreement shall have been approved by the Bankruptcy Court in form and substance reasonably acceptable to the City and Syncora, and such approval shall not have been vacated or otherwise modified, and the definitive documents contemplated thereby shall have been executed and delivered.

15. The FGIC/COP Settlement Documents and the FGIC Development Agreement shall have been approved by the Bankruptcy Court in form and substance reasonably acceptable to the City and FGIC, and such approval shall not have been vacated or otherwise modified, and the definitive documents contemplated thereby shall have been executed and delivered.

16. The New York State Department of Financial Services shall have waived in writing the notice requirement under FGIC's plan of rehabilitation with respect to the settlement contemplated by the FGIC/COP Settlement Documents and the FGIC Development Agreement in form and substance reasonably acceptable to FGIC, and such waiver shall not have been vacated or otherwise modified.

17. The Effective Date shall have occurred within 180 days of the entry of the Confirmation Order, unless the City requests an extension of such deadline and such deadline is extended by the Bankruptcy Court.

B. Waiver of Conditions to the Effective Date.

The conditions to the Effective Date set forth in Section III.A may be waived in whole or part at any time by the City in its sole and absolute discretion, except for those conditions set forth in (1) Section III.A.9 and Section III.A.10, which conditions cannot be waived, (2) Sections III.A.5, III.A.13 and III.A.14, which may only be waived by the City with the prior written consent of Syncora, (3) Sections III.A.4 and III.A.15, which may only be waived by the City with the prior written consent of FGIC and (4) Section III.A.16, which may be waived by the City at any time on or after November 4, 2014 at 5:00 p.m. (Eastern Time) with the prior written consent of FGIC.

C. Effect of Nonoccurrence of Conditions to the Effective Date.

If each of the conditions to the Effective Date is not satisfied, or duly waived in accordance with Section III.B, then, before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the City may File a motion requesting that the Bankruptcy Court vacate the Confirmation Order; provided, however, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is satisfied before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section III.C: (1) the Plan will be null and void in all respects, including with respect to (a) the discharge of Claims pursuant to section 944(b) of the Bankruptcy Code, (b) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Section II.D and (c) the releases described in Section III.D.7; and (2) nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, will be or will be deemed to be (a) a waiver or release of any Claims by or against the City, (b) an admission of any sort by the City or any other party in interest or (c) prejudicial in any manner the rights of the City or any other party in interest.

D. Effect of Confirmation of the Plan.

1. Dissolution of Retiree Committee.

On the Effective Date, the Retiree Committee, to the extent not previously dissolved or disbanded, will dissolve and disband, and the members of the Retiree Committee and their respective professionals will cease to have any role arising from or related to the Chapter 9 Case.

2. Preservation of Rights of Action by the City.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the City will retain and may enforce any claims, demands, rights, defenses and Causes of Action that it may hold against any Entity, including but not limited to any and all Causes of Action against any party relating to the past practices of the Retirement Systems (including any investment decisions related to, and the management of, the Retirement Systems' respective pension plans or assets), to the extent not expressly released under the Plan or pursuant to any Final Order of the Bankruptcy Court. A nonexclusive schedule of currently pending actions and claims brought by the City is attached as Exhibit III.D.2. The City's inclusion of, or failure to include, any right of action or claim on Exhibit III.D.2 shall not be deemed an admission, denial or waiver of any claims, demands, rights or Causes of Action that the City may hold against any Entity, and all Entities are hereby notified that the City intends to preserve all such claims, demands, rights or Causes of Action.

3. Comprehensive Settlement of Claims and Controversies.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim may have with respect to any Allowed Claim or any Distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are (a) in the best interests of the City, its property and Claim Holders and (b) fair, equitable and reasonable. For the avoidance of doubt, this Section III.D.3 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims.

4. Discharge of Claims.

a. Complete Satisfaction, Discharge and Release.

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date, discharge the City from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the Holder of a Claim based on such debt has accepted the Plan.

b. Discharge.

In accordance with Section III.D.4.a, except as expressly provided otherwise in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of a discharge of all debts of the City, pursuant to sections 524(a)(1), 524(a)(2) and 944(b) of the Bankruptcy Code, and such discharge will void any judgment obtained against the City at any time, to the extent that such judgment relates to a discharged debt; provided that such discharge will not apply to (i) debts specifically exempted from discharge under the Plan; and (ii) debts held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case.

5. Injunction.

On the Effective Date, except as otherwise provided herein or in the Confirmation Order,

a. all Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims, along with their Related Entities, shall be permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order):

1. commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property (including (A) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (B) Indirect 36th District Court Claims and (C) Indirect Employee Indemnity Claims);

2. enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property;

3. creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the City or its property;

4. asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property;

5. proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth herein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and

6. taking any actions to interfere with the implementation or consummation of the Plan.

b. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan will be permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan. Notwithstanding the foregoing and without limiting the injunctions in Section III.D.5.a, the Holders of Indirect 36th District Court Claims shall not be enjoined from taking any of the foregoing actions against the State or the State Related Entities with respect to Indirect 36th District Court Claims to the extent such Claims are not satisfied pursuant to the Plan.

6. Exculpation.

From and after the Effective Date, to the fullest extent permitted under applicable law and except as expressly set forth in this Section, neither the City, its Related Entities (including the members of the City Council, the Mayor and the Emergency Manager), to the extent a claim arises from actions taken by such Related Entity in its capacity as a Related Entity of the City, the State, the State Related Entities, the Exculpated Parties nor the Released Parties shall have or incur any liability to any person or Entity for any act or omission in connection with, relating to or arising out of the City's restructuring efforts and the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the formulation, preparation, negotiation, dissemination, consummation, implementation, confirmation or approval (as applicable) of the Plan, the property to be distributed under the Plan, the settlements implemented under the Plan, the Exhibits, the Disclosure Statement, any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan or the management or operation of the City; provided that the foregoing provisions shall apply to (a) the LTGO Exculpated Parties solely in connection with acts or omissions taken in connection with the LTGO Settlement Agreement or the Plan (as it relates to the LTGO Settlement Agreement), (b) the UTGO Exculpated Parties solely in connection with acts or omissions taken in connection with the UTGO Settlement Agreement or the Plan (as it relates to the UTGO Settlement Agreement), (c) the DWSD Exculpated Parties solely in connection with acts or omissions taken in connection with the DWSD Tender, DWSD Tender Motion or DWSD Tender Order, (d) the Syncora Exculpated Parties solely in connection with acts or omissions taken in connection with the Syncora Settlement Documents and any actions or litigation positions taken by the Syncora Exculpated Parties in the Chapter 9 Case, (e) the FGIC/COP Exculpated Parties solely in connection with acts or omissions taken in connection with the FGIC/COP Settlement Documents and any actions or litigation positions taken by the FGIC/COP Exculpated Parties in the Chapter 9 Case, (f) the RDPMA Exculpated Parties and (g) the COP Agent, solely in its capacity as such and solely in connection with any Distributions made pursuant to the terms of the Plan; provided, further, that the foregoing provisions in this Section III.D.6 shall not affect the liability of the City, its Related Entities, the State, the State Related Entities, the Released Parties and the Exculpated Parties that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct or any act or omission occurring before the Petition Date. The City, its Related Entities (with respect to actions taken by such Related Entities in their capacities as Related Entities of the City), the State, the State Related Entities, the Released Parties and the Exculpated Parties shall be entitled to rely upon the advice of counsel and financial advisors with respect to their duties and responsibilities under, or in connection with, the Chapter 9 Case, the administration thereof and the Plan. This Section III.D.6 shall not affect any liability of (a) any of the COP Swap Exculpated Parties to the Syncora Exculpated Parties or FGIC or (b) the Syncora Exculpated Parties or FGIC/COP Exculpated Parties to any of the COP Swap Exculpated Parties.

7. Releases

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement):

- a. each holder of a Claim that votes in favor of the Plan, to the fullest extent permissible under law, will be deemed to forever release, waive and discharge (which release will be in addition to the release and discharge of Claims otherwise provided herein and under the Confirmation Order and the Bankruptcy Code):

- i. all Liabilities in any way relating to the City, the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), the Plan, the Exhibits or the Disclosure Statement, in each case that such holder has, had or may have against the City or its current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity (and, in addition to and without limiting the foregoing, in the case of any Emergency Manager, in such Emergency Manager's capacity as an appointee under PA 436); provided further, for the avoidance of doubt, that any person or entity designated to manage the Chapter 9 Case for the City after the Emergency Manager's term is terminated, whether such person or entity acts as an employee, advisor or contractor to the City or acts as an employee, agent, contractor or appointee of the State under any applicable state law, shall be treated the same as an employee of the City hereunder; and

- ii. all Liabilities in any way relating to (A) Claims that are compromised, settled or discharged under or in connection with the Plan, (B) the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), (C) the Plan, (D) the Exhibits, (E) the Disclosure Statement or (F) the DIA Settlement, in each case that such holder has, had or may have against the City's Related Entities, the State, the State Related Entities and the Released Parties; provided, however, that any such Liability of the Foundations, the DIA Funders and the CFSEM Supporting Organization and their Related Entities shall be released only to the extent that such Liability, if any, arises from any such entity's participation in the DIA Settlement;

provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; and provided further, however, that if Classes 10 and 11 vote to accept the Plan, but any necessary conditions precedent to the receipt of the initial funding from the State (pursuant to the State Contribution Agreement) and the DIA Funding Parties that are such as of the commencement of the Confirmation Hearing (pursuant to the DIA Settlement) that can be satisfied or waived by the applicable funding party prior to the Confirmation Hearing (including, but not limited to, adoption of relevant legislation and appropriations by the State and execution of necessary and irrevocable agreements for their funding commitments by each of the DIA Funding Parties that are such as of the commencement of the Confirmation Hearing, which conditions may not be waived) are not satisfied or waived by the applicable funding party prior to the Confirmation Hearing, then Holders of Claims in Classes 10 and 11 that voted to accept the Plan shall be deemed to have voted to reject the Plan, and the voluntary release set forth in the first sentence of this Section III.D.7.a shall not apply to Holders of Claims in Classes 10 and 11; provided, further, that nothing in this Section III.D.7.a shall release (i) the City's obligations under the Plan or (ii) any defenses that any party may have against the City, its Related Entities, the State, the State Related Entities or the Released Parties; and

- b. if the State Contribution Agreement is consummated, each holder of a Pension Claim will be deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law or the Plan, or, with respect to pensions only, GRS or PFRS.

Notwithstanding Sections III.D.5-7 and IV.L of the Plan, except as set forth in the COP Swap Settlement, nothing in the Plan or the Confirmation Order shall or shall be deemed to provide a release by the COP Swap Counterparties of any Liabilities related to the COPs, the COP Service Corporations, the Transaction Documents (as defined in the COP Swap Settlement), the COP Swap Settlement or the COP Swap Settlement Approval Order. For the avoidance of doubt, notwithstanding Section III.D.6 of the Plan, a vote of DWSD Bond Claims or DWSD Revolving Bond Claims in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to this Section III.D.7 by a Holder of any such DWSD Bond Claims, a Holder of any such DWSD Revolving Bond Claims or the Bond Insurer insuring any such Claims of any Liabilities against the City or its Related Entities that do not arise in connection with the DWSD Bonds or the DWSD Revolving Bonds. For the further avoidance of doubt, notwithstanding anything in the Plan to the contrary, a vote of a Claim other than a DWSD Bond Claim or DWSD Revolving Bond Claim in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to this Section III.D.7 by a Holder of any such voted Claim or the Bond Insurer insuring such voted Claim of any Liabilities against the City or any other Entity arising in connection with the DWSD Bonds or DWSD Revolving Bonds.

E. No Diminution of State Power

No provision of this Plan shall be construed: (1) so as to limit or diminish the power of the State to control, by legislation or otherwise, the City in the exercise of the political or governmental powers of the City, including expenditures for such exercise; (2) so as to limit or diminish the power of the State to effect setoffs necessary to compensate the State or relieve the State of liability against funds (a) owing to the City from the State, (b) granted to the City by the State, or (c) administered by the State on behalf of the City or the federal government (including funds resulting from federal or state grants), for acts or omissions by the City (including but not limited to misappropriation or misuse of funds); and (3) as a waiver by the State of its rights as a sovereign or rights granted to it pursuant to the Tenth Amendment to the United States Constitution, or limit or diminish the State's exercise of such rights.

F. Effectiveness of the Plan.

The Plan shall become effective on the Effective Date. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

G. Binding Effect of Plan.

Pursuant to section 944(a) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall bind all Holders of Claims, and their respective successors and assigns, whether or not the Claim of any such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan. The releases and settlements effected under the Plan will be operative, and subject to enforcement by the Bankruptcy Court, from and after the Effective Date, including pursuant to the injunctive provisions of the Plan. Once approved, the

compromises and settlements embodied in the Plan, along with the treatment of any associated Allowed Claims, shall not be subject to any collateral attack or other challenge by any Entity in any court or other forum. As such, any Entity that opposes the terms of any compromise and settlement set forth in the Plan must (1) challenge such compromise and settlement prior to Confirmation of the Plan and (2) demonstrate appropriate standing to object and that the subject compromise and settlement does not meet the standards governing bankruptcy settlements under Bankruptcy Rule 9019 and other applicable law.

ARTICLE IV MEANS FOR IMPLEMENTATION OF THE PLAN

A. DWSD.

1. Rates and Revenues.

DWSD will maintain Fiscal Year 2015 rate setting protocols for a minimum of five years, subject to certain changes necessary to stabilize water and sewer revenues. Rates will be determined by the Board of Water Commissioners or, if a DWSD Authority is formed and approved by the incorporating units' governing bodies, by the board of any such DWSD Authority. The City may seek to implement a rate stability program for City residents, which program may, among other things, (a) provide a source of funds to mitigate against rate increases, (b) enhance affordability and (c) provide a buffer against delinquent payments.

2. DWSD CBAs.

Collective bargaining agreements with respect to current DWSD employees that are in effect and not expired as of the Effective Date will be assumed by the City.

3. Potential DWSD Authority Transaction.

As a result of mediation or otherwise, it is possible that the City may enter into a DWSD Authority Transaction that includes the formation of the DWSD Authority to conduct many or all of the operations currently conducted by DWSD. Any such transaction would be subject to the approval of incorporating units and numerous other conditions. The timing of any such transaction, if it occurs at all, is not known. If any such transaction could occur, unless waived by the City in its sole discretion, the City will enter into such transaction only if Macomb County, Oakland County and Wayne County, and each of their municipal affiliates or related public corporations, withdraw with prejudice or shall have withdrawn with prejudice their objections to the Confirmation of the Plan. Any DWSD Authority Transaction shall be on terms that are consistent with all other provisions of the Plan, applicable law and orders of the Bankruptcy Court. The City shall not enter into any binding agreement with respect to or consummate any DWSD Authority Transaction prior to the Effective Date without first obtaining an order of the Bankruptcy Court approving and authorizing such DWSD Authority Transaction.

All terms and conditions in respect of any DWSD Authority Transaction set forth in (a) any DWSD Bond Document or (b) any transaction document in respect of such a DWSD Authority Transaction shall in any case include: (i) no material modifications to the source of payment and security for any DWSD Bonds or 2014 Revenue and Revenue Refinancing Bonds; (ii) an opinion of tax counsel that such transfer shall have no material adverse effect on the tax exempt status of the interest on the DWSD Bonds or 2014 Revenue and Revenue Refinancing Bonds; (iii) that the City could issue at least \$1 of additional new money DWSD Bonds in compliance with the additional bonds test set forth in the applicable DWSD Bond Documents; and (iv) ratings confirmation of any rating agency then rating the DWSD Bonds and 2014 Revenue and Revenue Refinancing Bonds. A DWSD Authority Transaction shall not affect, impair, modify or otherwise alter the rights of any party under the DWSD Tender Order, the DWSD Bond Documents, the DWSD Revolving Bond Documents, the 2014 DWSD Refinancing Obligations, the 2014 Revenue and Revenue Refinancing Bonds or the 2014 Revenue Refinancing Bonds or any Bond Insurance Policy related to or issued in connection with any of the foregoing.

B. The New B Notes, New C Notes and New LTGO Bonds.

On or before the Effective Date, the City shall (a) execute the New B Notes Documents, issue the New B Notes, substantially on the terms set forth on Exhibit I.A.246, and distribute the New B Notes as set forth in the Plan; (b) execute the New C Notes Documents, issue the New C Notes, substantially on the terms set forth on Exhibit I.A.248 (and in any case in form and substance reasonably acceptable to the City and Syncora), and distribute the New C Notes as set forth in the Plan; and (c) execute the New LTGO Bond Documents, issue the New LTGO Bonds, substantially on the terms set forth on Exhibit I.A.237, and distribute the New LTGO Bonds as set forth in the Plan.

C. The UTGO Settlement.

On the Effective Date, the City and the Settling UTGO Bond Insurers shall consummate the UTGO Settlement Agreement, a copy of which is attached hereto as Exhibit I.A.360. The treatment of Unlimited Tax General Obligation Bond Claims under the Plan is provided for pursuant to the UTGO Settlement Agreement, which involves the settlement of, among other things, the UTGO Litigation and is subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, the UTGO Settlement Agreement pursuant to Bankruptcy Rule 9019.

Pursuant to the UTGO Settlement Agreement, among other things: (1) the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000; (2) the City shall issue the Municipal Obligation to the MFA, which in turn will issue the Restructured UTGO Bonds; (3) Holders of Allowed Unlimited Tax General Obligation Bond Claims shall be entitled to receive their Pro Rata share of \$279,618,950 of the Restructured UTGO Bonds as set forth in Schedule 1a of the UTGO Settlement Agreement; (4) the Settling UTGO Bond Insurers and the Non-Settling UTGO Bond Insurer shall be entitled to receive \$7,941,840 of the Restructured UTGO Bonds as set forth in Schedule 1b to the UTGO Settlement Agreement; and (5) a designee or designees of the City shall have the right to receive the Assigned UTGO Bond Tax Proceeds, which Assigned UTGO Bond Tax Proceeds will be distributed over a 14-year period to the Income Stabilization Funds of GRS and PFRS for the payment of Income Stabilization Payments to Eligible Pensioners and to the Retirement Systems, in accordance with applicable agreements.

Each Settling UTGO Bond Insurer shall receive, as soon as reasonably practicable after the occurrence of a Trigger Event, its allocable share of the Top-Off Payments in accordance with the terms of the UTGO Settlement Agreement.

D. The State Contribution Agreement.

Prior to or on the Effective Date, if Classes 10 and 11 vote to accept the Plan, the City, GRS, PFRS and the State will enter into the State Contribution Agreement, substantially on the terms set forth on Exhibit I.A.332.

1. State Contribution.

The State or the State's authorized agent will contribute the net present value of \$350 million payable over 20 years using a discount rate of 6.75% to GRS and PFRS for the benefit of the Holders of Pension Claims.

2. Income Stabilization Payments.

The Income Stabilization Funds of GRS and PFRS will receive not less than an aggregate amount of \$20 million over 14 years of the Assigned UTGO Bond Tax Proceeds in the form of annual installment payments pursuant to a payment schedule approved by the State. Following the Effective Date, on an annual basis, GRS and PFRS will distribute such portion of the funds held in their respective Income Stabilization Fund to Eligible Pensioners entitled to receive the Income Stabilization Benefit and the Income Stabilization Benefit Plus. The

Income Stabilization Benefit, which will be calculated in the first year following the Effective Date and will not increase thereafter, will be provided by the applicable Retirement System to each Eligible Pensioner. In addition, to the extent that an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in any calendar year after the first year of the income stabilization program is less than 105% of the Federal Poverty Level for such year, the applicable Retirement System will distribute the Income Stabilization Benefit Plus to such Eligible Pensioner.

In the event that, in 2022 (provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to GRS or PFRS, as applicable, at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee of GRS or PFRS, as applicable, that the Income Stabilization Fund of the applicable Retirement System is credited with Excess Assets, the respective Investment Committee may recommend that the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System. In the event that any funds remain in the Income Stabilization Fund of each or either of GRS or PFRS on the date upon which no Eligible Pensioners under the applicable Retirement System are living, such funds shall be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System.

3. Conditions to State's Participation.

The payment of the State Contribution by the State or the State's authorized agent is conditioned upon satisfaction of the conditions precedent set forth in the State Contribution Agreement, including, among other things, the following: (a) the Confirmation Order becoming a Final Order no later than December 31, 2014, which Confirmation Order must contain certain provisions as set forth in the State Contribution Agreement, including a requirement that the governing documents of GRS and PFRS be amended to include (i) the governance terms and conditions set forth in the State Contribution Agreement and (ii) the Income Stabilization Funds and Income Stabilization Payments; (b) the occurrence of the Effective Date no later than April 1, 2015; (c) acceptance of the Plan by Classes 10 and 11, which Plan must be in form and substance reasonably acceptable to the State and contain certain release provisions; (d) the Retiree Committee's endorsement of the Plan, including a letter from the Retiree Committee recommending that Classes 10 and 11 vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in Classes 10 and 11; (e) active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way the litigation described in subsection (f) of this Section by, the City, the Retiree Committee, the Retirement Systems and certain unions and retiree associations, or equivalent assurances of litigation finality; (f) cessation of all litigation, or equivalent assurances of finality of such litigation, including the cessation of funding of any litigation initiated by any other party, as it relates to the City, (i) challenging PA 436 or any actions taken pursuant to PA 436 or (ii) seeking to enforce Article IX, Section 24 of the Michigan Constitution; (g) evidence satisfactory to the State of an irrevocable commitment by the Foundations (excluding the Special Foundation Funders, as that term is defined in the DIA Settlement Documents) to fund \$366 million (or the net present value thereof) as part of the DIA Settlement, as provided in Section IV.E.1; and (h) evidence satisfactory to the State of an irrevocable commitment by DIA Corp. to fund \$100 million (or the net present value thereof) as part of the DIA Settlement, as provided in Section IV.E.1.

The State shall File and serve via the Court's electronic case filing and noticing system a notice that the conditions precedent to the State's payment of the State Contribution have been satisfied or otherwise addressed pursuant to the procedures outlined in the State Contribution Agreement no later than ten days after all such conditions have been satisfied or otherwise addressed.

4. Release of Claims Against the State and State Related Entities.

The State Contribution Agreement requires that the Plan provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

E. The DIA Settlement.

On the Effective Date, the City and the DIA Corp. will enter into the DIA Settlement, pursuant to which (1) the DIA Funding Parties that are such as of the Effective Date have committed to assist in the funding of the City's restructured legacy pension obligations and (2) the City has agreed to enter into certain transactions that will cause the DIA to remain in the City in perpetuity, as described in and subject to the terms and conditions of the DIA Settlement Documents, and to otherwise make the DIA Assets available for the benefit of the residents of the City and the Counties and the citizens of the State. The DIA Settlement Documents attached hereto as Exhibit I.A.127 will qualify the description of the DIA Settlement in the Plan, Disclosure Statement and Exhibit I.A.126. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, the DIA Settlement pursuant to Bankruptcy Rule 9019.

1. Funding Contributions.

The DIA Settlement will be funded as follows: (a) irrevocable commitments in an aggregate amount of at least \$366 million by the Foundations (excluding the Special Foundation Funders, as that term is defined in the DIA Settlement Documents); and (b) in addition to its continuing commitments outside of the DIA Settlement, irrevocable commitments in an aggregate amount of \$100 million from the DIA Direct Funders (including the commitment of the Special Foundation Funders, as that term is defined in the DIA Settlement Documents, and subject to certain adjustments as set forth in the DIA Settlement Documents), the payment of which \$100 million will be guaranteed by DIA Corp., subject to the terms of the DIA Settlement Documents. The foregoing commitments shall be funded over the course of the 20 year period immediately following the Effective Date (subject to the annual confirmation of the City's continuing compliance with the terms of the DIA Settlement) according to the "Agreed Required Minimum Schedule" and subject to the option at any time for the "Present Value Discount," as set forth in the DIA Settlement Documents. Amounts committed by the Foundations and the DIA Direct Funders will be paid to the CFSEM Supporting Organization, which will (a) transfer such amounts for the purpose of funding the Retirement Systems upon the City's satisfaction of certain conditions and (b) not be subject to claims of creditors of the Community Foundation for Southeast Michigan.

2. Transfer of DIA Assets.

On the Effective Date, the City shall irrevocably transfer all of its right, title and interest in and to the DIA Assets to DIA Corp., as trustee, to be held in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and the Counties and the citizens of the State.

3. Conditions to the DIA Funding Parties' Participation.

The DIA Funding Parties' participation in the DIA Settlement is conditioned upon, among other things, the following: (a) execution of the DIA Settlement Documents by each Foundation; (b) the irrevocable commitment from the DIA Corp. described in Section IV.E.1; (c) the acceptance of the Plan by Classes 10 and 11; (d) the irrevocable transfer by the City of the DIA Assets described in Section IV.E.2; (e) approval by the DIA's Board of Directors and the taking effect of the recommendation of the governance committee as described in Exhibit I.A.126; (f) the earmarking of all funds provided by the DIA Funding Parties towards the recoveries upon Pension Claims under the Plan for Holders of Claims in Classes 10 and 11; (g) the adoption of prospective governance and financial oversight mechanisms for the Retirement Systems that are reasonably satisfactory to the DIA Funding Parties; (h) the amendment by DIA Corp. and the art institute authority for each of Macomb County, Oakland County and Wayne County, Michigan of each art institute authority's respective service agreement so that the termination of the 1997 Operating Agreement between the City and DIA Corp. will not affect the art institute authorities' obligations under such agreements to pay millage proceeds to DIA Corp.; (i) the approval of the DIA Settlement by the Attorney General for the State; (j) the agreement of the State to provide the State Contribution; and (k) the City's agreement to indemnify and hold harmless the DIA Funding Parties and the CFSEM Supporting Organization and their Related Entities pursuant to, and in accordance with, the terms of the DIA Settlement Documents.

F. Contingent Payment Rights

On or as soon as reasonably practicable after the Confirmation Date, the City shall establish the Restoration Trust. The City shall issue the DWSD CVR to the Restoration Trust. If a Qualifying DWSD Transaction has not occurred before the seventh anniversary of the Effective Date, the DWSD CVR shall terminate and expire. The Restoration Trust shall distribute proceeds from the DWSD CVR in the following amounts and priorities: (1) first, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have their 4.5% pension reductions restored; (2) second, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have 92% of their COLA benefits restored; and (3) third, 53% to GRS and 47% to PFRS. If the City makes any contributions to either GRS or PFRS out of its portion of the Net DWSD Transaction Proceeds, such contributions and earnings thereon shall not be taken into account for determining whether any pension restoration may be made. The DWSD CVR may not be transferred.

1. Special Restoration

Any proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated on or before the Effective Date, or fully executed and enforceable before the Effective Date but consummated after the Effective Date, shall be utilized for the purpose of funding the Special Restoration; provided that the City shall act in good faith so as not to unreasonably delay the execution of a Qualifying DWSD Transaction solely to avoid Special Restoration. In such case, the City will perform a Value Determination and arrive at the Discounted Value. The City will engage in good faith discussion as to the reasonableness of the Value Determination with the Retiree Committee or Restoration Trust, as applicable. In the event that the Retiree Committee or the Restoration Trust, as applicable, does not accept the Value Determination, the Retiree Committee or the Restoration Trust, as applicable, may seek to have the Bankruptcy Court determine the dispute, and the City consents to such jurisdiction.

Special Restoration shall follow the priorities of restoration of benefits set forth in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C. In order for benefits to be restored pursuant to the Special Restoration, such benefits must be fully funded by 50% of the Discounted Value for the full actuarially-determined lives of all participants for whom benefits are restored. In the event that actual Net DWSD Transaction Proceeds from the DWSD CVR do not equal 50% of the contemplated Net DWSD Transaction Proceeds as of the date of the Value Determination, the Investment Committees of the Retirement Systems will reduce or eliminate the Special Restoration benefits, as applicable, by the amount that 50% of the Discounted Value exceeds the actual Net DWSD Transaction Proceeds from the DWSD CVR received or projected to be received using a 6.75% discount rate. In the event that the Retiree Committee, the Restoration Trust or the City, as applicable, does not agree with the reduction in the Special Restoration benefits, the Retiree Committee or the Restoration Trust, as applicable, or the City may consult with the trustees and Investment Committees of PFRS or GRS with respect to any such reduction. Neither the Retiree Committee nor the Restoration Trust shall have any right to initiate any enforcement proceeding with respect to Special Restoration.

2. General Restoration

Any Net DWSD Transaction Proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated after the Effective Date, if such Qualifying Transaction was not fully executed and enforceable before the Effective Date, shall be utilized for the purpose of funding the pension trusts, and such cash contributions shall be included in any calculations allowing for the restoration of benefits in accordance with the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

G. The OPEB Settlement.

The City and the Retiree Committee have reached a settlement related to the allowance and calculation of the OPEB Claims in Class 12 and the treatment of such Allowed OPEB Claims, the terms of which settlement are reflected in the Plan. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, such settlement pursuant to Bankruptcy Rule 9019.

H. The LTGO Settlement.

The City, the LTGO Insurer and BlackRock Financial Management have reached a settlement related to the treatment of Allowed Limited Tax General Obligation Bond Claims, the terms of which settlement are reflected in the Plan. Pursuant to the LTGO Settlement Agreement, Distributions attributable to the Insured LTGO Bonds shall be made to the LTGO Distribution Agent (as opposed to directly to the record owners of the Insured LTGO Bonds or to the LTGO Insurer) for the benefit of the record owners of the Insured LTGO Bonds in accordance with the LTGO Settlement Agreement. In the event that the City intends to redeem the principal amount of New LTGO Notes during any time that the Insured LTGO Bonds are outstanding, the City and the LTGO Distribution Agent shall be required to take certain actions as described in the LTGO Settlement Agreement. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, the LTGO Settlement Agreement pursuant to Bankruptcy Rule 9019.

I. The Syncora Settlement

The City and Syncora have reached a settlement effecting a global resolution of all matters and litigation between the parties related to the Chapter 9 Case, as set forth in the Syncora Settlement Documents (the terms of which qualify and control over any description of the Syncora Settlement contained herein). Pursuant to the Syncora Settlement, and in accordance with the Plan, among other things: (1) the City shall, pursuant to Section II.D.1, assume the Tunnel Lease; (2) the parties shall enter into the Syncora Development Agreement; (3) the parties shall dismiss or withdraw the Dismissed Syncora Litigation as set forth in the Syncora Settlement Agreement; (4) any vote cast by Syncora to reject the Plan shall be deemed a vote to accept the Plan; (5) Syncora shall support Confirmation; and (6) on the Effective Date or as soon thereafter as practical, the City shall pay the sum of \$5 million in full satisfaction of all of Claims filed or asserted against the City by Syncora relating to the COP Swap Agreements and any agreements related thereto, including the COP Syncora Swap Insurance Policies and the COP Swap Collateral Agreement. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving and authorizing the parties to enter into, (1) the Syncora Settlement pursuant to Bankruptcy Rule 9019 and (2) the related Syncora Development Agreement (including the garage option) and the Tunnel Lease. The City shall not amend the Plan in any way that adversely affects Syncora without Syncora's prior written consent.

J. The FGIC/COP Settlement

The City and FGIC have reached a settlement effecting a global resolution of all matters and litigation between the parties related to the Chapter 9 Case, as set forth in the FGIC/COP Settlement Documents (the terms of which qualify and control over any description of the FGIC/COP Settlement contained herein). Pursuant to the FGIC/COP Settlement, and in accordance with the Plan, among other things: (1) the City and the Developer, for the benefit of FGIC and the FGIC COP Holders, shall enter into the FGIC Development Agreement; (2) FGIC shall, on behalf of the FGIC COP Holders, become a Settling COP Claimant with respect to all COPs and COP Claims associated with COPs originally insured by FGIC; (3) the parties shall dismiss or withdraw the Dismissed FGIC/COP Litigation as set forth in the FGIC/COP Settlement Documents; (4) except for Excluded Actions, FGIC shall waive any claims it may have against any other party related to the Dismissed FGIC/COP Litigation as set forth in the FGIC/COP Settlement Documents; (5) any vote cast by FGIC to reject the Plan shall be deemed a vote to accept the Plan; and (6) in full satisfaction and discharge of FGIC's claims against the City related to FGIC's Swap Insurance Policies, (a) FGIC shall receive an Allowed Class 14 Claim in the amount of \$6.15 million, entitling FGIC to receive the Distributions provided pursuant to Section II.B.3.u.i and (b) the DDA shall assign to FGIC all of its right, title and interest to the New B Notes to be distributed to the DDA pursuant to Section II.B.3.t.ii. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving and authorizing the parties to enter into, (1) the FGIC/COP Settlement pursuant to Bankruptcy Rule 9019 and (2) the related FGIC Development Agreement. The City shall not amend the Plan in any way that adversely affects FGIC without FGIC's prior written consent.

K. Issuance of the New Securities.

The City shall issue the New Securities on the Effective Date or a subsequent Distribution Date, as applicable. To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-

bankruptcy law, the issuance of New Securities as contemplated by the Plan is exempt from, among other things, the registration requirements of Section 5 of the Securities Act and any other applicable U.S. state or local law requiring registration prior to the offering, issuance, distribution, or sale of securities. The New Securities (a) are not "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, and (b) are freely tradable and transferable by any initial recipient thereof that (i) is not an "affiliate" of the City or applicable issuer as defined in Rule 144(a)(1) under the Securities Act, (ii) has not been such an "affiliate" within 90 days of such transfer, and (iii) is not an entity that is an "underwriter" as defined in subsection (b) of Section 1145 of the Bankruptcy Code.

L. Cancellation of Existing Bonds, Bond Documents, COPs and COP Documents.

Except (a) as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, (b) for purposes of evidencing a right to Distribution under the Plan or (c) as specifically provided otherwise in the Plan (including any rejection of Executory Contracts pursuant to Section II.D), on the Effective Date, the Bonds, the Bond Documents, the COPs and the COP Documents will be deemed automatically cancelled, terminated and of no further force or effect against the City without any further act or action under any applicable agreement, law, regulation, order or rule, and the obligations of the parties to the City, as applicable, under the Bonds, the Bond Documents, the COPs and the COP Documents shall be discharged; provided, however, that the Bonds, the Bond Documents, the COPs and the COP Documents shall continue in effect solely (i) to allow the Disbursing Agent to make any Distributions as set forth in the Plan and to perform such other necessary administrative or other functions with respect thereto, (ii) for any trustee, agent, contract administrator or similar entity under the Bond Documents or COP Documents to have the benefit of all the rights and protections and other provisions of the Bond Documents or COP Documents, as applicable, and all other related agreements with respect to priority in payment and lien rights with respect to any Distribution, (iii) to set forth the terms and conditions applicable to parties to the Bond Documents and COP Documents other than the City, (iv) as may be necessary to preserve any claim by (1) a Bondholder or Bond Agent under a Bond Insurance Policy or against any Bond Insurer, (2) a COPs Holder or COP Agent under a COP Insurance Policy or against any COP Insurer or (3) a COP Swap Counterparty under a Swap Insurance Policy or against any insurer thereunder and (v) with respect to any obligation of any party (other than the City, except to the extent provided in the COP Swap Settlement or the COP Swap Settlement Approval Order) under any COP Document related to such party's obligations owed in respect of the COP Swap Documents or the COP Swap Claims. Notwithstanding the foregoing, and except as otherwise expressly provided in the Plan (or the COP Swap Settlement or the COP Swap Settlement Approval Order), such Bonds, Bond Documents, COPs or COP Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City. Nothing in the Plan impairs, modifies, affects or otherwise alters the rights of (a) Bondholders or Bond Agents with respect to claims under applicable Bond Insurance Policies or against the Bond Insurers, (b) COPs Holders or COP Agent with respect to claims under COP Insurance Policies and obligations related thereto or (c) COP Swap Counterparties with respect to claims under Swap Insurance Policies and obligations related thereto. For the avoidance of doubt, except for the immediately preceding sentence, this Section IV.L shall not apply to any Bonds that are Reinstated pursuant to Section II.B.3.a.ii. As of the Effective Date, the principal amounts of the COPs originally insured by FGIC shall be deemed accelerated and due and payable, and no interest on the COPs originally insured by FGIC shall accrue thereafter, solely for the purposes of determining distributions from the COP Trustee to holders of COPs originally insured by FGIC. The foregoing acceleration of principal and cessation of interest shall affect only the rights of each holder of COPs originally insured by FGIC to the receipt of proceeds of distributions under the Plan and not the rights of each such COPs holder against FGIC or shall not in any way modify payments currently required of FGIC under its existing insurance policies or FGIC's Plan of Rehabilitation.

M. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, or where a Claim is Reinstated, on the Effective Date, all Liens against the City's property will be deemed fully released and discharged, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, will revert to the City. As of the Effective Date, (1) the holders of such Liens will be authorized and directed to release any collateral or other property of the City (including any cash collateral) held by such Holder and to take such actions as may be requested by the City to evidence the release of such Lien, including the execution, delivery, filing or recording of such releases as may be requested by the City, and (2) the City shall be authorized to execute and file on behalf of

creditors Form UCC-3 termination statements or such other forms as may be necessary or appropriate to implement the provisions of this Section IV.M.

N. Professional Fees

1. Professional Fee Reserve

On the Effective Date, the City shall establish and fund the Professional Fee Reserve from the General Fund or, where applicable, the DWSD's funds, in an amount determined by the City to be sufficient to pay the Fee Review Professional Fees that remain unpaid as of the Effective Date, solely to the extent that such amounts are payable from the General Fund or the DWSD's funds. The initial amount of the Professional Fee Reserve shall be equal to the sum of (a) all invoices received from Fee Review Professionals and the Fee Examiner Parties as of the establishment and funding of the Professional Fee Reserve to the extent not yet paid (including holdbacks); (b) an estimate of the Fee Review Professionals' unbilled fees through the Effective Date as determined by the City in consultation with the Fee Review Professionals, which estimate shall be no lower than 125% of the aggregate amount of the highest monthly invoices respectively submitted by each Fee Review Professional pursuant to the Fee Review Order prior to the establishment and funding of the Professional Fee Reserve; and (c) an estimate of the Fee Examiner Parties' unbilled fees and expenses through the projected date of dismissal of the Fee Examiner under Section IV.N.3, as determined by the City in consultation with the Fee Examiner. The funds held in the Professional Fee Reserve may not be used for any purpose other than the payment of Fee Review Professional Fees until any and all disputes regarding the Fee Review Professional Fees, including any disputes arising under the Fee Review Order, have been fully and finally resolved pursuant to a Final Order or a stipulation between the disputing parties. Any amounts remaining in the Professional Fee Reserve after final resolution of all such disputes and the payment of all Fee Review Professional Fees determined to be reasonable in accordance with the Fee Review Order shall be released to the General Fund or the DWSD's funds, as applicable. If the Professional Fee Reserve is insufficient to pay all Fee Review Professional Fees that are determined to be reasonable in accordance with the Fee Review Order and that are payable from the General Fund or the DWSD's funds, the City shall pay such additional amounts from the General Fund or the DWSD's funds, as applicable.

2. Fee Review Order

The Fee Examiner shall review all fees and expenses of the Fee Review Professionals for the period from the Petition Date and ending on the Effective Date in accordance with the terms of the Fee Review Order. For the avoidance of doubt, the Fee Review Order shall not apply to any fees or expenses of the Fee Review Professionals for the period on and after the Effective Date, and the Fee Examiner shall not review any such fees or expenses; provided, however, that all fees and expenses of the Fee Examiner Parties, whether incurred before, on or after the Effective Date, shall remain subject to review and approval of the Bankruptcy Court pursuant to the terms of the Fee Review Order.

3. Dismissal of the Fee Examiner

Once the Fee Examiner completes his review of all Fee Review Professional Fees and submits or Files all reports related thereto as required by the Fee Review Order, the Fee Examiner shall be dismissed of all duties and obligations under the Fee Examiner Order and the Fee Review Order, other than any obligations of confidentiality thereunder. The confidentiality obligations of the Fee Examiner and the other Fee Examiner Parties, including the confidentiality obligations set forth in paragraph 22 of the Fee Review Order, shall remain binding from and after the Effective Date.

4. Potential Review of Fees Not Subject to Fee Review Order

The City shall have the right to bring before the Bankruptcy Court a request to review and determine the reasonableness of the fees and expenses of any Fee Review Professional retained by a creditor of the City or any of its departments to the extent that such fees and expenses have not been either (a) approved pursuant to or in accordance with the DWSD Tender Order, (b) subject to court review or (c) subject to a Bankruptcy Court-approved or agreed upon process for binding arbitration.

5. Court-Appointed Expert

The Court-appointed expert, Martha E. M. Kopacz of Phoenix Management Services, and her counsel shall be compensated for any reasonable fees and expenses incurred through the Confirmation Date in accordance with the terms of the Court's Order Appointing Expert Witness (Docket No. 4215), entered on April 22, 2014, as amended.

O. Assumption of Indemnification Obligations.

Notwithstanding anything otherwise to the contrary in the Plan, nothing in the Plan shall discharge or impair the obligations of the City as provided in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements as of the Petition Date to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of officers and employees of the City (consistent with the injunction provisions of Section III.D.5 and including the members of the City Council, the Mayor and the Emergency Manager) and their Related Entities, in each case to the extent such Entities were acting in such capacity, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, foreseen or unforeseen, asserted or unasserted; provided that this Section IV.O shall be read in conjunction with the provisions for Indirect Employee Indemnity Claims set forth in Section III.D.5. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. For the avoidance of doubt, no indemnification provision in any loan document, bond document, Bond Insurance Policy or other agreement with a Bond Insurer is exempted from discharge by reason of this Section IV.O.

P. Incorporation of Retiree Health Care Settlement Agreement.

The terms of the Retiree Health Care Settlement Agreement resolving the Retiree Health Care Litigation, which agreement is attached hereto as Exhibit I.A.298, are incorporated herein by reference and shall be binding upon the parties thereto.

Q. Payment of Workers' Compensation Claims.

From and after the Effective Date, (a) the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for benefits and liabilities for which the City is responsible under applicable State workers' compensation law, regardless of when the applicable injuries were incurred, in accordance with the City's prepetition practices and procedures and governing State workers' compensation law, and (b) nothing in the Plan shall discharge, release or relieve the City from any current or future liability under applicable State workers' compensation law. The City expressly reserves the right to challenge the validity of any claim for benefits or liabilities arising under applicable State workers' compensation law.

R. 36th District Court Settlement.

The City and the Settling 36th District Court Claimants have reached a settlement related to (1) the allowance of certain of the Settling 36th District Court Claimants' Claims and (2) the treatment of Allowed Indirect 36th District Court Claims under the Plan substantially on the terms attached hereto as Exhibit I.A.9. The 36th District Court Settlement is incorporated into the Plan, which shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, such settlement pursuant to Bankruptcy Rule 9019.

S. Payment of Certain Claims Relating to the Operation of City Motor Vehicles.

From and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay valid prepetition Claims for liabilities with respect to which the City is required to maintain insurance coverage pursuant to MCL § 500.3101 in connection with the operation of the City's motor vehicles, as follows: (1) Claims for personal protection benefits as provided by MCL § 500.3107 and MCL § 500.3108, for which insurance coverage is required by MCL § 500.3101(1), shall be paid in full, to the extent valid, provided, however, that the City will not be liable for or pay interest or attorneys' fees under MCL § 500.3142

or MCL § 500.3148 on prepetition Claims for personal protection benefits; (2) tort claims permitted by MCL § 500.3135, for which residual liability insurance coverage is required by MCL § 500.3101(1) and MCL § 500.3131, shall be paid, to the extent valid, only up to the minimum coverages specified by MCL § 500.3009(1), i.e., up to a maximum of (a) \$20,000 because of bodily injury to or death of one person in any one accident, and subject to that limit for one person, (b) \$40,000 because of bodily injury to or death of two or more persons in any one accident and (c) \$10,000 because of injury to or destruction of property of others in any accident; and (3) Claims for property protection benefits under MCL § 500.3121 and MCL § 500.3123 shall be paid, to the extent valid, only up to the maximum benefits specified in MCL § 500.3121; provided, however, for the avoidance of doubt, to the extent any valid Claim subject to subsections 2 and 3 above exceeds the applicable payment limits, the excess claim amount shall be treated as an Other Unsecured Claim or a Convenience Claim (as applicable). Nothing in the Plan shall discharge, release or relieve the City from any current or future liability with respect to Claims subject to insurance coverage pursuant to MCL § 500.3101 or Claims within the minimum coverage limits in MCL § 500.3009(1). The City expressly reserves the right to challenge the validity of any Claim subject to this Section IV.S, and nothing herein shall be deemed to expand the City's obligations or claimants' rights with respect to these Claims under State law.

T. Payment of Tax Refund Claims.

From and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for income tax refunds and property tax refunds for which the City is responsible under applicable law, regardless of when the applicable right to a refund arose, in accordance with the City's prepetition practices and procedures. The City expressly reserves the right to challenge the validity of any claim for an income tax refund or property tax refund.

U. Utility Deposits.

From and after the Effective Date, the City will continue to administer utility deposits in accordance with the City's prepetition practices and procedures, including the payment of any undisputed, non-contingent, liquidated claims against the City for the refund of a utility deposit.

V. Pass-Through Obligations.

The City shall continue to honor its Pass-Through Obligations to the Pass-Through Recipients.

W. Exit Facility.

On the Effective Date, the City shall enter into the Exit Facility, as well as any ancillary notes, documents or agreements in connection therewith, including, without limitation, any documents required in connection with the creation or perfection of the liens securing the Exit Facility.

X. Post-Effective Date Governance.

Prior to or on the Effective Date, the Financial Review Commission shall be established pursuant to and in accordance with the Financial Review Commission Act. The Financial Review Commission shall provide oversight as set forth in the Financial Review Commission Act, including to ensure that, post-Effective Date, the City adheres to the Plan and continues to implement financial and operational reforms that promote more efficient and effective delivery of services to City residents. The City shall promptly provide to the Bankruptcy Court copies of any reports given to, or received from, the Financial Review Commission. Nothing herein shall expand, limit or otherwise modify the role or powers of the Financial Review Commission.

ARTICLE V
PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN

A. Appointment of Disbursing Agent.

The City may act as Disbursing Agent or may employ or contract with other Entities to act as the Disbursing Agent or to assist in or make the Distributions required by the Plan. Any Disbursing Agent appointed by the City will serve without bond. Other than as specifically set forth in the Plan, the Disbursing Agent shall make all Distributions required to be made under the Plan.

B. Distributions on Account of Allowed Claims.

Except as otherwise provided in the Plan, on the Effective Date or as soon as practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive from the Disbursing Agent, the Bond Agent or the COP Agent, as applicable, the Distributions that the Plan provides for Allowed Claims in the applicable Class. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Section VI.B. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the Distributions provided for in the Plan, regardless of whether such Distributions are delivered on or at any time after the Effective Date. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a Distribution in excess of the Allowed amount of such Claim.

C. Certain Claims to Be Expunged.

Any Claim that has been or is hereafter listed in the List of Creditors as contingent, unliquidated or disputed, and for which no proof of Claim is or has been timely Filed, is not considered to be an Allowed Claim and shall be expunged without further action by the City and without further notice to any party or any action, approval or order of the Bankruptcy Court.

D. Record Date for Distributions; Exception for Bond Claims.

With the exception of Bond Claims, neither the City nor any Disbursing Agent will have any obligation to recognize the transfer of, or the sale of any participation in, any Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims (including Holders of Claims that become Allowed after the Distribution Record Date) that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. With the exception of the Bond Claims, the City and any Disbursing Agent shall instead be entitled to recognize and deal for all purposes under the Plan with only those record Holders stated on the official Claims Register as of the close of business on the Distribution Record Date. Unless otherwise set forth in the Confirmation Order, the City shall not establish a record date for Distributions to Holders of Bond Claims.

E. Means of Cash Payments.

Except as otherwise specified herein, all Cash payments made pursuant to the Plan shall be in U.S. currency and made by check drawn on a domestic bank selected by the Disbursing Agent or, at the option of the Disbursing Agent, by wire transfer, electronic funds transfer or ACH from a domestic bank selected by the Disbursing Agent; provided, however, that Cash payments to foreign Holders of Allowed Claims may be made, at the option of the Disbursing Agent, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

F. Selection of Distribution Dates for Allowed Claims.

Except where the Plan requires the making of a Distribution on account of a particular Allowed Claim within a particular time, the Disbursing Agent shall have the authority to select Distribution Dates that, in the judgment of the Disbursing Agent, provide Holders of Allowed Claims with payments as quickly as reasonably practicable while limiting the costs incurred in the distribution process. Upon the selection of a Distribution Date by the Disbursing Agent, the Disbursing Agent shall File a notice of such Distribution Date that provides information regarding the Distribution to be made.

G. Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.

No Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the City's insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy; provided that, if the City believes a Holder of an Allowed Claim has recourse to an insurance policy and intends to direct the Disbursing Agent to withhold a Distribution pursuant to this Section V.G, the City shall provide written notice to such Holder regarding what the City believes to be the nature and scope of applicable insurance coverage. To the extent that one or more of the City's insurance carriers agrees to satisfy a Claim in full, then immediately upon such agreement such Claim may be expunged without a Claims objection having to be Filed and without any further notice or any action, order or approval of the Bankruptcy Court. Nothing in the Plan, including this Section V.G, shall constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities that any Entity may hold against any other Entity, including the City's insurance carriers and Bond Insurers, other than the City. For the avoidance of doubt, this Section shall not apply to Bond Insurance Policies or Swap Insurance Policies.

H. City's Rights of Setoff Preserved.

Notwithstanding anything to the contrary in the Plan, pursuant to section 553 of the Bankruptcy Code or otherwise applicable non-bankruptcy law, the City may set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim the claims, rights and Causes of Action of any nature that the City may assert against the Holder of such Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim pursuant to the terms of the Plan shall constitute a waiver or release by the City of any claims, rights and Causes of Action that the City may assert against such Holder, all of which are expressly preserved.

I. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Delivery of Distributions Generally.

Except as set forth in Section V.I.2, Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the City's records unless such addresses are superseded by proofs of Claim or transfers of Claim Filed pursuant to Bankruptcy Rule 3001.

2. Delivery of Distributions on Account of Bond Claims.

Distributions on account of the Bond Claims shall (a) be made by the Disbursing Agent to the Bond Agent under the applicable Bond Documents for the benefit of Holders of Bond Claims and (b) be deemed completed when made by the Disbursing Agent to the Bond Agent as if such Distributions were made directly to the Holders of such Claims. The applicable Bond Agent, in turn, shall make such distributions to the applicable Holders pursuant to the terms and conditions of the applicable Bond Documents and subject to the respective rights, claims and interests, if any, that the Bond Agent may have under the applicable Bond Documents or otherwise to the recovery or reimbursement of their fees, costs and expenses (including the fees, costs and expenses of counsel and financial advisors) from any distribution hereunder, whether such rights, claims or interests are in the nature of a charging lien or otherwise. The Bond Agent shall not be required to give any bond, surety or other security for the performance of its duties with respect to such Distributions.

3. De Minimis Distributions / No Fractional New Securities.

No distribution shall be made by the Disbursing Agent on account of an Allowed Claim if the amount to be distributed to the specific Holder of an Allowed Claim on the applicable Distribution Date has an economic value of less than \$25.00. No fractional New Securities shall be distributed. Where a fractional portion of a New Security otherwise would be called for under the Plan, the actual issuance shall reflect a rounding down to the nearest whole New Security.

4. Undeliverable or Unclaimed Distributions.

In the event that any Distribution to any Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such Distribution shall be made to such Holder without interest.

Any Holder of an Allowed Claim that does not claim an undeliverable or unclaimed Distribution within six months after the Effective Date shall be deemed to have forfeited its claim to such Distribution and shall be forever barred and enjoined from asserting any such claim against the City or its property. In such cases, any Cash held by the City on account of such undeliverable or unclaimed Distributions shall become the property of the City free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary. Any New Securities held for distribution on account of such Claims shall be canceled and of no further force or effect. Nothing contained in the Plan shall require any Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

5. Time Bar to Cash Payment Rights.

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Disbursing Agent by the Holder of the Allowed Claim to whom such check originally was issued within 180 days after the date of the original check issuance. After such date, the Claim of any Holder to the amount represented by such voided check shall be released and forever barred from assertion against the City and its property.

J. Other Provisions Applicable to Distributions in All Classes.

1. No Postpetition Interest.

Except as otherwise specifically provided for in the Plan, or required by applicable bankruptcy law, the City shall have no obligation to pay any amount that constitutes or is attributable to interest on an Allowed Claim accrued after the Petition Date and no Holder of a Claim shall be entitled to be paid any amount that constitutes or is attributable to interest accruing on or after the Petition Date on any Claim without regard to the characterization of such amounts in any document or agreement or to whether such amount has accrued for federal income tax purposes. Any such amount that constitutes or is attributable to interest that has been accrued and has not been paid by the City shall be cancelled as of the Effective Date for federal income tax purposes.

2. Compliance with Tax Requirements.

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the City and any Disbursing Agent shall comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions under the Plan shall be subject to such withholding and reporting requirements. All such amounts withheld and paid to the appropriate governmental unit shall be treated as if made directly to the Holder of an Allowed Claim. The City and the Disbursing Agent shall be authorized to take any actions that they determine, in their reasonable discretion, to be necessary or appropriate to comply with such withholding and reporting requirements, including withholding Distributions pending receipt of information necessary to facilitate such Distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

Notwithstanding any other provision of the Plan, each Entity receiving or deemed to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax imposed on such Entity on account of such Distribution, including income, withholding and other Tax obligations. The City has the right, but not the obligation, to refuse, or to direct a Disbursing Agent to refuse, to make a Distribution until a Holder of an Allowed Claim has made arrangements satisfactory to the City and any Disbursing Agent for payment of any such Tax obligations. The City may require, as a condition to making a Distribution, that the Holder of an Allowed Claim provide the City or any Disbursing Agent with a completed Form W-8, W-9 or other Tax information, certifications and supporting documentation, as applicable.

If the City makes such a request and the Holder of an Allowed Claim fails to comply before the date that is 180 days after the initial request is made, the amount of such Distribution shall irrevocably revert to the City and any Claim in respect of such Distribution shall be released and forever barred from assertion against the City and its property.

3. Allocation of Distributions.

All Distributions to Holders of Allowed Claims that have components of principal and interest shall be deemed to apply first to the principal amount of such Claim until such principal amount is paid in full, and then the remaining portion of such Distributions, if any, shall be deemed to apply to any applicable accrued interest included in such Claim to the extent interest is payable under the Plan.

4. Surrender of Instruments.

As a condition to participation under this Plan, the Holder of a note, debenture or other evidence of indebtedness of the City that desires to receive the property to be distributed on account of an Allowed Claim based on such note, debenture or other evidence of indebtedness shall surrender such note, debenture or other evidence of indebtedness to the City or its designee (unless such Holder's Claim will not be Impaired by the Plan, in which case such surrender shall not be required), and shall execute and deliver such other documents as are necessary to effectuate the Plan; provided, however, that, if a claimant is a Holder of a note, debenture or other evidence of indebtedness for which no physical certificate was issued to the Holder but which instead is held in book-entry form pursuant to a global security held by the Depository Trust Company or other securities depository or custodian thereof, there shall be no requirement of surrender. In the City's sole discretion, if no surrender of a note, debenture or other evidence of indebtedness occurs and the Holder of Claim does not provide an affidavit and indemnification agreement, in form and substance reasonably satisfactory to the City, that such note, debenture or other evidence of indebtedness was lost, then no distribution may be made to such Holder in respect of the Claim based on such note, debenture or other evidence of indebtedness. For the avoidance of doubt, (a) no Bond, note, debenture or other evidence of indebtedness of the City shall be surrendered or deemed surrendered that is subject to any Bond Insurance Policy and (b) no COP shall be surrendered or deemed surrendered hereby to the extent necessary to make or preserve a claim under any applicable policies or other instruments insuring the COPs and obligations related thereto or against any party, other than the City, that insures the COPs. Notwithstanding the foregoing, such Bonds or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City.

ARTICLE VI PROCEDURES FOR RESOLVING DISPUTED CLAIMS

A. Treatment of Disputed Claims.

1. General.

No Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) allowing such Claim. Notwithstanding any other provision of the Plan, no payments or Distributions shall be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. Without limiting the foregoing in any way, no partial payments and no partial Distributions will be made with respect to a disputed, contingent or

unliquidated Claim, or with respect to any Claim for which a proof of Claim has been Filed but not Allowed, until the resolution of such disputes or estimation or liquidation of such Claim by settlement or by Final Order.

2. ADR Procedures.

At the City's option, any Disputed Claim designated or eligible to be designated for resolution through the ADR Procedures may be submitted to the ADR Procedures in accordance with the terms thereof and the ADR Procedures Order. For the avoidance of doubt, the designation of a Disputed Claim for resolution through the ADR Procedures, either prior to or after the Effective Date, will not modify, and will not be deemed to have modified, the terms of the ADR Injunction imposed pursuant to the ADR Procedures Order. Disputed Claims not resolved through the ADR Procedures will be resolved pursuant to the Plan.

3. Tort Claims.

At the City's option, any unliquidated Tort Claim (as to which a proof of Claim was timely Filed in the Chapter 9 Case) not resolved through the ADR Procedures or pursuant to a Final Order of the Bankruptcy Court will be determined and liquidated in the administrative or judicial tribunal(s) in which it is pending on the Effective Date (subject to the City's right to seek removal or transfer of venue) or, if no action was pending on the Effective Date, in an administrative or judicial tribunal of appropriate jurisdiction that (a) has personal jurisdiction over the parties, (b) has subject matter jurisdiction over the Tort Claim and (c) is a proper venue. The City may exercise the above option by service upon the holder of the applicable Tort Claim of a notice informing such holder that the City has exercised such option (which notice shall be deemed to satisfy the notice requirements of Section I.B of the ADR Procedures). Upon the City's service of such notice, the automatic stay imposed pursuant to sections 362 and 922 of the Bankruptcy Code (along with any extension of such stay pursuant to the terms of the Stay Extension Order) or, after the Effective Date, the injunction set forth at Section III.D.5, will be deemed modified, without the necessity for further Bankruptcy Court approval or any further action by the City, solely to the extent necessary to allow the parties to determine or liquidate the Tort Claim in the applicable administrative or judicial tribunal(s); provided that nothing contained in this Section will modify, or will be deemed to have modified, the terms of the Stay Extension Order with respect to any Tort Claim prior to the City having served notice of its intent to determine and liquidate such Tort Claim pursuant to this Section. If the City does not serve such a notice upon a holder of a Tort Claim by the Claims Objection Bar Date, such holder may file a motion with the Bankruptcy Court no later than 30 days after the Claims Objection Bar Date seeking relief from the discharge injunction imposed pursuant to Section III.D.5 in order to liquidate and determine its Claim, which right and the deadline for exercising such right shall be set forth in the notice of entry of the Confirmation Order.

Any Tort Claim determined and liquidated pursuant to a judgment obtained in accordance with this Section VI.A.3 and applicable non-bankruptcy law that is no longer appealable or subject to review will be deemed an Allowed Claim, provided that only the amount of such Allowed Tort Claim that is not satisfied from proceeds of insurance payable to the holder of such Allowed Tort Claim will be treated as an Allowed Claim for the purposes of distributions under the Plan and subject to the terms of the Plan. Distributions on account of any such Allowed Tort Claim shall be made in accordance with the Plan. Nothing contained in this Section will constitute or be deemed a waiver of any claim, right or Cause of Action that the City may have against any Entity in connection with or arising out of any Tort Claim, including any rights under section 157(b)(5) of title 28 of the United States Code. All claims, demands, rights, defenses and Causes of Action that the City may have against any Entity in connection with or arising out of any Tort Claim are expressly retained and preserved.

B. Disputed Claims Reserve.

On and after the Effective Date, until such time as all Disputed Claims have been compromised and settled or determined by Final Order and before making any Distributions, consistent with and subject to section 1123(a)(4) of the Bankruptcy Code, the City shall establish and maintain a reserve of property equal to (1) the Distributions to which Holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the Face Amount of such Disputed Claims or (2) such lesser amount as required by an order of the Bankruptcy Court. On the first Distribution Date that is at least 30 days (or such fewer days as may be agreed to by the City in its sole discretion) after the date on which a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall remit to the Holder of such Allowed Claim any Distributions such Holder would have been

entitled to under the Plan on account of such Allowed Claim had such Claim been Allowed as of the Effective Date. If a Disputed Claim is disallowed by Final Order, the property reserved on account shall become available for Distribution to the Holders of Allowed Claims within the Class(es) entitled to receive such property. Each Holder of a Disputed Claim that ultimately becomes an Allowed Claim will have recourse only to the assets held in the disputed claims reserve and not to any other assets held by the City, its property or any property previously distributed on account of any Allowed Claim.

C. Objections to Claims.

1. Authority to Prosecute, Settle and Compromise.

The City's rights to object to, oppose and defend against all Claims on any basis are fully preserved. As of the Effective Date, only the City shall have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, including pursuant to the ADR Procedures or any similar procedures approved by the Bankruptcy Court. Any objections to Claims shall be Filed no later than the Claims Objection Bar Date. On and after the Effective Date, the City may settle or compromise any Disputed Claim or any objection or controversy relating to any Claim without any further notice or any action, order or approval of the Bankruptcy Court.

2. Expungement or Adjustment of Claims Without Objection.

Any Claim that has been paid, satisfied or superseded shall be expunged from the Claims Register by the Claims and Balloting Agent at the request of the City, and any Claim that has been amended by the Holder of such Claim shall be adjusted on the Claims Register by the Claims and Balloting Agent at the request of the City, without the Filing of an objection and without any further notice or any action, order or approval of the Bankruptcy Court.

3. Extension of Claims Objection Bar Date.

Upon motion by the City to the Bankruptcy Court, the City may request, and the Bankruptcy Court may grant, an extension to the Claims Objection Bar Date generally or with respect to specific Claims. Any extension granted by the Bankruptcy Court shall not be considered to be a modification to the Plan under section 1127 of the Bankruptcy Code.

4. Authority to Amend List of Creditors.

The City will have the authority to amend the List of Creditors with respect to any Claim and to make Distributions based on such amended List of Creditors without approval of the Bankruptcy Court. If any such amendment to the List of Creditors reduces the amount of a Claim or changes the nature or priority of a Claim, the City will provide the Holder of such Claim with notice of such amendment and such Holder will have 20 days to File an objection to such amendment with the Bankruptcy Court. If no such objection is Filed, the Disbursing Agent may proceed with Distributions based on such amended List of Creditors without approval of the Bankruptcy Court.

**ARTICLE VII
RETENTION OF JURISDICTION**

Pursuant to sections 105(c), 945 and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 9 Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

A. Allow, disallow, estimate, determine, liquidate, reduce, classify, re-classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the amount, allowance, priority or classification of Claims;

B. Confirm the maturity date and the terms as written of the collective bargaining agreements identified on Exhibit II.D.5 of the Plan, which agreements are incorporated as part of the Plan (it being understood that the enforcement, interpretation and resolution of disputes of the terms of the contracts shall proceed under applicable state law);

C. Resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including claims for payment of any cure amount;

D. Ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

E. Adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving the City that may be pending on the Effective Date or brought thereafter;

F. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

G. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;

H. Approve any modification of the Plan or approve any modification of the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any order, the Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or enter any order in aid of confirmation pursuant to sections 945 and 1142(b) of the Bankruptcy Code, in such manner as may be necessary or appropriate to consummate the Plan;

I. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

J. Adjudicate, decide or resolve any matters relating to the City's compliance with the Plan and the Confirmation Order consistent with section 945 of the Bankruptcy Code;

K. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or Distributions pursuant to the Plan are enjoined or stayed;

L. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

M. Resolve any matters, cases, controversies, suits or disputes that may arise in connection with the FGIC Development Agreement;

N. Resolve any matters, cases, controversies, suits or disputes that may arise in connection with the Syncora Development Agreement

O. Enforce or clarify any orders previously entered by the Bankruptcy Court in the Chapter 9 Case;

P. Enter a final decree closing the Chapter 9 Case pursuant to section 945(b) of the Bankruptcy Code; and

Q. Hear any other matter over which the Bankruptcy Court has jurisdiction under the provisions of the Bankruptcy Code and the Bankruptcy Rules subject to any limits on the Bankruptcy Court's jurisdiction and powers under sections 903 and 904 of the Bankruptcy Code.

ARTICLE VIII MISCELLANEOUS PROVISIONS

A. Plan Supplements.

All Plan Supplements not previously filed will be Filed no later than ten days before the Confirmation Hearing.

B. Modification of the Plan.

Subject to section 942 and 1127(d) of the Bankruptcy Code, the City may alter, amend or modify the Plan or the Exhibits at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as altered, amended or modified so long as the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

C. Revocation of the Plan.

The City reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the City revokes or withdraws the Plan, or if the Confirmation Date does not occur, then the Plan shall be null and void in all respects, and nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, shall be or shall be deemed to be: (1) a waiver or release of any claims by or against the City; (2) an admission of any sort by the City or any other party in interest, or (3) prejudicial in any manner to the rights of the City or any other party in interest.

D. Severability of Plan Provisions.

If any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, in each case at the election of and with the consent of the City, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the City's consent; and (3) non-severable and mutually dependent.

E. Effectuating Documents and Transactions.

The City is authorized to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and any notes or securities issued pursuant to the Plan. All such actions shall be deemed to have occurred and shall be in effect pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the City Council, the Emergency Manager, the Mayor or any employees or officers of the City. On the Effective Date, the appropriate employees and officers of the City are authorized and directed to execute and deliver the agreements, documents and instruments contemplated

by the Plan, and to take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan, in the name and on behalf of the City.

F. Successors and Assigns.

Except as expressly provided otherwise in the Plan, the rights, benefits and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign, Affiliate, representative, beneficiary or guardian, if any, of each Entity.

G. Plan Controls.

In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence.

H. Notice of the Effective Date.

On or before ten Business Days after occurrence of the Effective Date, the City shall mail or cause to be mailed to all Holders of Claims a notice that informs such Holders of (1) entry of the Confirmation Order; (2) the occurrence of the Effective Date; (3) the assumption and rejection of Executory Contracts and Unexpired Leases pursuant to the Plan, as well as the deadline for the filing of Claims arising from such rejection; (4) the deadline for the filing of Administrative Claims; and (5) such other matters as the City deems to be appropriate.

I. Governing Law.

Unless (1) a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or (2) otherwise specifically stated herein or in any contract, articles or certificates of incorporation, bylaws, codes of regulation, ordinance, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the laws of the State of Michigan, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan and any contract, articles or certificates of incorporation, bylaws, codes of regulation, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan.

J. Request for Waiver of Automatic Stay of Confirmation Order.

The Plan shall serve as a motion seeking a waiver of the automatic stay of the Confirmation Order imposed by Bankruptcy Rule 3020(e). Any objection to this request for waiver shall be Filed and served on the parties listed in Section VIII.L on or before the Voting Deadline.

K. Term of Existing Injunctions and Stays.

All injunctions or stays provided for in the Chapter 9 Case under sections 105, 362 or 922 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

L. Service of Documents

Any pleading, notice or other document required by the Plan or the Confirmation Order to be served on or delivered to (1) the City and (2) the Retiree Committee must be sent by overnight delivery service, facsimile transmission, courier service or messenger to:

1. The City

David G. Heiman, Esq.
Heather Lennox, Esq.
Thomas A. Wilson, Esq.
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett, Esq.
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243 2382
Facsimile: (213) 243 2539

Jonathan S. Green, Esq.
Stephen S. LaPlante, Esq.
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

(Counsel to the City)

2. The Retiree Committee

Claude Montgomery, Esq.
Carole Neville, Esq.
DENTONS US LLP
1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 768-6700
Facsimile: (212) 768-6800

Sam J. Alberts, Esq.
DENTONS US LLP
1301 K Street NW, Suite 600, East Tower
Washington, DC 20005-3364
Telephone: (202) 408-6400
Facsimile: (202) 408-6399

Matthew E. Wilkins, Esq.
Paula A. Hall, Esq.
BROOKS WILKINS SHARKEY & TURCO PLLC
401 South Old Woodward, Suite 400
Birmingham, Michigan 48009
Telephone: (248) 971-1711
Facsimile: (248) 971-1801

(Counsel to the Retiree Committee)

Dated: October 22, 2014

Respectfully submitted,

The City of Detroit, Michigan

By: /s/ Kevyn D. Orr
Name: Kevyn D. Orr
Title: Emergency Manager for the City of Detroit, Michigan

COUNSEL:

/s/ David G. Heiman

David G. Heiman
Heather Lennox
Thomas A. Wilson
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243 2382
Facsimile: (213) 243 2539

Jonathan S. Green
Stephen S. LaPlante
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

ATTORNEYS FOR THE DEBTOR

EXHIBIT I.A.9

PRINCIPAL TERMS OF 36TH DISTRICT COURT SETTLEMENT

TERM SHEET REGARDING CLAIMS INVOLVING 36TH DISTRICT COURT

I. Parties	<ul style="list-style-type: none">• The City of Detroit, Michigan (the "<u>City</u>")• The 36th District Court, State of Michigan (the "<u>36th District Court</u>")• Local 917 and Local 3308 of the American Federation of State, County and Municipal Employees (the "<u>AFSCME Locals</u>")• Bobby Jones, Richard T. Weatherly, Roderick Holley and Carlton Carter (collectively, the "<u>Individual Claimants</u>" and, together with the City, the 36th District Court and the AFSCME Locals, the "<u>Parties</u>")
II. Resolved Proofs of Claim	<p>This Term Sheet applies to all proofs of claim (collectively, the "<u>Claims</u>") filed by: (a) the AFSCME Locals, (b) the individuals and entities identified in the AFSCME Locals Claim (as defined below), with the exception of any proof of claim filed by Arnette Rodgers solely to the extent such proof of claim asserts liabilities that arise from that certain proceeding pending in the United States District Court for the Eastern District of Michigan and captioned <u>Arnette Rodgers, et al. v. 36th District court and Chief Judge Marilyn Adkins</u>, Case No. 10-cv-11799 (E.D. Mich.); (c) the Individual Claimants; and (d) the 36th District Court. The Claims include, without limitation, the following proofs of claim:</p> <ul style="list-style-type: none">• Proof of claim number 1828 filed by Bobby Jones (the "<u>Jones Claim</u>") asserting a general unsecured nonpriority claim in the amount of \$1,039,242.40;• Proof of claim number 1843 filed by Richard T. Weatherly (the "<u>Weatherly Claim</u>") asserting the total amount of \$1,580,708.74 (consisting of \$1,568,233.74 asserted as a general unsecured nonpriority claim and \$12,475.00 asserted as a priority claim pursuant to section 507(a)(4) of title 11 of the United States Code (the "<u>Bankruptcy Code</u>"));• Proof of claim number 2280 filed by Roderick Holley (the "<u>Holley Claim</u>") asserting the total amount of \$1,408,200.13 (consisting of \$1,395,725.13 asserted as a general unsecured nonpriority claim and \$12,475.00 asserted as a priority claim pursuant to section 507(a)(4) of the Bankruptcy Code);• Proof of claim number 2281 filed by Carlton Carter (the "<u>Carter Claim</u>") asserting a general unsecured nonpriority claim in the total amount of \$1,621,760.41;• Proof of claim number 2422 filed by the 36th District Court (the "<u>36th District Court Claim</u>") asserting contingent and unliquidated liabilities against the City; and• Proof of claim number 2841 filed by the AFSCME Locals (the "<u>AFSCME Locals Claim</u>") asserting general unsecured nonpriority claims in the total amount of \$8,747,322.44 on behalf of the AFSCME Locals' members and themselves arising from grievances, administrative actions and other legal proceedings that the AFSCME Locals commenced against the 36th District Court.

<p>III. Agreed Liquidated Amounts of Claims</p>	<p>By agreement of the Parties, (a) the 36th District Court Claim is withdrawn with prejudice and (b) the remaining Claims (collectively, the "<u>Allowed Claims</u>") are liquidated and deemed allowed as follows:</p> <ul style="list-style-type: none"> • The Jones Claim is liquidated as a nonpriority unsecured claim in the amount \$1,061,716.99. • The Weatherly Claim is liquidated as a nonpriority unsecured claim in the amount of \$1,486,820.23. • The Holley Claim is liquidated as a nonpriority unsecured claim in the amount of \$1,438,322.30. • The Carter Claim is liquidated as a nonpriority unsecured claim in the amount of \$1,656,869.17. • The AFSCME Locals Claim is liquidated as a nonpriority unsecured claim in the amount of \$319,721.00, consisting of the following amounts relating to the grievance claims of the following parties with respect to the 36th District Court (collectively, the "<u>Grievances</u>"): <ul style="list-style-type: none"> ○ Donnita Cleveland (Grievance Nos. BH31808 and NKC11-1-7) - \$85,000.00 ○ Arnette Rodgers (Grievance Nos. BH022709 and BH120408) - \$125,000.00 ○ Jonathan Mapp (Case No. 13-154132) - \$75,000.00 ○ Annette Walton (Grievance No. BH102408) - \$500.00 ○ Quanetta Anderson (Grievance No. BH081007) - \$1,250.00 ○ Pamela Muldron (Grievance No. BH081110) - \$1,500.00 ○ Samuel Jamison (Arbitration No. AJ-30512/AJ-32712) - \$10,000.00 ○ Kiambu Boyd (Grievance No. 4-BH091710) - \$2,940.00 ○ Selena Wilson (wrongful suspension claim) - \$488.00 ○ Laticia Lemus (Grievance No. YM5208) - \$750.00 ○ Michele Hembree (Arbitration No. A17671-3308-07) - \$293.00 ○ AFSCME Local 3308 (Grievance No. BH011608) - \$16,500.00 • All (a) Claims other than the Allowed Claims and the 36th District Court Claim and (b) liabilities asserted in the AFSCME Locals Claim other than the Grievances are liquidated in the amount of \$0.00.
<p>IV. Mutual Releases</p>	<p>Effective upon the date of approval of this settlement by the Bankruptcy Court, each of the Parties shall for itself and for each of its successor firms, parents, subsidiaries, affiliates, assigns, agents, attorneys, representatives, executors and administrators, present and former members, principals, judges, officers and employees, and each of their respective assigns, agents, representatives, partners, heirs, executors and administrators release each and every other Party and each of its successor firms, parents, subsidiaries, affiliates, assigns, agents, attorneys, representatives, executors and administrators, present and former members, principals, judges, officers and employees, and each of their respective assigns, agents, representatives, partners, heirs, executors and administrators of all claims and causes of action, whether legal or equitable, known or unknown, that arose prior to such date (including, without limitation, the reinstatement claims of Richard T. Weatherly and Arnette Rodgers) <u>provided, however</u>, that the Parties agree that the AFSCME Locals and the Individual Claimants (other than Richard T. Weatherly) shall not release the 36th District Court or any other parties with respect to that certain proceeding captioned <u>In the Matter of: 36th District Court, Respondent v. AFSCME Council 25, Local 917, Charging Party</u> (13-012254-MERC / C13 I-163).</p>

<p>V. Treatment of Claims Under the City's Fourth Amended Plan of Adjustment [Docket No. 4392] (as it may be modified, amended or supplemented, the "<u>Plan</u>")</p>	<p>Capitalized terms not otherwise defined in this section shall have the meanings given to them in the Plan.</p> <ul style="list-style-type: none"> • All of the Allowed Claims shall be Indirect 36th District Court Claims under the Plan. • All Indirect 36th District Court Claims shall be reclassified into a new Class 17 under the Plan, which will provide for the following treatment of Indirect 36th District Court Claims: <p>Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Indirect 36th District Court Claim, in full satisfaction of such Allowed Claim, shall receive: (a) if the Allowed Amount of such Indirect 36th District Court Claim is less than \$100,000.00, on or as soon as reasonably practicable after the Effective Date, Cash in an amount equal to 33% of the Allowed Amount of such Allowed Indirect 36th District Court Claim; or (b) if the Allowed Amount of such Indirect 36th District Court Claim is equal to or more than \$100,000.00, Cash, equal to 33% of the Allowed Amount of such Indirect 36th District Court Claim, plus simple interest on outstanding amounts at a rate of five percent <i>per annum</i>, payable in five equal annual installments, with the first installment to be paid on or as soon as reasonably practicable after the Effective Date and the remaining four installments to be paid on the date of the first four anniversaries of the Effective Date or, if any such date is not a business day, on the first business day thereafter.</p> <p>Subject to the terms of the 36th District Court Settlement, the foregoing shall fulfill any obligation of the City and the 36th District Court that may exist with respect to all Indirect 36th District Court Claims. Nothing in the foregoing prevents the Holder of an Indirect 36th District Court Claim from seeking further relief or payment from the State with respect to such Indirect 36th District Court Claim to the extent such Claim is not satisfied pursuant to the Plan.</p> <ul style="list-style-type: none"> • The City shall make such other modifications to the Plan as are necessary or appropriate to effectuate the foregoing treatment of Indirect 36th District Court Claims including, solely by way of example, by modifying the definition of "Other Unsecured Claim" under the Plan to exclude Indirect 36th District Court Claims. • Solely for the purpose of the treatment under the Plan of the AFSCME Locals Claim, each of the Grievances shall be deemed to be a separate Indirect 36th District Court Claim.
--	--

	<ul style="list-style-type: none"> For the avoidance of doubt, based on the foregoing treatment of the Allowed Claims in Class 17, the Individual Claimants and the AFSCME Locals will receive the following distributions in Cash on account of the Allowed Claims: <ul style="list-style-type: none"> The Jones Claim (\$350,366.61 payable in five equal annual payments in the amount of \$77,072.24) The Weatherly Claim (\$490,650.68 payable in five equal annual payments in the amount of \$107,931.37) The Holley Claim (\$474,646.36 payable in five equal annual payments in the amount of \$104,410.81) The Carter Claim (\$546,766.83 payable in five equal annual payments in the amount of \$120,275.58) The AFSCME Locals Claim (\$105,507.93), consisting of the following amounts relating to the claims of the following parties: (a) Donnita Cleveland (\$28,050.00 lump sum), (b) Arnette Rodgers (\$41,250.00 payable in five equal annual payments in the amount of \$9,074.01), (c) Jonathan Mapp (\$24,750.00 lump sum), (d) Annette Walton (\$165.00 lump sum), (e) Quanetta Anderson (\$412.50 lump sum), (f) Pamela Muldron (\$495.00 lump sum), (g) Samuel Jamison (\$3,300.00 lump sum), (h) Kiambu Boyd (\$970.20 lump sum), (i) Selena Wilson (\$161.04 lump sum), (j) Laticia Lemus (\$247.50 lump sum), (k) Michele Hembree (\$96.69 lump sum) and (l) AFSCME Local 3308 (\$5,445.00 lump sum).
VI. Plan Voting	The AFSCME Locals and the Individual Claimants each shall be deemed to have voted their applicable Claims in favor of the Plan in the amounts established by the Order Regarding the Voting of Claims Relating to the 36th District Court (Docket No. 5905).
VII. Discharge, Release and Injunction	<ul style="list-style-type: none"> Section III.D.5.b of the Plan shall be revised to add the following provision: <p><u>Notwithstanding the foregoing and without limiting the injunctions in Section III.D.5.a, the Holders of Indirect 36th District Court Claims shall not be enjoined from taking any of the foregoing actions against the State or the State Related Entities with respect to the liabilities asserted in the Indirect 36th District Court Claims, to the extent not satisfied pursuant to the Plan.</u></p> Section III.D.7.a of the Plan shall be revised to provide that no Holders of Indirect 36th District Court Claims shall, by voting in favor of the Plan, be deemed to release, waive and discharge the State and the State Related Entities with respect to any liabilities asserted in the Indirect 36th District Court Claims.
VIII.	The AFSCME Locals, the Individual Claimants and the 36th District Court shall stipulate to the entry of judgment against the 36th District Court in that certain proceeding pending in the Circuit Court for the County of Wayne and captioned <u>36th District Court v. Michigan American Federation of State, County and Municipal Employees Council 25, et al.</u> , Case No. 13-013170-CL, in the respective liquidated amounts set forth in Section III above with respect to the Jones Claim, the Weatherly Claim, the Holley Claim and the Carter Claim (the "Judgment"), <u>provided, however</u> , that the AFSCME Locals and the Individual Claimants shall waive all right to collect upon the Judgment from the City and the 36th District Court except pursuant to the terms of this settlement and the Plan.
IX. Definitive Documentation/ Court Approval	<ul style="list-style-type: none"> The foregoing terms are subject to definitive documentation reasonably acceptable to the Parties and approval of the Bankruptcy Court, which may be as part of the order confirming the Plan.

EXHIBIT I.A.66

SCHEDULE OF CLASS 9 ELIGIBLE CITY ASSETS

Schedule of Class 9 Eligible City Assets

1. RFP for City Parking Assets.
2. Any City-owned real property asset within a 3-mile radius of the terminus of the Detroit Windsor Tunnel in Detroit, Michigan; excluding all real property assets subject to the Development Agreement.

EXHIBIT I.A.88

SCHEDULE OF COP SWAP AGREEMENTS

SCHEDULE OF COP SWAP AGREEMENTS

COP Swap Agreements
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005, between Detroit Police and Fire Retirement System Service Corporation (" <u>DPFRS Service Corporation</u> ") and Merrill Lynch Capital Services, Inc. (as successor to SBS Financial Products Company LLC) (" <u>Merrill Lynch</u> ") and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0010) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005 between DFPRS Service Corporation and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0011) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of May 25, 2005 between Detroit General Retirement System Service Corporation (" <u>DGRS Service Corporation</u> ") and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0009) (as amended, modified or supplemented).
ISDA Master Agreement (including the Schedule thereto) dated as of June 7, 2006 between DGRS Service Corporation and Merrill Lynch and the Confirmation thereunder dated June 7, 2006 (bearing Reference No. SBSFPC-0012) (as amended, modified or supplemented).
ISDA Master Agreement between DGRS Service Corporation and UBS AG, dated as of June 7, 2006, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS AG Reference No. 37380291 (as amended, modified or supplemented).
ISDA Master Agreement between DFPRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS AG Reference No. 37380351 (as amended, modified or supplemented).
ISDA Master Agreement between DFPRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS Reference No. 37380313 (as amended, modified or supplemented).
ISDA Master Agreement between DGRS Service Corporation and UBS AG, dated as of May 25, 2005, including the Schedule and Credit Support Annex thereto and the Confirmations thereunder, dated June 7, 2006, bearing UBS Reference No. 37380341 (as amended, modified or supplemented).

EXHIBIT I.A.108

FORM OF DETROIT GENERAL VEBA TRUST AGREEMENT

CITY OF DETROIT GENERAL RETIREE HEALTH CARE TRUST

THIS TRUST AGREEMENT, entered into effective _____, 2014, by and among the City of Detroit ("Detroit" or the "City"), [_____ Bank] (the "Bank"), and the undersigned individual trustees ("Individual Trustees").

WITNESSETH:

WHEREAS, Detroit filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 in the United States Bankruptcy Court for the United States Bankruptcy Court Eastern District of Michigan (the "Court");

WHEREAS, pursuant to the Plan for the Adjustment of Debts of the City of Detroit (the "Plan of Adjustment"), the City agreed to establish a voluntary employees beneficiary association ("VEBA") to provide health care benefits to certain retirees and their Eligible Dependents;

WHEREAS, Detroit hereby establishes this City of Detroit General Retiree Health Care Trust (the "Trust");

WHEREAS, the undersigned Individual Trustees constituting the Board of Trustees shall be responsible for: (i) managing the property held by, and administration of, this Trust; and (ii) designing, adopting, maintaining and administering the "Health Care Plan for General Retirees of the City of Detroit" (the "Plan"), through which all health care benefits to the Trust's beneficiaries shall be provided;

WHEREAS, the Board of Trustees is willing to exercise the authority granted to it herein with regard to the Trust and Plan;

WHEREAS, through this Trust Agreement, Detroit intends to designate the Bank to serve in the capacity of the institutional trustee with respect to the Trust and to maintain custody of the Trust assets;

WHEREAS, the Bank is willing to receive, hold, and invest the assets of the Trust in accordance with the terms of this Trust Agreement; and

WHEREAS, the Trust and the interdependent Plan are intended to comply with the requirements of section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the "Code"), and are together intended to constitute a "governmental plan" within the meaning of section 3(32) of the Employee Retirement Income Security Act of 1974;

NOW THEREFORE, in consideration of the premises and the covenants contained herein, Detroit and the Bank agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Bank. The entity referred to in the Preamble to this Trust Agreement named to perform the duties set forth in this Trust Agreement, or any successor thereto appointed

by the Board in accordance with Section 7.3. Any corporation continuing as the result of any merger or consolidation to which the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed automatically to be continuing as the Bank.

Section 1.2 Board of Trustees or Board. The Board of Trustees is the body described in Article VIII to which Detroit has delegated responsibility for: (i) managing the property held by, and administering, this Trust; and (ii) designing, adopting, maintaining and administering the Plan, through which all benefits to the Trust's beneficiaries shall be provided. It shall be constituted and operated in accordance with Article IX.

Section 1.3 Code. The Internal Revenue Code of 1986, as amended, and any successor statute thereto.

Section 1.4 Detroit General VEBA Beneficiary. Has the meaning given to that term in the Plan of Adjustment.

Section 1.5 Eligible Dependent. An Eligible Retiree Member's dependent, within the meaning of Code section 501(c)(9) and the regulations promulgated thereunder, who is eligible to receive benefits under the Plan in accordance with its terms.

Section 1.6 Eligible Retiree Member. A former employee of Detroit, the Detroit Public Library, or the Detroit Regional Convention Facility Authority who is a Detroit General VEBA Beneficiary.

Section 1.7 Investment Manager. An investment manager appointed by the Board or its successor in accordance with the provisions of Section 9.4 hereof

Section 1.8 New B Notes. Has the meaning given to that term in the Plan of Adjustment.

Section 1.9 OPEB Claims Notes. The New B Notes the City is required to contribute to the Trust pursuant to the Plan of Adjustment.

Section 1.10 Other Supporting Organization. An organization other than the City, the Rate Stabilization Fund, or the Supporting Organization, having voluntarily contributed funds in excess of [\$500,000] to the Trust on or after the Effective Date.

Section 1.11 Participant. An Eligible Retiree Member or Eligible Dependent who is entitled to health care benefits pursuant to the terms of the Plan.

Section 1.12 Plan. The Health Care Plan for Retirees of the City of Detroit, to be adopted and thereafter amended from time to time by the Board, as specified herein, and which will provide health care benefits permitted to be provided by a VEBA under Code section 501(c)(9).

Section 1.13 Plan of Adjustment. The Plan for the Adjustment of Debts of the City of Detroit.

Section 1.14 Rate Stabilization Fund. The Rate Stabilization Reserves Fund maintained under the control of the Governing Board of the City of Detroit Employee Benefits Plan established pursuant to Title 9, Chapter VIII of the Charter of the City of Detroit for the exclusive purpose of providing hospital, surgical, and death benefits for current or former employees of the City.

Section 1.15 Supporting Organization. The Foundation for Detroit's Future, a not for profit that is created to collect certain contributions and make an annual contribution to an escrow account as described in Section 3.2, or the successor to such not for profit. The Supporting Organization was created to receive funds from organizations, including those listed in Exhibit B, and allocate such funds in the amounts described in Exhibit B, to, among other entities, this Trust Fund.

Section 1.16 Trust Agreement. This agreement as it may be amended thereafter from time to time by the parties hereto in accordance with the terms hereof.

Section 1.17 Trust or Trust Fund. The City of Detroit General Retiree Health Care Trust established by this Trust Agreement, comprising all property or interests in property held by the Bank from time to time under this Trust Agreement.

ARTICLE II ESTABLISHMENT OF TRUST

Section 2.1 Purpose. The Trust is established for the purpose of providing life, sickness, accident, and other similar benefits, directly, through the purchase of insurance, or by reimbursement of expenses, to the Participants in accordance with the Plan and consistent with Section 501(c)(9) of the Code and the regulations and other guidance promulgated thereunder. The Trust, together with the Plan, is intended to constitute a VEBA under Section 501(c)(9) of the Code.

Section 2.2 Receipt of Funds. The Bank shall accept all sums of money and other property contributed to the Trust pursuant to Article III. The Bank shall hold, manage and administer the Trust Fund without distinction between principal and income. The Bank shall be accountable for the contributions or transfers it receives, but shall not be responsible for the collection of any contributions or transfers to the Trust or enforcement of the terms of the OPEB Claims Notes.

Section 2.3 Inurement and Reversion Prohibited. At no time shall any part of the principal or income of the Trust Fund be used for, or diverted to, any purpose other than sponsoring, operating and administering the Plan and Trust to provide benefits that are permitted under Code section 501(c)(9) to Participants. Nothing in this Trust Agreement shall be construed in such a way as to prohibit the use of assets of the Trust Fund to pay reasonable fees and other expenses and obligations incurred in maintaining, administering and investing the Trust Fund or in sponsoring, administering and operating the Plan in accordance with the provisions of this Trust Agreement. At no time shall any part of the net earnings inure to the benefit of any individual other than through the provision of benefits as permitted under Code section 501(c)(9) and the regulations promulgated thereunder. In no event will the assets held in the Trust Fund revert to Detroit. Upon termination of the Trust Fund, any assets remaining upon satisfaction of all liabilities to existing Participants shall be applied, either directly or through the

purchase of insurance, to provide life, sick accident or other permissible benefits under Code section 501(c)(9) and the rules and regulations promulgated thereunder, pursuant to criteria consistent with such rules and regulations.

Section 2.4 No Guarantee. Nothing contained in the Trust or the Plan shall constitute a guarantee that the assets of the Trust Fund will be sufficient to pay any benefit to any person or make any other payment. The obligation of the Plan to pay any benefit provided under the Plan is expressly conditioned on the availability of cash in the Trust to pay the benefit, and no plan fiduciary or any other person shall be required to liquidate the OPEB Claims Notes or any other Plan asset in order to generate cash to pay benefits. Detroit shall not have any obligation to contribute any amount to the Trust except as provided in Article III. Except for payments of benefits under the Plan, no Participant shall receive any distribution of cash or other thing of current or exchangeable value, either from the Board or the Bank, on account of or as a result of the Trust Fund created hereunder.

Section 2.5 No Interest. Detroit shall not have any legal or equitable interest in the assets of the Trust Fund at any time, including following the termination of the Trust.

ARTICLE III CONTRIBUTIONS TO THE TRUST FUND

Section 3.1 Detroit Contributions. The Bank will accept the City's contribution of the OPEB Claims Notes to the Trust Fund pursuant to the Plan of Adjustment. Apart from the contribution of the OPEB Claims Notes, contributions to the Trust Fund made within sixty (60) days of the Effective Date by the Rate Stabilization Fund in the amount of \$[4.0] million, or from Other Supporting Organizations, and as otherwise provided in Section 3.2, Detroit shall have no further obligation to contribute to the Trust or otherwise fund the Plan. In connection with monies contributed by the Employee Benefit Plan of the City of Detroit, the General VEBA trustees shall establish a catastrophic illness fund within the General VEBA to be used to provide limited assistance to those participants who are otherwise unable to afford the cost of necessary and immediate life-threatening health care costs. The catastrophic illness fund shall operate pursuant to the criteria established in consultation with the Detroit Retired City Employees Association and approved by the VEBA Trustees.

Section 3.2 Other Contributions. The Bank will accept other contributions to the Trust Fund from Participants, from funds held in escrow by an escrow agent on behalf of the City that are received from the Supporting Organization, or from Other Supporting Organizations whether or not contributed through an escrow on behalf of the City.

ARTICLE IV PAYMENTS FROM THE TRUST FUND

Section 4.1 Payments from the Trust Fund.

(a) Subject to paragraph (b) below, the Bank shall make payments from the Trust Fund to provide, directly or through the purchase of insurance, benefits under the Plan as directed by the Board.

(b) To the extent permitted by law, the Bank shall be fully protected in making payments out of the Trust Fund, and shall have no responsibility to see to the application of such payments or to ascertain whether such payments comply with the terms of the Plan, and shall not be liable for any payment made by it in good faith and in the exercise of reasonable care without actual notice or knowledge of the impropriety of such payments hereunder. The Bank may withhold all or any part of any payment as the Bank in the exercise of its reasonable discretion may deem proper, to protect the Bank and the Trust against any liability or claim on account of any income or other tax whatsoever; and with all or any part of any such payment so withheld, may discharge any such liability. Any part of any such payment so withheld by the Bank that may be determined by the Bank to be in excess of any such liability will upon such determination by the Bank be paid to the person or entity from whom or which it was withheld.

Section 4.2 Method of Payments. The Bank may make any payment required to be made by it hereunder, unless directed otherwise by the Board, by direct electronic deposit of the amount thereof to the financial institution where the person or entity to whom or to which such payment is to be made maintains an account, or by mailing a check in the amount thereof by first class mail in a sealed envelope addressed to such person or entity to whom or to which such payment is to be made, according to the direction of the Board. If any dispute arises as to the identity or rights of persons who may be entitled to benefits hereunder, the Bank may withhold payment until such dispute is resolved by a court of competent jurisdiction or, at the discretion of the Board pursuant to written instructions.

Section 4.3 Excessive Payments. If the payment of any benefit under the Plan is determined to have been excessive or improper, and the recipient thereof fails to make repayment to the Bank or an administrator chosen by the Board of such excessive or improper payment upon the Bank's or administrator's request, the Bank shall deduct the amount of such excessive or improper payment from any other benefits thereafter payable to such person. Until repaid to the Bank or Bank's agent, the amount of said excessive or improper payment shall not be included in any report by the auditor, the Bank, or the administrator as an asset of the Plan or the Trust Fund.

ARTICLE V BANK POWERS AND DUTIES

Section 5.1 Powers of the Bank Generally. The Bank has whatever powers are required to discharge its obligations and to accomplish any of the purposes of this Trust Agreement, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Bank under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Bank.

Section 5.2 Powers Exercisable by the Bank in Its Discretion. The Bank is authorized and empowered to exercise the following powers at its discretion in satisfaction of the duties imposed on it under this Trust Agreement:

(a) To place securities orders, settle securities trades, hold securities in custody, deposit securities with custodians or securities clearing corporations or depositories or similar organizations, and other related activities as shall be necessary and appropriate in performing its duties under this Trust Agreement. Any indicia of ownership of any Trust Fund

assets, however, shall not be maintained outside the jurisdiction of the district courts of the United States. Trades and related activities conducted through a broker shall be subject to reasonable fees and commissions established by the broker, which may be paid from the Trust Fund or netted from the proceeds of trades.

(b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.

(c) To cause any investment in the Trust Fund to be registered in, or transferred into, its name as the institutional trustee or the name of its nominee or nominees, or to retain such investments unregistered in a form permitting transfer by delivery, but the books and records of the Bank shall at all times show that all such investments are part of the Trust Fund, and the Bank shall be fully responsible for any misappropriation in respect of any investment held by its nominee or held in unregistered form and shall cause the indicia of ownership to be maintained within the jurisdiction of the district courts of the United States.

(d) To deliver to the Board, or the person or persons identified by the Board, on a timely basis as required under Section 5.5, proxies and powers of attorney and related informational material, for any shares or other property held in the Trust.

Section 5.3 Powers Exercisable by the Bank Only Upon the Direction of the Board.
The Bank shall exercise the following powers only upon the direction of the Board (or, in the case of subparagraphs (a) and (b)), a duly appointed Investment Manager who has been conferred such power by the Board):

(a) To receive, hold, invest and reinvest Trust Fund assets and income under provisions of law from time to time existing and in accordance with Article IX.

(b) To exercise or abstain from exercising any option, privilege or right attaching to any Trust Fund assets.

(c) To make payments from the Trust Fund for the provision of benefits in accordance with Article IV and for the payment of expenses as provided in Section 5.8.

(d) To employ suitable agents and depositaries (domestic or foreign), public accountants, brokers, custodians, ancillary trustees, appraisers, enrolled actuaries, and legal counsel as shall be reasonably necessary and appropriate to fulfill its obligations under this Trust Agreement and to comply with the lawful instructions of the Board, and to pay their reasonable expenses and compensation.

(e) To pay any income or other tax or estimated tax, charge or assessment attributable to any property or benefit out of such property or benefit in its sole discretion, or any tax on unrelated business income of the Trust, if any, out of the Trust Fund.

(f) To vote, in person or by general or limited proxy, at any election of any corporation in which the Trust Fund is invested, and similarly to exercise, personally or by a general or limited power of attorney, any right appurtenant to any investment held in the Trust Fund.

(g) To accept, compromise or otherwise settle any obligations or liability due to or from them as the Bank hereunder, including any claim that may be asserted for taxes, assessments or penalties under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

(h) To act as the sole trustee in the event that the Board, by reason of death, resignation, or failure to appoint successor Individual Trustees, has fewer than three (3) members.

Section 5.4 Title to Trust Fund. All rights, title and interest in and to the Trust Fund shall at all times be vested exclusively in the Bank or any institutional successor trustee under this Trust Agreement.

Section 5.5 General Duties and Obligations of Bank.

(a) In accordance with Article II, the Bank shall hold all property received by it and any income and gains thereupon. In accordance with this Article and Article IX, the Bank shall manage, invest and reinvest the Trust Fund following the directions of the Board or a duly appointed Investment Manager (who has been conferred such power by the Board), shall collect the income therefrom, and shall make payments or disbursements as directed by the Board.

(b) Subject to the provisions of Articles VII and X, the Bank shall comply with any directive issued by the Board to withdraw and transfer all or any part of the Trust Fund to another institutional trustee, custodian or a funding agent.

(c) The Board shall have responsibility for directing the Bank as to the voting (by proxy or in person) of any shares or other property held in the Trust. Accordingly, the Bank shall deliver to the Board (or the person or persons identified by the Board), on a timely basis, proxies, powers of attorney and related informational material that are necessary for the Board to fulfill its responsibility.

The Bank may use agents to effect such delivery to the Board (or the person or persons identified by the Board).

(d) The Bank shall discharge its duties in the interests of Participants and for the exclusive purpose of providing benefits to Participants and defraying reasonable expenses of administering the Trust and the Plan and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in conduct of an enterprise of like character and with like aims. The Bank will be under no liability or obligation to anyone with respect to any failure of the Board to perform any of its obligations under the Plan or Trust Agreement or for any error or omission of the Board.

Section 5.6 Determination of Rights. The Bank shall have no power, authority, or duty hereunder in respect to the determination of the eligibility of any person to coverage under the Plan, or the entitlement of any person to any benefit payments under the Plan.

Section 5.7 Continuance of Plan; Availability of Funds. Neither the Board, the Bank nor Detroit assumes any contractual obligation as to the continuance of the Plan and shall not be

responsible for the adequacy of the Trust Fund to meet and discharge any liabilities under the Plan, and the Bank's obligation to make any payment shall be limited to amounts held in the Trust Fund at the time of the payment.

Section 5.8 Payment of Expenses. The Bank shall apply the assets of the Trust Fund to pay all reasonable costs, charges, and expenses (including, but not limited to, all brokerage fees and transfer tax expenses and other expenses incurred in connection with the sale or purchase of investments, all real and personal property taxes, income taxes and other taxes of any kind at any time levied or assessed under any present or future law upon, or with respect to, the Trust Fund or any property included in the Trust Fund and all legal, actuarial, accounting and financial advisory expenses) reasonably incurred by the Bank or the Board in connection with establishing, sponsoring, administering or operating the Trust or Plan. The Board shall by written certificate provided to the Bank request payment for any expenses related to the administration of the Trust and/or the Plan. Upon receipt of the written certificate, the Bank may make the payment requested by the Board. The expenses of the Bank shall constitute a lien on the Trust Fund.

Section 5.9 Bank Compensation. The Bank will apply the assets of the Trust Fund to pay its own fees in the amounts and on the dates set forth in Exhibit A. The Bank's compensation shall constitute a lien on the Trust Fund.

Section 5.10 Reliance on Written Instruments. The Bank shall be fully protected in acting upon any instrument, certificate or paper believed by it to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

ARTICLE VI BANK ACCOUNTS

Section 6.1 Records. The Bank shall maintain accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions with respect to the Trust, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Board or such person or persons as the Board may designate.

Section 6.2 Annual Audit. The Trust Fund shall be audited annually by a firm of certified public accountants independent of the Bank, the members of the Board, and the City, and a statement of the results of such audit shall be provided to the Bank and the Board and also made available for inspection by interested persons at the principal office of the Trust. Such audit must be completed no later than 120 days after the expiration of the calendar year, or after expiration of the fiscal year if the Trust Fund is on a fiscal year other than a calendar year. The Board shall provide a copy of this statement to the Supporting Organization and any Other Supporting Organization no later than the May 15th immediately succeeding the last day of the year covered by such audited financial statements.

Section 6.3 No Interest by Participants. In no event shall any Participant or beneficiary have any interest in any specific asset of the Trust Fund. At no time shall any account or separate fund be considered a savings account or investment or asset of any particular Participant, beneficiary, or class of Participants or beneficiaries, and no Participant or beneficiary

shall have any right to any particular asset which the Board or Bank may have allocated to any account or separate fund for accounting purposes.

Section 6.4 Furnishing Written Accounts. The Bank shall file with the Board a written account setting forth a description of all securities and other property purchased and sold, and all receipts, disbursements, and other transactions effected by it during the accounting period to which the Board and the Bank have agreed, and showing the securities and other properties held, and their fair market values at such times and as of such dates as may be agreed by the Board and the Bank in writing. Such written account shall be filed with the Board within thirty (30) days after the close of each calendar quarter.

Section 6.5 Accounting Year, Cash Basis. The accounting year of the Trust shall be the calendar year. All accounts of the Bank shall be kept on a cash basis.

Section 6.6 Judicial Proceedings. If the Bank and the Board cannot agree with respect to any act or transaction reported in any statement, the Bank shall have the right to have its accounts settled by judicial proceedings in which only the Bank and the Board shall be necessary parties. No Participant shall have any right to compel an accounting, judicial or otherwise, by the Bank.

ARTICLE VII PROCEDURES FOR THE BANK

Section 7.1 Removal. The Bank may be removed by the Board at any time upon thirty (30) days' advance written notice. Such removal shall be effective on the date specified in such written notice, provided that notice has been given to the Bank of the appointment of a successor institutional trustee or custodian in the manner set forth in Section 7.3 below.

Section 7.2 Resignation. The Bank may resign by filing with the Board a written resignation that shall take effect ninety (90) days after the date of such filing, unless prior thereto a successor institutional trustee or custodian has been appointed by the Board. In no event may the Bank's resignation take effect before a successor institutional trustee or custodian has been appointed by the Board and such successor trustee has accepted the appointment. If the Board fails to appoint a successor institutional trustee or custodian, the retiring Bank may seek the appointment of a successor entity in the manner set forth in Section 7.3.

Section 7.3 Successor Bank.

(a) The Board may appoint a successor institutional trustee or custodian by delivering to such successor an instrument in writing, executed by an authorized representative of the Board, appointing such successor entity, and by delivering to the removed or resigning Bank an acceptance in writing, executed by the successor so appointed. Such appointment shall take effect upon the date specified in Section 7.1 or 7.2 above, as applicable.

(b) Alternatively, the Board may appoint a successor institutional trustee or custodian by securing from such successor an amendment to this Trust Agreement, executed by both the successor and an authorized representative of the Board, which replaces the current Bank with the successor institutional trustee or custodian, appointing such successor institutional

trustee or custodian, and by delivering to the removed or resigning Bank an executed copy of the amendment. Such appointment shall take effect upon the date specified in the amendment.

(c) If no appointment of a successor institutional trustee or custodian is made by the Board within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Bank, appoint a successor institutional trustee or custodian after such notice to the Board and the retiring Bank, as such court may deem suitable and proper.

Section 7.4 Effect of Removal or Resignation of Bank. Upon the removal or resignation of the Bank in accordance with Section 7.1 or 7.2 above, the Bank shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law.

Section 7.5 Merger or Consolidation of the Bank. Any corporation continuing as the result of any merger or resulting from any consolidation, to which merger or consolidation the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed to be continuing as the Bank.

ARTICLE VIII COMPOSITION OF AND PROCEDURES FOR THE BOARD OF TRUSTEES

Section 8.1 Number and Appointment of Members. The Board of Trustees shall consist of seven (7) Individual Trustees as voting members, who are selected as provided below.

(a) The Mayor of Detroit shall appoint one (1) voting member, who may not be an employee or employed by an affiliate of the City (for such purposes, a contractor of the City shall not be deemed an affiliate), or of any labor union representing employees of the City, or a member of any such labor union, or a Participant. Such member shall have expert knowledge or extensive experience with respect to economics, finance, institutional investments, administration of public or private health and welfare benefit plans, executive management, benefits administration or actuarial science. The Board member selected by the Mayor to begin serving as of the Effective Date shall be Floyd Allen.

(b) The remaining six (6) voting members shall be appointed as follows: three (3) such voting members shall initially be designated by the Official Committee of Retirees of the City of Detroit, Michigan, and three (3) such voting members shall initially be designated by the Detroit Retired City Employees Association. The members initially selected by the Official Committee of Retirees of the City of Detroit, Michigan shall be: Suzanne Daniels Paranjpe, Roger Cheek, and Thomas Sheehan. The members initially selected by the Detroit Retired City Employees Association shall be: Doris Ewing, Barbara Wise-Johnson, and Shirley Lightsey.

Each Board member shall acknowledge his or her appointment and acceptance of the duties and responsibilities set forth in this Trust Agreement in writing.

Section 8.2 Term of Office. Each member of the Board shall serve a period of four (4) years, or if earlier, until his or her death, incapacity to serve hereunder, or resignation. A Board

member whose term has ended due to the passage of time may be reappointed to serve an additional four (4) year term pursuant to the procedures set forth in Section 8.4 below.

Section 8.3 Resignation. A Board member may resign, and shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law, by giving at least ninety (90) days' advance written notice to the Board (and in the case of a Board member selected by the Mayor, to the Mayor, and in the case of a Board member selected by the Official Committee of Retirees or the Detroit Retired City Employees Association, to the Detroit Retired City Employees Association), which notice shall state the date when such resignation shall take effect, which notice or time period may be waived by the Board.

Section 8.4 Vacancies. In the event of a vacancy, either by resignation, death, incapacity, expiration of term of office, or other reasons, the replacement Board member shall be appointed as provided below.

(a) In the event of a vacancy of the seat previously filled by the appointee of the Mayor of Detroit, the replacement Board member shall be appointed as provided in Section 8.1(a).

(b) In the event of a vacancy of a seat previously filled by an appointee of the Official Committee of Retirees or the Detroit Retired City Employees Association, the replacement Board member shall be appointed by the Detroit Retired City Employees Association.

Section 8.5 Fees and Expenses. Board members shall each be paid a stipend. For the 2015 and 2016 calendar year, this stipend shall be in the amount of \$12,000 per year (payable ratably on a monthly basis). Beginning with the 2017 calendar year and for each year thereafter, this stipend shall be in the amount of \$6,000 per year (payable ratably on a monthly basis); provided, however, that the Board, by a vote of not less than six (6) out of seven (7) Board members, shall have the power to provide for a different amount for the stipend; and provided, further, that in no event shall such annual stipend exceed \$12,000. Each Board member may be reimbursed for reasonable expenses properly and actually incurred in the performance of his or her duties. Compensation payable to the Board members and all reimbursed expenses shall be payable out of the Trust.

Section 8.6 Operation of the Board; Quorum. The Board shall select from among its members a chair and a vice chair. The Board shall hold regular meetings, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure and shall keep a record of proceedings. Each Board member shall be entitled to one vote on each question before the Board. Five (5) members shall constitute a quorum at any meeting. Except as provided in Section 8.5 and Article X, a majority vote of the seven (7) members of the Board, at a meeting in which a quorum exists, shall be necessary for a decision by the Board. Notwithstanding the foregoing, the voting members of the Board may act by unanimous written consent in lieu of a meeting.

ARTICLE IX POWERS AND DUTIES OF THE BOARD OF TRUSTEES

Section 9.1 General. The Board shall be responsible for designing, adopting, maintaining and administering the Plan, as well as administering the Trust and managing the Trust assets as provided herein. Subject to the provisions of this Trust Agreement, the Plan documents and applicable laws, the Board shall have sole, absolute and discretionary authority to adopt such rules and regulations and take all actions that it deems desirable for the administration of the Plan and Trust, and to interpret the terms of the Plan and Trust. The decisions of the Board will be final and binding on all Participants and all other parties to the maximum extent allowed by law. In performing its duties hereunder, the members of the Board shall comply with the terms of the Trust, and shall discharge their duties for the exclusive purposes of providing benefits to participants and beneficiaries of the Plan and Trust and defraying reasonable expenses of the Plan and Trust, and with the care, skill, prudence, and diligence then prevailing that a prudent person acting in a like capacity – and familiar with such matters – would use in the conduct of an enterprise of like character and with like aims.

Section 9.2 Plan Design and Administration.

(a) Adoption of Plan. The Board shall adopt a Plan to offer life, sickness, accident or other similar benefits to Participants. All terms of the Plan shall be determined by the Board; provided that such terms shall be consistent with this Trust Agreement, Code section 501(c)(9) and the regulations promulgated thereunder. The Board shall be under no obligation to design the Plan to assure that the assets of the Trust Fund are sufficient to provide benefits to all potential Participants of the Plan in subsequent years.

(b) Benefits. The Plan shall include benefits and any other features including, without limitation, premium-sharing or other cost-sharing or reimbursements, that the Board from time to time determines appropriate or desirable in its sole discretion. The Plan may provide for different benefit structures or programs for different groups of Participants, as determined by the Board in its sole discretion. In designing the Plan and the benefits to be provided thereunder, the Board may take into account relevant circumstances, including, without limitation, the degree to which Participants may have alternative resources or coverage sources, as well as the resources of the Trust Fund. Benefits provided under the Plan shall be limited to those health care benefits permitted by Code Section 501(c)(9), and any Plan eligibility restrictions established by the Board shall conform with the requirements set forth in Treasury Regulation Section 1.501(c)(9)-2. Notwithstanding the foregoing or any authority granted trustees herein, and for the duration of this Trust, for purposes of determining benefit levels and determination of benefits under this Trust, including but not limited to any coordination of benefits, any amounts paid into or from any Library or Cobo Hall health reimbursement account for Detroit General VEBA Beneficiaries who are Library or Cobo Hall retirees (and their spouses) shall not be taken into account.

(c) Method of Providing Benefits. Benefits under the Plan may be fully insured, partially insured or self-insured, as determined by the Board from time to time in its sole discretion. The expected cost of benefits under the Plan shall not exceed the amount expected to be available under the Trust.

(d) Plan Documentation. The Board shall be responsible for creating, adopting and/or executing any documents necessary to set forth the Plan's governing terms, and shall be responsible for communicating the terms of the Plan to the Eligible Retiree Members and Eligible Dependents in accordance with applicable law.

Section 9.3 Investment of the Trust. The Board, with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar means, shall have full power and authority to manage, control, invest and reinvest the money and other assets of the Trust Fund, and the Bank shall comply with the proper written direction of the Board concerning those assets. The Board may employ outside advisors, including investment advisors, to advise it with regard to the investment of the assets of the Trust Fund. Any outside advisors shall acknowledge a fiduciary relationship to the Board and the Trust Fund.

In investing and managing the assets of the Trust, the Board:

shall consider among other circumstances: the general economic conditions; the possible effect of inflation or deflation; the role that each investment or course of action plays within the overall portfolio; the expected total return from income and the appreciation of capital; needs for liquidity, regularity of income, and preservation or appreciation of capital; and the adequacy of funding for the plan based on reasonable actuarial factors;

(b) shall diversify the investments of the Trust unless the Board reasonably determines that because of special circumstances, it is clearly prudent not to do so;

(c) shall make a reasonable effort to verify facts relevant to the investment and management of assets of the Trust; and

(d) may consider benefits created by an investment in addition to investment return only if the Board determines that the investment providing these collateral benefits would be prudent even without the collateral benefits.

Section 9.4 Appointment of Investment Managers. The Board, from time to time, may appoint one or more independent Investment Managers, pursuant to a written investment management agreement describing the powers and duties of the Investment Manager, to direct the investment and reinvestment of all or a portion of the Trust (hereinafter referred to as an "Investment Account"). The Board shall determine that each Investment Manager is a fiduciary to the Board and Trust with demonstrated expertise in the type of investments authorized by the Board and, is entitled (under its investment management agreement) to direct the investment and reinvestment of the Investment Account for which it is responsible, in its sole and independent discretion and without limitation, except for any limitations which from time to time the Board determines shall modify the scope of such authority. If an Investment Manager is appointed, it shall have the authority of the Bank specified in Section 5.1 hereof with respect to the Investment Account over which it has investment discretion and the Bank's duties with respect to such Investment Account shall be limited to following the instructions of the Investment Manager. Provided that an Investment Manager is prudently selected and monitored by the Board, the Board shall have no liability (a) for the acts or omissions of such Investment Manager; (b) for following directions of such Investment Manager which are given in

accordance with this Trust Agreement; or (c) for any loss of any kind which may result by reason of the manner of division of the Trust into Investment Accounts.

Section 9.5 Government Reports and Returns. The Board shall file all reports and returns that are required to be made with respect to the Trust and the Plan.

Section 9.6 Compromise or Settle Claims. The Board may compromise, settle and release claims or demands in favor of or against the Trust or the Board on such terms and conditions as the Board may deem advisable. The Board may at all times rely upon the advice of independent counsel in reaching such decisions.

Section 9.7 Appointment of Administrator. The Board may appoint one or more third parties to perform any administrative functions it has with regard to the Trust or Plan.

Section 9.8 Employment of Assistance. The Board has the exclusive authority to employ, contract and pay for all professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation and administration of the Plan and Trust. The powers granted to the Board in this subparagraph include complete control of the procurement process, including contracts for office space, computer hardware and software, and human resource services. In accordance with the provisions of Section 5.3 hereof, the Board may direct the Bank to pay reasonable compensation therefor from the Trust Fund. The Board may take or may refrain from taking any action in accordance with or reliance upon the opinion of counsel or such expert advisors.

Section 9.9 Reliance on Written Instruments. The Board shall be fully protected in acting upon any instrument, certificate or paper believed by him or her to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 9.10 No Individual Liability on Contracts. The Board shall not be liable personally for any debts, obligations, or undertakings contracted by them, or for the breach of any contracts. Such claims and obligations shall be paid out of the Trust; provided, however, that neither the Board nor any of its members shall be exempt from personal liability for willful misconduct, intentional wrongdoing, breach of applicable fiduciary duty, negligence or fraud, and the Trust shall not indemnify the Board for such liabilities to the extent that such indemnification would violate the provisions of Section 9.13 herein, or to the extent that application of this sentence would violate any law.

Section 9.11 Detroit Not Liable for Conduct of Board. The Board is not in its capacity as Board an officer, agent, employee, or representative of Detroit. In its capacity as Board, the Board is a principal acting independently of Detroit, which shall not be liable for any act, omission, contract, obligation, liability, debt, or undertaking of the Board or its officers, agents, or representatives.

Section 9.12 Liability Insurance. The Board shall obtain and keep current a policy or policies of insurance, insuring the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in

connection with the performance of their duties, responsibilities and obligations under this Trust Agreement or the Plan. To the extent permitted by applicable law, the premiums on such policies may be paid from the Trust Fund.

Section 9.13 Reimbursement for Defense of Claims.

(a) To the extent permitted by applicable law, and not otherwise covered by liability insurance purchased by the Trust (without regard to any non-recourse rider purchased by the insured), the Board, its individual trustees, employees of the Board and persons acting on the Board's behalf pursuant to an express written delegation to the extent such written delegation provides for indemnification (each separately, the "Indemnified Party") shall be indemnified and held harmless by the Trust Fund for all reasonable costs and expenses, including without limitation attorney's fees, judgments, settlements, liabilities, fines, or penalties, incurred or suffered in defense of any claim demand, cause of action or administrative proceeding that seeks to hold the Indemnified Party personally liable for any loss to the Plan or Trust Fund or for damages suffered by any party to, or beneficiary of this Trust Agreement arising out of conduct reasonably believed to be good faith acts within the scope and powers and duties of the Indemnified Party, provided that, the Board shall have the right to approve of the retention of any counsel whose fees would be paid by the Trust Fund, but such approval shall not be withheld unreasonably. In the event that indemnification is made by the Trust pursuant hereto, the Indemnified Party shall agree to reimburse the Trust for all fees, costs and expenses to the extent that it is determined that the Indemnified Party's acts or omissions constituted fraud, bad faith, willful misconduct, negligence, or breach of fiduciary duty, and an independent fiduciary shall take all reasonable steps to ensure reimbursement at the time the Trust Fund agrees to indemnify pursuant to this Section; provided further that in the case of a final judicial determination of negligence or breach of fiduciary duty the Indemnified Party's reimbursement obligation shall be limited to the lesser of \$50,000 or the deductible on any non-recourse commercial liability insurance policy.

(b) The Board may make, execute, record and file on its own behalf and on behalf of the Trust, all instruments and other documentation (including one or more separate indemnification agreements between the Trust and individual Indemnified Parties) that the Board deems necessary and appropriate in order to extend the benefit of the provisions of this Section to any Indemnified Party.

Section 9.14 Subrogation and Reimbursement. If the Plan is self-insured, the following provisions regarding subrogation and third-party reimbursement will apply.

(a) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of an individual ("Benefit Recipient"), the Trust Fund shall be subrogated as provided in this Section 9.14 to all the Benefit Recipient's rights of recovery with respect to the illness or injury for which the payment of benefits is made by the Trust Fund. The right of recovery referred to in the preceding sentence shall include the right to make a claim, sue, and recover against any person or entity from the first dollars of any funds which are paid or payable as a result of a personal injury claim or any reimbursement of health care expenses. If requested in writing by the Board, the Benefit Recipient shall take, through any representative designated by the Board, such action as may be necessary or appropriate to recover such payment from any person or entity, said action to be taken in the name of the Benefit Recipient. In the event of a recovery or

settlement, the Trust Fund shall be reimbursed in full on a first priority basis out of such recovery or settlement for expenses, costs, and attorneys' fees incurred by it in connection therewith.

(b) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of a Benefit Recipient for an illness or injury, the Trust Fund shall be entitled to, and shall have a first priority equitable lien on, the proceeds of any recovery, by judgment, settlement or otherwise, with respect to the illness or injury, and if paid to the Benefit Recipient, the Benefit Recipient shall immediately pay any such proceeds to the Trust Fund. If the Benefit Recipient fails to pay such proceeds, or does not cause such proceeds to be paid, to the Trust Fund, the Board may, in addition to any other remedy to which it may be entitled, recover the proceeds directly or by offset against claims for benefits under the Plan and Trust made with respect to the affected Benefit Recipient (or such Benefit Recipient's beneficiaries, heirs, attorneys, agents, representatives, or estate).

(c) The Trust Fund shall have the right of subrogation and reimbursement set forth in this Section 9.14 regardless of whether the Benefit Recipient is made whole and regardless of whether the recovery, or any part thereof, is designated as payment for health care expenses, pain and suffering, loss of income or any other specified or unspecified damages or reason, and without regard to whether recovery is designated as including or excluding the health care expenses covered by the Plan and Trust. Any recovery by a Benefit Recipient, an attorney or other third party shall be deemed to be for the benefit of the Plan and Trust and shall be held in constructive trust for the Trust Fund until the Trust Fund is reimbursed in full for all amounts paid by the Trust Fund. The subrogation and reimbursement rights of the Trust Fund described in this Section 9.14 include all rights against, and include all rights with respect to, proceeds from or held by any attorney, third party, insurance carrier or payer of medical benefits, including an uninsured or under-insured motorist carrier, a no-fault carrier and a school insurance carrier, even if such coverage was purchased by the Benefit Recipient, and without regard to whether the proceeds have been paid or are payable.

(d) By participating in the Plan, each Benefit Recipient agrees to cooperate fully with the Plan and Trust and to execute and deliver agreements, liens and other documents and do whatever else the Board deems necessary to enable and assist the Trust Fund in exercising its rights under this Section 9.14, but the Trust Fund's rights under this Section 9.14 shall be effective regardless of whether the Benefit Recipient actually signs any agreements, liens or other documents. By participating in the Plan, each Benefit Recipient also agrees (i) that he or she will not make or maintain any make whole, common trust fund or apportionment action or claim in contravention of the subrogation and reimbursement provisions of this Section 9.14; and (ii) that he or she will not oppose any proceeding by the Trust Fund to obtain reimbursement on procedural grounds. The Benefit Recipient, directly or through his or her representatives, shall not do anything to impair the Trust Fund's rights. If the Board determines that any Trust Fund recovery rights under Section 9.14 have been impaired by any action of the Benefit Recipient or his or her representatives or by the Benefit Recipient's or such other person's failure to comply with the Benefit Recipient's obligations under Section 9.14, the Board may, in addition to any other remedy to which it may be entitled, determine the amount by which the Trust Fund's recovery rights have been impaired and recover such amount directly or by offset against claims for benefits under the Trust Fund made with respect to the affected Benefit Recipient.

(e) This Section 9.14 entitles the Trust Fund to subrogation and reimbursement equal to the entire amount paid by the Trust Fund for the illness or injury to which the subrogation or reimbursement relates, including related expenses, costs and attorneys' fees, which shall be from the first dollars payable to or received by the Benefit Recipient, his representatives, heirs, legal counsel, estate or any other third party from any settlement, judgment or other payment, without reduction for attorneys' fees or for any other reason. The common fund, make-whole, apportionment or any similar doctrines shall not apply to any amounts received. Any attorneys' fees shall be the responsibility solely of the Benefit Recipient, and the Trust Fund shall not pay any attorneys' fees or costs associated with a Benefit Recipient's claim or lawsuit without the Board's prior written authorization.

(f) The intention of this Section 9.14 is to give the Trust Fund the first right of subrogation and reimbursement in full with respect to the first dollars paid or payable, even though the Benefit Recipient is not made whole. Each Benefit Recipient agrees that as a condition to receiving benefits under the Plan and from the Trust Fund, the Benefit Recipient shall comply with the requirements of this Section 9.14.

ARTICLE X AMENDMENT, TERMINATION AND MERGER

Section 10.1 Amendment. The Trust Agreement may be amended at any time in writing by the Board, by a vote of not less than six (6) out of seven (7) Board members, or by Court order upon proper motion, provided, however, that no amendment may impose a contribution obligation on Detroit; provided further that no amendment shall in any way conflict with the terms of the Plan of Adjustment or a Court order confirming the Plan of Adjustment; and provided further that no amendment shall adversely affect the exempt status of the Trust or Plan under Section 501(c)(9) of the Code. No amendment to the Trust Agreement shall modify the responsibilities of the Bank hereunder unless the Bank has first consented to such amendment.

Section 10.2 Termination.

(a) The Trust and this Trust Agreement may be terminated at any time in writing by action of the Board, acting by a vote of not less than six (6) out of seven (7) Board members, with a copy of such written instrument to be provided to the Bank, or by Court order upon proper motion. Upon termination of this Trust Agreement, the assets of the Trust Fund shall be paid out at the direction of the Board in the following order of priority: (i) the payment of reasonable and necessary administrative expenses (including taxes); (ii) the payment of benefits to Participants entitled to payments for claims arising prior to such termination; and (iii) upon satisfaction of all liabilities to existing Participants, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits in accordance with Code section 501(c)(9) and the rules and regulations promulgated thereunder. Neither Detroit nor any member of the Board shall have any beneficial interest in the Trust Fund, except to the extent an Individual Trustee is also a Participant in the Plan. Any determination by the Board or an administrator to distribute assets of the Trust upon termination to an Individual Trustee who is also a Participant must have the written concurrence of the Bank. The Trust Fund shall remain in existence until all assets have been distributed.

(b) Upon termination, the Bank and the Board shall continue to have all of the powers provided in this Trust Agreement as are necessary or desirable for the orderly liquidation and distribution of the Trust Fund in accordance with the provisions hereof.

Section 10.3 Transfer of Assets and/or Liabilities. To the extent permitted by Code section 501(c)(9) and other applicable law, some or all of the assets and/or liabilities of the Trust Fund may at the discretion of the Board be transferred directly to another trust for the purpose of providing health or welfare benefits to some or all of the Participants on such terms and conditions as the Board may determine.

ARTICLE XI MISCELLANEOUS

Section 11.1 Rights in Trust Fund. No Participant or other person shall have any right, title or interest in the Trust Fund or any legal or equitable right against the Bank, the Board, or Detroit, except as may be otherwise expressly provided in the Plan or in this Trust Agreement.

Section 11.2 Non-Alienation. Except to the extent required by applicable law, the rights or interest of any Participant to any benefits or future payments hereunder or under the provisions of the Plan shall not be subject to attachment or garnishment or other legal process by any creditor of any such Participant, nor shall any such Participant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingent or otherwise, under this Trust Agreement.

Section 11.3 Controlling Laws. The Trust shall be construed and the terms hereof applied according to the laws of the state of Michigan to the extent not superseded by federal law.

Section 11.4 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

Section 11.5 Headings. The headings and subheadings of this Trust Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Trust Agreement.

Section 11.6 Notices. All notices, requests, demands and other communications under this Trust Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (b) on the first business day after sending if sent for guaranteed next day delivery by Federal Express or other next-day courier service; or (c) on the fourth business day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to the Bank:

[insert name and address]

If to the Board:

[insert 7 names and addresses]

If to the Mayor:

[insert name and address]

If to the Supporting Organization:

[insert name and address]

If to the Other Supporting Organization:

[insert name and address]

If to the Detroit Retired City Employees Association:

[insert name and address]

IN WITNESS WHEREOF, and as evidence of the establishment of the Trust created hereunder, the parties hereto have caused this instrument to be executed as of the date above first written.

BANK

By: _____
Print Name: _____
Title: _____
Date: _____

CITY OF DETROIT

By: _____
Print Name: _____
Title: _____
Date: _____

INDIVIDUAL TRUSTEES

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

EXHIBIT A

Bank Compensation

EXHIBIT B

Supporting Organization Funding

Contributing Organization	Contribution Amount
Skillman Foundation	

EXHIBIT I.A.112

FORM OF DETROIT POLICE AND FIRE VEBA TRUST AGREEMENT

CITY OF DETROIT POLICE AND FIRE RETIREE HEALTH CARE TRUST

THIS TRUST AGREEMENT, entered into effective _____, 2014, by and among the City of Detroit (“Detroit” or the “City”), [_____ Bank] (the “Bank”), and the undersigned individual trustees (“Individual Trustees”).

WITNESSETH:

WHEREAS, Detroit filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 in the United States Bankruptcy Court for the United States Bankruptcy Court Eastern District of Michigan (the “Court”);

WHEREAS, pursuant to the Plan for the Adjustment of Debts of the City of Detroit (the “Plan of Adjustment”), the City agreed to establish a voluntary employees beneficiary association (“VEBA”) to provide health care benefits to certain retirees and their Eligible Dependents;

WHEREAS, Detroit hereby establishes this City of Detroit Police and Fire Retiree Health Care Trust (the “Trust”);

WHEREAS, the undersigned Individual Trustees constituting the Board of Trustees shall be responsible for: (i) managing the property held by, and administration of, this Trust; and (ii) designing, adopting, maintaining and administering the “Health Care Plan for Police and Fire Retirees of the City of Detroit” (the “Plan”), through which all health care benefits to the Trust’s beneficiaries shall be provided;

WHEREAS, the Board of Trustees is willing to exercise the authority granted to it herein with regard to the Trust and Plan;

WHEREAS, through this Trust Agreement, Detroit intends to designate the Bank to serve in the capacity of the institutional trustee with respect to the Trust and to maintain custody of the Trust assets;

WHEREAS, the Bank is willing to receive, hold, and invest the assets of the Trust in accordance with the terms of this Trust Agreement; and

WHEREAS, the Trust and the interdependent Plan are intended to comply with the requirements of section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the “Code”), and are together intended to constitute a “governmental plan” within the meaning of section 3(32) of the Employee Retirement Income Security Act of 1974;

NOW THEREFORE, in consideration of the premises and the covenants contained herein, Detroit and the Bank agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Bank. The entity referred to in the Preamble to this Trust Agreement named to perform the duties set forth in this Trust Agreement, or any successor thereto appointed

by the Board in accordance with Section 7.3. Any corporation continuing as the result of any merger or consolidation to which the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed automatically to be continuing as the Bank.

Section 1.2 Board of Trustees or Board. The Board of Trustees is the body described in Article VIII to which Detroit has delegated responsibility for: (i) managing the property held by, and administering, this Trust; and (ii) designing, adopting, maintaining and administering the Plan, through which all benefits to the Trust's beneficiaries shall be provided. It shall be constituted and operated in accordance with Article IX.

Section 1.3 Code. The Internal Revenue Code of 1986, as amended, and any successor statute thereto.

Section 1.4 Detroit Police and Fire VEBA Beneficiary. Has the meaning given to that term in the Plan of Adjustment.

Section 1.5 Eligible Dependent. An Eligible Retiree Member's dependent, within the meaning of Code section 501(c)(9) and the regulations promulgated thereunder, who is eligible to receive benefits under the Plan in accordance with its terms.

Section 1.6 Eligible Retiree Member. A former employee of Detroit who is a Detroit Police and Fire VEBA Beneficiary.

Section 1.7 Investment Manager. An investment manager appointed by the Board or its successor in accordance with the provisions of Section 9.4 hereof

Section 1.8 New B Notes. Has the meaning given to that term in the Plan of Adjustment.

Section 1.9 OPEB Claims Notes. The New B Notes the City is required to contribute to the Trust pursuant to the Plan of Adjustment.

Section 1.10 Other Supporting Organization. An organization other than the City, the Rate Stabilization Fund, or the Supporting Organization, having voluntarily contributed funds in excess of **[\$500,000]** to the Trust on or after the Effective Date.

Section 1.11 Participant. An Eligible Retiree Member or Eligible Dependent who is entitled to health care benefits pursuant to the terms of the Plan.

Section 1.12 Plan. The Health Care Plan for Retirees of the City of Detroit, to be adopted and thereafter amended from time to time by the Board, as specified herein, and which will provide health care benefits permitted to be provided by a VEBA under Code section 501(c)(9).

Section 1.13 Plan of Adjustment. The Plan for the Adjustment of Debts of the City of Detroit.

Section 1.14 Rate Stabilization Fund. The Rate Stabilization Reserves Fund maintained under the control of the Governing Board of the City of Detroit Employee Benefits Plan established pursuant to Title 9, Chapter VIII of the Charter of the City of Detroit for the exclusive purpose of providing hospital, surgical, and death benefits for current or former employees of the City.

Section 1.15 Supporting Organization. The Foundation for Detroit's Future, a not for profit that is created to collect certain contributions and make an annual contribution to an escrow account as described in Section 3.2, or the successor to such not for profit. The Supporting Organization was created to receive funds from organizations, including those listed in Exhibit B, and allocate such funds, in the amounts described in Exhibit B, to, among other entities, this Trust Fund.

Section 1.16 Trust Agreement. This agreement as it may be amended thereafter from time to time by the parties hereto in accordance with the terms hereof.

Section 1.17 Trust or Trust Fund. The City of Detroit Police and Fire Retiree Health Care Trust established by this Trust Agreement, comprising all property or interests in property held by the Bank from time to time under this Trust Agreement.

ARTICLE II ESTABLISHMENT OF TRUST

Section 2.1 Purpose. The Trust is established for the purpose of providing life, sickness, accident, and other similar benefits, directly, through the purchase of insurance, or by reimbursement of expenses, to the Participants in accordance with the Plan and consistent with Section 501(c)(9) of the Code and the regulations and other guidance promulgated thereunder. The Trust, together with the Plan, is intended to constitute a VEBA under Section 501(c)(9) of the Code.

Section 2.2 Receipt of Funds. The Bank shall accept all sums of money and other property contributed to the Trust pursuant to Article III. The Bank shall hold, manage and administer the Trust Fund without distinction between principal and income. The Bank shall be accountable for the contributions or transfers it receives, but shall not be responsible for the collection of any contributions or transfers to the Trust or enforcement of the terms of the OPEB Claims Notes.

Section 2.3 Inurement and Reversion Prohibited. At no time shall any part of the principal or income of the Trust Fund be used for, or diverted to, any purpose other than sponsoring, operating and administering the Plan and Trust to provide benefits that are permitted under Code section 501(c)(9) to Participants. Nothing in this Trust Agreement shall be construed in such a way as to prohibit the use of assets of the Trust Fund to pay reasonable fees and other expenses and obligations incurred in maintaining, administering and investing the Trust Fund or in sponsoring, administering and operating the Plan in accordance with the provisions of this Trust Agreement. At no time shall any part of the net earnings inure to the benefit of any individual other than through the provision of benefits as permitted under Code section 501(c)(9) and the regulations promulgated thereunder. In no event will the assets held in the Trust Fund revert to Detroit. Upon termination of the Trust Fund, any assets remaining upon satisfaction of all liabilities to existing Participants shall be applied, either directly or through the

purchase of insurance, to provide life, sick accident or other permissible benefits under Code section 501(c)(9) and the rules and regulations promulgated thereunder, pursuant to criteria consistent with such rules and regulations.

Section 2.4 No Guarantee. Nothing contained in the Trust or the Plan shall constitute a guarantee that the assets of the Trust Fund will be sufficient to pay any benefit to any person or make any other payment. The obligation of the Plan to pay any benefit provided under the Plan is expressly conditioned on the availability of cash in the Trust to pay the benefit, and no plan fiduciary or any other person shall be required to liquidate the OPEB Claims Notes or any other Plan asset in order to generate cash to pay benefits. Detroit shall not have any obligation to contribute any amount to the Trust except as provided in Article III. Except for payments of benefits under the Plan, no Participant shall receive any distribution of cash or other thing of current or exchangeable value, either from the Board or the Bank, on account of or as a result of the Trust Fund created hereunder.

Section 2.5 No Interest. Detroit shall not have any legal or equitable interest in the assets of the Trust Fund at any time, including following the termination of the Trust.

ARTICLE III CONTRIBUTIONS TO THE TRUST FUND

Section 3.1 Detroit Contributions. The Bank will accept the City's contribution of the OPEB Claims Notes to the Trust Fund pursuant to the Plan of Adjustment. Apart from the contribution of the OPEB Claims Notes, contributions to the Trust Fund made within sixty (60) days of the Effective Date by the Rate Stabilization Fund in the amount of \$[1.5] million, or from Other Supporting Organizations, and as otherwise provided in Section 3.2, Detroit shall have no further obligation to contribute to the Trust or otherwise fund the Plan.

Section 3.2 Other Contributions. The Bank will accept other contributions to the Trust Fund from Participants, from funds held in escrow by an escrow agent on behalf of the City that are received from the Supporting Organization, or from Other Supporting Organizations whether or not contributed through an escrow on behalf of the City.

ARTICLE IV PAYMENTS FROM THE TRUST FUND

Section 4.1 Payments from the Trust Fund.

(a) Subject to paragraph (b) below, the Bank shall make payments from the Trust Fund to provide, directly or through the purchase of insurance, benefits under the Plan as directed by the Board.

(b) To the extent permitted by law, the Bank shall be fully protected in making payments out of the Trust Fund, and shall have no responsibility to see to the application of such payments or to ascertain whether such payments comply with the terms of the Plan, and shall not be liable for any payment made by it in good faith and in the exercise of reasonable care without actual notice or knowledge of the impropriety of such payments hereunder. The Bank may withhold all or any part of any payment as the Bank in the exercise of its reasonable discretion may deem proper, to protect the Bank and the Trust against any liability or claim on

account of any income or other tax whatsoever; and with all or any part of any such payment so withheld, may discharge any such liability. Any part of any such payment so withheld by the Bank that may be determined by the Bank to be in excess of any such liability will upon such determination by the Bank be paid to the person or entity from whom or which it was withheld.

Section 4.2 Method of Payments. The Bank may make any payment required to be made by it hereunder, unless directed otherwise by the Board, by direct electronic deposit of the amount thereof to the financial institution where the person or entity to whom or to which such payment is to be made maintains an account, or by mailing a check in the amount thereof by first class mail in a sealed envelope addressed to such person or entity to whom or to which such payment is to be made, according to the direction of the Board. If any dispute arises as to the identity or rights of persons who may be entitled to benefits hereunder, the Bank may withhold payment until such dispute is resolved by a court of competent jurisdiction or, at the discretion of the Board pursuant to written instructions.

Section 4.3 Excessive Payments. If the payment of any benefit under the Plan is determined to have been excessive or improper, and the recipient thereof fails to make repayment to the Bank or an administrator chosen by the Board of such excessive or improper payment upon the Bank's or administrator's request, the Bank shall deduct the amount of such excessive or improper payment from any other benefits thereafter payable to such person. Until repaid to the Bank or Bank's agent, the amount of said excessive or improper payment shall not be included in any report by the auditor, the Bank, or the administrator as an asset of the Plan or the Trust Fund.

ARTICLE V BANK POWERS AND DUTIES

Section 5.1 Powers of the Bank Generally. The Bank has whatever powers are required to discharge its obligations and to accomplish any of the purposes of this Trust Agreement, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Bank under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Bank.

Section 5.2 Powers Exercisable by the Bank in Its Discretion. The Bank is authorized and empowered to exercise the following powers at its discretion in satisfaction of the duties imposed on it under this Trust Agreement:

(a) To place securities orders, settle securities trades, hold securities in custody, deposit securities with custodians or securities clearing corporations or depositories or similar organizations, and other related activities as shall be necessary and appropriate in performing its duties under this Trust Agreement. Any indicia of ownership of any Trust Fund assets, however, shall not be maintained outside the jurisdiction of the district courts of the United States. Trades and related activities conducted through a broker shall be subject to reasonable fees and commissions established by the broker, which may be paid from the Trust Fund or netted from the proceeds of trades.

(b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.

(c) To cause any investment in the Trust Fund to be registered in, or transferred into, its name as the institutional trustee or the name of its nominee or nominees, or to retain such investments unregistered in a form permitting transfer by delivery, but the books and records of the Bank shall at all times show that all such investments are part of the Trust Fund, and the Bank shall be fully responsible for any misappropriation in respect of any investment held by its nominee or held in unregistered form and shall cause the indicia of ownership to be maintained within the jurisdiction of the district courts of the United States.

(d) To deliver to the Board, or the person or persons identified by the Board, on a timely basis as required under Section 5.5, proxies and powers of attorney and related informational material, for any shares or other property held in the Trust.

Section 5.3 Powers Exercisable by the Bank Only Upon the Direction of the Board.
The Bank shall exercise the following powers only upon the direction of the Board (or, in the case of subparagraphs (a) and (b)), a duly appointed Investment Manager who has been conferred such power by the Board):

(a) To receive, hold, invest and reinvest Trust Fund assets and income under provisions of law from time to time existing and in accordance with Article IX.

(b) To exercise or abstain from exercising any option, privilege or right attaching to any Trust Fund assets.

(c) To make payments from the Trust Fund for the provision of benefits in accordance with Article IV and for the payment of expenses as provided in Section 5.8.

(d) To employ suitable agents and depositaries (domestic or foreign), public accountants, brokers, custodians, ancillary trustees, appraisers, enrolled actuaries, and legal counsel as shall be reasonably necessary and appropriate to fulfill its obligations under this Trust Agreement and to comply with the lawful instructions of the Board, and to pay their reasonable expenses and compensation.

(e) To pay any income or other tax or estimated tax, charge or assessment attributable to any property or benefit out of such property or benefit in its sole discretion, or any tax on unrelated business income of the Trust, if any, out of the Trust Fund.

(f) To vote, in person or by general or limited proxy, at any election of any corporation in which the Trust Fund is invested, and similarly to exercise, personally or by a general or limited power of attorney, any right appurtenant to any investment held in the Trust Fund.

(g) To accept, compromise or otherwise settle any obligations or liability due to or from them as the Bank hereunder, including any claim that may be asserted for taxes, assessments or penalties under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

(h) To act as the sole trustee in the event that the Board, by reason of death, resignation, or failure to appoint successor Individual Trustees, has fewer than three (3) members.

Section 5.4 Title to Trust Fund. All rights, title and interest in and to the Trust Fund shall at all times be vested exclusively in the Bank or any institutional successor trustee under this Trust Agreement.

Section 5.5 General Duties and Obligations of Bank.

(a) In accordance with Article II, the Bank shall hold all property received by it and any income and gains thereupon. In accordance with this Article and Article IX, the Bank shall manage, invest and reinvest the Trust Fund following the directions of the Board or a duly appointed Investment Manager (who has been conferred such power by the Board), shall collect the income therefrom, and shall make payments or disbursements as directed by the Board.

(b) Subject to the provisions of Articles VII and X, the Bank shall comply with any directive issued by the Board to withdraw and transfer all or any part of the Trust Fund to another institutional trustee, custodian or a funding agent.

(c) The Board shall have responsibility for directing the Bank as to the voting (by proxy or in person) of any shares or other property held in the Trust. Accordingly, the Bank shall deliver to the Board (or the person or persons identified by the Board), on a timely basis, proxies, powers of attorney and related informational material that are necessary for the Board to fulfill its responsibility.

The Bank may use agents to effect such delivery to the Board (or the person or persons identified by the Board).

(d) The Bank shall discharge its duties in the interests of Participants and for the exclusive purpose of providing benefits to Participants and defraying reasonable expenses of administering the Trust and the Plan and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in conduct of an enterprise of like character and with like aims. The Bank will be under no liability or obligation to anyone with respect to any failure of the Board to perform any of its obligations under the Plan or Trust Agreement or for any error or omission of the Board.

Section 5.6 Determination of Rights. The Bank shall have no power, authority, or duty hereunder in respect to the determination of the eligibility of any person to coverage under the Plan, or the entitlement of any person to any benefit payments under the Plan.

Section 5.7 Continuance of Plan; Availability of Funds. Neither the Board, the Bank nor Detroit assumes any contractual obligation as to the continuance of the Plan and shall not be responsible for the adequacy of the Trust Fund to meet and discharge any liabilities under the Plan, and the Bank's obligation to make any payment shall be limited to amounts held in the Trust Fund at the time of the payment.

Section 5.8 Payment of Expenses. The Bank shall apply the assets of the Trust Fund to pay all reasonable costs, charges, and expenses (including, but not limited to, all brokerage fees and transfer tax expenses and other expenses incurred in connection with the sale or purchase of investments, all real and personal property taxes, income taxes and other taxes of any kind at any time levied or assessed under any present or future law upon, or with respect to, the Trust Fund or any property included in the Trust Fund and all legal, actuarial, accounting and financial advisory expenses) reasonably incurred by the Bank or the Board in connection with establishing, sponsoring, administering or operating the Trust or Plan. The Board shall by written certificate provided to the Bank request payment for any expenses related to the administration of the Trust and/or the Plan. Upon receipt of the written certificate, the Bank may make the payment requested by the Board. The expenses of the Bank shall constitute a lien on the Trust Fund.

Section 5.9 Bank Compensation. The Bank will apply the assets of the Trust Fund to pay its own fees in the amounts and on the dates set forth in Exhibit A. The Bank's compensation shall constitute a lien on the Trust Fund.

Section 5.10 Reliance on Written Instruments. The Bank shall be fully protected in acting upon any instrument, certificate or paper believed by it to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

ARTICLE VI BANK ACCOUNTS

Section 6.1 Records. The Bank shall maintain accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions with respect to the Trust, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Board or such person or persons as the Board may designate.

Section 6.2 Annual Audit. The Trust Fund shall be audited annually by a firm of certified public accountants independent of the Bank, the members of the Board, and the City, and a statement of the results of such audit shall be provided to the Bank and the Board and also made available for inspection by interested persons at the principal office of the Trust. Such audit must be completed no later than 120 days after the expiration of the calendar year, or after expiration of the fiscal year if the Trust Fund is on a fiscal year other than a calendar year. The Board shall provide a copy of this statement to the Supporting Organization and any Other Supporting Organization no later than the May 15th immediately succeeding the last day of the year covered by such audited financial statements.

Section 6.3 No Interest by Participants. In no event shall any Participant or beneficiary have any interest in any specific asset of the Trust Fund. At no time shall any account or separate fund be considered a savings account or investment or asset of any particular Participant, beneficiary, or class of Participants or beneficiaries, and no Participant or beneficiary shall have any right to any particular asset which the Board or Bank may have allocated to any account or separate fund for accounting purposes.

Section 6.4 Furnishing Written Accounts. The Bank shall file with the Board a written account setting forth a description of all securities and other property purchased and sold, and all receipts, disbursements, and other transactions effected by it during the accounting period to which the Board and the Bank have agreed, and showing the securities and other properties held, and their fair market values at such times and as of such dates as may be agreed by the Board and the Bank in writing. Such written account shall be filed with the Board within thirty (30) days after the close of each calendar quarter.

Section 6.5 Accounting Year, Cash Basis. The accounting year of the Trust shall be the calendar year. All accounts of the Bank shall be kept on a cash basis.

Section 6.6 Judicial Proceedings. If the Bank and the Board cannot agree with respect to any act or transaction reported in any statement, the Bank shall have the right to have its accounts settled by judicial proceedings in which only the Bank and the Board shall be necessary parties. No Participant shall have any right to compel an accounting, judicial or otherwise, by the Bank.

ARTICLE VII PROCEDURES FOR THE BANK

Section 7.1 Removal. The Bank may be removed by the Board at any time upon thirty (30) days' advance written notice. Such removal shall be effective on the date specified in such written notice, provided that notice has been given to the Bank of the appointment of a successor institutional trustee or custodian in the manner set forth in Section 7.3 below.

Section 7.2 Resignation. The Bank may resign by filing with the Board a written resignation that shall take effect ninety (90) days after the date of such filing, unless prior thereto a successor institutional trustee or custodian has been appointed by the Board. In no event may the Bank's resignation take effect before a successor institutional trustee or custodian has been appointed by the Board and such successor trustee has accepted the appointment. If the Board fails to appoint a successor institutional trustee or custodian, the retiring Bank may seek the appointment of a successor entity in the manner set forth in Section 7.3.

Section 7.3 Successor Bank.

(a) The Board may appoint a successor institutional trustee or custodian by delivering to such successor an instrument in writing, executed by an authorized representative of the Board, appointing such successor entity, and by delivering to the removed or resigning Bank an acceptance in writing, executed by the successor so appointed. Such appointment shall take effect upon the date specified in Section 7.1 or 7.2 above, as applicable.

(b) Alternatively, the Board may appoint a successor institutional trustee or custodian by securing from such successor an amendment to this Trust Agreement, executed by both the successor and an authorized representative of the Board, which replaces the current Bank with the successor institutional trustee or custodian, appointing such successor institutional trustee or custodian, and by delivering to the removed or resigning Bank an executed copy of the amendment. Such appointment shall take effect upon the date specified in the amendment.

(c) If no appointment of a successor institutional trustee or custodian is made by the Board within a reasonable time after such resignation, removal or other event, any court of competent jurisdiction may, upon application by the retiring Bank, appoint a successor institutional trustee or custodian after such notice to the Board and the retiring Bank, as such court may deem suitable and proper.

Section 7.4 Effect of Removal or Resignation of Bank. Upon the removal or resignation of the Bank in accordance with Section 7.1 or 7.2 above, the Bank shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law.

Section 7.5 Merger or Consolidation of the Bank. Any corporation continuing as the result of any merger or resulting from any consolidation, to which merger or consolidation the Bank is a party, or any corporation to which substantially all the business and assets of the Bank may be transferred, will be deemed to be continuing as the Bank.

ARTICLE VIII COMPOSITION OF AND PROCEDURES FOR THE BOARD OF TRUSTEES

Section 8.1 Number and Appointment of Members. The Board of Trustees shall consist of seven (7) Individual Trustees as voting members and for the first four (4) years, one (1) non-voting, ex-officio member, who are selected as provided below.

(a) The Mayor of Detroit shall appoint one (1) voting member, who may not be an employee or employed by an affiliate of the City (for such purposes, a contractor of the City shall not be deemed an affiliate), or of any labor union representing employees of the City, or a member of any such labor union, or a Participant. Such member shall have expert knowledge or extensive experience with respect to economics, finance, institutional investments, administration of public or private health and welfare benefit plans, executive management, benefits administration or actuarial science. The Board member selected by the Mayor to begin serving as of the Effective Date shall be Floyd Allen.

(b) The remaining six (6) voting members shall be appointed as follows: three (3) such voting members shall initially be designated by the Official Committee of Retirees of the City of Detroit, Michigan, and three (3) such voting members shall initially be designated by the Retired Detroit Police and Fire Fighters Association. The members initially selected by the Official Committee of Retirees of the City of Detroit, Michigan shall be: Gregory Best, John Clark, and Thomas Sheehan. The members initially selected by the Retired Detroit Police and Fire Fighters Association shall be: Allan Grant, Greg Trozak, and Andrew Dillon.

(c) The Retired Detroit Police Members Association shall appoint one (1) non-voting, ex-officio member who shall initially be: Shirley Berger. The non-voting member may attend any meeting of the Board, provide whatever opinion and recommendations he or she deems warranted, and receive all written product received by the full Board. To the extent the Board appoints any committee or subcommittee, such non-voting member is also eligible to be appointed, in the full voting Board's discretion, as an ex-officio member of such committee/subcommittee, but if appointed would not vote as a committee/subcommittee member.

Each voting Board member shall acknowledge his or her appointment and acceptance of the duties and responsibilities set forth in this Trust Agreement in writing.

Section 8.2 Term of Office. Each member of the Board shall serve a period of four (4) years, or if earlier, until his or her death, incapacity to serve hereunder, or resignation. A voting Board member whose term has ended due to the passage of time may be reappointed to serve an additional four (4) year term pursuant to the procedures set forth in Section 8.4 below.

Section 8.3 Resignation. A Board member may resign, and shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law, by giving at least ninety (90) days' advance written notice to the Board (and in the case of a Board member selected by the Mayor, to the Mayor; and in the case of a Board member selected by the Official Committee of Retirees or the Retired Detroit Police and Fire Fighters Association, to the Retired Detroit Police and Fire Fighters Association), which notice shall state the date when such resignation shall take effect, which notice or time period may be waived by the Board.

Section 8.4 Vacancies. In the event of a vacancy, either by resignation, death, incapacity, expiration of term of office, or other reasons, the replacement Board member shall be appointed as provided below.

(a) In the event of a vacancy of the seat previously filled by the appointee of the Mayor of Detroit, the replacement Board member shall be appointed as provided in Section 8.1(a).

(b) In the event of a vacancy of a seat previously filled by an appointee of the Official Committee of Retirees or the Retired Detroit Police and Fire Fighters Association, the replacement Board member shall be appointed by the Retired Detroit Police and Fire Fighters Association.

(c) In the event of a vacancy of the non-voting, ex-officio seat previously filled by the appointee of the Retired Detroit Police Members Association, the replacement Board member shall be appointed by the Retired Detroit Police Members Association; provided, however, that such seat shall terminate on December 31, 2018, and in no event shall a vacancy in this seat after December 31, 2018 be filled.

Section 8.5 Fees and Expenses. Voting Board members shall each be paid a stipend. For the 2015 and 2016 calendar year, this stipend shall be in the amount of \$12,000 per year (payable ratably on a monthly basis). Beginning with the 2017 calendar year and for each year thereafter, this stipend shall be in the amount of \$6,000 per year (payable ratably on a monthly basis); provided, however, that the Board, by a vote of not less than six (6) out of seven (7) voting Board members, shall have the power to provide for a different amount for the stipend; and provided, further, that in no event shall such annual stipend exceed \$12,000. The ex-officio member appointed by the Retired Detroit Police Members Association shall be paid a stipend of \$4,800 per year (payable ratably on a monthly basis) for the 2015 and 2016 calendar years, and shall be paid an amount equal to 50% of the stipend of a voting Board member for the 2017 and 2018 calendar years. Each voting Board member may be reimbursed for reasonable expenses properly and actually incurred in the performance of his or her duties, and in the case of the non-voting member, he or she may be reimbursed for reasonable expenses properly and actually

incurred in connection with attendance at Board or Board committee meetings. Compensation payable to the Board members and all reimbursed expenses shall be payable out of the Trust.

Section 8.6 Operation of the Board; Quorum. The Board shall select from among its members a chair and a vice chair. The Board shall hold regular meetings, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure and shall keep a record of proceedings. Each Board member shall be entitled to one vote on each question before the Board. Five (5) voting members shall constitute a quorum at any meeting. Except as provided in Section 8.5 and Article X, a majority vote of the seven (7) voting members of the Board at a meeting in which a quorum exists shall be necessary for a decision by the Board. Notwithstanding the foregoing, the voting members of the Board may act by unanimous written consent in lieu of a meeting.

ARTICLE IX POWERS AND DUTIES OF THE BOARD OF TRUSTEES

Section 9.1 General. The Board shall be responsible for designing, adopting, maintaining and administering the Plan, as well as administering the Trust and managing the Trust assets as provided herein. Subject to the provisions of this Trust Agreement, the Plan documents and applicable laws, the Board shall have sole, absolute and discretionary authority to adopt such rules and regulations and take all actions that it deems desirable for the administration of the Plan and Trust, and to interpret the terms of the Plan and Trust. The decisions of the Board will be final and binding on all Participants and all other parties to the maximum extent allowed by law. In performing its duties hereunder, the voting members of the Board shall comply with the terms of the Trust, and shall discharge their duties for the exclusive purposes of providing benefits to participants and beneficiaries of the Plan and Trust and defraying reasonable expenses of the Plan and Trust, and with the care, skill, prudence, and diligence then prevailing that a prudent person acting in a like capacity – and familiar with such matters – would use in the conduct of an enterprise of like character and with like aims.

Section 9.2 Plan Design and Administration

(a) Adoption of Plan. The Board shall adopt a Plan to offer life, sickness, accident or other similar benefits to Participants. All terms of the Plan shall be determined by the Board; provided that such terms shall be consistent with this Trust Agreement, Code section 501(c)(9) and the regulations promulgated thereunder. The Board shall be under no obligation to design the Plan to assure that the assets of the Trust Fund are sufficient to provide benefits to all potential Participants of the Plan in subsequent years.

(b) Benefits. The Plan shall include benefits and any other features including, without limitation, premium-sharing or other cost-sharing or reimbursements, that the Board from time to time determines appropriate or desirable in its sole discretion. The Plan may provide for different benefit structures or programs for different groups of Participants, as determined by the Board in its sole discretion. In designing the Plan and the benefits to be provided thereunder, the Board may take into account relevant circumstances, including, without limitation, the degree to which Participants may have alternative resources or coverage sources, as well as the resources of the Trust Fund. Benefits provided under the Plan shall be limited to those health care benefits permitted by Code Section 501(c)(9), and any Plan eligibility

restrictions established by the Board shall conform with the requirements set forth in Treasury Regulation Section 1.501(c)(9)-2.

(c) Method of Providing Benefits. Benefits under the Plan may be fully insured, partially insured or self-insured, as determined by the Board from time to time in its sole discretion. The expected cost of benefits under the Plan shall not exceed the amount expected to be available under the Trust.

(d) Plan Documentation. The Board shall be responsible for creating, adopting and/or executing any documents necessary to set forth the Plan's governing terms, and shall be responsible for communicating the terms of the Plan to the Eligible Retiree Members and Eligible Dependents in accordance with applicable law.

Section 9.3 Investment of the Trust. The Board, with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar means, shall have full power and authority to manage, control, invest and reinvest the money and other assets of the Trust Fund, and the Bank shall comply with the proper written direction of the Board concerning those assets. The Board may employ outside advisors, including investment advisors, to advise it with regard to the investment of the assets of the Trust Fund. Any outside advisors shall acknowledge a fiduciary relationship to the Board and the Trust Fund.

In investing and managing the assets of the Trust, the Board:

shall consider among other circumstances: the general economic conditions; the possible effect of inflation or deflation; the role that each investment or course of action plays within the overall portfolio; the expected total return from income and the appreciation of capital; needs for liquidity, regularity of income, and preservation or appreciation of capital; and the adequacy of funding for the plan based on reasonable actuarial factors;

(b) shall diversify the investments of the Trust unless the Board reasonably determines that because of special circumstances, it is clearly prudent not to do so;

(c) shall make a reasonable effort to verify facts relevant to the investment and management of assets of the Trust; and

(d) may consider benefits created by an investment in addition to investment return only if the Board determines that the investment providing these collateral benefits would be prudent even without the collateral benefits.

Section 9.4 Appointment of Investment Managers. The Board, from time to time, may appoint one or more independent Investment Managers, pursuant to a written investment management agreement describing the powers and duties of the Investment Manager, to direct the investment and reinvestment of all or a portion of the Trust (hereinafter referred to as an "Investment Account"). The Board shall determine that each Investment Manager is a fiduciary to the Board and Trust with demonstrated expertise in the type of investments authorized by the Board and, is entitled (under its investment management agreement) to direct the investment and reinvestment of the Investment Account for which it is responsible, in its sole and independent

discretion and without limitation, except for any limitations which from time to time the Board determines shall modify the scope of such authority. If an Investment Manager is appointed, it shall have the authority of the Bank specified in Section 5.1 hereof with respect to the Investment Account over which it has investment discretion and the Bank's duties with respect to such Investment Account shall be limited to following the instructions of the Investment Manager. Provided that an Investment Manager is prudently selected and monitored by the Board, the Board shall have no liability (a) for the acts or omissions of such Investment Manager; (b) for following directions of such Investment Manager which are given in accordance with this Trust Agreement; or (c) for any loss of any kind which may result by reason of the manner of division of the Trust into Investment Accounts.

Section 9.5 Government Reports and Returns. The Board shall file all reports and returns that are required to be made with respect to the Trust and the Plan.

Section 9.6 Compromise or Settle Claims. The Board may compromise, settle and release claims or demands in favor of or against the Trust or the Board on such terms and conditions as the Board may deem advisable. The Board may at all times rely upon the advice of independent counsel in reaching such decisions.

Section 9.7 Appointment of Administrator. The Board may appoint one or more third parties to perform any administrative functions it has with regard to the Trust or Plan.

Section 9.8 Employment of Assistance. The Board has the exclusive authority to employ, contract and pay for all professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation and administration of the Plan and Trust. The powers granted to the Board in this subparagraph include complete control of the procurement process, including contracts for office space, computer hardware and software, and human resource services. In accordance with the provisions of Section 5.3 hereof, the Board may direct the Bank to pay reasonable compensation therefor from the Trust Fund. The Board may take or may refrain from taking any action in accordance with or reliance upon the opinion of counsel or such expert advisors.

Section 9.9 Reliance on Written Instruments. The Board shall be fully protected in acting upon any instrument, certificate or paper believed by him or her to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 9.10 No Individual Liability on Contracts. The Board shall not be liable personally for any debts, obligations, or undertakings contracted by them, or for the breach of any contracts. Such claims and obligations shall be paid out of the Trust; provided, however, that neither the Board nor any of its members shall be exempt from personal liability for willful misconduct, intentional wrongdoing, breach of applicable fiduciary duty, negligence, or fraud, and the Trust shall not indemnify the Board for such liabilities to the extent that such indemnification would violate the provisions of Section 9.13 herein, or to the extent that application of this sentence would violate any law.

Section 9.11 Detroit Not Liable for Conduct of Board. The Board is not in its capacity as Board an officer, agent, employee, or representative of Detroit. In its capacity as Board, the Board is a principal acting independently of Detroit, which shall not be liable for any act, omission, contract, obligation, liability, debt, or undertaking of the Board or its officers, agents, or representatives.

Section 9.12 Liability Insurance. The Board shall obtain and keep current a policy or policies of insurance, insuring the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in connection with the performance of their duties, responsibilities and obligations under this Trust Agreement or the Plan. To the extent permitted by applicable law, the premiums on such policies may be paid from the Trust Fund.

Section 9.13 Reimbursement for Defense of Claims.

(a) To the extent permitted by applicable law, and not otherwise covered by liability insurance purchased by the Trust (without regard to any non-recourse rider purchased by the insured), the Board, its individual trustees, employees of the Board and persons acting on the Board's behalf pursuant to an express written delegation to the extent such written delegation provides for indemnification (each separately, the "Indemnified Party") shall be indemnified and held harmless by the Trust Fund for all reasonable costs and expenses, including without limitation attorney's fees, judgments, settlements, liabilities, fines, or penalties, incurred or suffered in defense of any claim demand, cause of action or administrative proceeding that seeks to hold the Indemnified Party personally liable for any loss to the Plan or Trust Fund or for damages suffered by any party to, or beneficiary of this Trust Agreement arising out of conduct reasonably believed to be good faith acts within the scope and powers and duties of the Indemnified Party, provided that, the Board shall have the right to approve of the retention of any counsel whose fees would be paid by the Trust Fund, but such approval shall not be withheld unreasonably. In the event that indemnification is made by the Trust pursuant hereto, the Indemnified Party shall agree to reimburse the Trust for all fees, costs and expenses to the extent that it is determined that the Indemnified Party's acts or omissions constituted fraud, bad faith, willful misconduct, negligence, or breach of fiduciary duty, and an independent fiduciary shall take all reasonable steps to ensure reimbursement at the time the Trust Fund agrees to indemnify pursuant to this Section; provided further that in the case of a final judicial determination of negligence or breach of fiduciary duty the Indemnified Party's reimbursement obligation shall be limited to the lesser of \$50,000 or the deductible on any non-recourse commercial liability insurance policy.

(b) The Board may make, execute, record and file on its own behalf and on behalf of the Trust, all instruments and other documentation (including one or more separate indemnification agreements between the Trust and individual Indemnified Parties) that the Board deems necessary and appropriate in order to extend the benefit of the provisions of this Section to any Indemnified Party.

Section 9.14 Subrogation and Reimbursement. If the Plan is self-insured, the following provisions regarding subrogation and third-party reimbursement will apply.

(a) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of an individual ("Benefit Recipient"), the Trust Fund shall be subrogated as provided in this Section 9.14 to all the Benefit Recipient's rights of recovery with respect to the illness or injury for which the payment of benefits is made by the Trust Fund. The right of recovery referred to in the preceding sentence shall include the right to make a claim, sue, and recover against any person or entity from the first dollars of any funds which are paid or payable as a result of a personal injury claim or any reimbursement of health care expenses. If requested in writing by the Board, the Benefit Recipient shall take, through any representative designated by the Board, such action as may be necessary or appropriate to recover such payment from any person or entity, said action to be taken in the name of the Benefit Recipient. In the event of a recovery or settlement, the Trust Fund shall be reimbursed in full on a first priority basis out of such recovery or settlement for expenses, costs, and attorneys' fees incurred by it in connection therewith.

(b) If the Trust Fund pays, or is obligated to pay, any amount to or on behalf of a Benefit Recipient for an illness or injury, the Trust Fund shall be entitled to, and shall have a first priority equitable lien on, the proceeds of any recovery, by judgment, settlement or otherwise, with respect to the illness or injury, and if paid to the Benefit Recipient, the Benefit Recipient shall immediately pay any such proceeds to the Trust Fund. If the Benefit Recipient fails to pay such proceeds, or does not cause such proceeds to be paid, to the Trust Fund, the Board may, in addition to any other remedy to which it may be entitled, recover the proceeds directly or by offset against claims for benefits under the Plan and Trust made with respect to the affected Benefit Recipient (or such Benefit Recipient's beneficiaries, heirs, attorneys, agents, representatives, or estate).

(c) The Trust Fund shall have the right of subrogation and reimbursement set forth in this Section 9.14 regardless of whether the Benefit Recipient is made whole and regardless of whether the recovery, or any part thereof, is designated as payment for health care expenses, pain and suffering, loss of income or any other specified or unspecified damages or reason, and without regard to whether recovery is designated as including or excluding the health care expenses covered by the Plan and Trust. Any recovery by a Benefit Recipient, an attorney or other third party shall be deemed to be for the benefit of the Plan and Trust and shall be held in constructive trust for the Trust Fund until the Trust Fund is reimbursed in full for all amounts paid by the Trust Fund. The subrogation and reimbursement rights of the Trust Fund described in this Section 9.14 include all rights against, and include all rights with respect to, proceeds from or held by any attorney, third party, insurance carrier or payer of medical benefits, including an uninsured or under-insured motorist carrier, a no-fault carrier and a school insurance carrier, even if such coverage was purchased by the Benefit Recipient, and without regard to whether the proceeds have been paid or are payable.

(d) By participating in the Plan, each Benefit Recipient agrees to cooperate fully with the Plan and Trust and to execute and deliver agreements, liens and other documents and do whatever else the Board deems necessary to enable and assist the Trust Fund in exercising its rights under this Section 9.14, but the Trust Fund's rights under this Section 9.14 shall be effective regardless of whether the Benefit Recipient actually signs any agreements, liens or other documents. By participating in the Plan, each Benefit Recipient also agrees (i) that he or she will not make or maintain any make whole, common trust fund or apportionment action or claim in contravention of the subrogation and reimbursement provisions of this Section 9.14; and (ii) that he or she will not oppose any proceeding by the Trust Fund to obtain reimbursement

on procedural grounds. The Benefit Recipient, directly or through his or her representatives, shall not do anything to impair the Trust Fund's rights. If the Board determines that any Trust Fund recovery rights under Section 9.14 have been impaired by any action of the Benefit Recipient or his or her representatives or by the Benefit Recipient's or such other person's failure to comply with the Benefit Recipient's obligations under Section 9.14, the Board may, in addition to any other remedy to which it may be entitled, determine the amount by which the Trust Fund's recovery rights have been impaired and recover such amount directly or by offset against claims for benefits under the Trust Fund made with respect to the affected Benefit Recipient.

(e) This Section 9.14 entitles the Trust Fund to subrogation and reimbursement equal to the entire amount paid by the Trust Fund for the illness or injury to which the subrogation or reimbursement relates, including related expenses, costs and attorneys' fees, which shall be from the first dollars payable to or received by the Benefit Recipient, his representatives, heirs, legal counsel, estate or any other third party from any settlement, judgment or other payment, without reduction for attorneys' fees or for any other reason. The common fund, make-whole, apportionment or any similar doctrines shall not apply to any amounts received. Any attorneys' fees shall be the responsibility solely of the Benefit Recipient, and the Trust Fund shall not pay any attorneys' fees or costs associated with a Benefit Recipient's claim or lawsuit without the Board's prior written authorization.

(f) The intention of this Section 9.14 is to give the Trust Fund the first right of subrogation and reimbursement in full with respect to the first dollars paid or payable, even though the Benefit Recipient is not made whole. Each Benefit Recipient agrees that as a condition to receiving benefits under the Plan and from the Trust Fund, the Benefit Recipient shall comply with the requirements of this Section 9.14.

ARTICLE X AMENDMENT, TERMINATION AND MERGER

Section 10.1 Amendment. The Trust Agreement may be amended at any time in writing by the Board, by a vote of not less than six (6) out of seven (7) voting Board members, or by Court order upon proper motion, provided, however, that no amendment may impose a contribution obligation on Detroit; provided further that no amendment shall in any way conflict with the terms of the Plan of Adjustment or a Court order confirming the Plan of Adjustment; and provided further that no amendment shall adversely affect the exempt status of the Trust or Plan under Section 501(c)(9) of the Code. No amendment to the Trust Agreement shall modify the responsibilities of the Bank hereunder unless the Bank has first consented to such amendment.

Section 10.2 Termination.

(a) The Trust and this Trust Agreement may be terminated at any time in writing by action of the Board, acting by a vote of not less than six (6) out of seven (7) voting Board members, with a copy of such written instrument to be provided to the Bank, or by Court order upon proper motion. Upon termination of this Trust Agreement, the assets of the Trust Fund shall be paid out at the direction of the Board in the following order of priority: (i) the payment of reasonable and necessary administrative expenses (including taxes); (ii) the payment of benefits to Participants entitled to payments for claims arising prior to such termination; and

(iii) upon satisfaction of all liabilities to existing Participants, either directly or through the purchase of insurance, to provide life, sick accident or other permissible benefits in accordance with Code section 501(c)(9) and the rules and regulations promulgated thereunder. Neither Detroit nor any member of the Board shall have any beneficial interest in the Trust Fund, except to the extent an Individual Trustee is also a Participant in the Plan. Any determination by the Board or an administrator to distribute assets of the Trust upon termination to an Individual Trustee who is also a Participant must have the written concurrence of the Bank. The Trust Fund shall remain in existence until all assets have been distributed.

(b) Upon termination, the Bank and the Board shall continue to have all of the powers provided in this Trust Agreement as are necessary or desirable for the orderly liquidation and distribution of the Trust Fund in accordance with the provisions hereof.

Section 10.3 Transfer of Assets and/or Liabilities. To the extent permitted by Code section 501(c)(9) and other applicable law, some or all of the assets and/or liabilities of the Trust Fund may at the discretion of the Board be transferred directly to another trust for the purpose of providing health or welfare benefits to some or all of the Participants on such terms and conditions as the Board may determine.

ARTICLE XI MISCELLANEOUS

Section 11.1 Rights in Trust Fund. No Participant or other person shall have any right, title or interest in the Trust Fund or any legal or equitable right against the Bank, the Board, or Detroit, except as may be otherwise expressly provided in the Plan or in this Trust Agreement.

Section 11.2 Non-Alienation. Except to the extent required by applicable law, the rights or interest of any Participant to any benefits or future payments hereunder or under the provisions of the Plan shall not be subject to attachment or garnishment or other legal process by any creditor of any such Participant, nor shall any such Participant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingent or otherwise, under this Trust Agreement.

Section 11.3 Controlling Laws. The Trust shall be construed and the terms hereof applied according to the laws of the state of Michigan to the extent not superseded by federal law.

Section 11.4 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

Section 11.5 Headings. The headings and subheadings of this Trust Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Trust Agreement.

Section 11.6 Notices. All notices, requests, demands and other communications under this Trust Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of receipt if served personally or by confirmed facsimile or other similar communication; (b) on the first business day after sending if sent for guaranteed next day delivery by Federal Express or other next-day courier service; or (c) on the fourth business day after mailing if

mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to the Bank:

[insert name and address]

If to the Board:

[insert 8 names and addresses]

If to the Mayor:

[insert name and address]

If to the Supporting Organization:

[insert name and address]

If to the Other Supporting Organization:

[insert name and address]

If to the Retired Detroit Police and Fire Fighters Association:

[insert name and address]

If to the Retired Detroit Police Members Association

[insert name and address]

IN WITNESS WHEREOF, and as evidence of the establishment of the Trust created hereunder, the parties hereto have caused this instrument to be executed as of the date above first written.

BANK

By: _____
Print Name: _____
Title: _____
Date: _____

CITY OF DETROIT

By: _____
Print Name: _____
Title: _____
Date: _____

INDIVIDUAL TRUSTEES

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

EXHIBIT A

Bank Compensation

EXHIBIT B

Supporting Organization Funding

Contributing Organization	Contribution Amount
Skillman Foundation	

EXHIBIT I.A.126

PRINCIPAL TERMS OF DIA SETTLEMENT

Term Sheet

Definitions	<p>For the purposes of this Term Sheet the following terms have the meanings provided below:</p> <p><u>CFSEM</u> means Community Foundation for Southeast Michigan.</p> <p><u>City</u> means the City of Detroit.</p> <p><u>Closing</u> means the closing of the transactions contemplated herein.</p> <p><u>Definitive Documentation</u> means the definitive agreements and other transaction documents to be executed and delivered at Closing.</p> <p><u>DIA Funders</u> means those persons, businesses, business-affiliated foundations and other foundations that are listed on Exhibit C to this Term Sheet and all additional persons, businesses, business-affiliated foundations and any other foundations from which The DIA secures commitments to contribute monies as "DIA Funders" in furtherance of the transactions contemplated by this Term Sheet.</p> <p><u>Foundation Funders</u> means the foundations that are listed on Exhibit B to this Term Sheet and any additional foundations (other than foundations that are DIA Funders) that, subsequent to the date of this Term Sheet, agree to contribute monies as "Foundation Funders" in furtherance of the transactions contemplated by this Term Sheet.</p> <p><u>Funder</u> means a Foundation Funder, a DIA Funder, or The DIA (collectively, the "Funders").</p> <p><u>Museum</u> means the museum that is commonly referred to as the Detroit Institute of Arts.</p> <p><u>Museum Assets</u> means the Museum art collection, operating assets, buildings, parking lots and structures, and any other assets having title vested in the City that are used primarily in servicing the Museum, including those covered by the 1997 Operating Agreement between the City and The DIA (the "Operating Agreement") all as more particularly described on Exhibit A to this Term Sheet.</p> <p><u>Payment Amount</u> means at least \$815 million without interest and, to the extent applicable, reduced by any Present Value Discount.</p>
-------------	--

	<p><u>Payment Period</u> means the twenty year period commencing on and immediately following the date of the Closing.</p> <p><u>State</u> means the State of Michigan.</p> <p><u>Supporting Organization</u> means the Foundation for Detroit's Future, a Michigan nonprofit corporation, which is a supporting organization of CFSEM, which was established to accommodate the contribution and payment of monies from the Funders, as contemplated under this Term Sheet, and will obtain 501(c)(3) status prior to the Closing.</p> <p><u>The DIA</u> means The Detroit Institute of Arts, a Michigan not-for-profit corporation.</p> <p><u>Tri-Counties</u> means the Counties of Macomb, Oakland and Wayne, all in the State.</p> <p>Other capitalized terms are defined elsewhere in this Term Sheet.</p>
Scope of Settlement	<p>The consummation of the transactions contemplated in this Term Sheet shall be in full and final settlement of all disputes relating to the rights of the City, the Police and Fire Retirement System and the General Retirement System for the City (collectively, the "Pensions"), The DIA, and the State with respect to the Museum, including the Museum Assets. Disputes held by other of the City's creditors pertaining to the foregoing subject matter shall be resolved by confirmation of the Plan of Adjustment (defined below).</p>
Reservation of Rights	<p>This Term Sheet proposes a settlement of disputed factual and legal issues. Nothing in this Term Sheet constitutes an admission as to any factual or legal issue or a waiver of any claim or defense, and all rights of the City, The DIA, the Funders and all other parties in the City's bankruptcy case regarding the Museum and the Museum Assets are fully preserved until the Closing.</p>
Treatment of Museum Assets	<p>As a result of this settlement, at Closing, all right, title and interest in and to the Museum Assets shall be conveyed to The DIA to be held in perpetual charitable trust for the benefit of the people of the City and the State, including the citizens of the Tri-Counties, permanently free and clear of all liens, encumbrances, claims and interests of the City and its creditors (the "Transfer").</p>

<p style="text-align: center;">Funding Commitments</p>	<p>All commitments of the Funders shall, subject to the terms and conditions of this Term Sheet and the Definitive Documentation, be the irrevocable, authorized, valid and binding commitments by the Funders, enforceable against such Funders, except that the commitment of The DIA as to any DIA Deficiency will be subject to its right of substitution as discussed in "<i>DIA Commitment Regarding Funding</i>" below. Exhibit B and Exhibit C, as applicable, set forth the commitment amount and, to the extent known prior to the date of this Term Sheet, the payment schedule for each Funder. Prior to execution of the Definitive Documentation, each Funder with respect to which the payment schedule was not known as of the date of this Term Sheet (unless such party becomes a "Funder" only after the date of the Definitive Documentation) shall agree to a payment schedule. Each Funder shall have the right to prepay its commitment in whole or in part at any time without penalty and no interest will be owed on any Funder's payments.</p> <p>All payments by the Funders shall be made as set forth in "<i>Payment Mechanism</i>" of this Term Sheet. (The mechanics, timing and terms of all payments by the State shall be determined between the State and the City.)</p> <p>The parties acknowledge that Funder payments are conditioned on the City meeting certain conditions both initially and on a continuing basis. See "<i>Conditions to Future Funding Obligations</i>" of this Term Sheet. Failure of the City to meet those conditions in any material respect may result in the delay of a scheduled payment by the Funders to the Supporting Organization and a delay of a scheduled payment by the Supporting Organization to the City until (i) all material requisite conditions for that payment are met; or (ii) cancellation of that payment if the material requisite conditions are not met within any established cure period.</p> <p>Funding commitments of the following amounts (before giving effect to any Present Value Discount, as applicable) are required as a condition to Closing:</p> <table data-bbox="727 1570 1341 1682"> <tr> <td>Foundation Funders (net)</td><td>\$366 million</td></tr> <tr> <td>DIA Funders and DIA</td><td>\$100 million*</td></tr> <tr> <td>State</td><td>\$350 million</td></tr> </table> <p style="text-align: center;">*inclusive of the intended funding amounts for the identified Foundation Funders</p>	Foundation Funders (net)	\$366 million	DIA Funders and DIA	\$100 million*	State	\$350 million
Foundation Funders (net)	\$366 million						
DIA Funders and DIA	\$100 million*						
State	\$350 million						

	<p>listed in Exhibit B</p> <p>To the extent the City fails to meet its indemnity obligations further described in Exhibit D, the Funders', the Supporting Organization's and The DIA's (with respect to a DIA Deficiency or under the Guaranty) funding commitments will be reduced by any litigation or defense costs, damages or settlement costs incurred by the applicable Funder, the Supporting Organization or The DIA in connection therewith. Similarly, the Funders, the Supporting Organization and The DIA may reduce their funding commitments to the extent that any litigation or defense costs, damages or settlement costs incurred by them and arising from the transactions contemplated by this Term Sheet and the Definitive Documentation are not otherwise covered by the City's indemnity obligations described in Exhibit D.</p>
Present Value Discount	<p>To the extent that the DIA Funders and The DIA have agreed upon an aggregate payment schedule (determined as of the Closing and adjusted after the Closing for any New Donor Commitments), that provides for the payment of greater than an aggregate of \$5 million per year during the Payment Period (the "Agreed Required Minimum Schedule"), the amount and timing of such annual excess in commitments shall, applying a discount rate to be agreed upon hereafter but prior to Closing, which may or may not be the same earnings rate that the Pensions use as provided for in the confirmed Plan of Adjustment as the Pensions' assumed future investment return, result in a present value discount in an amount which reflects the payments required to be made being instead made more rapidly than required by the Agreed Required Minimum Payment Schedule, which present value discount shall reduce the aggregate amount of the commitments that The DIA is required to secure or, as to any DIA Deficiency, undertake itself (the "Present Value Discount").</p> <p>Each Foundation Funder which funds its commitment more rapidly than ratably over twenty years shall likewise be entitled to a Present Value Discount determined in the same manner as set forth in the preceding paragraph.</p> <p>Any disputes regarding the calculation or application of a Present Value Discount will be irrevocably determined,</p>

	based upon the formula described in this Term Sheet, by an independent auditing firm to be agreed upon in the Definitive Documentation.
The DIA Commitment Regarding Funding	The DIA undertakes to secure commitments for contributions of \$100 million (subject to the Present Value Discount) from the business community (and their related foundations), other foundations and individuals. As of the Closing, The DIA shall be responsible for any portion of the \$100 million (subject to the Present Value Discount) for which it has not secured commitments from DIA Funders as of the Closing (the " DIA Deficiency "). However, The DIA shall have the right after the Closing to substitute for its obligation to pay any or all of the DIA Deficiency commitments from new DIA Funders or an increased funding commitment from an existing DIA Funder (each a " New Donor Commitment ") for such amount of the DIA Deficiency. Subject to the terms of this Term Sheet, all New Donor Commitments shall be payable according to payment schedules which shall not run later than the end of the Payment Period. In addition, The DIA agrees that it will have no claims against the Foundation Funders for failure to fund their commitments and that the Foundation Funders have made no commitments beyond those set forth in this Term Sheet (as will be reflected in the Definitive Documentation).
DIA Guaranty	Subject to the terms and conditions of this Term Sheet, The DIA shall guaranty (the " Guaranty ") the payment by all DIA Funders of all amounts such DIA Funders pledge against the \$100 million (subject to the Present Value Discount) commitment of The DIA under the " <i>Funding Commitment</i> " section of this Term Sheet. The City may take action to collect Default Amounts under the Guaranty as permitted under the " <i>Default and Remedies</i> " section of this Term Sheet. The City shall not otherwise take action to collect any amounts under the Guaranty, and under no circumstances will anyone other than the City have any right to take any action to collect any amounts under the Guaranty. The DIA Guaranty shall be in form and substance acceptable to the City and the Funders.
Default and Remedies	All Funders (including The DIA, both as to any DIA Deficiency and with respect to the Guaranty) shall have the right to rely upon the determination of the Board of Directors of the Supporting Organization as to whether the conditions

	<p>to a scheduled payment have been satisfied and, if not initially satisfied, whether they have been timely cured. In the event that the Supporting Organization has determined that the conditions have not been satisfied (or timely cured) and the City disputes that determination, the City's only recourse shall be to dispute the Supporting Organization's determination. The City shall have no claim against any Funder (or under the Guaranty) for such Funder's reliance upon the determination of the Board of Directors of the Supporting Organization. Any dispute between the City and the Supporting Organization regarding whether the conditions had been satisfied or timely cured shall be determined in accordance with the "<i>Dispute Resolution</i>" section of this Term Sheet.</p> <p>In the event it is determined by the Supporting Organization or through arbitration that the conditions to a scheduled payment have been satisfied or timely cured, all Funders shall be required to make their scheduled payments to the Supporting Organization (or, as to DIA Funders that so elect in accordance with the "<i>Payment Mechanism</i>" section of this Term Sheet, to The DIA, which will be required to make its scheduled payments to the Supporting Organization). If a Foundation Funder, a DIA Funder or The DIA (either with respect to a Deficiency Amount or on behalf of a DIA Funder who elects to make its payments to The DIA) has made its scheduled payment to the Supporting Organization, the City shall have recourse only to the Supporting Organization (and not any Funder that made its scheduled payment) for such payment. If a Foundation Funder, a DIA Funder or The DIA (either with respect to a Deficiency Amount or on behalf a DIA Funder who elects to make its payments to The DIA) has not made its scheduled payment after it is determined by the Supporting Organization or through arbitration that the conditions to such payment have been satisfied or timely cured, the Supporting Organization shall, after making reasonable efforts to collect the scheduled payment from the Funder (the "Non-funding Party"), assign its right to enforce payment of that scheduled payment (the "Default Amount") to the City in full satisfaction of the Supporting Organization's obligation to make such payment to the City.</p> <p>If the Supporting Organization assigns to the City, in accordance with the preceding paragraph, the Supporting Organization's right to enforce payment of a Default Amount from a DIA Funder (a "Defaulted DIA Funder"), during the twelve-month period following the assignment of the claim</p>
--	---

	<p>to the City (the “City Collection Period”), the City shall exercise commercially reasonable efforts to collect the Default Amount from that Defaulted DIA Funder, and any amounts collected from that Defaulted DIA Funder shall reduce the amount subject to the Guaranty. If the City is unable to collect the Default Amount from a Defaulted DIA Funder during the City Collection Period, upon the expiration of the City Collection Period, the City may collect the Default Amount from The DIA under the Guaranty and, in such event, assign to The DIA all right and title to (and exclusive authority to collect) the Default Amount.</p> <p>In no event will any Funder other than the Non-funding Party have any responsibility for the payment or obligations of such Non-funding Party (except, as to The DIA, under the Guaranty), and the City will not have any right to collect any amounts from any Funder except as set forth above. Moreover, there will be no third-party beneficiaries to the rights of the City or the Supporting Organization, and no party other than the City or the Supporting Organization (or The DIA in respect of the Guaranty), as applicable, shall have the right to assert any claim against any Funder in respect of the obligations arising under the Definitive Documentation. Without limiting the foregoing, the failure of any Funder or the Supporting Organization to make a scheduled payment shall give rise to a claim by the City against such Non-funding Party, as set forth above, and not against any other Funder, the Supporting Organization, The DIA or the Museum Assets; provided, however, (i) as contemplated in “<i>The DIA Commitment Regarding Funding</i>” above, The DIA will be obligated for any DIA Deficiency except to the extent the DIA Deficiency is replaced during the Payment Period with a New Donor Commitment, and (ii) The DIA will have its obligations under the Guaranty.</p> <p>The City will be responsible for all costs of its enforcement against the Non-funding Party and will not seek reimbursement of costs of enforcement from any other party or the Supporting Organization. No other person or entity shall have the right to enforce payment.</p>
Initial Payment	<p>At and as a condition to the Closing (a) each of the Foundation Funders and the State shall pay at least 5% of its commitment under this Term Sheet and (b) The DIA and the DIA Funders in the aggregate shall pay at least \$5 million.</p>

<p>Transfer on Initial Payment</p>	<p>The Transfer shall be irrevocably consummated upon the Initial Payment to the City Account (defined in "<i>Conditions to Future Funding Obligations</i>" of this Term Sheet) (which shall be made at the Closing). In addition, at the Closing, the City and The DIA will enter into an agreement that (1) terminates the Operating Agreement, (2) includes a mutual release of pre-Closing claims, and (3) assigns (without recourse) from the City to The DIA all current and future commitments or gifts made or intended for the benefit of the Museum or The DIA, including without limitation money and works of art. The City will not, however, make any representations or warranties relating to the condition of, or title to, the Museum Assets or such commitments and will not have any liability with respect thereto.</p>
<p>Payment Mechanism</p>	<p>All payments by the Funders shall be made directly to the Supporting Organization which shall hold such payments in a segregated account (the "Account") pending payment to the City. Notwithstanding the foregoing, any DIA Funder may make its payments to The DIA instead of to the Supporting Organization; payments by The DIA (either with respect to a Deficiency Amount or on behalf a DIA Funder who elects pursuant to the preceding sentence to make its payments to The DIA) to the Supporting Organization shall be pursuant to the terms of an agreement which will be entered into between The DIA and the Supporting Organization in connection with the execution of the Definitive Documentation. As set forth under "<i>Default and Remedies</i>" above, only the City will have recourse or claims against the Account, provided all conditions specified in "<i>Conditions to Future Funding Obligations</i>" of this Term Sheet have been satisfied and as otherwise provided in this Term Sheet, and the City shall be paid when due, directly from the Account for the exclusive payment of the Pensions. The City will not be entitled to any interest or earnings on the balances of the Account. The City shall then pay such amounts to and for the exclusive payment of the Pensions in accordance with the allocation determined by the City and agreed by the Funders.</p>
<p>DIA Commitment for State-wide Services for State Contribution</p>	<p>In addition to continuing to operate the Museum for the benefit of the people of the City and the State, including the citizens of the Tri-Counties, and continuing to provide the special services to the residents of the Tri-Counties during the millage term that are provided for in the millage</p>

	<p>agreements, during the Payment Period The DIA will provide an array of art programs at no or discounted costs to the residents of the State. In determining which programs to offer, both the cost to The DIA of developing and operating these programs and The DIA's other fundraising obligations, including its need to raise funds for general operations and its stated goal of building endowment funds, as well as any fundraising obligation under this settlement, will be taken into account. As appropriate, The DIA will collaborate with its Michigan museum colleagues in the development of these programs. Given the length of the Payment Period, it is expected that these programs would be developed and adjusted over time. Such programs could include at the outset:</p> <ul style="list-style-type: none"> • Two exhibitions in each twelve-month period, with the first such period beginning six months after the Closing, of objects from the Museum collection that would rotate through museums and art centers around the State on a schedule to be determined by The DIA and the recipient museums. Each exhibition will be developed and organized by The DIA and will include installation and de-installation of the objects, a marketing package (logo and advertising template) and, possibly, input on programming and education opportunities. • An annual professional development program coordinated with the Michigan Museums Association designed to strengthen museum professionals and introduce museum job opportunities to student audiences. • An expansion of the Museum's popular Inside/Out program (during the tenure of the program), which places high-quality art reproductions in Southeast Michigan communities, to include two additional outstate locations annually, supporting tourism, cultural awareness and life-long learning. • Art object conservation services at a discounted rate to Michigan museums conducted in consultation with the Museum conservators and the curatorial staff of the requesting museum. • The development of an educational program based on the Museum collection that supports National Common Core Standards, to be offered in two
--	--

	Michigan communities annually and to include follow-up support for educators.
DIA Operating and Maintenance Commitments	<p>(1) Subject to the terms set forth herein and the Definitive Documentation, The DIA shall have complete responsibility for and control over Museum operations, capital expenditures, collection management, purchase or sale of assets, <i>etc.</i> and will be responsible for all related liabilities, including existing liabilities of The DIA to its employees, contractors and vendors.</p> <p>(2) The permanent primary situs of The DIA and its art collection will remain in the City in perpetuity. This Term Sheet and the Definitive Documentation will not otherwise restrict the ability of The DIA to lend or to otherwise allow works to travel outside of the City or the State, consistent with ordinary Museum operations and the state-wide services proposed under this settlement. Notwithstanding anything to the contrary set forth in this Term Sheet, The DIA acknowledges and agrees that the Museum shall be operated primarily for the benefit of the people of the City and the State, including the citizens of the Tri-Counties.</p> <p>(3) The DIA will be required to operate the Museum as an encyclopedic art museum in the City, in accordance with changing future demands in the operation of such a Museum. The DIA will not deaccession from its collection or sell, lease, pledge, mortgage, or otherwise encumber art that is accessioned to or otherwise held in its collection except in accordance with the code of ethics or applicable standards for museums published by the American Alliance of Museums (the "AAM") as amended or modified by the accreditation organization. If the AAM ceases to exist or to be generally regarded by leading American art museums as the preeminent American art museum accreditation organization, then the AAM's successor organization or such other organization that is at that time generally regarded by leading American art museums as the preeminent American art museum accreditation organization shall be substituted for the AAM.</p>

	<p>(4) In the event of a liquidation of The DIA, the Museum Assets will be transferred only to another not-for-profit entity (which entity shall be subject to the reasonable approval of the City and the Supporting Organization, if then in existence, and otherwise by majority vote of the City and the then-existing Foundation Funders). Such successor entity would subject itself to the same conditions as set forth in this Term Sheet and the Definitive Documentation, including but not limited to holding the Museum Assets in perpetual charitable trust for the people of the City and the State, including the citizens of the Tri-Counties. For the purposes of determining the majority vote described above, and for the avoidance of doubt, the parties agree that the City and each of the then-existing Foundation Funders shall each have one vote with respect to such approval.</p>
<p>City Commitments Relating to Pensions</p>	<p>(1) The City will adopt and maintain pension governance mechanisms that meet or exceed commonly accepted best practices reasonably satisfactory to the Funders and the State to ensure acceptable fiscal practices and procedures for management and investment of pensions and selection of acceptable pension boards to ensure the foregoing.</p> <p>(2) The City will establish, by the Effective Date (as defined below), a Receivership Transition Review Board ("Review Board") or other independent fiduciary that is independent of the City and any association of City employees or retirees for future supervision of the Pensions' management, administration and investments for at least twenty years after the Effective Date.</p> <p>(3) Any commitments by the City to make payments hereunder, or cause payments to be made, to the Pensions shall be subject to receipt of the related payment amount from the Supporting Organization which, in turn, will be conditioned on the City's compliance with the above.</p> <p>(4) The Pension funds themselves shall agree as part of the settlements approved through the confirmed Plan of Adjustment that they waive and release</p>

	<p>any and all claims against, and shall have no recourse directly against, the Funders or the Supporting Organization with respect to enforcement of the City's commitment to make payments to the Pensions or any such party, nor for any matter arising from the contemplated transaction. The agreement of the Pension funds, as implemented through the Plan of Adjustment and any associated court orders shall be binding on the Pensions and all entities or persons claiming through the Pensions, including without limitation any successors or assigns and any plan participants, and any of their representatives, successors or assigns.</p>
Other City Commitments	<ol style="list-style-type: none"> (1) The City shall pass no charter, ordinance or other provision that solely affects or primarily targets the Museum, The DIA or museums within the City generally which such charter, ordinance or other provision has a material adverse impact on the Museum or The DIA (it being understood that a "material adverse impact" shall include any adverse financial impact or any contradiction, or adverse impact on the enforceability, of the terms of this settlement), except pursuant to State-enabling legislation, and the City agrees that the Detroit Arts Commission will henceforth have no oversight of The DIA, the Museum or the Museum Assets. (2) The City shall not impose any fee, tax or other cost on the Museum or The DIA that solely affects or primarily targets the Museum, The DIA or museums within the City generally. (3) The City shall provide (or cause to be provided) utilities and other City services to The DIA at the same pricing and on the same terms upon which the City offers to provide utilities and such other City services to arm's-length third parties generally. (4) The City agrees that there are no further commitments from the Funders, the Supporting Organization, The DIA or the State relating to the Museum or the Museum Assets beyond those contained in the Term Sheet or the Definitive

	<p>Documentation.</p> <p>(5) The City agrees to the indemnification, jurisdiction, venue and choice of law language contained in Exhibit D for the benefit of the Funders.</p>
<p>Bankruptcy Court Approval Process</p>	<p>The settlement between the City and The DIA over the Transfer in exchange for the Funders' and the State's commitments for the Payment Amount and The DIA's commitment to provide for the operation and maintenance of the Museum is subject to the Bankruptcy Court's approval in a manner acceptable to the parties hereto, which the City shall seek promptly after the signing of the Definitive Documentation for the settlement.</p>
<p>Conditions to The DIA's, the City's and the Funders' Commitments and Initial Payments under the Settlement</p>	<p>The City's and the Funders' obligations under the settlement will become binding only upon:</p> <ol style="list-style-type: none"> (1) execution of Definitive Documentation acceptable in all respects to The DIA, the City, the State and the Funders, memorializing the terms of this Term Sheet, including irrevocable commitments (subject to The DIA's right of substitution as to the DIA Deficiency) of the Funders, in the aggregate, for the full Payment Amount, (2) Bankruptcy Court entry of an order confirming the Plan of Adjustment of Debts of the City of Detroit, Michigan (the "Plan of Adjustment") that is binding on The DIA, the City and all of the City's creditors and provides, among other things, for approval and inclusion of all of the terms of this settlement, including treatment of the Payment Amount in accordance with this Term Sheet and protection of the Museum Assets as provided in "<i>Treatment of Museum Assets</i>" of this Term Sheet, and not stayed on appeal, (3) occurrence of the Effective Date, (4) approval of the settlement by the Michigan Attorney General as consistent with Michigan law and with Attorney General Opinion No. 7272, (5) agreement by the millage authorities for each of the Tri-Counties to the settlement for protection of the three-county millage payable to the Museum for the balance of the millage period approved in 2012,

	<p>(6) approval of the relevant City and State persons or entities specified in the Local Financial Stability and Choice Act (PA 436) to the extent applicable, including, but not limited to, the Emergency Manager, the Governor of the State and/or the Treasurer of the State and (if needed) the Detroit City Council and/or Detroit Arts Commission, in each case, for the Transfer,</p> <p>(7) The DIA, the Foundation Funders, the City and the State being satisfied with The DIA's governance structure, mechanisms and documents, program for provision of statewide services, multi-year fundraising plan, insurance coverage, policies, practices and procedures and such other matters as the Funders determine are critical to their decision to fund and the City determines are critical to its decision to execute the Definitive Documentation,</p> <p>(8) Closing occurring no later than December 31, 2014,</p> <p>(9) All existing agreements and other arrangements between the City and The DIA are either affirmed, modified or terminated, as provided in this Term Sheet or as otherwise agreed between the City and The DIA.</p> <p>(10) The DIA agrees to indemnify and hold harmless the Foundation Funders, the City and the Supporting Organization from any and all claims against them (together with all reasonable associated costs and expenses) that result from The DIA's failure to perform any of its obligations under the Definitive Documentation. The DIA acknowledges that the Foundation Funders and the Supporting Organization have no financial obligations other than, in the case of the Foundation Funders, the amount specified in the "<i>Funding Commitments</i>" of this Term Sheet and are not guaranteeing payment to the City of any amount committed by the DIA Funders or The DIA.</p>
Closing of Settlement	<p>Upon satisfaction of all "<i>Conditions to The DIA's, the City's, the State's and the Funders' Commitments and Initial Payments under the Settlement</i>" under this Term Sheet (any of which may be waived by agreement of all parties to this Term Sheet for whose benefit the condition exists) and the occurrence of the</p>

	effective date of the Plan of Adjustment (" Effective Date ").
Conditions to Future Funding Obligations	<p>The Funders' obligations to continue to fund the settlement (and the Supporting Organization's obligation to continue to pay funds provided by the Funders to the City) are conditioned on the following:</p> <ol style="list-style-type: none"> (1) all amounts paid by the Funders shall be used only to pay Pensions as provided in this Term Sheet and the confirmed Plan of Adjustment, (2) the Funders' receipt of an annual certification from the Review Board or other oversight authority reasonably acceptable to the Funders that the City is in compliance with its obligation to use the amounts paid by the Funders solely for the benefit of the pensioners and that the amounts received from the Funders are unencumbered by the City or any other entity, (3) the amounts paid by the Funders and transmitted by the Supporting Organization to the City are placed into a segregated account to be used for payments to the Pensions only and shown separately on the City's books ("City Account"), (4) the Funders' receipt of an annual reconciliation report of the City Account prepared by external auditors reasonably satisfactory to the Funders at the City's expense, certifying use of funds in a manner consistent with the settlement, (5) full compliance by the City with the terms of the funding agreements with the Funders or the Supporting Organization, and (6) the City's continued compliance with the first two commitments set forth above in the provision entitled "<i>City Commitments Relating to Pensions</i>" of this Term Sheet. <p>The City shall have the opportunity to cure any breach or failure of these conditions within 180 days of issuance of notice of the same by the Funders or the Supporting Organization. Notwithstanding the foregoing, to the extent that the applicable event of default cannot reasonably be cured within the period specified above, and as long as the City has commenced to cure, and diligently pursues the cure of such default in good faith, such cure period shall be</p>

	<p>extended by a reasonable period of time to permit the City to cure such event of default; provided, however, such additional extended cure period shall not extend beyond the later of: (i) 180 days beyond the initial cure period; and (ii) the date that the next applicable payment is due the City by the Supporting Organization. The City's ability to receive the benefit of the extended cure period, beyond the initial cure period, shall be subject to the approval of the Supporting Organization upon receipt of a written request from the City setting forth why the City is entitled to such extended cure period by meeting the requirements set forth above, which approval shall not be unreasonably withheld, conditioned or delayed. All obligations of the Funders and Supporting Organization to make payments shall be suspended for the duration of the cure period. If the City fails to cure a breach or failure during the cure period each Funder and the Supporting Organization shall have the right to cancel its remaining commitments.</p>
Changes in DIA Governance	<p>The DIA shall establish an ad-hoc committee (the "Governance Committee") to review best practices in museum governance, gather input from the parties to this Term Sheet and the State, and make recommendations regarding the future governance of The DIA. In addition to three members representing the perspective of The DIA, The DIA shall appoint to the Governance Committee one member representing each of the following perspectives: 1) the Foundation Funders; 2) the City; and 3) the State. In addition, The DIA shall appoint to the Governance Committee one person who is selected by agreement of the millage authorities of the Tri-Counties. The parties believe the proposed make-up of the Governance Committee will appropriately represent the perspectives of The DIA, the City, the State, the millage authorities and the Foundation Funders, but The DIA will consider adjustments to the proposed membership to the extent necessary to address any concerns raised by the State. Susan Nelson, principal of Technical Development Corporation, will facilitate and advise the process, with funding as required from the Foundation Funders. The process will be completed as quickly as possible but in any event prior to the Closing, with the Governance Committee's recommendations taking effect upon their approval by The DIA's Board of Directors and prior to Closing. The goal of the Governance Committee will be to ensure that The DIA has the best possible governance</p>

	structure for maintaining its position as one of America's great art museums.
Future Obligations of The DIA	The DIA will provide to the other Funders and the City, or their representatives, on an annual basis, a narrative report covering overall operations, fundraising and state services, as well as audited financial statements.
Dispute Resolution	In connection with the negotiation of the Definitive Documentation, the parties shall use good faith efforts to work with the State to identify and agree upon alternative dispute resolution mechanisms that provide a process for resolution of disputes surrounding whether conditions to a scheduled payment have been satisfied or cured while considering the ability of the public, Pensions and other stakeholders to monitor such alternative dispute resolution process.

EXHIBIT A

MUSEUM ASSETS

1. The Museum building and grounds, and the employee parking lot located at 5200 Woodward Avenue, Detroit, Michigan, comprised of land and improvements bounded by Woodward Avenue as widened, existing John R Street, existing East Kirby Avenue and the South line of Farnsworth Avenue, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in Commitment for Title Insurance No. 58743275 revision 5, with an effective date of December 16, 2013, and Commitment for Title Insurance No. 58781215, with an effective date of December 26, 2013, (collectively, the "Title Commitment") issued by Title Source Inc., as follows:

PARCEL 1: Block A; together with the Northerly half of vacated Frederick Douglass Avenue adjacent thereto, of Ferry's Subdivision of Park Lot 40 and of Lots 1 to 18 inclusive of Farnsworth's Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 18 of Plats, Page 71, Wayne County Records.

PARCEL 6: Lots 43 through 78, both inclusive, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 43 through 58, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 63 through 78, and together with vacated alleys appurtenant to said lots.

PARCEL 11: Lots 103 through 120, both inclusive, together with the Southerly half of vacated Farnsworth Avenue adjacent to Lots 103 through 118, and vacated portions of Farnsworth Avenue adjacent to the South of Lots 103 through 117 and Lot 120, and vacated alleys appurtenant to said lots, of Farnsworth Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

2. The Frederick Lot (across from the Museum, Easterly from existing John R to existing Brush) located, in the City of Detroit, Wayne County, Michigan, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in the Title Commitment as follows:

PARCEL 4: Lots 31 to 37 of Farnsworth Subdivision of Park Lots 38 and 39, together with the southerly half of vacated Frederick Douglass Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

PARCEL 7: Lots 79 and 80 of Farnsworth Subdivision of Park Lots 38 and 39, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 9: The East 5 feet of Lot 85 and Lots 86 and 87 and the West 16 feet of Lot 88, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots of Farnsworth Subdivision of Park Lots 38 and 39, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 12: Lots 1 through 5, both inclusive, and Lots 10 through 14, both inclusive, Block 25, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 1 through 5, Block 25, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 10 through 14, Block 25 and together with the vacated alley appurtenant to said lots of Brush's Subdivision of that part of the Brush Farm lying between the North line of Farnsworth Street and South line of Harper Avenue, as recorded in Liber 17, Page 28 of Plats, Wayne County Records.

3. The cultural center underground garage¹ *i.e.*, the parking garage with all appurtenant utilities, equipment, drives, pedestrian and vehicular entrances and easements therefor, on the south side of the Museum building located at 40 Farnsworth, Detroit, Michigan, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in the Title Commitment as follows:

PARCEL 14: A parking structure in the City of Detroit occupying space under and on the following described parcel of land. Land in the City of Detroit, being a part of Lots 62 through 68 inclusive; parts of Lot 112 and 118 through 120 inclusive; all that part of Lots 113 through 117 inclusive not set aside as a part of Farnsworth Avenue, parts of public alleys and Farnsworth Avenue (60 feet wide) vacated by the Common Council on October 7, 1924 and January 11, 1927; all as platted in "Farnsworth's Subdivision of Park Lots 38 and 39, City of Detroit" recorded in Liber 1, Page 16 of Plats, Wayne County Records and also a portion of the Northerly 49 feet of Farnsworth Avenue (70 feet wide), which was opened as a public street by action of the Common Council on October 7, 1924. Being more particularly described as follows: Commencing at the intersection of the South line of Farnsworth Avenue 70 feet wide and the East line of Woodward Avenue as widened August 2, 1932, J.C.C. Page 1279, thence North 29 degrees 42 minutes 10 seconds West 22.17 feet, thence North 60 degrees 17 minutes 50 seconds East 6.00 feet to the point of beginning of this parcel, thence North 29 degrees 42 minutes 10 seconds West 248.16 feet; thence North 60 degrees 11 minutes 50 seconds East 268.00 feet; thence South 29 degrees 42 minutes 10 seconds East 15.79 feet; thence North 60 degrees 17 minutes 50 seconds East 1.00 feet to a point of curve; thence 11.77 feet along the arc of a curve concave to the Northeast with a Radius of 14.00 feet, a Delta of 48 degrees 11 minutes 23 seconds with a Long Chord of 11.43 feet which bears South 53 degrees 47 minutes 52 seconds East to a point of reverse curve; thence 26.07 feet along the arc of curve concave to the Southwest, with a Radius of 31 feet, a Delta 48

¹ In connection with the preparation for Closing, the City will advise on the mechanics for the release of existing encumbrances on title to the garage.

degrees 11 minutes 23 seconds with a Long Chord of 25.31 feet which bears South 53 degrees 47 minutes 52 seconds East; thence South 29 degrees 42 minutes 10 seconds East 140.50 feet; thence 78.54 feet along the arc of a curve concave to the Northwest, with a Radius of 50.00 feet, a Delta of 90 degrees with a Long Chord of 70.71 feet which bears South 15 degrees 17 minutes 50 seconds West; thence South 60 degrees 17 minutes 50 seconds West 0.50 feet; thence South 29 degrees 42 minutes 10 seconds East 4.00 feet; thence South 60 degrees 17 minutes 50 seconds West 4.00 feet; thence South 29 degrees 42 minutes 10 seconds East 6.00 feet; thence South 60 degrees 17 minutes 50 seconds West 39.50 feet; thence North 29 degrees 42 minutes 10 seconds West 1.67 feet; thence South 60 degrees 17 minutes 50 seconds West 190 feet to the point of beginning.

The bottom floor of this structure is at elevation 129.10 feet as related to the City of Detroit Datum Plane; the structure has two (2) floors of vehicle parking with the top of the roof at elevation 149.34 feet. The structure has three (3) pedestrian exit buildings, four (4) air exhaust shafts and a vehicular ramp all of which extend upwards from the garage roof to the ground surface at elevations varying from 150.6 to 153.7 feet.

Together with the Easements created in Liber 20846, Page 762, Wayne County Records.

4. The collection of works of art owned by the City and located primarily at the Museum, the Museum's off-site warehouse or the Josephine Ford Sculpture Garden located at or about 201 East Kirby Street, Detroit, Michigan (which included at the effective date of the Operating Agreement the items listed in Exhibit 2 to the Operating Agreement) or included in the Museum collection (whether or not accessioned), whether or not reflected on any inventory and irrespective of the manner in which acquired by the City.
5. All assets of any kind located on or within the real estate described in items 1-4 above and used in the operations of the Museum, as well as any easements or other property rights benefiting such real estate.
6. All intangible property solely to the extent used in connection with the Museum and its art collection, including trademarks, copyrights and intellectual property, whether or not related to collection pieces.
7. All City records, books, files, records, ledgers and other documents (whether on paper, computer, computer disk, tape or other storage media) presently existing to the extent relating to the Museum, its art collection or its operations or to The DIA (other than those documents which are confidential to the City and not The DIA).
8. All monies held by the City that are designated for The DIA or the Museum or that were raised for the benefit of, or express purpose of supporting, The DIA or the Museum, including the approximately \$900,000 balance of proceeds of bonds issued for the benefit of The DIA by the City in 2010.

EXHIBIT B

FOUNDATION FUNDERS

NOTE: The list of Foundation Funders below is being provided based on information known as of March 27, 2014. Foundation Funder commitments remain subject to: (i) final approval of the commitments by the appropriate governing body of the respective foundation listed below; (ii) all conditions otherwise contained in the Term Sheet and Definitive Documentation being met; (iii) approval of the Definitive Documentation by the Foundation Funder; and (iv) approval of the Plan of Adjustment through the bankruptcy proceedings.

<u>Foundation Funder</u>	<u>Intended Funding Amount</u>
Community Foundation for Southeast Michigan	\$10,000,000
William Davidson Foundation	25,000,000
The Fred A. and Barbara M. Erb Family Foundation	10,000,000
Max M. and Marjorie S. Fisher Foundation	2,500,000*
Ford Foundation	125,000,000
Hudson-Webber Foundation	10,000,000
The Kresge Foundation	100,000,000
W. K. Kellogg Foundation	40,000,000
John S. and James L. Knight Foundation	30,000,000
McGregor Fund	6,000,000
Charles Stewart Mott Foundation	10,000,000
A. Paul and Carol C. Schaap Foundation	5,000,000*
Total	\$373,500,000
Less Credits to DIA Commitments	(7,500,000)
Net Total	\$366,000,000

*The payment of the intended funding amount by these Foundation Funders will be credited against the \$100 million to be paid by DIA Funders and the DIA provided under *Funding Commitments* of the Term Sheet.

Payment Schedule

Each Foundation Funder intends to make payments available at 5% of the total intended funding amount per year over the 20 year term, subject to the right of any Foundation Funder to pay early without penalty and as otherwise provided in the Term Sheet and Definitive Documentation. Collectively, this will result in an annual payment of **\$18,300,000** (exclusive of Foundation Funder commitments credited to the DIA) to the City of Detroit as provided in the Term Sheet and Definitive Documentation.

EXHIBIT C

DIA FUNDERS

[to be provided]

EXHIBIT D

INDEMNIFICATION, JURISDICTION, VENUE AND CHOICE OF LAW

All capitalized terms used but not defined in this Exhibit D are defined in the Term Sheet.

- (a) To the maximum extent permitted by law, the City shall indemnify, defend, and hold the Foundation Funders, the DIA Funders, The DIA and the Supporting Organization and their affiliates and all their respective shareholders, officers, directors, members, managers, employees, successors, assigns, representatives, attorneys and agents (the “**Indemnified Parties**”) harmless from, against, and with respect to any claim, liability, obligation, loss, damage, assessment, judgment, cost and expense (including, without limitation, actual out-of-pocket attorney fees and actual expenses incurred in investigating, preparing, defending against, or prosecuting any litigation or claim, action, suit, hearing, proceeding or demand) of any kind or character, arising out of or in any manner, incident, relating or attributable to the following (provided indemnification will not be available to an Indemnified Party to the extent resulting from such Indemnified Party’s breach of contract, sole ordinary negligence, gross negligence or intentional wrongful acts):
 - (i) *Any claims by third parties or the City arising out of any action properly taken by the Indemnified Parties under the Definitive Documentation with respect to the contemplated transaction including, but not limited to, any payment, non-payment or other obligation of the Indemnified Parties permitted thereunder;*
 - (ii) *Any breach or failure of any representation or warranty of the City contained in the Definitive Documentation between the City and the Indemnified Parties and/or other parties related to the contemplated transaction;*
 - (iii) *Any failure by the City to perform, satisfy or comply with any covenant, agreement or condition to be performed, satisfied or complied with by the City under the Definitive Documentation with the Indemnified Parties or under agreements with any third parties contemplated by this transaction;*
 - (iv) *Reliance by the Indemnified Parties upon any books or records of the City or reliance by them on any written information furnished by the City or any of the City’s employees, officials or agents to them to the extent any such information should prove to be false or materially inaccurate or misleading (including, without limitation, by omission), but only to the extent that such books, records or written information was furnished by the City in connection with the City showing its compliance with the conditions to initial or future funding as set forth in the Term Sheet;*
 - (v) *Any claim or objection made in the City’s Chapter 9 Bankruptcy (Case No. 13-53846) or any other action brought against, or involving, the Indemnified Parties with respect to their participation in any transaction contemplated by the proposed or confirmed Plan of Adjustment;*

(vi) *The transfer, assignment or sale by the City to The DIA of any assets or property (real or personal) and any rights, title and interests therein including, but not limited to, the Museum and all of the Museum Assets;*

(vii) *Any action or claim against the Indemnified Parties made by the Pensions, including any successors or assigns and any plan participants, or their representatives, successors or assigns (collectively, the "Pension Funds"), as nothing under the Term Sheet or the Definitive Documentation is intended to, nor are they to be construed or interpreted to, make the Indemnified Parties a party in privity with, or having an obligation in any capacity to the Pension Funds. By way of illustration and not limitation, the following statements apply:*

First, the Indemnified Parties have no responsibility for the operation or administration of the Pension Funds and have no fiduciary responsibility for the Pension Funds as plan sponsor, plan administrator, investment advisor or otherwise.

Second, the Indemnified Parties have no obligation to contribute towards the funding of the Pension Funds and are not a funding guarantor.

(viii) *Any action or claim brought by the City, The DIA, the Pension Funds or any other party concerning non-payment of the contributions pursuant to the contemplated transaction by the Indemnified Parties due to the breach of the Definitive Documentation by the City, the DIA, the Pension Funds or any other party, so long as the Indemnified Parties have made a good faith determination of the breach of the Definitive Documentation or payment condition.*

(b) An Indemnified Party shall notify the City in a timely manner of any matters as to which the Indemnified Party is entitled to receive indemnification and shall set forth in such notice reasonable detail regarding specific facts and circumstances then known by the Indemnified Party which pertain to such matters. Failure or delay in providing such notice shall not relieve the City of its defense or indemnity obligations except to the extent the City's defense of an applicable claim against an Indemnified Party is actually prejudiced by such Indemnified Party's failure or delay.

(c) The City shall not contest on any grounds the enforceability of its indemnification obligations hereunder.

(d) Notwithstanding the foregoing, the parties acknowledge that the City is not making any representations to The DIA regarding the City's title to the Museum Assets prior to the Closing and that The DIA will not be entitled to indemnification in connection with its defense of any post-Closing claims by third parties challenging The DIA's title to any Museum Asset to the extent that such claim is based on an allegation that the City did not have legal title to the particular Museum Asset prior to the Closing (a "**Quitclaim Challenge**"). To be clear, however, The DIA will be entitled to indemnification by the City under this Exhibit D in connection with any post-Closing challenges to The DIA's title to Museum Assets that are in any way based upon a claim that the title that the City

had to the Museum Assets prior to Closing was not effectively conveyed to The DIA at and as a result of the Closing.

Defense of Indemnity Claims

(a) To the extent the City is notified of claim for which it is required to indemnify an Indemnified Party, the City shall be solely responsible for responding to or otherwise defending such claim. In such event, the City shall assume exclusive control of the defense of such claim at its sole expense using counsel of its sole choosing and may settle such claim in its sole discretion; provided, however, that (i) with respect to any claim that involves allegations of criminal wrongdoing, the City shall not settle such claim without the prior written approval of the Indemnified Party, which approval may be withheld in such Indemnified Party's sole discretion, and (ii) with respect to any other claim, the City shall not settle such claim in a manner that requires the admission of liability, fault, or wrongdoing on the part of an Indemnified Party, that fails to include a release of all covered claims pending against the Indemnified Party, or that imposes any obligation on the Indemnified Party without the prior written approval of the Indemnified Party, which approval may be withheld in such Indemnified Party's sole discretion. The City will keep the Indemnified Party reasonably informed of the status of any negotiations or legal proceedings related to any claim, and the Indemnified Party shall be entitled to engage counsel (at its own expense) to monitor the handling of any claim by the City. Notwithstanding the foregoing, other than as relates to a Quitclaim Challenge (for which The DIA will not be entitled to indemnification, as set forth above), The DIA shall be entitled to defend on its own behalf any claims regarding title to, interest in or control of the Museum Assets or operation of the Museum. To the extent The DIA intends to exercise such right, the City and The DIA shall use their commercially reasonable efforts in good faith to coordinate a joint defense of such claim (including as to selection of joint counsel). If the City and The DIA cannot agree on a joint defense of the claim, each party shall undertake its own defense, reserving all rights against the other for indemnification hereunder with respect to such claim, but, in such case, The DIA shall not be entitled to indemnification of its defense costs in connection therewith.

(b) Notwithstanding anything to the contrary set forth in this Exhibit D or the Term Sheet, to the extent that the City is required to indemnify an Indemnified Party hereunder, and the underlying claim being indemnified does not arise out of the City's breach of contract, sole ordinary negligence, gross negligence or intentional wrongful acts and is not due to a claim brought by the City, the City may reimburse itself for the costs of such indemnity out of the payments from the Supporting Organization, in which case the amount payable by the City to the Pensions shall be reduced by the amount reimbursed to the City for such indemnity.

Jurisdiction/Venue/Choice of Law

The parties agree that, except as to disputes that are subject to arbitration in accordance with the "*Dispute Resolution*" section of the Term Sheet, jurisdiction shall be retained by

the United States Bankruptcy Court for the Eastern District of Michigan for all matters related to the contemplated transaction and venue shall be in Detroit. The parties agree that this agreement is to be governed by Michigan law.

EXHIBIT I.A.127

FORM OF DIA SETTLEMENT DOCUMENTS

OMNIBUS TRANSACTION AGREEMENT

BY AND AMONG

THE CITY OF DETROIT

THE DETROIT INSTITUTE OF ARTS

AND

FOUNDATION FOR DETROIT'S FUTURE

TABLE OF CONTENTS

ARTICLE I Definitions	3
1.1 Definitions.	3
1.2 Other Defined Terms.	5
ARTICLE II The Commitments	7
2.1 DIA Funding Obligation.	7
2.2 Foundation Funders Commitments to Supporting Organization.	8
2.3 Payments.	8
2.4 City Reporting and Conditions to Funding.	10
2.5 The City's Cure Right; Suspension or Cancellation of Funding.	13
2.6 Disputes and Remedies Regarding Conditions Precedent to Funding.	14
2.7 Notification of Funding Conditions.	14
2.8 Failures to Fund.	14
ARTICLE III Initial Funding; Closing	16
3.1 Closing.	16
3.2 Initial Funding	16
3.3 At the Closing.	16
ARTICLE IV Representations and Warranties; Covenants of The DIA and the Supporting Organization	17
4.1 DIA Representations, Warranties and Covenants	17
4.2 Supporting Organization Representations and Warranties.	17
4.3 Supporting Organization Covenants as to Funding Agreements.	17
4.4 Reporting Obligations.	18
4.5 Supporting Organization Observer Right.	18
ARTICLE V Representations and Warranties; Covenants of the City	18
5.1 City Representations and Warranties.	18
5.2 City Commitments Relating to Pensions.	18
5.3 Other City Commitments.	19
ARTICLE VI Indemnification	20
6.1 Indemnification by The DIA.	20
6.2 Indemnification by the City.	20
6.3 Defense of Indemnity Claims.	22
ARTICLE VII Miscellaneous	23
7.1 No Third Party Beneficiary.	23
7.2 Choice of Law; Jurisdiction; Venue.	23
7.3 Dispute Resolution.	24
7.4 Specific Performance.	25
7.5 Amendment and Waiver.	25
7.6 Notices.	25
7.7 Binding Agreement; Assignment.	26
7.8 Severability.	26
7.9 No Strict Construction.	26
7.10 Captions.	26
7.11 Entire Agreement.	26
7.12 Counterparts.	27

List of Exhibits

- Exhibit A - Settlement, Conveyance and Charitable Trust Agreement
- Exhibit B - Foundation FDF Agreement
- Exhibit C - DIA Direct Funder FDF Agreement
- Exhibit D - DIA FDF Agreement
- Exhibit E - Closing Direction

List of Schedules

- Schedule 1 - Wire Transfer Instructions for City Account
- Schedule 2 - Examples of Calculation of The DIA's Payment Obligation

OMNIBUS TRANSACTION AGREEMENT

THIS OMNIBUS TRANSACTION AGREEMENT (this “Agreement”), effective as of the Closing Date, is entered into by and among the City of Detroit, Michigan (the “City”), The Detroit Institute of Arts, a Michigan nonprofit corporation f/k/a Founders Society Detroit Institute of Arts (“The DIA”), and Foundation for Detroit’s Future, a Michigan nonprofit corporation (the “Supporting Organization”). The City, The DIA, and the Supporting Organization are collectively referred to herein as the “Parties” and individually as a “Party”.

RECITALS

WHEREAS, The DIA currently manages and operates the museum that is now commonly referred to as the Detroit Institute of Arts (the “Museum”) under an Operating Agreement for the Detroit Institute of Arts, made on December 12, 1997, between The DIA and the City (the “Operating Agreement”);

WHEREAS, on July 18, 2013, the City filed a petition under chapter 9 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan (the “Bankruptcy Court”) captioned “*In re City of Detroit, Michigan*”, Case No. 13-53846 (the “Bankruptcy Case”);

WHEREAS, the City and The DIA are willing, on the terms and conditions set forth herein, to enter into a settlement (the “DIA Settlement”) pursuant to which the City will convey all of its right, title and interest (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) to the Museum and the Museum Assets (as defined in the Charitable Trust Agreement) to The DIA in exchange for fair value by virtue of (i) the settlement of any dispute regarding the ownership of the Museum Assets, (ii) the commitment of The DIA to hold the DIA Assets in perpetual charitable trust and to operate the Museum primarily for the benefit of the residents of the City and the Tri-Counties and the citizens of the State and (iii) the contributions through the Supporting Organization by The DIA (and through it, DIA Indirect Funders), DIA Direct Funders and Special Foundation Funders of \$100 million, by Foundation Funders (excluding Special Foundation Funders) of \$366 million, and an additional contribution by the State of Michigan (the “State”) of \$350 million, which total \$816 million (in each case and in the aggregate before applying any discount for early payment) (the “Payment Amount”);

WHEREAS, the Payment Amount will be paid for the benefit of Pension Claims of the City;

WHEREAS, the Bankruptcy Court has entered an order confirming the Corrected Fifth Amended Plan for the Adjustment of Debts of the City of Detroit, as it may be further amended and as modified prior to the Closing Date (the “Plan of Adjustment”) which provides for the treatment of the Payment Amount and the conveyance and protection of the Museum Assets in a manner consistent with the DIA Settlement;

WHEREAS, all conditions to the Effective Date of the Plan of Adjustment (as defined therein) have been satisfied or waived;

WHEREAS, the City, the State, each of their Related Entities (as defined in the Plan of Adjustment) and each of the Indemnified Parties is the beneficiary of the release and exculpation provisions of the Plan of Adjustment;

WHEREAS, the Supporting Organization has been established by the Community Foundation for Southeast Michigan as a tax exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to accommodate the contribution and payment of moneys from The DIA, DIA Direct Funders and Foundation Funders (and certain other contributions and payments that are not related to the DIA Settlement);

WHEREAS, the Attorney General of the State has approved the DIA Settlement as being consistent with Michigan law and with Attorney General Opinion No. 7272;

WHEREAS, The DIA and the applicable Art Institute Authority in each of Macomb, Oakland and Wayne Counties, Michigan (the “**Tri-Counties**”) have amended the applicable Art Institute Service Agreement for such county in a manner to provide that termination of the Operating Agreement will not affect the obligations of the Art Institute Authorities’ obligations under such agreements to collect and pay millage proceeds (the “**Millage**”) to The DIA;

WHEREAS, the Governor of the State, the Treasurer of the State, the applicable legislative bodies of the State, the Emergency Manager specified in the Local Financial Stability and Choice Act (PA 436), and the Detroit City Council, in each case, have approved the DIA Settlement and the Transfer;

WHEREAS, the board of directors of The DIA has, to the extent necessary, adopted the recommendations of the ad-hoc committee established by The DIA, comprised of representatives from Foundation Funders, the City, the State and a representative of the Tri-Counties, regarding the future governance and oversight of The DIA;

WHEREAS, the City has adopted the Combined Plan for the General Retirement System of the City of Detroit, Michigan (“**GRS**”), effective July 1, 2014, which provides for the establishment, membership, terms, operation and duties of the GRS Investment Committee (“**GRS Pension Governance Terms**”), as set forth in the GRS, attached as Exhibit I.A.212.a to the Plan of Adjustment;

WHEREAS, the City has adopted the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan (“**PFRS**”), effective July 1, 2014, which provides for the establishment, membership, terms operation and duties of the PFRS Investment Committee (“**PFRS Pension Governance Terms**,” together with the GRS Pension Governance Terms referred to as the “**Pension Governance Terms**”), as set forth in the PFRS, attached as Exhibit I.A.216.a to the Plan of Adjustment;

WHEREAS, in accordance with the Pension Governance Terms, the initial independent members for the respective GRS and PFRS Investment Committees shall be selected by mutual agreement of the appropriate representatives of the State, the City and the respective Boards of Trustees of GRS and PFRS, in consultation with the Supporting Organization, and shall be named in the Plan of Adjustment; provided, however, that if one of more of the initial independent Investment Committee members for GRS and PFRS, respectively, are not selected

by mutual agreement prior to confirmation of the Plan of Adjustment, then the United States Bankruptcy Court, Eastern District of Michigan shall designate such number of independent Investment Committee members as necessary to bring the number of independent members for the GRS and PFRS Investment Committees to five each;

WHEREAS, in accordance with the Pension Governance Terms and rules and procedures that may be adopted by the Investment Committees, successor independent members of the respective GRS and PFRS Investment Committees shall be recommended by a majority of the remaining independent members of the applicable Investment Committee and confirmed by the GRS Board or PFRS Board, as applicable, and the State Treasurer in consultation with the Supporting Organization; provided, however, that if the applicable Board and State Treasurer cannot agree on the successor independent member, the remaining independent members of the applicable Investment Committee shall appoint the successor independent member;

WHEREAS, the Emergency Manager has issued an order directing the City to comply with the covenants benefitting The DIA and the Museum incorporated in Section 5.3 of this Agreement; and

WHEREAS, the Michigan Settlement Administration Authority, the disbursement agent for the State, shall disburse to GRS and to PFRS the total contribution by the State of \$194.8 million, which is the present value of \$350 million paid in installments over twenty (20) years applying the discount rate of 6.75% per annum, in accordance with the terms and conditions of the State Contribution Agreement attached as Exhibit I.A.294 to the Plan of Adjustment.

NOW THEREFORE, in consideration of the covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I **Definitions**

1.1 Definitions. As used in this Agreement:

“**AAM**” means the American Alliance of Museums.

“**Business Day**” means any day other than a Saturday, Sunday or “legal holiday” on which banks in the State of Michigan are closed for business.

“**Charitable Trust Agreement**” means that certain Settlement, Conveyance and Charitable Trust Agreement between the City and The DIA in the form of **Exhibit A** to this Agreement pursuant to which the DIA Settlement will be consummated, including by virtue of the Transfer, the termination of the Operating Agreement, and the other transactions contemplated therein, as the same may be amended or modified from time to time.

“**City Account**” means a segregated escrow account titled “City of Detroit, in Trust for Certain of Its Retirement Systems and Associated Accounts”, established pursuant to that certain Escrow Agreement dated as of even date herewith by and among the City, the Supporting Organization and U.S. Bank National Association (the “**Escrow Agent**”) with instructions that

the amounts contributed to this escrow account by the Supporting Organization, which except as otherwise provided in Section 6.3(e) of this Agreement and the payment of reasonable expenses of maintaining the City Account, shall be used only for the payment of contributions to GRS and PFRS in satisfaction of the City's obligation to contribute to the Prior GRS Pension Plan (attached as Exhibit I.A.244 to the Plan of Adjustment) (the "**Prior GRS Pension Plan**") and the Prior PFRS Pension Plan (attached as Exhibit I.A.245 to the Plan of Adjustment) (the "**Prior PFRS Pension Plan**") and which is shown separately on the City's books and records. For the avoidance of doubt, in addition to the contributions made hereunder, contributions to the City Account may be made by the Supporting Organization to be used for the payment of contributions to the City of Detroit Retiree Health Care Trust, the City of Detroit Police and Fire Retiree Health Care Trust, the Section 401(h) Medical Benefits Account for Retirees in the Combined Plan for the General Retirement System of the City of Detroit, Michigan and the Section 401(h) Medical Benefits Account for Retirees in the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan.

"DIA Assets" has the same definition contained in the Charitable Trust Agreement.

"DIA Direct Funders" means those DIA Funders whose commitments (whether made before or after the Effective Time) to contribute monies in furtherance of The DIA's payment obligations under this Agreement are made directly to the Supporting Organization pursuant to a DIA Direct Funder FDF Agreement.

"DIA Funders" means those persons, businesses, business-affiliated foundations and other foundations from which The DIA secures commitments (whether made before or after the Effective Time) to contribute monies or otherwise secures contributions of monies in support of The DIA's payment obligations under this Agreement and, for clarity, includes all DIA Direct Funders and all DIA Indirect Funders.

"DIA Indirect Funders" means those DIA Funders whose commitments (whether made before or after the Effective Time) to contribute monies or whose actual contributions in furtherance of The DIA's payment obligations under this Agreement are made directly to The DIA.

"Effective Time" has the same definition contained in the Charitable Trust Agreement.

"Foundation Funder" means a business-affiliated foundation or other foundation that has entered into a Foundation FDF Agreement.

"Funder" means a Foundation Funder, a DIA Direct Funder, a DIA Indirect Funder or The DIA (collectively, the "**Funders**").

"Funding Agreements" means, collectively, the Foundation FDF Agreement, the DIA Direct Funder FDF Agreement and the DIA FDF Agreement, as such written agreements may be amended or modified in writing from time to time in accordance with this Agreement.

"Indemnified Parties" means, as applicable, DIA Indemnified Parties or City Indemnified Parties.

“**Loss**” means any claim, liability, obligation, loss, damage, assessment, judgment, cost and expense (including, without limitation, actual out-of-pocket attorney fees and actual expenses incurred in investigating, preparing, defending against, or prosecuting any litigation or claim, action, suit, hearing, proceeding or demand) of any kind or character.

“**Museum Assets**” has the same definition contained in the Charitable Trust Agreement.

“**Payment Date**” means the later of (x) June 30 of each calendar year commencing June 30, 2016 and (y) thirty (30) days after receipt by the Supporting Organization of evidence for that year of the satisfaction of the conditions precedent to funding set forth in Sections 2.4(a) -(d) of this Agreement (subject to the City’s right to cure in Section 2.5 of this Agreement).

“**Payment Period**” means the period commencing on the Closing Date and ending on June 30, 2034, subject to extension for any cure period in Section 2.5 of this Agreement.

“**Pension Claims**” means the Claims in Classes 10 and 11 of the Plan of Adjustment (as such terms are defined in the Plan of Adjustment).

“**Present Value Discount**” means the value of any amount that The DIA, a DIA Direct Funder or a Foundation Funder pays to the Supporting Organization as contemplated under this Agreement, discounted from the date that the Supporting Organization remits such payment to the City Account (on behalf of the Funder that paid the amount to the Supporting Organization) to the Closing Date at the rate of 6.75% per annum.

“**Related Parties**” means a person’s or entity’s Affiliates (as defined in the United States Bankruptcy Code), predecessors, successors and assigns (whether by operation of law or otherwise), and with respect to any of the foregoing, their respective present and former Affiliates and each of their respective current and former officials, officers, directors, employees, managers, members, attorneys, advisors, professionals, agents and consultants each acting in such capacity, and any entity claiming by or through any of them (including their respective officials, officers, directors, employees, managers, advisors, professionals, agents and consultants).

“**Special Foundation Funders**” means the following Foundation Funders: Max M. and Marjorie S. Fisher Foundation and the A. Paul and Carol C. Schaap Foundation.

“**Title Company**” means Title Source, Inc.

“**Transaction Documentation**” means the agreements and other transaction documents to be executed and delivered at the Closing under this Agreement and under the Charitable Trust Agreement.

“**Transfer**” has the same definition contained in the Charitable Trust Agreement.

1.2 Other Defined Terms. The following capitalized terms shall have the meanings given to them in the Sections of this Agreement set forth opposite such term:

.pdf Section 7.12

AAA	Section 7.3
Accountant	Section 2.3(c)
Agreement	Preamble
Bankruptcy Case	Recitals
Bankruptcy Court	Recitals
City	Preamble
City Event of Default	Section 2.4(d)
City Indemnified Parties	Section 6.2(a)
Closing	Section 3.1
Closing Date	Section 3.1
Closing Direction	Section 3.1
Compliance Report	Section 2.4(b)(iii)
Contribution Agreement	Section 2.4(b)(iii)
Default Amount	Section 2.8(b)
Defaulted DIA Funder	Section 2.8(b)
DIA Direct Funder FDF Agreement	Section 3.3(b)
DIA FDF Agreement	Section 3.3(c)
DIA Indemnified Parties	Section 6.1(a)
DIA Settlement	Recitals
Escrow Agent	Section 1.1
Extended Cure Period	Section 2.5(a)
Foundation FDF Agreement	Section 3.3(a)
Funders	Section 1.1
GRS	Recitals
GRS Board	Section 2.4(a)(iv)(A)
GRS Investment Committee	Section 2.4(a)(iv)(C)
GRS Pension Governance Terms	Recitals
Indemnifying Party	Section 6.3(a)
Independent Audited Financial Reports	Section 2.4(b)(i)
Interim Reaffirmation	Section 2.4(c)
Millage	Recitals
Museum	Recitals
Non- funding Party	Section 2.8(b)
Operating Agreement	Recitals
Parties	Preamble
Party	Preamble
Payment Amount	Recitals
Pension Certificate	Section 2.4(b)(ii)
Pension Funds	Section 6.2(a)(vii)
Pension Governance Terms	Recitals
PFRS	Recitals
PFRS Board	Section 2.4(a)(iv)(B)
PFRS Investment Committee	Section 2.4(a)(iv)(D)
PFRS Pension Governance Terms	Recitals
Plan of Adjustment	Recitals
Prior GRS Pension Plan	Section 1.1

Prior PFRS Pension Plan	Section 1.1
Quitclaim Challenge	Section 6.2(c)
State.....	Recitals
Supporting Organization.....	Preamble
Termination Date	Section 2.1(b)
The DIA	Preamble
Treasurer	Section 2.4(b)(iii)
Tri-Counties	Recitals

ARTICLE II

The Commitments

2.1 DIA Funding Obligation.

(a) Subject to the terms and conditions of this Agreement, including The DIA's guaranty obligations in Section 2.8(c) of this Agreement, The DIA hereby commits to pay to the Supporting Organization on the Closing Date and with respect to each Payment Date: (A) \$5 million multiplied by the number of annual payments required before and with respect to the then current Payment Date (treating the Closing Date for such purpose as a Payment Date) minus (B) the sum of (i) the aggregate amounts previously paid by The DIA, all DIA Direct Funders and both Special Foundation Funders plus (ii) the amount to be paid in the aggregate by all DIA Direct Funders and both Special Foundation Funders on such Payment Date. The DIA may pay an amount in excess of its obligation in this Section 2.1(a) without penalty or premium in connection with any payment otherwise made with respect to a Payment Date.

(b) Except for The DIA's guaranty obligations as provided in Section 2.8(c) of this Agreement, and taking into account the application of Sections 2.1(c) and (d) below, The DIA shall have no obligation to make any further payments and The DIA's obligations shall be entirely satisfied at such time (the "**Termination Date**") as: (A) the sum of (1) the remaining aggregate funding commitments of DIA Direct Funders to the Supporting Organization assuming such commitments are paid precisely in accordance with the funding schedule reflected in their individual DIA Direct Funder FDF Agreements plus, (2) the remaining aggregate funding commitments of both Special Foundation Funders to the Supporting Organization assuming such commitments are paid precisely in accordance with the funding schedule reflected in their individual Foundation FDF Agreements, plus (3) the aggregate amount theretofore paid by DIA Direct Funders, The DIA and both Special Foundation Funders to the Supporting Organization that is paid to the City Account is greater than or equal to (B) the sum of (i) \$5 million paid on the Closing Date plus (ii) nineteen (19) payments of \$5 million on each Payment Date thereafter, with each of the amounts in (A) and (B) being calculated with application of the Present Value Discount. The term "Termination Date" includes the date, if any, of the cancellation of the commitment of The DIA hereunder in accordance with Section 2.5(b) of this Agreement. Hypothetical examples of the calculation of The DIA's payment obligations pursuant to this Section 2.1 are attached as Schedule 2 to this Agreement.

(c) For purposes of the calculations in Sections 2.1(a) and 2.1(b) of this Agreement, in the event of a City Event of Default during a particular fiscal year (July 1 through June 30) that results in the cancellation of a payment pursuant to Section 2.5(b) of this

Agreement, The DIA, all DIA Direct Funders and both Special Foundation Funders shall, in each case, be deemed to have made the annual payment required by, with respect to The DIA, Section 2.1(a) of this Agreement and The DIA FDF Agreement, and with respect to DIA Direct Funders and Special Foundation Funders by their respective Funding Agreements, on June 30 of such year notwithstanding such cancellation of such scheduled payment.

(d) The DIA's payment obligations under Sections 2.1(a) and 2.1(b) above and Section 2.8(c) shall be reduced by (x) any litigation or defense costs, damages or settlement costs incurred by The DIA, any DIA Direct Funder or any Special Foundation Funder to the extent the City fails to meet its indemnity obligations set forth in Section 6.2 of this Agreement, and (y) to the extent of any litigation or defense costs, damages or settlement costs incurred by The DIA, any DIA Direct Funder or any Special Foundation Funder arising from the transactions contemplated by this Agreement and the other Transaction Documentation that are not otherwise covered by the City's indemnity obligations in Section 6.2 of this Agreement.

2.2 Foundation Funders Commitments to Supporting Organization. Under their respective Foundation FDF Agreements, each Foundation Funder has committed to make an aggregate amount of payments to the Supporting Organization. The obligation of each Foundation Funder to make such aggregate amount of payments to the Supporting Organization shall terminate at such time as, taking into account the application of Section 2.3(d), (A) the aggregate amount theretofore paid by that Foundation Funder to the Supporting Organization that is paid to the City Account is greater than or equal to (B) the aggregate amount of its commitment paid (i) on the Closing Date plus (ii) the nineteen (19) payments on each Payment Date thereafter, with each of the amounts in (A) and (B) being calculated with application of the Present Value Discount. For purposes of the calculations in this Section 2.2, in the event of a City Event of Default during a particular fiscal year (July 1 through June 30) that results in the cancellation of a payment pursuant to Section 2.5(b) of this Agreement, all Foundation Funders shall be deemed to have made the scheduled payment under their respective Foundation FDF Agreements on June 30 of such year notwithstanding the cancellation of such scheduled payment.

2.3 Payments.

(a) Subject to the terms and conditions of ARTICLE II, funding of the commitments shall be made by (i) each Foundation Funder pursuant to the terms and conditions of its Foundation FDF Agreement, (ii) The DIA pursuant to the terms and conditions of this Agreement and the DIA FDF Agreement, and (iii) each DIA Direct Funder pursuant to the terms and conditions of its DIA Direct Funder FDF Agreement.

(b) Subject to the terms and conditions of this Agreement, on the Closing Date, and on an annual basis thereafter commencing in 2016, on each Payment Date the Supporting Organization will remit to the City Account pursuant to the wire transfer instructions on Schedule 1 to this Agreement: (x) the payments made by all Foundation Funders as described in Section 2.2 of this Agreement and any prepayments by Foundation Funders, plus (y) the payments made by The DIA pursuant to Section 2.1 of this Agreement and the DIA FDF Agreement and any prepayments by The DIA, plus (z) the payments made by all DIA Direct Funders pursuant to the DIA Direct Funder FDF Agreements and any prepayments by DIA

Direct Funders. No interest will be owed on any Funder's payments. The Supporting Organization shall not have any obligation to remit funds to the City Account if it has not received scheduled payments from a Funder, except as provided in Section 2.8(c) of this Agreement with respect to The DIA's guaranty of payment obligations with respect to a Defaulted DIA Funder. Further, the obligation of the Supporting Organization to remit payments to the City shall terminate upon the remittance in the aggregate of \$466 million, comprised of \$100 million from The DIA (including the commitments of DIA Direct Funders and Special Foundation Funders) and \$366 million from Foundation Funders (excluding Special Foundation Funders), in each case, without interest and before applying any Present Value Discount, if applicable, or the equivalent of such amount, applying the Present Value Discount, payable \$23.3 million at Closing and \$23.3 million with respect to each Payment Date thereafter. For purposes of the calculations in this Section 2.3(b), (x) in the event of a City Event of Default during a particular fiscal year (July 1 through June 30) that results in the cancellation of a payment by any Funder pursuant to Section 2.5(b) of this Agreement, the Supporting Organization shall be deemed to have made the scheduled payment under this Agreement on June 30 of such year notwithstanding such cancellation of such scheduled payment and (y) the provisions of Section 2.3(d) shall, if applicable, be taken into account in such calculation.

(c) Either the City or the Supporting Organization may deliver written notice to the other party that they have been unable to reach agreement upon the calculation of the amount of any prepayment by any Foundation Funder applying the Present Value Discount in accordance with the applicable Foundation FDF Agreement in advance of a particular Payment Date. In addition, the City may deliver a written notice of objection to the Supporting Organization regarding the calculation of the payment obligations of The DIA with respect to a particular Payment Date within sixty (60) days after the remittance of the funds by the Supporting Organization to the City on behalf of The DIA. Any such disputes regarding the calculation of any such payment obligations under this Agreement or the applicable Foundation FDF Agreement will be determined by an independent accounting firm of national or regional (Midwest) reputation; provided that no such firm may have a conflict of interest and such firm shall be required to maintain independence as those terms are defined by the AICPA Code of Professional Conduct (as of June 1, 2012) (the "Accountant"). The Accountant shall be agreed to by the City and the Supporting Organization with respect to a Foundation Funder or by the City and The DIA if the dispute relates to The DIA's payment obligations. If the applicable Parties cannot agree on the Accountant within fourteen (14) days after either Party issues written notice to the other Party of the existence of a dispute, then within seven (7) days after the end of such fourteen (14) day notice period, each of such Parties shall submit the names of two (2) accounting firms that meet the standards of the preceding sentence, within seven (7) days thereafter, either Party may strike one name submitted by the other Party and the Accountant shall be selected by lot from the remaining names. The City and the Supporting Organization or The DIA, as applicable, shall deliver their calculations of the amounts they assert are owing to the Accountant within fourteen (14) days after the selection of the Accountant. The Accountant shall deliver its determination of the disputed payment obligations under this Agreement within thirty (30) days after receipt of the written notice of calculations from the Parties, and when rendered in writing, shall be final and binding upon each of the Parties. The City and The DIA agree that the Supporting Organization shall not be responsible for any shortfall in the amount of funds remitted to the City Account on behalf of The DIA due to a dispute regarding the calculation of The DIA's payment obligations in accordance with the provisions of this Section

2.3(c) nor shall the Supporting Organization have any other liability as a result of any such dispute.

(d) The obligation of the Foundation Funders under Section 2.2 of this Agreement and of the Supporting Organization to remit funds to the City Account under Section 2.3(b) above shall be reduced by (x) any litigation or defense costs, damages or settlement costs incurred by the Supporting Organization or the Foundation Funder to the extent the City fails to meet its indemnity obligations set forth in Section 6.2 of this Agreement, and (y) to the extent of any litigation or defense costs, damages or settlement costs incurred by the Supporting Organization or the Foundation Funder arising from the transactions contemplated by this Agreement and the other Transaction Documentation, that are not otherwise covered by the City's indemnity obligations in Section 6.2 of this Agreement.

2.4 City Reporting and Conditions to Funding.

(a) Commencing in 2015, by December 31st of each year, the City shall, at its expense, provide an annual report (the "**Annual Report**") to the Supporting Organization containing the following information:

(i) an annual reconciliation report of the City Account, performed at the City's expense, prepared by an independent external auditor, the selection of which is reasonably satisfactory to the Supporting Organization, certifying that the amounts transferred to the City Account by the Supporting Organization on each preceding Payment Date were used by the City in a manner consistent with the terms of the Transaction Documentation, including, without limitation, to make contributions to GRS and PFRS in satisfaction of the City's obligation to contribute to the Prior GRS Pension Plan and the Prior PFRS Pension Plan in accordance with the Plan of Adjustment, the payment of reasonable expenses of maintaining the City Account and consistent with Section 6.3(e) of this Agreement,

(ii) certification by the City's Chief Financial Officer on behalf of the City that the City has complied with the covenants in Sections 5.2 and 5.3(a)-(d) of this Agreement through the date of the Annual Report,

(iii) certification from the Escrow Agent that to its knowledge the amounts contributed to the GRS or PFRS from the City Account were unencumbered by the City or any other entity,

(iv) information as of the date of the Annual Report about the current membership of the:

- (A) board of trustees of the GRS (the "**GRS Board**"),
- (B) board of trustees of the PFRS (the "**PFRS Board**"),
- (C) investment committee of the GRS (the "**GRS Investment Committee**"), and

- (D) investment committee of the PFRS (the “**PFRS Investment Committee**”).

The information for this subsection (iv) should include the term of each member (where applicable), whether the person is a member of the GRS Board or PFRS Board by virtue of his or her position with the City, by appointment or by election, and, with respect to the independent members of the Investment Committees, such person’s qualifications.

(v) evidence from the respective Investment Committee reasonably necessary to show that the internal controls governing the investment of the respective Pension Funds are in compliance with the applicable provision of the Plan of Adjustment, and

(vi) any additional information that is necessary to evidence that the City is in compliance with the terms of this Agreement as may be reasonably requested by the Supporting Organization from time to time.

(b) Prior to the Closing Date, the City shall cause the Pension Governance Terms to be amended to provide that, commencing in 2015, no later than December 31 of each year, the GRS Investment Committee and the PFRS Investment Committee will provide the Supporting Organization with the following information:

(i) a copy of the audited annual financial statement and the corresponding management letter for each of the GRS and the PFRS, as applicable, for the fiscal period ending June 30 of that year, containing a non-qualified opinion of an independent external auditor to the GRS and the PFRS, as applicable (the “**Independent Audited Financial Reports**”).

(ii) a certification as of the date of the Annual Report from the respective Chair of each of the PFRS Investment Committee and the GRS Investment Committee on behalf of their respective Investment Committees in a form reasonably acceptable to the Supporting Organization (the “**Pension Certificate**”) that:

- (A) the City is current in its obligation to contribute to the Prior GRS Pension Plan and the Prior PFRS Pension Plan in accordance with the Plan of Adjustment,
- (B) the operation of the respective Investment Committees is in accordance with the applicable Pension Governance Terms, and
- (C) the City has complied and is continuing to comply with the covenants in Section 5.2(a) of this Agreement,

(iii) copies of the documentation provided for under Section 6 of the Contribution Agreement by and among the Michigan Settlement Administration Authority, GRS, PFRS and the City (“**Contribution Agreement**”), including, as

applicable: (A) the compliance report(s) ("**Compliance Report**") covering the calendar year for which the Annual Report is made that the respective Investment Committee provided to the Treasurer of the State of Michigan ("**Treasurer**"); (B) any additional compliance reports provided during the calendar year for which the Annual Report is made as requested by the Treasurer; (C) either the certificate of compliance or the Default Notice, within the meaning of Section 6 of the Contribution Agreement, as applicable, that was provided to the respective Investment Committee by the Treasurer; and (D) in the event that the Treasurer issued a Default Notice, the Cure Certification, within the meaning of Section 6 of the Contribution Agreement, provided by the Investment Committee for the defaulting system. Notwithstanding anything in this subsection (iii) to the contrary, if the parties to the Contribution Agreement agree to revise the requirements of Section 6 of the Contribution Agreement or the information required in the Compliance Report, in order to meet the conditions of this subsection (iii), the respective Investment Committee shall be required only to provide documentation to the Supporting Organization that meets such revised requirements. However, any such change in reporting requirements pursuant to this subsection (iii) shall not change the reporting obligations under subsections (i), (ii), (iv) and (v) of this **Section 2.4(b)**.

(iv) Commencing in 2016, before May 15th of each year, the GRS Investment Committee and the PFRS Investment Committee will provide the Chief Financial Officer of the City with the information required of the GRS and PFRS in **Section 2.4(c)** of this Agreement, and

(v) any additional information from the GRS Investment Committee or the PFRS Investment Committee that may be reasonably requested by the Supporting Organization from time to time.

(c) Commencing in 2016, by May 15th of each year, the City shall provide (or with respect to the Pension Certificates cause to be provided) to the Supporting Organization a reaffirmation of the information and certifications provided by the City in the Annual Report which shall be executed by the Chief Financial Officer of the City (the "**Interim Reaffirmation**") and which shall confirm that as of the date of the Interim Reaffirmation there has been no impairment or modification of the information in the most recent Annual Report since the date of that Annual Report, and which shall include confirmation from the GRS Investment Committee and PFRS Investment Committee that as of the date of the Interim Reaffirmation there has been no impairment or modification of the information in the most recent Pension Certificates since the date of such Pension Certificates. The Interim Reaffirmation shall include copies of the unaudited financial statements as of and for the most recent period prepared for each of the PFRS and the GRS.

To further confirm that the conditions precedent to funding are satisfied, the Supporting Organization reserves the right to make an onsite review and inspection of the City's records and financial information and may employ at its cost an outside agent or consultant to undertake that review. The City will cooperate with any such onsite review and will provide those persons conducting the review adequate office space and assistance (without charge) to conduct that review. The City specifically waives, in favor of the Supporting Organization, or its agent or consultant, any fee for a public record search, pursuant to MCLA 15.234.

(d) The obligation of The DIA, a DIA Direct Funder and a Foundation Funder to make payment to the Supporting Organization of any portion of its commitment under this Agreement or any other Funding Agreement is conditioned upon the City's compliance with the covenants in Sections 5.2 and 5.3(a)-(d) of this Agreement, satisfaction of the conditions specified in Sections 2.4(a)-(c) above, the receipt of the Independent Audited Financial Reports and the Pension Certificate. The City acknowledges that The DIA under this Agreement, and under the DIA FDF Agreement, and each DIA Direct Funder and Foundation Funder under its respective Funding Agreement, shall have no obligation to make any payment to the Supporting Organization, nor shall the Supporting Organization have any obligation to remit any funds to the City Account, until all material requisite conditions precedent to funding in Section 2.4 of this Agreement are met. Failure of the City to meet the conditions to funding specified in this Section 2.4 in any material respect, including based on the Supporting Organization informing the City that the information provided in the Annual Report, the Independent Audited Financial Reports, the Pension Certificates or the Interim Reaffirmation is incomplete or unsatisfactory, shall be a "**City Event of Default**".

2.5 The City's Cure Right; Suspension or Cancellation of Funding.

(a) The City shall have the opportunity to cure any City Event of Default by May 15th of the year following the date the Annual Report is due under Section 2.4(a) above (this being 135 days from the time conditions to funding were due to be met by the City) provided an issuance of written notice of a City Event of Default by the Supporting Organization was provided to the City by the Supporting Organization by January 31st of the year following the year such Annual Report was due from the City under Section 2.4(a) above. Notwithstanding the foregoing, to the extent that the applicable City Event of Default cannot reasonably be cured by May 15th as specified above or if the Event of Default arises out of the Independent Audited Financial Reports, the Pension Certificates or the Interim Reaffirmation of that Annual Report, and as long as the City has commenced to cure, and diligently pursues the cure of such default in good faith, such cure period shall be extended in writing by a reasonable period of time (the "**Extended Cure Period**"), to permit the City to cure such City Event of Default; provided, however, such Extended Cure Period shall not extend beyond December 15th (being 346 days from the date the Annual Report was due under Section 2.4(a) above). The City's ability to receive the benefit of the Extended Cure Period shall be subject to the written approval of the Supporting Organization upon receipt of a written request from the City setting forth why the City believes that it will be able to meet the requirements set forth above within the requested Extended Cure Period, which approval shall not be unreasonably withheld, conditioned or delayed.

(b) All obligations of The DIA under this Agreement, and as acknowledged by the City, all obligations of The DIA under the DIA FDF Agreement and of DIA Direct Funders and Foundation Funders under their respective Funding Agreements, to make scheduled payments and of the Supporting Organization to remit funds to the City Account shall be suspended for the duration of the initial and any Extended Cure Period. The City acknowledges and agrees that, if the City fails to cure a City Event of Default during the initial and any Extended Cure Period, the scheduled payment of The DIA under this Agreement and under the DIA FDF Agreement and of all DIA Direct Funders and Foundation Funders under their respective Funding Agreements shall be cancelled, and the Supporting Organization shall have

no obligation to remit any funds to the City Account with respect to such Payment Date. Further, the City acknowledges and agrees that if the City fails to cure a City Event of Default during the initial and any Extended Cure Period under this Agreement, The DIA, all DIA Direct Funders, Foundation Funders and the Supporting Organization shall have the right to cancel their respective remaining commitments under their respective Funding Agreements and this Agreement.

2.6 Disputes and Remedies Regarding Conditions Precedent to Funding. The DIA shall have the right to rely upon the determination of the board of directors of the Supporting Organization as to whether the conditions to a scheduled payment have been satisfied and, if not initially satisfied, whether any City Event of Default shall have been timely cured. The City acknowledges that each DIA Direct Funder and each Foundation Funder shall, pursuant to its respective Funding Agreement, similarly have the right to rely upon the determination of the board of directors of the Supporting Organization as to whether the conditions to a scheduled payment have been satisfied and, if not initially satisfied, whether any City Event of Default shall have been timely cured. The City shall have no claim (and not pursue any claim) against The DIA, any DIA Direct Funder or any Foundation Funder for such Funder's reliance upon the determination of the Supporting Organization. In the event that the Supporting Organization has determined that the conditions have not been satisfied (or the City Event of Default not timely cured) and the City disputes that determination, the City's only recourse shall be to dispute the Supporting Organization's determination in accordance with the provisions of Section 7.3 of this Agreement.

2.7 Notification of Funding Conditions. In the event it is determined by the Supporting Organization or through the dispute resolution provisions in Section 7.3 of this Agreement that the conditions to funding in Section 2.4 of this Agreement have been satisfied or a City Event of Default timely cured, the Supporting Organization shall within five (5) Business Days thereafter give written notification to each of The DIA, DIA Direct Funders and Foundation Funders. The DIA, and pursuant to each Funder's respective Funding Agreement, each DIA Direct Funder and Foundation Funder, shall be required to make its respective payment to the Supporting Organization (without interest) within twenty (20) days after written notification of such determination is issued by the Supporting Organization.

2.8 Failures to Fund.

(a) If The DIA has made its payment required under Section 2.1 of this Agreement or a Foundation Funder or DIA Direct Funder has made its scheduled payment under its respective Funding Agreement, in each case, to the Supporting Organization, the City shall have recourse only to the Supporting Organization (and not to any such Funder that made its payment) for such payment.

(b) If The DIA, a DIA Direct Funder or a Foundation Funder (the "**Non-funding Party**") has not within the twenty (20) day period specified in Section 2.7 of this Agreement made its payment to the Supporting Organization in accordance with this Agreement with respect to The DIA, or such DIA Direct Funder's or Foundation Funder's schedule reflected in its Funding Agreement, as applicable ("**Default Amount**"), the Supporting Organization shall notify the Non-funding Party that it must pay its Default Amount within thirty (30) days and if

not so paid, that the Supporting Organization shall assign its right to enforce payment of the Default Amount to the City. If the Non-funding Party does not pay its Default Amount within the thirty (30) day period, the Supporting Organization shall assign its right to enforce payment of the Default Amount to the City in full satisfaction of the Supporting Organization's obligation to make such payment to the City; provided that if the Non-funding Party is a DIA Direct Funder or a Special Foundation Funder (a "**Defaulted DIA Funder**") such assignment shall be made to The DIA and not the City. Except with respect to the guaranty obligation of The DIA with respect to a Defaulted DIA Funder in accordance with Section 2.8(c) below, the annual payment amount due to the City from the Supporting Organization on the Payment Date will be reduced by the Default Amount.

(c) In the case of a Defaulted DIA Funder, the Supporting Organization shall issue written notice to The DIA within two (2) days after the expiration of the twenty (20) day funding period specified in Section 2.7 of this Agreement of the name of the Defaulted DIA Funder and the Default Amount. The DIA shall within five (5) Business Days of receipt of such notice pay to the Supporting Organization (x) the Default Amount if the Termination Date has occurred and (y) if the Termination Date has not occurred, such additional amount as is necessary, if any, such that The DIA's payment to the Supporting Organization with respect to such Payment Date is equal to the amount that The DIA is otherwise required to pay pursuant to Section 2.1 of this Agreement. The DIA shall not, however, have any obligation pursuant to this Section 2.8(c) if The DIA's commitment has been cancelled as provided in Section 2.5 of this Agreement. If the Supporting Organization thereafter collects the Default Amount from the Defaulted DIA Funder, the Supporting Organization shall promptly pay such amount to The DIA.

(d) The City agrees that, except for the guaranty obligation of The DIA in Section 2.8(c) of this Agreement with respect to a Defaulted DIA Funder, in no event will any Funder other than the Non-funding Party have any responsibility for the payment or obligations of such Non-funding Party, and the City will not have any right to collect any amounts from any Funder except as set forth in Section 2.8(b) of this Agreement. No party other than the City (as provided in Section 2.8(b) of this Agreement), the Supporting Organization, or The DIA with respect to a Defaulted DIA Funder or a DIA Indirect Funder pursuant to any grant agreement directly with The DIA shall have the right to assert any claim against any Funder. Without limiting the foregoing, the failure of The DIA, any DIA Direct Funder, any Foundation Funder or the Supporting Organization to make a scheduled payment shall only give rise to a claim by the City against such Non-funding Party (pursuant to Section 2.8(b) above), or by the Supporting Organization, and not against any other Funder, the Supporting Organization, The DIA or the DIA Assets; provided, however, (x) The DIA will have its guaranty obligations under Section 2.8(c) of this Agreement and its rights under its applicable grant agreement with each DIA Indirect Funder and (y) the foregoing shall not preclude the City from asserting claims in satisfaction of an indemnity claim pursuant to Section 6.1(b) of this Agreement but only against cash, cash equivalents or cash receivables of The DIA (excluding any cash, cash equivalents or cash receivables that are restricted in use by the terms of the donation, gift, bequest or contribution of a third party or by restrictions imposed on the use of proceeds from the sale of art by the applicable standards or ethical guidelines of the AAM or the Association of Art Museum Directors (or such other organizations by which The DIA or the Museum or its Director is accredited in the future or of which they become members in accordance with then applicable art

museum best practices). Without limiting the foregoing, under no circumstances shall the City or the Supporting Organization have a claim against any DIA Indirect Funder.

(e) The City will be responsible for all costs of its enforcement against the Non-funding Party or the Supporting Organization, as applicable, and will not seek reimbursement of costs of enforcement from any other Funder or the Supporting Organization. No other person or entity shall have the right to enforce payment of any commitments in connection with any Funding Agreement or any Transactional Documentation except as specifically set forth in this Agreement.

ARTICLE III **Initial Funding; Closing**

3.1 Closing. The closing of the transactions pursuant to this Agreement (the “**Closing**”) will take place immediately following the written confirmation from an authorized representative of the City, the Supporting Organization and The DIA in the form of **Exhibit E** to this Agreement (the “**Closing Direction**”); provided, that the Closing hereunder shall in all events occur concurrently with the closing under the Charitable Trust Agreement. The time and date on which the Closing occurs is referred to in this Agreement as the “**Closing Date**”.

3.2 Initial Funding. On the Closing Date, subject to the satisfaction of the deliverables pursuant to Section 3.3 of this Agreement, the Supporting Organization shall remit to the City Account pursuant to the wire transfer instructions on Schedule 1 to this Agreement:

(i) the aggregate payment by Foundation Funders (excluding Special Foundation Funders) of at least \$18.3 million, and

(ii) the aggregate payment by The DIA, DIA Direct Funders and Special Foundation Funders of at least \$5 million.

3.3 At the Closing. At the Closing, the Supporting Organization shall deliver, or cause to be delivered, to each of the other Parties fully executed copies of the following which, to the extent held by the Title Company in escrow, shall be deemed delivered by virtue of the release of such documents by the Title Company in accordance with escrow instructions previously delivered to the Title Company:

(a) each grant agreement between a Foundation Funder and the Supporting Organization in substantially the form of **Exhibit B** to this Agreement (the “**Foundation FDF Agreement**”).

(b) each grant agreement between a DIA Direct Funder and the Supporting Organization in substantially the form of **Exhibit C** to this Agreement (the “**DIA Direct Funder FDF Agreement**”).

(c) the agreement between The DIA and the Supporting Organization in substantially the form of **Exhibit D** to this Agreement with respect to The DIA’s payment obligations as set forth in Section 2.1 of this Agreement (the “**DIA FDF Agreement**”).

ARTICLE IV

Representations and Warranties; Covenants of The DIA and the Supporting Organization

4.1 DIA Representations, Warranties and Covenants.

(a) The DIA represents and warrants that this Agreement and the DIA FDF Agreement have been duly executed and The DIA's obligations under this Agreement and under the DIA FDF Agreement are authorized, valid and binding commitments of The DIA, enforceable against it in accordance with their respective terms.

(b) The DIA acknowledges that (x) Foundation Funders, DIA Funders and the Supporting Organization have no financial obligations other than, in the case of Foundation Funders, on a several basis, their individual commitments in their respective Foundation FDF Agreement, in the case of DIA Direct Funders, their respective commitments in each of their DIA Direct Funder FDF Agreements, and DIA Indirect Funders pursuant to any grant agreement directly with The DIA, and (y) that the Funders are not guaranteeing payment to the City of any amount committed by any other Funder (other than The DIA with respect to its obligations in Section 2.8(c) of this Agreement).

(c) The DIA agrees not to amend or modify the DIA FDF Agreement, or release or waive any rights that it has under such Funding Agreement, in a manner that would reasonably be expected to adversely affect the timing or amount of the payments to be made thereunder without the consent of the City.

4.2 Supporting Organization Representations and Warranties. The Supporting Organization represents that its obligations under this Agreement and under the applicable Funding Agreements have been duly executed and are authorized, valid and binding upon the Supporting Organization, enforceable against it in accordance with their respective terms.

4.3 Supporting Organization Covenants as to Funding Agreements.

(a) The Supporting Organization agrees not to amend or modify any Funding Agreement, or release or waive any rights that it has under any Funding Agreement, in a manner that would reasonably be expected to adversely affect the timing or amount of the payments to be made thereunder (i) without the consent of the City and, (ii) with respect to any DIA Direct Funder FDF Agreement or Foundation FDF Agreement with a Special Foundation Funder, the consent of The DIA.

(b) The Supporting Organization shall promptly after execution thereof deliver to The DIA and the City copies of any DIA Direct Funder FDF Agreement entered into after the Closing Date, or any modifications to any DIA Direct Funder FDF Agreement or Foundation FDF Agreement with a Special Foundation Funder executed at Closing, in the event that the commitments thereunder are increased or modified (with the consent of The DIA) after the Closing Date.

(c) Concurrently with the remittance of payments to the City Account by the Supporting Organization, the Supporting Organization shall deliver to The DIA and the City a schedule which reflects all payments received in such year from DIA Direct Funders and Special

Foundation Funders and shall denote thereon whether any such payment represents a prepayment in excess of the funding schedule under the applicable DIA Direct Funder FDF Agreement or Foundation FDF Agreement, as applicable, and the date on which such payment was remitted to the City Account.

4.4 Reporting Obligations. The DIA will provide to the other Funders and the City, and/or their representatives, within 150 days after the end of each fiscal year during the Payment Period (i) annual financial statements of The DIA audited by an independent certified public accountant and (ii) the annual report of the Director of the Museum in the form provided to the board of directors of the Museum.

4.5 Supporting Organization Observer Right. During the Payment Period, the Supporting Organization shall have the right to designate a representative to attend and participate in a non-voting observer capacity in the meetings of the Board of The DIA (or its successor entity) subject to such observer's compliance with the applicable policies regarding confidentiality, conflicts of interest and other similar matters as may reasonably be adopted from time to time by The DIA.

ARTICLE V **Representations and Warranties; Covenants of the City**

5.1 City Representations and Warranties.

(a) The City represents and warrants that this Agreement has been duly executed and the City's obligations under this Agreement are authorized, valid and binding commitments of the City, enforceable against it in accordance with its terms.

(b) The City acknowledges that (x) Foundation Funders, DIA Funders and the Supporting Organization have no financial obligations other than, in the case of Foundation Funders, on a several basis, each of their commitments in their individual Foundation FDF Agreements, in the case of DIA Direct Funders, their respective commitments in each of their DIA Direct Funder FDF Agreements, and DIA Indirect Funders pursuant to any grant agreement directly with The DIA, and (y) that the Funders are not guaranteeing payment to the City of any amount committed by any other Funder (other than The DIA with respect to its obligations in Section 2.8(c) of this Agreement). The City further acknowledges that it has no rights under any grant agreement between any DIA Indirect Funder and The DIA.

5.2 City Commitments Relating to Pensions. The City covenants to The DIA and Supporting Organization as follows:

(a) For the twenty (20) year period following the effective date of the Plan of Adjustment, the City shall maintain the Pension Governance Terms reflected in the GRS and the PFRS, as applicable, without modification or amendment, except as required to comply with applicable federal law, including without limitation to maintain the tax qualified status of the GRS or PFRS under the Internal Revenue Code, or the Plan of Adjustment.

(b) The City acknowledges that, except as provided in Section 6.3(e) and to pay reasonable expenses of maintaining the City Account, all funds remitted by the Supporting

Organization to the City Account in connection with this Agreement shall be used solely for the payment of contributions to GRS and PFRS, allocated as provided in the Plan of Adjustment, in satisfaction of the City's obligation to contribute to the Prior GRS Pension Plan and the Prior PFRS Pension Plan in accordance with the Plan of Adjustment. Except as provided in Section 6.3(e) and to pay reasonable expenses of maintaining the City Account, the City shall cause to be transferred from the City Account for payment of contributions to the Prior GRS Pension Plan and the Prior PFRS Pension Plan all amounts received from the Supporting Organization within not more than three (3) Business Days after such funds are deposited in the City Account.

(c) The City shall notify the Supporting Organization in writing prior to the selection of the initial and successor independent GRS Investment Committee and PFRS Investment Committee members and such notice shall include information regarding the identity and qualifications of the candidates under consideration by the State, the City and the GRS Board or PFRS Board, as applicable. In addition, upon the written request of the Supporting Organization, the City shall provide to the appropriate representatives of the State and the applicable Board any written comments or observations about the candidates that the Supporting Organization elects in its consulting role to provide to the City, provided that such written comments or observations are received by the City no later than three (3) days after the City has provided notice to the Supporting Organization of the identity of the candidates under consideration.

(d) The City shall provide written notification of any change to the wire transfer instructions to the City Account on Schedule 1 to this Agreement at least ten (10) Business Days prior to the next Payment Date.

5.3 Other City Commitments. The City covenants to The DIA and Supporting Organization as follows:

(a) The City shall pass no charter, ordinance or other provision that solely affects or primarily targets the Museum, The DIA or museums within the City generally which charter, ordinance or other provision has a material adverse impact on the Museum or The DIA (it being understood that a "material adverse impact" shall include any adverse financial impact or any contradiction, or adverse impact on the enforceability, of the terms of the DIA Settlement or the Transaction Documentation), except pursuant to State-enabling legislation.

(b) The City agrees that after the Effective Time the City of Detroit Arts Commission will have no oversight of The DIA, the Museum or the DIA Assets.

(c) The City shall not impose any fee, tax or other cost on the Museum or The DIA that solely affects or primarily targets the Museum, The DIA, the DIA Assets or museums within the City generally.

(d) The City shall provide (or cause to be provided) utilities, police, fire and other City services to The DIA at the same pricing and on the same terms upon which the City offers to provide utilities, police, fire and such other City services to arm's-length third parties generally.

(e) The City agrees that, as of the date hereof, there are no further commitments from the Funders, the Supporting Organization, The DIA or the State relating to the Museum or the DIA Assets beyond those contained in this Agreement or the other Transaction Documentation.

ARTICLE VI **Indemnification**

6.1 Indemnification by The DIA. To the maximum extent permitted by law, The DIA shall indemnify, defend and hold harmless:

(a) DIA Funders, Foundation Funders, the City and the Supporting Organization and each of their Related Parties (the “**DIA Indemnified Parties**”) from, against, and with respect to any Loss arising out of or in any manner, incident, relating or attributable to, or resulting from The DIA’s failure to perform any of its obligations under the Transaction Documentation; and

(b) the City and its Related Parties from, against, and with respect to any Loss arising out of or in any manner, incident, relating or attributable to, or resulting from any claim brought by an employee of The DIA arising from or relating to his/her employment with The DIA which employment commenced at any time after the effective date of the Operating Agreement and prior to the Effective Time, including without limitation, wrongful termination, workers’ compensation, unemployment compensation, discrimination, violation of federal or state labor or employment laws, ERISA, bodily injury, personal injury or defamation, but excluding any claim relating to pension benefits from the GRS to which such employee was or is entitled by virtue of having been employed by the City prior to the commencement of employment with The DIA (the “**Employee Liabilities**”).

6.2 Indemnification by the City.

(a) To the maximum extent permitted by law, the City shall indemnify, defend, and hold Foundation Funders, DIA Funders, The DIA and the Supporting Organization and their respective Related Parties (the “**City Indemnified Parties**”) harmless from, against, and with respect to any Loss arising out of or in any manner incident, relating or attributable to, or resulting from the following (provided indemnification will not be available to an Indemnified Party to the extent resulting from such Indemnified Party’s breach of contract, sole ordinary negligence, gross negligence or intentional wrongful acts):

(i) Any claims by third parties or the City arising out of any action properly taken by a City Indemnified Party under the Transaction Documentation, including but not limited to, any payment or non-payment or performance of any other obligation of the City Indemnified Parties permitted thereunder;

(ii) Any breach or failure of any representation or warranty of the City contained in the Transaction Documentation between the City and the City Indemnified Parties and/or other parties related to the transactions consummated pursuant to this Agreement or the Charitable Trust Agreement;

(iii) Any failure by the City to perform, satisfy or comply with any covenant, agreement or condition to be performed, satisfied or complied with by the City under the Transaction Documentation with the City Indemnified Parties or under agreements with any third parties contemplated by this Agreement or the Charitable Trust Agreement;

(iv) Reliance by the City Indemnified Parties upon any books or records of the City or reliance by them on any written information furnished by the City or any of the City's employees, officials or agents to them to the extent any such information should prove to be false or materially inaccurate or misleading (including, without limitation, by omission), but only to the extent that such books, records or written information was furnished by the City in connection with the City showing its compliance with the conditions to initial or future funding as set forth in this Agreement;

(v) Any claim or objection made after the Effective Date of the Plan of Adjustment in the Bankruptcy Case or any other action brought against, or involving, the City Indemnified Parties with respect to their participation in any transaction contemplated by the proposed or confirmed Plan of Adjustment;

(vi) The transfer, assignment or sale by the City to The DIA of any assets or property (real or personal) and any rights, title and interests therein including but not limited to, the Museum and all of the Museum Assets;

(vii) Any action or claim against the City Indemnified Parties made by the GRS or PFRS, including any successors or assigns and any plan participants, or their representatives, successors or assigns (collectively, the "**Pension Funds**"), as nothing under the Transaction Documentation is intended to, nor are they to be construed or interpreted to, make the City Indemnified Parties a party in privity with, or having an obligation in any capacity to the Pension Funds. By way of illustration and not limitation, the following statements apply:

First, the City Indemnified Parties have no responsibility for the operation or administration of the Pension Funds and have no fiduciary responsibility for the Pension Funds as plan sponsor, plan administrator, investment advisor or otherwise; and

Second, the City Indemnified Parties have no obligation to contribute towards the funding of the Pension Funds and are not a funding guarantor.

(viii) Any action or claim brought by the City, The DIA, the Pension Funds or any other party concerning non-payment of the commitments pursuant to this Agreement (and the Funding Agreements) by the City Indemnified Parties due to the breach of the Transaction Documentation by the City, The DIA, the Pension Funds or any other party, so long as the City Indemnified Parties have made a good faith determination of the breach of the Transaction Documentation or payment condition.

(b) The City shall not contest on any grounds the enforceability of its indemnification obligations hereunder.

(c) Notwithstanding the foregoing, the Parties acknowledge that the City is not making any representations to The DIA regarding the City's title to the Museum Assets prior to the Effective Time and that The DIA will not be entitled to indemnification in connection with its defense of any claims by third parties after the Effective Time challenging The DIA's title to any Museum Asset to the extent that such claim is based on an allegation that the City did not have legal title to the particular Museum Asset prior to the Effective Time (a "**Quitclaim Challenge**"). To be clear, however, The DIA will be entitled to indemnification by the City under this Section 6.2 in connection with any challenges after the Effective Time to The DIA's title to Museum Assets that are in any way based upon a claim that the title that the City had to the Museum Assets prior to the Effective Time was not effectively conveyed to The DIA at and as a result of the closing under the Charitable Trust Agreement. For avoidance of doubt, in the event of a final determination by the Bankruptcy Court not subject to appeal or certiorari by a court of competent jurisdiction that the Museum Assets must be re-conveyed to the City, the Losses for which The DIA may be indemnified shall not include the value of the Museum Assets but shall include all other Losses incurred by The DIA for which it is otherwise entitled to indemnification under this Agreement.

(d) Notwithstanding the foregoing, the City's indemnification of an Indemnified Party shall be limited solely to Losses arising out of or related to the Indemnified Party's participation in any transaction contemplated by the DIA Settlement.

6.3 Defense of Indemnity Claims.

(a) An Indemnified Party shall provide written notice to The DIA or the City, as applicable (the "**Indemnifying Party**") in a timely manner and in any event, within twenty-one (21) days of receipt of any claim, of any matters as to which the Indemnified Party is entitled to receive indemnification and shall set forth in such notice reasonable detail regarding specific facts and circumstances then known by the Indemnified Party which pertain to such matters. Failure or delay in providing such notice shall not relieve the Indemnifying Party of its defense or indemnity obligations except to the extent the Indemnifying Party's defense of an applicable claim against an Indemnified Party is actually prejudiced by such Indemnified Party's failure or delay.

(b) To the extent the Indemnifying Party is notified of a claim for which it is required to indemnify an Indemnified Party, the Indemnifying Party shall be solely responsible at its expense for responding to or otherwise defending such claim. In such event, the Indemnifying Party shall assume exclusive control of the defense of such claim at its sole expense using counsel of its sole choosing and may settle such claim in its sole discretion; provided, however, that (i) with respect to any claim that involves allegations of criminal wrongdoing, the City shall not settle such claim without the prior written approval of the City Indemnified Party, which approval may be withheld in such City Indemnified Party's sole discretion, and (ii) with respect to any other claim, the Indemnifying Party shall not settle such claim in a manner that requires the admission of liability, fault, or wrongdoing on the part of an Indemnified Party, that fails to include a release of all covered claims pending against the

Indemnified Party, or that imposes any obligation on the Indemnified Party without the prior written approval of the Indemnified Party, which approval may be withheld in such Indemnified Party's sole discretion.

(c) The Indemnifying Party will keep the Indemnified Party reasonably informed of the status of any negotiations or legal proceedings related to any claim, and the Indemnified Party shall be entitled to engage counsel (at its own expense) to monitor the handling of any claim by the Indemnifying Party.

(d) Notwithstanding the foregoing, The DIA shall be entitled to defend on its own behalf any claims regarding title to, interest in or control of the Museum Assets or operation of the Museum (including with respect to a Quitclaim Challenge provided The DIA shall not be entitled to indemnification for a Quitclaim Challenge, as set forth above). To the extent The DIA intends to exercise such right, the City and The DIA shall use their commercially reasonable efforts in good faith to coordinate a joint defense of such claim (including as to selection of joint counsel). If the City and The DIA cannot agree on a joint defense of the claim, each Party shall undertake its own defense, reserving all rights against the other for indemnification hereunder with respect to such claim, but, in such case, The DIA shall not be entitled to indemnification of its defense costs in connection therewith.

(e) Notwithstanding anything to the contrary set forth in this Agreement or in the Charitable Trust Agreement, to the extent that the City is required to indemnify a City Indemnified Party hereunder, and the underlying claim being indemnified does not arise out of the City's breach of contract (including a City Event of Default), sole ordinary negligence, gross negligence or intentional wrongful acts and is not due to a claim brought by the City (including pursuant to Section 2.8(b) of this Agreement), the City may reimburse itself for the costs of such indemnity out of the City Account, in which case the amount payable by the City in satisfaction of the City's obligation to contribute to the Prior GRS Pension Plan and the Prior PFRS Pension Plan shall be reduced by the amount reimbursed to the City for such indemnity.

ARTICLE VII

Miscellaneous

7.1 No Third Party Beneficiary. Except for the Indemnified Parties, each of whom is an express third-party beneficiary under this Agreement with respect to ARTICLE VI of this Agreement, and each Funder who is an express third-party beneficiary under Sections 2.3(d), 2.5(b), 2.6, 2.8(a), 2.8(d), 2.8(e), 4.1(b), 4.4, 5.1(b) and 5.3(e) of this Agreement, the terms and provisions of this Agreement are intended solely for the benefit of the Parties and their respective successors and permitted assigns, and nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the City, The DIA, and the Supporting Organization any third-party beneficiary rights or remedies.

7.2 Choice of Law; Jurisdiction; Venue. This Agreement shall be construed in accordance with the laws of the State of Michigan without regard to such state's choice of law provisions which would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the Parties irrevocably and unconditionally agrees for itself that, except as to disputes regarding the calculation of the The DIA's payment

obligations under this Agreement or of a Foundation Funder under a Foundation FDF Agreement which shall be determined in accordance with Section 2.3(c) of this Agreement, or any disputes that are subject to arbitration in accordance with Section 7.3 of this Agreement, any legal action, suit or proceeding against it with respect to any matter arising under or arising out of or in connection with this Agreement, or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, including a proceeding under Section 2.3(c) or Section 7.3 of this Agreement, shall be brought in the Bankruptcy Court for so long as it has jurisdiction, and thereafter in the United States District Court for the Eastern District of Michigan; provided that if the United States District Court for the Eastern District of Michigan does not have jurisdiction, then such legal action, suit or proceeding shall be brought in such other court of competent jurisdiction located in Wayne County, Michigan; and provided, further, that The DIA may bring a legal action, suit or proceeding in a state court to obtain a writ of mandamus to enforce the obligations of the City in Section 5.3 of this Agreement. By execution and delivery of this Agreement, each of the Parties irrevocably accepts and submits to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding and specifically consents to the jurisdiction and authority of the Bankruptcy Court to hear and determine all such actions, suits, and proceedings under 28 U.S.C. §157(b) or (c), whichever applies.

7.3 Dispute Resolution. Any controversy or claim arising out of or relating to the satisfaction of the conditions precedent to funding in ARTICLE II of this Agreement shall be settled by arbitration administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof in accordance with Section 7.2 of this Agreement. Any such controversy or claim shall be submitted to a panel of three (3) AAA arbitrators. The place of the arbitration shall be within the Wayne County, Michigan. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of all Parties to the arbitration. The Parties may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. The Parties also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction in accordance with Section 7.2 of this Agreement any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal (or pending the arbitral tribunal’s determination of the merits of the controversy). Each Party shall bear its own costs and expenses and an equal share of the arbitrators’ and administrative fees of arbitration. With respect to any dispute as to a City Event of Default and a payment in connection with the same, the arbitration proceeding and its findings contemplated under this Section must be held and received by no later than the January 31st of the second calendar year after the year in which the Annual Report was due, as provided in Section 2.4(a) above, from the City to the Supporting Organization from which the disputed City Event of Default arose, regardless of whether the City Event of Default arises from the Annual Report or the Interim Reaffirmation of said report. If the arbitration hearing findings cannot be received by that January 31st, the position of the Supporting Organization that the City Event of Default exists and has not been cured will be deemed a final determination for purposes of determining whether the conditions to funding have been satisfied.

7.4 Specific Performance. It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach, including, without limitation, seeking an order of the court having jurisdiction in accordance with Section 7.2 of this Agreement requiring any Party to comply promptly with any of its obligations hereunder.

7.5 Amendment and Waiver. This Agreement may be amended and any provision of this Agreement may be waived; provided that any such amendment or waiver will be binding upon the Parties only if such amendment or waiver is set forth in a writing executed by all Parties during the Payment Period and, thereafter, by The DIA and the City. No course of dealing between or among any persons having any interest in this Agreement will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Party under or by reason of this Agreement.

7.6 Notices. All notices, demands and other communications given or delivered under this Agreement shall be given in writing to the address indicated below (or such other address as the recipient specifies in writing) and will be deemed to have been given when delivered personally, three (3) Business Days after mailed by certified or registered mail, return receipt requested and postage prepaid, or when delivery is guaranteed if sent via a nationally recognized overnight carrier, or when receipt is confirmed if sent via facsimile or other electronic transmission to the recipient with telephonic confirmation by the sending party.

The City of Detroit
Law Department
Coleman A. Young Municipal Center
2 Woodward Avenue, 5th Floor
Detroit, Michigan 48226
Telephone: (313)224-1352
Facsimile: (313)224-5505
Attention: Corporation Counsel

with a copy to (which will not constitute notice):

Office of the Mayor
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1126
Detroit, Michigan 48226
Facsimile: (313)224-4128
Attention: Mayor

The Detroit Institute of Arts
5200 Woodward Avenue
Detroit, Michigan 48202
Facsimile:
E-mail:
Attention: Director and Chief Financial Officer

with a copy to (which will not constitute notice):

Honigman Miller Schwartz and Cohn LLP
2290 First National Bank Building
660 Woodward Avenue
Detroit, Michigan 48226-3506
Facsimile: (313)465-7575
E-mail: azschwartz@honigman.com
Attention: Alan S. Schwartz and
E-mail: jopperer@honigman.com
Attention: Joshua F. Opperer

Foundation for Detroit's Future

333 West Fort Street, Suite 2010
Detroit, Michigan 48226-3134
Facsimile: (313)961-2886
E-mail: rferriby@cfsem.org
Attention: Robin D. Ferriby

7.7 Binding Agreement; Assignment. This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided that neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any Party (by operation of law or otherwise) without the prior written consent of all the other Parties. Any attempted assignment in violation of this Section 7.7 shall be null and void.

7.8 Severability. Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

7.9 No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the Parties to express their mutual intent. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

7.10 Captions. The captions used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement and will not be deemed to limit, characterize or in any way affect any provision of this Agreement, and all provisions of this Agreement will be enforced and construed as if no caption had been used in this Agreement.

7.11 Entire Agreement. This Agreement, including the Exhibits, constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement and

supersedes all other prior negotiations, agreements and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement.

7.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument, and shall become effective when counterparts have been signed by each of the Parties and delivered to the other Parties; it being understood that all Parties need not sign the same counterpart. The exchange of copies of this Agreement or of any other document contemplated by this Agreement (including any amendment or any other change thereto) and of signature pages thereof by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether otherwise transmitted via electronic transmission), by electronic mail in “portable document format” (“**.pdf**”) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by a combination of such means, shall constitute effective execution and delivery of this Agreement as to the Parties and may be used in lieu of an original Agreement or other document for all purposes. Signatures of the Parties transmitted by facsimile, by electronic mail in .pdf form or by any other electronic means referenced in the preceding sentence, or by any combination thereof, shall be deemed to be original signatures for all purposes.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Omnibus Transaction Agreement effective as of the Closing Date.

THE CITY OF DETROIT

By: _____
Name: _____
Title: _____

THE DETROIT INSTITUTE OF ARTS

By: _____
Name: _____
Title: _____

FOUNDATION FOR DETROIT'S FUTURE

By: _____
Name: _____
Title: _____

EXHIBIT A

SETTLEMENT, CONVEYANCE AND CHARITABLE TRUST AGREEMENT

EXHIBIT B
FOUNDATION FDF AGREEMENT

EXHIBIT C

DIA DIRECT FUNDER FDF AGREEMENT

EXHIBIT D
DIA FDF AGREEMENT

EXHIBIT E
CLOSING DIRECTION

_____, 2014

Title Source, Inc.
662 Woodward Avenue
Detroit, Michigan 48226-3422

Re: Certification of Release Conditions

Ladies and Gentlemen:

We refer to the Escrow Agreement, dated as of _____, 2014 (the “Escrow Agreement”), among each of you and the undersigned. Capitalized terms used herein shall have the meaning given in the Omnibus Transaction Agreement or Escrow Agreement, as applicable.

By execution of this Certificate, each of the undersigned certifies that the conditions to the Closing under the Omnibus Transaction Agreement and to the Closing Release specified in Section 2.1 of the Escrow Agreement have been satisfied and directs that you shall undertake the actions specified in Section 2.1 of the Escrow Agreement.

[signature pages follow]

THE CITY OF DETROIT

By: _____
Name: _____
Title: _____

[SIGNATURE PAGE TO CLOSING DIRECTION]

THE DETROIT INSTITUTE OF ARTS

By: _____
Name: _____
Title: _____

[SIGNATURE PAGE TO CLOSING DIRECTION]

FOUNDATION FOR DETROIT'S FUTURE

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE TO CLOSING DIRECTION]

SCHEDULE 1

Wire Transfer Instructions for City Account

U.S. Bank
777 E. Wisconsin Avenue
Milwaukee, WI 53202
ABA# 091000022
BNF: USBANK WIRE CLRG
Beneficiary Account Number: 180121167365
OBI: Detroit Art Escrow

SCHEDULE 2

Examples of the Calculation of The DIA's Payment Obligations

Examples Illustrating The DIA's Payment Obligation under the Omnibus Transaction Agreement

Example 1

<u>Previous and Current Payment Dates</u>	<u>Payment Number</u>	<u>Aggregate Committed Payment</u>	<u>Previous DIA, DIA Direct Funder, and Special Foundation Funder Payments</u>	<u>DIA Direct Funder and Special Foundation Funder Scheduled Payments*</u>	<u>DIA Payment</u>
Closing**	1	\$5,000,000	\$0	\$0	\$5,000,000
6/30/16	2	\$10,000,000	\$5,000,000	\$2,000,000	\$3,000,000
6/30/17	3	\$15,000,000	\$10,000,000	\$5,000,000	\$0
6/30/18	4	\$20,000,000	\$15,000,000	\$5,000,000	\$0
6/30/19	5	\$25,000,000	\$20,000,000	\$5,000,000	\$0
6/30/20	6	\$30,000,000	\$25,000,000	\$5,000,000	\$0
6/30/21	7	\$35,000,000	\$30,000,000	\$5,000,000	\$0
6/30/22	8	\$40,000,000	\$35,000,000	\$5,000,000	\$0
6/30/23	9	\$45,000,000	\$40,000,000	\$5,000,000	\$0
6/30/24	10	\$50,000,000	\$45,000,000	\$5,000,000	\$0
6/30/25	11	\$55,000,000	\$50,000,000	\$5,000,000	\$0
6/30/26	12	\$60,000,000	\$55,000,000	\$5,000,000	\$0
6/30/27	13	\$65,000,000	\$60,000,000	\$5,000,000	\$0
6/30/28	14	\$70,000,000	\$65,000,000	\$5,000,000	\$0
6/30/29	15	\$75,000,000	\$70,000,000	\$5,000,000	\$0
6/30/30	16	\$80,000,000	\$75,000,000	\$5,000,000	\$0
6/30/31	17	\$85,000,000	\$80,000,000	\$5,000,000	\$0
6/30/32	18	\$90,000,000	\$85,000,000	\$5,000,000	\$0
6/30/33	19	\$95,000,000	\$90,000,000	\$5,000,000	\$0
6/30/34	20	\$100,000,000	\$95,000,000	\$5,000,000	\$0
Total			\$100,000,000	\$92,000,000	\$8,000,000

As of the Closing Date, \$5 million multiplied by the single Payment Date (Closing) equals \$5 million. The sum of previous payments by The DIA, DIA Direct Funders and Special Foundation Funders (\$0) and the DIA Direct Funders' and Special Foundation Funders' scheduled payment at Closing (\$0) equals \$0. Therefore, at Closing, The DIA is obligated to pay \$5 million less \$0, which equals \$5 million. The formula applies in an identical manner to the June 30, 2016 Payment Date (and the remaining Payment Dates). \$5 million multiplied by the two (2) relevant Payment Dates (the Closing Date and June 30, 2016) equals \$10 million. The sum of the previous payments by The DIA, DIA Direct Funders and Special Foundation Funders (\$5 million) and the DIA Direct Funders' and Special Foundation Funders' scheduled payment (\$2 million) equals \$7 million. Therefore, on June 30, 2016, The DIA is obligated to pay \$10 million less \$7 million, which equals \$3 million.

As of June 30, 2016, The DIA has satisfied its payment obligation under the Omnibus Transaction Agreement (other than its guarantee obligation). The Present Value Discount of the total payments made as of the end of the day June 30, 2016, plus the Present Value Discount of

the DIA Direct Funders' and Special Foundation Funders' remaining scheduled payments equals the Present Value Discount of \$5 million paid at Closing and 19 annual payments of \$5 million commencing as of June 30, 2016.

*DIA Direct Funder and Special Foundation Funder scheduled payments are assumed to be made on the Payment Date, as scheduled.

** All examples assume an October 31, 2014 Closing Date.

**Examples Illustrating The DIA's Payment Obligation
under the Omnibus Transaction Agreement**

Example 2: DIA Payments and Present Value Discount Limitation

<u>Previous and Current Payment Dates</u>	<u>Payment Number</u>	<u>Aggregate Committed Payment</u>	<u>Previous DIA, DIA Direct Funder, and Special Foundation Funder Payments</u>	<u>DIA Direct Funder and Special Foundation Funder Scheduled Payments*</u>	<u>DIA Payment</u>	<u>DIA Prepayment</u>
Closing	1	\$5,000,000	\$0	\$10,000,000	\$0	\$0
6/30/16	2	\$10,000,000	\$10,000,000	\$10,000,000	\$0	\$0
6/30/17	3	\$15,000,000	\$20,000,000	\$10,000,000	\$0	\$0
6/30/18	4	\$20,000,000	\$30,000,000	\$10,000,000	\$0	\$0
6/30/19	5	\$25,000,000	\$40,000,000	\$10,000,000	\$0	\$0
6/30/20	6	\$30,000,000	\$50,000,000	\$10,000,000	\$0	\$0
6/30/21	7	\$35,000,000	\$60,000,000	\$0	\$0	\$0
6/30/22	8	\$40,000,000	\$60,000,000	\$0	\$0	\$0
6/30/23	9	\$45,000,000	\$60,000,000	\$0	\$0	\$0
6/30/24	10	\$50,000,000	\$60,000,000	\$0	\$0	\$0
6/30/25	11	\$55,000,000	\$60,000,000	\$0	\$0	\$0
6/30/26	12	\$60,000,000	\$60,000,000	\$0	\$0	\$0
6/30/27	13	\$65,000,000	\$60,000,000	\$0	\$5,000,000	\$0
6/30/28	14	\$70,000,000	\$65,000,000	\$0	\$5,000,000	\$0
6/30/29	15	\$75,000,000	\$70,000,000	\$0	\$4,316,096	\$0
6/30/30	16	\$80,000,000	\$74,316,096	\$0	\$	** \$0
6/30/31	17	\$85,000,000	\$74,316,096	\$0	\$	** \$0
6/30/32	18	\$90,000,000	\$74,316,096	\$0	\$	** \$0
6/30/33	19	\$95,000,000	\$74,316,096	\$0	\$	** \$0
6/30/34	20	\$100,000,000	\$74,316,096	\$0	\$	** \$0
Total			\$74,316,096	\$60,000,000	\$14,316,096	\$0

As of the Closing Date, \$5 million multiplied by the single Payment Date (the Closing Date) equals \$5 million. The sum of previous payments by The DIA, DIA Direct Funders and Special Foundation Funders (\$0) and the DIA Direct Funders' and Special Foundation Funders' scheduled payment at Closing (\$10,000,000) is \$10 million. Therefore, at Closing, The DIA is not obligated to make a payment. The same result occurs for each Payment Date up to June 30, 2027.

As of the June 30, 2027 Payment Date, \$5 million multiplied by the 13 relevant Payment Dates equals \$65 million. The sum of the previous payments by The DIA (\$0) and DIA Direct Funders and Special Foundation Funders (\$60 million) and the DIA Direct Funders' and Special Foundation Funders' scheduled payments on June 30, 2027 (\$0), equals \$60 million. Therefore, on June 30, 2027, The DIA is obligated to pay \$65 million less \$60 million, which equals \$5 million. The same result would occur for each of the remaining Payment Dates, except the Present Value Discount limitation under Section 2.1(b) applies as of the June 30, 2029 Payment Date. On that Payment Date, the formula for the Present Value Discount will result in The DIA only needing to pay \$4,316,096 in order for the Present Value Discount of the total payments made as of the end of that day, plus the Present Value Discount of the DIA Direct Funders' and Special Foundation Funders' remaining scheduled payments (\$0) equaling the Present Value Discount of \$5 million paid at Closing and 19 annual payments of \$5 million commencing as of June 30, 2016.

*DIA Direct Funder and Special Foundation Funder scheduled payments are assumed to be made on the Payment Date, as scheduled.

**No payment due because of Present Value Discount limitation.

**Examples Illustrating The DIA's Payment Obligation
under the Omnibus Transaction Agreement**

Example 3: DIA Prepayments and Present Value Discount Limitation

<u>Previous and Current Payment Dates</u>	<u>Payment Number</u>	<u>Aggregate Committed Payment</u>	<u>Previous DIA, DIA Direct Funder, and Special Foundation Funder Payments</u>	<u>DIA Direct Funder and Special Foundation Funder Scheduled Payments*</u>	<u>DIA Payment</u>	<u>DIA Prepayment</u>
Closing	1	\$5,000,000	\$0	\$10,000,000	\$0	\$0
6/30/16	2	\$10,000,000	\$10,000,000	\$10,000,000	\$0	\$0
6/30/17	3	\$15,000,000	\$20,000,000	\$10,000,000	\$0	\$0
6/30/18	4	\$20,000,000	\$30,000,000	\$10,000,000	\$0	\$0
6/30/19	5	\$25,000,000	\$40,000,000	\$10,000,000	\$0	\$0
6/30/20	6	\$30,000,000	\$50,000,000	\$10,000,000	\$0	\$0
6/30/21	7	\$35,000,000	\$60,000,000	\$0	\$0	\$0
6/30/22	8	\$40,000,000	\$60,000,000	\$0	\$0	\$0
6/30/23	9	\$45,000,000	\$60,000,000	\$0	\$0	\$0
6/30/24	10	\$50,000,000	\$60,000,000	\$0	\$0	\$0
6/30/25	11	\$55,000,000	\$60,000,000	\$0	\$0	\$0
6/30/26	12	\$60,000,000	\$60,000,000	\$0	\$0	\$0
6/30/27	13	\$65,000,000	\$60,000,000	\$0	\$5,000,000	\$4,683,841**
6/30/28	14	\$70,000,000	\$69,683,841	\$0	\$ 316,159	\$3,726,128***
6/30/29	15	\$75,000,000	\$73,726,128	\$0	\$-----****	\$0
6/30/30	16	\$80,000,000	\$73,726,128	\$0	\$-----****	\$0
6/30/31	17	\$85,000,000	\$73,726,128	\$0	\$-----****	\$0
6/30/32	18	\$90,000,000	\$73,726,128	\$0	\$-----****	\$0
6/30/33	19	\$95,000,000	\$73,726,128	\$0	\$-----****	\$0
6/30/34	20	\$100,000,000	\$73,726,128	\$0	\$-----****	\$0
Total			\$73,726,128	<u>\$60,000,000</u>	<u>\$5,316,159</u>	<u>\$8,409,969</u>

The facts are the same as in Example 2, except that The DIA makes a \$4,683,841 prepayment at the time of the June 30, 2027 Payment Date. For the June 30, 2028 Payment Date, The DIA is obligated to pay \$316,159, calculated as follows: \$5 million multiplied by 14 relevant Payment Dates equals \$70 million, less previous payments of \$69,683,841, equals \$316,159. The DIA makes a \$3,726,128 prepayment at the time of the June 30, 2028 Payment Date also. For the June 30, 2029 Payment Date, The DIA is not obligated to make any payment, notwithstanding the following calculation: \$5 million multiplied by 15 relevant Payment Dates equals \$75 million, less previous payments of \$73,726,128, equals \$1,273,872. However, under Section 2.1(b), the Present Value Discount of the payments made as of the end of the day on June 30, 2028 (\$73,726,128, before discounting), plus the Present Value Discount of the DIA Direct Funders' and Special Foundation Funders' remaining scheduled payments (\$0) equals the Present Value Discount of \$5 million paid at Closing and 19 annual payments of \$5 million commencing as of June 30, 2016. The DIA's prepayments at the time of the 2027 and 2028 Payment Dates results in The DIA not having a payment obligation in 2029 or thereafter.

*DIA Direct Funder and Special Foundation Funder scheduled payments are assumed to be made on the Payment Date, as scheduled.

**\$4,683,841 is the discounted value of \$5 million at a 6.75% discount rate for a one-year period.

***\$3,726,128 is the discounted amount that results in The DIA fulfilling its payment obligation on a present value basis as of June 30, 2028.

****No payment due because of Present Value Discount limitation and no guarantee because there are no remaining commitments.

**Examples Illustrating the DIA's Payment Obligation
under the Omnibus Transaction Agreement**

Example 4: DIA Prepayments and Present Value Discount Limitation

Previous and Current Payment Dates	Payment Number	Aggregate Committed Payment	Previous DIA, DIA Direct Funder, and Special Foundation Funder Payments	DIA Direct Funder and Special Foundation Funder Scheduled Payments*	DIA Payment	DIA Prepayment
Closing	1	\$5,000,000	\$0	\$10,000,000	\$0	\$0
6/30/16	2	\$10,000,000	\$10,000,000	\$10,000,000	\$0	\$0
6/30/17	3	\$15,000,000	\$20,000,000	\$10,000,000	\$0	\$0
6/30/18	4	\$20,000,000	\$30,000,000	\$10,000,000	\$0	\$0
6/30/19	5	\$25,000,000	\$40,000,000	\$0	\$0	\$0
6/30/20	6	\$30,000,000	\$40,000,000	\$0	\$0	\$0
6/30/21	7	\$35,000,000	\$40,000,000	\$0	\$0	\$0
6/30/22	8	\$40,000,000	\$40,000,000	\$0	\$0	\$0
6/30/23	9	\$45,000,000	\$40,000,000	\$0	\$5,000,000	\$0
6/30/24	10	\$50,000,000	\$45,000,000	\$0	\$5,000,000	\$0
6/30/25	11	\$55,000,000	\$50,000,000	\$0	\$5,000,000	\$0
6/30/26	12	\$60,000,000	\$55,000,000	\$0	\$5,000,000	\$0
6/30/27	13	\$65,000,000	\$60,000,000	\$0	\$5,000,000	\$4,683,841**
6/30/28	14	\$70,000,000	\$69,683,841	\$0	\$ 316,159	\$0
6/30/29	15	\$75,000,000	\$70,000,000	\$0	\$5,000,000	\$0
6/30/30	16	\$80,000,000	\$75,000,000	\$0	\$1,969,618***	\$0
6/30/31	17	\$85,000,000	\$76,969,618	\$0	\$0****	\$0
6/30/32	18	\$90,000,000	\$76,969,618	\$0	\$0****	\$0
6/30/33	19	\$95,000,000	\$76,969,618	\$5,000,000	\$0****	\$0
6/30/34	20	\$100,000,000	\$81,969,618	\$5,000,000	\$0****	\$0
Total			\$86,969,618	\$50,000,000	\$32,285,777	\$4,683,841

The facts are the same as in Example 3, except the DIA Direct Funders' and Special Foundation Funders' Scheduled Payment has been revised as set forth above and The DIA will be required to make payments for the Payment Dates in years 2023 through 2030. The DIA's prepayment of \$4,683,841 at the time of the June 30, 2027 Payment Date and its payment obligation on the June 30, 2028 Payment Date remain the same as in Example 3. Under Section 2.1(a), The DIA has a \$5 million payment obligation with respect to the June 30, 2029 Payment Date. On the June 30, 2030 Payment Date, The DIA pays \$1,969,618, notwithstanding the following calculation: \$5 million multiplied by 16 relevant Payment Dates equals \$80 million, less previous payments of \$75,000,000, equals \$5,000,000. However, under Section 2.1(b), the Present Value Discount of the payments made as of the end of the day on June 30, 2030 (\$76,969,618 before discounting), plus the Present Value Discount of the DIA Direct Funders' and Special Foundation Funders' remaining scheduled payments (\$10,000,000, before discounting) equals the Present Value Discount of \$5 million paid at Closing and 19 annual payments of \$5 million commencing as of June 30, 2016. The DIA's aggregate payments as of the June 30, 2030 Payment Date result in The DIA not having a payment obligation in 2031 or thereafter.

*DIA Direct Funder and Special Foundation Funder scheduled payments are assumed to be made on the Payment Date, as scheduled.

**\$4,683,841 is the discounted value of \$5 million at a 6.75% discount rate for a one-year period.

***\$1,969,618 is the discounted amount that results in The DIA fulfilling its payment obligation on a present value basis as of June 30, 2030.

****No payment due because of Present Value Discount limitation, but The DIA guarantee applies if the 2033 and 2034 payments are not made or are not made on a timely basis.

**Form of Settlement, Conveyance and Charitable Trust Agreement
By and Between the City of Detroit and the Detroit Institute of Arts**

**FORM OF SETTLEMENT, CONVEYANCE
AND CHARITABLE TRUST AGREEMENT**

SETTLEMENT, CONVEYANCE AND CHARITABLE TRUST AGREEMENT

BY AND BETWEEN

THE CITY OF DETROIT

AND

THE DETROIT INSTITUTE OF ARTS

TABLE OF CONTENTS

ARTICLE I Definitions	2
1.1. Definitions.....	2
1.2. Other Defined Terms.	2
ARTICLE II Transfer of Assets.....	3
2.1. Transfer.	3
2.2. Liabilities.	3
ARTICLE III Effective Time; Deliverables	4
3.1. Effective Time.	4
3.2. Deliverables.	4
ARTICLE IV Termination of the Various Agreements	4
4.1. Termination of the Operating Agreement.....	4
4.2. Termination of the Licensing Agreement.	4
4.3. Release.	5
ARTICLE V Representations and Warranties	5
5.1. Representations and Warranties of The DIA.	5
5.2. Representations and Warranties of The City.	5
5.3. Acknowledgement of No Further Representations and Warranties.	5
ARTICLE VI Covenants of the City	6
6.1. Further Assurances.....	6
6.2. Remittance of Museum Assets.....	6
6.3. NO RECOURSE.....	6
ARTICLE VII Covenants of The DIA.....	7
7.1. Charitable Trust.	7
7.2. State-wide Services.	7
7.3. Liquidation.	8
7.4. City Board Representative.	8
7.5. Enforcement of Certain of The DIA’s Obligations.....	9
ARTICLE VIII Incorporation by Reference; Entire Agreement	9
8.1. Incorporation by Reference.....	9
8.2. No Third Party Beneficiary.....	9
8.3. Choice of Law; Jurisdiction; Venue.	9
8.4. Amendment and Waiver.	10
8.5. Entire Agreement.	10

List of Exhibits

- Exhibit A – Museum Assets
- Exhibit B – Bill of Sale
- Exhibit C – Intellectual Property Assignment
- Exhibit D – Museum Quit Claim Deed
- Exhibit E – Cultural Center Garage Quit Claim Deed

SETTLEMENT, CONVEYANCE AND CHARITABLE TRUST AGREEMENT

THIS SETTLEMENT, CONVEYANCE AND CHARITABLE TRUST AGREEMENT (this “**Agreement**”), effective as of the Effective Time, is entered into by and between the City of Detroit, Michigan (the “**City**”) and The Detroit Institute of Arts, a Michigan nonprofit corporation f/k/a Founders Society Detroit Institute of Arts (“**The DIA**”). The City and The DIA are together referred to herein as the “**Parties**” and individually as a “**Party**”. Capitalized terms used in this Agreement and not defined herein shall have the meaning ascribed thereto in the Omnibus Transaction Agreement among the City, The DIA and Foundation for Detroit’s Future, a Michigan nonprofit corporation (the “**Omnibus Transaction Agreement**”).

RECITALS

WHEREAS, beginning in 1885 The DIA held the assets of the museum that is now commonly referred to as the Detroit Institute of Arts (the “**Museum**”) in charitable trust for the benefit of the people of the City and the State of Michigan (the “**State**”) and, beginning in 1919, the City began to hold certain of such assets in charitable trust, with museum assets acquired by either The DIA or the City, and assets contributed by other donors and the State, constituting additions to the trust corpus to the extent not expended for the ongoing conduct of the trust’s charitable and educational activities;

WHEREAS, the Attorney General of the State has determined that the Museum collection is held by the City in charitable trust;

WHEREAS, The DIA asserts that the Museum and all Museum Assets are owned by the City in charitable trust, the co-trustees of which are the City and The DIA and subject to the protections of a public trust;

WHEREAS, the City acknowledges that certain creditors of the City and other interested persons have taken the position that the City has full legal and beneficial title to the Museum, including its art collection;

WHEREAS, this Agreement is being entered into as part of the DIA Settlement pursuant to the Omnibus Transaction Agreement whereby the City will convey all of its right, title and interest (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) to the Museum and all related assets to The DIA in exchange for fair value by virtue of (i) the settlement of any dispute regarding the ownership of Museum and the Museum Assets, (ii) the contributions through the Supporting Organization by The DIA (and through it, the DIA Indirect Funders), DIA Direct Funders and Special Foundation Funders of \$100 million, of Foundation Funders (excluding Special Foundation Funders) of \$366 million, and an additional contribution by the State of \$350 million, which aggregate \$816 million (in each case and in the aggregate before applying any discount for early payment), which amounts will be paid for the benefit of Pension Claims of the City, and (iii) the commitment of The DIA to hold the Museum Assets (as they may be augmented, replaced or disposed of consistent with the perpetual charitable trust and as otherwise permitted under this Agreement) (collectively, “**DIA Assets**”) in perpetual charitable trust and to operate the Museum primarily for benefit of the residents of the City and the Tri-Counties and the citizens of the State;

WHEREAS, the allocation of responsibilities with respect to the charitable trust assets and the operation of the Museum has changed from time to time;

WHEREAS, The DIA currently operates the Museum and manages its assets under an Operating Agreement for the Detroit Institute of Arts, made on December 12, 1997, between The DIA and the City (the “**Operating Agreement**”) whereby those responsibilities have been performed by The DIA as operator on the terms set forth therein;

WHEREAS, the City and The DIA currently are parties to that certain Licensing Agreement, dated December 12, 1997 (the “**Licensing Agreement**”) under which the City licensed the use of certain intellectual property assets to The DIA, which will be terminated by the Parties pursuant to this Agreement;

WHEREAS, as part of the DIA Settlement and concurrently with the closing pursuant to the Omnibus Transaction Agreement, the Transfer shall occur, each of the Operating Agreement and the Licensing Agreement shall be terminated, and the other transactions and agreements reflected herein shall become effective; and

WHEREAS, the Transfer of the Museum and the Museum Assets is for fair value, for a public purpose and authorized by law.

NOW THEREFORE, in consideration of the covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I **Definitions**

1.1. Definitions. As used in this Agreement:

“**Museum Assets**” means the Museum art collection, operating assets, buildings, parking lots and structures, and any other assets that are used primarily in operating or servicing the Museum, including, without limitation, any item that is in the “City art collection” (as defined in the Operating Agreement but taking into account any additions to or subtractions from such collection over time) as of the Effective Time and including, without limitation, those items described in Exhibit A to this Agreement and all items conveyed pursuant to the Bill of Sale, Intellectual Property Assignment, Museum Quit Claim Deed and Cultural Center Garage Quit Claim Deed (each as defined below).

1.2. Other Defined Terms. The following capitalized terms shall have the meanings given to them in the Sections set forth opposite such term:

Agreement	Preamble
Assigned Intellectual Property	Exhibit C
Bill of Sale	Section 3.2(i)
City	Preamble
Cultural Center Garage	Section 3.2(iv)
Cultural Center Garage Quit Claim Deed	Section 3.2(iv)
DIA Assets	Recitals
Effective Time	Section 3.1
Intellectual Property Assignment	Section 3.2(ii)
Licensing Agreement	Recitals
Museum	Recitals
Museum Quit Claim Deed	Section 3.2(iii)
Omnibus Transaction Agreement	Preamble
Operating Agreement	Recitals
Parties	Preamble
Party	Preamble
State	Recitals
The DIA	Preamble
Title Company	Section 3.2
Transfer	Section 2.1

ARTICLE II

Transfer of Assets

2.1. Transfer. As of the Effective Time, the City hereby irrevocably sells, transfers, conveys, assigns and delivers to The DIA, and The DIA hereby acquires, all of the City's right, title and interest (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) throughout the world in and to the Museum and the Museum Assets free and clear of all security interests, liens, encumbrances, claims and interests of the City and its creditors (the "**Transfer**"). Subject to the provisions in this Agreement, from and after the Effective Time, The DIA shall have exclusive responsibility for and control over the Museum, Museum Assets, Museum operations, capital expenditures, collection management, and the purchase or sale of assets.

2.2. Liabilities. From and after the Effective Time, The DIA is assuming (i) the obligations arising prior to the Effective Time to pay operating expenses to third parties to the extent that any such obligation was an expense imposed on The DIA under the Operating Agreement prior to the Effective Time and (ii) the Employee Liabilities. Except as provided in the preceding sentence, The DIA is not assuming or in any way becoming liable for any of the City's debts, liabilities or obligations, whether known, unknown, absolute, contingent, matured or unmatured, regardless of whether any of the foregoing relate to the Museum or the Museum Assets.

ARTICLE III

Effective Time; Deliverables

3.1. Effective Time. This Agreement will become effective immediately following the written confirmation under the Omnibus Transaction Agreement that the Closing under the Omnibus Transaction Agreement shall be deemed to occur (the “**Effective Time**”).

3.2. Deliverables. The City hereby delivers or causes to be delivered to The DIA the following which, to the extent Title Source, Inc. (the “**Title Company**”) shall be deemed delivered by virtue of the release of such documents by the Title Company in accordance with the escrow instructions previously delivered to the Title Company:

(i) the bill of sale substantially in the form of **Exhibit B** to this Agreement (the “**Bill of Sale**”) duly executed by the City pursuant to which all tangible and intangible assets included in the Museum Assets (including those described on **Exhibit A** to this Agreement) and not otherwise conveyed by a distinct instrument delivered pursuant to this Section 3.2 shall be conveyed to The DIA, including, without limitation, all rights to donations, gifts, bequests, grants and contributions for the benefit of the Museum or The DIA;

(ii) the transfer agreement with respect to all Assigned Intellectual Property substantially in the form of **Exhibit C** to this Agreement (the “**Intellectual Property Assignment**”) duly executed by the City;

(iii) a quitclaim deed substantially in the form of **Exhibit D** to this Agreement (the “**Museum Quit Claim Deed**”) duly executed by the City with respect to the real estate referenced as the Museum building and grounds, the employee parking lot located at 5200 Woodward Avenue, Detroit, Michigan, and the Frederick Lot (Parcels 1-7 in **Exhibit A** to this Agreement);

(iv) a quitclaim deed substantially in the form of **Exhibit E** to this Agreement (the “**Cultural Center Garage Quit Claim Deed**”) duly executed by the City with respect to the real estate referenced as the cultural center underground garages (Parcel 8 in **Exhibit A** to this Agreement being the “**Cultural Center Garage**”).

ARTICLE IV

Termination of the Various Agreements

4.1. Termination of the Operating Agreement. As of the Effective Time, the Operating Agreement is terminated without any further action or notice by the Parties and without any further rights or obligations of any Party thereunder other than The DIA’s indemnity obligation under Section J of the Operating Agreement (which shall survive in accordance with its terms).

4.2. Termination of the Licensing Agreement. As of the Effective Time, the Licensing Agreement is terminated without any further action or notice by the Parties and without any further rights or obligations of any Party thereunder.

4.3. Release. Each of the Parties hereby fully and forever, knowingly, voluntarily, and irrevocably, releases, acquits, discharges and promises not to sue the other Party or its Related Parties from, including, without limitation, any and all claims, demands, damages, obligations, losses, causes of action, costs, expenses, attorneys' fees judgments, liabilities, duties, debts, liens, accounts, obligations, contracts, agreements, promises, representations, actions and causes of action, other proceedings and indemnities of any nature whatsoever arising from or in any way related to the Operating Agreement other than The DIA's indemnity obligation under Section J of the Operating Agreement (which shall survive in accordance with its terms), the Licensing Agreement, the Museum, the Museum Assets or any other matter of any kind or nature, whether accrued or contingent, known or unknown and whether based on law, equity, contract, tort, statute or other legal or equitable theory of recovery, whether mature or to mature in the future, which from the beginning of time of the world to the Effective Time, either Party had, now has, or may have against the other Party or its Related Parties; provided that the foregoing release shall not extend to, nor be deemed to modify in any respect, any right of any Party under this Agreement or any other Transaction Documentation.

ARTICLE V

Representations and Warranties

5.1. Representations and Warranties of The DIA. The DIA represents and warrants to the City that (a) it has the power and authority to execute and deliver this Agreement and each Exhibit to this Agreement to which it is a party and to perform its obligations hereunder and thereunder, (b) the execution, delivery and performance of this Agreement and each Exhibit to this Agreement to which it is a party have been duly authorized by all necessary action, (c) this Agreement and each Exhibit to this Agreement to which it is a party constitutes the valid and binding obligation of The DIA, enforceable in accordance with its respective terms, and (d) its performance under this Agreement and each Exhibit to this Agreement to which it is a party will not conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under, any agreement or other instrument or any applicable law binding upon The DIA.

5.2. Representations and Warranties of The City. The City represents and warrants to The DIA that (a) it has the power and authority to execute and deliver this Agreement and each Exhibit to this Agreement to which it is a party and to perform its obligations hereunder and thereunder, (b) the execution, delivery and performance of this Agreement and each Exhibit to this Agreement to which it is a party have been duly authorized by all necessary action, (c) this Agreement and each Exhibit to this Agreement to which it is a party constitutes the valid and binding obligation of the City, enforceable in accordance with its respective terms, and (d) its performance under this Agreement and each Exhibit to this Agreement to which it is a party will not conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under, any agreement or other instrument or any applicable law binding upon the City.

5.3. Acknowledgement of No Further Representations and Warranties. Except for the representations and warranties in Section 5.2 of this Agreement or as otherwise specifically set forth in the Transaction Documentation, the Museum Assets are being transferred by the City to The DIA without warranty or representation of any kind, including any warranty of merchantability or fitness for a particular purpose or any warranty or representation which might otherwise be inherent in a description or in specifications.

ARTICLE VI
Covenants of the City

6.1. Further Assurances. In addition to the actions specifically provided for elsewhere in this Agreement, at any time and from time to time, at The DIA's reasonable request, the City shall (x) at its own expense (except as provided in subsection (y)), do, execute, acknowledge and deliver all and every such further acts, transfers, assignments, conveyances, powers of attorney, and assurances (including in recordable form) as The DIA reasonably may require to transfer, convey, assign and deliver the Museum and the Museum Assets free and clear of all security interests, liens, encumbrances, claims and interests of the City and its creditors and to confirm The DIA's title to the Museum and all of the Museum Assets and (y) at no cost or expense to the City, take such actions, including filing such releases, as may be necessary to remove any security interest, lien, encumbrance, claim or interest of the City or any of its creditors on the Museum or the Museum Assets.

6.2. Remittance of Museum Assets. If after the Effective Time, the City receives (a) any monies for the benefit of The DIA or the Museum, including with respect to any existing or future (i) donations, gifts, bequests, and contributions from individuals, corporations, foundations and trusts, if any, and (ii) federal, state, regional, county or local tax proceeds and grants from governmental or quasi-public entities, if any, other than proceeds or grants that are intended for the City for reimbursement for specific amounts that were previously advanced or funded by the City with the expectation of the City at the time of such advance or funding that such reimbursement would be received by the City, or (b) any art or other property that is, as designated by its grant, intended for the benefit of the Museum or The DIA, in each case, the City shall promptly pay or deliver such monies, art or other property to The DIA.

6.3. NO RECOURSE. THE TRANSFER OF THE MUSEUM AND THE MUSEUM ASSETS IS FINAL AND IRREVOCABLE. THE DIA SHALL RETAIN TITLE TO AND OWNERSHIP OF THE MUSEUM AND THE DIA ASSETS IN PERPETUITY AND THE CITY SHALL NOT HAVE RECOURSE TO ANY OF THE DIA ASSETS FOR ANY CLAIMS THE CITY MAY HAVE AGAINST THE DIA, ANY OTHER FUNDER, THE SUPPORTING ORGANIZATION, THE STATE OR OTHERWISE, WHETHER ARISING NOW OR IN THE FUTURE, INCLUDING, WITHOUT LIMITATION, NONCOMPLIANCE BY THE DIA, ANY OTHER FUNDER OR THE SUPPORTING ORGANIZATION WITH ANY OF THE TERMS OR CONDITIONS OF THE OMNIBUS TRANSACTION AGREEMENT, THE TRANSACTION DOCUMENTS OR ANY RELATED DOCUMENTS; PROVIDED THAT THE FOREGOING SHALL NOT PRECLUDE THE CITY FROM ASSERTING CLAIMS IN SATISFACTION OF AN INDEMNITY OBLIGATION PURSUANT TO SECTION J OF THE OPERATING AGREEMENT OR SECTION 6.1(b) OF THE OMNIBUS AGREEMENT BUT ONLY AGAINST CASH, CASH EQUIVALENTS OR CASH RECEIVABLES OF THE DIA (EXCLUDING ANY CASH, CASH EQUIVALENTS OR CASH RECEIVABLES THAT ARE RESTRICTED IN USE BY THE TERMS OF THE DONATION, GIFT, BEQUEST OR CONTRIBUTION OF A THIRD PARTY OR BY RESTRICTIONS IMPOSED ON THE USE OF PROCEEDS FROM THE SALE OF ART BY THE APPLICABLE STANDARDS OR ETHICAL GUIDELINES OF THE AAM OR THE ASSOCIATION OF ART MUSEUM DIRECTORS (OR SUCH OTHER ORGANIZATIONS BY WHICH THE DIA OR THE MUSEUM OR ITS DIRECTOR IS ACCREDITED IN THE FUTURE OR OF WHICH THEY

BECOME MEMBERS IN ACCORDANCE WITH THEN APPLICABLE ART MUSEUM BEST PRACTICES).

ARTICLE VII **Covenants of The DIA**

7.1. Charitable Trust.

(a) The DIA as trustee shall hold the DIA Assets in perpetual charitable trust. The primary purpose of the charitable trust shall be to provide for the primary benefit of the residents of the City and the Tri-Counties and the citizens of the State an art museum located in the City of Detroit, including the ownership, maintenance and operation of The Detroit Institute of Arts, and all the benefits that are derivative thereof.

(b) The DIA shall neither change the name of the Museum from “The Detroit Institute of Arts” nor relocate the primary situs of the Museum from its current location at 5200 Woodward Avenue, Detroit, Michigan, without the approval of the City; provided that nothing in this Agreement or in any other agreement included in the Transaction Documentation shall be deemed to otherwise restrict the ability of The DIA to lend or to otherwise allow art works to travel outside of the City or the State consistent with ordinary Museum operations.

(c) In its capacity as trustee of the perpetual charitable trust, The DIA shall operate the Museum as an encyclopedic art museum in the City, in accordance with changing future demands in the operation of such a Museum. The DIA shall not deaccession from its collection or sell, lease, pledge, mortgage, or otherwise encumber art that is accessioned to its permanent collection except in accordance with the code of ethics or applicable standards for museums published by the AAM, as amended or modified by the AAM. If the AAM ceases to exist or ceases to be generally regarded by leading American art museums as the preeminent American art museum accreditation organization, then the code of ethics or applicable standards (as may be amended or modified) of AAM’s successor organization, or such other organization that is at that time generally regarded by leading American art museums as the preeminent American art museum accreditation organization, shall be substituted for such policies of the AAM.

7.2. State-wide Services. In addition to continuing to operate the Museum for the primary benefit of the residents of the City, the Tri-Counties and the citizens of the State, and continuing to provide the special services to the residents of the Tri-Counties during the balance of the ten (10) year millage period commencing in 2013 that are provided for in the agreements for the Millage, during the Payment Period The DIA will provide an array of art programs at no or discounted costs to the residents of the State. In determining which programs to offer, both the cost to The DIA of developing and operating these programs and The DIA’s other fundraising obligations, including its need to raise funds for general operations and its stated goal of building endowment funds, as well as any fundraising obligation under the Omnibus Transaction Agreement, will be taken into account. As appropriate, The DIA will collaborate with its Michigan museum colleagues in the development of these programs. Given the length of the Payment Period, it is expected that these programs would be developed and adjusted over time. Such programs could include at the outset:

(i) two exhibitions in each twelve-month period, with the first such period beginning six (6) months after the Closing, of objects from the Museum collection that will rotate through museums and art centers around the State on a schedule to be determined by The DIA and the recipient museums. Each exhibition will be developed and organized by The DIA and will include installation and de-installation of the objects, a marketing package (logo and advertising template) and, possibly, input on programming and education opportunities,

(ii) an annual professional development program coordinated with the Michigan Museums Association designed to strengthen museum professionals and introduce museum job opportunities to student audiences,

(iii) an expansion of the Museum's popular Inside/Out program (during the tenure of the program), which places high-quality art reproductions in Southeast Michigan communities, to include two additional outstate locations annually, supporting tourism, cultural awareness and life-long learning,

(iv) art object conservation services at a discounted rate to Michigan museums conducted in consultation with the Museum conservators and the curatorial staff of the requesting museum, and

(v) the development of an educational program based on the Museum collection that supports National Common Core Standards, to be offered in two Michigan communities annually and to include follow-up support for educators.

7.3. Liquidation. In the event of a dissolution of, and liquidation of the assets and affairs of, The DIA in accordance with the Michigan Nonprofit Corporation Act, the DIA Assets will be conveyed to another nonprofit entity determined by the board of directors of The DIA, subject to the reasonable approval of the City and the Supporting Organization, if then in existence, and otherwise by majority vote of the City and any Foundation Funders who have remaining commitments under their Funding Agreements. As a condition to receiving the conveyance, such successor entity must subject itself to the same conditions as set forth in this Agreement, including but not limited to, holding the DIA Assets in perpetual charitable trust for the primary benefit of the residents of the City and the Tri-Counties and the citizens of the State. For the purposes of determining the majority vote described above, and for the avoidance of doubt, the Parties agree that the City and each of the Foundation Funders who have remaining commitments under their Funding Agreements at the time of such dissolution or liquidation shall each have one vote with respect to any such approval.

7.4. City Board Representative. From and after the Effective Time, in perpetuity, the City shall have the right to appoint one director to the Board of The DIA (or its successor entity). Such representative shall be designated in writing to The DIA by the Mayor of the City with approval by the City Council. Such director shall be subject to removal by The DIA for cause. The City shall have the right in accordance with this Section 7.4 to appoint a successor representative to any vacancy created by the removal of the City's representative for cause or otherwise.

7.5. Enforcement of Certain of The DIA's Obligations. The Attorney General of the State and the Corporation Counsel of the City (on behalf of the City) (or their respective successors) shall have the exclusive rights to enforce the obligations of The DIA (x) to hold the DIA Assets in perpetual charitable trust and (y) under ARTICLE VII of this Agreement. If the Corporation Counsel of the City (on behalf of the City) exercises its rights to enforce the obligations of The DIA pursuant to this Section 7.5 by means of a legal action or proceeding, the unsuccessful party to such action or proceeding shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees and disbursements, incurred by such prevailing party in such action or proceeding and in any appeal in connection therewith. If such prevailing party recovers a judgment in any such action, proceeding or appeal, such costs, expenses and attorneys' fees and disbursements shall be included in and as a part of such judgment.

ARTICLE VIII

Incorporation by Reference; Entire Agreement

8.1. Incorporation by Reference. The following provisions of the Omnibus Transaction Agreement are hereby incorporated by reference as if set forth in full herein *mutatis mutandis*: Article I (Definitions), Article VI (Indemnification) with respect to the indemnification of the City by The DIA pursuant to Section 6.1 of the Omnibus Transaction Agreement and the indemnification of The DIA by the City pursuant to Section 6.2 of the Omnibus Transaction Agreement, subject to the limitations and procedural requirements otherwise set forth in Article VI of the Omnibus Transaction Agreement, Section 7.4 (Specific Performance), Section 7.6 (Notices) (with respect to the Parties hereto), Section 7.7 (Binding Agreement; Assignment), Section 7.8 (Severability), Section 7.9 (No Strict Construction), Section 7.10 (Captions), and Section 7.12 (Counterparts).

8.2. No Third Party Beneficiary. Except for the Related Parties, each of whom is an express third-party beneficiary under this Agreement with respect to Section 4.3 of this Agreement, and the Attorney General of the State who is an express third party beneficiary under this Agreement with respect to Section 7.5 of this Agreement, the terms and provisions of this Agreement are intended solely for the benefit of the City and The DIA and their respective successors and permitted assigns, and nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity any third-party beneficiary rights or remedies.

8.3. Choice of Law; Jurisdiction; Venue. This Agreement shall be construed in accordance with the laws of the State of Michigan without regard to such state's choice of law provisions which would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the Parties irrevocably and unconditionally agrees for itself that, subject to the exclusive rights of the Attorney General of the State and the Corporation Counsel of the City (on behalf of the City) as set forth in Section 7.5 of this Agreement, any legal action, suit or proceeding against it with respect to any matter arising under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, shall be brought in the Bankruptcy Court for so long as the Bankruptcy Court has jurisdiction, and thereafter in the United States District Court for the Eastern District of Michigan; provided that if the United States District Court for the Eastern District of Michigan does not have jurisdiction, then (i) if such legal action,

suit or proceeding relates to or seeks to enforce the obligations of The DIA to hold the DIA Assets in perpetual charitable trust or the obligations of The DIA under Article VII of this Agreement, then such legal action, suit or proceeding shall be brought only in Wayne County Probate Court, or (ii) if such legal action, suit or proceeding involves any other matter relating to this Agreement not referenced in subsection (i), then it may be brought only in such other court of competent jurisdiction located in Wayne County, Michigan. By execution and delivery of this Agreement, each of the City and The DIA irrevocably accepts and submits to the exclusive jurisdiction of such courts, generally and unconditionally, with respect to any such action, suit or proceeding and specifically consents to the jurisdiction and authority of the Bankruptcy Court to hear and determine all such actions, suits, and proceedings under 28 U.S.C. §157(b) or (c), whichever applies.

8.4. Amendment and Waiver. This Agreement may be amended and any provision of this Agreement may be waived; provided that any such amendment or waiver will be binding upon the Parties only if such amendment or waiver is set forth in a writing executed by both Parties. No course of dealing between The DIA and the City will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of either Party under or by reason of this Agreement.

8.5. Entire Agreement. This Agreement, including the Exhibits, together with the Omnibus Transaction Agreement, constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement and supersedes all other prior negotiations, agreements and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Settlement, Conveyance and Charitable Trust Agreement effective as of the Effective Time.

THE CITY OF DETROIT

By: _____
Name: _____
Title: _____

THE DETROIT INSTITUTE OF ARTS

By: _____
Name: _____
Title: _____

EXHIBIT A

Museum Assets

1. The Museum building and grounds, and the employee parking lot located at 5200 Woodward Avenue, Detroit, Michigan, comprised of land and improvements bounded by Woodward Avenue as widened, existing John R Street, existing East Kirby Avenue and the South line of Farnsworth Avenue, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in Commitment for Title Insurance No. 58743275 revision 5, with an effective date of December 16, 2013, and Commitment for Title Insurance No. 58781215, with an effective date of December 26, 2013, (collectively, the "Title Commitment") issued by Title Source Inc., as follows:

PARCEL 1: Block A; together with the Northerly half of vacated Frederick Douglass Avenue adjacent thereto, of Ferry's Subdivision of Park Lot 40 and of Lots 1 to 18 inclusive of Farnsworth's Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 18 of Plats, Page 71, Wayne County Records.

PARCEL 2: Lots 43 through 78, both inclusive, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 43 through 58, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 63 through 78, and together with vacated alleys appurtenant to said lots.

PARCEL 3: Lots 103 through 120, both inclusive, together with the Southerly half of vacated Farnsworth Avenue adjacent to Lots 103 through 118, and vacated portions of Farnsworth Avenue adjacent to the South of Lots 103 through 117 and Lot 120, and vacated alleys appurtenant to said lots, of Farnsworth Subdivision of Park Lots 38 and 39, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

PARCEL 4: Lots 31 to 37 of Farnsworth Subdivision of Park Lots 38 and 39, together with the southerly half of vacated Frederick Douglass Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, according to the recorded plat thereof, as recorded in Liber 1, Page 16, Wayne County Records.

PARCEL 5: Lots 79 and 80 of Farnsworth Subdivision of Park Lots 38 and 39, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 6: The East 5 feet of Lot 85 and Lots 86 and 87 and the West 16 feet of Lot 88, together with the Northerly half of vacated Farnsworth Avenue adjacent to said lots and together with the vacated alley appurtenant to said lots of Farnsworth Subdivision of Park Lots 38 and 39, as recorded in Liber 1, Page 16 of Plats, Wayne County Records.

PARCEL 7: Lots 1 through 5, both inclusive, and Lots 10 through 14, both inclusive, Block 25, together with the Southerly half of vacated Frederick Douglass Avenue adjacent to Lots 1 through 5, Block 25, and the Northerly half of vacated Farnsworth Avenue adjacent to Lots 10 through 14, Block 25 and together with the vacated alley

appurtenant to said lots of Brush's Subdivision of that part of the Brush Farm lying between the North line of Farnsworth Street and South line of Harper Avenue, as recorded in Liber 17, Page 28 of Plats, Wayne County Records.

2. The cultural center underground garages *i.e.*, the parking garage with all appurtenant utilities, equipment, drives, pedestrian and vehicular entrances and easements therefor, on the south side of the Museum building located at 40 Farnsworth, Detroit, Michigan, depicted on the attached Exhibit A-1 AERIAL PHOTO MAP, and more particularly described in the Title Commitment as follows:

PARCEL 8: A parking structure in the City of Detroit occupying space under and on the following described parcel of land. Land in the City of Detroit, being a part of Lots 62 through 68 inclusive; parts of Lot 112 and 118 through 120 inclusive; all that part of Lots 113 through 117 inclusive not set aside as a part of Farnsworth Avenue, parts of public alleys and Farnsworth Avenue (60 feet wide) vacated by the Common Council on October 7, 1924 and January 11, 1927; all as platted in "Farnsworth's Subdivision of Park Lots 38 and 39, City of Detroit" recorded in Liber 1, Page 16 of Plats, Wayne County Records and also a portion of the Northerly 49 feet of Farnsworth Avenue (70 feet wide), which was opened as a public street by action of the Common Council on October 7, 1924. Being more particularly described as follows: Commencing at the intersection of the South line of Farnsworth Avenue 70 feet wide and the East line of Woodward Avenue as widened August 2, 1932, J.C.C. Page 1279, thence North 29 degrees 42 minutes 10 seconds West 22.17 feet, thence North 60 degrees 17 minutes 50 seconds East 6.00 feet to the point of beginning of this parcel, thence North 29 degrees 42 minutes 10 seconds West 248.16 feet; thence North 60 degrees 17 minutes 50 seconds East 268.00 feet; thence South 29 degrees 42 minutes 10 seconds East 15.79 feet; thence North 60 degrees 17 minutes 50 seconds East 1.00 feet to a point of curve; thence 11.77 feet along the arc of a curve concave to the Northeast with a Radius of 14.00 feet, a Delta of 48 degrees 11 minutes 23 seconds with a Long Chord of 11.43 feet which bears South 53 degrees 47 minutes 52 seconds East to a point of reverse curve; thence 26.07 feet along the arc of curve concave to the Southwest, with a Radius of 31 feet, a Delta 48 degrees 11 minutes 23 seconds with a Long Chord of

25.31 feet which bears South 53 degrees 47 minutes 52 seconds East; thence South 29 degrees 42 minutes 10 seconds East 140.50 feet; thence 78.54 feet along the arc of a curve concave to the Northwest, with a Radius of 50.00 feet, a Delta of 90 degrees with a Long Chord of 70.71 feet which bears South 15 degrees 17 minutes 50 seconds West; thence South 60 degrees 17 minutes 50 seconds West 0.50 feet; thence South 29 degrees 42 minutes 10 seconds East 4.00 feet; thence South 60 degrees 17 minutes 50 seconds West 4.00 feet; thence South 29 degrees 42 minutes 10 seconds East 6.00 feet; thence South 60 degrees 17 minutes 50 seconds West 39.50 feet; thence North 29 degrees 42 minutes 10 seconds West 1.67 feet; thence South 60 degrees 17 minutes 50 seconds West 190 feet to the point of beginning.

The bottom floor of this structure is at elevation 129.10 feet as related to the City of Detroit Datum Plane; the structure has two (2) floors of vehicle parking with the top of the roof at elevation 149.34 feet. The structure has three (3) pedestrian exit buildings, four (4) air exhaust shafts and a vehicular ramp all of which extend upwards from the garage roof to the ground surface at elevations varying from 150.6 to 153.7 feet.

Together with the Easements created in Liber 20846, Page 762, Wayne County Records.

3. The collection of works of art owned by the City and located primarily at the Museum, the Museum's off-site warehouse or the Josephine Ford Sculpture Garden located at or about 201 East Kirby Street, Detroit, Michigan (which included at the effective date of the Operating Agreement the items listed in Exhibit 2 to the Operating Agreement) or included in the Museum collection (whether or not accessioned), whether or not reflected on any inventory and irrespective of the manner in which acquired by the City.
4. All assets of any kind located on or within the real estate described in items 1-4 above and used in the operations of the Museum, as well as any easements or other property rights benefiting such real estate.
5. All intangible property solely to the extent used in connection with the Museum and its art collection, including trademarks, copyrights and intellectual property, whether or not related to collection pieces.
6. All City records, books, files, records, ledgers and other documents (whether on paper, computer, computer disk, tape or other storage media) presently existing to the extent relating to the Museum, its art collection or its operations or to The DIA (other than those documents which are confidential to the City and not The DIA).

All monies held by the City that are designated for The DIA or the Museum or that were raised for the benefit of, or express purpose of supporting, The DIA or the Museum, including the approximately \$900,000 balance of proceeds of bonds issued for the benefit of The DIA by the City in 2010.

EXHIBIT B

Bill of Sale

EXHIBIT C

Intellectual Property Assignment

EXHIBIT D

Museum Quit Claim Deed

EXHIBIT E

Cultural Center Garage Quit Claim Deed

**Form of Bill of Sale By the City of
Detroit in Favor of the Detroit Institute of Arts**

BILL OF SALE
BY
THE CITY OF DETROIT
IN FAVOR OF
THE DETROIT INSTITUTE OF ARTS

BILL OF SALE

This Bill of Sale (this “**Bill of Sale**”), is effective as of the Effective Time, in favor of The Detroit Institute of Arts, a Michigan nonprofit corporation f/k/a Founders Society Detroit Institute of Arts (“**The DIA**”), by the City of Detroit, Michigan (the “**City**”). Capitalized terms not otherwise defined in this Bill of Sale will have the meanings given to them in the Charitable Trust Agreement (defined below).

RECITALS

WHEREAS, the City and The DIA are parties to that certain Settlement, Conveyance and Charitable Trust Agreement (the “**Charitable Trust Agreement**”) pursuant to which, as of the Effective Time, the City has irrevocably sold, transferred, conveyed, assigned and delivered to The DIA, to be held in perpetual charitable trust for the benefit of the citizens of the City and the State of Michigan (the “**State**”), all of the City’s right, title and interest (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) throughout the world in and to the Museum Assets free and clear of all security interests, liens, encumbrances, claims and interests of the City and its creditors; and

WHEREAS, this Bill of Sale is being executed and delivered pursuant to the Charitable Trust Agreement to confirm and further effectuate the Transfer as of the Effective Time.

NOW, THEREFORE, for the consideration described in the Charitable Trust Agreement, the receipt and sufficiency of which are hereby acknowledged:

1. **Conveyance.** The City hereby irrevocably sells, transfers, conveys, assigns and delivers to The DIA, and The DIA hereby acquires, all of the City’s right, title and interest (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) throughout the world in and to the Museum Assets and not otherwise conveyed by a distinct instrument delivered pursuant to Section 3.2 of the Charitable Trust Agreement, including, without limitation, all rights to donations, gifts, bequests, grants and contributions, for the benefit of the Museum or The DIA, free and clear of all security interests, liens, encumbrances, claims and interests of the City and its creditors. All Museum Assets being transferred pursuant to this Bill of Sale shall be transferred on an “AS-IS, WHERE-IS” basis, and the City makes no representations or warranties with respect to the Museum Assets. The DIA shall hold the Museum Assets in perpetual charitable trust for the benefit of the citizens of the City and the State in accordance with the terms of the Charitable Trust Agreement.

2. **Construction.** Nothing in this Bill of Sale, express or implied, is intended or will be construed to expand or defeat, impair or limit in any way the rights, obligations, claims or remedies of the Parties as set forth in the Charitable Trust Agreement. To the extent that any term or provision of this Bill of Sale is deemed to be inconsistent with the terms of the Charitable Trust Agreement, the terms of the Charitable Trust Agreement shall control.

3. **Dispute Resolution.** Any dispute arising under or arising out of this Bill of Sale shall be adjudicated in accordance with and otherwise subject to the provisions of Sections 8.1 and 8.3 of the Charitable Trust Agreement.

4. Binding Agreement. This Bill of Sale and all of the provisions hereof will be binding upon, and inure to the benefit of, The DIA and the City and their respective successors and permitted assigns.

5. Counterparts. This Assignment may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same, instrument, and shall become effective when counterparts have been signed by each of the Parties and delivered to the other party; it being understood that both Parties need not sign the same counterpart. The exchange of copies of this Assignment or of any other document contemplated by this Assignment (including any amendment or any other change thereto) and of signature pages thereof by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether otherwise transmitted via electronic transmission), by electronic mail in “portable document format” (“.pdf”) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by a combination of such means, shall constitute effective execution and delivery of this Assignment as to the Parties and may be used in lieu of an original Assignment or other document for all purposes. Signatures of the parties transmitted by facsimile, by electronic mail in .pdf form or by any other electronic means referenced in the preceding sentence, or by any combination thereof, shall be deemed to be original signatures for all purposes.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Bill of Sale in favor of The DIA as of the Effective Time.

THE CITY OF DETROIT

By: _____
Name:
Its:

THE DETROIT INSTITUTE OF ARTS

By: _____
Name:
Its:

[SIGNATURE PAGE TO BILL OF SALE]

**Form of Intellectual Property Assignment By and
Between the City of Detroit and the Detroit Institute of Arts**

INTELLECTUAL PROPERTY ASSIGNMENT

BY AND BETWEEN

THE CITY OF DETROIT

AND

THE DETROIT INSTITUTE OF ARTS

INTELLECTUAL PROPERTY ASSIGNMENT

THIS INTELLECTUAL PROPERTY ASSIGNMENT ("Assignment"), is effective as of the Effective Time, by and between the City of Detroit, Michigan (the "City"), and The Detroit Institute of Arts, a Michigan nonprofit corporation f/k/a Founders Society Detroit Institute of Arts ("The DIA"). The DIA and the City are referred to individually as a "Party" and collectively, as the "Parties." Capitalized terms not otherwise defined in this Assignment will have the meaning given to them in the Charitable Trust Agreement (as defined below).

RECITALS

WHEREAS, the City and The DIA are parties to that certain Settlement, Conveyance and Charitable Trust Agreement (the "Charitable Trust Agreement") pursuant to which, as of the Effective Time, the City has irrevocably sold, transferred, conveyed, assigned and delivered to The DIA, to be held in perpetual charitable trust for the benefit of the citizens of the City and the State of Michigan (the "State"), all of the City's right, title and interest (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) throughout the world in and to the Museum Assets free and clear of all security interests, liens, encumbrances, claims and interests of the City and its creditors;

WHEREAS, included among the Museum Assets are certain Assigned Intellectual Property (as defined below) relating to the City Art Collection (as defined below);

WHEREAS, the City desires to convey, transfer, assign and deliver to The DIA, to be held in perpetual charitable trust for the benefit of the citizens of the City and the State, and The DIA desires to accept from the City, all of the City's right, title and interest in and to the Assigned Intellectual Property (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) throughout the world free and clear of all security interests, liens, encumbrances, claims and interests of the City and its creditors; and

WHEREAS, this Assignment is being executed and delivered pursuant to the Charitable Trust Agreement to confirm and further effectuate the Transfer as of the Effective Time.

NOW, THEREFORE, for valuable consideration, including, without limitation, the consideration received by the City under the Charitable Trust Agreement, the receipt of which is hereby acknowledged, the City and The DIA hereby agree as follows:

1. Definitions. As used in this Agreement:

"Assigned Intellectual Property" shall mean the City's entire right, title and interest throughout the world in and to the Copyrights, Trademark Rights, Patent Rights and Other Rights embodied in, related to, evidenced by or are or that were inherent in, associated with, or primarily used to develop, manage or exploit the City Art Collection or operation of the Museum, and specifically including, but not limited to, the rights: (a) to seek and obtain protection therefor (including, without limitation, the right to seek and obtain copyright registrations, trademark registrations, industrial design registrations, and design and utility

patents and the like) in the United States and all other countries in The DIA's name (or otherwise as The DIA may desire); (b) to sue for and collect damages and all other remedies for any current or past infringements, violations, or misappropriations of the same; and (c) to collect royalties, products and proceeds in connection with any of the foregoing.

"City Art Collection" shall mean the works of art owned by the City, and part of the collection of the Museum or otherwise under the auspices of the Museum (including, without limitation, any item that is still in the "City art collection" (as defined in the Operating Agreement but taking into account any additions to or subtractions from such collection over time) as of the Effective Time), the Museum's library, all related license rights and permissions in favor of the City and/or The DIA (to the full extent that they are subject to transfer), whether by (a) gift directly to The DIA or the City or to any third person or entity for the benefit of the Museum; (b) purchase; or (c) otherwise.

"Copyrights" shall mean the City's rights to all works of authorship under the copyright laws of the United States and all other countries and governmental divisions throughout the world for the full term or terms thereof (and including all copyright rights accruing by virtue of copyright treaties and conventions) including, but not limited to, all moral rights, all rights of attribution and integrity, any and all renewals, extensions, reversion or restoration of copyright now or hereafter provided by law and all rights to make applications for and receive copyright registrations therefor in the United States and all other countries.

"Other Rights" shall mean all intellectual property and proprietary rights in the United States and all other countries and governmental divisions throughout the world not otherwise included in the Copyrights, Trademark Rights and Patent Rights, and specifically including, but not limited to, worldwide rights in and to all trade secrets, trade dress, know-how, techniques, designs, concepts, confidential information and associated goodwill.

"Patent Rights" shall mean all patent applications and issued patents throughout the world in the United States and all foreign countries which have been or may be granted therefor and thereon, and any and all divisions, continuations, continuations-in-part, reexaminations, substitutions, reissues, extensions and renewals of such patents.

"Trademark Rights" shall mean all trademarks, service marks, trade names, trade dress, domain name registrations and other indicia of source, together with the goodwill associated with and symbolized by the same, including any applications, registrations, renewals and extensions thereof, and all other corresponding rights at common law or otherwise that are or may be secured under the laws of the United States or any foreign country, now or hereafter in effect.

2. **Assignment.** The City hereby irrevocably assigns, conveys, sells, grants and transfers to The DIA, and The DIA hereby acquires, the City's entire right, title and interest (including legal title it may hold as trustee and legal title and beneficial interest it otherwise holds) throughout the world in and to the Assigned Intellectual Property free and clear of all security interests, liens, encumbrances, claims and interests of the City and its creditors. All Assigned Intellectual Property being transferred pursuant to this Assignment shall be transferred on an "AS-IS, WHERE-IS" basis, and the City makes no representations or warranties with respect to the Assigned Intellectual Property. The DIA shall hold the Assigned Intellectual

Property in a perpetual charitable trust for the benefit of the citizens of the City and the State in accordance with the terms of the Charitable Trust Agreement.

3. Construction. Nothing in this Assignment, express or implied, is intended or will be construed to expand or defeat, impair or limit in any way the rights, obligations, claims or remedies of the Parties as set forth in the Charitable Trust Agreement. To the extent that any term or provision of this Assignment is deemed to be inconsistent with the terms of the Charitable Trust Agreement, the terms of the Charitable Trust Agreement shall control.

4. Dispute Resolution. Any dispute arising out of this Assignment shall be determined in accordance with the provisions of Sections 8.1 and 8.3 of the Charitable Trust Agreement

5. Binding Agreement. This Assignment and all of the provisions hereof will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

6. Counterparts. This Assignment may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument, and shall become effective when counterparts have been signed by each of the Parties and delivered to the other party; it being understood that both Parties need not sign the same counterpart. The exchange of copies of this Assignment or of any other document contemplated by this Assignment (including any amendment or any other change thereto) and of signature pages thereof by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether otherwise transmitted via electronic transmission), by electronic mail in “portable document format” (“pdf”) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by a combination of such means, shall constitute effective execution and delivery of this Assignment as to the Parties and may be used in lieu of an original Assignment or other document for all purposes. Signatures of the parties transmitted by facsimile, by electronic mail in .pdf form or by any other electronic means referenced in the preceding sentence, or by any combination thereof, shall be deemed to be original signatures for all purposes.

[signature pages follow]

IN WITNESS WHEREOF, each of the undersigned has executed this Assignment of Intellectual Property as of the Effective Time.

THE CITY OF DETROIT

By: _____

Name:

Title:

CITY OF DETROIT)
) SS
STATE OF MICHIGAN)

I, a Notary Public, certify that on the _____ day of _____, 2014 before me personally appeared _____, to me known and known to me to be of legal capacity and acknowledged his/her signature appearing on the foregoing instrument and ratified the same.

Notary Public

My commission expires: _____

[SIGNATURE PAGE TO INTELLECTUAL PROPERTY ASSIGNMENT]

By: _____
Name: _____
Title: _____

CITY OF DETROIT)
) SS
STATE OF MICHIGAN)

I, a Notary Public, certify that on the _____ day of _____, 2014 before me personally appeared _____, to me known and known to me to be of legal capacity and acknowledged his/her signature appearing on the foregoing instrument and ratified the same.

Notary Public

My commission expires: _____

[SIGNATURE PAGE TO INTELLECTUAL PROPERTY ASSIGNMENT]

Form of Foundation FDF Agreement

08/06/2014
[Form of Foundation FDF Agreement]

TERMS OF GRANT AGREEMENT

I. Acceptance of Grant

The grant to your organization from the **[INSERT NAME OF FOUNDATION]** ("Foundation") is for the explicit purposes described below and is subject to your acceptance of the terms described herein.

To accept the grant, return a signed copy of this "Terms of Grant Agreement" to the Foundation. Keep the other copy for your files. Please refer to the grant number and title in all communications concerning the grant.

Grantee:

Foundation for Detroit's Future

Date Authorized:

[Insert Date], 2014

Grant Number:

#[Insert grant number]

Amount Granted:

**#[Insert Grant Amount]
(Conditional, multi-year)**

II. Grant

The purpose of this grant of **#[INSERT GRANT AMOUNT]** to the Foundation for Detroit's Future ("Grantee"), a supporting organization of the Community Foundation for Southeast Michigan, is to provide the funding, in part, for the proposed DIA Settlement found in the Corrected Fifth Amended Plan for the Adjustment of the Debts of the City of Detroit, as it may be further amended and as modified, and in a term sheet found in Exhibit I.A.102 of same, provided DIA Settlement provisions and said term sheet remain substantially unchanged ("Plan of Adjustment"). The grant and the payment of the grant installments will be conditioned upon the City of Detroit and the City of Detroit General Retirement System and Police and Fire Retirement System ("Pension Funds") being in compliance with (i) the conditions precedent for closing found in the Plan of Adjustment, and (ii) certain material grant conditions, of both an initial and ongoing nature, that are memorialized in the Omnibus Transaction Agreement ("OTA") to be entered into between the City of Detroit, the Detroit Institute of Arts, and the Grantee substantially in the form attached to this Terms of Grant Agreement as Exhibit A and incorporated herein by this reference, a copy of which will be provided to Foundation promptly following its execution. Any capitalized defined terms not defined herein will have the definitions found in the OTA.

This Terms of Grant Agreement is also known as a "Foundation FDF Agreement" under the OTA.

Grant payments will be made in equal annual installments over a twenty-year period, subject to those conditions and any terms and conditions of this Terms of Grant Agreement. The schedule of grant payments will be made as follows and subject to the following conditions:

a. Initial Grant Payment

1. Payment amount and date. Foundation will make an initial grant payment to Grantee of \$[INSERT 1/20 OF TOTAL GRANT AWARD] upon the later of (i) the return of this signed Terms of Grant Agreement by Grantee, and (ii) August 30, 2014.

2. Payment Conditions.

Grantee acknowledges that this initial grant payment is being made by Foundation in order to facilitate the ability of Grantee to provide, in part, the initial payment to the City of Detroit by Grantee due at Closing in the event that the DIA Settlement found in the Plan of Adjustment is approved, and both (i) the City of Detroit and the City of Detroit Pension Funds are in compliance with their material grant conditions, of both an initial and ongoing nature, that are memorialized in Article IV(E) of the Plan of Adjustment and (ii) the conditions to the Foundation's and Grantee's grant obligations set forth in the OTA and the Plan of Adjustment have been satisfied in all material respects.

In the event that the Plan of Adjustment is not approved by the U.S. Bankruptcy Court, or the Closing is otherwise not consummated, by December 31, 2014, Grantee will return to Foundation all provided grant funds by January 31, 2015. The remaining grant installments under this Terms of Grant Agreement will likewise be cancelled and this Terms of Grant Agreement will terminate.

3. Report on City of Detroit Compliance with Initial Grant Conditions

Grantee will provide to Foundation a report within 45 days of the Closing Date documenting that the conditions precedent for Closing were met and that the initial grant payment contemplated by the OTA has been made by the Grantee to the City of Detroit. In the event the Closing does not occur by December 31, 2014, a first and final report will be provided by January 31, 2015.

b. Annual Grant Payments

1. Payment Amounts and Dates. Commencing in 2015 and continuing until 2033 (except as otherwise provided herein), Foundation will annually make a grant payment to Grantee of \$[INSERT 1/20 OF TOTAL GRANT AWARD] by September 15 of that year. Foundation intends Grantee to use these annual payments to fund, in part, the annual payments from Grantee to the City of Detroit, pursuant to and subject to the terms and conditions of the OTA, on a funding schedule commencing June 30, 2016, and each June 30 thereafter ending on June 30, 2034 (the payment dates to the City of Detroit being subject to possible extensions pursuant to the OTA).

Foundation acknowledges that it has the right to, but is not required to, rely on any finding by the board of trustees of the Grantee that the City is in compliance with the Conditions for Funding found in Section 2.4 of the OTA and that as a result of such a finding the Foundation is obligated to make timely payment to Grantee as provided in Section 2.7 of the OTA. Foundation will not unreasonably dispute any such finding by the board of the Grantee that the City is in compliance. If (i) Foundation has failed to make an annual grant installment

payment to Grantee when due hereunder and Grantee has provided the Foundation the 30-day notice contemplated by Section 2.8(b) of the OTA, and (ii) the Foundation has not made the required grant payment by the expiration of such 30-day period, then Grantee will assign its right to enforce collection of the payment from the Foundation to the City and the City will have the right to pursue collection of that payment as provided in the OTA. Foundation will be responsible for its own costs and attorney fees in defending any action by Grantee or City to enforce payment from Foundation, unless those costs and attorney fees are otherwise indemnified or set-off on behalf of Foundation by the provisions of the OTA or the Plan of Adjustment.

2. Annual Grant Payment Conditions

Grantee agrees that any annual grant payment it receives from the Foundation will be used for the sole purpose of making the annual payments to be made by Grantee to the City of Detroit pursuant to Section 2.3 of the OTA.

In the event the Foundation has provided (i) an annual grant payment to the Grantee prior to the date Grantee has determined that the City has complied with Section 2.4 of the OTA for the year in which the annual grant payment is to be used, or (ii) Foundation, in its sole discretion, advances any future annual grant payment to Grantee, Grantee will maintain such grant balances in conservatively invested reserves to ensure that the monies provided are available to make payment to the City when conditions have been met. Any earnings on such early grant payments will be used to offset operational costs of Grantee relating to the purposes of this grant. If on December 31, 2034, there remains any earnings after payment of those operational expenses, Grantee, in its discretion, may use those excess earnings (i) to make grants and/or establish endowments that will support the ongoing revitalization, or maintain and expand the quality of life of the residents, of the City of Detroit and/or (ii) return those excess earnings ratably to the Foundation Funders.

In the event the City fails to meet the conditions for release of an annual payment to it under Section 2.4 of the OTA and all applicable cure periods available to the City pursuant to Section 2.5 of the OTA (including any periods of time necessary for dispute resolution as provided in the OTA) have expired, the Foundation may either request that the Grantee return that annual grant payment to the Foundation, at which time the Foundation's obligation to make such annual grant payment is automatically terminated and cancelled, or request that the Grantee retain the annual grant payment for application to a future annual grant payment due to the Grantee from the Foundation. Foundation and Grantee also acknowledge and agree that consistent with Section 2.5(b) of the OTA, the Foundation may cancel its remaining grant installments to Grantee if the City fails to meet the conditions for release of an annual payment to it under the OTA, and all applicable cure periods available to the City pursuant to Section 2.5 of the OTA (including any periods of time necessary for dispute resolution as provided in the OTA) have expired. If Foundation elects to cancel its remaining grant payments, the Foundation may either request that the Grantee return any pre-paid annual grant amount provided to Grantee that has not yet been paid or is not obligated to be paid to the City by Grantee and/or allow Grantee to retain some or all of such pre-paid grant installments to offset operational costs of Grantee relating to the purposes of this grant.

3. Present Value Election

Consistent with the OTA, Foundation has the right to elect to make early payment of any or all of its grant payment obligations to the Grantee and have its obligation under this Terms of Grant Agreement reduced by a present value discount rate of 6.75% as provided in the OTA. Grantee will transfer such early payment to the City of Detroit and elect that present value discount provided the requirements of the next paragraph are met.

Foundation agrees that it will only make the above mentioned present value election if (i) the Grantee receives confirmation from the City, in a form reasonably acceptable to Grantee, that the Grantee's future grant payment obligations to the City under the OTA will be properly reduced as a result of such present value election by Foundation, and (ii) Foundation and Grantee agree to reasonable arrangements to prevent such early payment election from Foundation jeopardizing the fiscal stability and operations of Grantee and its abilities to perform its obligations under the OTA.

III. Indemnification and Other Provisions

Foundation and Grantee acknowledge that Foundation is a third-party beneficiary of certain provisions contained in the OTA and the contemplated order confirming the Plan of Adjustment. Foundation's rights as a third-party beneficiary include, but are not limited to, (i) indemnification by the City of Detroit as found in Section 6.2 of the OTA, (ii) set-offs on grant installments as a result of the City of Detroit failing to pay for defense and other costs (except that Foundation is not entitled to such set-off if the Grantee has, as a result of the City failing to pay all of the defense and other costs of the Foundation, incurred those costs on behalf of Foundation and Grantee), (iii) jurisdiction and choice of law provisions, and (iv) certain injunctive and other relief as found in the Plan of Adjustment as confirmed by court order. Foundation's obligation to make any installment payment under this Terms of Grant Agreement is expressly conditioned upon the existence of all such third-party benefits including, but not limited to, said indemnification provision, set-off provisions and injunctive relief.

This Terms of Grant Agreement, or any rights, obligations or funds awarded under this Terms of Grant Agreement, may not be assigned, unless otherwise expressly provided herein, without the prior written consent of the non-assigning party, and any purported assignment in violation of the foregoing will be void and of no effect. This Terms of Grant Agreement will be governed by and construed in accordance with the laws of the state of Michigan, with jurisdiction in the State and Federal Courts of Michigan (as more specifically provided in the OTA and the Plan of Adjustment).

IV. Review of Grant Activity

Grantee will provide written annual reports to the Foundation each July 30 showing the use of the grant funds provided under this grant. Grantee may extend the date for any annual report to no later than January 30 of the following calendar year if Grantee is unable to obtain information from the City of Detroit necessary for completing the report. Foundation and Grantee agree that the reports to be provided will be of a standard format and content to be provided to all Foundation Funders. The content of the annual reports will include, without limitation:

- Information on the Grantee's progress toward meeting the terms of this grant
- A statement of determination by the board of Grantee regarding the City's compliance with the Conditions for Funding found in Section 2.4 of the OTA
- A statement of facts regarding the accounting treatment of the remaining payments due to Grantee by the Foundation for consideration by the Foundation in preparing its statements of financial position
- Copies of any and all evaluation or similar reports, if any, provided to any other Foundation Funder or any party to the OTA
- An explanation of any significant changes in the organizational leadership of the Grantee, such information to be provided promptly to Foundation if it occurs between the filing of an annual report

A final report is due by June 30, 2035.

In addition, Grantee will furnish the Foundation with any additional information reasonably requested by the Foundation from time to time. Without limiting the generality of the foregoing, Grantee will provide the Foundation (or its designated representatives) with reasonable access to Grantee's files, records and personnel for the purpose of making financial audits, evaluations or verification, program evaluations, or other verifications concerning this grant as the Foundation reasonably deems necessary during the term of this grant and for five years thereafter. The fees and expenses of any such representative that is designated by the Foundation to undertake these tasks, and any reasonable out-of-pocket costs actually incurred by the Grantee in complying with this request, will be paid by the Foundation.

V. Standard Provisions

In accepting this grant, the Grantee agrees to the following and certifies the following statements:

- a. Grantee will use the funds granted solely for the purpose stated and Grantee will repay any portion of the amounts granted which is not used for the purpose of the grant or not expended by the due date for the final report.
- b. Grantee is and will at all times maintain its status as (i) a nonprofit corporation in good standing under the laws of the State of Michigan, and (ii) an organization described in Section 501(c)(3) and Section 509(a)(3) of the U.S. Internal Revenue Code ("Code") that is not a "private foundation" within the meaning of Section 509(a) of the Code because it is a Type-I supporting organization of the Community Foundation for Southeast Michigan.
- c. Grantee will notify the Foundation immediately of any change in its tax status.
- d. Grantee will return any unexpended funds if the Grantee loses its exemption from Federal income taxation as a 501(c)(3) nonprofit organization pursuant to Section 509(a)(1), 509(a)(2) or 509(a)(3) of the Code.
- e. Grantee will maintain books and records adequate to verify actions related to this grant during the term of this grant and for five years thereafter.
- f. Grant funds will only be expended for charitable, educational, literary or scientific purposes within the meaning of Section 501(c)(3) of the Code, and Grantee will comply with all applicable federal and state laws and regulations that govern the use

of funds received from private foundations. Grantee will in no event use grant funds or any income earned thereon to:

- i. Carry on propaganda or otherwise to attempt to influence legislation (within the meaning of Section 4945(d)(1) of the Code).
- ii. Influence the outcome of any specific public election or carry on, directly or indirectly, any voter registration drive (within the meaning of Section 4945(d)(2) of the Code).
- iii. Make grants to individuals or to other organizations for travel, study or similar purpose that do not comply with the requirements of Section 4945(d)(3) or (4) of the Code.
- iv. Undertake any activity other than for a charitable, educational, literary or scientific purpose specified in Section 170(c)(2)(B) of the Code.
- v. Inure a benefit to any private person or entity in violation of Section 501(c)(3) and 4941 of the Code, including but not limited to any Foundation trustee, officer, employee, or his/her spouse, children, grandchildren, and great grandchildren or their respective spouses for any purpose.
- vi. Support a use that is not in compliance with all applicable anti-terrorist financing and asset control laws, regulations, rules and executive orders, including but not limited to, the USA Patriot Act of 2001 and Executive Order No. 13224. Furthermore, Grantee agrees to ensure that no Foundation funds will be disbursed to any organization or individual listed on the United States Government's Terrorist Exclusion List or the Office of Foreign Assets Control (OFAC) Specially Designated Nationals & Blocked Persons List. In addition, Grantee takes reasonable steps to ensure that its board, staff and volunteers have no dealings whatsoever with known terrorist or terrorist organizations.
- g. Grantee acknowledges and agrees that this Terms of Grant Agreement does not imply a commitment by the Foundation to continued funding beyond the express terms of this Terms of Grant Agreement.
- h. Grantee represents that this grant will not result in the private benefit of any individual or entity, including, but not limited to, the discharge of any pledge or financial obligation of any individual or entity.

VI. Publicity

Communications regarding this grant, the OTA and the City's compliance with the ongoing conditions of the OTA will be coordinated and made by Grantee, in consultation with Foundation and other Foundation Funders. Foundation and Grantee will obtain the other's approval prior to making any public announcement about this grant. Foundation may include information on this grant in its period publications without the need for Grantee approval.

VII. Notices and Foundation Contact Information:

All notices, demands and other communications given or delivered under this Agreement will be given in writing to the address indicated below (or such other address as the recipient specifies in writing) and will be deemed to have been given when delivered personally, three (3) Business Days after mailing by certified or registered mail, return receipt requested and postage prepaid, or when delivery is guaranteed if sent via a nationally recognized overnight carrier, or when receipt is confirmed if sent via facsimile or other electronic transmission to the recipient.

If to Grantee: Robin D. Ferriby

Vice President, Philanthropic Services
Foundation for Detroit's Future
333 West Fort Street, Suite 2010
Detroit, MI 48226-3134
313-961-6675
rferriby@cfsem.org

If to Foundation: [\[INSERT FOUNDATION CONTACT INFORMATION\]](#)

VIII. Power to Amend

Grantee will (i) promptly advise Foundation in writing if Grantee enters into any agreement or amendment with any other Foundation Funder that could reasonably be expected to provide such other Foundation Funder with benefits or terms that are more favorable than those provided to the Foundation hereunder, and (ii) upon the Foundation's request, promptly amend this Terms of Grant Agreement to provide Foundation with any or all of such more favorable benefits or terms. This Terms of Grant Agreement may be amended only by a written agreement signed by the parties.

For the [\[INSERT NAME OF FOUNDATION\]](#):

By: _____
[\[INSERT OFFICER NAME AND TITLE\]](#):

Date

For the Foundation for Detroit's Future:

By: _____
Mariam C. Noland, President

Date

S:\DEVELOP\Robin\Private\Art Trust\Grant terms\20140806 Foundation FDF Agreement (clean).docx

EXHIBIT I.A.132

DISMISSED FGIC/COP LITIGATION

Schedule of Dismissed FGIC/COP Litigation

- All objections, replies, responses, briefs, memoranda, reservations of rights or other documents filed by FGIC in opposition to the Plan or any prior version of the Plan, including: (i) the Objection of Financial Guaranty Insurance Company to Plan for the Adjustment of Debts of the City of Detroit, filed on May 12, 2014 [Docket No. 4660]; (ii) the Supplemental Objection of Financial Guaranty Insurance Company to Plan for the Adjustment of Debts of the City of Detroit, filed on August 12, 2014 [Docket No. 6674]; (iii) the Supplemental Objection to Confirmation of the Sixth Amended Plan for the Adjustment of Debts of the City of Detroit, filed on August 25, 2014 [Docket No. 7046]; (iv) Financial Guaranty Insurance Company's Pretrial Brief in Support of Objection to Plan for the Adjustment of Debts of the City of Detroit [Docket No. 7102]; (v) the Joint Pretrial Brief in Support of Objection to DIA Settlement [Docket No. 7103]; and (vi) the Third Supplemental Objection of Financial Guaranty Insurance Company to Plan for the Adjustment of Debts of the City of Detroit [Docket No. 7611], and
- The adversary proceeding styled City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, et al., Case No. 14-04112 (Bankr. E.D. Mich.), commenced by the City on January 31, 2014, including all counterclaims filed in connection therewith.

EXHIBIT I.A.133

DISMISSED SYNCORA LITIGATION

**APPEALS TO BE VOLUNTARILY DISMISSED, AND
MOTIONS AND OBJECTIONS TO BE WITHDRAWN,
WITH PREJUDICE BY SYNCORA AS A PRECONDITION
TO CONSUMMATION OF THE PLAN COP SETTLEMENT**

Appeals

Syncora Guarantee Inc., et al. v. City of Detroit (In re City of Detroit),
No. 2:13-CV-14305-BAF-PJK (E.D. Mich.), filed Oct. 10, 2013

Syncora Guarantee Inc., et al. v. City of Detroit, No. 14-1864 (6th Cir.),
docketed July 14, 2014

Syncora Guarantee Inc., et al. v. City of Detroit (In re City of Detroit),
No. 2:14-CV-10501-BAF-PJK (E.D. Mich.), filed Feb. 3, 2014

Syncora Guarantee Inc., et al. v. City of Detroit (In re City of Detroit),
No. 2:13-CV-10509-BAF-PJK (E.D. Mich.), filed Feb. 4, 2014

Syncora Guarantee Inc., et al. v. City of Detroit (In re City of Detroit),
No. 2:14-CV-11995-BAF-PJK (E.D. Mich.), filed May 19, 2014

Syncora Guarantee Inc., et al. v. City of Detroit (In re City of Detroit),
No. 2:14-CV-12062-BAF-PJK (E.D. Mich.), filed May 22, 2014

In re Syncora Guarantee, et al., No. 14-109 (6th Cir.), docketed July 24, 2014

Syncora Guarantee Inc., et al. v. City of Detroit (In re City of Detroit),
No. 2:14-CV-13044-BAF-PJK (E.D. Mich.), filed Aug. 6, 2014

Appeal of Order Denying Motion for Clarification of Post-Confirmation
Procedures (Docket No. 7034) (see Notice of Appeal to the District Court,
Docket No. 7080)

Motions and Objections

Ex Parte Emergency Motion to (I) Issue a Temporary Administrative Stay of the
DIP Order and (II) Set a Briefing and Hearing Schedule (Docket No. 2500)

Emergency Motion of Syncora Guarantee Inc. and Syncora Capital Assurance Inc.
for Stay Pending Appeal (Docket No. 2516)

Motion to Compel Responses to Interrogatories (Docket No. 4557)

Syncora Capital Assurance Inc. and Syncora Guarantee Inc.'s Objection to the Debtor's Plan of Adjustment (Docket No. 4679)

Syncora's First Supplemental Objection Regarding Certain Legal Issues Relating to Confirmation (Docket No. 5706)

Syncora Guarantee Inc. and Syncora Capital Assurance Inc.'s Motion to Exclude the Testimony of John W. Hill (Docket No. 6997)

Motion to Exclude Certain of the Expert Opinions of Martha Kopacz Under Federal Rule of Evidence 702 (Docket No. 6999)

Motion to Exclude the Testimony of the City's Forecasting Experts Under Federal Rule of Evidence 702 (Docket No. 7004)

Syncora Guarantee Inc. and Syncora Capital Assurance Inc. Limited Supplemental Objection and Reservation of Rights to Debtor's Sixth Amended Plan of Adjustment (Docket No. 7041)

Syncora Guarantee Inc. and Syncora Capital Assurance Inc.'s Amended Second Supplemental Objection to the Debtor's Plan of Adjustment (Docket No. 7213)

EXHIBIT I.A.148

SCHEDULE OF DWSD BOND DOCUMENTS & RELATED DWSD BONDS

**SCHEDULE OF (I) DWSD BOND DOCUMENTS, (II) RELATED DWSD BONDS,
(III) CLASSES OF DWSD BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD BOND CLAIMS**

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
Ordinance No. 01-05 adopted January 26, 2005 (" <u>Water Bond Ordinance</u> ") ¹ Trust Indenture dated as of February 1, 2013 among the City of Detroit, Detroit Water and Sewerage Department and U.S. Bank National Association, as trustee (" <u>Water Indenture</u> ") Bond Resolution adopted on October 14, 1993 Resolution adopted October 22, 1993 Final Report of the Finance Director delivered to City Council December 22, 1993	Series 1993	251255TP0	Class 1A-1	\$24,725,000.00
Water Bond Ordinance Water Indenture Bond Resolution adopted July 9, 1997 Sale Order of the Finance Director of the City of Detroit dated August 6, 1997	Series 1997-A	251255XM2	Class 1A-2	\$6,520,000.00
		251255XN0	Class 1A-3	\$6,910,000.00

¹ Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
<p>Ordinance No. 01-05 adopted January 26, 2005 ("<u>Water Bond Ordinance</u>")²</p> <p>Trust Indenture dated February 1, 2013 among City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee ("<u>Water Indenture</u>")</p> <p>Bond Authorizing Resolution of City Council adopted January 31, 2001 and Resolution Amending Bond Authorizing Resolution, adopted April 25, 2001</p> <p>Sale Order of Finance Director of City of Detroit dated May 17, 2001</p>	Series 2001-A	251255A21	Class 1A-4	\$73,790,000.00
<p>Water Bond Ordinance</p> <p>Water Indenture</p> <p>Resolution of the City Council adopted April 25, 2001</p> <p>Sale Order of the Finance Director of the City of Detroit dated May 31, 2001 and Supplement to Prior Sale Orders of Finance Director dated May 6, 2008</p>	Series 2001-C	2512556U4	Class 1A-5	\$350,000.00
		2512556V2	Class 1A-6	\$365,000.00
		2512556W0	Class 1A-7	\$380,000.00
		2512556X8	Class 1A-8	\$390,000.00
		2512556Y6	Class 1A-9	\$415,000.00
		2512556Z3	Class 1A-10	\$12,510,000.00
		2512557A7	Class 1A-11	\$13,235,000.00
		2512557B5	Class 1A-12	\$14,025,000.00
		2512557C3	Class 1A-13	\$14,865,000.00
		2512557D1	Class 1A-14	\$15,750,000.00
		2512557E9	Class 1A-15	\$16,690,000.00
		2512557F6	Class 1A-16	\$17,690,000.00
		2512557G4	Class 1A-17	\$18,735,000.00
		2512557H2	Class 1A-18	\$19,945,000.00
		2512557J8	Class 1A-19	\$4,000,000.00
		2512557L3	Class 1A-20	\$20,090,000.00
		2512557K5	Class 1A-21	\$18,815,000.00

² Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted Nov. 27, 2002 (" <u>2003 Water Resolution</u> ") Sale Order of the Finance Director of the City of Detroit dated January 24, 2003 and Supplement to Sale Order of the Finance Director – 2003 Bonds, dated February 6, 2003 (collectively, " <u>2003 Sale Order</u> ")	Series 2003-A	251255D77	Class 1A-22	\$500,000.00
		251255D93	Class 1A-23	\$250,000.00
		251255E27	Class 1A-24	\$3,550,000.00
		251255F8	Class 1A-25	\$9,970,000.00
		251255K20	Class 1A-26	\$20,955,000.00
		251255K38	Class 1A-27	\$21,900,000.00
		251255E68	Class 1A-28	\$121,660,000.00
Water Bond Ordinance Water Indenture 2003 Water Resolution 2003 Sale Order	Series 2003-B	251255H4	Class 1A-29	\$41,770,000.00
Water Bond Ordinance Water Indenture 2003 Water Resolution 2003 Sale Order	Series 2003-C	251255J22	Class 1A-30	\$2,120,000.00
		251255J30	Class 1A-31	\$2,620,000.00
		251255J48	Class 1A-32	\$2,655,000.00
		251255J55	Class 1A-33	\$2,930,000.00
		251255J63	Class 1A-34	\$2,790,000.00
		251255J71	Class 1A-35	\$2,965,000.00
		251255J89	Class 1A-36	\$4,580,000.00
		251255J97	Class 1A-37	\$4,665,000.00
		251255H99	Class 1A-38	\$2,330,000.00
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted November 27, 2002 Sale Order of Finance Director of the City of Detroit dated February 5, 2003	Series 2003-D	2512552T1	Class 1A-39	\$325,000.00
		2512552U8	Class 1A-40	\$335,000.00
		2512552V6	Class 1A-41	\$350,000.00
		2512552W4	Class 1A-42	\$360,000.00
		2512552X2	Class 1A-43	\$370,000.00
		2512552Y0	Class 1A-44	\$2,585,000.00
		2512552Z7	Class 1A-45	\$29,410,000.00
		2512553A1	Class 1A-46	\$23,920,000.00
		2512553B9	Class 1A-47	\$82,930,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
Water Bond Ordinance Water Indenture Bond Authorizing Resolution of the City Council adopted January 21, 2004 (" <u>2004 Bond Resolution</u> ") Sale Order of Finance Director of the City of Detroit dated May 12, 2004 (" <u>2004 Sale Order</u> ")	Series 2004-A	2512553G8	Class 1A-48	\$4,250,000.00
		2512553H6	Class 1A-49	\$4,475,000.00
		2512553J2	Class 1A-50	\$4,710,000.00
		2512553K9	Class 1A-51	\$4,955,000.00
		2512553L7	Class 1A-52	\$5,215,000.00
		2512553M5	Class 1A-53	\$5,490,000.00
		2512553N3	Class 1A-54	\$5,780,000.00
		2512553P8	Class 1A-55	\$6,085,000.00
		2512553Q6	Class 1A-56	\$6,400,000.00
		2512553R4	Class 1A-57	\$6,735,000.00
		2512553S2	Class 1A-58	\$14,505,000.00
Water Bond Ordinance Water Indenture 2004 Bond Resolution 2004 Sale Order	Series 2004-B	2512554A0	Class 1A-59	\$85,000.00
		2512554B8	Class 1A-60	\$90,000.00
		2512554C6	Class 1A-61	\$10,000,000.00
		2512554D4	Class 1A-62	\$3,545,000.00
		2512554E2	Class 1A-63	\$13,925,000.00
		2512554F9	Class 1A-64	\$350,000.00
		2512554G7	Class 1A-65	\$14,940,000.00
		2512554H5	Class 1A-66	\$15,810,000.00
		2512554J1	Class 1A-67	\$16,665,000.00
		2512554K8	Class 1A-68	\$16,085,000.00
		2512554L6	Class 1A-69	\$16,935,000.00
Water Bond Ordinance Water Indenture Amended and Restated Resolution of the City Council adopted January 26, 2005 (" <u>2005-A/C Bond Resolution</u> ") Sale Order of Finance Director of the City of Detroit dated March 3, 2005 (Series 2005-A)	Series 2005-A	251255M85	Class 1A-71	\$50,000.00
		251255Q81	Class 1A-72	\$2,070,000.00
		251255M93	Class 1A-73	\$85,000.00
		251255Q99	Class 1A-74	\$2,145,000.00
		251255N27	Class 1A-75	\$95,000.00
		251255R23	Class 1A-76	\$2,265,000.00
		251255N35	Class 1A-77	\$125,000.00
		251255R31	Class 1A-78	\$2,370,000.00
		251255N43	Class 1A-79	\$20,000.00
		251255R49	Class 1A-80	\$2,615,000.00
		251255N50	Class 1A-81	\$2,790,000.00
		251255N68	Class 1A-82	\$2,955,000.00
		251255N76	Class 1A-83	\$3,030,000.00
		251255N84	Class 1A-84	\$3,225,000.00
		251255N92	Class 1A-85	\$3,430,000.00
		251255P25	Class 1A-86	\$3,650,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
		251255P33	Class 1A-87	\$3,790,000.00
		251255P41	Class 1A-88	\$4,080,000.00
		251255P58	Class 1A-89	\$4,290,000.00
		251255P66	Class 1A-90	\$4,615,000.00
		251255P74	Class 1A-91	\$4,890,000.00
		251255P82	Class 1A-92	\$5,145,000.00
		251255P90	Class 1A-93	\$5,415,000.00
		251255Q24	Class 1A-94	\$5,715,000.00
		251255Q32	Class 1A-95	\$19,525,000.00
Water Bond Ordinance Water Indenture Amended and Restated Resolution of the City Council dated March 22, 2005 (Series 2005-B) Sale Order of Finance Director of the City of Detroit dated March 22, 2005 (Series 2005-B), Amendment No. 1 to Sale Order of the Finance Director dated April 23, 2008 and Supplement to Prior Sale Orders of Finance Director dated May 6, 2008	Series 2005-B	2512557R0	Class 1A-96	\$2,125,000.00
		2512557S8	Class 1A-97	\$2,225,000.00
		2512557T6	Class 1A-98	\$2,305,000.00
		2512557U3	Class 1A-99	\$2,385,000.00
		2512557V1	Class 1A-100	\$2,465,000.00
		2512557W9	Class 1A-101	\$2,575,000.00
		2512557X7	Class 1A-102	\$2,690,000.00
		2512557Y5	Class 1A-103	\$2,905,000.00
		2512557Z2	Class 1A-104	\$3,025,000.00
		2512558A6	Class 1A-105	\$3,145,000.00
		2512558B4	Class 1A-106	\$3,270,000.00
		2512558C2	Class 1A-107	\$3,490,000.00
		2512558D0	Class 1A-108	\$3,620,000.00
		2512558E8	Class 1A-109	\$3,850,000.00
		2512558F5	Class 1A-110	\$3,980,000.00
		2512558G3	Class 1A-111	\$28,415,000.00
		2512558H1	Class 1A-112	\$57,365,000.00
		2512558J7	Class 1A-113	\$57,500,000.00
Water Bond Ordinance Water Indenture 2005-A/C Bond Resolution Sale Order of Finance Director of the City of Detroit dated March 3, 2005 (Series 2005-C)	Series 2005-C	251255S63	Class 1A-114	\$9,270,000.00
		251255S71	Class 1A-115	\$9,735,000.00
		251255S89	Class 1A-116	\$17,545,000.00
		251255S97	Class 1A-117	\$18,425,000.00
		251255T21	Class 1A-118	\$18,700,000.00
		251255T39	Class 1A-119	\$8,245,000.00
		251255T47	Class 1A-120	\$8,655,000.00
		251255T54	Class 1A-121	\$9,090,000.00
		251255T62	Class 1A-122	\$9,540,000.00
Water Bond Ordinance Water Indenture Resolution of the City Council adopted November 18, 2005	Series 2006-A	251255V36	Class 1A-123	\$7,285,000.00
		251255V44	Class 1A-124	\$7,650,000.00
		251255V51	Class 1A-125	\$8,030,000.00
		251255V69	Class 1A-126	\$8,430,000.00
		251255V77	Class 1A-127	\$8,855,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
("2006 Bond Resolution") Sale Order of Finance Director of the City of Detroit dated July 19, 2006 (Series 2006-A)		251255V85	Class 1A-128	\$9,295,000.00
		251255V93	Class 1A-129	\$9,760,000.00
		251255W27	Class 1A-130	\$10,250,000.00
		251255W35	Class 1A-131	\$10,760,000.00
		251255W43	Class 1A-132	\$11,300,000.00
		251255W50	Class 1A-133	\$11,865,000.00
		251255W68	Class 1A-134	\$12,460,000.00
		251255W76	Class 1A-135	\$13,080,000.00
		251255W84	Class 1A-136	\$131,150,000.00
Water Bond Ordinance Water Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit dated August 15, 2006 (Series 2006-B)	Series 2006-B	251256AG8	Class 1A-137	\$100,000.00
		251256AH6	Class 1A-138	\$100,000.00
		251256AJ2	Class 1A-139	\$100,000.00
		251256AK9	Class 1A-140	\$100,000.00
		251256AL7	Class 1A-141	\$100,000.00
		251256AM5	Class 1A-142	\$100,000.00
		251256AN3	Class 1A-143	\$400,000.00
		251256AP8	Class 1A-144	\$56,600,000.00
		251256AQ6	Class 1A-145	\$62,100,000.00
Water Bond Ordinance Water Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit dated July 19, 2006 (Series 2006-C)	Series 2006-C	251255X83	Class 1A-146	\$1,100,000.00
		251255X91	Class 1A-147	\$3,725,000.00
		251255Y25	Class 1A-148	\$3,795,000.00
		251255Y33	Class 1A-149	\$4,010,000.00
		251255Y41	Class 1A-150	\$4,765,000.00
		251255Y58	Class 1A-151	\$5,860,000.00
		251255Y66	Class 1A-152	\$14,880,000.00
		251255Y74	Class 1A-153	\$32,045,000.00
		251255Y82	Class 1A-154	146,500,000
Water Bond Ordinance Water Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit dated July 19, 2006 (Series 2006-D)	Series 2006-D	251255Z81	Class 1A-155	\$15,000.00
		251255Z99	Class 1A-156	\$15,000.00
		2512552A2	Class 1A-157	\$15,000.00
		2512552B0	Class 1A-158	\$20,000.00
		2512552C8	Class 1A-159	\$20,000.00
		2512552D6	Class 1A-160	\$2,650,000.00
		2512552E4	Class 1A-161	\$3,200,000.00
		2512552F1	Class 1A-162	\$20,135,000.00
		2512552G9	Class 1A-163	\$27,425,000.00
		2512552H7	Class 1A-164	\$9,955,000.00
		2512552J3	Class 1A-165	\$21,105,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
		2512552K0	Class 1A-166	\$57,650,000.00
Water Bond Ordinance Water Indenture Resolution of the City Council adopted April 5, 2011 (" <u>2011 Bond Resolution</u> ") Sale Order of the Finance Director dated as of December 15, 2011 (" <u>2011 Sale Order</u> ")	Series 2011-A	251256BA0	Class 1A-167	\$3,410,000.00
		251256BB8	Class 1A-168	\$3,550,000.00
		251256BC6	Class 1A-169	\$3,695,000.00
		251256BD4	Class 1A-170	\$3,845,000.00
		251256BE2	Class 1A-171	\$4,000,000.00
		251256BF9	Class 1A-172	\$3,160,000.00
		251256BG7	Class 1A-173	\$3,225,000.00
		251256BH5	Class 1A-174	\$4,215,000.00
		251256BJ1	Class 1A-175	\$4,195,000.00
		251256BK8	Class 1A-176	\$4,170,000.00
		251256BL6	Class 1A-177	\$4,140,000.00
		251256BM4	Class 1A-178	\$4,085,000.00
		251256BN2	Class 1A-179	\$4,020,000.00
		251256BP7	Class 1A-180	\$3,930,000.00
		251256BQ5	Class 1A-181	\$14,665,000.00
		251256BR3	Class 1A-182	\$28,890,000.00
		251256BT9	Class 1A-183	\$49,315,000.00
		251256BS1	Class 1A-184	\$224,300,000.00
Water Bond Ordinance Water Indenture 2011 Bond Resolution 2011 Sale Order	Series 2011-B	251256AV5	Class 1A-185	\$1,970,000.00
		251256AW3	Class 1A-186	\$3,760,000.00
		251256AX1	Class 1A-187	\$9,740,000.00
Water Bond Ordinance Water Indenture 2011 Bond Resolution 2011 Sale Order	Series 2011-C	251256BV4	Class 1A-188	\$2,700,000.00
		251256BW2	Class 1A-189	\$9,965,000.00
		251256BX0	Class 1A-190	\$10,490,000.00
		251256BY8	Class 1A-191	\$11,035,000.00
		251256BZ5	Class 1A-192	\$11,615,000.00
		251256CA9	Class 1A-193	\$5,000,000.00
		251256CC5	Class 1A-194	\$7,230,000.00
		251256CB7	Class 1A-195	\$44,630,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
<p>Ordinance No. 18-01 adopted October 18, 2001 ("<u>Sewage Bond Ordinance</u>")³</p> <p>Trust Indenture dated as of June 1, 2012 among the City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee ("<u>Sewage Indenture</u>")</p> <p>Resolution of the City Council adopted May 6, 1998 ("<u>1998 Bond Resolution</u>")</p> <p>Sale Order of the Finance Director of the City of Detroit dated December 9, 1998 ("<u>1998 Sale Order</u>")</p>	Series 1998-A	251237S87	Class 1A-196	\$3,110,000.00
		251237S95	Class 1A-197	\$3,225,000.00
		251237T29	Class 1A-198	\$3,540,000.00
		251237T37	Class 1A-199	\$3,660,000.00
		251237T45	Class 1A-200	\$3,885,000.00
		251237T52	Class 1A-201	\$4,095,000.00
		251237T60	Class 1A-202	\$7,415,000.00
		251237T78	Class 1A-203	\$7,745,000.00
		251237T86	Class 1A-204	\$12,585,000.00
		251237T94	Class 1A-205	\$13,350,000.00
<p>Sewage Bond Ordinance</p> <p>Sewage Indenture</p> <p>1998 Bond Resolution</p> <p>1998 Sale Order</p>	Series 1998-B	251237U92	Class 1A-206	\$3,125,000.00
		251237V26	Class 1A-207	\$3,240,000.00
		251237V34	Class 1A-208	\$3,455,000.00
		251237V42	Class 1A-209	\$3,575,000.00
		251237V59	Class 1A-210	\$3,895,000.00
		251237V67	Class 1A-211	\$4,015,000.00
		251237V75	Class 1A-212	\$7,330,000.00
		251237V83	Class 1A-213	\$7,665,000.00
		251237V91	Class 1A-214	\$12,600,000.00
		251237W25	Class 1A-215	\$13,265,000.00
<p>Sewage Bond Ordinance</p> <p>Sewage Indenture</p> <p>Bond Resolution adopted on November 24, 1999</p> <p>Sale Order of the Finance Director of the City of Detroit dated December 10, 1999</p>	Series 1999-A	251237VM2	Class 1A-216	\$7,924,628.15
		251237VN0	Class 1A-217	\$7,759,578.75
		251237VP5	Class 1A-218	7,704,816.00
		251237VQ3	Class 1A-219	\$7,157,798.95
		251237VR1	Class 1A-220	\$6,738,459.00
		251237VS9	Class 1A-221	\$6,365,288.40
		251237VT7	Class 1A-222	\$5,690,933.60
		251237VU4	Class 1A-223	\$6,235,125.30

³ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted on August 1, 2001 and Amendment dated October 10, 2001 (collectively, " <u>2001 Bond Resolution</u> ") Composite Sale Order of the Finance Director of the City of Detroit dated August 1, 2001 (" <u>2001 Sale Order</u> ")	Series 2001-B	251237WV1	Class 1A-224	\$110,550,000.00
Sewage Bond Ordinance Sewage Indenture 2001 Bond Resolution 2001 Sale Order	Series 2001-C(1)	2512376G3	Class 1A-225	\$575,000.00
		2512376H1	Class 1A-226	\$600,000.00
		2512376J7	Class 1A-227	\$625,000.00
		2512376K4	Class 1A-228	\$655,000.00
		2512376L2	Class 1A-229	\$690,000.00
		2512376M0	Class 1A-230	\$720,000.00
		2512376P3	Class 1A-231	\$110,510,000.00
		2512376N8	Class 1A-232	\$38,000,000.00
Sewage Bond Ordinance Sewage Indenture 2001 Bond Resolution 2001 Sale Order and Amendment No. 1 to Sale Order of the Finance Director (2001(C-2) and (E)) dated April 23, 2008 (" <u>2001 Sale Order Amendment</u> ") and Supplement to Prior Sale Orders (2001(C-2), 2001(E) and 2006(A)) dated May 1, 2008 (" <u>2001/2006 Supplement to Sale Orders</u> ")	Series 2001-C(2)	2512374G5	Class 1A-233	\$310,000.00
		2512374H3	Class 1A-234	\$325,000.00
		2512374J9	Class 1A-235	\$345,000.00
		2512374K6	Class 1A-236	\$365,000.00
		2512374L4	Class 1A-237	\$380,000.00
		2512374M2	Class 1A-238	\$400,000.00
		2512374N0	Class 1A-239	\$4,090,000.00
		2512374P5	Class 1A-240	\$21,600,000.00
		2512374Q3	Class 1A-241	\$93,540,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
Ordinance No. 18-01 adopted October 18, 2001 (" <u>Sewage Bond Ordinance</u> ") ⁴ Trust Indenture dated as of June 1, 2012 among the City of Detroit, Detroit Water and Sewage Department and U.S. Bank National Association, as trustee (" <u>Sewage Indenture</u> ") Bond Authorizing Resolution adopted August 1, 2001; Amendment October 10, 2001 Composite Sale Order of the Finance Director of the City of Detroit dated August 1, 2001	Series 2001-D	251237WY5	Class 1A-242	\$21,300,000.00
Sewage Bond Ordinance Sewage Indenture 2001 Bond Resolution 2001 Sale Order, 2001 Amendment and 2001/2006 Supplement to Sale Orders	Series 2001-E	2512374R1	Class 1A-243	\$136,150,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution of the City Council adopted May 7, 2003 (" <u>2003 Bond Resolution</u> ") Composite Sale Order of the Finance Director of the City of Detroit dated May 14, 2003	Series 2003-A	251237YK3	Class 1A-244	\$3,815,000.00
		251237Q89	Class 1A-245	\$10,000.00
		251237ZE6	Class 1A-246	\$25,000.00
		251237ZB2	Class 1A-247	\$50,000.00
		251237R21	Class 1A-248	\$180,000.00
		251237YQ0	Class 1A-249	\$190,000.00
		251237YT4	Class 1A-250	\$250,000.00
		251237YM9	Class 1A-251	\$275,000.00
		251237YZ0	Class 1A-252	\$300,000.00
		251237YW7	Class 1A-253	\$535,000.00
		251237ZG1	Class 1A-254	\$1,000,000.00
		251237Q97	Class 1A-255	\$3,200,000.00
		251237K77	Class 1A-256	\$3,225,000.00
		251237K85	Class 1A-257	\$3,325,000.00
		251237ZD8	Class 1A-258	\$4,795,000.00
		251237ZF3	Class 1A-259	\$5,440,000.00

⁴ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
		251237ZH9	Class 1A-260	\$7,935,000.00
		251237Y80	Class 1A-261	\$9,005,000.00
		251237YN7	Class 1A-262	\$11,880,000.00
		251237YR8	Class 1A-263	\$12,535,000.00
		251237Y72	Class 1A-264	\$13,210,000.00
		251237YU1	Class 1A-265	\$13,215,000.00
		251237YX5	Class 1A-266	\$13,950,000.00
		251237ZJ5	Class 1A-267	\$18,215,000.00
		251237Y98	Class 1A-268	\$19,485,000.00
		251237Z22	Class 1A-269	\$38,290,000.00
Sewage Bond Ordinance Sewage Indenture 2003 Bond Resolution Composite Sale Order of the Finance Director of the City of Detroit dated May 22, 2003	Series 2003-B	2512376Q1	Class 1A-270	\$150,000,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution of the City Council adopted May 7, 2003 Composite Sale Order of the Finance Director dated January 9, 2004	Series 2004-A	251237B69	Class 1A-271	\$7,310,000.00
		251237B77	Class 1A-272	\$14,830,000.00
		251237B85	Class 1A-273	\$15,605,000.00
		251237B93	Class 1A-274	\$5,525,000.00
		251237C27	Class 1A-275	\$5,545,000.00
		251237C35	Class 1A-276	\$5,835,000.00
		251237C43	Class 1A-277	\$6,145,000.00
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council authorizing sale of the 2005 adopted November 17, 2004 ("2005 Bond Resolution") Sale Order of the Finance Director of the City of Detroit, Series 2005- A, dated March 9, 2005	Series 2005-A	251237E41	Class 1A-278	\$625,000.00
		251237E58	Class 1A-279	\$490,000.00
		251237E66	Class 1A-280	\$510,000.00
		251237E74	Class 1A-281	\$545,000.00
		251237E82	Class 1A-282	\$555,000.00
		251237E90	Class 1A-283	\$830,000.00
		251237F24	Class 1A-284	\$860,000.00
		251237F32	Class 1A-285	\$905,000.00
		251237F40	Class 1A-286	\$925,000.00
		251237F57	Class 1A-287	\$970,000.00
		251237F65	Class 1A-288	\$490,000.00
		251237Z55	Class 1A-289	\$19,415,000.00
		251237Z63	Class 1A-290	\$24,820,000.00
		251237F99	Class 1A-291	\$138,945,000.00
		251237G23	Class 1A-292	\$47,000,000.00
Sewage Bond Ordinance Sewage Indenture	Series 2005-B	251237G64	Class 1A-293	\$7,775,000.00
		251237G72	Class 1A-294	\$8,010,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
2005 Bond Resolution Sale Order of the Finance Director of the City of Detroit, Series 2005-B, dated March 9, 2005		251237G80	Class 1A-295	\$10,420,000.00
		251237G98	Class 1A-296	\$10,990,000.00
Sewage Bond Ordinance Sewage Indenture 2005 Bond Resolution Sale Order of the Finance Director of the City of Detroit, Series 2005-C, dated March 9, 2005	Series 2005-C	251237J20	Class 1A-297	\$4,140,000.00
		251237J38	Class 1A-298	\$4,345,000.00
		251237J46	Class 1A-299	\$4,570,000.00
		251237J53	Class 1A-300	\$4,795,000.00
		251237J61	Class 1A-301	\$5,030,000.00
		251237J79	Class 1A-302	\$5,280,000.00
		251237J87	Class 1A-303	\$7,355,000.00
		251237J95	Class 1A-304	\$7,720,000.00
		251237K28	Class 1A-305	\$6,345,000.00
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council adopted February 15, 2006 ("2006 Bond Resolution") Sale Order of Finance Director of the City of Detroit, Series 2006(A), dated August 4, 2006, Amendment No. 1 to Sale Order dated April 23, 2008 and 2001/2006 Supplement to Sale Orders	Series 2006-A	2512373Z4	Class 1A-306	\$123,655,000.00
Sewage Bond Ordinance Sewage Indenture 2006 Bond Resolution Sale Order of Finance Director of the City of Detroit, Series 2006(B), dated July 27, 2006	Series 2006-B	251237M83	Class 1A-307	\$1,835,000.00
		251237M91	Class 1A-308	\$1,825,000.00
		251237N25	Class 1A-309	\$1,430,000.00
		251237N33	Class 1A-310	\$1,505,000.00
		251237N41	Class 1A-311	\$1,590,000.00
		251237N58	Class 1A-312	\$7,515,000.00
		251237N66	Class 1A-313	\$6,540,000.00
		251237N74	Class 1A-314	\$24,400,000.00
		251237N82	Class 1A-315	\$40,000,000.00
		251237N90	Class 1A-316	\$156,600,000.00
Sewage Bond Ordinance Sewage Indenture 2006 Bond Resolution Sale Order of Finance Director of	Series 2006-C	251237P31	Class 1A-317	\$8,495,000.00
		251237P49	Class 1A-318	\$8,915,000.00

DWSD Bond Documents	DWSD Bond Series	CUSIP	Class	Allowed Amount of DWSD Bond Claims in Class
the City of Detroit, Series 2006(C), dated August 4, 2006		251237P56	Class 1A-319	\$9,150,000.00
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council adopted February 15, 2006 Sale Order of Finance Director of the City of Detroit dated November 29, 2006	Series 2006-D	251237W66	Class 1A-320	\$288,780,000.00
Sewage Bond Ordinance Sewage Indenture Resolution of the City Council adopted July 19, 2011 Sale Order of the Finance Director of the City of Detroit dated June 20, 2012	Series 2012-A	251250AC0	Class 1A-321	\$8,880,000.00
		251250AE6	Class 1A-322	\$9,750,000.00
		251250AS5	Class 1A-323	\$50,000,000.00
		251250AA4	Class 1A-324	\$5,820,000.00
		251250AB2	Class 1A-325	\$6,005,000.00
		251250AD8	Class 1A-326	\$6,430,000.00
		251250AF3	Class 1A-327	\$19,930,000.00
		251250AG1	Class 1A-328	\$13,925,000.00
		251250AH9	Class 1A-329	\$9,845,000.00
		251250AJ5	Class 1A-330	\$14,860,000.00
		251250AK2	Class 1A-331	\$22,275,000.00
		251250AN6	Class 1A-332	\$13,170,000.00
		251250AP1	Class 1A-333	\$9,890,000.00
		251250AQ9	Class 1A-334	\$120,265,000.00
		251250AR7	Class 1A-335	\$292,865,000.00
		251250AL0	Class 1A-336	\$23,630,000.00
		251250AM8	Class 1A-337	\$32,240,000.00

EXHIBIT I.A.156

**SCHEDULE OF DWSD REVOLVING SEWER BOND DOCUMENTS
& RELATED DWSD REVOLVING SEWER BONDS**

SCHEDULE OF (I) DWSD REVOLVING SEWER BOND DOCUMENTS, (II) RELATED DWSD REVOLVING SEWER BONDS, (III) CLASSES OF DWSD REVOLVING SEWER BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD REVOLVING SEWER BOND CLAIMS

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Ordinance No. 18-01 adopted October 18, 2001 (" <u>Sewage Bond Ordinance</u> ") ¹ Trust Indenture dated as of June 1, 2012 among the City of Detroit (" <u>City</u> "), Detroit Water and Sewage Department and U.S. Bank National Association, as trustee (" <u>Sewage Indenture</u> ") Bond Authorizing Resolution adopted September 9, 1992 Supplemental Agreement dated September 24, 1992, among City, Michigan Bond Authority (" <u>Authority</u> ") and the State of Michigan acting through the Department of Natural Resources	Series 1992-B-SRF	Class 1B-1	\$115,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted September 30, 1993 Supplemental Agreement regarding \$6,603,996 Sewage Disposal System Revenue Bond Series 1993-B -SRF, among the City, Authority and DEQ	Series 1993-B-SRF	Class 1B-2	\$775,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 30, 1997 Supplemental Agreement dated September 30, 1997, among City, the Authority and the State of Michigan acting through the Department of Environmental Quality (" <u>DEQ</u> ")	Series 1997-B-SRF	Class 1B-3	\$1,870,000.00

¹ Ordinance No. 18-01 amended and restated Ordinance No. 27-86 adopted on December 9, 1986, as amended.

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 12, 1999 Supplemental Agreement regarding \$21,475,000 City Sewage Disposal System Revenue Bond, Series 1999-SRF1, dated June 24, 1999, among City, Authority and DEQ	Series 1999-SRF-1	Class 1B-4	\$8,750,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted August 4, 1999 (" <u>1999 SRF Resolution</u> ") Supplemental Agreement regarding \$46,000,000 SRF-2, \$31,030,000 SRF-3, \$40,655,000 SRF-4 dated September 30, 1999 (" <u>1999 SRF Supplemental Agreement</u> "), among City, Authority and DEQ	Series 1999-SRF-2	Class 1B-5	\$25,860,000.00
Sewage Bond Ordinance Sewage Indenture 1999 SRF Resolution 1999 SRF Supplemental Agreement	Series 1999-SRF-3	Class 1B-6	\$14,295,000.00
Sewage Bond Ordinance Sewage Indenture 1999 SRF Resolution 1999 SRF Supplemental Agreement	Series 1999-SRF-4	Class 1B-7	\$18,725,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted February 9, 2000 Supplemental Agreement regarding Sewage Disposal System Revenue Bond (SRF Junior Lien), Series 2000-SRF1, dated March 30, 2000, among City, Authority and DEQ	Series 2000-SRF-1	Class 1B-8	\$21,947,995.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 19, 2000 Supplemental Agreement regarding Sewage Disposal System Revenue Bond (SRF Junior Lien) Series 2000-SRF2 dated September 28, 2000, among City, Authority and DEQ	Series 2000-SRF-2	Class 1B-9	\$36,051,066.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted March 7, 2001 Supplemental Agreement regarding City of Detroit Sewage Disposal System Revenue Bonds (SRF Junior Lien), Series 2001-SRF-1, dated June 28, 2001 among City, Authority and DEQ	Series 2001-SRF-1	Class 1B-10	\$54,145,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 21, 2001 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2001-SRF2, dated December 20, 2001 among City, Authority and DEQ	Series 2001-SRF-2	Class 1B-11	\$39,430,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted June 5, 2002 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF1, dated June 27, 2002 among City, Authority and DEQ	Series 2002-SRF-1	Class 1B-12	\$10,660,000.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted June 5, 2002 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF2, dated June 27, 2002 among City, Authority and DEQ	Series 2002-SRF-2	Class 1B-13	\$865,369.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 13, 2002 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2002-SRF3, dated December 19, 2002 among City, Authority and DEQ	Series 2002-SRF-3	Class 1B-14	\$19,189,466.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 14, 2003 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2003-SRF1, dated June 26, 2003 among City, Authority and DEQ	Series 2003-SRF-1	Class 1B-15	\$34,215,000.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted July 9, 2003 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2003-SRF2, dated September 25, 2003 among City, Authority and DEQ	Series 2003-SRF-2	Class 1B-16	\$16,390,370.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted April 21, 2004 (" <u>2004 SRF Resolution</u> ") Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF1, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-1	Class 1B-17	\$1,890,000.00
Sewage Bond Ordinance Sewage Indenture 2004 SRF Resolution Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF2, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-2	Class 1B-18	\$11,888,459.00
Sewage Bond Ordinance Sewage Indenture 2004 SRF Resolution Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2004-SRF3, dated June 24, 2004 among City, Authority and DEQ	Series 2004-SRF-3	Class 1B-19	\$8,232,575.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted May 16, 2007 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2007-SRF1, dated September 20, 2007 among City, Authority and DEQ	Series 2007-SRF-1	Class 1B-20	\$140,109,096.00

DWSD Revolving Sewer Bonds Documents	Series of DWSD Revolving Sewer Bonds	Class	Allowed Amount of DWSD Revolving Sewer Bonds Claims in Class
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted November 5, 2008 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2009-SRF1, dated April 17, 2009 among City, Authority and DEQ	Series 2009-SRF-1	Class 1B-21	\$9,806,301.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted September 29, 2009 Supplemental Agreement regarding Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2010-SRF1, dated January 22, 2010 among City, Authority and DEQ	Series 2010-SRF-1	Class 1B-22	\$3,358,917.00
Sewage Bond Ordinance Sewage Indenture Bond Authorizing Resolution adopted December 13, 2011 Supplemental Agreement regarding City of Detroit Sewage Disposal System SRF Junior Lien Revenue Bonds, Series 2012-SRF1, dated August 30, 2012 among City, Authority and DEQ	Series 2012-SRF	Class 1B-23	\$4,302,413.00

EXHIBIT I.A.159

**SCHEDULE OF DWSD REVOLVING WATER BOND DOCUMENTS
& RELATED DWSD REVOLVING WATER BONDS**

SCHEDULE OF (I) DWSD REVOLVING WATER BOND DOCUMENTS, (II) RELATED DWSD REVOLVING WATER BONDS, (III) CLASSES OF DWSD REVOLVING WATER BOND CLAIMS AND (IV) ALLOWED AMOUNTS OF DWSD REVOLVING WATER BOND CLAIMS

DWSD Revolving Water Bonds Documents	Series of DWSD Revolving Water Bonds	Class	Allowed Amount of DWSD Revolving Water Bonds Claims in Class
Ordinance No. 01-05 adopted January 26, 2005 (" <u>Water Bond Ordinance</u> ") ¹ Trust Indenture dated as of February 1, 2013 among the City of Detroit (" <u>City</u> "), Detroit Water and Sewerage Department and U.S. Bank National Association, as trustee (" <u>Water Indenture</u> ") Bond Authorizing Resolution adopted April 29, 2005 (" <u>2005 SRF Resolution</u> ") Supplemental Agreement dated as of September 22, 2005 among City, Michigan Municipal Bond Authority (" <u>Authority</u> ") and Michigan Department of Environmental Quality (" <u>DEQ</u> ")	Series 2005-SRF-1	Class 1C-1	\$9,960,164.00
Water Bond Ordinance Water Indenture 2005 SRF Resolution Supplemental Agreement regarding the Water Supply System SRF Junior Lien Revenue Bond, Series 2005-SRF2, dated September 22, 2005 among City, Authority and DEQ	Series 2005-SRF-2	Class 1C-2	\$6,241,730.00
Water Bond Ordinance Water Indenture Bond Authorizing Resolution adopted February 15, 2006 Supplemental Agreement regarding the Water Supply System SRF Junior Lien Revenue Bond, Series 2006-SRF1, dated September 21, 2006 among City, Authority and DEQ	Series 2006-SRF-1	Class 1C-3	\$3,715,926.00

¹ Ordinance No. 0-05 amends and restates Ordinance No. 30-02 adopted November 27, 2002, which amended and restated Ordinance No. 06-01 adopted October 18, 2001, which amended and restated Ordinance No. 32-85, as amended.

DWSD Revolving Water Bonds Documents	Series of DWSD Revolving Water Bonds	Class	Allowed Amount of DWSD Revolving Water Bonds Claims in Class
Water Bond Ordinance Water Indenture Bond Authorizing Resolution and Bond Ordinance, adopted July 15, 2008 Supplemental Agreement regarding Water Supply System SRF Junior Lien Revenue Bonds, Series 2008-SRF1, dated September 29, 2008 among City, Authority and DEQ	Series 2008-SRF-1	Class 1C-4	\$1,535,941.00

EXHIBIT I.A.183

PRINCIPAL TERMS OF EXIT FACILITY

**EXIT FACILITY
SUMMARY OF PRINCIPAL TERMS¹**

The definitive documentation governing the Exit Facility shall provide generally for the following terms:

Issuer	City of Detroit.
Initial Bond Purchaser	The bonds will initially be sold to the Michigan Finance Authority (the " <u>MFA</u> "). The MFA will issue bonds secured by the City's bonds.
Amount and Type	\$325 million, consisting of Financial Recovery Bonds issued pursuant to section 36a(7) of the Michigan Home Rule City Act, excluding any amounts raised to fund (if required) debt service reserve funds consistent with municipal markets practice.
Taxation	An amount up to \$200 million is contemplated to be tax-exempt financing.
Use of Proceeds	As approved by the Local Emergency Financial Assistance Loan Board, proceeds of the exit facility will be used to fund: (i) the retirement of the City's \$120,000,000 post-petition financing, (ii) certain of the City's reinvestment and revitalization initiatives and (iii) the retirement of the City's obligations with respect to holders of Class 5 Claims (COP Swap Claims) and potentially holders of Class 7 Claims (Limited Tax General Obligation Bond Claims) under the City's Seventh Amended Plan of Adjustment.
Pricing on Sale to Purchaser	Tax-Exempt Bonds: SIFMA Municipal Swap Index + 4.25% Taxable Bonds: 1-month USD-LIBOR + 4.75%
Pricing on Public Offering	Tax-Exempt Bonds: The sum of (i) the yield on Thomson Reuters Municipal Market Data 15-year AAA Index, <u>plus</u> (ii) the Base Spread (as set forth in the Commitment Letter, dated September 17, 2014), <u>plus</u> (iii) the applicable Market Flex (as set forth in the Commitment Letter, dated September 17, 2014). Taxable Bonds: The sum of (i) the yield on 7-year US Treasury Notes, <u>plus</u> (ii) the Base Spread (as set forth in the Commitment Letter, dated September 17, 2014), <u>plus</u> (iii) the applicable Market Flex (as set forth in the Commitment Letter, dated September 17, 2014).
Maturity	No longer than 15 years on Tax-Exempt Bonds; no longer than 8 years on Taxable Bonds.
Security	The obligations owing by the City with respect to the Exit Facility will be secured by a first priority lien on certain income tax revenues of the City.

¹ Capitalized terms not otherwise defined herein shall have the meanings given to them in the Plan.

EXHIBIT I.A.197

FORM OF FGIC/COP SETTLEMENT DOCUMENTS

Settlement Agreement

This Settlement Agreement (this “Agreement”) is entered into as of October __, 2014, by and between the City of Detroit, Michigan (the “City”), and Financial Guaranty Insurance Company (“FGIC”). The City and FGIC are referred to herein each individually as a “Party” and collectively as the “Parties”.

WHEREAS, the Detroit General Retirement System Service Corporation, a Michigan nonprofit corporation (“DGRS”), and the Detroit Police and Fire Retirement System Service Corporation, a Michigan nonprofit corporation (“PFRS” and, together with DGRS, each a “Service Corporation” and collectively the “Service Corporations”) created each of (i) the Detroit Retirement Systems Funding Trust 2005 (the “2005 Pension Funding Trust”) pursuant to that certain Trust Agreement, dated June 2, 2005, among the Service Corporations and U.S. Bank National Association, as trustee, and (ii) the Detroit Retirement Systems Funding Trust 2006 (the “2006 Pension Funding Trust”) pursuant to that certain Trust Agreement, dated June 12, 2006, among the Service Corporations and U.S. Bank National Association, as trustee;

WHEREAS, the 2005 Pension Funding Trust issued certain Taxable Certificates of Participation Series 2005 (the “2005 Pension Funding Securities”) and the 2006 Pension Funding Trust issued certain Taxable Certificates of Participation Series 2006 (the “2006 Pension Funding Securities” and, collectively with the 2005 Pension Funding Securities, the “Certificates of Participation” or “COPs”);

WHEREAS, FGIC issued certain financial guaranty insurance policies guaranteeing the payment of the principal of and interest on certain of the Certificates of Participation;

WHEREAS, on January 31, 2014, the City commenced the Adversary Proceeding styled, *City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006*, Case No. 14-04112 (Bankr. E.D. Mich.) (the “COP Litigation”);

WHEREAS, on March 17, 2014, Wilmington Trust, National Association, as Successor Trustee for the Detroit Retirement Systems Funding Trust 2005 and the Detroit Retirement Systems Funding Trust 2006 (collectively, the “Trustee”) filed that certain *Answer to Complaint with Affirmative Defenses and Counterclaims of Defendants Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006 to Complaint for Declaratory and Injunctive Relief* (the “Funding Trusts’ Counterclaims”);

WHEREAS, on March 17, 2014, FGIC filed that certain *Financial Guaranty Insurance Company’s Motion to Intervene Pursuant to Rule 7024 of the Federal Rules of Bankruptcy Procedure and Section 1109(b) of the Bankruptcy Code* (the “FGIC Motion to Intervene”);

WHEREAS, on April 10, 2014, the City filed that certain *City of Detroit's Motion to Dismiss in Part the Funding Trusts' Counterclaims* (the "Motion to Dismiss the Funding Trusts' Counterclaims");

WHEREAS, on June 30, 2014, the Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") issued an Opinion and Order, among other things, granting the FGIC Motion to Intervene, subject to certain limitations;

WHEREAS, on July 18, 2014, FGIC filed that certain *Answer and Affirmative Defenses of Defendant Financial Guaranty Insurance Company*;

WHEREAS, on August 13, 2014, FGIC filed those certain *Counterclaims of Defendant Financial Guaranty Insurance Company* against the City (the "FGIC Counterclaims");

WHEREAS, on August 28, 2014, the City filed that certain *City of Detroit's Motion to Dismiss in Part FGIC's Counterclaims* (the "Motion to Dismiss the FGIC Counterclaims" and, together with the Motion to Dismiss the Funding Trusts' Counterclaims, the "Motions to Dismiss");

WHEREAS, the Motions to Dismiss have been fully briefed and argued; and

WHEREAS, the Parties and their representatives have engaged in good faith, arm's length settlement discussions regarding a consensual resolution of their disputes under or in respect of the COP Litigation, the Certificates of Participation and related issues.

NOW, THEREFORE, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1 Definitions and Interpretations.

1.1 Additional Definitions. The following terms have the respective meanings set forth below for all purposes of this Agreement.

"Approval Order" means an order confirming the Plan entered by the Bankruptcy Court, which contains provisions substantially in the form attached hereto as Schedule 1 approving this Agreement pursuant to Bankruptcy Rule 9019.

"COP Holders" means the holders of COPs originally insured by FGIC with a claim for principal or interest.

"Counterclaims" means the FGIC Counterclaims and the Funding Trusts' Counterclaims.

"Plan" means that certain Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (October __, 2014), as the same may be amended consistent with the terms and conditions of the Stipulation.

“Settlement Effective Date” means the latest date to occur of (i) the City obtaining all governmental and other consents and approvals (including the Approval Order) set forth in Section 5.1(d), and (ii) FGIC obtaining the approval of the New York State Department of Financial Services, as set forth in Section 5.2(d).

“Stipulation” means that certain Stipulation Regarding FGIC Plan COP Settlement and FGIC COP Swap Settlement, dated October [___], 2014.

1.2 Plan Definitions. Capitalized terms used herein, but not otherwise defined, shall have the meanings ascribed to such terms in the Plan.

1.3 Other Definitional and Interpretive Provisions. The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Sections and Schedules are to Sections and Schedules of this Agreement unless otherwise specified. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. References to “law”, “laws” or to a particular statute or law shall be deemed also to include any and all applicable law.

Section 2 Global Resolution of COP Litigation.

2.1 Dismissal of COP Litigation. As soon as practicable after the occurrence of the Settlement Effective Date, the City shall dismiss the COP Litigation, with prejudice.

2.2 Dismissal of Counterclaims. As soon as practicable after the occurrence of the Settlement Effective Date, FGIC shall dismiss or cause to be dismissed all Counterclaims, with prejudice. For the avoidance of doubt, the dismissal of the COP Litigation and dismissal of all Counterclaims is intended and shall be deemed to take place contemporaneously.

2.3 Waiver & Release of Claims. Effective as of the Settlement Effective Date:

(a) FGIC shall, without further action, release unconditionally, and be deemed to forever and unconditionally release, waive and discharge all entities (including the City, the City’s Related Entities, the State and the State Related Entities), of and from any and all claims, obligations, suits, judgments, damages, debts, rights, remedies, causes of action and liabilities of any nature whatsoever, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, matured or unmatured, existing or hereafter arising, in law, equity, or otherwise, that are or may be based in whole or in part upon any act, omission, transaction, event or other occurrence taking place or existing on or prior to the Effective Date of the Plan related to the COP Litigation (the “Released Claims”), including any claims against the Retirement Systems arising in connection with the COPs, provided, however that the Released Claims shall not include (i) any claims with respect to enforcement of this Agreement, the Stipulation or the FGIC Development Agreement, (ii) any claims with respect to the New B Notes, the New C Notes or

the Class 9 Settlement Credits, (iii) any claims held by FGIC against the COP Swap Counterparties or Related Entities thereof or (iv) any claims asserted against the City in the proofs of claim filed by FGIC and the Trustee; provided that, with respect to the claims described in clause (iv), for the avoidance of doubt, the Parties intend that such claims shall be subject to the treatment, discharge and injunction provisions set forth in the Plan.

(b) The City shall provide the exculpations to FGIC, the COP Holders and the Trustee as provided under the Plan and shall have no further claims on account of the COP Litigation as set forth in Section 2.1 above.

Section 3 Consideration.

3.1 Development Agreement. The City shall enter into the FGIC Development Agreement in the form attached hereto as Schedule 2.

3.2 Sole Benefit. The consideration provided herein is solely for the benefit of FGIC and the COPs Holders, and such consideration shall be administered and distributed to FGIC and the COP Holders in a manner consistent herewith.

Section 4 Approvals; Trustee Steps.

4.1 Time is of the Essence. The Parties hereto acknowledge and agree that time is of the essence. The City and FGIC shall each use commercially reasonable efforts to obtain all governmental and other consents and approvals (including, in the case of the City, the Approval Order) set forth in Section 5.1(d) and Section 5.2(d), respectively. FGIC shall use commercially reasonable efforts to support the City's efforts to obtain the Approval Order.

4.2 Trustee. FGIC shall take all necessary and appropriate steps to direct the Trustee to effectuate this Agreement, including directing the Trustee to withdraw the Funding Trusts' Counterclaims.

Section 5 Representations and Warranties.

5.1 Representations and Warranties of the City. The City represents to FGIC that:

- (a) It is a municipal corporation of the State of Michigan.
- (b) It has the power to execute and deliver this Agreement and to perform its obligations hereunder and it has taken all necessary action to authorize such execution, delivery and performance.
- (c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets.
- (d) Other than (i) approvals by (x) the City Council, (y) the Local Emergency Financial Assistance Loan Board created under the Emergency Municipal Loan Act, Michigan Compiled Laws §§ 141.931-141.942 and (z) the Treasurer of the State, (ii) any other approvals

required by Section 19 of PA 436, (iii) execution of an order by the Emergency Manager approving this Agreement and (iv) the approval of the Bankruptcy Court, all governmental and Emergency Manager consents and approvals that are required to have been obtained by it as of the date of execution of this Agreement with respect to the execution, delivery and performance of this Agreement have been obtained and are in full force and effect and all conditions of any such consents and approvals have been complied with.

5.2 Representations and Warranties of FGIC. FGIC represents to the City that:

(a) It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and in good standing.

(b) It has the power to execute this Agreement, to deliver this Agreement and to perform its obligations under this Agreement and it has taken all necessary action to authorize such execution, delivery and performance.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets.

(d) Other than the approval or the waiver of required minimum notice of the New York State Department of Financial Services, all governmental consents and approvals that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents and approvals have been complied with.

(e) That certain *Stipulation By and Between the City of Detroit, Michigan and the COPs Creditors Regarding Certain Facts and the Admission of Certain Exhibits for the Confirmation Trial*, dated July 13, 2014 and approved by the Bankruptcy Court on July 14, 2014, remains in effect.

Section 6 No Admission.

This Agreement is a proposed settlement of claims and disputes between the Parties and is the product of good faith, arm's length negotiations between the Parties hereto. If this Agreement is terminated, this Agreement will not be an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto will not be admissible into evidence in any proceeding. However, this Agreement will be admissible into evidence in any proceeding to obtain Bankruptcy Court approval of this Agreement or to enforce or interpret the terms of this Agreement, and, subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact. The admissibility of all negotiations related to this Agreement shall be governed by the *Mediation Order* [Docket No. 322] entered by the Bankruptcy Court, as the same has been amended and supplemented, including with respect to that *Limited Order Modifying the Mediation Order* [Docket No. 7968]. Notwithstanding the foregoing, nothing herein shall limit the scope or effect of the Mediation Order.

Section 7 Termination.

Any Party may terminate this Agreement upon one Business Day's prior written notice to the other Party if: (a) the Bankruptcy Court denies approval of (x) this Agreement, (y) the Stipulation or (z) the Plan, (b) the Bankruptcy Court approves this Agreement pursuant to an order that does not constitute an Approval Order, (c) the Approval Order is vacated, reversed or modified on appeal, (d) the Effective Date of the Plan does not occur within six (6) months of the entry of the Approval Order, (e) any approval or consent sought pursuant to Section 5.1(d) or 5.2(d) of this Agreement is denied or (f) the other Party is in material breach of any provision of this Agreement, and such breach is continuing and has not been cured within 5 Business Days after written notice thereof is provided to such Party. Absent the prior written consent of the City, this Agreement shall immediately automatically terminate if all approvals or consents sought pursuant to Section 5.2(d) of this Agreement are not obtained by November 4, 2014 at 5:00 p.m. (ET).

Notwithstanding anything herein to the contrary, in the event that this Agreement is terminated as set forth herein, then neither this Agreement, nor any document filed with the Bankruptcy Court with respect to the approval of this Agreement, will have any res judicata or collateral estoppel effect or be of any force or effect, and each of the Parties' respective interests, rights, remedies and defenses will be restored without prejudice as if this Agreement had never been executed and the Parties will be automatically relieved of any further obligations under this Agreement. For the avoidance of doubt, in the event this Agreement is terminated, the City shall retain the right to pursue the COP Litigation and related claims and FGIC shall retain the right to make any arguments, objections, or other assertions (other than res judicata or collateral estoppel as set forth in the preceding sentence), pursue any Released Claims, Counterclaims, defenses, litigation, appeals, or disputes related to the COP Litigation or any other matter otherwise resolved by this Agreement.

Section 8 Miscellaneous.

8.1 Execution of this Agreement. This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, will be deemed an original, and all of which together will constitute the same agreement. Each individual executing this Agreement on behalf of a Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of said Party.

8.2 Binding Obligation; Successors and Assigns. This Agreement is a legally valid and binding obligation of the Parties, enforceable in accordance with its terms, and will inure to the benefit of the Parties and their respective successors, assigns and transferees. This Agreement grants no rights to any third party, including any COP Holder or Trustee.

8.3 Complete Agreement; Interpretation. This Agreement, the Plan and the Stipulation constitute the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, among the Parties with respect thereto. This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement will interpret it in a neutral manner. There will be no presumption concerning whether to interpret this Agreement for or against any Party by reason

of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

8.4 Amendment, Modification and Waiver. This Agreement may be modified, altered, amended, or supplemented only by an agreement in writing signed by each Party. No waiver of any provision of this Agreement will be effective unless made in a writing signed by the Party making the waiver, nor will the waiver be extended to any other right, claim or remedy.

8.5 Notices. All notices and other communications required under this Agreement will be given in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as will be specified by like notice):

If to the City:

City of Detroit, Michigan
1200 Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, Michigan 48226
Attention: CFO
Fax:
Email:

with copies (which shall not constitute notice) to:

City of Detroit Law Department
First National Building, Suite 1650
660 Woodward Avenue
Detroit, Michigan 48226
Attention: Corporation Counsel
Fax:
Email:

and

Jones Day
222 East 41st Street
New York, NY 10017-6702
Attn: Corinne Ball & Benjamin Rosenblum
Fax: (212) 755-7306
Email: cball@JonesDay.com
brosenblum@JonesDay.com

If to FGIC:

Financial Guaranty Insurance Company

521 Fifth Avenue
New York, NY 10175
Attention: General Counsel
Fax: (212) 312-2231
Email: GeneralCounsel@fgic.com

with copies (which shall not constitute notice) to:

Weil, Gotshal & Manges LLP
700 Louisiana, Suite 1700
Houston, TX 77002
Attention: Alfredo R. Pérez
Fax: (212) 310-8007
Email: alfredo.perez@weil.com

Any notice given by delivery, mail, or courier will be effective when received. Any notice given by telecopier will be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail will be effective upon oral or machine confirmation of receipt.

8.6 Headings. The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

8.7 Governing Law and Jurisdiction. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN, WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAW THEREOF THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION. By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement will be resolved by the Bankruptcy Court to the extent that the Bankruptcy Court then has jurisdiction and power to enforce the terms of this Agreement and, to the extent that the Bankruptcy Court does not then have jurisdiction, to the exclusive jurisdiction of the courts of the State of Michigan and the United States District Court for the Eastern District of Michigan. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 8.5 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of the other Party.

8.8 Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CITY:

City of Detroit, Michigan

By: _____

Name: _____

Title: _____

Dated: October __, 2014

FGIC:

Financial Guaranty Insurance Company

By: _____

Name: _____

Title: _____

Dated: October __, 2014

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----X	:
In re	: Chapter 9
	:
CITY OF DETROIT, MICHIGAN,	: Case No. 13-53846
	:
Debtor.	: Hon. Steven W. Rhodes
	:
-----X	

**STIPULATION REGARDING FGIC PLAN COP SETTLEMENT AND
FGIC COP SWAP SETTLEMENT**

WHEREAS, the Detroit General Retirement System Service Corporation, a Michigan nonprofit corporation (“DGRS”), and the Detroit Police and Fire Retirement System Service Corporation, a Michigan nonprofit corporation (“PFRS” and, together with DGRS, each a “Service Corporation” and collectively the “Service Corporations”) created each of (i) the Detroit Retirement Systems Funding Trust 2005 (the “2005 Pension Funding Trust”) pursuant to that certain Trust Agreement, dated June 2, 2005, among the Service Corporations and U.S. Bank National Association, as trustee, and (ii) the Detroit Retirement Systems Funding Trust 2006 (the “2006 Pension Funding Trust”) pursuant to that certain Trust Agreement, dated June 12, 2006, among the Service Corporations and U.S. Bank National Association, as trustee;

WHEREAS, the 2005 Pension Funding Trust issued certain Taxable Certificates of Participation Series 2005 (the “2005 Pension Funding Securities”) and the 2006 Pension Funding Trust issued certain Taxable Certificates of Participation Series 2006 (the “2006 Pension Funding Securities” and collectively with the 2005 Pension Funding Securities, the “Certificates of Participation” or “COPs”);

WHEREAS, Financial Guaranty Insurance Company (“FGIC”) issued certain financial guaranty insurance policies guaranteeing the payment of the principal of and interest on certain of the Certificates of Participation (“FGIC COPs Policies”);

WHEREAS, in connection with the issuance of the COPs, the Service Corporations entered into certain swap transactions under certain 1992 ISDA Master Agreements (Local Currency Single Jurisdiction) (together with all ancillary and related instruments and agreements, as the same may have been subsequently amended, restated, supplemented or otherwise modified, the “COP Swap Agreements”);

WHEREAS, FGIC issued certain financial guaranty insurance policies guaranteeing the payment of certain amounts owed by the Service Corporations under the COP Swap Agreements;

WHEREAS, the City of Detroit, Michigan (the “City”) has proposed a Plan for the Adjustment of Debts, as amended (the “Plan”),¹ and FGIC has opposed and objected to such Plan; and

WHEREAS, the City and FGIC (collectively, the “Parties”) and their representatives have engaged in good faith, arm’s length settlement discussions regarding a consensual resolution of their disputes under or in respect of the Plan, the Certificates of Participation and the COP Swap Agreements.

NOW, THEREFORE, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, by and through their respective undersigned counsel, agree and stipulate as follows:

1. The City shall (a) modify the Plan as set forth on Exhibit 1, (b) not amend the Plan in a way that would have a materially adverse effect on the class of claims (“Class 9”) associated with COPs as set forth in the Plan, without the consent of FGIC, and (c) exclude the Joe Louis Arena Parking Garage from any requests for qualifications, quotations or proposals in connection with the Parking Garages.

¹ Capitalized terms not defined herein have the meanings given to them in the Plan.

2. All votes cast by FGIC to accept or reject the Plan, including any votes cast on behalf of any COP Holder, shall be deemed to have been cast as accepting the Plan.

3. All objections by FGIC to the Plan shall be withdrawn, without prejudice to FGIC refiling such objections in the event that (i) the Plan is not confirmed, (ii) this Stipulation is not approved, or (iii) that certain Settlement Agreement, entered into as of October [____], 2014, by and between the City and FGIC in connection with the COP Litigation (the “Settlement Agreement”) is not approved or is otherwise terminated in accordance with the provisions thereof (each event described in clause (i), (ii) or (iii), a “Termination Event”). Pending approval of this Stipulation, FGIC shall take no action in furtherance of any objection, joinder, reservation of rights, or opposition to the Plan. For the avoidance of doubt, while approval for this Stipulation is pending, FGIC shall refrain from calling or examining any witnesses, introducing other evidence or advancing legal argument in connection with the confirmation trial on the Plan.

4. FGIC, on behalf of itself and the COP Holders, shall opt into the Plan COP Settlement with respect to the COPs originally insured by FGIC (the “FGIC-Insured COPs”), without impairing the COP Holders’ insurance claims against FGIC.

5. The consideration provided under this Stipulation and the Plan COP Settlement is solely for the benefit of FGIC and the COP Holders, and such consideration shall be administered and distributed in a manner consistent with the Plan.

6. Subject to FGIC having obtained the consents of any and all reinsurers providing reinsurance with respect to all or a portion of the FGIC COPs Policies, FGIC may, in its sole discretion, require the insertion of the following provision in the proposed Confirmation Order:

FGIC (irrespective of the terms of the FGIC COPs Policies, including, without limitation the definition of Due for Payment) may treat all of the outstanding principal owing on all series of the FGIC-Insured COPs as having been accelerated and currently “Due for Payment” (as such term is defined in the applicable FGIC COPs Policy for purposes of such policy) as of the Effective Date, in which case, with respect to each FGIC COPs Policy there shall be deemed a Permitted Policy Claim (as defined in the First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company, dated June 4, 2013) in the amount of (i) the outstanding principal amount of the FGIC-Insured COPs in each CUSIP, as of the Effective Date, insured by such policy and (ii) interest accrued and unpaid on such principal amount of such FGIC-Insured COPs through the Effective Date, in which case no interest shall accrue on or after the Effective Date.

7. In full satisfaction and discharge of FGIC’s swap insurance and related claims against the City, FGIC shall receive: (a) an Allowed Class 14 claim

in the amount of \$6.11 million, and (b) the Downtown Development Authority shall assign to FGIC all of the Downtown Development Authority's right, title and interest to its distribution of New B Notes under the plan on account of its \$33.6 million Class 13 claim. For the avoidance of doubt, this consideration is solely for FGIC's benefit.

8. This Stipulation shall automatically terminate upon the occurrence of a Termination Event.

9. This Stipulation, including Exhibit 1 hereto, and the Settlement Agreement contain the entire understanding of the Parties hereto concerning the subject matter hereof and supersedes all prior understandings and agreements, whether written or oral, between the Parties hereto on such subject matter. The Parties acknowledge that they are not relying on any promises or representations not contained in this Stipulation.

10. This Stipulation may be executed in counterparts by facsimile, email, or other similar electronic transmission, each of which shall be deemed an original and all of which when taken together shall constitute one document.

Dated: October [____], 2014

EXHIBIT I.A.198

FORM OF FGIC DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT
OPTION TO ACQUIRE AND DEVELOP LAND
BY AND AMONG
CITY OF DETROIT,
THE STATE OF MICHIGAN
AND
FINANCIAL GUARANTY INSURANCE COMPANY

THIS AGREEMENT (referred to herein as this “Agreement”) is entered into as of the ____ day of October, 2014 (the “Effective Date”), by and between the City of Detroit, a Michigan public body corporate (the “City”), acting through its Planning & Development Department (“PDD”), whose address is 2300 Cadillac Tower, Detroit, Michigan 48226, the State of Michigan (the “State”), whose address is P.O. Box 30013, Lansing, Michigan 48909, and Financial Guaranty Insurance Company, a New York stock insurance company (“Developer”), whose address is 521 Fifth Avenue – 15th Floor, New York, New York 10175. The City and Developer are sometimes referred to in this Agreement as a “Party” and, collectively, as the “Parties.”

Recitals:

A. In consideration of the Parties’ various contractual arrangements and settlements entered into contemporaneously herewith between the City and Developer, and the mutual desire of the Parties to promote economic growth in the City (the “Arrangement”), the City has agreed to grant an option to Developer to acquire that certain real property upon which is presently situated the improvements commonly referred to as the Joe Louis Arena, inclusive of 5.3 acres of real property located at 19 Steve Yzerman Drive, Detroit, Michigan, and the Joe Louis Arena Garage, inclusive of 3.3 acres of real property located at 900 W. Jefferson Avenue, Detroit, Michigan (collectively, the “Property”). As used herein, the term “Property” shall be deemed to

include: (i) the land described on Exhibit ___¹ together with all air, mineral, subsurface and riparian rights appertaining thereto, if any; (ii) the City's interest, if any, in those certain above ground pedestrian walkways and all necessary related easements located on the Property or appurtenant thereto, whether now existing or hereafter granted prior to the Closing (as hereinafter defined), allowing access from the property to COBO Center (the "COBO Interests"); (iii) the City's interest, if any, in any land lying in the bed of any street, road, alley, right-of-way or avenue, at the foot of, adjoining or dividing the Property, only to the extent such street, road, alley, right-of-way or avenue is not open for the general benefit of the public; (iv) the City's interest, if any, in the use and benefit of all easements appurtenant to the Property whether or not of record; (v) the City's interest in and development rights under all authorizations, permits and approvals with respect to the use and development of the Property; and (vi) such other rights, interests and properties as may be specified in this Agreement to be sold, transferred, assigned or conveyed by the City to Developer.

B. The State has agreed to grant to the Developer or assist the Developer in obtaining certain economic development incentives for purposes of developing the Property upon the terms and conditions set forth herein.

C. If Developer exercises its option with respect to the Property as set forth herein, Developer shall develop such Property in accordance with the terms and provisions of this Agreement.

Accordingly, the Parties agree as follows:

Section 1. DEVELOPMENT AND OPTION

(A) Development Proposal.

(1) On or before a date which is thirty-six (36) months following full and complete execution of this Agreement (as the same may be extended in accordance with the terms hereof, the "Development Proposal Deadline"), the Developer shall (i) identify a developer partner that shall serve as development manager for the Development, or a development manager to be hired on a fee for service basis by Developer to manage construction of the Development (as hereinafter defined), either of which shall have significant experience in the development of large, complex mixed-use urban projects, and (ii) prepare a comprehensive development plan for the Development, and shall submit such information along with such plan (in form and substance reasonably acceptable to the City) to the City for its review and approval in the manner set forth in this Section 1(A) (the "Development Proposal"), which approval shall not be unreasonably withheld, conditioned or delayed, including, without limitation, any condition in such approval that would interfere with the eligibility of the Development for TIF Incentives (as defined in Section 5(I)(a) below) as contemplated hereby. For purposes of this Agreement, "Development" shall mean that certain mixed use project consisting of (i) a first-class hotel and related facilities including not less than 300 hotel

¹ The Parties should agree upon a legal description for the Property and associated easements upon receipt of Title and Survey.

rooms, and (ii) such other office, retail, commercial, recreational, residential and/or condominium units as shall be determined by the Developer (industrial, adult entertainment and other noxious uses excepted) given prevailing market conditions, with a height above ground not to exceed 30 floors, to be constructed upon the Property by the Developer, together with all onsite improvements, site preparation, onsite infrastructure (including, without limitation, sanitary sewer, water, storm sewer, sidewalks, street lighting, driveways, storm water detention or retention facilities), related parking facilities and landscaping, necessary or appurtenant thereto; in all instances as approved by the City in accordance herewith, which approval shall not be unreasonably withheld, conditioned or delayed to the extent consistent with the City's urban planning policies and the City's comprehensive development plan as existing on the date any applicable Required Approvals (as defined below) are obtained by the Developer. For purposes of this Agreement, and without limiting the Developer's ability to identify and receive approval of a different development partner, the Detroit Regional Convention Facility Authority is deemed by the City an approved development partner. The Development Proposal shall include an application for the brownfield plan necessary for the application for TIF Incentives, and it shall also identify which components of the Development Proposal are eligible for the TIF Incentives, disbursement of which shall be governed by the Economic Incentive Agreements (as defined in Section 5(I)(a) below), and the City shall use its commercially reasonable efforts to cause the State or applicable State related entity to grant any approvals necessary for those TIF Incentives no later than one hundred twenty (120) days after the date of approval of the Development Proposal, subject to the terms hereof. The Development Proposal shall include the terms of the Guaranty (as defined in Section 5(B) below), including the identity of any guarantor thereunder, and also include the terms of any proposed equity investment and financing for the Development; provided, however, (i) the Development Proposal does not need to disclose any additional equity partners, provided that the Developer will not partner with any third party that is prohibited from doing business with the City, (ii) the Development proposal does not need to disclose the holder(s) of the COPs or holders of the beneficial interests in the COPs, and (iii) the Development Proposal does not need to identify a development partner if the rights under the Agreement have been transferred to a developer prior to the date of the Development Proposal Deadline, which transferee has previously been approved by the City, which approval shall not be unreasonably withheld, conditioned or delayed.

(2) The City shall review any Development Proposal submitted to the City by the Developer and within ninety (90) days of receipt by the City of such Development Proposal (the "Development Proposal Review Period") the City shall either (i) approve the Development Proposal or (ii) provide the Developer with the specific reasons why the Development Proposal is not acceptable, which may include unacceptability of the proposed development partner (if required). If the City does not approve the Development Proposal, the Developer may provide a revised Development Proposal(s) to the City for its approval pursuant to the process herein, which shall continue until the earlier of (i) the date on which a Development Proposal is approved, and (ii) the Development Proposal Deadline which shall be automatically extended by the aggregate of all Development Proposal Review Periods. The City and, to the extent applicable related to the TIF Incentives, the State, shall reasonably cooperate with the Developer in

preparation of the Development Proposal, at no incremental cost to the City or, as applicable, the State. The Development Proposal, as approved by the City pursuant to this Section 1(A) shall be hereinafter referred to as the “Approved Development Proposal.”

(3) Upon request of the Developer, the City may approve an extension of the Development Proposal Deadline by up to twenty-four (24) additional months, which approval shall not be unreasonably withheld, delayed or conditioned. The City agrees that it would be unreasonable to withhold its approval of such extension if (i) the Developer requested the extension because development in the immediate vicinity of the Property has materially decreased or the general economic condition of the City has deteriorated to such a level that it would not be economically feasible for the Developer to pursue development of the Property or (ii) it is reasonable given the complexity of the development contemplated by the Developer for the Property.

(B) Option and Diligence Procedure.

(1) The Developer shall have until a date which is one hundred eighty (180) days prior to the Development Proposal Deadline (as may be extended) to give the City written notice of its intent to conduct the Diligence Activities (as hereinafter defined) on the Property (the “Diligence Notice”). Following receipt of the Diligence Notice, the City shall use its commercially reasonable efforts during the Diligence Period (as defined below) to provide the Developer and its contractors, consultants and their respective agents with such access to the Property as may be reasonably requested by the Developer from time to time, subject to any access limitation of that certain Sublease of Riverfront Arena between the City, Olympia Entertainment, Inc. and the Detroit Red Wings, Inc., dated June 15, 2014, and the related Parking Agreement (as may be amended, restated or modified, the “JLA Lease”). For purposes of this Agreement, “Diligence Activities” include but are not limited to the following:

(a) such physical inspections, surveys, soil borings and bearing tests and possible relocation of utilities, all as Developer deems necessary in its sole discretion, all of which shall be completed at Developer’s expense;

(b) subject to the terms and provisions of Section 2 below, including giving of such Investigation Notices and obtaining City approval as may be required thereunder, investigations, environmental studies, environmental site assessments (including Phase I and Phase II site assessments, and/or sampling and invasive testing of soil, groundwater, surface water, soil vapors, indoor air, and building materials (such as Asbestos and lead-based paint)), and such other investigations and assessments as Developer may deem necessary in its sole discretion to determine the condition of the Property and the Property’s compliance with Environmental Laws (as defined below) and any other federal, state and local laws, rules, regulations and orders relating in any way to protection of human health, the environment and natural resources, all of which shall be completed at Developer’s expense; and

(c) a review of available public and private utilities and public accesses necessary for the proposed development of the Property.

(2) Title and Survey. The City shall deliver to Developer a title commitment and ALTA survey for the Property (the "Title Commitment and Survey") promptly following execution of this Agreement. Within twenty (20) business days after the Developer's receipt of the Title Commitment and Survey (in form reasonably acceptable to the Developer) and copies of each of the title exceptions referenced in the Title Commitment and Survey, the Developer shall examine the Title Commitment and Survey and shall make any objections to any items therein that would cause title to the Property not to be good and marketable, free and clear of any items that, in Developer's reasonable discretion, would unreasonably interfere with the construction, use or operation of the Development for its intended purposes or impair the value of the Development to such an extent as to make such Development not commercially feasible (any of the foregoing a "Title Defect") by written notice to the City (the "Title Objection Notice"). For avoidance of doubt, the City shall not be obligated to cure, remove or bond over any objection to the Title Commitment and Survey that fails to qualify as a Title Defect hereunder. The Title Objection Notice shall state with specificity the reasons for Developer's objection(s) and the curative steps requested by the Developer which would remove the basis for the Developer's objection(s). The City shall cure, remove or bond over any Title Defects prior to the Closing Date. If the Developer orders an update to the Title Commitment and Survey prior to Closing (as defined in Section 3(A) below), and such update shows any additional Title Defect not caused by the Developer or its agents, consultants or contractors, the City shall cause each such Title Defect to be cured, removed or bonded over prior to Closing.

(3) City Information. To the extent within the possession of the City and the City Parties (as defined below), as reasonably determined by the City's corporation counsel upon due inquiry, the City shall, promptly upon the written request of the Developer, provide, and shall cause all City Parties to provide, to the Developer (i) copies of all environmental studies, asbestos reports or other environmental reports on the Property, and all material documents, records or non-privileged communications related to the presence, use or release of Hazardous Materials at the Property subject to a pending claim or matter or present at concentrations exceeding those allowed by law, (ii) copies of all title reports and the underlying documents referenced therein, (iii) copies of all surveys of the Property, (iv) copies of any other records, documents, instruments, agreements or files with respect to the use or ownership of the Property, to the extent materially relevant after Closing, (v) to the extent not included in the above, copies of the correspondence to or from the City or any City Parties related to the use or ownership of the Property, to the extent materially relevant after Closing and (vi) such other documentation as is reasonably requested by Developer with respect to the Property. For purposes of this Agreement, "City Parties" shall mean any department, subdivision or agency of the City and/or any governmental authority within the direct or indirect control or supervision of the City.

(4) Insurance. Prior to entering onto the Property for any Diligence Activities, Developer or its contractors shall maintain the insurance coverage and comply

with the insurance requirements specified in the City's Right-of-Entry, a form of which is attached as **Exhibit A** (the "Right-of-Entry").

(5) Indemnity. Developer shall defend, indemnify and hold harmless the City from and against any loss, liability, cost or expense incurred by the City to the extent resulting from Developer's (including its duly authorized employees, agents, engineers or other representatives) negligence or willful acts occurring in connection with the Diligence Activities; provided, however, that the Developer shall not be responsible for any loss, liability, cost, or expense resulting from the City's (or any City Parties') negligence or misconduct.

(6) The Developer shall notify the City in writing, no less than one hundred twenty (120) days following the Diligence Notice (the "Diligence Period"), that either (i) the Developer intends to proceed to Closing on the Property (the "Notice of Option Exercise"), or (ii) the condition of the Property is such that, in Developer's reasonable judgment, the condition adversely affects Developer's ability to timely complete the Development or adversely affects the use, value or marketability of the Property (the "Objection Notice"), which Objection Notice shall state with reasonable specificity the particular diligence matter(s) unacceptable to the Developer, including any Title Defects ("Objections"). The City, in its sole discretion, shall have the option (but not the obligation) to cure, remove or bond over such Objections within sixty (60) days following receipt of the Objection Notice (the "Cure Period"), provided, that the City must cure, remove or bond over such Objections that (a) are encumbrances for the benefit of the City, the City Parties, their lenders or vendors, (b) are Title Defects, or (c) may reasonably be deemed to directly cause a delay in the Developer's ability to complete the Development in accordance with the terms and conditions of this Agreement more than two (2) years after the Completion Deadline; provided, however, in the event any such Objection may reasonably be deemed to directly cause a delay in the Developer's ability complete the Development in accordance with the terms and conditions of this Agreement of two (2) years or less after the Completion Deadline (a "Minor Delay Defect"), then the City shall not be obligated to cure, remove or bond over such Minor Delay Defect; however, the number of days of delay reasonably determined to be caused by such Minor Delay Defect shall be deemed Force Majeure Delay (as hereinafter defined) for the equivalent number of days. Without limiting the generality of the foregoing, the City shall be obligated to cause to be cured, removed or bonded over prior to expiration of the Cure Period: (i) mechanics' liens; (ii) judgment liens against the City or any City Parties; (iii) mortgages, similar loan documents and voluntary liens with respect to indebtedness of the City or any City Party; (iv) delinquent taxes, charges, impositions or assessments; (v) fines issued by any governmental or quasi-governmental authority or other liens encumbering the Property or any portion thereof which are in liquidated amount; and (vi) any other monetary liens against the property. To the extent the Developer desires to proceed to Closing on the Property following delivery of an Objection Notice, the Developer must deliver to the City a Notice of Option Exercise prior to fifteen (15) days following expiration of the Cure Period. Failure of the Developer to timely deliver a Notice of Option Exercise as provided for herein shall result in automatic termination of the Developer's rights under this Agreement and the

Developer shall thereafter have no further interest in the Property. Following delivery by the Developer of a Notice of Option Exercise, the City shall be bound to convey the Property, upon the terms and conditions set forth herein, and the City and the Developer shall proceed to closing on the Property on a mutually agreed upon date which is the later of (i) two (2) years following approval by the City of the Development Proposal, and (ii) six (6) months following completion of Demolition (as defined in Section 5(H)(b) below) by the City (the "Closing Date").

(7) As Is Condition of Property; City Cooperation. The City makes no implied or express representations or warranties of any kind as to any condition that may adversely affect the development, or its fitness for absolutely any purpose whatsoever, other than with respect to the Sufficient Environmental Remediation (as defined in Section 5(H)(b) below). Upon delivery to the City of the Notice of Option Exercise, Developer will be deemed to have acknowledged that it is satisfied with the condition of the applicable Property, subject to the completion of the Sufficient Environmental Remediation, and shall be deemed to have waived any right to object to the status of title or to the condition of the Property, regardless of the result of any Diligence Activities, except as expressly provided for in this Agreement.

(8) Release of City from Liability. Upon Closing and subject to the City's obligation hereunder to perform Sufficient Environmental Remediation, Developer shall release the City and its officials, employees, and agents (but not any third party) from any and all claims or causes of action the Developer may have against the City for any liability, injury or loss as a result of any physical defects in or physical conditions of the Property, including but not limited to any surface, subsurface, latent or patent conditions whether naturally occurring or by action of any party.

(C) Brokerage and Finder's Fees and Commission. Developer will defend and indemnify the City and hold it harmless with respect to any commissions, fees, judgments, or expenses of any nature and kind that the City or Developer may become liable to pay by reason of any claims by or on behalf of brokers, finders or agents claiming by, through or under Developer incident to this Agreement and the transaction contemplated hereby or any litigation or similar proceeding arising therefrom unless the City has a written agreement with a broker, finder or agent providing for such payment in which case the City shall be responsible for such broker, finder or agents' commissions, fees, judgments or expenses. To the maximum extent permitted by applicable law, the City will defend and indemnify the Developer and hold it harmless with respect to any commissions, fees, judgments, or expenses of any nature and kind that the City or Developer may become liable to pay by reason of any claims by or on behalf of brokers, finders or agents claiming by, through or under the City incident to this Agreement and the transaction contemplated hereby or any litigation or similar proceeding arising therefrom unless the Developer has a written agreement with a broker, finder or agent providing for such payment in which case the Developer shall be responsible for such broker, finder or agents' commissions, fees, judgments or expenses. Developer represents and warrants to the City that it has not engaged or otherwise dealt with any brokers entitled to any commissions, fees, judgments, or expenses in connection with this Agreement.

(D) Taxes And Assessments. All taxes and assessments which (i) have become a lien

upon the Property or part thereof prior to the date of Closing, and (ii) have been discovered and specifically identified by Developer prior to the Closing, shall be paid by the City on or prior to the Closing Date; provided, further that all current property taxes shall be paid by the City through the date of Closing. From and after Closing, and subject to any abatement or other tax limitation described in this Agreement, Developer shall be solely responsible for all taxes, liens, and assessments that become due and payable for the period after the Closing against the Property it acquires hereunder or any part thereof, whenever assessed, levied, or due.

Section 2. ENVIRONMENTAL MATTERS

(A) Definitions. The following words and expressions shall, wherever they appear in this Agreement, be construed as follows:

(1) “Asbestos” shall have the meanings provided under the Environmental Laws and shall include, but not be limited to, asbestos fibers, friable asbestos or asbestos-containing materials or presumed asbestos-containing materials, as such terms are defined under the Environmental Laws.

(2) “Environmental Claims” shall mean all claims, demands, suits, proceedings, actions, whether pending or threatened, contingent or non-contingent, known or unknown, including but not limited to investigations and notices by any governmental authority or other person, brought under common law and/or under any of the Environmental Laws which can or do relate to the Property or the operations conducted thereon.

(3) “Environmental Laws” shall mean all applicable federal, state, and local laws, rules, regulations, orders, judicial determinations and decisions or determinations by any judicial, legislative or executive body of any governmental or quasi-governmental entity, or any other legally binding requirement, whether in the past, present or future, with respect to or otherwise related to the environment, natural resources, pollution or contamination and human health and safety, including, but not limited to:

(a) the installation, existence, or removal of, or exposure to, Asbestos at, on or in the Property;

(b) the existence on, discharge from, release of, exposure to, or removal from the Property of Hazardous Materials; and

(c) the effects on the environment of the Property or any activity conducted now, or previously or hereafter conducted, on the Property.

Without limiting the foregoing, Environmental Laws shall include, but not be limited to, the following: (i) the Michigan Natural Resources and Environmental Protection Act, 1994 Public Act 451, as amended (“NREPA”); the Comprehensive Environmental Response, Compensation, and Liability Act, 42 USC Sections 9601, et seq. (“CERCLA”); the Superfund Amendments and

Reauthorization Act, Public Law 99-499, 100 Stat. 1613; the Resource Conservation and Recovery Act, 42 USC Sections 6901, et seq.; the National Environmental Policy Act, 42 USC Section 4321; the Toxic Substances Control Act, 15 USC Section 2601; the Hazardous Materials Transportation Act, 49 USC Section 1801; the Clean Air Act, 42 USC Sections 7401, et seq.; the Occupational Safety and Health Act, 29 USC Sections 651, et seq., as each have been amended and the regulations promulgated in connection therewith; (ii) Environmental Protection Agency regulations pertaining to Asbestos (including 40 CFR Part 61, Subpart M); Occupational Safety and Health Administration Regulations pertaining to Asbestos (including CFR Sections 1901.1001 and 1926.58) as each may now or hereafter be amended; and (iii) any Michigan state and local laws and regulations pertaining to any Hazardous Materials.

(4) “Hazardous Materials” shall include any material, substance or waste classified, regulated, or otherwise characterized as “hazardous,” “toxic,” “radioactive,” a “pollutant,” “contaminant,” or words of similar meaning or is otherwise regulated by Environmental Laws, including, without limitation, polychlorinated biphenyls (PCBs), paint containing lead and urea formaldehyde foam insulation, and sewage.

(B) The City and Developer acknowledge and agree that some of the parcels to be transferred may be “facilities” pursuant to Part 201 of NREPA, whether or not as yet discovered to be such and that the obligations to perform Sufficient Environmental Remediation is the City’s obligation and shall be done at its cost and expense.

(C) The City shall authorize the Developer, through a fully executed Right-of-Entry (in the form attached), to enter upon the Property during the Diligence Period to, subject to the reasonable conditions set forth herein, make soil boring and bearing tests, undertake such surveying and environmental due diligence activities as Developer deems appropriate, including without limitation sampling and testing of soil, soil vapor, surface water, groundwater, indoor air, and the installation of groundwater wells, provided such do not materially and unreasonably interfere with demolition or site improvement activities of the City or the rightful use of the Property by a tenant in possession or other third party, if any, provided the City shall use its commercially reasonable efforts to facilitate such access to tenant spaces. All such testing and remediation shall be done at Developer’s expense; provided, if sampling occurs, the City shall have the right, at its cost and expense, to obtain split samples of any environmental media to the extent reasonably practicable. During the Diligence Period, Developer shall comply with the terms and provisions of the Right-of-Entry. Developer’s right to enter upon the applicable Property is subject to execution of such Right-of-Entry and subject to the prior written authorization by the tenant under the JLA Lease, which the City shall use commercially reasonable efforts to procure promptly upon receipt of the Diligence Notice from the Developer. Upon request from the City, Developer shall promptly provide the City with a copy of each final survey or environmental testing report generated as a result of such activities. Developer shall give prior written notice to the City of Developer’s plan to inspect and/or investigate the environmental condition of the Property during the Diligence Period (each such notice referred to herein as an “Investigation Notice”). The Investigation Notice shall identify any agents or

contractors that the Developer intends to use in conducting the activities covered by the Investigation Notice and the general scope of such activities; provided, the scope of any such investigations, site assessments or testing activities shall be subject to the City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed; provided, further, Developer shall have sole discretion to determine what analysis any samples will be subjected to. Developer shall use all commercially reasonable efforts to minimize damage to the Property in connection with such entry and shall restore the Property to the condition existing prior to such entry. Developer shall indemnify, defend and hold the City harmless from and against any and all out-of-pocket loss, cost, liability and expense, including reasonable attorney fees and litigation costs, suffered or incurred by the City as a result of the Developer's (including any of its duly authorized employees, agents, engineers or other representatives) negligent acts or omissions or willful misconduct occurring in connection with the activities conducted in accordance with the Right-of-Entry.

(D) In the event Developer elects to proceed to take title to the Property, upon the Closing and subject to the Sufficient Environmental Remediation, Developer takes such Property as it finds it, "AS IS", and the City makes no express or implied representations or warranties as to its fitness for absolutely any purpose whatsoever, including but not limited to any warranty that the Property is fit for the Developer's purpose or regarding the presence or absence of Hazardous Materials at, on, in, under, at, or from the Property and compliance with the Property with Environmental Laws, other than with respect to Sufficient Environmental Remediation. Except with respect to Sufficient Environmental Remediation, Developer acknowledges that neither the City nor any agent or employee of the City has made any representation, warranty or agreement, either express or implied, and Developer has not relied on any representation, warranty or agreement of any kind made by the City or any agent or employee of the City, concerning (a) the physical or environmental condition of the Property, or (b) the presence or absence of any condition, substance or material, including but not limited to any waste material, equipment or device at, on, in, under, about, or from the Property. Developer agrees that the disclosures of the City concerning the Property and its condition are intended to satisfy any duties the City may have under the law, including but not limited to the statutes, Environmental Laws, and common law. By executing this Agreement, Developer acknowledges that it is entitled to receive from the City Sufficient Environmental Remediation and is entitled to conduct its Diligence Activities, including but not limited to inspection of the Property, review of title, and the results of the tests, investigations and surveys permitted under this Agreement. If, prior to Closing, Developer fails to undertake such investigations and/or obtain such test results and surveys, or fails to object to the condition of the Property based on the results of its Diligence Activities, and Developer thereafter elects to proceed to Closing, Developer shall thereupon be deemed to have waived any right to object to the condition of the Property and shall be deemed to have declared its full satisfaction therewith, subject to Sufficient Environmental Remediation.

(E) Upon Closing, Developer, for itself and its successors and assigns, expressly waives and releases all Environmental Claims (whether for personal injury, property damage or otherwise) that Developer may have against the City and its officials, employees and agents in connection with or related to such Property or any aspect thereof, except with respect to Sufficient Environmental Remediation.

(F) After the Closing, the City shall have no obligation or liability to Developer whatsoever to undertake any cleanup or other remedial action that may be required in connection with the Property under any Environmental Law, or to comply with any other federal, state or local requirement to attend to the physical condition of the Property, subject to the City's obligations hereunder related to Sufficient Environmental Remediation.

(G) At its sole cost and expense, with respect to the Property for the period commencing on the Closing and ending on Commencement of Construction (as defined in Section 5(C) below), Developer shall: (a) comply with all Environmental Laws; (b) pay when due the cost of Developer's compliance with the Environmental Laws resulting out of environmental conditions caused or permitted by Developer during its period of ownership, use, possession or development of the Property; and (c) keep the Property free of any lien imposed pursuant to the Environmental Laws resulting out of Developer's ownership, use, possession, or development of the Property.

(H) Notwithstanding anything to the contrary which may be contained in this Agreement, Developer represents and warrants and covenants to the City for the period after Developer's commencement of ownership, use, possession or development of the Property through and including Commencement of Construction, as follows:

(a) Developer shall not use or allow the use of the Property for the purpose of storing any Hazardous Materials Developer brings into the Property, nor shall Developer use the Property in a manner which will cause or increase the likelihood of causing the release of such Hazardous Materials onto or from the Property, in each case other than those Hazardous Materials which are necessary and commercially reasonable for the conduct of Developer's development activities or the business operated on the Property and which Hazardous Materials shall be handled and disposed of in compliance with all Environmental Laws and industry standards and in a commercially reasonable manner.

(b) Developer shall promptly notify the City of any claims or litigation against the Developer by any person (including any governmental authority), concerning the presence or possible presence of Hazardous Materials contamination at the Property or concerning any violation or alleged violation of the Environmental Laws by the Developer respecting the Property, and shall furnish the City with a copy of any such communication received by Developer.

(c) Developer shall notify the City promptly and in reasonable detail in the event that Developer becomes aware of or suspects the presence of Hazardous Materials at levels exceeding those allowed by the Environmental Laws or contamination or a material violation of the Environmental Laws at the Property.

(d) If Developer's operations at the Property violate the Environmental Laws so as to subject Developer or the City to a formal notice of violation by a governmental agency alleging a violation of the Environmental Laws, Developer shall promptly notify the City of the Developer's receipt of such formal notice of

violation and shall promptly investigate the underlying circumstances and notify the City within five (5) days after the completion of its investigation of the results of its investigation. If Developer determines that an ongoing material violation by Developer is occurring or did occur, Developer shall, to the extent required by Environmental Laws, cease or cause a cessation of or take other actions to address those aspects of the use or operations causing the violation and shall remedy and cure in compliance with the Environmental Laws any conditions arising therefrom to the extent required by Environmental Laws at its own cost and expense. If Developer disputes that its activities are violating Environmental Laws, it shall expeditiously appeal and prosecute an appeal of the notice of violation or take other commercially reasonable actions to dispute such notice.

Section 3. CLOSING

(A) On the Closing Date, the City shall, subject to Developer's satisfaction of the conditions precedent set forth in Section 3(B) below, convey the Property to the Developer (the "Closing") by quit-claim deed substantially in the form of the deed set forth in **Exhibit B** (the "Deed") using legal descriptions approved by Developer and the City. The Parties agree and acknowledge that the sole and exclusive consideration for conveyance of the Property hereunder is deemed to be the Arrangement, the sufficiency of which is hereby acknowledged.

(B) Conditions to Closing. The City's obligation to proceed with a Closing is conditioned on the fulfillment by Developer of each of the following conditions precedent:

a. Resolution of Developer's Authority. Developer shall furnish to the City a certified copy of a resolution in form and substance reasonably acceptable to the City and the title company insuring title to the Property, duly authorizing the execution, delivery and performance of this Agreement and all other documents and actions contemplated hereunder.

b. Payment of Closing Costs. Developer shall have tendered payment of the closing costs payable by Developer, which shall include all title charges, escrow, closing and recording fees associated with any conveyance hereunder except those costs expressly allocated to the City hereunder. The City shall pay all closing costs in connection with transfer of the Property at Closing to the extent such costs are expressly allocated to sellers of real property in Detroit, Michigan pursuant to applicable law. Each Party shall bear the cost of its own legal fees and expenses in connection with this Agreement.

(C) Delivery of Deeds and Possession. The City will deliver to Developer at Closing the Deed with respect to the Property and possession thereof.

(D) Recording. Provided that Developer has complied with all conditions precedent as specified in Section 3(B) above, the Deed shall be delivered at the Closing for prompt recordation with the Register of Deeds of Wayne County, Michigan. Developer shall pay at Closing all costs for recording the Deed. Possession of the Property shall be delivered to Developer at the Closing.

Section 4: NOTICES

All notices, demands, requests, consents, approvals or other communications (any of the foregoing, a "Notice") required, permitted, or desired to be given hereunder to any Party shall be in writing and either (a) hand delivered, (b) sent by registered or certified mail, postage prepaid, return receipt requested, (c) sent by facsimile transmission (with confirmation), or (d) sent by reputable overnight prepaid courier, addressed to the Party to be so notified at its address set forth below, or to such other address as such Party may hereafter specify in accordance with the provisions of this Section. Any Notice shall be deemed to have been effectively given and received: (i) in the case of hand delivery, at the time of delivery if delivered prior to 5:00 P.M. New York time on a Business Day (or if delivered after 5:00 P.M. or on a day other than a Business Day, then the next succeeding Business Day); (ii) in the case of registered or certified mail, three (3) Business Days from transmittal; (iii) in the case of reputable overnight prepaid courier, one (1) Business Day subsequent to transmittal; or (iv) in the case of facsimile transmission, upon confirmation that receipt of such transmission was received, provided receipt of such transmission is confirmed prior to 5:00 P.M. New York time on the Business Day on which such confirmation is received (or if confirmed after 5:00 P.M. or on a day other than a Business Day, then the succeeding next Business Day), in each case addressed to the respective Party as follows:

If to Developer: Financial Guaranty Insurance Company
521 Fifth Avenue – 15th Floor
New York, New York 10175
Attention: General Counsel
Fax: 212-312-3221

If to the City: Director
Planning & Development Department
65 Cadillac Square, Suite 2300
Detroit, Michigan 48226
Fax: _____

With a copy to (which copy shall not constitute notice):

Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue
Suite 500
Detroit, MI 48226
Fax: _____

If to the State: State of Michigan
P.O. Box 30013
Lansing, Michigan 48909
Attention: _____
Fax: _____

Any Party may notify any other Party of any changes to the address or any of the other details for Notice to such Party specified above; provided, however, that no such change shall be effective

earlier than the date such Notice is received or deemed to have been received in accordance with this Section.

Section 5: COVENANTS

(A) Developer covenants for itself and its successors and assigns and every successor in interest to the Property, that from and after Closing on the Property, Developer and its successors and assigns shall develop such Property only to and in accordance with the Approved Development Proposal and otherwise pursuant to the terms and conditions of this Agreement, unless otherwise agreed in writing by the City. Subject to Force Majeure Delays (as defined below), within twelve (12) months following the Closing Date (the “Commencement Deadline”), the Developer shall achieve Commencement of Construction with respect to such Property. Following Commencement of Construction, the Developer shall diligently prosecute the Development on the Property to substantial completion in material conformance with the Approved Development Proposal (which shall mean substantial completion of the Development and all improvements related thereto, exclusive of landscaping, punch list items and any tenant work for commercial or other space for which there are no tenants or for which the work is to be done by a tenant and any onsite or offsite work that is not commercially necessary for occupancy in material conformance with the Approved Development Proposal) (the date upon which such substantial completion occurs referred to herein as the “Completion Date”). Subject to Force Majeure Delays, the Completion Date shall occur within thirty-six (36) months following the Closing Date (the “Completion Deadline”). For purposes of this Agreement, “Force Majeure Delays” shall mean an event, casualty, occurrence, condition, or circumstance of any kind or nature reasonably beyond the control of the applicable party hereto which renders such party unable to perform any of its obligations contemplated hereunder, in full or in part, including, without limitation, (i) acts of declared or undeclared war by a foreign enemy; (ii) civil commotion, insurrection or riots; (iii) fire or casualty or condemnation; (iv) floods, hurricanes or other materially adverse weather conditions; (v) earthquakes; (vi) acts of God; (vii) governmental preemption in the case of emergency; (viii) unavailability of materials to the extent not within the reasonable control of the applicable party (other than shortage of funds); (ix) strikes, lockouts or other labor trouble; (x) inability to secure labor or access to the Property including, without limitation, holdover of the tenant under the JLA Lease (as defined below) beyond any stated expiration date (inclusive of all renewal options thereunder); (xi) acts of terrorism; (xii) the suspension of government operations; (xiii) any act, omission, rule, order or regulation of any governmental authority or any department or subdivision thereof (other than, with respect to the City, the City, any department, subdivision or agency of the City or any governmental authority within the direct or indirect control or supervision of the City and other than, with respect to the Developer, the failure of the Developer to secure the Required Approvals if the Developer does not apply for and diligently prosecute the applications for such Required Approvals); (ix) the presence of hazardous materials on the Property and any related remedial action; and (x) any other cause, event or circumstance not within the reasonable control of the applicable party (other than shortage of funds).

(B) The Commencement Deadline and Completion Deadline shall be extended for a period of time equal to the number of days during which Developer is prevented from proceeding with the construction of the development at the Property by reason of Force Majeure

Delays, provided that (i) Developer is otherwise in compliance with the terms and provisions of this Agreement, and (ii) Developer notifies the City of the events constituting such Force Majeure Delays no later than sixty (60) days after Developer has actual knowledge of their occurrence. At Closing, Developer shall cause the City to be provided with a commercially reasonable completion guarantee, or other assurance of completion (which other assurance of completion shall be reasonably acceptable to the City), given by an entity reasonably acceptable to the City, which guarantees for the benefit of the City substantial completion of the Development on or before the Completion Deadline (the “Guaranty”).

(C) For purposes of this Agreement, “Commencement of Construction” on the Property shall be deemed to have occurred when the Developer shall have commenced site preparation work on the Property, which site preparation work may include renovation or demolition of existing structures located on the Property by the Developer, as applicable.

(D) Developer covenants and agrees that from and after Closing, through and including the Commencement of Construction, it will: (i) comply with all applicable zoning requirements, and all other applicable state and federal statutes and regulations and local laws and ordinances applicable to the ownership, use and/or occupancy of the Property; and (ii) except as abated in accordance with the terms hereof, pay and discharge when due without penalty, and in all events before penalty for nonpayment attaches thereto, all taxes, assessments and governmental charges, including but not limited to real estate taxes or assessments on the Property or any part thereof, except where the same may be contested in good faith.

(E) Developer covenants and agrees to permit the City or its designee to encumber that portion of the Property depicted in the attached **Exhibit C** with an easement upon terms and conditions determined by the City in its reasonable discretion, for the purpose of constructing certain riverwalk improvements. In the event the easement contemplated above is not placed of record prior to Closing, the Developer (including any successors or assigns thereof) shall permit such easement to be placed of record following Closing free of charge. Notwithstanding any provision hereof to the contrary, no such easement described in this paragraph, to the extent recorded prior to Closing, shall form the basis for a Title Defect or any Objection hereunder, and the City shall not be required for any reason to cure, remove or bond over such encumbrance.

(F) Developer covenants and agrees to permit the City or its designee to maintain on the Property those certain public transportation assets of the City commonly referred to as the “people mover” and all ancillary assets related thereto free of charge (the “People Mover”). Developer further covenants and agrees to permit the City or its designee to encumber the Property with an easement upon terms and conditions determined by the City in its reasonable discretion, for the purpose of maintaining, renewing and replacing, as necessary in the City’s sole discretion, the People Mover in the location on the Property in which the People Mover is situated as of the date of this Agreement. In the event the easement contemplated above is not placed of record prior to Closing, the Developer (including any successors or assigns thereof) shall permit such easement to be placed of record following Closing free of charge. Notwithstanding any provision hereof to the contrary, no such easement described in this paragraph, to the extent recorded prior to Closing, shall form the basis for a Title Defect or any

Objection hereunder, and the City shall not be required for any reason to cure, remove or bond over such encumbrance.

(G) Estate Conveyed. Notwithstanding anything contained in this Agreement to the contrary, the estate conveyed hereby shall be deemed to be a determinable fee and only upon Commencement of Construction hereunder will the possibility of reverter retained by the City automatically expire as to that part of the applicable Property.

(H) City Covenants.

(a) Prior to Closing, the City shall (1) subject to Demolition, maintain the Property in at least the same condition and repair (except for environmental condition and repair thereof, which is addressed in sub-clause (2) below) as such exists on the Effective Date, (2) not, through its own action, alter the environmental condition of the Property, as such exists on the Effective Date, in a material and adverse manner, (3) not take zoning or land use action on the Property without Developer's prior written consent, and (4) not execute or grant any lease, contract, agreement, lien, security interest, encumbrance, easement, or restriction with respect to such Property, or amend, modify, renew or extend any of the foregoing, without prior written consent of the Developer, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, without the consent of the Developer, the City shall be permitted to (i) enter into, amend, modify or renew any contract, agreement or lease with respect to the Property to the extent that such instrument is terminable at will by the City and is terminated by the City prior to the Closing or the term of such instrument does not extend beyond Closing, and (ii) amend or modify the JLA Lease in any manner which would not materially, adversely alter the rights of the Developer hereunder (for avoidance of doubt, the City shall be permitted to terminate the JLA Lease without the Developer's prior consent); provided, however, in no event shall the City renew or otherwise extend the JLA Lease, subject to the right of the existing tenant thereunder to so extend the JLA Lease. The City shall pass no charter, ordinance or other provision that solely affects or primarily targets the Developer or its rights under this Agreement which charter, ordinance or other provision has a material adverse impact on the Developer or its rights under this Agreement (it being understood that a "material adverse impact" shall include any adverse financial impact on or any contradiction, or adverse impact on the enforceability of, the terms of this Agreement or the Economic Incentive Agreements). To the extent any COBO Interests are intended to benefit the owner of the Property, but are not otherwise in the name of, or held by, the City, upon written request of the Developer given to the City not less than ninety (90) days prior to Closing, the City shall use reasonable efforts to cause such COBO Interests to be conveyed to the Developer at Closing.

(b) Promptly upon expiration of the JLA Lease, but in no event more than ninety (90) days after expiration of the JLA Lease (the "Demolition Commencement Date"), the City shall commence or cause to be commenced the demolition of all improvements on the Property (except for those certain improvements commonly referred to as the Joe Louis Arena Garage) (the "Demolition Property"), which demolition shall include (i) removal and disposal of all building improvements and materials located thereon and (ii) certain excavation work to be completed at the Demolition Property, which excavation work shall include, without limitation, clearing and grubbing, soil erosion and control, and site excavation and embankment on the

Demolition Property, all in accordance with plans and specifications reasonably acceptable to the Developer and all applicable laws, including, but not limited to Environmental Laws (“Demolition”). For the avoidance of doubt, if the City commences staging for the Demolition by the Demolition Commencement Date, the City will be deemed to have timely commenced Demolition. Notwithstanding the foregoing, Demolition shall also include (i) remediation or removal of Hazardous Materials (including, but not limited to, asbestos-containing materials, PCB-containing light fixtures, mercury-containing switches) related to the removal and disposal of materials from the Demolition Property to the extent required by or necessary to comply with applicable laws or as is customary for demolition projects of a similar scope and nature and (ii) the investigation, control or removal of any Hazardous Materials at, on or below the surface of the Property that is sufficient under and otherwise causes the Property to comply with applicable law for Developer to develop and use the Property consistent with the Development Proposal for its intended purposes as a multiuse hotel, residential condominium, office or retail development (“Sufficient Environmental Remediation”). Sufficient Environmental Remediation may, at the City’s election, include controls that do not unreasonably interfere with the Development Proposal; provided such are acceptable to the governmental authorities with jurisdiction over the Property. Developer agrees that, in conjunction with Developer, the City may have prepared and submitted to the Michigan Department of Environmental Quality a Baseline Environmental Assessment (Phase II) and associated Due Care Plans approved by and for the benefit of Developer, which approval shall not be unreasonably withheld, delayed or conditioned; however, the submission of such shall not alleviate the City’s obligation to undertake such other actions necessary to perform Sufficient Environmental Remediation to allow for the implementation of the Development Proposal. The Developer agrees that in conducting Sufficient Environmental Remediation, the City may rely on protective barriers to prevent contact with affected soil and deed restrictions to limit groundwater use and other due care requirements approved by the governmental authorities and reasonably acceptable to Developer. Sufficient Environmental Remediation shall not include the construction of measures adopted as controls to the extent that they are otherwise specifically part of the Development Proposal, in which case Developer shall construct them as part of the Development; however, if the costs to do so are increased as a result of government approved controls, the City shall reimburse Developer for the increased costs to satisfy any government imposed controls. Developer or any future owner will be responsible for maintaining any reasonable controls or due care measures adopted as part of the Sufficient Environmental Remediation. The Demolition Commencement Date is expected to occur on or before September 15, 2017. Demolition shall be completed within one (1) year following the Demolition Commencement Date. The State shall make available to the City and/or the City Parties certain CRP Incentives set forth below, of which up to \$6,000,000 will be for the purpose of reimbursing the City for the costs and expenses incurred in connection with the Demolition (the “Demolition CRP Incentives”). For purposes of this Agreement, “CRP Incentives” shall mean incentives available from the Michigan Strategic Fund, in cooperation with the Michigan Economic Development Corporation (“MEDC”), through the Community Revitalization Program under Public Act 252 of 2011. If there are any remaining Demolition CRP Incentives following the Demolition and the Sufficient Environmental Remediation, such funds shall be made available to reimburse the Developer for other eligible costs for the Development, to the extent the Developer otherwise meets the eligibility requirements for CRP Incentives and enters into the Economic Incentive Agreements applicable to such CRP Incentives.

(c) Until the earlier of Closing or termination of the Developer's rights under this Agreement, the City shall fund or cause to be funded all costs and expenses for the repairs specified on page 15 "Opinion of Expected Construction Costs – July 2014" in the Physical Conditions Due Diligence Review and Evaluation dated September 2014 prepared by Desman Associates, except for Item #3 identified therein.

(d) The City represents to Developer that, as of the Closing Date, the City or an instrumentality of the City will have the right, power and authority to convey the Property in the manner provided for in this Agreement.

(I) Economic Incentive Covenants.

(a) In order to facilitate construction of the Development pursuant to the Approved Development Proposal on the Property, the State has agreed to reimburse the Developer for certain eligible project costs through TIF Incentives, as more particularly set forth herein. To the extent that the Approved Development Proposal meets the eligibility requirements for TIF Incentives, the Developer shall be provided up to \$18,000,000 in TIF Incentives, which TIF Incentives will accrue interest at three percent (3%) per annum on any outstanding balance thereof, pursuant to one or more subsequent final written grants or loans (forgivable or otherwise), as applicable, and a development agreement or other economic assistance agreements, as applicable, which shall be entered into by the Developer and the State no later than one hundred twenty (120) following the City's approval of the Approved Development Proposal (which date may be extended by up to sixty (60) days in the event that the TIF Incentives require review by the Michigan Department of Environmental Quality) (the "Economic Incentive Agreements"). The Economic Incentive Agreements shall include (i) a schedule of performance- based project milestones for construction of the Development, and (ii) a pro-forma budget for the Development, as agreed upon by the City, the State and the Developer. The Economic Incentive Agreements will be executed in accordance with the standard process, including the filing of any necessary applications. The Economic Incentive Agreements shall govern disbursement of the TIF Incentives, including those project costs related to the Development that are eligible for TIF Incentives, as well as conditions precedent, milestones and timing for such disbursement, and shall include customary periodic reporting requirements of the Developer for data related to the Development both during and after construction. For purposes of this Agreement, "TIF Incentives" shall mean certain redevelopment incentives awarded by the Michigan Strategic Fund (MSF) under the Brownfield Tax Increment Financing Program (Act 381 of 1996), as administered by MEDC.

(b) To the extent the Development includes residential uses, the Economic Incentive Agreements shall also provide for designation of the Development as a Neighborhood Enterprise Zone ("NEZ"), and the City and each of the City Parties shall cooperate with and assist the Developer in applying for the NEZ certificate. The City and each of the City Parties shall establish either a Commercial Redevelopment Zone (as defined in the Commercial Redevelopment Act, defined below) or a Commercial Rehabilitation Zone (as defined in the Commercial Rehabilitation Act, defined below), as requested by the Developer, such that the Property will be eligible for the property tax abatements available for properties in the applicable zone. The City and each of the City Parties shall cooperate with and assist the Developer in

applying for and obtaining the tax abatements for which the Property and any development thereon is eligible under the Commercial Rehabilitation Act or the Commercial Redevelopment Act. For purposes hereof, "Commercial Redevelopment Act" means the Public Act 255 of 1978, MCL § 207.651 *et seq.*, and "Commercial Rehabilitation Act" means the Public Act 210 of 2005, MCL § 207.841 *et seq.*

(c) The City shall use its commercially reasonable efforts to assist the Developer in obtaining any additional sources of developer financings and grants not already expressly provided for in this Agreement that are identified in writing to the City by the Developer.

(J) Land Use Covenants.

(a) The City shall change the zoning requirement for the Property to be designated "B-5", which will permit the Developer to develop the Property as a mixed-use development, provided that the City administratively approves the site plans, which approval will not be unreasonably withheld, delayed or conditioned. Approval by the City of the Development Proposal shall not be deemed approval with respect to any site plan, elevation, special land use, environmental, conditional use or other municipal approvals or permits, or variances therefrom, required for the Development (the "Required Approvals"); provided, however, upon approval by the City of the Development Proposal and prior to Closing, the Developer may proceed with securing the Required Approvals at its sole cost and expense.

(b) With respect to any formal requests made by Developer or its designee to the City or State for any Required Approvals, the City or State, as applicable: (a) agrees to process such requests promptly and to use commercially reasonable efforts to process them within thirty (30) days of submission by the Developer, (b) shall not unreasonably withhold, condition or delay approvals of the applicable requests, provided that the City or State have the legal authority to grant such approval and that such approval does not violate any applicable law, rule or regulation of general application, (c) shall not unreasonably impede or interfere with the Development, (d) shall not discriminate against Developer in the consideration or approval of such Required Approvals on account of the circumstances surrounding the Arrangement and this Agreement and the events leading up thereto, and (e) shall use reasonable efforts to facilitate such requests, taking into consideration other similar requests for approvals or inducements, as applicable, of third parties granted thereby for similarly situated developments and uses as those contemplated for the Development; provided, however, the City or State, as applicable, shall process such requests for all Required Approvals pursuant to all then applicable rules, regulations, statutes and similar requirements.

Section 6: REMEDIES

(A) City's Remedies Prior to Conveyance. In the event that, prior to the Closing on the Property, Developer assigns or otherwise transfers this Agreement or any right therein or in the Property to any entity prohibited from doing business with the City, this Agreement and any rights of Developer in this Agreement, may, at the option of the City, be terminated by the City after thirty (30) days written notice and opportunity to cure provided by the City to Developer. In any case, the Developer shall provide written notice to the City of such assignment.

(B) City's Remedies Subsequent to Conveyance.

(1) Event of Default. If, prior to the Developer achieving substantial completion of the Development, the Developer breaches any covenant set forth in this Agreement and fails to cure such breach within thirty (30) days after written demand by the City, such an event shall be deemed to constitute an "Event of Default", provided, however, that if the nature of Developer's default is such that more than the cure period provided is reasonably required for its cure, then Developer shall not be deemed to be in default if Developer commences such cure within said period and thereafter diligently pursues such cure to completion within one hundred eighty (180) days of City's initial written demand hereunder. Notwithstanding the foregoing, Developer shall have the right to dispute that an Event of Default has occurred or that an Event of Default has not been timely cured by written notice of dispute sent to the City ("Notice of Dispute"). In the event a Notice of Dispute is sent, such Parties shall meet and in good faith work to resolve their differences. In the event the City and Developer cannot resolve their differences as to whether an Event of Default has occurred or has been cured, then the City shall not take any action with respect to such uncured and disputed Event of Default as described in Sections 6(B)(2) or 6(B)(3) below without first bringing an action in a court of competent jurisdiction for a final judicial determination that an Event of Default occurred and was uncured. Notwithstanding the foregoing, the Developer shall not be entitled to give a Notice of Dispute and the City shall not be required to first meet in good faith with the Developer as provided for above, and may proceed directly to seek judicial relief in a court of competent jurisdiction to the extent such Event of Default arises from or relates to the imminent risk of harm to property or persons. The City may, in its sole discretion, waive in writing any default or Event of Default by Developer.

(2) City's Remedies. Upon the occurrence of an Event of Default by the Developer, then after a judicial determination as required by Section 6(B)(1) above, the City shall have the right (as its sole remedy except as set forth in Section 6(B)(3) below with respect to the failure of the Developer to achieve Commencement of Construction prior to the Commencement Deadline as the same may be extended as provided herein), to seek injunctive relief, specific performance or other equitable remedies (other than the forfeiture of Developer's title to or interest in the Property) for the Developer's breach of this Agreement,. In no event shall the City be entitled to monetary damages as a result of the Developer's breach of this Agreement.

(3) Right of Reverter. It is expressly understood and agreed between the Parties hereto that until Commencement of Construction, the conveyance of such Property to Developer shall be construed and interpreted as the conveyance of a fee simple determinable, and that in the event of an uncured and undisputed Event of Default caused solely by the failure of the Developer to achieve Commencement of Construction prior to the Commencement Deadline as the same may be extended as provided herein, then after a judicial determination as required by Section 6(B)(1) above, title to the Property shall automatically revert in the City. Upon such reversion of title, the City shall have the right to re-enter and take immediate possession of the Property. While the right of reversion as to the Property automatically terminates upon Commencement of Construction, the City agrees to provide Developer with a written acknowledgement, in recordable form, that Commencement of Construction has occurred

and the City's right of reversion has terminated hereunder and to take such further action as may reasonably be requested by the Developer, at no incremental cost to the City, to extinguish the right of reversion of record.

(C) Rights and Remedies Cumulative. The rights and remedies of the City and the Developer, whether provided by law or by this Agreement, shall be cumulative, and the exercise by the City or the Developer of any one or more remedies shall not preclude the exercise by it, at the same or different times, of any other remedy for the same default or breach or any other default or breach by the Developer or the City. No waiver made by any Party shall apply to obligations beyond those expressly waived in writing.

(D) Developer's Remedies. If the City breaches its obligations under this Agreement after reasonable notice and opportunity to cure, Developer shall have the right to seek injunctive relief, specific performance or other equitable remedies for the City's breach of this Agreement. In no event shall the Developer be entitled to monetary damages as a result of the City's breach of this Agreement.

(E) Representatives Not Individually Liable. No official or employee of the City shall be personally liable to Developer or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to Developer or successor or on any obligations under the terms of this Agreement. No director, officer or employee of the Developer or any successor in interest shall be personally liable to the City, in the event of any default or breach by the Developer or any successor in interest for any amount which may become due to the City or on any obligations under the terms of this Agreement.

Section 7: PROVISIONS NOT MERGED WITH DEEDS

No provision of this Agreement is intended to or shall be merged into the Deed transferring title to the Property from the City to Developer or any successor in interest, and any such Deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 8: ENTIRE AGREEMENT; AMENDMENT

This Agreement (including all exhibits, schedules or other attachments hereto) constitutes the complete and exclusive statement of the terms of the agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, promises, and arrangements, oral or written, between or among the Parties with respect to the subject matter hereof. This Agreement may be amended or modified only by an instrument in writing signed by all of the Parties.

Section 9: GOVERNING LAW; JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without regard to conflicts-of-law principles that would require the application of any other law. Any dispute between the Parties under this Agreement which cannot be resolved by informal dispute resolution by the Parties within sixty (60) days of notice to the other

Party shall be brought in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") for so long as it has jurisdiction, and thereafter in the United States District Court for the Eastern District of Michigan (the "District Court"); provided, that if the District Court does not have jurisdiction, then such legal action, suit or proceeding shall be brought in such other court of competent jurisdiction located in Wayne County, Michigan; provided, further, by execution and delivery of this Agreement, each of the Parties irrevocably accepts and submits to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding and specifically consents to the jurisdiction and authority of the Bankruptcy Court to hear and determine all such actions, suits, and proceedings under 28 U.S.C. §157(b) or (c), whichever applies.

Section 10: COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but together such counterparts shall constitute one and the same instrument.

Section 11: AUTHORITY OF CITY.

Notwithstanding anything in this Agreement, in law or in equity, or otherwise to the contrary, this Agreement shall be of no force or effect and may not in any way be enforced against the City unless or until this Agreement and the transaction contemplated hereby have been: (i) approved in writing by the Emergency Manager for the City of Detroit, in accordance with Emergency Manager Order No. 5 (as modified by Order No. 42), (ii) either included in the Emergency Manager's financial and operating plan or approved in writing by the Governor of the State of Michigan or his or her designee, in accordance with Section 12(1)(k) of Public Act 436 of 2012; and (iii) either included in the Emergency Manager's financial and operating plan or approved in writing by the State Treasurer, in accordance with Section 15(1) of Public Act 436 of 2012. The City shall provide written notice to Developer of the satisfaction of the foregoing conditions, within five (5) business days after satisfaction thereof.

Section 12: CITY AGENCIES AND DEPARTMENTS. Whenever this Agreement requires an action or creates an obligation on behalf of the City, the City shall also be required, as applicable, to cause all of the City Parties to take such actions and perform such obligations.

Section 13: TRANSFERABILITY.

(A) Developer shall be entitled to freely transfer or assign its rights and obligations hereunder at any time, as long as it provides the City written notice thereof and it does not transfer its rights hereunder to a party that is prohibited from doing business with the City, and upon such assignment and an assumption of the obligations and liabilities of the Developer by any such transferee, the Developer shall be automatically released from any of its obligations or liabilities hereunder.

(B) Notwithstanding anything to the contrary contained herein, the COPs and any beneficial interests in COPs shall be freely transferable without restriction of any kind or notice to the City or any City Parties.

(signatures on following pages)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

WITNESSES:

DEVELOPER

FINANCIAL GUARANTY INSURANCE
COMPANY, a New York stock insurance
corporation

Print: _____

By: _____
Print: _____
Its: _____

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me on October __, 2014 by _____ the _____ of Financial Guaranty Insurance Company, a New York stock insurance company, on behalf of said company.

Notary Public, New York County, New
York
Acting in New York County, New York
My commission expires:

[signatures continue on following page]

WITNESSES:

STATE OF MICHIGAN

Print: _____

By: _____

Print: _____

Its: _____

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me on October ____ 20__ by
_____, the _____ of the State of
Michigan, on behalf of the State.

Notary Public, Wayne County, Michigan
Acting in Wayne County, Michigan
My commission expires:

[signatures continue on following page]

WITNESSES:

CITY OF DETROIT,
a Michigan public body corporate

Print: _____

By: _____

Print: _____

Its: _____

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me on October ____ 20__ by
_____, the _____ of the City of
Detroit, a Michigan public body corporate, on behalf of the City.

Notary Public, Wayne County, Michigan
Acting in Wayne County, Michigan
My commission expires:

Pursuant to § 18-5-12 of the Detroit City Code, I hereby certify that proper and fair consideration has been received by the City pursuant to this contract.

Approved by the City Law Department
pursuant to Sec. 7.5-206 of the Charter of the
City of Detroit.

Finance Director

Corporation Counsel

City Council Approval Date:

Drafted by and when recorded return to:

Bruce N. Goldman
Senior Assistant Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Detroit, Michigan 48226

EXHIBIT A
RIGHT OF ENTRY

[See attached]

EXHIBIT B

QUIT CLAIM DEED

The City of Detroit, a Michigan public body corporate whose address is 2 Woodward Avenue, Detroit, MI 48226 ("Grantor"), quit claims to _____, a Michigan _____ ("Grantee"), whose address is _____, the premises located in the City of Detroit, Wayne County, Michigan, described as:

A/K/A _____

Ward: _____ Item(s): _____

(the "Property"), for the sum of _____ (\$_____), subject to and reserving to the City of Detroit its rights under public easements and rights of way, easements of record, applicable zoning ordinances, development plans pursuant to Act 344 of 1945 as amended (if any), and restrictions of record.

This Deed is given subject to the terms, covenants and conditions of a Development Agreement - Option to Purchase and Develop Land dated _____, 20__ entered into by the parties hereto and which is incorporated herein by reference and a memorandum of which was recorded on _____, 20__ in the Office of the Register of Deeds for the County of Wayne in Liber _____ on Pages _____ through _____ inclusive, none of the terms, covenants and conditions of which shall be deemed merged in this Deed. The covenants therein recited to be covenants running with the land are hereby declared to be covenants running with the land enforceable by the City as therein set forth until Commencement of Construction as defined therein.

The Grantor grants to the Grantee the right to make all divisions under Section 108 of the land division act, Act No. 288 of the Public Acts of 1967, as amended. This property may be located within the vicinity of farmland or a farm operation. Generally accepted agricultural and management practices which may generate noise, dust, odors, and other associated conditions may be used and are protected by the Michigan right to farm act.

This deed is dated as of _____.

CITY OF DETROIT,
a Michigan public body corporate

By: _____

Print: _____

Its: _____

[acknowledgement on following page]

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me on _____
20__, by _____, the _____ of
the City of Detroit, a Michigan public body corporate, on behalf of the City.

Print: _____
Notary Public, Wayne County, Michigan
Acting in Wayne County, Michigan
My commission expires:

Pursuant to § 18-5-12 of the Detroit City Code, I hereby certify that proper and fair consideration has been received by the City pursuant to this contract.

Approved by the City Council on.
JCC pp _____ or Detroit Legal News,
_____, on file in my office.

Finance Director

Approved by the City Law Department
pursuant to Sec. 7.5-206 of the Charter of
the City of Detroit.

Approved by Mayor on

Corporation Counsel

City Clerk

This Instrument Drafted by:

When recorded, return to:

Bruce N. Goldman
Senior Assistant Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Detroit, MI 48226

Grantee

Exempt from transfer taxes pursuant to MCL § 207.505(h)(i) and MCL § 207.526(h)(i).

EXHIBIT C
RIVERWALK EASEMENT AREA

[See attached]

EXHIBIT I.A.216

**SCHEDULE OF HUD INSTALLMENT NOTE DOCUMENTS
& RELATED HUD INSTALLMENT NOTES**

HUD Installment Note Documents (Identified by note number. Ancillary instruments and agreements related thereto are not separately identified)	HUD Installment Notes	Estimated Allowed Amount (The estimated allowed amount is the sum of all advances and conversion date advances under the HUD Installment Notes identified in this schedule, less principal amounts paid, plus interest due on principal amounts outstanding. The estimated aggregate allowed amount is the sum of the estimated allowed amount for all the HUD Installment Notes identified in this schedule)
City Note No. B-94-MC-26-0006-A	Garfield Project Note *	\$549,142.50
City Note No. B-94-MC-26-0006-D	Stuberstone Project Note*	\$95,929.50
City Note No. B-97-MC-26-0006	Ferry Street Project Note*	\$1,837,217.00
City Note No. B-98-MC-26-0006-A	New Amsterdam Project Note*	\$10,371,138.25
City Note No. B-98-MC-26-0006-B	Vernor Lawndale Project Note*	\$1,923,209.50
City Note No. B-02-MC-26-0006	Mexicantown Welcome Center Project Note*	\$4,255,498.00
City Note No. B-03-MC-26-0006	Garfield II Note 1 *	\$8,935,901.00
City Note No. B-03-MC-26-0006	Garfield II Note 2*	\$3,071,773.50
City Note No. B-03-MC-26-0006	Garfield II Note 3 °	\$7,262,461.03
City Note No. B-03-MC-26-0006	Garfield II Note 4°	\$1,554,180.43
City Note No. B-05-MC-26-0006	Woodward Garden Project 1 Note*	\$8,532,290.00
City Note No. B-05-MC-26-0006	Woodward Garden Project 2 Note*	\$9,324,475.35
City Note No. B-05-MC-26-0006	Woodward Garden Project 3 Note°	\$6,177,291.95
City Note No. B-05-MC-26-0006-A	Book Cadillac Project Note*	\$10,457,437.75
City Note No. B-05-MC-26-0006-A	Book Cadillac Project Note II*	\$13,547,692.80
City Note No. B-05-MC-26-0006-B	Fort Shelby Project Note*	\$24,447,587.50

* HUD Installment Note has a fixed interest rate. Estimated allowed amount represents the aggregate of outstanding principal and fixed interest payments set forth in the amortization schedule for the HUD Installment Note.

° HUD Installment Note has a variable interest rate. Estimated allowed amount represents the aggregate of outstanding principal and an estimate of the variable interest payments at the rate set forth in the HUD Installment Note.

EXHIBIT I.A.230

**SCHEDULE OF LIMITED TAX GENERAL OBLIGATION BOND DOCUMENTS
& RELATED LIMITED TAX GENERAL OBLIGATION BONDS**

**SCHEDULE OF LIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED LIMITED TAX GENERAL OBLIGATION BONDS**

Limited Tax General Obligation Bond Documents	Series of Limited Tax General Obligation Bonds	Balance as of Petition Date
Bond Authorizing Resolution adopted May 26, 2004 Finance Director's Order approving sale of General Obligation Self-Insurance Bonds (Limited Tax) Series 2004, dated August 27, 2004	Self Insurance - Series 2004	\$13,186,559
Bond Authorizing Resolution adopted May 6, 2005 (" <u>2005 LTGO Resolution</u> ") Finance Director's Order dated June 24, 2005 (" <u>2005 Sale Order</u> ")	Series 2005-A(1)	\$60,776,168
2005 LTGO Resolution 2005 Sale Order	Series 2005-A(2)	\$11,080,060
2005 LTGO Resolution 2005 Sale Order	Series 2005-B	\$9,003,535
Resolution of the City Council adopted November 17, 2006 (" <u>2006 LTGO Resolution</u> ") Finance Director's Order dated May 30, 2008 (" <u>2008 LTGO Sale Order</u> ")	Series 2008-A(1)	\$43,905,085
2006 LTGO Resolution 2008 LTGO Sale Order	Series 2008-A(2)	\$25,591,781

EXHIBIT I.A.237

FORM OF LTGO SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT
(LTGO)

This Settlement Agreement (“**Agreement**”) is entered into as of July 24, 2014, among the City of Detroit (the “**City**”), Ambac Assurance Corporation (“**Ambac**”), and BlackRock Financial Management, on behalf of certain managed funds and accounts listed on Exhibit B (“**Uninsured Bondholder**,” and together with Ambac, the “**LTGO Parties**”). In this Agreement, the City and the LTGO Parties are referred to collectively as the “**Parties**.”

RECITALS

WHEREAS, as of the close of Fiscal Year 2013 (*i.e.*, June 30, 2013), the City had \$160,970,000 in outstanding principal amount of limited tax general obligation bonds, excluding any limited tax general obligation bonds secured by distributable state aid and sold to the Michigan Finance Authority (the “**Prior LTGO Bonds**”);

WHEREAS, more than two thirds in amount of the Prior LTGO Bonds are either insured by Ambac under financial guaranty insurance policies (the “**Bond Insurance Policies**”) that were issued contemporaneously with certain Prior LTGO Bonds (the “**Insured Prior LTGO Bonds**”) or held by the Uninsured Bondholder;

WHEREAS, the Governor of the State of Michigan determined on March 1, 2013 that a financial emergency existed in the City, and the Emergency Manager (together with any successors, the “**Emergency Manager**”) was appointed for the City on March 14, 2013;

WHEREAS, on July 18, 2013 (the “**Petition Date**”), the City filed a voluntary petition for relief under chapter 9 of title 11 of the United States Code (the “**Bankruptcy Code**”), thereby commencing Bankruptcy Case No. 13-53846 (the “**Bankruptcy Case**”) before the United States Bankruptcy Court for the Eastern District of Michigan (the “**Bankruptcy Court**”);

WHEREAS, as of the Petition Date, the balance due on the Prior LTGO Bonds, including prepetition interest accrued as of that date, was \$163,554,770;

WHEREAS, on October 1, 2013, the City defaulted on its obligation to make interest payments on the Prior LTGO Bonds in the amount of \$4,348,211 and Ambac paid claims in the amount of \$2,266,586 on account of the Insured Prior LTGO Bonds and was subrogated to the rights of the owners for such payments, and the insurance documents contemplate the assignment of the Insured Prior LTGO Bonds to Ambac upon payment of a claim;

WHEREAS, on April 1, 2014, the City defaulted on its obligation to make interest payments in the amount of \$4,348,211 and principal payments in the amount of \$43,420,000 on the Prior LTGO Bonds, and Ambac paid claims in the amount of \$20,686,586 on account of the Insured Prior LTGO Bonds insured by it and was subrogated to the rights of the owners for such payments, and the insurance documents

contemplate the assignment of the Insured Prior LTGO Bonds to Ambac upon payment of a claim;

WHEREAS, on November 8, 2013, Ambac filed an adversary proceeding against the City seeking declaratory relief with regard to its rights in respect of, *inter alia*, the Prior LTGO Bonds that is pending before the Bankruptcy Court (Adv. Proc. No. 13-05310) (the “**Ambac Action**”);

WHEREAS, on or before February 21, 2014, each of the LTGO Parties and other owners of Prior LTGO Bonds filed proofs of claim in the Bankruptcy Case (the “**LTGO Claims**”) asserting claims against the City for the full amount of principal and interest due under the documents pursuant to which the Prior LTGO Bonds were issued (including post-petition interest), and Ambac filed a proof of claim for amounts due Ambac for payments pursuant to the Bond Insurance Policies, and contractual reimbursements due for charges, fees, costs, losses, liabilities and expenses incurred by Ambac in connection with the Bond Insurance Policies; and

WHEREAS, the Parties have engaged in good faith and arms’ length negotiations regarding a consensual resolution of their disputes under or in respect of the Prior LTGO Bonds, the Ambac Action as it pertains to the Prior LTGO Bonds, and the LTGO Claims.

NOW, THEREFORE, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 **Recitals.** The recitals set forth above are incorporated by reference and are explicitly made a part of this Agreement.

Section 1.2 **Definitions.** In addition to the capitalized terms defined in the preamble and recitals, the following definitions shall apply to and constitute part of this Agreement and all schedules, exhibits and annexes hereto:

“**Allowed Claim**” has the meaning ascribed to it in the Plan.

“**Ambac Action**” has the meaning ascribed to it in the recitals hereof.

“**Approval Motion**” shall mean a motion filed by the City with the Bankruptcy Court seeking entry of the Approval Order pursuant to Federal Rule of Bankruptcy Procedure 9019, which motion shall be in form and substance reasonably satisfactory to the Parties.

“**Approval Order**” shall mean an order of the Bankruptcy Court (other than the Plan Confirmation Order) approving the compromise and settlement set forth in

this Agreement authorizing and directing the consummation of the transactions contemplated herein, which order shall be in a form and substance reasonably satisfactory to the Parties.

"Bankruptcy Case" has the meaning ascribed to it in the recitals hereof.

"Bankruptcy Code" has the meaning ascribed to it in the recitals hereof.

"Bankruptcy Court" has the meaning ascribed to it in the recitals hereof.

"Beneficiaries" has the meaning ascribed to it in Section 2.2.

"Bond Insurance Policies" has the meaning ascribed to it in the recitals hereof.

"City Representative" shall mean a representative chosen by the City to be on the fee committee described in Section 2.2(b).

"Claim" shall mean a "claim" as defined in Section 101(5) of the Bankruptcy Code.

"Class" means each class of Claims established under the Plan.

"COP Claims" shall have the meaning ascribed to it in the Plan.

"COP Litigation" shall have the meaning ascribed to it in the Plan.

"Disputed COP Claims Reserve" shall have the meaning ascribed to it in the Plan.

"Distribution Agent" shall mean U.S. Bank National Association, Detroit, Michigan.

"Distribution Agreement" shall mean the Insured Prior LTGO Bonds Distribution Agreement among the Distribution Agent the City, Ambac and the paying agent for the Insured Prior LTGO Bonds, in form and substance satisfactory to the City and Ambac, relating to the distribution of payments of principal and interest on the Insured Prior LTGO Bonds.

"DTC" shall mean the Depository Trust Company or any successor provider of a book entry and securities depository system for the Prior LTGO Bonds.

"DTC System" shall mean the system maintained by the Depository Trust Company used for trading municipal securities.

"Effective Date" shall mean the effective date of any Plan.

"Emergency Manager" has the meaning ascribed to it in the recitals hereof.

“Emergency Manager Order” shall mean an order of the Emergency Manager in substantially the form attached hereto as Exhibit A.

“Event of Default” has the meaning ascribed to it in Section 4.1.

“Final Order” shall mean an order or judgment (including any associated findings of fact and conclusions of law) of the Bankruptcy Court or other court of competent jurisdiction with respect to the applicable subject matter which has not been reversed, stayed, modified or amended and as to which (a) any right to appeal or seek certiorari, review, reargument, stay or rehearing has expired and no appeal or petition for certiorari, review, reargument, stay or rehearing is pending, or (b) an appeal has been taken or petition for certiorari, review, reargument, stay or rehearing has been filed and (i) such appeal or petition for certiorari, review, reargument, stay or rehearing has been resolved by the highest court to which the order or judgment was appealed or from which certiorari, review, reargument, stay or rehearing was sought or (ii) the time to appeal further or seek certiorari, review, reargument, stay or rehearing has expired and no such further appeal or petition for certiorari, review, reargument, stay or rehearing is pending; provided, however, that the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure or Federal Rule of Bankruptcy Procedure 9024 may be filed relating to such order shall not cause such order to not be a Final Order.

“Financial Terms” has the meaning ascribed to it in Section 2.2.

“Holder” shall mean the holder of a Claim.

“Independent Party” shall mean a party agreed to by the Retiree Committee, LTGO Representative and the City.

“Insured Prior LTGO Bonds” has the meaning ascribed to it in the recitals hereof.

“LTGO Exculpated Parties” means Ambac solely in its capacity as insurer of the Insured Prior LTGO Bonds, and the Uninsured Bondholder, solely in its capacity as an owner of a portion of the Prior LTGO Bonds, and their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents, attorneys, advisors, accountants, consultants, financial advisors and investment bankers, solely in their capacity as such.

“LTGO Claims” has the meaning ascribed to it in the recitals hereof.

“LTGO Claim Holders” shall mean holders of Allowed Claims on account of Prior LTGO Bonds who are (i) the record owner of any Prior LTGO Bonds that are not Insured Prior LTGO Bonds and (ii) Ambac as to any Insured Prior LTGO Bond.

“LTGO Parties” has the meaning ascribed to it in the recitals hereof.

“LTGO Representative” shall mean Ambac.

“New B Notes” shall have the meaning ascribed to it in the Plan.

“New LTGO Bonds” has the meaning ascribed to it in Section 2.2.

“OPEB Claim” has the meaning ascribed to it in the Plan.

“Petition Date” has the meaning ascribed to it in the recitals hereof.

“Plan” shall mean the chapter 9 plan of adjustment filed by the City and incorporating the terms and conditions set forth in this Agreement, in substantially the form of the draft thereof dated May 5, 2014, as such plan may be amended, modified or supplemented from time to time, which plan, solely as it relates to this Settlement Agreement, shall be in form and substance reasonably satisfactory to the LTGO Parties.

“Plan Confirmation Order” shall mean findings of fact and an order of the Bankruptcy Court confirming the Plan and meeting the requirements of Section 2.3 of this Agreement.

“Plan Documents” shall mean the Plan, the Plan Confirmation Order and any Plan-related documents effectuating this Agreement.

“Prior LTGO Bonds” has the meaning ascribed to it in the recitals hereof.

“Pro Rata” shall mean the proportion that a claim of one LTGO Claims Holder bears to the aggregate amount of all claims of all of the LTGO Claims Holders.

“Reserve B Notes” shall have the meaning ascribed to it in Section 2.2.

“Resolved COP Claims” has the meaning ascribed to it in Section 2.2.

“Retiree Committee” shall have the meaning ascribed to it in the Plan.

“Settlement-Related Documents” shall mean this Agreement, the Plan Documents, the Approval Order (if applicable), the New LTGO Bonds, and all documents related to the New LTGO Bonds.

“State” shall mean the State of Michigan.

“State Treasurer” shall mean the State Treasurer of the State.

“VEBA Trust Representatives” shall mean the chair of the Board as defined by and created by the City of Detroit Retiree Health Care Trust and the chair of the Board as defined by and created by the City of Detroit Police and Fire Retiree Health Care Trust.

Section 1.3 Interpretation. The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties

hereto and no presumption or burden of proof will arise favoring or disfavoring any Party hereto because of the authorship of any provision of this Agreement.

Section 1.4 General Rules of Construction. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) Defined terms in the singular shall include the plural as well as the singular, and vice versa.
- (b) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to “generally accepted accounting principles” refer to such principles as they exist at the date of application.
- (c) All references in this instrument to designated “Articles”, “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.
- (d) The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.
- (e) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.
- (f) The term “person” shall include any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization and any government or agency or political subdivision thereof.

ARTICLE II SETTLEMENT TERMS

Section 2.1 (a) Claim Allowance and Treatment; Other Plan Terms. The City hereby agrees that the total Allowed Claim relating to the Prior LTGO Bonds will be \$163,544,770.

(b) Holders of Allowed Claims for Prior LTGO Bonds will be treated in the Plan as follows:

- (i) all uninsured Prior LTGO Bonds will be cancelled and discharged, and LTGO Claim Holders will receive their Pro Rata share of New LTGO Bonds and Reserve B Notes in accordance with Section 2.2(e) of this Agreement;

(ii) all Insured Prior LTGO Bonds will be cancelled and discharged as to the City but deemed outstanding solely for recourse to the Bond Insurance Policies, i.e., the City will have no liability relating to the Prior LTGO Bonds, and any liability of the City in respect of Prior LTGO Bonds and Class 7 Claims in the Plan shall be cancelled and discharged; and

(iii) a Pro Rata share of New LTGO Bonds and Reserve B Notes attributable to the Insured Prior LTGO Bonds will be delivered to a Distribution Agent in accordance with Section 2.1(d) and, for the Reserve B Notes, Section 2.2(e) of this Agreement.

(c) The Distribution Agent shall be the beneficial owner of the Pro Rata share of the New LTGO Bonds and the Reserve B Notes attributable to the Insured Prior LTGO Bonds pursuant to the Distribution Agreement. The Distribution Agreement shall provide that, unless the Distribution Agent receives, no later than noon on a principal or interest payment date for the Prior LTGO Bonds, written notice from Cede & Co., as the registered owner of the outstanding Insured Prior LTGO Bonds, or any subsequent registered owner (the "Registered Owner") that Ambac has failed to timely pay a properly submitted claim for principal and/or interest which was due and payable on the Insured Prior LTGO Bonds on that date, the Distribution Agent shall remit each payment of principal and/or interest received by it from the paying agent for the New LTGO Bonds or the paying agent for the New B Notes to Ambac. In the event that the Distribution Agent receives, no later than noon on a principal or interest payment date for the Prior LTGO Bonds, written notice from the Registered Owner that Ambac has failed to timely pay a properly submitted claim for principal and/or interest which was due and payable on that date, the Distribution Agent shall remit the payment of principal and/or interest received by it from the paying agent for the New LTGO Bonds or the paying agent for the New B Notes to the paying agent for the Insured Prior LTGO Bonds for payment to the Holders of the Insured Prior LTGO Bonds, and shall provide notice thereof to Ambac, the paying agent for the Insured Prior LTGO Bonds and the Holders of the Insured Prior LTGO Bonds. The Distribution Agreement will provide that, once Ambac has paid the Holders of Insured Prior LTGO Bonds in full, the Distribution Agent will assign its beneficial ownership interest in the New LTGO Bonds and Reserve B Bonds to Ambac.

Section 2.2 Issuance of New LTGO Bonds, Delivery of New LTGO Bonds, and Delivery of Reserve B Notes.

(a) (i) On or before the Effective Date, by execution of the Emergency Manager Order the City will authorize the issuance and delivery of its Financial Recovery Bonds (Limited Tax General Obligation) under Section 36a of the Home Rule Act ("**New LTGO Bonds**") in accordance with applicable law, which New LTGO Bonds shall be distributed Pro Rata to the LTGO Claim Holders pursuant to the Plan. The New LTGO Bonds will have the principal amount, interest rate, amortization schedule and other financial terms as set forth in Schedule 1 (the "**Financial Terms**") and the Emergency Manager Order. The New LTGO Bonds will be limited tax general obligations of the City issued in accordance with applicable law. The New LTGO Bonds

shall be taxable. The New LTGO Bonds will be callable prior to maturity at the option of the City on any date at a price of par plus accrued interest to the date of redemption and without premium or penalty. If the City intends to redeem the New LTGO Bonds during any time that the Insured Prior LTGO Bonds are outstanding as set forth in Section 2.1(b)(ii) then:

(v) at least 35 days prior to such intended redemption, the City will direct the paying agent for the New LTGO Bonds to send a redemption notice to the New LTGO Bondholders;

(w) at least 34 days prior to the redemption date the Distribution Agent will direct the paying agent for the Insured Prior LTGO Bonds to send a redemption notice to Insured Prior LTGO Bondholders providing for a pro rata redemption of Insured Prior LTGO Bonds in an aggregate principal amount equal to the proportion that the principal amount of the New LTGO Bonds then outstanding of which the Distribution Agent is the beneficial owner bears to the total principal amount of New LTGO Bonds then outstanding, in accordance with the procedures for redemption in the Prior LTGO Bonds documents;

(x) no later than noon, Eastern Time, on the business day prior to the redemption date the City will pay the redemption price of the New LTGO Bonds to the paying agent for the New LTGO Bonds, and upon receipt of the redemption price of the portion of the New LTGO Bonds of which it is the beneficial owner, but no later than 10:00 a.m. Eastern Time, on the redemption date, the Distribution Agent shall promptly transfer the redemption price for the portion of the Insured Prior LTGO Bonds to be redeemed to the paying agent for the Insured Prior LTGO Bonds to effectuate the redemption of the Insured Prior LTGO Bonds on the same day;

(y) if Ambac issues endorsements to its Bond Insurance Policies decreasing such Policies by the redemption principal amount, the holders of Insured Prior LTGO Bonds will be deemed to consent to such endorsements and such Bond Insurance Policies will be so reduced; and

(z) the City understands that the paying agent for the Insured Prior LTGO Bonds will apply the amount received to reduce the principal amount, pro rata, of the Insured Prior LTGO Bonds which then remain outstanding as provided in Section 2.1(b) above and such reduction in principal shall be deemed a redemption, in part, of such the Insured Prior LTGO Bonds.

(ii) Any redemption of the New LTGO Bonds will be in whole and not in part.

(iii) In the event the City decides not to issue the New LTGO Bonds by the Effective Date but instead to pay cash to the LTGO Claim Holders, the Holders of Insured Prior LTGO Bonds which then remain outstanding as provided in Section 2.1(b) above will receive pro rata, cash equal to the Insured Prior LTGO Bonds' Pro Rata shares of such cash. The City understands that the paying agent for the Insured Prior LTGO

Bonds will apply such cash, pro rata, to reduce the principal of Insured Prior LTGO Bonds which then remain outstanding as provided in Section 2.1(b) and such reduction in principal shall be deemed a redemption, in part, of such Insured Prior LTGO Bonds.

(iv) All Settlement-Related Documents will be in form and substance reasonably satisfactory to the LTGO Parties (and in the case of the Plan Documents, solely as they relate to this Agreement).

(v) Each of the New LTGO Bonds will be freely transferable through the DTC System under a unique CUSIP identification number or, if the DTC System is discontinued with respect to the New LTGO Bonds, in such other manner as is permitted in accordance with their terms.

(vi) The City will not optionally redeem Insured Prior LTGO Bonds except as set forth in this Agreement.

(b) In addition to issuing and delivering the New LTGO Notes to the LTGO Claims Holders, the City shall also deliver and distribute to the LTGO Claim Holders the Pro Rata share of the Reserve B Notes in accordance with Section 2.2(e) of this Agreement. The Plan will provide in the event the City intends to redeem all or a portion of principal amount of New B Notes during any time that the Insured Prior LTGO Bonds are outstanding pursuant to Section 2.1(b)(ii) then:

(i) at least 35 days prior to the redemption date, the Distribution Agent will direct the paying agent for the Reserve B Notes to send a redemption notice to the New B Note Holders

(ii) at least 34 days prior to the redemption date, the Distribution Agent will direct the paying agent for the Insured Prior LTGO Bonds to send a redemption notice to Insured Prior LTGO Bondholders providing for a pro rata redemption of Insured Prior LTGO Bonds in an aggregate principal amount equal to the proportion that the principal amount of the New B Notes held by the Distribution Agent which are to be redeemed bears to the total principal amount of Insured Prior LTGO Bonds then outstanding pursuant to Section 2.1(b)(ii), in accordance with the procedures for redemption in the Prior LTGO Bonds documents;

(iii) no later than noon, Eastern Time, on the business day prior to the redemption date the City will pay the redemption price of the New B Notes to the paying agent for the New B Notes, and upon receipt of the redemption price of the portion of the New B Notes of which it is the beneficial owner, but no later than 10:00 a.m. Eastern Time, on the redemption date the Distribution Agent shall promptly transfer the redemption price for the portion of the Insured Prior LTGO Bonds to be redeemed to the paying agent for the Insured Prior LTGO Bonds to effectuate the redemption of the Insured Prior LTGO Bonds on the same day;

(iv) if Ambac issues endorsements to its bond Insurance Policies decreasing such Policies by the redemption principal amount, the holders of Insured Prior LTGO Bonds will be deemed to consent to such endorsements and such

Bond Insurance Policies will be so reduced; and

(v) the City understands that the paying agent for the Insured Prior LTGO Bonds will apply the amount received to reduce the principal amount, pro rata, of the Insured Prior LTGO Bonds which then remain outstanding as provided in Section 2.1(b) and such reduction in principal shall be deemed a redemption in part, of such Insured Prior LTGO Bonds.

(c) The Plan will provide that, from and after the Effective Date:

(i) The City will remain a named plaintiff and defendant in the COP Litigation but will transfer all of its rights and interests in the COP Litigation to a Litigation Trust whose beneficiaries, for the purpose of the COP Litigation, shall be the Litigation Parties and the Holders of Allowed Class 14 Claims. The Litigation Trustee will be selected by the LTGO Representative and the Retiree Committee and must be acceptable to the City. The document creating the Litigation Trust shall include indemnification of the Litigation Trustee by the City and will contain such other terms satisfactory to the Retiree Committee, the LTGO Representative and the City.

(ii) The Litigation Trustee will follow the day to day direction of the VEBA Trust Representatives in prosecuting and defending the COP Litigation, including defending any counterclaims and third-party claims therein. The Litigation Trustee and VEBA Trust Representatives will meet, in person or by phone at reasonable times and with reasonable advance notice, with all or any of the LTGO Representative, the VEBA Trust Representatives and the City (the "**Litigation Parties**") as requested to discuss the status, progress and prosecution of the COP Litigation. The Litigation Trustee will provide copies of all court filings by any party in the COP Litigation and such other documents relating to the COP Litigation as may be reasonably requested by the Litigation Parties. Upon request from a Litigation Party, the Litigation Trustee will provide to such Litigation Party drafts of court papers that will be filed by the Litigation Trustee as early as practicable under the circumstances to allow for comments, which may be accepted or rejected.

(iii) The cost of all fees and expenses incurred in connection with the COP Litigation will be borne by the Disputed COP Claims Reserve, subject to the funding of the Disputed COP Claims Reserve pursuant to Section II.B.3.p.iii of the Plan. The City will advance payment of all such fees and expenses within 30 days of receipt of the statements for the same pending reimbursement from the Disputed COP Claims Reserve. Reimbursement of the City will be effected by an offset in the amount of fees and expenses paid to the date of such reimbursement against the amount to be paid by the City to the Disputed COP Claims Reserve on that date. In the event that the COP Litigation is unsuccessful and a final, nonappealable judgment is entered against the City or the Litigation Trust as successor in interest to the City, such that the notes in the Disputed COP Claims Reserve are subject to release and distribution in full to the holders of Allowed Class 9 Claims in accordance with the Plan, the City will reimburse the

Disputed COP Claims Reserve for any amounts withdrawn prior to the date of such adverse judgment.

(iv) The Litigation Trustee will submit invoices for the fees and expenses incurred in connection with the COP Litigation, including for the Litigation Trustee's professional fees to the City on a monthly basis, and the City will pay such invoice within 30 days after receipt, subject to reimbursement as provided in paragraph (c)(iii) above. The Litigation Trustee fees will be fixed and consented to by the LTGO Representative and the VEBA Trustee Representatives.

(v) The Litigation Trustee will consult with the Litigation Parties in connection with any potential settlement of the COP Litigation. The Litigation Trustee will provide the Litigation Parties advance notice as early as practicable under the circumstances of any settlement negotiations, and the Litigation Parties and their counsel will have the right to participate in such negotiations. Any potential settlement must resolve the settled claims in their entirety, including the release by the settling party of all counterclaims and third party claims relating to the settled claims that it made or could have made against anyone. The Litigation Trustee will not take action on the matters set forth below unless all of the Litigation Parties agree with the decision relating to (B), (C) and (D) below, and the LTGO Representative agrees with the settlement described in (A) below:

(A) Any settlement that releases from the Disputed COP Claims Reserve to any of the COP Holders a pro rata share of the B Notes (or equivalent currency) based on 40% or more of the face amount of their claim.

(B) Any change of COP Litigation counsel.

(C) Any decision not to appeal an adverse decision on any claim or defense related to the COP Litigation.

(D) Any decision to voluntarily dismiss a substantive claim or counterclaim or to end the COP Litigation

To the extent the Litigation Parties are unable to reach agreement on the above matters, the Litigation Trustee or any Litigation Party may refer the matter to the Independent Party for mediation. Subject to such mediation, the Litigation Trustee shall have the authority to take whatever action may be required to avoid potentially adverse or prejudicial consequences of inaction. If a consensual resolution cannot be reached, the Independent Party will decide a substantive resolution of the issue or issues based upon the Independent Party's assessment of the merits of the legal claims, counterclaims and legal liabilities in the COP Litigation, which decision will be binding on the Litigation Parties and Litigation Trustee.

The City, the COP Litigation counsel, the VEBA Trust Representatives and the LTGO Representative will take any steps that may be required to preserve applicable privileges of the City and the COP Litigation counsel.

(d) In the event any Holder of a Disputed COP Claim enters into a settlement of such claim with the City prior to the Effective Date, including pursuant to the Plan, the portion of the New B Notes allocable to such Disputed COP Claim if such Disputed COP Claim had been allowed in full that is not used to satisfy the Disputed COP Claim pursuant to the terms of such settlement shall be deposited into the Disputed COP Claims Reserve and then distributed from the Disputed COP Claims Reserve pursuant to Section 2.2(e).

(e) Following the occurrence of the Effective Date, upon a settlement, or the entry of an order by the trial court having jurisdiction over the objections to the Disputed COP Claims, resolving any objection to any disputed COP Claim (“**Resolved COP Claims**”) and after all distributions on account of Allowed Claims respecting such Resolved COP Claim have been made or provided for, any and all New B Notes and distributions thereon remaining in the Disputed COP Claims Reserve with respect to such Resolved COP Claim shall be distributed as follows, and valued at face value for the purposes of the distribution: (I) an amount of New B Notes and/or distributions thereon in an amount equal to the costs, fees and expenses related to the COP Litigation incurred from and after the Effective Date shall be distributed to the City to reimburse it for attorneys’ fees relating to the COP Litigation, subject to and in accordance with the provisions of Section 2.2(c)(iii) above; (II) following such distribution, the balance of the New B Notes and any distributions thereon remaining in the Disputed COP Claims Reserve allocated to or with respect to such Resolved COP Claim shall be distributed as follows: (i) 65% to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the New B Notes allocated to each pursuant to Sections II.B.3.s.ii.A and II.B.3.s.ii.B of the Plan; and (ii) 20% to the LTGO Claim Holders (the “**Reserve B Notes**”) to be allocated Pro Rata; and (iii) 15% is to be allocated as determined by the City.

Section 2.3 Confirmation Order and Findings. The Plan Confirmation Order shall (i) approve the terms and conditions of this Agreement, (ii) direct that each month monies for the payment of one-sixth of the next semi-annual debt service payable on the New LTGO Bonds must be segregated and deposited into a debt service fund and not be used for any purpose other than paying debt service on the New LTGO Bonds so long as any New LTGO Bonds remain outstanding, (iii) provide that Plan treatment of the Prior LTGO Bonds is part of a settlement of the Ambac Action as it relates to the Prior LTGO Bonds, (iv) provide that the Bankruptcy Court will have exclusive post-confirmation authority and power to enforce this Agreement and all Settlement-Related Documents and (v) be in form and substance reasonably satisfactory to the LTGO Parties.

Section 2.4 Conditions to Plan Effectiveness. The Plan shall provide that the effectiveness of the Plan is subject to the City having obtained all governmental and Emergency Manager consents and approvals required to carry out the terms of this Agreement.

Section 2.5 Stay of Litigation, Proofs of Claim.

(a) The Ambac Action, as it pertains to the Prior LTGO Bonds, shall be stayed pending the issuance of an Approval Order or Plan Confirmation Order and the occurrence of the Effective Date, whereupon Ambac and the City shall ask the Bankruptcy Court to dismiss the Ambac Action as it pertains to the Prior LTGO Bonds without prejudice until the Approval Order or the Plan Confirmation Order, as applicable, is a Final Order, when such dismissal shall be deemed to be with prejudice. If the Ambac Action is dismissed without prejudice and subsequently refiled pursuant to this Agreement, then the statute of limitations for the causes of action asserted in the Ambac Action, and all other defenses based on the passage of time, shall be tolled for 60 days after the date of the event that would permit a refiling.

(b) As soon as practicable subsequent to the execution and delivery of this Agreement by each of the Parties, but in no event later than five (5) business days subsequent thereto, Ambac and the City shall take any and all action as is appropriate to (i) stay the Ambac Action as provided in subsection (a) above, (ii) maintain the status quo in the Ambac Action as it pertains to the Prior LTGO Bonds as of the execution of this Agreement, and (iii) ensure that no action (including separate litigation and any objection to proofs of claim filed by the LTGO Parties relating to the Prior LTGO Bonds) is undertaken or commenced inconsistent with seeking a stay of and maintaining the status quo of the Ambac Action as it pertains to the Prior LTGO Bonds; provided, however, that any such stay shall terminate on the first (1st) business day following termination of this Agreement.

(c) In the event (i) an Approval Motion is made by the City and denied by the Bankruptcy Court, (ii) an Approval Order is issued but is not consistent with this Agreement in any material respect or is overturned on appeal, (iii) a Plan consistent with this Agreement in all material respects is not confirmed by the Bankruptcy Court, or (iv) a Plan Confirmation Order is entered by the Bankruptcy Court but is not consistent in all material respects with this Agreement, or is overturned on appeal, then Ambac may resume the Ambac Action and terminate this Agreement by written notice to the other Parties.

(d) The LTGO Parties agree that all proofs of claims filed by any of them with respect to Prior LTGO Bonds shall be deemed resolved and fully satisfied by approval of this Agreement in the Confirmation Order or an Approval Order, as applicable, which is a Final Order.

Section 2.6 Additional Covenants

(a) Paying Agent and Distribution Agent. The City shall pay the reasonable and customary fees and expenses (including reasonable attorneys' fees) of (i) the paying agent with respect to the Prior LTGO Bonds, (ii) the paying agent in respect of all transactions contemplated by this Agreement, and (iii) the Distribution Agent pursuant to the Distribution Agreement.

(b) Further Action. To the extent that the City has not taken all necessary action to authorize the execution, delivery and performance of this Agreement, it will do so.

ARTICLE III PLAN OF ADJUSTMENT AND PLAN SUPPORT

Section 3.1 Plan Commitment Regarding Voting and Abstention From Objection. From and after the date hereof, and so long as the City has complied, and is complying, with its covenants and obligations under this Agreement, each LTGO Party shall withdraw its objections to the Plan regarding the treatment of the Prior LTGO Bonds no later than August 1, 2014. The Plan shall provide that such treatment, consistent with this Agreement, is the treatment for all LTGO Claim Holders. The Uninsured Bondholder will vote its Prior LTGO Bonds and Ambac will vote its Prior LTGO Bonds and reimbursement claims in support of such Plan treatment promptly following the execution of this Agreement or as otherwise agreed by the City. Upon the finalization of the terms of this Agreement, the Parties will file a stipulation and proposed order with the Bankruptcy Court that will permit each LTGO Party to modify its previous vote(s) and submit a vote in support of the Plan, pursuant to Federal Rule of Bankruptcy Procedure 3018. For the absence of doubt, nothing contained in this Agreement shall require any LTGO Party to vote for the treatment of any class of claims under the Plan other than the LTGO Bonds, or refrain from objecting to the Plan with respect to issues other than the treatment of the LTGO Bonds.

Section 3.2 Solicitation Required in Connection with Plan. Notwithstanding anything contained in this Article III or elsewhere in this Agreement to the contrary, this Agreement is not, and shall not be deemed to be, a solicitation of acceptances of the Plan.

Section 3.3 Plan Document Provisions. All Plan Documents, as they relate to the settlement embodied in this Agreement must (i) be in form and substance reasonably satisfactory to the LTGO Parties and to the City and be consistent with this Agreement, (ii) provide that the Plan treatment for Prior LTGO Bonds is part of a settlement of the pending Ambac Action as it pertains to the Prior LTGO Bonds.

ARTICLE IV DEFAULTS AND REMEDIES

Section 4.1 Events of Default. The breach by any Party of any material agreement or covenant set forth in this Agreement will be an event of default ("**Event of Default**") under this Agreement.

Section 4.2 Remedies. The Parties acknowledge and agree that a breach of the provisions of this Agreement by any Party would cause irreparable damage to the other Parties and that such other Parties would not have an adequate remedy at law for such damage. Therefore, the obligations of the Parties set forth in this Agreement shall be enforceable by an order compelling specific performance issued by the

Bankruptcy Court, and appropriate injunctive relief may be applied for and granted in connection therewith. Such remedies shall be cumulative and not exclusive and shall be in addition to any other remedies that the Parties may have under this Agreement or otherwise. Any LTGO Party may exercise its rights hereunder on its own. Consistent with Section 904 of the Bankruptcy Code, the City hereby consents to the Bankruptcy Court enforcing the terms of this Agreement.

Section 4.3 Termination.

(a) This Agreement may be terminated by the mutual agreement of all of the LTGO Parties upon an Event of Default caused by the City. This Agreement may be terminated by less than all of the LTGO Parties as to such LTGO Party or LTGO Parties upon an Event of Default caused by the City if (i) an action or proceeding seeking to enforce the material agreement or covenant purported to be breached is brought by one or more LTGO Parties before the Bankruptcy Court, (ii) the Bankruptcy Court, after notice and a hearing, finds that an Event of Default caused by the City has occurred and (iii) either (A) the Bankruptcy Court declines to issue an order compelling specific performance by the City of the applicable agreement or covenant purported to be breached or (B) the Bankruptcy Court issues such an order compelling specific performance but the City fails to comply with the order.

(b) This Agreement may be terminated by the City if (i) any of the LTGO Parties fails to withdraw its objections to the Plan regarding the treatment of the Prior LTGO Bonds on or before August 1, 2014, or (ii) any of the LTGO Parties fails to submit a ballot to vote its Class 7 Claims to accept the Plan promptly following the execution of this Agreement or as otherwise agreed by the City. This Agreement may be terminated by the City upon an Event of Default caused by the LTGO Parties, or any of them, if (i) an action or proceeding seeking to enforce the material agreement or covenant purported to be breached is brought by the City before the Bankruptcy Court, (ii) the Bankruptcy Court finds, after notice and a hearing, that an Event of Default caused by the applicable LTGO Party has occurred and (iii) either (A) the Bankruptcy Court declines to issue an order compelling specific performance by the applicable LTGO Party of this Agreement or the applicable covenant purported to be breached or (B) the Bankruptcy Court issues such an order compelling specific performance but the applicable LTGO Party fails to comply with the order.

(c) Upon any such termination, Ambac may resume the Ambac Action unless it has been previously dismissed with prejudice or has been previously deemed dismissed with prejudice.

ARTICLE V REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the City. The City represents and warrants to the LTGO Parties that:

(a) It is a municipal corporation of the State of Michigan.

(b) It has the power to execute and deliver this Agreement and to perform its obligations hereunder and it has taken or will take all necessary action to authorize such execution, delivery and performance.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any order or judgment of any court or other agency of government applicable to it, or any material agreements specifically applicable to it or any of its assets.

(d) Other than (i) approvals of the State Treasurer, the Emergency Loan Board and the City Council to be obtained prior to delivery of the New LTGO Bonds, which the City reasonably expects to be obtained prior to the Effective Date, and (ii) the approval of the Bankruptcy Court, all governmental and Emergency Manager consents and approvals that are required to have been obtained by it as of the date of execution of this Agreement with respect to the execution, delivery and performance of this Agreement have been obtained and are in full force and effect and all conditions of any such consents and approvals have been complied with.

Section 5.2 Representations and Warranties of the LTGO Parties. Each of the LTGO Parties represents to the City that:

(a) It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation.

(b) It has the power to execute and deliver this Agreement and to perform its obligations under this Agreement and it has taken all necessary corporate action to authorize such execution, delivery and performance.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it, or any agreements specifically applicable to it or any of its assets.

(d) All corporate or governmental consents and approvals that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents and approvals have been complied with.

Section 5.3 Representations and Warranties of Ambac. Ambac had and has standing to bring and resolve the Ambac Action as it pertains to the Prior LTGO Bonds that it insures.

Section 5.4 Mutual Representations and Warranties. Unless otherwise noted, each Party makes the following representations, warranties and covenants (on a several basis, with respect to such Party only) to each of the other Parties:

(a) Each person signing this Agreement warrants that he or she is legally competent and authorized to execute this Agreement on behalf of the Party whose name is subscribed at or above such person's signature.

(b) The Parties have not made any statement or representation to each other regarding any facts relied upon by them in entering into this Agreement, and each of them specifically does not rely upon any statement, representation or promise of the other Parties hereto or any other person in entering into this Agreement, except as expressly stated herein or in the exhibits hereto. Each party has relied upon its own investigation and analysis of the facts and not on any statement or representation made by any other party in choosing to enter into this Agreement and the transactions contemplated herein.

(c) The Parties and their respective attorneys have made such investigation of the facts pertaining to this Agreement and all of the matters pertaining thereto as they deem necessary.

ARTICLE VI EXCULPATION

Section 6.1 Exculpation. The Plan will include the LTGO Excipated Parties as excuplated parties for acts and omissions (other than those constituting gross negligence or willful misconduct) in connection with the Plan as it relates to this Agreement and this Agreement.

Section 6.2 Releases. Upon the dismissal with prejudice or deemed dismissal with prejudice of the Ambac Action as it pertains to the Prior LTGO Bonds, Ambac and the City shall be deemed to have released each other, and each of their respective officials, officers, directors, employees and representatives, of and from any and all claims and causes of action related to the Prior LTGO Bonds and the Ambac Action.

ARTICLE VII DISMISSAL OF CASE AND TERMINATION

Section 7.1 Effect of Dismissal of the Bankruptcy Case. In the event the Bankruptcy Case is dismissed, any Party may at any time within 60 days after such dismissal immediately terminate this Agreement by written notice to the other Parties.

Section 7.2 Effect of Termination. In the event of the termination of this Agreement by any Party pursuant to any provisions of this Agreement, this Agreement shall become null and void and be deemed of no force and effect, with no liability on the part of any Party hereto (or of any of its elected or appointed officials, directors, officers, employees, consultants, contractors, agents, legal and financial advisors or other representatives) arising from such termination, and no Party shall have any obligations to any other Party arising out of this Agreement. Upon termination, neither this Agreement nor any terms or provisions set forth herein shall be admissible in any dispute, litigation, proceeding or controversy among the Parties and nothing

contained herein shall constitute or be deemed to be an admission by any Party as to any matter, it being understood that the statements and resolutions reached herein were as a result of negotiations and compromises of the respective positions of the Parties. If the Ambac Action is reinstated, and this Agreement is terminated, then no Party hereto may (i) use this Agreement, any of its terms or any discussions or negotiations conducted in respect of this Agreement, or any part of the foregoing, in the Ambac Action; (ii) seek discovery with respect to any of the matters described in subsection (i) in the Ambac Action; or (iii) seek to admit any of the matters described in subsection (i) into evidence in the Ambac Action.

ARTICLE VIII MISCELLANEOUS

Section 8.1 Amendments. This Agreement may not be modified, amended or supplemented except by a written agreement executed by each Party to be affected by such modification, amendment or supplement.

Section 8.2 No Admission of Liability.

(a) The execution of this Agreement is not intended to be, nor shall it be construed as, an admission or evidence in any pending or subsequent suit, action, proceeding or dispute of any liability, wrongdoing, or obligation whatsoever (including as to the merits of any claim or defense) by any Party to any other Party or any other person with respect to any of the matters addressed in this Agreement.

(b) None of this Agreement (including, without limitation, the recitals and exhibits hereto), the settlement or any act performed or document executed pursuant to or in furtherance of this Agreement or the settlement: (i) is or may be deemed to be or may be used as an admission or evidence of the validity of any claim or of any wrongdoing or liability of any Party; or (ii) is or may be deemed to be or may be used as an admission or evidence of any liability, fault or omission of any Party in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal. None of this Agreement, the settlement, or any act performed or document executed pursuant to or in furtherance of this Agreement or the settlement shall be admissible in any proceeding for any purposes, except to enforce the terms of the Agreement, and except that any Party may file this Agreement in any action for any purpose, including, but not limited to, in order to support a defense or counterclaim based on the principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense of counterclaim.

Section 8.3 Good Faith Negotiations. The Parties recognize and acknowledge that each of the Parties hereto is represented by counsel, and such Party received independent legal advice with respect to the advisability of entering into this Agreement. Each of the Parties acknowledges that the negotiations leading up to this Agreement were conducted regularly and at arm's length; this Agreement is made and executed by and of each Party's own free will; that each knows all of the relevant facts

and his or its rights in connection therewith, and that it has not been improperly influenced or induced to make this settlement as a result of any act or action on the part of any party or employee, agent, attorney or representative of any party to this Agreement. The Parties further acknowledge that they entered into this Agreement because of their desire to avoid the further expense and inconvenience of litigation and other disputes, and to compromise permanently and settle the claims between the Parties settled by the execution of this Agreement.

Section 8.4 Rights and Remedies. Nothing in this Agreement is intended to augment, impair any rights, remedies and interests, including without limitation, liens, of any of the Parties hereto other than with respect to the Prior LTGO Bonds.

Section 8.5 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon, or to give to, any Person other than the Parties hereto and their respective successors and assigns, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation thereof; and the covenants, stipulations and agreements contained in this Agreement are and shall be for the sole and exclusive benefit of the Parties hereto and their respective successors and assigns.

Section 8.6 Governing Law; Retention of Jurisdiction; Service of Process. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan, without giving effect to any principles of conflicts of law and applicable federal law. By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding between any or all of the foregoing with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, shall be brought in the Bankruptcy Court for that purpose only, and, by execution and delivery of this Agreement, each hereby irrevocably accepts and submits itself to the jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding. In the event any such action, suit or proceeding is commenced, the Parties hereby agree and consent that service of process may be made, and personal jurisdiction over any Party hereto in any such action, suit or proceeding may be obtained, by service of a copy of the summons, complaint and other pleadings required to commence such action, suit or proceeding upon the Party at the address of such Party set forth in Section 8.11 hereof, unless another address has been designated by such Party in a notice given to the other Parties in accordance with Section 8.11 hereof. The City agrees that the Bankruptcy Court will have exclusive post-confirmation authority and power to enforce this Agreement and all Settlement-Related Documents and to hear and adjudicate any challenge, action, suit or proceeding brought by any third party challenging the validity or enforceability of any provision of this Agreement, until all New LTGO Bonds have been paid in full and all Plan Instruments are no longer outstanding. Pursuant to Section 904 of the Bankruptcy Code, the City hereby consents to the Bankruptcy Court enforcing the terms of this Agreement.

Section 8.7 Headings. The headings of the Articles and Sections of this Agreement are inserted for convenience only and are not part of this Agreement and do not in any way limit or modify the terms or provisions of this Agreement and shall not affect the interpretation hereof.

Section 8.8 Binding Agreement Successors and Assigns; Joint and Several Obligations. This Agreement shall be binding upon the execution and delivery of this Agreement by the Parties listed on the signature pages hereto. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, administrators, constituents and representatives. The agreements, representations, covenants and obligations of the Parties under this Agreement are several only and not joint in any respect and none shall be responsible for the performance or breach of this Agreement by another.

Section 8.9 Entire Agreement. This Agreement shall constitute the full and entire agreement among the Parties with regard to the subject matter hereof, and supersedes all prior negotiations, representations, promises or warranties (oral or otherwise) made by any Party with respect to the subject matter hereof. No Party has entered into this Agreement in reliance on any other Party's prior representation, promise or warranty (oral or otherwise) except for those that may be expressly set forth in this Agreement.

Section 8.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original copy of this Agreement and all of which, when taken together, shall constitute one and the same Agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts, provided receipt of copies of such counterparts is confirmed.

Section 8.11 Notices. All demands, notices, requests, consents, and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when personally delivered by courier service or messenger, (b) upon actual receipt (as established by confirmation of receipt or otherwise) during normal business hours, otherwise on the first business day thereafter if transmitted electronically (by e-mail transmission), by facsimile or telecopier, with confirmation of receipt, or (c) three (3) business days after being duly deposited in the mail, by certified or registered mail, postage prepaid-return receipt requested, to the following addresses, or such other addresses as may be furnished hereafter by notice in writing, to the following Parties:

If to the City, to:

Chief Financial Officer
City of Detroit
1126 Coleman A. Young Municipal Center
Two Woodward Avenue
Detroit MI 48226

Phone: (313) 224-3382
Fax: (313) 224-2827

with a copy given in like manner to:

Corporation Counsel
City of Detroit Law Department
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit MI 48226
Phone: (313) 237-3018
Fax: (313) 224-5505

Miller, Canfield, Paddock and Stone, PLC
150 West Jefferson, Suite 2500
Detroit, MI 48226
Attention: Jonathan Green
Email: green@millercanfield.com
Attention: Amanda Van Dusen
Email: vandusen@millercanfield.com

If to the LTGO Parties, to:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: Surveillance Department and General Counsel's Office
Fax: (212) 208-3384

with a copy given in like manner to:

Arent Fox LLP
1675 Broadway
New York, New York 10019
Attention: David L. Dubrow, Esq.
Telecopy: (212) 484-3990
Email: david.dubrow@arentfox.com

-and

BlackRock Financial Management
1 University Square Drive
Princeton, New Jersey 08540
Attn: Jim Schwartz
Phone: (609) 282-1784
Email: jim.schwartz@blackrock.com

with a copy given in like manner to:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, NY 10036
Attn: Amy Caton
Phone: (212) 713-7772
Email: acaton@kramerlevin.com

Section 8.12 Further Assurances. Each of the Parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments, and to take all such action as the other Parties may reasonably request in order to effectuate the intent and purposes of, and to carry out the terms of, this Agreement.

Section 8.13 Non-Severability of Agreement. This Agreement is to be construed as a whole, and all provisions of it are to be read and construed together. Notwithstanding anything in this Agreement, the Approval Order (if applicable) or the Plan Confirmation Order to the contrary, and in light of the integrated nature of the settlements and compromises embodied in this Agreement, in the event that (i) a court of competent jurisdiction enters a Final Order ruling that any of the transactions contemplated in this Agreement, are void, invalid, illegal or unenforceable in any material respect, (ii) any of the transactions contemplated by this Agreement are reversed, vacated, overturned, voided or unwound in any material respect, or (iii) the Approval Order or Plan Confirmation Order as it relates to the transactions contemplated in this Agreement is reversed, vacated, overturned or amended in any material respect, then in each case, the entirety of this Agreement (other than this Section 8.13) shall be void ab initio and of no force and effect and, during any subsequent proceeding, the Parties shall not assert claim preclusion, issue preclusion, estoppel or any similar defense in respect of rights and claims of the Parties that were the subject of this Agreement prior to this Agreement being of no force or effect.

(Signature page follows)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above.

THE CITY OF DETROIT, as Debtor

By: _____
Name:
Title:

AMBAC ASSURANCE CORPORATION

By: _____
Name:
Title:

BLACKROCK FINANCIAL MANAGEMENT, on
behalf of its managed funds and accounts as
reflected in Exhibit B

By: _____
Name:
Title:

Schedule 1

Financial Terms of New LTGO Bonds

Principal: \$55 million

Interest Rate: 5.65% per annum (first 10 years, 5.00% payable in cash and 0.65% capital appreciation added to principal)

Final Maturity: 23 years

Amortization: Interest payable semi-annually

On each anniversary from the sixth through tenth anniversary—\$2 million principal due per year

On each anniversary from the eleventh through twenty-third anniversary—principal payment equal to one-thirteenth (1/13) of the principal outstanding immediately prior to the eleventh anniversary (approximately \$3,735,115 per year)

Debt Service on Notes for LTGOs

\$ in MMs

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	Yr 21	Yr 22	Yr 23	

Debt Service and Amortization

Opening Balance	55.0	55.4	55.7	56.1	56.4	56.8	55.2	53.5	51.9	50.2	48.6	44.8	41.1	37.3	33.6	29.9	26.1	22.4	18.7	14.9	11.2	7.5	3.7
Principal	-	-	-	-	-	2.0	2.0	2.0	2.0	2.0	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Cash Interest	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.7	2.6	2.5	2.7	2.5	2.3	2.1	1.9	1.7	1.5	1.3	1.1	0.8	0.6	0.4	0.2
Total Cash Int	2.8	2.8	2.8	2.8	2.8	4.8	4.8	4.7	4.6	4.5	6.5	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.8	4.6	4.4	4.2	3.9
PIK Interest	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-

Interest Rate

Cash	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%	5.65%
PIK	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Exhibit A

EMERGENCY MANAGER ORDER

A-1

AFDOCS/11065646.6

CLI-2233676v8

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$55,000,000 FINANCIAL RECOVERY BONDS (LIMITED TAX GENERAL OBLIGATION) IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN CLAIMS OF THE HOLDERS AND INSURER OF CERTAIN LIMITED TAX GENERAL OBLIGATION BONDS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE DELIVERY AND EXCHANGE OF SAID BONDS TO THE HOLDERS OF SAID CLAIMS IN FULL SATISFACTION OF SAID CLAIMS.

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	3
Section 101. Definitions.....	3
Section 102. Interpretation.....	8
ARTICLE II DETERMINATIONS.....	8
Section 201. Finding, and Declaration of Need to Issue Bonds	8
ARTICLE III AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS	9
Section 301. Authorization of Bonds to Satisfy the Claims and Pledge.....	9
Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims	9
Section 303. Execution, Authentication and Delivery of Bonds	10
Section 304. Authentication of the Bonds	10
Section 305. Transfer of Registration and Exchanges on the Bonds	11
Section 306. Regulations with Respect to Exchanges and Transfers	11
Section 307. Form of the Bonds	12
Section 308. Registration	19
Section 309. Mutilated, Destroyed, Stolen or Lost Bonds.....	19
Section 310. Book-Entry-Only System Permitted	19
ARTICLE IV FUNDS AND ACCOUNTS	20
Section 401. Establishment of Accounts and Funds.....	20
Section 402. Debt Retirement Fund.....	20
Section 403. Investment of Monies in the Funds and Accounts.....	20
ARTICLE V THE PAYING AGENT	21
Section 501. Paying Agent.....	21
ARTICLE VI SUPPLEMENTAL ORDERS AND RESOLUTIONS.....	22
Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds	22
Section 602. Bond Counsel Opinion.....	22
ARTICLE VII DEFEASANCE	22
Section 701. Defeasance	22
ARTICLE VIII OTHER PROVISIONS OF GENERAL APPLICATION.....	23
[Section 801. RESERVED]	23
Section 802. Approval of Other Documents and Actions.....	23
Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers	23
Section 804. Approving Legal Opinions with Respect to the Bonds	24
Section 805. Appointment of Bond Counsel; Engagement of Other Parties.....	24
Section 806. Preservation of Records	24
Section 807. Parties in Interest.....	24
Section 808. No Recourse Under Order	24

TABLE OF CONTENTS
(continued)

	Page
Section 809. Severability	24
Section 810. Cover Page, Table of Contents and Article and Section Headings.....	24
Section 811. Conflict	25
Section 812. Governing Law and Jurisdiction.....	25
Section 813. Order and Supplemental Order are a Contract.....	25
Section 814. Effective Date	25
Section 815. Notices	25

ORDER NO. ____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$55,000,000 FINANCIAL RECOVERY BONDS (LIMITED TAX GENERAL OBLIGATION) IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN CLAIMS OF THE HOLDERS AND INSURER OF CERTAIN LIMITED TAX GENERAL OBLIGATION BONDS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE DELIVERY AND EXCHANGE OF SAID BONDS TO THE HOLDERS OF SAID CLAIMS IN FULL SATISFACTION OF SAID CLAIMS.

WHEREAS, on March 1, 2013, the Governor (the "Governor") of the State of Michigan (the "State") determined that a financial emergency existed within the City of Detroit, County of Wayne, State of Michigan (the "City") pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended ("Act 72"); and

WHEREAS, on March 14, 2013, the Governor confirmed that a financial emergency existed within the City and, pursuant to Act 72, assigned to the Local Emergency Financial Assistance Loan Board established pursuant to the Emergency Municipal Loan Act, Act 243 Public Acts of Michigan, 1980, as amended (the "Board") the responsibility for managing the financial emergency; and

WHEREAS, on March 14, 2013, pursuant to Act 72, the Board appointed Kevyn D. Orr as Emergency Financial Manager for the City; and

WHEREAS, by operation of law the financial emergency continues to exist within the City pursuant to the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012 ("Act 436") and the Emergency Financial Manager continues in the capacity of the Emergency Manager for the City (the "Emergency Manager"); and

WHEREAS, as of the close of Fiscal Year 2013 (*i.e.*, June 30, 2013), the City had \$160.97 million in outstanding principal amount of limited tax general obligation bonds, excluding any limited general obligation bonds secured by distributable state aid and sold to the Michigan Finance Authority (the "Prior LTGO Bonds"); and

WHEREAS, more than two thirds in amount of the Prior LTGO Bonds are either held by BlackRock Financial Management (the "Uninsured Bondholder") or insured by Ambac Assurance Corporation ("Ambac") under financial guaranty insurance policies (the "Bond Insurance Policies") that were issued contemporaneously with certain Prior LTGO Bonds (the "Insured Prior LTGO Bonds"); and

WHEREAS, on July 18, 2013 (the "Petition Date"), in accordance with Act 436 and the approval of the Governor, the Emergency Manager filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, as of the Petition Date, the balance due on the Prior LTGO Bonds, including prepetition interest accrued as of that date, was \$163,554,770; and

WHEREAS, on October 1, 2013, the City defaulted on its obligation to make interest payments on the Prior LTGO Bonds in the amount of \$4,348,211, and Ambac paid claims in the amount of \$2,266,586 on account of the Insured Prior LTGO Bonds and was subrogated to the rights of the owners for such payments, and the insurance documents contemplate for the assignment of the Insured Prior LTGO Bonds to Ambac upon payment of a claim; and

WHEREAS, on April 1, 2014, the City defaulted on its obligation to make interest payments in the amount of \$4,348,211 and principal payments in the amount of \$43,420,000 on the Prior LTGO Bonds, and Ambac paid claims in the amount of \$20,686,586 on account of the Insured Prior LTGO Bonds insured by it and was subrogated to the rights of the owners for such payments, and the insurance documents contemplate for the assignment of the Insured Prior LTGO Bonds to Ambac upon payment of a claim; and

WHEREAS, on May 5, 2014, the Emergency Manager filed on behalf of the City a Fourth Amended Plan for the Adjustment of the Debts of the City of Detroit (now and as subsequently amended, the "Plan of Adjustment") in the Bankruptcy Court to provide for the adjustment of the debts of the City pursuant to and in accordance with Chapter 9 of the Bankruptcy Code; and

WHEREAS, on _____, 2014, the City, Ambac and the Uninsured Bondholder (together the "LTGO Parties") entered into a Settlement Agreement (LTGO) (the "Settlement Agreement") regarding a consensual resolution of their disputes under or in respect of the Prior LTGO Bonds, the Ambac Action (as defined in the Settlement Agreement) and the claims of the LTGO Parties (the "LTGO Claims"); and

WHEREAS, the Plan of Adjustment and the Settlement Agreement provide, among other things, for the satisfaction of the claims of the holders of Allowed Claims on account of Prior LTGO Bonds who are (i) record owners of any Prior LTGO Bonds and (ii) Ambac as to any Insured Prior LTGO Bond (each, a "LTGO Claims Holder") in exchange for the receipt of unsecured pro rata shares (each a "Pro Rata Share") of New LTGO Notes, in the form of the Bonds authorized herein, in the form of Financial Recovery Bonds authorized for settlement of unsecured claims under the Plan of Adjustment and a portion of the New B Notes, referred to as "Reserve B Notes" in the Settlement Agreement, to be authorized by separate order of the Emergency Manager; and

WHEREAS, upon satisfaction of all of the terms and conditions required of the City related to the confirmation of the Plan of Adjustment, the City shall establish the Business Day upon which the Plan of Adjustment shall become effective (the "Effective Date"); and

WHEREAS, on or before the Effective Date, the City shall issue Financial Recovery Bonds (Limited Tax General Obligation) (the “Bonds”) under Section 36a of the Home Rule City Act, Act 279, Public Acts of Michigan, 1909, as amended (“Act 279”) and this Order, and distribute Pro Rata Shares of the Bonds, to the LTGO Claim Holders as provided in the Plan of Adjustment; and

WHEREAS, the Emergency Manager of the City deems it necessary to authorize the issuance of the Bonds in one or more series, in the aggregate principal amount of not to exceed Fifty Five Million Dollars (\$55,000,000) pursuant to Section 36a of Act 279; and

WHEREAS, the Bonds will be secured by a pledge of the City’s limited tax full faith and credit; and

WHEREAS, Section 36a of Act 279 authorizes a city, for which a financial emergency has been determined to exist, such as the City, to borrow money and issue Financial Recovery Bonds subject to the terms and conditions approved by the Board; and

WHEREAS, the City must receive prior approval of the terms and conditions for the issuance of the Bonds from the Board in accordance with Section 36a of Act 279; and

WHEREAS, the Emergency Manager desires to submit this Order to the Board proposing the issuance by the City of the Bonds, in one or more series, under Section 36a of Act 279, to provide for a portion of the financing of the City under the Plan of Adjustment, solely to satisfy the claims of the LTGO Claim Holders; and

WHEREAS, prior to submission of this Order to the Board, pursuant to Sections 12(1)(u) and 19(i) of Act 436, the Emergency Manager must obtain approval of the issuance of the Bonds by the City Council of the City (the “City Council”), and if the City Council disapproves the issuance of the Bonds, the issuance of the Bonds must be approved by the Board.

NOW, THEREFORE, BE IT ORDERED AS FOLLOWS:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 101. Definitions. The words and terms defined in the preambles and recitals hereof and the following words and terms as used in this Order shall have the meanings ascribed therein, herein or in the Plan of Adjustment to them unless a different meaning clearly appears from the context:

“Accretion Date” means April 1 and October 1 of each year after the Date of Original Issue and the Conversion Date.

“Accretion Rate” means a rate of accretion in principal borne by the Bonds of 0.65% per annum compounded semiannually on each Accretion Date from the Date of Original Issue until the Conversion Date.

“Accretion Value” means as of any particular date of calculation, the original principal amount of the Bond, plus all accretion in principal accrued and compounded to the particular date of calculation. A table setting forth the Accreted Values per \$5,000 original principal amount of the Bonds at each Accretion Date shall be set forth in the Bonds and as an exhibit to the Supplemental Order.

“Act 243” means Act No. 243, Public Acts of Michigan, 1980, as amended.

“Act 279” means Act No. 279, Public Acts of Michigan, 1909, as amended.

“Act 436” means Act No. 436, Public Acts of Michigan, 2012.

“Allowed Claims” has the meaning set forth in the Plan of Adjustment.

“Authorized Denominations” shall mean denominations of Bonds equal to multiples of \$1,000 or integral multiples of \$1.00 in excess thereof.

“Authorized Officer” means (i) the Emergency Manager or his designee or successor, or if the City is no longer operating under a financial emergency pursuant to Act 436, the chief administrative officer of the City, the Finance Director or his or her designee, or (ii) any other person authorized by a Certificate of an Authorized Officer to act on behalf of or otherwise represent the City in any legal capacity, which such certificate shall be delivered, if at all, in the City’s sole discretion.

“Bankruptcy Case” means the City’s Bankruptcy Case No. 13-53846 in the U.S. Bankruptcy Court for the Eastern District of Michigan.

“Bankruptcy Code” has the meaning ascribed to it in the recitals hereof.

“Board” has the meaning set forth in recitals hereto.

“Bond Counsel” means Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, or such other nationally recognized firm of attorneys experienced in matters pertaining to municipal bonds and appointed to serve in such capacity by the City with respect to the Bonds.

“Bond” or “Bonds” means the Financial Recovery Bonds (Limited Tax General Obligation), Series 2014 of the City authorized to be issued by the Order in the aggregate principal amount not to exceed \$55,000,000, in one or more series, and bearing such other designations as determined by the Authorized Officer in the Supplemental Order.

“Bond Insurance Policies” has the meaning ascribed to it in the recitals hereof.

“Bond Registry” means the books for the registration of Bonds maintained by the Paying Agent.

“Bondowner”, “Owner” or “Registered Owner” means, with respect to any Bond, the person in whose name such Bond is registered in the Bond Registry.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which the Paying Agent or banks and trust companies in New York, New York are authorized or required to remain closed, (iii) a day on which the New York Stock Exchange is closed, or (iv) a day on which the Federal Reserve is closed.

“Certificate” means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Indenture or (ii) the report of an Authorized Officer as to audits or other procedures called by the Indenture, as the case may be.

“Charter” means the Charter of the City, as amended from time to time.

“City” means the City of Detroit, County of Wayne, State of Michigan.

“Claim” shall mean a “claim” as defined in Section 101(5) of the Bankruptcy Code.

“Class” means each class of Claims established under the Plan.

“Closing Date” means the Date of Original Issue.

“Code” means the Internal Revenue Code of 1986, as amended.

“Confirmation Order” has the meaning set forth in recitals hereto.

“Constitution” means the Constitution of the State of Michigan of 1963, as amended.

“Conversion Date” means the last Accretion Date on the tenth anniversary of the Date of Original Issue of the Bonds, after which the Bonds shall no longer accrete in value.

“Date of Original Issue” means the date upon which all conditions precedent set forth in the Bond Purchase Agreement to the transactions contemplated therein and herein have been satisfied and the Bonds have been issued to the Purchaser.

“Debt Retirement Fund” means the Debt Retirement Fund established under Section 501 hereof, and any subaccounts thereof established hereunder for the payment of principal of and premium and interest on the Bonds.

“Distribution Agent” shall mean U.S. Bank National Association, Detroit, Michigan.

“Distribution Agreement” shall mean the Insured Prior LTGO Bonds Distribution Agreement among the Distribution Agent the City, Ambac and the paying agent for the Insured Prior LTGO Bonds, in form and substance satisfactory to the City and Ambac, relating to the distribution of payments of principal and interest on the Insured Prior LTGO Bonds.

“DTC System” shall mean the system maintained by The Depository Trust Company used for trading municipal securities.

“Emergency Manager” has the meaning set forth in the recitals hereto.

“Final Order” has the meaning set forth in the Plan of Adjustment.

“Fiscal Year” means the period from July 1 to and including June 30 of the immediately succeeding calendar year or such other fiscal year of the City as in effect from time to time.

“Holder” shall mean the holder of a Claim under or evidenced by the Prior LTGO Bonds.

“Insured Prior LTGO Bonds” has the meaning ascribed to it in the recitals hereof.

“Interest Payment Date” means April 1 and October 1 of each year commencing with the April 1 or October 1 specified in the Supplemental Order.

“Interest Rate” means a rate of interest borne by the Bonds, payable currently on each Interest Payment Date, of 5% per annum from the Date of Original Issue until the Conversion Date, and thereafter at a rate of interest of 5.65% per annum payable currently until the Maturity Date.

“LTGO Claims” has the meaning ascribed to it in the recitals hereof.

“LTGO Claims Holder” shall mean holders of Allowed Claims on account of Prior LTGO Bonds who are (i) the record owners of any Prior LTGO Bonds and (ii) Ambac as to any Insured Prior LTGO Bond.

“LTGO Parties” has the meaning set forth in the recitals hereof.

“Maturity Date” means the twenty-third (23rd) anniversary of the Date of Original Issue or such other final date of maturity of each series of the Bonds as specified in the Supplemental Order.

“Maximum Aggregate Principal Amount” has the meaning given such term in Section 201.

“New LTGO Bonds” means the Bonds.

“Order” means this Order of the Emergency Manager as supplemented by the Supplemental Order, and as amended from time to time pursuant to Article VI.

“Outstanding” when used with respect to:

- (1) the Bonds, means, as of the date of determination, the Bonds theretofore authenticated and delivered under this Order, except:
 - (A) Bonds theretofore canceled by the Paying Agent or delivered to such Paying Agent for cancellation;

- (B) Bonds for whose payment money in the necessary amount has been theretofore deposited with the Paying Agent in trust for the registered owners of such Bonds;
- (C) Bonds delivered to the Paying Agent for cancellation in connection with (x) the exchange of such Bonds for other Bonds or (y) the transfer of the registration of such Bonds;
- (D) Bonds alleged to have been destroyed, lost or stolen which have been paid or replaced pursuant to this Order or otherwise pursuant to law; and
- (E) Bonds deemed paid as provided in Section 701.

“Paying Agent” means the bond registrar, transfer agent and paying agent for the Bonds.

“Petition Date” has the meaning set forth in the recitals hereto.

“Plan of Adjustment” has the meaning set forth in the recitals hereto.

“Prior LTGO Bonds” has the meaning ascribed to it in the recitals hereof.

“Pro Rata” shall mean the proportion that a claim of one LTGO Claims Holder bears to the aggregate amount of all claims of all of the LTGO Claims Holders.

“Registered Owner” means the registered owner of a Bond as the registered owner’s name appears on the Bond Registry under Section 305.

“Regular Record Date” has the meaning given such term in Section 302.

“Reserve New B Notes” shall have the meaning set forth in the recitals hereto.

“Security Depository” has the meaning given such term in Section 310.

“State” has the meaning set forth in the recitals hereto.

“State Treasurer” means the Treasurer of the State of Michigan.

“Supplemental Order” means the order or orders of the Authorized Officer making certain determinations and confirming the final details on the Bonds upon issuance, in accordance with the parameters of this Order.

Section 102. Interpretation. (a) Words of the feminine or masculine genders include the correlative words of the other gender or the neuter gender.

(b) Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons.

(c) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Order.

(d) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Order, refer to this Order as a whole unless otherwise expressly stated.

ARTICLE II

DETERMINATIONS

Section 201. Finding, and Declaration of Need to Issue Bonds. The Emergency Manager hereby finds and declares that it is necessary for the City to issue the Bonds hereunder in such sum as shall be determined and approved by the Emergency Manager, not in excess of \$55,000,000 as of the Date of Original Issue (the “Maximum Aggregate Principal Amount”), and to evidence such debt by the issuance of the Bonds in one or more series not in excess of the Maximum Aggregate Principal Amount, in Authorized Denominations, pursuant to and in accordance with the provisions of Section 36a of Act 279, for the purpose of satisfying a portion of the LTGO Claims. The Maximum Aggregate Principal Amount shall not include the accretion of principal at the Accretion Rate as provided in this Order.

ARTICLE III

AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS

Section 301. Authorization of Bonds to Satisfy the Claims and Pledge. The City hereby authorizes the issuance of the Bonds as hereinafter defined in such principal amount as shall be confirmed in the Supplemental Order to satisfy the LTGO Claims. The principal of and interest on the Bonds shall hereby be secured by the limited tax full faith and credit pledge of the City. The City pledges to pay the principal of and interest on the Bonds as a first budget obligation from its general funds and in case of insufficiency thereof, from the proceeds of an annual levy of ad valorem taxes on all taxable property of the City, subject to applicable constitutional, statutory and charter tax rate limitations.

Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims. (a) The Bonds shall be designated “FINANCIAL RECOVERY BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2014” and may bear such later or earlier dates and additional or alternative designations, series or subseries as the Authorized Officer may determine in the Supplemental Order, shall be issued in fully registered form and shall be consecutively numbered from “R-1” upwards, unless otherwise provided by the Authorized Officer in the Supplemental Order. The Bonds shall be dated and issued in such denominations all as determined by the Authorized Officer and confirmed by the Authorized Officer in the Supplemental Order.

(b) The Bonds of each series shall mature on the April 1, 2037 or such other April 1 which is not in excess of 23 years from the Date of Original Issue and shall accrete in principal amount, bear interest at the Interest Rate on a taxable or tax exempt basis, payable on the Interest

Payment Dates, all as shall be determined and confirmed by the Authorized Officer in the Supplemental Order. The Bonds shall be subject to mandatory sinking fund redemption on April 1 in the years and in the Accretion Values set forth in the form of Bond provided in Section 307 hereof. Unless otherwise provided by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be calculated on the basis of the actual number of days elapsed in a 360 day year. The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America.

(c) The Bonds shall also accrete in principal amount at the Accretion Rate starting from the Date of Original Issue and compounded semiannually on each Accretion Date until the Conversion Date. Thereafter, the Bonds at their Accretion Value shall bear interest at the Interest Rate on a taxable or tax exempt basis, payable on a current basis on the Interest Payment Dates, all as shall be determined and confirmed by the Authorized Officer in the Supplemental Order.

(d) Except as may be otherwise determined by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be payable to the Registered Owner as of the 15th day of the month, whether or not a Business Day (a "Regular Record Date"), prior to each Interest Payment Date. Interest on the Bonds shall be payable to such Registered Owners by check or draft drawn on the Paying Agent on each Interest Payment Date and mailed by first class mail or, upon the written request of the Owner of \$1,000,000 or more in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Owner. Such a request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent.

(e) Interest on Bonds not punctually paid or duly provided for on an Interest Payment Date shall forthwith cease to be payable to the Registered Owners on the Regular Record Date established for such Interest Payment Date, and may be paid to the Registered Owners as of the close of business on a date fixed by the Paying Agent (a "Special Record Date") with respect to the payment of such defaulted interest to be fixed by the Paying Agent, or may be paid at any time in any other lawful manner. The Paying Agent shall give notice to the Registered Owners at least seven days before any such Special Record Date.

(f) The principal of the Bonds shall be payable to the Registered Owners of the Bonds upon the presentation of the Bonds to the Paying Agent at the principal corporate trust office of the Paying Agent.

(g) The Bonds shall be subject to redemption prior to maturity or shall not be subject thereto, upon such terms and conditions as shall be determined by the Authorized Officer and confirmed in the Supplemental Order, provided, however, that redemption at the option of the City prior to maturity may occur on any Interest Payment Date for which notice is given as provided herein and such redemption shall be in whole.

Unless waived by any registered owner of Bonds to be redeemed, official notice of redemption shall be given by the Paying Agent on behalf of the City. Such notice shall be dated

and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption, the called amounts of each certificate; the redemption date; the redemption price or premium; the place where Bonds called for redemption are to be surrendered for payment; and that interest on Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

In addition, further notice shall be given by the Paying Agent in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

Section 303. Execution, Authentication and Delivery of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Emergency Manager and the Finance Director of the City and authenticated by the manual signature of the Finance Director or an authorized representative of the Paying Agent, as the case may be, and a facsimile of the seal of the City shall be imprinted on the Bonds. Additional Bonds bearing the manual or facsimile signatures of the Emergency Manager or Mayor of the City and the Finance Director, and upon which the facsimile of the seal of the City is imprinted may be delivered to the Paying Agent for authentication and delivery in connection with the exchange or transfer of Bonds. The Paying Agent shall indicate on each Bond the date of its authentication.

Section 304. Authentication of the Bonds. (a) No Bond shall be entitled to any benefit under this Order or be valid or obligatory for any purpose unless there appears on such Bond a Certificate of Authentication substantially in the form provided for in Section 307 of this Order, executed by the manual or facsimile signature of the Finance Director or by an authorized signatory of the Paying Agent by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

(b) The Paying Agent shall manually execute the Certificate of Authentication on each Bond upon receipt of a written direction of the Authorized Officer of the City to authenticate such Bond.

Section 305. Transfer of Registration and Exchanges on the Bonds. (a) The registration of each Bond is transferable only upon the Bond Registry by the Registered Owner thereof, or by his attorney duly authorized in writing, upon the presentation and surrender thereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor.

(b) Each Bond may be exchanged for one or more Bonds in equal aggregate principal amount of like maturity and tenor in one or more authorized denominations, upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent

together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing.

Section 306. Regulations with Respect to Exchanges and Transfers. (a) In all cases in which the privilege of exchanging Bonds or transferring the registration of Bonds is exercised, the City shall execute and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Order. All Bonds surrendered in any such exchanges or transfers shall be forthwith canceled by the Paying Agent.

(b) For every exchange or transfer of Bonds, the City or the Paying Agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and, except as otherwise provided in this Order, may charge a sum sufficient to pay the costs of preparing each new Bond issued upon such exchange or transfer, which shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

(c) The Paying Agent shall not be required (i) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Bonds contained in Section 307 of this Order and ending at the close of business on the day of that giving of notice, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. The City shall give the Paying Agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

Section 307. Form of the Bonds. The Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Order or as approved by an Authorized Officer in the Supplemental Order:

[Forms of Bonds]

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the City (as hereinafter defined), or its agent for registration of transfer, exchange, or payment and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF WAYNE

CITY OF DETROIT

FINANCIAL RECOVERY BOND

(LIMITED TAX GENERAL OBLIGATION), SERIES 2014

Maturity Date

Date of Original Issue

CUSIP

April 1, 20__

_____, 2014

Registered Owner:

Original Principal Amount:

Dollars

The City of Detroit, County of Wayne, State of Michigan (the "City"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Accretion Value specified below, in lawful money of the United States of America, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon at the Interest Rate of 5.0% per annum from the Date of Original Issue specified above until the tenth (10th) anniversary of the Date of Original Issue (the "Conversion Date"), and thereafter at an Interest Rate of 5.65% per annum on Accretion Value prior to the next Accretion Date, until the Maturity Date specified above or until the Accretion Value is paid in full. Interest is payable semiannually on April 1 and October 1 in each year commencing on _____ (each an "Interest Payment Date"). The interest so payable, and punctually paid or duly provided for, will be paid, as provided in the hereinafter defined Order, to the person in whose name this Bond is registered on the books maintained for such purpose by the hereinafter defined Paying Agent (the "Bond Registry"), on the close of business on the Regular Record Date for such interest payment, which shall be the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall herewith cease to be payable to the Registered Owner on such Regular Record Date, and may be paid to

the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice of which shall be given to Registered Owners at least seven days before such Special Record Date, or may be paid at any time in any other lawful manner. The bonds of this series shall also accrete in value at an Accretion Rate of 0.65% per annum, compounded semiannually on each April 1 and October 1 to the Accreted Value as of any date of calculation (as hereinafter set forth), until the Conversion Date. Thereafter, the Bonds at their Accreted Value in principal amount shall pay current interest at the Interest Rate of 5.65% per annum, payable semiannually on each Interest Payment Date. Capitalized terms used herein but not defined herein, shall have the meanings ascribed to them in the Order.

THE BELOW CHART OF ACCRETION VALUES OF THIS BOND PER \$5,000 ORIGINAL PRINCIPAL AMOUNT WILL REQUIRE MODIFICATION IF THE BONDS ARE ISSUED ON A DATE OTHER THAN 10/01/14 BASED ON INTEREST CALCULATIONS AT 0.65% ANNUALLY.

Chart of Accretion Values

Accretion Date	Accretion Amount
04/01/2015	\$5,016.25
10/01/2015	5,032.55
04/01/2016	5,048.91
10/01/2016	5,065.32
04/01/2017	5,081.78
10/01/2017	5,098.30
04/01/2018	5,114.87
10/01/2018	5,131.49
04/01/2019	5,148.17
10/01/2019	5,164.90
04/01/2020	5,181.68
10/01/2020	5,198.52
04/01/2021	5,215.42
10/01/2021	5,232.37
04/01/2022	5,249.37
10/01/2022	5,266.43
04/01/2023	5,283.55
10/01/2023	5,300.72
04/01/2024	5,317.95
10/01/2024	5,335.23
Thereafter	5,335.23

The Accretion Value of this Bond is payable in lawful money of the United States of America upon presentation and surrender of this Bond at the designated corporate trust office of _____, _____, _____, as registrar, transfer agent and paying agent under the Order (such bank and any successor as paying agent, the “Paying Agent”). Interest on this Bond is payable in like money by check or draft drawn on the Paying

Agent and mailed to the Registered Owner entitled thereto, as provided above, by first class mail or, upon the written request of a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Registered Owner, and such request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent. Interest shall be computed on the basis of a 360-day year consisting of twelve 30 day months. For prompt payment of this Bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

This bond is one of a series of bonds aggregating the principal sum of \$_____, issued under and in full compliance with the Constitution and statutes of the State of Michigan, and particularly Section 36a of Act No. 279, Public Acts of Michigan, 1909, as amended (“Act 279”), for the purpose of satisfying certain LTGO Claims, as defined in the Order. Pursuant to the Order, the bonds of this series (the “Bonds”) are limited tax general obligations of the City, and the City is obligated to levy annually ad valorem taxes on all taxable property in the Issuer, subject to applicable constitutional, statutory and charter tax rate limitations.

The “Order” is an Order of the Emergency Manager issued on _____, 2014, supplemented by a Supplemental Order of an Authorized Officer of the City issued on _____, 2014, authorizing the issuance of the Bonds.

The bonds of this series shall be subject to redemption prior to maturity as follows:

(a) *Optional Redemption.* The Bonds are subject to redemption prior to maturity, in whole, at the option of the Issuer, on any Interest Payment Date after the Date of Original Issue, at a redemption price equal to the Accretion Value as of the date of redemption plus accrued interest to the date fixed for redemption.

(b) *Mandatory Redemption.*

The Bonds shall be subject to mandatory redemption, in part, by lot, on the redemption dates and in the Accretion Values set forth below, and at a redemption price equal to the Accretion Value thereof as of the date of redemption, without premium, plus accrued interest to the date fixed for redemption.

Redemption Date October 1	Principal Amount
2020	\$2,000,000
2021	2,000,000
2022	2,000,000
2023	2,000,000
2024	2,000,000
2025	3,735,115
2026	3,735,115
2027	3,735,115
2028	3,735,115
2029	3,735,115
2030	3,735,115
2031	3,735,115
2032	3,735,115
2033	3,735,115
2034	3,735,115
2035	3,735,115
2036	3,735,115
2037*	3,735,115

**Final Maturity*

The Accretion Value of the Bonds to be redeemed on the dates set forth above shall be reduced by the Accretion Value of Term Bonds that has been redeemed (other than by mandatory sinking fund redemption) or otherwise acquired by the City and delivered to the Paying Agent prior to giving the notice of redemption described below. The City may satisfy any mandatory redemption requirement by the purchase and surrender of Term Bonds of the same maturity and interest rate in lieu of calling such Term Bonds for mandatory redemption.

General Redemption Provisions. In case less than the full amount of an outstanding bond is called for redemption, the Paying Agent, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to the registered owners of Bonds or portions thereof called for redemption by mailing of such notice not less than thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption to the registered address of the registered owner of record. Bonds or portions thereof so called for redemption shall not bear interest after the date fixed for redemption, whether presented for redemption or not, provided funds are on hand with the Paying Agent to redeem such Bonds.

Reference is hereby made to the Order for the provisions with respect to the nature and extent of the security for the Bonds, the manner and enforcement of such security, the rights,

duties and obligations of the City, and the rights of the Paying Agent and the Registered Owners of the Bonds. As therein provided, the Order may be amended in certain respects without the consent of the Registered Owners of the Bonds. A copy of the Order is on file and available for inspection at the office of the Finance Director and at the principal corporate trust office of the Paying Agent.

The City and the Paying Agent may treat and consider the person in whose name this Bond is registered on the Bond Registry as the absolute owner hereof, whether this Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal hereof and interest hereon and for all other purposes whatsoever, and all such payments so made to such person or upon his order shall be valid and effectual to satisfy and discharge the liability hereon to the extent of the sum or sums so paid.

The registration of this Bond is transferable only upon the Bond Registry by the Registered Owner hereof or by his attorney duly authorized in writing upon the presentation and surrender hereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Order upon the payment of the charges, if any, therein prescribed.

It is hereby certified, recited and declared that all acts, conditions and things required by law to exist, happen and to be performed, precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Michigan, and that the total indebtedness of the City, including the Bonds does not exceed any constitutional, statutory or charter limitation.

This Bond is not valid or obligatory for any purpose until the Paying Agent's Certificate of Authentication on this Bond has been executed by the Paying Agent.

IN WITNESS WHEREOF, the City of Detroit, by its Emergency Manager, has caused this bond to be signed in the name of the City by the facsimile signatures of its Emergency Manager and Finance Director of the City, and a facsimile of its corporate seal to be printed hereon, all as of the Date of Original Issue.

CITY OF DETROIT

By: _____
Emergency Manager

By: _____
Finance Director

(SEAL)

(Form of Paying Agent's Certificate of Authentication)

DATE OF AUTHENTICATION:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Order.

_____, Michigan
Paying Agent

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite name and address of transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of such person's authority to act must accompany the bond.

Signature(s) must be guaranteed by a commercial bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges. The transfer agent will not effect transfer of this bond unless the information concerning the transferee requested below is provided.

PLEASE INSERT SOCIAL
SECURITY NUMBER OR OTHER
IDENTIFYING NUMBER OF
TRANSFEEE.

(Insert number for first named
transferee if held by joint account.)

Name and Address: _____

(Include information for all joint owners
if the bond is held by joint account.)

Section 308. Registration. The City and the Paying Agent may treat and consider the Registered Owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal (and premium, if any) thereof and interest thereon and for all other purposes whatsoever, and all such payments so made to such Bondowner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 309. Mutilated, Destroyed, Stolen or Lost Bonds. (a) Subject to the provisions of Act 354, Public Acts of Michigan, 1972, as amended and any other applicable law, if (i) any mutilated Bond is surrendered to the Paying Agent or the City and the Paying Agent and the City receive evidence to their satisfaction of the destruction, loss or theft of any Bond and (ii) there is delivered to the City and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

(c) Any new Bond issued pursuant to this Section in substitution for a Bond alleged to be mutilated, destroyed, stolen or lost shall constitute an original additional contractual obligation on the part of the City, and shall be equally secured by and entitled to equal proportionate benefits with all other Bonds issued under this Order.

Section 310. Book-Entry-Only System Permitted. (a) If determined by the Authorized Officer in the Supplemental Order, the Bonds or portions of the Bonds shall be issued to a securities depository selected by the Authorized Officer (the "Security Depository") to be held pursuant to the book-entry-only system maintained by the Security Depository and registered in the name of the Security Depository or its nominee. Ownership interests in Bonds held under such book-entry-only system shall be determined pursuant to the procedures of the Security Depository and Article 8 of the applicable Uniform Commercial Code (such persons having such interests, "Beneficial Owners").

(b) If (i) the City and the Paying Agent receive written notice from the Security Depository to the effect that the Security Depository is unable or unwilling to discharge its responsibilities with respect to the Bonds under the book-entry-only system maintained by it or (ii) the Authorized Officer determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bonds in certificated form, then the City may so notify the Security Depository and the Paying Agent, and, in either event, the City and the Paying Agent shall take appropriate steps to provide the Beneficial Owners with Bonds in certificated form to evidence their respective ownership interests in the Bonds. Whenever the Security Depository requests the City and the Paying Agent to do so, the Authorized Officer on behalf of the City and the Paying Agent will cooperate with the Security Depository in taking appropriate action after

reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(c) Notwithstanding any other provision of the Order to the contrary, so long as the Bonds are held pursuant to the book-entry-only system maintained by the Security Depository:

(i) all payments with respect to the principal and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Security Depository as provided in the representation letter from the City and the Paying Agent to the Security Depository with respect to such Bonds; and

(ii) all payments with respect to principal of the Bonds and interest on the Bonds shall be made in such manner as shall be prescribed by the Security Depository.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 401. Establishment of Accounts and Funds. (a) The City hereby establishes and creates the Debt Retirement Fund as a special, separate and segregated account and fund which shall be held for and on behalf of the City by the Paying Agent.

(b) The Finance Director is hereby authorized to establish such additional accounts, subaccounts or funds as shall be required for the Bonds, to accommodate the requirements of such series of Bonds.

Section 402. Debt Retirement Fund. General funds of the City, proceeds of all taxes levied pursuant to Section 301 hereof shall be used to pay the principal of and interest on the Bonds when due. The City shall set aside in the Debt Retirement Fund each month, (i) beginning the first day of the first month following the date of delivery of the Bonds, an amount equal to 1/6 of the interest coming due on the Bonds on the next Interest Payment Date and, (ii) beginning on the first day of the first month which is 11 months prior to the date on which the first mandatory sinking fund redemption occurs, an amount equal to 1/12 of the principal or Accretion Value coming due on the next mandatory sinking fund redemption date for the Bonds. The foregoing amounts shall be placed in the Debt Retirement Fund and held in trust by the Paying Agent, and so long as the principal or Accretion Value of or interest on the Bonds shall remain unpaid, no moneys shall be withdrawn from the Debt Retirement Fund except to pay such principal or Accretion Value and interest. Any amounts remaining in the Debt Retirement Fund after payment in full of the Bonds and the fees and expenses of the Paying Agent shall be retained by the City to be used for any lawful purpose.

Section 403. Investment of Monies in the Funds and Accounts. (a) The Finance Director shall direct the investment of monies on deposit in the Funds and Accounts established hereunder, and the Paying Agent, upon written direction or upon oral direction promptly confirmed in writing by the Finance Director, shall use its best efforts to invest monies on deposit in the Funds and Accounts in accordance with such direction.

(b) Monies on deposit in the Funds and Accounts may be invested in such investments and to the extent permitted by applicable law.

ARTICLE V

THE PAYING AGENT

Section 501. Paying Agent. The Paying Agent for the Bonds shall act as bond registrar, transfer agent and paying agent for the Bonds and shall be initially _____, Detroit, Michigan, or such other bank or trust company located in the State which is qualified to act in such capacity under the laws of the United States of America or the State. The Paying Agent means and includes any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided, that such company shall be a trust company or bank which is qualified to be a successor to the Paying Agent as determined by an Authorized Officer, shall be authorized by law to perform all the duties imposed upon it by this Order, and shall be the successor to the Paying Agent without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding. An Authorized Officer is authorized to enter into an agreement with such a bank or trust company, and from time to time as required, may designate a similarly qualified successor Paying Agent and enter into an agreement therewith for such services.

ARTICLE VI

SUPPLEMENTAL ORDERS AND RESOLUTIONS

Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds. The City may without the consent of any Bondowner adopt orders or resolutions supplemental to this Order for any one or more of the following purposes:

- (i) to confirm or further assure the security hereof or to grant or pledge to the holders of the Bonds any additional security;
- (ii) to add additional covenants and agreements of the City for the purposes of further securing the payment of the Bonds;
- (iii) to cure any ambiguity or formal defect or omission in this Order; and
- (iv) such other action not materially, adversely and directly affecting the security of the Bonds.

provided that (A) no supplemental order or resolution amending or modifying the rights or obligations of the Paying Agent shall become effective without the consent of the Paying Agent and (B) the effectiveness of any supplemental resolution is subject to Section 702 to the extent applicable.

Section 602. Bond Counsel Opinion. Before any supplemental order or resolution under this Article shall become effective, a copy thereof shall be filed with the Paying Agent, together with an opinion of Bond Counsel that such supplemental order or resolution is authorized or permitted by this Article; provided that, Bond Counsel in rendering any such opinion shall be entitled to rely upon certificates of an Authorized Officer or other City official, and opinions or reports of consultants, experts and other professionals retained by the City to advise it, with respect to the presence or absence of facts relative to such opinion and the consequences of such facts.

ARTICLE VII

DEFEASANCE

Section 701. Defeasance. Bonds shall be deemed to be paid in full upon the deposit in trust of cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment thereof, will come due at such times and in such amounts, as to be fully sufficient to pay when due, the principal of such Bonds and interest to accrue thereon, as confirmed by a verification report prepared by an independent certified public accountant; provided, that if any of such Bonds are to be called for redemption prior to maturity, irrevocable instructions to call such Bonds for redemption shall be given to the Paying Agent. Such cash and securities representing such obligations shall be deposited with a bank or trust company and held for the exclusive benefit of the Owners of such Bonds. After such deposit, such Bonds shall no longer be entitled to the benefits of this Order (except for any rights of transfer or exchange of Bonds as therein or herein provided for) and shall be payable solely from the funds deposited for such purpose and investment earnings, if any, thereon, and the lien of this Order for the benefit of such Bonds shall be discharged.

ARTICLE VIII

OTHER PROVISIONS OF GENERAL APPLICATION

[Section 801. Reserved]

Section 802. Approval of Other Documents and Actions. The Mayor, the Finance Director, the Treasurer, the City Clerk and any written designee of the Emergency Manager are each hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Order.

Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers.
(a) Each Authorized Officer is hereby authorized and directed to do and perform any and all acts and things with respect to the Bonds which are necessary and appropriate to carry into effect, consistent with this Order, the authorizations therein and herein contained, including without limitation, the securing of ratings by bond rating agencies, if cost effective, the negotiation for and acquisition of bond insurance and/or other credit enhancement, if any, to further secure the

Bonds or any portions thereof, the acquisition of an irrevocable surety bond to fulfill the City's obligation to fund any reserve account, the printing of the Bonds and the incurring and paying of reasonable fees, costs and expenses incidental to the foregoing and other costs of issuance of the Bonds including, but not limited to fees and expenses of bond counsel, financial advisors, accountants and others, from available funds, for and on behalf of the City.

(b) Except as otherwise provided herein, all determinations and decisions of the Authorized Officer with respect to the issuance and sale of the Bonds or the negotiation, execution or delivery of agreements as permitted or required by this Order shall be confirmed by this Authorized Officer in a Supplemental Order or Supplemental Orders, and such confirmations shall constitute determinations that any conditions precedent to such determinations and decisions of the Authorized Officer have been fulfilled.

Section 804. Approving Legal Opinions with Respect to the Bonds. Delivery of the Bonds shall be conditioned upon receiving, at the time of delivery of the Bonds; the approving opinion of Bond Counsel, approving legality of the Bonds.

Section 805. Appointment of Bond Counsel; Engagement of Other Parties. The appointment by the Emergency Manager of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable from available funds in accordance with the agreement of such firm on file with the Finance Director.

Section 806. Preservation of Records. So long as any Bond remains Outstanding, all documents received by the Paying Agent under the provisions of this Order shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, and the Bondowners, and their agents and representatives, any of whom may make copies thereof.

Section 807. Parties in Interest. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the City or Paying Agent shall be for the sole and exclusive benefit of the City, the Paying Agent and the Bondowners.

Section 808. No Recourse Under Order. All covenants, agreements and obligations of the City contained in this Order shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Order against any councilperson, member, officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

Section 809. Severability. If any one or more sections, clauses or provisions of this Order shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 810. Cover Page, Table of Contents and Article and Section Headings. The cover page, table of contents and Article and Section headings hereof are solely for convenience of reference and do not constitute a part of this Order, and none of them shall affect its meaning, construction or effect.

Section 811. Conflict. All orders or resolutions or parts of orders or resolutions or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

Section 812. Governing Law and Jurisdiction. This Order shall be governed by and construed in accordance with the laws of the State.

Section 813. Order and Supplemental Order are a Contract. The provisions of this Order and the Supplemental Order shall constitute a contract between the City, the Paying Agent, and the Bondowners.

Section 814. Effective Date. This Order shall take effect immediately upon its adoption by the Council.

Section 815. Notices. All notices and other communications hereunder shall be in writing and given by United States certified or registered mail, expedited courier overnight delivery service or by other means (including facsimile transmission) that provides a written record of such notice and its receipt. Notices hereunder shall be effective when received and shall be addressed to the address set forth below or to such other address as any of the below persons shall specify to the other persons:

If to the City, to:

City of Detroit
Finance Department
1200 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Attention: Finance Director

If to the Paying Agent, to:

U.S. Bank National Association

Attention: _____

SO ORDERED this ____ day of _____, 2014.

Kevyn D. Orr
Emergency Manager
City of Detroit, Michigan

22545852.5\022765-00202

EXHIBIT I.A.246

PRINCIPAL TERMS OF NEW B NOTES

NEW B NOTES
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New B Notes and distribute them as set forth in the Plan. The definitive documentation governing the New B Notes shall provide generally for the following terms:

Obligation	The City's obligations with respect to the New B Notes shall be a general and unsecured obligation of the City.
Initial Principal Amount	\$632.0 million.
Interest Rate	4.0% for the first 20 years; 6.0% for years 21 through 30.
Maturity	30 years.
Amortization	Interest only for 10 years; amortization in 20 equal annual installments beginning on the interest payment date nearest to the 11th anniversary from issuance.
Disclosure	The City will provide a continuing disclosure undertaking under 17 C.F.R. § 240.15c2-12 in connection with the delivery of the New B Notes.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

EXHIBIT I.A.247

FORM OF NEW B NOTES DOCUMENTS

ORDER NO. _____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$632,000,000 FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN UNSECURED CLAIMS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE DELIVERY AND EXCHANGE OF SAID BONDS TO THE HOLDERS OF SAID CLAIMS.

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	3
Section 101. Definitions.....	3
Section 102. Interpretation.....	6
ARTICLE II DETERMINATIONS.....	7
Section 201. Finding, and Declaration of Need to Issue Bonds	7
ARTICLE III AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS	7
Section 301. Authorization of Bonds to Satisfy the Claims and Pledge.....	7
Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims	7
Section 303. Execution, Authentication and Delivery of Bonds	9
Section 304. Authentication of the Bonds	9
Section 305. Transfer of Registration and Exchanges on the Bonds	9
Section 306. Regulations with Respect to Exchanges and Transfers	9
Section 307. Form of the Bonds	10
Section 308. Registration	17
Section 309. Mutilated, Destroyed, Stolen or Lost Bonds.....	17
Section 310. Book-Entry-Only System Permitted	17
ARTICLE IV FUNDS AND ACCOUNTS	18
Section 401. Establishment of Accounts and Funds.....	18
Section 402. Debt Retirement Fund.....	18
Section 403. Investment of Monies in the Funds and Accounts.....	19
Section 404. Satisfaction of Claims	19
ARTICLE V THE PAYING AGENT	20
Section 501. Paying Agent.....	20
ARTICLE VI SUPPLEMENTAL ORDERS AND RESOLUTIONS.....	21
Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds	21
Section 602. Bond Counsel Opinion.....	21
ARTICLE VII DEFEASANCE	21
Section 701. Defeasance	21
ARTICLE VIII OTHER PROVISIONS OF GENERAL APPLICATION.....	22
[Section 801. Credit Enhancement	22
Section 802. Approval of Other Documents and Actions.....	22
Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers	22
Section 804. Approving Legal Opinions with Respect to the Bonds	23
Section 805. Appointment of Bond Counsel; Engagement of Other Parties.....	23
Section 806. Preservation of Records	23
Section 807. Parties in Interest.....	23

TABLE OF CONTENTS
(continued)

	Page
Section 808. No Recourse Under Resolution	23
Section 809. Severability	23
Section 810. Cover Page, Table of Contents and Article and Section Headings.....	23
Section 811. Conflict	24
Section 812. Governing Law and Jurisdiction.....	24
Section 813. Order and Supplemental Order are a Contract.....	24
Section 814. Effective Date	24
Section 815. Notices	24
EXHIBIT A THE UNSECURED CLAIMS.....	A-1

ORDER NO. ____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$632,000,000 FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN UNSECURED CLAIMS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE DELIVERY AND EXCHANGE OF SAID BONDS TO THE HOLDERS OF SAID CLAIMS.

WHEREAS, on March 1, 2013, the Governor (the "Governor") of the State of Michigan (the "State") determined that a financial emergency existed within the City of Detroit, County of Wayne, State of Michigan (the "City") pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended ("Act 72"); and

WHEREAS, on March 14, 2013, the Governor confirmed that a financial emergency existed within the City and, pursuant to Act 72, assigned to the Local Emergency Financial Assistance Loan Board established pursuant to the Emergency Municipal Loan Act, Act 243 Public Acts of Michigan, 1980, as amended (the "Board") the responsibility for managing the financial emergency; and

WHEREAS, on March 14, 2013, pursuant to Act 72, the Board appointed Kevyn D. Orr as Emergency Financial Manager for the City; And

WHEREAS, by operation of law the financial emergency continues to exist within the City pursuant to the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012 ("Act 436") and the Emergency Financial Manager continues in the capacity of the Emergency Manager for the City (the "Emergency Manager"); and

WHEREAS, on July 18, 2013 (the "Petition Date"), in accordance with Act 436 and the approval of the Governor, the Emergency Manager filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, on _____, 2014, the Emergency Manager filed on behalf of the City a _____ Amended Plan for the Adjustment of the Debts of the City of Detroit (now and as subsequently amended, the "Plan of Adjustment") in the Bankruptcy Court to provide for the adjustment of the debts of the City pursuant to and in accordance with Chapter 9 of the Bankruptcy Code; and

WHEREAS, the Plan of Adjustment provides, among other things, for the satisfaction of certain claims of unsecured creditors as set out in the Plan of Adjustment in exchange for the

receipt of unsecured pro rata shares (each a “Pro Rata Share”) of New B Notes (the “New B Notes”); and

WHEREAS, upon satisfaction of all of the terms and conditions required of the City related to the confirmation of the Plan of Adjustment, the City shall establish the Business Day upon which the Plan of Adjustment shall become effective (the “Effective Date”); and

WHEREAS, on or as reasonably practicable after the Effective Date, the City shall execute New B Notes Documents and issue New B Notes in the form of Financial Recovery Bonds authorized under Section 36a of the Home Rule City Act, Act 279, Public Acts of Michigan, 1909, as amended (“Act 279”) and this Order, and distribute the New B Notes, in the form of the Financial Recovery Bonds, to the holders of the particular unsecured claims, as provided in the Plan of Adjustment and described on Exhibit A hereto (collectively, the “Claims”); and

WHEREAS, the Emergency Manager of the City deems it necessary to authorize the issuance of Financial Recovery Bonds in one or more series (the “Bonds”), in the aggregate principal amount of not to exceed Six Hundred Thirty Two Million Dollars (\$632,000,000) pursuant to Section 36a of Act 279; and

WHEREAS, the Bonds will be secured by a pledge of the City’s limited tax full faith and credit; and

WHEREAS, Section 36a of Act 279 authorizes a city, for which a financial emergency has been determined to exist, such as the City, to borrow money and issue Financial Recovery Bonds subject to the terms and conditions approved by the Board; and

WHEREAS, the City must receive prior approval of the terms and conditions for the issuance of the Bonds from the Board in accordance with Section 36a of Act 279; and

WHEREAS, the Emergency Manager desires to submit this Order to the Board proposing the issuance by the City of Financial Recovery Bonds, in one or more series, under Section 36a of Act 279, to provide for a portion of the financing of the City under the Plan of Adjustment, solely to satisfy the Claims [and to pay certain administrative and other costs related to the issuance of the bonds, upon the terms and conditions and parameters approved by the Board; and]

WHEREAS, prior to submission of this Order to the Board, pursuant to Sections 12(1)(u) and 19(i) of Act 436, the Emergency Manager must obtain approval of the issuance of the Bonds by the City Council of the City (the “City Council”), and if the City Council disapproves the issuance of the Bonds, the issuance of the Bonds must be approved by the Board.

NOW, THEREFORE, BE IT ORDERED AS FOLLOWS:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 101. Definitions. The words and terms defined in the preambles and recitals hereof and the following words and terms as used in this Order shall have the meanings ascribed therein, herein or in the Plan of Adjustment to them unless a different meaning clearly appears from the context:

“Act 243” means Act No. 243, Public Acts of Michigan, 1980, as amended.

“Act 279” means Act No. 279, Public Acts of Michigan, 1909, as amended.

“Act 436” means Act No. 436, Public Acts of Michigan, 2012.

“Allowed Claims” has the meaning set forth in the Plan of Adjustment.

“Allowed Limited Tax General Obligation Bond Claims” shall mean such claims under Class 7 of the Plan of Adjustment.

“Allowed Other Unsecured Claims” has the meaning set forth in the Plan of Adjustment.

“Authorized Denominations” shall mean denominations of Bonds equal to multiples of \$1,000 or integral multiples of \$1.00 in excess thereof.

“Authorized Officer” means (i) the Emergency Manager or his designee or successor, or if the City is no longer operating under a financial emergency pursuant to Act 436, the chief administrative officer of the City, the Finance Director or his or her designee, or (ii) any other person authorized by a Certificate of an Authorized Officer to act on behalf of or otherwise represent the City in any legal capacity, which such certificate shall be delivered, if at all, in the City’s sole discretion.

“Bankruptcy Case” means the City’s Bankruptcy Case No. 13-53846 in the U.S. Bankruptcy Court for the Eastern District of Michigan.

“Bankruptcy Court” has the meaning set forth in the Plan of Adjustment.

“Board” has the meaning set forth in recitals hereto.

“Bond Counsel” means Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, or such other nationally recognized firm of attorneys experienced in matters pertaining to municipal bonds and appointed to serve in such capacity by the City with respect to the Bonds.

“Bond” or “Bonds” means the Financial Recovery Bonds, Series 2014B of the City authorized to be issued by the Order in the aggregate principal amount not to exceed \$632,000,000, in one or more series, and bearing such other designations as determined by the Authorized Officer in the Supplemental Order.

“Bond Registry” means the books for the registration of Bonds maintained by the Paying Agent.

“Bondowner”, “Owner” or “Registered Owner” means, with respect to any Bond, the person in whose name such Bond is registered in the Bond Registry.

“Bonds” means the City’s Financial Recovery Bonds, Series 2014B, with such series designations as may be determined by the Authorized Officer in the Supplemental Order.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which the Paying Agent or banks and trust companies in New York, New York are authorized or required to remain closed, (iii) a day on which the New York Stock Exchange is closed, or (iv) a day on which the Federal Reserve is closed.

“Certificate” means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Order.

“Charter” means the Charter of the City, as amended from time to time.

“City” means the City of Detroit, County of Wayne, State of Michigan.

“Claimants” means the beneficial owners of the Claims.

“Claims” has the meaning set forth recitals hereto.

“Closing Date” means the Date of Original Issue.

“Code” means the Internal Revenue Code of 1986, as amended.

“Constitution” means the Constitution of the State of Michigan of 1963, as amended.

“Confirmation Order” has the meaning set forth in recitals hereto.

“Contingent General VEBA Claims” has the meaning set forth in the recitals and Exhibit A hereto.

“Contingent Police and Fire VEBA Claims” has the meaning set forth in the recitals and Exhibit A hereto.

“COP Litigation” has the meaning set forth in the Plan of Adjustment.

“COPs Claims” has the meaning set forth in the recitals and Exhibit A hereto.

“Date of Original Issue” means the date upon which all conditions precedent set forth in the Bond Purchase Agreement to the transactions contemplated therein and herein have been satisfied and the Bonds have been issued to the Purchaser.

“DDA Claims” has the meaning set forth in the recitals and Exhibit A hereto.

“Debt Retirement Fund” means the Debt Retirement Fund established under Section 501 hereof, and any subaccounts thereof established hereunder for the payment of principal of and premium and interest on the Bonds.

“Disbursing Agent” means the Registered Owner of the Bonds issued on behalf of the Claimants entitled to distributions of Bonds and/or cash from the Disputed COPs Claims Reserve.

“Disbursing Agent Agreement” means the agreement between the City and the Disbursing Agent to provide for the distributions of Bonds and/or cash to Claimants from the Disputed COPs Claims Reserve.

“Disputed COPs Claims” has the meaning set forth in the Plan of Adjustment.

“Disputed COPs Claims Reserve” means the Disputed COP Claims Reserve established under Section 401(b).

“Emergency Manager” has the meaning set forth in the recitals hereto.

“Final Order” has the meaning set forth in the Plan of Adjustment.

“Fiscal Year” means the period from July 1 to and including June 30 of the immediately succeeding calendar year or such other fiscal year of the City as in effect from time to time.

“Interest Payment Date” means April 1 and October 1 of each year commencing with the April 1 or October 1 specified in the Supplemental Order.

“Interest Rate” means 4% per annum from the Date of Original Issue until the twentieth (20th) anniversary of the Date of Original Issue, and thereafter 6% per annum until the Maturity Date, or such other interest rates as confirmed in the Supplemental Order.

“Litigation Trust” has the meaning set forth in the Plan of Adjustment.

“Maturity Date” means the thirtieth (30th) anniversary of the Date of Original Issue or such other final date of maturity of each series of the Bonds as specified in the Supplemental Order.

“Maximum Aggregate Principal Amount” has the meaning given such term in Section 201.

“Order” means this Order of the Emergency Manager as supplemented by the Supplemental Order, and as amended from time to time pursuant to Article VII.

“Other Unsecured Claims” has the meaning set forth in the recitals hereto.

“Outstanding” when used with respect to:

- (1) the Bonds, means, as of the date of determination, the Bonds theretofore authenticated and delivered under this Order, except:
 - (A) Bonds theretofore canceled by the Paying Agent or delivered to such Paying Agent for cancellation;
 - (B) Bonds for whose payment money in the necessary amount has been theretofore deposited with the Paying Agent in trust for the registered owners of such Bonds;
 - (C) Bonds delivered to the Paying Agent for cancellation in connection with (x) the exchange of such Bonds for other Bonds or (y) the transfer of the registration of such Bonds;
 - (D) Bonds alleged to have been destroyed, lost or stolen which have been paid or replaced pursuant to this Order or otherwise pursuant to law; and
 - (E) Bonds deemed paid as provided in Section 701.

“Paying Agent” means the bond registrar, transfer agent and paying agent for the Bonds.

“Petition Date” has the meaning set forth in the recitals hereto.

“Plan of Adjustment” has the meaning set forth in the recitals hereto.

“Police and Fire VEBA Claims” has the meaning set forth in the recitals and Exhibit A hereto.

“Registered Owner” means the registered owner of a Bond as the registered owner’s name appears on the Bond Registry under Section 305.

“Regular Record Date” has the meaning given such term in Section 302.

“Security Depository” has the meaning given such term in Section 310.

“Settled COP Claims” has the meaning set forth in the Plan of Adjustment.

“State” has the meaning set forth in the recitals hereto.

“State Treasurer” means the Treasurer of the State of Michigan.

“Supplemental Order” means the order or orders of the Authorized Officer making certain determinations and confirming the final details on the Bonds upon issuance, in accordance with the parameters of this Order.

“Unsecured Pro Rata Share” has the meaning set forth in the Plan of Adjustment.

Section 102. Interpretation. (a) Words of the feminine or masculine genders include the correlative words of the other gender or the neuter gender.

(b) Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons.

(c) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Order.

(d) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Order, refer to this Order as a whole unless otherwise expressly stated.

ARTICLE II

DETERMINATIONS

Section 201. Finding, and Declaration of Need to Issue Bonds. The Emergency Manager hereby finds and declares that it is necessary for the City to issue the Bonds hereunder in such sum as shall be determined and approved by the Emergency Manager, not in excess of \$632,000,000 (the “Maximum Aggregate Principal Amount”), and to evidence such debt by the issuance of the Bonds in one or more series not in excess of the Maximum Aggregate Principal Amount, in Authorized Denominations, pursuant to and in accordance with the provisions of Section 36a of Act 279, for the purpose of satisfying the Claims.

ARTICLE III

AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS

Section 301. Authorization of Bonds to Satisfy the Claims and Pledge. The City hereby authorizes the issuance of the Bonds as hereinafter defined in such principal amount as shall be confirmed in the Supplemental Order to satisfy the Claims as determined by the Authorized Officer in the Supplemental Order or subsequently confirmed by the Authorized Officer to Bond Counsel. The principal of and interest on the Bonds shall hereby be secured by the limited tax full faith and credit pledge of the City.

The City pledges to pay the principal of and interest on the Bonds as a first budget obligation from its general funds and in case of insufficiency thereof, from the proceeds of an annual levy of ad valorem taxes on all taxable property of the City, subject to applicable constitutional, statutory and charter tax rate limitations.

Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims. (a) The Bonds shall be designated “FINANCIAL RECOVERY BONDS,

SERIES 2014B” and may bear such later or earlier dates and additional or alternative designations, series or subseries as the Authorized Officer may determine in the Supplemental Order, shall be issued in fully registered form and shall be consecutively numbered from “R-1” upwards, unless otherwise provided by the Authorized Officer in the Supplemental Order. The Bonds shall be dated and issued in such denominations all as determined by the Authorized Officer and confirmed by the Authorized Officer in the Supplemental Order.

(b) The Bonds of each series shall mature on such Maturity Dates not in excess of 30 years from the Date of Original Issue and shall bear interest at the Interest Rate on a taxable basis, payable on the Interest Payment Dates, all as shall be determined and confirmed by the Authorized Officer in the Supplemental Order. Unless otherwise provided by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be calculated on the basis of the actual number of days elapsed in a 360 day year. The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America.

(c) Except as may be otherwise determined by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be payable to the Registered Owner as of the 15th day of the month, whether or not a Business Day (a “Regular Record Date”), prior to each Interest Payment Date. Interest on the Bonds shall be payable to such Registered Owners by check or draft drawn on the Paying Agent on each Interest Payment Date and mailed by first class mail or, upon the written request of the Owner of \$1,000,000 or more in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Owner. Such a request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent.

(d) Interest on Bonds not punctually paid or duly provided for on an Interest Payment Date shall forthwith cease to be payable to the Registered Owners on the Regular Record Date established for such Interest Payment Date, and may be paid to the Registered Owners as of the close of business on a date fixed by the Paying Agent (a “Special Record Date”) with respect to the payment of such defaulted interest to be fixed by the Paying Agent, or may be paid at any time in any other lawful manner. The Paying Agent shall give notice to the Registered Owners at least seven days before any such Special Record Date.

(e) The principal of the Bonds shall be payable to the Registered Owners of the Bonds upon the presentation of the Bonds to the Paying Agent at the principal corporate trust office of the Paying Agent.

(f) The Bonds shall be subject to redemption and/or tender for purchase prior to maturity or shall not be subject thereto, upon such terms and conditions as shall be determined by the Authorized Officer and confirmed in the Supplemental Order.

Unless waived by any registered owner of Bonds to be redeemed, official notice of redemption shall be given by the Paying Agent on behalf of the City. Such notice shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption,

the called amounts of each certificate; the redemption date; the redemption price or premium; the place where Bonds called for redemption are to be surrendered for payment; and that interest on Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

In addition, further notice shall be given by the Paying Agent in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

Section 303. Execution, Authentication and Delivery of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Emergency Manager and the Finance Director of the City and authenticated by the manual signature of the Finance Director or an authorized representative of the Paying Agent, as the case may be, and a facsimile of the seal of the City shall be imprinted on the Bonds. Additional Bonds bearing the manual or facsimile signatures of the Emergency Manager or Mayor of the City and the Finance Director, and upon which the facsimile of the seal of the City is imprinted may be delivered to the Paying Agent for authentication and delivery in connection with the exchange or transfer of Bonds. The Paying Agent shall indicate on each Bond the date of its authentication.

Section 304. Authentication of the Bonds. (a) No Bond shall be entitled to any benefit under this Order or be valid or obligatory for any purpose unless there appears on such Bond a Certificate of Authentication substantially in the form provided for in Section 307 of this Order, executed by the manual or facsimile signature of the Finance Director or by an authorized signatory of the Paying Agent by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

(b) The Paying Agent shall manually execute the Certificate of Authentication on each Bond upon receipt of a written direction of the Authorized Officer of the City to authenticate such Bond.

Section 305. Transfer of Registration and Exchanges on the Bonds. (a) The registration of each Bond is transferable only upon the Bond Registry by the Registered Owner thereof, or by his attorney duly authorized in writing, upon the presentation and surrender thereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor.

(b) Each Bond may be exchanged for one or more Bonds in equal aggregate principal amount of like maturity and tenor in one or more authorized denominations, upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing.

Section 306. Regulations with Respect to Exchanges and Transfers. (a) In all cases in which the privilege of exchanging Bonds or transferring the registration of Bonds is exercised, the City shall execute and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Order. All Bonds surrendered in any such exchanges or transfers shall be forthwith canceled by the Paying Agent.

(b) For every exchange or transfer of Bonds, the City or the Paying Agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and, except as otherwise provided in this Order, may charge a sum sufficient to pay the costs of preparing each new Bond issued upon such exchange or transfer, which shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

(c) The Paying Agent shall not be required (i) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Bonds contained in Section 307 of this Order and ending at the close of business on the day of that giving of notice, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. The City shall give the Paying Agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

Section 307. Form of the Bonds. The Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Order or as approved by an Authorized Officer in the Supplemental Order:

[Forms of Bonds]

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the City (as hereinafter defined), or its agent for registration of transfer, exchange, or payment and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF WAYNE

CITY OF DETROIT
FINANCIAL RECOVERY BOND, SERIES 2014B

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
		_____, 2014	

Registered Owner:

Principal Amount: _____ Dollars

The City of Detroit, County of Wayne, State of Michigan (the "City"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon at the Interest Rate of 4.0% per annum from the Date of Original Issue specified above until the twentieth (20th) anniversary of the Date of Original Issue, and thereafter at 6.0% per annum, until the Maturity Date specified above or until the Principal Amount specified above is paid in full. Interest is payable semiannually on April 1 and October 1 in each year commencing on _____ (each an "Interest Payment Date"). The interest so payable, and punctually paid or duly provided for, will be paid, as provided in the hereinafter defined Order, to the person in whose name this Bond is registered on the books maintained for such purpose by the hereinafter defined Paying Agent (the "Bond Registry"), on the close of business on the Regular Record Date for such interest payment, which shall be the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall herewith cease to be payable to the Registered Owner on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice of which shall be given to Registered Owners at least seven days before such Special Record Date,

or may be paid at any time in any other lawful manner. Capitalized terms used herein but not defined herein, shall have the meanings ascribed to them in the Order.

The principal of this Bond is payable in lawful money of the United States of America upon presentation and surrender of this Bond at the designated corporate trust office of _____, _____, _____, as registrar, transfer agent and paying agent under the Order (such bank and any successor as paying agent, the "Paying Agent"). Interest on this Bond is payable in like money by check or draft drawn on the Paying Agent and mailed to the Registered Owner entitled thereto, as provided above, by first class mail or, upon the written request of a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Registered Owner, and such request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent. Interest shall be computed on the basis of a 360-day year consisting of twelve 30 day months. For prompt payment of this Bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

This bond is one of a series of bonds aggregating the principal sum of \$_____, issued under and in full compliance with the Constitution and statutes of the State of Michigan, and particularly Section 36a of Act No. 279, Public Acts of Michigan, 1909, as amended ("Act 279"), for the purpose of satisfying certain Claims, as defined in the Order. Pursuant to the Order, the bonds of this series (the "Bonds") are limited tax general obligations of the City, and the City is obligated to levy annually ad valorem taxes on all taxable property in the Issuer, subject to applicable constitutional, statutory and charter tax rate limitations.

The "Order" is an Order of the Emergency Manager issued on _____, 2014, supplemented by a Supplemental Order of an Authorized Officer of the City issued on _____, 2014, authorizing the issuance of the Bonds.

The bonds of this series shall be subject to redemption prior to maturity as follows:

(a) *Optional Redemption.* Bonds or portions of bonds in Authorized Denominations of multiples of \$1,000 or integral multiples of \$1.00 in excess thereof are subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine, and by lot within a maturity on any date after the Date of Original Issue, at a redemption price of par plus accrued interest to the date fixed for redemption.

(b) *Mandatory Redemption.* [TO BE DETERMINED]

General Redemption Provisions. In case less than the full amount of an outstanding bond is called for redemption, the Paying Agent, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to the registered owners of Bonds or portions thereof called for redemption by mailing of such notice not less than thirty (30) days but not more than

sixty (60) days prior to the date fixed for redemption to the registered address of the registered owner of record. Bonds or portions thereof so called for redemption shall not bear interest after the date fixed for redemption, whether presented for redemption or not, provided funds are on hand with the Paying Agent to redeem such Bonds.

Reference is hereby made to the Order for the provisions with respect to the nature and extent of the security for the Bonds, the manner and enforcement of such security, the rights, duties and obligations of the City, and the rights of the Paying Agent and the Registered Owners of the Bonds. As therein provided, the Order may be amended in certain respects without the consent of the Registered Owners of the Bonds. A copy of the Order is on file and available for inspection at the office of the Finance Director and at the principal corporate trust office of the Paying Agent.

The City and the Paying Agent may treat and consider the person in whose name this Bond is registered on the Bond Registry as the absolute owner hereof, whether this Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal hereof and interest hereon and for all other purposes whatsoever, and all such payments so made to such person or upon his order shall be valid and effectual to satisfy and discharge the liability hereon to the extent of the sum or sums so paid.

The registration of this Bond is transferable only upon the Bond Registry by the Registered Owner hereof or by his attorney duly authorized in writing upon the presentation and surrender hereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution upon the payment of the charges, if any, therein prescribed.

It is hereby certified, recited and declared that all acts, conditions and things required by law to exist, happen and to be performed, precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Michigan, and that the total indebtedness of the City, including the Bonds does not exceed any constitutional, statutory or charter limitation.

This Bond is not valid or obligatory for any purpose until the Paying Agent's Certificate of Authentication on this Bond has been executed by the Paying Agent.

IN WITNESS WHEREOF, the City of Detroit, by its Emergency Manager, has caused this bond to be signed in the name of the City by the facsimile signatures of its Emergency Manager and Finance Director of the City, and a facsimile of its corporate seal to be printed hereon, all as of the Date of Original Issue.

CITY OF DETROIT

By: _____
Emergency Manager

By: _____
Finance Director

(SEAL)

(Form of Paying Agent's Certificate of Authentication)

DATE OF AUTHENTICATION:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Order.

_____, Michigan
Paying Agent

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite name and address of transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of such person's authority to act must accompany the bond.

Signature(s) must be guaranteed by a commercial bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges. The transfer agent will not effect transfer of this bond unless the information concerning the transferee requested below is provided.

PLEASE INSERT SOCIAL
SECURITY NUMBER OR OTHER
IDENTIFYING NUMBER OF
TRANSFEEE.

(Insert number for first named
transferee if held by joint account.)

Name and Address: _____

(Include information for all joint owners
if the bond is held by joint account.)

Section 308. Registration. The City and the Paying Agent may treat and consider the Registered Owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal (and premium, if any) thereof and interest thereon and for all other purposes whatsoever, and all such payments so made to such Bondowner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 309. Mutilated, Destroyed, Stolen or Lost Bonds. (a) Subject to the provisions of Act 354, Public Acts of Michigan, 1972, as amended and any other applicable law, if (i) any mutilated Bond is surrendered to the Paying Agent or the City and the Paying Agent and the City receive evidence to their satisfaction of the destruction, loss or theft of any Bond and (ii) there is delivered to the City and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

(c) Any new Bond issued pursuant to this Section in substitution for a Bond alleged to be mutilated, destroyed, stolen or lost shall constitute an original additional contractual obligation on the part of the City, and shall be equally secured by and entitled to equal proportionate benefits with all other Bonds issued under this Order.

Section 310. Book-Entry-Only System Permitted. (a) If determined by the Authorized Officer in the Supplemental Order, the Bonds or portions of the Bonds shall be issued to a securities depository selected by the Authorized Officer (the "Security Depository") to be held pursuant to the book-entry-only system maintained by the Security Depository and registered in the name of the Security Depository or its nominee. Ownership interests in Bonds held under such book-entry-only system shall be determined pursuant to the procedures of the Security Depository and Article 8 of the applicable Uniform Commercial Code (such persons having such interests, "Beneficial Owners").

(b) If (i) the City and the Paying Agent receive written notice from the Security Depository to the effect that the Security Depository is unable or unwilling to discharge its responsibilities with respect to the Bonds under the book-entry-only system maintained by it or (ii) the Authorized Officer determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bonds in certificated form, then the City may so notify the Security Depository and the Paying Agent, and, in either event, the City and the Paying Agent shall take appropriate steps to provide the Beneficial Owners with Bonds in certificated form to evidence their respective ownership interests in the Bonds. Whenever the Security Depository requests the City and the Paying Agent to do so, the Authorized Officer on behalf of the City and the Paying Agent will cooperate with the Security Depository in taking appropriate action after

reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(c) Notwithstanding any other provision of the Order to the contrary, so long as the Bonds are held pursuant to the book-entry-only system maintained by the Security Depository:

(i) all payments with respect to the principal and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Security Depository as provided in the representation letter from the City and the Paying Agent to the Security Depository with respect to such Bonds; and

(ii) all payments with respect to principal of the Bonds and interest on the Bonds shall be made in such manner as shall be prescribed by the Security Depository.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 401. Establishment of Accounts and Funds. (a) The City hereby establishes and creates the Debt Retirement Fund as a special, separate and segregated account and fund which shall be held for and on behalf of the City by the Paying Agent.

(b) On the Effective Date, the City shall establish and create the Disputed COPs Claims Reserve (the “Disputed COPs Claims Reserve”) which shall be held for and on behalf of the City by the Disbursing Agent under the Disbursing Agent Agreement pursuant to Section 401(d).

(c) The Disputed COP Claims Reserve shall contain no less than (i) an Unsecured Pro Rata Share of Bonds, calculated as if such Disputed COP Claims were Allowed in an amount equal to the sum of (A) aggregate unpaid principal amount as of the Petition Date for the COPs other than those giving rise to the Settled COP Claims (or such other amount as may be required by an order of the Bankruptcy Court), and (B) with respect to the Settled COPs Claims, the aggregate unpaid principal amount as of the Petition Date for the COPs giving rise to the Settled COPs claims less the amounts expended in settlement of such Settled COP Claims; and (ii) any distributions made on account of Bonds held in the Disputed COP Claims Reserve.

(d) An Authorized Officer is authorized and directed to designate a Disbursing Agent and negotiate and enter into a Disbursing Agent Agreement (the “Disbursing Agent Agreement”) between the City and the Disbursing Agent, setting forth the duties and obligations of the Disbursing Agent with respect to the distribution of Bonds and/or cash from the Disputed COPs Claims Reserve to the Claimants thereof pursuant to Section 404(h).

(e) The Finance Director is hereby authorized to establish such additional accounts, subaccounts or funds as shall be required for the Bonds, and the Dispute COPS Claims Reserve to accommodate the requirements of such series of Bonds and the Disputed COPS Claims Reserve.

Section 402. Debt Retirement Fund. General funds of the City, proceeds of all taxes levied pursuant to Section 301 hereof [and any amounts transferred from the debt retirement funds related to the COPs, if any,] shall be used to pay the principal of and interest on the Bonds when due. The foregoing amounts shall be placed in the Debt Retirement Fund and held in trust by the Paying Agent, and so long as the principal of or interest on the Bonds shall remain unpaid, no moneys shall be withdrawn from the Debt Retirement Fund except to pay such principal and interest. Any amounts remaining in the Debt Retirement Fund after payment in full of the Bonds and the fees and expenses of the Paying Agent shall be retained by the City to be used for any lawful purpose.

Section 403. Investment of Monies in the Funds and Accounts. (a) The Finance Director shall direct the investment of monies on deposit in the Funds and Accounts established hereunder, and the Paying Agent, upon written direction or upon oral direction promptly confirmed in writing by the Finance Director, shall use its best efforts to invest monies on deposit in the Funds and Accounts in accordance with such direction.

(b) Monies on deposit in the Funds and Accounts may be invested in such investments and to the extent permitted by applicable law.

Section 404. Satisfaction of Claims. (a) On the Effective Date, the City shall issue the Bonds in an amount sufficient to satisfy the Claims. An Authorized Officer shall arrange for delivery of the Bonds to the Claimants and the Disbursing Agent to satisfy the Claims on behalf of the Claimants of each class of creditors entitled to New B Notes and/or cash as provided in the Plan of Adjustment and as set forth in this Section 404 in subsections (b) through (g), inclusive. Upon delivery of the Bonds to the Disbursing Agent and the Claimants, an Authorized Officer shall take all necessary steps to extinguish any related existing debt, including the cancellation of any related bonds or notes of the City representing portions of the Claims.

(b) On the Effective Date, the City shall distribute to the Detroit General VEBA, Bonds in the aggregate principal amount of \$218,000,000, in satisfaction of the Allowed OPEB Claims held by the Detroit General VEBA Beneficiaries. The Detroit General VEBA shall also be paid any contingent additional distributions from the Disputed COPs Claims Reserve as set forth in Section 404(g).

(c) On the Effective Date, the City shall distribute to the Detroit Police and Fire VEBA, Bonds in the aggregate principal amount of \$232,000,000, in satisfaction of the Allowed OPEB Claims held by the Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA shall also be paid any contingent additional distributions from the Disputed COPs Claims Reserve as set forth in Section 404(g).

(d) On the Effective Date, the Downtown Development Authority Claims shall be allowed in the amount of \$33,600,000. Unless the Holder agrees to a different treatment of its Claim, each Holder of an Allowed Downtown Development Authority Claim, in full satisfaction of such Allowed Claim, shall receive from the City, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of the Bonds.

(e) Unless such Holder agrees to a different treatment of such claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive from the Disbursing Agent, on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of Bonds.

(f) If and to the extent that Disputed COP Claims become Allowed Claims, the Holders of such Allowed Claims shall be sent a Distribution from the Disputed COP Claims Reserve by the Disbursing Agent of no less than (i) the portion of New B Notes held in the Disputed COP Claims Reserve initially allocated to the Disputed COP Claims that became Allowed Claims; and (ii) any distributions received by the Disputed COP Claims Reserve on account of such portion of Bonds.

(g) Upon the entry of a Final Order resolving any objection to any Disputed COP Claim and after all Distributions on account of Allowed COP Claims respecting such resolved Disputed COP Claims have been made or provided for (i) an amount of Bonds or distributions thereon in an amount equal to the costs, fees and expenses related to the COP Litigation incurred by the Litigation Trust from and after the Effective Date shall be distributed by the Disbursing Agent to the City subject to the terms of the Plan of Adjustment; (ii) following such distribution, the Bonds and any distributions thereon remaining in the Disputed COP Claims Reserve shall be distributed as follows: (A) 65% to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the Bonds allocated to each pursuant to Sections 404(b) and 404(c); (B) 20% to be distributed Pro Rata among holders of Allowed Limited Tax General Obligation Bond Claims in Class 7 under the Plan of Adjustment; and (C) 15% to holders of Allowed Other Unsecured Claims in Class 14 under the Plan of Adjustment.

ARTICLE V

THE PAYING AGENT

Section 501. Paying Agent. The Paying Agent for the Bonds shall act as bond registrar, transfer agent and paying agent for the Bonds and shall be initially _____, Detroit, Michigan, or such other bank or trust company located in the State which is qualified to act in such capacity under the laws of the United States of America or the State. The Paying Agent means and includes any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided, that such company shall be a trust company or bank which is qualified to be a successor to the Paying Agent as determined by an Authorized Officer, shall be authorized by law to perform all the duties imposed upon it by this Order, and shall be the successor to the Paying Agent without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding. An Authorized Officer is authorized to enter into an agreement with such a bank or trust company, and from time to time as required, may designate a similarly qualified successor Paying Agent and enter into an agreement therewith for such services.

ARTICLE VI

SUPPLEMENTAL ORDERS AND RESOLUTIONS

Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds. The City may without the consent of any Bondowner adopt orders or resolutions supplemental to this Order for any one or more of the following purposes:

- (i) to confirm or further assure the security hereof or to grant or pledge to the holders of the Bonds any additional security;
- (ii) to add additional covenants and agreements of the City for the purposes of further securing the payment of the Bonds;
- (iii) to cure any ambiguity or formal defect or omission in this Order; and
- (iv) such other action not materially, adversely and directly affecting the security of the Bonds.

provided that (A) no supplemental order or resolution amending or modifying the rights or obligations of the Paying Agent shall become effective without the consent of the Paying Agent and (B) the effectiveness of any supplemental resolution is subject to Section 702 to the extent applicable.

Section 602. Bond Counsel Opinion. Before any supplemental order or resolution under this Article shall become effective, a copy thereof shall be filed with the Paying Agent, together with an opinion of Bond Counsel that such supplemental order or resolution is authorized or permitted by this Article; provided that, Bond Counsel in rendering any such opinion shall be entitled to rely upon certificates of an Authorized Officer or other City official, and opinions or reports of consultants, experts and other professionals retained by the City to advise it, with respect to the presence or absence of facts relative to such opinion and the consequences of such facts.

ARTICLE VII

DEFEASANCE

Section 701. Defeasance. Bonds shall be deemed to be paid in full upon the deposit in trust of cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment thereof, will come due at such times and in such amounts, as to be fully sufficient to pay when due, the principal of such Bonds and interest to accrue thereon, as confirmed by a verification report prepared by an independent certified public accountant; provided, that if any of such Bonds are to be called for redemption prior to maturity, irrevocable instructions to call such Bonds for redemption shall be given to the Paying Agent. Such cash and securities representing such obligations shall be deposited with a bank or trust company and held

for the exclusive benefit of the Owners of such Bonds. After such deposit, such Bonds shall no longer be entitled to the benefits of this Order (except for any rights of transfer or exchange of Bonds as therein or herein provided for) and shall be payable solely from the funds deposited for such purpose and investment earnings, if any, thereon, and the lien of this Order for the benefit of such Bonds shall be discharged.

ARTICLE VIII

OTHER PROVISIONS OF GENERAL APPLICATION

[Section 801. Credit Enhancement. (a) There is hereby authorized to be obtained municipal bond insurance or other credit enhancement or a combination thereof to secure the payment of all or part of the Bonds, if, and provided that, it shall be determined by an Authorized Officer that obtaining such Municipal Bond Insurance Policy or other credit enhancement or a combination thereof is in the best interest of the City. Such municipal bond insurance or other credit enhancement providers may be afforded certain rights and remedies to direct the proceedings with respect to the enforcement of payment of the Bonds as shall be provided in the documents relating thereto. In the event a commitment for a Municipal Bond Insurance Policy is obtained or a commitment for other credit enhancement is obtained, an Authorized Officer is hereby authorized, to approve the terms, perform such acts and execute such instruments that shall be required, necessary or desirable to effectuate the terms of such commitment and the transactions described therein and in this Order and the Supplemental Order provided that such terms are not materially adverse to the City.

(b) In connection with the execution of any of the agreements authorized by this Section, an Authorized Officer is authorized to include therein such covenants as shall be appropriate.]

Section 802. Approval of Other Documents and Actions. The Mayor, the Finance Director, the Treasurer, the City Clerk and any written designee of the Emergency Manager are each hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Order.

Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers. (a) Each Authorized Officer is hereby authorized and directed to do and perform any and all acts and things with respect to the Bonds which are necessary and appropriate to carry into effect, consistent with this Order, the authorizations therein and herein contained, including without limitation, the securing of ratings by bond rating agencies, if cost effective, the negotiation for and acquisition of bond insurance and/or other credit enhancement, if any, to further secure the Bonds or any portions thereof, the acquisition of an irrevocable surety bond to fulfill the City's obligation to fund any reserve account, the printing of the Bonds and the incurring and paying of reasonable fees, costs and expenses incidental to the foregoing and other costs of issuance of the Bonds including, but not limited to fees and expenses of bond counsel, financial advisors, accountants and others, from Bond proceeds or other available funds, for and on behalf of the City.

(b) Except as otherwise provided herein, all determinations and decisions of the Authorized Officer with respect to the issuance and sale of the Bonds or the negotiation, execution or delivery of agreements as permitted or required by this Order shall be confirmed by this Authorized Officer in a Supplemental Order or Supplemental Orders, and such confirmations shall constitute determinations that any conditions precedent to such determinations and decisions of the Authorized Officer have been fulfilled.

Section 804. Approving Legal Opinions with Respect to the Bonds. Delivery of the Bonds shall be conditioned upon receiving, at the time of delivery of the Bonds; the approving opinion of Bond Counsel, approving legality of the Bonds.

Section 805. Appointment of Bond Counsel; Engagement of Other Parties. The appointment by the Emergency Manager of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable from available funds in accordance with the agreement of such firm on file with the Finance Director.

Section 806. Preservation of Records. So long as any Bond remains Outstanding, all documents received by the Paying Agent under the provisions of this Order shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, and the Bondowners, and their agents and representatives, any of whom may make copies thereof.

Section 807. Parties in Interest. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the City or Paying Agent shall be for the sole and exclusive benefit of the City, the Paying Agent and the Bondowners.

Section 808. No Recourse Under Resolution. All covenants, agreements and obligations of the City contained in this Order shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal or interest on the Bonds or for any claim based thereon or on this Order against any councilperson, member, officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

Section 809. Severability. If any one or more sections, clauses or provisions of this Order shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 810. Cover Page, Table of Contents and Article and Section Headings. The cover page, table of contents and Article and Section headings hereof are solely for convenience

of reference and do not constitute a part of this Order, and none of them shall affect its meaning, construction or effect.

Section 811. Conflict. All resolutions or parts of resolutions or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

Section 812. Governing Law and Jurisdiction. This Order shall be governed by and construed in accordance with the laws of the State.

Section 813. Order and Supplemental Order are a Contract. The provisions of this Order and the Supplemental Order shall constitute a contract between the City, the Paying Agent, the Bond Insurer and the Bondowners.

Section 814. Effective Date. This Order shall take effect immediately upon its adoption by the Council.

Section 815. Notices. All notices and other communications hereunder shall be in writing and given by United States certified or registered mail, expedited courier overnight delivery service or by other means (including facsimile transmission) that provides a written record of such notice and its receipt. Notices hereunder shall be effective when received and shall be addressed to the address set forth below or to such other address as any of the below persons shall specify to the other persons:

If to the City, to:

City of Detroit
Finance Department
1200 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Attention: Finance Director

If to the Paying Agent, to:

Attention: _____

SO ORDERED this ____ day of _____, 2014.

Kevyn D. Orr
Emergency Manager
City of Detroit, Michigan

EXHIBIT A

THE UNSECURED CLAIMS

1. Class 7 Allowed Limited Tax General Obligation Bond Claims.
2. Class 9 Disputed COPS Claims which become Allowed Claims.
3. Class 12 OPEB Claims - Detroit General VEBA Claims ("General VEBA Claims") in the amount of \$218,000,000, plus contingent additional distributions from the Disputed COP Claims Reserve ("Contingent General VEBA Claims");
4. Class 12 OPEB Claims - Detroit Police and Fire VEBA Claims ("Police and Fire VEBA Claims") in the amount of \$232,000,000, plus contingent additional distributions from the Disputed COP Claims Reserve ("Contingent Police and Fire VEBA Claims");
5. Class 13 Allowed Downtown Development Authority Claims ("DDA Claims") in the amount of \$33,600,000; and
6. Class 14 Allowed Other Unsecured Claims ("Other Unsecured Claims").

22096296.5\022765-00202

EXHIBIT I.A.248

PRINCIPAL TERMS OF NEW C NOTES

NEW C NOTES **SUMMARY OF PRINCIPAL TERMS¹**

On the Effective Date, the City shall issue the New C Notes and distribute them as set forth in the Plan. The definitive documentation governing the New C Notes shall provide generally for the following terms:

Obligation	Unsecured financial recovery bonds due 2026.
Parking Revenues Lockbox	The City shall direct Parking Revenues into a lockbox account. Once amounts sufficient to pay the principal of or interest due on the New C Notes for the then current fiscal year (the “Annual Set Aside Requirement”) have been set aside, any excess may be transferred to the City’s general fund and used for other purposes.
Parking Violation Revenue	“Parking Revenues” shall mean (a) in the event the New C Notes are issued in a principal amount equal to or less than the \$21,271,804, revenues collected from fines received by the City related to tickets issued for parking violations, other than such revenues that would otherwise be paid to the 36 th District Court (“Violations Revenue”), and (b) in the event the New C Notes are issued in a principal amount in excess of \$21,271,804, Violations Revenue, meter collections and revenue from garage (other than Grand Circus) and boot and tow operations.
Principal Amount	Not to exceed \$88,430,021
Interest Rate	5%. In addition, in the event the City fails to make an interest and principal amortization payment when due (a “Payment Default”), the City shall have thirty days, following written notice of such default (the “Cure Period”), to cure such Payment Default. Failure to cure a Payment Default within the Cure Period will result in application of additional default rate interest of 2% until such Payment Default is cured.
Maturity	12 years, callable at any time for par plus accrued interest.
Payment Date	The City shall make interest and principal amortization payments annually on June 30.

¹ Capitalized terms not otherwise defined herein shall have the meaning given to them in the Plan.

Amortization	Principal amortization in accordance with the schedule hereto such that the total annual principal and interest cash payment on the bonds is \$9,977,153.00 (or \$2,400,000 with respect to Syncora).
City Parking Facilities Disposition	In the event the City disposes of some or all of the City Parking Facilities subsequent to distribution of the New C Notes, the City shall use the net proceeds from such transaction to prepay the amount owed on account of the New C Notes.
Effectuation of Provisions of New C Notes	The City, to the extent required to effectuate the provisions of the New C Notes, shall (i) cause the Detroit Building Authority to convey the City Parking Facilities to the City, and (ii) treat accounting of the Parking Revenues such that all Parking Revenues are deposited into a general governmental account.

EXHIBIT I.A.249

FORM OF NEW C NOTES DOCUMENTS

ORDER NO. __

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$88,430,021 FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN COP CLAIMS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE DELIVERY IN PARTIAL SATISFACTION THEREOF AND EXCHANGE OF SAID BONDS TO THE HOLDERS OF SAID CLAIMS.

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	3
Section 101. Definitions.....	3
Section 102. Interpretation.....	6
ARTICLE II DETERMINATIONS.....	7
Section 201. Finding, and Declaration of Need to Issue Bonds	7
ARTICLE III AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS	7
Section 301. Authorization of Bonds to Satisfy the Claims and Pledge.....	7
Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims	7
Section 303. Execution, Authentication and Delivery of Bonds	9
Section 304. Authentication of the Bonds	9
Section 305. Transfer of Registration and Exchanges on the Bonds	9
Section 306. Regulations with Respect to Exchanges and Transfers	9
Section 307. Form of the Bonds	10
Section 308. Registration	17
Section 309. Mutilated, Destroyed, Stolen or Lost Bonds.....	17
Section 310. Book-Entry-Only System Permitted	17
ARTICLE IV FUNDS AND ACCOUNTS	18
Section 401. Establishment of Accounts and Funds.....	18
Section 402. Debt Retirement Fund.....	18
Section 403. Investment of Monies in the Funds and Accounts.....	19
Section 404. Satisfaction of Claims	19
ARTICLE V THE PAYING AGENT	20
Section 501. Paying Agent.....	20
ARTICLE VI SUPPLEMENTAL ORDERS AND RESOLUTIONS.....	21
Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds	21
Section 602. Bond Counsel Opinion.....	21
ARTICLE VII DEFEASANCE	21
Section 701. Defeasance	21
ARTICLE VIII OTHER PROVISIONS OF GENERAL APPLICATION.....	22
Section 801. Account Control Agreement	22
Section 802. Approval of Other Documents and Actions.....	22
Section 803. Delegation of City to, and Authorization of Actions of Authorized Officers	22
Section 804. Approving Legal Opinions with Respect to the Bonds	23
Section 805. Appointment of Bond Counsel; Engagement of Other Parties.....	23
Section 806. Preservation of Records	23
Section 807. Parties in Interest.....	23

TABLE OF CONTENTS
(continued)

	Page
Section 808. No Recourse Under Resolution	23
Section 809. Severability	23
Section 810. Cover Page, Table of Contents and Article and Section Headings.....	23
Section 811. Conflict	24
Section 812. Governing Law and Jurisdiction	24
Section 813. Order and Supplemental Order are a Contract.....	24
Section 814. Effective Date	24
Section 815. Notices	24

ORDER NO. ____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$88,430,021 FINANCIAL RECOVERY BONDS IN ONE OR MORE SERIES FOR THE PURPOSE OF SATISFYING CERTAIN COP CLAIMS AS PROVIDED IN THE BANKRUPTCY CASE PLAN OF ADJUSTMENT; AND AUTHORIZING THE EMERGENCY MANAGER TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE DELIVERY IN PARTIAL SATISFACTION THEREOF AND EXCHANGE OF SAID BONDS TO THE HOLDERS OF SAID CLAIMS.

WHEREAS, on March 1, 2013, the Governor (the "Governor") of the State of Michigan (the "State") determined that a financial emergency existed within the City of Detroit, County of Wayne, State of Michigan (the "City") pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended ("Act 72"); and

WHEREAS, on March 14, 2013, the Governor confirmed that a financial emergency existed within the City and, pursuant to Act 72, assigned to the Local Emergency Financial Assistance Loan Board established pursuant to the Emergency Municipal Loan Act, Act 243 Public Acts of Michigan, 1980, as amended (the "Board") the responsibility for managing the financial emergency; and

WHEREAS, on March 14, 2013, pursuant to Act 72, the Board appointed Kevyn D. Orr as Emergency Financial Manager for the City; And

WHEREAS, by operation of law the financial emergency continues to exist within the City pursuant to the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012 ("Act 436") and the Emergency Financial Manager continues in the capacity of the Emergency Manager for the City (the "Emergency Manager"); and

WHEREAS, on July 18, 2013 (the "Petition Date"), in accordance with Act 436 and the approval of the Governor, the Emergency Manager filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, on August 20, 2014, the Emergency Manager filed on behalf of the City a Sixth Amended Plan of Adjustment of the Debts of the City of Detroit (now and as subsequently amended, the "Plan of Adjustment") in the Bankruptcy Court to provide for the adjustment of the debts of the City pursuant to and in accordance with Chapter 9 of the Bankruptcy Code; and

WHEREAS, the Plan of Adjustment provides, among other things, for the satisfaction of certain claims of unsecured creditors as set out in the Plan of Adjustment in exchange for the

receipt of unsecured pro rata shares (each a “Pro Rata Share”) of New C Notes (the “New C Notes”); and

WHEREAS, upon satisfaction of all of the terms and conditions required of the City related to the confirmation of the Plan of Adjustment, the City shall establish the Business Day upon which the Plan of Adjustment shall become effective (the “Effective Date”); and

WHEREAS, on or as reasonably practicable after the Effective Date, the City shall execute New C Notes Documents and issue New C Notes in the form of Financial Recovery Bonds authorized under Section 36a of the Home Rule City Act, Act 279, Public Acts of Michigan, 1909, as amended (“Act 279”) and this Order, and distribute the New C Notes, in the form of the Financial Recovery Bonds, through the Litigation Trust, as defined in the Plan of Adjustment, to Settling COP Claimants as provided in the Plan of Adjustment (the “Settling COP Claimants”); and

WHEREAS, the Emergency Manager of the City deems it necessary to authorize the issuance of Financial Recovery Bonds in one or more series (the “Bonds”), in the aggregate principal amount of not to exceed Eighty Eight Million Four Hundred Thirty Thousand Twenty One Dollars (\$88,430,021) pursuant to Section 36a of Act 279; and

WHEREAS, the Bonds will be payable from City Parking Revenues or a portion thereof and secured by a pledge of the City’s limited tax full faith and credit; and

WHEREAS, Section 36a of Act 279 authorizes a city, for which a financial emergency has been determined to exist, such as the City, to borrow money and issue Financial Recovery Bonds subject to the terms and conditions approved by the Board; and

WHEREAS, the City must receive prior approval of the terms and conditions for the issuance of the Bonds from the Board in accordance with Section 36a of Act 279; and

WHEREAS, the Emergency Manager desires to submit this Order to the Board proposing the issuance by the City of Financial Recovery Bonds, in one or more series, under Section 36a of Act 279, to provide for a portion of the financing of the City under the Plan of Adjustment, solely to satisfy the Settling COP Claimants’ COP Claims; and

WHEREAS, prior to submission of this Order to the Board, pursuant to Sections 12(1)(u) and 19(i) of Act 436, the Emergency Manager must obtain approval of the issuance of the Bonds by the City Council of the City (the “City Council”), and if the City Council disapproves the issuance of the Bonds, the issuance of the Bonds must be approved by the Board.

NOW, THEREFORE, BE IT ORDERED AS FOLLOWS:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 101. Definitions. The words and terms defined in the preambles and recitals hereof and the following words and terms as used in this Order shall have the meanings ascribed therein, herein or in the Plan of Adjustment to them unless a different meaning clearly appears from the context:

“Account Control Agreement” means that certain Account Control Agreement by and among the City, the Paying Agent and the Depository Bank in favor of the Paying Agent with respect to the bank account that holds the City Parking Revenues.

“Act 243” means Act No. 243, Public Acts of Michigan, 1980, as amended.

“Act 279” means Act No. 279, Public Acts of Michigan, 1909, as amended.

“Act 436” means Act No. 436, Public Acts of Michigan, 2012.

“Authorized Denominations” shall mean denominations of Bonds equal to multiples of \$1.00.

“Authorized Officer” means (i) the Emergency Manager or his designee or successor, or if the City is no longer operating under a financial emergency pursuant to Act 436, the chief administrative officer of the City, the Finance Director or his or her designee, or (ii) any other person authorized by a Certificate of an Authorized Officer to act on behalf of or otherwise represent the City in any legal capacity, which such certificate shall be delivered, if at all, in the City’s sole discretion.

“Bankruptcy Case” means the City’s Bankruptcy Case No. 13-53846 in the U.S. Bankruptcy Court for the Eastern District of Michigan.

“Bankruptcy Court” has the meaning set forth in the Plan of Adjustment.

“Board” has the meaning set forth in recitals hereto.

“Bond Counsel” means Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, or such other nationally recognized firm of attorneys experienced in matters pertaining to municipal bonds and appointed to serve in such capacity by the City with respect to the Bonds.

“Bond” or “Bonds” means the Financial Recovery Bonds, Series 2014C of the City authorized to be issued by the Order in the aggregate principal amount not to exceed \$88,430,021, in one or more series, and bearing such other designations as determined by the Authorized Officer in the Supplemental Order.

“Bond Registry” means the books for the registration of Bonds maintained by the Paying Agent.

“Bondowner”, “Owner” or “Registered Owner” means, with respect to any Bond, the person in whose name such Bond is registered in the Bond Registry.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which the Paying Agent or banks and trust companies in New York, New York are authorized or required to remain closed, (iii) a day on which the New York Stock Exchange is closed, or (iv) a day on which the Federal Reserve is closed.

“Certificate” means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Order.

“Charter” means the Charter of the City, as amended from time to time.

“City” means the City of Detroit, County of Wayne, State of Michigan.

[“City Parking Facilities” means _____.]

“City Parking Revenues” means revenues collected by the City related to (i) tickets issued for parking violations, including, but not limited to, meter collections, towing, storage fees and booting fees, other than revenues that would otherwise be paid to the 36th District Court, and (ii) if the Bonds are issued in a principal amount greater than \$21,271,804, garage operations at City Parking Facilities, other than the Grand Circus Park facility.

“Closing Date” means the Date of Original Issue.

“Code” means the Internal Revenue Code of 1986, as amended.

“Constitution” means the Constitution of the State of Michigan of 1963, as amended.

“Confirmation Order” has the meaning set forth in recitals hereto.

“COP Claims” has the meaning set forth in the Plan of Adjustment.

“Date of Original Issue” means the date upon which all conditions precedent set forth in the Bond Purchase Agreement to the transactions contemplated therein and herein have been satisfied and the Bonds have been issued to the Purchaser.

“Debt Retirement Fund” means the Debt Retirement Fund established under Section 501 hereof, and any subaccounts thereof established hereunder for the payment of principal of and premium and interest on the Bonds.

“Depository Bank” means a bank or banks or other financial institution which the Emergency Manager of the City designates as depository of the City.

“Emergency Manager” has the meaning set forth in the recitals hereto.

“Final Order” has the meaning set forth in the Plan of Adjustment.

“Fiscal Year” means the period from July 1 to and including June 30 of the immediately succeeding calendar year or such other fiscal year of the City as in effect from time to time.

“Interest Payment Date” means June 30 of each year commencing with the June 30 specified in the Supplemental Order.

“Interest Rate” means 5% per annum from the Date of Original Issue until the Maturity Date, or such other interest rates as confirmed in the Supplemental Order.

“Litigation Trust” has the meaning set forth in the Plan of Adjustment.

“Maturity Date” means June 30, 20__ or such other final date of maturity of each series of the Bonds as specified in the Supplemental Order.

“Maximum Aggregate Principal Amount” has the meaning given such term in Section 201.

“Order” means this Order of the Emergency Manager as supplemented by the Supplemental Order, and as amended from time to time pursuant to Article VII.

“Outstanding” when used with respect to:

- (1) the Bonds, means, as of the date of determination, the Bonds theretofore authenticated and delivered under this Order, except:
 - (A) Bonds theretofore canceled by the Paying Agent or delivered to such Paying Agent for cancellation;
 - (B) Bonds for whose payment money in the necessary amount has been theretofore deposited with the Paying Agent in trust for the registered owners of such Bonds;
 - (C) Bonds delivered to the Paying Agent for cancellation in connection with (x) the exchange of such Bonds for other Bonds or (y) the transfer of the registration of such Bonds;
 - (D) Bonds alleged to have been destroyed, lost or stolen which have been paid or replaced pursuant to this Order or otherwise pursuant to law; and
 - (E) Bonds deemed paid as provided in Section 701.

“Paying Agent” means the bond registrar, transfer agent and paying agent for the Bonds.

“Petition Date” has the meaning set forth in the recitals hereto.

“Plan of Adjustment” has the meaning set forth in the recitals hereto.

“Registered Owner” means the registered owner of a Bond as the registered owner’s name appears on the Bond Registry under Section 305.

“Regular Record Date” has the meaning given such term in Section 302.

“Security Depository” has the meaning given such term in Section 310.

“Settling COP Claimant” has the meaning set forth in the Plan of Adjustment.

“State” has the meaning set forth in the recitals hereto.

“State Treasurer” means the Treasurer of the State of Michigan.

“Supplemental Order” means the order or orders of the Authorized Officer making certain determinations and confirming the final details on the Bonds upon issuance, in accordance with the parameters of this Order.

“Unsecured Pro Rata Share” has the meaning set forth in the Plan of Adjustment.

Section 102. Interpretation. (a) Words of the feminine or masculine genders include the correlative words of the other gender or the neuter gender.

(b) Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons.

(c) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Order.

(d) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Order, refer to this Order as a whole unless otherwise expressly stated.

ARTICLE II

DETERMINATIONS

Section 201. Finding, and Declaration of Need to Issue Bonds. The Emergency Manager hereby finds and declares that it is necessary for the City to issue the Bonds hereunder in such sum as shall be determined and approved by the Emergency Manager, not in excess of \$88,430,021 (the “Maximum Aggregate Principal Amount”), and to evidence such debt by the issuance of the Bonds in one or more series not in excess of the Maximum Aggregate Principal Amount, in Authorized Denominations, pursuant to and in accordance with the provisions of Section 36a of Act 279, for the purpose of satisfying the Claims.

ARTICLE III

AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS

Section 301. Authorization of Bonds to Satisfy the Claims and Pledge. The City hereby authorizes the issuance of the Bonds as hereinafter defined in such principal amount as shall be confirmed in the Supplemental Order to satisfy a portion of the COP Claims as determined by the Authorized Officer in the Supplemental Order or subsequently confirmed by the Authorized Officer to Bond Counsel. The principal of and interest on the Bonds shall hereby be payable from (i) the City Parking Revenues and (ii) secured by the limited tax full faith and credit pledge of the City.

In the event of insufficient City Parking Revenues, the City pledges to pay the principal of and interest on the Bonds as a first budget obligation from its general funds and in case of insufficiency thereof, from the proceeds of an annual levy of ad valorem taxes on all taxable property of the City, subject to applicable constitutional, statutory and charter tax rate limitations.

Section 302. Designations, Date, Interest, Maturity and Other Terms of the Bonds to Satisfy the Claims. (a) The Bonds shall be designated "FINANCIAL RECOVERY BONDS, SERIES 2014C" and may bear such later or earlier dates and additional or alternative designations, series or subseries as the Authorized Officer may determine in the Supplemental Order, shall be issued in fully registered form and shall be consecutively numbered from "R-1" upwards, unless otherwise provided by the Authorized Officer in the Supplemental Order. The Bonds shall be dated and issued in Authorized Denominations all as determined by the Authorized Officer and confirmed by the Authorized Officer in the Supplemental Order.

(b) The Bonds of each series shall mature on the Maturity Date not more than 13 years from the Date of Original Issue and shall bear interest at the Interest Rate on a taxable basis, payable on the Interest Payment Dates, all as shall be determined and confirmed by the Authorized Officer in the Supplemental Order. Unless otherwise provided by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America.

(c) Except as may be otherwise determined by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be payable to the Registered Owner as of the 15th day of the month, whether or not a Business Day (a "Regular Record Date"), prior to each Interest Payment Date. Interest on the Bonds shall be payable to such Registered Owners by check or draft drawn on the Paying Agent on each Interest Payment Date and mailed by first class mail or, upon the written request of the Owner of \$1,000,000 or more in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Owner. Such a request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent.

(d) Interest on Bonds not punctually paid or duly provided for on an Interest Payment Date shall forthwith cease to be payable to the Registered Owners on the Regular Record Date established for such Interest Payment Date, and may be paid to the Registered Owners as of the close of business on a date fixed by the Paying Agent (a "Special Record Date") with respect to the payment of such defaulted interest to be fixed by the Paying Agent, or may be paid at any time in any other lawful manner. The Paying Agent shall give notice to the Registered Owners at least seven days before any such Special Record Date.

(e) The principal of the Bonds shall be payable to the Registered Owners of the Bonds upon the presentation of the Bonds to the Paying Agent at the principal corporate trust office of the Paying Agent.

(f) The Bonds shall be subject to optional, mandatory sinking fund and mandatory redemption prior to maturity or shall not be subject thereto, upon such terms and conditions as shall be determined by the Authorized Officer and confirmed in the Supplemental Order.

Unless waived by any registered owner of Bonds to be redeemed, official notice of redemption shall be given by the Paying Agent on behalf of the City. Such notice shall be dated and shall contain at a minimum the following information: original issue date; maturity dates; interest rates, CUSIP numbers, if any; certificate numbers, and in the case of partial redemption, the called amounts of each certificate; the redemption date; the redemption price or premium; the place where Bonds called for redemption are to be surrendered for payment; and that interest on Bonds or portions thereof called for redemption shall cease to accrue from and after the redemption date.

In addition, further notice shall be given by the Paying Agent in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

Section 303. Execution, Authentication and Delivery of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Mayor and the Finance Director of the City and authenticated by the manual signature of the Finance Director or an authorized representative of the Paying Agent, as the case may be, and a facsimile of the seal of the City shall be imprinted on the Bonds. The Bonds shall be delivered to the Litigation Trust for the Benefit of the Settling COP Claimants as described in the Plan of Adjustment. Additional Bonds bearing the manual or facsimile signatures of the Mayor of the City and the Finance Director, and upon which the facsimile of the seal of the City is imprinted may be delivered to the Paying Agent for authentication and delivery in connection with the exchange or transfer of Bonds. The Paying Agent shall indicate on each Bond the date of its authentication.

Section 304. Authentication of the Bonds. (a) No Bond shall be entitled to any benefit under this Order or be valid or obligatory for any purpose unless there appears on such Bond a Certificate of Authentication substantially in the form provided for in Section 307 of this Order, executed by the manual or facsimile signature of the Finance Director or by an authorized signatory of the Paying Agent by manual signature, and such certificate upon any Bond shall be

conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

(b) The Paying Agent shall manually execute the Certificate of Authentication on each Bond upon receipt of a written direction of the Authorized Officer of the City to authenticate such Bond.

Section 305. Transfer of Registration and Exchanges on the Bonds. (a) The registration of each Bond is transferable only upon the Bond Registry by the Registered Owner thereof, or by his attorney duly authorized in writing, upon the presentation and surrender thereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor.

(b) Each Bond may be exchanged for one or more Bonds in equal aggregate principal amount of like maturity and tenor in one or more authorized denominations, upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing.

Section 306. Regulations with Respect to Exchanges and Transfers. (a) In all cases in which the privilege of exchanging Bonds or transferring the registration of Bonds is exercised, the City shall execute and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Order. All Bonds surrendered in any such exchanges or transfers shall be forthwith canceled by the Paying Agent.

(b) For every exchange or transfer of Bonds, the City or the Paying Agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and, except as otherwise provided in this Order, may charge a sum sufficient to pay the costs of preparing each new Bond issued upon such exchange or transfer, which shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

(c) The Paying Agent shall not be required (i) to issue, register the transfer of or exchange any Bond during a period beginning at the opening of business 15 days before the day of the giving of a notice of redemption of Bonds selected for redemption as described in the form of Bonds contained in Section 307 of this Order and ending at the close of business on the day of that giving of notice, or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. The City shall give the Paying Agent notice of call for redemption at least 20 days prior to the date notice of redemption is to be given.

Section 307. Form of the Bonds. The Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Order or as approved by an Authorized Officer in the Supplemental Order:

[Form of Bonds]

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”) to the City (as hereinafter defined), or its agent for registration of transfer, exchange, or payment and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTY OF WAYNE

CITY OF DETROIT

FINANCIAL RECOVERY BOND, SERIES 2014C

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
		_____, 2014	

Registered Owner:

Principal Amount: _____ Dollars

The City of Detroit, County of Wayne, State of Michigan (the “City”), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon at the Interest Rate specified above per annum from the Date of Original Issue specified above until the Maturity Date specified above or until the Principal Amount specified above is paid in full. Interest is payable annually on June 30 in each year commencing on June 30, 20__ (each an “Interest Payment Date”). The interest so payable, and punctually paid or duly provided for, will be paid, as provided in the hereinafter defined Order, to the person in whose name this Bond is registered on the books maintained for such purpose by the hereinafter defined Paying Agent (the “Bond Registry”), on the close of business on the Regular Record Date for such interest payment, which shall be the fifteenth day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall herewith cease to be payable to the Registered Owner on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice of which shall be given to Registered Owners at least seven days before such Special Record Date, or may be paid at any time in any other lawful manner.

Capitalized terms used herein but not defined herein, shall have the meanings ascribed to them in the Order.

The principal of this Bond is payable in lawful money of the United States of America upon presentation and surrender of this Bond at the designated corporate trust office of _____, _____, _____, as registrar, transfer agent and paying agent under the Order (such bank and any successor as paying agent, the "Paying Agent"). Interest on this Bond is payable in like money by check or draft drawn on the Paying Agent and mailed to the Registered Owner entitled thereto, as provided above, by first class mail or, upon the written request of a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds (with complete wiring instructions no later than the Regular Record Date for such Interest Payment Date), by wire transfer by the Paying Agent to such Registered Owner, and such request may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked at any time prior to a Regular Record Date by subsequent written notice to the Paying Agent. Interest shall be computed on the basis of a 360-day year consisting of twelve 30 day months. For prompt payment of this Bond, both principal and interest, the full faith, credit and resources of the City are hereby irrevocably pledged.

In the event that the City fails to make a principal and interest payment when due (a "Payment Default"), the City shall have 30 days, following written notice of such default (the "Cure Period"), to cure such Payment Default. Failure to cure a Payment Default within the Cure Period will result in application of additional default rate interest at the rate of 2% per annum until such Payment Default is cured.

This bond is one of a series of bonds aggregating the principal sum of \$_____, issued under and in full compliance with the Constitution and statutes of the State of Michigan, and particularly Section 36a of Act No. 279, Public Acts of Michigan, 1909, as amended ("Act 279"), for the purpose of satisfying certain Claims, as defined in the Order. The Bonds are limited tax general obligations of the City, and the City is obligated to levy annually ad valorem taxes on all taxable property in the Issuer, subject to applicable constitutional, statutory and charter tax rate limitations. Pursuant to the Authorizing Orders, the bonds of this series (the "Bonds") are payable in the first instance from the City Parking Revenues.

The "Order" is an Order of the Emergency Manager issued on _____, 2014, supplemented by a Supplemental Order of an Authorized Officer of the City issued on _____, 2014, authorizing the issuance of the Bonds.

The bonds of this series shall be subject to redemption prior to maturity as follows:

(a) *Optional Redemption.* Bonds or portions of bonds in Authorized Denominations of integral multiples of \$1.00 are subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine, and by lot within a maturity on any date after the Date of Original Issue, at a redemption price of par plus accrued interest to the date fixed for redemption.

(b) *Mandatory Sinking Fund Redemption.* This bond is subject to mandatory sinking fund redemption in part prior to maturity, by lot in such manner as the Paying Agent may determine, at a redemption price of 100% of the principal amount thereof plus interest accrued to the date fixed for redemption, on the dates and in the principal amounts as follows:

<u>Date (June 30)</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__†	

†Final Maturity

The amounts to be so redeemed may be reduced by the principal amounts of this bond theretofore redeemed (otherwise than through operation of the Mandatory Sinking Fund Redemption described above), or otherwise acquired and delivered to the Paying Agent, at least 45 days prior to the payment date for credit against the Mandatory Sinking Fund Redemption requirement described above and shall be applied in direct order of date of redemption.

(c) *Mandatory Redemption from Proceeds of Sale of City Parking Facilities.* In the event the City sells any City Parking Facilities, this bond is subject to redemption in part at a price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption from the net proceeds of such disposition.

General Redemption Provisions. In case less than the full amount of an outstanding bond is called for redemption, the Paying Agent, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new bond in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to the registered owners of Bonds or portions thereof called for redemption by mailing of such notice not less than thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption to the registered address of the registered owner of record. Bonds or portions thereof so called for redemption shall not bear interest after the date fixed for redemption, whether presented for redemption or not, provided funds are on hand with the Paying Agent to redeem such Bonds.

Event of Default Provisions. The Bonds and the Bonds are subject to, Events of Default and acceleration in the manner, at the times and subject to the conditions specified in the Indenture and incorporated herein and made a part hereof by reference.

Reference is hereby made to the Order for the provisions with respect to the nature and extent of the security for the Bonds, the manner and enforcement of such security, the rights, duties and obligations of the City, and the rights of the Paying Agent and the Registered Owners

of the Bonds. As therein provided, the Order may be amended in certain respects without the consent of the Registered Owners of the Bonds. A copy of the Order is on file and available for inspection at the office of the Finance Director and at the principal corporate trust office of the Paying Agent.

The City and the Paying Agent may treat and consider the person in whose name this Bond is registered on the Bond Registry as the absolute owner hereof, whether this Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal hereof and interest hereon and for all other purposes whatsoever, and all such payments so made to such person or upon his order shall be valid and effectual to satisfy and discharge the liability hereon to the extent of the sum or sums so paid.

The registration of this Bond is transferable only upon the Bond Registry by the Registered Owner hereof or by his attorney duly authorized in writing upon the presentation and surrender hereof at the designated corporate trust office of the Paying Agent together with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the Registered Owner hereof or his attorney duly authorized in writing, and thereupon one or more fully executed and authenticated Bonds in any authorized denominations of like maturity and tenor, in equal aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution upon the payment of the charges, if any, therein prescribed.

It is hereby certified, recited and declared that all acts, conditions and things required by law to exist, happen and to be performed, precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Michigan, and that the total indebtedness of the City, including the Bonds does not exceed any constitutional, statutory or charter limitation.

This Bond is not valid or obligatory for any purpose until the Paying Agent's Certificate of Authentication on this Bond has been executed by the Paying Agent.

IN WITNESS WHEREOF, the City of Detroit, by its Mayor, has caused this bond to be signed in the name of the City by the facsimile signatures of its Mayor and Finance Director of the City, and a facsimile of its corporate seal to be printed hereon, all as of the Date of Original Issue.

CITY OF DETROIT

By: _____
Mayor

By: _____
Finance Director

(SEAL)

(Form of Paying Agent's Certificate of Authentication)

DATE OF AUTHENTICATION:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Order.

_____, Michigan
Paying Agent

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite name and address of transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever. When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of such person's authority to act must accompany the bond.

Signature(s) must be guaranteed by a commercial bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges. The transfer agent will not effect transfer of this bond unless the information concerning the transferee requested below is provided.

PLEASE INSERT SOCIAL
SECURITY NUMBER OR OTHER
IDENTIFYING NUMBER OF
TRANSFEEE.

(Insert number for first named
transferee if held by joint account.)

Name and Address: _____

(Include information for all joint owners
if the bond is held by joint account.)

Section 308. Registration. The City and the Paying Agent may treat and consider the Registered Owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal (and premium, if any) thereof and interest thereon and for all other purposes whatsoever, and all such payments so made to such Bondowner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 309. Mutilated, Destroyed, Stolen or Lost Bonds. (a) Subject to the provisions of Act 354, Public Acts of Michigan, 1972, as amended and any other applicable law, if (i) any mutilated Bond is surrendered to the Paying Agent or the City and the Paying Agent and the City receive evidence to their satisfaction of the destruction, loss or theft of any Bond and (ii) there is delivered to the City and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

(c) Any new Bond issued pursuant to this Section in substitution for a Bond alleged to be mutilated, destroyed, stolen or lost shall constitute an original additional contractual obligation on the part of the City, and shall be equally secured by and entitled to equal proportionate benefits with all other Bonds issued under this Order.

Section 310. Book-Entry-Only System Permitted. (a) If determined by the Authorized Officer in the Supplemental Order, the Bonds or portions of the Bonds shall be issued to a securities depository selected by the Authorized Officer (the "Security Depository") to be held pursuant to the book-entry-only system maintained by the Security Depository and registered in the name of the Security Depository or its nominee. Ownership interests in Bonds held under such book-entry-only system shall be determined pursuant to the procedures of the Security Depository and Article 8 of the applicable Uniform Commercial Code (such persons having such interests, "Beneficial Owners").

(b) If (i) the City and the Paying Agent receive written notice from the Security Depository to the effect that the Security Depository is unable or unwilling to discharge its responsibilities with respect to the Bonds under the book-entry-only system maintained by it or (ii) the Authorized Officer determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bonds in certificated form, then the City may so notify the Security Depository and the Paying Agent, and, in either event, the City and the Paying Agent shall take appropriate steps to provide the Beneficial Owners with Bonds in certificated form to evidence their respective ownership interests in the Bonds. Whenever the Security Depository requests the City and the Paying Agent to do so, the Authorized Officer on behalf of the City and the Paying Agent will cooperate with the Security Depository in taking appropriate action after

reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(c) Notwithstanding any other provision of the Order to the contrary, so long as the Bonds are held pursuant to the book-entry-only system maintained by the Security Depository:

(i) all payments with respect to the principal and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Security Depository as provided in the representation letter from the City and the Paying Agent to the Security Depository with respect to such Bonds; and

(ii) all payments with respect to principal of the Bonds and interest on the Bonds shall be made in such manner as shall be prescribed by the Security Depository.

ARTICLE IV

FUNDS AND ACCOUNTS

Section 401. Establishment of Accounts and Funds. The City hereby establishes and creates the following special, separate and segregated accounts and funds:

(a) City Parking Revenue Fund. There is hereby established at the Depository Bank the City Parking Revenue Fund. City Parking Revenues shall be directly remitted to and deposited by the Depository Bank into the City Parking Revenue Fund as provided in Section 801.

(b) Debt Retirement Fund. The City hereby establishes and creates the Debt Retirement Fund as a special, separate and segregated account and fund which shall be held for and on behalf of the City by the Paying Agent.

(c) The Finance Director is hereby authorized to establish such additional accounts, subaccounts or funds as shall be required for the Bonds to accommodate the requirements of such series of Bonds.

Section 402. Debt Retirement Fund. General funds of the City, proceeds of all City Parking Revenues transferred by the Depository Bank pursuant to Section 801 and taxes levied pursuant to Section 301 hereof shall be used to pay the principal of and interest on the Bonds when due. The foregoing amounts shall be placed in the Debt Retirement Fund and held in trust by the Paying Agent, and so long as the principal of or interest on the Bonds shall remain unpaid, no moneys shall be withdrawn from the Debt Retirement Fund except to pay such principal and interest. Any amounts remaining in the Debt Retirement Fund after payment in full of the Bonds and the fees and expenses of the Paying Agent shall be retained by the City to be used for any lawful purpose.

Section 403. Investment of Monies in the Funds and Accounts. (a) The Finance Director shall direct the investment of monies on deposit in the Funds and Accounts established hereunder, and the Paying Agent, upon written direction or upon oral direction promptly

confirmed in writing by the Finance Director, shall use its best efforts to invest monies on deposit in the Funds and Accounts in accordance with such direction.

(b) Monies on deposit in the Funds and Accounts may be invested in such investments and to the extent permitted by applicable law.

Section 404. Satisfaction of COP Claims. On the Effective Date, the City shall issue the Bonds in an amount sufficient to satisfy the portion of the COP Claims to be satisfied thereby. An Authorized Officer shall arrange for delivery of the Bonds to the Litigation Trust to be distributed to satisfy the portion of the COP Claims on behalf of the Settling COP Claimants as provided in the Plan of Adjustment. Upon delivery of the Bonds to the Litigation Trustee, an Authorized Officer shall take all necessary steps to extinguish any related existing debt, including the cancellation of any obligation of the City representing portions of the COP Claims settled thereby.

ARTICLE V

THE PAYING AGENT

Section 501. Paying Agent. The Paying Agent for the Bonds shall act as bond registrar, transfer agent and paying agent for the Bonds and shall be initially _____, or such other bank or trust company located in the State which is qualified to act in such capacity under the laws of the United States of America or the State. The Paying Agent means and includes any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided, that such company shall be a trust company or bank which is qualified to be a successor to the Paying Agent as determined by an Authorized Officer, shall be authorized by law to perform all the duties imposed upon it by this Order, and shall be the successor to the Paying Agent without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding. An Authorized Officer is authorized to enter into an agreement with such a bank or trust company, and from time to time as required, may designate a similarly qualified successor Paying Agent and enter into an agreement therewith for such services.

ARTICLE VI

SUPPLEMENTAL ORDERS AND RESOLUTIONS

Section 601. Supplemental Orders and Resolutions Not Requiring Consent of Holders of the Bonds. The City may without the consent of any Bondowner adopt orders or resolutions supplemental to this Order for any one or more of the following purposes:

- (i) to confirm or further assure the security hereof or to grant or pledge to the holders of the Bonds any additional security;

- (ii) to add additional covenants and agreements of the City for the purposes of further securing the payment of the Bonds;
- (iii) to cure any ambiguity or formal defect or omission in this Order; and
- (iv) such other action not materially, adversely and directly affecting the security of the Bonds.

provided that (A) no supplemental order or resolution amending or modifying the rights or obligations of the Paying Agent shall become effective without the consent of the Paying Agent and (B) the effectiveness of any supplemental resolution is subject to Section 702 to the extent applicable.

Section 602. Bond Counsel Opinion. Before any supplemental order or resolution under this Article shall become effective, a copy thereof shall be filed with the Paying Agent, together with an opinion of Bond Counsel that such supplemental order or resolution is authorized or permitted by this Article; provided that, Bond Counsel in rendering any such opinion shall be entitled to rely upon certificates of an Authorized Officer or other City official, and opinions or reports of consultants, experts and other professionals retained by the City to advise it, with respect to the presence or absence of facts relative to such opinion and the consequences of such facts.

ARTICLE VII

DEFEASANCE

Section 701. Defeasance. Bonds shall be deemed to be paid in full upon the deposit in trust of cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment thereof, will come due at such times and in such amounts, as to be fully sufficient to pay when due, the principal of such Bonds and interest to accrue thereon, as confirmed by a verification report prepared by an independent certified public accountant; provided, that if any of such Bonds are to be called for redemption prior to maturity, irrevocable instructions to call such Bonds for redemption shall be given to the Paying Agent. Such cash and securities representing such obligations shall be deposited with a bank or trust company and held for the exclusive benefit of the Owners of such Bonds. After such deposit, such Bonds shall no longer be entitled to the benefits of this Order (except for any rights of transfer or exchange of Bonds as therein or herein provided for) and shall be payable solely from the funds deposited for such purpose and investment earnings, if any, thereon, and the lien of this Order for the benefit of such Bonds shall be discharged.

ARTICLE VIII

OTHER PROVISIONS OF GENERAL APPLICATION

Section 801. Account Control Agreement. (a) The City shall enter into the Account Control Agreement with the Depository Bank and the Paying Agent, pursuant to which the bank account described in Section 401(a) shall be established at the Depository Bank. Daily, City Parking Revenues deposited in the City Parking Revenue Fund shall be remitted by the Depository Bank to the Debt Retirement Fund held by the Paying Agent until sufficient funds are on deposit therein to pay the principal and interest payable on the Bonds during that fiscal year (the "Annual Deposit Requirement"). Once the Annual Deposit Requirement is satisfied, any additional City Parking Revenues shall be remitted to the City for deposit into its general fund and used for any other purposes permitted by law.

(b) In connection with the execution of any of the agreements authorized by this Section, an Authorized Officer is authorized to include therein such covenants as shall be appropriate.

Section 802. Agreements with Third Parties Related to Deposit of City Parking Revenues; Approval of Third Parties. The Emergency Manager is hereby authorized and directed on behalf of the City to take any and all other actions and perform any and all acts that shall be required, necessary or desirable, including, but not limited to, negotiate the terms and enter into the Account Control Agreement in such form and with such terms as shall be subsequently approved by the Emergency Manager (such subsequent approval to be conclusively evidenced by his execution and delivery of the Account Control Agreement) as security for the Bonds.

Section 803. Approval of Other Documents and Actions. The Mayor, the Finance Director, the Treasurer, the City Clerk and any written designee of the Emergency Manager are each hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Order.

Section 804. Delegation of City to, and Authorization of Actions of Authorized Officers. (a) Each Authorized Officer is hereby authorized and directed to do and perform any and all acts and things with respect to the Bonds which are necessary and appropriate to carry into effect, consistent with this Order, the authorizations therein and herein contained, including without limitation, the securing of ratings by bond rating agencies, if cost effective, the negotiation for and acquisition of bond insurance and/or other credit enhancement, if any, to further secure the Bonds or any portions thereof, the acquisition of an irrevocable surety bond to fulfill the City's obligation to fund any reserve account, the printing of the Bonds and the incurring and paying of reasonable fees, costs and expenses incidental to the foregoing and other costs of issuance of the Bonds including, but not limited to fees and expenses of bond counsel, financial advisors, accountants and others, from Bond proceeds or other available funds, for and on behalf of the City.

(b) Except as otherwise provided herein, all determinations and decisions of the Authorized Officer with respect to the issuance and sale of the Bonds or the negotiation, execution or delivery of agreements as permitted or required by this Order shall be confirmed by this Authorized Officer in a Supplemental Order or Supplemental Orders, and such confirmations shall constitute determinations that any conditions precedent to such determinations and decisions of the Authorized Officer have been fulfilled.

Section 805. Approving Legal Opinions with Respect to the Bonds. Delivery of the Bonds shall be conditioned upon receiving, at the time of delivery of the Bonds; the approving opinion of Bond Counsel, approving legality of the Bonds.

Section 806. Appointment of Bond Counsel; Engagement of Other Parties. The appointment by the Emergency Manager of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable from available funds in accordance with the agreement of such firm on file with the Finance Director.

Section 807. Preservation of Records. So long as any Bond remains Outstanding, all documents received by the Paying Agent under the provisions of this Order shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, and the Bondowners, and their agents and representatives, any of whom may make copies thereof.

Section 808. Parties in Interest. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the City or Paying Agent shall be for the sole and exclusive benefit of the City, the Paying Agent and the Bondowners.

Section 809. No Recourse Under Resolution. All covenants, agreements and obligations of the City contained in this Order shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Order against any councilperson, member, officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

Section 810. Severability. If any one or more sections, clauses or provisions of this Order shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 811 Cover Page, Table of Contents and Article and Section Headings. The cover page, table of contents and Article and Section headings hereof are solely for convenience of

reference and do not constitute a part of this Order, and none of them shall affect its meaning, construction or effect.

Section 812 Conflict. All resolutions or parts of resolutions or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

Section 813 Governing Law and Jurisdiction. This Order shall be governed by and construed in accordance with the laws of the State.

Section 814 Order and Supplemental Order are a Contract. The provisions of this Order and the Supplemental Order shall constitute a contract between the City, the Paying Agent and the Bondowners.

Section 815 Effective Date. This Order shall take effect immediately upon its adoption by the Council.

Section 816 Notices. All notices and other communications hereunder shall be in writing and given by United States certified or registered mail, expedited courier overnight delivery service or by other means (including facsimile transmission) that provides a written record of such notice and its receipt. Notices hereunder shall be effective when received and shall be addressed to the address set forth below or to such other address as any of the below persons shall specify to the other persons:

If to the City, to:

City of Detroit
Finance Department
1200 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Attention: Finance Director

If to the Paying Agent, to:

Attention:

SO ORDERED this ____ day of September, 2014.

Kevyn D. Orr
Emergency Manager
City of Detroit, Michigan

A-1

EXHIBIT I.A.250.a

FORM OF NEW GRS ACTIVE PENSION PLAN

**COMBINED PLAN
FOR THE
GENERAL RETIREMENT SYSTEM
OF THE
CITY OF DETROIT, MICHIGAN**

Amendment and Restatement Effective July 1, 2014

TABLE OF CONTENTS

	Page
COMPONENT I	1
ARTICLE 1. GENERAL PROVISIONS	2
Sec. 1.1. General Retirement System Established; Adoption of 2014 Combined Plan Document; Amendment and Restatement of 2014 Combined Plan Document	2
Sec. 1.2. Retirement System Intended to be Tax-Qualified	2
Sec. 1.3. Compliance With Plan of Adjustment	2
Sec. 1.4. Board of Trustees	3
Sec. 1.5. Board of Trustees – Membership; Appointment	3
Sec. 1.6. Board of Trustees; Retiree Member Election	3
Sec. 1.7. Board of Trustees; Oath; Term; Vacancies	4
Sec. 1.8. Board of Trustees; Officers and Employees	4
Sec. 1.9. Board of Trustees; Meetings; Rules of Procedure; Votes; Quorum	5
Sec. 1.10. Board of Trustees; Compensation; Expenses	5
Sec. 1.11. Rules for Administration of Funds	5
Sec. 1.12. Board of Trustees; Certain Data to be Kept	5
Sec. 1.13. Board of Trustees; Annual Audit Report	6
Sec. 1.14. Board of Trustees; Legal Advisors	6
Sec. 1.15. Designation of Actuary; Authority to Engage Additional Actuaries	6
Sec. 1.16. Board of Trustees; Adoption of Mortality and Other Tables of Experience and Rates of Interest; Limitations on Payments by the Retirement System	7
Sec. 1.17. Board of Trustees; Annual Actuarial Valuation of Assets and Liabilities	7
Sec. 1.18. Board of Trustees; Powers and Duties; Fiduciary Status; Fiduciary Duties	7
Sec. 1.19. Investment Committee; Establishment; Purpose; Fiduciary Status; Fiduciary Duties	8
Sec. 1.20. Investment Committee; Membership; Appointment	8
Sec. 1.21. Investment Committee; Term; Resignation and Removal; Vacancies	9
Sec. 1.22. Investment Committee; Operation; Meetings; Quorum; Voting	10

TABLE OF CONTENTS

(continued)

	Page
Sec. 1.23. Investment Committee; Compensation; Expenses; Employment of Advisors	11
Sec. 1.24. Investment Committee; Special Reporting Obligations	11
ARTICLE 2. DEFINITIONS.....	13
Sec. 2.1. Definitions.....	13
ARTICLE 3. MEMBERSHIP.....	21
Sec. 3.1. Eligible Employees	21
Sec. 3.2. Cessation of Membership; Re-Employment by the Employer	21
Sec. 3.3. Report of the Employer.....	22
ARTICLE 4. SERVICE CREDIT	23
Sec. 4.1. Credited Service.....	23
Sec. 4.2. Vesting Service	23
Sec. 4.3. Service Credit; Military Service	23
Sec. 4.4. Service Credit; Qualified Military Service	24
ARTICLE 5. ELIGIBILITY FOR RETIREMENT BENEFITS	25
Sec. 5.1. Eligibility for Unreduced Normal Retirement Benefit	25
Sec. 5.2. Eligibility for Reduced Early Retirement Benefit	25
Sec. 5.3. Eligibility for Deferred Vested Retirement Benefit.....	25
Sec. 5.4. Eligibility for Retirement Benefit – Disabled Members.....	25
Sec. 5.5. Return of Accumulated Mandatory Contributions to Non-Vested Member	25
ARTICLE 6. RETIREMENT ALLOWANCE; VARIABLE PENSION IMPROVEMENT FACTOR (ESCALATOR)	27
Sec. 6.1. Retirement Allowance	27
Sec. 6.2. Variable Pension Improvement Factor (Escalator).....	27
ARTICLE 7. DEATH BENEFITS	28
Sec. 7.1. Accidental Death Benefit; Performance of Duty	28
Sec. 7.2. Death Benefits for Surviving Spouses Generally	28
Sec. 7.3. Refund of Accumulated Mandatory Contributions Upon Death of Member	28
Sec. 7.4. Benefits Offset by Compensation Benefits; Subrogation	28

TABLE OF CONTENTS

(continued)

	Page
ARTICLE 8. FORMS OF PAYMENT.....	30
Sec. 8.1. Retirement Allowance Options.....	30
Sec. 8.2. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary	31
ARTICLE 9. FUNDING AND RESERVES.....	32
Sec. 9.1. Funding Objective of the Retirement System.....	32
Sec. 9.2. Funds.....	32
Sec. 9.3. Method of Financing Retirement System Benefits.....	33
Sec. 9.4. Member Contributions Picked-Up.....	34
Sec. 9.5. Fiscal Responsibility: Increased Funding Obligations and Benefit Reductions.....	34
ARTICLE 10. VOLUNTARY EMPLOYEE CONTRIBUTIONS	36
Sec. 10.1. Voluntary Employee Contributions; Amount; Vesting	36
Sec. 10.2. Changing an Election to Contribute.....	36
Sec. 10.3. Individual Member Accounting; Crediting of Earnings	36
Sec. 10.4. Distribution of Accumulated Voluntary Employee Contributions	36
ARTICLE 11. LOAN PROGRAM FOR VOLUNTARY EMPLOYEE CONTRIBUTIONS	38
Sec. 11.1. The Loan Program	38
Sec. 11.2. Eligibility for Loan	38
Sec. 11.3. Amount of Loan.....	38
Sec. 11.4. Terms and Conditions.....	38
Sec. 11.5. Loan Balance	39
Sec. 11.6. Default.....	39
Sec. 11.7. Distribution	40
Sec. 11.8. Annual Report.....	40
ARTICLE 12. LIMITATION ON BENEFITS AND CONTRIBUTIONS.....	41
Sec. 12.1. Compliance With Code Section 415(b) And Regulations	41
Sec. 12.2. Compliance with Code Section 415(c) and Regulations	43
ARTICLE 13. RETIREMENT SYSTEM ADMINISTRATION.....	45
Sec. 13.1. Board of Trustees as Retirement System Administrator.....	45

TABLE OF CONTENTS

(continued)

	Page
Sec. 13.2. Powers and Duties of Board	45
Sec. 13.3. Executive Director; Employees	47
Sec. 13.4. Discretionary Authority	47
Sec. 13.5. Administrator's Decision Binding	48
ARTICLE 14. MANAGEMENT OF FUNDS	49
Sec. 14.1. Board as Trustee of Retirement System Assets	49
Sec. 14.2. Maintenance of Segregated Funds	49
Sec. 14.3. Custodian of Funds	49
Sec. 14.4. Exclusive Purpose	49
Sec. 14.5. Prohibited Conduct	49
ARTICLE 15. INVESTMENT OF RETIREMENT SYSTEM ASSETS	51
Sec. 15.1. Investment Powers of the Board and the Investment Committee	51
Sec. 15.2. Investment Management	52
Sec. 15.3. Best Practices	53
Sec. 15.4. Chief Investment Officer	53
Sec. 15.5. Investment Consultants	54
ARTICLE 16. RETIREE MEDICAL ACCOUNT	56
Sec. 16.1. Establishment of Account	56
Sec. 16.2. Effective Date of Retiree Medical Account	56
Sec. 16.3. Funding of Benefits	56
Sec. 16.4. Limitation on Contributions	56
Sec. 16.5. Impossibility of Diversion	57
Sec. 16.6. Administration	57
Sec. 16.7. Right to Amend or Terminate Medical Plans	57
Sec. 16.8. Reversion	57
Sec. 16.9. Limitation of Rights	57
ARTICLE 17. MISCELLANEOUS	58
Sec. 17.1. Nonduplication of Benefits	58
Sec. 17.2. Assignments Prohibited	58
Sec. 17.3. Protection Against Fraud	58

TABLE OF CONTENTS
(continued)

	Page
Sec. 17.4. Errors.....	58
Sec. 17.5. Amendment; Termination; Exclusive Benefit	58
Sec. 17.6. Forfeitures Not to Increase Benefits	59
Sec. 17.7. Required Distributions - Compliance with Code Section 401(a)(9) and Regulations.....	59
Sec. 17.8. Direct Rollovers	59
Sec. 17.9. Construction.....	61
Sec. 17.10. Severability	61

COMPONENT I

ARTICLE 1. GENERAL PROVISIONS

Sec. 1.1. General Retirement System Established; Adoption of 2014 Combined Plan Document; Amendment and Restatement of 2014 Combined Plan Document

Effective July 1, 1938, a General Retirement System for the employees of the City of Detroit was established for the purpose of providing retirement and survivor benefits for eligible City employees and their beneficiaries. The provisions of the Detroit General Retirement System, as in effect July 1, 2014, were set forth in a Combined Plan Document. As provided in Ordinance 19-14 and Ordinance 20-14 and Section 47-1-1 of the Detroit City Code, this Combined Plan Document replaced in its entirety Chapter 47 of the Detroit City Code as in effect on June 30, 2014 and any conflicting provisions in any collective bargaining agreements covering Members (including, without limitation, the City Employment Terms that applied to Members effective July 18, 2012). All resolutions and policies of the Retirement Board previously adopted which were inconsistent with the provisions of the Combined Plan Document were also repealed to the extent of such inconsistency.

The Combined Plan Document is hereby amended and restated effective July 1, 2014, in the form of this instrument. Component I of the Combined Plan Document applies to benefits accrued by Members on and after July 1, 2014 and to operation of the Detroit General Retirement System on and after July 1, 2014. Component II of the Combined Plan Document applies to benefits accrued by Members prior to July 1, 2014. Except as specifically provided in Component II, benefits provided under Component II of the Combined Plan Document are frozen effective June 30, 2014.

Sec. 1.2. Retirement System Intended to be Tax-Qualified

The Retirement System is a governmental plan under Section 414(d) of the Internal Revenue Code which is intended to be a qualified plan and trust pursuant to applicable provisions of the Internal Revenue Code. The Board shall construe and administer the provisions of the Retirement System in a manner that gives effect to the tax-qualified status of the Retirement System.

Sec. 1.3. Compliance With Plan of Adjustment

The Retirement System is intended to comply with all relevant provisions (including Exhibits) of the Plan for the Adjustment of Debts of the City of Detroit, as approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan, Case No. 13-53846* ("Plan of Adjustment"). Component I and Component II of the Combined Plan shall be interpreted and construed by the City, the Board of Trustees and the Retirement System to give full effect to the Plan of Adjustment. To the extent that a conflict arises between the Combined Plan Document and the Plan of Adjustment, the City, the Board of Trustees, the Investment Committee and the Retirement System are directed to interpret any inconsistency or ambiguity to give full effect to the Plan of Adjustment.

Sec. 1.4. Board of Trustees

Effective July 1, 1938, a Board of Trustees of the Detroit General Retirement System was created. The Board is vested with responsibility for the general administration, management and operation of the Detroit General Retirement System and with the trust and investment powers conferred in this Combined Plan Document.

Sec. 1.5. Board of Trustees – Membership; Appointment

The Board of Trustees of the Detroit General Retirement System shall consist of ten Trustees, as follows:

- (1) The Mayor, *ex officio*, or the Mayor's designee;
- (2) One City Council member, *ex officio*, who is selected by the City Council;
- (3) The City Treasurer, *ex officio*;
- (4) Five active employee Members of the Retirement System to be elected by the Members in accordance with such rules and regulations as may be adopted by the Board. No more than one Trustee shall be elected from any one City Department;
- (5) One individual, appointed by the Mayor subject to the approval of the Board, who is neither an employee of the City nor is eligible to receive benefits under the Retirement System; and
- (6) One retiree who is receiving benefits under the Retirement System and who is elected by Retirees in accordance with procedures described in Section 1.6.

Sec. 1.6. Board of Trustees; Retiree Member Election

The procedures for the election of the Retiree member of the Board of Trustees shall be as follows:

- (1) *Notice.* Notice of a primary election shall be sent to each Retiree by United States Mail.
- (2) *Nominating petitions.* No candidate's name shall be placed on the primary election ballot unless a nominating petition containing the signatures of at least one hundred and twenty-five Retirees is filed with the executive director of the Retirement System. The form of the nominating petition, the filing of the petition, and the procedure for verification of signatures shall be in accordance with rules and regulations adopted by the Board. Notwithstanding the foregoing, an incumbent Retiree Trustee shall not be required to submit a nominating petition but instead shall submit a written communication indicating his or her intention to seek an additional term.

- (3) *Ballot.* Each candidate whose name appears on the ballot at any election held for the office of Retiree Trustee shall be identified by the title of the position held by the Retiree at the time of retirement and by the word “incumbent” if the candidate is a current trustee seeking re-election. No ballot shall contain any organizational or political designation or mark. Rotation and arrangement of names on the ballot shall be in accordance with the rules and regulations of the Board.
- (4) *Voting.* Procedures regarding mailing of ballots, poll lists, custody of ballots, marking of ballots, return of ballots, handling of return envelopes received, and sealed ballot boxes shall be the same as those adopted and followed by the Board in the immediately preceding election of an active employee Trustee.
- (5) *Procedures.* Procedures regarding the selection and certification of successful candidates for nomination, the selection of Trustees from nominees, tie votes, and the destruction of ballots shall be the same as those adopted and followed by the Board in the immediately preceding election of an active employee Trustee.
- (6) *Board Rules.* Any matters relative to the election of the Retiree member of the Board not covered by this Section 1.6 shall be handled in accordance with such rules and regulations as the Board may adopt.

Sec. 1.7. Board of Trustees; Oath; Term; Vacancies

Within ten days after appointment or election, each Trustee shall take an oath of office to be administered by the Detroit City Clerk.

The regular term of office for the elected Member Trustees and the Trustee appointed by the Mayor under Section 1.5(5) shall be for a period of six years, one such Trustee to be elected or appointed, as the case may be, each year. The term of office for the Retiree Trustee shall be two years.

If an active employee Trustee leaves the employ of the City, or if an elected or appointed Trustee fails to attend four consecutive scheduled Board meetings without being excused for cause by the Trustees attending such meetings, the Trustee shall be considered to have resigned from the Board. By resolution, the Board shall declare the office vacated as of the date of adoption of such resolution. If a vacancy occurs in the office of Trustee, the vacancy shall be filled at the next regular election held by the Board, or at any special election ordered by resolution adopted by the Board.

Sec. 1.8. Board of Trustees; Officers and Employees

The Board shall elect a chair and vice-chair from its members. The executive director of the Retirement System or its designee shall serve as secretary of the Board. The Board may employ such actuarial, medical and other contractors and employees as shall be required, subject to the powers and authority reserved to the Investment Committee and subject to the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*

Sec. 1.9. Board of Trustees; Meetings; Rules of Procedure; Votes; Quorum

- (1) The Board shall hold regular meetings, at least one in each month, and shall hold special meetings as necessary. The Board shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure, including provisions for special meetings and notice thereof, and shall keep a record of proceedings. All meetings of the Board shall be public and are subject to the *Michigan Open Meetings Act, MCL 15.261 et seq.* All Board meetings shall be held within the City of Detroit.
- (2) Each Trustee shall be entitled to one vote on each question before the Board. A majority vote of the Trustees present shall be necessary for a decision by the Trustees at any meeting of the Board.
- (3) Five Trustees shall constitute a quorum.

Sec. 1.10. Board of Trustees; Compensation; Expenses

Members of the Board of Trustees shall serve without additional compensation from the Employer, but they shall be compensated by the Retirement System as follows:

- (1) *Stipend.* Trustees are eligible for a meeting stipend, provided the Trustee attends one or more regular or special Board meetings during a month. The stipend amount shall be a minimum of sixty-seven dollars (\$67.00) per week multiplied by the Trustee's years of service. Eligibility rules and the amount of the stipend shall be set by Board resolution. However, the amount of the weekly meeting stipend shall not exceed two hundred dollars (\$200.00).
- (2) *Ex Officio Trustees.* Ex Officio Trustees are not eligible for a stipend payment.
- (3) *Attendance.* For purposes of this Section 1.10, attendance at a Board meeting shall include actual attendance at a meeting or being otherwise available to attend a Board meeting canceled for lack of a quorum.

Trustees shall be reimbursed from the Expense Fund for all actual, reasonable and necessary expenses incurred in the performance of their duties as Trustees.

Sec. 1.11. Rules for Administration of Funds

Subject to the limitations contained in this Combined Plan Document, the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this Plan document and for the transaction of its business.

Sec. 1.12. Board of Trustees; Certain Data to be Kept

The Board shall keep or cause to be kept, in convenient form, such data as shall be necessary for an actuarial valuation of the Retirement System and for checking and compiling

the experience of the Retirement System. The ordinary actuarial, accounting and clerical services for the operation of the Retirement System shall be performed by the employees of the Retirement System.

Sec. 1.13. Board of Trustees; Annual Audit Report

The Board shall render a report to the Mayor, the City Council and the Investment Committee on or before the fifteenth day of January, showing the fiscal transactions of the Retirement System for the year ending on the preceding thirtieth day of June, the amounts of accumulated cash and securities in the various funds of the System, and the last balance sheet showing the financial condition of the Retirement System by means of an actuarial valuation of the assets and liabilities of the Retirement System.

Sec. 1.14. Board of Trustees; Legal Advisors

- (1) The Board shall appoint legal advisors (including a general counsel) who shall be directly responsible to and shall hold office at the pleasure of the Board of Trustees. Any legal advisor to the Board of Trustees shall be an attorney licensed to practice law in the State of Michigan and shall be experienced in matters relating to pension systems. The qualifications of legal counsel shall be approved by the Board of Trustees.
- (2) Legal advisors to the Board of Trustees shall have such duties relative to pension matters as shall be assigned by the Board of Trustees.
- (3) Costs and expenses relative to the position of legal advisors to the Board shall be payable out of the assets of the Retirement System, subject to the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*

Sec. 1.15. Designation of Actuary; Authority to Engage Additional Actuaries

The Retirement System actuary as of July 1, 2014 shall continue to serve as such until resignation or removal by the Board. In the event the Board desires to retain a new actuary, the Board and the Investment Committee shall collectively participate in the evaluation and selection of a qualified actuary. The Retirement System actuary shall be responsible for assisting the Board and the Investment Committee in performing their actuarial duties and shall comply with all requests for information or modeling requested by the Board or the Investment Committee, and shall attend meetings of the Board and Investment Committee as requested, so as to allow the Board and Investment Committee to perform satisfactorily the rights and duties set forth in the Combined Plan, the term sheet regarding Investment Committee Governance for General Retirement System, attached to that certain agreement by and between the Michigan Settlement Administration Authority, a Michigan body public corporation (the "Authority"), the Retirement System, the Police and Fire Retirement System for the City of Detroit, Michigan ("PFRS") and the City (the "State Contribution Agreement") as Exhibit A (the "Governance Term Sheet") and the Plan of Adjustment. Furthermore, the Board shall not act on any recommendation made by the Retirement System's actuary based on any calculation, assumption or assessment rejected by the Investment Committee.

Nothing herein shall be interpreted as limiting the Investment Committee's authority to engage an actuarial consulting firm other than the Retirement System's actuary to perform actuarial services deemed necessary to fulfill its fiduciary and other duties to the Retirement System as set forth in the Governance Term Sheet and the Plan of Adjustment.

Sec. 1.16. Board of Trustees; Adoption of Mortality and Other Tables of Experience and Rates of Interest; Limitations on Payments by the Retirement System

- (1) Subject to Section 15.1, the Board shall adopt such mortality and other tables of experience, and a rate or rates of interest, as shall be necessary for the operation of the System on an actuarial basis, provided, that the authority granted by this section shall not permit or be used to provide for an interest rate which would violate the prohibitions of subsection (2) or (3) of this section.
- (2) The Retirement System and the Trustees charged with management of the System shall not make any payment to active or retired Members other than payments that are required by the governing documents of the Retirement System. This prohibition applies to all payments that are not authorized by this Combined Plan, whether such payments are those commonly referred to as a "thirteenth check" or by any other name.
- (3) Anything in this Combined Plan Document or any other document to the contrary notwithstanding, the annual actuarial interest rate assumption for the period commencing July 1, 2014 and ending June 30, 2023 shall be six and three-quarters percent (6.75%).

Sec. 1.17. Board of Trustees; Annual Actuarial Valuation of Assets and Liabilities

Subject to Section 15.1, each year, on the basis of such mortality and other tables of experience, and such rate or rates of regular interest as the Board shall adopt pursuant to Section 1.16, the Board shall cause to be made an actuarial valuation of the assets and liabilities of the Retirement System.

Sec. 1.18. Board of Trustees; Powers and Duties; Fiduciary Status; Fiduciary Duties

The Board of Trustees shall have such powers and duties as are necessary for the proper administration of the Retirement System and the custody and investment of Retirement System assets, other than those powers and duties reserved to the Investment Committee. To the extent the Board exercises discretion with respect to investment of Retirement System assets, each member of the Board of Trustees shall be an investment fiduciary as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*, and shall discharge his or her duties with respect to the Retirement System in compliance with the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* A member of the Board of Trustees shall discharge his or her duties with the care, skill and caution under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an activity of like character and purpose. Board members shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance would violate the member's fiduciary duties or conflicts with the provisions set forth in this Combined Plan Document.

Sec. 1.19. Investment Committee; Establishment; Purpose; Fiduciary Status; Fiduciary Duties

As of the effective date of the Plan of Adjustment, but subject to consummation of the State Contribution Agreement, an Investment Committee is hereby created for the purpose of making recommendations to the Board of Trustees with respect to certain investment management matters relating to the Retirement System. The creation and operation of the Investment Committee is controlled by the Governance Term Sheet. The Investment Committee shall remain in effect for a period of not less than twenty years following the date of confirmation of the Plan of Adjustment. The Investment Committee shall be an investment fiduciary as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* and shall have all powers granted fiduciaries under the first sentence of *MCL 38.1133(5) and (6)*. The Investment Committee shall serve in a fiduciary capacity with respect to the investment management of Retirement System assets, determination of the investment return assumptions, and Board compliance with provisions of the governing documents of the Retirement System. An Investment Committee member shall discharge his or her duties with respect to the Retirement System in compliance with the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* An Investment Committee member shall discharge his or her duties with the care, skill and caution under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an activity of like character and purpose. Investment Committee members shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance would violate the member's fiduciary duties or conflict with the provisions set forth in the Governance Term Sheet.

Sec. 1.20. Investment Committee; Membership; Appointment

The Investment Committee shall consist of seven (7) members, determined as follows:

- (1) Five independent members, two of whom must be residents of the State of Michigan, and none of whom may be a party-in-interest with respect to the Retirement System, as defined in Section 38.1132d(4) of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* Each independent Investment Committee member shall have expert knowledge or extensive experience with respect to either (a) economics, finance, or institutional investments, or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one of the independent Investment Committee members shall satisfy the requirements of (a) above and at least one of the independent Investment Committee members shall satisfy the requirements of (b) above. The initial independent Investment Committee members shall be selected by mutual agreement of the appropriate representatives of the State of Michigan, the City and the Board, in consultation with the Foundation for Detroit's Future (the "Foundation"), and shall be named in the Plan of Adjustment. If one or more of the five initial independent Investment Committee members are not selected by mutual agreement prior to confirmation of the Plan of Adjustment, then the United States Bankruptcy Court, Eastern District of Michigan shall designate such number of independent Investment Committee members as is necessary to bring the number of independent Investment Committee members to five (5);

- (2) One Retiree who is a Retiree member of the Board of Trustees who shall be appointed by the Board; and
- (3) One employee who is an active employee member of the Board of Trustees who shall be appointed by the Board.

Sec. 1.21. Investment Committee; Term; Resignation and Removal; Vacancies

The term of office for the independent members of the Investment Committee shall be six years; provided, however, that the initial term for the independent Investment Committee members shall be determined as follows:

<u>Independent Member</u>	<u>Term of Office</u>
(1)	2 years
(2)	3 years
(3)	4 years
(4)	5 years
(5)	6 years

The term of office for a Retiree or employee Investment Committee member shall be the number of years remaining on such individual's term of office as a member of the Board of Trustees. Each Investment Committee member shall serve until his or her successor is appointed at the expiration of his or her term of office, or until his or her death, incapacity, resignation or removal, if earlier. Notwithstanding any provision of this Combined Plan Document, an initial independent Investment Committee member shall not be prohibited from becoming a successor independent Investment Committee member after expiration of his or her initial term.

An Investment Committee member may resign at any time by giving ninety days' prior written notice to the Investment Committee, the City and the Board, which notice or time period may be waived by the Investment Committee. An Investment Committee member may be removed from office by majority vote of the remaining Investment Committee members for any of the following reasons: (a) the member is legally incapacitated from executing his or her duties as a member of the Investment Committee and neglects to perform those duties; (b) the member has committed a material breach of the provisions of the Retirement System or the policies or procedures of the Retirement System and the removal of the member is in the interests of the Retirement System or its Members and Beneficiaries; (c) the member is convicted of a violation of law and the removal is accomplished by a vote of the members of the Investment Committee in accordance with the voting procedure set forth in Section 1.22; or (d) if the member holds a license to practice and such license is revoked for misconduct by any State or federal government. A member who fails to attend four (4) consecutive scheduled meetings of the Investment Committee shall be deemed to have resigned, unless in each case his or her absence is excused for cause by the remaining members attending such meetings. In the event of any such removal or resignation, the Investment Committee shall by resolution declare the office of the member vacated as of the date such resolution is adopted.

Any vacancy occurring on the Investment Committee shall be filled within sixty (60) days following the date of the vacancy for the unexpired portion of the term, in the same manner in which the office was previously filled.

Successor independent Investment Committee members shall be recommended by a majority of the remaining independent Investment Committee members and shall be confirmed by the Board and the Treasurer of the State of Michigan ("State Treasurer"), in consultation with the Foundation, pursuant to such rules and regulations as may be adopted by the Investment Committee (provided that such rules are not inconsistent with the Governance Term Sheet or the Plan of Adjustment). In the event the Board and the State Treasurer cannot agree on a successor independent Investment Committee member within thirty (30) days of the receipt of the recommendation of the Investment Committee, the remaining independent Investment Committee members shall appoint the successor independent Investment Committee member.

In the event the United States Bankruptcy Court, Eastern District of Michigan appoints one or more of the initial independent Investment Committee members, a successor to any such independent Investment Committee member shall be appointed in the same manner as provided in the preceding paragraph following three (3) weeks' notice to the Board of the individuals appointed, in accordance with such rules and regulations as may be adopted by the Investment Committee (provided that such rules are not inconsistent with either the Governance Term Sheet or the Plan of Adjustment).

Successor Investment Committee members shall have the powers and duties conferred on Investment Committee members herein.

Sec. 1.22. Investment Committee; Operation; Meetings; Quorum; Voting

The Investment Committee members shall select from among the independent members a chair and a vice chair. The Investment Committee members shall select from among themselves a secretary. The Investment Committee shall hold regular meetings, not less frequently than once every other month, and shall hold special meetings as necessary. The Investment Committee shall designate the time and place thereof in advance. The secretary or his or her designee shall be responsible for providing meeting notices to the other Investment Committee members. The Investment Committee shall adopt its own rules of procedure and shall keep a record of its proceedings. Notice and conduct of all Investment Committee meetings, both regular and special, shall be subject to the *Michigan Open Meetings Act, MCL 15.261 et seq.* All Investment Committee meeting shall be held within the City of Detroit.

Five Investment Committee members shall constitute a quorum at any meeting, as long as at least three of the independent Investment Committee members are in attendance. Except as otherwise provided in the Governance Term Sheet, each Investment Committee member shall be entitled to one vote on each question before the Committee and at least four concurring votes shall be necessary for a decision by the Investment Committee.

An Investment Committee member may have his or her voting privileges temporarily suspended by a 70% or higher vote of the other members if the member is indicted or sued by a

State or federal government for an alleged violation of the law that relates to his or her service on the Investment Committee, or for other alleged financial crimes, including fraud.

Sec. 1.23. Investment Committee; Compensation; Expenses; Employment of Advisors

Investment Committee members shall not receive any compensation from the Retirement System for their services; Investment Committee members shall, however, be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the Investment Committee, including but not limited to the purchase of insurance, shall be payable out of the assets of the Retirement System. The Investment Committee may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the Investment Committee as it deems reasonably necessary to perform its functions and such parties or persons may be reasonably compensated from the assets of the Retirement System. Such engagements shall not be subject to approval of the Board.

Sec. 1.24. Investment Committee; Special Reporting Obligations

- (1) Beginning in 2015, pursuant to Section 6 of the State Contribution Agreement, the Investment Committee shall provide compliance reports to the State Treasurer on a semi-annual basis and at such other times as the State Treasurer reasonably may request (each, a "Compliance Report") that certifies that the Investment Committee is not aware of any defaults under the State Contribution Agreement, or, if the Investment Committee is aware of a default under the State Contribution Agreement, specifically identifying the facts of such default.
- (2) In the event the Retirement System receives a written notice from the State Treasurer declaring and specifically identifying the facts of an alleged default under the State Contribution Agreement ("Default Notice"), and such default is cured as provided in the State Contribution Agreement, the Investment Committee must provide to the State Treasurer a written certification that (i) the default has been cured, and (ii) that no material damages have been caused by the default that have not otherwise been remedied (the "Cure Certification").
- (3) Beginning in 2015, the Investment Committee shall provide to the City not later than December 31 of each year evidence reasonably necessary to show that the internal controls governing the investment of Retirement System assets are in compliance with the applicable provisions of the Plan of Adjustment.
- (4) Beginning in calendar year 2015 and for each calendar year thereafter, as of a date which is not later than December 31 of each such calendar year the Investment Committee shall provide to the Foundation the following information:
 - (a) a copy of the audited annual financial statement and the corresponding management letter for the Retirement System for the Fiscal Year ending June 30 of such calendar year, containing a non-qualified opinion of an independent external auditor to the Retirement System;

- (b) a certification from the Chair of the Investment Committee on behalf of the Investment Committee (“Pension Certificate”) in a form reasonably acceptable to the Foundation that, as of the date of the annual report required to be provided by the City to the Foundation under the Omnibus Transaction Agreement by and among the City, The Detroit Institute of Arts and Foundation For Detroit’s Future (“Annual Report”):
 - (i) the City is current in its obligation to contribute to Component II of the Combined Plan determined in accordance with the Plan of Adjustment;
 - (ii) the Investment Committee has been operated in accordance with the terms set forth in this Component I of the Combined Plan Document; and
 - (iii) the City continues to maintain the pension governance terms reflected in this Component I of the Combined Plan as of the effective date of the Plan of Adjustment, without modification or amendment during the twenty (20) year period following the effective date of the Plan of Adjustment, except as required to comply with applicable federal law, including without limitation to maintain the tax qualified status of the Retirement System under the Internal Revenue Code, or to comply with the Plan of Adjustment;
- (c) a copy of (i) the Compliance Report covering the calendar year for which the Annual Report is made; (ii) any additional Compliance Reports provided during the calendar year for which the Annual Report is made as requested by the State Treasurer; (iii) either the certificate of compliance or the Default Notice, within the meaning of Section 6 of the State Contribution Agreement, as applicable, that was provided to the Investment Committee by the State Treasurer; and (iv) in the event that the State Treasurer issued a Default Notice, the Cure Certification, within the meaning of Section 6 of the State Contribution Agreement, provided by the Investment Committee. Notwithstanding anything in this paragraph (c) to the contrary, if the parties to the State Contribution Agreement agree to revise the requirements of Section 6 of the State Contribution Agreement or the information required in the Compliance Report, in order to meet the obligations of this paragraph (c), the Investment Committee shall be required only to provide documentation to the Foundation that meets such revised requirements; and
- (d) any additional information that may be reasonably requested by the Foundation from time to time.
- (5) Beginning in calendar year 2016, before May 15th of each calendar year, the Investment Committee shall provide to the Chief Financial Officer of the City confirmation that, as of the date of the City’s report to the Foundation, there has been no impairment or modification of the information contained in the most recent Pension Certificate since the date of such Pension Certificate.

ARTICLE 2. DEFINITIONS

Sec. 2.1. Definitions

Unless a different meaning is plainly required by context, the following words and phrases have the meanings respectively ascribed to them by this section:

- (1) *Accumulated Mandatory Employee Contributions* means the sum of all amounts deducted from the compensation of a Member and credited to the Accumulated Mandatory Employee Contribution Fund for periods on and after July 1, 2014.
- (2) *Accumulated Voluntary Employee Contributions* means the total balance in a Member's individual account under Component I of the Retirement System representing after-tax amounts deducted from the compensation of the Member, together with earning on such contributions.
- (3) *Actuarial Equivalent* or *Actuarially Equivalent* means a Retirement Allowance or benefit amount having the same Actuarial Equivalent Value as another applicable benefit. The rates of interest, tables and factors adopted by the Board from time to time to determine Actuarial Equivalence shall not violate the terms of the Plan of Adjustment.
- (4) *Actuarial Equivalent Value* means the value of an applicable Retirement Allowance or benefit amount, where values are calculated under generally accepted actuarial methods and using the applicable tables, interest rates and other factors established by the Board upon recommendation of the Investment Committee.
- (5) *Administrative Rules and Regulations* means rules and regulations promulgated by the Board of Trustees for the administration of the Retirement System and for the transaction of its business.
- (6) *Age, Attainment of* means the age an individual reaches on the day of his or her birthday.
- (7) *Average Final Compensation* means the average Compensation received by a Member during the ten consecutive years of Credited Service under the Retirement System (for this purpose, both before and after July 1, 2014) which immediately precede the date of the Member's last termination of employment with the Employer. If a Member has less than ten years of Credited Service, the Member's Average Final Compensation shall be the average of the annual Compensation received by the Member during the Member's total years of Credited Service. If a Member is absent from service with the City for a period of not less than two consecutive months during his last two years of employment because of an unpaid leave under the Family and Medical Leave Act, such Member's Average Final Compensation will mean the average Compensation received by the Member during the ten consecutive year period out of the last twelve years of Credited Service which produces the highest average.
- (8) *Beneficiary* means any person or persons (designated by a Member pursuant to procedures established by the Board) who are entitled to receive a Retirement Allowance

or pension payable from funds of the Retirement System due to the participation of a Member.

- (9) *Board of Trustees* or *Board* or *Retirement Board* means the Board of Trustees of the Retirement System.
- (10) *City* means the City of Detroit, Michigan, a municipal corporation.
- (11) *City Council* or *Council* means the legislative body of the City.
- (12) *Combined Plan* means the Combined Plan for the General Retirement System of the City of Detroit, Michigan, effective July 1, 2014 and as amended thereafter.
- (13) *Compensation* means a Member's base salary or wages actually paid to the Member for personal services rendered to the Employer, excluding bonuses, overtime pay, payment of unused accrued sick leave, longevity pay, payment for unused accrued vacation, the cost or value of fringe benefits provided to the Member, termination or severance pay, reimbursement of expenses, or other extra payment of any kind. Compensation will include any amount which is contributed by the City to a plan or program pursuant to a salary reduction agreement and which is not includable in the taxable income of the Member under Sections 125, 402(e)(3), 402(h) or 403(b) of the Internal Revenue Code or which are contributed by the City on behalf of a Member as provided in Section 9.3(3) and 9.5 pursuant to a qualified "pick-up program".

For periods of time prior to July 1, 2014, the City shall provide to the Retirement System actual base salary or wages paid to Members using the best and most reliable sources of information available to the City. In the event the City is unable to provide actual base wages to the Retirement System, the City shall make reasonable estimates of each Member's base salary or wages for purposes of determining a Member's Compensation for periods prior to July 1, 2014.

Notwithstanding the foregoing, for purposes of determining a Member's Voluntary Employee Contributions, Compensation shall mean the gross salary or wages paid to the Member for personal services rendered to the Employer on and after July 1, 2014.

The annual Compensation of each Member taken into account for the purposes of determining all benefits provided under the Retirement System for any determination period shall not exceed the limitation set forth in Code Section 401(a)(17) (\$260,000 for the Plan Year commencing July 1, 2014). Such limitation shall be adjusted for the cost-of-living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any determination period beginning in such calendar year. If Compensation for any prior determination period is taken into account in determining a Member's benefits for the current determination period, the Compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that determination period. If a determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the

numerator of which is the number of months in the short determination period, and the denominator of which is 12.

- (14) *Component I* means the portion of the Retirement System described in this Combined Plan and which consists of:
 - (a) the 2014 Defined Benefit Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code; and
 - (b) the 2014 Defined Contribution Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code.
- (15) *Component II* means the portion of the Retirement System described in this Combined Plan and which consists of:
 - (1) The 1973 Defined Benefit Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code; and
 - (2) the 1973 Defined Contribution Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code.
- (16) *Credited Service* means service credited to a Member to the extent provided in Article 4 of Component I of this Combined Plan Document and, solely for purposes of Section 2.1(7), service credited to a Member prior to July 1, 2014 pursuant to Component II of this Combined Plan.
- (17) *Disability* or *Disabled* means that a Member has been determined to be eligible to receive long term disability benefits under a policy or plan of insurance or self-insurance maintained by the Employer.
- (18) *Employee* means any regular and/or permanent officer, agent, or person in the employ of the Employer, but does not include:
 - (a) individuals whose services for the Employer are compensated on a contractual or fee basis;
 - (b) persons who are not employed as Full-time Employees;
 - (c) any person during any period when such person is classified by the Employer as a non-common-law employee or an independent contractor for federal income tax and withholding purposes whose compensation for services is reported on a form other than Form W-2 or any successor form for reporting wages paid to and taxes withheld from employees, even if a court or administrative agency determines that such person is a common-law employee of the Employer;
 - (d) the medical director of the Retirement System; or

- (e) any Police or Fire employee covered by the Police and Fire Retirement System of the City of Detroit, Michigan by virtue of such employment.

If a person described in (c) above is reclassified by the Employer as a common-law employee of the Employer and otherwise meets the definition of an Employee, the person will be eligible to participate in the Retirement System prospectively as of the actual date of such reclassification only (and only to the extent such individual otherwise qualifies as an Employee).

- (19) *Employer* means the City, or any board, commission, or court serving the City, to the extent that both the City, through the action of City Council, and the governing authority of such board, commission or court, shall mutually agree to include the employees of such board, commission, or court, as Employees under the provisions of this Retirement System at such time as they are eligible. To the extent that any employees of a board, commission, or court are considered Employees for this purpose, all employees of such board, commission, or court, shall be so included. However, only City board members and commissioners who are also Employees are eligible to participate in the Retirement System, unless otherwise specifically provided for in the Combined Plan Document. In all cases of doubt, the Board of Trustees shall decide who is an Employee.
- (20) *Family and Medical Leave Act* means the federal Family and Medical Leave Act of 1993, as amended, and regulations issued thereunder.
- (21) *Fiscal Year* means the twelve month period commencing each July 1 and ending on the following June 30.
- (22) *Full-time Employee* means an Employee who is employed in a position normally requiring six hundred hours of work or more per calendar year; provided, however, that an employee who is hired by an Employer as a part-time transit operator to work less than twenty-five hours per week shall not be a full-time employee under the Retirement System. Notwithstanding the general rule, a special service employee of the City shall be considered a full-time employee under the Retirement System upon completion of fourteen hundred and forty (1440) hours or more in a Fiscal Year. For purposes of Component I, once a special service employee has worked 1440 hours in a Fiscal Year, the employee will be deemed to be a full-time employee under the Retirement System for all subsequent Fiscal Years.
- (23) *General Retirement System* or *Retirement System* means the General Retirement System of the City of Detroit created and established by Title IX, Chapter VI, of the 1918 Detroit City Charter, as amended, continued in effect through the 1974, 1997 and 2012 Detroit City Charters, Article 47 of the Detroit City Code and this Combined Plan Document, as amended from time to time, which consists of:
 - (a) The 2014 Defined Benefit Plan, the terms of which are described in Component I hereof;
 - (b) The 2014 Defined Contribution Plan, consisting of the Voluntary Employee Contribution Account, the terms of which are described in Component I hereof;

- (c) The Frozen 1973 Defined Benefit Plan, the terms of which are described in Component II hereof; and
- (d) The Frozen 1973 Defined Contribution Plan, the terms of which are described in Component II hereof.

References to the words Retirement System in Component I of the Combined Plan Document shall mean the provisions of the 2014 Defined Benefit Plan and/or the 2014 Defined Contribution Plan described in Component I, unless a different meaning is plainly required by the context.

- (24) *Hour of Service* means (i) each hour for which a Member is paid or entitled to payment by the Employer for the performance of duties, and (ii) each hour for which a Member is directly paid or entitled to payment by the Employer for reasons other than the performance of duties (such as vacation, holiday, illness or approved leave of absence).
- (25) *Internal Revenue Code* or *Code* means the United States Internal Revenue Code of 1986, as amended.
- (26) *Investment Committee* means the committee established pursuant to Section 1.19 which shall have the powers and duties described herein.
- (27) *Mandatory Employee Contributions* mean the contributions made by a Member to the Retirement System pursuant to Section 9.3(3).
- (28) *Medical Beneficiary* means a Member who has retired from employment with the Employers and the spouses and dependants of such Member who are receiving post-retirement benefits in accordance with the terms of a retiree medical plan sponsored or maintained by an Employer.
- (29) *Medical Benefits* mean the provision of payments for certain sickness, accident, hospitalization and medical benefits within the meaning of Treasury Regulation section 1.401-14(a), including dental, vision and mental health benefits, as designated by the City.
- (30) *Medical Benefits Account* means the bookkeeping account established under Section 16.1 to provide for the payment of Medical Benefits on behalf of Medical Beneficiaries.
- (31) *Member* means any Employee who is included in the membership of the Retirement System and who has not retired or died.
- (32) *Normal Retirement Age* means age sixty-two (62). Notwithstanding the foregoing, the Normal Retirement Age of a Member who is an active Employee as of June 30, 2014 and who has 10 or more years of Vesting Service as of such date shall be as follows solely for purposes of this Component I:

Age as of July 1, 2014

Normal Retirement Age

61 years	60 years and 0 months
60 years	60 years and 0 months
59 years	60 years and 3 months
58 years	60 years and 6 months
57 years	60 years and 9 months
56 years	61 years and 0 months
55 years	61 years and 3 months
54 years	61 years and 6 months
53 years	61 years and 9 months

- (33) *Normal Retirement Date* means for any Member the later of the date the Member (i) attains 10 years of Vesting Service, or (ii) attains Normal Retirement Age.

Pursuant to Code Section 411(e), as in effect in 1974, a Member shall be 100% vested in his accrued benefit under the Retirement System upon attainment of his or her Normal Retirement Date while employed by an Employer.

- (34) *Notice to Members, Beneficiaries, and Retirees* means a mailing using First Class United States Mail to the Members, Beneficiaries, and Retirees at their last known addresses.
- (35) *Pension Reserve* means the present value of all payments to be made on account of any Retirement Allowance payable under Component I of the Combined Plan. Such Pension Reserve shall be computed upon the basis of such mortality and other tables of experience and interest, as provided herein until June 30, 2023 and, thereafter, as shall be adopted by the Board upon the recommendation of the Investment Committee.
- (36) *Plan Actuary* or *Actuary* means the enrolled actuary or actuarial firm appointed as provided in Section 1.15 to serve as technical advisor to the Investment Committee and the Board on matters regarding the funding and operation of the Retirement System and to perform such other duties as the Board or the Investment Committee may direct.
- (37) *Plan Document* or *Combined Plan Document* means this instrument, effective as of July 1, 2014, with all amendments hereafter adopted.
- (38) *Plan of Adjustment* means the Plan for the Adjustment of Debts of the City of Detroit, which has been approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan, Case No. 13-53846*.
- (39) *Plan Year* means the twelve month period commencing on July 1 and ending on June 30.
- (40) *Prior Service* means the service credit awarded to a Member before July 1, 2014 under the terms of Component II of the Retirement System as in effect on June 30, 2014, as certified by the Board of Trustees.
- (41) *Retiree* means a former Member who is receiving a Retirement Allowance from the Retirement System.

- (42) *Retirement* means a Member's withdrawal from the employ of the Employer with a Retirement Allowance paid by the Retirement System.
- (43) *Retirement Allowance* means an annual amount payable in monthly installments by the Retirement System, whether payable for a temporary period or throughout the future life of a Retiree or Beneficiary.
- (44) *Service* means personal services rendered to the Employer by a person as an Employee, provided such person is compensated by the Employer for such personal services.
- (45) *Spouse* means the person to whom a Member is legally married under applicable law at the time the determination is made.
- (46) *Straight Life Retirement Allowance* means payment of a Member's Retirement Allowance over the Member's lifetime.
- (47) *Vesting Service* means service credited to a Member to the extent provided in Article 4 of Component I of this Combined Plan Document.
- (48) *Voluntary Employee Contributions* mean the after-tax contributions made by a Member to the Retirement System pursuant to Section 10.1.
- (49) *Voluntary Employee Contributions Account* means the account established pursuant to Section 10.3 for a Member who elects to make Voluntary Employee Contributions.

The following terms shall have the meanings given to them in the Sections of this Combined Plan Document set forth opposite such term:

Accumulated Mandatory Employee Contribution Fund	Section 9.2(1)
Accumulated Voluntary Employee Contribution Fund	Section 9.2(2)
Annual Addition	Section 12.2(1)
Annual Report	Section 1.24(4)(b)
Authority	Section 1.19
compensation	Section 12.1(11)
Compliance Report	Section 1.24(1)
Cure Certification	Section 1.24(2)
Default Notice	Section 1.24(2)
Direct Rollover	Section 17.8(2)(a)
Distributee	Section 17.8(2)(b)
Dollar Limit	Section 12.1(3)(b)
Eligible retirement plan	Section 17.8(2)(c)
Eligible rollover distribution	Section 17.8(2)(d)
Expense Fund	Section 9.2(6)
Foundation	Section 1.20(1)
funding level	Section 9.5
Governance Term Sheet	Section 1.15
Income Fund	Section 9.2(7)
Investment management decision/investment management matter	Section 15.2

limitation year	Section 12.1(2)
Medical Benefit Fund	Section 9.2(5)
Medical Plans	Section 16.1
Option “A”. Joint and Seventy-Five Percent Survivor Allowance	Section 8.1(1)(c)
Option “B”. Joint and Twenty-Five Percent Survivor Allowance	Section 8.1(1)(e)
Option One. Cash Refund Annuity	Section 8.1(1)(a)
Option Three. Joint and Fifty Percent Survivor Allowance	Section 8.1(1)(d)
Option Two. Joint and One Hundred Percent Survivor Allowance	Section 8.1(1)(b)
Pension Accumulation Fund	Section 9.2(3)
Pension Certificate	Section 1.24(4)(b)
Pension Improvement Factor (Escalator)	Section 6.2
PFRS	Section 1.19
Plan of Adjustment	Section 1.3
Pop-up Form	Section 8.1(2)(b)
Rate Stabilization Fund	Section 9.2(4)
Standard Form	Section 8.1(2)(a)
State Contribution Agreement	Section 1.15
State Treasurer	Section 1.21
Straight Life Retirement Allowance	Section 8.1(1)

ARTICLE 3. MEMBERSHIP

Sec. 3.1. Eligible Employees

The membership of the Retirement System shall consist of all persons who are Full-time Employees, except:

- (a) persons who are members of the Police and Fire Retirement System of the City of Detroit, Michigan established under Title IX, Chapter VII of the 1918 Detroit City Charter, continued in the 1974, 1997 and 2012 Detroit City Charters, and continued in the form of the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan; and
- (b) Any person who is a member of any other public employee pension or retirement plan or retirement system adopted by the State of Michigan, other than the Michigan National Guard, or by any other political subdivision of the State of Michigan.

Sec. 3.2. Cessation of Membership; Re-Employment by the Employer

- (1) The following provisions shall apply to a non-vested Member who terminates employment with the Employer and is re-employed:
 - (a) Except as otherwise provided in this Article 3, if any non-vested Member leaves the employment of the Employer for any reason other than Retirement or death, such person shall continue to be a Member until such time as the Member receives a total distribution of his Accumulated Mandatory Employee Contributions and Accumulated Voluntary Employee Contributions. Upon receipt of his Accumulated Mandatory Employee Contributions, the Member's Credited Service and Vesting Service at that time shall be forfeited.
 - (b) If the Member is re-employed by an Employer (other than as a part-time transit operator) within a period of six years from and after the date employment with the Employer last terminated, any forfeited Credited Service and Vesting Service rendered on and after July 1, 2014 shall be restored for purposes of determining the Member's Retirement Allowance after re-employment, provided that within the two year period beginning on the Member's re-employment date, the Member re-contributes to the Retirement System any Accumulated Mandatory Employee Contributions that were distributed to the Member pursuant to Section 5.5.
 - (c) If a non-vested Member is re-employed (other than as a part-time transit operator) more than six years from and after the date employment with the Employer last terminated, the Member shall not be permitted to re-contribute to the Retirement System any Accumulated Mandatory Employee Contributions that were distributed to the Member pursuant to Section 5.5 and any forfeited Credited Service and Vesting Service shall not be restored at the time of the Member's re-employment.

- (2) A former Employee who is vested but has not yet begun to receive a Retirement Allowance and who is rehired (other than as a part-time transit operator) prior to being separated for six years shall have his benefit pertaining to his total Credited Service earned on and after July 1, 2014 calculated in accordance with the terms of Component I of the Retirement System in effect at the time of his last separation from service.
- (3) A former Employee who is vested but has not begun to receive a Retirement Allowance and who is rehired (other than as a part-time transit operator) after being separated for more than six years shall be entitled to two separate and distinct pension benefits under Component I, each to be calculated in accordance with the provisions of Component I of the Retirement System in effect at the time of each separation from service.
- (4) Retirement benefits for a Retiree who returns to active full time employment with an Employer shall be subject to the following provisions:
 - (a) A Retiree who returns to work will have his Retirement Allowance suspended upon re-employment. The variable pension improvement factor (escalator) shall not be added to the amount of the original Retirement Allowance during the Retiree's re-employment period.
 - (b) A Retiree who returns to work will be entitled to receive a second Retirement Allowance in accordance with the provisions of the Retirement System in effect during his re-employment period.
 - (c) A Retiree's Average Final Compensation for purposes of determining the Retiree's second Retirement Allowance will be based upon the Compensation earned by the Retiree after he returns to work.
 - (d) An individual who retires for a second time will not be allowed to change the payment option selected by the Member with respect to the original Retirement Allowance. However, the individual may select a separate payment option with respect to his second Retirement Allowance.
 - (e) The Coordination of Benefits (Equalized Social Security) option will not be available with respect to payment of the second Retirement Allowance.

Sec. 3.3. Report of the Employer

It shall be the duty of the Employer to submit to the Board of Trustees a statement showing the name, title, compensation, duties, date of birth, date of hire, and length of service of each Member, and such other information as the Board of Trustees may require or reasonably request for proper administration of the Retirement System.

ARTICLE 4. SERVICE CREDIT

Sec. 4.1. Credited Service

- (1) The Board shall keep an accurate record of each Employee's accumulated Service credit from the date of commencement of employment with the Employer to the date of termination of employment with the Employer.
- (2) A Member shall be credited with one month of Credited Service for each calendar month during which he performs one hundred forty (140) or more Hours of Service for the Employer as an Employee, beginning on the later of July 1, 2014 or his date of hire with the Employer and ending on the date his employment with the Employer is terminated. Service shall be credited in years and twelfths (1/12th) of a year. Not more than one-twelfth (1/12th) of a year of Credited Service shall be credited to a Member on account of all Service rendered to the Employer in a calendar month. Not more than one year of Credited Service shall be credited to a Member on account of all Service rendered to the Employer in any period of 12 consecutive months.
- (3) A Member who does not perform Service for the Employer by reason of a Disability which begins on or after July 1, 2014 shall be credited with Credited Service for the period of his Disability during which he is entitled to receive long-term disability benefits under the Employer's plan or policy.
- (4) Solely for purposes of determining eligibility for a retirement benefit under Section 5.2, a Member shall be credited with the sum of his Prior Service as determined by the Board and his Credited Service on and after July 1, 2014 determined under Section 4.1(2).

Sec. 4.2. Vesting Service

- (1) A Member shall be credited with a year of Vesting Service for each Plan Year commencing on or after July 1, 2014 during which the Member performs 1,000 or more Hours of Service for the Employer.
- (2) A Member's total Vesting Service shall be the sum of his Prior Service and his Service determined under Section 4.2(1).

Sec. 4.3. Service Credit; Military Service

An Employee who enters the military service of the United States while employed by an Employer shall have the period of such military service credited as Service in the same manner as if the Employee had served the Employer without interruption, provided that (1) the Employee's entry into such military service and re-employment thereafter shall be in accordance with applicable laws, ordinances, and regulations of the State of Michigan and the Employer; (2) he or she is re-employed by the Employer upon completion of such military service; and (3) the Member contributes to the Retirement System the Mandatory Employee Contributions that would have been made by the Member but for the Member's military service. The Member shall be permitted to make such contributions in accordance with Code Section 414(u) and regulations thereunder. During the period of military service and until return to employment with the

Employer, the Employee's Mandatory Employee Contributions to the Retirement System shall be suspended.

Sec. 4.4. Service Credit; Qualified Military Service

Notwithstanding any provision of this Combined Plan Document to the contrary, contributions, benefits, and service credit with respect to qualified military service under Component I, shall be provided in accordance with Code Section 414(u). Notwithstanding anything to the contrary herein, if a Member dies while performing qualified military service (as defined in Code Section 414(u)), to the extent required by Code Section 401(a)(37), the survivors of the Member are entitled to any additional benefits (if any, and other than benefit accruals relating to the period of qualified military service) provided under the Retirement System as if the Member had resumed and then terminated employment on account of death.

ARTICLE 5. ELIGIBILITY FOR RETIREMENT BENEFITS

Sec. 5.1. Eligibility for Unreduced Normal Retirement Benefit

Any Member who attains his Normal Retirement Date while employed by the City may retire upon written application filed with the Board setting forth the date on which the Member desires to be retired. The date of retirement shall be effective as of the first day following the later of (i) the Member's last day on the City payroll, or (ii) the date the Member executes and files an application for retirement, notwithstanding that the Member may have separated from Service during the notification period. Such a Member shall be entitled to receive an unreduced Retirement Allowance calculated as provided in Section 6.1 and payable in a form of payment selected by the Member pursuant to Section 8.1.

Sec. 5.2. Eligibility for Reduced Early Retirement Benefit

Any Member who has attained Age fifty-five, who is credited with thirty or more years of Credited Service, and who has not attained his Normal Retirement Date, shall have the option of retiring upon written application filed with the Board setting forth the date on which the Member desires to be retired. The Retirement Allowance payable to a Member who retires early shall be the Actuarial Equivalent of the Retirement Allowance that would be payable to the Member at his Normal Retirement Date pursuant to Section 6.1, as determined by the Plan Actuary. A Member's early retirement benefit shall be payable in accordance with a form of payment selected by the Member pursuant to Section 8.1.

Sec. 5.3. Eligibility for Deferred Vested Retirement Benefit

Any Member who ceases to be an employee before satisfying the requirements for receipt of a retirement benefit under Section 5.1 or Section 5.2 and who is credited with ten or more years of Vesting Service upon his or her termination of employment (regardless of age), shall be entitled to receive an unreduced Retirement Allowance commencing at any time following his attainment of Age sixty-two. Deferred vested retirement benefits shall be payable in accordance with a form of payment selected by the Member pursuant to Section 8.1.

Sec. 5.4. Eligibility for Retirement Benefit – Disabled Members

Any Member who becomes Disabled prior to his Normal Retirement Date shall be entitled to receive an unreduced Retirement Allowance commencing at any time following the Member's attainment of Age sixty-two. Disability retirement benefits shall be payable in accordance with a form of payment selected by the Member pursuant to Section 8.1.

Sec. 5.5. Return of Accumulated Mandatory Contributions to Non-Vested Member

If a Member ceases to be an Employee before becoming eligible for a deferred vested Retirement Allowance under Section 5.3, the Member may elect to receive distribution of the Accumulated Mandatory Employee Contributions made to the Retirement System by such Member. If a Member elects to receive his Accumulated Mandatory Employee Contributions, such amounts shall be paid to the Member in a lump sum payment or in equal monthly

installments for a period not to exceed three years, according to such rules and regulations as the Board may adopt from time to time.

ARTICLE 6. RETIREMENT ALLOWANCE; VARIABLE PENSION IMPROVEMENT FACTOR (ESCALATOR)

Sec. 6.1. Retirement Allowance

The Retirement Allowance payable to a Member commencing at the later of his Normal Retirement Date or his actual retirement from employment with the Employer in the form of a Straight Life Retirement Allowance shall be equal to one and one-half percent (1.5%) of the Member's Average Final Compensation multiplied by the Member's years (computed to the nearest one-twelfth (1/12th) year) of Credited Service earned after June 30, 2014.

Sec. 6.2. Variable Pension Improvement Factor (Escalator)

Except as provided in Section 9.5, beginning July 1, 2018 and effective the first day of each Plan Year thereafter, the Board may determine that a Retiree's annual Retirement Allowance shall be increased by a factor of two percent (2.0%), computed each year on the basis of the amount of the original Retirement Allowance received at the time of Retirement; provided, that the recipient of said Retirement Allowance shall have attained Age sixty-two and shall have been receiving a Retirement Allowance for a period of not less than twelve months prior to the first day of such Plan Year. The Pension Improvement Factor (Escalator) shall not be compounded.

ARTICLE 7. DEATH BENEFITS

Sec. 7.1. Accidental Death Benefit; Performance of Duty

- (1) If a Member is killed in the performance of duty in the service of the Employer, or dies as the result of illness contracted or injuries received while in the performance of duty in the service of the Employer, and such death, illness or injury resulting in death, is found by the Board to have resulted from the actual performance of duty in the service of the Employer, the Member's surviving Spouse shall be entitled to a monthly annuity benefit equal to the Member's Retirement Allowance at the time of his death, unreduced for early payment. Such benefit shall be payable until the surviving Spouse's death.
- (2) The minimum annual Retirement Allowance payable to a surviving Spouse under this Section 7.1 shall be equal to ten percent (10%) of the Member's Average Final Compensation determined as of the date of the Member's death.

Sec. 7.2. Death Benefits for Surviving Spouses Generally

If any Member dies while in the employ of the Employer (other than in the performance of duty) after the date such Member has earned ten or more years of Credited Service, the Member's surviving Spouse shall receive a Retirement Allowance. The Retirement Allowance payable to the Spouse shall be computed in the same manner in all respects as if said Member had (i) retired effective the day preceding the Member's death, notwithstanding that the Member had not attained his or her Normal Retirement Date, (ii) elected a Joint and One Hundred Percent Survivor Allowance as described in Section 8.1, and (iii) nominated the surviving Spouse as Beneficiary.

Sec. 7.3. Refund of Accumulated Mandatory Contributions Upon Death of Member

If a Member dies while employed by the City or following termination of employment and the Member is not eligible for a benefit under Section 7.1 or 7.2, the Member's Accumulated Mandatory Employee Contributions to the Retirement System at the time of death shall be paid to the Beneficiary nominated in a written designation duly executed by the Member and filed with the Board. In the event there is no such designated Beneficiary surviving, the Member's Accumulated Mandatory Employee Contributions shall be paid to the Member's estate. If a Member who dies without a legal will has not nominated a Beneficiary, the Member's Accumulated Mandatory Employee Contributions at the time of death may be used to pay burial expenses if the Member leaves no other estate sufficient for such purpose. Such expenses shall not exceed a reasonable amount as determined by the Board.

Sec. 7.4. Benefits Offset by Compensation Benefits; Subrogation

- (1) Any amounts which may be paid or payable to a Beneficiary on account of a Member's death under the provisions of any Workers' Compensation, pension, or similar law, except federal Social Security old-age and survivors' benefits, shall be an offset against any amounts payable from funds of the Retirement System on account of the Member's death. If the present value of the benefits payable under said Workers' Compensation, pension, or similar law, is less than the Pension Reserve for the Retirement Allowance

payable by the Retirement System, the present value of the said Workers' Compensation, pension, or similar legal benefit shall be deducted from the amounts payable by the Retirement System, and such amounts as may be provided by the Retirement System, so reduced, shall be payable as provided in this Combined Plan Document.

- (2) In the event a person becomes entitled to a pension payable by the Retirement System because of an accident or injury caused by the act of a third party, the Retirement System shall be subrogated to the rights of said person against such third party to the extent of the benefit which the Retirement System pays or becomes liable to pay.

ARTICLE 8. FORMS OF PAYMENT

Sec. 8.1. Retirement Allowance Options

- (1) Until the date the first Retirement Allowance payment check is issued, any Member may elect to receive a Straight Life Retirement Allowance payable throughout life, or the Member may elect to receive the Actuarial Equivalent of the Straight Life Retirement Allowance computed as of the effective date of retirement, in a reduced Retirement Allowance payable throughout life, and nominate a Beneficiary to receive benefit payments following the Member's death, in accordance with the options set forth below:
 - (a) *Option One. Cash Refund Annuity.* If a Retiree who elected a Cash Refund Annuity dies before payment of the Accumulated Contributions made to the Retirement System on and after July 1, 2014 has been received in an aggregate amount equal to, but not exceeding the Retiree's Accumulated Mandatory Employee Contributions at the time of retirement, the difference between said Accumulated Mandatory Employee Contributions and the aggregate amount of annuity payments already received, shall be paid in a single lump sum to a Beneficiary nominated by written designation duly executed by the Member and filed with the Board. If there are no such designated Beneficiaries surviving said Retiree, any such difference shall be paid to the Retiree's estate.
 - (b) *Option Two. Joint and One Hundred Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and One Hundred Percent Survivor Allowance, one hundred percent of the reduced Retirement Allowance shall be paid to and continued throughout the life of the Beneficiary nominated by written designation duly executed and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (c) *Option "A". Joint and Seventy-Five Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Seventy-Five Percent Survivor Allowance, seventy-five percent of the reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (d) *Option Three. Joint and Fifty Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Fifty Percent Survivor Allowance, fifty percent of the reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (e) *Option "B". Joint and Twenty-Five Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Twenty-Five Percent Survivor Allowance, twenty-five percent of the reduced Retirement Allowance shall be paid throughout the life of the Beneficiary nominated by written designation duly executed and

filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.

- (2) *Joint and Survivor Optional Forms of Payment.* The Joint and Survivor Optional Forms of Payment provided under the Retirement System shall be made available in either the standard form or the pop-up form, as follows:
 - (a) *Standard Form.* Under the Standard Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree.
 - (b) *Pop-up Form.* Under the Pop-up Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree and the designated Beneficiary. In the event of the death of the designated Beneficiary during the lifetime of the Retiree, the amount of the Retirement Allowance shall be changed to the amount that would have been payable had the Retiree elected the Straight Life Retirement Allowance Form of Payment.
- (3) *Coordination of Benefits.* According to such rules and regulations as the Board shall adopt, until the first payment of a Retirement Allowance becomes due, but not thereafter, a Member under Age sixty-five may elect to have the Member's Straight Life Retirement Allowance provided for under Component I equated on an Actuarial Equivalent basis to provide an increased Retirement Allowance payable to Age sixty-two or Age sixty-five, and to provide a decreased Retirement Allowance thereafter. The increased Retirement Allowance payable to such Age shall approximate the total of the decreased Retirement Allowance payable thereafter and the estimated social security benefit. If a Member elects to receive increased and then decreased Retirement Allowance payments provided for in this paragraph, he or she may also elect to have such payments reduced by electing one of the optional forms of payment provided for in paragraph (1) of this Section 8.1. This coordination of benefits option shall not create any additional actuarial costs to the City.

Sec. 8.2. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary

If under a Joint and One Hundred Percent Survivor allowance, a Joint and Seventy-Five Percent Survivor allowance, a Joint and Fifty Percent Survivor allowance, or a Joint and Twenty-Five Percent Survivor allowance as provided for under Section 8.1(1), both a Retiree and his Beneficiary die before they have received in Retirement Allowance payments an aggregate amount equal to the Retiree's Accumulated Mandatory Employee Contributions at the time of retirement, the difference between the said Accumulated Mandatory Employee Contributions and the aggregate amount of Retirement Allowances paid to the Retiree and Beneficiary, shall be paid in a single lump sum to such person or persons nominated by written designation of the Retiree duly executed and filed with the Board. If there are no such person or persons surviving the Retiree and the Beneficiary, any such difference shall be paid to the estate of the second to die of the Retiree or Beneficiary.

ARTICLE 9. FUNDING AND RESERVES

Sec. 9.1. Funding Objective of the Retirement System

The funding objective of Component I of the Retirement System is to establish and receive Employer and Member contributions during each Plan Year that are sufficient to fully cover the actuarial cost of benefits anticipated to be paid on account of Credited Service rendered by Members during the Plan Year (the normal cost requirements of the Retirement System), and to amortize the unfunded actuarial costs of benefits likely to be paid on account of Credited Service rendered on or after July 1, 2014 and before the first day of the Plan Year (the unfunded actuarial accrued liability of Component I of the Retirement System).

Sec. 9.2. Funds

Component I of the Retirement System shall consist of the Accumulated Mandatory Employee Contribution Fund, the Accumulated Voluntary Employee Contribution Fund, the Pension Accumulation Fund, the Rate Stabilization Fund, the Medical Benefit Fund, the Expense Fund, and the Income Fund, as follows:

- (1) The Accumulated Mandatory Employee Contribution Fund shall be the Fund in which shall be accumulated the contributions of Members to provide their Retirement Allowances. Upon the Retirement, termination, or death of a Member with a vested Retirement Allowance, the Member's Accumulated Mandatory Employee Contributions shall be deemed to be part of the Pension Reserve which shall be used to pay the Member's Retirement Allowance.
- (2) The Accumulated Voluntary Employee Contribution Fund shall be the Fund in which shall be accumulated the voluntary after-tax contributions of Members together with earnings thereon.
- (3) The Pension Accumulation Fund shall be the fund in which shall be accumulated reserves for the Retirement Allowances and other benefits payable from that portion of the Employer's annual contribution that is not credited to the Rate Stabilization Fund and amounts transferred to Component I as provided in Section E-16(c) of Component II, and from which shall be paid Retirement Allowances and other benefits on account of Members.
- (4) The Rate Stabilization Fund shall be the Fund to which shall be credited Employer annual contributions in excess of the amount of the Employer's contribution which is credited to the Pension Accumulation Fund and amounts transferred to Component I as provided in Section E-16(c) of Component II.
- (5) The Medical Benefit Fund shall be the Fund to which shall be credited contributions made for the purpose of funding Medical Benefits.
- (6) The Expense Fund shall be the fund to which shall be credited any money provided by the Employers to pay the administrative expenses of the Retirement System, and from

which shall be paid certain expenses incurred in connection with the administration and operation of the Retirement System.

- (7) The Income Fund shall be the Fund to which shall be credited all interest, dividends, and other income derived from the investments of Component I of the Retirement System and any earnings thereon, all gifts and bequests received by Component I of the Retirement System, and all other moneys credited to Component I of the Retirement System, the disposition of which is not specifically provided for in this Article 9. There shall be paid or transferred from the Income Fund, all amounts required to credit earnings and losses to the various Funds of the Retirement System in accordance with the provisions of Component I of this Combined Plan Document. Amounts credited to the Income Fund in excess of amounts needed to credit earnings and losses of the Retirement System as provided in this Component I for any Plan Year shall be transferred to the Pension Accumulation Fund and used to pay Retirement Allowances and other benefits on account of Members.

Sec. 9.3. Method of Financing Retirement System Benefits

- (1) The pension liabilities for Members shall be determined by the Plan's Actuary using the entry-age normal cost method of actuarial valuation.
- (2) The Employer's annual contribution to finance the prospective pension liabilities for the nine Plan Year period commencing July 1, 2014 and ending June 30, 2023 shall be five percent (5%) of the base Compensation of active Members for the applicable Plan Year. A portion of the Employer's annual contribution for each Plan Year as determined by the City shall be credited to the Rate Stabilization Fund. The remainder of the City's annual contribution shall be allocated to the Pension Accumulation Fund.
- (3) Except as provided in Section 9.5, for each Plan Year, a Member shall contribute to the Retirement System an amount equal to four percent (4%) of his or her base Compensation for such Plan Year. A Member's Mandatory Employee Contributions for the Plan Year beginning July 1, 2014 and ending June 30, 2015 shall commence as of the Member's first payroll date occurring in August 2014. The officer or officers responsible for processing the payroll shall cause a Member's Mandatory Employee Contributions to be deducted from the Member's Compensation on each and every payroll, for each and every payroll period, from the later of (i) the Member's first payroll date occurring in August 2014, and (ii) the Member's date of hire to the date he ceases to be an Employee. The contribution shall be deducted from a Member's Compensation, notwithstanding that the minimum compensation provided by law for the Member shall be reduced thereby. Payment of compensation, less said Mandatory Employee Contributions, shall be a complete discharge of all claims and demands whatsoever for the services rendered by the said Member during the period covered by such payment. Member Mandatory Employee Contributions will be used for the purpose of funding the normal cost of the Retirement System.

Sec. 9.4. Member Contributions Picked-Up

- (1) The Employer shall pick up Member Mandatory Employee Contributions required pursuant to Sections 9.3(3) and 9.5 in accordance with Code Section 414(h).
- (2) The picked-up contributions, although designated as employee contributions shall be treated as City contributions for the purpose of determining a Member's tax treatment under the Internal Revenue Code. The City shall pay the contributions picked-up on behalf of a Member from the same source of funds that are used for paying compensation to the Member.
- (3) The Employer shall pick up Member Mandatory Employee Contributions by a reduction in the Member's cash salary or an offset against a future salary increase, or both. The Employer shall designate Mandatory Employee Contributions that are picked-up and paid to the Retirement System as employer contributions and not as employee contributions. No Member who participates in the Retirement System shall have the option of choosing to receive the contributed amounts directly instead of having those amounts paid by the City to the Retirement System.

Sec. 9.5. Fiscal Responsibility: Increased Funding Obligations and Benefit Reductions

- (1) To safeguard the long-term actuarial and financial integrity of the Retirement System, in the event the funding level of Component I of the Retirement System projected over a five year period falls below one hundred percent (100%), the following remedial action shall be required in the order set forth below, beginning with the Plan Year following the Plan Year in which such determination is made and continuing until the funding level is restored to not less than one hundred percent (100%):
 - (a) the Trustee may not award the variable pension improvement factor (escalator) described in Section 6.2 to any Retiree;
 - (b) all amounts credited to the Rate Stabilization Fund shall be transferred to the Pension Accumulation Fund for the purposes of funding benefits payable under Component I of the Retirement System; and
 - (c) Member Mandatory Employee Contributions shall be increased from four percent (4%) of Compensation to five percent (5%) of Compensation for up to the next following five Plan Years.
- (2) In the event the funding level of Component I of the Retirement System determined as provided in Section 9.5(1) is projected to fall below eighty percent (80%), the following remedial action shall be required in the order set forth below, beginning with the Plan Year following the Plan Year in which such determination is made and continuing until the funding level is restored to not less than eighty percent (80%):
 - (a) the remedial action required in Section 9.5(1) shall be implemented or continued;

- (b) the Retirement Allowance payable to a Retiree shall not include the variable pension improvement factor (escalator) that was most recently added to the Retiree's Retirement Allowance for a Plan Year;
- (c) Member Mandatory Employee Contributions shall be increased from five percent (5%) of Compensation to six percent (6%) of Compensation for up to the next following five Plan Years;
- (d) the Retirement Allowance payable to a Retiree shall not include the variable pension improvement factor (escalator) that was most recently added to the Retiree's Retirement Allowance for the Plan Year preceding the Plan Year referenced in paragraph (b) above; and
- (e) the Retirement Allowance accrued by Members for up to the next five Plan-Year-period shall be determined as provided in Section 6.1, except that one percent (1%) shall be substituted for one and one-half percent (1.5%) wherever it appears in said Section 6.1.

In determining whether the eighty percent (80%) funding level under this Section 9.5(2) has been achieved, the Plan's Actuary shall calculate the funding percentage of the Retirement System after taking into account the elimination of the variable pension improvement factor (escalator) pursuant to Section 9.5(1)(a) but prior to taking into account the remedial steps provided in Sections 9.5(1)(b) and (c).

- (3) For purposes of this Section 9.5, the "funding level" of Component I of the Retirement System shall mean the ratio of the market value of the assets of Component I of the Retirement System to the actuarial accrued liability of Component I of the Retirement System. The actuarial accrued liability shall be calculated by the Plan's Actuary utilizing an interest rate assumption of six and three-quarters percent (6.75%) and other reasonable assumptions as directed by the Board upon the recommendation of the Investment Committee. The market value of assets shall be determined on the basis of a three-year look back period of smoothed investment returns.

ARTICLE 10. VOLUNTARY EMPLOYEE CONTRIBUTIONS

Sec. 10.1. Voluntary Employee Contributions; Amount; Vesting

Subject to procedures established by the Board, a Member may elect to reduce his Compensation for any Plan Year by a whole percentage equal to three percent (3%), five percent (5%) or seven percent (7%) and have such amount contributed by the Employer to a Voluntary Employee Contribution Account maintained on his behalf under Component I of the Retirement System. Voluntary Employee Contributions shall be made to the Retirement System on an after-tax basis. Amounts credited to a Member's Voluntary Employee Contribution Account shall be one hundred percent (100%) vested at all times.

Sec. 10.2. Changing an Election to Contribute

A Member may change or revoke an election to make Voluntary Employee Contributions to the Retirement System pursuant to this Article 10 in such manner and with such advance notice as the City shall determine. Notwithstanding the foregoing, a Member shall be permitted to change such election not less frequently than annually.

Sec. 10.3. Individual Member Accounting; Crediting of Earnings

The Board shall maintain a Voluntary Employee Contribution Account on behalf of each Member who elects to make Voluntary Employee Contributions to the Retirement System. Each Plan Year, a Member's Voluntary Employee Contribution Account shall be credited with earnings at a rate equal to the actual net investment rate of return on the assets of the Retirement System for the second Plan Year immediately preceding the Plan Year in which the earnings are credited; in no event, however, shall the earnings rate credited to a Member's Voluntary Employee Contribution Account for any Plan Year be less than zero percent (0%) nor greater than five and one-quarter percent (5.25%).

Sec. 10.4. Distribution of Accumulated Voluntary Employee Contributions

- (1) If a Member ceases to be an Employee other than by reason of death, the Member may elect to receive distribution of the Accumulated Voluntary Employee Contributions made to the Retirement System by such Member. If a Member elects to receive his Accumulated Voluntary Employee Contributions, such amounts shall be paid to the Member in a lump sum payment or in equal monthly installments for a period not to exceed three years, according to such rules and regulations as the Board may adopt from time to time.
- (2) In lieu of receiving distribution of his Accumulated Voluntary Employee Contributions as provided in Section 10.4(1), a Member may elect to have the actuarial equivalent value of his Accumulated Voluntary Employee Contributions added to his Retirement Allowance and paid in the form of an annuity described in Section 8.1.
- (3) If a Member dies while employed by the Employer or following termination of employment but prior to receiving distribution of the Member's Accumulated Voluntary Employee Contributions, the amounts credited to the Member's Voluntary Employee

Contribution Account at the time of death shall be paid to the Beneficiary nominated in a written designation duly executed by the Member and filed with the Board. In the event there is no such designated Beneficiary surviving the Member, the Member's Accumulated Voluntary Employee Contributions shall be paid to the Member's estate. If a Member who dies without a legal will has not nominated a Beneficiary, the Member's Accumulated Voluntary Employee Contributions at the time of death may be used to pay burial expenses if the Member leaves no other estate sufficient for such purpose. Such expenses shall not exceed a reasonable amount as determined by the Board.

ARTICLE 11. LOAN PROGRAM FOR VOLUNTARY EMPLOYEE CONTRIBUTIONS

Sec. 11.1. The Loan Program

A loan program shall be available to Members who have amounts credited to a Voluntary Employee Contributions Account under Component I of the Retirement System. The Board is authorized to adopt rules and regulations, from time to time, to govern the administration and the operation of the loan program. Copies of the rules shall be made available to eligible Members in the offices of the Retirement System. Any loans granted or renewed under the Retirement System shall be made and administered pursuant to and in compliance with Section 72(p) of the Internal Revenue Code and regulations thereunder.

Sec. 11.2. Eligibility for Loan

Subject to the rules and procedures established by the Board, loans may be made to eligible Members from such Member's Voluntary Employee Contribution Account. An eligible Member is any Member who has participated in the Retirement System for twelve months or more. Former Members, Spouses and Beneficiaries are not eligible to receive any loans from the Retirement System. No Member shall have more than two outstanding loans from the Retirement System (Component I and/or Component II) at any time. A Member who has previously defaulted on a loan (under either Component I or Component II) shall not be eligible for a loan from the Retirement System.

Sec. 11.3. Amount of Loan

An eligible Member who has satisfied applicable rules and procedures established by the Board may borrow from his Voluntary Employee Contribution Account an amount which does not exceed the lesser of (i) fifty percent (50%) of the Member's Voluntary Employee Contribution Account balance, and (ii) Ten Thousand Dollars (\$10,000.00), in each case reduced by the excess, if any, of: (1) the Member's highest outstanding loan balance under the Retirement System (both Component I and Component II) during the one (1) year period ending on the day before the date on which the loan is made, or (2) the outstanding loan balance under the Retirement System (both Component I and Component II) on the date on which the loan is made, whichever is less. The minimum loan amount shall be One Thousand Dollars (\$1,000.00).

Sec. 11.4. Terms and Conditions

In addition to such rules and procedures that are established by the Board, all loans shall comply with the following terms and conditions:

- (a) Each loan application shall be made in writing.
- (b) All loans shall be memorialized by a collateral promissory note for the amount of the loan, including interest, payable to the order of the Retirement System and properly executed by the Member.

- (c) Each loan shall be repaid by substantially equal payroll deductions over a period not to exceed five years, or, where the loan is for the purpose of buying a principal residence, a period not to exceed fifteen years. In no case shall the amount of the payroll deduction be less than Twenty Dollars (\$20.00) for any two-week pay period. A Member receiving a loan will be required to authorize payroll deductions from his compensation in an amount sufficient to repay the loan over its term.
- (d) An amount equal to the principal amount of the loan to a Member (but not more than one half of the Member's vested interest in the Defined Contribution Plans of the Retirement System) will be designated as collateral for guaranteeing the loan.
- (e) Each loan shall bear interest at a rate determined by the Board. The Board shall not discriminate among Members in its determination of interest rates on loans. However, loans initiated at different times may bear different interest rates, where, in the opinion of the Board, the difference in rates is supported by a change in market interest rates or a change in the Retirement System's current assumed rate of return. The loan interest rate shall bear a reasonable relationship to market rates for secured loans of a similar duration and shall bear a reasonable relationship to the costs to the Retirement System of administering the loan. The loan interest rate shall be calculated in a manner that will not negatively affect either the Employers' costs with respect to the Retirement System or the investment return allocated to Members.
- (f) Loan repayments shall be suspended during a period of military service, as permitted by Section 414(u)(4) of the Internal Revenue Code. A Member who has an outstanding loan balance from the Retirement System who is absent from employment with the City, and who has satisfied the requirements of Section 414(u) of the Internal Revenue Code shall not be required to make loan repayments to the Retirement System during said periods of absence.

Sec. 11.5. Loan Balance

A Member's outstanding loan balance shall be considered a directed investment by the Member and interest payments shall be credited to the Member's Voluntary Employee Contribution Account (provided that the interest credited to the Member's Voluntary Employee Contribution Account shall be reduced appropriately to cover the administrative costs of the loan program and avoid negatively affecting the Employers' costs or the Retirement System's investment returns), and shall not be part of the Retirement System's net investment income or part of the Member's Voluntary Employee Contribution Account balance for the purpose of allocation of net investment income under the Retirement System.

Sec. 11.6. Default

In the event a Member defaults on a loan before the loan is repaid in full, the unpaid balance thereof will become due and payable and, to the extent that the outstanding amount is not repaid by the end of the calendar quarter which follows the calendar quarter in which the last

payment was received, such amount shall be deemed to have been distributed to the Member for tax purposes, consistent with Section 72(p) of the Internal Revenue Code.

Sec. 11.7. Distribution

No distribution shall be made to a Member, former Member, Spouse or Beneficiary from the Retirement System until all outstanding loan balances and applicable accrued interest have been repaid or offset against amounts distributable to the individual from the Retirement System.

Sec. 11.8. Annual Report

The Retirement System shall include, in its annual report to all Members, an accounting of the Loan Program established by this Article 11, which contains the number and amount of loans made, the costs of administering the Loan Program maintained under this Component I, the amount of payments made including interest received by Component I of the Retirement System, the amount of loans outstanding, including any defaults or delinquencies, and an evaluation as to whether the interest charged in that Fiscal Year covered the costs of administering the Loan Program under Component I.

ARTICLE 12. LIMITATION ON BENEFITS AND CONTRIBUTIONS

Sec. 12.1. Compliance With Code Section 415(b) And Regulations

- (1) Notwithstanding any other provision of this Combined Plan Document, the defined benefit component of the Retirement System shall be administered in compliance with the provisions of Code Section 415(b) and regulations thereunder that are applicable to governmental plans.
- (2) The maximum annual benefit accrued by a Member during a "limitation year" (which shall be the Plan Year) and the maximum annual benefit payable under the Retirement System to a Member at any time within a Plan Year, when expressed as an annual benefit in the form of a straight life annuity (with no ancillary benefits), shall be equal to \$160,000 (as such amount is adjusted pursuant to Code Section 415(d) for such Plan Year).
- (3) Notwithstanding the foregoing:
 - (a) if the benefit under the Retirement System is payable in any form other than a straight life annuity, the determination as to whether the limitation described in Section 12.1(2) has been satisfied shall be made, in accordance with the regulations prescribed by the Secretary of the Treasury, by adjusting such benefit to the Actuarially Equivalent straight life annuity beginning at the same time, in accordance with Section 12.1(8) or (9);
 - (b) if the benefit under the Retirement System commences before Age sixty-two, the determination of whether the limitation set forth in Section 12.1(2) (the "Dollar Limit") has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury, by reducing the Dollar Limit so that the Dollar Limit (as so reduced) is equal to an annual benefit payable in the form of a straight life annuity, commencing when such benefit under the Retirement System commences, which is Actuarially Equivalent to a benefit in the amount of the Dollar Limit commencing at Age sixty-two; provided, however, if the Retirement System has an immediately commencing straight life annuity commencing both at Age sixty-two and the age of benefit commencement, then the Dollar Limit (as so reduced) shall equal the lesser of (i) the amount determined under this Section 12.1(3)(b) without regard to this proviso, or (ii) the Dollar Limit multiplied by a fraction the numerator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System and the denominator of which is the annual amount of the straight life annuity under the Retirement System, commencing at Age sixty-two; and
 - (c) if the benefit under the Retirement System commences after Age sixty-five, the determination of whether the Dollar Limit has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury, by increasing the Dollar Limit so that the Dollar Limit (as so increased) is equal to an annual benefit payable in the form of a straight life annuity, commencing when

the benefit under the Retirement System commences, which is Actuarially Equivalent to a benefit in the amount of the Dollar Limit commencing at Age sixty-five; provided, however, if the Retirement System has an immediately commencing straight life annuity commencing both at Age sixty-five and the Age of benefit commencement, the Dollar Limit (as so increased) shall equal the lesser of (i) the amount determined under this Section 12.1(3)(c) without regard to this proviso, or (ii) the Dollar Limit multiplied by a fraction the numerator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System and the denominator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System, commencing at Age sixty-five.

- (4) Notwithstanding the foregoing provisions of this Section 12.1, except as provided in Section 12.1(5), the maximum annual benefit specified in Section 12.1(2) above shall not apply to a particular Retirement System benefit if (a) the annual amount of such Retirement System benefit, together with the aggregate annual amount of any other pensions payable with respect to such Member under all other defined benefit plans maintained by an Employer, does not exceed \$10,000 for the Plan Year or any prior Plan Year and (b) the Member was not at any time a participant in a defined contribution plan maintained by an Employer.
- (5) In the case of a Member who has less than ten years of participation in the Retirement System, the limitation set forth in Section 12.1(2) shall be such limitation (without regard to this Section 12.1(5)), multiplied by a fraction, the numerator of which is the number of years of participation in the Retirement System (or parts thereof) credited to the Member and the denominator of which is ten. In the case of a Member who has less than ten years of Vesting Service, the limitations set forth in Paragraph (b) of Section 12.1(2) and in Section 12.1(4) shall be such limitations (determined without regard to this Section 12.1(5)) multiplied by a fraction, the numerator of which is the number of years of Vesting Service, or parts thereof, credited to the Member and the denominator of which is ten.
- (6) Notwithstanding anything in this Section 12.1 to the contrary, if the annual benefit of a Member who has terminated employment with the Employer is limited pursuant to the limitations set forth in Section 12.1(2), such annual benefit shall be increased in accordance with the cost-of-living adjustments of Code Section 415(d).
- (7) For purposes of determining actuarial equivalence under Paragraph (b) or (c) of Section 12.1(3), the interest rate assumption shall be five percent (5%) and the mortality table used shall be the applicable mortality table specified by the Board.
- (8) The actuarially equivalent straight life annuity for purposes of adjusting any benefit payable in a form to which Code Section 417(e)(3) does not apply, as required by Paragraph (a) of Section 12.1(3), is equal to the greater of (a) the annual amount of the straight life annuity payable under the Retirement System commencing at the same annuity starting date as the form of benefit payable to the Member, or (b) the annual amount of the straight life annuity commencing at the same annuity starting date that has

the same actuarial present value as the form of benefit payable to the Member, computed using the interest rate and mortality assumptions set forth in Section 12.1(7).

- (9) The actuarially equivalent straight life annuity for purposes of adjusting any benefit payable in a form to which Code Section 417(e)(3) applies, as required by Paragraph (a) of Section 12.1(3), is equal to the greatest of (a) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same Actuarial Equivalent present value as the form of benefit payable to the Member, (b) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using a five and one-half percent (5.5%) interest rate assumption and the applicable mortality table specified by the Board, or (c) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using the applicable interest rate and the applicable mortality table, both as specified by the Board, divided by 1.05.
- (10) For purposes of applying the limitations set forth in this Section 12.1, all qualified defined benefit plans (whether or not terminated) ever maintained by an Employer shall be treated as one defined benefit plan.
- (11) For purposes of this Section 12.1, the term “compensation” shall include those items of remuneration specified in Treasury Regulation § 1.415(c)-2(b) and shall exclude those items of remuneration specified in Treasury Regulation § 1.415(c)-2(c), taking into account the timing rules specified in Treasury Regulation § 1.415(c)-2(e), but shall not include any amount in excess of the limitation under Code Section 401(a)(17) in effect for the year. The term “compensation” as defined in the preceding sentence shall include any payments made to a Member by the later of (a) two and one-half months after the date of the Member’s severance from employment with an Employer or (b) the end of the limitation year that includes the date of the Member’s severance from employment with an Employer, provided that, absent a severance from employment, such payments would have been paid to the Member while the Member continued in employment with the Employer and are regular compensation for services performed during the Member’s regular working hours, compensation for services outside the Member’s regular working hours (such as overtime or shift differential pay), commissions, bonuses or other similar compensation.
- (12) This Section 12.1 shall be administered in conformity with the regulations issued by the Secretary of the Treasury interpreting Code Section 415 including, but not limited to, any regulation providing for the “grandfathering” of any benefit accrued prior to the effective date of such regulations or statutory provision.

Sec. 12.2. Compliance with Code Section 415(c) and Regulations

- (1) The “Annual Addition” with respect to a Member for a limitation year (which shall be the Plan Year) shall in no event exceed the lesser of:

- (a) \$40,000 (adjusted as provided in Code Section 415(d)); or
 - (b) One hundred percent (100%) of the Member's compensation, as defined in Code Section 415(c)(3) and regulations issued thereunder, for the limitation year.
- (2) The Annual Addition with respect to a Member for a limitation year means the sum of his Voluntary Employee Contributions for such limitation year to the Retirement System, and the employer contributions, employee contributions and forfeitures allocated to his accounts under any other qualified defined contribution plan (whether or not terminated) maintained by an Employer, and the amounts described in Code Sections 415(l)(2) and 419A(d)(2) allocated to his account.
- (3) In the event the Annual Addition to the Retirement System on behalf of a Member would otherwise exceed the amount that may be applied for his benefit under the limitation contained in this Section 12.2, the limitation shall be satisfied by reducing the Member's Voluntary Employee Contributions to the extent necessary and distributing such amounts to the Member.

ARTICLE 13. RETIREMENT SYSTEM ADMINISTRATION

Sec. 13.1. Board of Trustees as Retirement System Administrator

- (1) The Retirement Board shall have the power and authority to manage and administer the Retirement System in accordance with the provisions of the Combined Plan Document.
- (2) The Retirement Board shall provide procedures for the processing and review of benefit claims, corrections of errors, and similar matters, as further described in Section 13.2.
- (3) The Retirement Board and the Retirement System shall not make any payment to active or retired Members or Beneficiaries other than payments that are required by the Retirement System as established by this Combined Plan Document. This prohibition applies to all payments that are not authorized by this Combined Plan Document, whether such payments are those commonly referred to as a "thirteenth check" or payments by any other name.

Sec. 13.2. Powers and Duties of Board

- (1) The Board shall have the following powers and duties:
 - (a) exclusive authority regarding the administration, management and operation of the Retirement System, including, but not limited to, the right to contract for office space, computer hardware and software, and human resource services (any or all of which may be obtained from the City), and to make rules and regulations with respect to the operation of the Retirement System not inconsistent with the terms of the Combined Plan Document and applicable law, and to amend or rescind such rules and regulations;
 - (b) to determine questions of law or fact that may arise as to the rights of any person claiming rights under the Retirement System;
 - (c) to determine the contributions to the Retirement System required of the Employer and Members pursuant to the documents governing operation of the Retirement System, including the Plan of Adjustment;
 - (d) to construe and interpret the provisions of the Retirement System and to reconcile any inconsistencies;
 - (e) to perform ministerial functions, whether or not expressly authorized, which the Board may deem necessary or desirable in carrying out its duties under the Retirement System;
 - (f) except to the extent authority is vested in the Investment Committee, authority to employ, contract and pay for professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation of the Retirement System;

- (g) except to the extent authority or responsibility is vested in the Investment Committee, to arrange for annual audits of the records and accounts of the Retirement System by a certified public accountant or by a firm of certified public accountants pursuant to generally accepted auditing standards;
- (h) to prepare an annual report for the Retirement System for each Fiscal Year in compliance with generally accepted accounting principles. The report shall contain information regarding the financial, actuarial, and other activities of the Retirement System during the Fiscal Year. The Board shall furnish a copy of the annual report to the Mayor and finance director of the City, to the chair of the City Council and to the Investment Committee. The report shall also contain a review of the latest actuarial valuation of the Retirement System;
- (i) to maintain or cause to be maintained such separate funds and accounts as are required to be maintained under the provisions of Components I and II of the Combined Plan Document and such additional accounts as the Board deems necessary or expedient for the proper administration of the Retirement System and the administration and investment of the assets of the Retirement System. The Board shall maintain suitable records, data and information in connection with the performance of its functions, including, but not limited to, accurate and detailed accounts of all investments, receipts, disbursements, and other actions, including the proportionate interest therein and Accumulated Contributions of each Member who has made contributions to the Retirement System;
- (j) to correct any error in the records of the Retirement System that results in overpayment or underpayment of contributions to the Retirement System by the Employer or a Member, or overpayment or underpayment of benefits to a Member, former Member, or Beneficiary by the Retirement System. In the event of overpayment to a Member, former Member or Beneficiary, the Board may, as far as practicable, adjust future payments to such individual, in such a manner that the Actuarial Equivalent of the benefit to which such individual was entitled shall be paid;
- (k) to the extent permissible under Michigan law (and consistent with the Retirement System's favorable tax qualified status under Code Section 401(a)), purchase one or more insurance policies to indemnify any person and such person's heirs and legal representatives who is made a party to (or threatened to be made a party to) any action, suit or proceeding whether brought by or in the right of the Board, the Investment Committee or the Retirement System or otherwise, by reason of the fact that such person is or was a Board member, Investment Committee member, director, officer, employee or agent of the Board (or an advisory body or committee of the Board) or the Retirement System. The insurance policies purchased by the Board shall not indemnify any person who is judicially determined to have incurred liability due to fraud, gross negligence or malfeasance in the performance of his duties; and

- (l) except to the extent authority or responsibility is vested in the Investment Committee, to perform any other function that is required for the proper administration of the Retirement System.

Sec. 13.3. Executive Director; Employees

The Board shall employ on behalf of the Retirement System an executive director and any other employees for which the Board establishes positions. The executive director shall do all of the following:

- (a) manage and administer the Retirement System under the supervision and direction of the Board;
- (b) annually prepare and submit to the Board for review, amendment, and adoption an itemized budget projecting the amount required to pay the Retirement System's expenses for the following Fiscal Year; and
- (c) perform such other duties as the Board shall delegate to the executive director.

The executive director, unless such power is retained by the Board, shall determine the compensation of all employees of the Retirement System (except the executive director, whose compensation shall be determined by the Board; and the chief investment officer, whose compensation shall be determined by the Investment Committee) and such compensation shall be payable from the Retirement System. Any person employed by the Retirement System may, but need not, be an employee of the City.

Sec. 13.4. Discretionary Authority

The Board shall have discretion to:

- (a) interpret the provisions of the Retirement System;
- (b) make factual findings with respect to any and all issues arising under the Retirement System;
- (c) determine the rights and status of Members, Retirees, Beneficiaries and other persons under the Retirement System;
- (d) decide benefit claims and disputes arising under the Retirement System pursuant to such procedures as the Board shall adopt; and
- (e) make determinations and findings (including factual findings) with respect to the benefits payable hereunder and the persons entitled thereto as may be required for the purposes of the Retirement System.

Sec. 13.5. Administrator's Decision Binding

The Board's decision on any matter arising in connection with administration and interpretation of the Retirement System shall be final and binding on Members, Retirees and Beneficiaries.

ARTICLE 14. MANAGEMENT OF FUNDS

Sec. 14.1. Board as Trustee of Retirement System Assets

The Board of Trustees shall be the trustee of the funds held under the Retirement System, shall receive and accept all sums of money and other property paid or transferred to it by or at the direction of the City and, subject to the terms of Article 15, shall have the power to hold, invest, reinvest, manage, administer and distribute such money and other property subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by *Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws, as amended.*

Sec. 14.2. Maintenance of Segregated Funds

The Board of Trustees shall maintain separate funds as required for the proper administration of the Retirement System and shall not commingle the assets held under the Retirement System for the purpose of funding benefits accrued by Members prior to July 1, 2014, together with earnings and losses on such assets (or replacement assets), as more fully described in Component II of this Combined Plan Document, with the assets of the Retirement System held for the purpose of paying benefits accrued by Members on and after July 1, 2014 as described in this Component I of the Combined Plan Document. Notwithstanding the foregoing, the assets held under Components I and II of this Combined Plan Document may be commingled for investment purposes, and transferred as provided in Section E-16(c) of Component II.

Sec. 14.3. Custodian of Funds

The Board of Trustees shall appoint or employ custodians of the assets of the Retirement System. The custodians shall perform all duties necessary and incidental to the custodial responsibility and shall make disbursements as authorized by the Board.

Sec. 14.4. Exclusive Purpose

All money and other assets of the Retirement System shall be held by the Trustees and invested for the sole purpose of paying benefits to Members and Beneficiaries and shall be used for no other purpose other than payment of the reasonable expenses of maintaining the Retirement System. In exercising its discretionary authority with respect to the management of the money and other assets of the Retirement System, the Trustees shall exercise the care, skill, prudence and diligence under the circumstances then prevailing, that a person acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

Sec. 14.5. Prohibited Conduct

Members of the Board and employees of the Retirement System are prohibited from:

- (1) Having any beneficial interest, direct or indirect, in any investment of the Retirement System;

- (2) Being an obligor or providing surety for any money loaned to or borrowed from the Retirement System;
- (3) Except as provided in Article 11, borrowing any money or other assets of the Retirement System; and
- (4) Receiving any pay or other compensation from any person, other than compensation paid by the Retirement System, with respect to investments of the Retirement System.

ARTICLE 15. INVESTMENT OF RETIREMENT SYSTEM ASSETS

Sec. 15.1. Investment Powers of the Board and the Investment Committee

Subject to the requirements set forth in this Article 15, the Board shall have the power and authority to manage, control, invest and reinvest money and other assets of the Retirement System subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by *Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws, as amended*. Notwithstanding anything in this Combined Plan Document to the contrary, for the twenty year period following the effective date of the Plan of Adjustment, the Investment Committee shall make recommendations to the Board with respect to investment management matters as provided in this Article 15.

All investment management decisions made by the Board, as more fully described in Section 15.2, shall require a recommendation by an affirmative vote of the Investment Committee as provided in this Combined Plan Document. The Board shall take no action with respect to any matter for which the Investment Committee has responsibility and authority, including the investment management matters described in Section 15.2, unless and until such action has been approved by affirmative vote of the Investment Committee. All actions and recommendations of the Investment Committee shall be forwarded to the Board for consideration and are subject to Board approval. If (a) the Board fails to approve or disapprove an Investment Management decision that has been recommended by an affirmative vote of the Investment Committee, and such failure continues for forty-five days after the date that the recommendation was made to the Board, or (b) the Board disapproves an Investment Management decision within such forty-five day period but fails to provide to the Investment Committee within such forty-five day period a detailed written response outlining the reasons for such disapproval, then the Investment Committee and the Chief Investment Officer are authorized to implement the decision.

If the Board disapproves an investment management decision within such forty-five day period and provides to the Investment Committee within such forty-five day period a detailed written response outlining the reasons for such disapproval, then the Investment Committee shall have forty-five days after the receipt of the Board response to either (a) withdraw the recommended investment management decision, or (b) request, in writing, a conference with the Board to be held within ten days, but not less than five business days, of the request by the Investment Committee to discuss the disapproval by the Board described in the written response. Any such conference shall be conducted with at least three independent Investment Committee members present in person or by phone. Within ten days of the commencement of the conference or twenty days following the Investment Committee's request for a conference if no conference is held, the Investment Committee shall either withdraw the recommended Investment Management decision or provide the Board with a written explanation of the Investment Committee's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the Investment Committee, the Investment Committee and the chief investment officer are authorized to implement the decision. Any action taken by the Board or the Investment Committee in violation of the terms of this Article 15 shall constitute an *ultra vires* act and the Investment Committee or the Board is

granted the express right to seek to preliminarily enjoin such violation without the need to show irreparable harm.

Sec. 15.2. Investment Management

- (1) For purposes of this Combined Plan, “investment management decisions” and “investment management matters” shall include:
 - (a) development of an investment policy statement with sound and consistent investment goals, objectives, and performance measurement standards which are consistent with the needs of the Retirement System;
 - (b) within 120 days after the effective date of the Plan of Adjustment, placement of all of the assets of the Retirement System not already under qualified management with qualified investment managers selected by the Investment Committee;
 - (c) evaluation, retention, termination and selection of qualified managers to invest and manage the Retirement System’s assets;
 - (d) review and affirmation or rejection of the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Actuary including, but not limited to (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the pension restoration program attached to the Plan of Adjustment (as more fully described in Article G of Component II of this Combined Plan Document), (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after Fiscal Year 2024, the recommended annual contributions to the Retirement System in accordance with applicable law;
 - (e) in accordance with approved actuarial work as provided in paragraph (d) above and based on the annual actuarial valuation reports and any other projections or reports as applicable from the Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of all or a portion of the reduced base monthly pension amounts and the payment of lost COLA payments, all in conformance with the pension restoration program attached to the Plan of Adjustment;
 - (f) communication of the Retirement System’s investment goals, objectives, and standards to the investment managers, including any material changes that may subsequently occur;
 - (g) determination and approval of the Retirement System’s investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Retirement System;
 - (h) the taking of corrective action deemed prudent and appropriate when an investment manager fails to perform as expected;

- (i) interpretation of Retirement System governing documents, existing law, the Plan of Adjustment and other financial information that could affect funding or benefit levels;
- (j) review and approval, prior to final issuance, of the annual audit and all financial reports prepared on behalf of the Retirement System and meet and confer with the Auditor or other professional advisors, as necessary, prior to approval of the annual audit or other financial reports;
- (k) determination of the funding status of the Retirement System and any remedial action to be taken pursuant to Section 9.5; and
- (l) performance of an asset/liability valuation study for the Retirement System every three years or, more often, as requested by the Investment Committee or the Board.

All actions of the Investment Committee shall comply with the provisions of pertinent federal, state, and local laws and regulations, specifically *Act No. 314 of the Public Acts of 1965, being Sections 38.1132 et seq.* of the *Michigan Compiled Laws*, as amended, and the Retirement System's investment guidelines.

Sec. 15.3. Best Practices

Prior to adopting investment guidelines and asset allocation policies, selecting investment managers or adopting investment return assumptions, the Investment Committee shall have an understanding of and shall give appropriate consideration to the following:

- (a) the fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets;
- (b) the objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the pension restoration program described in the Plan of Adjustment and Component II of this Combined Plan Document, to the extent that it is prudent and consistent with the overall funding, liquidity needs and actuarial assumptions governing the Retirement System; and
- (c) the liquidity needs of the Retirement System.

Sec. 15.4. Chief Investment Officer

The Investment Committee shall have the exclusive power to select, retain and terminate the services of a chief investment officer for the Retirement System. The Investment Committee shall determine any and all compensation and other terms of employment of any chief investment officer hired by it. The chief investment officer shall report directly to the Investment Committee and the executive director of the Board. The chief investment officer shall be responsible for assisting the Investment Committee and the Board with respect to oversight of the Retirement System's investment portfolio. The chief investment officer shall

provide such periodic reports relating to the Retirement System's assets to the Investment Committee and the Board as it or they shall request.

Sec. 15.5. Investment Consultants

The Board and/or Investment Committee may retain the services of one or more investment consultants who shall be responsible for assisting the Board and the Investment Committee with oversight of the Retirement System's investment portfolio. Any such investment consultant shall be a registered advisor with the United States Securities and Exchange Commission and shall be a nationally recognized institutional investment consultant with expertise in the investment of public pension plan assets. Any such investment consultant shall acknowledge in writing its role as investment fiduciary with respect to the Retirement System as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* The Board or the Investment Committee, as appropriate, shall determine the compensation and other terms of employment of any investment consultant hired by it. The duties of an investment consultant may include, but shall not be limited to:

- (a) providing an asset/liability valuation study for the Retirement System;
- (b) reviewing the Retirement System's asset allocation based on current market assumptions;
- (c) identifying and recommending to the Investment Committee and the Board appropriate investment strategies based on the financial condition of the Retirement System;
- (d) implementing the approved investment strategies, such as recommending to the Investment Committee, for Board approval, an asset allocation strategy, building an investment structure for the Retirement System, and identifying qualified investment managers (through an organized search process) to execute and implement investment strategies;
- (e) monitoring and evaluating the ongoing progress of the investment managers toward stated investment goals and objectives;
- (f) recommending to the Investment Committee and the Board any necessary corrective actions, including adjustments to the investment structure or investment management organizations, in the event of a deviation from expectations;
- (g) communicating the investment policies of the Retirement System to the investment managers;
- (h) reviewing the investment policies with the appropriate employees of the Retirement System;
- (i) aiding the Investment Committee in providing recommendations on issues relating to rebalancing and cash flow management, securities lending, transition management, cash equalization and other investment related topics;

- (j) attending Investment Committee and Board meetings in person, or telephonically, as needed or as requested;
- (k) meeting with the Investment Committee and the Board to provide detailed quarterly performance reports and executive summaries of performance;
- (l) meeting with the Investment Committee and the Board to review capital markets and inform the Board and Retirement System employees on the current investment environment; and
- (m) meeting with the Investment Committee and the Board to provide recommendations on asset allocation, investment structure, and manager selections.

ARTICLE 16. RETIREE MEDICAL ACCOUNT

Sec. 16.1. Establishment of Account

A Medical Benefits Account shall be established and maintained under the Retirement System out of which the Board shall pay the cost, which would otherwise be borne by the Employers, for certain medical and related benefits provided under the plans or programs maintained by the Employers to provide Medical Benefits (the "Medical Plans") for the benefit of the Medical Beneficiaries. The provisions of this Article 16 are intended to comply with Section 401(h) of the Code and shall be construed to comply therewith.

Sec. 16.2. Effective Date of Retiree Medical Account

Medical Benefits may be paid from the Medical Benefits Account beginning October ____, 2014, or such other date recommended by an enrolled actuary (within the meaning of Section 7701(a)(35) of the Code) and approved by the Board and Investment Committee.

Sec. 16.3. Funding of Benefits

Subject to the Plan of Adjustment and the right reserved to the City to amend or terminate the provision of Medical Benefits under its general power to amend the Plan under Section 17.5, the City expects and intends to make actuarially determined contributions under the Retirement System from time to time to fund the Medical Benefits Account. The assets of the Medical Benefits Account may be invested together with the other assets of the Retirement System, in which case earnings of the Retirement System shall be allocated to the Medical Benefits Account on a reasonable basis, or such assets may be invested separately. In any event, no part of the Retirement System, other than the assets of the Medical Benefits Account, shall be available to pay for any part of the cost of Medical Benefits.

The amount determined by the City to be contributed for any Plan Year by the Employers pursuant to the paragraph above shall be reasonable and ascertainable and shall not exceed the total cost for such Plan Year of providing Medical Benefits to the Medical Beneficiaries, determined in accordance with generally accepted actuarial methods and assumptions that are reasonable in view of the provisions and coverage of the medical and other welfare plans providing such benefits, the funding medium and any other applicable considerations. At the time any Employer makes a contribution to the Trustee, the Employer shall designate the portion thereof that is allocable to the Medical Benefits Account.

Sec. 16.4. Limitation on Contributions

At all times the aggregate of the contributions made by the Employers to provide Medical Benefits shall not exceed twenty-five percent (25%) of the sum of the aggregate contributions made by the Employers to the Plan under Sections 9.3, 9.4 and 9.5 other than the contributions to fund past service credits, plus the aggregate contributions to the Medical Benefits Account. In the event that a contribution under Section 16.3 shall exceed the amount described in the preceding sentence, such contribution shall be reduced by the excess amount.

Sec. 16.5. Impossibility of Diversion

In no event, prior to the satisfaction of all liabilities to provide Medical Benefits, shall the Medical Benefits Account be used for, or diverted to, any purpose other than the payment of such benefits and any necessary or appropriate expenses of administration associated therewith. Any amounts credited to the Medical Benefits Account following the satisfaction of all such liabilities shall be returned to the Employers.

Sec. 16.6. Administration

The Medical Plans shall continue to be administered, and claims processed, under their respective terms. The interpretation and administration of the terms of this Article 16 shall be subject to the provisions of the Combined Plan Document.

Sec. 16.7. Right to Amend or Terminate Medical Plans

The Employers expressly reserve the exclusive right, retroactively to the extent permitted by law, to amend, modify, change, terminate or revoke any medical or other welfare plan or policy maintained by any such Employer that provides medical or other welfare benefits, including but not limited to Medical Benefits, and to require Members, former Members, their eligible Spouses and dependents to pay all or any portion of the cost of such medical benefits.

Sec. 16.8. Reversion

At no time prior to the satisfaction of all liabilities under the Retirement System to provide Medical Benefits, shall any part of the Medical Benefits Account be used for any purpose other than providing Medical Benefits, and any necessary or appropriate expenses attributable to the administration of the Medical Benefits Account. If any residual assets remain in the Medical Benefits Account after the satisfaction of all obligations of the Employers to provide Medical Benefits to the Medical Beneficiaries, such assets shall be returned to the Employers. In the event a Medical Beneficiary's interest in the Medical Benefits Account is forfeited prior to the termination of the Retirement System, an amount equal to such forfeiture shall be applied as soon as possible to reduce the Employers' contributions to the Medical Benefits Account.

Sec. 16.9. Limitation of Rights

A Medical Beneficiary shall have no right, title or claim in any specific asset of the Medical Benefits Account, but shall have the right only to the Medical Benefits provided from time to time under the Medical Benefits Account.

ARTICLE 17. MISCELLANEOUS

Sec. 17.1. Nonduplication of Benefits

If any Member is a participant in another defined benefit pension plan, retirement system or annuity plan sponsored by an Employer (including Component II of this Retirement System) and the Member is or becomes entitled to accrue pension benefits under such plan or retirement system (including Component II of this Retirement System) with respect to any period of service for which he is entitled to accrue a benefit under Component I of this Retirement System, such Member shall not be eligible to accrue or receive payment of a benefit under Component I with respect to such period of service.

Sec. 17.2. Assignments Prohibited

The right of a person to a pension, annuity, the return of Accumulated Voluntary Employee Contributions and/or the return of Accumulated Mandatory Employee Contributions, the Retirement Allowance itself, to any optional form of payment, to any other right accrued or accruing to any person under the provisions of this Retirement System, and the monies in the various funds of the Retirement System shall not be assignable and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, except as specifically provided in this Combined Plan Document or by an eligible domestic relations order of a lawful court.

Sec. 17.3. Protection Against Fraud

A person who, with intent to deceive, makes any statements or reports required under this Retirement System that are untrue, or who falsifies or permits to be falsified any record or records of this Retirement System, or who otherwise violates, with intent to deceive, any terms or provisions of the Retirement System, shall be subject to prosecution under applicable law.

Sec. 17.4. Errors

If any change or error in the records results in any person receiving from the Retirement System more or less than the person would have been entitled to receive from the Retirement System had the records been correct, the Board shall correct such error and, as far as practicable, shall adjust the payment in such a manner that the actuarial equivalent of the benefit to which such person was correctly entitled shall be paid.

Sec. 17.5. Amendment; Termination; Exclusive Benefit

The City reserves the right to amend the Combined Plan Document created hereunder at any time; such amendments may include termination of the Retirement System; provided, however, that following the effective date of the Plan of Adjustment, no amendment other than amendments permitted under the terms of the Plan of Adjustment (including amendments contemplated in Section G-4(5) of Component II) may be made to the terms, conditions and rules of operation of the Retirement System, or any successor plan or trust, that govern the calculation of pension benefits during the period ending June 30, 2023, nor may any amendment or termination deprive any Member, former Member or Beneficiary of any then vested benefit

under the Retirement System, except as provided in the Plan of Adjustment. Notwithstanding the foregoing, the City and the Board have the authority to amend the Combined Plan Document as necessary to retain the tax qualified status of the Retirement System under the Internal Revenue Code. The City shall make no amendment or amendments to the Retirement System which causes any part of the assets of the Retirement System to be used for, or diverted to, any purpose other than the exclusive benefit of Members, former Members or their Beneficiaries; provided, that the City may make any amendment necessary, with or without retroactive effect, to comply with applicable federal law. Any amendment of the Retirement System by the City must be approved by the Council or person standing in the stead of the Council.

Upon termination of the Retirement System or upon complete discontinuance of contributions to the Retirement System, the rights of all Members to benefits accrued to the date of such termination or discontinuance, to the extent then funded, shall be nonforfeitable.

Sec. 17.6. Forfeitures Not to Increase Benefits

Any forfeitures arising under the Retirement System due to a Member's termination of employment or death, or for any other reason, shall be used to pay expenses of the Retirement System and shall not be applied to increase the benefits any Member would otherwise receive under the Retirement System at any time prior to termination of the Retirement System.

Sec. 17.7. Required Distributions - Compliance with Code Section 401(a)(9) and Regulations

The Retirement System will apply the minimum distribution requirements of Code Section 401(a)(9) in accordance with the final regulations issued thereunder, notwithstanding any provision in the Combined Plan Document to the contrary. Pursuant to Code Section 401(a)(9)(A)(ii), a Member's interest must begin to be distributed by the later of (i) the April 1 of the calendar year following the calendar year in which he attains the Age of seventy and one-half (70-1/2), or (ii) April 1 of the calendar year following the year in which he retires. Distributions will be made in accordance with Regulations Sections 1.401(a)(9)-2 through 1.401(a)(9)-9. The provisions of this Section 17.7 and the regulations cited herein and incorporated by reference override any inconsistent plan distribution options.

Sec. 17.8. Direct Rollovers

- (1) For purposes of compliance with Code Section 401(a)(31), a distributee may elect, at the time and in the manner prescribed by the Board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.
- (2) For purposes of this Section 17.8, the following terms shall have the following meanings:
 - (a) "Direct rollover" means a payment by the retirement system to an eligible retirement plan specified by a distributee.
 - (b) "Distributee" means a Member or former Member. It also includes the Member's or former Member's surviving Spouse, a Spouse or former spouse who is the

alternate payee under an eligible domestic relations order, or a nonspouse beneficiary who is a designated beneficiary as defined by Code Section 401(a)(9)(E). However, a nonspouse beneficiary may only make a direct rollover to an individual retirement account or individual retirement annuity established for the purpose of receiving the distribution, and the account or annuity will be treated as an “inherited” individual retirement account or annuity.

- (c) “Eligible retirement plan” means any of the following that accepts a distributee’s eligible rollover distribution:
- (i) a qualified trust described in Code Section 401(a);
 - (ii) an annuity plan described in Code Section 403(a);
 - (iii) an annuity contract described in Code Section 403(b);
 - (iv) an individual retirement account described in Code Section 408(a);
 - (v) an individual retirement annuity described in Code Section 408(b);
 - (vi) a Roth IRA described in Code Section 408A; or
 - (vii) a plan eligible under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or a political subdivision of a state that agrees to separately account for amounts transferred into that plan from the Retirement System.
- (d) “Eligible rollover distribution” means any distribution of all or any portion of the balance to the credit of a distributee under the Retirement System, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or the life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee’s designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); the portion of any distribution that is not includible in gross income; and any other distribution which the Internal Revenue Service does not consider eligible for rollover treatment, such as any distribution that is reasonably expected to total less than \$200 during the year. Notwithstanding the foregoing, a portion of a distribution will not fail to be an “eligible rollover distribution” merely because the portion consists of after-tax contributions that are not includible in Member’s gross income upon distribution from the Retirement System. However, such portion may be transferred only (i) to an individual retirement account or annuity described in Code Section 408(a) or (b) or to a qualified defined contribution plan described in Code Section 401(a) that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible; (ii) to a qualified defined benefit plan

described in Code Section 401(a) or to an annuity contract described in Code Section 403(b) that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible; or (iii) to a Roth IRA described in Code Section 408A.

Sec. 17.9. Construction

Words in the singular should be read and construed as though used in the plural, and words in the plural should be read and construed as though used in the singular, where appropriate. The words “hereof”, “herein”, and “hereunder” and other similar compounds of the word “here”, shall mean and refer to Component I and/or Component II of this Combined Plan Document or to the Combined Plan Document in its entirety, as the context may require, and not to any particular provision or section thereof. The table of contents, article and section headings are included for convenience of reference, and are not intended to add to, or subtract from, the terms of the Combined Plan Document or the Retirement System created hereunder.

Sec. 17.10. Severability

If any section or part of a section of this Combined Plan Document or provision relating to the Retirement System is for any reason held to be invalid or unconstitutional, such holding shall not be construed as affecting the validity of the remaining sections of the Combined Plan Document or Retirement System or of the Combined Plan Document or Retirement System in its entirety.

EXHIBIT I.A.250.b

PRINCIPAL TERMS OF NEW GRS ACTIVE PENSION PLAN

NEW GRS ACTIVE PENSION PLAN -- MATERIAL TERMS

1. Benefit Formula: FAC (average base compensation over last 10 consecutive years of employment) x Years of Service x 1.5%. If an employee had leave of not less than 2 months without pay under the Family and Medical Leave Act in the last 2 years of employment, such employee's FAC will be determined using the highest 10 consecutive years of base compensation over the last 12 consecutive years of employment. Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus.
2. Actual time for accrual is actual time served. For vesting and eligibility, 1,000 hours for a year of service.
3. Normal Retirement Age – age 62 with a transition period for active employees as of June 30, 2014 as follows:

<u>Age as of July 1, 2014</u>	<u>Normal Retirement Age</u>
61years	60 years
60 years	60 years
59 years	60.3 years
58 years	60.6 years
57 years	60.9 years
56 years	61.0 years
55 years	61.3 years
54 years	61.6 years
53 years	61.9 years
52 years	62 years

4. 10 Years of Service for vesting.
5. Early retirement -- Eligible at 55 & 30 years of service, with true actuarial reduction. No pension payments allowed below age 55; terminated employees must wait until 62.
6. Deferred Vested -- 10 Years payable at 62.
7. Disability -- to be provided by commercial insurance until normal retirement age. In applying the formula for an age 62 pension, a disabled employee will be credited with service for the period of long-term disability leave.
8. Annuity Savings Fund - voluntary Annuity Savings Fund contributions equal to 3%, 5% or 7% of after-tax pay. Interest will be credited at the actual net investment rate of return for GRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted.

9. Investment Return/Discount Rate – 6.75%
10. COLA - Variable COLA benefit payable after the hybrid plan has been in effect for 4 full plan years, provided that the funding level is above 100%. A simple 2% COLA on hybrid benefit. Retirees become eligible for a COLA only for plan years after the retiree reaches age 62 and has been retired for a minimum of 12 months.
11. Contributions - Employer contribution of 5% of the base compensation of eligible employees. A portion of such contribution is used to fund normal cost and a portion is credited to a rate stabilization fund. Employees contribute 4% of base compensation toward normal cost.
12. If the funding level is below 100% (based on 3 year look back of smoothed returns), the plan's risk-shifting levers listed below will be applied in the listed order, until the actuary can state that by virtue of the use of levers, and a 6.75% discount rate and return assumption, the funding level is projected to be 100% on a market value basis within the next 5 years.
 - (a) No COLAs will be paid;
 - (b) Amounts credited to the rate stabilization fund will be used to fund accrued benefits; and
 - (c) Employee contributions to the hybrid will increase by 1% to 5% of base compensation for up to a 5 year period.

If the funding level is below 80% (without taking into account the use of rate stabilization funds and the 1% increase in employee contributions):

- (d) The steps taken in (a), (b) and (c) above will be continued;
- (e) The most recently awarded COLA is rescinded (i.e., Members' future benefit payments will be not include that COLA);
- (f) Employee contributions to the hybrid will increase to 6% of base compensation for up to a 5 year period;
- (g) The second most recently awarded COLA is rescinded; and
- (h) The benefit accrual rate is decreased from 1.5% to 1% for up to 5 years.

EXHIBIT I.A.254.a

FORM OF NEW PFRS ACTIVE PENSION PLAN

**COMBINED PLAN
FOR THE
POLICE AND FIRE
RETIREMENT SYSTEM OF
THE CITY OF DETROIT, MICHIGAN**

Amendment and Restatement Effective July 1, 2014

TABLE OF CONTENTS

	Page
COMPONENT I	1
ARTICLE 1. GENERAL PROVISIONS	1
Sec 1.1. Police and Fire Retirement System Established; Adoption of 2014 Plan Document.....	1
Sec 1.2. Retirement System Intended to be Tax-Qualified; Governmental Plan	1
Sec 1.3. Compliance With Plan of Adjustment	1
Sec 1.4. Board of Trustees	2
Sec 1.5. Board of Trustees – Membership; Appointment	2
Sec 1.6. Board of Trustees; Scheduling of Elections for Active and Retiree Trustees	3
Sec 1.7. Procedures for election of Retiree Trustees	3
Sec 1.8. Board of Trustees; Oath; Term; Vacancies	4
Sec 1.9. Board of Trustees; Officers and Employees	4
Sec 1.10. Board of Trustees; Meetings; Rules of Procedure; Votes; Quorum	4
Sec 1.11. Board of Trustees; Compensation; Expenses	5
Sec 1.12. Rules for Administration of Funds	5
Sec 1.13. Board of Trustees; Certain Data to be Kept.....	5
Sec 1.14. Board of Trustees; Annual Audit Report	5
Sec 1.15. Board of Trustees; Legal Advisors	5
Sec 1.16. Board of Trustees; Medical Director	6
Sec 1.17. Designation of Actuary; Authority to Engage Additional Actuaries.....	6
Sec 1.18. Board of Trustees; Adoption of Mortality and Other Tables of Experience and Rates of Interest; Limitations on Payments by the Retirement System	6
Sec 1.19. Board of Trustees; Annual Actuarial Valuation of Assets and Liabilities	7
Sec 1.20. Board of Trustees; Powers and Duties; Fiduciary Status; Fiduciary Duties	7
Sec 1.21. Investment Committee; Establishment; Purpose; Fiduciary Status; Fiduciary Duties.....	7
Sec 1.22. Investment Committee; Membership; Appointment	8

TABLE OF CONTENTS

(continued)

	Page
Sec 1.23. Investment Committee; Term; Resignation and Removal; Vacancies	9
Sec 1.24. Investment Committee; Operation; Meetings; Quorum; Voting	10
Sec 1.25. Investment Committee; Compensation; Expenses; Employment of Advisors	12
Sec 1.26. Investment Committee; Special Reporting Obligation	12
ARTICLE 2. DEFINITIONS.....	14
Sec 2.1. Definitions.....	14
ARTICLE 3. MEMBERSHIP.....	22
Sec 3.1. Eligible Employees	22
Sec 3.2. Cessation of Membership; Re-Employment.....	22
Sec 3.3. Report From City	23
ARTICLE 4. SERVICE CREDIT	24
Sec 4.1. Credited Service.....	24
Sec 4.2. Vesting Service	24
Sec 4.3. Service Credit; Military Service	24
Sec 4.4. Service Credit; Qualified Military Service	25
ARTICLE 5. ELIGIBILITY FOR RETIREMENT	26
Sec 5.1. Eligibility for Unreduced Normal Retirement Benefit	26
Sec 5.2. Eligibility for Deferred Vested Retirement Benefit.....	26
Sec 5.3. Eligibility for Disability Retirement Benefit – Duty Disability.....	26
Sec 5.4. Eligibility for Disability Retirement Benefit – Non-Duty Disability	28
Sec 5.5. Disability Retirees; Reexamination	28
Sec 5.6. Disability Benefits; Procedures for Determination of Disability.....	29
Sec 5.7. Return of Accumulated Mandatory Contributions to Non-Vested Member	31
Sec 5.8. Benefits Offset by Compensation Benefits; Subrogation	31
ARTICLE 6. RETIREMENT ALLOWANCE; VARIABLE PENSION IMPROVEMENT FACTOR (ESCALATOR)	33
Sec 6.1. Retirement Allowance	33
Sec 6.2. Variable Pension Improvement Factor (Escalator).....	33

TABLE OF CONTENTS

(continued)

	Page
ARTICLE 7. DEATH BENEFITS	34
Sec 7.1. Accidental Death Benefit; Performance of Duty	34
Sec 7.2. Non-Duty Death Benefits	35
Sec 7.3. Refund of Accumulated Mandatory Contributions Upon Death of Member	35
ARTICLE 8. FORMS OF PAYMENT.....	36
Sec 8.1. Retirement Allowance Options.....	36
Sec 8.2. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary	37
ARTICLE 9. FUNDING AND RESERVES	38
Sec 9.1. Funding Objective of the Retirement System.....	38
Sec 9.2. Funds.....	38
Sec 9.3. Method of Financing Retirement System Benefits	39
Sec 9.4. Member Contributions Picked-Up.....	40
Sec 9.5. Fiscal Responsibility: Benefit Reductions and Increased Funding Obligations	40
ARTICLE 10. VOLUNTARY EMPLOYEE CONTRIBUTIONS	42
Sec 10.1. Voluntary Employee Contributions; Amount; Vesting	42
Sec 10.2. Changing an Election to Contribute.....	42
Sec 10.3. Individual Member Accounting; Crediting of Earnings	42
Sec 10.4. Distribution of Accumulated Voluntary Employee Contributions	42
ARTICLE 11. LOAN PROGRAM FOR VOLUNTARY EMPLOYEE CONTRIBUTIONS	44
Sec 11.1. The Loan Program	44
Sec 11.2. Eligibility for Loan	44
Sec 11.3. Amount of Loan.....	44
Sec 11.4. Terms and Conditions	44
Sec 11.5. Loan Balance	45
Sec 11.6. Default.....	45
Sec 11.7. Distribution	46
ARTICLE 12. DEFERRED RETIREMENT OPTION PLAN (“DROP”) PROGRAM.....	47

TABLE OF CONTENTS

(continued)

	Page
Sec 12.1. General Provisions	47
Sec 12.2. Conversion to Retirement Allowance	47
Sec 12.3. Investment of DROP Assets	47
Sec 12.4. Distribution of Amounts Credited to DROP Account	48
Sec 12.5. Death of Member While Participating in the DROP Program	48
Sec 12.6. Disability of Member While Participating in the DROP Program	48
Sec 12.7. Cost Neutrality	49
ARTICLE 13. LIMITATION ON BENEFITS AND CONTRIBUTIONS	50
Sec 13.1. Compliance With Code Section 415(b) And Regulations	50
Sec 13.2. Compliance with Code Section 415(c) and Regulations	53
ARTICLE 14. RETIREMENT SYSTEM ADMINISTRATION	54
Sec 14.1. Board of Trustees as Retirement System Administrator	54
Sec 14.2. Powers and Duties of Board	54
Sec 14.3. Executive Director; Employees	56
Sec 14.4. Discretionary Authority	56
Sec 14.5. Administrator's Decision Binding	57
ARTICLE 15. MANAGEMENT OF FUNDS	58
Sec 15.1. Board as Trustee of Retirement System Assets	58
Sec 15.2. Maintenance of Segregated Funds	58
Sec 15.3. Custodian of Funds	58
Sec 15.4. Exclusive Purpose	58
Sec 15.5. Prohibited Conduct	58
ARTICLE 16. INVESTMENT OF RETIREMENT SYSTEM ASSETS	60
Sec 16.1. Investment Powers of the Board and the Investment Committee	60
Sec 16.2. Investment Management	61
Sec 16.3. Best Practices	62
Sec 16.4. Chief Investment Officer	62
Sec 16.5. Investment Consultants	63
Sec 16.6. Consistency With Plan of Adjustment	64
ARTICLE 17. RETIREE MEDICAL ACCOUNT	65

TABLE OF CONTENTS

(continued)

	Page
Sec 17.1. Establishment of Account	65
Sec 17.2. Effective Date	65
Sec 17.3. Funding of Benefits.....	65
Sec 17.4. Limitation on Contributions.....	65
Sec 17.5. Impossibility of Diversion	65
Sec 17.6. Administration	66
Sec 17.7. Right to Amend or Terminate Medical Plans	66
Sec 17.8. Reversion	66
Sec 17.9. Limitation of Rights	66
ARTICLE 18. MISCELLANEOUS	67
Sec 18.1. Nonduplication of Benefits	67
Sec 18.2. Assignments Prohibited	67
Sec 18.3. Protection Against Fraud	67
Sec 18.4. Conviction of Felony; Forfeiture of Rights	67
Sec 18.5. Amendment; Termination; Exclusive Benefit	67
Sec 18.6. Forfeitures Not to Increase Benefits	68
Sec 18.7. Required Distributions - Compliance with Code Section 401(a)(9) and Regulations.....	68
Sec 18.8. Direct Rollovers	68
Sec 18.9. Construction.....	70
Sec 18.10. Severability	70

COMPONENT I

ARTICLE 1. GENERAL PROVISIONS

Sec 1.1. Police and Fire Retirement System Established; Adoption of 2014 Plan Document

Effective July 1, 1941, a Pension System for Policemen and Firemen of the City of Detroit was established for the purpose of providing retirement allowances and death benefits for Policemen and Firemen and their beneficiaries by amendment to the Charter of the City of Detroit. That Pension System was amended on numerous occasions after July 1, 1941, including an amendment renaming the Retirement System as the "Police and Fire Retirement System of the City of Detroit." The provisions of the Police and Fire Retirement System of the City of Detroit, as in effect July 1, 2014, are set forth in this Plan Document (including Appendix A attached hereto). Component I of the Plan Document applies to benefits accrued by Members on and after July 1, 2014 and to operation of the Police and Fire Retirement System of the City of Detroit on and after July 1, 2014. Component II of the Plan Document generally applies to benefits accrued by Members prior to July 1, 2014. Except as specifically provided in Component II, benefits provided under Component II of the Plan Document are frozen effective June 30, 2014.

Pursuant to Section 47-1-2 of the Detroit City Code, this Combined Plan Document shall replace the provisions of the Police and Fire Retirement System of the City of Detroit as set forth in the City of Detroit Charter, the Detroit City Code and any conflicting provisions in any collective bargaining agreements, rulings or opinions covering Members (including, without limitation, City Employment Terms). All resolutions and policies of the Board previously enacted which are inconsistent with the provisions of this Plan Document are also hereby repealed to the extent of such inconsistency.

Sec 1.2. Retirement System Intended to be Tax-Qualified; Governmental Plan

The Retirement System is a governmental plan under Section 414(d) of the Internal Revenue Code which is intended to be a qualified plan and trust pursuant to applicable provisions of the Internal Revenue Code. The Board shall construe and administer the provisions of the Retirement System in a manner that gives effect to the tax-qualified status of the Retirement System.

Sec 1.3. Compliance With Plan of Adjustment

The Retirement System is intended to comply with all relevant provisions (including Exhibits) of the Plan for the Adjustment of Debts of the City of Detroit, as approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan, Case No. 13-53846* ("Plan of Adjustment"). Component I and Component II of the Combined Plan shall be interpreted and construed by the City, the Board of Trustees and the Retirement System to give full effect to the Plan of Adjustment. To the extent that a conflict arises between the Combined Plan Document and the Plan of Adjustment, the City, the Board of Trustees, the Investment Committee and the Retirement System are directed to interpret any inconsistency or ambiguity to give full effect to the Plan of Adjustment.

Sec 1.4. Board of Trustees

Effective July 1, 1941, a Board of Trustees of the Police and Fire Retirement System of the City of Detroit was created. The Board is vested with responsibility for the general administration, management and operation of the Police and Fire Retirement System of the City of Detroit and with the trust and investment powers conferred in this Combined Plan Document.

Sec 1.5. Board of Trustees – Membership; Appointment

The Board of Trustees of the Police and Fire Retirement System of the City of Detroit shall consist of seventeen Trustees, as follows:

- (1) The Mayor, *ex-officio*, or the Mayor's designee;
- (2) The President of City Council or a member thereof elected by the City Council, *ex-officio*;
- (3) The City Treasurer or Deputy City Treasurer, *ex-officio*;
- (4) The City Finance Director, or a designated representative, *ex-officio*;
- (5) The City Budget Director, or a designated representative, *ex-officio*;
- (6) The Corporation Counsel of the City, or a designated representative, *ex-officio*;
- (7) Three Fire Members of the Retirement System to be elected by the Fire Members under such rules and regulations as may be established by the Board of Fire Commissioners to govern such elections, as follows:
 - (a) Two to be elected by and from Members holding the rank of lieutenant (or its equivalent) and lower ranks; and
 - (b) One to be elected by and from Members holding ranks above the rank of lieutenant (or its equivalent);
- (8) Three Police Members of the Retirement System to be elected by the Police Members under the rules and regulations as may be established by the Commissioner of Police to govern such elections, as follows:
 - (a) Two to be elected by and from Members holding the rank of lieutenant (or its equivalent) and lower ranks; and
 - (b) One to be elected by and from Members holding a rank above lieutenant (or its equivalent); and
- (9) One individual who neither is a Member of the Retirement System nor an employee of the City in any capacity to be selected by the Board;

- (10) Two Retirees receiving benefits under the Retirement System, one of whom shall be elected by Retired Police Members and one of whom will be elected by Retired Fire Members pursuant to Sections 1.6 and 1.7 below;
- (11) One Trustee appointed by the Mayor upon election of a Retiree Police Trustee; and
- (12) One Trustee appointed by the Mayor upon election of a Retiree Fire Trustee.

Sec 1.6. Board of Trustees; Scheduling of Elections for Active and Retiree Trustees

- (1) Annual elections for active Police Officers and Fire Fighters shall be held in the Police and Fire Departments during the month of May to elect a trustee to fill the vacancy created by the expiration of a term.
- (2) Elections to fill vacancies created by the expiration of a term for a Retiree Trustee shall be held every three years during the month of May.
- (3) A special election for Retiree Trustees shall be held as soon as practicable after the Plan of Adjustment is confirmed. Unless a Retiree Trustee elected by reason of this special election resigns or is removed from the position of Trustee in accordance with the terms of the Combined Plan Document, a Retiree elected to the office of Trustee in the special election shall be eligible to serve a full term of three (3) years from the date of the special election, plus such period of time until the last day of June that follows the third anniversary of the special election, at which time an election for Retiree Trustees shall be held in accordance with Section 1.7.

Sec 1.7. Procedures for election of Retiree Trustees

The procedures for the election of the Retiree Trustees shall be as follows:

- (1) *Notice.* Notice of a primary election shall be sent to each Retiree by United States Mail.
- (2) *Notice of Candidacy.* A proposed candidate shall submit a notarized letter to the executive director notifying the Retirement System of his or her candidacy.
- (3) *Ballot.* Each candidate whose name appears on the ballot at any election held for the office of Retiree Trustee shall be identified by the title of the position the Retiree held at the time of retirement and by the word “incumbent” if the candidate is a current trustee seeking re-election. No ballot shall contain any organizational or political designation or mark. Rotation and arrangement of names on the ballot shall be in accordance with the rules and regulations of the Board.
- (4) *Voting.* Procedures regarding mailing of ballots, poll lists, custody of ballots, marking of ballots, return of ballots, handling of return envelopes received, and sealed ballot boxes shall be the same as those adopted and followed by the Board in the immediately preceding election of an active employee Trustee.

- (5) *Procedures.* Procedures regarding the selection and certification of successful candidates for nomination, the selection of Trustees from nominees, tie votes, and the destruction of ballots shall be the same as those adopted and followed by the Board in the immediately preceding election of an active employee Trustee.
- (6) *Board Rules.* Any matters relative to the election of the Retiree member of the Board not covered by this Section 1.7 shall be handled in accordance with such rules and regulations as the Board may adopt and Michigan law.

Sec 1.8. Board of Trustees; Oath; Term; Vacancies

Within ten days after appointment or election, each Trustee shall take an oath of office to be administered by the City Clerk.

The term of office for each elected Trustee under Sections 1.5(7), (8) and (10) shall be three years. The term of office for the Trustee who is selected by the Board under Section 1.5(9) shall be two years. The term of office for the Trustees appointed by the Mayor under Sections 1.5(11) and (12) shall be three years. Except as provided in Section 1.6(3), elected Trustees holding office on June 30, 2014 shall serve the remainder of their terms.

If a Trustee resigns or is removed by the other Trustees for cause, or if an elected or appointed Trustee fails to attend three consecutive scheduled Board meetings without being excused for cause by the Trustees attending such meetings, the Trustee shall be considered to have resigned from the Board. If a vacancy occurs in the office of Trustee from any cause other than expiration of a term, the vacancy for the unexpired term shall be filled within sixty days of the date of said vacancy in the same manner as the office was previously filled. No vacancy shall result by reason of a change in the rank or grade of a Trustee during the term of office.

Sec 1.9. Board of Trustees; Officers and Employees

The Board of Trustees shall elect from its membership a chairman and a vice chairman. The executive director of the Retirement System or his or her representative shall serve as secretary of the Board of Trustees. The Board may employ such special actuarial, medical and other employees as shall be required, subject to the powers and authority reserved to the Investment Committee and subject to the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*

Sec 1.10. Board of Trustees; Meetings; Rules of Procedure; Votes; Quorum

- (1) The Board shall hold regular meetings, at least one in each month, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure, including provisions for special meetings and notice thereof, and shall keep a record of proceedings. All meetings of the Board shall be public and are subject to the *Michigan Open Meetings Act, MCL 15.261 et seq.* All Board meetings shall be held within the City of Detroit.

- (2) Each Trustee shall be entitled to one vote on each question before the Board. A majority vote of the Trustees present shall be necessary for a decision by the Trustees at any meeting of the Board.
- (3) Eight members of the Board, four of whom must be elected members, shall constitute a quorum.

Sec 1.11. Board of Trustees; Compensation; Expenses

All members of the Board of Trustees shall serve without additional compensation from the City or the Retirement System; however Retiree Trustees shall receive a hourly stipend from the Retirement System equal to the lowest rate of pay received by an active employee Trustee for attending Board meetings, educational time and travel out of the City on official business of the Retirement System. All Trustees shall be reimbursed from the Expense Fund for all actual, reasonable and necessary expenses incurred in the performance of their duties as Trustees.

Sec 1.12. Rules for Administration of Funds.

Subject to the limitations contained in this Combined Plan document, the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this Combined Plan document and for the transaction of its business.

Sec 1.13. Board of Trustees; Certain Data to be Kept

The Board of Trustees shall keep, or cause to be kept, in convenient form, such data as shall be necessary for the actuarial valuation of the various funds of the Retirement System and for checking and compiling the experience of the Retirement System. The ordinary actuarial, accounting and clerical services for the operation of the Retirement System shall be performed by the employees of the Retirement System.

Sec 1.14. Board of Trustees; Annual Audit Report

The Board shall render a report to the Mayor, the City Council and the Investment Committee on or before the fifteenth day of January, showing the fiscal transactions of the Retirement System for the year ending on the preceding thirtieth day of June, the amounts of accumulated cash and securities in the various funds of the System, and the last balance sheet showing the financial condition of the Retirement System by means of an actuarial valuation of the assets and liabilities of the Retirement System.

Sec 1.15. Board of Trustees; Legal Advisors

- (1) The Board shall appoint legal advisors (including a general counsel) who shall be directly responsible to and shall hold office at the pleasure of the Board of Trustees. Any legal advisor to the Board of Trustees shall be an attorney licensed to practice law in the State of Michigan and shall be experienced in matters relating to pension systems. The qualifications of legal counsel shall be approved by the Board of Trustees.

- (2) Legal advisors to the Board of Trustees shall have such duties relative to pension matters as shall be assigned by the Board of Trustees.
- (3) Costs and expenses relative to the position of legal advisors to the Board shall be payable out of the assets of the Retirement System, subject to the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*

Sec 1.16. Board of Trustees; Medical Director

- (1) The Board shall appoint a Medical Director who is directly responsible to and shall hold office at the pleasure of the Board. The Medical Director shall be a physician who has not at any time been regularly or permanently employed by any department, board, or commission of the City, county, or state, has not held an elective, appointive, or salaried office in any city, county, or state government at any time, and is not eligible to participate in a retirement system maintained by the City. However, service as an intern in any city, county, or state hospital or sanitarium and service in any state military body shall not disqualify a physician for appointment as Medical Director.
- (2) The Medical Director shall arrange for and pass upon all medical examinations required under the provisions of the Combined Plan, and shall report in writing to the Board of Trustees his or her conclusions and recommendations on medical matters referred to it.

Sec 1.17. Designation of Actuary; Authority to Engage Additional Actuaries

The Retirement System actuary as of July 1, 2014 shall continue to serve as such until resignation or removal by the Board. In the event the Board desires to retain a new actuary, the Board and the Investment Committee shall collectively participate in the evaluation and selection of a qualified actuary. The Retirement System actuary shall be responsible for assisting the Board and the Investment Committee in performing its actuarial duties and shall comply with all requests for information or modeling requested by the Investment Committee, and shall attend meetings of the Board and Investment Committee as requested, so as to allow the Investment Committee to perform satisfactorily the rights and duties set forth in the Combined Plan, the governance terms attached to the that certain Agreement by and between the Michigan Settlement Administration Authority, the Retirement System, the General Retirement system for the City of Detroit, Michigan ("GRS"), and the City (the "State Contribution Agreement") as Exhibit B (the "Governance Term Sheet"), and the Plan of Adjustment. Furthermore, the Board shall not act on any recommendation made by the Retirement System's actuary based on any calculation, assumption or assessment rejected by the Investment Committee.

Nothing herein shall be interpreted as limiting the Investment Committee's authority to engage an actuarial consulting firm other than the Retirement System's actuary to perform actuarial services deemed necessary to fulfill its fiduciary and other duties to the Retirement System as set forth in the Governance Term Sheet and the Plan of Adjustment.

Sec 1.18. Board of Trustees; Adoption of Mortality and Other Tables of Experience and Rates of Interest; Limitations on Payments by the Retirement System

- (1) Subject to Section 15.1, the Board shall adopt such mortality and other tables of experience, and a rate or rates of interest, as shall be necessary for the operation of the System on an actuarial basis, provided, that the authority granted by this Section shall not permit or be used to provide for an interest rate which would violate the prohibitions of Subsection (2) or (3) of this Section.
- (2) The Retirement System and the Trustees charged with management of the System shall not make any payment to active or retired Members other than payments that are required by the governing documents of the Retirement System. This prohibition applies to all payments that are not authorized by this Combined Plan, whether such payments are those commonly referred to as a “thirteenth check” or by any other name.
- (3) Anything in this Combined Plan Document or any other document to the contrary notwithstanding, the annual actuarial interest rate assumption for the period commencing July 1, 2014 and ending June 30, 2023 shall be six and three-quarters percent (6.75%).

Sec 1.19. Board of Trustees; Annual Actuarial Valuation of Assets and Liabilities

Subject to Section 15.1, each year, on the basis of such mortality and other tables of experience, and such rate or rates of regular interest as the Board shall adopt pursuant to Section 1.18, the Board shall cause to be made an actuarial valuation of the assets and liabilities of the Retirement System.

Sec 1.20. Board of Trustees; Powers and Duties; Fiduciary Status; Fiduciary Duties

The Board of Trustees shall have such powers and duties as are necessary for the proper administration of the Retirement System and the custody and investment of Retirement System assets, other than those powers and duties reserved to the Investment Committee. To the extent the Board exercises discretion with respect to investment of Retirement System assets, the Board shall be an investment fiduciary as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*, and a Board member shall discharge his or her duties with respect to the Retirement System in compliance with the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* A member of the Board of Trustees shall discharge his or her duties with the care, skill and caution under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an activity of like character and purpose. Board members shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance would violate the member’s fiduciary duties or conflicts with the provisions set forth in this Combined Plan Document.

Sec 1.21. Investment Committee; Establishment; Purpose; Fiduciary Status; Fiduciary Duties

As of the effective date the Plan of Adjustment, but subject to consummation of the State Contribution Agreement, an Investment Committee is hereby created for the purpose of making recommendations to, and approving certain actions by, the Board of Trustees and/or making determinations and taking action under and with respect to certain investment management matters relating to the Retirement System. The creation and operation of the Investment

Committee is controlled by the Governance Term Sheet. The Investment Committee shall remain in effect for a period of not less than twenty years following the date of confirmation of the Plan of Adjustment. The Investment Committee shall be an investment fiduciary as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* and shall have all powers granted fiduciaries under the first sentence of *MCL 38.1133(5) and (6)*. The Investment Committee shall serve in a fiduciary capacity with respect to the investment management of Retirement System assets, determination of the investment return assumptions, and Board compliance with provisions of the governing documents of the Retirement System. An Investment Committee member shall discharge his or her duties with respect to the Retirement System in compliance with the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* An Investment Committee member shall discharge his or her duties with the care, skill and caution under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an activity of like character and purpose. Investment Committee members shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance would violate the member's fiduciary duties or conflict with the provisions set forth in the Governance Term Sheet.

Sec 1.22. Investment Committee; Membership; Appointment

The Investment Committee shall consist of nine (9) members, determined as follows:

- (1) Five independent members, at least two of whom must be residents of the State of Michigan, and none of whom may be a party in interest with respect to the Retirement System, as defined in as defined in Section 38.1132d(4) of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* Each independent Investment Committee member shall have expert knowledge or extensive experience with respect to either (a) economics, finance, or institutional investments, or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one of the independent Investment Committee members shall satisfy the requirements of (a) above and at least one of the independent Investment Committee members shall satisfy the requirements of (b) above. The initial independent Investment Committee members shall be selected by mutual agreement of the appropriate representatives of the State of Michigan, the City and the Board, in consultation with the Foundation for Detroit's Future (the "Foundation"), and shall be named in the Plan of Adjustment. If one or more of the five initial independent Investment Committee members are not selected by mutual agreement prior to confirmation of the Plan of Adjustment, then the United States Bankruptcy Court, Eastern District of Michigan shall designate such number of independent Investment Committee members as necessary to bring the number of independent Investment Committee members to five (5);
- (2) Two Retirees who shall be appointed by the Board consisting of one elected retired Police Member and one elected retired Fire Member who are serving on the Board and who are receiving benefit payments under the Retirement System; and

- (3) Two Employee members who shall be appointed by the Board consisting of one Fire Department Employee and one Police Department Employee who are active members of the Board.

Sec 1.23. Investment Committee; Term; Resignation and Removal; Vacancies

The term of office for the independent members of the Investment Committee shall be six years; provided, however, that the initial term for the independent Investment Committee members shall be determined as follows:

<u>Independent Member</u>	<u>Term of Office</u>
(1)	2 years
(2)	3 years
(3)	4 years
(4)	5 years
(5)	6 years

The term of office for a Retiree or Employee Investment Committee member shall be the number of years remaining on such individual's term of office as a member of the Board of Trustees. Each Investment Committee member shall serve until his or her successor is appointed at the expiration of his or her term of office, or until his or her death, incapacity, resignation or removal, if earlier. Notwithstanding any provision of this Combined Plan document, an initial independent Investment Committee member shall not be prohibited from becoming a successor independent Investment Committee member after expiration of his or her initial term.

An Investment Committee member may resign at any time by giving ninety days' prior written notice to the Investment Committee, the City and the Board, which notice or time period may be waived by the Investment Committee. An Investment Committee member may be removed from office by majority vote of the remaining Investment Committee members for any of the following reasons: (a) the member is legally incapacitated from executing his or her duties as a member of the Investment Committee and neglects to perform those duties; (b) the member has committed a material breach of the provisions of the Retirement System or the policies or procedures of the Retirement System and the removal of the member is in the interests of the Retirement System or its Members and Beneficiaries; (c) the member is convicted of a violation of law and the removal is accomplished by a vote of the members of the Investment Committee in accordance with the voting procedure set forth in Section 1.24; or (d) if the member holds a license to practice and such license is revoked for misconduct by any State or federal government. A member who fails to attend four (4) consecutive scheduled meetings of the Investment Committee shall be deemed to have resigned, unless in each case his or her absence is excused for cause by the remaining members attending such meetings. In the event of any removal or resignation, the Investment Committee shall by resolution declare the office of the member vacated as of the date such resolution is adopted.

Any vacancy occurring on the Investment Committee shall be filled within sixty (60) days following the date of the vacancy for the unexpired portion of the term, in the same manner in which the office was previously filled.

Successor independent Investment Committee members shall be recommended by a majority of the remaining independent Investment Committee members and shall be confirmed by the Board and the Treasurer of the State of Michigan ("Treasurer"), in consultation with the Foundation, in accordance with such rules and regulations as may be adopted by the Investment Committee (provided that such rules are not inconsistent with the Governance Term Sheet or the Plan of Adjustment). In the event the Board and the Treasurer cannot agree on a successor independent Investment Committee member within thirty (30) days of the receipt of the recommendation of the Investment Committee, the remaining independent Investment Committee members shall appoint the successor independent Investment Committee member.

In the event the United States Bankruptcy Court, Eastern District of Michigan appoints one or more of the initial independent Investment Committee members, a successor to any such independent Investment Committee member shall be appointed in the same manner as provided in the preceding paragraph following three (3) weeks' notice to the Board of the individuals appointed, in accordance with such rules and regulations as may be adopted by the Investment Committee (provided that such rules are not inconsistent with either the Governance Term Sheet or the Plan of Adjustment).

Successor Investment Committee members shall have the powers and duties conferred on Investment Committee members herein.

Sec 1.24. Investment Committee; Operation; Meetings; Quorum; Voting

The Investment Committee members shall select from among the independent members a chair and a vice chair. The Investment Committee members shall select from among themselves a secretary. The Investment Committee shall hold regular meetings, not less frequently than once every other month, and shall hold special meetings as necessary. The Investment Committee shall designate the time and place thereof in advance. The secretary or his or her designee shall be responsible for providing meeting notices to the other Investment Committee members. The Investment Committee shall adopt its own rules of procedure and shall keep a record of proceedings. Notice and conduct of all Investment Committee meetings, both regular and special, shall be subject to the *Michigan Open Meetings Act, MCL 15.261 et seq.* All Investment Committee meetings shall be held within the City of Detroit.

Five Investment Committee members shall constitute a quorum at any meeting, as long as at least three of the independent Investment Committee members are in attendance. Each independent Investment Committee member shall be entitled to one vote on each question before the Investment Committee. Each Retiree and Employee member shall be entitled to one-half vote on each question before the Investment Committee. Except as otherwise provided in the Governance Term Sheet, at least four concurring votes shall be necessary for a decision by the Investment Committee and each Investment Committee member shall be entitled to one vote on each question before the Investment Committee.

An Investment Committee member may have his or her voting privileges temporarily suspended by a 70% or higher vote of the other members if the member is indicted or sued by a state or federal government for an alleged violation of the law that relates to his or her service on the Investment Committee, or for other alleged financial crimes, including fraud.

Sec 1.25. Investment Committee; Compensation; Expenses; Employment of Advisors

Investment Committee members shall not receive any compensation from the Retirement System for their services; Investment Committee members shall, however, be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the Investment Committee, including but not limited to the purchase of insurance, shall be payable out of the assets of the Retirement System. The Investment Committee may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the Investment Committee as it deems reasonably necessary to perform its functions, and such parties or persons may be reasonably compensated from the assets of the Retirement System. Such engagements shall not be subject to approval of the Board.

Sec 1.26. Investment Committee; Special Reporting Obligation

- (1) Beginning in calendar year 2015, pursuant to Section 6 of the State Contribution Agreement, the Investment Committee shall provide compliance reports to the Treasurer on a semi-annual basis and at such other times as the Treasurer reasonably may request (each, a “Compliance Report”) that certifies that the Investment Committee is not aware of any defaults under the State Contribution Agreement, or, if the Investment Committee is aware of a default under the State Contribution Agreement, specifically identifying the facts of such default.
- (2) In the event the Retirement System receives a written notice from the Treasurer declaring and specifically identifying the facts of an alleged default under the State Contribution Agreement (“Default Notice”), and such default is cured as provided in the State Contribution Agreement, the Investment Committee must provide to the Treasurer a written certification that (i) the default has been cured, and (ii) no material damages have been caused by the default that have not otherwise been remedied (the “Cure Certification”).
- (3) Beginning in calendar year 2015, the Investment Committee shall provide to the City not later than December 31 of each year evidence reasonably necessary to show that the internal controls governing the investment of Retirement System assets are in compliance with the applicable provisions of the Plan of Adjustment.
- (4) Beginning in calendar year 2015 and for each calendar year thereafter, as of a date which is not later than December 31 of each such calendar year the Investment Committee shall provide to the Foundation the following information:
 - (a) a copy of the audited annual financial statement and the corresponding management letter for the Retirement System for the Fiscal Year ending June 30 of such calendar year, containing a non-qualified opinion of an independent external auditor to the Retirement System;
 - (b) a certification from the Chair of the Investment Committee on behalf of the Investment Committee (“Pension Certificate”) in a form reasonably acceptable to

the Foundation that, as of the date of the annual report ("Annual Report") required to be provided by the City to the Foundation:

- (i) the City is current in its obligation to contribute to Component II of the Combined Plan determined in accordance with the Plan of Adjustment;
 - (ii) the Investment Committee has been operated in accordance with the terms set forth in this Component I of the Combined Plan document; and
 - (iii) the City continues to maintain the pension governance terms reflected in this Component I of the Combined Plan as of the effective date of the Plan of Adjustment, without modification or amendment during the twenty (20) year period following the effective date of the Plan of Adjustment, except as required to comply with applicable federal law, including without limitation to maintain the tax qualified status of the Retirement System under the Internal Revenue Code, or to comply with the Plan of Adjustment;
- (c) a copy of (i) the Compliance Report covering the calendar year for which the Annual Report is made; (ii) any additional Compliance Reports provided during the calendar year for which the Annual Report is made as requested by the Treasurer; (iii) either the certificate of compliance or the Default Notice, within the meaning of Section 6 of the State Contribution Agreement, as applicable, that was provided to the Investment Committee by the Treasurer; and (iv) in the event that the Treasurer issued a Default Notice, the Cure Certification, within the meaning of Section 6 of the State Contribution Agreement, provided by the Investment Committee. Notwithstanding anything in this paragraph (c) to the contrary, if the parties to the State Contribution Agreement agree to revise the requirements of Section 6 of the State Contribution Agreement or the information required in the Compliance Report, in order to meet the obligations of this paragraph (c), the Investment Committee shall be required only to provide documentation to the Foundation that meets such revised requirements; and
- (d) any additional information that may be reasonably requested by the Foundation from time to time.
- (e) Beginning in calendar year 2016, before May 15th of each calendar year, the Investment Committee shall provide to the Chief Financial Officer of the City confirmation that, as of the date of the City's report to the Foundation, there has been no impairment or modification of the information contained in the most recent Pension Certificate since the date of such Pension Certificate.

ARTICLE 2. DEFINITIONS

Sec 2.1. Definitions

Unless a different definition is contained within this Combined Plan Document, or a different meaning is plainly required by context, for purposes of this Combined Plan Document the following words and phrases have the meanings respectively ascribed to them by this section:

- (1) *Accumulated Mandatory Employee Contributions* means the sum of all amounts deducted from the Compensation of a Member and credited to the Accumulated Mandatory Employee Contribution Fund for periods on and after July 1, 2014.
- (2) *Accumulated Voluntary Employee Contributions* means the total balance in a Member's individual account under Component I of the Retirement System.
- (3) *Actuarial Equivalent or Actuarially Equivalent* means a Retirement Allowance or benefit amount having the same Actuarial Equivalent Value as another applicable benefit. The rates of interest adopted by the Board from time to time shall not violate the terms of the Plan of Adjustment.
- (4) *Actuarial Equivalent Value* means the value of an applicable Retirement Allowance or benefit amount, where values are calculated under generally accepted actuarial methods and using the applicable tables, interest rates and other factors established by the Board upon recommendation of the Investment Committee.
- (5) *Administrative Rules and Regulations* means rules and regulations promulgated by the Board of Trustees for the administration of the Retirement System and for the transaction of its business.
- (6) *Age, Attainment of* means the age an individual reaches on the day of his or her birthday.
- (7) *Average Final Compensation* means the average Compensation received by a Member during the five consecutive years of Credited Service which immediately precede the date of the Member's last termination of City employment as an employee of the Police Department or the Fire Department. If a Member has less than five years of Credited Service, the Average Final Compensation shall be the average of the annual Compensation received by the Member during the Member's total years of Credited Service.
- (8) *Beneficiary* means any person or persons (designated by a Member pursuant to procedures established by the Board) who are entitled to receive a Retirement Allowance or Pension payable from funds of the Retirement System due to the participation of a Member.
- (9) *Board of Trustees or Board or Retirement Board* means the Board of Trustees of the Police and Fire Retirement System of the City of Detroit.
- (10) *City* means the City of Detroit, Michigan, a municipal corporation.

- (11) *City Council or Council* means the legislative body of the City.
- (12) *Combined Plan* means the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan, effective July 1, 2014, and as amended thereafter.
- (13) *Compensation* means a Member's base salary or wages actually paid to the Member for personal services rendered to the Employer, excluding bonuses, overtime pay, payment of unused accrued sick leave, longevity pay, payment for unused accrued vacation, the cost or value of fringe benefits provided to the Member, termination or severance pay, reimbursement of expenses, or other extra payment of any kind. Compensation will include any amount which is contributed by the City to a plan or program pursuant to a salary reduction agreement and which is not includable in the income of the Member under Sections 125, 402(e)(3), 402(h) or 403(b) of the Internal Revenue Code or which is contributed by the City on behalf of a Member as provided in Section 9.3(3) and 9.5 pursuant to a qualified "pick-up program".

For periods of time prior to July 1, 2014, the City shall provide to the Retirement System actual base salary or wages paid to Members using the best and most reliable sources of information available to the City. In the event the City is unable to provide actual base wages to the Retirement System, the City shall make reasonable estimates of each Member's base salary or wages for purposes of determining a Member's Compensation for periods prior to July 1, 2014.

Notwithstanding the foregoing, for purposes of determining a Member's Voluntary Employee Contributions, Compensation shall mean the gross salary or wages paid to the Member for personal services rendered to the City.

The annual Compensation of each Member taken into account for the purposes of determining all benefits provided under the Retirement System for any determination period shall not exceed the limitation set forth in Code Section 401(a)(17) (\$260,000 for the Plan Year commencing July 1, 2014). Such limitation shall be adjusted for the cost-of-living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any determination period beginning in such calendar year. If Compensation for any prior determination period is taken into account in determining a Member's benefits for the current determination period, the Compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that determination period. If a determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12.

- (14) *Component I* means the portion of the Retirement System described in this Combined Plan and which consists of:
 - (a) the 2014 Defined Benefit Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code; and

- (b) the 2014 Defined Contribution Plan which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code.
- (15) *Component II* means the portion of the Retirement System described in this Combined Plan and which consists of:
 - (a) the Defined Benefit Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code; and
 - (b) the Defined Contribution Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code.
- (16) *Credited Service* means service credited to a Member to the extent provided in Article 4 of Component I of this Combined Plan Document.
- (17) *Disability or Disabled*: see Total Disability or Totally Disabled.
- (18) *DFFA* means the Detroit Fire Fighters Association.
- (19) *DPCOA* means the Detroit Police Command Officers Association.
- (20) *DPLSA* means the Detroit Police Lieutenants and Sergeants Association.
- (21) *DPOA* means the Detroit Police Officers Association.
- (22) *DROP Account* means the account established by the Board for a Member who is eligible for and who elects to participate in the DROP Program.
- (23) *DROP Program* means a program established for eligible Members pursuant to Article 12.
- (24) *Employee* means an employee of the City's Police Department who has taken an oath of office or a Fire Fighter providing services to the City, but does not include:
 - (a) individuals whose City services are compensated on a contractual or fee basis;
 - (b) any person during any period when such person is classified by the City as a non-common-law employee or an independent contractor for federal income tax and withholding purposes whose compensation for services is reported on a form other than Form W-2 or any successor form for reporting wages paid to and taxes withheld from employees, even if a court or administrative agency determines that such person is a common-law employee of the City;
 - (c) the Medical Director of the Retirement System.

If a person described in (b) above is reclassified by the City as a common-law employee of the City and otherwise meets the definition of an Employee, the person will be eligible to participate in the Retirement System prospectively as of the actual date of such

reclassification only (and only to the extent such individual otherwise qualifies as an Employee).

- (25) *Employer* means the City.
- (26) *Final Compensation* means the annual compensation of a Member at the time of his or her termination of employment.
- (27) *Fire Fighter* means the rank in the Fire Department currently or formerly classified by the civil service commission as Fire Fighter.
- (28) *Fire Member* means an employee of the Fire Department of the City of Detroit who is a participant in the Retirement System.
- (29) *Fiscal Year* means the twelve month period commencing each July 1 and ending on the following June 30.
- (30) *Hour of Service* means (i) each hour for which a Member is paid or entitled to payment by the City for the performance of duties, and (ii) each hour for which a Member is directly paid or entitled to payment by the City for reasons other than the performance of duties (such as vacation, holiday, illness or approved leave of absence).
- (31) *Internal Revenue Code or Code* means the United States Internal Revenue Code of 1986, as amended.
- (32) *Investment Committee* means the committee established pursuant to Section 1.22 which shall have the powers and duties described herein.
- (33) *Mandatory Employee Contributions* mean the contributions made by a Member to the Retirement System pursuant to Section 9.3(3).
- (34) *Medical Beneficiary* means a Member who has retired from employment with the Employers and the spouses and dependents of such Member who are receiving post-retirement benefits in accordance with the terms of a retiree medical plan sponsored or maintained by an Employer.
- (35) *Medical Benefits* mean the provision of payments for certain sickness, accident, hospitalization and medical benefits within the meaning of Treasury Regulation section 1.401-14(a), including dental, vision and mental health benefits, as designated by the City.
- (36) *Medical Benefits Account* means the bookkeeping account established under Section 17.1 to provide for the payment of Medical Benefits on behalf of Medical Beneficiaries.
- (37) *Medical Director* means the physician appointed by the Board pursuant to Section 1.16.
- (38) *Member* means any Police Member or Fire Member who has not retired or died.

- (39) *Normal Retirement Age* means for any Member Age fifty with twenty-five years of Credited Service, with the following transition period regarding payment of Component I benefits only:

<u>Fiscal Year</u>	<u>Age and Service</u>
2015	Age 43 and 20 years
2016	Age 43 and 20 years
2017	Age 44 and 21 years
2018	Age 45 and 22 years
2019	Age 46 and 23 years
2020	Age 47 and 24 years
2021 and thereafter	Age 50 and 25 years

Pursuant to Code Section 411(e), as in effect in 1974, a Member shall be 100% vested in his accrued benefit under the Retirement System upon Attainment of Normal Retirement Age while in Service.

- (40) *Notice to Members, Beneficiaries, and Retirees* means a mailing using First Class United States Mail to the Members, Beneficiaries, and Retirees at their last known addresses.
- (41) *Patrolman* means the rank in the Police Department currently or formerly known as patrolman.
- (42) *Pension Reserve* means the present value of all payments to be made on account of any Retirement Allowance. Such Pension Reserve shall be computed upon the basis of such mortality and other tables of experience, and interest, as provided herein until June 30, 2023 and, thereafter, as shall be adopted by the Board upon the recommendation of the Investment Committee.
- (43) *Plan Actuary or Actuary* means the enrolled actuary or actuarial firm appointed as provided in Section 1.17 to serve as technical advisor to the Investment Committee and the Board on matters regarding the funding and operation of the Retirement System and to perform such other duties as the Investment Committee or the Board may direct.
- (44) *Plan Document or Combined Plan Document* means this instrument, effective as of July 1, 2014, with all amendments hereafter adopted.
- (45) *Plan of Adjustment* means the Plan for the Adjustment of Debts of the City of Detroit, which has been approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan*, Case No. 13-53846.
- (46) *Plan Year* means the twelve month period commencing on July 1 and ending on June 30.
- (47) *Police and Fire Retirement System of the City of Detroit or Retirement System* means the Police and Fire Retirement System of the City of Detroit created and, prior to July 1, 2014, memorialized in Title IX, Chapter VI, of the 1918 Detroit City Charter, as amended, continued in effect through the 1974, 1997 and 2012 Detroit City Charters, Article 47 of the Detroit City Code, Article 54 of the Detroit City Code of 1964, and

collective bargaining agreements and, on and after July 1, 2014, pursuant to Section 47-1-2 of the Detroit City Code, memorialized in this Combined Plan Document, as amended from time to time.

The Retirement System consists of:

- (a) The 2014 Defined Benefit Plan, which is described in Component I hereof;
- (b) the Defined Contribution Plan, consisting of the Voluntary Employee Contribution Account, which are described in Component I hereof;
- (c) the Frozen Defined Benefit Plan, which is described in Component II hereof; and
- (d) the Frozen Defined Contribution Plan, which is described in Component II hereof.

References to the words Retirement System in Component I of the Plan Document shall mean the provisions of the Defined Benefit Plan and Defined Contribution Plan described in Component I, unless a different meaning is plainly required by context.

- (48) *Police Member* means a Police Officer who has taken the oath of office as prescribed in the Detroit City Charter, excluding patrolmen of other City departments, privately employed patrolmen and special patrolmen, who is a participant in the Retirement System.
- (49) *Police Officer* means the rank in the Police Department currently or formerly known as Police Officer.
- (50) *Prior Service* means the service credit awarded to a Member before July 1, 2014 under the terms of the Retirement System as in effect on June 30, 2014, as certified by the Board of Trustees.
- (51) *Retiree* means a former Member who is receiving a Retirement Allowance from the Retirement System.
- (52) *Retirement* means a Member's withdrawal from the employ of the City with a Retirement Allowance paid by the Retirement System.
- (53) *Retirement Allowance* means an annual amount payable in monthly installments by the Retirement System, whether payable for a temporary period or throughout the future life of a Retiree or Beneficiary.
- (54) *Service* means personal services rendered to the City by an employee of the Police Department or Fire Department, provided such person is compensated by the City for such personal services.
- (55) *Spouse* means the person to whom a Member is legally married under applicable law at the time a determination is made.

- (56) *Straight Life Retirement Allowance* means payment of a Member's Retirement Allowance over the Member's lifetime.
- (57) *Total Disability or Totally Disabled* means:
- (a) during the first twenty-four (24) months that a Member receives benefits from the Retirement System due to injury, illness or disease, that the Member is unable to perform, for wage or profit, the material and substantial duties of the Member's occupation; and
 - (b) during all subsequent months that a Member receives benefits from the Retirement System due to illness, injury or disease, that the Member is unable to perform, for wage or profit, the material and substantial duties of any occupation for which the Member is suited, based on education, training and experience.
- (58) *Vesting Service* means service credited to a Member to the extent provided in Section 4 of Component I of this Combined Plan Document.
- (59) *Voluntary Employee Contributions* mean the after-tax contributions made by an eligible Member to the Retirement System pursuant to Section 10.1.
- (60) *Voluntary Employee Contributions Account* means the account established pursuant to Section 10.3 for an eligible Member who elects to make Voluntary Employee Contributions.

The following terms shall have the meanings given to them in the Sections of this Combined Plan Document set forth opposite such term:

Accumulated Mandatory Employee Contribution Fund	Section 9.2(1)
Accumulated Voluntary Employee Contribution Fund	Section 9.2(2)
Annual Addition	Section 13.2(2)
Annual Report	Section 1.26(4)(b)
Authority	Section 1.26(1)
compensation	Section 13.1(12)
Compliance Report	Section 1.26(1)
Cure Certification	Section 1.26(2)
current active	Section 9.3(3)
Default Notice	Section 1.26(2)
Deferred Retirement Option Plan Fund	Section 9.2(3)
Deferred Retirement Option Plan Program (DROP)	Section 12.1
Differential Wage Payment	Section 4.4
Direct rollover	Section 18.8(1)(b)
Distributee	Section 18.8(1)(c)
Dollar Limit	Section 13.1(3)(b)
DRRB	Section 5.6
Eligible retirement plan	Section 18.8(1)(d)
Eligible rollover distribution	Section 18.8(1)(e)
Expense Fund	Section 9.2(7)

Foundation	Section 1.22
funding level	Section 9.5(3)
Governance Term Sheet	Section 1.17
Income Fund	Section 9.2(8)
ING	Section 12.3(1)
investment management decision or investment management matter	Section 16.2
limitation year	Section 13.1(2)
Medical Benefits Account Fund	Section 9.2(4)
Medical Plans	Section 17.1
new employee	Section 9.3(3)
Option "A". Joint and Seventy-Five Percent Survivor Allowance	Section 8.1(1)(c)
Option "B". Joint and Twenty-Five Percent Survivor Allowance	Section 8.1(1)(e)
Option One. Cash Refund Annuity	Section 8.1(1)(a)
Option Three. Joint and Fifty Percent Survivor Allowance	Section 8.1(1)(d)
Option Two. Joint and One Hundred Percent Survivor Allowance	Section 8.1(1)(b)
Pension Accumulation Fund	Section 9.2(5)
Pension Certificate	Section 1.26(4)(b)
Pension Improvement Factor (Escalator)	Section 6.2
Plan of Adjustment	Section 1.3
Police and Fire Retirement System of the City of Detroit	Section 1.1
Pop-up Form	Section 8.1(2)(b)
Rate Stabilization Fund	Section 9.2(6)
Standard Form	Section 8.1(2)(a)
State Contribution Agreement	Section 1.17
Straight Life Retirement Allowance	Section 8.1(1)
Treasurer	Section 1.23

ARTICLE 3. MEMBERSHIP

Sec 3.1. Eligible Employees

- (1) Except as provided in Section 3.2, the membership of the Retirement System shall consist of all persons who are employed with the Police and Fire Departments of the City and who are employed as Police Officers or Fire Fighters according to the rules and regulations of the respective Departments. An eligible Employee's membership in the Retirement System shall be automatic; no eligible Employee shall have the option to elect to become a Member of the Retirement System.
- (2) Any appointive official of the Police Department or Fire Department appointed from the membership thereof shall be permitted to remain a Member, paying contributions and entitled to benefits as though he had remained in the rank, grade or position held at the date of his appointment.
- (3) Any Police Officer or Fire Fighter who, prior to being confirmed, shall be killed or Totally Disabled as the result of the performance of active duty, shall be deemed to have been a Member as of his or her date of death.
- (4) Any Member who shall be transferred to a civilian position in his Department shall continue as a Member, subject to all the obligations of a Member.

Sec 3.2. Cessation of Membership; Re-Employment

- (1) If a Member dies, or is separated from service with the City by resignation, dismissal, retirement or disability, he shall cease to be a Member. A Member who elects to participate in the DROP Program under Component I, Component II or both shall be considered to have separated from service with the City by reason of retirement and shall neither accrue a benefit under the Retirement System nor be required to make Mandatory Employee Contributions to the Retirement System pursuant to Section 9.3(3) or 9.5 or permitted to make Voluntary Employee Contributions pursuant to Section 10.1.
- (2) If a Member ceases to be a Member under paragraph (1) other than by reason of participation in the DROP Program and later becomes a Police Officer or Fire Fighter other than in the position of Police Assistant, he shall again become a Member, subject to the obligations of a Member.
- (3) If a Member ceases to be a Member under paragraph (1) and later becomes employed as a Police Assistant, such Member shall not become a Member upon reemployment. If such Member was receiving a Retirement Allowance from the Retirement System prior to his or her date of rehire, such Retirement Allowance shall not be suspended during the period of the Member's reemployment as a Police Assistant.
- (4) Retirement benefits for a Retiree who returns to active full time employment other than as a Police Assistant shall be subject to the following:

- (a) A Retiree who returns to work will have his Retirement Allowance suspended upon re-employment. The variable Pension Improvement Factor (Escalator) shall not be added to the amount of the original Retirement Allowance during the Retiree's re-employment period.
- (b) A Retiree who returns to work will be entitled to receive a second Retirement Allowance in accordance with the provisions of the Retirement System in effect during his re-employment period.
- (c) A Retiree's Average Final Compensation and Credited Service for purposes of determining the Retiree's second Retirement Allowance will be based upon the Compensation and Credited Service earned by the Retiree after he returns to work.
- (d) An individual who retires for a second time will not be allowed to change the payment option selected by the Member with respect to the original Retirement Allowance. However, the individual may select a separate payment option with respect to his second Retirement Allowance.

Sec 3.3. Report From City

It shall be the duty of the City to submit to the Board of Trustees a statement showing the name, title, compensation, duties, date of birth, date of hire, and length of service of each Member, and such other information as the Board of Trustees may require or reasonably request for proper administration of the Retirement System.

ARTICLE 4. SERVICE CREDIT

Sec 4.1. Credited Service

- (1) The Board shall keep an accurate record of each Member's accumulated Service credit from the date of commencement of employment with the City to the date of termination of employment with the City.
- (2) A Member shall be credited with one month of Credited Service for each calendar month during which he performs one hundred forty (140) or more Hours of Service for the City as a Police Officer or Fire Fighter beginning on the later of (i) July 1, 2014 or (ii) his date of hire with the City as a Police Officer or Fire Fighter and ending on the date his employment with the City as a Police Officer or Fire Fighter is terminated. Service shall be credited in years and twelfths ($1/12^{\text{th}}$) of a year. Not more than one-twelfth ($1/12^{\text{th}}$) of a year of Credited Service shall be credited to a Member on account of all Service rendered to the City in a calendar month. Not more than one year of Credited Service shall be credited to a Member on account of all Service rendered to the City in any period of 12 consecutive months.
- (3) Not more than one month of Credited Service shall be granted for any period of more than one month during which the Member is absent without pay; notwithstanding the foregoing, any Member who shall be suspended from duty and subsequently reinstated to duty without further disciplinary action shall receive credit for the time of such period of suspension.
- (4) Solely for purposes of determining eligibility for a retirement benefit under Sections 5.1 and 5.4, a Member shall be credited with the sum of his Prior Service as determined by the Board and his Credited Service on and after July 1, 2014 determined under Section 4.1(2). The period of time during which a Member is on layoff from the service of the City shall be included in the Member's Credited Service solely for the purposes of determining whether the Member has attained his Normal Retirement Age for purposes of Section 5.1.

Sec 4.2. Vesting Service

- (1) A Member shall be credited with a year of Vesting Service for each Plan Year commencing on or after July 1, 2014 during which the Member performs 1,000 or more Hours of Service for the City.
- (2) A Member's total Vesting Service shall be the sum of his Prior Service and his Service determined under Section 4.2(1).

Sec 4.3. Service Credit; Military Service

A Member who enters the military service of the United States while employed with the City shall have the period of such military service credited as City Service in the same manner as if the Member had served the City without interruption, provided that (1) the Member's entry into such military service and re-employment thereafter shall be in accordance with applicable

laws, ordinances, and regulations of the State of Michigan and the City, (2) he or she is re-employed by the City upon completion of such military service, and (3) the Member contributes to the Retirement System the Mandatory Employee Contributions that would have been made by the Member but for the Member's military service. The Member shall be permitted to make such contributions in accordance with Code Section 414(u) and regulations thereunder. During the period of military service and until return to City employment, the Member's Mandatory Employee Contributions to the Retirement System shall be suspended.

Sec 4.4. Service Credit; Qualified Military Service

Notwithstanding any provision of this Combined Plan Document to the contrary, contributions, benefits, and service credit with respect to qualified military service under Component I, shall be provided in accordance with Code Section 414(u). Notwithstanding anything to the contrary herein, if a Member dies while performing qualified military service (as defined in Code Section 414(u)), to the extent required by Code Section 401(a)(37), the survivors of the Member are entitled to any additional benefits (if any, and other than benefit accruals relating to the period of qualified military service) provided under the Retirement System as if the Member had resumed and then terminated employment on account of death.

Notwithstanding anything to the contrary herein, if the City decides to provide Differential Wage Payments to individuals who are performing service in the uniformed services (as defined in Chapter 43 of Title 238, United States Code) while on active duty for a period of more than thirty days, such Differential Wage Payment will be treated as compensation under the Code Section 415(c)(3) limits, but not for purposes of benefit accruals under the Retirement System. For these purposes the term "Differential Wage Payment" means a payment defined in Code Section 3401(h)(2) that is made by the City to an individual who is performing service in the uniformed services while on active duty for a period of more than thirty days.

ARTICLE 5. ELIGIBILITY FOR RETIREMENT

Sec 5.1. Eligibility for Unreduced Normal Retirement Benefit

Any Member who attains his Normal Retirement Age while employed by the City may retire upon written application filed with the Board setting forth the date on which the Member desires to be retired. The date of retirement shall be effective as of the first day following the later of (i) the Member's last day on the City payroll, or (ii) the date the Member executes and files an application for retirement, notwithstanding that the Member may have separated from Service during the notification period. Such a Member shall be entitled to receive an unreduced Retirement Allowance calculated as provided in Section 6.1 and payable in a form of payment selected by the Member pursuant to Section 8.1.

Sec 5.2. Eligibility for Deferred Vested Retirement Benefit

Any Member who terminates employment with the City prior to satisfying the requirements for receipt of a retirement benefit under Section 5.1 and who is credited with ten (10) or more years of Vesting Service upon his or her termination of employment (regardless of Age) shall be entitled to receive an unreduced Retirement Allowance commencing at any time following his Attainment of Age sixty-two. At a Member's election, the Member may begin receiving a Retirement Allowance following his Attainment of Age fifty-five, actuarially reduced for early commencement, in lieu of an unreduced Retirement Allowance beginning at age sixty-two. Deferred vested retirement benefits shall be payable in accordance with a form of payment selected by the Member pursuant to Section 8.1.

Sec 5.3. Eligibility for Disability Retirement Benefit – Duty Disability

- (1) If, prior to attainment of his Normal Retirement Date, a Member shall become Totally Disabled for duty by reason of injury, illness or disease resulting from performance of duty and if, pursuant to Section 5.6, the Board shall find such injury, illness or disease to have resulted from the performance of duty, on written application to the Board by or on behalf of such Member or by the head of his Department such Member shall be retired; notwithstanding that during such period of notification he or she may have separated from service and provided further that the Medical Director, after examination of such Member shall certify to the Board the Member's Total Disability. A Member who retires as a result of duty disability shall receive for a period of twenty-four months the sum of:
 - (a) a basic benefit equal to fifty percent (50%) of his Final Compensation at the time his duty disability retirement begins, and
 - (b) a supplemental benefit equal to sixteen and two-thirds percent (16-2/3%) of his Final Compensation at the time his duty disability retirement begins.

Subject to Section 9.5, on the first day of each Plan Year, a Member's duty disability benefit will be increased as provided in Section 6.2.

- (2) After a Member receives benefits hereunder for a period of twenty-four months, the Board will determine whether the Member is disabled from any occupation. If the

Member is disabled from any occupation, the Member shall continue to receive the benefit provided in paragraphs (1)(a) and (1)(b) until such time as the Member would have attained twenty-five years of Credited Service had he continued in active Service with the City. At that time, the Member shall continue to receive the benefit described in paragraph 1(a) above; however, benefits described in paragraph (1)(b) above will cease. If the Member is not disabled from any occupation, he shall continue to receive the benefit described in paragraph (1)(a) above; benefits described in paragraph 1(b) will cease.

- (3) In the event a Member receiving duty disability benefits has attained twenty-five years of Credited Service, duty disability benefits shall continue to be paid to the Member until the earlier of (i) the Member's Attainment of Age sixty-five, or (ii) the date the Member ceases to be Totally Disabled as determined by the Board. Upon termination of disability or Attainment of Age sixty-five, a Member with twenty-five years of Credited Service shall be eligible to receive a Retirement Allowance as provided in Section 6.1. The amount of such Retirement Allowance shall be equal to the amount which would have been payable to the Member if the Member's conversion from duty disability retirement to a Retirement Allowance had occurred on the date the Member attained twenty-five years of Credited Service.
- (4) If a Member on duty disability retirement returns to active Service with the City and shall re-qualify for duty disability retirement for the same or related reasons within twenty-four months of his return to active Service, then the disability shall be deemed a continuation of the prior Total Disability and the period of the Member's active Service following the return to work will not qualify the Member to be entitled to a new initial determination of disability for purposes of determining the benefit payable to the Member. Instead, such Member will return to duty disability retirement benefits based on the number of months of disability with which the Member was credited at the time of his return to active Service, as if there had not been a break in his period of duty disability retirement.
- (5) During the period a Member is eligible to receive duty disability benefits under this Section 5.3, the Member shall continue to be credited with Credited Service until the Member accrues twenty-five years of Credited Service, at which time accrual of Credited Service shall cease.
- (6) In the event that a recipient of a duty disability retirement benefit receives earned income from gainful employment during a calendar year, the amount of the Member's disability benefit payable during the next subsequent Plan Year will be adjusted so it does not exceed the difference between (i) the Member's base salary at the date of duty disability, increased by the variable Pension Improvement Factor (Escalator) (if any) applicable to such benefit pursuant to Section 6.2 multiplied by the number of full Plan Years from the date of the Member's duty disability to the year in which the earnings offset is applied, and (ii) the amount of the Member's remuneration from gainful employment during the prior calendar year. The amount of income received by a Member shall be determined by the Board based upon information received from the Member or based upon information secured from other reliable sources. Furnishing such information to the Board at such

times as the Board shall require shall be a condition for the Member's continued eligibility for duty disability benefits.

Sec 5.4. Eligibility for Disability Retirement Benefit – Non-Duty Disability

- (1) Upon the application of a Member or the Member's Department head, a Member who becomes totally and permanently disabled prior to his or her Normal Retirement Date in the employ of the City not resulting from the performance of duty shall be retired by the Board; provided that the Medical Director shall certify to the Board after a medical examination, that such Member is mentally or physically totally and permanently disabled for the further performance of duty to the City. Such a Member shall receive the following applicable benefits:
 - (a) If such Member has less than five years of Credited Service at the time of his disability retirement, his Accumulated Mandatory Employee Contributions standing to his credit in the Accumulated Mandatory Employee Contributions Fund shall be returned to him, or at his option he shall receive a cash refund annuity which shall be the actuarial equivalent of his Accumulated Mandatory Employee Contributions.
 - (b) If such Member has five or more years of Credited Service at the time of his disability retirement, he shall receive a disability Retirement Allowance computed in accordance with the provisions of Section 6.1 payable in any of the optional forms provided in Section 8.1 hereof. His annual Straight Life Retirement Allowance shall not be less than twenty per cent (20%) of his Average Final Compensation.
- (2) If a Member receiving non-duty disability retirement benefits is or becomes engaged in a gainful occupation, business, or employment paying more than the difference between the disabled Member's Retirement Allowance and Average Final Compensation, the Member's Retirement Allowance shall be reduced by the amount of such difference. If the amount of the Retiree's earnings changes, the Retirement Allowance may be adjusted accordingly. The amount of income received by a Member shall be determined by the Board based upon information received from the Member or based upon information secured from other reliable sources. Furnishing such information to the Board at such times as the Board shall require shall be a condition for the Member's continued eligibility for non-duty disability benefits.

Sec 5.5. Disability Retirees; Reexamination

- (1) At least once each year during each year following the retirement of a Member under Section 5.3 or Section 5.4, the Board shall require that such disability Retiree who has not attained his Normal Retirement Age undergo a medical examination, to be made by, or under the direction of the Medical Director; provided, however, that medical examinations shall not be required if the Medical Director determines that the Retiree's condition is permanent and there is no need for further reexamination. Retirees shall be reimbursed for reasonable costs actually incurred by the Retirees in connection with such

examinations. Should any such Retiree who has not attained Normal Retirement Age fail to submit to a required medical examination, the Retiree's Retirement Allowance may be suspended by the Board until the examination is completed. Should such failure continue for one year, all of the disability Retiree's rights in and to the duty or non-duty disability Retirement Allowance may be revoked by the Board. If upon such examination of a Retiree, the examiner reports that the Retiree is no longer Totally Disabled, and such report is concurred in by the Board, the Retiree shall be restored to active service with the City and the Retirement Allowance paid pursuant to Section 5.3 or Section 5.4 shall be suspended until the Retiree terminates active Service with the City.

- (2) A disabled Retiree who has been, or shall be, reinstated to active Service in the employ of the City shall again become a Member. All Credited Service at the time of the disability retirement shall be restored to the Member.

Sec 5.6. Disability Benefits; Procedures for Determination of Disability

- (1) The Board shall establish procedures for determining whether a Member is Totally Disabled. Such procedures shall be consistent with any collective bargaining agreements between the City and the unions covering Police Employees and Fire Employees.
- (2) If a Member is determined to be Totally Disabled under Section 5.3(1) or 5.4(1), the Board or its designee will examine the pension file, including the submissions of the Member and the Police or Fire Department, to determine if there is any dispute as to whether the disability "resulted from the performance of duty" within the meaning of the Combined Plan. If it is undisputed that the disability did result from the performance of duty, the Board will grant duty disability retirement benefits. If it is undisputed that the disability did not result from the performance of duty, the Board will grant non-duty disability retirement benefits, provided the Member meets the other conditions of eligibility. If the performance of duty issue is in dispute, the Board will refer the matter to arbitration by a member of the Disability Retirement Review Board ("DRRB"). The decision of the DRRB member as to whether the disability resulted from the performance of duty shall be final and binding upon the Member, the Department and the Board. The DRRB shall consist of three qualified arbitrators who will be individually assigned in rotating order to decide the matters referred to arbitration by the Board. The three members of the DRRB shall be disinterested persons qualified as labor arbitrators and shall be selected in accordance with agreements between the City and the unions representing Members. The procedure for the termination of DRRB members and the selection of new DRRB members also shall be carried out in accordance with the agreements between the City and the unions representing Members.
- (3) The hearing before a member of the DRRB will be conducted in accordance with the following procedures:
 - (a) The Member and the City will have the right to appear in person or otherwise may be represented by counsel if they wish and will be afforded an equal opportunity to present evidence relevant to the issues;

- (b) A court reporter will be present and make a stenographic record of the proceedings;
 - (c) The hearing will be closed to the public, except that the Member may select one person to be with him or her in the hearing room; provided, however, that person may not testify;
 - (d) The witnesses will be sequestered;
 - (e) The witnesses will be sworn by the court reporter and testify under oath;
 - (f) The Member may not be called by the City as an adverse witness;
 - (g) The DRRB member will apply the rules of evidence and follow the procedures which are customarily applied and followed in labor arbitration cases;
 - (h) If the Member wishes to have an employee of the City released from duty to appear as a witness on his or her behalf, the Member may so inform the Board in writing which, in turn, will submit a written request to the appropriate Department executive for the release of the employee for the purpose of so testifying;
 - (i) The DRRB member will afford the parties an opportunity for the presentation of oral argument and/or the submission of briefs;
 - (j) The DRRB member will issue a written decision containing credibility resolutions as necessary, findings of fact and conclusions with respect to all relevant issues in dispute;
 - (k) The authority of the DRRB member is limited to deciding whether or not the Member's disability "resulted from the performance of duty" within the meaning of the Combined Plan. The DRRB member shall have no authority to add to, subtract from, modify or disregard the terms of the Combined Plan: and
 - (l) The costs associated with the hearing, including the arbitrator's fees and expenses and the court reporter's fees and expenses, will be paid by the Retirement System.
- (4) If a disability Retiree is determined by the Board to no longer be Totally Disabled, he or she may appeal that determination within seven (7) days thereof by filing a written request with the Board for a re-examination. The Board shall promptly arrange for such re-examination. The Member's disability benefits will be continued pending that final and binding medical finding, and if the finding is that the Member is no longer Totally Disabled, his or her disability benefits will be further continued while the Police or Fire Department conducts such examinations and/or investigations as necessary to determine whether the Member is qualified for reappointment to active duty. In the event that the examinations and/or investigations conducted by the Police Department result in a determination that a Member represented by DPLSA is not qualified, for medical reasons, for reappointment to active duty, disability benefits will be continued.

- (5) The Board shall not act upon or grant the application filed by a Member who, although he or she is not capable of performing the full duties of a Police Employee or Fire Employee, has not suffered any diminishment of his or her base wages or benefits because he or she is either:
- (a) regularly assigned to a position, the full duties of which he or she is capable of performing; or
 - (b) assigned to a restricted duty position, unless the Member's Department advises that it intends to seek a disability retirement for the Member in the foreseeable future.
- (6) The provisions in paragraph (5) above are not intended to and will not:
- (a) affect the right of a Member to seek a disability retirement when no restricted duty position is available; or
 - (b) restrict in any way the existing authority of the Chief of Police or the Fire Commissioner to seek a duty or non-duty disability retirement for a Member for that Member at that time to request a duty or non-duty disability retirement.

Sec 5.7. Return of Accumulated Mandatory Contributions to Non-Vested Member

If a Member ceases employment with the City before becoming eligible for a Retirement Allowance under Section 5.1 or 5.2 or a disability Retirement Allowance pursuant to Section 5.3 or 5.4, the Member may elect to receive distribution of the Accumulated Mandatory Employee Contributions made to the Retirement System by such Member. If a Member elects to receive his Accumulated Mandatory Employee Contributions, such amounts shall be paid to the Member in a lump sum payment or in equal monthly installments for a period not to exceed three years, according to such rules and regulations as the Board may adopt from time to time.

Sec 5.8. Benefits Offset by Compensation Benefits; Subrogation

- (1) Any amounts which may be paid or payable to a Member, Retiree, or Beneficiary on account of disability or death under the provisions of any Workers' Compensation, pension, or similar law, except federal Social Security old-age and survivors' and disability insurance benefits, shall be an offset against any amounts payable from funds of the Retirement System (Component I and Component II combined) on account of the same disability or death. If the present value of the benefits payable under said Workers' Compensation, pension, or similar law, is less than the Pension Reserve for the Retirement Allowance payable by the Retirement System (under both Component I and Component II), the present value of the said Workers' Compensation, pension, or similar legal benefit shall be deducted from the amounts payable by the Retirement System (under both Component I and Component II), and such amounts as may be provided by the Retirement System, so reduced, shall be payable as provided in this Combined Plan Document.

- (2) In the event a person becomes entitled to a pension payable by the Retirement System because of an accident or injury caused by the act of a third party, the Retirement System shall be subrogated to the rights of said person against such third party to the extent of the benefit which the Retirement System pays or becomes liable to pay.

ARTICLE 6. RETIREMENT ALLOWANCE; VARIABLE PENSION IMPROVEMENT FACTOR (ESCALATOR)

Sec 6.1. Retirement Allowance

The Retirement Allowance payable to a Member commencing at the later of his Normal Retirement Age or his actual retirement from employment with the City in the form of a Straight Life Retirement Allowance shall be equal to two percent (2%) of the Member's Average Final Compensation multiplied by the Member's years (computed to the nearest one-twelfth ($1/12^{\text{th}}$) year) of Credited Service earned after June 30, 2014.

Sec 6.2. Variable Pension Improvement Factor (Escalator)

Except as provided in Section 9.5, beginning July 1, 2015 and effective the first day of each Plan Year thereafter, the Board may determine that the annual Retirement Allowance of a Member shall be increased by a factor of one percent (1.0%), computed each year on the basis of the amount of the original Retirement Allowance received at the time of Retirement ("Pension Improvement Factor (Escalator)"); provided, that the recipient of said Retirement Allowance shall have been receiving a Retirement Allowance for a period of not less than twelve months prior to the first day of such Plan Year. The Pension Improvement Factor (Escalator) shall be compounded.

ARTICLE 7. DEATH BENEFITS

Sec 7.1. Accidental Death Benefit; Performance of Duty

- (1) If a Member is killed in the performance of duty in the service of the City, or dies as the result of illness contracted or injuries received while in the performance of duty in the service of the City, and such death, illness, or injury resulting in death, is found by the Board to have resulted from the actual performance of duty in the service of the City, the following benefits shall be paid:
 - (a) the Accumulated Mandatory Employee Contributions standing to his or her credit in the Accumulated Mandatory Employee Contributions Fund at the time of his or her death shall be paid to such person or persons as the Member shall have nominated by written designation duly executed and filed with the Board. If no such designated person survives the Member, the said Accumulated Mandatory Employee Contributions shall be paid to the Member's legal representative, subject to paragraph (e) of this Section 7.1(1).
 - (b) the surviving spouse shall receive a pension of five-elevenths of the Member's Final Compensation payable for the spouse's lifetime. If the Member's child or children under age eighteen years also survive the deceased Member, each such child shall receive a pension of one-tenth of such Final Compensation; provided, that if there are more than two such surviving children under age eighteen years, each such child's pension shall be an equal share of seven thirty-thirds of such Final Compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child, his or her pension shall terminate and there shall be a redistribution of the benefit by the Board to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's pension exceed one-tenth of the Member's Final Compensation. In no case shall the total of the benefits provided for in this paragraph (b), payable on account of the death of a Member exceed two-thirds of the Member's Final Compensation.
 - (c) if no surviving spouse survives the deceased Member or if the Member's surviving spouse dies before his youngest unmarried surviving child attains Age eighteen years, his unmarried child or children under Age eighteen years shall each receive a pension of one-fourth of the Member's Final Compensation; provided that if there are more than two such surviving children under age eighteen years, each such child's pension shall be an equal share of one-half of such Final Compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child, his or her pension shall terminate and there shall be a redistribution by the Board to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's pension exceed one-fourth of the Member's Final Compensation.
 - (d) if the Member has no surviving spouse or surviving children under Age eighteen years and if the Member leaves surviving either a father or mother or both, whom the Board shall find to be actually dependent upon such Member for financial

support, such dependent father and mother shall each receive a pension of one-sixth of the Member's Final Compensation.

- (e) If a Member dies intestate, without having designated a person or persons, as provided in paragraph (a) of this Section 7.1(1), and without heirs, the amount of his Accumulated Mandatory Employee Contributions in the Accumulated Mandatory Employee Contribution Fund, not to exceed a reasonable sum, to be determined by the Board, shall be used to pay his burial expenses, provided the Member leaves no other estate sufficient for such purpose. Any balance credited to such Member in the Accumulated Mandatory Employee Contribution Fund, and not used for burial expenses shall remain a part of the funds of the Retirement System and shall be transferred to the Pension Accumulation Fund.

Sec 7.2. Non-Duty Death Benefits

The surviving spouse of any Member who dies while in the employ of the City (other than in the performance of duty) after the date such Member has earned ten or more years of Credited Service, shall receive a Retirement Allowance computed in the same manner in all respects as if said Member had (i) retired effective on the day preceding the Member's death, notwithstanding that the Member had not attained Normal Retirement Age, (ii) elected a Joint and One Hundred Percent Survivor Allowance as described in Section 8.1, and (iii) nominated the surviving spouse as Beneficiary.

Sec 7.3. Refund of Accumulated Mandatory Contributions Upon Death of Member

If a Member who is not covered by Section 7.1 dies while employed by the City or following termination of employment but prior to commencement of a Retirement Allowance, the Member's Accumulated Mandatory Employee Contributions to the Retirement System at the time of death shall be paid to the Beneficiary nominated in a written designation duly executed by the Member and filed with the Board. In the event there is no such designated Beneficiary surviving, the Member's Accumulated Mandatory Employee Contributions shall be paid to the Member's estate. If a Member who dies without a legal will has not nominated a Beneficiary, the Member's Accumulated Mandatory Employee Contributions at the time of death may be used to pay burial expenses if the Member leaves no other estate sufficient for such purpose. Such expenses shall not exceed a reasonable amount as determined by the Board.

ARTICLE 8. FORMS OF PAYMENT

Sec 8.1. Retirement Allowance Options

- (1) Until the date the first Retirement Allowance payment check is issued, any Member may elect to receive a Straight Life Retirement Allowance payable throughout life, or the Member may elect to receive the Actuarial Equivalent of the Straight Life Retirement Allowance computed as of the effective date of retirement, in a reduced Retirement Allowance payable throughout life, and nominate a Beneficiary, in accordance with the options set forth below:
- (a) *Option One. Cash Refund Annuity.* A Retiree will receive a reduced Retirement Allowance for as long as he or she lives, provided that if the Retiree dies before payment of the Accumulated Mandatory Employee Contributions made to the Retirement System on and after July 1, 2014 has been received in an aggregate amount equal to, but not exceeding the Retiree's Accumulated Mandatory Employee Contributions at the time of retirement, the difference between said Accumulated Mandatory Employee Contributions and the aggregate amount of annuity payments already received, shall be paid in a single lump sum to a Beneficiary nominated by written designation duly executed by the Member and filed with the Board. If there are no such designated Beneficiaries surviving said Retiree, any such difference shall be paid to the Retiree's estate.
 - (b) *Option Two. Joint and One Hundred Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and One Hundred Percent Survivor Allowance, one hundred percent of the Member's reduced Retirement Allowance shall be paid to and continued throughout the life of the Beneficiary nominated by written designation duly executed and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (c) *Option "A". Joint and Seventy-Five Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Seventy-Five Percent Survivor Allowance, seventy-five percent of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (d) *Option Three. Joint and Fifty Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Fifty Percent Survivor Allowance, fifty percent of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (e) *Option "B". Joint and Twenty-Five Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Twenty-Five Percent Survivor Allowance, twenty-five percent of the Member's reduced Retirement Allowance shall be

continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.

- (2) *Joint and Survivor Optional Forms of Payment.* The Joint and Survivor Optional Forms of Payment provided under the Retirement System shall be made available in either the standard form or the pop-up form, as follows:
- (a) *Standard Form.* Under the Standard Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree.
 - (b) *Pop-up Form.* Under the Pop-up Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree and the designated Beneficiary. In the event of the death of the designated Beneficiary during the lifetime of the Retiree, the amount of the Retirement Allowance payable to the Retiree shall be changed to the amount that would have been payable had the Retiree elected the Straight Life Retirement Allowance Form of Payment.

Sec 8.2. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary

If under a Joint and One Hundred Percent Survivor allowance, a Joint and Seventy-Five Percent Survivor allowance, a Joint and Fifty Percent Survivor allowance or a Joint and Twenty-Five Percent Survivor allowance as provided for under Section 8.1, both a Retiree and Beneficiary die before they have received in Retirement Allowance payments an aggregate amount equal to the Retiree's Accumulated Mandatory Employee Contributions (and if the Retiree makes an election pursuant to Section 10.4(2), his Accumulated Voluntary Employee Contributions) at the time of retirement, the difference between the said Accumulated Mandatory Employee Contributions (and Accumulated Voluntary Employee Contributions, if applicable) and the aggregate amount of Retirement Allowances paid to the Retiree and Beneficiary, shall be paid in a single lump sum to such person or persons nominated by written designation of the Retiree duly executed and filed with the Board. If there is no such person or persons surviving the Retiree and the Beneficiary, any such difference shall be paid to the estate of the Retiree or the Beneficiary, whichever is the last to die.

ARTICLE 9. FUNDING AND RESERVES

Sec 9.1. Funding Objective of the Retirement System

The funding objective of Component I of the Retirement System is to establish and receive City and Member contributions during each Plan Year that are sufficient to fully cover the actuarial cost of benefits anticipated to be paid on account of Credited Service rendered by Members during the Plan Year (the normal cost requirements of the Retirement System), and to amortize the unfunded actuarial costs of benefits likely to be paid on account of Credited Service rendered on or after July 1, 2014 and before the first day of the Plan Year (the unfunded actuarial accrued liability of the Retirement System).

Sec 9.2. Funds

Component I of the Retirement System shall consist of the Accumulated Mandatory Employee Contribution Fund, the Accumulated Voluntary Contribution Fund, the Deferred Retirement Option Program Fund (if applicable), the Medical Benefits Account Fund, the Pension Accumulation Fund, the Rate Stabilization Fund, the Expense Fund and the Income Fund, as follows:

- (1) The Accumulated Mandatory Employee Contribution Fund shall be the Fund in which shall be accumulated the contributions of Members to provide their Retirement Allowances. Upon the retirement, termination, disability or death of a Member with a Retirement Allowance, the Member's Accumulated Mandatory Employee Contributions shall be deemed to be part of the Pension Reserve which shall be used to pay the Member's or Beneficiary's Retirement Allowance.
- (2) The Accumulated Voluntary Employee Contribution Fund shall be the Fund in which shall be accumulated the voluntary after-tax contributions of Members, together with earnings thereon.
- (3) The Deferred Retirement Option Plan Fund shall be the fund in which shall be accumulated the amounts credited to the DROP Accounts of Members who have elected to participate in the DROP Program pursuant to Article 12, together with earnings thereon, provided that the DROP Accounts are held and invested within the Retirement System.
- (4) The Medical Benefits Account Fund shall be the fund in which shall be accumulated the amounts contributed to the Retirement System for the purposes of paying Medical Benefits.
- (5) The Pension Accumulation Fund shall be the fund in which shall be accumulated reserves for the Retirement Allowances and other benefits payable from that portion of the City's annual contribution that is not credited to the Rate Stabilization Fund and amounts transferred to Component I as provided in Section G-2(f) of Component II and from which shall be paid Retirement Allowances and other benefits on account of Members.

- (6) The Rate Stabilization Fund shall be the Fund to which shall be credited City contributions in excess of the amount of the City's contribution which is credited to the Pension Accumulation Fund and amounts transferred to Component I as provided in Section G-2(f) of Component II.
- (7) The Expense Fund shall be the fund to which shall be credited any money provided by the City, if any, to pay the administrative expenses of the Retirement System, and from which shall be paid certain expenses incurred in connection with the administration and operation of the Retirement System.
- (8) The Income Fund shall be the Fund to which shall be credited all interest, dividends, and other income derived from the investments of the assets of Component I of the Retirement System, all gifts and bequests received by Component I of the Retirement System, and all other moneys credited to Component I of the Retirement System, the disposition of which is not specifically provided for in this Article 9. There shall be paid or transferred from the Income Fund, all amounts required to credit earnings and losses to the various Funds of the Retirement System in accordance with the provisions of Component I of this Combined Plan Document. Amounts credited to the Income Fund in excess of amounts needed to credit earnings and losses of the Retirement System as provided in this Component I for any Plan Year shall be transferred to the Pension Accumulation Fund and used to pay Retirement Allowances and other benefits on account of Members.

Sec 9.3. Method of Financing Retirement System Benefits

- (1) The pension liabilities for Members under this Component I shall be determined by the Plan's Actuary using the entry-age normal cost method of actuarial valuation.
- (2) The City's annual contribution to finance the prospective pension liabilities during the nine Plan Year period commencing July 1, 2014 and ending June 30, 2023 shall be (a) eleven and two-tenths percent (11.2%) of the base Compensation of active employees who are members of the DFFA (for pay periods ending on or before the effective date of the 2014-2019 collective bargaining agreement between the City and DFFA) and members of DPOA (for pay periods ending on or before October 3, 2014) and (b) twelve and one-quarter percent (12.25%) of the base Compensation of active employees who are members of the DPCOA, the DPLSA, the DPOA (for pay periods beginning on or after October 3, 2014) and the DFFA (for pay periods beginning on or after the effective date of the 2014-2019 collective bargaining agreement between the City and DFFA). A portion of the City's annual contribution for each Plan Year shall be credited to the Rate Stabilization Fund. The remainder of the City's annual contribution shall be allocated to the Pension Accumulation Fund.
- (3) Except as provided in Section 9.5, for each Plan Year, a Member who was an active employee as of June 30, 2014 ("current active") shall contribute to the Retirement System an amount equal to six percent (6%) of his or her base Compensation for such Plan Year and a Member who is hired or rehired by the City on or after July 1, 2014 ("new employee") shall contribute to the Retirement System an amount equal to eight percent

(8%) of his or her base Compensation for such Plan Year. A Member's Mandatory Employee Contributions for the Plan Year beginning July 1, 2014 and ending June 30, 2015 shall commence as of the Member's first payroll date occurring in August 2014. The officer or officers responsible for processing the payroll shall cause a Member's Mandatory Employee Contributions to be deducted from the Member's Compensation on each and every payroll, for each and every payroll period, from the later of (i) the Member's first payroll date occurring in August 2014 and (ii) the Member's date of hire, to the date he ceases to be a Member. The contribution shall be deducted from the Members' Compensation, notwithstanding that the minimum compensation provided by law for any Member shall be reduced thereby. Payment of compensation, less said Mandatory Employee Contributions, shall be a complete discharge of all claims and demands whatsoever for the services rendered by the said Member during the period covered by such payment. Member Mandatory Employee Contributions will be used for the purpose of funding the normal cost of the Retirement System.

Sec 9.4. Member Contributions Picked-Up

- (1) The City shall pick up Member Mandatory Employee Contributions required pursuant to Sections 9.3(3) and 9.5 in accordance with Code Section 414(h).
- (2) The picked-up contributions, although designated as employee contributions shall be treated as City contributions for the purpose of determining a Member's tax treatment under the Internal Revenue Code. The City shall pay the contributions picked-up on behalf of a Member from the same source of funds that are used for paying compensation to the Member.
- (3) The City shall pick up Member Mandatory Employee Contributions by a reduction in the Member's cash salary or an offset against a future salary increase, or both. The City shall designate the Mandatory Employee Contributions that are picked-up and paid to the Retirement System as employer contributions and not as employee contributions. No Member who participates in the Retirement System shall have the option of choosing to receive the contributed amounts directly instead of having those amounts paid by the City to the Retirement System.

Sec 9.5. Fiscal Responsibility: Benefit Reductions and Increased Funding Obligations

- (1) To safeguard the long-term actuarial and financial integrity of the Retirement System, in the event the funding level of Component I of the Retirement System projected over a five year period falls below ninety percent (90%), the Trustee may not award the variable Pension Improvement Factor (Escalator) described in Section 6.2 to any individual beginning with the Plan Year following the Plan Year in which such determination is made and continuing until the funding level is restored to not less than ninety percent (90%).
- (2) In the event the funding level of the Retirement System projected over a five year period falls below ninety percent (90%), the following remedial action shall be required in the order set forth below, beginning with the Plan Year following the Plan Year in which

such determination is made and continuing until the funding level is projected to be one hundred percent (100%) on a market value basis within the next five years:

- (a) the remedial action required in Section 9.5(1) shall be implemented or continued;
 - (b) all amounts credited to the Rate Stabilization Fund shall be transferred to the Pension Accumulation Fund for the purposes of funding benefits payable under the Retirement System;
 - (c) Mandatory Employee Contributions for active and new employees shall be increased by one percent (1%) for up to the next following five Plan Years;
 - (d) Mandatory Employee Contributions for active and new employees shall be increased by an additional one percent (1%) per year;
 - (e) Mandatory Employee Contributions for active and new employees shall be increased by an additional one percent (1%) per year;
 - (f) the Retirement Allowance payable to a Retiree shall not include the variable Pension Improvement Factor (Escalator) that was most recently paid to the Retiree on the date the funding level is projected to fall below ninety percent (90%);
 - (g) the Retirement Allowance payable to a Retiree shall not include the variable Pension Improvement Factor (Escalator) that was most recently added to the Member's Retirement Allowance for the Plan Year preceding the Plan Year referenced in paragraph (f) above;
 - (h) Mandatory Employee Contributions for active and new employees shall be increased by an additional one percent (1%) per year; and
 - (i) contributions made to the Retirement System by the City shall be increased, consistent with applicable actuarial principles and the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*
- (3) For purposes of this Section 9.5, the "funding level" shall mean the ratio of the market value of the assets of Component I of the Retirement System to the actuarial accrued liability of Component I of the Retirement System. The actuarial accrued liability shall be calculated by the Plan's Actuary utilizing an interest rate assumption of six and three-quarters percent (6.75%) and other reasonable assumptions as directed by the Board upon the recommendation of the Investment Committee. The market value of assets shall be determined on the basis of a three-year look back period of smoothed investment returns.

ARTICLE 10. VOLUNTARY EMPLOYEE CONTRIBUTIONS

Sec 10.1. Voluntary Employee Contributions; Amount; Vesting

Subject to procedures established by the Board, a Member who is covered by a collective bargaining agreement with the City that permits the Member to make Voluntary Employee Contributions to Component I of the Retirement System may elect to reduce his Compensation for any Plan Year by a whole percentage not less than one percent (1%) nor more than ten percent (10%) and have such amount contributed by the City to a Voluntary Employee Contribution Account maintained on his behalf under Component I of the Retirement System. A Member represented by the DPOA may elect to reduce the amount paid to him or her by the City for accumulated sick leave in excess of 400 hours by a whole percentage not less than one percent (1%) nor more than one hundred percent (100%) of such amount and have such amount contributed by the City to a Voluntary Employee Contribution Account maintained on his behalf under Component I of the Retirement System. Voluntary Employee Contributions shall be made to the Retirement System on an after-tax basis. Amounts credited to a Member's Voluntary Employee Contribution Account shall be one hundred percent (100%) vested at all times.

Sec 10.2. Changing an Election to Contribute

A Member may change or revoke an election to make Voluntary Employee Contributions to the Retirement System pursuant to this Article 10 in such manner and with such advance notice as the City shall determine. Notwithstanding the foregoing, a Member shall be permitted to change such election not less frequently than annually.

Sec 10.3. Individual Member Accounting; Crediting of Earnings

The Board shall maintain a Voluntary Employee Contribution Account on behalf of each Member who elects to make Voluntary Employee Contributions to the Retirement System. Each Plan Year, a Member's Voluntary Employee Contribution Account shall be credited with earnings at a rate equal to the actual net investment rate of return on the assets of the Retirement System for the second Fiscal Year immediately preceding the Fiscal Year in which the earnings are credited; in no event, however, shall the earnings rate credited to a Member's Voluntary Employee Contribution Account for any Plan Year be less than zero percent (0%) nor greater than five and one-quarter percent (5.25%).

Sec 10.4. Distribution of Accumulated Voluntary Employee Contributions

- (1) If a Member ceases employment with the City other than by reason of death, the Member may elect to receive distribution of the Accumulated Voluntary Employee Contributions made to the Retirement System by such Member. If a Member elects to receive his Accumulated Voluntary Employee Contributions, such amounts shall be paid to the Member in a lump sum payment or in equal monthly installments for a period not to exceed three years, according to such rules and regulations as the Board may adopt from time to time.
- (2) In lieu of receiving distribution of his Accumulated Voluntary Employee Contributions as provided in Section 10.4(1), a Member may elect to have the Actuarial Equivalent

Value of his Accumulated Voluntary Employee Contributions added to his Retirement Allowance and paid in the form of an annuity described in Section 8.1.

- (3) If a Member dies while employed by the City or following termination of employment but prior to receiving distribution of the Member's Accumulated Voluntary Employee Contributions, the amounts credited to the Member's Voluntary Employee Contribution Account at the time of death shall be paid to the Beneficiary nominated in a written designation duly executed by the Member and filed with the Board. In the event there is no such designated Beneficiary surviving, the Member's Accumulated Voluntary Employee Contributions shall be paid to the Member's estate. If a Member who dies without a legal will has not nominated a Beneficiary, the Member's Accumulated Voluntary Employee Contributions at the time of death may be used to pay burial expenses if the Member leaves no other estate sufficient for such purpose. Such expenses shall not exceed a reasonable amount as determined by the Board.

ARTICLE 11. LOAN PROGRAM FOR VOLUNTARY EMPLOYEE CONTRIBUTIONS

Sec 11.1. The Loan Program

A loan program shall be available to Members who have amounts credited to a Voluntary Employee Contributions Account. The Board is authorized to adopt rules and regulations, from time to time, to govern the administration and the operation of the loan program. Copies of the rules shall be made available to eligible Members in the offices of the Retirement System. Any loans granted or renewed under the Retirement System shall be made and administered pursuant to and in compliance with Section 72(p) of the Internal Revenue Code and regulations thereunder.

Sec 11.2. Eligibility for Loan

Subject to the rules and procedures established by the Board, loans may be made to eligible Members from such Member's Voluntary Employee Contribution Account. An eligible Member is any Member who has participated in the Retirement System for twelve (12) months or more. Former Members, spouses and Beneficiaries are not eligible to receive any loans from the Retirement System. No Member shall have more than two (2) outstanding loans from the Retirement System (Component I and/or Component II) at any time. A Member who has previously defaulted on a loan under either Component I or Component II of the Combined Plan shall not be eligible for a loan from the Retirement System.

Sec 11.3. Amount of Loan

An eligible Member who has satisfied applicable rules and procedures established by the Board may borrow from his Voluntary Employee Contribution Account an amount, which does not exceed the lesser of (i) fifty percent (50%) of the Member's Voluntary Employee Contribution Account balance, and (ii) Fifteen Thousand Dollars (\$15,000.00), in each case reduced by the excess, if any, of: (1) the Member's highest outstanding loan balance under the Retirement System (both Component I and Component II) during the one (1) year period ending on the day before the date on which the loan is made, or (2) the outstanding loan balance under the Retirement System (both Component I and Component II) on the date on which the loan is made, whichever is less. The minimum loan amount shall be One Thousand Dollars (\$1,000.00).

Sec 11.4. Terms and Conditions

In addition to such rules and procedures that are established by the Board, all loans shall comply with the following terms and conditions:

- (a) Each loan application shall be made in writing.
- (b) All loans shall be memorialized by a collateral promissory note for the amount of the loan, including interest, payable to the order of the Retirement System and properly executed by the Member.
- (c) Each loan shall be repaid by substantially equal payroll deductions over a period not to exceed five (5) years, or, where the loan is for the purpose of buying a

principal residence, a period not to exceed fifteen (15) years. In no case shall the amount of the payroll deduction be less than Twenty Dollars (\$20.00) for any two-week pay period. A Member receiving a loan will be required to authorize payroll deductions from his compensation in an amount sufficient to repay the loan over its term.

- (d) An amount equal to the principal amount of the loan to a Member (but not more than one half of the Member's vested interest in the Defined Contribution Plans of the Retirement System) will be designated as collateral for guaranteeing the loan.
- (e) Each loan shall bear interest at a rate determined by the Board. The Board shall not discriminate among Members in its determination of interest rates on loans. However, loans initiated at different times may bear different interest rates, where, in the opinion of the Board, the difference in rates is supported by a change in market interest rates or a change in the Retirement System's current assumed rate of return. The loan interest rate shall bear a reasonable relationship to market rates for secured loans of a similar duration and shall bear a reasonable relationship to the costs to the Retirement System of administering the loan. The loan interest rate shall be calculated in a manner that will not negatively affect either the City's costs with respect to the Retirement System or the investment return allocated to Members.
- (f) Loan repayments shall be suspended during a period of military service, as permitted by Section 414(u)(4) of the Internal Revenue Code. A Member who has an outstanding loan balance from the Retirement System who is absent from employment with the City, and who has satisfied the requirements of Section 414(u) of the Internal Revenue Code shall not be required to make loan repayments to the Retirement System during said periods of absence.

Sec 11.5. Loan Balance

A Member's outstanding loan balance shall be considered a directed investment by the Member and interest payments shall be credited to the Member's Voluntary Employee Contribution Account (provided that the interest credited to the Member's Voluntary Employee Contribution Account shall be reduced appropriately to cover the administrative costs of the loan program and avoid negatively affecting the City's costs or the Retirement System's investment returns), and shall not be part of the Retirement System's net investment income or part of the Member's Voluntary Employee Contribution Account balance for the purpose of allocation of net investment income under the Retirement System.

Sec 11.6. Default

In the event a Member defaults on a loan before the loan is repaid in full, the unpaid balance thereof will become due and payable and, to the extent that the outstanding amount is not repaid by the end of the calendar quarter which follows the calendar quarter in which the last payment was received, such amount shall be deemed to have been distributed to the Member for tax purposes, consistent with Section 72(p) of the Internal Revenue Code.

Sec 11.7. Distribution

No distribution shall be made to a Member, former Member, spouse or Beneficiary from the Retirement System until all outstanding loan balances and applicable accrued interest have been repaid or offset against amounts distributable to the Member from the Retirement System.

ARTICLE 12. DEFERRED RETIREMENT OPTION PLAN (“DROP”) PROGRAM

Sec 12.1. General Provisions

The following provisions are hereby established as the Deferred Retirement Option Plan (“DROP”) Program under Component I, which shall be available to Members who are covered by collective bargaining agreements with the City that permit such Members to participate in the DROP program and those non-union executives of the Police Department and the Fire Department.

- (1) In lieu of terminating employment and accepting a Retirement Allowance under the Component I, any Member of the Retirement System who is eligible for the DROP program and who is eligible to immediately retire and receive an unreduced Retirement Allowance under Section 5.1 may elect to participate in the DROP program and defer the receipt of his or her Retirement Allowance in accordance with the provisions of this Article 12. Any such election shall be irrevocable.
- (2) A Member shall be entitled to participate in the DROP program under Component I for a maximum of five years. At the end of such five year period of participation in the DROP program, the Member shall be retired from employment.

Sec 12.2. Conversion to Retirement Allowance

Upon the effective date of a Member’s participation in the DROP program, the Member shall cease to accrue a Retirement Allowance pursuant to Section 6.1 and shall elect a form of payment for his Retirement Allowance pursuant to Section 8.1. Seventy-five percent (75%) of the monthly Retirement Allowance (including applicable variable Pension Improvement Factor (Escalator) increases) that would have been payable, had the Member elected to terminate employment with the City on the effective date of his or her DROP election and receive an immediate Retirement Allowance, shall be paid into a DROP Account established on behalf of the Member under the Retirement System or in an entity selected by the Board.

Sec 12.3. Investment of DROP Assets

- (1) ING was previously selected by the Board as the DROP administration and investment entity for Members who elect to participate in the DROP program. ING shall continue to be the DROP administration and investment entity, unless and until such time as the Board terminates the agreement with ING as provided in paragraph (4) or determines that it is administratively feasible for the DROP program to be administered and invested under the Retirement System.
- (2) As soon as possible after July 1, 2014, the Board shall determine whether it is administratively feasible for the DROP program to be administered and the assets in DROP accounts invested under the Retirement System. If the Board determines that it is feasible to administer the DROP program under the Retirement System, the Board shall promptly take appropriate steps to implement such decision.

- (3) If amounts credited to a DROP Account are invested under the Retirement System, such amounts shall be comingled with the assets of the Retirement System for investment purposes and shall be invested by the Trustees. A Member's DROP Account shall be credited with annual earnings at a rate equal to seventy-five percent (75%) of the actual net earnings rate of the assets of the Retirement System; however, in no event shall the earnings rate applied to a Member's DROP Account for any Plan Year be less than zero percent (0%) nor greater than seven and three-quarters percent (7.75%).
- (4) The Board of Trustees entered into an administrative services agreement with ING. Such agreement shall remain in effect until such time as it is terminated by the Board as provided therein.
- (5) The Board of Trustees may replace ING with a trust type vehicle or the Board may determine that amounts subject to a DROP election will be invested with Retirement System assets as provided above.
- (6) Any fees associated with the maintenance of DROP Accounts outside of the Retirement System shall be paid by the Members by means of deduction from their DROP Accounts.

Sec 12.4. Distribution of Amounts Credited to DROP Account

A Member shall not receive a distribution of amounts credited to his DROP Account prior to his termination of employment with the City. Upon termination of employment, a Member who is a participant in the DROP program shall receive, at his or her option either a lump sum payment from the DROP Account equal to the amount then credited to the DROP Account or an annuity based upon the amount credited to his DROP Account. In addition, one hundred percent (100%) of the Member's monthly Retirement Allowance that otherwise would have been paid upon the Member's retirement had he or she not elected to participate in the DROP program (together with any applicable variable Pension Improvement Factor (Escalator) increases) shall commence to the Member in accordance with the form of payment selected by the Member at the commencement of his or her participation in the DROP program. Termination of employment includes termination of any kind, such as resignation, retirement, discharge or disability.

Sec 12.5. Death of Member While Participating in the DROP Program

If a Member dies while participating in the DROP program, a lump sum payment equal to the Member's DROP Account balance shall be paid to the Beneficiary named by the Member, or if no Beneficiary has been designated, to the Member's estate. In addition, one hundred percent (100%) of the Member's Retirement Allowance (together with any applicable variable Pension Improvement Factor (Escalator) increases) that would have been paid to the Member but for the Member's decision to participate in the DROP program will be restored. Survivor benefits, if any, shall be paid in accordance with the payment option elected by the deceased Member at the time the Member elected to participate in the DROP program.

Sec 12.6. Disability of Member While Participating in the DROP Program

If a Member becomes Totally Disabled while participating in the DROP program and while still an Employee and his employment with the City is terminated because he is Totally Disabled, such Member (a) shall be immediately retired and one hundred percent (100%) of the Retirement Allowance) that would have been paid to the Member but for the Member's decision to participate in the DROP program (together with any applicable variable Pension Improvement Factor (Escalator) increases) will commence in accordance with the payment option selected by the Member at the commencement of the Member's participation in the DROP program as provided in Section 12.1(2), and (b) shall be entitled to receive payment of the funds in his DROP Account (in the form of a lump sum or other form of payment described in Section 8.1). Such Member shall not be entitled to disability retirement benefits under Section 5.3 or Section 5.4 hereof.

Sec 12.7. Cost Neutrality

- (1) The DROP program shall be effective only for as long as it is cost-neutral to the City, provided however, that the DROP program shall continue during the pendency of proceedings, described in paragraph (2) below, designed to restore the Retirement System to cost neutrality.
- (2) If the City contends that the DROP program is not cost-neutral, including, but not limited to, making the City's annual contribution to the Retirement System higher than it would be if the DROP program was not in effect, the Board and the City, along with the Plan Actuary as well as an actuary appointed by the City (who will be an associate or a fellow of the Society of Actuaries and a member of the American Academy of Actuaries) shall meet and confer in good faith regarding the cost. If the Board and the City are unable to reach an agreement as to cost, the matter shall be submitted to a third, independent, actuary, chosen or agreed upon by the Plan Actuary and the City's actuary. This actuary, when rendering a decision, will be limited to ordering implementation of changes necessary to make the DROP program cost-neutral. Upon the implementation of changes necessary to make the DROP program cost-neutral, Members shall have thirty days to elect to either (a) retire from active employment with the City or (b) withdraw from the DROP program and resume active participation in Component I of the Retirement System. The Board shall notify DROP participants of these changes prior to implementation. Those DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for any time that they were participating in the DROP program (under either Component I or Component II). Those not making either election shall remain participants in the DROP program.
- (3) In the event the DROP program cannot be changed to restore cost neutrality, it shall be discontinued and Members participating in the DROP program at that time shall have the option to either (i) retire or (ii) continue active employment with the City and resume active participation in Component I of the Retirement System. DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for the time during which such DROP participants participated in the DROP program (under Component I or Component II).

ARTICLE 13. LIMITATION ON BENEFITS AND CONTRIBUTIONS

Sec 13.1. Compliance With Code Section 415(b) And Regulations

- (1) Notwithstanding any other provision of this Combined Plan Document, the defined benefit component of the Retirement System shall be administered in compliance with the provisions of Code Section 415(b) and regulations thereunder that are applicable to governmental plans.
- (2) The maximum annual benefit accrued by a Member during a "limitation year" (which shall be the Plan Year) and the maximum annual benefit payable under the Retirement System to a Member at any time within a Plan Year, when expressed as an annual benefit in the form of a straight life annuity (with no ancillary benefits), shall be equal to \$160,000 (as such amount is adjusted pursuant to Code Section 415(d) for such Plan Year).
- (3) Notwithstanding the foregoing:
 - (a) if the benefit under the Retirement System is payable in any form other than a straight life annuity, the determination as to whether the limitation described in Section 13.1(2) has been satisfied shall be made, in accordance with the regulations prescribed by the Secretary of the Treasury, by adjusting such benefit to the Actuarially Equivalent straight life annuity beginning at the same time, in accordance with Section 13.1(9) or (10);
 - (b) if the benefit under the Retirement System commences before Age sixty-two, the determination of whether the limitation set forth in Section 13.1(2) (the "Dollar Limit") has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury, by reducing the Dollar Limit so that the Dollar Limit (as so reduced) is equal to an annual benefit payable in the form of a straight life annuity, commencing when such benefit under the Retirement System commences, which is Actuarially Equivalent to a benefit in the amount of the Dollar Limit commencing at Age sixty-two (adjusted for participation of fewer than 10 years, if applicable); provided, however, if the Retirement System has an immediately commencing straight life annuity commencing both at Age sixty-two and the age of benefit commencement, then the Dollar Limit (as so reduced) shall equal the lesser of (i) the amount determined under this Section 13.1(3)(b) without regard to this proviso, or (ii) the Dollar Limit multiplied by a fraction the numerator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System and the denominator of which is the annual amount of the straight life annuity under the Retirement System, commencing at Age sixty-two; and
 - (c) if the benefit under the Retirement System commences after Age sixty-five, the determination of whether the Dollar Limit has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury, by increasing the Dollar Limit so that the Dollar Limit (as so increased) is equal to an

annual benefit payable in the form of a straight life annuity, commencing when the benefit under the Retirement System commences, which is Actuarially Equivalent to a benefit in the amount of the Dollar Limit commencing at Age sixty-five; provided, however, if the Retirement System has an immediately commencing straight life annuity commencing both at Age sixty-five and the Age of benefit commencement, the Dollar Limit (as so increased) shall equal the lesser of (i) the amount determined under this Section 13.1(3)(c) without regard to this proviso, or (ii) the Dollar Limit multiplied by a fraction the numerator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System and the denominator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System, commencing at Age sixty-five.

- (4) The adjustments in Sections 13.1(3)(b) shall not apply to a Member with at least 15 years of Credited Service as a Police Member or a Fire Member within the meaning of Code Section 415(b)(2)(H). In addition, the adjustments in Sections 13.1(3)(b) and 13.1(6) shall not apply to benefits payable on account of the disability or the death of a Member.
- (5) Notwithstanding the foregoing provisions of this Section 13.1, except as provided in Section 13.1(6), the maximum annual benefit specified in Section 13.1(2) above shall not apply to a particular Retirement System benefit if (a) the annual amount of such Retirement System benefit, together with the aggregate annual amount of any other pensions payable with respect to such Member under all other defined benefit plans maintained by the City, does not exceed \$10,000 for the Plan Year or any prior Plan Year, and (b) the Member was not at any time a participant in a Defined Contribution Plan maintained by the City.
- (6) In the case of a Member who has less than ten years of participation in the Retirement System, the limitation set forth in Section 13.1(2) shall be such limitation (without regard to this Section 13.1(6)), multiplied by a fraction, the numerator of which is the number of years of participation in the Retirement System (or parts thereof) credited to the Member and the denominator of which is ten. In the case of a Member who has less than ten years of Vesting Service, the limitations set forth in Paragraph (b) of Section 13.1(2) and in Section 13.1(5) shall be such limitations (determined without regard to this Section 13.1(6)) multiplied by a fraction, the numerator of which is the number of years of Vesting Service, or parts thereof, credited to the Member and the denominator of which is ten. The adjustment in this Section 13.1(6) shall not apply to benefits paid on account of the disability or death of a Member.
- (7) Notwithstanding anything in this Section 13.1 to the contrary, if the annual benefit of a Member who has terminated employment with the City is limited pursuant to the limitations set forth in Section 13.1(2), such annual benefit shall be increased in accordance with the cost-of-living adjustments of Code Section 415(d).
- (8) For purposes of determining actuarial equivalence under Paragraph (b) or (c) of Section 13.1(3), the interest rate assumption shall be five percent (5%) and the mortality table used shall be the applicable mortality table specified by the Board.

- (9) The Actuarially Equivalent straight life annuity for purposes of adjusting any benefit payable in a form to which Code Section 417(e)(3) does not apply, as required by Paragraph (a) of Section 13.1(3), is equal to the greater of (a) the annual amount of the straight life annuity payable under the Retirement System commencing at the same annuity starting date as the form of benefit payable to the Member, or (b) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using the interest rate and mortality assumptions set forth in Section 13.1(8).
- (10) The Actuarially Equivalent straight life annuity for purposes of adjusting any benefit payable in a form to which Code Section 417(e)(3) applies, as required by Paragraph (a) of Section 13.1(3), is equal to the greatest of (a) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same Actuarial Equivalent present value as the form of benefit payable to the Member, (b) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using a five and one-half percent (5.5%) interest rate assumption and the applicable mortality table specified by the Board, or (c) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using the applicable interest rate and the applicable mortality table, both as specified by the Board, divided by 1.05.
- (11) For purposes of applying the limitations set forth in this Section 13.1, all qualified defined benefit plans (whether or not terminated) ever maintained by the City shall be treated as one defined benefit plan.
- (12) For purposes of this Section 13.1, the term “compensation” shall include those items of remuneration specified in Treasury Regulation § 1.415(c)-2(b) and shall exclude those items of remuneration specified in Treasury Regulation § 1.415(c)-2(c), taking into account the timing rules specified in Treasury Regulation § 1.415(c)-2(e), but shall not include any amount in excess of the limitation under Code Section 401(a)(17) in effect for the year. The term “compensation” as defined in the preceding sentence shall include any payments made to a Member by the later of (a) two and one-half months after the date of the Member’s severance from employment with the City or (b) the end of the limitation year that includes the date of the Member’s severance from employment with the City, provided that, absent a severance from employment, such payments would have been paid to the Member while the Member continued in employment with the City and are regular compensation for services performed during the Member’s regular working hours, compensation for services outside the Member’s regular working hours (such as overtime or shift differential pay), commissions, bonuses or other similar compensation.
- (13) This Section 13.1 shall be administered in conformity with the regulations issued by the Secretary of the Treasury interpreting Code Section 415 including, but not limited to those interpreting Section 415(b)(2)(H), and any regulation providing for the “grandfathering” of any benefit accrued prior to the effective date of such regulations or statutory provision.

Sec 13.2. Compliance with Code Section 415(c) and Regulations

- (1) The “Annual Addition” with respect to a Member for a limitation year shall in no event exceed the lesser of:
 - (a) \$40,000 (adjusted as provided in Code Section 415(d)); or
 - (b) One hundred percent (100%) of the Member’s compensation, as defined in Code Section 415(c)(3) and regulations issued thereunder, for the limitation year.
- (2) The Annual Addition with respect to a Member for a limitation year means the sum of his Voluntary Employee Contributions made to the Retirement System, and the employer contributions, employee contributions and forfeitures allocated to his accounts under any other qualified Defined Contribution Plan (whether or not terminated) maintained by the City, and the amounts described in Code Sections 415(l)(2) and 419A(d)(2) allocated to his account.
- (3) In the event the Annual Addition to the Retirement System on behalf of a Member would otherwise exceed the amount that may be applied for his benefit under the limitation contained in this Section 13.2, the limitation shall be satisfied by reducing the Member’s Voluntary Employee Contributions to the extent necessary and distributing such amounts to the Member.

ARTICLE 14. RETIREMENT SYSTEM ADMINISTRATION

Sec 14.1. Board of Trustees as Retirement System Administrator

- (1) The Retirement Board shall have the power and authority to manage and administer the Retirement System in accordance with the provisions of this Combined Plan Document.
- (2) The Retirement Board shall provide procedures for the processing and review of benefit claims, corrections of errors, and similar matters, as further described in Section 14.2.
- (3) The Retirement Board and the Retirement System shall not make any payment to active or retired Members or Beneficiaries other than payments that are required by the Retirement System as established by this Combined Plan Document. This prohibition applies to all payments that are not authorized by this Combined Plan Document, whether such payments are those commonly referred to as a "thirteenth check" or payments by any other name.

Sec 14.2. Powers and Duties of Board

- (1) The Board shall have the following powers and duties:
 - (a) exclusive authority regarding the administration, management and operation of the Retirement System, including, but not limited to, the right to contract for office space, computer hardware and software, and human resource services (any or all of which may be obtained from the City), and to make rules and regulations with respect to the operation of the Retirement System not inconsistent with the terms of the Combined Plan Document and applicable law, and to amend or rescind such rules and regulations;
 - (b) to determine questions of law or fact that may arise as to the rights of any person claiming rights under the Retirement System;
 - (c) to determine the contributions to the Retirement System required of the City and Members pursuant to the documents governing operation of the Retirement System, including the Plan of Adjustment;
 - (d) to construe and interpret the provisions of the Retirement System and to reconcile any inconsistencies;
 - (e) to perform ministerial functions, whether or not expressly authorized, which the Board may deem necessary or desirable in carrying out its duties under the Retirement System;
 - (f) except to the extent authority is vested in the Investment Committee, authority to employ, contract and pay for professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation of the Retirement System;

- (g) except to the extent authority or responsibility is vested in the Investment Committee, to arrange for annual audits of the records and accounts of the Retirement System by a certified public accountant or by a firm of certified public accountants pursuant to generally accepted auditing standards;
- (h) to prepare an annual report for the Retirement System for each Fiscal Year in compliance with generally accepted accounting principles. The report shall contain information regarding the financial, actuarial, and other activities of the Retirement System during the Fiscal Year. The Board shall furnish a copy of the annual report to the Mayor and finance director of the City, to the chair of the City Council and the Investment Committee. The report shall also contain a review of the latest actuarial valuation of the Retirement System;
- (i) to maintain or cause to be maintained such separate funds and accounts as are required to be maintained under the provisions of Components I and II of the Combined Plan Document and such additional accounts as the Board deems necessary or expedient for the proper administration of the Retirement System and the administration and investment of the assets of the Retirement System. The Board shall maintain suitable records, data and information in connection with the performance of its functions, including, but not limited to, accurate and detailed accounts of all investments, receipts, disbursements, and other actions, including the proportionate interest therein and contributions of each Member who has made contributions to the Retirement System;
- (j) to correct any error in the records of the Retirement System that results in overpayment or underpayment of contributions to the Retirement System by the City or a Member, or overpayment or underpayment of benefits to a Member, former Member, or Beneficiary by the Retirement System. In the event of overpayment to a Member, former Member or Beneficiary, the Board may, as far as practicable, adjust future payments to such individual in such a manner that the Actuarial Equivalent of the benefit to which such individual was entitled shall be paid;
- (k) to the extent permissible under Michigan law (and consistent with the Retirement System's favorable tax qualified status under Code Section 401(a)), purchase one or more insurance policies to indemnify any person and such person's heirs and legal representatives who is made a party to (or threatened to be made a party to) any action, suit or proceeding whether brought by or in the right of the Board, the Investment Committee or the Retirement System or otherwise, by reason of the fact that such person is or was a Board member, Investment Committee member, director, officer, employee or agent of the Board (or an advisory body or committee of the Board) or the Retirement System. The insurance policies purchased by the Board shall not indemnify any person who is judicially determined to have incurred liability due to fraud, gross negligence or malfeasance in the performance of his duties; and

- (l) except to the extent authority or responsibility is vested in the Investment Committee, to perform any other function that is required for the proper administration of the Retirement System.

Sec 14.3. Executive Director; Employees

The Board shall employ on behalf of the Retirement System an executive director and any other employees for which the Board establishes positions. The executive director shall do all of the following:

- (a) manage and administer the Retirement System under the supervision and direction of the Board;
- (b) annually prepare and submit to the Board for review, amendment, and adoption an itemized budget projecting the amount required to pay the Retirement System's expenses for the following Fiscal Year; and
- (c) perform such other duties as the Board shall delegate to the executive director.

The executive director, unless such power is retained by the Board, shall determine the compensation of all employees of the Retirement System (except the executive director, whose compensation shall be determined by the Board and the chief investment officer, whose compensation shall be determined by the Investment Committee) and such compensation shall be payable from the Retirement System. Any person employed by the Retirement System may but need not be an employee of the City.

Sec 14.4. Discretionary Authority

The Board shall have sole and absolute discretion to:

- (a) interpret the provisions of the Retirement System;
- (b) make factual findings with respect to any and all issues arising under the Retirement System;
- (c) determine the rights and status of Members, Retirees, Beneficiaries and other persons under the Retirement System;
- (d) decide benefit claims and disputes arising under the Retirement System pursuant to such procedures as the Board shall adopt; and
- (e) make determinations and findings (including factual findings) with respect to the benefits payable hereunder and the persons entitled thereto as may be required for the purposes of the Retirement System.

Sec 14.5. Administrator's Decision Binding

The Board's decision on any matter arising in connection with administration and interpretation of the Retirement System shall be final and binding on Members, Retirees and Beneficiaries.

ARTICLE 15. MANAGEMENT OF FUNDS

Sec 15.1. Board as Trustee of Retirement System Assets

The Board of Trustees shall be the trustee of the funds held under the Retirement System, shall receive and accept all sums of money and other property paid or transferred to it by or at the direction of the City, and subject to the terms of Article 16, shall have the power to hold, invest, reinvest, manage, administer and distribute such money and other property subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by *Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws*, as amended.

Sec 15.2. Maintenance of Segregated Funds

The Board of Trustees shall maintain separate funds as required for the proper administration of the Retirement System and shall not commingle the assets held under the Retirement System for the purpose of funding benefits accrued by Members prior to July 1, 2014, together with earnings and losses on such assets (or replacement assets), as more fully described in Component II of this Combined Plan document, with the assets of the Retirement System held for the purpose of paying benefits accrued by Members on and after July 1, 2014 as described in this Component I of the Combined Plan document. Notwithstanding the foregoing, the assets held under Components I and II of this Combined Plan document may be commingled for investment purposes and transferred as provided in Section G-2(f) of Component II.

Sec 15.3. Custodian of Funds

The Board of Trustees shall appoint or employ custodians of the assets of the Retirement System. The custodians shall perform all duties necessary and incidental to the custodial responsibility and shall make disbursements as authorized by the Board.

Sec 15.4. Exclusive Purpose

All money and other assets of the Retirement System shall be held by the Trustees and invested for the sole purpose of paying benefits to Members and Beneficiaries and shall be used for no other purpose. In exercising its discretionary authority with respect to the management of the money and other assets of the Retirement System, the Trustees shall exercise the care, skill, prudence and diligence under the circumstances then prevailing, that a person acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

Sec 15.5. Prohibited Conduct

Members of the Board and employees of the Retirement System are prohibited from:

- (1) Having any beneficial interest, direct or indirect, in any investment of the Retirement System;

- (2) Being an obligor or providing surety for any money loaned to or borrowed from the Retirement System;
- (3) Except as provided in Article 11, borrowing any money or other assets of the Retirement System; and
- (4) Receiving any pay or other compensation from any person, other than compensation paid by the Retirement System, with respect to investments of the Retirement System.

ARTICLE 16. INVESTMENT OF RETIREMENT SYSTEM ASSETS

Sec 16.1. Investment Powers of the Board and the Investment Committee

Subject to the requirements set forth in this Article 16, the Board shall have the power and authority to manage, control, invest and reinvest money and other assets of the Retirement System subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by *Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws*, as amended. Notwithstanding anything in this Combined Plan Document to the contrary, for the twenty year period following the effective date of the Plan of Adjustment, the Investment Committee shall make recommendations to the Board with respect to investment management matters as provided in this Article 16.

All investment management decisions made by the Board, as more fully described in Section 16.2, shall require a recommendation by an affirmative vote of the Investment Committee as provided in this Combined Plan Document. The Board shall take no action with respect to any matter for which the Investment Committee has responsibility and authority, including the investment management matters described in Section 16.2, unless and until such action has been approved by affirmative vote of the Investment Committee. All actions and recommendations of the Investment Committee shall be forwarded to the Board for consideration and are subject to Board approval. If (a) the Board fails to approve or disapprove an investment management decision that has been recommended by an affirmative vote of the Investment Committee, and such failure continues for forty-five days after the date that the recommendation was made to the Board, or (b) the Board disapproves an investment management decision within such forty-five day period but fails to provide to the Investment Committee within such forty-five day period a detailed written response outlining the reasons for such disapproval, then the Investment Committee and the chief investment officer are authorized to implement the decision.

If the Board disapproves an investment management decision within such forty-five day period and provides to the Investment Committee within such forty-five day period a detailed written response outlining the reasons for such disapproval, then the Investment Committee shall have forty-five days after the receipt of the Board response to either (a) withdraw the recommended investment management decision, or (b) request, in writing, a conference with the Board to be held within ten days, but not less than five business days, of the request by the Investment Committee to discuss the disapproval by the Board described in the written response. Any such conference shall be conducted with at least three independent Investment Committee members present in person or by phone. Within ten days of the commencement of the conference or twenty days following the Investment Committee's request for a conference if no conference is held, the Investment Committee shall either withdraw the recommended investment management decision or provide the Board with a written explanation of the Investment Committee's decision to proceed with the recommended investment management decision. After delivery of such written explanation by the Investment Committee, the Investment Committee and the chief investment officer are authorized to implement the decision. Any action taken by the Board or the Investment Committee in violation of the terms of this Article 16 shall constitute an *ultra vires* act and the Investment Committee or the Board is

granted the express right to seek to preliminarily enjoin such action without the need to show irreparable harm.

Sec 16.2. Investment Management

- (1) For purposes of this Combined Plan, “investment management decisions” and “investment management matters” shall include:
 - (a) development of an investment policy statement with sound and consistent investment goals, objectives, and performance measurement standards which are consistent with the needs of the Retirement System;
 - (b) within 120 days after the effective date of the Plan of Adjustment, placement of all of the assets of the Retirement System not already under qualified management with qualified investment managers selected by the Investment Committee;
 - (c) evaluation, retention, termination and selection of qualified managers to invest and manage the Retirement System’s assets;
 - (d) review and affirmation or rejection of the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Actuary including, but not limited to (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the pension restoration program attached to the Plan of Adjustment (as more fully described in Article K of Component II of this Combined Plan Document), (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after Fiscal Year 2024, the recommended annual contributions to the Retirement System in accordance with applicable law;
 - (e) in accordance with approved actuarial work as provided in paragraph (d) above and based on the annual actuarial valuation reports and any other projections or reports as applicable from the Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of lost COLA payments, all in conformance with the pension restoration program attached to the Plan of Adjustment;
 - (f) communication of the Retirement System’s investment goals, objectives, and standards to the investment managers, including any material changes that may subsequently occur;
 - (g) determination and approval of the Retirement System’s investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Retirement System;
 - (h) the taking of corrective action deemed prudent and appropriate when an investment manager fails to perform as expected;

- (i) interpretation of Retirement System governing documents, existing law, the Plan of Adjustment or other financial determination that could affect funding or benefit levels;
- (j) review and approval, prior to final issuance, of the annual audit and all financial reports prepared on behalf of the Retirement System and meet and confer with the Auditor or other professional advisors as necessary prior to approval of the annual audit or other financial reports;
- (k) determination of the funding status of the Retirement System and any remedial action to be taken pursuant to Section 9.5; and
- (l) causing an asset/liability valuation study to be performed for the Retirement System every three years or, more often, as requested by the Investment Committee or the Board.

All actions of the Investment Committee shall comply with the provisions of pertinent federal, state, and local laws and regulations, specifically *Public Act 314* and *Plan Investment Guidelines*.

Sec 16.3. Best Practices

Prior to adopting investment guidelines and asset allocation policies, selecting investment managers or adopting investment return assumptions, the Investment Committee shall have an understanding of and shall give appropriate consideration to the following:

- (a) the fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets;
- (b) the objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the pension restoration program described in the Plan of Adjustment and Component II of this Combined Plan Document, to the extent that it is prudent and consistent with the overall funding, liquidity needs and actuarial assumptions governing the Retirement System; and
- (c) the liquidity needs of the Retirement System.

Sec 16.4. Chief Investment Officer

The Investment Committee shall have the exclusive power to select, retain and terminate the services of a chief investment officer for the Retirement System. The Investment Committee shall determine any and all compensation and other terms of employment of any chief investment officer hired by it. The chief investment officer shall report directly to the Investment Committee and the Executive Director of the Board. The chief investment officer shall be responsible for assisting the Investment Committee and the Board with respect to oversight of the Retirement System's investment portfolio. The chief investment officer shall

provide such periodic reports relating to the Retirement System's assets to the Investment Committee and the Board as it or they shall request.

Sec 16.5. Investment Consultants

The Board and/or Investment Committee may retain the services of one or more investment consultants who shall be responsible for assisting the Investment Committee and the Board with oversight of the Retirement System's investment portfolio. Any such investment consultant shall be a registered advisor with the United States Securities and Exchange Commission and shall be a nationally recognized institutional investment consultant with expertise in the investment of public pension plan assets. Any such investment consultant shall acknowledge in writing its role as investment fiduciary with respect to the Retirement System as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* The Board or the Investment Committee, as appropriate, shall determine the compensation and other terms of employment of any investment consultant hired by it. The duties of an investment consultant may include, but shall not be limited to:

- (a) providing an asset/liability valuation study for the Retirement System;
- (b) reviewing the Retirement System's asset allocation based on current market assumptions;
- (c) identifying and recommending to the Investment Committee and the Board appropriate investment strategies based on the financial condition of the Retirement System;
- (d) implementing the approved investment strategies, such as recommending to the Investment Committee, for Board approval, an asset allocation strategy, building an investment structure for the Retirement System, and identifying qualified investment managers (through an organized search process) to execute and implement investment strategies;
- (e) monitoring and evaluating the ongoing progress of the investment managers toward stated investment goals and objectives;
- (f) recommending to the Investment Committee and the Board any necessary corrective actions, including adjustments to the investment structure or investment management organizations in the event of a deviation from expectations;
- (g) communicating the investment policies of the Retirement System to the investment managers;
- (h) reviewing the investment policies with the appropriate employees of the Retirement System;
- (i) aiding the Investment Committee in providing recommendations on issues relating to rebalancing and cash flow management, securities lending, transition management, cash equalization and other investment related topics;

- (j) attending Investment Committee and Board meetings in person, or telephonically, as needed or as requested;
- (k) meeting with the Investment Committee to provide detailed quarterly performance reports and executive summaries of performance;
- (l) meeting with the Investment Committee and the Board to review capital markets and inform the Board and Retirement System employees on the current investment environment; and
- (m) meeting with the Investment Committee and the Board to provide recommendations on asset allocation, investment structure, and manager selections.

Sec 16.6. Consistency With Plan of Adjustment

Nothing herein shall be interpreted as permitting the Investment Committee or the Board to alter or depart from the requirements set forth in the Plan of Adjustment.

ARTICLE 17. RETIREE MEDICAL ACCOUNT

Sec 17.1. Establishment of Account

A Medical Benefits Account shall be established and maintained under the Retirement System out of which the Board of Trustees shall pay the cost, which would otherwise be borne by the City, for certain medical and related benefits provided under the plans or programs maintained by the City to provide Medical Benefits (the "Medical Plans") for the benefit of the Medical Beneficiaries. The provisions of this Article 17 are intended to comply with Section 401(h) of the Code and shall be construed to comply therewith.

Sec 17.2. Effective Date

Medical Benefits shall be paid from the Medical Benefits Account beginning October __, 2014 or such other date recommended by an enrolled actuary (within the meaning of Section 7701(a)(35) of the Code) and approved by the Board and Investment Committee.

Sec 17.3. Funding of Benefits

Subject to the right reserved to the City to amend or terminate the provision of Medical Benefits under its general power to amend the Combined Plan document under Section 18.5, the City expects and intends to make actuarially determined contributions under the Retirement System from time to time to fund the Medical Benefits Account. The assets of the Medical Benefits Account may be invested together with the other assets of the Retirement System, in which case earnings of the Retirement System shall be allocated to the Medical Benefits Account on a reasonable basis or such assets may be invested separately. In any event, no part of the Retirement System, other than the assets of the Medical Benefits Account, shall be available to pay for any part of the cost of Medical Benefits.

The amount determined by the City to be contributed for any Plan Year pursuant to the paragraph above shall be reasonable and ascertainable and shall not exceed the total cost for such Plan Year of providing Medical Benefits to the Medical Beneficiaries, determined in accordance with generally accepted actuarial methods and assumptions that are reasonable in view of the provisions and coverage of the medical and other welfare plans providing such benefits, the funding medium and any other applicable considerations. At the time the City makes a contribution to the Trustee, the City shall designate the portion thereof that is allocable to the Medical Benefits Account.

Sec 17.4. Limitation on Contributions

At all times the aggregate of the contributions made by the City to provide Medical Benefits shall not exceed twenty-five percent (25%) of the sum of the aggregate contributions made by the City to the Plan under Sections 9.3 and 9.5, other than the contributions to fund past service credits, plus the aggregate contributions to the Medical Benefits Account. In the event that a contribution under Section 17.3 shall exceed the amount described in the preceding sentence, such contribution shall be reduced by the excess amount.

Sec 17.5. Impossibility of Diversion

In no event, prior to the satisfaction of all liabilities to provide Medical Benefits shall the Medical Benefits Account be used for, or diverted to, any purpose other than the payment of such benefits and any necessary or appropriate expenses of administration associated therewith. Any amounts credited to the Medical Benefits Account following the satisfaction of all such liabilities shall be returned to the City.

Sec 17.6. Administration

The Medical Plans shall continue to be administered, and claims processed, under their respective terms. Notwithstanding, the interpretation and administration of the terms of this Article 17 shall be pursuant to the provisions of the Combined Plan document.

Sec 17.7. Right to Amend or Terminate Medical Plans

The City expressly reserves the exclusive right, retroactively to the extent permitted by law, to amend, modify, change, terminate or revoke any medical or other welfare plan or policy maintained by the City that provides medical or other welfare benefits, including but not limited to Medical Benefits, and to require Members, former Members, their eligible spouses and dependents to pay all or any portion of the cost of such medical benefits.

Sec 17.8. Reversion

At any time prior to the satisfaction of all liabilities under the Retirement System to provide Medical Benefits, no part of the Medical Benefits Account may be used for any purpose other than providing Medical Benefits, and any necessary or appropriate expenses attributable to the administration of the Medical Benefits Account. If any residual assets remain in the Medical Benefits Account after the satisfaction of all obligations of the City to provide Medical Benefits to the Medical Beneficiaries, such assets shall be returned to the City. In the event a Medical Beneficiary's interest in the Medical Benefits Account is forfeited prior to the termination of the Retirement System, an amount equal to such forfeiture shall be applied as soon as possible to reduce the City's contributions.

Sec 17.9. Limitation of Rights

A Medical Beneficiary shall have no right, title or claim in any specific asset of the Medical Benefits Account, but shall have the right only to the Medical Benefits provided from time to time under the Medical Benefits Account.

ARTICLE 18. MISCELLANEOUS

Sec 18.1. Nonduplication of Benefits

If any Member is a participant in another defined benefit pension plan, retirement system or annuity plan sponsored by the City (including Component II of this Retirement System) and the Member is or becomes entitled to accrue pension benefits under such plan or retirement system (including Component II of this Retirement System) with respect to any period of service for which he is entitled to accrue a benefit under Component I of this Retirement System, such Member shall not be eligible to accrue or receive payment of a benefit under Component I with respect to such period of service.

Sec 18.2. Assignments Prohibited

The right of a person to a pension, annuity, the return of Accumulated Voluntary Employee Contributions and/or the return of Accumulated Mandatory Employee Contributions, the Retirement Allowance itself, to any optional form of benefit, to any other right accrued or accruing to any person under the provisions of this Retirement System, and the monies in the various funds of the Retirement System shall not be assignable and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, except as specifically provided in this Combined Plan Document or by an eligible domestic relations order of a lawful court.

Sec 18.3. Protection Against Fraud

A person who, with intent to deceive, makes any statements or reports required under this Retirement System that are untrue, or who falsifies or permits to be falsified any record or records of this Retirement System, or who otherwise violates, with intent to deceive, any terms or provisions of the Retirement System, shall be subject to prosecution under applicable law.

Sec 18.4. Conviction of Felony; Forfeiture of Rights

If a Member or Beneficiary shall be convicted by a court of competent jurisdiction of a felony or high misdemeanor involving moral turpitude committed during active Service, the Board shall have the power to order the forfeiture of all rights of the Member or Beneficiary to benefits hereunder, except the return of the Member's Accumulated Mandatory Employee Contributions and Accumulated Voluntary Employee Contributions.

Sec 18.5. Amendment; Termination; Exclusive Benefit

The City reserves the right to amend the Combined Plan document created hereunder at any time; such amendments may include termination of the Retirement System; provided, however, that following the effective date of the Plan of Adjustment, no amendment other than amendments permitted under the terms of the Plan of Adjustment (including amendments contemplated in Section K-4(5) of Component II) may be made to the terms, conditions and rules of operation of the Combined Plan or any successors plan or trust that govern the calculation of pension benefits, nor may any amendment or termination deprive any Member, former Member or Beneficiary of any then vested benefit under the Retirement System, except as provided in the

Plan of Adjustment. Notwithstanding the foregoing, the City and the Board have the authority to amend the Combined Plan document as necessary to retain the tax qualified status of the Retirement System under the Internal Revenue Code. The City shall make no amendment or amendments to the Retirement System which causes any part of the assets of the Retirement System to be used for, or diverted to, any purpose other than the exclusive benefit of Members, former Members or their Beneficiaries; provided, that the City may make any amendment necessary, with or without retroactive effect, to comply with applicable federal law. Any amendment of the Retirement System by the City must be approved by the Council or a person standing in the stead of the Council.

Upon termination of the Retirement System or upon complete discontinuance of contributions to the Retirement System, the rights of all Members to benefits accrued to the date of such termination or discontinuance, to the extent then funded, shall be nonforfeitable.

Sec 18.6. Forfeitures Not to Increase Benefits

Any forfeitures arising under the Retirement System due to a Member's termination of employment or death, or for any other reason, shall be used to pay expenses of the Retirement System and shall not be applied to increase the benefits any Member would otherwise receive under the Retirement System at any time prior to termination of the Retirement System.

Sec 18.7. Required Distributions - Compliance with Code Section 401(a)(9) and Regulations

The Retirement System will apply the minimum distribution requirements of Code Section 401(a)(9) in accordance with the final regulations issued thereunder, notwithstanding any provision in the Combined Plan document to the contrary. Pursuant to Code Section 401(a)(9)(A)(ii), a Member's interest must begin to be distributed by the later of (i) the April 1 of the calendar year following the calendar year that he attains the Age of seventy and one-half (70-1/2), or (ii) April 1 of the calendar year following the year in which he retires. Distributions will be made in accordance with Regulations Sections 1.401(a)(9)-2 through 1.401(a)(9)-9. The provisions of this Section 18.7 and the regulations cited herein and incorporated by reference override any inconsistent plan distribution options.

Sec 18.8. Direct Rollovers

- (1) For purposes of compliance with Code Section 401(a)(31), a distributee may elect, at the time and in the manner prescribed by the Board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.
 - (a) For purposes of this Section 18.8, the following terms shall have the following meanings:
 - (b) "*Direct rollover*" means a payment by the Retirement System to an eligible retirement plan specified by a distributee.

- (c) “*Distributee*” means a Member or former Member. It also includes the Member’s or former Member’s surviving spouse, a spouse or former spouse who is the alternate payee under an eligible domestic relations order, or a nonspouse beneficiary who is a designated beneficiary as defined by Code Section 401(a)(9)(E). However, a nonspouse beneficiary may only make a direct rollover to an individual retirement account or individual retirement annuity established for the purpose of receiving the distribution, and the account or annuity will be treated as an “inherited” individual retirement account or annuity.
- (d) “*Eligible retirement plan*” means any of the following that accepts a distributee’s eligible rollover distribution:
- (i) a qualified trust described in Code Section 401(a);
 - (ii) an annuity plan described in Code Section 403(a);
 - (iii) an annuity contract described in Code Section 403(b);
 - (iv) an individual retirement account described in Code Section 408(a);
 - (v) an individual retirement annuity described in Code Section 408(b);
 - (vi) a Roth IRA described in Code Section 408A; or
 - (vii) a plan eligible under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or a political subdivision of a state that agrees to separately account for amounts transferred into that plan from the Retirement System.
- (e) “*Eligible rollover distribution*” means any distribution of all or any portion of the balance to the credit of a distributee under the Retirement System, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or the life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee’s designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); the portion of any distribution that is not includible in gross income; and any other distribution which the Internal Revenue Service does not consider eligible for rollover treatment, such as any distribution that is reasonably expected to total less than \$200 during the year. Notwithstanding the foregoing, a portion of a distribution will not fail to be an “eligible rollover distribution” merely because the portion consists of after-tax contributions that are not includible in Member’s gross income upon distribution from the Retirement System. However, such portion may be transferred only (i) to an individual retirement account or annuity described in Code Section 408(a) or (b) or to a qualified defined contribution plan described in Code Section 401(a) that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion

of the distribution that is includible in gross income and the portion of the distribution that is not so includible; (ii) to a qualified defined benefit plan described in Code Section 401(a) or to an annuity contract described in Code Section 403(b) that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible; or (iii) to a Roth IRA described in Code Section 408A.

Sec 18.9. Construction

Words in the singular should be read and construed as though used in the plural, and words in the plural should be read and construed as though used in the singular, where appropriate. The words “hereof”, “herein”, and “hereunder” and other similar compounds of the word “here”, shall mean and refer to Component I of this Combined Plan document and not to any particular provision or section thereof. The table of contents, article and section headings are included for convenience of reference, and are not intended to add to, or subtract from, the terms of the Combined Plan document or the Retirement System created hereunder.

Sec 18.10. Severability

If any section or part of a section of this Combined Plan document or provision relating to the Retirement System is for any reason held to be invalid or unconstitutional, such holding shall not be construed as affecting the validity of the remaining sections of the Combined Plan document or Retirement System or of the Combined Plan document or Retirement System in its entirety.

EXHIBIT I.A.254.b

PRINCIPAL TERMS OF NEW PFRS ACTIVE PENSION PLAN

NEW PFRS ACTIVE PENSION PLAN -- MATERIAL TERMS

1. Benefit Formula for all employees is Final Average Compensation (average base compensation over last 5 consecutive years of employment) x Years of Service earned after June 30, 2014 x 2.0%. Average base compensation means no overtime, no unused sick leave, no longevity or any other form of bonus – just employee's base salary.
2. Actual time for benefit accrual is actual time served. For vesting service, 1,000 hours in a 12 month period to earn a year of service.
3. Normal Retirement Age for all employees is age 50 with 25 years of service, with the following 7 year transition period:

<u>Fiscal Year</u>	<u>Age and Service</u>
2015	Age 43 and 20 years
2016	Age 43 and 20 years
2017	Age 44 and 21 years
2018	Age 45 and 22 years
2019	Age 46 and 23 years
2020	Age 47 and 24 years
2021 and thereafter	Age 50 and 25 years

4. 10 Years of Service for vesting.
5. Deferred vested pension -- 10 years of service and age 55 for reduced benefit; 10 years of service and age 62 for unreduced benefit.
6. Duty Disability - consistent with current PFRS
7. Non-Duty Disability – consistent with current PFRS
8. Non-Duty Death Benefit for Surviving Spouse – consistent with current PFRS
9. Duty Death Benefit for Surviving Spouse – consistent with current PFRS
10. COLA: 1% compounded, variable
11. DROP Accounts will be available for existing and future accrued benefits for employees who are eligible to retire under concurrent eligibility requirements. No more than 5 years of DROP participation (both for Old PFRS and New PFRS) for employees not already in DROP. DROP accounts will be managed by the PFRS instead of ING, if administratively and legally feasible. If managed by PFRS, interest will be credited to DROP accounts at a rate equal to 75% of the actual net investment return of PFRS, but in no event lower than 0% or higher than 7.75%.

12. Annuity Savings Fund – employees may make voluntary Annuity Savings Fund contributions up to 10% of total after-tax pay. Interest will be credited at the actual net investment rate of return for PFRS, but will in no event be lower than 0% or higher than 5.25%. No in-service withdrawals permitted. An employee represented by the Detroit Police Officers Association may elect to contribute up to 100% of the amount paid to him or her by the City for accumulated sick leave in excess of 400 hours.
13. Investment Return/Discount rate – 6.75%
14. City Contributions
 - a. Detroit Fire Fighters Association Employees
 - i. 11.2% of the base compensation of eligible employees for payroll periods beginning prior to the effective date of the collective bargaining agreement and 12.25% of the base compensation of eligible employees for payroll periods beginning after the effective date of the collective bargaining agreement. A portion of such contribution will be credited to a rate stabilization fund.
 - b. Detroit Police Command Officers Association Employees
 - i. 12.25% of the base compensation of eligible employees. A portion of such contribution will be credited to a rate stabilization fund.
 - c. Detroit Police Officers Association Employees
 - i. 11.2% of the base compensation of eligible employees for payroll periods beginning prior to the effective date of the collective bargaining agreement and 12.25% of the base compensation of eligible employees for payroll periods beginning after the effective date of the collective bargaining agreement. A portion of such contribution will be credited to a rate stabilization fund.
 - d. Detroit Police Lieutenants and Sergeants Association Employees
 - i. 12.25% of the base compensation of eligible employees. A portion of such contribution will be credited to a rate stabilization fund.
15. Employee Contributions – Employees hired before July 1, 2014 (current actives) will contribute 6% of base compensation (pre-risk shifting); employees hired on or after July 1, 2014 (new employees) will contribute 8% of base compensation (pre-risk shifting). Maximum employee contributions of 10% (current actives) and 12% (new employees).
16. Risk Shifting:
 - a. If the funding level is less than 90% (using the fair market value of assets), COLAs will be eliminated (to the extent applicable).

- b. If the funding level is 90% or lower (using the fair market value of assets and a 3-year look back period), the following corrective actions will be taken in the order listed below, until the actuary can state that by virtue of the use of corrective action, and a 6.75% discount rate and return assumption, the funding level is projected to be 100% on a market value basis within the next 5 years:
- i. eliminate COLAs (if applicable);
 - ii. use amounts credited to the rate stabilization fund to fund accrued benefits;
 - iii. increase employee contributions by 1% per year (6% to 7% for current actives and 8% to 9% for new employees) for up to 5 years;
 - iv. increase employee contributions (active and new employees) by an additional 1% per year;
 - v. increase employee contributions (active and new employees) by an additional 1% per year;
 - vi. implement a 1 year COLA fallback;
 - vii. implement a second 1 year COLA fallback;
 - viii. increase employee contributions by an additional 1% per year; and
 - ix. increase City contributions consistent with applicable actuarial principles and PERSIA.

EXHIBIT I.A.280

PRIOR GRS PENSION PLAN

**COMBINED PLAN
FOR THE
GENERAL RETIREMENT SYSTEM
OF THE
CITY OF DETROIT, MICHIGAN**

Amendment and Restatement Effective July 1, 2014

TABLE OF CONTENTS

	Page
COMPONENT II.....	1
ARTICLE A. COMMON PROVISIONS OF THE GENERAL RETIREMENT SYSTEM.....	2
Sec. A-1. Common Provisions.....	2
ARTICLE B. FREEZE OF GENERAL RETIREMENT SYSTEM AS OF JUNE 30, 2014.....	4
Sec. B-1. Freeze of Eligibility and Benefits Under General Retirement System.....	4
ARTICLE C. DEFINITIONS.....	6
Sec. C-1. Definitions.....	6
ARTICLE D. SERVICE CREDIT	11
Sec. D-1. Service Credit.....	11
Sec. D-2. Service Credit; Former Employees of the Founder’s Society— Detroit Institute of Arts	11
Sec. D-3. Service Credit; Transfer to Other Governmental Service	11
Sec. D-4. Service Credit; Military Service	11
Sec. D-5. Service Credit; Qualified Military Service (Pre-Employment Service)	11
ARTICLE E. DEFINED BENEFIT/DEFINED CONTRIBUTION (ANNUITY) PLAN OF THE GENERAL RETIREMENT SYSTEM.....	13
Sec. E-1. Membership	13
Sec. E-2. Cessation of Membership; Re-Employment by the Employer	13
Sec. E-3. Service Retirement.....	16
Sec. E-4. Service Retirement Allowance	19
Sec. E-5. Disability Retirement	20
Sec. E-6. Accidental Death Benefit; Performance of Duty	23
Sec. E-7. Accumulated Contributions; Return of 1973 Defined Contribution Plan Amount	24
Sec. E-8. Retirement Allowance Options.....	25
Sec. E-9. Benefits for Surviving Spouses; Generally.....	27
Sec. E-10. Benefits for Surviving Spouses; Disability Retirees.....	27
Sec. E-11. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary	28

TABLE OF CONTENTS

(continued)

	Page
Sec. E-12. Pensions Offset by Compensation Benefits; Subrogation	28
Sec. E-13. Disability Retirees; Reexamination; Authority of the Board.....	28
Sec. E-14. Transfer of Department or Department Functions; Generally	29
Sec. E-15. Pension Improvement Factor (Escalator).....	30
Sec. E-16. Adoption of Rates of Interest; Limitations on Payments By Retirement System; Transfer of Investment Returns in Excess of Crediting Rate	31
Sec. E-17. Funds.....	32
Sec. E-18. Method of Financing.....	32
Sec. E-19. Determination of City's Annual Contribution	35
ARTICLE F. PARTICIPANT LOAN PROGRAM.....	36
Sec. F-1. Established	36
Sec. F-2. The Loan Program	36
Sec. F-3. Eligibility	36
Sec. F-4. Amount of Loan.....	37
Sec. F-5. Terms and Conditions	37
Sec. F-6. Renewal of Loan	38
Sec. F-7. Loan Balance	38
Sec. F-8. Distributions.....	38
Sec. F-9. Annual Report.....	38
ARTICLE G. SPECIAL PLAN OF ADJUSTMENT PROVISIONS	39
Sec. G-1. Benefit Changes Implemented Pursuant to the Terms of the Plan Of Adjustment.....	39
Sec. G-2. Annuity Savings Fund Recoupment	40
Sec. G-3. Income Stabilization Benefits	43
Sec. G-4. Restoration of Pension Benefits.....	46
ARTICLE H. MISCELLANEOUS PROVISIONS OF THE GENERAL RETIREMENT SYSTEM.....	56
Sec. H-1. Enforcement; Civil Action.....	56
Sec. H-2. Limitation of Other Statutes.....	56

COMPONENT II

ARTICLE A. COMMON PROVISIONS OF THE GENERAL RETIREMENT SYSTEM

Sec. A-1. Common Provisions

Certain provisions of the Combined Plan for the General Retirement System of the City of Detroit, Michigan described below are common to both Component I and this Component II as in effect July 1, 2014. Those provisions are set forth in the following Sections of Component I:

(a) Article I (General Provisions);

(b) Article II (Definitions):

Actuarial Equivalent or Actuarially Equivalent

Actuarially Equivalent Value

Administrative Rules and Regulations

Age; Attainment of

Board of Trustees or Board or Retirement Board

City

City Council or Council

Combined Plan

Component I

Component II

Employer

Fiscal Year

General Retirement System or Retirement System

Internal Revenue Code or Code

Investment Committee

Member

Notice to Members, Beneficiaries and Retirees;

Plan Actuary or Actuary;

Plan Document or Combined Plan Document;

Plan of Adjustment;

Plan Year;

Spouse; and

Straight Life Retirement Allowance;

- (c) Article 12 (Limitation on Benefits and Contributions);
- (d) Article 13 (Retirement System Administration);
- (e) Article 14 (Management of Funds);
- (f) Article 15 (Investment of Retirement System Assets); and
- (g) Article 17 (Miscellaneous).

ARTICLE B. FREEZE OF GENERAL RETIREMENT SYSTEM AS OF JUNE 30, 2014

Sec. B-1. Freeze of Eligibility and Benefits Under General Retirement System

Notwithstanding anything in Articles I, II, III, or IV of Chapter 47 of the 1984 Detroit City Code or this Combined Plan for the General Retirement System of the City of Detroit, Michigan to the contrary, effective as of June 30, 2014 (the “Freeze Date”):

- (a) No new employee hired by an Employer on or after July 1, 2014 shall become a Member who is eligible to accrue a benefit under the terms of the General Retirement System in effect as of the Freeze Date;
- (b) No employee who is rehired by an Employer on or after July 1, 2014 shall become a Member who is eligible to accrue either a benefit or service credit for any purpose under the terms of the General Retirement System in effect as of the Freeze Date; provided, however, that a Member who is entitled to a Frozen Accrued Benefit as defined in subsection (c) of this Section B-1 and who is rehired by an Employer on or after July 1, 2014 but prior to the date the Member incurs a six-year break in service shall be eligible to accrue service credit following rehire solely for the purpose of determining the Member’s vesting in and eligibility for payment of his Frozen Accrued Benefit;
- (c) Benefit accruals for Members with respect to service rendered prior to July 1, 2014 will be frozen based on a Member’s years of service, Average Final Compensation, and the pension multiplier formulae in effect as of such Freeze Date under the terms of the General Retirement System (“Frozen Accrued Benefit”);
- (d) Except as otherwise provided in subsection (e) of this Section B-1, compensation of a Member shall be frozen effective as of the Freeze Date for purposes of determining the Member’s Frozen Accrued Benefit. No compensation of any type earned by a Member after the Freeze Date shall be taken into consideration for purposes of determining the Member’s Frozen Accrued Benefit under the General Retirement System;
- (e) Any Member who, as of June 30, 2014, would have been eligible to elect to use a portion of his unused accrued sick leave to increase his Average Final Compensation (“Sick Leave Rollover”) if the Member had been eligible to retire and had elected to retire as of June 30, 2014, shall have a one-time election (“Special Election”) to add the value of twenty-five percent (25%) of the Member’s unused sick leave accrued for purposes of the Sick Leave Rollover in accordance with the terms of the applicable collective bargaining agreement, City Employment Terms or Detroit Code of Ordinance to the earnings used in computing Average Final Compensation for purposes of determining the Member’s Frozen Accrued Benefit; provided, however, that at least twenty-five percent (25%) of the Member’s sick leave accrued for purposes of the Sick Leave Rollover in accordance with the terms of the applicable collective bargaining agreement, City Employment Terms or Detroit Code of Ordinance remains in the Member’s sick leave bank at the time the completed Special Election form is received by the Retirement System and, provided further that the completed Special Election form is received by the Retirement System no later than August 22, 2014 or, if later, the date set forth in a collective bargaining

agreement between the City and a union whose members are eligible to make a Special Election. A Member's Special Election shall be made in the manner set forth by the Board of Trustees and the Retirement System. A Member may revoke a Special Election, as long as such revocation occurs on or before the latest date upon which such Member is permitted to make a Special Election. Notwithstanding anything in this subsection (e) to the contrary, a Member's Special Election will be void and the determination of the Member's Average Final Compensation for purposes of calculating the Member's Frozen Accrued Benefit will not take into account any of the Member's unused sick leave, if (i) the electing Member would not have been eligible to receive an immediate service retirement if he retired as of June 30, 2014, and (ii) the electing Member's employment with an Employer is terminated before the electing Member becomes eligible for an immediate service retirement under the Retirement System;

- (f) Service earned after the Freeze Date shall be credited to a Member solely for purposes of determining the Member's vesting in and eligibility for payment of his or her Frozen Accrued Benefit. Service credit for all Members for benefit accrual purposes under the terms of the General Retirement System in effect as of the Freeze Date shall be frozen effective as of the Freeze Date and no Member shall earn service credit with respect to benefits payable under the terms of the General Retirement System in effect as of the Freeze Date (except for vesting and benefit payment eligibility purposes) after the Freeze Date; and
- (g) No Member shall make contributions to the Annuity Savings Fund under the General Retirement System in effect as of June 30, 2014 with respect to wages earned on or after the earliest date following June 30, 2014 that the City's payroll department can implement the freeze. All after tax contributions made on or after the date referenced in the preceding sentence shall be made to and in accordance with the terms of Component I of the Combined Plan.

The foregoing terms shall be referred to as the "Freeze" of the provisions of the General Retirement System as in effect on the Freeze Date and the provisions of Articles I, II, III, or IV of Chapter 47 of the 1984 Detroit City Code and this Component II of the Combined Plan shall be interpreted and construed by the Board of Trustees and the Retirement System to give full effect to the Freeze. To the extent that a conflict arises between this Section B-1, the provisions in Chapter 47, or any collective bargaining agreement or other document governing the terms of employment of any employee, the Board of Trustees and the Retirement System are directed to interpret any inconsistency or ambiguity to give full effect to the Freeze.

ARTICLE C. DEFINITIONS

Sec. C-1. Definitions

Unless a different meaning is plainly required by context, for purposes of this Component II the following words and phrases have the meanings respectively ascribed to them by this Section C-1:

- (1) *Accrued Service* means a Member's credited service for employment rendered before July 1, 2014.
- (2) *Accumulated Contributions* means the sum of all amounts deducted from the compensation of a Member and credited to the Member's individual account in the Annuity Savings Fund, together with regular interest thereon.
- (3) *Annuity* means the portion of the retirement allowance which is paid for by a Member's accumulated contributions.
- (4) *Annuity Reserve* means the present value of all payments to be made on account of any annuity or benefit in lieu of any annuity. Such annuity reserve shall be computed upon the basis of such mortality tables and regular interest as shall be adopted by the Board.
- (5) *Average Final Compensation* means:
 - a. On or before June 30, 1992. For those Members who retired or separated from active service with vested pension rights on or before June 30, 1992, the highest average compensation received by a Member during any period of five consecutive years of credited service selected by the Member from the ten years of credited service which immediately preceded the date of the Member's last termination of City employment. If a Member has less than five years of credited service, the Average Final Compensation shall be the average of the annual compensation received during the Member's total years of credited service.
 - b. On or after July 1, 1992 but before July 1, 1998. For those Members who retired or separated from active service with vested pension rights on or after July 1, 1992 but before July 1, 1998, the highest average compensation received by a Member during any period of four consecutive years of credited service during the ten years of credited service which immediately preceded the date of the Member's last termination of City employment. If a Member has less than four years of credited service, the Average Final Compensation shall be the average of the annual compensation received during the Member's total years of credited service.
 - c. On or after July 1, 1998. For those Members who retire or separate from active service with vested pension rights on or after July 1, 1998, the

highest average compensation received by a Member during any period of three consecutive years of credited service during ten years of credited service which immediately precede the date of the Member's last termination of City employment. If a Member has less than three years of credited service, the Average Final Compensation shall be the average of the annual compensation received during the Member's total years of credited service.

- d. Sick Leave Election. For those nonunion Members with a regular or early service retirement who retire on or after July 1, 1999, in computing the highest average compensation received by a Member, the Member shall have the option of adding the value of twenty-five percent (25%) of the Member's unused accrued sick leave at the time of retirement to the earnings used in computing the Average Final Compensation. Bargaining unit members who retire on or after July 1, 1999 and prior to July 1, 2014 shall have the Unused Sick Leave On Retirement benefit provided for in the applicable bargaining agreement. For any Member choosing to exercise this option, the lump sum payment the Member will receive will be the remaining value of the unused accrued sick leave bank as provided in the bargaining agreement.

(6) *Beneficiary* means any person or persons (designated by a Member pursuant to procedures established by the Board) who are entitled to receive a retirement allowance or pension payable from funds of the General Retirement System due to the participation of a Member.

(7) *Compensation* means:

- a. On or before June 30, 1992. For those Members retired or separated from active service with vested pension rights, on or before June 30, 1992, all remuneration, excluding longevity payments, paid to a Member because of personal services rendered by the Member to the Employer. Compensation in excess of the limitations set forth in Section 401(a)(17) of the Internal Revenue Code shall be disregarded.
- b. On or after July 1, 1992. For those Members who retire on or after July 1, 1992, all remuneration, including longevity payments, paid to a Member because of personal services rendered by the Member to the Employer. Compensation in excess of the limitations set forth in Section 401(a)(17) of the Internal Revenue Code shall be disregarded.

(8) *Conversion* means that date on which a Member's benefits change from disability retirement benefits to normal retirement benefits.

(9) *Credited Service* means membership service credited to a Member to the extent provided in this Component II.

- (10) *Final Compensation* means a Member's annual rate of compensation at the time employment with all Employers is last terminated.
- (11) *Pension* means, for purposes of this Component II, the portion of a retirement allowance which is paid for by appropriations made by the Employers into the appropriate funds.
- (12) *Pension Reserve* means the present value of all payments to be made on account of any pension, or benefit in lieu of any pension. Such pension reserve shall be computed upon the basis of such mortality and other tables of experience, and regular interest, as shall be adopted by the Board.
- (13) *Regular Interest* means such rate or rates per annum, compounded annually, as the Board of Trustees shall determine in accordance with the limitations contained in Section E-16 of this Component II.
- (14) *Retiree* means a former Member who is receiving a retirement allowance from Component II of the Retirement System.
- (15) *Retirement* means a Member's withdrawal from the employ of the Employers with a retirement allowance or pension paid by Component II of the Retirement System.
- (16) *Retirement Allowance* means the sum of the annuity and the pension.
- (17) *Service* means personal services rendered to the Employer by a person as an employee of the Employer, provided such person is compensated by the Employer for such personal services.
- (18) *Service credit for purposes of the 1973 Defined Benefit/Defined Contribution (Annuity) Plan* means that, in accordance with such rules and regulations as the Board shall adopt, each Member shall be credited with service as follows: (1) One month of service credit is earned when the Member is paid for eighty hours of work during the month; (2) A full year of credit is earned for nine months of credit in any calendar year, except the Member's last year of work, which service credit shall be determined as of the Member's last day on the Employer's payroll. Less than nine months of service rendered in a calendar year shall neither be credited as a full year of service, nor shall more than one year of service be credited to any Member for service rendered in any one calendar year. Service credit is used to determine eligibility for service retirement, vesting, non-duty disability and survivor benefits. Service credit is also earned by a Member while retired on a duty disability or while receiving Workers' Compensation benefits.

The following terms shall have the meanings given to them in the Sections of this Component II set forth opposite such term:

2023 UAAL Amortization
Accrued Liability Fund

Section G-4(3)a
Section E-18(d)

Actual Return	Section G-2(5)
Adjusted Accrued Benefit	Section G-1(1)a
Adjusted Deferred Accrued Benefit	Section G-1(1)b
Annuity Reserve Fund	Section E-18(b)
Annuity Savings Fund Excess Amount	Section G-2(1)
Annuity Savings Fund of the 1973 Defined Contribution Plan	Section E-18(a)
ASF	Section G-2
ASF account	Section G-2(1)
ASF Recalculation Period	Section G-2
ASF Excess Return	Section E-16(c)
ASF Recoupment	Section G-1(1)(c)
Cash Option Cap	Section G-2(4)
Cash Repayment Option	Section G-2(4)
Certificate of Default	Section G-3(7)
COLA	Section G-4
Determination Date	Section E-18
Eligible Pensioner	Section G-3(5)
Estimated Adjusted Annual Household Income	Section G-3(3)b
Excess Assets	Section G-3(7)
Expense Fund	Section E-18(f)
Extra Contribution Account	Section G-4(3)b
Federal Poverty Level	Section G-3(6)
Final Payment Notice	Section G-2(4)
Freeze	Section B-1
Freeze Date	Section B-1
Frozen Accrued Benefit	Section B-1(c)
Funded Level	Section G-4(2)
Funding Conditions	Section G-1(1)a
Funding Proceeds	Section E-18(d)
Funding Target	Sections G-4(2)a, G-4(3)a, G-4(4)a
Governor	Section G-4(5)
IME	Section E-5(a)
Income Fund	Section E-18(g)
Income Stabilization Benefit	Section G-3(2)
Income Stabilization Benefit Plus	Section G-3(3)
Income Stabilization Fund	Section G-3(4)
Monthly Annuity Savings Fund Excess Amount	Section G-2(2)
Option "A". Joint and Seventy-Five Percent Survivor Allowance	Section E-8(a)
Option "B". Joint and Twenty-Five Percent Survivor Allowance	Section E-8(a)
Option One. Cash Refund Annuity	Section E-8(a)
Option Three. Joint and Fifty Percent Survivor Allowance	Section E-8(a)
Option Two. Joint and One Hundred Percent Survivor	

Allowance	Section E-8(a)
Participant Loan Program	Section F-1
Pension Accumulation Fund	Section E-18(c)
Pension Funding Transaction	Section E-18(d)
Pension Improvement Factor (Escalator)	Sections E-15, G-1(2)
Pension Reserve Fund	Section E-18(e)
Pension Restoration Agreement	Section G-4
Permanent Restoration Target	Section G-4(2)g, G-4(3)a, G-4(4)a
Pop-up Form	Section E-8(b)(2)
Restoration Reserve Account	Section G-4(2)a
Restoration Reserve Suspension Trigger	Sections G-4(2)g, G-4(3)a, G-4(4)a
Restoration Target	Sections G-4(2)a, G-4(3)a, G-4(4)a
Sick Leave Rollover	Section B-1(e)
Special Election	Section B-1(e)
Standard Form	Section E-8(b)(1)
Straight Life Retirement Allowance	Section E-8(a)
Transition Cost	Section E-16(c)
UAAL	Sections E-18(d), G-4
Waterfall Classes	Section G-4(1)

ARTICLE D. SERVICE CREDIT

Sec. D-1. Service Credit

The Board shall keep an accurate record of each employee's accumulated service credit from the date of commencement of employment with the Employers.

Sec. D-2. Service Credit; Former Employees of the Founder's Society—Detroit Institute of Arts

Pursuant to Section 6-519 of the 1974 Detroit City Charter, and for the sole purpose of computing service credit to determine eligibility for a retirement allowance from the General Retirement System, a person who was inducted into the classified service of the City during the calendar year 1984 as a result of the transfer of certain functions at the Detroit Institute of Arts from The Founder's Society/Detroit Institute of Arts to the City, shall be credited with service credit equivalent to continuous time worked as a full time employee of the Founder's Society/Detroit Institute of Arts retroactive to January 1, 1984. Such Founder's Society/Detroit Institute of Arts service credit shall have no effect upon the amount of retirement benefits paid by the General Retirement System. Such Founder's Society/Detroit Institute of Arts service credit shall be added to the service credit earned as a City employee only for purposes of meeting service credit eligibility requirements under the General Retirement System. The Board of Trustees of the General Retirement System shall make all determinations of crediting of such Founder's Society/Detroit Institute of Arts service credit in accordance with the provisions of this Component II of the Combined Plan.

Sec. D-3. Service Credit; Transfer to Other Governmental Service

A Member transferred from the City payroll by his or her department head to the payroll of any City, county, state, or federal government to serve the interests of the City during peace time shall continue to be a Member of the Retirement System for purposes of service credit in accordance with the ordinance or resolution passed to implement such transfer.

Sec. D-4. Service Credit; Military Service

An Employee of the Employer who enters the military service of the United States while so employed shall have such service credited as City service for purposes of this Component II in the same manner as if the employee had served the employer without interruption, provided that (1) the employee's entry into such service and re-employment thereafter shall be in accordance with applicable laws, ordinances, and regulations of the State of Michigan and the City, and (2) he or she is re-employed by the Employer upon completion of such service. During the period of service and until return to City employment, his or her contributions to the fund shall be suspended and the fund balance shall be accumulated at regular interest.

Sec. D-5. Service Credit; Qualified Military Service (Pre-Employment Service)

- (a) Notwithstanding any provision of this Component II to the contrary, contributions, benefits, and service credit with respect to qualified military service, shall be provided in accordance with Section 414(u) of the Internal Revenue Code. Up to three years of pre-

employment service credit may be purchased prior to June 30, 2014 for the following periods: service for a period of not less than ninety days between (1) the date of declaration of war by Congress and the recognized date of cessation of military hostilities; (2) the onset of World War II on December 8, 1941 to its conclusion on July 1, 1946; (3) the onset of the Korean Conflict on June 27, 1950 to its conclusion on December 31, 1953; (4) the onset of the Vietnam Conflict on February 28, 1961 to its conclusion on May 7, 1975, or (5) beginning on the date of the recognition of an emergency condition by the issuance of a presidential proclamation or a presidential executive order, during which emergency condition the Member received the Armed Forces Expeditionary or other Campaign Service Medal authorized by the Federal Government for the Expedition or Campaign.

- (b) This time may be applied toward a Member's credited service and may be used in meeting the minimum time needed for an automatic Option Two or automatic Option Three pension.
- (c) This time shall not apply toward meeting the minimum service and age requirements for vesting, for a non-duty disability pension, or for a service pension.

ARTICLE E. DEFINED BENEFIT/DEFINED CONTRIBUTION (ANNUITY) PLAN OF THE GENERAL RETIREMENT SYSTEM

Sec. E-1. Membership

The membership of the General Retirement System 1973 Defined Benefit/Defined Contribution (Annuity) Plan – Component II of the Combined Plan - shall consist of all persons who are full time employees of the Employer except:

- (a) persons who are members of the Police and Fire Retirement System of the City of Detroit, Michigan, established under Title IX, Chapter VII of the 1918 Detroit City Charter and continued in the 1974, 1997 and 2012 Detroit City Charters and as continued in the form of the Combined Plan for the Police and Fire Retirement System for the City of Detroit, Michigan, effective July 1, 2014 and as thereafter amended;
- (b) persons who are hired or rehired by an Employer on or after July 1, 2014; and
- (c) Any person who is a member of any other public employee pension or retirement plan adopted by the State of Michigan, other than the Michigan National Guard, or by any other political subdivision of the State of Michigan.

Special Service employees who worked more than fourteen hundred forty (1440) hours per Fiscal Year ending on or before June 30, 2014 will be eligible to participate in Component II of the Retirement System.

Sec. E-2. Cessation of Membership; Re-Employment by the Employer

- (a) Any Member who retires under Section E-3(a), (b), or (c), or dies, shall have a non-forfeitable right to a benefit.
- (b) With respect to persons not on the active payroll prior to October 1, 2005, the following provisions of this subsection shall apply:
 - (1) Except as otherwise provided for in this Component II, if any non-vested Member leaves City employment for any reason other than retirement or death, such person shall thereupon cease to be a Member and his or her credited service at that time shall be forfeited. In the event of re-employment by the City prior to July 1, 2014, such person shall again become a Member of the Retirement System and shall accrue benefits pursuant to Component II of the Combined Plan. In the event of reemployment by the employer on or after July 1, 2014, such person shall again become a Member of the Retirement System and shall accrue benefits pursuant to Component I of the Combined Plan. If re-employment occurs prior to July 1, 2014 and within a period of six (6) years from and after the date City employment last terminated, credited service last forfeited shall be restored to the employee's credit for purposes of accruing a benefit after re-employment.

- (2) With respect to persons on the active payroll on or after October 1, 2005, re-employment prior to July 1, 2014 shall restore any previously forfeited service credit notwithstanding the time of re-employment.
- (c) Vested former employees rehired prior to receiving pension benefits and prior to July 1, 2014.
- (1) Former employees who are vested but have not yet begun to receive pension benefits who are rehired prior to July 1, 2014 and prior to being separated for six (6) years shall have their pensions calculated in accordance with the rules in effect at the earlier of (i) the time of their last termination of active service or retirement and (ii) June 30, 2014.
 - (2) Former employees who are vested but have not begun to receive pension benefits and are rehired after July 1, 1992 but prior to July 1, 2014 and after being separated for more than six (6) years who accumulate enough service credit to be eligible for a second pension shall be entitled to two (2) separate and distinct pensions, each to be calculated in accordance with the rules in effect at the earlier of (i) the time of each separation from service and (ii) June 30, 2014.
 - (3) An employee who becomes eligible to collect his or her previously vested pension while still working, shall not be eligible to receive his or her vested pension but will be entitled to have the pension improvement factor earned through June 30, 2014 added to the vested amount of the original pension for payment when the employee eventually retires. The basic pension amount of twelve dollars (\$12.00) per year for up to ten (10) years will only be included on the employee's original pension.
- (d) Vested former employees rehired prior to receiving pension benefits and on or after July 1, 2014.
- (1) Former employees who are vested but have not yet begun to receive pension benefits who are rehired prior to being separated for six (6) years and on or after July 1, 2014 shall have their Component II pension calculated in accordance with the rules in effect on June 30, 2014 and their Component I pension calculated in accordance with the rules in effect at the time of their last termination of active service or retirement.
 - (2) Former employees who are vested but have not begun to receive pension benefits and are rehired after July 1, 2014 after being separated for more than six (6) years who accumulate enough service credit to be eligible for a Component I pension shall be entitled to two (2) separate and distinct pensions under Component I and Component II, each to be calculated in accordance with the rules in effect at the time of each separation from service.
 - (3) An employee who becomes eligible to collect his or her previously vested pension while still working, shall not be eligible to receive his or her vested pension but will be entitled to have the pension improvement factor added to the vested

amount of the original pension for payment when the employee eventually retires. The basic pension amount of twelve dollars (\$12.00) per year for up to ten (10) years will only be included on the employee's original pension.

- (e) Retirement benefits for retirees who return to active full time employment prior to July 1, 2014.
- (1) Retirees who return to work will have their pension benefit amount suspended upon re-employment. However, retirees who have not withdrawn the amounts credited to their defined contribution account shall be entitled to continue to receive the monthly annuity from the 1973 Defined Contribution Plan. The pension improvement factor shall continue to be added to the vested amount of the original pension but shall not be paid on the defined benefit amount until the employee again separates from service.
 - (2) Retirees who return to work prior to July 1, 2014 will be entitled to receive a second pension benefit in accordance with the rules in effect at the earlier of (i) their final separation, or (ii) June 30, 2014, with respect to service credit earned after the retiree returns to active employment. Previous service credit will be used to determine the retirement factors that will be credited to service time earned after return to active employment and used to calculate the new pension amount.
 - (3) Average Final Compensation will be based upon the amounts earned after the retiree returns to work through the earlier of (i) their final separation and (ii) June 30, 2014.
 - (4) Employees who retire under this Section E-2(e) for a second time will not be allowed to change the original option selection with respect to the original pension benefit. However, employees may make a separate option selection on their second pension benefit amount.
 - (5) The basic pension amount of twelve dollars (\$12.00) per year for up to ten (10) years will be included only on the employee's original pension.
 - (6) The coordination of benefits (equated Social Security) option will not be available on a second pension amount.
 - (7) If a retiree who returns to work and dies while working, had an accumulated combined total service time of at least twenty years, the employee's Spouse will be eligible for automatic Option Two benefits, notwithstanding the option form of retirement originally elected.
 - (8) If a retiree who returns to work and dies while working had an accumulated combined total service time of at least fifteen years but less than twenty years, the employee's Spouse will be eligible for automatic Option Three benefits, notwithstanding the option form of retirement originally elected.

- (9) If the employee returns to work and dies prior to accumulating a combined total of fifteen years of service credit, the original pension and benefit option chosen shall resume unless the employee had chosen the Straight Life Option which would result in no survivor pension benefits.
- (10) The Board of Trustees will determine all entitlements for re-employed individuals on a case by case basis consistent with this section and will resolve all issues based upon special circumstances or unique situations.

Sec. E-3. Service Retirement

- (a) *Retirement after thirty years of service.* Any Member hired prior to January 1, 1996 who has accumulated at least thirty or more years of credited service regardless of age, or, for any Member who was hired on or after January 1, 1996 and who has accumulated at least thirty or more years of credited service and has attained age fifty-five, may retire upon written application filed with the Board setting forth the date on which the Member desires to be retired. The date of retirement shall be effective on the first day following the Member's last day on City payroll. Upon retirement, the Member shall receive a retirement allowance as provided in Section E-4 of this Component II of the Combined Plan.
- (b) *Retirement after twenty-five years of service.* Any Employee who is covered by the provisions of this Component II and who is a member of the International Union of Operating Engineers IUOE Local 324 (Principal Clerks), the International Brotherhood of Teamsters Teamster Local 214, the Police Officers Association of Michigan, or the Emergency Medical Service Officers Association, who on July 1, 1995, or later has twenty-five (25) or more years of credited service may retire upon his or her written application filed with the Board of Trustees setting forth the date on which the Member desires to be retired. The date of retirement shall be effective on the first day following the Member's last day on City payroll. Upon retirement the Member shall receive a Retirement Allowance as provided in Section E-4 of this Component II of the Combined Plan.
- (c) *Retirement at age sixty-five with eight years of service; at age sixty with ten years of service.*
 - (1) Sixty-five and eight. Any Member who has attained sixty-five years of age and has at least eight years of credited service may retire upon written application filed with the Board setting forth an anticipated retirement date.
 - (2) Sixty and ten. Any Member who has attained sixty years of age and has at least ten years of credited service may retire upon written application filed with the Board setting forth an anticipated retirement date.

The date of retirement shall be effective on the first day following the Member's last day on City payroll. Upon retirement, the former Member shall receive the retirement allowance provided for in Section E-4 of this Component II of the Combined Plan.

(d) *Conversion of Duty-Disability benefit to Retirement Allowance.*

- (1) Retirees who are members of the Emergency Medical Service Officers Association or the Police Officers Association of Michigan and who began receiving a Duty Disability Pension after July 1, 1995 may choose to convert to a service retirement at the time they would have had twenty-five (25) years of service with the City.

(e) *Retirement after twenty-five years of service without attaining age sixty years; reduced pension.*

- (1) Early retirement. Any Member of the Retirement System who is on the payroll on or after July 1, 1992, and who has twenty-five years of credited service and has not attained sixty years of age, shall have the option of early retirement by accepting an actuarially reduced retirement allowance as determined by the Board after consultation with the Plan Actuary, notwithstanding the age of the Member who elects early retirement; provided however that any Member hired by an Employer on or after January 1, 1996 must have twenty-five years of credited service and have attained age fifty-five to have such early retirement option. Said election shall be made within ninety days of separation from City service. Actuarial tables provided by the Plan Actuary shall always provide this actuarially reduced retirement allowance at no cost to the employee.

Notwithstanding the foregoing, any Member hired by an Employer on or after January 1, 1996 who has twenty-five years of credited service and has attained age fifty-five shall have the option of early retirement by accepting

- (2) Fringe benefits. Employees utilizing the early retirement provision in Section E-3(e)(1) will not be entitled to the fringe benefits, if any, accruing to employees who qualify for a normal service retirement until such time as they would have qualified for a normal service retirement under Section E-3(a) or (b) of this Component II of the Combined Plan.

(f) *Vested retirement allowance; age forty and eight years of service; ten years of service regardless of age.*

(1) Eligibility.

- a. Any Member hired before July 1, 1980 who has reached forty years of age and has acquired eight or more years of credited service shall be eligible to receive benefits provided by Section E-3(f)(2) of this Component II of the Combined Plan.
- b. Any Member hired on or after July 1, 1980 who has acquired ten years of credited service shall be eligible to receive the benefits provided by Section E-3(f)(2) of this Component II of the Combined Plan, regardless of age.

- c. Any non-union Member hired on or after July 1, 1980 but before March 31, 1992 who has acquired ten years of credited service regardless of age or has reached age forty with eight or more years of credited service, whichever is earlier, shall be eligible to receive benefits provided by Section E-3(f)(2) of this Component II of the Combined Plan.

(2) *Benefits.*

- a. Any Member described in Section E-3(f)(1) of this Component II who left City employment on or before June 30, 1992 but prior to the date the Member would have first become eligible to retire as provided in Section E-3(a), (b) or (c) of this Component II of the Combined Plan, for any reason except discharge for reasons covered by the State Forfeiture Law, retirement or death, shall be entitled to a retirement allowance based upon one point five percent (1.5%) of Average Final Compensation for the first ten years of service and one point six three percent (1.63%) for service in excess of ten years. There shall be no change to the base pension upon which future increases are based.
- b. Any Member described in Section E-3(f)(1) of this Component II of the Combined Plan who leaves City employment on or after July 1, 1992, but prior to the date the Member would have first become eligible to retire as provided in Section E-3(a), (b) or (c) of this Component II of the Combined Plan, for any reason except discharge for reasons covered by the State Forfeiture Law, retirement or death, shall be entitled to a retirement allowance computed according to Section E-4 of this Component II of the Combined Plan.

- (3) *Commencement of retirement allowance.* The retirement allowance shall begin on the first day of the calendar month following the month in which a retirement application is filed with the Board, on or after that date on which the Member would have been eligible to retire with an unreduced service retirement under Section E-3(a) or (b) of this Component II of the Combined Plan, had City employment continued or on the date when age sixty is reached, whichever is earlier. Unless otherwise provided in this Article, no service credit shall be earned for the period of absence from City employment and such person's beneficiary shall not be entitled to any other benefit afforded in this Article except those benefits afforded either in Section E-3 or in Section E-4 of this Component II of the Combined Plan notwithstanding termination of membership.

- (4) *Withdrawal of accumulated contributions.* Upon separation from City employment, Members who qualify for benefits pursuant to Section E-3(f)(1) of this Component II of the Combined Plan may withdraw their 1973 Defined Contribution Plan accumulated contributions and all other funds standing to their credit in the Annuity Savings Fund at that time without affecting their benefits under Section E-3(f)(2) or E-4 of this Component II of the Combined Plan.

In the event that any law, State or Federal, is passed during the term of the collective bargaining agreement or City Employment Terms agreement which permits Employees to vest their pension prior to meeting the vesting requirements set forth in this Component II, any Employee who vests his or her pension in such a manner shall not be eligible for any pension benefits until his or her sixty-second (62nd) birthday. This provision will not affect the current practice governing disabled Employees.

Sec. E-4. Service Retirement Allowance

Upon retirement, a Member who meets the qualifications set forth in section E-3(a), (b) or (c) of this Component II of the Combined Plan, shall receive a Straight Life Retirement Allowance, and shall have the right to elect to receive in lieu of the Straight Life Retirement Allowance, a reduced retirement allowance under an option provided for in E-8 of this Component II of the Combined Plan.

The Straight Life Retirement Allowance shall consist of:

- (a) An Annuity which shall be the actuarial equivalent of the Member's accumulated contributions in the 1973 Defined Contribution Annuity Savings Fund at the time of retirement; and
- (b) A Basic Pension of twelve dollars (\$12.00) per annum multiplied by the number of years, and fractions of years of credited service, not to exceed ten (10) years; and
- (c) A Membership Service Pension.
 - (1) For Members who retire on or before June 30, 1992, a membership service pension of one point five percent (1.5%) of Average Final Compensation for the first ten (10) years of service and one point six three percent (1.63%) for service in excess of ten (10) years.
 - (2) For Members who retire on or after July 1, 1992 but prior to July 1, 1998, a membership service pension of one point five percent (1.5%) of Average Final Compensation for each year of service for the first ten (10) years, plus one point seven percent (1.7%) of Average Final Compensation for each year of service in excess of ten (10) years up to twenty (20) years of service, plus one point nine percent (1.9%) of Average Final Compensation for each year of service in excess of twenty years. In no event shall benefits paid by the Retirement System exceed ninety percent (90%) of Average Final Compensation.
 - (3) For Members who retire on or after July 1, 1998, a membership service pension for service rendered prior to July 1, 2012 of one point six percent (1.6%) of Average Final Compensation for each year of service for the first ten (10) years, plus one point eight percent (1.8%) of Average Final Compensation for each year of service in excess of ten (10) years, up to twenty (20) years of service, plus two percent (2%) of Average Final Compensation for each year of service in excess of twenty (20) years up to twenty-five (25) years, plus two point two percent (2.2%) of Average Final Compensation for each year of service in excess of twenty-five

(25) years; plus, for service rendered after July 1 2012 and prior to July 1, 2014, one and one-half percent (1.5%) of Average Final Compensation for each year of service; plus twelve dollars (\$12) for each year of City service not to exceed one hundred twenty dollars (\$120). Notwithstanding the foregoing, for members of the Michigan Council 25 of the American Federation of State, County and Municipal Employees, AFL-CIO Local 2920 and the Detroit Senior Water Systems Chemists Association bargaining units, the effective date of the one and one-half percent multiplier was April 1, 2013 for all years of service rendered after that date. In no case shall benefits paid by the Retirement System exceed ninety percent (90%) of Average Final Compensation.

- (d) With respect to regular service retirees under Section E-3(a) and (b) of this Component II of the Combined Plan only and excluding persons who receive vested benefits under Section E-3(c) and (d) of this Component II of the Combined Plan, in no case shall the total of the annual Straight Life Pension be less than three hundred sixty dollars (\$360.00) times each of the first ten (10) years of service at retirement, plus one hundred twenty dollars (\$120.00) for each year of service in excess of ten (10) years. Effective July 1, 2007, each year of service in excess of ten (10) years earned prior to July 1, 2014 shall be calculated using two hundred twenty-five dollars (\$225.00).
- (e) The recalculation of the pension benefit shall include previous pension improvement factors but shall not include special increases granted by prior separate ordinances.
- (f) If a retiree dies before receipt of Straight Life Retirement allowance payments in an aggregate amount equal to, but not exceeding, the retiree's accumulated contributions in the Annuity Savings Fund at the time of retirement, the difference between these accumulated contributions and the aggregate amount of Straight Life Retirement allowance payments received, shall be paid to such person or persons nominated by written designation duly executed by the retiree and filed with the Board. If there is no such designated person or persons surviving the retiree, such difference shall be paid to his or her estate. In no case shall any benefits be paid under this section because of the death of a retiree if the retiree had elected any of the Options provided for in Section E-8 of this Component II of the Combined Plan.

Sec. E-5. Disability Retirement

- (a) *Duty Disability; Eligibility.* Upon the application of a Member or the Member's department head, a Member who becomes totally and permanently incapacitated for duty in the employ of the Employer shall be retired by the Board; provided, such incapacity is found by the Board to be the natural and proximate result of the actual performance of duty, without willful negligence on the part of the Member; provided further, that any employee who is seeking a duty disability retirement, shall have an examination conducted by an independent medical examiner ("IME"). If the IME concludes that the employee's physical or medical condition does not relate to his/her employment with the City, the employee shall not be eligible for the duty disability retirement.

(b) *Duty disability; Benefits.* Upon retirement for disability as provided in Section E-5(a) of this Component II of the Combined Plan, a retiree shall receive the following benefits:

- (1) Any Member who is eligible for a Service Retirement under Section E-3(a) or (b) of this Component II of the Combined Plan shall receive a Service Retirement Allowance as provided in Section E-4 of this Component II of the Combined Plan and shall have the right to elect an option provided for in Section E-8 of this Component II of the Combined Plan.
- (2) Any Member prior to eligibility for a Service Retirement under Section E-3(a) or (b) of this Component II of the Combined Plan shall receive a Disability Retirement Allowance to begin as of the date of disability. In no case shall the Disability Retirement Allowance be retroactive to more than six months before the date the application for Disability Retirement is filed with the Board, or prior to the date the Member's name last appeared on a City payroll with pay, whichever is later. The Disability Retirement Allowance shall continue until the Member reaches eligibility for Service Retirement or recovers prior to that event. Upon reaching eligibility for Service Retirement, he or she shall receive a pension as provided in Sections E-4(b)-(e) of this Component II of the Combined Plan, together with an annuity which shall be the equivalent of the annuity which would have been received had contributions to the Annuity Savings Fund continued. Said contributions are to be based on the final compensation at the date of duty disability and the annuity percentage in effect for the employee on the July first prior to the effective date on which the employee is added to the disability retirement payroll, provided said July first is at least six months prior to the effective date that the employee is added to the regular retirement payroll. In computing the pension, membership service credit shall be given for the period a Duty Disability Retirement Allowance is received. The Disability Retirement Allowance shall consist of:
 - (i) Cash Refund Annuity which shall be the actuarial equivalent of the Member's accumulated contributions in the Annuity Savings Fund at the time of retirement. If a retiree dies before receipt of annuity payments in an aggregate amount equal to, but not exceeding, the retiree's accumulated contributions, the difference between the accumulated contributions and the aggregate amount of annuity payments received shall be paid in a single lump sum to such person or persons nominated by written designation duly executed and filed with the Board. If there is no such designated person surviving the retiree, such difference shall be paid to the retiree's estate.
 - (ii) In addition to the Annuity, a Disability Pension of sixty-six and two-thirds percent (66-2/3%) of the Member's Average Final Compensation at the time of duty disability, subject to the provisions of Sections E-12 and E-13 of this Component II of the Combined Plan. This Disability Pension shall in no event exceed fifty-seven hundred dollars (\$5,700.00) per annum.

- (iii) For Members who retired on disability on or after January 1, 1999 or on or after July 1, 2012 for members of the Emergency Medical Service Officers Association and Police Officers Association of Michigan bargaining units, in addition to the Annuity, a Disability Pension of sixty-six and two-thirds percent (66-2/3%) of the Member's average compensation at the time of duty disability, subject to the provisions of Sections E-12 and E-13 of this Component II of the Combined Plan. This Disability Pension shall in no event exceed nine thousand dollars (\$9,000.00) per annum.
- (c) *Non-Duty Disability; Eligibility.* Upon the application of a Member or the Member's department head, a Member who has at least ten years of credited service who becomes totally and permanently incapacitated for duty as a result of causes which do not occur in the actual performance of duty to the employer, may be retired by the Board if the IME certifies to the Board after examination that such Member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that such Member should be retired.
- (d) *Non-Duty Disability; Benefits.* Upon retirement for non-duty disability as provided in Section E-5(c) of this Component II of the Combined Plan, a Member shall receive the following benefits:
 - (1) After attaining sixty years of age, a Member shall receive a Service Retirement Allowance as provided in Section E-4 of this Component II of the Combined Plan and shall have the right to elect an Option as provided in Section E-8 of this Component II.
 - (2) Prior to age sixty, a Member shall receive benefits as provided in Section E-5(d)(2)(i)-(iv) of this Component II of the Combined Plan:
 - i. A Cash Refund Annuity which shall be the actuarial equivalent of the Member's accumulated contributions in the Annuity Savings Fund at the time of retirement. In the event a retiree dies before the total of the Cash Refund Annuity payments received equals or exceeds the amount of his or her accumulated contributions at the time of retirement, the remainder shall be paid in a single lump sum to such person or persons nominated by written designation duly executed by the Member and filed with the Board. If there is no such designated person or persons surviving, any such remainder shall be paid to the retiree's estate.
 - ii. In addition to the Annuity, a Disability Pension which shall be based on the Service Retirement factors in effect on the effective date of disability. The service retirement factors shall be multiplied by the Average Final Annual Compensation multiplied by the number of years and fractions of years of service credited to the retiree. In addition, a basic pension of twelve dollars (\$12.00) per annum for a maximum of ten years of credited service shall be added for a total not to exceed one hundred twenty dollars (\$120.00) and adjustments thereto, as calculated pursuant to applicable

provisions of this Component II of the Combined Plan. Said Disability Pension shall begin as of the date of the disability. However, in no case shall the Disability Pension begin more than six months before the date the application for disability retirement was filed with the Board, or prior to the date his or her name last appeared on a City payroll with pay, whichever is later. Payment of the Disability Pension shall continue to age sixty. Said Disability Pension shall not exceed thirty-nine hundred dollars (\$3,900.00) per annum, and shall be subject to the provisions of Sections E-12 and E-13 of this Component II of the Combined Plan.

- iii. A Member who retired on disability on or after January 1, 1999 shall receive a Disability Pension as provided for in Section E-5(d)(2)(ii) of this Component II of the Combined Plan. Said Disability Pension shall not exceed six thousand dollars (\$6,000.00) per annum, and shall be subject to the provisions of Sections E-12 and E-13 of this Component II of the Combined Plan.
- iv. Effective July 1, 1967, notwithstanding the limitations contained in Section E-5(d)(2)(ii) of this Component II of the Combined Plan, disability retirees under Section E-5(c) of this Component II of the Combined Plan, who retired (1) prior to August 13, 1953, shall receive a supplementary Disability Pension of forty dollars (\$40.00) per month; or (2) after August 13, 1956 and prior to July 1, 1966, shall receive a supplementary Disability Pension of twenty dollars (\$20.00) per month.
- v. Upon Attaining Age Sixty, the retiree shall receive a Pension computed according to the provisions of Section E-4(b)-(e) of this Component II of the Combined Plan; provided, that no service credit shall be given for the time a Disability Pension provided for in Section E-5(d)(2)(ii) of this Component II of the Combined Plan was received. Upon attaining age sixty, the retiree shall have the right to make an election under Section E-8 of this Component II of the Combined Plan.

Sec. E-6. Accidental Death Benefit; Performance of Duty

If a Member is killed in the performance of duty in the service of the employer, or dies as the result of illness contracted or injuries received while in the performance of duty in the service of the employer, and such death, illness, or injuries resulting in death, is found by the Board to have resulted from the actual performance of duty in the service of the employer, the following benefits shall be paid, subject to Section E-12 of this Component II of the Combined Plan:

- (a) *Annuity Savings Fund.* Accumulated savings in the Member's Annuity Savings Fund at the time of death shall be paid in a single lump sum to such person or persons as the Member nominated in a writing duly executed and filed with the Board. In the event there is no designated person or persons surviving the Member, the accumulated contributions shall be paid to the Member's estate.

- (b) *A Pension* of one-third of the final compensation of said Member shall be paid to the surviving Spouse to continue until remarriage. If an unmarried child, or children under age eighteen also survive the deceased Member, each surviving child shall receive a pension of one-fourth of said final compensation, to be divided equally. Upon any such child's adoption, marriage, attainment of age eighteen, or death, whichever occurs first, such child's pension shall terminate and there shall be a redistribution by the Board to the surviving eligible children under age eighteen. In no event shall any child receive a pension of more than one-fourth of said final compensation.
- (c) *No Surviving Spouse; Children.* If there is no surviving Spouse, or if such surviving Spouse dies or remarries before the youngest surviving child of a deceased Member shall have attained the age of eighteen, any unmarried child or children under age eighteen, if any, shall receive a Pension equal to one-fourth of the deceased Member's final compensation; provided, that if there are more than two such surviving children, each shall receive a pension of an equal share of one-half of said final compensation. Upon any such child's adoption, marriage, attainment of age eighteen, or death, whichever occurs first, the child's Pension shall terminate and there shall be a redistribution by the Board to the surviving eligible children under age eighteen. In no case shall any such child's Pension be more than one-fourth of the deceased Member's final compensation.
- (d) *Annual Limit.* The total amount payable under Section E-6(b) and (c) of this Component II of the Combined Plan on account of the death of a Member, shall not exceed nine thousand dollars (\$9,000.00) per annum.
- (e) *Dependent Father and/or Mother.* If the deceased Member has no surviving Spouse or children eligible for a Pension under this section, a Pension equal to one-sixth of the deceased Member's final compensation shall be paid to the Member's surviving dependent father and/or mother; provided that in no case shall either parent's Pension exceed fifty dollars (\$50.00) per month. Payment to a dependent parent or parents shall be contingent upon a finding by the Board of Trustees after investigation that such parent or parents were actually dependent upon said deceased Member through a lack of earning power resulting from physical or mental disability.
- (f) *Section E-12 of Component II of the Combined Plan Applicable.* The benefits provided in Section E-6 of this Component II shall be subject to Section E-12 of this Component II.

Sec. E-7. Accumulated Contributions; Return of 1973 Defined Contribution Plan Amount

- (a) *Cessation of Employment.*
 - (1) If a Member ceases to be an employee of the employer before becoming eligible for a Pension paid out of City contributions to the Retirement System, such Member shall be paid all or part of the Member's Annuity Savings Fund, being the 1973 Defined Contribution Plan amount, as the Member shall demand by written application filed with the Board.

- (2) Except as otherwise provided in this Article, upon the death of a Member, the Member's Annuity Savings Fund shall be paid to such person or persons nominated in a written designation duly executed by the Member and filed with the Board. In the event there is no such designated person or persons surviving, the Member's said accumulated contributions shall be paid to the Member's estate.
 - (3) If a Member who dies without a legal will is not survived by a Spouse and has not nominated a beneficiary as provided in Section E-7(a)(2) of this Component II, the Member's accumulated Annuity Savings Fund contributions at the time of death may be used to pay burial expenses, if the Member leaves no other estate sufficient for such purpose. Such expenses shall not exceed a reasonable amount as determined by the Board.
 - (4) Accumulated contributions to be returned as provided in this section may be paid in equal monthly installments for a period not to exceed three years, according to such rules and regulations as the Board may adopt from time to time. After a Member ceases to be a Member, any balance in the Annuity Savings Fund which is unclaimed by the said Member or the Member's heirs, shall remain a part of the funds of the Retirement System and shall be transferred to the Pension Accumulation Fund.
- (b) *One-Time Withdrawal; Twenty-Five Years.* Prior to the receipt of the first retirement benefit check, an employee with twenty-five or more years of service shall be allowed to withdraw either a partial or full amount of his or her accumulated contributions, one time only.
 - (c) *One-Time Withdrawal; Duty and Non-Duty Disability Retirees.* Duty and non-duty disability retirees shall be allowed to withdraw either a partial or full amount of their accumulated contributions, one time only.
 - (d) *One-Time Withdrawal.* Withdrawal by a Member under either (b) or (c) of this Section E-7 constitutes the one time withdrawal allowed.

Sec. E-8. Retirement Allowance Options

- (a) *Election by Member.* Until the earlier of the first time a retirement allowance payment check is cashed, or six months after the first payment check is issued, but not thereafter, any Member may elect to receive a Straight Life Retirement Allowance payable throughout life, or the Member may elect to receive the actuarial equivalent of the Straight Life Retirement Allowance computed as of the effective date of retirement, in a reduced retirement allowance payable throughout life, with the exception that there will be no reduction in the benefits received pursuant to Section E-4(e) of this Component II of the Combined Plan, and nominate a beneficiary to receive benefits following the Member's death, in accordance with the options set forth below:

Option One. Cash Refund Annuity. If a retiree who elected a Cash Refund Annuity dies before payment of the annuity portion of the reduced retirement allowance has been

received in an aggregate amount equal to, but not exceeding the retiree's accumulated contributions in the Annuity Savings Fund at the time of retirement, the difference between said accumulated contributions and the aggregate amount of annuity payments already received, shall be paid in a single lump sum to such person or person nominated by written designation duly executed by the Member and filed with the Board. If no such designated person or persons survive the retiree, any such difference shall be paid to the retiree's estate.

Option Two. Joint and One Hundred Percent Survivor Allowance. Upon the death of a retiree who elected a Joint and One Hundred Percent Survivor Allowance, one hundred percent of the reduced retirement allowance shall be paid to and continued throughout the life of the person nominated by written designation duly executed and filed with the Board prior to the date the first payment of the retirement allowance becomes due.

Option "A". Joint and Seventy-Five Percent Survivor Allowance. Upon the death of a retiree who elected a Joint and Seventy-Five Percent Survivor Allowance, seventy-five percent of the reduced retirement allowance shall be continued throughout the life of and paid to the person nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the retirement allowance becomes due.

Option Three. Joint and Fifty Percent Survivor Allowance. Upon the death of a retiree who elected a Joint and Fifty Percent Survivor Allowance, fifty percent of the reduced retirement allowance shall be continued throughout the life of and paid to the person nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the retirement allowance becomes due.

Option "B". Joint and Twenty-Five Percent Survivor Allowance. Upon the death of a retiree who elected a Joint and Twenty-Five Percent Survivor Allowance, twenty-five percent of the reduced retirement allowance shall be paid throughout the life of the person nominated by written designation duly executed and filed with the Board prior to the date the first payment of the retirement allowance becomes due.

- (b) *Joint and Survivor Optional Forms of Payment.* The Joint and Survivor Optional Forms of Payment provided under Section E-8(a) of this Component II of the Combined Plan shall be made available in either the standard form or the pop-up form, as follows:
- (1) *Standard Form.* Under the Standard Form, the reduced retirement allowance shall be paid throughout the lifetime of the retiree.
 - (2) *Pop-up Form.* Under the Pop-up Form, the reduced allowance shall be paid throughout the lifetime of the retiree and the designated beneficiary. In the event of the death of the designated beneficiary during the lifetime of the retiree, the amount of the allowance shall be changed to the amount that would have been payable had the retiree elected the Straight Life Retirement Allowance form of payment.

- (c) *Coordination of Benefits.* According to such rules and regulations as the Board shall adopt, until the first payment of a retirement allowance becomes due, but not thereafter, a Member under age sixty-five may elect to have the Member's Straight Life Retirement Allowance provided for in Section E-4 of this Component II of the Combined Plan equated on an actuarial equivalent basis to provide an increased retirement allowance payable to age sixty-two or age sixty-five, and to provide a decreased retirement allowance thereafter. The increased retirement allowance payable to such age shall approximate the total of the decreased retirement allowance payable thereafter and the estimated social security benefit. If a Member elects to receive increased and then decreased retirement allowance payments provided for in this paragraph, he or she may also elect to have such payments reduced by electing one of the optional forms of payment provided for in paragraph (a) of this section. This coordination of benefits option shall not create any additional actuarial costs.

Sec. E-9. Benefits for Surviving Spouses; Generally

- (a) The surviving Spouse of any Member who dies while in the employ of the City or in the employ of a second governmental unit as provided in Section E-14 of this Component II after the date such Member either (1) has earned twenty years of credited service regardless of age, or (2) has earned eight years of credited service and has attained age sixty-five, or (3) has earned ten or more years of credited service and has attained age sixty, shall receive a retirement allowance. The Spouse's retirement allowance shall be computed according to Section E-4 of this Component II of the Combined Plan in the same manner in all respects as if the said Member had retired effective the day preceding the Member's death, notwithstanding that the Member had not attained age sixty, elected a Joint and One Hundred Percent Survivor Allowance as provided for in Section E-8 of this Component II, and nominated the surviving Spouse as beneficiary. No payments shall be made under this Section E-9 on account of the death of a Member if any benefits are paid under Section E-6 of this Component II. If an Employee dies with twenty (20) years of service and without a surviving Spouse, dependent children shall be paid a total of nine thousand dollars (\$9,000.00) per year which shall be divided equally among all eligible dependent children until the youngest child reaches age nineteen, or for life, if a child is permanently physically or mentally impaired and such impairment occurred prior to the child's attainment of age nineteen. There shall be no retirement escalator for this payment.
- (b) In addition to in-service death benefits which existed prior to July 1, 1998 for Members with twenty or more years of service, if a Member dies on or after July 1, 1998 or such later date as provided in a collective bargaining agreement, after having attained fifteen or more but less than twenty years of creditable service at any age below sixty, the surviving Spouse will be paid a Fifty Percent Joint and Survivor benefit. If there is no eligible surviving Spouse, dependent children shall be paid a total of six thousand dollars (\$6,000.00) which shall be divided equally among all eligible dependent children until the youngest child reaches age nineteen, or for life if a child is permanently physically or mentally impaired.

Sec. E-10. Benefits for Surviving Spouses; Disability Retirees

The surviving Spouse of a disability retiree who retired under the provisions of Section E-5 of this Component II of the Combined Plan and who died before the age of sixty shall receive a retirement allowance computed in the same manner as if the disability retiree had been a Member who became eligible for death benefits under Section E-9 of Component II of the Combined Plan, provided the disability retiree had earned fifteen or more years of credited service. In the case of a non-duty disability retiree, credited service shall be determined on the effective date of the non-duty disability retirement. In the case of a duty disability retiree, credited service shall be determined on the date of death of the disability retiree assuming City employment had continued until the date of death.

Sec. E-11. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary

If under a Joint and One Hundred Percent Survivor allowance, a Joint and Seventy-Five Percent Survivor allowance, a Joint and Fifty Percent Survivor allowance, or a Joint Twenty-Five Percent Survivor allowance as provided for under Section E-8 of this Component II of the Combined Plan, both a retiree and beneficiary die before they have received in retirement allowance payments, an aggregate amount equal to the retiree's accumulated contributions in the Annuity Savings Fund at the time of retirement, less withdrawals, the difference between the said accumulated contributions and the said aggregate amount of retirement allowances paid the retiree and beneficiary, shall be paid in a single lump sum to such person or persons nominated by written designation of the retiree duly executed and filed with the Board. If there are no person or persons surviving retiree and beneficiary, any such difference shall be paid to the retiree's estate.

Sec. E-12. Pensions Offset by Compensation Benefits; Subrogation

- (a) Generally. Any amounts which may be paid or payable to a Member, retiree, or to the dependents of a Member or retiree on account of any disability or death under the provisions of any Workers' Compensation, pension, or similar law, except federal Social Security old-age and survivors' and disability insurance benefits, shall be offset against any pensions payable from funds of the Retirement System on account of the same disability or death. If the present value of the benefits payable under said Workers' Compensation, pension, or similar law, is less than the Pension Reserve for said pension payable by the Retirement System, the present value of the said Workers' Compensation, pension, or similar legal benefit shall be deducted from the Pension Reserve, and such pensions as may be provided by the Pension Reserve so reduced shall be payable as provided in this Article E.
- (b) The City's right of subrogation. In the event a person becomes entitled to a pension payable by the Retirement System because of an accident or injury caused by the act of a third party, the City shall be subrogated to the rights of said person against such third party to the extent of the benefit which the City or the Retirement System pays or becomes liable to pay.

Sec. E-13. Disability Retirees; Reexamination; Authority of the Board

- (a) *Medical examination.* At least once each year during the first five years following the retirement of a Member with a Disability Retirement Allowance or Disability Pension, and at least once in every three year period thereafter, the Board may, and upon the retiree's application shall, require that any disability retiree who has not attained age sixty undergo a medical examination, to be made by, or under the direction of, the Medical Director. Should any such disability retiree who has not attained age sixty refuse to submit to at least one such medical examination in any such period, the retiree's retirement allowance or pension may be discontinued by the Board until withdrawal of such refusal. Should such refusal continue for one year, all of the disability retiree's rights in and to the Pension portion of the Retirement Allowance may be revoked by the Board. If upon such examination of a disability retiree, the Medical Director reports that the retiree is physically able and capable of resuming employment, and such report is concurred in by the Board, the retiree shall be restored to active service with the City and the Disability Retirement Allowance shall terminate.
- (b) *Other employment.* If such disability retiree is or becomes engaged in a gainful occupation, business, or employment paying more than the difference between the retiree's Disability Retirement Allowance and final compensation, the Pension portion of the Disability Retirement Allowance shall be reduced by the amount of such difference. If the amount of the earnings changes, the Pension may be adjusted accordingly.
- (c) *Reinstatement to active service.* A disability retiree who has been, or shall be, reinstated to active service in the employ of the City as provided in this Section, shall again become a Member of the Retirement System. All credited service at the time of the retirement shall be restored to full force and effect and a duty disability retiree shall be given membership service credit for the period said retiree was out of service due to such duty disability.

Sec. E-14. Transfer of Department or Department Functions; Generally

In the event a function or functions of a City Department or the Department itself is transferred to the federal or state government, or to a political subdivision of the State of Michigan (second governmental unit), a Member of the Retirement System whose employment is transferred from the City to the second governmental unit shall be entitled to a retirement allowance payable by the Retirement System subject to the following conditions:

- (a) *Employment within sixty days of transfer.* The employee enters the employment of the second governmental unit within sixty days from and after the effective date of the transfer of the function or functions of a City Department or the Department itself to the second governmental unit.
- (b) *Credited service combined; ten year minimum.* The employee's credited service as a Member of the Retirement System plus any credited service acquired in the employ of the second governmental unit totals at least ten years.
- (c) *Retirement; second governmental unit.* If the employee retires from employment with the second governmental unit on account of age and service, the employee's Retirement

Allowance shall be computed in accordance with Section E-3(b) or Section E-4 of this Component II of the Combined Plan, whichever is applicable. If the employee retires from employment in the second governmental unit because of total and permanent disability arising from non-service connected causes, the Retirement Allowance shall be computed in accordance with Section E-5(d) of this Component II of the Combined Plan. In computing the Retirement Allowance, the basic pension shall not exceed twelve dollars (\$12.00) per year for a maximum of ten years for a total amount to not exceed one hundred twenty dollars (\$120.00), and the membership service pension shall be based only upon City-credited service existing at the time of transfer. In determining the Average Final Compensation defined in Section C-1 of this Component II of the Combined Plan, the compensation received as an employee of the second governmental unit shall be regarded as compensation paid by the City. If the employee leaves the employ of the second governmental unit with a deferred retirement allowance, no City retirement allowance shall be paid unless the employee has met the requirements of Section E-3(d)(1) of this Component II of the Combined Plan. Notwithstanding the foregoing, effective as of the Freeze Date, for purposes of calculating a Retirement Allowance for a Member whose employment was transferred prior to July 1, 2014 from the City to a second governmental unit, Average Final Compensation for the transferred Member shall be compensation received by such transferred Member prior to July 1, 2014 as an employee of the second governmental unit.

- (d) *Allowance starting date.* The retirement allowance shall begin upon retirement from the employment of the second governmental unit, but in no event prior to the date the employee would have become eligible for retirement had the employee continued in City employment. If retirement is because of total and permanent disability arising from non-service-connected causes, the retirement allowance shall begin upon the approval of retirement by the Board.

Sec. E-15. Pension Improvement Factor (Escalator)

- (a) *Increase of pension.* On or after July 1, 1992 and prior to the effective date of the Plan of Adjustment, effective as of the first day of July of each year, the pension portion of any Retirement Allowance or Duty Death Benefit which is paid or payable under this Article shall be increased by a factor of two and one quarter percent (2.25%), computed on the basis of the amount of the original pension received at the time of retirement, including, if applicable, any supplemental pensions provided under this Article; provided, that the recipient of said pension shall have been on the retirement rolls at least one year prior to said July first date. If the recipient has been on the retirement payroll less than one year prior to said July first date, the amount of the increase shall be prorated accordingly.
- (b) *Payment.* Except as provided in paragraph (c) below, the pension improvement factor of two and one quarter percent (2.25%) provided for in Section E-15(a) of this Component II, shall be payable notwithstanding any Retirement Allowance or pension amount limitation provisions in this Article to the contrary.
- (c) After the effective date of the City Employment Terms between the City of Detroit and Police Officers Association of Michigan presented to the union on July 18, 2012,

employees represented by the union will no longer receive the two and one-quarter percent (2.25%) per annum escalation.

- (d) Effective April 1, 2013, the post-retirement escalator factor for all service after that date shall be eliminated for any employee who is a member of the American Federation of State, County and Municipal Employees, AFL-CIO Local 2920.

Sec. E-16. Adoption of Rates of Interest; Limitations on Payments By Retirement System; Transfer of Investment Returns in Excess of Crediting Rate

- (a) The Retirement System and the Board of Trustees shall not make any payment to active or retired Members other than payments that are required by the Retirement System as established by this Combined Plan to govern the Retirement System or the Plan of Adjustment. This prohibition applies to all payments that are not authorized by this Combined Plan, whether such payments are those commonly referred to as a "thirteenth check" or by any other name.
- (b) The Retirement System and the Board of Trustees shall not provide any savings plan, annuity plan, or other Member investment or savings vehicle that provides an annual return to investing Members which in any year is greater than the actual investment return net of expenses of the Retirement System's invested reserves for the year in which the return is earned and accrued, provided that such return shall neither be greater than the assumed annual return as expressed in the Retirement System's valuation for that year nor less than zero. This prohibition shall apply to all annual returns credited to accounts of investing Members in the Annuity Savings Fund of the 1973 Defined Contribution Plan from the effective date of Ordinance 37-11 to June 30, 2013. Notwithstanding anything in this Section E-16 to the contrary, effective for Plan Years beginning on and after July 1, 2013, the annual rate of return credited to a Member's account in the Annuity Savings Fund of the 1973 Defined Contribution Plan shall be no less than zero and no greater than the lesser of (i) 5.25% or (ii) the actual investment return net of expenses of the Retirement System's invested reserves for the second Plan Year immediately preceding the Plan Year in which the annual return is credited.
- (c) In any Plan Year during the period beginning on or after July 1, 2014 and ending June 30, 2023 in which the annual rate of return credited to the accounts of Members investing in the Annuity Savings Fund as provided in paragraph (b) is less than the actual rate of return net of expenses of the Retirement System's invested assets for the second Plan Year immediately preceding the Plan Year in which the annual rate of return is credited ("ASF Return Excess"), an amount equal to the value of the ASF Return Excess shall be transferred to the Pension Accumulation Fund maintained under Component I of the Combined Plan and shall be used to fund the Transition Cost relating to Component I. The Transition Cost is a measure of the liability that Component I of the Retirement System has at its inception; due to the fact that at its inception, Members in Component I of the Retirement System receive vesting and eligibility credit under Component I for service that was earned prior to July 1, 2014 and is otherwise credited to Members under Component II of the Retirement System, as such Transition Cost is calculated by the Plan Actuary. In the event there is an ASF Return Excess for a Plan Year following the Plan

Year in which such transfers have fully funded the Transition Costs relating to Component I, fifty percent (50%) of such ASF Return Excess shall be transferred to the Pension Accumulation Fund maintained under Component II and the remaining fifty percent (50%) of such ASF Return Excess shall be transferred to Component I and credited to the Rate Stabilization Fund maintained under Component I. "Transition Cost" shall be determined by the Plan Actuary.

Sec. E-17. Funds

The 1973 Defined Benefit/Defined Contribution (Annuity) Plan shall consist of the Annuity Savings Fund, the Annuity Reserve Fund, the Pension Accumulation Fund, the Pension Reserve Fund, and the Income Fund.

Sec. E-18. Method of Financing

(a) *Annuity Savings Fund of the 1973 Defined Contribution Plan.*

- (1) The Annuity Savings Fund of the 1973 Defined Contribution Plan shall be the fund in which shall be accumulated at regular interest, in accordance with the limitations that are contained in Section E-16 of this Component II of the Combined Plan, the contributions of Members made prior to the first payroll date occurring in August 2014 to provide their annuities. At the election of the Member, the amount of the basic contribution of a Member to the Retirement System prior to the first payroll date occurring in August 2014 were zero percent (0%), three percent (3%), five percent (5%), or seven percent (7%) of annual compensation. If a Member elected three percent (3%), his or her contribution shall be that amount which is subject to taxation under the provisions of the *Federal Insurance Contribution Act, 26 USC 3101 et seq. (Act)*, plus five percent (5%) of the portion of annual compensation, if any, which exceeds the amount subject to taxation under that *Act*.
- (2) The contribution rate elected by the Member under Section E-18(a)(1) of this Component II of the Combined Plan were deducted from the Member's compensation notwithstanding that the minimum compensation provided by law for any Member were reduced thereby. Payment of compensation, less said deductions, constituted a complete discharge of all claims and demands whatsoever for the services rendered by the said Member during the period covered by such payment, except as to benefits provided under this Article E.
- (3) Upon retirement of a Member with a Retirement Allowance, the Member's accumulated contributions shall be transferred from the Annuity Savings Fund to the Annuity Reserve Fund, refunded to the Member, or a combination thereof.

- (b) *Annuity Reserve Fund.* The Annuity Reserve Fund shall be the fund, from which all annuities and benefits in lieu of annuities payable as provided in this Article E, shall be paid. If a disability retiree is reinstated to active City service, the retiree's Annuity Reserve at that time shall be transferred from the Annuity Reserve Fund to the Annuity Savings Fund and credited to his or her individual account therein.

- (c) *Pension Accumulation Fund.* The Pension Accumulation Fund shall be the fund in which shall be accumulated reserves for the pensions and other benefits payable from the contributions made by the City, including various departments thereof, the Detroit Public Library, and certain third parties pursuant to the Plan of Adjustment and from which shall be paid pensions and other benefits on account of Members with prior service credit, and transfers as provided in this Section E-18. Contributions to the Pension Accumulation Fund from the effective date of the Plan of Adjustment through Fiscal Year 2023, shall be made only in the amounts and from the sources identified in the Plan of Adjustment.

For Fiscal Years beginning after June 30, 2023, contributions to fund pension benefits (adjusted as provided in the Plan of Adjustment) shall be made as follows:

- (1) Certain amounts shall be contributed by certain third parties as provided in the Plan of Adjustment.
 - (2) The City's annual contribution shall be calculated by the Actuary as provided in Section E-19.
 - (3) Upon the retirement of a Member without prior service credit, or upon a Member's death in the performance of duty, the Pension Reserve Fund for the pension or pensions to be paid on the Member's account shall be transferred from the Pension Accumulation Fund to the Pension Reserve Fund.
 - (4) Upon the basis of such mortality and other tables of experience and interest as the Board shall adopt from time to time consistent with Section 1.16(d) of Component I, the Actuary shall compute annually the pension reserve liabilities for pension benefits being paid to retirees and beneficiaries.
 - (5) On an annual basis, the Board shall ascertain and report to the Mayor and the Council the amount of City contributions due to the Retirement System. The Council shall appropriate and the City shall pay such contributions during the appropriate Fiscal Year. When paid, such contributions shall be credited to the Pension Accumulation Fund.
 - (6) If the amount appropriated by the City and paid to the Retirement System for any Fiscal Year is insufficient to make the transfers and pay the pensions, as adjusted in the Plan of Adjustment, from the Pension Accumulation Fund as provided in this Section E-18, the amount of such insufficiency shall be provided by the appropriating authorities of the City.
- (d) *Accrued Liability Fund.* Pursuant to *Ordinance No. 5-05*, which authorized the creation of the Detroit General Retirement Service Corporation, the City previously entered into a transaction (the "Pension Funding Transaction") to obtain funds as an alternative to those available through the traditional funding mechanism described above in Subsection (c). The proceeds generated by the Pension Funding Transaction (or any Additional Pension Funding Transactions, as described below) that were deposited into the System are termed the "Funding Proceeds." The Funding Proceeds were deposited into a new fund in the System to be called the Accrued Liability Fund. The purpose of the Funding

Proceeds was to fund all or part of the heretofore unfunded actuarial accrued liability (“UAAL”) of the Retirement System, as determined as of a date certain, that is, the “Determination Date,” pursuant to the Retirement System’s actuarial valuation as of that date. The Funding Proceeds are assets of the Retirement System and will be applied, together with all other assets of the Retirement System, to fund the Retirement System’s obligation to pay pension benefits, as adjusted in the Plan of Adjustment.

This Accrued Liability Fund shall contain only the Funding Proceeds of this Pension Funding Transaction, and any earnings thereon. Prior to Fiscal Year 2013, funds were transferred each Fiscal Year (or monthly portion thereof) from the Accrued Liability Fund to the Pension Accumulation Fund as provided in *Chapter 47 of the 1984 Detroit City Code* and *Ordinance No. 5-05*.

As soon as practicable following the effective date of the Plan of Adjustment, any amounts remaining credited to the Accrued Liability Fund shall be transferred to the Pension Accumulation Fund and the Accrued Liability Fund shall cease to exist.

- (e) *Pension Reserve Fund.* The Pension Reserve Fund shall be the fund from which pensions shall be paid to retirees and beneficiaries. Should a disability retiree be reinstated to active service, the retiree’s Pension Reserve at that time, shall be transferred from the Pension Reserve Fund to the Pension Accumulation Fund.
- (f) *Expense Fund.* The Expense Fund shall be the fund to which shall be credited all money provided by the City to pay the administrative expenses of the Retirement System, and from which shall be paid all the expenses necessary in connection with the administration and operation of the Retirement System.
- (g) *Income Fund.* The Income Fund shall be the Fund to which shall be credited all interest, dividends, and other income derived from the investments of the Retirement System (other than those derived from the investments credited to any Accrued Liability Fund), all gifts and bequests received by the Retirement System, and all other moneys the disposition of which is not specifically provided for in this Article E. There shall be paid or transferred from the Income Fund, all amounts required to credit regular interest to the various Funds of the Retirement System, except for the Accrued Liability Fund which is to be credited with interest, dividends and other earnings pursuant to Section E-18(d)(2) of this Component II of the Combined Plan in accordance with the limitations that are contained in Section E-18 of this Component II of the Combined Plan.
- (h) *Maintenance of Reserves.*
 - (1) The maintenance of proper reserves in the various Funds of the Retirement System except the Expense Fund are hereby made obligations of the Pension Accumulation Fund.
 - (2) City contributions to the Retirement System to the extent necessary to provide pensions on account of Members who are employees of a revenue-supported division of the City shall be made from the revenues of the said division. Any City contribution to the Retirement System from any Fund by law with a certain

and definite purpose shall, at the direction of the Finance Director, be accounted for separately.

Sec. E-19. Determination of City's Annual Contribution

- (a) For the period ending June 30, 2023, the City shall make only those contributions to the Retirement System as are set forth in the Plan of Adjustment.
- (b) For Fiscal Years beginning on and after July 1, 2023, the annuity and pension reserve liabilities for Members, retirees, and beneficiaries, shall be actuarially evaluated as set forth in this Article for each division as is accounted for separately pursuant to Section E-18(h)(2) of this Component II of the Combined Plan.

(1) *Pension Liabilities.*

- a. The pension liabilities for Members shall be determined by the Actuary using reasonable and appropriate actuarial assumptions approved by the Board and the Investment Committee.
- b. The City's annual contribution to finance any unfunded accrued pension liabilities, expressed as a percentage of active employees' compensation, shall be determined by amortizing such unfunded accrued pension liabilities as a level percentage of such compensation over a period or periods of future years as established by the Board and approved by the Investment Committee.

- ##### **(2) *Pension Accumulation Fund.***
- Based upon the provisions of this Article E including any amendments, the Board shall compute the City's annual contributions to the Retirement System, expressed as a percentage of active Member compensation each Fiscal Year, using actuarial valuation data as of the June thirtieth date which date is a year and a day before the first day of such Fiscal Year. The Board shall report to the Mayor and Council the contribution percentages so computed. Such contribution percentages shall be used in determining the contribution dollars to be appropriated by Council and paid to the Retirement System. Such contribution dollars shall be determined by multiplying the applicable contribution percentage for such Fiscal Year by the Member compensation paid for such Fiscal Year. Such contribution dollars for each Fiscal Year shall be paid to the Retirement System in such Fiscal Year in a manner to be agreed upon from time to time by the Board and the City, provided, for any Fiscal Year for which an agreement has not been reached before the first day of such Fiscal Year, such contribution dollars shall be paid in equal monthly installments at the end of each calendar month in such Fiscal Year.

ARTICLE F. PARTICIPANT LOAN PROGRAM

Sec. F-1. Established.

Any loans granted or renewed shall be made pursuant to a Participant Loan Program which shall conform with the requirements of Section 72(p) of the Internal Revenue Code. Such loan program shall be established in writing by the Board of Trustees, and must include, but need not be limited to the following:

- (1) The identity of the administrator of the Participant Loan Program;
- (2) A procedure to apply for loans, the amount of loan that will be approved or denied, and limitations, if any, on the types and amount of loans offered;
- (3) The procedures under the program for determining a reasonable rate of interest; and
- (4) The events constituting default and the steps that will be taken to preserve plan assets.

Sec. F-2. The Loan Program.

- (1) This Loan Program shall be contained in a separate written document copies of which shall be made available in the offices of the Retirement System for prospective participants in the Loan Program. The Board of Trustees is authorized to adopt rules and regulations, from time to time, to govern the administration and the operation of this program. Copies of the rules shall also be made available to prospective Members in the offices of the Retirement System; and
- (2) All collective bargaining agreements which accept the terms of this section are specifically agreeing to be subject to the Board's authority to modify or amend the Participant Loan Program from time to time, including during the effective terms of the applicable labor agreement and no such modification or amendment shall be deemed a violation of said labor agreement and no grievance or other form of action shall be effective to overturn or alter the Board's decision.

Sec. F-3. Eligibility.

Subject to rules and procedures established by the Board, loans will initially be made only to non-union Members of the Retirement System. Union employees will be eligible when their respective bargaining unit has accepted the Loan Program. Former Members, spouses of Members, and beneficiaries are not eligible to receive any loans from the Retirement System. Subject to rules and procedures established by the Board, a Member who has been in the Combined Plan for twelve (12) months or more is eligible to apply for a loan under this Component II. No Member shall have more than two outstanding loans from the Retirement System (Component I and/or Component II) at any time. A Member who has previously defaulted on a loan (under either Component I or Component II) shall not be eligible for a loan from the Retirement System.

Sec. F-4. Amount of Loan.

A Member who has satisfied applicable rules and procedures may borrow from his or her account an amount, which does not exceed fifty percent (50%) of the Member's vested accumulated balance, or ten thousand dollars (\$10,000.00) reduced by the excess, if any, of: 1) the highest outstanding balance of loans from the Retirement System (both Component I and Component II) during the one (1) year period ending on the day before the date on which the loan is made, or 2) the outstanding balance of loans from the Retirement System (both Component I and Component II) on the date on which the loan is made, whichever is less. The minimum loan amount shall be one thousand dollars (\$1,000.00).

Sec. F-5. Terms and Conditions.

In addition to such rules and procedures that are established by the Board, all loans shall comply with the following terms and conditions:

- (1) Loan applications shall be in writing;
- (2) Loans shall be repaid by equal payroll deductions over a period not to exceed five (5) years, or, where the loan is for the purpose of buying a principal residence, a period not to exceed fifteen (15) years. In no case shall the amount of the payroll deduction be less than twenty dollars (\$20.00) for any two-week period;
- (3) Each loan shall be made against the assignment of the Member's entire right, title, and interest in and to the Retirement System, supported by the Member's collateral promissory note for the amount of the loan, including interest payable to the order of the Board of Trustees;
- (4) Each loan shall bear interest at a rate determined by the Board. The Board shall not discriminate among Members in its determination of interest rates on loans. Loans initiated at different times may bear different interest rates, where, in the opinion of the Board, the difference in rates is supported by a change in market interest rates or a change in the Retirement System's current assumed rate of return. The loan interest rate shall bear a reasonable relationship to market rates for secured loans of a similar duration and shall bear a reasonable relationship to the costs to the Retirement System of administering the Combined Plan. The loan interest rate shall be calculated in a manner that will not negatively affect the Employers' costs with respect to the Retirement System or the investment return allocated to Members;
- (5) Loan repayments shall be suspended under this plan as permitted by Section 414(u)(4) of the Internal Revenue Code. A participant who has an outstanding loan balance from the plan who is absent from employment with the employer, and who has satisfied the requirements of Section 414(u) of the Internal Revenue Code shall not be required to make loan repayments to the Retirement System during said periods of absence.

Sec. F-6. Renewal of Loan.

Any loans granted or renewed shall be made pursuant to the Participant Loan Program and Section 72(p) of the Internal Revenue Code and the regulations thereunder.

Sec. F-7. Loan Balance.

A Member's outstanding loan balance shall be considered a directed investment by the Member and interest payments shall be credited to the Member's account balance, and shall not be part of net investment income or part of the Member's account balance for the purpose of allocation of net investment income under the Retirement System.

Sec. F-8. Distributions.

No distributions shall be made to a Member, former Member, or beneficiary until all loan balances drawn on the applicable vested accumulated balance and applicable accrued interest have been liquidated.

Sec. F-9. Annual Report.

The Retirement System shall include, in its annual report to all Members, an accounting of the Loan Program established by this Article F, which contains the number and amount of loans made under this Component II, the costs of administering the Loan Program under Component II, the amount of payments made including interest received by Component II of the Retirement System, the amount of loans outstanding, including any defaults or delinquencies, and an evaluation as to whether the interest charged in that Fiscal Year covered the costs of administering the Loan Program maintained under this Component II.

ARTICLE G. SPECIAL PLAN OF ADJUSTMENT PROVISIONS

Sec. G-1. Benefit Changes Implemented Pursuant to the Terms of the Plan Of Adjustment

Notwithstanding anything in Articles A, C, D or E of Component II to the contrary, as of the effective date of the Plan of Adjustment and during the period that ends no earlier than June 30, 2023, the following provisions to comply with the terms of the Plan of Adjustment shall be implemented:

- (1) *Reduction in monthly pension payments.*
 - a. For a retiree or a surviving beneficiary who is receiving a monthly pension benefit as of the effective date of the Plan of Adjustment, as soon as practicable following such effective date such retiree's or surviving beneficiary's monthly pension benefit will be reduced to an amount that is equal to 95.5% of the monthly pension benefit being paid to such retiree or surviving beneficiary as of the date immediately preceding the effective date of the Plan of Adjustment ("Adjusted Accrued Benefit"); provided, however, that the Board and the Investment Committee shall determine on the effective date of the Plan of Adjustment and not less frequently than annually thereafter that the "Funding Conditions" as defined herein have been satisfied, and in the event that such Funding Conditions have not been satisfied then such retiree's or surviving beneficiary's Adjusted Accrued Benefit will be reduced in proportion to the funding which is not received by the Retirement System but not below an amount that is equal to 73% of the monthly pension benefit being paid to such retiree or surviving beneficiary as of the date immediately preceding the effective date of the Plan of Adjustment.
 - b. The Frozen Accrued Benefit that will be paid as a monthly Retirement Allowance upon the retirement or death of an active employee Member or a vested former employee Member on or after the Effective Date, will be reduced to an amount that is equal to 95.5% of the monthly pension benefit that would otherwise have been paid to the active employee or vested former employee under the terms of this Component II of the Combined Plan without taking into account this Section G-1 ("Adjusted Deferred Accrued Benefit"); provided, however, that the Board and the Investment Committee shall determine on an annual basis that the "Funding Conditions" as defined herein have been satisfied, and in the event such Funding Conditions have not been satisfied then such active employee Member's or vested former employee Member's Adjusted Accrued Benefit will be reduced in proportion to the funding which is not received by the Retirement System but not below an amount that is equal to 73% of the monthly pension benefit that would otherwise have been paid to the active employee or vested former employee under the terms of this Component II of the Combined Plan without taking into account this Section G-1.

- c. *Cap on Benefit Reductions for Certain Retirees.* With respect to any retiree or surviving beneficiary receiving monthly pension benefits from the Retirement System as of June 30, 2014, such retiree's or surviving beneficiary's Adjusted Accrued Benefit, as further reduced to take into account any ASF Recoupment under Section G-2, shall not be less than 80% of the monthly pension benefit being paid to such retiree or surviving beneficiary as of the date immediately preceding the Effective Date.

For purposes of this Sec. G-1, the term "Funding Conditions" shall mean that (i) Class 10 and Class 11 voted in favor of the Plan of Adjustment in accordance with the procedures for such vote under the Plan of Adjustment, (ii) the Plan of Adjustment is confirmed by the U.S. Bankruptcy Court, and (iii) the funds that are pledged to be contributed to the Retirement System pursuant to the terms of the State Contribution Agreement and the DIA Settlement Documents have been received.

- (2) *Elimination of Pension Improvement Factor.* For all pension benefits payable after the Effective Date, the Pension Improvement Factor (Escalator) that will be applied to the monthly Adjusted Accrued Benefit or Adjusted Deferred Accrued Benefit of a Member, retiree, surviving beneficiary or vested former employee will be equal to 0%.
- (3) *Recoupment of Excess Returns on Annuity Savings Fund Account.* The terms of Section G-2 Annuity Savings Fund Recoupment shall apply to the Annuity Savings Fund account of Members, retirees and vested former employees as provided in Section G-2.
- (4) *Future Disability Pensions Eliminated.* The Duty Disability Retirement Allowance and Non-Duty Disability Retirement Allowance are eliminated with respect to Members who become disabled on or after July 1, 2014.
- (5) *Effect of Payment Default.* In the event that all or a portion of the funds pledged to be contributed to the Retirement System pursuant to the terms of the DIA Settlement Agreement are not received by the Retirement System, the Board shall automatically reduce the monthly pension benefits payable to Members, retirees, surviving beneficiaries, and former employees to the extent of such default.

Sec. G-2. Annuity Savings Fund Recoupment

Notwithstanding anything in Articles A, B, C, D or E to the contrary, upon the effective date of the Plan of Adjustment, Members, retirees or vested former employees who were identified by the City as a Class 11 Holder under the Plan of Adjustment and who participated in the Annuity Savings Fund ("ASF") at any time during the period that began on July 1, 2003 and ended on June 30, 2013 ("ASF Recalculation Period") are subject to the following provisions:

- (1) *Recoupment from Members, retirees and vested former employees who maintain an Annuity Savings Fund account ("ASF account") as of the Effective Date.* For each Member, retiree or vested former employee who maintains an ASF account

in the Retirement System as of the effective date of the Plan of Adjustment, such individual's ASF account balance will be reduced by such individual's Annuity Savings Fund Excess Amount, as determined by the City in accordance with this Section G-2 (1).

- a. For a Member, retiree or former vested employee who did not receive any distribution or loan from such individual's ASF account during the ASF Recalculation Period, the Annuity Savings Fund Excess Amount means the difference between the value of such individual's ASF account as recalculated using the Actual Return (as defined in paragraph (3) below) and the actual value of such individual's ASF account as of June 30, 2013; provided, however, that an individual's Annuity Savings Fund Excess Amount shall not exceed 20% of the highest value of such individual's ASF account balance (including any unpaid loan balance relating to the ASF account) during the ASF Recalculation Period.
- b. For a Member, retiree or vested former employee who during the ASF Recalculation Period has received a distribution (other than a total distribution) or loan from the ASF, the Annuity Savings Fund Excess Amount means the difference between (i) the sum of (A) the value of such individual's ASF account as of June 30, 2013 and (B) all distributions (including any unpaid loans) received by such individual from his or her ASF account during the ASF Recalculation Period, and (ii) the value of such individual's ASF account as of June 30, 2013 as recalculated using the Actual Return; provided, however, that an individual's Annuity Savings Fund Excess Amount shall not exceed 20% of the highest value of such individual's ASF account balance (including any unpaid loans made to the individual) during the ASF Recalculation Period.

- (2) *Recoupment from Members, retirees and former employees who previously took total Annuity Savings Fund account distributions.* Except as provided in paragraph (4) below, for each Member, retiree or vested former employee who has received a total distribution of the individual's ASF account during the ASF Recalculation Period, the individual's monthly pension benefit (and the survivor monthly pension benefit payable to the Member's survivor, if any) will be reduced by the individual's "Monthly Annuity Savings Fund Excess Amount" as determined by the City in accordance with this Section G-2(2).

A Monthly Annuity Savings Fund Excess Amount means the difference between (i) the value of the ASF account of a Member, retiree or vested former employee as of the date of distribution to such individual from the ASF, provided such date falls within the ASF Recalculation Period, and (ii) the value of the individual's ASF account as of such date, as recalculated using the Actual Return; provided, however, such difference shall not exceed 20% of the highest value of such individual's ASF account balance (including any unpaid loan balance) during the ASF Recalculation Period; provided, further, such amount will be converted into

a monthly annuity amount based on the individual's life expectancy, gender and, if the Member has not already retired, the expected date of retirement.

- (3) *Recoupment from Members, retirees and former employees who received partial Annuity Savings Fund account distributions.* A Member, retiree or vested former employee who previously received a distribution of a portion but not the entirety of the Member's Annuity Savings Account shall be subject to paragraph (1) to the extent of any funds then credited to the Member's Annuity Savings Fund account and shall be subject to paragraph (2) to the extent of any Excess Amount that cannot be recovered pursuant to paragraph (1).
- (4) *Cash repayment option.* Notwithstanding paragraphs (2) and (3) above and subject to the Cash Option Cap described below, a Member, retiree, employee or former employee whose monthly pension benefit will be reduced pursuant to paragraph (2) or (3) may elect to make a single lump sum cash payment to the Retirement System of the Annuity Savings Fund Excess Amount by cashier's check or wire transfer ("Cash Repayment Option"). Each individual eligible for the Cash Repayment Option shall be provided by first-class U.S. mail an election notice and an election form no later than seven days following the Effective Date. The individual shall have thirty-five days from the date on which the election form is mailed to return the election form as directed on the form. An election of the Cash Repayment Option shall be effective only if it is received by the deadline set forth on the election form.

No later than fourteen days following the election deadline, the Board shall notify each individual who timely elects the Cash Repayment Option of the amount to be repaid to the Retirement System ("Final Payment Notice"). Such amount must be paid to the Retirement System on or before the later of (i) ninety days after the Effective Date, or (ii) fifty days following the date on which the Final Payment Notice is mailed to the individual.

If payment is not timely received, the monthly pension benefit of an individual who elects the Cash Repayment Option shall be reduced as provided in paragraph (2) or (3).

The Cash Repayment Option shall be limited to an aggregate amount of \$30 million (the "Cash Option Cap"). In the event the Retirement System receives timely and properly completed election forms representing an aggregate recovery amount in excess of the Cash Option Cap, then each individual who made a timely election of the Cash Repayment Option shall be permitted to repay an amount equal to his pro rata share of the Cash Option Cap. Any Annuity Savings Fund Excess Amount that is not repaid under the Cash Repayment Option shall be repaid as provided in paragraph (2) or (3).

- (5) *Definition of Actual Return.* "Actual Return" means the actual net return percentage on the Retirement System's invested assets for each Fiscal Year

during the ASF Recalculation Period; provided, however, that for any such Fiscal Year the net return shall not be greater than 7.9% nor less than 0%.

- (6) *Limitation on recoupment.* Notwithstanding anything in this Section G-2 to the contrary:
- a. a Member's ASF account value after recoupment of the Member's Annuity Savings Fund Excess Amount will never be less than the contributions made to the ASF by such Member and will reflect all interest credited by the Board to the Member's ASF account for the Fiscal Years ending prior to July 1, 2002; and
 - b. in no event shall the amount recovered from a Member described in Section G-2(2) (or G-2(3), with respect to amounts that may not be recovered pursuant to Section G-2(1)) exceed the Member's Annuity Savings Fund Excess Amount plus interest on such amount at a rate of 6.75%. Upon the Member's repayment of such amount in full, the Member's monthly pension benefit in effect immediately prior to adjustment as provided in Section G-2(2) (adjustment as provided in Section G-1), increased as provided in Section G-4, if applicable, shall be fully restored.
- (7) *Cap on benefit reductions for certain retirees.* With respect to any retiree or surviving beneficiary receiving monthly pension benefits from the Retirement System as of June 30, 2014, the Adjusted Accrued Benefit of such retiree or surviving beneficiary, as further reduced to take into account any ASF Recoupment under Section G-2, shall not be less than 80% of the monthly pension benefit being paid to such retiree or surviving beneficiary as of the date immediately preceding the Effective Date.

Annuity Savings Fund Excess Amounts of Members described in paragraphs (1) and (3) shall be transferred from the Annuity Savings Fund to the Pension Accumulation Fund and shall be used to pay pensions and other benefits to Members as provided in Component II of the Combined Plan.

Sec. G-3. Income Stabilization Benefits

- (1) The provisions of this Section G-3 shall become effective only if each of the Conditions Precedent (as that term is defined in the State Contribution Agreement) have been met to the satisfaction of the Authority and the Treasurer, unless any one or more of such conditions are waived in a writing executed by the Authority and the Treasurer.
- (2) Beginning not later than 120 days after the Effective Date, Component II of the Combined Plan shall pay, in accordance with this Section G-3, an annual supplemental pension income stabilization benefit ("Income Stabilization Benefit") to each Eligible Pensioner (as defined in Section G-3(5)) equal to the lesser of either (i) the amount needed to restore an Eligible Pensioner's reduced

annual pension benefit to 100% of the amount of the annual pension benefit that the Eligible Pensioner received from the Retirement System in 2013; or (ii) the amount needed to bring the total annual 2013 household income of the Eligible Pensioner up to 130% of the Federal Poverty Level for 2013. The Income Stabilization Benefit as determined under this Section G-3(2) will not increase after the date on which the Income Stabilization Benefit is determined. The Income Stabilization Benefit payable to an Eligible Pensioner will terminate immediately at such time as the Eligible Pensioner ceases to qualify as an Eligible Pensioner.

- (3) To the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income (as defined in this Section G-3) in any calendar year after the first year that the Eligible Pensioner receives a benefit under this Section G-3 is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional "Income Stabilization Benefit Plus" benefit commencing as of the next following July 1.
 - a. The Income Stabilization Benefit Plus benefit for a calendar year will be equal to the lesser of either (i) the amount needed to restore 100% of the Eligible Pensioner's pension benefit, as increased by any Pension Improvement Factor (Escalator), under Component II of the Combined Plan; or (ii) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.
 - b. An Eligible Pensioner's "Estimated Adjusted Annual Household Income" for any year will be the sum of (i) the Eligible Pensioner's 2013 total household income (per his or her (or in the case of a minor child, his or her legal guardian's) 2013 income tax return or equivalent documentation), less the pension benefit paid to the Eligible Pensioner from the Retirement System in 2013, as adjusted for inflation or Social Security COLA increases; (ii) the Adjusted Accrued Benefit that is payable to the Eligible Pensioner for that year as determined under Section G-1, (iii) any pension restoration payment to the Eligible Pensioner as determined under Section G-4; and (iv) the Eligible Pensioner's Income Stabilization Benefit.
- (4) A separate recordkeeping fund called the "Income Stabilization Fund" shall be established by the Board for the sole purpose of paying the Income Stabilization Benefits and Income Stabilization Benefits Plus to Eligible Pensioners. Any funds received by the Retirement System that is designated by the City as UTGO Bond Tax Proceeds or a contribution to the Income Stabilization Fund shall be credited by the Board to the Income Stabilization Fund. The assets credited to the Income Stabilization Fund will be invested on a commingled basis with assets of the Retirement System and will be credited with a pro-rata portion of the earnings and losses of the Retirement System. Amounts credited to the Income Stabilization Fund may not be used for any purpose other than the payment of

Income Stabilization Benefits and Income Stabilization Benefit Plus benefits to Eligible Pensioners, except as expressly provided in Section G-3 (7).

- (5) For purposes of this Section G-3, an “Eligible Pensioner” is a retiree or surviving spouse who is at least 60 years of age or a minor child receiving survivor benefits, each as of the effective date of the Plan of Adjustment, whose benefit will be reduced as provided in Section G-1, and who is eligible to receive Income Stabilization Benefits because (i) such individual is receiving monthly pension benefits from the Retirement System as of the effective date of the Plan of Adjustment, and (ii) such individual has a total annual household income equal to or less than 140% of the federal poverty level in 2013 (per his or her (or in the case of a minor child, his or her legal guardian’s) 2013 income tax return or equivalent documentation).
- a. An eligible individual must apply for an Income Stabilization Benefit in accordance with procedures established by the Authority and provide such substantiation of the individual’s aggregate annual household income as is required by the State in its sole discretion.
 - b. The initial determination of Eligible Pensioners, and amount of the Income Stabilization Benefit payable to each Eligible Pensioner shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board. The Board, with the assistance of the Investment Committee, shall be responsible for administering the Income Stabilization Fund and annually certifying to the State Treasurer that it has administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners in accordance with the terms of the State Contribution Agreement.
 - c. After the initial determination of Eligible Pensioners is made, no new individuals will be eligible to receive an Income Stabilization Benefit or an Income Stabilization Benefits Plus benefit at any time in the future.
 - d. An Eligible Pensioner will cease to be an Eligible Pensioner as of the earlier of (i) the Eligible Pensioner’s death, or (ii) with respect to any minor child receiving survivor benefits, the date the minor child reaches the age of 18 years.
- (6) For purposes of this Section G-3, the “Federal Poverty Level” means the poverty guidelines published each year in the Federal Register by the United States Department of Health and Human Resources.
- (7) In the event that in 2022 (provided that the State has not issued a Certificate of Default (as defined in the State Contribution Agreement) with respect to the Retirement System at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee that the assets of the Income Stabilization Fund exceed the Income Stabilization Benefits and Income

Stabilization Benefits Plus benefits anticipated to be made to Eligible Pensioners by the Retirement System in the future (“Excess Assets”), the Investment Committee may, in its sole discretion, recommend to the Board that all or a portion of the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Accrued Benefits or Adjusted Deferred Accrued Benefits, as applicable, payable by the Retirement System. The Investment Committee shall have the right to engage professional advisers to assist in making this determination and such expenses shall be paid by the Retirement System.

- (8) In the event that any funds remain in the Income Stabilization Fund on the date upon which there are no Eligible Pensioners under the Retirement System, such funds shall be used to fund the Adjusted Accrued Benefits or Adjusted Deferred Accrued Benefits, as applicable, payable by the Retirement System.

Sec. G-4. Restoration of Pension Benefits

The following rules shall govern how accrued pensions, including Pension Improvement Factor (“COLA”) benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the confirmation order issued by the Bankruptcy court in *In Re. City of Detroit, Michigan*, Case No. 13-53846. The pension restoration process shall be supervised, and restoration decisions undertaken by the Investment Committee and in accordance with the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto. The pension restoration program shall be deemed a part of this Component II, but in the event of any conflict between the language set forth herein and the pension restoration agreement attached to and made a part of the Plan of Adjustment (“Pension Restoration Agreement”), the terms of the Pension Restoration Agreement will govern.

- (1) *Waterfall Classes.*

There will be three Waterfall Classes:

- a. Waterfall Class 1 – Retirees, in retirement benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries.
- b. Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses and beneficiaries, and who are in pay status as of the end of the Fiscal Year prior to the year in which the restoration decision is made.
- c. Waterfall Class 3 – All other Members who as of June 30, 2014 are not in retirement benefit pay status.

- (2) *Restoration of Benefits Through June 30, 2023.*

- a. Each year in conjunction with the annual actuarial valuation report, the Plan Actuary will project the funded ratio of the Retirement System as of 2023 based upon the market value of plan assets relative to the actuarial

accrued liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses (investment and administrative), future Employer contributions as set forth in the Plan of Adjustment (subject to the conditions in the Plan of Adjustment) and such other actuarial assumptions as utilized by the Plan Actuary. For purposes of restoration of benefits through June 30, 2023, the Funding Target will be a 70% funded ratio, the Restoration Target will be a 75% funded ratio, and the Restoration Reserve Suspension Trigger will be a 71% funded ratio, all projected to June 30, 2023. For purposes of calculating the funded ratio, the assets in the Restoration Reserve Account will be excluded. Each year, if the Actuary projects that the projected Funded Level as of June 30, 2023 (excluding Restoration Reserve Account assets to avoid double counting) exceeds the Restoration Target (i.e., exceeds 75%), a credit of assets for bookkeeping purposes will be made into a new notional “Restoration Reserve Account”. The notional credit will be in an amount equal to the excess of assets above the amount projected to be needed to satisfy the Restoration Target. Once the Restoration Reserve Account is established, each year thereafter, Restoration Reserve Account assets will be credited with interest in an amount equal to the net return on Retirement System investments, but capped at the actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023). In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses and any required transfer to the Pension Reserve Fund.

- b. To the extent that the City’s (including DWSD or a successor authority) actual contributions in any of the Fiscal Years 2015 through 2023 are less than the contributions provided for in the Plan of Adjustment, such difference and any investment earnings thereon shall be notionally allocated to the Pension Reserve Fund.
- c. Actual restoration payments and credits will work as follows: each year in conjunction with preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the Plan Actuary will determine whether there are sufficient funds in such account to restore a portion of the 4.5% across the board pension cuts in one or more minimum incremental amounts equal to ½% of the monthly benefit for each member of Waterfall Class 1 (i.e. reducing the initial across the board cut to 4.0%). This restoration only occurs if the funding level in the Restoration Reserve Account can fund 100% of each incremental increase over the remaining actuarially projected lives of the eligible recipients in Waterfall Class 1. If the Restoration Reserve Account satisfies the required funding level, then in the next Fiscal Year, actual restoration payments will be made to Waterfall Class 1 members in amounts equal to the benefit associated with each increment that have been fully funded in the Restoration Reserve Account. Once Waterfall Class 1 has sufficient

assets in the Restoration Reserve Account to fully fund and restore the 4.5% cut in their monthly benefits, and to the extent that additional assets in the Restoration Reserve Account remain and will fully fund at least ½% of the monthly benefit for each member of Waterfall Class 2 over their remaining actuarially projected lives, then Waterfall Class 2 members will receive pension restoration in minimum ½% benefit increments until an amount equal to the 4.5% cuts in their monthly benefits has been fully funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account remain and will fund at least a minimum ½% of the monthly benefit of each member in Waterfall Class 3 over their remaining actuarially projected lives, then each such member of Waterfall Class 3 shall receive a credit granting them a right upon retirement to receive pension restoration equal to the benefit increments that are fully funded. Restoration payments will be calculated and paid on a prospective basis only.

- d. After the full 4.5% across the board pension cuts are restored for all three Waterfall Classes, and to the extent there are additional assets in the Restoration Reserve Account to fully fund COLA benefits over the actuarially-projected lives of the eligible recipient Waterfall Class, such assets will be used to fully fund and restore a portion of the COLA values that were eliminated as part of the Plan of Adjustment. COLA will be restored in minimum 10% COLA value increments up to 50% of the future COLA values for each member of Waterfall Class 1 (i.e., a 50% future COLA value will constitute a 1.25% simple COLA), then up to 50% of the future COLA values for each member of Waterfall Class 2, and then up to 50% of the future COLA values for each member of Waterfall Class 3 until all members of the three Waterfall Classes have had 50% of the value of their COLAs fully funded and restored. After 50% of the future values of COLA have been fully funded and restored, and to the extent there are additional assets in the Restoration Reserve Account for each of the three Waterfall Classes, then a second 50% COLA restoration will be made, first to members of Waterfall Class 1, then Waterfall Class 2, and then Waterfall Class 3. Classes will be restored in minimum 10% COLA value increments. Restoration payments will be calculated and paid on a prospective basis only.
- e. If the amounts in the Restoration Reserve Account are sufficient to fully-fund the 4.5% across the board pension cuts for all three Waterfall Classes and 100% COLA restoration for all three Waterfall Classes, then any additional assets in the Restoration Reserve Account shall be used to increase the frozen accrued benefits of active and other Members whose Annuity Savings Fund accounts were diminished as part of the Annuity Savings Fund Recoupment (described in Section G-2), such that they receive treatment equal to the 20%/20% ceiling applied to retirees in pay status under the Plan of Adjustment. If after such pension restoration there are additional assets in the Restoration Reserve Account to fully

fund benefit increments over their remaining actuarially projected lives, Waterfall Class 1 members will receive pension restoration in ½% benefit increments of the reductions to their monthly pension due to Annuity Savings Fund Recoupment, and once such pension benefits are restored, Waterfall Class 2 members will receive pension restoration in ½% benefit increments in connection with the reductions to their monthly pensions due to Annuity Savings Fund Recoupment. Restoration payments will be calculated and paid on a prospective basis only

- f. Once restoration payments to applicable retirees and restoration credits to active employees begin, as long as the Restoration Reserve Account continues to have assets sufficient to fund 100% of an incremental pension restoration amount for such Waterfall Class members for their actuarially projected lives, such restoration payments and credits will continue; provided, however, that in the event the Restoration Reserve Account, after having sufficient assets to fund 100% of two or more increments (over their actuarially projected lives), falls below 100% for the second or greater increment, the annual amounts to pay such second or other additional increment can continue until the Restoration Reserve Account lacks any assets to fund it. For example, assume a ½% increment in Waterfall Class 1 requires \$10 million in assets to be fully funded for the Waterfall Class members' actuarially projected lives, and that based on Fiscal Year 2018 results the Restoration Reserve Account has assets of \$22 million so as to fund two increments of restoration in Fiscal Year 2019, (i.e., a 1% pension increase). Assume further that in the following Fiscal Year the Restoration Reserve Account drops in value to \$17 million; in such event two increments could still be paid, and the second increment of ½% would cease being paid only if the value of assets in the Restoration Reserve Account dropped to or below \$10 million (in the event they dropped below \$10 million, the first increment also would cease being paid). For purposes of restoration reduction, restoration increments will be taken away in reverse order in which they were granted (i.e. last in, first out).
- g. In the event the Funded Level (not including the assets in the Restoration Reserve Account) falls below 71% (hereinafter, "Restoration Reserve Suspension Trigger"), then, until such time as the projected Funded Level in 2023 is 71% or above, further interest credits to the notional Restoration Reserve Account will cease notwithstanding the actual net investment returns for the Retirement System for the Fiscal Year in question. Furthermore, if the Funded Level projected to 2023 falls below the Funding Target (i.e., 70%) then restoration payments and credits in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the Pension Reserve Account in sufficient amounts to restore the projected Funded Level in 2023 to 70%; (2) following such transfer, the remaining assets in the Restoration Reserve

Account shall be applied to make restoration payments in accordance with and pursuant to the same mechanism described in paragraph f.

- h. Following receipt of the actuarial reports for 2019, and in the event that the projected Funded Level as of 2023 is less than 71%, the Plan Actuary shall revisit the restoration calculations that it made during each of the prior four (4) years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2023, or (ii) an amount of annual administrative expenses until 2023 equal to the average annual normal course administrative expenses in the prior four (4) years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the Restoration Reserve Account than actually were transferred during such look back period, then the Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period) or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period); or (iii) the amount required to increase the projected 2023 Funded Level to 71%.

(3) *Restoration of Benefits from July 1, 2023 to June 30, 2033.*

- a. During this period, the Funding Target, the Restoration Target, the Permanent Restoration Targets and the Restoration Reserve Suspension Trigger shall be as set forth below:

<u>2023 Funded Level</u>	<u>2033 Funding Target/Restoration Target</u>
75%	75%/78%
74%	74%/77%
73%	73%/76%
72%	72%/75%
71%	71%/74%
70%	70%/73%
69% or lower	the % = to 2023 Funded Level %/73%

2033 Permanent Restoration Target

75%, or if greater, 1% more than 2033 Restoration Target

2033 Restoration Reserve Suspension Trigger

1% more than the projected Funding Target for all time periods

The same rules for variable restoration payments and credits that applied during the period ending June 30, 2023 shall apply during the period ending June 30, 2033 (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and making Restoration Reserve Account asset transfers to the Pension Reserve Fund in the event the 2033 Funded Level falls below the 2033 Funding Target), except as follows.

For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan Actuary shall project investment returns through June 30, 2033 at the then current investment return assumption which is assumed to be net of expenses (administrative and investment) and the applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the Plan Actuary shall assume, merely for purposes of determining whether the Restoration Target is satisfied, that the annual City contribution amount shall be the annual amount necessary to fund the Retirement System based upon an amortization of the actual 2023 UAAL at market value over 30 years (hereinafter, the “2023 UAAL Amortization”) and in such manner that the resulting annual contribution stream would achieve the Funding Target set forth above as of 2033. (Such projected, hypothetical contributions shall be for purposes only of making restoration determinations, and shall not necessarily be the actual contributions made or required to be made by the City or recommended during such period; all of which shall be determined independent of the restoration calculation process.). For purposes of calculating the funded ratio, the assets in the Restoration Reserve Account will be excluded.

- b. To the extent that the City’s actual contributions to the Retirement System in any of the Fiscal Years 2024 (the year ending June 30, 2024) through 2033 are greater than the projected annual contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in the Retirement System called the Extra Contribution Account. In determining pension restoration during the period from Fiscal Year 2024 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected funded level for the Restoration Target or Permanent Restoration Targets. To the extent that the City’s (including for this purpose DWSD or a successor authority) actual contributions in any of the Fiscal Years 2024 through 2033 are less than the projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Pension Reserve Fund.
- c. Each year, in addition to the credit of assets that exceed the amount necessary to satisfy the Restoration Target, existing Restoration Account assets will be credited with interest equal to the net return on Retirement System investments, but capped at the then investment return assumption. In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses.
- d. In connection with preparation of the actuarial report for Fiscal Year 2028, the Plan Actuary will determine whether the Retirement System has satisfied the applicable Permanent Restoration Target, which shall be 75%. Transfers from the Restoration Reserve Account for credit to the Pension Reserve Fund may be made in such amounts as are necessary to

satisfy the Permanent Restoration Target. If following such transfers the Funded Level as of June 30, 2028 has satisfied the Permanent Restoration Target (75%), then the amounts in the Restoration Reserve Account, if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of restoration payments for one or more Waterfall Classes over such Waterfall Class members' actuarially projected lives, shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Account and the applicable incremental payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year. Variable restoration payments will continue to be paid or credited during the period from July 1, 2028 through June 30, 2033 based on the applicable Restoration Target set forth in paragraph a and otherwise in accordance with this Section G-4, notwithstanding whether the Restoration Target during this period is less than the Permanent Restoration Target as of June 30, 2028 of 75%.

- e. In connection with preparation of the annual actuarial valuation report for Fiscal Year 2033, the Plan Actuary will determine whether the Retirement System has satisfied the Permanent Restoration Target for 2033, as set forth in paragraph a. Transfers from the Restoration Reserve Account for credit to the Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the Funded Level as of June 30, 2033 has satisfied the applicable Permanent Restoration Target, then the amounts in the Restoration Reserve Account if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of restoration payments for one or more Waterfall Classes over such Waterfall Class members' actuarially projected lives, shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Account and the applicable incremental payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year.
- f. Following receipt of the actuarial reports for 2028, and in the event that the projected Funded Level of the Retirement System as of 2033 is less than 71%, the Plan Actuary shall revisit the restoration calculations that it made during each of the prior four (4) years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2033, or (ii) an amount of annual normal course administrative expenses until 2033 equal to the average annual administrative expenses in the prior four (4) years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the Restoration Reserve Account than actually were transferred during such look back period, then the Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus

interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period) or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period); or (iii) the amount required to increase the projected 2033 Funded Level to 71%.

(4) *Restoration of Benefits from July 1, 2033 to June 30, 2043.*

- a. During this period, the Funding Target, the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth below:

<u>2023 Funded Level</u>	<u>2043 Funding Target/Restoration Target</u>
75%	75%/78%
74%	74%/77%
73%	73%/76%
72%	72%/75%
71%	71%/74%
70%	70%/73%
69% or lower	the % = to 2023 Funded Level %/73%

2043 Permanent Restoration Target

75% ,or if greater, 1% more than 2043 Restoration Target

2043 Restoration Reserve Suspension Trigger

1% more than the projected Funding Target for all time periods

The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and making Restoration Account asset transfers to the Pension Reserve Fund in the event the 2043 Funded Level falls below the 2043 Funding Target). For example, for purposes of determining whether the 2043 Restoration Target has been satisfied, the Plan Actuary shall project annual contributions using the same 2023 UAAL Amortization. For purposes of calculating the funded ratio, the assets in the Restoration Reserve Account will be excluded, and no Extra Contribution Account assets shall be included for purposes of determining whether the Funded Level meets the Restoration Target or Permanent Restoration Target, including any additions to such account after 2033.

- b. In connection with preparation of the annual actuarial valuation report for Fiscal Year 2043, the Plan Actuary will determine whether the Retirement System has satisfied the applicable Permanent Restoration Target, as set forth in paragraph a. Transfers from the Restoration Reserve Account for credit to the Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the Funded Level as of June 30, 2043 is equal to or greater than the applicable Permanent Restoration Target, then the amounts in the

Restoration Reserve Account if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Account and the applicable payments for the applicable Waterfall Class shall be permanently restored and shall no longer be variable.

(5) *Modification of the Pension Restoration Program.*

If any time after July 1, 2026, the Investment Committee (by vote of 5 of its 7 members), or the Board of Trustees (by a greater than 66% vote) determines that a change in relevant circumstances has occurred, or there was a mutual mistake of fact in developing the Pension Restoration Agreement, such that the continued operation of the Pension Restoration Agreement without amendment will: (a) materially harm the long-term economic interests of the City, or Retirement System; (b) materially impair the City's ability to fully fund over a reasonable period the then existing frozen benefit liabilities; or (c) materially hinder the restoration program, if as of that juncture (and for purposes of applying this subsection 5) annual funding levels (excluding the Extra Contribution Account) had materially exceeded the applicable Restoration Targets for a substantial period yet without any material actual restoration of benefits as contemplated herein having been made, the Investment Committee or the Board, as the case may be, shall provide written notice to the other entity of such a determination and of the need to amend the Pension Restoration Agreement and this Section G-4 (it being understood that the post-Chapter 9, 40-year amortization period (to 2053) to fully fund the Retirement System's frozen liabilities is, unless the relevant facts demonstrate otherwise, presumptively reasonable). The Investment Committee and the Board shall then meet to negotiate amendments to the Pension Restoration Agreement that address the identified risk of harm or impairment, but which also considers the Pension Restoration Agreement's objective of providing pension restoration. Such negotiations shall take into account reasonable actions the City has pursued or could pursue to mitigate such harm or impairment. Any such amendments shall require the approval of a majority vote of the combined members of the Investment Committee and Board (persons who sit on both the Board and Investment Committee shall have one vote). Such parties shall consult with the Mayor, City Council and the Governor of the State of Michigan ("Governor") in connection with such negotiation.

If the Board, acting through a majority, and the Investment Committee, acting through a majority, cannot agree to such amendments with the 90-day period following the provision of such notice by the determining party, then the Board and Investment Committee shall proceed to mediation upon demand from either the Board or the Investment Committee. In this regard, within 30-days following expiration of the 90-day period the Board and the Investment Committee shall each select a mediator from the list of approved mediators for the United States District Court for the Eastern District of Michigan. The two selected mediators shall appoint a third neutral mediator from the approved list. Each party shall

furnish a written statement to the mediators within 30 days of selection of the neutral mediator. Representatives of the Mayor and the Governor shall be consulted in connection with such mediations. If following a 90-day mediation period following submission of the written statements the matter is not settled, then either the Investment Committee or the Board can file an action in the United States District Court for the Eastern District of Michigan asking it to declare, inter alia, whether or in what manner to amend the Pension Restoration Agreement and this Section G-4.

ARTICLE H. MISCELLANEOUS PROVISIONS OF THE GENERAL RETIREMENT SYSTEM

Sec. H-1. Enforcement; Civil Action.

A civil action for relief against any act or practice which violates the state law, the 1997 Detroit City Charter, 1984 Detroit City Code or the terms of this Plan, may be brought by:

- (1) A Plan participant who is or may become eligible to receive benefit;
- (2) A beneficiary who is or may become eligible to receive a benefit;
- (3) A Plan fiduciary, including a Trustee;
- (4) The Finance Director, on behalf of the City as Plan sponsor.

Sec. H-2. Limitation of Other Statutes.

No other provision of law, charter, or ordinance, which provides pensions or retirement benefits wholly or partly at the City expense, exclusive of federal Social Security old-age and survivors' insurance benefits for City employees, their surviving spouses and other dependents, shall apply to Members, retirees or beneficiaries of the Retirement System, their surviving spouses or other dependents.

EXHIBIT I.A.281

PRIOR PFRS PENSION PLAN

**COMBINED PLAN
FOR THE
POLICE AND FIRE
RETIREMENT SYSTEM OF
THE CITY OF DETROIT, MICHIGAN**

Amendment and Restatement Effective July 1, 2014

TABLE OF CONTENTS

	Page
COMPONENT II	1
ARTICLE A. COMMON PROVISIONS OF THE POLICE AND FIRE RETIREMENT SYSTEM	2
Sec. A-1. Common Provisions.....	2
ARTICLE B. FREEZE OF POLICE AND FIRE RETIREMENT SYSTEM AS OF JUNE 30, 2014.....	4
Sec. B-1. Freeze of Police and Fire Retirement System as of June 30, 2014.....	4
ARTICLE C. DEFINITIONS.....	6
Sec. C-1. Definitions.....	6
ARTICLE D. MEMBERSHIP.....	13
Sec. D-1. Generally.....	13
Sec. D-2. Membership election option prior to July 1, 2014.....	14
Sec. D-3. Cessation of membership.....	15
ARTICLE E. SERVICE CREDITABLE.....	16
Sec. E-1. Members to file statement of service, etc	16
Sec. E-2. Credit for service.....	16
Sec. E-3. Employees in military service commencing prior to July 1, 2014	16
Sec. E-4. Verification of service claimed	19
Sec. E-5. Prior Service certificates	19
Sec. E-6. Creditable service at retirement	19
ARTICLE F. BENEFITS PROVIDED TO MEMBERS.....	20
Sec. F-1. Petition for retirement, mandatory age	20
Sec. F-2. Old Plan/New Plan.....	22
Sec. F-3. Pension Multiplier.....	23
Sec. F-4. Disposition of surplus benefits upon death of retired member	24
Sec. F-5. Retirement allowance for certain persons leaving City employment after eight years service (40 & 8).....	24
Sec. F-6. Reduced Early Pension Benefits (40 & 8 Vesting Retirees).....	25
Sec. F-7. Duty disability.....	26
Sec. F-8. Duty disability benefits; members in service on or after July 1, 1941 but prior to January 1, 1969	26

TABLE OF CONTENTS

(continued)

	Page
Sec. F-9. Duty disability benefits; members beginning service on or after January 1, 1969 and becoming disabled prior to the dates set forth in Section F-10.....	28
Sec. F-10. Duty Disability benefits; DFFA, DPOA and DPLSA members beginning service on or after January 1, 1969 and becoming disabled on or after the dates set forth below	29
Sec. F-11. Non-duty disability	31
Sec. F-12. Disability retirement procedures	32
Sec. F-13. Generally.....	34
Sec. F-14. Increase of Benefits; Pension Improvement Factor (Escalator)	35
Sec. F-15. Payment.....	36
Sec. F-16. Generally.....	36
Sec. F-17. Payment of Accumulated Contributions	38
Sec. F-18. Allowances to surviving spouses	38
Sec. F-19. Payment of benefits.....	40
Sec. F-20. Payment of benefits.....	40
Sec. F-21. Deferred vested benefits	40
Sec. F-22. Forfeiture of rights	41
Sec. F-23. Generally.....	41
Sec. F-24. Disposition of surplus benefits upon death of Member and Beneficiary	43
Sec. F-25. Generally.....	43
Sec. F-26. Generally.....	43
Sec. F-27. Authority of Board.....	44
Sec. F-28. Member With Twenty or Twenty-Five Years of Service	45
Sec. F-29. Disabled Member.....	45
Sec. F-30. Optional Annuity Withdrawal.....	45
ARTICLE G. METHOD OF FINANCING	48
Sec. G-1. General.....	48
Sec. G-2. Annuity Savings Fund.....	48
Sec. G-3. Annuity Reserve Fund	49
Sec. G-4. Alternative Financing Method	49

TABLE OF CONTENTS

(continued)

	Page
Sec. G-5. Contributions to and payments from Pension Accumulation Fund	50
Sec. G-6. Retiree payments from Pension Reserve Fund; reinstatement of disability retirees to active service	51
Sec. G-7. Expense Fund	51
Sec. G-8. Appropriations prior to July 1, 2014	51
Sec. G-9. Maintenance of reserves	51
Sec. G-10. Survivors Benefit Fund	51
Sec. G-11. Computation of Annuity and Pension Reserve liabilities for Members, Retirees and Beneficiaries	53
Sec. G-12. Determination of City's annual contribution — Disability Pension liabilities	56
Sec. G-13. Determination of City's annual contribution — Death Pension liabilities	56
Sec. G-14. Determination of City's annual contribution — Actuarial evaluation of annuity and Pension Reserve liabilities	57
Sec. G-15. Determination of City's annual contribution — Service Pension liabilities for Fiscal Years commencing prior to July 1, 2014	57
Sec. G-16. Board of trustees to compute City's annual contribution	57
Sec. G-17. Refunds for certain Members	58
Sec. G-18. Employer Contribution	58
ARTICLE H. MISCELLANEOUS	59
Sec. H-1. Recall of Retirees during emergencies	59
ARTICLE I. DEFERRED RETIREMENT OPTION PLAN	60
Sec. I-1. General provisions	60
Sec. I-2. Conversion to Retirement Allowance	60
Sec. I-3. Investment of DROP assets	60
Sec. I-4. Distribution of amounts credited to DROP Account	61
Sec. I-5. Death of Member while participating in the DROP program	61
Sec. I-6. Disability of Member While Participating in the DROP Program	62
Sec. I-7. Cost Neutrality	62
ARTICLE J. PARTICIPANT ANNUITY SAVINGS FUND LOAN PROGRAM	64
Sec. J-1. Participant Annuity Savings Fund Loan Program	64

TABLE OF CONTENTS
(continued)

	Page
ARTICLE K. SPECIAL PLAN OF ADJUSTMENT PROVISIONS	67
Sec. K-1. Benefit Changes implemented in accordance with the terms of the Plan Of Adjustment.....	67
Sec. K-2. Income Stabilization Benefits	67
Sec. K-3. Restoration of Pension Benefits.....	70
APPENDIX A	79
ARTICLE IX, SECTION 24 OF STATE OF MICHIGAN CONSTITUTION	79
CITY OF DETROIT CHARTER	80
DETROIT CITY CODE	81

COMPONENT II

ARTICLE A. COMMON PROVISIONS OF THE POLICE AND FIRE RETIREMENT SYSTEM

Sec. A-1. Common Provisions

Certain provisions of the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan described below are common to both Component I and this Component II as in effect July 1, 2014. Those provisions are set forth in the following Sections of Component I:

(a) Article I (General Provisions);

(b) Article II (Definitions):

Actuarial Equivalent or Actuarially Equivalent

Actuarially Equivalent Value

Administrative Board of Trustees

Administrative Rules and Regulations

Age; Attainment of

Board of Trustees or Board or Retirement Board

City

City Council or Council

Combined Plan

Component I

Component II

DFFA

DPLSA

DPCOA

DPOA

Detroit Police and Fire Retirement System or Retirement System

Fiscal Year

Internal Revenue Code or Code

Investment Committee

Medical Director

Notice to Members, Beneficiaries and Retirees;

Plan Actuary or Actuary;

Plan Document or Combined Plan Document;

Plan of Adjustment;

Plan Year;

Spouse;

Straight Life Retirement Allowance; and

Total Disability or Totally Disabled;

- (c) Article 13 (Limitation on Benefits and Contributions);
- (d) Article 14 (Retirement System Administration);
- (e) Article 15 (Management of Funds);
- (f) Article 16 (Investment of Retirement System Assets); and
- (g) Article 18 (Miscellaneous).

**ARTICLE B. FREEZE OF POLICE AND FIRE RETIREMENT SYSTEM
AS OF JUNE 30, 2014**

Sec. B-1. Freeze of Police and Fire Retirement System as of June 30, 2014.

Notwithstanding anything in Chapter 47 of the 1984 Detroit City Code, or in Chapter 54, Article II of the 1964 Detroit City Code, or any ordinances, resolutions, or orders, or parts thereof, whether codified or not codified, or any collective bargaining agreement or other documents governing terms of employment to the contrary, effective as of June 30, 2014 (the "Freeze Date"):

- (a) No new employee hired by the City on or after July 1, 2014 shall become a Member who is eligible to accrue a benefit under the terms of the Police and Fire Retirement System in effect as of the Freeze Date;
- (b) No employee who is rehired by the City on or after July 1, 2014 and who received a distribution of his accumulated employee contributions prior to July 1, 2014, shall become a Member who is eligible to accrue a benefit under the terms of the Police and Fire Retirement System in effect as of the Freeze Date; provided, however, that if a Member who is entitled to a Frozen Accrued Benefit as defined in subsection (d) of this Section B-1 and who is rehired by the City on or after July 1, 2014 repays to the Police and Fire Retirement System in accordance with a payment schedule approved by the Board of Trustees the amount of accumulated employee contributions that he withdrew, then such Member shall be eligible to accrue service credit under this Component II following rehire solely for the purpose of determining the Member's eligibility for payment of his Frozen Accrued Benefit;
- (c) No Member shall make contributions to the Annuity Savings Fund under the Police and Fire Retirement System in effect as of June 30, 2014 with respect to payroll dates occurring on or after August 1, 2014 and all Member contributions made with respect to payroll dates occurring on or after August 1, 2014 shall be made to and in accordance with the terms of Component I of the Combined Plan;
- (d) Benefit accruals for Members with respect to service rendered prior to July 1, 2014 will be frozen based on a Member's years of service and Average Final Compensation and the pension multiplier formulae as of such Freeze Date ("Frozen Accrued Benefit");
- (e) Except as otherwise provided in this Section B-1, compensation of a Member shall be frozen effective as of the Freeze Date for purposes of determining the Member's Frozen Accrued Benefit. No compensation of any type earned by a Member after the Freeze Date shall be taken into consideration for purposes of determining the Member's Frozen Accrued Benefit under the Police and Fire Retirement System;
- (f) Any Member who, as of June 30, 2014, would have been eligible to elect to use a portion of the unused accrued sick leave that he could have received in cash upon retirement ("Cashable Sick Leave") to increase his Average Final Compensation if the Member had been eligible to retire and had elected to retire as of June 30, 2014,

shall have a one-time election to have the value of twenty-five percent (25%) of the Member's Cashable Sick Leave as of June 30, 2014 included in the computation of the Member's Average Final Compensation for purposes of determining the Member's Frozen Accrued Benefit ("Sick Leave Election"); provided, however, that the amount of the member's Cashable Sick Leave at the time the completed election form is received by the Retirement System is at least equal to the value of twenty-five percent (25%) of the Member's Cashable Sick Leave as of June 30, 2014 and, provided further that the completed election form is received by the Retirement System no later than the dates established by the City. A Member's Sick Leave Election shall be made in the manner set forth by the Board of Trustees and the Police and Fire Retirement System. Notwithstanding anything in this subsection (f) to the contrary, a Member's Sick Leave Election will be void and the determination of the Member's Average Final Compensation for purposes of calculating the Member's Frozen Accrued Benefit will not take into account any of the Member's Cashable Sick Leave, if (i) the electing Member would not have been eligible to receive an immediate service retirement benefit if he retired as of June 30, 2014, and (ii) the electing Member's employment with the City is terminated before the electing Member becomes eligible for an immediate service retirement benefit under the Police and Fire Retirement System;

- (g) Service earned after the Freeze Date shall be credited to a Member under this Component II solely for purposes of determining a Member's vesting in and eligibility for payment of his or her Frozen Accrued Benefit and to a rehired Member solely for purposes of determining the Member's eligibility for payment of his or her Frozen Accrued Benefit. Service credit for all Members for benefit accrual purposes under the terms of the Police and Fire Retirement System in effect as of the Freeze Date shall be frozen effective as of the Freeze Date and no Member shall earn service credit with respect to benefits payable under the terms of the Police and Fire Retirement System in effect as of the Freeze Date (except for vesting and benefit payment eligibility purposes) after the Freeze Date; and
- (h) The Deferred Retirement Option Plan ("DROP") shall remain in effect for all Members who have either enrolled in or elected to participate in the DROP as of June 30, 2014. Members also may elect to participate in the DROP after June 30, 2014 with respect to their Frozen Accrued Benefits; however, participation in DROP with respect to such Frozen Accrued Benefits shall be limited to five years.

The foregoing terms of Section B-1 shall be referred to as the "Freeze" of the provisions of the Police and Fire Retirement System as in effect on the Freeze Date and the provisions of Component II of the Police and Fire Retirement System shall be interpreted and construed by the Board of Trustees and the Police and Fire Retirement System to give full effect to the Freeze. To the extent that a conflict arises between this Section B-1 and the provisions of Chapter 54 of the 1964 Detroit City Code, or any Charter, ordinances, resolutions, or orders, or parts thereof, whether codified or not codified, or any collective bargaining agreement or other document governing terms of employment of an employee, the Board of Trustees and the Police and Fire Retirement System are directed to interpret any inconsistency or ambiguity to give full effect to the Freeze.

ARTICLE C. DEFINITIONS

Sec. C-1. Definitions.

Unless a different meaning is plainly required by context, for purposes of this Component II the following words and phrases have the meanings respectively ascribed to them by this Section C-1:

- (1) *Accrued Service* shall mean a Member's credited service for employment rendered before the date of an actuarial valuation of the Retirement System and before July 1, 2014.
- (2) *Accumulated Contributions* shall mean the sum of all amounts deducted from the compensation of a Member and credited to his individual account in the Annuity Savings Fund, together with Regular Interest, as provided in this Component II of the Combined Plan.
- (3) *Annuity* shall mean payments derived from the Accumulated Contributions of a Member.
- (4) *Annuity Reserve* shall mean the present value of all payments to be made on account of any Annuity, or benefits in lieu of any Annuity, computed on the basis of such mortality tables and Regular Interest as shall be adopted by the Board of Trustees.
- (5) *Average Final Compensation* shall mean:
 - a. With respect to an "Old Plan Member" (an employee described in Section F-2(a)) the current maximum salary for the rank(s), grade(s) or position(s) held by the Member over the sixty (60) months immediately preceding the earlier of: (i) the date his employment with the City last terminated and (ii) June 30, 2014. The salary shall be obtained from the official compensation schedule for the Fiscal Year of the earlier of the dates described in (i) or (ii) and an average shall be determined. A Member who retires on or after July 1, 2000 (for DPCOA and DFFA members) or July 1, 1998 (for all other Members) shall have the Member's most recent full longevity payment included in his Average Final Compensation.
 - b. With respect to a "New Plan Member" (an employee described in Section F-2(b)) the current maximum salary for the rank(s), grade(s) or position(s) held by the Member over the sixty (60) months immediately preceding the earlier of: (i) the date his employment with the City last terminated and (ii) June 30, 2014. The salary shall be obtained from the official compensation schedule for the Fiscal Year of the earlier of the dates described in (i) or (ii) and an average shall be determined. If more than one (1) rank, grade or position has been held over the sixty (60) month period, a weighted average is determined based on time spent in each rank, grade or position during this sixty (60) month period.

- (i) A Member who retires on or after July 1, 2000 (for DPCOA and fire equivalents) or July 1, 1998 (for all other Members) shall have the Member's most recent full longevity payment included in his Average Final Compensation.
 - (ii) Effective July 1, 2000, Average Final Compensation shall be calculated for members of the DPCOA, Executive members and their fire equivalents by using the current maximum salary for the rank(s), grade(s) or position(s) held by the Member over the thirty-six (36) months immediately preceding the earlier of: (i) the date his employment with the City last terminated and (ii) June 30, 2014.
- c. With respect to reduced duty disability retirements occurring on or after July 1, 1992, notwithstanding the provisions of Article F, Part B, Section F-8, for those Members who receive benefits under Article F, Part B, Section F-9(a), the Average Final Compensation used in the computation of the reduced duty disability allowance shall mean the maximum salary at the date of conversion to reduced duty disability retirement for the rank(s), grade(s), or positions(s) which were held by the Member over the sixty (60) months prior to his or her duty disability retirement.
- d. Subject to Section B-1(f), for purposes of computing the Average Final Compensation received by a Member who retires on or after July 1, 2008 and prior to July 1, 2014, the Member shall have the option of adding the value of the three year average of twenty-five percent (25%) of the Member's unused accrued sick leave at the time of retirement to the earnings used in computing the Average Final Compensation.
- e. The Average Final Compensation for "Old Plan" and "New Plan" Members represented by DFFA retiring on or after July 1, 1992 or on or after July 1, 2000 for Members represented by DPOA is calculated pursuant to paragraph (b) above. The salary is obtained from the Official Compensation Schedule for the Fiscal Year prior to the Member's elective date of retirement and an average shall be determined.
- f. Effective July 1, 2000, for Members represented by DFFA with a parity relationship with the DPCOA Inspector, Average Final Compensation shall be calculated pursuant to paragraph (b)(ii) above. The salary is obtained from the Official Compensation Schedule for the Fiscal Year prior to the Member's elective date of retirement and an average shall be determined.
- g. For Members represented by DFFA who have a parity relationship with the DPLSA and the DPCOA Inspector, who retire on or after July 1, 1998 and for those having a parity relationship with the DPOA who retire on or after July 1, 2000 and prior to July 1, 2014, the amount of the Member's

most recent full longevity payment shall be included in the definition of Average Final Compensation.

- h. Subject to Section B-1(f), all Members represented by DFFA who retire on or after July 1, 2008 and prior to July 1, 2014, may choose to receive the 3-year average of twenty-five percent (25%) of the unused accrued sick leave bank and have that sum included in the average compensation used to compute the Members' service Pension of their Retirement Allowance.
 - i. Subject to Section B-1(f), non-union uniformed Police and Fire executives represented by DPCOA who retire on or after January 15, 2010 and prior to July 1, 2014 may choose to receive the 3-year average of twenty-five percent (25%) of the unused accrued sick leave bank, and have that sum included in the Average Final Compensation used to compute the Member's service Pension of their Retirement Allowance.
 - j. Subject to Section B-1(f), a Member represented by DPLSA who retires on or after July 1, 2008 and prior to July 1, 2014 may choose to receive the 3-year average of twenty-five percent (25%) of eighty-five percent (85%) of his or her unused accrued sick leave bank, and have that sum included in the Average Final Compensation used to compute the Member's service Pension of their Retirement Allowance.
- (6) *Beneficiary* shall mean any person or persons (designated by a Member pursuant to procedures established by the Board) who are in receipt of a Retirement Allowance or Pension payable from funds of the Retirement System due to the participation of a Member.
 - (7) *Decrement Probabilities* shall mean the probabilities of a Member's withdrawal from City employment, death while in the employ of the City, retirement from City employment with a Pension payable from funds of the Retirement System, and death after retirement.
 - (8) *Final Compensation* shall mean the annual rate of earnable compensation of a Member at the earlier of (i) the time of termination of employment or (ii) June 30, 2014. Effective July 1, 1992 and prior to July 1, 2014, compensation shall also include the value of the percentage reduction in compensation for non-union employees, pursuant to ordinance, resolution or executive order. In cases of any doubt regarding these values, the decisions of the Board of Trustees shall be controlling to implement the intention that no non-union employee will suffer a diminution of Pension benefits computation due to reduction in compensation because of fiscal emergency and that Pension benefits with respect to Fiscal Years beginning July 1, 1992 and ending June 30, 2014 should always be computed as if no reduction in compensation occurred due to ordinance, resolution or executive order or directive.

- (9) *Fire Employees* (formerly referred to as “Firemen”) shall mean all employees of the Fire Department who have taken the oath of office as prescribed in Section 12 of Chapter XXI of Title IV of the 1918 Detroit City Charter employed therein prior to November 10, 1937, and who shall be in the employ of the Fire Department of the City of Detroit prior to the effective date of this amendment and restatement and, where the context requires, all persons who shall take the said oath of office and become members of the Fire Department thereafter.
- (10) *Fire Fighter* shall mean the rank in the Fire Department currently or previously classified by the civil service commission as Fire Fighter.
- (11) *Member* shall mean any member of the Retirement System who has not retired.
- (12) *Membership Service* shall mean the total service rendered as a Police Employee or Fire Employee prior to July 1, 2014.
- (13) *New Plan* shall mean the plan originally created by Title IX, Chapter VII, Article IV, Section 1(D) of the 1918 City of Detroit Charter as amended through June 30, 1974 and continued in effect through June 30, 2014 by Article 11, Section 102 of the City of Detroit Charter.
- (14) *Old Plan* shall mean the plan originally created by Title IX, Chapter VII, Article IV, Section 1(A) and (B) of the 1918 City of Detroit Charter as amended through June 30, 1974 and continued in effect through June 30, 2014 by Article 11, Section 102 of the City of Detroit Charter.
- (15) *Patrolman* shall mean the rank in the Police Department currently or previously known as patrolman.
- (16) *Pension* shall mean the portion of a Retirement Allowance which is paid for by appropriations made by the City.
- (17) *Pension Reserve* shall mean the present value of all payments to be made on account of any Pension, or benefit in lieu of any Pension, computed upon the basis of such mortality tables and Regular Interest as shall be adopted by the Board of Trustees.
- (18) *Police Employees* (formerly referred to as “Policemen”) shall mean all employees of the Police Department who have taken the oath of office as prescribed in Section 12 of Chapter XXI of Title IV of the 1918 Detroit City Charter, and who shall be in the employ of the Police Department of the City of Detroit prior to the effective date of this amendment and restatement and, where the context requires, all persons who shall take the said oath of office and become members of the Police Department thereafter.
- (19) *Prior Service* shall mean service in the military rendered prior to July 1, 2014 as provided in Section E-3.

- (20) *Regular Interest* shall mean, for a period of five years from the effective date of the Retirement System interest at four per centum per annum, compounded annually. For the subsequent five year period, and each five year period beginning thereafter but prior to July 1, 2013, Regular Interest shall be such rate of interest as the Board of Trustees, in its discretion, may determine and adopt. For Fiscal Years beginning on and after July 1, 2013:
- a. the annual rate of return for purposes of determining the Regular Interest to be credited to a Member's account in the Annuity Savings Fund shall not be less than zero and shall not be greater than the lesser of (i) 5.25% or (ii) the actual investment return net of expenses of the Retirement System's invested reserves for the second Fiscal Year immediately preceding the Fiscal Year in which the Regular Interest is credited; and
 - b. the rate(s) of Regular Interest adopted by the Board from time to time as necessary for the operation of the Retirement System on an actuarial basis shall not violate the Plan of Adjustment.
- (21) *Retiree* shall mean any Member who has retired with a Pension payable from funds of the Retirement System.
- (22) *Retirement* shall mean for any Member that such Member has retired, with a Pension payable from the funds of the Retirement System.
- (23) *Retirement Allowance* shall mean the sum of the Annuity and the Pension.
- (24) *Retirement System or System* shall mean the Police and Fire Retirement System of the City of Detroit created and established by Title IX, Chapter VII of the 1918 Charter of the City as amended through June 30, 1974 and continued in effect by the provisions of the July 1, 1974 City Charter, and as set forth in the Combined Plan effective as of July 1, 2014 and this amendment and restatement of the Combined Plan.
- (25) *Salary Factors* shall mean the ratio between a Member's rate of compensation as of the date of an actuarial valuation of the Retirement System and his rate of compensation as of the earlier of (i) the date of his Retirement and (ii) June 30, 2014.
- (26) *Service* shall mean service with the City as a Police Employee or Fire Employee.

The following terms shall have the meanings given to them in the Sections of this Combined Plan Document set forth opposite such term:

Accrued Liability Fund	Section G-4(a)
additional years	Section F-9(a)(3)
Adjusted Pension Benefit	Section K-1(1)
Annuity Reserve Fund	Section G-3
Annuity Savings Fund	Section G-2(a)

ASF Excess Return	Section G-2(f)
Authority	Section K-2(1)
Cashable Sick Leave	Section B-1(f)
COLA	Section K-3
Deferred Retirement Option Plan (DROP)	Section B-1(h), Article I
Determination Date	Section G-4(a)
Disability Retirement Review Board	Section F-12(b)
Eligible Pensioner	Section K-2(5)
Estimated Adjusted Annual Household Income	Section K-2(3)b
Expense Fund	Section G-7
Federal Poverty Level	Section K-2(6)
Freeze	Section B-1
Freeze Date	Section B-1
Frozen Accrued Benefit	Section B-1(d)
Funding Conditions	Section K-1(1)
Funding Proceeds	Section G-4(a)
Funding Target	Section K-3(2)(a)
GRS	Section K-2(1)
Income Stabilization Benefit	Section K-2(2)
Income Stabilization Benefit Plus	Section K-2(3)
Income Stabilization Fund	Section K-2(4)
New Plan Member	Section F-2(b)
Old Plan Member	Section F-2(a)
Optional Forms	Section F-23
Option 1. Cash Refund Annuity	Section F-23(a)(1)
Option 2. Joint and Last Survivorship Retirement Allowance	Section F-23(a)(2)
Option 3. Joint and Seventy-Five Percent Survivor Allowance	Section F-23(a)(3)
Option 3(A). Modified Joint and Last Survivorship Allowance	Section F-23(a)(4)
Option 3(B). Joint and Twenty-Five Percent Survivor Allowance	Section F-23(a)(5)
Participant Loan Program	Section J-1
Pension Accumulation Fund	Section G-5
Pension Funding Transaction	Section G-4(a)
Pension Improvement Factor (Escalator)	Section F-14
Pension Reserve Fund	Section G-6
Pop-up Form	Section F-23(b)(ii)
Sick Leave Election	Section B-1(f)
Standard Form	Section F-23(b)(i)
State Treasurer	Section K-2(1)
Straight Life Retirement Allowance	Section F-23
Survivors Benefit Fund	Section G-10
Transition Cost	Section G-2(f)
UAAL	Section G-4(a)

Waterfall Classes

Section K-3(1)

ARTICLE D. MEMBERSHIP

Sec. D-1. Generally.

Subject to Section B-1, the membership of Component II of the Retirement System shall consist of the following:

- (a) All Police Employees and Fire Employees who were in Service on or after July 1, 1941, but prior to January 1, 1969; provided, however, that any Police Employee or Fire Employee who, on or before July 1, 1941, shall have been in the employ of the Police or Fire Department for a period of twenty years, or who shall have a total of twenty years of creditable Service, shall be excluded from the provisions hereof and shall retain for himself or herself, his or her wife, children, dependent mother and dependent sister all rights and privileges provided by Chapters XV and XXI of title IV of the 1918 Detroit City Charter, unless any such Police Employee or Fire Employee, on or before June 1, 1941, shall file with the City Controller his or her written election to become a Member of the Retirement System, in which event he or she shall be a Member; such excluded Police Employee not electing to become a Member, from and after July 1, 1941, while he or she remains an active member of the Police Department, shall pay five per cent of each salary payment into the fund for retired Police Employees, and any such excluded Fire Employee not electing to become a Member, from and after July 1, 1941, while he or she remains an active member of the Fire Department, shall pay five per cent of each salary payment into the Fire Department Pension and Retirement Fund, and such salary contributions shall hereafter be used toward the payments of Retirement Allowances provided for under Chapter XV, Section 14, subsections (1), (2), and (3) thereof. On retirement, the contributions of such excluded members shall cease.
- (b) All persons who became Police Employees or Fire Employees on or after July 1, 1941, but prior to January 1, 1969, and who are confirmed as Police Employees or Fire Employees according to the rules and regulations of the respective Departments shall thereupon become Members of the Retirement System, subject, however, to the following provisions:
 - (i) Any person who shall become a Police Employee or Fire Employee at an attained age of thirty-one years or more may become a Member of the Retirement System only by vote of the Board of Trustees who shall fix the rate of contribution of such Member on a basis recommended by the Actuary for the attained age of such Member.
 - (ii) Any appointive official of the Police Department or Fire Department appointed from the membership thereof shall be permitted to remain a Member of the Retirement System, paying contributions and entitled to benefits as though he had remained in the rank, grade or position held at the date of his appointment.

- (iii) Any Police Employee or Fire Employee who, prior to being confirmed, shall be killed or Totally Disabled as the result of the performance of active duty, shall be deemed to have been a Member of the Retirement System.
- (c) Any Member as defined in paragraph (a) or (b) of this Section D-1 who shall be transferred to a civilian position in his Department shall continue as a Member, subject to all the obligations of a Member.
- (d) All persons who became Police Employees or Fire Employees on or after January 1, 1969 and prior to July 1, 2014 and who are not individuals re-employed with the Police and Fire Departments on or after January 1, 1969 and prior to July 1, 2014, and who are confirmed as Police Employees or Fire Employees according to the rules and regulations of the respective Departments shall thereupon become Members of the Retirement System subject, however, to the following provisions:
 - (i) Any person who shall become a Police Employee or Fire Employee at an attained age of thirty-one years or more may become a Member of the Retirement System only by vote of the Board of Trustees who shall fix the rate of contribution of such Member on a basis recommended by the actuary for the attained Age of such Member.
 - (ii) Any appointive official of the Police Department or Fire Department appointed from the membership thereof shall be permitted to remain a Member of the Retirement System, paying contributions and entitled to benefits as though he had remained in the rank, grade or position held at the date of his appointment.
 - (iii) Any Police Employee or Fire Employee who, prior to being confirmed, shall be killed or Totally Disabled as the result of the performance of active duty, shall be deemed to have been a Member of the Retirement System.
 - (iv) Any Member as defined in Section D-1(a), (b), or (c) who was separated from Service by resignation or dismissal or discharge who subsequently again becomes a Member shall be considered a Member for all purposes under this Component II under Section D-1(a), (b), or (c) and shall not be considered a Member under Section D-1(d).
 - (v) Any Member as defined in Section D-1(d) who shall be transferred to a civilian position in his Department shall continue as a Member, subject to all the obligations of a Member.

Sec. D-2. Membership election option prior to July 1, 2014.

Any person who is a Member as defined in Section D-1(a), (b), or (c) who was in active service on January 1, 1969, shall have had the option to elect to become a Member of the Retirement System as defined in Section D-1(d) by filing his written election with the Board of Trustees on or before January 31, 1969, or any Retiree who retired on or before December 31, 1968, under the provisions of Article F, Part B, Section F-8, who returns to active service prior to July 1, 2014 shall have the option to elect to become a Member of this Retirement System as

defined in Section D-1(d), by filing his written election with the Board of Trustees on or before the earlier of (i) thirty days after his return to active service and (ii) June 30, 2014. The election shall be effective on the date that it is filed with the Board of Trustees.

Sec. D-3. Cessation of membership.

- (a) Should a Member die or become a Retiree or be separated from service by resignation, dismissal, or disability, he shall thereupon cease to be a Member.
- (b) Any person who became a Member under Section D-1(a), (b), or (c) and ceases to be a Member, as provided in Section D-3(a), and who becomes a Police Employee or Fire Employee prior to July 1, 2014, shall again become a Member of Component II of the Retirement System, under section D-1(a), (b), or (c) subject to the provisions of Article G, Section G-2(d).
- (c) Any person who became a Member under Section D-1(d) and ceases to be a Member, as provided in Section D-3(a), and who becomes a Police Employee or Fire Employee prior to July 1, 2014, shall again become a Member of Component II of the Retirement System under Section D-1(d), subject to the provisions of Article G, Section G-2(d).
- (d) Any Member of the Retirement System from the Fire Department who retires as a Member of the Retirement System and who is rehired prior to July 1, 2014 as a civilian Member of the Fire Department may elect on or before June 30, 2014 to again become a Member of Component II of the Retirement System.

ARTICLE E. SERVICE CREDITABLE.

Sec. E-1. Members to file statement of service, etc.

Under such rules and regulations as the Board of Trustees shall adopt, each Police Employee and Fire Employee who shall become a Member prior to July 1, 2014 shall file a detailed statement of all prior service rendered by him as an employee of the Police Department or Fire Department, for which he claims credit, and of such other facts as the Board of Trustees may require, for the proper operation of the Retirement System.

Sec. E-2. Credit for service.

The Board of Trustees shall fix and determine by appropriate rules and regulations how much service in any year is equivalent to a year of service, but in no case shall less than six months' service constitute one year, nor shall more than one year of service be creditable for all service in one calendar year. The Board of Trustees shall not allow credit as service for any period of more than one month during which the Member was or shall be absent without pay provided that if a Member shall be transferred from his Department payroll to the payroll of any city, county or state government or the federal government, by his Department head, during peace times, then such Member shall continue to be a Member of the System and shall be required to make regular contributions into the Annuity Savings Fund; and provided further, that if a Member, so transferred, shall fail to make such contributions for three consecutive months, he shall cease to be a Member of the System four months (of 31 days each) after the due date of his first defaulted Annuity contribution; and provided further, that any Member who was or shall be suspended from duty and subsequently reinstated to duty without further disciplinary action, shall receive total credit for the time of such period or periods of suspension.

Sec. E-3. Employees in military service commencing prior to July 1, 2014.

- (a) If a Member of the Retirement System was or shall be drafted, or enlisted or shall enlist into military, naval, marine, or other service of the United States government during time of war, or if a Member shall be drafted into such service during time of peace, and prior to the earlier of (i) ninety days from the date of his separation from such government service or from the date peace was or shall be established by treaty, whichever date was or shall be earlier, and (ii) June 30, 2014 resumed or shall resume employment as a Police Employee or Fire Employee, then such government service rendered prior to July 1, 2014 shall be credited to him as a Member of the Retirement System. During the period of such government service of a Member, his contributions to the Annuity Savings Fund shall be suspended and the balance in the Annuity Savings Fund, standing to his credit as of the last payroll date preceding his leave of absence from the service of his Department shall be accumulated at Regular Interest. Prior to July 1, 2014, even though the applicant may have been unable to satisfy all the foregoing requirements, the Board of Trustees had the power to grant the privileges provided for by this section in exceptional or extraordinary cases.
- (b) A Member on the City payroll on or after January 1, 1979 and prior to July 1, 2014 who, prior to employment in the City service, was called to or entered or is called to

or enters any full time military service of the United States during time of war, period of compulsory military service, or period of unusual emergency as defined in this ordinance, shall have the required period of active duty credited him as Membership Service, subject to the following conditions and limitations:

- (1) The Member files a written election with the Board of Trustees, before the earlier of (i) 180 days following the effective date of this provision or 180 days from the date of his first employment in the City service, whichever is most recent, and (ii) June 30, 2014, to claim military service credit under the provisions of this section. A Member who is included in a collective bargaining unit shall file a written election to claim military service credit with the Board of Trustees within 180 days following the date of a negotiated approval and acceptance of this section by his duly authorized bargaining agent as transmitted to the Board of Trustees by the Labor Relations Director or, in the case of Members hired subsequent to the transmittal of approval and acceptance by his duly authorized bargaining agent, within 180 days from the date of his first employment in the City service; provided that any such election is required to be filed prior to July 1, 2014.
- (2) The Member furnishes the Board of Trustees such information as the Board of Trustees determines necessary to verify the amount of military service claimed.
- (3) The Member pays to the Pension Accumulation Fund of the Retirement System an amount of five (5) percent of the Member's annual rate of compensation at the time of payment multiplied by the years or parts of years of military service claimed.
- (4) The required payment shall be made under one of the following options:
 - a. Payment in full within 30 days of the election to claim military service.
 - b. Payment in equal bi-weekly installments by payroll deduction over a 36 month period starting 30 days following the election to claim military service. Interest shall accrue during the period of installment payments at the compound rate of 5 percent per annum. Payments must be completed prior to application for retirement.
 - c. If a Member has sufficient funds in the principal portion of his Annuity, he may authorize the Board to transfer such funds to the Pension Accumulation Fund to meet the required payment.
- (5) In the event a Member, who has filed the required election of this benefit, and who would be eligible for a Pension in all respects except for paying the full amount, dies prior to completion of the payment required in paragraph (4) preceding, the person otherwise entitled to a Retirement Allowance may pay the full amount due within 30 days of the Member's death to become eligible for an additional Pension credit under this section.

- (6) Military service credited under the provisions of Section 54-30-3(c) of the 1964 Detroit City Code shall not be claimed or credited under the provisions of this section.
- (7) Military service which is or will be the basis of service credit under any other public employee retirement program shall not be claimed or credited under the provisions of this section.
- (8) In no case shall more than 3 years of pre-employment military service be credited a Member on account of military service. For the purpose of this limitation, military service credited pursuant to Section 54-30-3(a) of the 1964 Detroit City Code shall be combined with military service created pursuant to this section.
- (9) The required payments made to the Pension Accumulation Fund for military service credit pursuant to this section shall, upon application by the Member or his estate, be returned without interest to any Member who dies or leaves City employment prior to being eligible for a Pension.
- (10) Only honorable military service during the following periods shall be covered by this Section E-3(b):

World War II — December 8, 1941 to July 1, 1946.

Korean Conflict — June 27, 1950 to December 31, 1953.

Vietnam Conflict — August 5, 1964 to May 7, 1975.

- (11) The military service credit pursuant to this section shall not apply toward meeting the minimum service and age requirements for vesting, for a non-duty disability Pension or for a service Pension. Such service credit may be used in meeting the minimum time needed for an automatic Option Two Pension in case of death of a Member.
- (12) In no case shall benefits be based on the military service credit provided by this section unless the Member shall have been credited a minimum of eight years of service credit not including military service credit.
- (13) Special service, contractual, part time, seasonal and summer camp employees are not eligible for the military service credit.
- (14) In cases of doubt, the Board of Trustees will determine whether a Member is entitled to the benefits of this section consistent with the requirements and limitations herein.
- (15) Any member of DFFA, DPCOA or DPLSA who performed military service prior to employment by the City and membership in the Retirement System

may, prior to July 1 2014, claim service credit as a Member of the Retirement System for time spent in the military service.

- (16) Effective December 15, 2008, any member of DFFA, DPCOA or DPLSA who has performed any honorable military service may, prior to July 1, 2014, claim up to thirty-six (36) months service in the Pension time for time spent in the military. However, the Member will be required to purchase this military service credit as provided above.
- (17) Effective March 8, 2007, all DPOA bargaining unit members who have served in the military may, prior to July 1, 2014, purchase a maximum of three (3) years Pension time.

Sec. E-4. Verification of service claimed.

Subject to the above restrictions and to such other rules and regulations as the Board of Trustees may adopt, the Board of Trustees shall verify, as soon as practicable after the filing of such statements of service, the service therein claimed.

Sec. E-5. Prior Service certificates.

Upon verification of the statements of service, the Board of Trustees shall issue Prior Service certificates, certifying to each Member the length of Prior Service rendered, with which he is credited. A Prior Service certificate shall be final and conclusive for retirement purposes as to such service; provided, however, that within one year from the date of issuance or modification of such certificate the Board of Trustees on its own motion or on the request of a Member may modify or correct the Prior Service certificate.

Sec. E-6. Creditable service at retirement.

Creditable service at retirement, on which the Retirement Allowance of a Member shall consist of the Membership Service rendered by him prior to July 1, 2014 and, if he has a Prior Service certificate in full force and effect as of July 1, 2014, the amount of service certified thereon.

ARTICLE F. BENEFITS PROVIDED TO MEMBERS

Part A - Service Retirement Allowance

Sec. F-1. Petition for retirement, mandatory age.

- (a) Any Member as defined in Article D, Section D-1 (a), (b), or (c) in service may file with the Board of Trustees his written application for retirement setting forth the date not less than fifteen days nor more than ninety days subsequent to the filing thereof, on which he or she desires to be retired; and provided the Board of Trustees shall determine that the Member, at the date so specified for his retirement will have a total of twenty-five years or more of creditable service he shall on the date specified be retired, notwithstanding that during such period of notification he may have separated from service.

Provided, further, that in the case of any Fire Fighter as defined in Article D, section D-1 (a), (b) or (c) having served twenty-five years or more of creditable service, upon recommendation of the Board of Fire Commissioners, the Fire Fighter shall be retired forthwith, by the Board of Trustees.

- (b) Any Members as defined in Article D, Section D-1 (d) in service may file with the Board of Trustees his written application for retirement setting forth the date not less than fifteen days nor more than ninety days subsequent to the filing thereof, on which he or she desires to be retired; and provided the Board of Trustees shall determine that the Member, at the date so specified for his retirement, will have a total of twenty-five years (effective as of March 8, 2007, twenty years for members of DPOA and their fire equivalents) or more of creditable service and has attained Age fifty-five, he shall on the date specified be retired, notwithstanding that during such period of notification he may have separated from service.

Provided, further, that, effective July 1, 1983 for members of DPOA and fire equivalents and June 30, 1986 for DPLSA and fire equivalents and new Members, a Member described in Article D, Section D-1(d) shall be eligible to retire upon attainment of twenty-five years (effective as of March 8, 2007, twenty years for members of DPOA and their fire equivalents) or more of creditable service, regardless of Age. Effective July 1, 1998 (June 30, 2001 for DPOA members and their fire equivalents), the time a Member is on layoff from service of the City shall be included in actual service rendered to the City for purposes of determining whether a Member has twenty-five years or twenty years of creditable service. The Pension benefit to which such Member is entitled shall be based only on his actual years of creditable service. Effective July 1, 1989, the minimum Age requirement for deferred Pensions payable for post 1969 Members represented by DPOA and hired before June 30, 1985 shall be eliminated.

Notwithstanding the foregoing provisions, effective October 15, 2014, a DPLSA member shall be eligible to terminate employment with the City and commence

receipt of a Retirement Allowance (or make a DROP election as provided in Article I) under this Component II provided the Member satisfies the following requirements:

<u>Fiscal Year</u>	<u>Age and Service</u>
2015	Age 45 and 24 years
2016	Age 46 and 23 years
2017	Age 47 and 23 years
2018	Age 48 and 22 years
2019	Age 49 and 23 years
2020 and thereafter	25 years of service

- (c) Effective June 30, 2001, any Member represented by DPOA and fire equivalents who has been laid off shall be eligible to retire at what would have been the Member's 25th anniversary. To determine eligibility for retirement, the Member's actual service time and time on lay off shall be combined. To calculate the Member's Retirement Allowance for members of DFFA, however, only actual service time shall be used. For DFFA members having a parity relationship with the DPLSA and the DPCOA Inspector, only lay off time which occurred between July 1, 1973 and July 1, 1998 will be credited. Effective in accordance with the specific date and terms of the DPLSA award in Act 312 No. D98 F-0944, Members represented by DPCOA shall have the right to retire on their 25th anniversary date, notwithstanding any service time they may have lost due to any layoffs, as provided in such award.
- (d) Any Member represented by DPOA who was hired on or after July 1, 1985 and who leaves City employment after being vested shall not be eligible for Pension benefits until said individual reaches his or her sixty-second birthday.
- (e) Any Member of the Retirement System as defined in Article D, Section D-1(a), (b), (c), and (d) who shall reach the Age of sixty years shall be retired forthwith, or on the first day of the calendar month next succeeding that in which the Member shall have reached Age sixty. On the written request of the Member and of the Commissioner of Police or the Board of Fire Commissioners, as the case may be, the Board of Trustees may continue such Member in active service for a period of two years beyond his sixtieth birthday, and on the expiration of such period, on like request, may continue such Member for a further period of two years.
- (f) Any Member of the Retirement System who satisfies the requirements for a Pension as defined in Article F, Section F-5 shall be eligible upon ninety days notice to make an irrevocable election to receive an immediate Retirement Allowance, actuarially reduced for early commencement, in lieu of a deferred Retirement Allowance.
- (g) Any Member of the Retirement System who was in the service of the City on or after July 1, 1941 but prior to January 1, 1969 and who was still an active Member on July 1, 1983 for DPLSA and fire equivalents and July 1, 1986 for DPOA members and fire equivalents shall have the option of retiring under the Old Plan or the New Plan.

- (h) Pursuant to IRC 411(e), as in effect in 1974, an employee shall be 100 percent vested in his or her Retirement System accrued benefit upon attaining normal retirement hereunder while in service.

Sec. F-2. Old Plan/New Plan

Effective July 1, 1986, Members of the Retirement System as defined under the terms of the Retirement System in effect on July 1, 1977, who were in service on or after July 1, 1941 but prior to January 1, 1969, and are active Members on July 1, 1986 shall have the option of retiring under the Old Plan or the New Plan.

- (a) *Amount of allowance – Old Plan Members.* Upon his or her retirement from service, a Member as defined in Article D, Section D-1(a), (b), or (c) (“Old Plan Member”) shall receive a straight life Retirement Allowance which shall consist of the benefits provided in paragraphs (1) and (2) below; and he or she shall have the right to elect an option provided for in Part H of this Article F:
 - (1) An Annuity which shall be the Actuarial Equivalent of the Member’s Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her retirement; and
 - (2) A Pension which, when added to the Member’s Annuity, will provide a straight life Retirement Allowance equal to two percent (2.0%) of his or her Average Final Compensation, multiplied by the number of years, and fraction of a year, of his or her creditable service, not to exceed twenty-five years; provided, that the Retirement Allowance of a Police Employee shall in no case exceed fifteen twenty-seconds of the maximum earnable compensation of a Patrolman and the Retirement Allowance of a Fire Fighter shall not exceed fifteen twenty-seconds of the maximum earnable compensation of a Fire Fighter (and if either or both of the said ranks shall be hereafter abolished, the equivalent thereof). The foregoing Pension limitation shall not apply to any Police Employee or Fire Employee who on July 1, 1941, shall be entitled to a certificate for twenty years or more of prior service and who remains under the provisions of Chapter XV or Chapter XXI of Title IV of the 1918 Detroit City Charter.
- (b) *Amount of allowance – New Plan Members.* Upon his retirement from service, a Member as defined in Article D, Section D-1(d) (“New Plan Member”) shall receive a straight life Retirement Allowance which shall consist of the benefits provided in paragraphs (1) and (2) below; and he shall have the right to elect an option provided for in Part H of this Article F:
 - (1) An Annuity which shall be the Actuarial Equivalent of the Member’s Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his retirement; and
 - (2) A Pension which, when added to his or her Annuity, will provide a straight life Retirement Allowance equal to:

- a. two and one-half percent (2.5%) of the Member's Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service, for the first twenty-five (25) years of such service; and
- b. two and one-tenths percent (2.1%) of the Member's Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service in excess of twenty-five (25) years, subject to a maximum of thirty-five (35) years.

Sec. F-3. Pension Multiplier

- (a) Notwithstanding Section F-2(a)(2) and F-2(b)(2), effective July 1, 1992 each Member who retires on or after that date shall be entitled to a Pension which, when added to the Annuity, will provide a straight life Retirement Allowance equal to 2.1% of his or her Average Final Compensation, multiplied by the number of years and fraction of a year, of his or her creditable service, not to exceed thirty-five (35) years of service for New Plan Members and twenty-five (25) years of service for Old Plan Members.
- (b) Effective July 1, 1997 or for DPCOA members the effective date of the CET-DPCOA, each Member who retires shall be entitled to a Pension which when added to the Annuity will provide a straight life Retirement Allowance equal to 2.5% (or 2.1% for DPCOA members) of his or her Average Final Compensation multiplied by the number of years and fraction of year of his or her creditable service for the first twenty-five (25) years or, in the case of a DPCOA member of his or her creditable service earned or accrued on or after the effective date of the CET-DPCOA. For Members represented by DFFA, DPCOA and DPLSA, the multiplier shall be 2.1% for each year of service over twenty-five (25) years. Maximum years of service for Pension credit shall be thirty-five (35) years for New Plan Members and twenty-five (25) years for Old Plan Members.
- (c) Effective September 1, 2011, each Member represented by DPOA who retires shall only be entitled to a Pension which, when added to the Annuity, will provide a straight life Retirement Allowance equal to 2.1% of his or her Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service earned or accrued on or after September 1, 2011. Hence, for the first twenty-five (25) years of service accrued on or after September 1, 2011, the multiplier shall no longer be 2.5%; rather, 2.1%. Maximum years of service for Pension credit shall be thirty-five (35) years for New Plan Members and twenty-five (25) years for Old Plan Members. Service credit accrued prior to September 1, 2011 will be unaffected by this Section F-3(c).
- (d) Each DPLSA member who retires shall only be entitled to a Pension which, when added to the Annuity, will provide a straight life Retirement Allowance equal to 2.1% of his or her Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service earned or accrued following the date of the Act 312 Award in D09 G-0786. Hence, for the first twenty-five (25) years of

service accrued after the date of the Act 312 Award, the multiplier shall no longer be 2.5% as stated in paragraph (b) above. Maximum years of service for Pension credit shall be thirty-five (35) years for New Plan Members and twenty-five (25) years for Old Plan Members.

Sec. F-4. Disposition of surplus benefits upon death of retired member.

In the event a retired Member dies before he or she has received in straight life Retirement Allowance payments an aggregate amount equal to his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her retirement, the difference between his or her said Accumulated Contributions and the said aggregate amount of straight life Retirement Allowance payments received by him or her shall be paid to such person or persons as he or she shall have nominated by written designation duly executed and filed with the Board of Trustees. If there is no such designated person or persons surviving the said deceased Retiree such difference, if any, shall be paid to his or her legal representative. No benefits shall be paid under this Section F-4 on account of the death of such a retired Member if he or she had elected Option 1, 2, 3, 3A or 3B provided for in Part H of this Article F.

Sec. F-5. Retirement allowance for certain persons leaving City employment after eight years service (40 & 8).

- (a) Should any DPLSA member or any fire equivalent who (1) has attained age forty years of Age, and (2) has acquired eight or more years of credited service, or any Member who terminates employment with the City on or after August 29, 2003 with ten or more years of credited service leave the employ of the Police Department or Fire Department prior to the date he or she would have first become eligible to retire as provided in this Part A, for any reason except his or her retirement or death, he or she shall be entitled to a Retirement Allowance computed according to Section F-2 (a) or (b) of this Article F, whichever is applicable, as said Section was in force as of the earlier of (i) the date his or her employment with the City last terminated or (ii) June 30, 2014; provided, that he or she does not withdraw his or her Accumulated Contributions from the Annuity Savings Fund. The Member's Retirement Allowance shall begin the first day of the calendar month next following the month in which his or her application for same is filed with the Board of Trustees, on or after the date he or she would have been eligible to retire had he or she continued in City employment. Notwithstanding the foregoing, prior to March 3, 2008 the Retirement Allowance of a DPOA member or a fire equivalent hired on or after July 1, 1985 shall not begin prior to the date on which the Member reaches his or her sixty-second birthday. Unless otherwise provided in this Component II, such person shall not receive service credit for the period of his or her absence from the City Police Department and/or Fire Department employ, nor shall his or her Beneficiary be entitled to any other benefit afforded in this Component II, except the benefits provided in Part A, Section F-2(a) or (b) or Part F of this Article F, whichever is applicable, subject to the above provisions, notwithstanding, his or her membership has terminated.

- (b) Effective August 28, 2003, for DPOA members and fire equivalents who terminate employment after ten (10) years of service shall be vested and shall have all options afforded to 40 & 8 Retirees.

Sec. F-6. Reduced Early Pension Benefits (40 & 8 Vesting Retirees)

- (a) Members who terminate employment and who are eligible for a Pension pursuant to Article F, Part A, Section F-5 of Component II (40 & 8) shall have the option of receiving an immediate, but reduced early Pension benefit in lieu of a deferred Pension.
- (b) This reduced early Pension benefit shall not result in an increase in employer contribution rates; therefore, the value of the Reduced Early Pension Benefit shall be the Actuarial Equivalent of the 40 & 8 Pension.
- (c) For employees represented by DFFA in ranks or classifications with a parity relationship to employees represented by the DPLSA and employees in higher ranks or classifications, upon termination, a vested employee must within 90 calendar days make an irrevocable election as to whether or not to take this option.
- (d) Individuals represented by DFFA, DPOA or DPLSA, who terminated employment prior to July 1, 1986, are not eligible for this option.
- (e) An employee who receives a lump sum payment for accumulated time upon termination is not allowed to have that time count towards his retirement service.
- (f) Since Members (other than DPOA and fire equivalents) are eligible to begin collecting their vested Pension as soon as they would have been eligible to retire had they continued their City employment, minimum retirement age (i.e., Age 55) shall not be a factor in computing the actuarially reduced Pension benefit.
- (g) All DFFA members, except those members in ranks or classifications with a parity relationship to employees represented by the DPOA, electing to receive the reduced early Pension benefits shall receive upon separation full pay for fifty percent (50%) of the unused sick bank amounts. This provision shall have no effect on a Member electing to receive the deferred 40 & 8 vested Pension who shall continue to be reimbursed for unused sick time in accordance with an applicable collective bargaining agreement.
- (h) Effective August 28, 2003, DPOA members and fire equivalents who terminate employment after ten (10) years of service shall be vested and shall have all options afforded to 40 & 8 retirees.

Part B — Total Disability Pension and Retirement Allowances

Sec. F-7. Duty disability.

If a Member shall become Totally Disabled for duty by reason of injury, illness or disease resulting from performance of duty and if the Board of Trustees shall find such injury, illness or disease to have resulted from the performance of duty, on written application to the Board of Trustees by or on behalf of such Member or by the head of his Department such Member shall be retired; notwithstanding that during such period of notification he or she may have separated from service; provided, the Medical Director, after examination of such Member shall certify to the Board of Trustees his or her Total Disability. If said Member was separated from service after filing of the written application, and he or she had attained twenty-five years or more of service prior to the date of separation, the Board of Trustees, shall retire said Member, under this Part B.

Sec. F-8. Duty disability benefits; members in service on or after July 1, 1941 but prior to January 1, 1969.

- (a) A Member, as defined under Article D, Section D-1(a), (b), or (c), shall receive the following benefits:
 - (1) Each such Member shall receive a disability Pension of fifty percent (50%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation at the time of disability retirement. On the date that a Member, who retired under Section F-7 and who receives benefits under this Section F-8, would have accrued twenty-five years of creditable service had the Member continued in active service, or on the date that the Member reaches age sixty, whichever comes first, the Member shall be eligible for optional benefits as provided Part H of this Article F.
 - (2) In addition to the disability Pension provided for in Section F-8(a)(1), any Member who receives a disability Pension pursuant to Section F-8(a)(1) and has not accrued a total of twenty-five (25) years of creditable service as of the date of the Member's disability retirement shall receive a supplemental disability payment in the amount of sixteen and two-thirds percent (16-2/3%) of the Member's Average Final Compensation at the earlier of (i) the time of disability retirement or (ii) June 30, 2014. This supplemental payment shall terminate upon the expiration of the period when a Member who retired under Section F-7 of this Part B and who receives benefits under Section F-8(a)(1) would have accrued twenty-five years of creditable service had the Member continued in active service, or on the date that the Member reaches Age sixty, whichever comes first.

Effective July 1, 1992 for DPLSA members, the Average Final Compensation used in this computation shall mean the current maximum salary for the rank(s), grade(s) or position(s) which would have been held by the Member over the sixty months prior to the earlier of (i) the date of retirement (reduced disability/service retirement when the Member would have attained a total of twenty-five years of

credited service) had he or she continued working in that classification which he or she held at the time of his or her disability or (ii) June 30, 2014. For Members who begin receiving such benefits on or after July 1, 1998 and before July 1, 2014, the amount of the Member's most recent full longevity payment shall be included in the definition of Average Final Compensation.

Effective July 1, 1992 for DFFA and DPOA members, the Average Final Compensation used in this computation shall be the highest average annual compensation that would have been received by such a Member had he or she continued working in the classification he or she held at the time of his or her disability, during any period of five consecutive years, selected by the Member, contained within the last ten years immediately preceding the earlier of (i) expiration of the period when the Member would have attained a total twenty-five years of creditable service and (ii) June 30, 2014.

Effective July 1, 2000, the Average Final Compensation used in this computation shall mean the current maximum salary, including the annual longevity payment provided above, for the rank(s), grade(s) or position(s) which would have been held by the Member over the thirty-six (36) months prior to the earlier of (i) retirement or (ii) June 30, 2014.

- (3) In the case of a Member retired under Section F-8 who receives benefits under F-8(a)(1) and F-8(a)(2), the Accumulated Contributions standing to the Member's credit at the date of retirement shall continue to be held in the Annuity Savings Fund and Regular Interest shall be credited thereto. If such Member dies before the date upon which the Member would have achieved a total of twenty-five years of creditable service had the Member continued in active service and before such Member reaches Age sixty, the balance of the member's Annuity Savings Account including interest thereon shall be paid as provided in Part D and Part E of this Article F.
- (b) This Section shall be applicable to those Members receiving benefits on the date of adoption of this Section who are not covered by the arbitration decision regarding the DPOA which became effective July 1, 1995, or the arbitration decision regarding the DPLSA which became effective June 30, 1998.
- (c) This Section does not rescind any substantive rights of disability retirees from the Retirement System who retired prior to the July 1, 1995 arbitration award, or the substantive rights of disability retirees from the DPLSA who retired prior to the June 30, 1998 arbitration award.
- (d) This Section does not amend any computations used to determine disability benefits payable under this Section F-8, or result in an increase or decrease in such disability benefits.

Sec. F-9. Duty disability benefits; members beginning service on or after January 1, 1969 and becoming disabled prior to the dates set forth in Section F-10.

- (a) A Member, as defined under Article D, Section D-1(d), who retired under Section F-7, shall receive the following benefits:
- (1) Each such Member shall receive a disability Pension of fifty percent (50%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation at the earlier of (i) the time of disability retirement or (ii) June 30, 2014. On the date that a Member who retired under Section F-7 of this Part B and who receives benefits under this Section would have accrued twenty-five years of creditable service had the Member continued in active service, or on the date that the Member reaches Age sixty, whichever comes first, the Member shall be eligible for optional benefits as provided Part H of this Article F.
 - (2) In addition to the disability Pension provided for in Section F-8(a)(1) of this Part B, any Member who receives a disability Pension pursuant to Section F-8(a)(1) of this Part B and who has not accrued a total of twenty-five years or more of creditable service as of the date of the Member's disability retirement shall receive a supplemental disability payment in the amount of sixteen and two-thirds percent (16-2/3%) of the Member's Average Final Compensation at the earlier of (i) the time of the Member's disability retirement and (ii) June 30, 2014. This supplemental payment shall terminate when a Member who retires under Section F-7 and who receives benefits under Section F-8(a)(1) would have accrued twenty-five years of creditable service had he or she continued in active service or on the date that the Member reaches Age sixty, whichever comes first.
 - (3) In addition to the disability Pension provided for in Section F-8, any Member who receives a disability Pension pursuant to Section F-8(a)(1) and who has accrued more than twenty-five years ("additional years") of creditable service as of the earlier of (i) the date of the Member's disability retirement and (ii) June 30, 2014 shall receive another supplemental disability payment equal to two percent (2%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation as of the earlier of such dates, multiplied by the number of additional years of creditable service the Member has accrued; provided, however, that such supplemental disability payment shall not exceed twenty percent (20%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation.
 - (4) In the case of a Member who retires under Section F-7 and who receives benefits described under Section F-8(a)(1) through (3), the Accumulated Contributions standing to the Member's credit at the date of disability retirement shall continue to be held in a separate fund in the Annuity Savings Fund and Regular Interest shall be credited thereto. If such Member dies prior

to the time when the Member would have achieved a total of twenty-five years of creditable service had the Member continued in active service and before such Member reaches Age sixty, the amount of the Member's Accumulated Contributions so set aside and interest thereon shall be paid as provided in Part D and Part E of this Article. F

- (5) The amendment of Section F-8(a)(1) shall not result in an increase or decrease in the amount of disability benefits payable to Members.
- (b) This Section shall be applicable to those Members receiving benefits on the effective date of this Section F who are not covered by the arbitration decision regarding the DPOA which became effective July 1, 1995, or the arbitration decision regarding the DPLSA which became effective June 30, 1998. This Section does not rescind any substantive rights of disability retirees from the Retirement System who retired prior to the July 1, 1995 arbitration award, or the substantive rights of disability retirees from DPLSA who retired prior to the June 30, 1998 arbitration award.
- (c) This Section does not amend any computations used to determine benefits under Section F-8 of this Part, or result in an increase or decrease in such benefits.

Sec. F-10. Duty Disability benefits; DFFA, DPOA and DPLSA members beginning service on or after January 1, 1969 and becoming disabled on or after the dates set forth below.

- (a) This Section F-10 shall be applicable to:
 - (1) DFFA employees who file applications for disability retirement on or after July 1, 1995 and who have a parity relationship with the DPOA and on or after June 30, 1998, for DFFA employees with a parity relationship with the DPLSA and the DPCOA Inspector;
 - (2) all DPLSA employees who file applications for disability retirement on or after June 30, 1998; and
 - (3) all DPOA members who file applications for disability retirement on or after July 1, 1995.
- (b) A Member who retires as a result of duty disability shall receive for a period of twenty-four months the sum of:
 - (i) a basic benefit equal to 50% of the Member's Final Compensation at the earlier of (i) the time his or her duty disability retirement begins or (ii) June 30, 2014; and
 - (ii) a supplemental benefit equal to 16-2/3% of the Member's Final Compensation at the earlier of (i) the time his or her duty disability retirement begins or (ii) June 30, 2014.

On July 1st of each year, the benefits determined under paragraphs (i) and (ii) above then payable will each be increased by adding to said amounts the product of the initial amount of said benefit which was computed at the time the duty disability retirement began and the applicable Pension Improvement Factor (Escalator).

- (c) After a Member receives benefits hereunder for a period of twenty-four months, the Board will determine whether the Member is disabled from any occupation. If the Member is disabled from any occupation, the Member shall continue to receive the benefit provided in paragraphs (b)(i) and (b)(ii) until such time as the Member would have attained twenty-five years of creditable service had he continued in active Service with the City. At that time, the Member shall continue to receive the benefit described in paragraph (b)(i) above; however, benefits described in paragraph (b)(ii) above will cease. If the Member is not disabled from any occupation, he shall continue to receive the benefit described in paragraph (b)(i) above; benefits described in paragraph (b)(ii) will cease.
- (d) Duty disability retirement benefits shall continue to be paid to a Member on duty disability retirement after the Member has attained twenty-five years of creditable service, to the earlier of (i) the Member's attainment of Age sixty-five, or (ii) termination of disability as determined by the Board. Upon termination of disability or attainment of Age sixty-five, a Member with twenty-five years of creditable service shall be eligible to receive a service retirement benefit. The amount of such service retirement benefit shall be the same amount which would have been payable if the conversion from duty disability retirement to service retirement had occurred at the date of attaining twenty-five years of creditable service. In the event that the examinations and/or investigations conducted by the Police Department result in a determination that a DPOA Member is not qualified for reappointment as a Police Employee, for medical reasons, disability benefits will be continued.
- (e) If a Member on duty disability retirement returns to active service and within a twenty-four month period re-qualifies for duty disability retirement for the same or related reasons he or she had been retired, then the disability shall be deemed a continuation of the prior disabling condition and the period of the return to work will not have caused the Member to be entitled to a new initial determination of benefit amounts as set forth in paragraph (b) above. Instead, such Member will return to retirement at the point he or she had reached in sub-paragraphs (b), (c) or (d) above as if there had not been a break in his or her period of placement on duty disability retirement.
- (f) Disability retirement benefits shall continue to be considered benefits provided by the City pursuant to the 1918 Detroit City Charter, as amended, which are paid instead of and not in addition to any benefits under the State Workers' Disability Compensation Act.
- (g) Survivor benefit coverage applicable to active Members shall be continued during the period a Member is eligible for a duty disability benefit. Upon conversion to a service retirement benefit as provided in paragraph (d), automatic survivor benefit

coverage shall terminate. At that time, the Member shall have the right to elect an optional form of payment in the same manner as if he or she had retired from active membership on the conversion date.

(h) Pension Credit While on Duty Disability Status

- (1) While eligible to receive duty disability benefits, Pension service credit shall continue to accrue, but not beyond June 30, 2014.
- (2) The accrual of Pension service credit will cease on the earlier of (i) the date the Member has twenty-five years of creditable service, or (ii) June 30, 2014.

(i) Earnings Offset

- (1) In the event that a recipient of a duty disability retirement benefit receives earned income from gainful employment during a calendar year, the amount of the Member's disability benefit payable during the next subsequent Fiscal Year will be adjusted so it does not exceed the difference between (i) the Member's base salary at the date of disability, increased by 2.25% times the number of full years from the date of disability to the year in which the earnings offset is applied, and (ii) the amount of remuneration from gainful employment during the prior calendar year.
- (2) The earnings test shall be based on information the Board may periodically require from a duty disability benefit recipient or has secured from other reliable sources. Furnishing such information shall be a condition for a Member's continued eligibility for a duty disability benefit.

- (j) The withdrawal provision of the Retirement System will continue to apply to Members on duty disability. If a duty disability recipient elects annuity withdrawal after attaining twenty-five years of creditable service, the applicable benefit reduction will offset the duty disability benefit until the conversion date, after which it will offset the converted service retirement benefit.

Sec. F-11. Non-duty disability.

- (a) On written application to the Board by or on behalf of a Member or by the head of his Department, a Member, who becomes Totally Disabled for duty by reason of injury, illness or disease not resulting from the performance of duty as determined by the Board of Trustees, shall be retired by the Board of Trustees. If said Member was separated from service after the filing of the written application and had attained twenty-five years or more of creditable service prior to the date of separation, the Board shall retire said Member, under this Part B.
- (b) A Member retired under paragraph (a) above shall receive the following applicable benefits:

- (1) If such Member has less than five years of creditable service at the time of his or her disability retirement, his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund shall be returned to the Member, or at his or her option, he or she shall receive a cash refund annuity which shall be the Actuarial Equivalent of his or her Accumulated Contributions.
- (2) If such Member has five or more years of creditable service at the time of his or her disability retirement, he or she shall receive a disability Retirement Allowance computed in accordance with the provisions of this Article F, Part A, Section F-2(a) or (b), whichever is applicable, and he or she shall have the right to elect an Option provided for in Part H of this Article F. The Member's Straight Life Retirement Allowance shall not be less than twenty per cent of his or her Average Final Compensation. Such Retirement Allowance shall be subject to Parts I and K of this Article F.
- (3) If a Member receiving non-duty disability benefits has any Accumulated Contributions standing to his or her credit in the Annuity Savings Fund when the Member would have attained twenty-five years (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) of creditable service, such Member may withdraw the balance of such contributions at that time.

Sec. F-12. Disability retirement procedures.

- (a) The Board shall establish procedures for determining whether a Member is disabled. Such procedures shall be consistent with any collective bargaining agreements between the City and the unions covering Police Employees and Fire Employees.
- (b) If a Member is determined to be disabled, the Board or its designee will examine the pension file, including the submissions of the Member and the Police or Fire Department, to determine if there is any dispute as to whether the disability "resulted from the performance of duty" within the meaning of the Combined Plan. If it is undisputed that the disability did result from the performance of duty, the Board will grant duty disability retirement benefits. If it is undisputed that the disability did not result from the performance of duty, the Board will grant non-duty disability retirement benefits, provided the Member meets the other conditions of eligibility. If the performance of duty issue is in dispute, the Board will refer the matter to arbitration by a member of the Disability Retirement Review Board ("DRRB"). The decision of the DRRB member as to whether the disability resulted from the performance of duty shall be final and binding upon the Member, the Department and the Board. The DRRB shall consist of three qualified arbitrators who will be individually assigned in rotating order to decide the matters referred to arbitration by the Board. The three members of the DRRB shall be disinterested persons qualified as labor arbitrators and shall be selected in accordance with agreements between the City and the unions representing Members. The procedure for the termination of DRRB members and the selection of new DRRB members also shall be carried out in

accordance with the agreements between the City and the unions representing Members.

(c) The hearing before a member of the DRRB will be conducted in accordance with the following procedures:

- (1) The Member and the City will have the right to appear in person or otherwise may be represented by counsel if they wish and will be afforded an equal opportunity to present evidence relevant to the issues;
- (2) A court reporter will be present and make a stenographic record of the proceedings;
- (3) The hearing will be closed to the public, except that the Member may select one person to be with him or her in the hearing room; provided, however, that person may not testify;
- (4) The witnesses will be sequestered;
- (5) The witnesses will be sworn by the court reporter and testify under oath;
- (6) The Member may not be called by the City as an adverse witness;
- (7) The DRRB member will apply the rules of evidence and follow the procedures which are customarily applied and followed in labor arbitration cases;
- (8) If the Member wishes to have an employee of the City released from duty to appear as a witness on his or her behalf, the Member may so inform the Board in writing which, in turn, will submit a written request to the appropriate Department for the release of the employee for the purpose of so testifying;
- (9) The DRRB member will afford the parties an opportunity for the presentation of oral argument and/or the submission of briefs;
- (10) The DRRB member will issue a written decision containing credibility resolutions as necessary, findings of fact and conclusions with respect to all relevant issues in dispute;
- (11) The authority of the DRRB member is limited to deciding whether or not the Member's disability "resulted from the performance of duty" within the meaning of the Combined Plan. The DRRB member shall have no authority to add to, subtract from, modify or disregard the terms of the Combined Plan; and
- (12) The costs associated with the hearing, including the arbitrator's fees and expenses and the court reporter's fees and expenses, will be paid by the Retirement System.

- (d) If a disability retiree is determined by the Board or its delegate to no longer be disabled, he or she may appeal that determination within seven (7) days thereof by filing a written request with the Board for a re-examination. The Board or its delegate shall promptly arrange for such re-examination. The Member's disability benefits will be continued pending that final and binding medical finding, and if the finding is that the Member is no longer disabled, his or her disability benefits will be further continued while the Police or Fire Department conducts such examinations and/or investigations as necessary to determine whether the Member is qualified for reappointment to active duty. In the event that the examinations and/or investigations conducted by the Police Department result in a determination that a Member represented by DPLSA is not qualified, for medical reasons, for reappointment to active duty, disability benefits will be continued.
- (e) The Board of Trustees shall not act upon or grant the application filed by a Police Employee or Fire Employee who, although he or she is not capable of performing the full duties of a Police Employee or Fire Employee, has not suffered any diminishment of his or her base wages or benefits because he or she is either:
 - (1) regularly assigned to a position, the full duties of which he or she is capable of performing; or
 - (2) assigned to a restricted duty position, unless the Police Department or Fire Department advises that it intends to seek a disability retirement for the Police Employee or Fire Employee in the foreseeable future.
- (f) The provisions in paragraph (e) above are not intended to and will not:
 - (1) affect the right of a Member to seek a disability retirement when no restricted duty position is available; or
 - (2) restrict in any way the existing authority of the Chief of Police or the Fire Commissioners to seek a duty or non-duty disability retirement for a Member or for that Member at that time to request a duty or non-duty disability retirement.
- (g) DPCOA and DPLSA members who are retired on disability Pensions pursuant to this Part B shall be entitled to lump sum payments of all accumulated time from the date that the Board of Trustees determines that they are entitled to such a Pension. These members shall not be required to utilize such time delaying their retirement dates.

Part C — Escalation and Change in Compensation, Rank

Sec. F-13. Generally.

Subject to the Plan of Adjustment, if hereafter the rate of compensation of the rank, grade or position on which the service Retirement Allowance, disability Pension or disability Retirement Allowance of a Member who was hired prior to July 1, 1969 or is a Beneficiary of such a Member as defined in Article D, Section D-1(a), (b), or (c) is based shall be changed, his

or her service Retirement Allowance, disability Pension, or disability Retirement Allowance shall be changed proportionately, and if such rank, grade, or position shall have been abolished, his or her service Retirement Allowance, disability Pension, or disability Retirement Allowance shall be changed in proportion to the change made in the compensation of the existing rank, grade, or position most nearly approximating the rank, grade, or position so abolished.

Sec. F-14. Increase of Benefits; Pension Improvement Factor (Escalator).

On and after July 1, 1969, and the first of July of each year thereafter until July 1, 1992, the Pension portion of any Retirement Allowance or death benefit of a Member or Beneficiary of a Member as defined in Article D, Section D-1(d), which is paid or payable under this Component II shall be increased at the rate of two per cent (2.0%) per annum computed on the basis of the amount of the Pension received at the time of retirement.

On or after July 1, 1992 and the first of July each year thereafter until July 1, 2014, the Pension portion of any Retirement Allowance or death benefit of a Member or Beneficiary of a Member as defined in Article D, Section D-1(d), (including those Members who opt to retire under the New Plan provisions) shall be increased at the rate of two and twenty-five one-hundredths per cent (2.25%) per annum computed on the basis of the amount of the Pension received at the time of retirement.

Effective for Members who retire on or after July 1, 1997 (July 1, 1998 for DPCOA members, DPLSA members and DFFA members with a parity relationship with DPCOA and July 1, 2001 for DPOA members and their fire equivalents), the Pension Improvement Factor (Escalator) described in this Section shall be re-computed each Fiscal Year ending before July 1, 2014 on the basis of the amount of Pension received in the previous Fiscal Year (i.e., the 2.25% per annum escalation amount shall be compounded).

Pension benefits for DPCOA members under Component II based on service rendered after November 30, 2012 shall not be subject to any escalation amounts.

The Pension portion of any Retirement Allowance or death benefit of a Member, or Beneficiary of a Member as defined in Article D, Section D-1(d) of the Combined Plan provisions, and Article 51.G. of the DPLSA collective bargaining agreement or Article 3.K. of the DPOA collective bargaining agreement (to include those Members who opt out to retire under the New Plan provisions) earned after April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members), shall not be increased whatsoever, per annum or otherwise. The Pension portion of any Retirement Allowance or death benefit of a Member, or Beneficiary of a Member as defined herein, accrued prior to April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members), shall still be increased as provided herein. Hence, Pension benefits earned based on service rendered after April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members) will no longer receive the 2.25% per annum escalation amount. The 2.25% per annum escalation amount shall continue to apply to Pension benefits earned based on service rendered before April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members).

Sec. F-15. Payment.

Except as provided in the Plan of Adjustment, the escalation factor contained in Section F-14 above shall be payable to the Member or Beneficiary of a Member as defined in Article D, Section D-1(d), notwithstanding any Retirement Allowance or Pension amount limitation provisions in this Component II to the contrary.

Part D — Death Benefits.

Sec. F-16. Generally.

If a Member, or a Retiree who was a Member, is killed in the performance of his or her duty or dies as the result of illness contracted or injuries received while in the performance of his or her duty and such death, illness or injuries resulting in death, is found by the Board of Trustees to have resulted from the performance of his or her duty, the following applicable benefits shall be paid, subject to Part I, Section F-25, of this Article F.

- (a) The Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her death shall be paid to such person or persons as he or she shall have nominated by written designation duly executed and filed with the Board of Trustees. If there is no such designated person surviving, his or her said Accumulated Contributions shall be paid to his or her legal representative, subject to paragraph (e) of this Section F-16.
- (b) A Member's surviving spouse shall receive a Pension of five-elevenths of the maximum earnable compensation for the rank of Patrolman or Fire Fighter as the case may be determined as of the earlier of (i) the date of death or (ii) June 30, 2014. If his or her child or children under Age eighteen years also survive the deceased Member each such child shall receive a Pension of one-tenth of such maximum earnable compensation as of the earlier of (i) the date of death or (ii) June 30, 2014; provided, that if there are more than two such surviving children under Age eighteen years, each such child's Pension shall be an equal share of seven thirty-thirds of such maximum earnable compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child his or her Pension shall terminate and there shall be a redistribution by the Board of Trustees to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's Pension exceed one-tenth of such maximum earnable compensation. In no case shall the total of the Pensions, provided for in this paragraph (b), payable on account of the death of a Member exceed two-thirds of the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, determined as of the earlier of (i) the date of the Member's death or (ii) June 30, 2014.

Effective July 1, 1986, widows of Police Department or Fire Department employees who have been receiving a flat monthly benefit of \$300.00 should receive an increase of \$500.00 per month thereby making the flat monthly benefit \$800.00.

- (c) If no spouse survives the deceased Member or if his or her surviving spouse dies or remarries before his or her youngest unmarried surviving child attains Age eighteen

- years, his or her unmarried child or children under age eighteen years shall each receive a Pension of one-fourth of the maximum earnable compensation for the rank of Police Employee or Fire Employee, as the case may be as of the earlier of (i) the date of the Member's death or (ii) June 30, 2014; provided that if there are more than two such surviving children under Age eighteen years, each such child's Pension shall be an equal share of one-half of such maximum earnable compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child his or her Pension shall terminate and there shall be a redistribution by the Board of Trustees to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's Pension exceed one-fourth of the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be determined as of the earlier of (i) the date of the Member's death, or (ii) June 30, 2014.
- (d) If there is no surviving spouse and if there are no children under Age eighteen years surviving such deceased Member and if he or she leaves surviving either a father or mother or both, whom the Board of Trustees shall find to be actually dependent upon such Member for financial support, such dependent father and mother shall each receive a Pension of one-sixth of the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be determined as of the earlier of (i) the date of the Member's death, or (ii) June 30, 2014.
 - (e) If a Member dies intestate, without having designated a person or persons, as provided in sub-section (a) of this section, and without heirs, the amount of his or her Accumulated Contributions in the Annuity Savings Fund, not to exceed a reasonable sum, to be determined by the Board of Trustees, shall be used to pay his or her burial expenses, provided he or she leave no other estate sufficient for such purpose; any balance credited to such Member in the Annuity Savings Fund, and not used for burial expenses shall remain a part of the funds of the Retirement System and shall be credited to the Pension Accumulation Fund.
 - (f) If the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, is subsequently changed, the Pensions provided in this Section F-16 for beneficiaries of Members as defined in Article D, Section D-1(a), (b), or (c) shall be proportionately changed; provided, however, that no increases shall be made after June 30, 2014.
 - (g) The maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, to be used in computing the Pensions provided in this Section for beneficiaries of Members as defined in Article D, Section D-1(d) shall be the maximum earnable compensation of the rank of Patrolman or Fire Fighter as established by the City's budget for the Fiscal Year in which occurs the earlier of (i) the date of the Member's death, or (ii) June 30, 2014.

Part E — Nonduty Death.

Sec. F-17. Payment of Accumulated Contributions.

If a Member, or a Member who retires after June 30, 1965, under Part B, Section F-7 of this Article F, dies and no Pension or Pensions become payable under this Component II on account of his or her death, the Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of death shall be paid to such person or persons as he or she shall have nominated by written designation duly executed and filed with the Board of Trustees. If there is no such designated person or persons surviving the said Member, his or her said Accumulated Contributions shall be paid to his or her legal representative. If such Member dies intestate, without having designated a person as above provided, and without heirs, his or her said Accumulated Contributions not to exceed a reasonable sum to be determined by the Board of Trustees, shall be used to pay his or her burial expenses, provided he or she leaves no other estate sufficient for such purpose; and any balance credited to such Member in the Annuity Savings Fund not so used for burial expenses shall be transferred to the Survivors Benefit Fund.

Sec. F-18. Allowances to surviving spouses.

Upon the death of a Member, or a Member who retires after June 30, 1965, under Part B, Section F-7 of this Article F, and such death is found by the Board of Trustees not to have resulted from the performance of his or her duty, the applicable Retirement Allowances provided in paragraphs (a), (b), (c) and (d) of Section F-1 shall be paid from the Survivors Benefit Fund, to the extent of available funding, and shall be subject to paragraphs (e), (f) and (g) of Section F-1.

- (a) His or her surviving spouse shall receive a Retirement Allowance computed in the same manner in all respects as if the said Member had (1) regularly retired on the earlier of (i) the day preceding the date of his or her death, or (ii) June 30, 2014, notwithstanding that he or she might not have acquired twenty-five years of creditable service, in the case of a Member as defined in Article D, Section D-1(a), (b), or (c), or notwithstanding that he or she might not have acquired twenty-five years of service or more and had not attained age fifty-five, in the case of a Member as defined in Article D, Section D-1(d); (2) elected Option 2 provided for in Part H of this Article F; and (3) nominated his or her surviving spouse as joint Beneficiary; provided, that in no case shall the Retirement Allowance payable to such joint Beneficiary be less than twenty per cent of said Member's Average Final Compensation as of the earlier of (i) the Member's date of death, and (ii) June 30, 2014. If a Member who had less than twenty-five years of creditable service dies prior to July 1, 2001, the Retirement Allowance payable to the surviving spouse shall be terminated in the event the surviving spouse remarries.
- (b) His or her unmarried child or children under Age eighteen years shall each receive a Retirement Allowance of one-seventh of the annual maximum earnable compensation of the rank of a Patrolman or a Fire Fighter, as the case may be determined as of the earlier of (i) the Member's date of death, and (ii) June 30, 2014; provided, that if there are more than two such children, each child shall receive a Retirement

Allowance of an equal share of two-sevenths of said annual maximum earnable compensation. Upon any such child's adoption, marriage, death or Attainment of Age eighteen years, whichever occurs first, his or her Retirement Allowance shall terminate, and there shall be a redistribution by the Board of Trustees to the deceased Member's remaining eligible children under Age eighteen years; provided, that in no case shall the Retirement Allowance payable to any such child exceed one-seventh of the said annual maximum earnable compensation.

- (c) If, at the time of the said Member's death, there shall be neither a surviving spouse nor children eligible for a Retirement Allowance provided for in this Section F-18, each of his or her parents shall receive a Retirement Allowance of one-seventh of the annual maximum earnable compensation of a Patrolman, or a Fire Fighter, as the case may be determined as of the earlier of (i) the Member's date of death, and (ii) June 30, 2014; provided, that the Board of Trustees finds that such parent was dependent upon the said Member for at least fifty per cent of his or her financial support. Upon the remarriage of any such parent, his or her Retirement Allowance shall thereupon terminate.
- (d) In the event all the Retirement Allowances, provided for in this Section F-18, payable on account of the death of a Member, terminate before there has been paid an aggregate amount equal to the said Member's Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of death, the difference between his or her said Accumulated Contributions and the said aggregate amount of Retirement Allowances shall be paid to such persons as the said Member shall have nominated by written designation duly executed and filed with the Board of Trustees. If there are no such designated person or persons surviving the said Member such difference, if any, shall be paid to his or her legal representative.
- (e) In no case shall any Retirement Allowance be paid under this Section F-18 on account of the death of a Member if any benefits are paid under Part D of this Article F on account of his or her death. The Retirement Allowance provided for in this Section F-18 shall be subject to Part I of this Article F.
- (f) All benefits provided in this Part E for Beneficiaries of Members as defined in Article D, Section D-1(a), (b), or (c) shall be based on the maximum earnable compensation of the rank of Patrolman or Fire Fighter, as the case may be determined as of the earlier of (i) the Member's date of death, or (ii) June 30, 2014. If a Member died before July 1, 2014 and the compensation of such rank shall be changed prior to July 1, 2014, the benefits provided shall be changed proportionately. All benefits provided in this Part E for Beneficiaries of Members as defined in Article D, Section D-1(d) shall be based on the maximum earnable compensation of the rank of Patrolman or Fire Fighter as established in the City's budget for the year of the earlier of (i) the Member's death or (ii) June 30, 2014.
- (g) In the event a Member has withdrawn his or her Accumulated Contributions from the Annuity Savings Fund and has not returned in full all amounts due the fund by him or her, the survivors benefits provided in paragraphs (a), (b), (c) and (d) of this Section

shall be reduced to the proportion that the Member's Accumulated Contributions standing to his or her credit in the Annuity Savings Fund, at the time of his or her death bears to the amount his Accumulated Contributions would have been had he or she not made a withdrawal from the Annuity Savings Fund.

**Part F — Termination of Membership Otherwise than
by Retirement, Death or Becoming a Beneficiary.**

Sec. F-19. Payment of benefits.

If the membership of a Member as defined in Article D, Section D-1(a), (b), or (c) shall terminate for any reason other than retirement, his or her becoming a Beneficiary, or death, the Member shall be paid the Accumulated Contributions standing to the credit of his or her individual account in the Annuity Savings Fund, such payment to be made within ninety days after such termination of membership; provided, however, that if a Member eligible for retirement shall resign or be dismissed from service, the Board of Trustees, on the written petition of such Member filed within one year from his or her separation from service and prior to the withdrawal of his or her Accumulated Contributions in the Annuity Savings Fund, shall grant such Member service retirement benefits computed in accordance with Article F, Part A, Section F-2(a), subject to the provisions of Part G of this Article F.

Sec. F-20. Payment of benefits.

If the membership of a Member as defined in Article D, Section D-1(d) shall terminate for any reason other than retirement, his or her becoming a Beneficiary or death, he or she shall be paid the Accumulated Contributions standing to the credit of his or her individual account in the Annuity Savings Fund, such payment to be made within ninety days after such termination of membership; provided, however, that if a Member having twenty-five or more years of service and having attained age fifty-five shall resign or be dismissed from service, the Board of Trustees, on the written petition of such Member filed within one year from his or her separation from service and prior to the withdrawal of his Accumulated Contributions in the Annuity Savings Fund, shall grant such Member service retirement benefits computed in accordance with Article F, Part A, Section F-2(b), subject to the provisions of Part G of this Article F.

Sec. F-21. Deferred vested benefits.

A Member (i) whose employment is terminated before August 28, 2003 and who is credited with eight or more years of creditable service and has attained Age forty, or (ii) whose employment is terminated after August 27, 2008 and who is credited with ten or more years of creditable service, but in each case less than twenty-five years (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) of creditable service shall be eligible to receive a full Retirement Allowance under Component II beginning on the date upon which the Member would have been eligible to commence a full Retirement Allowance had he or she continued in the service of the City until such date. Alternatively, such Member may elect to receive an actuarially reduced early Retirement Allowance at any time following his or her termination of employment with the City.

Part G — Conviction of Felony.

Sec. F-22. Forfeiture of rights.

If a Member or retiree as defined in Article D, Section D-1(a), (b), (c) or (d) shall be convicted of by a court of competent jurisdiction or enters a nolo contendere plea accepted by a court for a felony against the City arising out of his or her service as an employee of the City and while a Member of the Retirement System, the court may order the forfeiture of all or a portion of the rights of the Member to benefits hereunder, except the return of his or her Accumulated Contributions, as provided in the *Public Employee Retirement Benefits Forfeiture Act, MCL 38.2701, et. seq.* In such case, the Retirement System shall pay to an individual, if any, who would otherwise be a Beneficiary of the Member or retiree whose retirement benefit is being forfeited under this Section F-22 an Actuarially Equivalent monthly retirement allowance at the Age that the Member or Retiree would have become eligible for unreduced retirement benefits under the Retirement System.

Part H — Option Elections.

Sec. F-23. Generally.

- (a) Prior to the first payment of any Retirement Allowance normally due, except a disability Pension payable under Part B, Sections F-8 and F-11 of this article, a Member may elect to receive his or her Retirement Allowance as a Straight Life Retirement Allowance payable throughout the Member's life; or the Member may elect to receive the Actuarial Equivalent, as of the date of the Member's retirement, of his or her Straight Life Retirement Allowance in a reduced Retirement Allowance payable throughout the Member's life and nominate a joint Beneficiary, in accordance with the provisions of Options 1, 2, 3, 3(A) or 3(B) as follows:
 - (1) **OPTION 1. *Cash Refund Annuity.*** Under Option 1, a Member will receive a reduced Retirement Allowance. If a Member who selected Option 1 dies before full payment of the Annuity has been received, the person or persons nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees shall receive in a single payment the difference between the present value of the Member's Annuity on the date the Member retired, minus the amount of Annuity payments already paid to the Member. If there is no such designated person(s) surviving the retired deceased Member, such difference, if any, shall be paid to the Member's legal representative.
 - (2) **OPTION 2. *Joint and Last Survivorship Retirement Allowance.*** Under Option 2, upon a Member's death, payment of a reduced Retirement Allowance shall be continued through the life of and paid the person having an insurable interest in the Member's life and nominated by written designation duly executed by the Member and filed with the Board of Trustees prior to the first payment of the Member's Retirement Allowance is due.
 - (3) **OPTION 3. *Joint and Seventy-Five Percent Survivor Allowance.*** Under Option 3, upon a Member's death, payment of seventy-five percent (75%) of

the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the person having an insurable interest in the Member's life and nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees prior to the date the first payment of the Retirement Allowance is due.

- (4) OPTION 3(A). *Modified Joint and Last Survivorship Allowance.* Under Option 3(A), upon a Member's death, payment of one-half (50%) of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the person having an insurable interest in the Member's life and nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees prior to the date the first payment of the Retirement Allowance is due.
 - (5) OPTION 3(B). *Joint and Twenty-Five Percent Survivor Allowance.* Under Option 3(B), upon a Member's death, payment of twenty-five percent (25%) of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the person having an insurable interest in the Member's life and nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees prior to the date the first payment of the Retirement Allowance is due.
- (b) The Joint and Survivor Optional Forms of Payment provided under Options 2, 3, 3(A) and 3(B) shall be made available in either the standard form or the pop-up form, as follows:
- (i) *Standard Form.* Under the Standard Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree.
 - (ii) *Pop-up Form.* Under the Pop-up Form, the reduced allowance shall be paid throughout the lifetime of the Retiree and the designated Beneficiary. In the event of the death of the designated Beneficiary during the lifetime of the Retiree, the amount of the allowance shall be changed to the amount that would have been payable had the Retiree elected the Straight Life Form of Payment. The actuarial cost of the change in benefit shall be borne by the Member who seeks change in his or her election.

In addition, a Member may elect to have all or part of his Accumulated Contributions paid to the Member in a single sum or used to purchase an annuity contract from an insurance company of his or her choice in which case, any annuity payments attributable to such amount under the Retirement System shall not be payable from the Annuity Reserve fund but shall be the responsibility of the insurance company. A Member's Retirement Allowance shall be reduced by the actuarial equivalent of the amount so paid or used.

- (c) This Section does not rescind any substantive rights of disability retirees from the Retirement System who retired prior to the arbitration decision regarding DPOA

members that became effective on July 1, 1995, or the arbitration decision regarding DPLSA members that became effective on June 30, 1998.

- (d) This Section does not amend any computations used to determine benefits under Part B, Sections F-8 and F-11 of this Component II, or result in an increase or decrease in such benefits.
- (e) Retirees of the Retirement System shall be entitled to change their Pension option from either Option 2, Option 3, Option 3(A) or Option 3(B) to a Straight Life Retirement Allowance after they have commenced collection of the Pension if the Member's Beneficiary predeceases the Member. The actuarial cost of the change in benefit shall be borne by the Member who seeks change in his option election. The pop-up option shall be based upon the investment return assumption as recommended by the Plan Actuary and adopted by the Board of Trustees.

Sec. F-24. Disposition of surplus benefits upon death of Member and Beneficiary.

In the event a Member elected Option 2, 3, 3(A) or 3(B) provided for in Section F-23 of this Part H and both the Member and his or her designated joint Beneficiary die before there has been paid in Retirement Allowances an aggregate amount equal to his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her retirement, the difference between his or her said Accumulated Contributions and the said aggregate amount of Retirement Allowances paid shall be paid to the said retired Member's legal representative.

Part I — Pension Offset by Compensation Benefits.

Sec. F-25. Generally.

Any amounts which may be paid under the provisions of any workmen's compensation, or pension, or similar law to a Member, or to the dependents of a Member on account of any disability or death, shall be offset against and payable out of funds provided by the City under the provisions of the Retirement System on account of the same disability or death. In case the present value of the total commuted benefits under said workmen's compensation, pension, or similar law, is less than the Pension Reserve or benefits otherwise payable from the funds provided by the City under this Retirement System, then the present value of the commuted payments shall be deducted from the Pension Reserve, and such benefits as may be provided by the Pension Reserve, so reduced, shall be payable under the provisions of the Retirement System.

Part J — Monthly Payments.

Sec. F-26. Generally.

Unless otherwise herein provided, all benefits payable under this Retirement System shall be paid in equal monthly installments.

Part K — Re-Examination of Beneficiaries.

Sec. F-27. Authority of Board.

- (a) Once each year during the retirement of a Member on a disability Pension or a disability Retirement Allowance and at least once in every three year period thereafter the Board of Trustees shall require any disability retiree, if he or she would not then be eligible for a service Retirement Allowance had he or she remained in active service, to undergo a medical examination at a place to be fixed by the Board of Trustees. If the retiree shall be required to travel more than twenty miles to reach such place, the Board of Trustees shall pay his or her reasonable traveling expenses. Should such disability retiree refuse to submit to such examination, his or her disability Pension or disability Retirement Allowance may be discontinued until he or she shall submit to such examination and should such refusal continue for one year, all of the Member's rights in and to a Pension may be revoked by the Board of Trustees. If, on medical examination of a Beneficiary, the Board of Trustees determines that the retiree is physically able and capable of resuming active duty, he or she shall be restored to such duty and his or her other disability Pension or disability Retirement Allowance shall cease. Such Member so restored to active duty shall be returned to duty in a rank or grade equivalent to or higher than the rank or grade in which he or she was serving at the time of his or her last retirement and his or her compensation shall be that provided for the rank or grade in which he or she is restored to service. It shall be the duty of the Commissioner of Police or the Board of Fire Commissioners to restore such Member to duty forthwith.
- (b) If the Board of Trustees determines that a disabled Old Plan Member is engaged in a gainful occupation, paying more than the difference between his or her Final Compensation as of the earlier of (i) the date of disability or (ii) June 30, 2014 and his or her disability Pension, or disability Retirement Allowance, the amount of his or her Pension shall be reduced to an amount, which together with the amount earned by the Member, shall equal the amount of such Final Compensation. If the Board of Trustees determines that a disabled New Plan Member is engaged in a gainful occupation, paying more than the difference between his or her base salary at the earlier of (i) the time of disability or (ii) June 30, 2014, increased by two and twenty-five one hundredths percent (2.25%) for each full year from the date of disability and his or her disability Pension, or disability Retirement Allowance, the amount of his or her Pension shall be reduced to an amount, which together with the amount earned by him or her, shall equal the amount of such final compensation. Should his or her earnings be later changed, the amount of his or her Pension may be further modified in like manner.
- (c) A disability retiree who shall be reinstated to active service prior to July 1, 2014 as provided in this Section, shall from the date of such restoration again become a Member of the Retirement System, and he or she shall contribute to the Retirement System thereafter in the same manner and at the same rate as he or she paid prior to his or her disability retirement. A disability retiree who shall be reinstated to active service after June 30, 2014, shall from the date of such restoration become an active

Member of the Retirement System and shall accrue future benefits pursuant to Component I. He or she shall contribute to the Retirement System at the rate required of active Members pursuant to Component I. Any Prior Service and Membership Service on the basis of which his or her service was computed at the time of his or her disability retirement shall be restored to full force and effect, and he or she shall be given service credit under Component I or Component II, as applicable, for the period of time he or she was in retirement due to such disability, except in the case of nonservice connected disability.

Part L — Withdrawal of Accumulated Contributions

Sec. F-28. Member With Twenty or Twenty-Five Years of Service.

Effective July 1, 1982, a Member with twenty-five years or more of creditable service (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) shall be allowed to withdraw either a portion or the full amount of his or her Accumulated Contributions, one time only, whether or not the Member retires. A Member shall make such election prior to the receipt of his or her first retirement benefit check.

Sec. F-29. Disabled Member

A Member who is receiving disability benefits (duty or non-duty) from the Retirement System and who has twenty-five years (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) or more of creditable service shall have the right to withdraw the full amount of his or her Accumulated Contributions. If such Member withdraws his or her Accumulated Contributions, his or her retirement benefit shall be actuarially reduced to reflect such withdrawal.

Sec. F-30. Optional Annuity Withdrawal

- (a) A Member shall have the right to elect to receive on the effective date of his or her service retirement a partial or total refund of his or her Accumulated Contributions. If a Member makes such an election, an Annuity payable under any Retirement Allowance or reduced Retirement Allowance shall be reduced proportionally. If the total Accumulated Contributions are withdrawn, no Annuity shall be payable.

The limitation of fifteen twenty-seconds of the maximum earnable compensation of a Police Employee and Fire Employee continues in effect. For purposes of determining the fifteen twenty-seconds limitation, a computation based on the Annuity which is an Actuarial Equivalent of the Accumulated Contributions standing to a Member's credit in the Annuity Savings Fund prior to any partial or total refund will be used.

On or after July 1, 1974, Members or former Members who are entitled to begin to receive the 40 & 8 benefit provided under Section F-6 will be entitled to the annuity refund withdrawal option.

On or after July 1, 1974, non-duty disability retirees represented by DFFA, DPCOA and DPLSA who retired pursuant to Article D, Section D-1(a), (b) or (c) prior to

having twenty-five years of service credit, shall be entitled to the annuity refund withdrawal option on the date he or she would have had twenty-five years of service credit had he or she continued as an active employee. Said option shall only apply to the balance of Accumulated Contributions, if any, remaining to such retiree's credit in accordance with the existing annuity refund provisions.

Survivor benefit beneficiaries as defined in Title IX, Chapter VII, Article VI, Part E, Section 2, parts (a), (b) and (c) of the 1918 City Charter in effect as of June 30, 1974, and continued in effect by Section 11-102 of the City Charter shall be entitled to the annuity withdrawal refund option subject to the same rules that would have been applicable to the deceased Member or Members had he or she not died. Said option shall only apply to the balance of Accumulated Contributions, if any, remaining to the applicable former Member's credit.

In any case of doubt, the Board of Trustees shall decide whether a Member or Beneficiary is entitled to an annuity refund withdrawal option.

- (b) A Member shall have the right on or after the effective date of his becoming eligible for a full service Retirement Allowance (Members who have either twenty or twenty-five years of creditable service depending upon the applicable bargaining unit) to elect to receive a partial or total refund of his or her Accumulated Contributions to the Annuity Savings Fund. If a Member makes such an election, an Annuity payable under any Retirement Allowance or reduced Retirement Allowance shall be reduced proportionally. If the total Accumulated Contributions are withdrawn, no Annuity shall be payable.

If a Member makes such an election, the Retirement Allowance shall be reduced to reflect the value of the Annuity withdrawn. The amount of the Annuity at the time of such election shall be the amount used at the time of retirement for purposes of computing the Retirement Allowance.

All members (except DPOA members retiring prior to July 1, 1982) who complete their required years of service, shall have the right to withdraw all or part of their Accumulated Contributions whether they choose to retire or not.

Effective July 21, 2000 for DFFA members having a parity relationship with the DPOA and for the DPCOA Inspector, and effective July 1, 2003 for DPLSA members, and effective July 21, 2000 for DPOA members, a Member who has elected to retire and elected to withdraw his or her Annuity for the purposes of calculating his or her Retirement Allowance (thereby lowering the Retirement Allowance), may nevertheless choose to leave the Annuity in the Retirement System collecting regular annuity interest with the option of a one-time withdrawal of the Annuity funds at a later date.

For a DPCOA, DPLSA or DFFA member or an employee with a parity relationship with the DPLSA and for the DPCOA Inspector who retires on or after July 1, 1990, and who has made or makes an election to receive a total or partial refund of his or

her accumulated contribution to the Annuity Savings Fund, there shall be no reduction of Retirement Allowances due to the portion of withdrawal representing interest credits. For members of DFFA and DPLSA, this Subsection shall be controlled by the requirements of the Act 312 arbitration award issued June 25, 1990 (MERC Case No. B89 C-0622, page numbers 22 and 23).

Effective January 15, 2010 for members of DPCOA and fire equivalents, or December 15, 2008 for DPLSA and fire equivalents, or March 8, 2007 for DPOA members and fire equivalents, a Member who retires and elects to leave a balance in the Annuity Savings Fund shall have the option of receiving a quarterly payment of interest earnings only or to take periodic withdrawals of principal, in addition to a one time complete withdrawal. Members of DPCOA and DPLSA and their fire equivalents must make their elections a minimum of thirty days before the beginning of a quarter; quarter defined as beginning March 1, June 1, September 1, and December 1.

An employee represented by DFFA, DPCOA or DPLSA who is entitled to a Retirement Allowance under Article F, Part A, Section F-5 of the Retirement System and who leaves the employ of the Police or Fire Department of the City on or after July 1, 1982 shall have the right to elect to receive on the effective date of termination a partial or total refund of his Accumulated Contributions. The Pension portion of his Retirement Allowance shall be computed as if the Member had not withdrawn his or her Accumulated Contributions from the Annuity Savings Fund until the date he or she was eligible to retire had he or she continued in City employment.

- (c) Effective in accordance with the specific date and terms of the DPOA award in Act 312 No. D98 E-0840 (Chairman Donald F. Sugerman, dated July 21, 2000), a DPOA member shall have the right to leave his or her withdrawn Annuity in the Pension system and accumulating interest, as provided therein.

ARTICLE G. METHOD OF FINANCING.

Sec. G-1. General.

The funds of the Retirement System shall be the Annuity Savings Fund, Annuity Reserve Fund, Pension Accumulation Fund, Pension Reserve Fund, Expense Fund and the Survivors Benefit Fund.

Sec. G-2. Annuity Savings Fund.

- (a) The Annuity Savings Fund shall be the fund in which shall be accumulated at Regular Interest, the contributions deducted from the compensation of Members to provide for their Annuities. Subject to Section B-1(c), the contributions of a Member as defined in Article D, Section D-1(a), (b) or (c) shall be five percent of a Member's compensation until the Member has acquired twenty-five years of creditable service. Subject to Section B-1(c), the contribution of a Member as defined in Article D, Section D-1(d) shall be five percent of his or her compensation until he or she has acquired at least twenty-five years of creditable service (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) and attained age fifty-five. No Member shall have the option of choosing to receive the compensation required to be contributed hereunder directly instead of having such amounts paid by the City to the Annuity Savings Fund.
- (b) The City shall cause the contributions provided for in paragraph (a) above to be deducted from the compensation of each Member on each and every payroll, for each and every payroll period, from the date of his or her entrance in the System to the earlier of (i) the date he or she ceases to be a Member or (ii) the last payroll date occurring in July 2014.
- (c) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided by law for any Member shall be reduced thereby. Every Member shall be deemed to consent and agree to the deductions made and provided for herein, and payment of his or her salary or compensation, less said deduction, shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payments, except as to the benefits provided under this Retirement System. The amounts to be deducted shall be deducted by the City Treasurer and when deducted shall be paid into the Annuity Savings Fund and shall be credited to the individual account of the Member from whose compensation said deduction was made.
- (d) If, under the provisions of this Component II, any person shall withdraw or be paid any part or all of his Accumulated Contributions and shall thereafter again become a Member on or before June 30, 2014, he or she shall, in addition to the contributions provided for in paragraph (a) above, redeposit in the Annuity Savings Fund, by an increased rate of contribution to be determined by the Board of Trustees, or by a single payment, such amount that his or her Accumulated Contributions at the date of

his or her eligibility for retirement will be the same amount it would have been had no withdrawal or payment been made therefrom.

- (e) Except as is otherwise provided in this Component II, upon the death or retirement of a Member, his or her Accumulated Contributions shall be transferred from the Annuity Savings Fund to the Annuity Reserve Fund.
- (f) In any Plan Year during the period beginning on or after July 1, 2014 and ending June 30, 2023 in which the annual rate of return credited to the accounts of Members investing in the Annuity Savings Fund as provided in paragraph (a) is less than the actual rate of return net of expenses of the Retirement System's invested assets for the second Plan Year immediately preceding the Plan Year in which the annual rate of return is credited ("ASF Return Excess"), an amount equal to the value of the ASF Return Excess shall be transferred to the Pension Accumulation Fund maintained under Component I of the Combined Plan and shall be used to fund the Transition Cost relating to Component I. The Transition Cost is a measure of the liability that Component I of the Retirement System has at its inception; due to the fact that at its inception, Members in Component I of the Retirement System receive vesting and eligibility credit under Component I for service that was earned prior to July 1, 2014 and is otherwise credited to Members under Component II of the Retirement System, as such Transition Cost is calculated by the Plan Actuary. In the event there is an ASF Return Excess for a Plan Year following the Plan Year in which such transfers have fully funded the Transition Costs relating to Component I, fifty percent (50%) of such ASF Return Excess shall be transferred to the Pension Accumulation Fund maintained under Component II and the remaining fifty percent (50%) of such ASF Return Excess shall be transferred to Component I and credited to the Rate Stabilization Fund maintained under Component I. "Transition Cost" shall be determined by the Plan Actuary.

Sec. G-3. Annuity Reserve Fund.

The Annuity Reserve Fund shall be the fund from which shall be paid all Annuities payable as provided in this Component II, except Annuities which are payable from the Survivors Benefit Fund. Should a disability retiree be restored to active service, his or her Annuity Reserve at the time shall be transferred from the Annuity Reserve Fund to the Annuity Savings Fund and credited to his or her individual account therein.

Sec. G-4. Alternative Financing Method.

Except as provided regarding the Survivors Benefit Fund, the Pension Accumulation Fund shall be the fund in which shall be accumulated reserves for the Pensions and other benefits payable from contributions made by the City, and from which transfers shall be made as provided in this section.

- (a) *Accrued Liability Fund.* Pursuant to *Ordinance No. 05-05*, which authorized the creation of the Detroit Police and Fire Retirement System Service Corporation, the City entered into a transaction ("the Pension Funding Transaction") to obtain funds as

an alternative to those available through the traditional funding mechanism described in Section G-5. The proceeds generated by the Pension Funding Transaction (or any Additional Pension Funding Transaction, as described below) that were deposited into the Retirement System will be termed the "Funding Proceeds." The Funding Proceeds were deposited into a new Fund in the Retirement System called the Accrued Liability Fund. The purpose of the Funding Proceeds is to fund all or part of the heretofore unfunded accrued liabilities ("UAAL") of the Retirement System. The Funding Proceeds are the assets of the Retirement System and will be applied, together with all other assets of the Retirement System, to fund the Retirement System's obligation to pay accrued benefits, as adjusted in the Plan of Adjustment.

This Accrued Liability Fund shall contain only the Funding Proceeds of the Pension Funding Transaction, and any earnings thereon. Prior to Fiscal Year 2013, funds were transferred each Fiscal Year (or monthly portion thereof) from the Accrued Liability Fund to the Pension Accumulation Fund as provided in the documents governing the Retirement System, including *Ordinance No. 5-05*.

- (b) As soon as practicable following the effective date of the Plan of Adjustment, any amounts remaining credited to the Accrued Liability Fund shall be transferred to the Pension Accumulation Fund and the Accrued Liability Fund shall cease to exist.

Sec. G-5. Contributions to and payments from Pension Accumulation Fund.

Contributions to and payments from the Pension Accumulation Fund shall be made as follows:

- (a) For Fiscal Years commencing prior to July 1, 2014, upon the basis of such assumptions as to future financial experiences as the Board of Trustees shall from time to time adopt, the Actuary annually computed the City's contribution, expressed as a percent of active Member contributions, to provide the Pension Reserves covering the Pensions or other City-financed benefits to which Members might be entitled or which might be payable at the time of their discontinuances of City employment; provided, such contribution percents shall not be less than amounts which, expressed as percents of active Member compensation will remain level from generation to generation of Detroit citizens. Upon the retirement or death of a Member, the Pension Reserve for any benefits payable on his or her behalf shall be transferred from the Pension Accumulation Fund to the Pension Reserve Fund, to the extent of there being assets in the Pension Accumulation Fund.
- (b) For Fiscal Years commencing prior to July 1, 2014, the Board of Trustees annually ascertained and reported to the Mayor and the Council the amount of contributions due the Retirement System by the City, and the Council may have appropriated and the City may have paid such contributions to the Retirement System during the ensuing Fiscal Year. When paid, such contributions were credited to the Pension Accumulation Fund.

- (c) For Fiscal Years commencing after June 30, 2014, the City shall make contributions to the Pension Accumulation Fund only as provided in the Plan of Adjustment.

Sec. G-6. Retiree payments from Pension Reserve Fund; reinstatement of disability retirees to active service.

Except as to the Survivor's Benefit Fund, the Pension Reserve Fund shall be the fund from which shall be paid Pensions on account of Members. Should a disability retiree be reinstated to active service, the Member's Pension Reserve, at that time, shall be transferred from the Pension Reserve Fund to the Pension Accumulation Fund.

Sec. G-7. Expense Fund.

The Expense Fund shall be the fund to which shall be credited all money provided by the City, if any, to pay the administration expenses of Component II, and from which shall be paid all the expenses necessary in connection with the administration and operation of Component II.

Sec. G-8. Appropriations prior to July 1, 2014.

- (a) The Board of Trustees shall certify the amount of the appropriation necessary to pay to the various funds of Component II of the Retirement System the amounts payable by the City as enumerated in this Component II, according to legal budget procedure.
- (b) To cover the requirements of Component II prior to July 1, 2014, such amounts as shall have been necessary to cover the needs of Component II prior to July 1, 2014 shall be paid into the Pension Accumulation Fund and the Expense Fund by special appropriations or transfers to the Retirement System; provided, however that no transfers can be made from the Accrued Liability Fund other than the annual transfer of the scheduled amortizing amount, or transfers under special circumstances pursuant to Section G-4 (as in effect prior to July 1, 2014).

Sec. G-9. Maintenance of reserves.

The maintenance of the Annuity Reserves in the Annuity Reserve Fund and the Pension Reserves in the Pension Reserve Fund are hereby made obligations of the Pension Accumulation Fund. All income, interest, and dividends derived from deposits and investments authorized by this Component II, which are not required for the allowance of interest to the funds of the Retirement System as provided herein, shall be credited to the Pension Accumulation Fund. Prior to July 1, 2014, the moneys credited to the Accrued Liability Fund were credited to the Pension Accumulation Fund only to the extent authorized pursuant to the terms of the Retirement System as in effect prior to July 1, 2014. Any contributions by the City to the System from any fund impressed by law with a certain and definite purpose shall be accounted for separately.

Sec. G-10. Survivors Benefit Fund.

- (a) The Survivors Benefit Fund shall be the fund in which shall be accumulated, at Regular Interest, the reserves for survivors benefits provided for in Article F, Part E, Section F-18, hereof, and from which such benefits shall be paid, but only to the

extent sufficient assets are credited to the fund at the time a claim for benefits is made. In the event there are insufficient assets credited to the Survivor's Benefit Fund to pay the benefits provided under this Section G-10, such benefits thereafter shall be payable from the Pension Reserve Fund.

- (b) After June 30, 1965 and prior to July 1, 1986, each Member shall contribute to the Survivors Benefit Fund one per cent of his or her compensation paid by the City until he or she has acquired twenty-five years of creditable service. The City shall cause the said contributions to be deducted from the Member's compensation, on each and every payroll, for each and every payroll period so long as he or she remains a Member and has not acquired twenty-five years of creditable service. Each and every Member shall be deemed to consent and agree to the said deductions. Said contributions, when deducted, shall be credited to the Survivors Benefit Fund and shall in no case become a part of the said Member's Accumulated Contributions, nor be subject to refund.
- (c) Each Member who retires after June 30, 1965, under Part B, Section F-7 of Article F shall, prior to July 1, 1986, contribute to the Survivors Benefit Fund one per cent of his or her final compensation as defined until he or she would have had a total of twenty-five years of creditable service had he or she continued in active service. The Retirement System shall cause the said contribution to be deducted from the Pension of each such retired Member on each and every retirement roll, for each and every retirement roll period, so long as he or she is receiving a Pension under Part B, Section F-8(a) of Article F. Each and every such retired Member who is receiving a Pension under Part B, Section F-8(a) of Article F shall be deemed to consent and agree to said deductions. Said contributions, when deducted, shall be credited to the Survivors Benefit Fund and shall in no case become a part of said Member's Accumulated Contributions, nor be subject to refund.
- (d) Effective July 1, 1986, the contributions, required by Article G, Section G-10(b) and G-10(c), to the Survivors Benefit Fund were eliminated for union members. For Fiscal Years ending prior to July 1, 2014, the City shall make the contributions necessary to maintain the benefit level by contributing that amount necessary to replace the contributions of members of DFFA and DPOA to the Survivor's Benefit Fund.
- (e) For Fiscal Years ending prior to July 1, 2014, upon the basis of such mortality and other tables of experience, and Regular Interest, as the Board of Trustees shall from time to time adopt, the Actuary shall annually compute the liabilities for benefits being paid from the Survivors Benefit Fund. The Board of Trustees shall report to the Mayor and the Council the amount of contributions to be made by the City to the Survivors Benefit Fund, and the Council shall appropriate and the City shall pay such amount to the Retirement System during the ensuing Fiscal Year. When paid, such appropriations shall be credited to the Survivors Benefit Fund. For Fiscal Years commencing prior to July 1, 2014, if the balance in the fund is not sufficient to fully cover the liabilities so computed, the City shall appropriate and pay, in the ensuing Fiscal Year, the amount of such insufficiency. For Fiscal Years commencing on and

after July 1, 2014, the City shall not make any contributions to the Survivor's Benefit Fund.

- (f) Upon the death of a Member, on whose account survivors benefits become payable as provided in Article F, Part B, Section F-8, hereof, his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her death shall be transferred from the Annuity Savings Fund to, and shall become a part of, the Survivors Benefit Fund, notwithstanding any provisions in this Component II to the contrary.

Sec. G-11. Computation of Annuity and Pension Reserve liabilities for Members, Retirees and Beneficiaries.

In computing the Annuity and Pension Reserve liabilities for Members, retirees and beneficiaries, the Board of Trustees shall cause the following annual Decrement Probabilities, Salary Factors and interest assumption to be used.

- (a) The annual Decrement Probabilities and Salary Factors to be used in evaluating the Annuity and Pension liabilities for Members shall be as shown in Tables 1 and 2 hereinafter set forth.
- (b) The total of active Member annual compensation shall be assumed to increase three percent per annum, compounded annually.
- (c) The mortality assumption for retirees and beneficiaries shall be the mortality rates contained in the 1971 group annuity male mortality table, without setback for men and set back five years for women.
- (d) The investment return assumption shall be five percent per annum, compounded annually, for Fiscal Years commencing prior to July 1, 2014.
- (e) For Fiscal Years commencing on or after July 1, 2014, the Annuity and Pension Reserve liabilities shall be calculated in a manner which is consistent with the Plan of Adjustment.

TABLE 1.

**City of Detroit Policemen and Firemen
Retirement System
Active Member Annual**

**Probabilities
and Salary Factors**

Age	Withdrawal from Service	Death in Service	Salary Factors
18	.04120	.00098	.10561
19	.04090	.04099	.11327
20	.04030	.00100	.12126
21	.04000	.00101	.12988
22	.03960	.00102	.13913
23	.03910	.00103	.14913
24	.03890	.00104	.15971
25	.03840	.00105	.17068
26	.03800	.00107	.18204
27	.03700	.00108	.19347
28	.03600	.00111	.20527
29	.03480	.00113	.21712
30	.03340	.00117	.22916
31	.03200	.00121	.24124
32	.03000	.00126	.25321
33	.02730	.00133	.26522
34	.02370	.00143	.27753
35	.01990	.00154	.29015
36	.01500	.00168	.30306
37	.01160	.00184	.31637
38	.00850	.00204	.32995
39	.00600	.00227	.34405
40	.00390	.00252	.35851
41	.00210	.00281	.37333
42	.00090	.00313	.38861
43	.00000	.00348	.40435
44	.00000	.00387	.42051
45	.00000	.00429	.43709
46	.00000	.00475	.45395
47	.00000	.00526	.47144
48	.00000	.00582	.48929
49	.00000	.00643	.50750
50	.00000	.00710	.52639
51	.00000	.00783	.54560
52	.00000	.00864	.56535

Age	Withdrawal from Service	Death in Service	Salary Factors
53	.00000	.00953	.58548
54	.00000	.01051	.60612
55	.00000	.01157	.62711
56	.00000	.01270	.64867
57	.00000	.01392	.67066
58	.00000	.01520	.69319
59	.00000	.01656	.71610
60	.00000	.01802	.73939
61	.00000	.01959	.76316
62	.00000	.02133	.78747
63	.00000	.02322	.81211
64	.00000	.02526	.83715
65	.00000	.02750	.86258
66	.00000	.03000	.88848
67	.00000	.03277	.91514
68	.00000	.03584	.94264
69	.00000	.03919	.97094
70	.00000	.04278	1.00000

TABLE 2.

**City of Detroit Policemen and Firemen
Retirement System
Annual Probabilities of Age and Service
Retirement Applicable to Members
Who Are Eligible to Retire**

Age	Probabilities of Retirement
45	25%
46	25
47	25
48	25
49	25
50	25
51	25
52	25
53	25
54	20
55	20
56	15
57	10
58	15
59	30
60	100

Sec. G-12. Determination of City's annual contribution — Disability Pension liabilities.

For Fiscal Years commencing prior to July 1, 2014, the City's annual contribution, expressed as a percent of active Member compensation, to finance disability Pensions shall be determined by dividing the average of the Pension Reserve liabilities for disability retirements incurred, during the three Fiscal Years ending with the date of the valuation by one percent of the active Members' annual compensation used in the valuation.

Sec. G-13. Determination of City's annual contribution — Death Pension liabilities.

For Fiscal Years commencing prior to July 1, 2014, the City's annual contribution, expressed as a percent of active Member compensations, to finance death-in-service Pensions shall be determined by dividing the average of the Pension reserve liabilities for death-in-service claims incurred during the three Fiscal Years ending with the date of the valuation by one percent of the active Member's annual compensations used in the valuation.

Sec. G-14. Determination of City's annual contribution — Actuarial evaluation of annuity and Pension Reserve liabilities.

The Annuity and Pension Reserve liabilities for Members, retirees and beneficiaries shall be actuarially evaluated as set forth in this Article G and the Plan of Adjustment.

Sec. G-15. Determination of City's annual contribution — Service Pension liabilities for Fiscal Years commencing prior to July 1, 2014.

- (a) The service Pension liabilities for Members shall be determined using the entry age-normal cost method of actuarial valuation.
- (b) The City's annual contribution, expressed as a percent of active Member compensations, to finance the prospective service Pension liabilities shall be determined by dividing the total of the individual annual normal costs of the active Members by one percent (1%) of the active Members' annual compensation used in the valuation.
- (c) The City's annual contribution, expressed as a percent of active Member compensation, to finance any unfunded Accrued Service Pension liabilities, including instances in which assets exceed liabilities, shall be determined by dividing such unfunded Accrued Service Pension liabilities by one percent (1%) of the present value of future compensation payable during a period of future years. Such period of future years shall be thirty years for the actuarial valuation as of June 30, 1974, decreasing one (1) year at each subsequent June 30th until a twenty year period is reached, which twenty year period shall be used in each subsequent actuarial valuation until June 30th, 2004 when the period shall again be thirty years.

Sec. G-16. Board of trustees to compute City's annual contribution.

Based upon the provisions of this Article, including any amendments, the Board of Trustees shall compute the City's annual contributions for Fiscal Years commencing prior to July 1, 2014, expressed as a percent of active Member compensation, to the Retirement System for the Fiscal Year beginning July 1, 1975, using actuarial valuation data as of June 30, 1974, and for each subsequent Fiscal Year prior to July 1, 2014 using actuarial valuation data as of the June 30th date which date is a year and a day before the first day of such Fiscal Year. The Board shall report to the Mayor and to the City Council the contribution percents so computed, and such contribution percents shall be used in determining the contribution dollars to be appropriated by the City Council and paid to the Retirement System. For each Fiscal Year beginning July 1, 1975 and each Fiscal Year thereafter and prior to July 1, 2014, such contribution dollars shall be determined by multiplying the applicable contribution percent for such Fiscal Year by the Member compensation paid for such Fiscal Year; provided that for the one Fiscal Year beginning July 1, 1975 and ending June 30, 1976, such Member compensation so used shall not exceed 106.09 percent of the active Members' annual compensation used in the actuarial valuation determining such contribution percent.

Sec. G-17. Refunds for certain Members.

Effective July 1, 1974, a Member who holds the rank of police inspector and above and who is not covered by a collective bargaining agreement shall, notwithstanding any other provisions of Component II to the contrary, have the right to elect to receive on the effective date of his or her service retirement a partial or total refund of his or her Accumulated Contributions. Effective as of March 8, 2007, a DPOA and fire equivalent retiree who elects not to withdraw his or her Accumulated Contributions as of the effective date of his or her service retirement shall have the option of receiving a quarterly payment of interest credited to his or her Accumulated Contributions or to receive periodic withdrawals of the contributions such Retiree made to Component II of the Retirement System. If a Member makes such an election, an Annuity payable under any Retirement Allowance or reduced Retirement Allowance shall be reduced proportionately. If the total Accumulated Contributions are withdrawn no Annuity shall be payable with respect to such withdrawn amounts.

Sec. G-18. Employer Contribution

Effective January 1, 1987 for members of DFFA and DPLSA or upon issuance of the 1986-89 Act 312 Award for members of DPOA, the employee contributions to the Annuity Fund, although designated as employee contributions, shall be paid by the City in lieu of contributions by the Employee. The Employee shall not have the option of choosing to receive the contributed amount directly instead of having them paid by the City to the Annuity Fund. There shall be no additional contribution expense to the City, and the amounts so contributed by the City on behalf of the Employee shall be treated, for tax purposes, as employer contributions and thus shall not be taxable to the Employee until these amounts are distributed or made available to the Employee.

This provision shall not affect the amount or benefit level of the Retirement Allowance, or the City's obligation with respect thereto.

ARTICLE H. MISCELLANEOUS.

Sec. H-1. Recall of Retirees during emergencies.

During an emergency declared by the Commissioner of Police or the Board of Fire Commissioners, the Commissioner or the Board of Fire Commissioners, as the case may be, shall have power, with the consent of a Retiree, to recall to active duty a Retiree for such period of service as the commissioner or the Board of Fire Commissioners shall deem advisable; provided, however, that the foregoing power shall not apply in the case of a Retiree who has reached the age of sixty-four years, and provided further, that any Retiree so recalled may, at any time, separate from active duty on his or her own application or by order of the Commissioner or the Board of Fire Commissioners. A Retiree so recalled shall serve in the rank at which he or she retired, or a higher rank, and shall receive the pay of such rank without deduction. On subsequent separation from active duty, such Retiree shall resume the Retiree status held by him prior to such recall.

ARTICLE I. DEFERRED RETIREMENT OPTION PLAN.

Sec. I-1. General provisions.

For periods on and after July 1, 2014, the Deferred Retirement Option Plan ("DROP") Program under Component II shall be available to Members who are covered by collective bargaining agreements with the City that permit such Members to participate in the DROP program and non-union executives of the Police Department and the Fire Department.

- (a) In lieu of terminating employment and accepting a Retirement Allowance under the Component II, any Member of the Retirement System who is eligible for the DROP program and who is eligible to immediately receive a twenty-five year (or twenty year) Retirement Allowance may elect to participate in the DROP program and defer the receipt of his or her Retirement Allowance in accordance with the provisions of this Article I. Any such election shall be irrevocable.
- (b) Participation in the DROP program for Members for who elected to participate in the DROP program prior to July 1, 2014 shall be limited to ten years. Participation for Members who elect to participate in DROP program after June 30, 2014 shall be limited to five years. At the end of such five (or ten) year period of participation in the DROP program, the Member shall be retired from employment.

Sec. I-2. Conversion to Retirement Allowance

Upon the effective date of a Member's participation in the DROP program, the Member shall cease to accrue a Retirement Allowance under Component I and shall elect a form of payment for his Retirement Allowance pursuant to Part H of Article F. Seventy-five percent (75%) of the monthly Retirement Allowance (including applicable variable Pension Improvement Factor (Escalator) increases) that would have been payable, had the Member elected to terminate employment with the City on the effective date of his or her DROP election and receive an immediate Retirement Allowance, shall be paid into a DROP Account established on behalf of the Member under the Retirement System or in an entity selected by the Board.

Sec. I-3. Investment of DROP assets

- (a) ING was previously selected by the Board as the DROP administration and investment entity for Members who elect to participate in the DROP program. ING shall continue to be the DROP administration and investment entity, unless and until such time as the Board terminates the agreement with ING as provided in paragraph (d) or determines that it is administratively feasible for the DROP program to be administered and invested under the Retirement System.
- (b) As soon as possible after July 1, 2014, the Board shall determine whether it is administratively feasible for the DROP program to be administered and the assets in DROP accounts to be invested under the Retirement System. If the Board determines that it is feasible to administer the DROP program under the Retirement System, the Board shall promptly take appropriate steps to implement such decision.

- (c) If amounts credited to DROP accounts are invested under the Retirement System, such amounts shall be comingled with the assets of the Retirement System for investment purposes and shall be invested by the Trustees. A Member's DROP account shall be credited with annual earnings at a rate equal to seventy-five percent (75%) of the actual net earnings rate of the assets of the Retirement System; however, in no event shall the earnings rate applied to a Member's DROP account for any Plan Year be less than zero percent (0%) nor greater than seven and three-quarters percent (7.75%).
- (d) The Board of Trustees entered into an administrative services agreement with ING. Such agreement shall remain in effect until such time as it is terminated by the Board as provided therein.
- (e) The Board of Trustees may replace ING with a trust type vehicle or the Board may determine that amounts subject to a DROP election will be invested with Retirement System assets as provided above.
- (f) Any fees associated with the maintenance of DROP Accounts outside of the Retirement System shall be paid by the Members by means of deduction from their DROP Accounts.

Sec. I-4. Distribution of amounts credited to DROP Account

A Member shall not receive a distribution of amounts credited to his DROP Account prior to his termination of employment with the City. Upon termination of employment, a Member who is a participant in the DROP program shall receive, at his or her option either a lump sum payment from the DROP Account equal to the amount then credited to the DROP Account or an annuity based upon the amount credited to his DROP Account. In addition, one hundred percent (100%) of the Member's monthly Retirement Allowance that otherwise would have been paid upon the Member's retirement had he or she not elected to participate in the DROP program (together with any applicable variable Pension Improvement Factor (Escalator) increases) shall commence to the Member in accordance with the form of payment selected by the Member at the commencement of his or her participation in the DROP program. Termination of employment includes termination of any kind, such as resignation, retirement, discharge or disability.

Sec. I-5. Death of Member while participating in the DROP program

If a Member dies while participating in the DROP program, a lump sum payment equal to the Member's DROP Account balance shall be paid to the Beneficiary named by the Member, or if no Beneficiary has been designated, to the Member's estate; provided, notwithstanding anything to the contrary herein, the Member's adjusted DROP Account balance under Component II upon the Member's death while participating in the DROP program shall not be less than total system DROP payments into his or her account (not including earnings and losses). In addition, one hundred percent (100%) of the Member's Retirement Allowance (together with any applicable variable Pension Improvement Factor (Escalator) increases) that would have been paid to the Member but for the Member's decision to participate in the DROP

program will be restored. Survivor benefits, if any, shall be paid in accordance with the payment option elected by the deceased Member at the time the Member elected to participate in the DROP program.

Sec. I-6. Disability of Member While Participating in the DROP Program

If a Member becomes Totally Disabled while participating in the DROP program and while still an Employee and his employment with the City is terminated because he is Totally Disabled, such Member (a) shall be immediately retired and one hundred percent (100%) of the Retirement Allowance) that would have been paid to the Member but for the Member's decision to participate in the DROP program (together with any applicable variable Pension Improvement Factor (Escalator) increases) will commence in accordance with the payment option selected by the Member at the commencement of the Member's participation in the DROP program as provided in Section I-2, and (b) shall be entitled to receive payment of the funds in his DROP Account (in the form of a lump sum or other form of payment described in Part H of Article F). Such Member shall not be entitled to disability retirement benefits under Article F hereof.

Sec. I-7. Cost Neutrality

- (a) The DROP program shall be effective only for as long as it is cost-neutral to the City, provided however, that the DROP program shall continue during the pendency of proceedings, described in paragraph (2) below, designed to restore the Retirement System to cost neutrality.
- (b) If the City contends that the DROP program is not cost-neutral, including, but not limited to, making the City's annual contribution to the Retirement System higher than it would be if the DROP program was not in effect, the Board and the City, along with the Plan Actuary as well as an actuary appointed by the City (who will be an associate or a fellow of the Society of Actuaries and a member of the American Academy of Actuaries) shall meet and confer in good faith regarding the cost. If the Board and the City are unable to reach an agreement as to cost, the matter shall be submitted to a third, independent, actuary, chosen or agreed upon by the Plan Actuary and the City's actuary. This actuary, when rendering a decision, will be limited to ordering implementation of changes necessary to make the DROP program cost-neutral. Upon the implementation of changes necessary to make the DROP program cost-neutral, Members shall have thirty days to elect to either (a) retire from active employment with the City or (b) withdraw from the DROP program and resume active participation in Component I of the Retirement System. The Board shall notify DROP participants of these changes prior to implementation. Those DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for any time that they were participating in the DROP program (under either Component I or Component II). Those not making either election shall remain participants in the DROP program.
- (c) In the event the DROP program cannot be changed to restore cost neutrality, it shall be discontinued and Members participating in the DROP program at that time shall have the option to either (i) retire or (ii) continue active employment with the City

and resume active participation in Component I of the Retirement System. DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for the time during which such DROP participants participated in the DROP program (under Component I or Component II).

ARTICLE J. PARTICIPANT ANNUITY SAVINGS FUND LOAN PROGRAM

Sec. J-1. Participant Annuity Savings Fund Loan Program

A Participant Annuity Savings Fund Loan Program (Participant Loan Program) will be established and available to bargaining unit Members. Its terms will be as follows:

- (a) Any loans granted or renewed shall conform to the requirements of Section 72(p) of the Internal Revenue Code. Such loan program shall be established in writing by the Board of Trustees in conformity with the terms of the Combined Plan document and applicable collective bargaining agreements, and must include, but need not be limited to the following:
 - (1) The identity of the administrator of the Participant Loan Program;
 - (2) A procedure to apply for loans, the amount of loan that will be approved or denied, and limitations, if any, on the types and amount of loans offered;
 - (3) The procedure under the program for determining a reasonable rate of interest;
 - (4) The events constituting default and the steps that will be taken to preserve plan assets.
- (b) The Participant Loan Program shall be contained in a separate written document copies of which shall be made available in the offices of the Retirement System for Members. The Board of Trustees is authorized to adopt rules and regulations, from time to time, to govern the administration and the operation of this program. Copies of the rules shall also be made available to prospective participating Members of the Retirement System in the offices of the Retirement System.
- (c) Subject to the rules and procedures established by the Board, loans may be made to Members from such Member's contributions to the Annuity Savings Fund. Former Members, spouses of Members, and Beneficiaries are not eligible to receive any loans from the Retirement System. Subject to rules and procedures established by the Board, a Member who has been in the Retirement System for twelve (12) months or more is eligible to apply for a loan. No Member shall have more than two (2) outstanding loans from the Retirement System (Component I and/or Component II) at any time. A Member who has previously defaulted on a loan under either Component I or Component II of the Combined Plan shall not be eligible for a loan from the Retirement System.
- (d) A Member who has satisfied applicable rules and procedures may borrow from his or her Annuity Savings Fund account an amount, which does not exceed fifty percent (50%) of the Member's vested accumulated balance, up to fifteen thousand dollars (\$15,000.00) reduced by the excess, if any, of: (1) the highest outstanding balance of loans from the Retirement System during the one (1) year period ending on the day before the date on which the loan is made (under both Component I and Component II), or (2) the outstanding balance of loans from the Retirement System on the date on

which the loan is made (under both Component I and Component II), whichever is less. The minimum loan amount shall be one thousand dollars (\$1,000.00).

- (e) In addition to such rules and procedures that are established by the Board, all loans shall comply with the following terms and conditions:
 - (1) Loan applications shall be in writing.
 - (2) All loans shall be memorialized by a promissory note made to the Retirement System and properly executed by the Member.
 - (3) Loan shall be repaid by equal payroll deductions over a period not to exceed five (5) years, or, where the loan is for the purpose of buying a principal residence, a period not to exceed fifteen (15) years. In no case shall the amount of the payroll deduction be less than twenty dollars (\$20.00) for any two-week period.
 - (4) Each loan granted under Component II shall be made against the assignment of the Member's entire right, title, and interest in and to the Annuity Savings Fund supported by the Member's collateral promissory note for the amount of the loan, including interest payable to the order of the Board of Trustees.
 - (5) Each loan shall bear interest at a rate determined by the Board. The Board shall not discriminate among Members in its determination of interest rates on loans. Loans initiated at different times may bear different interest rates, where, in the opinion of the Board, the difference in rates is supported by a change in market interest rates or a change in the Retirement System's current assumed rate of return. The loan interest rate shall bear a reasonable relationship to market rates for secured loans of a similar duration and shall bear a reasonable relationship to the costs to the Retirement System of administering the Retirement System. The loan interest rate shall be calculated in a manner that will not negatively affect the City's costs relating to the Retirement System or the return to Members.
 - (6) Loan repayments shall be suspended under this Retirement System as permitted by Section 414(u)(4) of the Internal Revenue Code. A Member who has an outstanding loan balance from the Retirement System who is absent from employment with the City, and who has satisfied the requirements of Section 414(u) of the Internal Revenue Code shall not be required to make loan repayments to the Retirement System during said periods of absence.
- (f) Any loans granted or renewed shall be made and administered pursuant to the participant loan program and Section 72(p) of the Internal Revenue Code and the regulations thereunder.
- (g) A Member's outstanding loan balance shall be considered a directed investment by the Member and interest payments shall be credited to the Member's account balance (provided that the interest credited shall be reduced appropriately to cover the

administrative cost of the loan program and avoid negatively affecting the City's costs or the Retirement System's investment returns), and shall not be part of net investment income or part of the Member's account balance for the purpose of allocation of net investment income under Article G.

- (h) No distributions shall be made to a Member, former Member, or Beneficiary until all loan balances drawn on the applicable vested accumulated balance and applicable accrued interest have been repaid or offset against the distributable Annuity Savings Fund account balance.
- (i) The Retirement System shall include, in its annual report to all Members, an accounting of the loan program established by this section, which contains the number and amount of loans made, the costs of administering the program, the amount of payments made including interest received by the Retirement System, the amount of loans outstanding, including any defaults or delinquencies, and an evaluation as to whether the interest charged in the Fiscal Year covered the costs of administering the program.

ARTICLE K. SPECIAL PLAN OF ADJUSTMENT PROVISIONS

Sec. K-1. Benefit Changes implemented in accordance with the terms of the Plan Of Adjustment

Notwithstanding anything in Articles A, C, D or E to the contrary, as of the effective date of the Plan of Adjustment and during the period that ends no earlier than June 30, 2023, the following changes in benefits provided under Component II of the Combined Plan shall be implemented:

- (1) Elimination or Reduction in Pension Improvement Factor (Escalator). With respect to all Pension benefits payable on or after the effective date of the Plan of Adjustment, the Pension Improvement Factor (Escalator) that will be applied to the monthly Pension benefit of a Member, Retiree, surviving Beneficiary or vested former employee will be equal to 1.0125%; provided, however, that the Board and the Investment Committee shall determine on the effective date of the Plan of Adjustment and not less frequently than annually thereafter that the “Funding Conditions” as defined herein have been satisfied, and in the event that such Funding Conditions have not been satisfied then the Pension Improvement Factor (Escalator) that will be applied to the monthly Pension benefit of a Member, Retiree, surviving Beneficiary or vested former employee will be reduced in proportion to the funding which is not received by the Retirement System (“Adjusted Pension Benefit”).

For purposes of this Section K-1, the term “Funding Conditions” shall mean that (i) Class 10 and Class 11 voted in favor of the Plan of Adjustment in accordance with the procedures for such vote under the Plan of Adjustment, (ii) the Plan of Adjustment is confirmed by the U.S. Bankruptcy Court, and (iii) the funds that are pledged to be contributed to the Retirement System pursuant to the terms of the State Contribution Agreement and the DIA Settlement Documents have been received.

- (2) Effect of Payment Default. In the event that all or a portion of the funds pledged to be contributed to the Retirement System pursuant to the terms of the DIA Settlement Agreement are not received by the Retirement System, the Board shall proportionately reduce the Pension Improvement Factor (Escalator) to be applied to the monthly Pension benefit of any retirees, surviving beneficiaries, employees and former employees to the extent of such default.

Sec. K-2. Income Stabilization Benefits

- (1) The provisions of this Section K-2 shall become effective only if each of the Conditions Precedent (as that term is defined in the State Contribution Agreement) have been met to the satisfaction of the Authority and the Treasurer, unless any one or more of such conditions are waived in writing executed by the Authority and the Treasurer.

- (2) Beginning not later than 120 days after the Effective Date, Component II of the Combined Plan shall pay, in accordance with this Section K-2, an annual supplemental pension income stabilization benefit (“Income Stabilization Benefit”) to each Eligible Pensioner (as defined in Section G-3(5)) equal to the lesser of either (i) the amount needed to restore an Eligible Pensioner’s reduced annual pension benefit to 100% of the amount of the annual pension benefit that the Eligible Pensioner received from the Retirement System in 2013; or (ii) the amount needed to bring the total annual 2013 household income of the Eligible Pensioner up to 130% of the Federal Poverty Level for 2013. The Income Stabilization Benefit as determined under this Section K-2(2) will not increase after the date on which the Income Stabilization Benefit is determined. The Income Stabilization Benefit payable to an Eligible Pensioner will terminate immediately at such time as the Eligible Pensioner ceases to qualify as an Eligible Pensioner.
- (3) To the extent an Eligible Pensioner’s Estimated Adjusted Annual Household Income (as defined in this Section K-2) in any calendar year after the first year that the Eligible Pensioner receives a benefit under this Section K-2 is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional “Income Stabilization Benefit Plus” benefit commencing as of the next following July 1.
- a. The Income Stabilization Benefit Plus benefit for a calendar year will be equal to the lesser of either (i) the amount needed to restore 100% of the Eligible Pensioner’s Pension benefit, as increased by any Pension Improvement Factor (Escalator), under Component II of the Combined Plan; or (ii) the amount needed to bring the Eligible Pensioner’s Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.
- b. An Eligible Pensioner’s “Estimated Adjusted Annual Household Income” for any year will be the sum of (i) the Eligible Pensioner’s 2013 total household income (per his or her (or in the case of a minor child, his or her legal guardian’s) 2013 income tax return or equivalent documentation), less the Pension benefit paid to the Eligible Pensioner by the Retirement System in 2013, as adjusted for inflation or Social Security COLA increases; (ii) the Adjusted Pension Benefit that is payable to the Eligible Pensioner for that year as determined under Section K-1, (iii) any pension restoration payment to the Eligible Pensioner as determined under Section K-3; and (iv) the Eligible Pensioner’s Income Stabilization Benefit.
- (4) A separate recordkeeping fund called the “Income Stabilization Fund” shall be established by the Board for the sole purpose of paying the Income Stabilization Benefits and Income Stabilization Benefits Plus to Eligible Pensioners. Any funds received by the Retirement System that is designated by the City as UTGO Bond Tax Proceeds or a contribution to the Income Stabilization Fund shall be

credited by the Board to the Income Stabilization Fund. The assets credited to the Income Stabilization Fund will be invested on a commingled basis with assets of the Retirement System and will be credited with a pro-rata portion of the earnings and losses of the Retirement System. Amounts credited to the Income Stabilization Fund may not be used for any purpose other than the payment of Income Stabilization Benefits and Income Stabilization Benefit Plus benefits to Eligible Pensioners, except as expressly provided in Section K-2(6).

- (5) For purposes of this Section K-2, an “Eligible Pensioner” is a retiree or surviving spouse who is at least 60 years of age or a minor child receiving survivor benefits, each as of the effective date of the Plan of Adjustment, whose benefit will be reduced as provided in Section K-1, and who is eligible to receive Income Stabilization Benefits because (i) such individual is receiving monthly pension benefits from the Retirement System as of the effective date of the Plan of Adjustment, and (ii) such individual has a total annual household income equal to or less than 140% of the federal poverty level in 2013 (per his or her (or in the case of a minor child, his or her legal guardian’s) 2013 income tax return or equivalent documentation).
- a. An eligible individual must apply for an Income Stabilization Benefit in accordance with procedures established by the Authority and provide such substantiation of the individual’s aggregate annual household income as is required by the State in its sole discretion.
 - b. The initial determination of Eligible Pensioners, and amount of the Income Stabilization Benefit payable to each Eligible Pensioner shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board. The Board, with the assistance of the Investment Committee shall be responsible for administering the Income Stabilization Fund and annually certifying to the State Treasurer that it has administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners in accordance with the terms of the State Contribution Agreement.
 - c. After the initial determination of Eligible Pensioners is made, no new individuals will be eligible to receive an Income Stabilization Benefit or an Income Stabilization Benefits Plus benefit at any time in the future.
 - d. An Eligible Pensioner will cease to be an Eligible Pensioner as of the earlier of (i) the Eligible Pensioner’s death or (ii) with respect to any minor child receiving survivor benefits, the date the minor child reaches the age of 18 years.
- (6) For purposes of this Section K-2, the “Federal Poverty Level” means the poverty guidelines published each year in the Federal Register by the United States Department of Health and Human Resources.

- (7) In the event that, in 2022 (provided that the State has not issued a Certificate of Default (as defined in the State Contribution Agreement) with respect to the Retirement System at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee that the assets of the Income Stabilization Fund exceed the Income Stabilization Benefits and Income Stabilization Benefits Plus benefits anticipated to be made to Eligible Pensioners by the Retirement System in the future (“Excess Assets”), the Investment Committee may, in its sole discretion, recommend to the Board that all or a portion of the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Benefits payable by the Retirement System. The Investment Committee shall have the right to engage professional advisers to assist in making this determination and such expenses shall be paid by the Retirement System.
- (8) In the event that any funds remain in the Income Stabilization Fund on the date upon which there are no Eligible Pensioners under the Retirement System, such funds shall be used to fund the Adjusted Benefits payable by the Retirement System.

Sec. K-3. Restoration of Pension Benefits

The following rules shall govern how Pension Improvement Factor (Escalator) (“COLA”) benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the confirmation order issued by the Bankruptcy court in *In Re City of Detroit, Michigan*, Case No. 13-53846. The pension restoration process shall be supervised, and restoration decisions undertaken by the Investment Committee and in accordance with the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto. The pension restoration program shall be deemed a part of this Component II, but in the event of any conflict between the language set forth herein and the pension restoration agreement attached to and made a part of the Plan of Adjustment (“Pension Restoration Agreement”), the terms of the Pension Restoration Agreement will govern.

(1) Waterfall Classes.

There will be three Waterfall Classes:

- a. Waterfall Class 1 – Retirees, in retirement benefit pay status as of June 30, 2014, and their surviving spouses and Beneficiaries.
- b. Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses and Beneficiaries, and who are in pay status as of the end of the Fiscal Year prior to the year in which the restoration decision is made.
- c. Waterfall Class 3 – All retirees, surviving spouses, and beneficiaries in pay status and all other Members who as of June 30, 2014 are not in retirement benefit pay status.

(2) *Restoration of Benefits Through June 30, 2023.*

- a. Each year in conjunction with the annual actuarial valuation report, the Plan Actuary will project the funded ratio of the Retirement System as of 2023 based upon the market value of plan assets relative to the actuarial accrued liabilities (the "Funded Level"). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses (administrative and investment), future employer contributions as set forth in the Plan of Adjustment (subject to conditions in the Plan of Adjustment), and such other actuarial assumptions as utilized by the Plan Actuary. For purposes of restoration of benefits through June 30, 2023, the Funding Target will be a 75% funded ratio, and the Restoration Target will be a 78% funded ratio, both projected to June 30, 2023. For purposes of calculating the funded ratio, the assets in the Restoration Reserve Account will be excluded. Each year, if the Plan Actuary projects that the Funded Level as of 2023 (excluding Restoration Reserve Account assets to avoid double counting) exceeds the Restoration Target (i.e., exceeds 78%), a credit of assets for bookkeeping purposes will be made into a new notional Restoration Reserve Account. The notional credit will be an amount equal to the excess of assets above the amount projected to be needed to satisfy the Restoration Target. Once the Restoration Reserve Account is established, each year thereafter, Restoration Account assets will be credited with interest in an amount equal to the net return on Retirement System investments but capped at the actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023). In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses and any required transfer to the PFRS Pension Reserve Fund as provided herein.
- b. Actual restoration payments and restoration credits will work as follows: each year, in conjunction with the preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the Plan Actuary will determine whether there are sufficient funds in such account to restore COLA benefits in a minimum incremental amount of 10% or more. For example: if a retiree's then current COLA benefit is a 1.0% annual compounded COLA, the minimum incremental restoration would increase the COLA benefit to 1.225%. COLA restoration only will occur if the funding level in the Restoration Reserve Account can fund 100% of the COLA increase over the actuarially-projected lives of the eligible recipient Waterfall Class. If the Plan Actuary certifies that the Restoration Reserve Account as of the end of the prior Fiscal Year satisfies the required funding level for one or more increments of restoration, then in the next immediate Fiscal Year actual COLA restoration payments will be made to PFRS Waterfall Class 1 members in such increments until an amount sufficient to fund 66% of the value of their future COLA payments (e.g., a 1.5% compound COLA, or as otherwise applicable) has been funded. At that juncture, and to the

extent that additional assets in the Restoration Reserve Account would fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), Waterfall Class 2 members will receive COLA restoration, until an amount sufficient to fund 66% of the value of their future COLA payments has been funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account would fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), Waterfall Class 3 members will receive COLA restoration on a pro-rata basis. For Waterfall Class 3 members who are in pay status at that time of restoration, they will receive COLA payments; for active employees at the time of restoration, they will receive credits granting them a right upon retirement to receive COLA restoration equal to the 10% increments that are fully funded to Waterfall Class 3 members. For example: assume there are sufficient assets credited to the Restoration Reserve Account as of the end of a Fiscal Year to fully fund 66% of the value of the COLA for all Waterfall Class 1 and Class 2 members for their actuarially projected lives. To the extent additional assets remain in the Restoration Reserve Account to fully fund at least a 10% COLA increment for Waterfall Class 3 members for their actuarially projected lives, then (i) all retirees would receive a restoration payment of 76% of the value of their COLAs (their having already received by virtue of their membership in Waterfall Classes 1 and 2 an increase to 66% of the value of their COLAs) and also a 10% COLA increment would be credited to eligible active employees which would be included in their benefit payments upon retirement (thus causing their COLAs to increase in value from 45% to 55%). Restoration amounts actually paid from the Restoration Reserve Account will be debited from such account. Restoration payments will be calculated and paid on a prospective basis only.

- c. Once restoration payments and credits begin, as long as the Restoration Reserve Account continues to have assets to fund 100% of an incremental COLA restoration amount for such Waterfall Class for their actuarially projected lives, the restoration payments and credits will continue; provided, however, that in the event the Restoration Reserve Account, after having sufficient assets to fund 100% of two or more increments, falls below 100% for the second or greater increment, the annual amounts to pay such second or greater increment can continue until the Restoration Reserve Account lacks any assets to fund such additional increment. For example, assume a 10% increment in Waterfall Class 1 requires \$10 million in assets to be fully funded for the Waterfall Class members' actuarially projected lives, and that based on Fiscal Year 2018 results the Restoration Reserve Account has assets of \$22 million so as to fund two increments of restoration in Fiscal Year 2019. Assume further that in the following year the Restoration Reserve Account drops in value to \$17 million; in such event two increments could still be paid, and the second

increment would cease being paid only if the value of assets in the Restoration Reserve Account dropped to or below \$10 million (in the event they dropped below \$10 million, the first increment also would cease being paid). For purposes of restoration reduction, restoration increments will be taken away in reverse order in which they were granted (i.e. last in, first out).

- d. If the Funded Level (excluding Restoration Reserve Assets) projected to 2023 falls below 76% (hereinafter, "Restoration Reserve Suspension Trigger"), then, until such time as the projected Funded Level in 2023 is 76% or above, further interest credits to the notional Restoration Reserve Account will cease notwithstanding the actual net Retirement System investment returns for the Fiscal Year in question. Furthermore, if the Funded Level projected to 2023 falls below the Funding Target (i.e., 75%) then restoration payments to retirees and credits to active employees in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the Pension Reserve Fund in sufficient amounts to restore the projected Funded Level in 2023 to 75%; (2) following such transfer, the remaining assets in the Restoration Reserve Account shall be applied to make restoration payments in accordance with and pursuant to the same mechanism described in paragraph c.
- e. In connection with preparation of the actuarial report for Fiscal Year 2023, the Plan Actuary will determine whether the Retirement System has satisfied the Permanent Restoration Target, which shall be 78%. Transfers from the Restoration Reserve Account for credit to the Pension Reserve Fund may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers, the Funded Level as of June 30, 2023 has satisfied the Permanent Restoration Target (i.e., 78%), then the residual amounts, if any, in the Restoration Reserve Account (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of COLA restoration payments for one or more Waterfall Classes for their actuarially projected lives, shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Fund and the applicable incremental COLA payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year.
- f. Following receipt of the actuarial reports for 2019, and in the event that the projected Funded Level of the Retirement System as of 2023 is less than 76%, the Plan Actuary shall revisit the restoration calculations that it made during each of the prior four (4) years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2023, or (ii) an amount of annual administrative expenses until 2023 equal to the average

annual normal course administrative expenses in the prior four (4) years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the Restoration Reserve Account than actually were transferred during such look back period, then the Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period); or (iii) the amount required to increase the projected 2023 Funded Level to 76%.

(3) *Restoration of Benefits from July 1, 2023 to June 30, 2033.*

- a. If and to the extent that all COLA payments have not been restored as of June 30, 2023 pursuant to Section (2)(e), then during this period and for purposes of variable restoration, the Funding Target, the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth below, all projected as of June 30, 2033:

<u>2023 Funded Level</u>	<u>2033 Funding Target/Restoration Target</u>
78%	81%/84%
77%	80%/83%
76%	79%/82%
75%	78%/81%
74% or lower	3% >than 2023 Funded Level %/81%

2033 Permanent Restoration Target - Same as 2033 Restoration Target

2033 Restoration Reserve Suspension Trigger – 1% higher than the projected Funding Target for all time periods

- b. The same rules for restoration payments that applied during the period ending June 30, 2023 shall apply (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and making Restoration Account asset transfers to the Pension Reserve Fund in the event the 2033 Funded Level falls below the 2033 Funding Target), except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan Actuary shall project investment returns through June 30, 2033 using the then current investment return assumption which is assumed to be net of expenses (administrative and investment), and the then applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the Plan Actuary shall assume, merely for purposes of determining whether the Restoration Target is satisfied, that

the annual City contribution amount shall be the annual amount necessary to fund the Retirement System based upon an amortization of the actual 2023 UAAL (using the market value of assets) over 30 years (hereinafter, the "2023 UAAL Amortization") and in such manner that the resulting annual contributions would achieve the applicable Funding Target (pursuant to paragraph b) as of 2033. Such projected, hypothetical contributions shall be for purposes only of making restoration determinations, and shall not necessarily be the actual contributions made or required to be made by the City or recommended during such period; all of which shall be determined independent of the restoration calculation process. For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded.

- c. To the extent that the City's actual contributions to the Retirement System in any of the Fiscal Years 2024 (i.e., the year ending June 30, 2024) through 2033 are greater than the projected annual contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in the Retirement System called the Extra Contribution Account. In determining pension restoration during the period from Fiscal Year 2024 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected Funded Level for purposes of determining whether the Retirement System has attained the Restoration Target or the Permanent Restoration Target. To the extent that the City's actual contributions in any of the Fiscal Years 2024 through 2033 are less than the City's projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Pension Reserve Fund.
- d. Each year, in addition to the notional credit of amounts that exceed the amount necessary to satisfy the Restoration Target, existing notional Restoration Account assets will be credited with interest equal to the net return on Retirement System investments; however, such interest shall not exceed the then investment return assumption. In the event of net losses on the Retirement System's investments, the notional assets credited to the Restoration Reserve Account will be reduced to reflect such losses.
- e. In connection with preparation of the actuarial report for Fiscal Year 2033, the Plan Actuary will determine whether the Retirement System has satisfied the applicable Permanent Restoration Target (i.e., the 2033 Restoration Target). Transfers from the Restoration Reserve Account for credit to the Pension Reserve Fund may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the funding level as of June 30, 2033 has satisfied the applicable Permanent Restoration Target, then the residual amounts in the Restoration Reserve Account, if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and

which fully fund one or more increments of COLA restoration payments for one or more Waterfall Classes, shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Fund and the applicable incremental COLA payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year.

- f. Following receipt of the actuarial report for 2028, and in the event that the projected Funded Level as of 2033 is less than 79%, the Plan Actuary shall revisit the restoration calculations that it made during each of the prior four (4) years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2033, or (ii) an amount of annual administrative expenses until 2033 equal to the average annual normal course administrative expenses in the prior four (4) years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have been transferred to the Restoration Reserve Account than actually were transferred during such look back period, then the Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the applicable look-back period) or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the applicable look-back period); or (iii) the amount required to increase the projected 2033 Funded Level to 79%.

(4) *Restoration of Benefits from July 1, 2033 to June 30, 2043.*

- a. If and to the extent that all COLA payments have not been restored pursuant to Section (3)(f) as of June 30, 2033, then during the period ending June 30, 2043 and for purposes of variable restoration, the Funding Target, the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth below, all projected as of June 30, 2043.

<u>2023 Funded Level</u>	<u>2043 Funding Target/Restoration Target</u>
78%	84%/87%
77%	83%/86%
76%	82%/85%
75%	81%/84%
74% or lower	3% > than 2023 Funded Level %/84%

2043 Permanent Restoration Target - Same as 2043 Restoration Target

2043 Restoration Reserve Suspension Trigger – 1% higher than the projected Funding Target
for all time periods

- b. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and the making of notional asset transfers from the Restoration Reserve Account to the Pension Reserve Fund in the event the 2043 Funded Level falls below the 2043 Funding Target) and shall be rolled forward. For example, for purposes of determining whether the 2043 Restoration Target has been satisfied, the Plan Actuary shall project annual contributions using the same 2023 UAAL Amortization. For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded, and no Extra Contribution Account assets shall be included for purposes of determining whether the Funded Level meets the Restoration Target or Permanent Restoration Target, including any additions to such account after 2033.
- c. In connection with preparation of the annual actuarial valuation report for Fiscal Year 2043, the Plan Actuary will determine whether the Retirement System has satisfied the applicable Permanent Restoration Target, as set forth in paragraph a above. Transfers from the Restoration Reserve Account for credit to the Pension Reserve Fund may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the Funded Level as of June 30, 2043 is equal to or greater than the applicable Permanent Restoration Target, then the residual amounts in the Restoration Reserve Account, if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Fund and the applicable incremental COLA payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year.

(5) *Modification of the Pension Restoration Program.*

If at any time after July 1, 2026, the Investment Committee by vote of five of its seven Members, or the Board of Trustees by a greater than 66% vote, determines that a change in relevant circumstances has occurred, or there was a mutual mistake of fact in developing the Pension Restoration Agreement attached to and made a part of the Plan of Adjustment, such that the continued operation of the Pension Restoration Agreement and this Section K-3 without amendment will: (a) materially harm the long-term economic interests of the City or Retirement System; (b) materially impair the City's ability to fully fund over a reasonable period the then existing frozen benefit liabilities; or (c) materially hinder the Restoration Program, if as of that juncture (and for purposes of applying this subsection K-3(5)(a)) annual funding levels (excluding the Extra Contribution Account) had materially exceeded the applicable Restoration Targets for a substantial period yet

without any material actual restoration of benefits as contemplated herein having been made, the Investment Committee or the Board, as the case may be, shall provide written notice to the other entity of such a determination and of the need to amend the Pension Restoration Agreement and this Section K-3 (it being understood that the post-Chapter 9, 40-year amortization period (to 2053) to fully fund frozen liabilities is, unless the relevant facts demonstrate otherwise, presumptively reasonable). The Investment Committee and the Board shall then meet to negotiate amendments to the Pension Restoration Agreement that address the identified risk of harm or impairment, but which also considers the Agreement's objective of providing pension restoration. Such negotiations shall take into account reasonable actions the City has pursued or could pursue to mitigate such harm or impairment. Any such amendments shall require the approval of a majority vote of the combined members of the Investment Committee and Board (persons who sit on both the Board and Investment Committee shall have one vote). Such parties shall consult with the Mayor, City Council and the Governor in connection with such negotiation.

If the Board, acting through a majority, and the Investment Committee, acting through a majority, cannot agree to such amendments within the 90-day period following the provision of such notice by the determining party, then the Board and Investment Committee shall proceed to mediation upon demand from either the Board or the Investment Committee. In this regard, within 30-days following expiration of the 90-day period the Board and the Investment Committee shall each select a mediator from the list of approved mediators for the United States District Court for the Eastern District of Michigan. The two selected mediators shall appoint a third neutral mediator from the approved list. Each party shall furnish a written statement to the mediators within 30 days of selection of the neutral mediator. Representatives of the Mayor and the Governor shall be consulted in connection with such mediations. If following a 90-day mediation period following submission of the written statements the matter is not settled, then either the Investment Committee or the Board can file an action in the United States District Court for the Eastern District of Michigan asking it to declare, *inter alia*, whether or in what manner to amend the Pension Restoration Agreement and this Section K-3.

APPENDIX A

The following provisions shall also have general applicability to the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan:

MCLS Const. Art. IX, § 24 (2003)

§ 24. Public pension plans and retirement systems, obligation.

Sec. 24. The accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby.

Financial benefits arising on account of service rendered in each Fiscal Year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.

**Relevant Provisions of
January 1, 2012
City of Detroit Charter**

**ARTICLE 11.
RETIREMENT PLANS**

Sec. 11-101. City's Duties.

1. The City shall provide, by ordinance, for the establishment and maintenance of retirement plan coverage for city employees.
2. Financial benefits arising on account of service rendered in each Fiscal Year shall be funded during that year and that funding shall not be used for financing unfunded accrued liabilities.
3. The accrued financial benefits of active and retired city employees, being contractual obligations of the city, shall in no event be diminished or impaired.

Sec. 11-102. Continuation of Existing Plans.

The retirement plans of the city existing when this Charter takes effect, including the existing governing bodies for administering those plans, the benefit schedules for those plans and the terms for accruing rights to and receiving benefits under those plans shall, in all respects, continue in existence exactly as before unless changed by this Charter or an ordinance adopted in accordance with this article.

**Relevant Provisions of the
Detroit City Code**

Sec. 47-1-2. Detroit Police and Fire Retirement System.

Notwithstanding any collective bargaining agreement or other documents governing terms of employment to the contrary, effective as of July 1, 2014, the Detroit Police and Fire Retirement System shall hereinafter be memorialized in a separate written document entitled "Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan," which shall comprise the exclusive terms of the Detroit Police and Fire Retirement System and be kept in the Office of the City Clerk for the City of Detroit.

Collective Bargaining Agreements.

Except to the extent otherwise provided in the Plan of Adjustment, under Michigan Law if there is any conflict between the Retirement System provisions and collective bargaining agreement provisions, the terms of the collective bargaining agreement control.

- (a) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Police Officers Association with respect to police officers covered by said collective bargaining agreement.
- (b) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Police Lieutenants and Sergeants Association.
- (c) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Police Command Officers Association.
- (d) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Fire Fighters Association.

EXHIBIT I.A.292

RESTORATION TRUST AGREEMENT

CITY OF DETROIT PENSION RESTORATION TRUST

THIS TRUST AGREEMENT, entered into effective _____, 2014, by and among, the City of Detroit (“Detroit” or the “City”) acting by and through **[Kevyn Orr acting as the appointed Emergency Manager pursuant to PA 436, M.C.L. §141.1541 et seq./Mayor Michael E. Duggan]** and each member of the Board of Trustees named herein.

WITNESSETH:

WHEREAS, Detroit filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 in the United States Bankruptcy Court for the United States Bankruptcy Court Eastern District of Michigan, Case No. 13-53846 (the “Court”);

WHEREAS, pursuant to the Plan for the Adjustment of Debts of the City of Detroit (as confirmed by the Court, the “Plan of Adjustment”), the City agreed to establish a trust upon the Effective Date of the Plan of Adjustment (i) to hold the DWSD CVR (as defined in the Plan of Adjustment) and enforce rights related to its terms, and to consult with the trustees and investment committee of the Police and Fire Retirement System for the City of Detroit (“PFRS”) and the General Retirement System for the City of Detroit (“GRS”), respectively in connection with General Restoration and Special Restoration relating to the DWSD CVR, each as defined below;

WHEREAS, Detroit hereby establishes this City of Detroit Pension Restoration Trust (the “Trust”);

WHEREAS, the Board of Trustees shall be responsible for maintaining and administering this Trust and managing the property held by this Trust;

WHEREAS, the members of the Board of Trustees are willing to exercise the authority and rights of consultation granted to it herein with regard to the Trust; and

NOW THEREFORE, in consideration of the premises and the covenants contained herein, Detroit and the members of the Board of Trustees agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Board of Trustees or Board. The Board of Trustees is the body described in Article VII to which Detroit has delegated responsibility for: (i) maintaining and administering this Trust and managing the property held by this Trust; and (ii) exercising the duties and responsibilities of the Board of Trustees set forth in this Trust Agreement. The Board of Trustees shall be constituted in accordance with Article VII and shall have the duties and authorities described in Article V.

Section 1.2 Code. Means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

Section 1.3 Beneficiaries. Means the beneficiaries of this Trust, which beneficiaries shall be the GRS, the PFRS and the participants in GRS and PFRS entitled to the benefits of the Restoration Plan.

Section 1.4 DWSD CVR. Has the meaning given to that term in the Plan of Adjustment.

Section 1.5 General Restoration. Means the potential restoration or replacement of benefit reductions imposed by the Plan of Adjustment pursuant to the terms of the Restoration Plan.

Section 1.6 GRS. Means the General Retirement System for the City of Detroit.

Section 1.7 Holder of Pension Claims. Has the meaning given to that term in the Plan of Adjustment.

Section 1.8 Plan of Adjustment. Means the Plan for the Adjustment of Debts of the City of Detroit, as confirmed by order of the Court dated [---], a copy of which is attached hereto as Exhibit A.

Section 1.9 PFRS. Means the Police and Fire Retirement System for the City of Detroit.

Section 1.10 Qualifying DWSD Transaction. Has the meaning given to that term in the Plan of Adjustment.

Section 1.11 Restoration Plan. Means the general rules governing pension benefit restoration to the PFRS and the GRS as set forth in Exhibit II.B.3.q.ii.C and Exhibit II.B.3.r.ii.C of the Plan of Adjustment. A copy of the Restoration Plan is attached hereto as Exhibit B.

Section 1.12 Retiree Committee. Has the meaning given to that term in the Plan of Adjustment.

Section 1.13 Special Restoration. Means the potential restoration or replacement of benefit reductions imposed by the Plan of Adjustment in connection with a Qualifying DWSD Transaction, as described in Section IV.F of the Plan of Adjustment.

Section 1.14 Trust Agreement. This agreement as it may be amended hereafter from time to time by the parties hereto.

Section 1.15 Trust or Trust Fund. The City of Detroit Pension Restoration Trust established by this Trust Agreement, comprising all property or interests in property held by, or under the custody and control of, the Board from time to time under this Trust Agreement.

ARTICLE II ESTABLISHMENT OF TRUST

Section 2.1 Purpose. The Trust is established to receive and hold the DWSD CVR and enforce rights related to its terms, and to consult with the trustees and investment committee of the PFRS and the GRS, respectively in connection with General Restoration and Special Restoration relating to the DWSD CVR.

Section 2.2 Receipt of Funds. The Board shall accept all sums of money and other property contributed to the Trust by Detroit pursuant to Article III. The Board shall hold, manage and administer the Trust Fund without distinction between principal and income.

Section 2.3 Inurement and Reversion Prohibited. At no time shall any part of the principal or income of the Trust Fund be used for, or diverted to, any purpose other than distributing proceeds from the DWSD CVR in the manner described by Section IV.F of the Plan of Adjustment. Nothing in this Trust Agreement shall be construed in such a way as to prohibit the Board from using the assets of the Trust Fund to pay reasonable fees and other expenses and obligations incurred in maintaining and administering the Trust or to maintain a reserve of funds needed to pay reasonable fees and expenses expected to be incurred in the future.

Section 2.4 No Residual Interest. Detroit shall not have any legal or equitable interest in the assets of the Trust Fund at any time, including following the termination of the Trust.

ARTICLE III CONTRIBUTIONS TO THE TRUST FUND

Section 3.1 Detroit Contributions. The Board will accept the City's contribution of the DWSD CVR to the Trust Fund pursuant to the Plan of Adjustment. Apart from the contribution of the DWSD CVR (and any amounts payable to the Trust Fund pursuant to the terms of the DWSD CVR), Detroit shall have no further obligation to contribute to the Trust.

ARTICLE IV PAYMENTS FROM THE TRUST FUND

Section 4.1 Payments from the Trust Fund.

(a) Subject to paragraph (b) below, the Board shall within a reasonable time after receiving proceeds from the DWSD CVR distribute such proceeds (less the amount retained by the Trust Fund in the sole discretion of the Board to pay reasonable fees and expenses previously incurred or expected to be incurred to maintain and administer the Trust) directly to the GRS and PFRS in the manner described in Section IV.F of the Plan of Adjustment.

(b) The Board may retain or withhold all or any part of any payment as the Board in the exercise of its reasonable discretion may deem proper, to protect the Board and the Trust against any liability or claim on account of any income or other tax whatsoever; and with all or any part of any such payment so retained or withheld, may discharge any such liability. Any part of any such payment so retained or withheld by the Board that may be determined by

the Board to be in excess of any such liability will upon such determination by the Board be paid to the GRS and PFRS in the manner described in Section IV.F of the Plan of Adjustment.

Section 4.2 Excessive Payments. If the payment of any distributions under the Trust is determined to have been excessive or improper, and the recipient thereof fails to make repayment to the Board or Board's agent of such excessive or improper payment upon the Board's request, the Board shall deduct the amount of such excessive or improper payment from any other benefits thereafter payable to such person. Until repaid to the Board or Board's agent, the amount of said excessive or improper payment shall not be included in the Trust Fund.

ARTICLE V BOARD POWERS AND DUTIES

Section 5.1 Powers of the Board Generally. The Board has whatever lawful powers are required to discharge its obligations and to accomplish any of the purposes of this Trust Agreement, including (but not limited to) the powers specified in the following Sections of this Article, and the powers and authority granted to the Board under other provisions of this Trust Agreement. The enumeration of any power herein shall not be by way of limitation, but shall be cumulative and construed as full and complete power in favor of the Board.

Section 5.2 Powers Exercisable by the Board. The Board is authorized and empowered to exercise the following powers at its discretion in satisfaction of the duties imposed on it under this Trust Agreement:

(a) To place securities orders, settle securities trades, hold securities in custody, deposit securities with custodians or securities clearing corporations or depositories or similar organizations, and other related activities as shall be necessary and appropriate in performing its duties under this Trust Agreement. Trades and related activities conducted through a broker shall be subject to reasonable fees and commissions established by the broker, which may be paid from the Trust Fund or netted from the proceeds of trades.

(b) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted.

(c) To cause any investment in the Trust Fund to be registered in, or transferred into, the name of any institutional custodian appointed by the Board, or the name of its nominee or nominees, or to retain such investments unregistered in a form permitting transfer by delivery, but the books and records of the Board shall at all times show that all such investments are part of the Trust Fund, and the Board shall be fully responsible for any misappropriation in respect of any investment held by its nominee or held in unregistered form; and shall cause the indicia of ownership to be maintained within the jurisdiction of the district courts of the United States;

(d) To receive, hold, invest and reinvest Trust Fund assets and income under provisions of law from time to time existing and in accordance with Article V;

(e) To exercise or abstain from exercising any option, privilege or right attaching to any Trust Fund assets;

(f) To make payments from the Trust Fund in accordance with Article IV and for the payment of expenses as provided in Section 5.5;

(g) To employ suitable agents and depositaries (domestic or foreign), public accountants, brokers, custodians, ancillary trustees, appraisers, legal counsel and other expert advisors as shall be necessary and appropriate, and to pay their reasonable expenses and compensation;

(h) To pay any income or other tax or estimated tax, charge or assessment attributable to any property or benefit out of such property or benefit in its sole discretion, or any tax on income of the Trust, if any, out of the Trust Fund;

(i) To file all reports and returns that are required to be made with respect to the Trust:

(j) To vote, in person or by general or limited proxy, at any election of any corporation in which the Trust Fund is invested, and similarly to exercise, personally or by a general or limited power of attorney, any right appurtenant to any investment held in the Trust Fund; and

(k) To accept, compromise or otherwise settle any obligations or liability due to or from the Trust as the Board hereunder, including any claim that may be asserted for taxes, assessments or penalties under present or future laws, or to enforce or contest the same by appropriate legal proceedings.

Notwithstanding the foregoing, the Board shall not (i) assign, transfer, convey or sell its interest in the DWSD CVR except for an assignment due to the appointment of successors to members of the Board in accordance with Section 7.2; and (ii) invest any assets in real estate or real estate securities

Section 5.3 Title to Trust Fund. All rights, title and interest in and to the Trust Fund shall at all times be vested exclusively in the Board.

Section 5.4 General Duties and Obligations of Board.

(a) In accordance with Article II but subject to Section 4.1, the Board shall hold all property received by it and any income and gains thereupon. In accordance with this Article, the Board shall manage, invest and reinvest the Trust Fund, shall collect the income therefrom, and shall make payments or disbursements in accordance with Section 4.1.

(b) The Board shall confer with the trustees and investment committee of the GRS and PFRS, respectively, with respect to the Special Restoration and General Restoration; provided, however, that the Board shall not have any right to initiate any enforcement

proceedings against the trustees or investment committee of either GRS or PFRS with respect to Special Restoration or General Restoration.

(c) The Board shall discharge its duties in the interests of the Beneficiaries and for the exclusive purpose of making distributions to the GRS and PFRS as provided in Section 4.1 and defraying reasonable expenses of administering the Trust and shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in conduct of an enterprise of like character and with like aims.

Section 5.5 Payment of Expenses. The Board shall apply the assets of the Trust Fund to pay all reasonable costs, charges, and expenses (including, but not limited to, all brokerage fees and transfer tax expenses and other expenses incurred in connection with the sale or purchase of investments, all real and personal property taxes, income taxes and other taxes of any kind at any time levied or assessed under any present or future law upon, or with respect to, the Trust Fund or any property included in the Trust Fund and all legal, actuarial, accounting and financial advisory expenses) reasonably incurred by the Board in connection with maintaining and administering the Trust, including attendance at meetings related thereto. The expenses of the Board shall constitute a lien on the Trust Fund.

Section 5.6 No Board Compensation. Except as provided in Section 5.5, the members of the Board shall serve without compensation.

ARTICLE VI BOARD ACCOUNTS

Section 6.1 Records. The Board shall maintain accurate and detailed records and accounts of all investments, receipts, disbursements, and other transactions with respect to the Trust, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by interested persons at the principal office of the Trust.

Section 6.2 Annual Audit. The Trust Fund shall be audited annually by an independent firm of certified public accountants, and a statement of the results of such audit shall be provided to the Board and also made available for inspection by interested persons at the principal office of the Trust.

Section 6.3 No Interest by Beneficiaries. In no event shall any Beneficiary have any interest in any specific asset of the Trust Fund. At no time shall any account or separate fund be considered a savings account or investment or asset of any particular Beneficiary, or class of Beneficiaries, and no Beneficiary shall have any right to any particular asset which the Board may have allocated to any account or separate fund for accounting purposes.

Section 6.4 Accounting Year, Cash Basis. The accounting year of the Trust shall be the calendar year. All accounts of the Board shall be kept on a cash basis.

ARTICLE VII
COMPOSITION OF AND PROCEDURES FOR THE BOARD OF TRUSTEES

Section 7.1 Number and Appointment of Members. The Board of Trustees shall consist of five (5) voting members. The Retiree Committee has selected the following initial members of the Board of Trustees:[_____, _____, _____, _____, and _____.]

By execution of this Trust Agreement each Board member hereby acknowledges his or her appointment and acceptance of the duties and responsibilities set forth in this Trust Agreement.

Section 7.2 Term of Office. Each member of the Board shall serve a period of four years until the termination of the Trust, or if earlier, until his or her death, incapacity to serve hereunder, or resignation. In the event of a vacancy, the replacement Board member shall be appointed pursuant to procedures established by the Board.

Section 7.3 Resignation. A Board member may resign, and shall be fully discharged from further duty or responsibility under this Trust Agreement to the extent permitted by law, by giving at least ninety (90) days' advance written notice to the remaining Board Members stating a date when such resignation shall take effect, which notice or time period may be waived by the Board.

Section 7.4 Operation of the Board; Quorum. The Board shall select from among its members a chair and a vice chair. The Board shall hold regular meetings, and shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure and shall keep a record of proceedings. Each Board Member shall be entitled to one vote on each question before the Board. Three (3) members shall constitute a quorum at any meeting. A majority vote of the members present at a meeting of the Board at which a quorum exists shall be necessary for a decision by the Board.

Section 7.5 Reliance on Written Instruments. Each member of the Board shall be fully protected in acting upon any instrument, certificate or paper believed by him or her to be genuine and to be signed or presented by a duly authorized person or persons, and shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 7.6 No Individual Liability on Contracts. The members of the Board shall not be liable personally for any debts, obligations, or undertakings contracted by them, or for the breach of any contracts. Such claims and obligations shall be paid out of the Trust; provided, however, that the Board shall not be exempt from personal liability for willful misconduct, intentional wrongdoing, breach of applicable fiduciary duty, negligence or fraud, and the Trust shall not indemnify the Board for such liabilities, or to the extent that application of this sentence would violate any law.

Section 7.7 City Not Liable for Conduct of Board. The Board is not, in its capacity as the Board of Trustees, an officer, agent, employee, or representative of Detroit. In its capacity as the Board of Trustees, the Board is a principal acting independently of the City, which shall not be liable for any act, omission, contract, obligation, or undertaking of the Trust, the Board or its officers, agents, or representatives.

Section 7.8 Liability Insurance. The Board may obtain and keep current a policy or policies of insurance, insuring the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act, or omission to act, in connection with the performance of their duties, responsibilities and obligations under this Trust Agreement or the Plan. To the extent permitted by applicable law, the premiums on such policies may be paid from the Trust Fund.

Section 7.9 Reimbursement for Defense of Claims. To the extent permitted by applicable law and not otherwise covered by liability insurance purchased by the Trust (without regard to any non-recourse rider purchased by the insured), the Board, employees of the Board and persons acting on the Board's behalf pursuant to an express written delegation (each separately, the "Indemnified Party") shall be reimbursed by the Trust Fund for reasonable expenses, including without limitation attorneys fees, incurred in defense of any claim that seeks a recovery of any loss to the Plan or Trust Fund or for any damages suffered by any party to, or beneficiary of this Trust Agreement (a) for which the Indemnified Party is adjudged not liable, or (b) which is dismissed or compromised in a final settlement, where the Board or, where required by applicable law, an independent fiduciary determines that the settling Indemnified Party was not primarily responsible (in such cases, all or only a portion of the settling Indemnified Party's reasonable expenses may be reimbursed, as directed by the Board or an independent fiduciary), provided that, the Board shall have the right to approve of the retention of any counsel whose fees would be reimbursed by the Trust Fund, but such approval shall not be withheld unreasonably.

ARTICLE VIII AMENDMENT, TERMINATION AND MERGER

Section 8.1 Duration of the Trust. Unless terminated earlier pursuant to Section 8.3, this Trust Agreement shall terminate automatically on the earlier of: (a) the eighth anniversary of the Effective Date of the Plan of Adjustment if the City and the Board shall have agreed in writing that no Qualifying DWSD Transaction has occurred; or (b) the later of (i) written notice from GRS and PFRS of the death of the last individual who was a participant in such pension plans on the Effective Date of the Plan of Adjustment or (ii) the 90th anniversary of the effective date of this Trust Agreement.

Section 8.2 Amendment. The Trust Agreement may be amended at any time in writing by the Board or by Court order upon proper motion by the Board or the City, provided, however, that no amendment may impose a contribution obligation on the City beyond that specified in Section 3.1. No amendment to the Trust Agreement shall modify the responsibilities of the Board hereunder unless the Board has first consented to such amendment.

Section 8.3 Termination.

(a) Notwithstanding Section 8.1, the Trust and this Trust Agreement may be terminated at any time in writing by the Board with a copy of such written instrument to be provided to the City, or by Court order upon proper motion. Upon termination of this Trust Agreement, the assets of the Trust Fund, if any, shall be paid out at the direction of the Board to the GRS and PFRS as provided in Section IV.F of the Plan of Adjustment. Neither Detroit nor the Board shall have any beneficial interest in the Trust Fund. If the Trust Fund has assets at the time of its termination, it shall remain in existence only until all such assets have been distributed.

(b) Upon termination of the Trust pursuant to Section 8.1 or 8.3, the Board shall continue to have all of the powers provided in this Trust Agreement as are necessary or desirable for the orderly liquidation and distribution of the Trust Fund in accordance with the provisions hereof.

ARTICLE IX MISCELLANEOUS

Section 9.1 Rights in Trust Fund. No Beneficiary or other person shall have any right, title or interest in the Trust Fund or any legal or equitable right against the Board, the Board, or Detroit, except as may be otherwise expressly provided in this Trust Agreement.

Section 9.2 Non-Alienation. Except to the extent required by applicable law, the rights or interest of any Beneficiary to any future distributions under the provisions of the GRS or PFRS shall not be subject to attachment or garnishment or other legal process by any creditor of any such Beneficiary, nor shall any such Beneficiary have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingent or otherwise, under GRS or PFRS.

Section 9.3 Controlling Laws. The Trust shall be construed and the terms hereof applied according to the laws of the state of Michigan to the extent not superseded by federal law.

Section 9.4 Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be considered as an original.

Section 9.5 Headings. The headings and subheadings of this Trust Agreement are for convenience of reference only and shall have no substantive effect on the provisions of this Trust Agreement.

Section 9.6 Notices. All notices, requests, demands and other communications under this Trust Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of receipt if served personally or by confirmed facsimile or other similar confirmed electronic communication; (b) on the first business day after sending if sent for guaranteed next day delivery by Federal Express or other next-day courier service; or (c) on the fourth business

day after mailing if mailed to the party or parties to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

If to the City:

[insert name and address]

If to the Board:

[insert name and address]

IN WITNESS WHEREOF, and as evidence of the establishment of the Trust created hereunder, the parties hereto have caused this instrument to be executed as of the date above first written.

CITY OF DETROIT

By: _____
Print Name: _____
Title: _____
Date: _____

MEMBERS OF THE BOARD OF TRUSTEES

By: _____
Print Name: _____

Acknowledged by me on the _____ day of _____,
Signature _____
Printed name _____

Notary public, State of Michigan, County of
My commission expires _____

By: _____
Print Name: _____

Acknowledged by me on the _____ day of _____,
Signature _____
Printed name _____

Notary public, State of Michigan, County of
My commission expires _____

By: _____
Print Name: _____

Acknowledged by me on the _____ day of _____,
Signature _____
Printed name _____

Notary public, State of Michigan, County of
My commission expires _____

By: _____

Print Name: _____

Acknowledged by me on the _____ day of _____,

Signature _____

Printed name _____

Notary public, State of Michigan, County of _____

My commission expires _____

By: _____

Print Name: _____

Acknowledged by me on the _____ day of _____,

Signature _____

Printed name _____

Notary public, State of Michigan, County of _____

My commission expires _____

EXHIBIT A
PLAN OF ADJUSTMENT

EXHIBIT B
RESTORATION PLAN

EXHIBIT C
CONFIRMATION ORDER

EXHIBIT I.A.298

RETIREE HEALTH CARE SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

Plaintiffs, the Official Committee of Retirees of the City of Detroit, Michigan (the “Committee”), Detroit Retired City Employees Association, Retired Detroit Police and Fire Fighters Association, and AFSCME Sub-Chapter 98, City of Detroit Retirees (collectively with the Committee, the “Plaintiffs”) and Defendants, the City of Detroit, Michigan (the “City”) and Kevyn Orr, individually and in his official capacity as Emergency Manager of the City of Detroit, Michigan (collectively with the City, the “Defendants”), hereby enter into this Settlement Agreement as of the 14th day of February, 2014 (the “Agreement”), which contains the following terms:

I. GENERAL PROVISIONS

1. **Agreement Modifies March 1, 2014 Plan.** The City agrees to make the changes listed in Part II herein to the City of Detroit Retiree Health Care Plan for the period March 1, 2014 through December 31, 2014. The changes enumerated in Part II are modifications to the City of Detroit Retiree Health Care Plan described in the 2014 Health Care Plan Options Booklet (“Booklet”) distributed approximately January 2, 2014. These modifications are premised on the terms summarized in the Booklet going into effect on March 1, 2014, subject only to the modifications set forth in this Agreement, which resolves the Plaintiffs’ claims in Adversary Proceeding No. 14-04015 (the “Adversary Proceeding”).

2. **Modifications Will Not Decrease Benefits Offered in March 1, 2014 Plan.** None of the modifications in Part II reduces or eliminates any of the benefits in the City of Detroit Retiree Health Care Plan for the period March 1, 2014 through December 31, 2014 as described in the Booklet, except as specified in Part II(4)(a) and (b) below.

3. **Effective Date of Plan Modifications.** The modifications listed in Part II of this Agreement shall be effective with the beginning of the plan on March 1, 2014 unless otherwise noted in the Agreement.

4. **Aggregate Caps.** Unless specifically noted below, there is no cap on the amount that the City will spend to fulfill the modifications listed in Part II. For the two modifications listed in Part II(3)(a)/(b) and (d)/(e) that expressly include capped funds of \$2,500,000 and \$3,000,000, respectively, the City shall aggregate those caps to a total of \$5,500,000 such that if one capped fund is exhausted the City must draw from the other capped fund to the extent that the other capped fund has not been exhausted.

5. **Conditions on Agreement.** This Agreement, and the additional benefits set forth herein, are conditioned upon the City receiving debtor in possession financing that can be used for quality of life purposes on or before May 1, 2014 (the “DIP”). In the event the DIP is not in effect on or before May 1, 2014 and the City is unable to otherwise perform under this

Agreement, this Agreement shall be null and void and the parties shall be returned to their respective positions.

II. MODIFICATIONS TO THE CITY'S RETIREE HEALTH CARE PLAN FOR THE PERIOD MARCH 1, 2014 THROUGH DECEMBER 31, 2014

1. Modification of Dental and Vision Coverage.

- (a) **Dental Coverage.** The City will make available an additional dental benefits option in addition to the dental benefits coverage option described in the Booklet. The additional option will be offered by Golden Dental Inc. ("Golden"). The premium charged for this group coverage option will be no greater than \$23.73 per month for single coverage, \$38.83 per month for two-person coverage, and \$57.17 per month for family coverage, and the benefits will be as described in Exhibit 1 hereto; provided, however, that the amount charged to the retiree shall be increased to include an additional administrative charge, which administrative charge shall not exceed 20% of the applicable premium. The enrolling retiree will be fully responsible to pay the premium associated with this dental option, including the additional administrative charge, and the City shall allow the retirees to utilize the pension reduction feature for payment of the monthly premium. The City will use Reasonable Efforts to have such coverage effective June 1, 2014, including taking Reasonable Efforts to notify retirees by mail of this option as soon as practicable, and taking Reasonable Efforts to minimize the administrative charge. Reasonable Efforts, as used in this Agreement, requires the City to use good faith and reasonable diligence in light of its capabilities.
- (b) **Vision Coverage.** The City will make available an additional vision benefits option in addition to the vision benefits coverage option described in the Booklet. The additional option will be offered by Heritage Vision Plans, Inc. ("Heritage"). The premium for this group coverage option will be no greater than \$6.95 per month for single coverage and \$13.75 per month for 2 or more person coverage; provided, however, that the amount charged to the retiree shall be increased to include an additional administrative charge, which administrative charge shall not exceed 20% of the applicable premium. The option shall be a national network vision option similar to the option that the City provides to active employees. The enrolling retiree will be fully responsible to pay the premium associated with this vision option, including the additional administrative charge, and the City shall allow the retirees to utilize the pension reduction feature for payment of the monthly premium. The City will use Reasonable Efforts to have such coverage effective June 1, 2014, including taking Reasonable Efforts to notify retirees by mail of this option as soon as practicable, and taking Reasonable Efforts to minimize the administrative charge.

2. Modifications for Retirees Eligible for Medicare.

- (a) **Extension of Enrollment Deadline to Opt Out of Medicare Advantage Plan Coverage.** For retirees of the City who are enrolled in Medicare and receive

coverage under a City-sponsored Medicare Advantage Plan through February 28, 2014, the date to opt out of such coverage was extended to February 7, 2014. Such retirees may opt out by hand delivery (no later than close of business February 7) or first-class mail delivery (post-marked on or before February 7) of the designated opt out form to the City Benefits Administration Office at Suite 1026, 2 Woodward Avenue, Detroit MI 48226. Retirees were permitted to request the designated opt out form by calling the City's Benefit Administration Customer Service Line or contacting the City Benefits Administration Office at the address above. The City will use Reasonable Efforts to process any such opt outs for which it receives timely notice in a manner so as to eliminate such Medicare Advantage Plan coverage effective March 1, 2014. To the extent the City is not able to process the timely sent opt out notices in a manner so as to eliminate such coverage effective March 1, 2014, such coverage shall be eliminated effective April 1, 2014. Retirees who did not opt out by February 7, 2014 will be enrolled in a City-sponsored Medicare Advantage Plan as described in the Booklet.

- (b) **HRA Contribution for Medicare-Eligible Retirees Who Opt Out.** For each Medicare-eligible retiree who opted out of coverage under the City-sponsored Medicare Advantage Plans on or prior to February 7, 2014, the City shall automatically enroll such retiree in a City-sponsored Health Reimbursement Arrangement ("HRA"). The HRA shall be administered by Flex Plan, Inc. The City will provide each electing enrollee with a vested \$115 monthly contribution credit to his or her HRA during the remainder of 2014, which will carry forward until used by the retiree or otherwise forfeited under terms to be negotiated by the parties hereto. The City will make all Reasonable Efforts to implement the HRA credits effective May 1, 2014, retroactive to March 1, 2014. The initial monthly credit for May 2014 shall be in an amount equal to the total of \$115 multiplied by the number of months starting March 2014 for which the enrolled retiree did not have Medicare Advantage Plan coverage (e.g., if John Smith had City-sponsored Medicare Advantage Plan coverage until February 28, 2014, the initial monthly credit for May 2014 will be \$345, covering March, April, and May; thereafter, the payments shall be \$115 per month for each month in 2014).
- (c) **Medicare Advantage Plan Catastrophic Drug Expenses.** Each of the Medicare Advantage Plans sponsored by the City for the period March 1, 2014 through December 31, 2014 include Medicare Part D prescription drug coverage, under which, once the \$4,550 out-of-pocket threshold is met, the participant's cost sharing obligation is limited to the greater of 5% of the cost of the prescription, or \$2.55 per prescription for generic and preferred multi-source drugs or \$6.35 per prescription for all other prescription drugs; provided, that the participant's cost sharing obligation shall never be greater than the cost sharing that applied prior to the participant meeting such threshold. For each participant who meets the \$4,550 out-of-pocket threshold while enrolled in one of the City's Medicare Advantage Plans during the period March 1, 2014 through December 31, 2014, the City will reimburse the amount of this cost sharing obligation to the related

retiree. For the avoidance of doubt, participant means both retiree and any retiree's spouse who is covered by the City's Medicare Advantage Plans.

3. Modifications for Retirees Not Eligible for Medicare.

- (a) **Additional Stipend to Retirees With \$75,000 or Lower Household Income Who Acquire Health Care Coverage on an Exchange.** The City will provide non-duty disabled retirees who are not eligible for Medicare a \$125 stipend that they may use to purchase health care coverage. The City will increase this stipend by \$50 for any non-Medicare eligible retiree who either (i) was enrolled in the City's retiree health program on December 31, 2013 or (ii) transitioned from active City benefits to retiree City benefits on or after November 1, 2013; but only to the extent such retiree described in (i) or (ii) above meets the following requirements:

- i) Not eligible for Medicare or Medicaid;
- ii) Not eligible for a benefit under Part II(4);
- iii) Not a duty-disabled retiree (duty-disabled retirees are eligible for higher stipends as provided for in the Booklet);
- iv) Under 65 years old (non-Medicare eligible retirees age 65 and older may receive an increased stipend under Part II(3)(c) below);
- v) Household income is \$75,000 or less, as demonstrated by satisfaction of the process set forth in Part II(3)(b);
- vi) Does not acquire a City-offered group health plan as set forth in Part II(3)(f); and
- vii) Purchases or is covered by a health insurance policy acquired through a health insurance exchange ("Exchange") established pursuant to the Patient Protection and Affordable Care Act.

(b) **Process to Obtain Additional \$50 Monthly Stipend.**

- i) The City will retain Aon Hewitt to administer the eligibility process for the additional \$50 monthly stipend set forth above in Part II(3)(a). Retirees will be given a 30-day notice period, to expire no later than April 30, 2014, during which they shall provide to Aon Hewitt the following:
 - (1) Submission of having purchased an insurance policy through an Exchange that covers such retiree. Such submission shall include information necessary to validate the retiree's eligibility, including the name of the insurer, monthly premium amount, and the amount of federal

subsidy, if any, that the retiree is to receive in connection with such Exchange-acquired coverage; and

- (2) If the proof of Exchange-acquired coverage shows that the retiree's premium does not also include a federal subsidy amount, such retiree shall also submit a copy of his or her most recently filed federal income tax return with proof of filing, but in no event a return prior to the 2011 tax year. If such federal income tax return shows household income in excess of \$75,000 and the retiree believes that household income in 2013 was below \$75,000, the retiree shall also submit – along with a copy of the most recently filed federal income tax return – proof sufficient for Aon Hewitt to conclude that his or her household income in 2013 was less than \$75,000.
- ii) Aon Hewitt shall submit to the City its list of retirees eligible for the additional \$50 monthly stipend and the monthly stipends shall be paid to the approved eligible retirees beginning in the month of June 2014 or as soon thereafter as administratively practical, with payments retroactive to March 1, 2014. For example, if the first payment is made in June 2014, it will be in the amount of \$200 for the months of March, April, May, and June; thereafter, the payments shall be \$50 per month for each succeeding month in 2014. The list provided by Aon Hewitt shall be final and no changes shall be made to such list for the remainder of 2014.

The City shall cap the amount that it pays for this additional \$50 stipend during the period from March through December 2014 at \$3,000,000. In the event that there are more retirees meeting the requirements in Part II(3)(a) and (b) (i.e., retirees listed on the final list) than can be paid in full for \$3,000,000, each retiree will have his or her stipend amount reduced pro rata, unless there are additional funds that can be used as detailed in Part I(4).

- (c) **Additional Payment to Non-Medicare Eligible Retirees Age 65 and Older.**
The City will increase the stipend that it gives non-Medicare eligible retirees who are 65-years-old and older to \$300/month. For such purposes, a non-Medicare eligible retiree is any retiree age 65 or older who is not – directly or through his or her spouse – eligible to automatically enroll in and obtain premium-free coverage under Part A of Medicare as evidenced by a denial letter from the Centers for Medicare and Medicaid Services (“CMS”). Retirees who have previously submitted such a letter to the City will not be required to resubmit it. Non-Medicare eligible retirees who are duty-disabled will not be eligible for this increase because their stipend is already \$300 or more. The City will coordinate with Blue Cross Blue Shield of Michigan to determine the number of non-Medicare eligible retirees who are eligible for this \$300 stipend. The increased stipend will apply for each month from March 2014 through December 2014. The City will make all Reasonable Efforts to implement the \$300 increased

monthly stipend beginning April 1, 2014, with payment of the increased amount over the stipend otherwise paid for prior months being retroactive to March 1, 2014; thereafter, the stipend shall be \$300 per month for each succeeding month in 2014. Such eligible retirees will not receive any other stipend amounts from the City that are described in the Booklet or this Agreement.

(d) **\$125 Monthly Stipend For City Retirees' Spouses Who are Under Age 65, With \$75,000 or Lower Household Income, and Are Enrolled in Health Care Coverage on an Exchange.**

The City will provide a \$125 stipend to certain married retirees whose spouses either (i) were enrolled in the City's retiree health program on December 31, 2013 or (ii) transitioned from active City benefits to retiree City benefits on or after November 1, 2013; but only to the extent such spouse described in (i) or (ii) above meets the following requirements:

- i) Not eligible to enroll in one of the City's Medicare Advantage Plans;
- ii) Not eligible for Medicaid;
- iii) Not eligible for a benefit under Part II(4);
- iv) Under 65 years old;
- v) Household income is \$75,000 or less, as demonstrated by satisfaction of the process set forth in Part II(3)(e);
- vi) Does not acquire a City-offered group health plan as set forth in Part II(3)(f); and
- vii) Purchases or is covered by a health insurance policy acquired through an Exchange.

(e) **Process to Obtain \$125 Monthly Spouse Stipend.**

- i) The City will retain Aon Hewitt to administer the eligibility process for the \$125 monthly spouse stipend. Retirees will be given a 30-day notice period, to expire no later than April 30, 2014, during which they shall provide to Aon Hewitt the following proof:
 - (1) Submission of proof that their spouse is covered under an insurance policy purchased through an Exchange, including information necessary to validate the retirees' eligibility, including the name of the insurer, monthly premium amount, and the amount of federal subsidy, if any, that the spouse is to receive in connection with such Exchange-acquired coverage; and
 - (2) If the proof of Exchange-acquired coverage shows that the spouse's premium does not also include a federal subsidy

amount, such retiree shall also submit a copy of his or her most recently filed federal income tax return with proof of filing, but in no event a return prior to the 2011 tax year. If such federal income tax return shows household income in excess of \$75,000 and the retiree believes that household income in 2013 was below \$75,000, the retiree shall also submit – along with a copy of the most recently filed federal income tax return – proof sufficient for Aon Hewitt to conclude that his or her household income in 2013 was less than \$75,000.

- ii) Aon Hewitt shall submit to the City its list of retirees who are eligible for this \$125 monthly stipend and the monthly stipends shall be paid to the approved married retirees beginning in the month of June 2014 or as soon thereafter as administratively practical, with payments retroactive to March 1, 2014. For example, if the first payment is made in June 2014, it will be in the amount of \$500 for the months of March, April, May, and June; thereafter, the payments shall be \$125 per month for each succeeding month in 2014. The list provided by Aon Hewitt shall be final and no changes shall be made to such list for the remainder of 2014, except as follows:

- (1) if an eligible retiree ceases to be married (whether by death or divorce), the retiree's spouse will cease to be eligible for this stipend and the retiree shall be removed from the list effective as of the month immediately following such event; and
- (2) if a retiree's spouse transitions from active City benefits to retiree City benefits during 2014 and meets the eligibility provisions described in Part II(3)(d) and is approved as eligible pursuant to the process described in Part II(3)(e), the related retiree shall be added to the list effective as of the month in which the transition to retiree City benefits occurs, provided there is sufficient availability under the Aggregate Caps as described below.

The City will cap the amount that it pays for spousal stipends at \$2,500,000. In the event that there are more retirees initially satisfying the requirements in Part II(3)(e) (*i.e.*, retirees listed on the first list submitted by Aon Hewitt to the City) than can be paid in full for \$2,500,000, each such retiree will have his or her stipend amount reduced pro rata, provided that if there are additional funds that can be used as detailed in Part I(4), each such retiree will only have his or her stipend amount reduced pro rata to the extent the aggregate amount is not sufficient to satisfy the full amount of such stipends. Retirees who become eligible for this spousal stipend during the year, as described above, shall only be eligible for a stipend to the extent there is sufficient availability under the

Aggregate Caps detailed in Part I(4). The addition or removal of retirees from the list shall not impact the amount of the stipend being paid to other eligible retirees.

- (f) **City Group Plan.** In 2014, the City agrees to contract with Blue Cross Blue Shield of Michigan to offer a fully-insured group health plan option to retirees who are not eligible for Medicare. Such plan option shall be reasonably equivalent to the coverage offered by the City to active employees in 2014. The enrolling retiree will be fully responsible to pay the monthly premium associated with this option. The premium cost to retirees of such policy will include the cost to the City of enrollment and administration related to this policy option, so that the City will not incur any additional expense in offering this policy. The parties will use Reasonable Efforts to have such coverage effective May 1, 2014. The City shall provide a monthly stipend of \$100 to each retiree who enrolls in the City group plan, beginning with the May 1, 2014 payment. No other stipend amounts from the City that are described in the Booklet or this Agreement shall be available to retirees enrolling in this group option, unless either (i) the retiree is duty-disabled, in which case, he or she will instead receive the stipend available to duty-disabled retirees described in the Booklet, or (ii) the retiree is eligible for the stipend described in Part II(3)I, in which case, he or she will instead receive such stipend.

4. Modifications for Retirees Below the Federal Poverty Level.

- (a) **Coverage for Michigan Resident Retirees Eligible For Medicaid Coverage On or After April 1, 2014.** The parties recognize that CMS has approved the State of Michigan's request to operate the "Healthy Michigan" program for adults who will become eligible for Medicaid under Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act, and that on April 1, 2014 Michigan will provide Medicaid coverage to all adults residing in the State with income up to and including 133% of the Federal Poverty Level. "Federal Poverty Level" means the applicable poverty guideline based on state of residence and household size issued annually by the U.S. Department of Health and Human Services. For those retirees who are eligible for Medicaid under the scheduled April 1, 2014 expansion, the City will facilitate their transition in the following manner: Within 10 days of the effective date of this Agreement, the City shall contact by letter those non-Medicare eligible retirees, who, according to the Retirement Systems' records, reside in Michigan and whose annual pension income is in an amount less than 100% of the Federal Poverty Level. Such retirees will be given a 30 day opportunity to submit to Aon Hewitt proof that their income falls below the Federal Poverty Level. Upon receipt by Aon Hewitt of a list of such retirees falling below the Federal Poverty Level, the City shall provide payment to such retirees of the amount equal to the value of the federal subsidy for the month of March that they would have received in connection with the second lowest cost Exchange-purchased silver plan, had such retiree, and to the extent the retiree is married, such retiree's spouse, been eligible for such subsidy for the month of March 2014 for such plan based on a determination of household income at 100% of the Federal Poverty Level. A similar payment will be made by the City in

connection with insurance coverage for April 2014 if such retiree and spouse are not covered by Medicaid. To the extent that the Medicaid expansion rules in Michigan have not provided such retirees the opportunity to migrate into the Michigan Medicaid program by May 1, 2014, the City shall cease its continued payment but the parties agree to negotiate in good faith an additional reasonable accommodation to such retirees that balances the City's and such retirees' interests. *Retirees eligible for payments under this subsection are not eligible for any other payment offered by the City as set forth in the Booklet or as set forth in this Agreement.*

- (b) **Coverage for Non-Medicare Eligible Retirees in States that Have Not Expanded Medicaid.** The City recognizes that not all States have chosen to expand Medicaid coverage in accordance with Title II of the Patient Protection and Affordable Care Act, and certain non-Medicare eligible retirees residing outside the State of Michigan whose incomes fall below 133% of the Federal Poverty Level will not be eligible for Medicaid coverage. Accordingly, in connection with such retirees, the City will pay a monthly amount equal to the lesser of: (1) the second lowest cost monthly premium for a silver plan for such retiree and spouse purchased through an Exchange in their place of residence; or (2) the ratable monthly amount necessary to increase the retiree's annual household income to 100% of the Federal Poverty Level. Within 10 days of the effective date of this Agreement, the City shall contact by letter those retirees, who, according to the Retirement Systems' records, reside in states that do not provide Medicaid coverage to adults up to the Federal Poverty Level, and whose annual pension income is in an amount less than 100% of the Federal Poverty Level. Such retirees will be given a 30 day opportunity to submit to Aon Hewitt proof that their income falls below the Federal Poverty Level. The City shall commence such payments as soon as reasonably practicable after receiving a list of such retirees from Aon Hewitt. *Retirees eligible for payments under this subsection are not eligible for any other payment offered by the City as set forth in the Booklet or as set forth in this Agreement.*

III. RELEASES, FUTURE LEGAL PROCEEDINGS, AND MISCELLANEOUS

1. **Future Claims in City Plan Confirmation Proceedings.** This Agreement is entered into without prejudice to any party to this litigation with respect to any issue involving the rights, claims, obligations, and payments of health care and other post-employment benefits ("OPEB"); provided that the City will not seek to recover directly from the retirees any postpetition OPEB payments made to or on behalf of retirees. Each party expressly reserves its rights on OPEB issues in connection with negotiations of a plan of adjustment, and the Plaintiffs are free to pursue, and the City to oppose, their position that the postpetition OPEB payments the City made to or on behalf of retirees were a business necessity.

2. **Release.** Following the execution of this Agreement, the Plaintiffs will promptly dismiss the lawsuit – which solely addresses 2014 retiree health care benefits – with prejudice; provided, however, that any party to the lawsuit may bring an action in the Bankruptcy Court to enforce the terms of this Agreement resolving the lawsuit (an "Enforcement Action") and if the

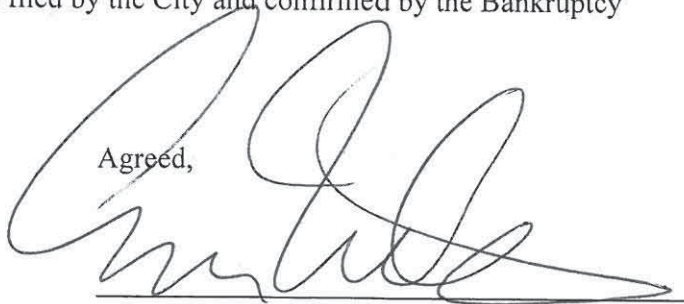
conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,



Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

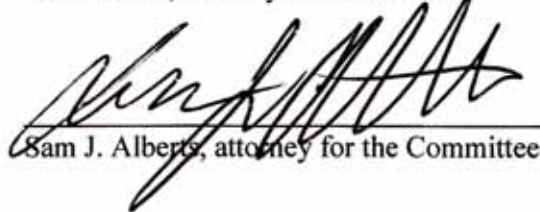
3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants



Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

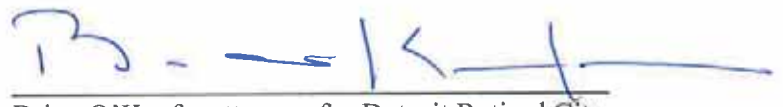
4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee



Brian O'Keefe, attorney for Detroit Retired City Employees Association and Retiree Police and Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,

Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City Employees Association and Retiree Police and Fire Fighters Association



Richard Mack, attorney for AFSCME Sub-Chapter 98, City of Detroit Retirees

Acknowledged:

Judge Wiley Daniel, Mediator

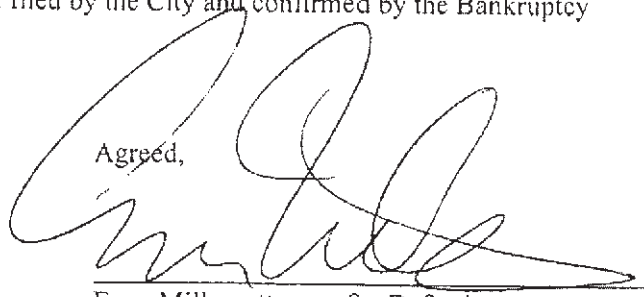
conditions contained in the last sentence of Part I(5) occur, then Plaintiffs are free to reinstate the Adversary Proceeding. Solely for purposes of an Enforcement Action, the City consents, pursuant to 11 U.S.C. § 904, to the Bankruptcy Court's hearing and deciding such Enforcement Action.

3. **Counterparts.** This Agreement may be signed in counterparts, and each counterpart shall be treated as an original.

4. **Good Faith.** As evidenced by the undersigned acknowledgment of Judge Wiley Daniel, Mediator, this Agreement was negotiated and entered into by all parties in good faith.

5. **Plan of Adjustment.** The terms of this Agreement, including Part III(4), shall be incorporated into any plan of adjustment filed by the City and confirmed by the Bankruptcy Court in 2014 in this bankruptcy case.

Agreed,



Evan Miller, attorney for Defendants

Sam J. Alberts, attorney for the Committee

Brian O'Keefe, attorney for Detroit Retired City
Employees Association and Retiree Police and
Fire Fighters Association

Richard Mack, attorney for AFSCME Sub-
Chapter 98, City of Detroit Retirees

Acknowledged:



Judge Wiley Daniel, Mediator

EXHIBIT 1

(See next page)



January 2014

Certificate of Coverage City of Detroit Retirees

CLASS I

Diagnostic and Preventive:

Exams, X-Rays, Prophylaxis, Fluoride -up to age 19

100%

CLASS II

Restorative:

Fillings, Root Canals, Routine Extractions

100%

CLASS III

Prosthetics:

Crowns, Bridges, Partials, Dentures, Space Maintainers

80%

CLASS IV

Specialty Care:

Periodontics

Endodontics

Oral Surgery

70%

ORTHODONTICS (Interceptive excluded)

Lifetime Benefit Maximum: Dependents up to age 19

\$3,000

Lifetime Benefit Maximum: Subscriber and Spouse

\$3,000

Out-Of-Area Emergency Coverage \$100 reimbursement

Annual Maximum: \$1,600.00

Annual Renewal: 07/01

Membership Card Reads: Detroit Retirees

Rate Type	Current Rates
Single Person	\$23.73
Family of two	\$38.83
Family	\$57.17

EXHIBIT I.A.305

SCHEDULE OF SECURED GO BOND DOCUMENTS

SCHEDULE OF SECURED GO BOND DOCUMENTS

Secured GO Bond Documents	Series of Secured GO Bonds	Balance as of Petition Date
<p>Resolution of the City Council adopted February 23, 2010</p> <p>Finance Director's Order dated March 11, 2010</p> <p>Master Debt Retirement Trust Indenture dated as of March 1, 2010, as supplemented and amended (the "<u>Master Indenture</u>"), between the City of Detroit and U.S. Bank National Association, as trustee</p>	<p>Distributable State Aid General Obligation Limited Tax Bonds, Series 2010</p>	<p>\$252,475,366</p>
<p>Resolution of the City Council adopted July 20, 2010</p> <p>Finance Director's Order dated December 9, 2010</p> <p>Master Indenture</p>	<p>Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds – Direct Payment)</p>	<p>\$101,707,848</p>
<p>Resolution of the City Council adopted March 27, 2012</p> <p>Finance Director's Order dated March 28, 2012 (Series 2012(A2) and Series 2012(B2))</p> <p>Finance Director's Order dated July 3, 2012 (Series 2012 (A2) and Series 2012(B2))</p> <p>Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2))</p> <p>Master Indenture</p>	<p>Self Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A2)</p>	<p>\$39,254,171</p>
<p>Resolution of the City adopted March 27, 2012</p> <p>Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2))</p> <p>Master Indenture</p>	<p>Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B)</p>	<p>\$31,037,724</p>

Secured GO Bond Documents	Series of Secured GO Bonds	Balance as of Petition Date
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(B)) Finance Director's Order dated July 3, 2012 (Series 2012(B)) Finance Director's Order dated August 16, 2012 (Series 2012(B)) Master Indenture	General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation), Series 2012(B)	\$6,469,135
Resolution of the City Council adopted March 27, 2012 Finance Director's Order dated March 28, 2012 (Series 2012(A2) and Series 2012(B2)) Finance Director's Order dated July 3, 2012 (Series 2012 (A2) and Series 2012(B2)) Finance Director's Order dated August 16, 2012 (Series 2012(A2-B), Series 2012 (A2) and Series 2012(B2)) Master Indenture	Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2)	\$54,055,927

EXHIBIT I.A.332

STATE CONTRIBUTION AGREEMENT

EXECUTION VERSION

CONTRIBUTION AGREEMENT

This Contribution Agreement (“Agreement”), dated as of _____, 2014, is made by and among the Michigan Settlement Administration Authority, a Michigan body public corporate (the “Authority”), the General Retirement System of the City of Detroit, the Police and Fire Retirement System of the City of Detroit and the City of Detroit (the “City”).

RECITALS

A. The City filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 (the “Chapter 9 Case”) in the United States Bankruptcy Court for the Eastern District of Michigan (the “Court”).

B. During the course of the Chapter 9 Case, the City has asserted that the City’s Police and Fire Retirement System (the “PFRS” or a “System”) and the General Retirement System (the “GRS” or a “System” and collectively with the PFRS, the “Systems”) are underfunded.

C. During the course of the Chapter 9 Case, there have been suggestions that the State of Michigan (the “State”) may be obligated to pay all or a portion of the underfunding of pension benefits payable to retirees, a suggestion the State vigorously disputes.

D. As part of the mediation process in the Chapter 9 Case, the mediators asked the State and other parties to assist in reducing the amount of underfunding in the PFRS and GRS pension funds by providing settlement funds for the benefit of pensioners that would not be otherwise available.

E. As part of its determination that the City was eligible to file the Chapter 9 Case, the Court determined that pension obligations of the City can be impaired or diminished in the Chapter 9 Case and are not protected from such impairment or diminution by the State Constitution.

F. In support of confirmation of the City’s Fourth Amended Plan of Adjustment dated May 5, 2014 (as may be further amended from time to time, the “Plan”), the State has agreed, subject to satisfaction of the terms and conditions set forth herein and in the Plan, to make a contribution to the GRS and PFRS in return for releases from, among others, the GRS and PFRS as set forth in the Support and Release Agreement entered into by the State and each of the Systems in connection with this matter.

G. On June 20, 2014, the Authority was established as the disbursement agent for the State with respect to the State Contribution (as defined below).

H. Capitalized terms used in this Agreement but not defined have the same meanings as set forth in the Plan.

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. State Contribution. On the later of (a) the date on which the Conditions Precedent have been satisfied, and (b) 60 days after the Effective Date of the Plan, the Authority shall disburse \$98,800,000 to GRS and \$96,000,000 to PFRS (collectively, the “State Contribution”) for the purpose of increasing the assets of the PFRS and GRS. The total aggregate State Contribution is equal to the net present value of \$350,000,000 payable over 20 years determined using a discount rate of 6.75%, which results in a total contribution by the State of \$194,800,000. The State Contribution shall only be used to fund payments to holders of GRS Pension Claims and PFRS Pension Claims, each as defined in the Plan.

2. Governance Requirements of the GRS and PFRS. At all times during the 20 year period following the disbursement of the State Contribution to the GRS and PFRS, the GRS and PFRS each must establish an investment committee (the “Investment Committee”) for the purpose of making recommendations to, and approving certain actions by, the respective System's board of trustees and/or making determinations and taking action under and with respect to Investment Management, as set forth in the terms and conditions enumerated on **Exhibit A** and **Exhibit B**, respectively, each attached to and incorporated by reference into this Agreement. Further, the Emergency Manager for the City and any subsequently appointed emergency manager for the City, appointed under PA 436 or under any successor or replacement statutes to PA 436, shall not seek to exercise any powers granted under section 12(1)(m) of PA 436 (or equivalent provision under any successor or replacement statute) against the Board of GRS or the Board of PFRS until the earlier of (a) one year following entry of an order confirming the Plan, and (b) December 31, 2015.

3. Income Stabilization Funds and Income Stabilization Payments. The City, GRS and PFRS shall establish an income stabilization program and amend the governing documents for GRS and the governing documents for PFRS to include the following:

- a. A supplemental pension income stabilization payment (the “Income Stabilization Payments”) payable on an annual basis beginning not later than 120 days after the Effective Date, to each Eligible Pensioner equal to the lesser of (a) the amount needed to restore the Eligible Pensioner's reduced pension benefit to the amount of the pension benefit that the Eligible Pensioner received from GRS or PFRS in 2013, or (b) the amount needed to bring the total annual household income of the Eligible Pensioner up to 130% of the Federal Poverty Level in 2013.
- b. In addition, to the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income in any calendar year is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional benefit (“Income Stabilization Benefit Plus”). The Income Stabilization Benefit Plus shall be equal to the lesser of either (a) 100% restoration of pension benefits, including escalators and cost of living adjustments; or (b) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.

- c. An Eligible Pensioner's "Estimated Adjusted Annual Household Income" shall be calculated as follows: (i) the annual pension benefit amount paid in 2013 shall be subtracted from the Eligible Pensioner's 2013 total household income (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation) as adjusted for inflation or Social Security COLA increases to create a base additional income amount, plus (ii) the following three items as applicable, (x) the reduced pension benefit that GRS will pay the Eligible Pensioner for that year, (y) any GRS pension restoration due to an improved GRS funding level, and (z) the Eligible Pensioner's Income Stabilization Benefit. Notwithstanding the foregoing, Income Stabilization Payments, including the Income Stabilization Benefit Plus, under both GRS and PFRS shall not exceed \$20 million in aggregate.
- d. A separate recordkeeping sub-account called the "Income Stabilization Fund" will be set up under each of GRS and PFRS for the sole purpose of paying the Income Stabilization Payments to Eligible Pensioners. The assets credited to the sub-accounts will be invested on a commingled basis with the applicable System's assets and will be credited with a pro-rata portion of the System's earnings and losses.
- e. Amounts credited to the Income Stabilization Fund, including the Assigned UTGO Bond Tax Proceeds, may not be used for any purpose other than the payment of Income Stabilization Payments to Eligible Pensioners, except as expressly provided in subparagraph (f) below.
- f. In 2022, provided that the State has not issued a certificate of default with respect to a System at any time prior to 2022, the Investment Committee for that System shall conduct a valuation to determine the Income Stabilization Payments anticipated to be made from the System in the future, in order for the System to fulfill the obligation to make Income Stabilization Payments (the "Estimated Future Liability"). In the event that 75% of the independent members of the Investment Committee determine that the GRS or PFRS Income Stabilization Fund is credited with assets in excess of its Estimated Future Liability (the "Excess Assets"), the Investment Committee may, in its sole discretion, recommend to the Board of Trustees that the Excess Assets, but not more than \$35 million, be used to fund each System's payment of Adjusted Pension Amounts. The Investment Committee shall have the right to engage professionals to assist in this task as necessary, and such expenses shall be paid by the Systems. If any funds remain in the GRS or PFRS Income Stabilization Fund on the date upon which no Eligible Pensioners under their respective System are living, the remainder of each System's Income Stabilization Fund shall be used to fund each System's payment of Adjusted Pension Amounts.

- g. “Eligible Pensioners” are those retirees or surviving spouses who are at least 60 years of age or those minor children receiving survivor benefits from GRS or PFRS, each as of the Effective Date, whose pension benefit from GRS or PFRS will be reduced by the confirmed Plan, and who have a total household income equal to or less than 140% of the Federal Poverty Line in 2013 (per their (or in the case of minor children, their legal guardian’s) 2013 income tax returns or equivalent documentation). No new persons will be eligible to receive an Income Stabilization Payment at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.
- h. The initial determination of Eligible Pensioners, and the amounts of Income Stabilization Payments payable to Eligible Pensioners shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board of Trustees of GRS and PFRS, as applicable. The Board of Trustees, with the assistance of the Investment Committee of GRS and PFRS, shall be responsible for properly administering the respective Income Stabilization Fund and annually certifying to the Treasurer that it has properly administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners.

4. Conditions Precedent. The Authority’s obligations under this Agreement are not effective or enforceable until each of the following conditions (the “Conditions Precedent”) have been met to the satisfaction of the Authority and the Treasurer, unless any one or more of such conditions are waived in a writing executed by the Authority and the Treasurer:

- a. The Authority receives the State Contribution from the State.
- b. An endorsement of the Plan by the Official Retiree Committee which will include a letter from the Official Retiree Committee as part of the Plan solicitation package recommending to Classes 10 and 11 a vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in the respective classes.
- c. Cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, as it relates to the City (a) challenging PA 436 or any actions taken pursuant to PA 436, including but not limited to, a dismissal with prejudice of the cases set forth on **Exhibit D**, or (b) seeking to enforce Article IX, Section 24 of the Michigan Constitution; provided, however, (i) until the State Contribution is received by the Systems, the Systems agree to stay any pending litigation described in this subparagraph, and (ii) that as a condition precedent to the GRS and the PFRS dismissing any pending litigation described in this subparagraph that they are prosecuting, the GRS and the PFRS have the right to receive written confirmation from the Authority

that the Authority is prepared and authorized to disburse the State Contribution in accordance with this Agreement and the Plan, subject only to the dismissal by the GRS and PFRS of any pending litigation described in this subparagraph that they are prosecuting.

- d. Active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way (including funding) the litigation described in subparagraph 4(c) by the parties listed on **Exhibit C**, or equivalent assurance of litigation finality (which, as to the Systems, shall be deemed satisfied by the execution of the Support and Release Agreement to be entered into by the State and each of the Systems in connection with this matter).
- e. Classes 10 and 11 accept the Plan.
- f. By December 31, 2014, the Court enters a final, non-appealable order confirming the Plan that includes, at a minimum, the following:
 - i. A release of the State and State Related Entities by each holder of a Pension Claim of all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities.
 - ii. A requirement that the governing documents of GRS and the governing documents of PFRS be amended to include:
 - a) the governance terms and conditions set forth in Paragraph 2, Exhibit A and Exhibit B of this Agreement; and
 - b) the Income Stabilization Payments and Income Stabilization Fund described in Paragraph 3 of this Agreement.
 - iii. Approval of, and authority for the City to enter into, the UTGO Settlement.
 - iv. A requirement that the City irrevocably assigns the right to receive not less than an aggregate amount of \$20,000,000 of the payments on the Reinstated Stub UTGO Bonds to the Income Stabilization Funds of the GRS and PFRS. Such payments will be made to the Income Stabilization Funds in the form of annual installment payments over a 14 year period, pursuant to a payment schedule approved by the State.

- v. Approval of, and authority for the City to enter into, the DIA Settlement.
- vi. Agreement to and compliance with MCL 141.1561 and cooperation with the transition advisory board appointed pursuant to MCL 141.1563, or compliance with any new legislation that is enacted regarding post-bankruptcy governance.
- g. Evidence satisfactory to the State of an irrevocable commitment by:
 - i. The Foundations to fund \$366,000,000 (or the net present value thereof) as part of the DIA Settlement; and
 - ii. The DIA Corp. to fund \$100,000,000 (or the net present value thereof) as part of the DIA Settlement.
- h. The Plan Effective Date occurs on or before April 1, 2015.

5. Non-occurrence of Conditions Precedent. If the Conditions Precedent are not met to the satisfaction of the Authority and the Treasurer on or before April 1, 2015, upon written request of the Treasurer, the Authority shall remit the State Contribution to the Department and shall have no further obligations under this Agreement.

6. Default by GRS and PFRS; Cure Period; Remedies.

- a. A System will be in default if the System has not materially complied with any of the terms and conditions set forth in (i) the Plan, (ii) the Governing Documents, or (iii) this Agreement, including, but not limited to, failing to make the required Income Stabilization Payments or using funds in the Income Stabilization Fund for unauthorized purposes. For the purposes of this Agreement, “Governing Documents” shall mean, (x) for the GRS, the Combined Plan for the General Retirement System of the City of Detroit, Michigan, and (y) for the PFRS, the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan. Notwithstanding subparagraph ‘e’ below, there shall not be an event of default for purposes of this paragraph 6 unless and until the Treasurer delivers to the alleged defaulting System a written notice declaring and specifically identifying the facts of an alleged default (the “Default Notice”). Nothing herein shall prohibit the subject System from contesting the alleged default; provided, however, until the contest over the alleged default is resolved, the subject System may not include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.
- b. In the event of a default by a System, the System shall have 100 days after receiving the Default Notice in accordance with subparagraph ‘a’ above (the “Cure Period”) to cure such default by remedying the damages sustained as a result of the default, as well as making any delinquent

Income Stabilization Payments, and restoring any funds improperly removed from any other fund maintained by the System, including the Income Stabilization Fund, as applicable. Prior to the expiration of the Cure Period, at least six of the seven total aggregate votes of the Investment Committee for the defaulting System must certify to the Treasurer that (i) the default has been cured, and (ii) that no material damages have been caused by the default that have not otherwise been remedied (the “Cure Certification”). During the Cure Period, the defaulting System may not include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.

- c. If the Investment Committee for the defaulting System provides the Cure Certification to the Treasurer in accordance with subparagraph ‘b’ above, then the default will be deemed cured and the defaulting System may once again include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.
- d. If the Investment Committee for the defaulting System fails to provide the Cure Certification to the Treasurer in accordance with subparagraph ‘b’ above, then no portion of the total State Contribution to the defaulting system, as adjusted for earnings and losses, may be taken into consideration by the System during the remainder of the 20 year period following the date of such default for purposes of determining whether benefits reduced by the Plan may be restored. Notwithstanding the foregoing, if at any time during or after the Cure Period the Investment Committee certifies by a simple majority vote, that (i) the default has been cured; and (ii) that no material damages have been caused by the default that have not otherwise been remedied, then the Treasurer may consent to the defaulting System once again including its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored, which consent shall not be unreasonably withheld.
- e. Each Investment Committee shall provide compliance reports to the Treasurer on a semi-annual basis and at such other times as the Treasurer reasonably may request (each, a “Compliance Report”) that certifies that the Investment Committee is not aware of any defaults, or, if the Investment Committee is aware of a default, specifically identifying the facts of such default. After review of a Compliance Report, the Treasurer shall provide to the System either a certificate of compliance or a Default Notice.
- f. Notwithstanding the foregoing, in the event of a default, the Treasurer and the Authority shall have the right to pursue all available legal and

equitable remedies against the Board of Trustees for the defaulting System, the Investment Committee, or any other person.

7. Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

8. Governing Law/Jurisdiction. This Agreement shall be construed in accordance with the laws of the State of Michigan, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws. The Bankruptcy Court of the Eastern District of Michigan shall have exclusive jurisdiction over any action or proceeding solely with respect to this Agreement, and each party, to the extent permitted by law, agrees to submit to such jurisdiction and to waive any defense based on venue or jurisdiction of such court.

9. Amendment. This Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived only by an instrument in writing signed by each of the Parties.

10. Limitation of Liability. The obligation to make the State Contribution is not a general obligation or indebtedness of the State or the Authority and is subject to satisfaction of the conditions described herein. Furthermore, neither the State nor the Authority has any liability or obligation arising from or related to the contributions and funding of the Income Stabilization Fund of each System. Notwithstanding anything contained herein to the contrary, no State Related Entity or board member of the Authority shall have any liability for the representations, warranties, covenants, agreements or other obligations of the State or the Authority hereunder or in any of the certificates, notices or agreements delivered pursuant hereto.

11. Severability. If any one or more of the covenants, agreements or provisions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of any such covenants, agreements and provisions shall in no way affect the validity or effectiveness of the remainder of this Agreement, and it shall continue in force to the fullest extent permitted by law.

12. Headings. Any headings preceding the text of the several articles and sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience or reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

[Remainder of Page Intentionally Left Blank – Signatures on Following Page]

**MICHIGAN SETTLEMENT ADMINISTRATION
AUTHORITY**

By: _____
Title: Authorized Officer

**GENERAL RETIREMENT SYSTEM OF THE
CITY OF DETROIT**

By: _____
Title: Authorized Officer

By: _____
Title: Authorized Officer

**POLICE AND FIRE RETIREMENT SYSTEM OF
THE CITY OF DETROIT**

By: _____
Title: Authorized Officer

By: _____
Title: Authorized Officer

CITY OF DETROIT

By: _____
Title: Emergency Manager

EXHIBIT A – GRS Governance Terms

In re City of Detroit, Michigan

INVESTMENT COMMITTEE GOVERNANCE
FOR GENERAL RETIREMENT SYSTEM

PREAMBLE	<p>This document was prepared to set forth the pension governance requirements under the State Contribution Agreement (as that term is defined in the City's Fourth Amended Plan for the Adjustment of Debts of the City of Detroit, as amended from time to time) applicable to the General Retirement System of the City of Detroit (GRS).</p>
SCOPE OF SETTLEMENT	<p>The GRS is currently administered by a ten (10) member Board of Trustees (the "Board") that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The Board currently makes all administrative, actuarial and investment related decisions for the GRS. Upon the Effective Date under the POA, but subject to consummation of the State Contribution Agreement, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee ("IC") at GRS which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the Board in the ordinary course of its affairs.</p>
INVESTMENT COMMITTEE	<p>The IC shall consist of seven (7) voting members consisting of:</p> <ul style="list-style-type: none">i. Five (5) Independent Members;ii. One (1) Employee Member; andiii. One (1) Retiree Member. <p>Collectively, or individually, "Members" or "Member."</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined by MCL 38.1132d (4) to the City or the GRS.</p> <p>Each Independent Member of the IC shall have expert knowledge or extensive experience with respect to either: (a) economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the Board, in consultation with the Foundation for Detroit's</p>

	<p>Future. The initial Independent Members and their terms of office will be as follows: Ken Whipple (2 years), David Sowerby (3 years), Robert Rietz (4 years), Doris Ewing (5 years) and Kerrie VandenBosch (6 years). Successor Independent Members shall be recommended by a majority of the remaining Independent Members and confirmed by the Board and the State Treasurer in consultation with the Foundation for Detroit's Future, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement. In the event the Board and the State Treasurer cannot agree on the successor Independent Member within thirty (30) days of the receipt of the recommendation of the IC, the remaining Independent Members of the IC shall appoint the successor Independent Member.</p> <p>If no mutual agreement is reached as to the selection of one or more of the initial IC Independent Members by the time of confirmation of the City's Plan of Adjustment, then the Bankruptcy Court shall select the Independent Members necessary to fill the five (5) initial IC Independent Member positions for which no agreement has been reached.</p> <p>In the event the Bankruptcy Court selects the initial Independent Members as described immediately above, successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Member shall be an employee-elected Member from the Board appointed by the Board. The initial Employee Member will be June Nickleberry.</p> <p>The Retiree Member shall be a retiree-elected Member from the Board appointed by the Board. The initial Retiree Member will be Thomas Sheehan.</p> <p>The terms of office of the initial IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial</p>
--	--

	<p>term.</p> <p>The terms of office of the Employee Members and Retiree Members of the IC shall conform to their respective terms of office on the Board.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the IC and neglects to perform those duties, (b) the Member has committed a material breach of GRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by a 70% or higher vote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the IC, including but not limited to the purchase of insurance, shall be payable out of the assets of the GRS. The IC may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the IC as it deems reasonably necessary to perform its functions and such parties or persons may be reasonably compensated from the assets of the Plan; such engagements shall not be subject to the approval of the Board.</p> <p>The IC shall be an investment fiduciary to the GRS. An IC Member or other fiduciary under the GRS shall discharge his or her duties with respect to the GRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the IC shall comply with all Board governance policies and procedures, including the Ethics and</p>
--	---

	Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.
IC MEETINGS	<p>The IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the IC, so long as at least three (3) Independent Members are present. Each Member shall be entitled to one vote on each question before the IC and at least four (4) concurring votes shall be necessary for a decision of the committee except as otherwise provided in this Term Sheet.</p>
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The IC shall serve in a fiduciary capacity with respect to the Investment Management of all GRS Plan Assets, determination of the investment return assumption, and Board compliance with benefit plan provisions, as set forth more fully below. The IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5) and (6).</p> <p>All Investment Management decisions approved by the Board shall require a recommendation by an affirmative vote of the IC, in accordance with the provisions of this agreement. All actions and recommendations of the IC shall be forwarded to the Board for consideration and are subject to Board approval. The Board shall take no action with respect to any matter for which the IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the IC. If (a) the Board fails to approve or disapprove an Investment Management decision that has been recommended by an affirmative vote of the IC, and such failure continues for 45 days after the date that the recommendation was made to the Board, or (b) the Board disapproves an Investment Management decision within such 45-day period but fails to provide to the IC within such 45-day period a detailed written response outlining the reasons for such disapproval, then the IC and the Chief Investment Officer are authorized to implement the decision. If the Board disapproves an Investment Management decision within such 45-day period and provides to the IC within such 45-day period a detailed written</p>

	<p>response outlining the reasons for such disapproval, then the IC shall have 45 days after the receipt of the Board response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days, but not less than five (5) business days, of such request by the IC, unless a later date is agreed to in writing by the Board and the IC, to discuss the disapproval by the Board described in the written response. Any such conference shall be conducted with at least three (3) Independent Members present in person or by phone. Within ten (10) days of the commencement of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the IC and the Chief Investment Officer are authorized to implement the decision. Any action taken by the Board or the IC in violation of the terms of this agreement shall constitute an ultra vires act and the IC or the Board, whichever is applicable, is granted the express right to seek to preliminarily enjoin such violation of the breaching party without the need to show irreparable harm.</p> <p>“Investment Management” with respect to plan assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing an Investment Policy Statement with sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan. 2. Within 120 days after the Effective Date of the POA, all of the plan assets not already under qualified management, if any, must be managed by qualified managers selected by the IC. 3. Evaluating, retaining, terminating, and selecting qualified managers to invest and manage the plan assets. 4. Reviewing and affirming or rejecting the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Plan Actuary including, but not limited to, (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the Pension Restoration Program attached to the City's Plan of Adjustment, (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after fiscal year 2024 the recommended annual contributions to GRS in accordance with applicable law. 5. In accordance with approved actuarial work as provided in the immediate preceding paragraph and based on the annual actuarial valuation reports and
--	---

	<p>any other projections or reports as applicable from the Plan Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of a portion of the 4.5% reduction in base monthly pension amounts and the payment of lost COLA payments, all in conformance to the Pension Restoration Program between the City and the Board attached to the Plan of Adjustment.</p> <ol style="list-style-type: none"> 6. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 7. Determining and approving the Plan's investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Plan. 8. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 9. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 10. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 11. Reviewing and approving, prior to final issuance, the annual audit and all financial reports prepared on behalf of the GRS and meet and confer with the Plan's outside auditor or other professional advisors as necessary prior to approving the annual audit or other financial reports. 12. Causing an asset/liability valuation study to be performed for GRS every three (3) years, or as requested by the IC or Board. <p>The IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of the investment guidelines and asset allocation policies, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. The objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Pension Restoration Program, to the extent that is prudent and consistent with the overall funding, liquidity needs and actuarial
--	--

	<p>assumptions governing the Plan.</p> <p>3. The liquidity needs of the GRS Plan.</p>
CHIEF INVESTMENT OFFICER (CIO)	<p>The IC shall evaluate and select the CIO, set and approve any and all compensation for, and terms of employment of, the CIO. With respect to plan assets, the CIO shall report directly to the IC and the Executive Director of the Board. The CIO shall be responsible for assisting the IC and the Board in overseeing the GRS's investment portfolio.</p> <p>The initial CIO is Ryan Bigelow [subject to State due diligence.]</p>
PLAN ACTUARY	<p>The current Plan Actuary is Gabriel Roeder Smith & Company. In the event the Board desires to retain a new actuary, the Board and IC shall collectively participate in the evaluation and selection of a qualified Plan Actuary. The Plan Actuary shall be responsible for assisting the Board and IC in performing its actuarial duties and shall comply with all requests for information or modeling requested by the IC, and shall attend meetings of the IC as requested, so as to allow the IC to perform satisfactorily the rights and duties set forth herein. Furthermore, the Board shall not act on any recommendation made by the Plan Actuary based on any calculation, assumption or assessment rejected by the IC.</p> <p>Nothing herein shall be interpreted as limiting the IC's authority to engage an actuarial consulting firm other than the Plan Actuary to perform actuarial services deemed necessary to fulfill its fiduciary duties to the GRS and other duties to GRS as set forth herein.</p>
CONSISTENCY WITH PLAN OF ADJUSTMENT	<p>Nothing herein shall be interpreted as permitting the IC or the Board to alter or depart from the requirements set forth in the confirmed Plan of Adjustment.</p>

DETROIT 56620-1 1315511v11

EXHIBIT B – PFRS Governance Terms

In re City of Detroit, Michigan

INVESTMENT COMMITTEE GOVERNANCE
FOR POLICE AND FIRE RETIREMENT SYSTEM

PREAMBLE	<p>This document was prepared to set forth the pension governance requirements under the State Contribution Agreement (as that term is defined in the City's Fourth Amended Plan for the Adjustment of Debts of the City of Detroit, as amended from time to time) applicable to the Police and Fire Retirement System of the City of Detroit (PFRS).</p>
SCOPE OF SETTLEMENT	<p>The PFRS is currently administered by a seventeen (17) member Board of Trustees (the "Board") that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The Board currently makes all administrative, actuarial and investment related decisions for the PFRS. Upon the Effective Date under the POA, but subject to consummation of the State Contribution Agreement, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee ("IC") at PFRS which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the Board in the ordinary course of its affairs.</p>
INVESTMENT COMMITTEE	<p>The IC shall consist of nine (9) voting members consisting of:</p> <ul style="list-style-type: none">i. Five (5) Independent Members;ii. Two (2) Employee Members; andiii. Two (2) Retiree Members. <p>Collectively, or individually, "Members" or "Member."</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined by MCL 38.1132d (4) to the City or the PFRS.</p> <p>Each Independent Member of the IC shall have expert knowledge or extensive experience with respect to either: (a) economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the</p>

	<p>City and the Board, in consultation with the Foundation for Detroit's Future. The initial Independent Members and their terms of office will be as follows: Rebecca Sorenson (2 years), Joseph Bogdahn (3 years), Robert C. Smith (4 years), McCullough Williams III (5 years) and Woodrow S. Tyler (6 years). Successor Independent Members shall be recommended by a majority of the remaining Independent Members and confirmed by the Board and the State Treasurer in consultation with the Foundation for Detroit's Future, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement. In the event the Board and the State Treasurer cannot agree on the successor Independent Member within thirty (30) days of the receipt of the recommendation of the IC, the remaining Independent Members of the IC shall appoint the successor Independent Member.</p> <p>If no mutual agreement is reached as to the selection of one or more of the initial IC Independent Members by the time of confirmation of the City's Plan of Adjustment, then the Bankruptcy Court shall select the Independent Members necessary to fill the five (5) initial IC Independent Member positions for which no agreement has been reached.</p> <p>In the event the Bankruptcy Court selects the initial Independent Members as described immediately above, successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Members shall consist of one active police member and one active fire member from the Board, appointed by the Board. The initial Employee Members will be Mark Diaz and Sean Neary.</p> <p>The Retiree Members shall consist of one retiree-elected police member and one retiree-elected fire member from the Board, each receiving a pension from PFRS and appointed by the Board. The initial elected Retiree Members will be Michael Simon and Louis Sinagra.</p> <p>Each of the four (4) uniformed Members shall have one-half (1/2) vote.</p> <p>The terms of office of the initial IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the IC Independent Members shall be six years. Each successor Independent Member shall be selected in</p>
--	--

	<p>accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>The terms of office of the Employee Members and Retiree Members of the IC shall conform to their respective terms of office on the Board.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the IC and neglects to perform those duties, (b) the Member has committed a material breach of PFRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by a 70% or higher vote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the IC, including but not limited to the purchase of insurance, shall be payable out of the assets of the PFRS. The IC may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the IC as it deems reasonably necessary to perform its functions and such parties or persons may be reasonably compensated from the assets of the Plan; such engagements shall not be subject to the approval of the Board.</p> <p>The IC shall be an investment fiduciary to the PFRS. An IC Member or other fiduciary under the PFRS shall discharge his or her duties with respect to the PFRS in compliance with the provisions of Public Act</p>
--	--

	<p>314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the IC shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
IC MEETINGS	<p>The IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the IC, so long as at least three (3) Independent Members are present. Each Member shall be entitled to one vote on each question before the IC and at least four (4) concurring votes shall be necessary for a decision of the committee, except as otherwise provided in this Term Sheet.</p>
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The IC shall serve in a fiduciary capacity with respect to the Investment Management of all PFRS Plan Assets, determination of the investment return assumption, and Board compliance with benefit plan provisions, as set forth more fully below. The IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5) and (6).</p> <p>All Investment Management decisions approved by the Board shall require a recommendation by an affirmative vote of the IC, in accordance with the provisions of this agreement. All actions and recommendations of the IC shall be forwarded to the Board for consideration and are subject to Board approval. The Board shall take no action with respect to any matter for which the IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the IC. If (a) the Board fails to approve or disapprove an Investment Management decision that has been recommended by an affirmative vote of the IC, and such failure continues for 45 days after the date that the recommendation was made to the Board, or (b) the Board disapproves an Investment Management decision within such 45-day period but fails to provide to the IC within</p>

	<p>such 45-day period a detailed written response outlining the reasons for such disapproval, then the IC and the Chief Investment Officer are authorized to implement the decision. If the Board disapproves an Investment Management decision within such 45-day period and provides to the IC within such 45-day period a detailed written response outlining the reasons for such disapproval, then the IC shall have 45 days after the receipt of the Board response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days, but not less than five (5) business days, of such request by the IC, unless a later date is agreed to in writing by the Board and the IC, to discuss the disapproval by the Board described in the written response. Any such conference shall be conducted with at least three (3) Independent Members present in person or by phone. Within ten (10) days of the commencement of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the IC and the Chief Investment Officer are authorized to implement the decision. Any action taken by the Board or the IC in violation of the terms of this agreement shall constitute an ultra vires act and the IC or the Board is granted the express right to seek to preliminarily enjoin such action without the need to show irreparable harm.</p> <p>"Investment Management" with respect to plan assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing an Investment Policy Statement with sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan. 2. Within 120 days after the Effective Date of the POA, all of the plan assets not already under qualified management, if any, must be managed by qualified managers selected by the IC. 3. Evaluating, retaining, terminating and selecting qualified managers to invest and manage the plan assets. 4. Reviewing and affirming or rejecting the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Plan Actuary including, but not limited to, (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the Pension Restoration Program attached to the City's Plan of Adjustment, (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after fiscal year 2024, the recommended annual contributions to PFRS in accordance with applicable law.
--	---

	<ol style="list-style-type: none"> 5. In accordance with approved actuarial work as provided in the immediate preceding paragraph and based on the annual actuarial valuation reports and any other projections or reports as applicable from the Plan Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of lost COLA payments, all in conformance to the Pension Restoration Program between the City and the Board attached to the Plan of Adjustment. 6. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 7. Determining and approving the Plan's investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Plan. 8. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 9. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 10. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 11. Reviewing and approving, prior to final issuance, the annual audit and all financial reports prepared on behalf of the PFRS and meet and confer with the Plan's outside auditor or other professional advisors as necessary prior to approving the annual audit or other financial reports. 12. Causing an asset/liability valuation study to be performed for PFRS every three (3) years, or as requested by the IC or Board. <p>The IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of the investment guidelines and asset allocation policies, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. The objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Pension Restoration Program, to the
--	--

	<p>extent that is prudent and consistent with the overall funding, liquidity needs and actuarial assumptions governing the Plan.</p> <p>3. The liquidity needs of the PFRS Plan.</p>
CHIEF INVESTMENT OFFICER (CIO)	<p>The IC shall evaluate and select the CIO, set and approve any and all compensation for, and terms of employment of, the CIO. With respect to plan assets, the CIO shall report directly to the IC and the Executive Director of the Board. The CIO shall be responsible for assisting the IC and the Board in overseeing the PFRS's investment portfolio.</p> <p>The initial CIO is Ryan Bigelow [subject to State due diligence.]</p>
PLAN ACTUARY	<p>The current Plan Actuary is Gabriel Roeder Smith & Company. In the event the Board desires to retain a new actuary, the Board and IC shall collectively participate in the evaluation and selection of a qualified Plan Actuary. The Plan Actuary shall be responsible for assisting the Board and IC in performing its actuarial duties and shall comply with all requests for information or modeling requested by the IC, and shall attend meetings of the IC as requested, so as to allow the IC to perform satisfactorily the rights and duties set forth herein. Furthermore, the Board shall not act on any recommendation made by the Plan Actuary based on any calculation, assumption or assessment rejected by the IC.</p> <p>Nothing herein shall be interpreted as limiting the IC's authority to engage an actuarial consulting firm other than the Plan Actuary to perform actuarial services deemed necessary to fulfill its fiduciary duties to the PFRS and other duties to PFRS as set forth herein.</p>
CONSISTENCY WITH PLAN OF ADJUSTMENT	<p>Nothing herein shall be interpreted as permitting the IC or the Board to alter or depart from the requirements set forth in the confirmed Plan of Adjustment.</p>

DETROIT 56620-1 1315534v8

EXHIBIT C

1. General Retirement System
2. Police and Fire Retirement System
3. AFSCME
4. UAW
5. Detroit Police Officers Association
6. Detroit Police Command Officers Association
7. Detroit Police Lieutenants and Sergeants Association
8. Detroit Fire Fighters Association
9. Retired Detroit Police and Fire Fighters Association
10. Retired Detroit Police Members Association
11. Detroit Retired City Employees Association
12. Official Retirees Committee
13. City of Detroit

EXHIBIT D

Cases to be dismissed:

1. GRS et al. v. Emergency Manager of Detroit (Ingham County Circuit Court)
2. Webster et al. v. State of Michigan, Governor, and State Treasurer (Ingham County Circuit Court)
3. Detroit Library Commission v. Governor, State Treasurer, and Detroit Public Schools Emergency Manager (Ingham County)
4. Flowers et al. v. Governor, State Treasurer, and State of Michigan (Ingham County Circuit Court)
5. DPOA v. City of Detroit (Michigan Court of Appeals)

The settling parties will not attempt to amend to include the City of Detroit or its Emergency Manager as a defendant, or collaterally or retroactively attack the Detroit bankruptcy or actions of Detroit or its EM, or otherwise participate, support, fund or appeal in the following cases:

1. Phillips et al v. Governor and State Treasurer (E.D. Mich.)
2. Michigan AFSCME Council 25 v. Governor, State Treasurer, et al. (E.D. Mich.)
3. NAACP v. Governor, State Treasurer, and Secretary of State (E.D. Mich.)
4. Robert Davis/Citizens United Against Corrupt Government v. Governor, State of Michigan, Dept. of Treasury, Dept. of State Police, et al. (Ingham County Circuit Court)
5. Robert Davis/Citizens United Against Corrupt Government v. Michigan Department of Treasury and Carla Robert (Wayne County Circuit Court)
6. Robert Davis v. Local Emergency Financial Assistance Loan Board (Ingham Court)
7. Robert Davis v. Weatherspoon, Governor, Attorney General, and State Treasurer (E.D. Mich.)
8. Allen Park Retirees v. EM Parker, City of Allen Park (Wayne Circuit)
9. Allen Park Retirees v. State (Court of Claims)
10. Deborah Moore-El v. Snyder (E.D. Mich.)
11. Faith, et al. v. Snyder (E.D. Mich.)
12. Sarella Johnson, et al. v. Snyder (E.D. Mich.)
13. United Retired Government Employees (URGE) et al. v. Governor, et al. (E.D. Mich.)

DETROIT 56620-1 1314985v13

EXHIBIT I.A.340

FORM OF SYNCORA DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT
OPTION TO PURCHASE AND DEVELOP LAND
BY AND BETWEEN
CITY OF DETROIT
AND
PIKE POINTE HOLDINGS, LLC

THIS AGREEMENT (referred to herein as the “Agreement”) is entered into as of the ____ day of September, 2014 (the “Effective Date”), by and between the City of Detroit, a Michigan public body corporate (the “City”), acting through its Planning & Development Department (“PDD”), whose address is 2300 Cadillac Tower, Detroit, Michigan 48226, and Pike Pointe Holdings, LLC, a Delaware limited liability company (“Developer”), whose address is [_____]]. The City and Developer are sometimes referred to in this Agreement as a “Party” and, collectively, as the “Parties.”

Recitals:

A. In consideration of the Parties’ various contractual arrangements entered into contemporaneously herewith, including without limitation, extension of the lease of the Windsor Tunnel between the City and affiliates of Developer, and the mutual desire of the Parties to promote economic growth in the City (the “Arrangement”), the City has agreed to grant an option to Developer to acquire various parcels of land located in the City of Detroit as described in the attached **Exhibit A** (each a “Property” and, collectively, the “Properties”). Unless otherwise set forth herein, references in this Agreement to a Property shall apply only to the applicable Property and not the other Properties.

B. If Developer exercises its option with respect to one or more of parcels of the Property as set forth herein, Developer shall develop such Property in accordance with the terms and provisions of this Agreement.

Accordingly, the Parties agree as follows:

Section 1. TERMS OF OPTION

(A) Grant of Option. The City hereby grants to Developer an option (the “Option”) to, from time to time, acquire any or all of the Properties from the City upon the terms and conditions set forth in this Agreement. The Option shall be effective for five (5) years from the Effective Date, except with respect to that certain Property located at 2200 Franklin for which the Option shall be effective for seven (7) years from the Effective Date (the “Option Period”). The Parties agree and acknowledge that the sole and exclusive consideration for the Option and any subsequent acquisition of any Property hereunder is deemed to be the Arrangement, the sufficiency of which is hereby acknowledged. The City shall cause to be recorded and maintained of record against the Properties in the appropriate land records for the duration of the Option Period the memorandum of option attached hereto as **Exhibit B**. Notwithstanding the foregoing, the Option Period may be extended for a period not to exceed two (2) years upon written consent of the City, which consent shall not be unreasonably withheld, conditioned or delayed (the “Option Extension”). For purposes of the Option Extension, it shall be unreasonable for the City to withhold consent thereto to the extent that, (i) on the date of Developer’s request therefor, development in the immediate vicinity of the Property has materially decreased or the general economic condition of the City or geographic region in which the Property is located has deteriorated, in either instance from and after the Effective Date to such a level that it would not be economically feasible for the Developer to pursue development of the Property and/or (ii) the Option Extension is reasonable given the complexity of the development contemplated by the Developer. Any dispute between the Parties with regard to a request for Option Extension which cannot be resolved by the Parties within sixty (60) days following the Developer’s request therefor shall be brought in the Bankruptcy Court for so long as it has jurisdiction, and thereafter in the United States District Court for the Eastern District of Michigan; provided, that if the United States District Court for the Eastern District of Michigan does not have jurisdiction, then such legal action, suit or proceeding shall be brought in such other court of competent jurisdiction located in Wayne County, Michigan; provided, further, by execution and delivery of this Agreement, each of the Parties irrevocably accepts and submits to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding and specifically consents to the jurisdiction and authority of the Bankruptcy Court to hear and determine all such actions, suits, and proceedings under 28 U.S.C. §157(b) or (c), whichever applies.

(B) Diligence Notice. If the Developer desires (in its sole discretion) to undertake Due Diligence Activities (as hereinafter defined) with respect to one or more of the Properties, the Developer shall, from time to time, give prior written notice of its intent thereof to the City not less than sixty (60) days prior to the expiration of the Option Period (each, a “Diligence Notice”). The Developer shall be entitled to deliver any number of Diligence Notices with respect to the various Properties during the Option Period; provided, however, that any such Diligence Notice shall indicate reference to the Property the Developer intends to subject to the Due Diligence Activities hereunder.

(C) Condition of Property.

(1) Due Diligence Activities. Subject to the requirements of Section 2 below, upon delivery of the Diligence Notice to the City with respect to any Property, Developer shall have a period commencing on the date of the Diligence Notice and continuing through and including the date that is sixty (60) days prior to the expiration of the Option Period (the “Due Diligence Period”) to conduct its due diligence activities on any Property that is the subject of a Diligence Notice. For purposes of this Agreement, “Due Diligence Activities” include but are not limited to the following:

(a) such physical inspections, surveys, soil borings and bearing tests, possible relocation of utilities, and such environmental due diligence on or for the Property as Developer deems appropriate, all of which shall be completed at Developer’s expense;

(b) investigations, environmental site assessments, including Phase I and Phase II site assessments, sampling and testing of soil, groundwater, surface water, soil vapors, indoor air, and building materials (such as Asbestos and lead-based paint), and/or a Baseline Environmental Assessment, (“BEA”), as defined in Part 201 of the Natural Resources and Environmental Protection Act (“NREPA”), being MCL 324.20101 *et seq.*, and such other investigations and assessments as Developer may deem needed in its sole discretion to determine the condition of the Property and the Property’s compliance with Environmental Law and any other federal, state and local laws, rules, regulations and orders relating in any way to protection of human health, the environment and natural resources, all of which shall be completed at Developer’s expense; and

(c) a review of the title evidence, survey, entitlements, and payment of taxes and assessments, all of which shall be completed at Developer’s expense.

(d) a review of financing sources related to Developer’s proposed development and use of the Property, or any other matter that in Developer’s sole discretion is relevant to Developer’s acquisition of the Property.

(e) a review of all City Information and all publicly-available information with respect to the Property.

(f) a review of available public and private utilities and public accesses necessary for the proposed development of the Property.

(f) application and procurement of any zoning, site plan, elevation, special land use, environmental, conditional use or other municipal approvals or permits, or variances therefrom, required or appropriate for the proposed development of the Property. The City hereby authorizes the Developer to submit and apply for all such approvals, permits, and variances upon the commencement of the Due Diligence Period.

(2) City Information. The City shall use reasonable efforts to make available to Developer all information in the City's (or the City's agencies' or departments') possession or control related to the applicable Property within thirty (30) days following delivery to the City of a Diligence Notice for the applicable Property, including but not limited to existing leases, licenses, permits, approvals, contracts, warranties, title searches and policies, surveys, appraisals, environmental audits, Phase I environmental site assessments, Phase II reports or other testing or sampling data, asbestos surveys, reports, specifications, from the Planning, Building, Assessing, Environmental Affairs and Fire Departments, notices of violations of applicable laws, regulations and ordinances or other documents in the City's possession or control related to the applicable Property (collectively, the "City Information"). The City shall cooperate with the Developer and use reasonable efforts to facilitate the Developer's Due Diligence Activities, all at no material incremental cost to the City, including providing information, coordinating with tenants or other third party users of the Property as applicable, and executing such documentation as may be reasonable and necessary for Developer's access to the site and completion of the Due Diligence Activities including the preparation of a BEA.

(3) Insurance. Prior to entering onto any Property for any Due Diligence Activities, Developer or its contractors shall maintain the insurance coverage and comply with the insurance requirements specified in the City's Right-of-Entry, a form of which is attached as **Exhibit C** (the "Right-of-Entry").

(4) Indemnity. Developer shall defend, indemnify and hold harmless the City from and against any loss, liability, cost or expense incurred by the City to the extent resulting from Developer's (including its duly authorized employees, agents, engineers or other representatives) negligence or willful acts occurring in connection with the Due Diligence Activities; provided, however, that (i) in the event Developer provides an Objection Notice or otherwise elects not to proceed to Closing, the Developer shall in no circumstance have any obligation or liability with respect to any conditions pre-existing at the Property including without limitation any environmental condition, soil or groundwater contamination or other environmental conditions that may be discovered in the course of the Developer's Due Diligence Activities and thereafter disclosed to the City as required hereunder, except to the extent such conditions are materially exacerbated due to the negligence or willful acts of Developer or any of its duly authorized employees, agents, engineers or other representatives, and (ii) the Developer shall not be responsible for any loss, liability, cost, or expense resulting from the discovery of any adverse information or condition regarding the applicable Property or from the City's (or the City's agencies' or departments') negligence or misconduct.

(5) Results of Due Diligence Activities. If Developer concludes, in Developer's sole discretion, that a particular Property is satisfactory, then Developer shall so

notify the City in writing on or before the last day of the Due Diligence Period, by sending an “Election Notice,” and the parties shall proceed to closing the applicable Property subject to other terms and conditions of this Agreement. If Developer concludes, in Developer’s sole discretion, that, for any reason or for no reason, a particular Property is not satisfactory, then Developer shall so notify the City in writing on or before the last day of the Due Diligence Period, by sending a “Rejection Notice,” and the parties shall not proceed to Closing with respect to the applicable Property at such time. In the event the Developer issues a Rejection Notice with respect to any Property, Developer may not later elect to re-commence Due Diligence Activities with respect to the same Property and the Option granted hereunder with respect to such Property will be thereafter deemed released and of no further force or effect. If Developer concludes, in Developer’s sole discretion, as a result of the Due Diligence Activities that the condition of the Property is not satisfactory but Developer wants the City to cure such unsatisfactory conditions, then Developer shall notify the City in writing on or before the last day of the Due Diligence Period, by sending an “Objection Notice” setting forth with reasonable specificity the particular condition of the applicable Property which is unacceptable to Developer (each such condition referred to as a “Defect”). The City shall have the right, but not the obligation, within sixty (60) days of the Objection Notice (the “City Cure Period”), to cure such Defects; provided, however, that the City shall be required to cure any liens or encumbrances (collectively, a “Mandatory Cure”) (x) in favor of the City or any agency or department of the City or (y) result from a violation of Section 5(G) of this Agreement. If the City is unable or unwilling to cause any or all of the Defects (other than Mandatory Cures which the City shall be obligated to cure) during such City Cure Period, Developer shall have the right to either (i) elect not to exercise the Option with respect to the applicable Property by sending written notice to City of such election within two (2) days after the expiration of the City Cure Period, in which event the Developer may later elect to commence Due Diligence Activities with respect to the same Property by delivery of a Diligence Notice pursuant to the terms of Section 1(B) above; or (ii) waive its objection to such Defects and accept the Property subject to those Defects (Developer being deemed to have elected this option (ii) if it fails to make the election in the preceding option (i)). If Developer fails to provide an Election Notice or an Objection Notice within the Due Diligence Period, then Developer shall be deemed to have delivered a Rejection Notice with respect to the applicable Property. Notwithstanding any provision herein to the contrary, the City agrees to (1) cooperate with the Developer in clearing title to the Property to the extent that the title related Defects described in the Objection Notice are within the reasonable control of the City to address or eliminate and (2) cure all Mandatory Cure Defects. In the event that the expiration of the City Cure Period for a particular Property occurs (or would occur) after the expiration of the Option Period, the Option Period shall be extended for such Property until the date that is fifteen (15) days after the expiration of the applicable City Cure Period.

(6) As Is Condition of Property; City Cooperation. From time to time with respect to each Property, subject to the earliest to occur of (i) delivery by Developer of an Election Notice, (ii) written notice to Developer that the City has cured all Defects set forth in an Objection Notice provided prior to the expiration of the City Cured Period, or (iii) waiver by Developer of any Defects, each pursuant to Section 1(C)(5) above, closing of the transactions contemplated hereby with respect to a particular Property (each, a “Closing”) shall be on an “as-is, where-is” basis and the Developer shall take the applicable Property as it finds it at Closing

other than a matter resulting from a violation of the covenant set forth in Section 5(G) of this Agreement. The City makes no implied or express representations or warranties of any kind as to its condition, including its environmental condition and any other condition that may adversely affect the development, or its fitness for absolutely any purpose whatsoever. By proceeding to Closing after completion of its Due Diligence Activities, Developer will acknowledge that it is satisfied with the condition of the applicable Property, except as otherwise provided in this Agreement. By accepting title to the applicable Property at Closing, Developer shall be deemed to have waived any right to object to the status of title or to the condition of the applicable Property, regardless of the result of any Due Diligence Activities, and shall be deemed to have declared its full satisfaction with the status of title to and condition of the applicable Property, except as otherwise provided in this Agreement.

(7) Release of City from Liability. Upon Closing on any particular Property, Developer shall release the City and its officials, employees, and agents (but not any third party) from any and all claims or causes of action the Developer may have against the City for any liability, injury or loss as a result of any physical defects in or physical conditions of the applicable Property, including but not limited to any surface, subsurface, latent or patent conditions whether naturally occurring or by action of any party, including but not limited to environmental condition, other than a matter resulting from a violation of the City's covenant set forth in Section 5(G)(ii) of this Agreement.

(8) Security of Properties. In the event that a Property is vacant or otherwise not being utilized by the City, without imposing any liability or obligation with respect thereto, commencing on the commencement of Due Diligence Activities with respect to such Property, Developer shall have the right, but not the obligation, at its sole and absolute discretion, at Developer's cost and expense, to undertake any actions it deems reasonably necessary to secure the Property and prevent damage or unauthorized access to the applicable Property, including, without limitation, installing and maintaining fencing and/or signage on the applicable Property. As a condition to Developer exercising its right hereunder to secure any Property, the Developer must first obtain a general liability policy of insurance in connection with such activities in form and amount reasonably satisfactory to the City, with the City named as an additional insured thereto. In addition, Developer shall not be deemed to be in control of or operating the applicable Property as a result of Developer's undertaking of any security measures with respect to this section. Notwithstanding the foregoing, in exercising its right to secure the Property provided for herein, Developer shall not be deemed to have warranted to the City the effectiveness of the security measures so implemented.

(D) Manner of Conveyance. At the Closing, the applicable Property shall be conveyed to Developer (or its designee) by one or more quit claim deeds substantially in the form of the deed set forth in **Exhibit D** (the "Deeds") using legal descriptions approved by Developer and the City.

(E) Brokerage and Finder's Fees and Commission. Developer will defend and indemnify the City and hold it harmless with respect to any commissions, fees, judgments, or expenses of any nature and kind that the City or Developer may become liable to pay by reason of any claims by or on behalf of brokers, finders or agents claiming by, through or under Developer incident to this Agreement and the transaction contemplated hereby or any litigation

or similar proceeding arising therefrom unless the City has a written agreement with a broker, finder or agent providing for such payment in which case the City shall be responsible for such broker, finder or agents' commissions, fees, judgments or expenses. To the maximum extent permitted by applicable law, the City will defend and indemnify the Developer and hold it harmless with respect to any commissions, fees, judgments, or expenses of any nature and kind that the City or Developer may become liable to pay by reason of any claims by or on behalf of brokers, finders or agents claiming by, through or under the City incident to this Agreement and the transaction contemplated hereby or any litigation or similar proceeding arising therefrom unless the Developer has a written agreement with a broker, finder or agent providing for such payment in which case the Developer shall be responsible for such broker, finder or agents' commissions, fees, judgments or expenses.

(F) Taxes And Assessments.

(1) Property on Tax Rolls at Closing. All taxes and assessments which (i) have become a lien upon the Property or part thereof prior to the date of Closing, and (ii) have been discovered and specifically identified by Developer prior to the applicable Closing, shall be paid by the City and shall be a Mandatory Cure; provided, however, that all current property taxes shall be prorated and adjusted to the date of Closing on a due date basis. From and after each Closing, Developer shall be solely responsible for all taxes, liens, and assessments that become due and payable for the period after the applicable Closing against the applicable Property it acquires hereunder or any part thereof, whenever assessed, levied, or due, and shall have no claim against the City on account thereof.

(2) Approval of Requests for Economic Incentives/Entitlements and Land Use Approvals.

(i) The City agrees to consider any requests by Developer or its designee for any development or economic inducements (including tax abatements, tax credits, tax increment financing, grants, loans, cost reimbursements and like development incentives) for which any of the Properties are eligible, whether or not such requests are made as part of Developer's Due Diligence Activities or thereafter. The City also agrees to cooperate with and support Developer or its designee in any request to procure such development or economic inducements from other governmental authorities (whether or not related to or controlled by City).

(ii) The City agrees to consider requests or applications by Developer or its designee for approvals relating to zoning, site plans, special use permits, uses, variances or other municipal approvals that are necessary or appropriate to develop the Properties, provided that if the requests pertain to any of the Properties other than 1300 Beaubien, such requests are for uses that are consistent with the SD4 zoning classification as of the Effective Date or otherwise are consistent with residential, parking, retail or commercial uses permitted within the SD4 zoning classification as currently in effect or other uses suitable for the location.

(iii) The following shall apply to any consideration or cooperation by the City with respect to any formal requests made by Developer or its designee to the City, described in subsections (i) or (ii) of this Section: (a) the City agrees to process such requests pursuant

to its ordinary processes for the applicable requests, (b) the City shall not unreasonably withhold, condition or delay approvals of the applicable requests, and shall not unreasonably impede or interfere with development activities consistent with this Agreement, (c) the City shall not discriminate against Developer or its designee in the consideration or approval of such requests on account of the Arrangement, the events leading up to the Arrangement or this Agreement, and (d) the City shall use reasonable efforts to facilitate such requests, taking into consideration other similar requests for approvals or inducements, as applicable, of third parties granted by the City for similarly situated developments and uses as those contemplated by Developer for the Property; provided, however, the City shall process such requests pursuant to all then applicable rules, regulations, statutes and similar requirements.

(G) Inability to Convey. Subject to the Developer's rights under Section 6(D) below, if, for any reason, the City is unable to convey title to a particular Property to the Developer upon exercise of the Option and Developer's election to proceed to Closing with respect to the applicable Property pursuant to the terms of this Agreement, which shall include (i) if the City (or an agency or department of the City) does not own title to such Property, (ii) there is a Defect that is not cured or removed as of the Closing and such Defect materially hinders Developer's ability to develop the applicable Property in an economically viable manner, (iii) there are any uncured Mandatory Cure items, or (iv) if Developer determines that the scope or expense of any environmental remediation necessary to develop the applicable Property would make the development thereof, as contemplated by the Developer, economically unfeasible, the Developer and the City shall mutually agree upon alternate consideration commensurate to the undeveloped, fair-market value of the applicable Property (the "Alternate Consideration"); provided, however, that such value shall assume that any applicable Defects have been removed; provided, further, that, with respect to the applicable Property, the reasonable, actual and out-of-pocket acquisition and development costs incurred by Developer or its designee after the Effective Date and prior to the date upon which Developer or its designee obtains actual knowledge of the existence of the particular Defect or condition of such Property giving rise to Alternate Consideration, including, without limitation, costs associated with Due Diligence Activities, remediation activities, and architect, engineering, and design activities, shall be included in the amount of Alternate Consideration to the extent Alternate Consideration is required pursuant to Section 1(G)(i) or 1(G)(iii) above.

To the extent the Parties do not agree on the Alternate Consideration within sixty (60) days of establishing that Alternative Consideration is required, then, within thirty (30) days thereafter, the Developer and the City shall deliver to each other Developer's or City's, as the case may be, determination of the Alternate Consideration (which shall be in the form of an alternate parcel of real property or cash payment amount). Within ten (10) days after each Party delivers to the other party such Party's determination of the Alternate Consideration, the Developer and the City shall each appoint one disinterested appraiser having the qualifications set forth herein. Each such appraiser must be a Member of the Appraisal Institute (MAI) and have at least ten (10) years of experience appraising commercial or industrial property in the Detroit metropolitan area as a MAI appraiser. If either the Developer or the City fails to appoint an appraiser within such ten (10) day period, the appraiser appointed by the Developer or the City, as the case may be, shall appoint an appraiser having the qualifications set forth herein. As promptly as possible, but in no event later than thirty (30) days after the appointment of both

appraisers, the appraisers shall notify the Developer and the City in writing of their determination of which of the Developer's or the City's determination more closely approximates Alternate Consideration (all as valued as of the determination date). The Alternate Consideration so selected by the two appraisers will constitute the Alternate Consideration for purposes of this section, and will be binding upon the Developer and the City. If the two appraisers are unable to agree as to the Alternate Consideration, then the two appraisers shall promptly agree upon and appoint a third appraiser having the qualifications set forth herein. The third appraiser shall, within thirty (30) days of appointment, determine which of the two determinations of the Developer or the City more closely approximates Alternate Consideration, and shall notify the Developer and the City thereof. The Alternate Consideration selected by the third appraiser will constitute the Alternate Consideration for purposes of this section, and will be binding upon the Developer and the City. To the extent the Alternate Consideration selected by the appraisers hereunder is real property, (i) such real property shall be reasonably acceptable to Developer, and (ii) the City may elect in its sole discretion to satisfy such Alternate Consideration in the form of a cash payment to the Developer in an amount equal to the appraisers' determination of the cash value of the Alternate Consideration selected. To the extent the Alternate Consideration to be given to the Developer hereunder is real property, the City shall be deemed to have granted Developer an option with respect to such Alternative Consideration property pursuant to the same terms as this Agreement; provided, however, that the time periods with respect to such option, including without limitation, the Option Period, shall commence upon the date that such new option with respect to the Alternative Consideration is granted to Developer and not as of the Effective Date.

(H) Use of the Properties During the Due Diligence Period. Commencing on the commencement of the Due Diligence Period, Developer shall have the right (but not the obligation), in its sole discretion, to elect to utilize all or a portion of the Properties identified on Schedule 1(H) prior to acquiring title of the Use Property for the operations of a surface lot parking facility and ancillary uses (collectively, the "Parking Use") by providing thirty (30) days' prior written notice thereof to City (a "Use Notice"). The Use Notice shall identify the Properties that will be used by Developer for the Parking Use (collectively, the "Use Property"). Developer's right to utilize the Use Property for the Parking Use shall commence as a license from the City upon the expiration of thirty (30) days following the delivery of the Use Notice to the City. Developer shall have the right to enter into an agreement with a third party to operate the Parking Use on the Use Property. Developer shall pay all costs associated with the Parking Use of the Use Property (including all federal, state and local taxes and charges as may be applicable thereto; however, Developer shall not be responsible for ad valorem property taxes during the Use Period) and shall receive all revenue with respect thereto. In the event that Developer delivers a Use Notice, Developer shall be required to deliver an Election Notice with respect to the Use Property; provided however, Developer shall have the right to elect at what point during the Due Diligence Period such Election Notice is given by providing written notice of such election prior to the expiration of the Due Diligence Period. The period between a Use Notice and Closing shall be referred to herein as the "Use Period." If Developer fails to deliver such election prior to the expiration of the Due Diligence Period, Developer shall be deemed to have delivered an Election Notice with respect to the Use Property on the last day of the Due Diligence Period. Developer shall maintain such commercially reasonable insurance as is customary for operations similar to the Parking Use on the Use Property and shall defend,

indemnify and hold harmless the City from and against any loss, liability, cost or expense incurred by the City to the extent resulting from the Parking Use; provided, however, that the Developer shall not be responsible for any loss, liability, cost, or expense resulting from the City's (or of the City's agencies' or departments') negligence or misconduct. Developer shall at all times keep the Use Property clean and free of debris and shall not permit any area of the Use Property to be littered with refuse during the Use Period. The City disclaims all representations and warranties as to the condition of the Use Property, including, but not limited to, any implied or express warranty of fitness of the Use Property for the Parking Use. Developer covenants and agrees that it shall not use the Use Property during the Use Period in any manner which violates the laws of the United States of America, the laws of the State of Michigan or any ordinances or other regulations of any governing municipality or other political subdivision. Developer's use of the Use Property and any activities or actions of Developer or its designee in connection therewith shall not be deemed a violation of the City's covenants under Section 5(G) below.

Section 2. ENVIRONMENTAL MATTERS

(A) Definitions. The following words and expressions shall, wherever they appear in this document, be construed as follows:

(1) "Asbestos" shall have the meanings provided under the Environmental Laws and shall include, but not be limited to, asbestos fibers and friable asbestos as such terms are defined under the Environmental Laws.

(2) "Environmental Claims" shall mean all claims, demands, suits, proceedings, actions, whether pending or threatened, contingent or non-contingent, known or unknown, including but not limited to investigations and notices by any governmental authority, brought under common law and/or under any of the Environmental Laws which can or do relate to the Property.

(3) "Environmental Laws" shall mean all applicable federal, state, and local laws, rules, regulations, orders, judicial determinations and decisions or determinations by any judicial, legislative or executive body of any governmental or quasi-governmental entity, whether in the past, present or future, with respect to:

(i) the installation, existence, or removal of, or exposure to, Asbestos on the Property;

(ii) the existence on, or discharge from, or removal from the Property of Hazardous Materials; and

(iii) the effects on the environment of the Property or any activity conducted now, previously or hereafter conducted on the Property.

Environmental Laws shall include, but are not limited to, the following: (i) the Michigan Natural Resources and Environmental Protection Act, 1994 Public Act 451, as amended ("NREPA"); the Comprehensive Environmental Response,

Compensation, and Liability Act, 42 USC Sections 9601, et seq. (“CERCLA”); the Superfund Amendments and Reauthorization Act, Public Law 99-499, 100 Stat. 1613; the Resource Conservation and Recovery Act, 42 USC Sections 6901, et seq.; the National Environmental Policy Act, 42 USC Section 4321; the Toxic Substances Control Act, 15 USC Section 2601; the Hazardous Materials Transportation Act, 49 USC Section 1801; the Clean Air Act, 42 USC Sections 7401, et seq.; and the regulations promulgated in connection therewith; (ii) Environmental Protection Agency regulations pertaining to Asbestos (including 40 CFR Part 61, Subpart M); Occupational Safety and Health Administration Regulations pertaining to Asbestos (including CFR Sections 1901.1001 and 1926.58) as each may now or hereafter be amended; and (iii) any Michigan state and local laws and regulations pertaining to any Hazardous Materials.

(4) “Hazardous Materials” shall mean any of the following as defined by the Environmental Laws: Asbestos; hazardous wastes; solid wastes; toxic or hazardous substances, wastes or contaminants (including but not limited to polychlorinated biphenyls (PCBs), paint containing lead and urea formaldehyde foam insulation), and sewage.

(B) The City and Developer acknowledge and agree that some of the parcels to be transferred may be “facilities” pursuant to Part 201 of NREPA, whether or not as yet discovered to be such, and that given the number of parcels being transferred, the 100-year period over which the parcels were developed, numerous changes in uses, and the City’s lack of knowledge about the condition or history of most of the parcels, it may not be practicable or possible to identify all pre-existing contamination or conditions on the parcels which may strictly violate Environmental Laws. Further, the City and Developer acknowledge that although the Developer can give its general undertaking to comply with Environmental Laws with regard to its conduct of future activities on the parcels, at the time of Closing, neither City nor Developer will be able to estimate exactly what such compliance may involve with regard to existing contamination and other existing conditions on the parcels that may violate Environmental Laws. The City acknowledges that the Developer may conduct a BEA and CERCLA “All Appropriate Inquiry” assessment activities respecting the Property, the results of which assessments may be reported to federal and state authorities at such time as Developer issues an Election Notice to proceed to Closing with respect to such Property, in order to seek the associated protections from liability with respect to pre-existing environmental conditions at the Property (“Liability Protection”), or such earlier date as required pursuant to Environmental Laws or in order to preserve Liability Protection.

(C) The City shall authorize the Developer, through a fully executed Right-of-Entry (in the form attached), to enter upon the applicable Property during the Due Diligence Period to, subject to the conditions set forth herein, undertake environmental remediation activities approved by the City hereunder, and make soil boring and bearing tests, undertake such surveying and environmental due diligence activities as Developer deems appropriate, including without limitation sampling and testing of soil, soil vapor, surface water, groundwater, indoor air, and the installation of groundwater wells, provided such do not materially and permanently interfere with demolition or site improvement activities of the City or the rightful use of the

Property by a tenant in possession or other third party, if any. All such testing and remediation shall be done at Developer's expense. Developer shall at all times during the Due Diligence Period comply with the terms and provisions of the Right-of-Entry, and Developer's right to enter upon the applicable Property is subject to execution of such Right-of-Entry. To the extent any provision of such Right-of-Entry conflicts with the terms set forth herein, the terms of this Agreement shall govern. Developer shall upon request submit to the City a copy of each final survey or environmental testing report generated as a result of such activities. Developer shall give prior written notice to the City to inspect, investigate and/or remediate the condition of the Property during the Due Diligence Period, including any investigation of the environmental condition (each such notice referred to herein as an "Investigation Notice"). To the extent the Investigation Notice includes a request to perform any environmental remediation activities upon the applicable Property, prior to undertaking such remediation, the Developer shall submit to the City in writing (i) the scope of remediation activities contemplated by the Developer, (ii) evidence of commercially reasonable insurance appropriate for the scope of remediation contemplated by the Developer, and (iii) evidence that the Developer has the financial resources to complete the scope of remediation contemplated, each of which shall be subject to the prior written approval of the City, which approval shall not be unreasonably withheld, conditioned or delayed. Upon written request of Developer, the City shall provide an electronic mail address for delivery of any Investigation Notice; provided, Developer shall mail a copy of any Investigation Notice sent via electronic mail to the City pursuant to the provisions of Section 4 below. Developer shall use all commercially reasonable efforts to minimize damage to the Property in connection with such entry and shall restore the Property to substantially the condition existing prior to such entry, provided that the City acknowledges that soil borings and groundwater well sampling may be conducted, and it may not be practicable to fully restore the Property to the exact same condition. Developer shall indemnify, defend and hold the City harmless from and against any and all loss, cost, liability and expense, including reasonable attorney fees and litigation costs, suffered or incurred by the City as a result of the Developer's (including any of its duly authorized employees, agents, engineers or other representatives) negligent acts or omissions or willful misconduct occurring in connection with the activities conducted in accordance with the Right-of-Entry; provided however that (A) in the event Developer provides an Objection Notice or otherwise elects not to proceed to Closing, the Developer shall in no circumstance have any indemnity obligation or other liability with respect to any environmental conditions pre-existing at the Property including without limitation any soil or groundwater contamination or other environmental conditions that may be discovered in the course of the Developer's Due Diligence Activities and thereafter disclosed to the City as required hereunder, except to the extent such environmental conditions are materially exacerbated due to the negligence or willful misconduct of Developer or any of its duly authorized employees, agents, engineers or other representatives, and (B) in no event shall Developer have any indemnity obligation or other liability with respect to any loss, cost, liability or expense incurred by the City as the result of the gross negligence or willful misconduct of the City or its agents.

(D) In the event Developer elects to proceed to take title to any Property, upon the Closing, Developer takes such Property as it finds it, "AS IS", and the City makes no express or implied representations or warranties as to its fitness for absolutely any purpose whatsoever, including but not limited to any warranty that the Property is fit for the Developer's purpose or

regarding the presence or absence of Hazardous Materials at, on, in, under, about, or from the Property and compliance with the Property with Environmental Laws. Developer acknowledges that neither the City nor any agent or employee of the City has made any representation, warranty or agreement, either express or implied, and Developer has not relied on any representation, warranty or agreement of any kind made by the City or any agent or employee of the City, concerning (a) the physical or environmental condition of the Property, or (b) the presence or absence of any condition, substance or material, including but not limited to any waste material, equipment or device at, on, in, under, about, or from the Property. Developer agrees that the disclosures of the City concerning the Property and its condition are intended to satisfy any duties the City may have under the law, including but not limited to the statutes, Environmental Laws, and common law. Developer shall rely solely on its own due diligence with respect to such inquiries, investigations and assessments. By executing this Agreement, Developer acknowledges that it is satisfied with the condition of the Property, subject only to its Due Diligence Activities, including but not limited to inspection of the Property, review of title, and the results of the tests, investigations and surveys permitted under this Agreement. If, prior to Closing, Developer fails to undertake such investigations and/or obtain such test results and surveys, or fails to object to the condition of the Property based on the results of its Due Diligence Activities, and Developer thereafter elects to proceed to Closing, Developer shall thereupon be deemed to have waived any right to object to the condition of the Property and shall be deemed to have declared its full satisfaction therewith.

(E) Upon Closing on any particular Property, subject to the City's covenant set forth in Section 5(G)(ii) below, Developer, for itself and its successors and assigns, expressly waives and releases all Environmental Claims (whether for personal injury, property damage or otherwise) that Developer may have against the City and its officials, employees and agents in connection with or related to such Property or any aspect thereof except for Environmental Claims arising out of actions by the City of its employees or agents that caused the release or threatened release of hazardous substances on the parcels being transferred. Upon Closing on any particular Property, Developer releases and discharges the City from all Environmental Claims that Developer may have against the City in connection with or arising out of the present condition of the Property.

(F) Intentionally omitted.

(G) Subject to the City's covenant set forth in Section 5(G)(ii) below, after the Closing with respect to a Property, the City shall have no obligation or liability to Developer whatsoever to undertake any cleanup or other remedial action that may be required in connection with the Property under any Environmental Law, or to comply with any other federal, state or local requirement to attend to the physical condition of the Property.

(H) At its sole cost and expense, with respect to an applicable Property for the period commencing on the applicable Closing and ending on the applicable Commencement of Construction, Developer shall: (a) comply with all Environmental Laws; (b) pay when due the cost of Developer's compliance with the Environmental Laws resulting directly or indirectly out of environmental conditions caused or permitted by Developer during its period of ownership, use, possession or development of the Property; and (c) keep the Property free of any lien

imposed pursuant to the Environmental Laws resulting out of Developer's ownership, use, possession, or development of the Property.

(I) During the earliest of the date that Developer (a) receives title to the Property, (b) receives possession of the Property or (c) performs any removal or remedial activities on the Property, Developer shall comply with all Environmental Laws and will undertake to complete any further investigation and remediation of the environmental conditions, if any, necessary to permit the intended use of the Property in accordance with the Environmental Laws. As between the City and Developer but not as to third parties, Developer assumes the risk of liability for any and all Hazardous Materials, whether known or unknown, which may have been or may be present in, at, on, under about or from the Property except for hazardous materials released by the City or its agents, employees, or contractors.

(J) Notwithstanding anything to the contrary which may be contained in this Agreement, Developer represents and warrants and covenants to the City for the period after Developer's commencement of ownership, use, possession or development of the Property and terminating upon the Commencement of Construction at an applicable Property, as follows:

(i) Developer shall not directly or indirectly use or allow the use of the Property for the purpose of storing any Hazardous Materials Developer brings into the Property, nor shall Developer directly or indirectly use the Property in a manner which will cause or increase the likelihood of causing the release of such Hazardous Materials onto or from the Property, other than those Hazardous Materials which are necessary and commercially reasonable for the conduct of Developer's development activities or the business operated on the Property and which Hazardous Materials shall be, handled and disposed of in compliance with all Environmental Laws and industry standards and in a commercially reasonable manner.

(ii) Developer shall promptly notify the City of any claims or litigation against the Developer by any person (including any governmental authority), concerning the presence or possible presence of Hazardous Materials contamination at the Property or concerning any violation or alleged violation of the Environmental Laws by the Developer respecting the Property, and shall furnish the City with a copy of any such communication received by Developer.

(iii) Developer shall notify the City promptly and in reasonable detail in the event that Developer becomes aware of or suspects the presence of Hazardous Materials contamination or a violation of the Environmental Laws at the Property.

(iv) If Developer's operations at the Property violate the Environmental Laws so as to subject Developer or the City to a formal notice of violation by a governmental agency alleging a violation of the Environmental Laws, Developer shall promptly investigate the underlying circumstances and notify the City within fourteen (14) days of the results of its investigation. If Developer determines that an ongoing violation by Developer is occurring or did occur, Developer shall, to

the extent required by Environmental Laws, cease or cause a cessation of or take other actions to address those aspects of the use or operations causing the violation and shall remedy and cure in compliance with the Environmental Laws any conditions arising therefrom to the extent required by Environmental Laws at its own cost and expense. If Developer disputes that its activities are violating Environmental Laws, it shall expeditiously appeal and prosecute an appeal of the notice of violation or take other commercially reasonable actions to dispute such notice.

Section 3. CLOSING

(A) Time and Place of Closing. The closing with respect to a particular Property shall take place at the office of the PDD, or such other location designated by the City and acceptable to Developer. Each Closing will take place within fifteen (15) days following the earliest to occur of (i) delivery by Developer of a Election Notice with respect to a particular Property, (ii) written notice to Developer that the City has cured all Defects set forth in an Objection Notice provided prior to the expiration of the City Cured Period with respect to a particular Property, or (iii) waiver by Developer of any Defects with respect to a particular Property, each pursuant to Section 1(C)(5) above. For the avoidance of doubt, no additional consideration shall be due from the Developer to the City at any Closing.

(B) Conditions to Closing. The City's obligation to proceed with a Closing is conditioned on the fulfillment by Developer of each of the following conditions precedent:

a. Resolution of Developer's Authority. Developer shall furnish to the City a certified copy of a resolution in form and substance as set forth on **Exhibit E**, duly authorizing the execution, delivery and performance of this Agreement and all other documents and actions contemplated hereunder with respect to a particular Property.

b. Intentionally Omitted.

c. Payment of Closing Costs. Developer shall have tendered payment of the closing costs payable by Developer, which shall include all title charges, escrow, closing and recording fees associated with any conveyance hereunder. For avoidance of doubt, the City shall not be responsible for any closing charges or transaction fees in connection with any Closing hereunder other than the payment of its own legal fees and expenses.

(C) Delivery of Deeds and Possession. The City will deliver to Developer at each Closing the Deeds with respect to the particular Property that is subject of such Closing to and possession of the applicable Property.

(D) Recording. Provided that Developer has complied with all conditions precedent as specified herein, the Deeds with respect to a particular Property shall be delivered at the applicable Closing for prompt recordation with the Register of Deeds of Wayne County, Michigan. Developer shall pay at each Closing all costs for recording the Deeds. Possession of the applicable Property shall be delivered to Developer at the applicable Closing.

Section 4: NOTICES

A notice, demand or other communication under this Agreement by either Party to the other shall be sufficiently given if it is dispatched by certified or registered mail, postage prepaid, return receipt requested, or sent by recognized overnight delivery service, or hand delivered, with receipt obtained, and addressed as follows:

If to Developer: _____

If to the City: Director
Planning & Development Department
65 Cadillac Square, Suite 2300
Detroit, Michigan 48226

With a copy to (which copy shall not constitute notice):

Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue
Suite 500
Detroit, MI 48226

All notices shall be deemed given on the day of mailing. Either Party to this Agreement may change its address for the receipt of notices at any time by giving notice thereof to the other as provided in this section. Any notice given by a Party hereunder must be signed by an authorized representative of such Party.

Section 5: COVENANTS

(A) Developer covenants for itself and its successors and assigns and every successor in interest to any Property constituting a part of the Properties, that from and after Closing on such Property, Developer and its successors and assigns shall develop such Property only to and in accordance with the uses specified in this Agreement, unless otherwise agreed in writing by the City. The uses specified in this Agreement are for development and use of such Property into parking facilities, residential housing, commercial, retail space or any other use suitable for the location, consistent with the City's urban planning policies and the City's comprehensive development plan in effect as of the date the Developer seeks zoning and land use approval for such development. Subject to force majeure delays, within fifteen (15) months following Closing (the "Commencement Deadline") on any Property, the Developer shall achieve Commencement of Construction (as defined below) with respect to such Property. Following Commencement of Construction, the Developer shall diligently prosecute such development on the Property to substantial completion (which shall mean substantial completion of such development and all material improvements related thereto, exclusive of landscaping, punch list items and any tenant work for commercial or other space for which there are no tenants or for which the work is to be done by a tenant and any onsite or offsite work that is not commercially

necessary for occupancy) (the date upon which such substantial completion occurs referred to herein as the “Completion Date”). Subject to force majeure delays, the Completion Date shall occur within thirty nine (39) months following Closing for the applicable Property, or such longer period of time as may be reasonably necessary for Developer or its designee to actually achieve substantial completion of the applicable development or improvements, provided Developer is diligently pursuing such completion (the “Completion Deadline”). For purposes hereof, “force majeure delays” shall mean acts of God, terrorism, flooding, strikes, lockouts or other labor trouble, materially adverse weather conditions, fire or other casualty, governmental preemption in connection with an emergency, any rule, order or regulation of any governmental authority or any department or subdivision thereof and any other cause or event beyond the reasonable control of Developer (other than failure of Developer to secure necessary land use or zoning approvals from any governmental authority), or inability to secure materials, labor or access to the Property because of any such emergency, rule, order, regulation, war, civil disturbance, terrorist act or other emergency, or inability to secure materials, labor or access to the Property because of any other cause or event beyond the reasonable control of Developer (other than shortage of funds). In the event that the Developer elects to undertake environmental remediation of the Property after the Closing, “force majeure delays” also shall include the time reasonably necessary for the proper completion of all applicable remediation activities. In the event that Developer ceases, delays, or slows its development activities for a particular Property as a result of any claim or cause of action filed, threatened or asserted by the City (or any of its agencies or departments) and, (1) a court of competent jurisdiction dismisses such action or rules in favor of Developer with respect thereto or (2) the City withdraws its claims or causes of actions, the delay associated with such reduction or cessation in the development shall be deemed a “force majeure delay.” The Commencement Deadline and Completion Deadline shall be extended for a period of time equal to the number of days during which Developer is prevented from proceeding with the construction of the development at the Property by reason of force majeure, provided that (i) Developer is otherwise in material compliance with the terms and provisions of this Agreement, and (ii) Developer notifies the City of the events constituting such force majeure upon the later of (i) Closing with respect to the applicable Property and (ii) sixty (60) days after Developer has actual knowledge of their occurrence.

(B) For purposes of this Agreement, “Commencement of Construction” on a Property shall be deemed to have occurred when the Developer shall have commenced foundation or other equivalent site preparation work on the Property, which site preparation work may include renovation or demolition of existing buildings located on the Property, as applicable.

(C) If the development plan for a Property calls for development of improvements on the Property in two or more discrete phases, the requirements set forth in this Agreement relative to the Completion of Construction, as well as the remedies of the City applicable thereto, shall be satisfied upon Completion of Construction of the initial phase.

(D) Developer covenants and agrees that from and after Closing it will: (i) comply with all zoning requirements, and all other applicable state and federal statutes and regulations and local laws and ordinances applicable to the ownership, use and/or occupancy of the Property; and (ii) pay and discharge when due without penalty, and in all events before penalty for nonpayment attaches thereto, all taxes, assessments and governmental charges, including but not

limited to real estate taxes or assessments on the Property or any part thereof, except where the same may be contested in good faith.

(E) Certificate of Completion. The Developer shall give the City prompt written notice of the Completion Date. The City agrees that the PDD shall inspect the Property for purposes of issuance of the Certificate of Completion promptly following the Completion Date, and shall provide Developer with notice of any deficiencies in compliance with this Agreement, and an opportunity for cure and re-inspection. If, as of the Completion Deadline, PDD determines that Developer is in compliance with all provisions and requirements of this Agreement, PDD shall issue a “Certificate of Completion.” The Certificate of Completion shall be a conclusive acknowledgment by PDD of satisfaction by Developer of its obligations under this Agreement for the applicable Property or portion of the applicable Property addressed by the Certificate of Completion. The Certificate of Completion shall not, however, constitute evidence of compliance with or satisfaction of the requirements of any department, agency or entity with respect to any building, occupancy, or other permits, to the extent such departments are exercising their regulatory authority. The Certificate of Completion shall be in such form as can be recorded against the Property, or portion thereof, and shall release the Property, or portion thereof, from the City’s rights under this Agreement. The cost of recording the Certificate of Completion shall be the responsibility of Developer.

(F) Estate Conveyed. Notwithstanding anything contained in this Agreement to the contrary, the estate conveyed hereby shall be deemed to be a determinable fee and only upon the Commencement of Construction on the Property will the possibility of reverter retained by the City automatically expire as to that part of the applicable Property.

(G) City Covenants. During the Option Period and prior to a Closing with respect each Property, the City shall (i) maintain such Property in at least the same condition and repair (except for environmental condition and repair thereof, which is addressed in sub-clause (ii) below) as of the Effective Date, (ii) not, through its own action (or the action of any agency, department, employee, agent, or contractor), alter the environmental condition of the Property, as such exists as of the Effective Date, in a material and adverse manner, (iii) not “down zone” the Property or take zoning or land use action on the Property that would materially and adversely affect Developer’s ability to develop the Property for the uses otherwise permitted in this Agreement, and (iv) not execute or grant any lease, contract, agreement, lien, security interest, encumbrance, easement, or restriction with respect to such Property, or amend, modify, renew, extend or terminate any of the foregoing, without prior written consent of the Developer, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 6: REMEDIES

(A) City’s Remedies Prior to Conveyance. Except with respect to assignment to a Permitted Entity (as defined below), in the event that, prior to the conveyance of the Property, Developer assigns this Agreement or any right therein or in a Property without the prior written approval of the City, this Agreement and any rights of Developer in this Agreement, may, at the option of the City, be terminated by the City after thirty (30) days written notice and opportunity to cure provided by the City to Developer. Notwithstanding the foregoing, the Developer’s rights and obligations under this Agreement may be assigned: (i) to a wholly owned subsidiary

of Developer, or (ii) to a joint venture, limited liability company, partnership, limited partnership or other entity formed to develop or finance a Property or the Properties, provided that the Developer retains a direct or indirect interest in such entity (any such assignee being referred to as a “Permitted Entity”). In any case, the Developer shall provide written notice to the City of such assignment.

(B) City’s Remedies Subsequent to Conveyance.

(1) Event of Default. If, prior to the issuance of a Certificate of Completion on a Property, Developer breaches any covenant set forth in Sections 5(A) or (D) hereof applicable to such Property and fails to cure such breach within ninety (90) days after written demand by the City, such an event shall be deemed to constitute an **Event of Default**, provided, however, that if the nature of Developer's default is such that more than the cure period provided is reasonably required for its cure, then Developer shall not be deemed to be in default and an Event of Default shall not have occurred if Developer commences such cure within said period and thereafter diligently pursues such cure to completion within two hundred seventy (270) days of City’s initial written demand hereunder. Notwithstanding the foregoing, Developer shall have the right to dispute that an Event of Default has occurred or that an Event of Default has not been timely cured by written notice of dispute sent to the City (“Notice of Dispute”). In the event a Notice of Dispute is sent, the parties shall meet and in good faith work to resolve their differences. In the event the City and Developer cannot resolve their differences as to whether an Event of Default has occurred or has been cured, then the City shall not record a notice of an uncured and undisputed Event of Default as described in Section 6(B)(2) below without first bringing an action in a court of competent jurisdiction for a final judicial determination that an Event of Default occurred and was uncured. To the extent a court of competent jurisdiction deems that an Event of Default occurred prior to the Commencement of Construction and such cause of action was filed with the court of competent jurisdiction prior to the Commencement of Construction, irrespective of the date the court makes such determination, the City shall have all rights and remedies available to it hereunder as if such Event of Default was undisputed prior to the Commencement of Construction in the first instance. The City may, in its sole discretion, waive in writing any Default or Event of Default by Developer. Notwithstanding any provision contained herein to the contrary, any lender of Developer that has a security interest in a Property, shall have an additional notice and cure right that should provide such lender with a reasonable period of time after the expiration of any cure periods available to Developer in which to cure any Event of Default prior to the City enforcing its remedies hereunder.

(2) Right of Reverter. It is expressly understood and agreed between the Parties hereto that until the Commencement of Construction on a particular Property, the conveyance of such Property to Developer shall be construed and interpreted as the conveyance of a fee simple determinable, and that such conveyance shall endure only so long as subsequent to the conveyance and prior to the Commencement of Construction there has been no uncured or undisputed Event of Default with respect to such Property and such Event of Default results from a failure of the Commencement of Construction to have occurred prior to the Commencement Deadline (a “Reverter Event of Default”). In the event of an uncured and undisputed Reverter Event of Default and the City's recording of a notice thereof, after a judicial determination as required by Section 6(B)(1) above and written notice from the City to Developer of the City’s election to enforce the reverter set forth in this Section, title to the applicable Property (and only

the applicable Property) shall revert in the City, except for parcels of Property previously conveyed where Commencement of Construction has already been achieved. Upon such reversion of title, the City shall have the right to re-enter and take immediate possession of the applicable Property. Upon an uncured and undisputed Reverter Event of Default as to a Property occurring prior to the Commencement of Construction and expiration of the cure period, this Agreement and any rights of Developer arising hereunder with respect to the Property subject to the reverter, may, at the option of the City, be terminated by the City by the City providing written notice of such termination to the Developer prior to the cure of such Reverter Event of Default, and the Developer shall thereafter have no further interest in the reverted Property. In such case Developer agrees to promptly execute and deliver a quit claim deed for any such portion of reverted Property to the City. While the right of reversion as to a Property automatically terminates upon Commencement of Construction on such Property, the City agrees to provide Developer with a written acknowledgement, in recordable form, that the Commencement of Construction has occurred and the City's right of reversion has terminated as to such Property.

(3) Intentionally Omitted.

(C) Rights and Remedies Cumulative. The rights and remedies of the City, whether provided by law or by this Agreement, shall be cumulative, and the exercise by the City of any one or more remedies shall not preclude the exercise by it, at the same or different times, of any other remedy for the same default or breach or any other default or breach by the Developer. No waiver made by either Party shall apply to obligations beyond those expressly waived in writing.

(D) Developer's Remedies. If the City breaches its obligations under this Agreement after reasonable notice and opportunity to cure, Developer shall have the right to seek injunctive relief, specific performance or other equitable remedies for the City's breach of this Agreement. In no event shall the Developer be entitled to monetary damages as a result of the City's breach of this Agreement, except to the extent such damages arise out of the City's uncured breach of the covenant set forth in Section 5(G) above.

(E) City's Representatives Not Individually Liable. No official or employee of the City shall be personally liable to Developer or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to Developer or successor or on any obligations under the terms of this Agreement.

Section 7: PROVISIONS NOT MERGED WITH DEEDS

No provision of this Agreement is intended to or shall be merged into the Deeds transferring title to each Property from the City to Developer or any successor in interest, and any such Deeds shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 8: ENTIRE AGREEMENT; AMENDMENT

This Agreement (including all exhibits, schedules or other attachments hereto) constitutes the complete and exclusive statement of the terms of the agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, promises, and arrangements, oral or written, between the Parties with respect to the subject matter hereof. This Agreement may be amended or modified only by an instrument in writing signed by both of the Parties.

Section 9: GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without regard to conflicts-of-law principles that would require the application of any other law.

Section 10: COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but together such counterparts shall constitute one and the same instrument.

Section 11: AUTHORITY OF CITY.

Notwithstanding anything in this Agreement, in law or in equity, or otherwise to the contrary, this Agreement shall be of no force or effect and may not in any way be enforced against the City unless or until this Agreement and the transaction contemplated hereby have been: (i) approved in writing by the Emergency Manager for the City of Detroit, in accordance with Emergency Manager Order No. 5, (ii) either included in the Emergency Manager's financial and operating plan or approved in writing by the Governor of the State of Michigan or his or her designee, in accordance with Section 12(1)(k) of Public Act 436 of 2012; and (iii) either included in the Emergency Manager's financial and operating plan or approved in writing by the State Treasurer, in accordance with Section 15(1) of Public Act 436 of 2012.

Section 12: CITY AGENCIES AND DEPARTMENTS. Whenever this Agreement requires an action or creates an obligation on behalf of the City, the City shall also be required, as applicable, to cause all of its agencies and departments to undertake such obligations.

(signatures on following pages)

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

WITNESSES:

DEVELOPER

PIKE POINTE HOLDINGS, LLC, a
Delaware limited liability company

Print: _____

By: _____

Print: _____

Its: _____

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me on September __, 2014 by _____ the _____ of Pike Pointe Holdings, LLC, a Delaware limited liability company, on behalf of said company.

Notary Public, Wayne County, Michigan
Acting in Wayne County, Michigan
My commission expires:

[signatures continue on following page]

WITNESSES:

CITY OF DETROIT,
a Michigan public body corporate

Print: _____

By: _____

Print: _____

Its: _____

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me on September ____ 20__ by _____, the _____ of the City of Detroit, a Michigan public body corporate, on behalf of the City.

Notary Public, Wayne County, Michigan
Acting in Wayne County, Michigan
My commission expires:

Pursuant to § 18-5-12 of the Detroit City Code, I hereby certify that proper and fair consideration has been received by the City pursuant to this contract.

Approved by the City Law Department pursuant to Sec. 7.5-206 of the Charter of the City of Detroit.

Finance Director

Corporation Counsel

City Council Approval Date:

Drafted by and when recorded return to:

Bruce N. Goldman
Senior Assistant Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Detroit, Michigan 48226

EXHIBIT A
LEGAL DESCRIPTION

1. The contiguous parcels of (2.701 acres):

1303 E Atwater .908

1365 E Atwater .220

1364 Franklin .337

1310 Franklin .145

1399 E Atwater .287

1325 E Atwater .707

1370 Gloin St .097

2. The contiguous parcels of (3.545):

2200 Franklin (3.545)

3. The contiguous parcels of (2.108 acres) :

2290 E Jefferson (1.199)

[2310 E Jefferson (.730)] **SUBJECT TO CITY APPROVAL**

301 Chene (.179)

4. 1300 Beaubien (Former Police HQ)

5. Parcel(s) mutually agreeable to the Parties which parcels shall:

a. have reasonably equivalent value to the aggregate value of 2263 E Atwater (2.812 acres) and 281 Chene St (.430 acres);

b. be consistent with the Developer's development scheme; and

c. be identified within forty-eight (48) hours following the September 15, 2014 bankruptcy court hearing related to the Arrangement.

[legal descriptions of the above parcels to be attached based on mutual agreement by the parties hereto following the Effective Date]

EXHIBIT B

MEMORANDUM OF OPTION

[the form of which shall be mutually agreed upon by the parties hereto promptly following the Effective Date hereof]

EXHIBIT C

RIGHT OF ENTRY

[the form of which shall be mutually agreed upon by the parties hereto promptly following the Effective Date hereof]

EXHIBIT D

QUIT CLAIM DEED

The City of Detroit, a Michigan public body corporate whose address is 2 Woodward Avenue, Detroit, MI 48226 ("Grantor"), quit claims to _____, a Michigan _____ ("Grantee"), whose address is _____, the premises located in the City of Detroit, Wayne County, Michigan, described as:

A/K/A _____

Ward: _____ Item(s):

(the "Property"), for the sum of _____ (\$_____), subject to and reserving to the City of Detroit its rights under public easements and rights of way, easements of record, applicable zoning ordinances, development plans pursuant to Act 344 of 1945 as amended (if any), and restrictions of record.

This Deed is given subject to the terms, covenants and conditions of a Development Agreement - Option to Purchase and Develop Land dated _____, 20__ entered into by the parties hereto and which is incorporated herein by reference and a memorandum of which was recorded on _____, 20__ in the Office of the Register of Deeds for the County of Wayne in Liber _____ on Pages _____ through _____ inclusive, none of the terms, covenants and conditions of which shall be deemed merged in this Deed. The covenants therein recited to be covenants running with the land are hereby declared to be covenants running with the land enforceable by the City as therein set forth until issuance of a Certificate of Completion.

The Grantor grants to the Grantee the right to make all divisions under Section 108 of the land division act, Act No. 288 of the Public Acts of 1967, as amended. This property may be located within the vicinity of farmland or a farm operation. Generally accepted agricultural and management practices which may generate noise, dust, odors, and other associated conditions may be used and are protected by the Michigan right to farm act.

This deed is dated as of _____.

CITY OF DETROIT,
a Michigan public body corporate

By: _____

Print: _____

Its: _____

[acknowledgement on following page]

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me on _____
20__, by _____, the _____ of
the City of Detroit, a Michigan public body corporate, on behalf of the City.

Print: _____
Notary Public, Wayne County, Michigan
Acting in Wayne County, Michigan
My commission expires:

Pursuant to § 18-5-12 of the Detroit City Code, I hereby certify that proper and fair consideration has been received by the City pursuant to this contract.

Approved by the City Council on.
JCC pp _____ or Detroit Legal News,
_____, on file in my office.

Finance Director

Approved by the City Law Department
pursuant to Sec. 7.5-206 of the Charter of
the City of Detroit.

Approved by Mayor on

Corporation Counsel

City Clerk

This Instrument Drafted by:

When recorded, return to:

Bruce N. Goldman
Senior Assistant Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Detroit, MI 48226

Grantee

Exempt from transfer taxes pursuant to MCL § 207.505(h)(i) and MCL § 207.526(h)(i).

EXHIBIT E

CERTIFICATE OF AUTHORITY FOR LIMITED LIABILITY COMPANY

I, _____, Manager of
_____, a _____ limited liability company
(the "Company")

DO HEREBY CERTIFY that the following is a true and correct excerpt from *[check appropriate box]*

- ☐ the minutes of a meeting of the Members of the Company duly called and held on
- ☐ a consent in lieu of a meeting, with signed consents received from all of the [Members] of the Company on

and that the same is now in full force and effect:

"RESOLVED, that any [Manager of the Company], is hereby authorized to execute and deliver, in the name and on behalf of the Company, any agreement or other instrument or document in connection with any matter or transaction with the City of Detroit that shall have been duly approved; the execution and delivery of any agreement, document, or other instrument by any of such [Managers] to be conclusive evidence of such approval."

I FURTHER CERTIFY that the following persons are [Managers]:

I FURTHER CERTIFY that any of the aforementioned managers of the Company are authorized to execute or guarantee and commit the Company to the conditions, obligations, stipulations and undertakings contained in the attached Agreement, and that all necessary approvals have been obtained in relationship thereto.

IN WITNESS WHEREOF, I have set my hand this _____ day of _____,
20__.

Print: _____
Its: Manager

Schedule 1(H)

1365 E Atwater St, 48207

1325 E Atwater St, 48207

1399 E Atwater, 48207

1370 Gloin St, 48207

1310 Franklin St, 48207

1364 Franklin St, 48207

EXHIBIT I.A.344

FORM OF SYNCORA SETTLEMENT DOCUMENTS

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (this “Agreement”) is entered into as of September __, 2014, among the City of Detroit, Michigan (the “City”), Syncora Guarantee, Inc. and Syncora Capital Assurance Inc. (collectively, “Syncora”). The City and Syncora are referred to herein each individually as a “Party” and collectively as the “Parties”.

WHEREAS, the Detroit General Retirement System Service Corporation, a Michigan nonprofit corporation (“DGRS”), and the Detroit Police and Fire Retirement System Service Corporation, a Michigan nonprofit corporation (“PFRS” and, together with DGRS, each a “Service Corporation” and collectively the “Service Corporations”) created each of (i) the Detroit Retirement Systems Funding Trust 2005 (the “2005 Pension Funding Trust”) pursuant to the Trust Agreement, dated June 2, 2005, among the Service Corporations and U.S. Bank National Association as trustee and (ii) the Detroit Retirement Systems Funding Trust 2006 (the “2006 Pension Funding Trust”) pursuant to the Trust Agreement, dated June 12, 2006, among the Service Corporations and U.S. Bank National Association as trustee;

WHEREAS, the 2005 Pension Funding Trust issued certain Taxable Certificates of Participation Series 2005 (the “2005 Pension Funding Securities”) and the 2006 Pension Funding Trust issued certain Taxable Certificates of Participation Series 2006 (the “2006 Pension Funding Securities” and collectively with the 2005 Pension Funding Securities, the “Certificates of Participation”);

WHEREAS, the Service Corporations are parties to swap transactions under certain ISDA Master Agreements referred to as the COP Swap Agreements;

WHEREAS, the City issued \$44,020,000 in General Obligation Bonds (Unlimited Tax), Series 2003-A;

WHEREAS, Syncora has issued insurance policies in respect of certain of the Certificates of Participation;

WHEREAS, Syncora has issued insurance policies in respect of certain of the Swap Agreements;

WHEREAS, Syncora has issued insurance policies in respect of certain of the General Obligation Bonds (Unlimited Tax), Series 2003-A;

WHEREAS, Syncora beneficially owns or insures Certificates of Participation in the amounts set forth herein;

WHEREAS, the Parties and their representatives have engaged in good faith, arm’s length settlement discussions regarding a consensual resolution of their disputes under or in respect of the Certificates of Participation and the COP Swap Agreements;

NOW, THEREFORE, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1 Definitions and Interpretations.

1.1 Plan Definitions. Capitalized terms used herein, but not otherwise defined, shall have the meaning ascribed to such terms in the POA.

1.2 Additional Definitions. The following terms have the respective meanings set forth below for all purposes of this Agreement.

“Class 9” means that class of claims associated with COPs as set forth in the Sixth Amended POA.

“POA” means that certain Plan for the Adjustment of Debts of the City of Detroit, as amended in accordance herewith.

“Sixth Amended POA” shall mean that certain Sixth Amended Plan for the Adjustment of Debts of the City of Detroit, as filed with the Bankruptcy Court.

1.3 Other Definitional and Interpretive Provisions. The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to Sections and Schedules are to Sections and Schedules of this Agreement unless otherwise specified. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. References to “law”, “laws” or to a particular statute or law shall be deemed also to include any and all applicable law.

Section 2 Plan.

2.1 Proofs of Claim. The Parties agree Section 2, Section 4 and Section 5 hereof fully resolve, address, satisfy and discharge Proofs of Claim # 1352 and 1354; provided that, except as expressly provided to the contrary herein, this Agreement shall have no effect regarding any UTGO Claims asserted in such Proofs of Claim or otherwise held or insured by Syncora, and any such UTGO Claims shall receive the treatment provided for all UTGO Claims by the POA and the UTGO Settlement Agreement. The City shall not file or otherwise assert any objection to such Proofs of Claim.

2.2 Voting. All votes cast by Syncora to accept or reject the Sixth Amended POA shall be deemed to have been cast as accepting the POA.

2.3 Approval. The City shall (i) use its best efforts to seek approval of this Agreement in connection with confirmation of the POA, and (ii) seek a Confirmation Order, which Confirmation Order shall be in form and substance reasonably acceptable to Syncora (solely with respect to any terms thereof that affect the rights of Syncora or any Related Entity with respect to Syncora), that approves (A) this Agreement and all transactions contemplated hereby, (B) the Development Agreement and all transactions contemplated thereby, and (C) the assumption of the Tunnel Lease, as amended pursuant to the First Amendment to Lease dated as of ___, 2014 between the City of Detroit and the Detroit Windsor Tunnel LLC.

2.4 Plan Support.

(a) Syncora shall (i) use commercially reasonable efforts to support the City's efforts to seek approval of this Agreement in connection with confirmation of the proposed POA, (ii) support confirmation of the POA, and (iii) not object to confirmation of the POA and withdraw all objections, oppositions and reservations of rights to confirmation of the POA (collectively, the "Syncora Plan Objections"), including those objections filed with the Bankruptcy Court at ECF #'s 4679, 5706, 6009, 6651, 7041, 7150 and its participation in 7103 (A) without prejudice (and subject to Syncora's retaining the right to assert such objections in the event this Agreement is terminated) as soon as reasonably practicable after execution of this Agreement and (B) with prejudice as soon as reasonably practicable after Bankruptcy Court approval of this Agreement and confirmation of the POA.

(b) Without limiting the foregoing, Syncora shall withdraw all objections to the UTGO Settlement Agreement (including those contained in Syncora's objections to the Plan) (i) without prejudice (and subject to Syncora's retaining the right to assert such objections in the event this Agreement is terminated) as soon as reasonably practicable after execution of this Agreement and (ii) with prejudice as soon as reasonably practicable after Bankruptcy Court approval of this Agreement and confirmation of the POA. The City shall not alter or amend the treatment provided to holders of Allowed Class 8 Claims in the Plan.

(c) Without limiting the foregoing, Syncora shall not object to inclusion of the COP Swap Counterparties in the definition of "Exculpated Parties" under the POA.

2.5 Plan Amendment. The City shall not, without Syncora's prior written consent, amend the POA in a manner that (a) would have a materially adverse effect on Class 9 or (b) adversely affect Syncora.

Section 3 Global Resolution; Litigation Support; Etc.

3.1 Global Resolution. The Parties agree that this Agreement shall constitute a global resolution of all matters among the Parties as and to the extent set forth herein, and all litigation (including appeals) outstanding between the City and Syncora arising out of or related to the City's Chapter 9 Case shall be dismissed as and to the extent set forth herein.

3.2 Withdrawal of Syncora Plan Objections. Syncora shall withdraw the Syncora Plan Objections as set forth in Section 2.4 hereof.

3.3 Stay and Withdrawal or Dismissal of Appeals. As soon as reasonably practicable after execution of this Agreement, Syncora and the City shall file joint motions with the applicable courts requesting stays of those certain appeals styled: 2:14-cv-10501-BAF-PJK (PLA appeal); 2:14-cv-11995-BAF-PJK (PPF appeal); 2:14-cv-12062-BAF-PJK (COP Swap Settlement appeal); 2:13-cv-14305-BAF-PJK (property of the debtor appeal); and 2:14-cv-13044-BAF-PJK (Mediation Order Appeal) (collectively, the “Syncora Appeals”). As soon as reasonably practicable after Bankruptcy Court approval of this Agreement and the occurrence of the Effective Date with respect to the POA, Syncora will voluntarily dismiss with prejudice the Syncora Appeals.

3.4 Litigation Support. Syncora shall provide such reasonable, active support as may be reasonably requested by the City, the Litigation Trust or any successor plaintiffs in the COP Litigation.

3.5 Retention of Counsel. Syncora shall continue to retain Kirkland & Ellis LLP in connection with satisfying the support obligations set forth in Sections 2.4(a) and 3.2 hereof.

Section 4 Class 9 Treatment.

4.1 Amendment to Sixth Amended POA. The City shall amend the Sixth Amended POA as set forth on Schedule 1.

Section 5 Swap Related Claims; Etc.

5.1 Swap Related Claims. On the Effective Date or as soon thereafter as practical, the City shall pay the sum of \$5 million in full satisfaction of all of Claims filed or asserted against the City by Syncora relating to the COP Swap Agreements and any agreements related thereto, including the COP Swap Insurance Policies and the COP Swap Collateral Agreement.

Section 6 Representations and Warranties.

6.1 Representations and Warranties of the City. The City represents to Syncora that:

- (a) It is a municipal corporation of the State of Michigan.
- (b) It has the power to execute and deliver this Agreement and to perform its obligations hereunder and it has taken all necessary action to authorize such execution, delivery and performance.
- (c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets.
- (d) Other than (i) approvals by the City Council, the Emergency Loan Board, the State Treasurer, the execution of the Emergency Manager Order, and the approvals required by Section 19 of Act 436, and (ii) the approval of the Bankruptcy Court, all governmental and Emergency Manager consents and approvals that are required to have been obtained by it as of

the date of execution of this Agreement with respect to the execution, delivery and performance of this Agreement have been obtained and are in full force and effect and all conditions of any such consents and approvals have been complied with.

6.2 Representations and Warranties of Syncora. Syncora represents to the City that:

(a) It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and in good standing.

(b) It has the power to execute this Agreement, to deliver this Agreement and to perform its obligations under this Agreement and it has taken all necessary action to authorize such execution, delivery and performance.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets.

(d) All governmental consents that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

(e) Syncora owns or insures COPs in the principal amount of \$299,155,000.00; Syncora paid insured principal claims in an amount not less than \$52,750,000.00; and, as of the Petition Date, Syncora paid insured interest claims in an amount not less than \$1,649,692.00.

(f) The *Stipulation by and Between the City of Detroit, Michigan and the COPs Creditors Regarding Certain Facts and the Admission of Certain Exhibits for the Confirmation Trial* remains in effect.

Section 7 No Admission.

This Agreement is a proposed settlement of claims and disputes among the Parties and is the product of good faith, arm's length negotiations among the Parties hereto. If this Agreement is terminated, this Agreement will not be an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto will not be admissible into evidence in any proceeding. However, this Agreement will be admissible into evidence in any proceeding to obtain court approval of this Agreement or to enforce or interpret the terms of this Agreement, and, subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact. The admissibility of all negotiations related to this Agreement shall be governed by the *Mediation Order* [Docket No. 322] entered by the Bankruptcy Court, as the same has been amended and supplemented. Notwithstanding the foregoing, nothing herein shall limit the scope or effect of the Mediation Order.

Section 8 Termination.

Any Party may terminate this Agreement upon one Business Day's prior written notice to the other Party if: (a) the Bankruptcy Court denies approval of this Agreement or the transactions contemplated hereby, the Development Agreement or the transactions contemplated thereby, or the assumption of the Tunnel Lease, as amended pursuant to the First Amendment to Lease dated as of ___, 2014 between the City of Detroit and the Detroit Windsor Tunnel LLC, or confirmation of the POA; (b) if the Confirmation Order is not in form and substance reasonably acceptable to Syncora (solely with respect to any terms thereof that affect the rights of Syncora or any Related Entity with respect to Syncora) or is vacated or reversed on appeal or, after entry, is modified without the terminating Party's consent, in any matter considered by the terminating Party to be adverse to the terminating Party; or (c) the other Party is in material breach of any provision of this Agreement, and such breach is continuing and has not been cured within 5 Business Days.

In the event that this Agreement is terminated as set forth herein, then neither this Agreement, nor any document filed with the Bankruptcy Court with respect to the approval of this Agreement, will have any res judicata or collateral estoppel effect or be of any force or effect, and each of the Parties' respective interests, rights, remedies and defenses will be restored without prejudice as if this Agreement had never been executed and the Parties will be automatically relieved of any further obligations under this Agreement. For the avoidance of doubt, in the event this Agreement is terminated, Syncora shall retain the right to make any arguments, objections, or other assertions (other than res judicata or collateral estoppel as set forth in the preceding sentence), pursue any litigation, appeals, or other disputes related to confirmation of the POA (or any other plan) or any other matter otherwise resolved by this Agreement.

Section 9 Miscellaneous.

9.1 Execution of this Agreement. This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, will be deemed an original, and all of which together will constitute the same agreement. Each individual executing this Agreement on behalf of a Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of said Party.

9.2 Binding Obligation; Successors and Assigns. This Agreement is a legally valid and binding obligation of the Parties, enforceable in accordance with its terms, and will inure to the benefit of the Parties and their respective successors, assigns and transferees. This Agreement grants no rights to any third party.

9.3 Complete Agreement; Interpretation. This Agreement and the POA constitute the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, among the Parties with respect thereto. This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement will interpret it in a neutral manner. There will be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party

having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

9.4 Costs. Each Party will bear its own costs and expenses (including legal and other professional fees and expenses) incurred in connection with all matters set forth herein, including in connection with Sections 2 and 3 of this Agreement. Syncora agrees to pay any Allowed Claim for COP Agent Fees held by the COP Agent in accordance with and as set forth in the POA.

9.5 Amendment, Modification and Waiver. This Agreement may be modified, altered, amended, or supplemented only by an agreement in writing signed by each Party. No waiver of any provision of this Agreement will be effective unless made in a writing signed by the Party making the waiver, nor will the waiver be extend to any other right, claim or remedy.

9.6 Notices. All notices and other communications required under this Agreement will be given in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as will be specified by like notice):

If to the City:

City of Detroit, Michigan
1200 Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, Michigan 48226
Attention: CFO

with copies (which shall not constitute notice) to:

City of Detroit Law Department
First National Building, Suite 1650
660 Woodward Avenue
Detroit, Michigan 48226
Attention: Corporation Counsel

and

Jones Day
222 East 41st Street
New York, NY 10017-6702
Attn: Corinne Ball (cball@JonesDay.com)

If to Syncora:

Syncora Guarantee, Inc.
Syncora Capital Assurance Inc.
Attn: Claude LeBlanc
135 West 50th Street, 20th Floor

New York, NY 10020
claude.leblanc@scafg.com

with copies (which shall not constitute notice) to:

Kirkland & Ellis LLP
Attn: Ryan B. Bennett
300 N. LaSalle
Chicago, IL 60654
rbennett@kirkland.com

Any notice given by delivery, mail, or courier will be effective when received. Any notice given by telecopier will be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail will be effective upon oral or machine confirmation of receipt.

9.7 Headings. The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

9.8 Governing Law and Jurisdiction. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN, WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAW THEREOF THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION. By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement will be resolved by the Bankruptcy Court to the extent that the Bankruptcy Court then has jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 9.6 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of each of the other Parties to this Agreement.

9.9 Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE CITY OF DETROIT

By: _____
Name:
Title:

SYNCORA GUARANTEE, INC.

By: _____

Name:

Title:

SYNCORA CAPITAL ASSURANCE INC.

By: _____

Name:

Title:

TUNNEL LEASE AMENDMENT

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this “**Amendment**”) is made and entered into as of the ____ day of _____, 2014 (the “**Date Hereof**”), by and between the City of Detroit, a Michigan municipal corporation (the “**City**”), and Detroit Windsor Tunnel LLC, a Michigan limited liability company (“**Tenant**”).

RECITALS

A. The City, as landlord, and Tenant, as successor-in-interest to Detroit & Canada Tunnel Corporation (“**DCTC**”), as tenant, are parties to the Tube Lease, dated March 20, 1978 (the “**Tube Lease**”), whereby the City leases to Tenant the portion of the Detroit Windsor Tunnel (the entire such tunnel, the “**Tunnel**”) located in Detroit, which portion is more particularly defined in the Tube Lease and referenced herein as the “**Tube**.”

B. The City, as landlord, as successor-in-interest to Ford Motor Properties, Inc. as sublandlord, and Tenant, as tenant, as successor-in-interest to DCTC as subtenant, are parties to the Sublease, dated March 20, 1978 (the “**Plaza Lease**”; together with the Tube Lease, the “**Lease**”), whereby the City leases to Tenant certain property defined in the Plaza Lease as the “New Tunnel Plaza” (such premises, the “**Plaza Premises**”; together with the Tube, the “**Property**”).

C. The term of the Lease (the “**Term**”) expires on November 3, 2020, and the period commencing on the Effective Date through and including November 3, 2020 shall be referenced herein as the “**Existing Remainder Term**”.

D. The City desires to enter into a long-term agreement regarding the operation of the Property to assure that (i) the Tunnel will continue to provide to residents of Detroit and to other Tunnel passengers a safe and efficient route between Detroit and Windsor; (ii) the Property will be maintained and enhanced; and (iii), to promote such goals, there is transparency to the City regarding the operation of the Property.

E. In furtherance of the goals of the City, the Tenant desires to enter into a long-term agreement with the City regarding the leasing and operation of the Property.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Capitalized Terms; Effective Date. Any capitalized term used herein and not otherwise defined shall have the meaning ascribed to such term in the Plaza Lease. “**Effective Date**” means the first day of the month next succeeding the month in which occurs the Date Hereof.

2. Extension of Term. The term of the Tube Lease is extended for the period beginning November 4, 2020 and ending on December 31, 2040 (such period, the “**Extension Term**”), upon all the terms and conditions as contained in the Tube Lease and applicable during the Third Renewal Option (as defined in the Plaza Lease), except as amended hereby. The term

of the Plaza Lease is extended for the Extension Term, upon all the terms and conditions as contained in the Plaza Lease and applicable during the Third Renewal Option (as defined in the Plaza Lease), except as amended hereby.

3. Existing Term CapEx Credit; CapEx Schedule.

- (a) For any Capital Expenditures (as defined below) paid by Tenant during the Existing Remainder Term (the “**Existing Remainder Term Capital Expenditures**”), Tenant shall receive a credit equal to the amount of such Existing Remainder Term Capital Expenditures (a “**CapEx Credit**”) against the aggregate rentals payable by Tenant pursuant to Article IV of the Plaza Lease (such amounts, the “**Rent**”) during the Existing Remainder Term; *provided, however,* that the aggregate CapEx Credit to which Tenant is entitled pursuant to this Paragraph 3 shall not exceed the aggregate Rent payable by Tenant during the Existing Remainder Term. Tenant shall not claim a CapEx Credit for any Capital Expenditures paid in advance of the performance of the related work, other than for progress payments customary in the industry (or payments required due to emergency) without the City’s prior written approval, which shall not be unreasonably withheld, delayed or conditioned. Subject to Paragraph 5, Tenant may not take a CapEx Credit during the Extension Term for an Existing Remainder Term Capital Expenditure.
- (b) “**Capital Expenditures**” means (i) capital expenditures, as determined by generally accepted accounting principles consistently applied in the United States (“**GAAP**”), paid for work to or at the Plaza Premises and (ii) (x) while the Existing JOA (as defined herein) or any successor agreement between Tenant (or its affiliate) and the City of Windsor (or its instrumentality) (any such agreement, a “**D/W Agreement**”) is in effect, 50% of the total capital expenditures, determined in accordance with GAAP, paid by Tenant (or its affiliate) and the City of Windsor (or its instrumentality) pursuant to a D/W Agreement for work to or at all or any portion of the underground tube of the Tunnel (i.e., the tube from and including the Detroit portal to and including the Windsor portal; such tube, the “**Underground Portion**”); *provided, however,* that Capital Expenditures made to the Underground Portion while a D/W Agreement is in effect shall be made such that the Detroit side of the Underground Portion is in a condition commensurate with the condition of the Windsor side of the Underground Portion; or (y) if no D/W Agreement is in effect, 100% of the capital expenditures, determined in accordance with GAAP, paid by Tenant for work to or at all or any portion for the Tube.
- (c) Within ninety (90) days after the Effective Date, Tenant shall provide the City a detailed plan and schedule for the capital improvements planned to be made to the Tunnel during the year in which the Effective Date occurs and the approximately five (5) years following the Effective Date. On or before each January 31st during the Term, Tenant shall deliver to the City an annual update of such plan together with a plan for the succeeding five (5) years.

4. Extension Term CapEx Credit.

- (a) For any Capital Expenditures paid by Tenant during the Extension Term (the “**Extension Term Capital Expenditures**”), Tenant shall receive a CapEx Credit against the Rent payable by Tenant during the Extension Term equal to the amount of such Extension Term Capital Expenditures; *provided, however*, the aggregate CapEx Credit to which Tenant is entitled during the Extension Term pursuant to this Paragraph 4 shall not exceed \$8,000,000; and *provided, further*, that the annual CapEx Credit claimed by Tenant under this Paragraph 4 in any given calendar year of the Extension Term shall not exceed 75% of the Rent payable for such calendar year (but such annual limitation shall not in any way reduce the aggregate CapEx Credit to which Tenant is entitled under this Paragraph 4). If the Lease (as amended from time to time) terminates prior to December 31, 2040, other than due to a default by Tenant, then the City shall pay to Tenant, on thirty (30) days’ written notice from Tenant, the amount of CapEx Credits that have accrued to Tenant but have not been applied against the Rent.
- (b) No more than sixty (60) days prior to November 4, 2020, Tenant shall provide the City a high-level, strategic plan for the capital improvements that may be made to the Tunnel during the Extension Term to the extent such plan is known or is customary in the tunnel operations field.

5. CapEx Credit Documentation.

- (a) Tenant may offset the amount of any accrued but uncredited CapEx Credits against any monthly payments of Rent, subject to the limitations in Paragraphs 3 and 4. On or prior to the date of claiming any CapEx Credit (i.e., on or before the date of payment of any monthly installment of Rent, or if none is payable, on or before the date such monthly installment of Rent would otherwise have been payable) or requesting payment pursuant to the last sentence of Paragraph 4(a), Tenant shall submit to the City a notice setting forth the amount of the claimed CapEx Credit, together with reasonably detailed written documentation of the Capital Expenditures (and the work associated therewith) for which Tenant is entitled to a CapEx Credit (such notice, a “**CapEx Notice**”). Within five (5) days after receipt of any CapEx Notice, the City shall have the right to ask for reasonable additional information to verify such Capital Expenditures were paid and to determine the nature of work associated with such Capital Expenditure. If the City in good faith believes that a CapEx Credit was claimed for an expenditure that does not fall within the definition of “Capital Expenditure,” as such term is defined in Paragraph 3(b) above, then the City shall give Tenant notice thereof (a “**Dispute Notice**”) within fifteen (15) days after receipt of the applicable CapEx Notice, and the date on which Rent is due shall be extended by fifteen (15) days. If the City timely delivers a Dispute Notice, Tenant shall receive the portion of the CapEx Credit that is undisputed, if any, and shall pay the amount of disputed Rent, subject to the provisions of Article XVIII(2) of the Plaza Lease regarding disputed payments.

- (b) Notwithstanding anything to the contrary in the Lease, as amended hereby, if the City timely provides a Dispute Notice in connection with a CapEx Credit claimed for Existing Remainder Term Capital Expenditures, and if and to the extent such dispute is resolved in Tenant's favor, then the City shall promptly pay an amount equal to the formerly disputed CapEx Credit to Tenant, or at Tenant's option, Tenant may credit such formerly disputed CapEx Credit against the Rent next coming due; provided, however, if (i) the aggregate accrued but unapplied CapEx Credit to which Tenant is entitled under Paragraph 3, plus the formerly disputed CapEx Credit, exceed the aggregate Rent payable during the portion of the Existing Remainder Term commencing at the time the dispute is resolved; or (ii) at the time the dispute is resolved, the Existing Remainder Term has ended; then in addition to, and without in any way reducing, the CapEx Credits to which Tenant is entitled under Paragraph 4, Tenant may take such formerly disputed CapEx Credit as a credit against the Rents payable during the Extension Term. Notwithstanding the foregoing, in no event shall Tenant be entitled to aggregate CapEx Credits for the Existing Remainder Term Capital Expenditures in excess of the aggregate Rent payable during the Existing Remainder Term.
- (c) Notwithstanding anything to the contrary in the Lease, as amended hereby, if the City timely delivers a Dispute Notice in connection with a CapEx Credit claimed for Extension Term Capital Expenditures, and if and to the extent such dispute is resolved in Tenant's favor, then the City shall promptly pay an amount equal to the formerly disputed CapEx Credit to Tenant, or at Tenant's option, Tenant may credit such formerly disputed CapEx Credit against the Rent next coming due (in addition to, and not in limitation of, any CapEx Credit due under Paragraph 4). Notwithstanding the foregoing, in no event shall Tenant be entitled to aggregate CapEx Credits for Extension Term Capital Expenditures in excess of \$8,000,000.
- (d) The provisions of this Paragraph 5 shall survive the expiration or sooner termination of the Lease, as amended hereby.

6. Repair and Maintenance Standards. Notwithstanding anything to the contrary in the Lease, but subject to the casualty and condemnation provisions therein, Tenant shall maintain the Property in a good and safe condition and repair, in compliance with all applicable laws, and in accordance with the following sections of the Existing JOA (as defined below): Sections 8.1(d), (e) and (f), and the first grammatical paragraph of Section 8.1; Sections 8.3(a), (b) and (c); Section 8.4; Section 8.6; Section 9; Exhibit 8.1 and Sections 1, 2 and the first paragraph of Section 3 of Exhibit 9.1, provided that the second sentence of that first paragraph of Section 3 of Exhibit 9.1 shall be replaced with "The program shall include regular and customary cleaning and grounds maintenance." In the event that the Existing JOA is terminated or amended, these standards shall continue to apply (to the extent applicable).

7. Reporting. In addition to its reporting obligations under the Lease, but subject to Paragraph 10 hereof, Tenant shall deliver, at its sole cost and expense, the following reports and information to the City:

- (a) Within one hundred eighty (180) days following the end of each calendar year ending during the term of the Lease: (i) a copy of the audited balance sheets of Tenant at the end of each such calendar year and the related audited statements of income, calculation of annual rental, changes in equity and cash flows for such year, including, in each case, the notes thereto, together with the report thereon of the independent certified public accountants of Tenant, in each case in a manner and containing information consistent with Tenant's current practices and certified by Tenant's chief financial officer that such financial statements fairly present the financial condition and the results of operations, changes in equity and cash flows of Tenant as at the respective dates of and for the periods referred to in such financial statements, all in accordance with generally accepted accounting principles in the United States consistently applied; (ii) a report, in a format reasonably acceptable to the City, certified by the Tenant's chief financial officer, providing reasonably detailed information regarding any work associated with Capital Expenditures undertaken by the Tenant with respect to the Property, including such information as may be reasonably requested by the City, which shall include the type of work associated with such Capital Expenditures, the expected cost therefor, the expected completion date, the contractor engaged to perform such work associated with such Capital Expenditures, and any expected disruption of traffic in the Property as a result of the work associated with such Capital Expenditures; and (iii) a report, in a format reasonably acceptable to the City, detailing the amount of traffic through the Property on a weekly, monthly and quarterly basis, the make-up of that traffic and the Tenant's projections for the traffic in the upcoming calendar year and the Tenant's basis therefor;
- (b) Within thirty (30) days after the end of each six-month period, commencing with the six-month period ending June 30, 2015, a report, in a format reasonably acceptable to the City, detailing all material incidents that occurred in the Tunnel, including, but not limited to, vehicular accidents and hazardous material releases, but in each case only if such incidents materially impeded the normal operations of the Tunnel;
- (c) promptly after the occurrence thereof, an email report on any incident occurring in the Tunnel and causing material damage to property or injury to persons, if such incident results in the closure of any portion of the Tunnel for at least an hour;
- (d) within thirty (30) days after receipt by Tenant, a copy of (i) the engineering reports required by Sections 8.7 and 8.8 of the Joint Operating Agreement by and among the Corporation of the City of Windsor, the Windsor Tunnel Commission and Tenant (as successor-in-interest to DCTC and The Detroit and Windsor Subway Company, Ltd.) dated November 1, 1997 (the "**Existing JOA**"); or (ii) if the Existing JOA is amended or modified to change the requirements for those reports, (x) every year, an engineering report based on visual inspection of the Tunnel made by an independent, licensed engineer reasonably acceptable to Tenant and (y) every five (5) years a comprehensive engineering report on the Tunnel prepared by an independent, licensed engineer reasonably acceptable to

the City, which report shall include, but not be limited to, an analysis of the structural integrity of the Tunnel, a description of the current state of the Tunnel, including its fixtures and mechanical systems, recommended capital expenditures for the Tunnel and such other information as the City may reasonably request; and

- (e) Within thirty (30) days after such request, any information regarding the Property reasonably requested by the City, provided that such information is in the possession or control of Tenant.

8. Right to Inspect. The City shall have the right, upon at least three (3) business days' written notice to Tenant, at reasonable times, provided that such inspection does not unreasonably interfere with the normal operation of the Property (and as to any portion of the Property subleased as of the date hereof or subsequently subleased to a governmental authority, does not violate the applicable sublease) and at the City's sole cost and expense, to have the Property inspected by an engineer, who is (i) either employed directly by the City or with whom the City has contracted; and (ii) licensed and has at least ten (10) years' experience in engineering matters related to construction, maintenance and repair of infrastructure projects or tunnels. Inspections made pursuant to this Paragraph 8 may only be performed once in each calendar year, except such limitation shall not apply when Tenant is in default of its obligations under Paragraph 6 of this Amendment or any other of its obligations regarding the repair, maintenance and operation of the Tunnel. Tenant shall make the Property and a senior officer who is responsible for maintenance and/or operations of the Property reasonably available to such engineer for the purposes of such inspection and shall provide such engineer any documentation in Tenant's possession or control, reasonably requested by such engineer, subject to Paragraph 10. Without limiting any provision hereof, any such engineering inspections conducted by or on behalf of the City shall be performed in accordance with all applicable laws and with all reasonable operating rules and regulations applicable to the Property. The City shall cause any individual or firm performing an inspection pursuant to this Paragraph 8 to be bound by the confidentiality obligations of the City pursuant to the provisions of Paragraph 10 hereof.

9. Calculation of Net Operating Income. For the avoidance of doubt, in calculating "net operating income" as defined in Section IV(2)(b) of the Plaza Lease, Tenant shall not include any expenses that are not attributable to the operation, maintenance and repair of the Property or to Tenant's obligations under the Lease; and, to the extent Tenant or Tenant's affiliates incur costs that are only partially attributable to the Property, Tenant shall not include as an expense for Section IV(2)(b) of the Plaza Lease the portion of those costs that are not attributable to the Property. Allocations will be prepared consistent with GAAP and the specific methodology and allocation shall be reflected and set forth in the companies' audited financial statements.

10. Confidentiality.

- (a) Notwithstanding anything to the contrary in the Lease, no information or document provided by Tenant to the City pursuant to or in connection with the Lease, as amended hereby, shall be subject to any confidentiality restrictions, and the City may publicly disclose such information or disclose such information to

third parties as it deems appropriate in its sole discretion; *provided, however*, that Tenant shall have no obligation to deliver to the City (and Tenant may redact from information it delivers to the City) any Confidential Information (as defined below); and *provided, further*, that if Tenant delivers to the City any Confidential Information (and labels it as such), then the City shall not disclose such information to third parties (other than to its professional advisors, employees, third-party report providers, affiliates, officers, members, underwriters, agents, consultants, lenders, investors and legal counsel and as to those, only on a need-to-know basis, as reasonably determined by the City, provided such parties are bound by the confidentiality obligations of the City set forth in this Paragraph 10).

- (b) **“Confidential Information”** means information that (i) relates to maintaining national security and/or to maintaining security at the Tunnel; (ii) is required to be kept confidential by applicable law, regulation or order; or (iii) is a trade secret or is other information that is proprietary to Tenant (including, without limitation, information regarding Tenant’s proprietary toll and revenue collecting and accounting system and Tenant’s mobile app for express payments, and other technical and business information relating to Tenant’s proprietary ideas, patentable ideas, copyrights, and other proprietary systems and software).
- (c) If Tenant chooses to withhold Confidential Information from the City, Tenant shall promptly provide written notice that it has done so. The City, through its authorized representative, shall have the right, upon reasonable advance written notice to Tenant, to inspect any Confidential Information, which shall not be redacted, at the offices of Tenant within the City to verify during customary business hours that such information is Confidential Information and to review such Confidential Information, provided that the City may not make a copy of such Confidential Information.
- (d) Notwithstanding anything to the contrary in Lease (as amended hereby), in an effort to ensure that the City, Tenant and the City of Windsor can effectively and efficiently operate the Tunnel in an integrated and seamless manner, the City shall have the right to share with Windsor all information regarding the Tunnel it receives, and Tenant shall cause it and its affiliates to not restrict the City of Windsor, or its affiliates, from providing the City any information related to the Tunnel.
- (e) Nothing contained in this Lease (as amended hereby) shall be construed to limit or reduce the rights and powers of the State of Michigan or the United States of America.

11. **Ineligible Parties.** It shall be a default under the Lease, as amended hereby, if any Ineligible Party (as defined below) shall be involved in the operation, financing, construction or management of the Property or the improvements thereon, or if such Ineligible Party has a direct or indirect beneficial interest in Tenant. **“Ineligible Party”** means any individual or entity, or any entity controlled by, controlling or under common control with any individual or entity, maintaining a controlling interest in any crossing of the border between the State of Michigan

and Canada, such as any tunnel, bridge or other similar infrastructure; *provided, however* that the term “Ineligible Party” shall not include Pike Pointe Holdings, LLC; any entity controlled, controlling or under common control with Pike Pointe Holdings LLC; or Windsor.

12. Operation of an Integrated Tunnel. The parties acknowledge that it is in their respective and joint interests to cause the entire Tunnel to be operated in a harmonious and integrated manner. The City understands that to effect such operation, Tenant intends to negotiate a new or amended operating agreement with the City of Windsor (or an agency or instrumentality thereof), and that Tenant will negotiate such agreement in good faith (but that Tenant shall have no obligation to enter into such an agreement). The City also understands that achieving such purpose may require amendments to the Lease (as amended hereby) and agrees to be reasonable, and to act in good faith, in discussing and considering any such amendments. For avoidance of doubt, (i) Tenant will not have any obligation to enter into any such amendment that would (x) adversely affect (other than in a de minimis manner) its rights under the Lease, as amended hereby, (y) increase (other than in a de minimis manner) its obligations under the Lease, as amended from time to time or (z) decrease (other than in a de minimis manner) the City’s obligations under the Lease, as amended from time to time; and (ii) the City will not have any obligation to enter into any such amendment that would (x) adversely affect (other than in a de minimis manner) its rights under the Lease, as amended hereby, (y) increase (other than in a de minimis manner) its obligations under the Lease, as amended from time to time or (z) decrease (other than in a de minimis manner) Tenant’s obligations under the Lease, as amended from time to time.

13. Notices. Article XVIII(3) of the Plaza Lease and Article XV(3) of the Tube Lease are each amended and restated as follows:

3. All notices and other communications authorized or required hereunder, to be given to the City or the Tenant, shall be in writing and shall be given by hand delivery or by nationally recognized overnight courier to the following addresses:

If to the City, to

The City of Detroit
Office of the Mayor
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1126
Detroit, MI 48226
Attn: Mayor

with a copy to (which will not constitute notice):

The City of Detroit
Law Department
Coleman A. Young Municipal Center
2 Woodward Avenue, 5th Floor
Detroit, MI 48226
Attention: Corporation Counsel

If to Tenant, to

Detroit Windsor Tunnel LLC
100 East Jefferson Avenue
Detroit, MI 48226
Attn: Neal Belitsky

with a copy to

Dykema Law Firm
400 Renaissance Center
Detroit, MI 48243
Sherrie L Farrell, Esq.

Notices shall be effective if given by a party's attorneys. Any party may change its address for notices by a notice given in accordance with this section. Notices shall be deemed given and received on the date received, as evidenced by receipt.

14. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. Conflict. In the event the terms of the Lease conflict with the terms of this Amendment, the terms of this Amendment shall control and govern in all instances.

16. Full Force and Effect. The Lease, as modified hereby, remains in full force and effect.

17. Severability. If any provision of this Amendment or the application thereof to any person or circumstances shall, to any extent, be declared invalid, illegal or unenforceable by a court of competence jurisdiction, all other provisions and applications hereof shall remain in full force and effect.

18. Inter-Governmental Authority. Expressly subject and subordinate to the terms of the Lease (as amended hereby and as amended from time to time), the City may enter into an agreement with Windsor to establish an intergovernmental authority concerning the Tunnel. For avoidance of doubt, no such agreement shall adversely affect (other than in a de minimis manner) Tenant's rights nor increase (other than in a de minimis manner) its obligations under the Lease, as amended from time to time.

19. Memorandum of Lease. This Amendment shall not be recorded; *provided*, *however*, that upon the request of either party, the other party shall join in the execution of a memorandum or short form of the Lease, as amended hereby, which shall describe the parties, the Demised Premises, the term of the Lease, and special provisions and shall incorporate the Lease, as amended hereby, only by reference.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

CITY:

CITY OF DETROIT

By: _____

Name:

Title:

TENANT:

DETROIT WINDSOR TUNNEL LLC

By: _____

Name:

Title:

OPTION AGREEMENT

OPTION AGREEMENT

THIS OPTION AGREEMENT (this “**Agreement**”) is made and entered into as of the ____ day of _____, 2014, by and between Pike Pointe Holdings, LLC (“**Pike Pointe**”) and the City of Detroit, a Michigan municipal corporation (the “**City**”).

RECITALS

A. The City owns that certain parking garage, commonly known as the Grand Circus Parking Garage, located at 1600-01 Woodward Avenue, Detroit, Michigan, as more particularly described in Exhibit 1 (the “**Circus Garage**”).

B. The Detroit Building Authority (the “**DBA**”) had previously owned the Circus Garage and had leased it to the City pursuant to the Contract of Lease No. 2 by and between the City and the DBA, dated October 1985, (as amended, the “**DBA Lease**”).

C. The DBA Lease has previously terminated pursuant to its terms, and pursuant to the terms of the DBA Lease, title to the property leased thereunder, including the Circus Garage, reverted back to the City.

D. Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (collectively, “**Syncora**”) own the entire beneficial interest in Pike Pointe.

E. Syncora, through one or more of its affiliates, including Pike Pointe, owns and operates certain public infrastructure projects.

F. In connection with the continued improvement of the City, the City desires to grant an option to Pike Pointe with respect to the possibility of negotiating and entering into a mutually agreeable concession agreement for the operation and maintenance of the Circus Garage pursuant to the terms of this Agreement, and Pike Pointe desires to accept such option.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Option. Pike Pointe shall have the option, in its sole discretion, to enter into a concession for the Circus Garage (the “**Option**”) on the terms set forth herein. In order to exercise the Option, Pike Pointe must deliver written notice to the City notifying the City that Pike Pointe has exercised the Option (the “**Exercise Notice**”), which Exercise Notice must be delivered within one (1) year from the effective date of the Seventh Amended Plan for the Adjustment of Debts of the City of Detroit, as it may be further amended and as modified (the “**Plan of Adjustment**”). After delivery of the Exercise Notice, the City and Pike Pointe shall promptly and in good faith, negotiate a concession agreement in accordance with the terms set forth in Exhibit 2; provided, however, that neither party shall be obligated to execute a concession agreement. If, within ninety (90) days following the delivery of the Exercise Notice, an agreement has not been reached between the City and Pike Pointe regarding the Circus Garage, either party may, by delivery of notice to the other party, terminate this Option, and thereafter Pike Pointe shall have no right with respect to the Circus Garage.

2. Failure to Exercise. If Pike Pointe fails to send the Exercise Notice within one (1) year after the effective date of the Plan of Adjustment, Pike Pointe will be deemed to have not exercised the Option and will have no further right to do so nor shall it have any interest in the Circus Garage. At such time, this Agreement and the Option will have no further force or effect.

3. Anti-Assignment. Pike Pointe may not assign to any third party (other than a wholly owned subsidiary or other affiliate of Syncora in which Syncora is the direct or indirect beneficial owner (a “**Pike Pointe Affiliate**”), any interest in this Agreement or the Option without the City’s prior written consent, which consent may be withheld in the City’s sole discretion. Any attempted assignment without the City’s consent shall be void ab initio and of no force and effect, and such purported transferee shall have no right to exercise the Option nor shall it have any interest in the Circus Garage. Notwithstanding anything to the contrary in this Agreement, Pike Pointe shall have no right to exercise the Option if, at the time of such exercise and the execution of the Concession Agreement, Syncora is not a direct or indirect beneficial owner of Pike Pointe.

4. Title to Circus Garage. The City shall cause the DBA to execute such documentation as is necessary to confirm the transfer of ownership of the Circus Garage to the City promptly after execution of this Agreement. The City shall retain title to the Circus Garage during such time as Pike Pointe has the right to exercise the Option and shall maintain the Circus Garage in at least the same condition and repair as of the date hereof.

5. Development Agreements. Pike Pointe hereby acknowledges that the City has entered into certain development agreements with third party developers, which agreements contemplate that those developers will have the right to use parking spots within the Circus Garage at fair market rates (as determined by Pike Pointe from time to time and consistent with the rates provided to other patrons of the Circus Garage), and Pike Pointe agrees that it shall execute leases, licenses or other usage agreements with such developers on those terms. The City will provide the material terms and conditions of those development agreements with respect to developers’ use of Circus Garage as soon as is reasonably practicable following execution of this Agreement.

6. Due Diligence Activities.

- (a) Prior to delivery of the Exercise Notice, Pike Pointe shall have a period commencing on the date hereof and continuing through and including the date of the delivery of the Exercise Notice or the expiration or termination of this Option, whichever is sooner, (the “Due Diligence Period”) to conduct its due diligence activities on the Circus Garage, which shall not unreasonably interfere with the use and operation of the Circus Garage. For purposes of this Agreement, “Due Diligence Activities” include but are not limited to the following:

- (A) such physical inspections, soil borings and bearing tests, surveys, and possible relocation of utilities on or for the Circus Garage as Pike Pointe deems appropriate, all of which shall be completed at Pike Pointe’s expense;

- (B) investigations, environmental site assessments, including Phase I and Phase II site assessments, sampling and testing of soil, groundwater, surface water, soil vapors, indoor air, and building materials (such as Asbestos and lead-based paint), and/or a Baseline Environmental Assessment, (“BEA”), as defined in Part 201 of the Natural Resources and Environmental Protection Act (“NREPA”), being MCL 324.20101 et seq., and such other investigations and assessments as Pike Pointe may deem needed in its sole discretion to determine the condition of the Circus Garage and the Circus Garage’s compliance with applicable law, all of which shall be completed at Pike Pointe’s expense; and
 - (C) a review of the title evidence, survey, entitlements, and payment of taxes and assessments, all of which shall be completed at Pike Pointe’s expense;
 - (D) a review of financing sources related to Pike Pointe’s proposed use of the Circus Garage, or any other matter that in Pike Pointe’s sole discretion is relevant to Pike Pointe’s use of the Circus Garage;
 - (E) a review of all City Information and all publicly-available information with respect to the Circus Garage;
 - (F) a review of available public and private utilities and public accesses necessary for the proposed use of the Circus Garage; and
 - (G) application and procurement of any zoning, site plan, elevation, special land use, environmental, conditional use or other municipal approvals or permits, or variances therefrom, required or appropriate for the proposed use of the Circus Garage. The City hereby authorizes Pike Pointe to submit and apply for all such approvals, permits, and variances upon the commencement of the Due Diligence Period.
- (b) Restoration of City Property. Promptly following completion of a Due Diligence Activity, Pike Pointe shall restore the Circus Garage and all property therein to the state in which it existed prior to the commencement of the Due Diligence Activity.
- (c) City Information. The City shall use reasonable efforts to make available to Pike Pointe all information in the City’s (or the City’s agencies’ or departments’) possession or control related to the Circus Garage within thirty (30) days following the effective date of the Plan of Adjustment, including but not limited to existing leases, licenses, permits, approvals, contracts, warranties, title searches and policies, surveys, appraisals, environmental audits, Phase I environmental site assessments, Phase II reports or other testing or sampling data, asbestos surveys, reports, specifications, from the Planning, Building, Assessing, Environmental

Affairs and Fire Departments, notices of violations of applicable laws, regulations and ordinances or other documents in the City's possession or control related to the Circus Garage, to the extent the City is not required by law or applicable agreement to keep such information confidential (collectively, the "**City Information**"). The City shall cooperate with Pike Pointe and use reasonable efforts to facilitate Pike Pointe's Due Diligence Activities, all at no material incremental cost to the City, including providing information, coordinating with third party users of the Circus Garage as applicable, and executing such documentation as may be reasonable and necessary for Pike Pointe's access to the site and completion of the Due Diligence Activities including the preparation of a BEA.

- (d) Insurance. Prior to entering onto the Circus Garage for any Due Diligence Activities, Pike Pointe or its contractors shall enter into a right-of-entry agreement regarding the entry into the Circus Garage to be reasonably agreed to by the City and Pike Pointe.
- (e) Indemnity. Pike Pointe shall defend, indemnify and hold harmless the City from and against any loss, liability, cost or expense incurred by the City to the extent resulting from Pike Pointe's (including its duly authorized employees, agents, engineers or other representatives) negligence or willful acts occurring in connection with the Due Diligence Activities; provided, however, that Pike Pointe shall in no circumstance have any obligation or liability with respect to any conditions pre-existing at the Circus Garage including without limitation any environmental condition, soil or groundwater contamination or other environmental conditions that may be discovered in the course of the Pike Pointe's Due Diligence Activities and thereafter disclosed to the City, except to the extent such conditions are materially exacerbated due to the negligence or willful acts of Pike Pointe or any of its duly authorized employees, agents, engineers or other representatives, and (ii) Pike Pointe shall not be responsible for any loss, liability, cost, or expense resulting from the discovery of any adverse information or condition regarding the Circus Garage or from the City's (or the City's agencies' or departments') negligence or misconduct.

7. Notices. All notices, demands and other communications given or delivered under this Agreement shall be given in writing to the address indicated below (or such other address as the recipient specifies in writing) and will be deemed to have been given when delivered personally, three (3) business days after mailed by certified or registered mail, return receipt requested and postage prepaid, or when delivery is guaranteed if sent via a nationally recognized overnight carrier, or when receipt is confirmed if sent via facsimile or other electronic transmission to the recipient with telephonic confirmation by the sending party.

[The City of Detroit
Office of the Mayor
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1126
Detroit, Michigan 48226

Facsimile: (313)224-4128
Attention: Mayor]

with a copy to (which will not constitute notice):

The City of Detroit
Law Department
Coleman A. Young Municipal Center
2 Woodward Avenue, 5th Floor
Detroit, Michigan 48226
Telephone: (313)224-1352
Facsimile: (313)224-5505
Attention: Corporation Counsel

with a copy to (which will not constitute notice):

The City of Detroit
Municipal Parking Department
1600 W. Lafayette
Detroit, Michigan 48216
Telephone: (313)221-2500
Facsimile: (313)221-2501
Attention: Director of Municipal Parking

[Pike Pointe]

8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9. Time of Essence. Time is of the essence of this Agreement.

10. Severability. If any provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be declared invalid, illegal or unenforceable by a court of competence jurisdiction, all other provisions and applications hereof shall remain in full force and effect.

11. Merger of Prior Agreements. This Agreement supersedes all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

12. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan. By its execution and delivery of this

Agreement, each of the City and Pike Pointe irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter arising under or arising out of or in connection with this Agreement, or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding shall be brought in the Bankruptcy Court for so long as it has jurisdiction, and thereafter in the United States District Court for the Eastern District of Michigan; provided that if the United States District Court for the Eastern District of Michigan does not have jurisdiction, then such legal action, suit or proceeding shall be brought in such other court of competent jurisdiction located in Wayne County, Michigan. By execution and delivery of this Agreement, each of the City and Pike Pointe irrevocably accepts and submits to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding and specifically consents to the jurisdiction and authority of the Bankruptcy Court to hear and determine all such actions, suits, and proceedings under 28 U.S.C. §157(b) or (c), whichever applies.

13. Amendments. Except as otherwise provided herein, this Agreement may be amended or modified by, and only by, a written instrument executed by the parties hereto.

14. Captions. The captions used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement and will not be deemed to limit, characterize or in any way affect any provision of this Agreement, and all provisions of this Agreement will be enforced and construed as if no caption had been used in this Agreement.

15. Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their permitted respective successors, heirs, administrators and assigns.

16. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the Parties to express their mutual intent. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CITY:

CITY OF DETROIT

By:

Its:

TENANT:

[PIKE POINTE]

By

Its

EXHIBIT 1

DESCRIPTION OF GRAND CIRCUS PARKING GARAGE

Grand Circus is a three level underground parking structure, situated below the two parcels described below. Grand Circus includes all ramps, walkways, stairwells and other ingress and egress points to the parking structure existing as of the date hereof.

Parcel 02001886: 1883 Woodward Ave

Legal Description: W WOODWARD ALL THAT PT OF GOVERNOR AND JUDGES PLAN BOUNDED BY WOODWARD AVE, E ADAMS ST & PARK AVE A K A WLY PT OF GRAND CIRCUS PARK2/--- 357 IRREG

Parcel 01004139: 1600 Woodward Ave

Legal Description: E WOODWARD ALL THAT PT OF GOVERNOR & JUDGES PLAN BOUNDED BY WOODWARD AVE, E ADAMS AND WITHERELL STS A K A ELY PT OF GRAND CIRCUS PARK1/--- 357 IRREG

EXHIBIT 2

CONCESSION AGREEMENT TERMS

- 30 year term, structured as a concession agreement
- Pike Pointe (or a Pike Pointe Affiliate) is obligated to operate and maintain the Circus Garage during the term at its sole cost and expense and has the right to collect all parking revenue derived from the Circus Garage
- Pike Pointe (or a Pike Pointe Affiliate) shall be responsible, at its sole cost and expense, for all necessary capital expenditures to the Circus Garage, including, without limitation, \$13.5 million in capital expenditures during the first 5 years of the term.
- Rent to the City will be calculated as 25% of Free Cash Flow. Free Cash Flow is defined as revenue collected from the Circus garage minus operating expenses minus capital expenditures, which shall not include the \$13.5 million in initial capital expenditures made by Pike Pointe.
- No Rent shall be due to the City until Pike Pointe has received a return of 140% on its initial capital expenditures of \$13.5 million.
- Pike Pointe (or a Pike Pointe Affiliate) will enter into market-rate long term leases, licenses or usage agreements with the developers of properties adjacent to the Circus Garage pursuant to existing development agreements between the City and such developers.

EXHIBIT I.A.354

**SCHEDULE OF UNLIMITED TAX GENERAL OBLIGATION BOND DOCUMENTS
& RELATED UNLIMITED TAX GENERAL OBLIGATION BONDS**

**SCHEDULE OF UNLIMITED TAX GENERAL OBLIGATION BOND
DOCUMENTS & RELATED UNLIMITED TAX GENERAL OBLIGATION BONDS**

Unlimited Tax General Obligation Bond Documents	Series of Unlimited Tax General Obligation Bonds	Balance as of Petition Date
Resolution of the City Council adopted March 3, 1999 Finance Director's Order dated April 1, 1999	Series 1999-A	\$18,747,364
Amended and Restated Resolution of the City Council adopted April 6, 2001 and Supplement No. 1 to Amended and Restated Resolution, adopted June 13, 2001 (collectively, " <u>2001 UTGO Resolution</u> ") Finance Director's Order dated August 1, 2001 (" <u>2001 UTGO Sale Order</u> ")	Series 2001-A(1)	\$78,787,556
2001 UTGO Resolution 2001 UTGO Sale Order	Series 2001-B	\$4,063,616
Resolution of the City Council adopted July 24, 2002 Finance Director's Order dated August 2, 2002	Series 2002	\$6,745,767
Resolution of the City Council adopted September 19, 2003 Finance Director's Order dated October 9, 2003	Series 2003-A	\$34,908,150
Bond Authorizing Resolution adopted June 14, 2004 (" <u>2004 UTGO Resolution</u> ") Finance Director's Order dated August 27, 2004 (" <u>2004 UTGO Sale Order</u> ")	Series 2004-A(1)	\$39,872,258
2004 UTGO Resolution 2004 UTGO Sale Order	Series 2004-B(1)	\$38,206,678
2004 UTGO Resolution 2004 UTGO Sale Order	Series 2004-B(2)	\$736,241
Resolution of the City Council adopted July 6, 2005 (" <u>2005 UTGO Resolution</u> ") Finance Director's Order dated December 5, 2005 (" <u>2005 UTGO Sale Order</u> ")	Series 2005-B	\$45,452,501
2005 UTGO Resolution 2005 UTGO Sale Order	Series 2005-C	\$18,671,105

Unlimited Tax General Obligation Bond Documents	Series of Unlimited Tax General Obligation Bonds	Balance as of Petition Date
Resolution of the City Council adopted November 17, 2006 (" <u>2008 UTGO Resolution</u> ") Finance Director's Order dated May 30, 2008 (" <u>2008 UTGO Sale Order</u> ")	Series 2008-A	\$59,487,564
2008 UTGO Resolution 2008 UTGO Sale Order	Series 2008-B(1)	\$28,982,532

EXHIBIT LA.360

FORM OF UTGO SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

This Settlement Agreement ("**Agreement**") is entered into as of July 18, 2014, among the City of Detroit (the "**City**"), Ambac Assurance Corporation ("**Ambac**"), Assured Guaranty Municipal Corp. and Assured Guaranty Corp. (together, "**Assured**"), and National Public Finance Guarantee Corporation ("**NPFG**"). In this Agreement, each of the City, Ambac, Assured, and NPFG is referred to individually as a "**Party**"; Ambac, Assured, and NPFG (including their successors and assigns) are referred to collectively as the "**Bond Insurers**"; and the City and the Bond Insurers are referred to collectively as the "**Parties**."

RECITALS

WHEREAS, as of the close of Fiscal Year 2013 (*i.e.*, June 30, 2013), the City had \$369.115 million in outstanding principal amount of unlimited tax general obligations bonds, excluding the 2010 Series A Bonds hereinafter mentioned (the "**Prior UTGO Bonds**");

WHEREAS, more than 90% of the Prior UTGO Bonds are insured by one of the three Bond Insurers under financial guaranty insurance policies (the "**Bond Insurance Policies**") that were issued contemporaneously with the respective Prior UTGO Bonds;

WHEREAS, the Governor of the State of Michigan determined on March 1, 2013 that a financial emergency existed in the City, and the Emergency Manager (together with any successors, the "**Emergency Manager**") was appointed for the City on March 14, 2013;

WHEREAS, on July 18, 2013 (the "**Petition Date**"), the City filed a voluntary petition for relief under chapter 9 of title 11 of the United States Code (the "**Bankruptcy Code**"), thereby commencing Bankruptcy Case No. 13-53846 (the "**Bankruptcy Case**") before the United States Bankruptcy Court for the Eastern District of Michigan (the "**Bankruptcy Court**");

WHEREAS, as of the Petition Date, the balance due on the Prior UTGO Bonds, including prepetition interest accrued as of that date, was \$374,686,297;

WHEREAS, on October 1, 2013, the City defaulted on its obligation to make interest payments on the Prior UTGO Bonds in the amount of \$9,372,276 and the Bond Insurers paid claims and were subrogated to the rights of the owners for such payments, and the insurance documents contemplate the assignment of the Prior UTGO Bonds to the Bond Insurers upon payment of a claim;

WHEREAS, on April 1, 2014, the City defaulted on its obligations on the Prior UTGO Bonds to pay interest in the amount of \$9,372,276 and to pay principal in the amount of \$38,205,000, and the Bond Insurers paid claims and were subrogated to the

rights of the owners for such payments, and the insurance documents contemplate the assignment of the Prior UTGO Bonds to the Bond Insurers upon payment of a claim;

WHEREAS, on November 8, 2013, Assured and NPFG filed an adversary proceeding against the City seeking declaratory relief with regard to their rights in respect of the Prior UTGO Bonds pending before the Bankruptcy Court (Adv. Proc. No 13-05309) (the “**Assured/NPFG Action**”), and Ambac filed an adversary proceeding against the City seeking declaratory relief with regard to its rights in respect of, *inter alia*, the Prior UTGO Bonds pending before the Bankruptcy Court (Adv. Proc. No 13-05310) (the “**Ambac Action**”);

WHEREAS, on or about February 21, 2014, each of the Bond Insurers filed proofs of claim in the Bankruptcy Case (the “**UTGO Claims**”) asserting claims against the City for the full amount of principal and interest due under the documents pursuant to which the Prior UTGO Bonds were issued (including post-petition interest), amounts due the Bond Insurers for payments pursuant to the Bond Insurance Policies, and contractual reimbursements due for charges, fees, costs, losses, liabilities and expenses incurred by the Bond Insurers in connection with the Bond Insurance Policies; and

WHEREAS, the Parties have engaged in good faith and arms’ length negotiations regarding a consensual resolution of their disputes under or in respect of the Prior UTGO Bonds, the Assured/NPFG Action, the Ambac Action, and the UTGO Claims;

NOW, THEREFORE, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. **Recitals**. The recitals set forth above are incorporated by reference and are explicitly made a part of this Agreement.

Section 1.2. **Definitions**. In addition to the capitalized terms defined in the preamble and recitals, the following definitions shall apply to and constitute part of this Agreement and all schedules, exhibits and annexes hereto:

“**Act 436**” shall mean the Local Financial Stability and Choice Act of the State, Act 436 of 2012, Public Acts of Michigan, 2012.

“**Additional Bonds**” shall mean any unlimited tax general obligation bonds issued on a parity with the Prior UTGO Bonds, the UTGO Bonds and the 2010 Series A Bonds as to the Aggregate UTGO Tax Levy.

“Additional DSA Debt” has the meaning ascribed to it in Section 2.6(a).

“Agreement to Deposit State Aid” shall mean the agreement, dated as of the date of the issuance of the MFA Bonds, among the City, the State Treasurer and U.S. Bank National Association, as Master Trustee, providing for the deposit of Distributable State Aid payments by the State Treasurer directly into the funds and accounts held by the Master Trustee pursuant to the Master Indenture for purposes of retiring the Municipal Obligation for so long as the Municipal Obligation remains outstanding.

“Aggregate UTGO Tax Levy” shall mean all proceeds of the ad valorem tax millage levies, including delinquent millage payments received from Wayne County or otherwise, on account of unlimited tax general obligation bonds of the City, including the Prior UTGO Bonds (or after the Effective Date, the UTGO Bonds), the 2010 Series A Bonds and any Additional Bonds hereafter issued by the City.

“Allowed Claim” has the meaning ascribed to it in the Plan.

“Ambac Action” has the meaning ascribed to it in the recitals hereof.

“Approval Motion” shall mean a motion filed by the City with the Bankruptcy Court in accordance with Section 2.8(c), seeking entry of the Approval Order pursuant to Federal Rule of Bankruptcy Procedure 9019, which motion shall be in form and substance reasonably satisfactory to the Parties.

“Approval Order” shall mean an order of the Bankruptcy Court (other than the Plan Confirmation Order) approving the compromise and settlement set forth in this Agreement authorizing and directing the consummation of the transactions contemplated herein, which order shall be in a form and substance reasonably satisfactory to the Parties.

“Assigned UTGO Bond Tax Proceeds” has the meaning ascribed to it in Section 2.1(b)(i).

“Assured/NPFG Action” has the meaning ascribed to it in the recitals hereof.

“Bankruptcy Case” has the meaning ascribed to it in the recitals hereof.

“Bankruptcy Code” has the meaning ascribed to it in the recitals hereof.

“Bankruptcy Court” has the meaning ascribed to it in the recitals hereof.

“Bond Insurance Policies” has the meaning ascribed to it in the recitals hereof.

“Bond Insurer Claims” has the meaning ascribed to it in Section 2.1.

“Bond Insurer Exculpated Parties” means the Bond Insurers solely in their capacity as insurers of the Prior UTGO Bonds, and their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, solely in their capacity as such.

“Claim” shall mean a “claim” as defined in Section 101(5) of the Bankruptcy Code.

“Class” means each class of Claims established under the Plan.

“Debt Millage Escrow Agreement” shall mean an escrow agreement substantially in the form of Exhibit A hereto between the City and U.S. Bank National Association as escrow trustee providing, among other things, for the deposit and distribution of the Aggregate UTGO Tax Levy collected by the City, to be executed and delivered on the date of this Agreement.

“Debt Millage Escrow Trustee” has the meaning ascribed to it in Section 2.4(a).

“Distributable State Aid” shall mean the shared revenue payments that the City is entitled to receive from the State under the Michigan Constitution and the provisions of the Glenn Steil State Revenue Sharing Act, Act 140, Public Acts of Michigan, 1971, as amended (**“Act 140”**) in each City fiscal year ending June 30.

“DSA Deposit” has the meaning ascribed to it in Section 2.5(c).

“DSA Deposit Date” has the meaning ascribed to it in Section 2.5(c).

“Deposit Date Balance Requirement(s)” has the meaning ascribed to it in Section 2.5(c).

“Deposit Date Balance Requirement for the Municipal Obligation” has the meaning ascribed to it in Section 2.5(e).

“DSA Escrow Funds” has the meaning ascribed to it in Section 2.5(b).

“DTC System” shall mean the system maintained by the Depository Trust Company used for trading municipal securities.

“Effective Date” shall mean the effective date of any Plan.

“Emergency Manager” has the meaning ascribed to it in the recitals hereof.

“Emergency Manager Order” shall mean an order of the Emergency Manager in substantially the form attached hereto as Exhibit B.

“Event of Default” has the meaning ascribed to it in Section 4.1.

“Existing DSA Debt” has the meaning ascribed to it in Section 2.6(a).

“Final Order” shall mean an order or judgment including any associated findings of fact and conclusions of law of the Bankruptcy Court or other court of competent jurisdiction with respect to the applicable subject matter which has not been reversed, stayed, modified or amended and as to which (a) any right to appeal or seek certiorari, review, reargument, stay or rehearing has expired and no appeal or petition for certiorari, review, reargument, stay or rehearing is pending, or (b) an appeal has been taken or petition for certiorari, review, reargument, stay or rehearing has been filed and (i) such appeal or petition for certiorari, review, reargument, stay or rehearing has been resolved by the highest court to which the order or judgment was appealed or from which certiorari, review, reargument, stay or rehearing was sought or (ii) the time to appeal further or seek certiorari, review, reargument, stay or rehearing has expired and no such further appeal or petition for certiorari, review, reargument, stay or rehearing is pending; provided, however, that the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure or Federal Rule of Bankruptcy Procedure 9024 may be filed relating to such order shall not cause such order to not be a Final Order.

“Financial Terms” has the meaning ascribed to it in Section 2.2.

“Hard Pay Instruments” has the meaning ascribed to it in Section 2.11(a)(i).

“Holders Restructured UTGO Bonds” has the meaning ascribed to it in Section 2.1(a).

“Holder” shall mean the holder of a Claim under or evidenced by the Prior UTGO Bonds.

“Impaired Financial Creditors” has the meaning ascribed to it in Section 2.11(a).

“Insurer Owned Restructured UTGO Bonds” has the meaning ascribed to it in Section 2.1(a).

“Master Indenture” shall mean the Master Debt Retirement Trust Indenture dated as of March 1, 2010 by and between the City and U.S. Bank National Association, Detroit, Michigan, as Master Trustee, as supplemented by the First Supplemental Debt Retirement Trust Indenture dated as of March 1, 2010, by the Second Supplemental Debt Retirement Trust Indenture dated as of December 1, 2010, the Third Supplemental Debt Retirement Trust Indenture dated as of March 1, 2012, the Fourth Supplemental Debt Retirement Trust Indenture dated as of August 1, 2012 and by the Fifth Supplemental Debt Retirement Trust Indenture to be dated as of the first day of the

month of the issuance of the MFA Bonds, by and between the City and the Master Trustee.

“**Master Trustee**” shall mean U.S. Bank National Association, Detroit, Michigan, as trustee under the Master Indenture or any successor trustee appointed pursuant to the terms of the Master Indenture.

“**MFA Bonds**” has the meaning ascribed to it in Section 2.2.

“**Municipal Obligation**” has the meaning ascribed to it in Section 2.2.

“**Plan**” shall mean the chapter 9 plan of adjustment filed by the City and incorporating the terms and conditions set forth in this Agreement, in substantially the form of the draft thereof dated May 5, 2014, as such plan may be amended, modified or supplemented from time to time, which plan, as it relates to this Settlement Agreement, shall be in form and substance reasonably satisfactory to the Bond Insurers.

“**Plan Confirmation Order**” shall mean findings of fact and an order of the Bankruptcy Court confirming the Plan and meeting the requirements of Section 2.9 of this Agreement.

“**Plan Documents**” shall mean the Plan, the Plan Confirmation Order and any Plan related documents effectuating this Agreement.

“**Plan Instruments**” shall have the meaning ascribed to it in Section 2.11(a)(ii).

“**Prior UTGO Bonds**” has the meaning ascribed to it in the recitals hereof.

“**Pro Rata**” shall mean the proportion that a claim of one Holder of Restructured UTGO Bonds bears to the aggregate of all claims of all of the Holders of Restructured UTGO Bonds.

“**Restructured UTGO Bonds**” has the meaning ascribed to it in Section 2.1.

“**Series 2014 DSA Escrow Fund**” has the meaning ascribed to it in Section 2.5(d).

“**Settlement Escrow Agreement**” has the meaning ascribed to it in Section 2.8.

“**Settlement-Related Documents**” shall mean this Agreement, the Plan Documents, the Approval Order (if applicable), the Debt Millage Escrow Agreement, the Settlement Escrow Agreement, the Restructured UTGO Bonds, the Stub UTGO Bonds, the Municipal Obligation, the MFA Bonds and all documents related to the MFA Bonds

(other than a Bond Insurer's insurance policies related to the MFA Bonds, Restructured UTGO Bonds and the Stub UTGO Bonds), each of which shall be in form and substance reasonably satisfactory to the Parties (and, in the case of the Plan Documents, solely as they relate to this Agreement).

"Shared Credit Rating Act" shall mean the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as from time to time amended.

"Soft Pay Instruments" has the meaning ascribed to it in Section 2.11(a)(ii).

"State" shall mean the State of Michigan.

"State Treasurer" shall mean the State Treasurer of the State.

"Stub UTGO Bonds" has the meaning ascribed to it in Section 2.1(b).

"Stub UTGO Challenge" has the meaning ascribed to it in Section 6.3(b).

"Syncora" shall mean Syncora Capital Assurance Inc. and Syncora Guarantee Inc. as insurer of the Series 2003(A) Unlimited Tax General Obligation Bonds.

"2010 Senior Bonds" has the meaning ascribed to it in Section 2.3(d)(i).

"2010 Series A Bonds" shall mean the City's \$100,000,000 Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010 (A) (Taxable Recovery Zone Economic Development Bonds-Direct Payment).

"Third Lien Bonds" has the meaning ascribed to it in Section 2.3(d)(iii).

"Top-Off Payments" has the meaning ascribed to it in Section 2.11(b).

"Trigger Event" has the meaning ascribed to it in Section 2.11(b).

"Trigger Payments" has the meaning ascribed to it in Section 2.11(b).

"UTGO Bond Tax Levy" shall mean that portion of the Aggregate UTGO Tax Levy in the amount that was allocable to the Prior UTGO Bonds.

"UTGO Bonds" shall mean the Municipal Obligation and the Stub UTGO Bonds.

"UTGO Claims" has the meaning ascribed to it in the recitals hereof.

"UTGO Litigation" has the meaning ascribed to it in Section 2.13.

Section 1.3. Interpretation. The Parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties hereto and no presumption or burden of proof will arise favoring or disfavoring any Party hereto because of the authorship of any provision of this Agreement.

Section 1.4. General Rules of Construction. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires

(a) Defined terms in the singular shall include the plural as well as the singular, and vice versa.

(b) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to “generally accepted accounting principles” refer to such principles as they exist at the date of application there.

(c) All references in this instrument to designated “Articles”, “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(d) The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

(e) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(f) The term “person” shall include any individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization and any government or agency or political subdivision thereof.

ARTICLE II SETTLEMENT TERMS

Section 2.1. Claim Treatment. The City hereby agrees that the total Allowed Claim relating to the Prior UTGO Bonds will be \$388,000,000, allocated as follows:

(a) \$287,560,790 of the Prior UTGO Bonds which mature on or after April 1, 2015 will be restructured and allocated (i) among the Holders of the Prior UTGO Bonds which mature on or after April 1, 2015 on a Pro Rata basis, as set forth on

Schedule 1a annexed hereto (the “**Holders Restructured UTGO Bonds**”) and (ii) the Bond Insurers and Syncora, as set forth on Schedule 1b (the “**Insurer Owned Restructured UTGO Bonds**”) and, together with the Holders Restructured UTGO Bonds, the “**Restructured UTGO Bonds**”), and the Restructured UTGO Bonds will be restructured by delivery of the Municipal Obligation to the MFA and the delivery by the MFA of the MFA Bonds as described in Section 2.2 below, which, as restructured through the MFA, will be a full faith and credit general obligation payable from all legally available resources and secured, to the extent permitted by law, including Section 12(1)(x) of Act 436, by a lien upon the UTGO Bond Tax Levy, and payable and further secured by a lien on Distributable State Aid as provided in Section 2.3(a)(iii); and

(b) The remainder of the Prior UTGO Bonds (the “**Stub UTGO Bonds**”) which mature on or after April 1, 2015, in the principal amount of \$43,349,210, will be reinstated and remain outstanding, and will be payable from the UTGO Bond Tax Levy, subject to the following terms and conditions:

(i) The Holders’ rights to the proceeds of the UTGO Bond Tax Levy in an amount equal to the principal and interest payable on the Stub UTGO Bonds (but subject to the prior rights of the holders of the Municipal Obligation) will be assigned under and pursuant to the Plan (without any consent or action on the part of, or additional consideration payable to, the Bond Insurers or the Holders) to a designee or designees of the City (the “**Assigned UTGO Bond Tax Proceeds**”), and such proceeds will not be paid to the paying agent for the UTGO Bonds.

(ii) The obligations of the Bond Insurers to the Holders of the Prior UTGO Bonds that are not Holders Restructured UTGO Bonds under the existing applicable Bond Insurance Policies shall be unchanged.

(c) The Bond Insurers shall be granted Allowed Claims for all amounts actually paid by the Bond Insurers to Holders of the Prior UTGO Bonds together with any policy advances made from and after the Effective Date by the Bond Insurers in respect of the Stub UTGO Bonds pursuant to this Agreement up to an aggregate amount of \$100.5 million (the “**Bond Insurer Claims**”), which Allowed Claims shall receive distributions only when and if the Most Favored Nations clause set forth in Section 2.11 becomes operative and only pursuant to the terms of such Most Favored Nations clause.

Section 2.2. Restructuring of Restructured UTGO Bonds by Delivery of Municipal Obligation to MFA and Delivery of MFA Bonds.

(a) On or before the Effective Date (i), the Restructured UTGO Bonds will be restructured as follows: By execution of the Emergency Manager Order the City will authorize the issuance and delivery of a local government municipal obligation (the “**Municipal Obligation**”) to the Michigan Finance Authority (“**MFA**”), in accordance with applicable law, (ii) the City will request the MFA to issue its Local Government Loan Program Revenue Bonds, Series 2014 (City of Detroit Unlimited Tax General Obligation Restructured Local Project Bonds) (the “**MFA Bonds**”), and (iii) the

MFA Bonds shall be distributed Pro Rata to the Holders of the Holders Restructured UTGO Bonds as set forth on Schedule 1a annexed hereto and among the Bond Insurers and Syncora as set forth on Schedule 1b annexed hereto. The Municipal Obligation and the MFA Bonds will have the same principal amount (rounded down for each denomination to the nearest whole dollar), interest rate, payment dates, amortization schedule, prepayment terms (including first call date) and other financial terms (other than the pledge of Distributable State Aid and the priority of payment from the UTGO Bond Tax Levy relative to the Stub UTGO Bonds) as the Restructured UTGO Bonds (the “**Financial Terms**”). The MFA Bonds will be limited obligations of the MFA, payable from and secured by (i) payments made by the City on the Municipal Obligation and all right, title and interest in and to the Municipal Obligation, which shall include, to the extent permitted by applicable law, including without limitation Section 12(1)(x) of Act 436, a lien on the portion of the UTGO Bond Tax Levy allocable to the Municipal Obligation, pledged by the City to secure the Municipal Obligation as required by Section 2.3(a), and (ii) a lien, made a statutory lien as provided by the Shared Credit Rating Act, on moneys in the funds and accounts established for the MFA Bonds under the authorizing resolution for such bonds, including payments pledged by the City and received and held by the MFA or its trustee for the MFA Bonds, which include, without limitation, all payments of (x) the proceeds of the UTGO Bond Tax Levy and (y) Distributable State Aid deposited as described in Sections 2.4 and 2.5.

(b) All documents relating to the Municipal Obligation and the MFA Bonds will be in form and substance reasonably satisfactory to the Bond Insurers. Such documentation will include that the Master Indenture will not be amended in any manner which adversely affects the MFA Bonds or the rights of the Bond Insurers. Each Bond Insurer will insure the Series of MFA Bonds relating to the Holders Restructured UTGO Bonds originally insured by such Bond Insurer set forth on Schedule 1a attached hereto by either (i) issuing a new bond insurance policy (and to the extent applicable canceling the existing policy), (ii) endorsing its existing Bond Insurance Policy or (iii) amending its existing Bond Insurance Policy.

(c) Each of the MFA Bonds will be freely transferable through the DTC System under a unique CUSIP identification number that is separate and distinct from the CUSIP identification number for the Stub UTGO Bonds or, if the DTC System is discontinued with respect to the MFA Bonds, in such other manner as is permitted in accordance with their terms.

(d) The paying agent for the Prior UTGO Bonds shall issue new certificates representing the Stub UTGO Bonds to the Holders in principal amounts representing the balance of each Holder’s Prior UTGO Bonds not restructured through the delivery of the MFA Bonds.

Section 2.3. The Municipal Obligation and Distributable State Aid.
The City agrees, with the cooperation of the MFA, to restructure the Restructured UTGO Bonds as the Municipal Obligation as of the Effective Date. The City covenants and agrees that:

(a) The Municipal Obligation:

(i) will be approved pursuant to the Emergency Manager Order and in accordance with all applicable laws;

(ii) will be payable from the unlimited tax full faith, credit and resources of the City and the UTGO Bond Tax Levy and secured, to the extent permitted by law, including without limitation Section 12(1)(x) of Act 436, by a lien granted by the City on the UTGO Bond Tax Levy pursuant to the Emergency Manager Order, the grant of which will be confirmed by the Bankruptcy Court in the Plan Confirmation Order (or, if applicable, the Approval Order);

(iii) also will be secured by and payable from a portion of the City's Distributable State Aid, subject to a statutory lien and trust as provided in section 15(2) of the Shared Credit Rating Act;

(iv) will have the same rights (other than priority) in and to the Distributable State Aid, and have the same protections (including, without limitation, a statutory lien to the same extent the 2010 Series A Bonds are secured by a statutory lien), as the 2010 Series A Bonds, except that the City's Deposit Date Balance Requirement (as defined in Section 2.5) with respect to the Municipal Obligation shall be as described in paragraph 2.5(e) below;

(v) will have the identical Financial Terms as the Restructured UTGO Bonds; and

(vi) will be pledged by the MFA to the bond trustee for the holders of the MFA Bonds pursuant to a resolution of the MFA authorizing the issuance of the MFA Bonds.

(b) The UTGO Bond Tax Levy shall be escrowed and used to pay the Municipal Obligation prior to the use of Distributable State Aid in the same manner as provided for the 2010 Series A Bonds, as described herein.

(c) Distributable State Aid will be pledged by the City and secured by a lien under the Master Indenture to be used for the purpose of paying principal of and interest on the Municipal Obligation and any additional bonds or other future obligations issued by the City and secured by Distributable State Aid.

(d) The lien on Distributable State Aid for the Municipal Obligation will be a fourth priority lien, subordinate, as of the MFA Bonds issuance date, only to the following:

(i) the first priority lien on Distributable State Aid for the City's \$249,790,000 Distributable State Aid General Obligation Limited Tax Bonds, Series 2010 (the "**2010 Senior Bonds**");

(ii) the second priority lien on Distributable State Aid for the City's 2010 Series A Bonds, which lien in favor of the 2010 Series A Bonds is subordinate to the lien in favor of the 2010 Senior Bonds; and

(iii) the third priority lien on Distributable State Aid for the City's third-lien limited tax general obligations bonds (the "**Third Lien Bonds**") securing the MFA's \$129,520,000 Local Government Loan Program Revenue Bonds, Series 2012C (City of Detroit Limited Tax General Obligation Local Project Bonds Third Lien), which lien in favor of the Third Lien Bonds is subordinate to the lien in favor of the 2010 Series A Bonds.

(e) The Emergency Manager shall issue the Emergency Manager Order in substantially the form attached hereto as Exhibit B.

Section 2.4. Escrow and Application of Aggregate UTGO Tax Levy.

(a) The City agrees that, pursuant to documentation in form and substance satisfactory to the Parties, proceeds of the Aggregate UTGO Tax Levy collected by the City will be segregated and transmitted no less often than as provided in the schedule of Statutory Tax Collection Distribution Dates published by the Bureau of Local Government Services of the Michigan Department of Treasury, and in any event, no less often than (x) bi-monthly during the period beginning each July 1 and ending the following March 31, and (y) monthly during the period beginning April 1 and ending the following June 30 of each year, to U.S. Bank National Association as escrow trustee (the "**Debt Millage Escrow Trustee**"), to be held and distributed pursuant to the terms and conditions of the Debt Millage Escrow Agreement. The Debt Millage Escrow Trustee shall be required to allocate the revenue pro rata, as required by the Debt Millage Escrow Agreement, among the outstanding UTGO Bonds, the 2010 Series A Bonds, and any Additional Bonds.

(b) Proceeds of the Aggregate UTGO Tax Levy allocated to the UTGO Bonds will be transferred promptly by the Debt Millage Escrow Trustee (i) first, for deposit to the Tax Levy Account held by the Master Trustee for the Municipal Obligation in an amount sufficient, together with funds already on deposit therein to pay debt service due on the Municipal Obligation on or before the April 1 following such deposit, together with any past due debt service on the Municipal Obligation, and (ii) second, to the assignee of the rights to payment from the Assigned UTGO Bond Tax Levy of amounts payable on the Stub UTGO Bonds on or before the April 1 following such deposit, an amount equal to the scheduled debt service on the Stub UTGO Bonds. Proceeds of the Aggregate UTGO Bond Tax Levy transferred to the Master Trustee for the purpose of paying debt service on the Municipal Obligation will be held in trust under applicable State law.

(c) Neither the Holders of the MFA Bonds nor the Bond Insurers will seek payment from the proceeds of the UTGO Bond Tax Levy in excess of the amounts necessary to pay the Municipal Obligation scheduled annual debt service

plus any amount necessary to pay past due Municipal Obligation debt service plus any amounts required by Section 2.14(b).

Section 2.5. Distributable State Aid and Flow of Funds.

(a) Pursuant to the Agreement to Deposit Distributable State Aid, the State Treasurer has agreed to deliver 100% of the Distributable State Aid due the City to the Master Trustee for deposit under the Master Indenture for as long as the Municipal Obligation is outstanding. Payments by the State Treasurer of Distributable State Aid will be deposited directly into the funds and accounts held by the Master Trustee in accordance with and as provided by the Agreement to Deposit Distributable State Aid and the Master Indenture. Distributable State Aid payments made to the Master Trustee for the purpose of paying debt service on the Municipal Obligation will be held in trust and subject to a statutory lien under applicable State law.

(b) The Master Trustee will be required to deposit all of the City's Distributable State Aid in the Debt Retirement Fund established under the Master Indenture and allocate and set aside Distributable State Aid into the various Distributable Aid Escrow Funds as provided in the Master Indenture, including, without limitation, the Series 2014 DSA Escrow Fund defined in Section 2.5(d) below (the "**DSA Escrow Funds**") created pursuant to one or more supplemental indentures to the Master Indenture for the purpose of accumulating Distributable State Aid in amounts required by such supplemental indentures to be deposited in the DSA Escrow Funds by the dates specified in such supplemental indentures to pay debt service on the bonds and obligations of the City secured by a pledge of Distributable State Aid.

(c) On each date that the State Treasurer deposits a payment of the City's Distributable State Aid (each a "**DSA Deposit**") with the Master Trustee (each a "**DSA Deposit Date**"), the Master Trustee shall set-aside such amounts as shall be sufficient to fund the minimum balances required to be on deposit in each DSA Escrow Fund to pay the then current annual principal and interest requirements on the related obligation as provided in the Master Indenture (each, a "**Deposit Date Balance Requirement**") and collectively the "**Deposit Date Balance Requirements**"). Any amounts remaining in the Debt Retirement Fund after the setting aside of the amounts necessary to satisfy the Deposit Date Balance Requirements of all DSA Escrow Funds, shall be released to the City for deposit to the General Fund of the City.

(d) On or before the Effective Date, the City pursuant to a supplemental indenture to the Master Indenture shall establish with the Master Trustee a Series 2014 DSA Escrow Fund (the "**Series 2014 DSA Escrow Fund**") for the purpose of accumulating Distributable State Aid in sufficient amounts to pay debt service on the Municipal Obligation. Moneys on deposit in the Series 2014 DSA Escrow Fund shall be held and withdrawn by the Master Trustee solely for the purpose of paying to the bond trustee for the holders of the MFA Bonds (as assignee of the MFA) the principal of and interest on the Municipal Obligation when due and payable, which payments will be used to make corresponding payments of principal and interest on the MFA Bonds. Within the

Series 2014 DSA Escrow Fund there shall be created three separate and segregated sub-accounts designated the “Distributable Aid Account,” the “Tax Levy Account,” and the “General Account.” Proceeds of the Aggregate UTGO Tax Levy allocated to the Municipal Obligation and transferred to the Master Trustee by the Escrow Agent pursuant to Section 2.4(b)(i) shall be deposited to the Tax Levy Account and used as described in subsection (f) below. That portion of Distributable State Aid necessary to pay the principal of and interest on the Municipal Obligation when due, shall be set aside and maintained in the Distributable Aid Account and used as described in subsection (e) below. All other moneys deposited to the Series 2014 DSA Escrow Fund from time to time by the City shall be set aside and maintained in the General Account and used as described in subsection (f) below.

(e) To the extent the Master Trustee does not have on deposit in the Tax Levy Account the required portions of principal and interest due on the next October 1 or April 1 on the first day of each month set forth below (the “**Deposit Date Balance Requirement for the Municipal Obligation**”), the Master Indenture will provide for the deposit of all, or such lesser amount as is necessary to correct the deficiency in the Deposit Date Balance Requirement for the Municipal Obligation, of that month’s distribution of Distributable State Aid into the Distributable State Aid Account of the Series 2014 DSA Escrow Fund (after all deposits to DSA Escrow Funds established to pay debt service on obligations of the City having priority over the Municipal Obligation) . The Deposit Date Balance Requirement for the Municipal Obligation will be as follows:

DEPOSIT DATE BALANCE REQUIREMENT

MONTH OF DSA PAYMENT	PORTION OF NEXT MUNICIPAL OBLIGATION INTEREST PAYMENT	PORTION OF NEXT MUNICIPAL OBLIGATION PRINCIPAL PAYMENT
November	1/3	4/6
January	2/3	5/6
March	100%	100%
September	100%	3/6

(f) Amounts on deposit in the Series 2014 DSA Escrow Fund shall be withdrawn from the DSA Escrow Fund for the purpose of paying debt service on the Municipal Obligation when due to the bond trustee for the holders of the MFA Bonds (as assignee of the MFA), which payments will be used to make corresponding payments of principal and interest on the MFA Bonds. Amounts shall be debited first from the Tax Levy Account in an amount necessary to pay the principal of and interest on the

Municipal Obligation on the corresponding payment date, and thereafter, if the amount on deposit in the Tax Levy Account is not sufficient to make the payments required, the amount necessary to satisfy the deficiency shall be debited, first, from the Distributable Aid Account, and second, from the General Account.

Section 2.6. Additional Indebtedness. From and after the date of this Agreement and, pursuant to documentation in form and substance satisfactory to the Parties, until the MFA Bonds have been paid in full:

(a) the City shall not incur, or permit to be outstanding, debt secured by a lien on the Distributable State Aid that is senior to the lien securing the Municipal Obligation, other than debt secured by a lien on the Distributable State Aid on the date of this Agreement (“**Existing DSA Debt**”) and additional debt (“**Additional DSA Debt**”) secured on a second or third lien level so that the aggregate principal amount of (x) Existing DSA Debt (as of the effective date of this Agreement – i.e., \$479,310,000) plus (y) the Additional DSA Debt thereafter issued will not exceed \$560,000,000, provided that, with respect to any Additional Debt the existing financial covenants in the Master Indenture restricting the issuance of additional bonds under the Master Indenture are satisfied.

(b) Notwithstanding clause (a), the City may issue first, second or third lien refunding bonds secured pursuant to the Master Indenture so long as any such refunding issuance results in debt service savings by the City in each year that such refunding bonds will be outstanding (based upon the amortization schedule in effect prior to the time of such refunding) or, if the last maturity of the MFA Bonds is prior to final maturity of the refunding bonds then to be issued, then in each year during which the MFA Bonds are outstanding.

(c) The City shall not incur debt secured by a lien on the Distributable State Aid that is pari passu with the lien securing the Municipal Obligation.

(d) The City may incur debt secured by a lien on the Distributable State Aid that is junior and subordinate to the lien securing the Municipal Obligation.

Section 2.7. Levy and Collection of the Ad Valorem Debt Millage.

The Settlement-Related Documents will provide that:

(a) The City shall impose in each year a separate debt millage levy reasonably projected to be in an amount necessary to pay the debt service coming due on all unlimited tax general obligation bonds (including both the Municipal Obligation and the Stub UTGO Bonds) before the next annual tax levy, including any past due amounts, plus any amounts necessary to reimburse the City for other City funds used to pay prior debt service, less any millage proceeds or other funds already on deposit with the Debt Millage Escrow Trustee which are available to pay the debt service next

coming due. The City shall comply with applicable law in levying and collecting ad valorem millage levied to pay all unlimited tax general obligation bonds.

(b) The City shall certify annually not later than June 30 in each year that it has imposed the debt millage levy as required by and in accordance with Section 2.7(a). Such annual certification shall be in the form attached hereto as Exhibit C and shall be promptly provided to the Bond Insurers.

(c) The City shall furnish to the Bond Insurers promptly upon request such information reasonably requested by the Bond Insurers to confirm the imposition of the debt millage levy and to monitor collections. The Bond Insurers shall have the right to discuss such information with the City, and the City will use reasonable efforts to explain the collection process to the Bond Insurers, including the allocation methods used for partial property tax payments.

Section 2.8. Plan Effectiveness and Escrowing of Payments.

(a) If the Effective Date of the Plan does not occur on or prior to September 30, 2014 for any reason other than proximately by reason of the actions or positions taken by any of the executing Bond Insurers, or their failure to support the Plan as provided in Section 3.1 below, solely in their capacity as the insurers of the Prior UTGO Bonds and not in any other capacity (including, for the avoidance of doubt in their capacity as insurers of any other obligations of the City), the City will pay into an escrow to be established with the current paying agent for the Prior UTGO Bonds the pro rata portion of the October 2014 scheduled interest debt service payment and any pro rata payments of principal and interest due thereafter, which would otherwise be paid on the Restructured UTGO Bonds, as if the transaction contemplated by this Agreement (other than the MFA Bond issuance) had closed. Specifically, and for clarification of the City's obligation under this paragraph, the City will pay into escrow the pro rata portion of scheduled debt service payments on the \$287.56 million of Restructured UTGO Bonds due after September 30, 2014 through the Effective Date of the Plan, on the same terms and schedule as set forth in the current documents governing the Prior UTGO Bonds, which, subject to Section 2.8(b) below, such escrowed funds shall be released to the Bond Insurers on the Effective Date of the Plan. Such escrow shall be pursuant to the Settlement Escrow Agreement ("**Settlement Escrow Agreement**") in the form of Exhibit D attached hereto, which will be executed and delivered on the date of the execution and delivery of this Agreement.

(b) If the Plan is not effective by March 31, 2015, and the Bankruptcy Court has issued an Approval Order (that is not stayed pending appeal) approving the settlement embodied in this Agreement, then on [March 31, 2015] the monies in such escrow will be released to the Bond Insurers, and the City will make all subsequent debt service payments, including the payment due on April 1, 2015, directly to the paying agent for the Prior UTGO Bonds as if the Restructured UTGO Bonds transaction (other than the MFA Bond issuance) had closed. If an Approval Order is entered but is subject to a stay pending appeal, the City shall continue to pay into escrow

the scheduled debt service on the Prior UTGO Bonds for so long as such stay remains in effect, and shall release all monies in the escrow accounts as soon as such order is no longer subject to stay.

(c) If the Plan is not effective by September 30, 2014, then within fifteen (15) days of a request by the Bond Insurers, the City shall file an Approval Motion pursuant to Bankruptcy Rule 9019 with the Bankruptcy Court. The City and the Bond Insurers may mutually make an Approval Motion pursuant to Bankruptcy Rule 9019 at any time upon mutual agreement of the City and the Bond Insurers.

Section 2.9. Confirmation Order and Findings. The Plan Confirmation Order shall include provisions substantially in the form of Exhibit E. Any material modification to such provisions shall be reasonably satisfactory to the Parties.

Section 2.10. Conditions to Plan Effectiveness. The Plan shall provide that the effectiveness of the Plan is subject to the following conditions:

(a) The Michigan Finance Authority board shall have approved the issuance of the MFA Bonds and such bonds shall have been issued; and

(b) The City shall have obtained all governmental and Emergency Manager consents and approvals required to carry out the terms of this Agreement.

Section 2.11. Most Favored Nation. In recognition of the unique features of the UTGO Bonds and in consideration of the settlement, the City agrees that the Bond Insurers will benefit from a “most favored nation” provision consisting of the two fundamental protections below and that such provision will be described in the Plan. Further, the City agrees that, if a class of Impaired Financial Creditors receives treatment other than the current treatment in the *Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)* [Docket No. 4392], such class’ treatment in the Plan will include the existence of this “most favored nation” provision.

(a) Recovery Percentage Projected as of Confirmation Date. Under no circumstances shall the terms of the Plan permit either of the Limited Tax General Obligation Claims or the COP Claims (each as defined in the Plan and collectively, the “**Impaired Financial Creditors**”) to recover more on a percentage basis than the UTGO Claims as projected at Plan confirmation. In determining whether a Class of Impaired Financial Creditors will recover more on a percentage basis than the UTGO Claims as projected at Plan confirmation, the recovery percentage for each of the Impaired Financial Creditors’ Claims will be the sum of:

(i) the percentage that any cash payments and the principal amount of any “hard pay” instrument, combination of instruments or any other evidences of indebtedness or payment obligations of any kind (collectively, the “**Hard Pay Instruments**”) provided to such Impaired Financial Creditor Class under the Plan is

of the aggregate amount of all the Allowed Claims in such Impaired Financial Creditor Class; and

(ii) the percentage that the reasonably anticipated recovery (as reasonably determined by the City as of Plan confirmation and as disclosed to creditors subject to the Bond Insurers' right to contest such determination as part of the confirmation hearing) on account of any "soft pay", contingent, or similar type of instrument, combination of instruments or any other evidences of indebtedness, contracts or settlements creating payment obligations of any kind including, without limitation, payment obligations relating to a sale, lease, privatization, public private partnership or similar arrangement or the value of any assets projected to be distributed or promised revenue streams or recoveries of any kind (collectively, the "**Soft Pay Instruments**" and together with the Hard Pay Instruments, the "**Plan Instruments**") provided to such Impaired Financial Creditor Class under the Plan is of the aggregate amount of all the Allowed Claims in such Impaired Financial Creditor Class.

(b) **Actual Recovery Percentage Post-Confirmation.** In the event the actual recovery percentage of any Impaired Financial Creditor Class on the aggregate Plan Instruments provided to such Impaired Financial Creditor's Class would result in such Class receiving 69.5% or more of the aggregate amount of all the Allowed Claims in any such Class (the "**Trigger Event**"), then payments that contribute to the Impaired Financial Creditor Class receiving a recovery over 69.5% (the "**Trigger Payments**") shall be made under such Plan Instruments to the Bond Insurers ("**Top-Off Payments**") on account of the Bond Insurer Claims in amounts equal to the following:

(i) the amount of the Trigger Payment, multiplied by

(ii) the quotient of

(A) \$100.5 million, divided by

(B) the sum of (x) 30.5% of the aggregate amount of all the Allowed Claims in the particular Impaired Financial Creditor Class, and (y) \$100.5 million.

For purposes of this sub-section, all actual recoveries for Impaired Financial Creditor Classes shall be determined by discounting the payments using a 5% discount rate back to the date of Plan confirmation. Amounts payable to the Bond Insurers pursuant to the provisions of this Section 2.11 will be allocated to the Bond Insurers as set forth on Schedule 2 attached hereto.

(c) **Reporting.** The City shall deliver to the Bond Insurers:

(i) promptly after the first payment is made thereunder, a written notice of any payment under any Soft Pay Plan Instrument benefiting any Impaired Financial Creditor Class, including the amount and date of such payment;

(ii) on each January 15 of every year beginning in the year after the first payment is made on any Soft Pay Plan Instrument benefiting any Impaired Financial Creditor Class and until the maturity date of the Soft Pay Instrument, a written report calculating the aggregate recovery percentage of each Impaired Financial Creditor Class;

(iii) after any Impaired Financial Creditor Class achieves a recovery percentage on the aggregate amount of all the Allowed Claims in such class equal to or greater than 60%, on each January 15 and July 15, a written report calculating the aggregate recovery percentage of each Impaired Financial Creditor Class;

(iv) after a Trigger Event occurs, a written report on each date that a payment is made under any Plan Instruments held by or benefiting an Impaired Financial Creditor Class that explains the calculation for the Trigger Payment and the Top-Off Payment and demonstrates compliance with the terms of this Agreement; and

(v) written notice in the event any Impaired Financial Creditor challenges or disagrees in any manner with the determination of any payments related to a Trigger Payment.

The City official executing any written notice or written report described above will respond within a reasonable time to written inquiries from any Bond Insurer regarding such notice or report. In the event any Bond Insurer or Insurers make a written request to meet with such City official, such City Official will meet within a reasonable time period with such Bond Insurer or Insurers to answer their reasonable questions regarding any such notice or report.

(d) Dispute Resolution. In the event any of the Bond Insurers provides a written notice to the City articulating disagreement with the City's determination of whether a Trigger Event has occurred or with the amount of shared payments after a Trigger Event pursuant to subsection 2.11(c)(iv), the City will notify all Bond Insurers and meet with the Bond Insurers within 15 business days of such written notice. At the meeting the Parties will attempt in good faith to resolve the differences. If the Parties are unable to reach a resolution of the differences the Bond Insurers will have the right to bring an enforcement action in the Bankruptcy Court.

Section 2.12. Legal Opinions.

Bond counsel will provide at closing customary legal opinions relating to the validity, priority and enforceability of any MFA transaction in form and substance reasonably satisfactory to the Bond Insurers; such opinions to include standard bankruptcy opinion exceptions. Bond counsel will also provide a customary opinion in form and substance reasonably satisfactory to the Bond Insurers, on the exemption of interest from Federal and State taxation of the MFA Bonds and the Municipal Obligation.

No opinion will be provided with respect to any aspect of any lien on the UTGO Bond Tax Levy.

Section 2.13. Stay of Litigation, Proofs of Claim.

(a) The Assured/NPFG Action and Ambac Action (the “**UTGO Litigation**”) as it relates to the Prior UTGO Bonds shall be stayed pending the issuance of an Approval Order or Plan Confirmation Order and the occurrence of the Effective Date, whereupon the Parties shall ask the Bankruptcy Court to dismiss the UTGO Litigation without prejudice until the Approval Order or the Plan Confirmation Order, as applicable, is a Final Order, when such dismissal shall be deemed to be with prejudice.

(b) As soon as practicable subsequent to the execution and delivery of this Agreement by each of the Parties, but in no event later than five (5) business days subsequent thereto, the Parties shall take any and all action as is appropriate to (i) stay the UTGO Litigation as provided in subsection (a) above, (ii) maintain the status quo of the Parties in the UTGO Litigation as of the execution of this Agreement, and (iii) ensure that no action (including separate litigation and any objection to proofs of claim filed by the Bond Insurers relating to the Prior UTGO Bonds) is undertaken or commenced inconsistent with seeking a stay of and maintaining the status quo of the UTGO Litigation; provided, however, that any such stay shall terminate on the first (1st) business day following termination of this Agreement.

(c) In the event (i) an Approval Motion is made by the City and denied by the Bankruptcy Court, (ii) an Approval Order is issued but is not consistent with this Agreement in any material respect or is overturned on appeal, (iii) a Plan consistent with this Agreement in all material respects is not confirmed by the Bankruptcy Court other than changes regarding payments relating to the Stub UTGO Bonds, or (iv) a Plan Confirmation Order is entered by the Bankruptcy Court but is not consistent in all material respects with this Agreement, or is overturned on appeal, then any Party (including one or more of the Bond Insurers as to such Bond Insurer or Bond Insurers) may resume the UTGO Litigation and terminate this Agreement as to such Party by written notice to the Parties.

(d) The Bond Insurers agree that all proofs of claims filed by any of them with respect to Prior UTGO Bonds shall be deemed resolved and fully satisfied by approval of this Agreement in the Plan Confirmation Order, which is a Final Order or an Approval Order, which is a Final Order, as applicable.

Section 2.14. Additional Covenants

(a) City Will Not Contest. The City shall not contest the validity or enforceability of any of the liens or interests granted under this Agreement or any of the obligations of the City set forth in this Agreement.

(b) Paying Agent, Master Trustee and Escrow Agent Fees.

The City shall pay the reasonable and customary fees and expenses (including reasonable attorneys' fees) of (i) the paying agent with respect to the Prior UTGO Bonds (including the paying agent relating to the Prior UTGO Bonds that are not Holders Restructured UTGO Bonds) and (ii) of the paying agent, the Master Trustee, the Debt Millage Escrow Trustee and the escrow agent identified in the Settlement Escrow Agreement in respect of all transactions contemplated by this Agreement.

(c) Further Action. To the extent that the City has not taken all necessary action to authorize the execution, delivery and performance of this Agreement, it will do so.

ARTICLE III PLAN OF ADJUSTMENT AND PLAN SUPPORT

Section 3.1. Plan Support Commitment. From and after the date hereof, and so long as the City has complied, and is complying, with its covenants and obligations under this Agreement, the Bond Insurers will each support the treatment of the Prior UTGO Bonds in the Plan by, at a hearing or in a court filing, expressing such support solely as insurers of the Prior UTGO Bonds and, if each Bond Insurer has established its right to vote, will each vote Prior UTGO Bonds and reimbursement claims in support of such Plan treatment. The Plan shall provide that such treatment, consistent with this Agreement, is the treatment for all holders of the Prior UTGO Bonds. For the absence of doubt, nothing contained in this Agreement shall require any Bond Insurer to support or vote for the treatment of any class of claims under the Plan other than the UTGO Bonds.

Section 3.2. Solicitation Required in Connection with Plan. Notwithstanding anything contained in this Article III or elsewhere in this Agreement to the contrary, this Agreement is not, and shall not be deemed to be, a solicitation of acceptances of the Plan. The City and the Bond Insurers acknowledge and agree that the acceptance of the Plan will not be solicited until the Bankruptcy Court has approved the Disclosure Statement and related ballots, and such Disclosure Statement and ballots have been transmitted to parties entitled to receive same.

Section 3.3. Plan Document Provisions. All Plan Documents, as they relate to the settlement embodied in this Agreement must (i) be in form and substance reasonably satisfactory to the Bond Insurers and to the City and be consistent with this Agreement, (ii) provide that the Plan treatment for Prior UTGO Bonds is part of a settlement of the pending UTGO Litigation.

ARTICLE IV DEFAULTS AND REMEDIES

Section 4.1. Events of Default. The breach by any Party of any material agreement or covenant set forth in this Agreement or the Settlement Escrow Agreement will be an event of default ("**Event of Default**") under this Agreement.

Section 4.2. Remedies. The Parties acknowledge and agree that a breach of the provisions of this Agreement by any Party would cause irreparable damage to the other Parties and that such other Parties would not have an adequate remedy at law for such damage. Therefore, the obligations of the Parties set forth in this Agreement and the Settlement Escrow Agreement shall be enforceable by an order compelling specific performance issued by the Bankruptcy Court, and appropriate injunctive relief may be applied for and granted in connection therewith. Upon an Event of Default by the City, any Bond Insurer will have the right to compel immediate payment of amounts held under the Settlement Escrow Agreement by order of the Bankruptcy Court. Such remedies shall be cumulative and not exclusive and shall be in addition to any other remedies that the Parties may have under this Agreement, the Settlement Escrow Agreement or otherwise. Any Bond Insurer may exercise its rights hereunder on its own. Consistent with Section 904 of the Bankruptcy Code, the City hereby consents to the Bankruptcy Court enforcing the terms of this Agreement and the Settlement Escrow Agreement.

Section 4.3. Termination.

(a) This Agreement may be terminated by the mutual agreement of all of the Bond Insurers upon an Event of Default caused by the City. This Agreement may be terminated by less than all of the Bond Insurers as to such Bond Insurer or Bond Insurers upon an Event of Default caused by the City if (i) an action or proceeding seeking to enforce the material agreement or covenant purported to be breached is brought by one or more Bond Insurers before the Bankruptcy Court, (ii) the Bankruptcy Court, after notice and a hearing, finds that an Event of Default caused by the City has occurred and (iii) either (A) the Bankruptcy Court declines to issue an order compelling specific performance by the City of the applicable agreement or covenant purported to be breached or (B) the Bankruptcy Court issues such an order compelling specific performance but the City fails to comply with the order.

(b) This Agreement may be terminated by the City if any of the Bond Insurers fails to (i) support the Plan with respect to Class 8 – UTGO Claims or (ii) if it has the right to vote its Class 8 Claims as determined by the voting procedures process approved by the Bankruptcy Court in an order entered on March 11, 2014 (Docket No. 2984) (as such order may have been amended from time to time), vote its Class 8 Claims to accept the Plan. This Agreement may be terminated by the City upon an Event of Default caused by the Bond Insurers, or any of them, if (i) an action or proceeding seeking to enforce the material agreement or covenant purported to be breached is brought by the City before the Bankruptcy Court, (ii) the Bankruptcy Court finds, after

notice and a hearing, that an Event of Default caused by the applicable Bond Insurer has occurred and (iii) either (A) the Bankruptcy Court declines to issue an order compelling specific performance by the applicable Bond Insurer of the applicable agreement or covenant purported to be breached or (B) the Bankruptcy Court issues such an order compelling specific performance but the applicable Bond Insurer fails to comply with the order.

(c) Upon any such termination, any Party (including one or more of the Bonds Insurers as to such Bond Insurer or Bond Insurers) may resume the UTGO Litigation unless it has been previously dismissed with prejudice or has been previously deemed dismissed with prejudice.

ARTICLE V REPRESENTATIONS AND WARRANTIES

Section 5.1. Representations and Warranties of the City. The City represents and warrants to the Bond Insurers that:

- (a) It is a municipal corporation of the State of Michigan.
- (b) It has the power to execute and deliver this Agreement and to perform its obligations hereunder and it has taken or will take all necessary action to authorize such execution, delivery and performance.
- (c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any order or judgment of any court or other agency of government applicable to it, or any material agreements specifically applicable to it or any of its assets.
- (d) Other than (i) approvals by the MFA, the State Treasurer, the execution of the Emergency Manager Order, and the approvals required by Section 19 of Act 436 to be obtained prior to delivery of the Municipal Obligation, all of which the City reasonably expects to be obtained prior to the Effective Date, and (ii) the approval of the Bankruptcy Court, all governmental and Emergency Manager consents and approvals that are required to have been obtained by it as of the date of execution of this Agreement with respect to the execution, delivery and performance of this Agreement have been obtained and are in full force and effect and all conditions of any such consents and approvals have been complied with.

Section 5.2. Representations and Warranties of the Bond Insurers. Each of the Bond Insurers represents to the City that:

- (a) It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation.

(b) It has the power to execute and deliver this Agreement and to perform its obligations under this Agreement and it has taken all necessary corporate action to authorize such execution, delivery and performance.

(c) Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it, or any agreements specifically applicable to it or any of its assets.

(d) All corporate or governmental consents and approvals that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents and approvals have been complied with.

(e) Each of the respective Bond Insurers had and has standing to bring and resolve the UTGO Litigation related to the Prior UTGO Bonds that it insures (Assured and NPFG represent that each had and has standing to bring and resolve the Assured/NPFG Action, and Ambac represents that it had and has standing to bring and resolve the Ambac Action).

Section 5.3. Mutual Representations and Warranties. Unless otherwise noted, each Party makes the following representations, warranties and covenants (on a several basis, with respect to such Party only) to each of the other Parties:

(a) Each person signing this Agreement warrants that he or she is legally competent and authorized to execute this Agreement on behalf of the Party whose name is subscribed at or above such person's signature.

(b) The Parties have not made any statement or representation to each other regarding any facts relied upon by them in entering into this Agreement, and each of them specifically does not rely upon any statement, representation or promise of the other Parties hereto or any other person in entering into this Agreement, except as expressly stated herein or in the exhibits hereto. Each party has relied upon its own investigation and analysis of the facts and not on any statement or representation made by any other party in choosing to enter into this Agreement and the transactions contemplated herein.

(c) The Parties and their respective attorneys have made such investigation of the facts pertaining to this Agreement and all of the matters pertaining thereto as they deem necessary.

ARTICLE VI EXCULPATION

Section 6.1. Exculpation. The Plan will include the Bond Insurer Exculpated Parties as exculpated parties for acts and omissions (other than those

constituting gross negligence or willful misconduct) in connection with (i) the Plan as it relates to this Agreement and (ii) this Agreement.

Section 6.2. Releases. Upon the dismissal with prejudice or deemed dismissal with prejudice of the applicable UTGO Litigation, the Parties to the applicable UTGO Litigation shall be deemed to have released each other, and the Parties' officials, officers, directors, employees and representatives, of and from any and all claims and causes of action related to the applicable UTGO Litigation and the Prior UTGO Bonds.

Section 6.3. Defense Against Challenges. (a) Subject to the terms of Section 6.3(b) below, if, after the issuance of the Plan Confirmation Order or the Approval Order, the validity or enforceability of any term or provision of this Agreement or the Settlement-Related Documents (as they relate to the settlement set forth in this Agreement) is challenged in any action, suit or proceeding, each of the named Parties in such action, suit or proceeding shall assume its own defense of such action, suit or proceeding.

(b) If, after the issuance of the Plan Confirmation Order or the Approval Order, an action, suit or proceeding is brought, an issue in which is the validity or enforceability of the Stub UTGO Bonds, including, without limitation, a challenge to the Assigned UTGO Bond Tax Proceeds (a "Stub UTGO Challenge"), the City shall assume the defense of such issue in any such action, suit or proceeding. If any of the Bond Insurers are named as a party in a Stub UTGO Challenge, the City will appoint counsel to the named Bond Insurers, which may or may not be counsel to the City. In all events, such counsel must be reasonably acceptable to the named Bond Insurers, and the City will pay the reasonable costs of such counsel.

ARTICLE VII DISMISSAL OF CASE AND TERMINATION

Section 7.1. Effect of Dismissal of the Bankruptcy Case. In the event the Bankruptcy Case is dismissed, any Party may at any time within 60 days after such dismissal immediately terminate this Agreement by written notice to the other Parties.

Section 7.2. Effect of Termination. In the event of the termination of this Agreement by any Party pursuant to any provisions of this Agreement, this Agreement shall become null and void and be deemed of no force and effect, with no liability on the part of any Party hereto (or of any of its elected or appointed officials, directors, officers, employees, consultants, contractors, agents, legal and financial advisors or other representatives) arising from such termination, and no Party shall have any obligations to any other Party arising out of this Agreement. Upon termination, neither this Agreement nor any terms or provisions set forth herein shall be admissible in any dispute, litigation, proceeding or controversy among the Parties and nothing contained herein shall constitute or be deemed to be an admission by any Party as to any matter, it being understood that the statements and resolutions reached herein were as a result of negotiations and compromises of the respective positions of the Parties. If this

Agreement is terminated, then no Party hereto may (i) use this Agreement, any of its terms or any discussions or negotiations conducted in respect of this Agreement, or any part of the foregoing, in the UTGO Litigation; (ii) seek discovery with respect to any of the matters described in subsection (i) in the UTGO Litigation; or (iii) seek to admit any of the matters described in subsection (i) into evidence in the UTGO Litigation.

ARTICLE VIII MISCELLANEOUS

Section 8.1. Amendments. This Agreement may not be modified, amended or supplemented except by a written agreement executed by each Party to be affected by such modification, amendment or supplement.

Section 8.2. No Admission of Liability.

(a) The execution of this Agreement is not intended to be, nor shall it be construed as, an admission or evidence in any pending or subsequent suit, action, proceeding or dispute of any liability, wrongdoing, or obligation whatsoever (including as to the merits of any claim or defense) by any Party to any other Party or any other person with respect to any of the matters addressed in this Agreement.

(b) None of this Agreement (including, without limitation, the recitals and exhibits hereto), the settlement or any act performed or document executed pursuant to or in furtherance of this Agreement or the settlement: (i) is or may be deemed to be or may be used as an admission or evidence of the validity of any claim or of any wrongdoing or liability of any Party; or (ii) is or may be deemed to be or may be used as an admission or evidence of any liability, fault or omission of any Party in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal. None of this Agreement, the settlement, or any act performed or document executed pursuant to or in furtherance of this Agreement or the settlement shall be admissible in any proceeding for any purposes, except to enforce the terms of the Agreement, and except that any Party may file this Agreement in any action for any purpose, including, but not limited to, in order to support a defense or counterclaim based on the principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense of counterclaim.

Section 8.3. Good Faith Negotiations. The Parties recognize and acknowledge that each of the Parties hereto is represented by counsel, and such Party received independent legal advice with respect to the advisability of entering into this Agreement. Each of the Parties acknowledges that the negotiations leading up to this Agreement were conducted regularly and at arm's length; this Agreement is made and executed by and of each Party's own free will; that each knows all of the relevant facts and his or its rights in connection therewith, and that he or it has not been improperly influenced or induced to make this settlement as a result of any act or action on the part of any party or employee, agent, attorney or representative of any party to this

Agreement. The Parties further acknowledge that they entered into this Agreement because of their desire to avoid the further expense and inconvenience of litigation and other disputes, and to compromise permanently and settle the claims between the Parties settled by the execution of this Agreement.

Section 8.4. Rights and Remedies. Nothing in this Agreement is intended to augment or impair any rights, remedies and interests, including without limitation, liens, of any of the Parties hereto other than with respect to the Prior UTGO Bonds.

Section 8.5. Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon, or to give to, any Person other than the Parties hereto and their respective successors and assigns, any right, remedy or claim under or by reason of this Agreement or any covenant, condition or stipulation thereof; and the covenants, stipulations and agreements contained in this Agreement are and shall be for the sole and exclusive benefit of the Parties hereto and their respective successors and assigns.

Section 8.6. Governing Law; Retention of Jurisdiction; Service of Process. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan, without giving effect to any principles of conflicts of law and applicable federal law. By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding between any or all of the foregoing with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, shall be brought in the Bankruptcy Court for that purpose only, and, by execution and delivery of this Agreement, each hereby irrevocably accepts and submits itself to the jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding. In the event any such action, suit or proceeding is commenced, the Parties hereby agree and consent that service of process may be made, and personal jurisdiction over any Party hereto in any such action, suit or proceeding may be obtained, by service of a copy of the summons, complaint and other pleadings required to commence such action, suit or proceeding upon the Party at the address of such Party set forth in Section 8.11 hereof, unless another address has been designated by such Party in a notice given to the other Parties in accordance with Section 8.11 hereof. The City agrees that the Bankruptcy Court will have exclusive post-confirmation authority and power to enforce this Agreement and all Settlement-Related Documents and to hear and adjudicate any challenge, action, suit or proceeding brought by any third party challenging the validity or enforceability of any provision of this Agreement, until all UTGO Bonds have been paid in full and all Plan Instruments are no longer outstanding. Pursuant to Section 904 of the Bankruptcy Code, the City hereby consents to the Bankruptcy Court enforcing the terms of this Agreement and the Settlement Escrow Agreement.

Section 8.7. Headings. The headings of the Articles and Sections of this Agreement are inserted for convenience only and are not part of this Agreement and do

not in any way limit or modify the terms or provisions of this Agreement and shall not affect the interpretation hereof.

Section 8.8. Binding Agreement Successors and Assigns; Joint and Several Obligations. This Agreement shall be binding upon the execution and delivery of this Agreement by the Parties listed on the signature pages hereto. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, administrators, constituents and representatives. The agreements, representations, covenants and obligations of the Parties under this Agreement are several only and not joint in any respect and none shall be responsible for the performance or breach of this Agreement by another.

Section 8.9. Entire Agreement. This Agreement shall constitute the full and entire agreement among the Parties with regard to the subject hereof, and supersedes all prior negotiations, representations, promises or warranties (oral or otherwise) made by any Party with respect to the subject matter hereof. No Party has entered into this Agreement in reliance on any other Party's prior representation, promise or warranty (oral or otherwise) except for those that may be expressly set forth in this Agreement.

Section 8.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original copy of this Agreement and all of which, when taken together, shall constitute one and the same Agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts, provided receipt of copies of such counterparts is confirmed.

Section 8.11. Notices. All demands, notices, requests, consents, and other communications hereunder shall be in writing and shall be deemed to have been duly given (a), when personally delivered by courier service or messenger, (b) upon actual receipt (as established by confirmation of receipt or otherwise) during normal business hours, otherwise on the first business day thereafter if transmitted electronically (by e-mail transmission), by facsimile or telecopier, with confirmation of receipt, or (c) three (3) Business Days after being duly deposited in the mail, by certified or registered mail, postage prepaid-return receipt requested, to the following addresses, or such other addresses as may be furnished hereafter by notice in writing, to the following Parties:

If to the City, to:

Chief Financial Officer
City of Detroit
1126 Coleman A. Young Municipal Center
Two Woodward Avenue
Detroit MI 48226
Phone: (313) 224-3382
Fax: (313) 224-2827

with a copy given in like manner to:

Corporation Counsel
City of Detroit Law Department
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit MI 48226
Phone: (313) 237-3018
Fax: (313) 224-5505

Miller, Canfield, Paddock and Stone, PLC
150 West Jefferson, Suite 2500
Detroit, MI 48226
Attention: Jonathan Green
Email: green@millercanfield.com
Attention: Amanda Van Dusen
Email: vandusen@millercanfield.com

If to the Bond Insurers, to:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: Surveillance Department and General Counsel's Office
Fax: (212) 208-3384

with a copy given in like manner to:

Arent Fox LLP
1675 Broadway
New York, New York 10019
Attention: David L. Dubrow, Esq.
Telecopy: (212) 484-3990
Email: david.dubrow@arentfox.com

Assured Guaranty Municipal Corp and Assured Guaranty Corp.
31 West 52nd Street
New York, NY 10019
Attention: Kevin J. Lyons
Email: klyons@assuredguaranty.com
Attention: Terence Workman
Email: tworkman@assuredguaranty.com

with a copy given in like manner to:

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, NY 10112
Attention: Lawrence A. Larose
Fax: (212) 541-5369
Email: llarose@chadbourne.com
Attention: Samuel S. Kohn
Fax: (212) 541-5369
Email: skohn@chadbourne.com

National Public Finance Guarantee Corporation
113 King Street
Armonk, NY 10504
Attention: Kenneth Epstein and William J. Rizzo
Telecopy: (914) 765-3259
Email: kenneth.epstein@optinuityar.com
Email: bill.rizzo@nationalpfg.com

with a copy given in like manner to:

Sidley Austin LLP
555 West 5th Street
40th Floor
Los Angeles, CA 90013
Attention: Jeffrey E. Bjork
Telecopy: (213) 896-6600
Email: jbjork@sidley.com

Sidley Austin LLP
555 California Street
Suite 2000
San Francisco, CA 94104
Attention: Eric D. Tashman
Telecopy: (415) 772-7400
Email: etashman@sidley.com

Section 8.12. Further Assurances. Each of the Parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments, and to take all such action as the other Parties may reasonably request in order to effectuate the intent and purposes of, and to carry out the terms of, this Agreement.

Section 8.13. Non-Severability of Agreement. This Agreement is to be construed as a whole, and all provisions of it are to be read and construed together. Notwithstanding anything in this Agreement, the Approval Order (if applicable) or the Plan Confirmation Order to the contrary, and in light of the integrated nature of the settlements and compromises embodied in this Agreement, in the event that (i) a court of

competent jurisdiction enters a Final Order ruling that any of the transactions contemplated in this Agreement are void, invalid, illegal or unenforceable in any material respect, (ii) any of the transactions contemplated by this Agreement are reversed, vacated, overturned, voided or unwound in any material respect, or (iii) the Approval Order or Plan Confirmation Order as it relates to the transactions contemplated in this Agreement is reversed, vacated, overturned or amended in any material respect, then in each case, the entirety of this Agreement (other than this Section 8.13) shall be void ab initio and of no force and effect and, during any subsequent proceeding, the Parties shall not assert claim preclusion, issue preclusion, estoppel or any similar defense in respect of rights and claims of the Parties that were the subject of this Agreement prior to this Agreement being of no force or effect.

(Signature page follows)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above.

THE CITY OF DETROIT, as Debtor

By: _____

Name:

Title:

AMBAC ASSURANCE CORPORATION

By: _____

Name:

Title:

ASSURED GUARANTY CORP.

By: _____

Name:

Title:

ASSURED GUARANTY MUNICIPAL CORP.

By: _____

Name:

Title:

NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION

By: _____

Name:

Title:

Schedule 1

(Pro Rata Allowed Claims for Restructured UTGO Bonds and Stub UTGO Bonds)

Schedule 1a - Holders Restructured UTGO Bonds

Series	Outstanding UTGO Bond Principal	Restructured %	Holders Restructured UTGO Bond Principal
UTGO1999A (Assured)	\$15,765,000	84.50%	\$13,321,425
UTGO2001A1 (National)	74,800,000	84.50%	63,206,000
UTGO2001B (National)	-	-	-
UTGO2002 (National)	6,645,000	84.50%	5,615,025
UTGO2003A (Syncora)	31,675,000	84.50%	26,765,375
UTGO2004A1 (Ambac)	39,270,000	84.50%	33,183,150
UTGO2004B1 (Ambac)	29,365,000	84.50%	24,813,425
UTGO2004B2 (Ambac)	575,000	84.50%	485,875
UTGO2005B (Assured)	42,615,000	84.50%	36,009,675
UTGO2005C (Assured)	15,525,000	84.50%	13,118,625
UTGO2008A (Assured)	55,895,000	84.50%	47,231,275
UTGO2008B1 (Assured)	18,780,000	84.50%	15,869,100
Total	\$330,910,000		\$279,618,950

Schedule 1b - Insurer Owned Restructured UTGO Bonds

Series	UTGO Bond Principal	Restructured %	Insurer Owned Restructured UTGO Bond Principal				
			Ambac	Assured	National	Syncora	Total
UTGO1999A (Assured)	\$15,765,000	2.4%	-	378,360	-	-	\$378,360
UTGO2001A1 (National)	74,800,000	2.4%	249,977	1,545,223	-	-	1,795,200
UTGO2001B (National)	-	2.4%	-	-	-	-	-
UTGO2002 (National)	6,645,000	2.4%	22,207	137,273	-	-	159,480
UTGO2003A (Syncora)	31,675,000	2.4%	99,245	613,476	-	47,479	760,200
UTGO2004A1 (Ambac)	39,270,000	2.4%	942,480	-	-	-	942,480
UTGO2004B1 (Ambac)	29,365,000	2.4%	704,760	-	-	-	704,760
UTGO2004B2 (Ambac)	575,000	2.4%	13,800	-	-	-	13,800
UTGO2005B (Assured)	42,615,000	2.4%	-	1,022,760	-	-	1,022,760
UTGO2005C (Assured)	15,525,000	2.4%	-	372,600	-	-	372,600
UTGO2008A (Assured)	55,895,000	2.4%	-	1,341,480	-	-	1,341,480
UTGO2008B1 (Assured)	18,780,000	2.4%	-	450,720	-	-	450,720
Total	\$330,910,000		\$2,032,469	\$5,861,892	\$ -	\$47,479	\$7,941,840

Schedule 2

(Pro Rata Payments to Bond Insurers)

Schedule 2 - Allocation of Amount Payable to Bond Insurers

Insurer	Pro Rata Share
Ambac	23.209%
Assured	50.400%
National	26.391%
Total	100.000%

Exhibit A

FORM OF DEBT MILLAGE ESCROW AGREEMENT

**DEBT MILLAGE DEPOSIT ESCROW AGREEMENT
CITY OF DETROIT, COUNTY OF WAYNE
STATE OF MICHIGAN**

THIS ESCROW AGREEMENT (the "Agreement") dated as of the ____ day of _____, 2014, made by and between the City of Detroit, County of Wayne, State of Michigan (the "City") and U. S. Bank National Association, Detroit, Michigan (the "Escrow Trustee").

WITNESSETH:

WHEREAS, on March 1, 2013, the Governor (the "Governor") of the State of Michigan (the "State") determined that a financial emergency existed within the City pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended ("Act 72"); and

WHEREAS, on March 14, 2013, the Governor confirmed that a financial emergency existed within the City and, pursuant to Act 72, assigned to the Local Emergency Financial Assistance Loan Board established pursuant to the Emergency Municipal Loan Act, Act 243 Public Acts of Michigan, 1980, as amended (the "Board") the responsibility for managing the financial emergency; and

WHEREAS, on March 14, 2013, pursuant to Act 72, the Board appointed Kevyn D. Orr as Emergency Financial Manager for the City; and

WHEREAS, by operation of law the financial emergency continues to exist within the City pursuant to the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012 ("Act 436") and the Emergency Financial Manager continues in the capacity of the Emergency Manager for the City (the "Emergency Manager"); and

WHEREAS, on July 18, 2013 (the "Petition Date"), in accordance with Act 436 and the approval of the Governor, the Emergency Manager filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, as of the close of Fiscal Year 2013 (*i.e.*, June 30, 2013), the City had \$369.115 million in outstanding principal amount of unlimited tax general obligation bonds, excluding the 2010A UTGO Bonds hereinafter mentioned (the "Prior UTGO Bonds"); and

WHEREAS the City has previously issued and delivered its Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation) Series 2010A (Taxable Recovery Zone Economic Development Bonds Direct Payment) (the "2010A UTGO Bonds") which, together

with the Prior UTGO Bonds, are outstanding in the amounts, bear interest at the rates, are payable on such dates and have the redemption provisions shown on Exhibit A hereto; and

WHEREAS, more than 90% of the Prior UTGO Bonds are insured by either Ambac Assurance Corporation, Assured Guaranty Municipal Corp. or National Public Finance Guarantee Corporation (each a "Bond Insurer" and collectively, the "Bond Insurers"), as shown on Exhibit A; and

WHEREAS, the City and the Bond Insurers have entered into a settlement agreement entered into as of July __, 2014 (the "UTGO Settlement Agreement"); and

WHEREAS, the City intends to restructure \$287,560,790 of the Prior UTGO Bonds which mature on or after April 1, 2015 (the "Restructured UTGO Bonds") as described below; and

WHEREAS, on _____, 2014, pursuant to Section 12(1) and Section 19(1) of Act 436, the Emergency Manager filed with the City Council of the City (the "City Council") his Order No. ____ Approval of _____ (Order No. ____), in part, to accomplish the restructuring of the Restructured UTGO Bonds as the Distributable State Aid Fourth Lien Restructured Bonds (Unlimited Tax General Obligation), Series 2014 (the "Bonds" or the "Municipal Obligation") in the amounts shown on Exhibit B attached hereto; and

WHEREAS, on _____, 2014, in accordance with Section 19(1) of Act 436, the City Council adopted a resolution entitled ["Resolution of the City Council of the City of Detroit, County of Wayne, State of Michigan Approving the Emergency Manager of the City of Detroit Order No. ____ Approval of UTGO _____"] (the "Council Resolution") under which the City Council approved the issuance and delivery of the Municipal Obligation to the Michigan Finance Authority ("MFA"); and

WHEREAS, the Restructured UTGO Bonds will be restructured as described in Section 2.2 of the UTGO Settlement Agreement; and

WHEREAS, on _____, 2014, the Bankruptcy Court issued an order approving the UTGO Settlement Agreement (the "Confirmation Order"); and

WHEREAS, the portion of the Prior UTGO Bonds not restructured through the issuance of the Municipal Obligation, which mature on or after April 1, 2015, in the principal amount of \$43,410,000 (the "Stub UTGO Bonds" and together with the 2010A UTGO Bonds, the Municipal Obligation and any Additional Bonds (defined below), the "UTGO Bonds") will be reinstated and shall remain Outstanding in the amounts and will remain payable as shown on Exhibit C hereto and as provided in Order No. ____; and

WHEREAS, pursuant to the Prior UTGO Bonds and the 2010A UTGO Bonds and Order No. ____ and Section 4a of Act 279, the City has pledged, and to the extent permitted by applicable law, including without limitation Section 12(1)(x) of Act 436, in Order No. __, has created a lien upon the Debt Millage Revenues (as hereinafter defined) to pay the debt service on the UTGO Bonds; and

WHEREAS, pursuant to Section 4a of Act 279, and Section 701 of the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended, Order No. ____ provides for the deposit of the Debt Millage Revenues into a separate escrow account to be used for the sole purpose of paying principal of and interest on the UTGO Bonds and the administrative costs related to the deposit and escrow of Debt Millage Revenues; and

WHEREAS, in order to effectuate the pledge of the Debt Millage Revenues in favor of the owners of the UTGO Bonds, it is necessary for the City to provide for the deposit with the Escrow Trustee of the proceeds of 100% of its debt millage levy to satisfy the Debt Service Requirements to be held by the Escrow Trustee in trust, to further secure payment of the debt service on the UTGO Bonds;

NOW, THEREFORE, in consideration of the mutual undertakings, provisions and agreements herein contained, the sufficiency of which are hereby acknowledged, that in order to provide for the payment of the UTGO Bonds, for the benefit of the owners thereof and the Bond Insurers, and to secure the performance and observance of the conditions and covenants herein set forth and for other valuable consideration, the receipt of which is hereby acknowledged, the City covenants and agrees with the Escrow Trustee for the benefit of the respective owners from time to time of the UTGO Bonds and the Bond Insurers as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. In addition to the terms defined in the preambles to this Escrow Agreement, the following terms shall have, unless the context otherwise requires, the meanings herein specified:

“Act 279” means Act No. 279, Public Acts of Michigan, 1909, as amended.

“Additional Bonds” means any series of unlimited tax general obligation bonds issued by the City on a parity as to Debt Millage Revenue levies with the 2010A UTGO Bonds, the Municipal Obligation and the Stub UTGO Bonds.

“Business Day” means a day which is not (i) a Saturday, Sunday or legal holiday on which banks located in either the State of Michigan or the state or states in which the principal corporate trust office of the Escrow Trustee, is located are authorized or required by law to be closed, or (ii) a day on which the New York Stock Exchange is closed.

“Debt Millage Deposit” or “Debt Millage Deposits” means whenever used herein singularly, each payment of Debt Millage Revenues, and collectively all payments of Debt Millage Revenues by the City to the Escrow Trustee for deposit in the UTGO Debt Millage Fund in accordance with Section 204 hereof.

“Debt Millage Revenues” means the proceeds of the debt millage levies, including interest subsidy payments received by the City in respect of the 2010A UTGO Bonds, delinquent millage payments received from Wayne County, Michigan or otherwise, pledged to and on

account of unlimited tax general obligation bonds of the City for the payment of debt service on the Prior UTGO Bonds, or after the Effective Date of the UTGO Bonds, and the 2010A UTGO Bonds and any Additional Bonds.

“Debt Retirement Schedule” means the table attached as Exhibit D hereto, showing the dates Debt Service Requirements are due and payable on each series of the UTGO Bonds.

“Debt Service Requirement” means an amount equal to the principal of and/or interest due on any series of UTGO Bonds (including the Stub UTGO Bonds) semi-annually on each payment date as set forth in Exhibit D.

“Effective Date” mean the effective date of the City’s chapter 9 plan of adjustment.

“Escrow Trustee” means initially, U.S. Bank National Association, Detroit, Michigan, or any successor in trust or assignees, as Escrow Trustee hereunder.

“Event of Default” means the breach by the City of any material agreement or covenant set forth in the UTGO Settlement Agreement or this Agreement, written notice of which has been provided by a Bond Insurer to the City and the Escrow Trustee.

“Fiscal Year” means the City’s fiscal year, commencing July 1 and ending June 30.

“General Retirement System” means the General Retirement System of the City of Detroit, General Retirement Fund.

“Income Stabilization Funds” means the Police & Fire Retirement System of the City of Detroit, Income Stabilization Fund, and the General Retirement System of the City of Detroit, Income Stabilization Fund.

“Master Trustee” means U. S. Bank National Association, Detroit, Michigan, as trustee under the Master Debt Retirement Trust Indenture dated as of March 1, 2010, as supplemented, between the City and the Master Trustee.

“Outstanding” when used with respect to the UTGO Bonds, means, as of the date of determination, the UTGO Bonds theretofore authenticated and delivered pursuant to the resolution, indenture and/or order for that series, except:

- (a) UTGO Bonds theretofore canceled by the trustee or paying agent for such UTGO Bonds or delivered to such trustee or paying agent for cancellation;
- (b) UTGO Bonds for whose payment money in the necessary amount, without the need for reinvestment thereof, has been theretofore deposited with the trustee or paying agent for such UTGO Bonds in trust for the registered owners of such UTGO Bonds;
- (c) UTGO Bonds delivered to the trustee or paying agent for such UTGO Bonds for cancellation in connection with (i) the exchange of such UTGO

Bonds for other bonds or (ii) the transfer of the registration of such UTGO Bonds;

- (d) UTGO Bonds alleged to have been destroyed, lost or stolen which have been paid or replaced pursuant to the resolution, indenture or order for that series or otherwise pursuant to law; and
- (e) UTGO Bonds deemed paid as provided in the resolution, indenture or order for that series.

“Permitted Investments” means those investments specified in Article III of this Escrow Agreement.

“Plan Assignees” means the Income Stabilization Funds and the General Retirement System.

“Set Aside Ledger” means the table attached as Exhibit D hereto, showing the allocation of each Debt Millage Deposit to the UTGO Debt Millage Fund in such fractional amounts determined in accordance with Section 204(a) herein.

“Stub UTGO Bonds Paying Agent” means U. S. Bank National Association, Detroit, Michigan.

“UTGO Debt Millage Fund” means the City of Detroit UTGO Debt Millage Fund created and described in Section 201 of this Agreement.

ARTICLE II

ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 201. Establishment of UTGO Debt Millage Fund. There is hereby created and established with the Escrow Trustee, pursuant to Order No. ___ and this Escrow Agreement, a single and common trust fund designated the “UTGO Debt Millage Fund.”

Section 202. Establishment of Accounts and Subaccounts. (a) There are hereby created within the UTGO Debt Millage Fund three (3) separate and segregated accounts, designated as follows:

1. “2010A UTGO Bonds Debt Millage Account” (“2010A UTGO Account”). The Escrow Trustee shall deposit Debt Millage Revenues allocable to the Debt Service Requirements on the 2010A UTGO Bonds, as set forth on Exhibit D, in the 2010A UTGO Account.
2. “2014 UTGO Bonds Debt Millage Account” (“2014 UTGO Bonds Account”). The Escrow Trustee shall deposit Debt Millage Revenues allocable to the Debt Service Requirements on the Municipal Obligation and the Stub UTGO Bonds, as set forth on Exhibit D, in the 2014 UTGO Bonds Account.

3. “Additional Bonds Debt Millage Account” (“Additional Bonds Account”). The Escrow Trustee shall deposit Debt Millage Revenues allocable to the Debt Service Requirements (to be reflected in a supplement to Exhibit D) on any series of Additional Bonds in a subaccount established for such series in the Additional Bonds Account pursuant to a supplement to this Agreement.

(b) There are hereby created within the 2014 UTGO Bonds Account two separate and segregated subaccounts, designated as follows:

1. The 2014 UTGO Municipal Obligation Subaccount (“2014 Municipal Obligation Subaccount”).
2. The Stub UTGO Bonds Subaccount (“Stub UTGO Bonds Subaccount”).

The Escrow Trustee shall allocate and deposit Debt Millage Revenues deposited in the 2014 UTGO Bonds Account among the 2014 Municipal Obligation Subaccount and the Stub UTGO Bonds Subaccount as provided in Section 204(a).

Section 203. Deposits to the UTGO Debt Millage Fund. Commencing on the Effective Date, and thereafter in accordance with the distribution schedule published by the Michigan Department of Treasury, and in any event, no less often than (x) bi-monthly during the period beginning each July 1 and ending the following March 31, and (y) monthly during the period beginning April 1 and ending the following June 30 of each year, the City shall remit the Debt Millage Revenues to the Escrow Trustee for deposit in the UTGO Debt Millage Fund. In the Order, the City has covenanted that it shall cause to be deposited with the Escrow Trustee, in accordance with the terms of this Escrow Agreement, 100% of the Debt Millage Revenues received by the City for as long as the Municipal Obligation and the Stub UTGO Bonds remain outstanding. The Escrow Trustee shall deposit any Debt Millage Revenues received by it from the City into the UTGO Debt Millage Fund and allocate such deposits in accordance with the provisions of Section 204 below.

Section 204. Allocation and Deposit. (a) Each Fiscal Year, commencing with the Effective Date and for as long as any UTGO Bonds remain outstanding, within one (1) Business Day of receipt by the Escrow Trustee of each Debt Millage Deposit, the Escrow Trustee shall set aside in the UTGO Debt Millage Fund each Debt Millage Deposit received, and make transfers from the UTGO Debt Millage Fund, as follows:

1. FIRST, a percentage of each Debt Millage Deposit received shall be allocated and set aside in each of the 2010A UTGO Account, the 2014 UTGO Bonds Account and any Additional Bonds Account that corresponds to the percentage that the Debt Service Requirement payable on the related series of UTGO Bonds as shown on Exhibit D bears to the Debt Service Requirement payable (or past due) on all UTGO Bonds on or before May 1 of each Fiscal Year until the sum of the aggregate Debt Millage Deposits (when taken together with any investment earnings on deposit) equals the Debt Service Requirement on all UTGO Bonds for such Fiscal Year. Once the Debt Service Requirement has been satisfied for all UTGO Bonds for payments due on or before May 1 of each Fiscal Year, any excess shall be allocated to the same accounts in

proportion to the Debt Service Requirements payable on such UTGO Bonds in the next Fiscal Year.

2. SECOND, the Escrow Trustee shall allocate deposits made to the 2014 UTGO Bonds Account (i) first to the 2014 Municipal Obligation Subaccount until the Debt Service Requirement payable (or past due) on the Municipal Obligation as shown on Exhibit D on or before April 1 of the then current Fiscal Year has been satisfied and (ii) second, to the Stub UTGO Bonds Subaccount until the Debt Service Requirement payable (or past due) on the Stub UTGO Bonds on or before April 1 of the then current Fiscal Year has been satisfied. Once the Debt Service Requirement for all Prior UTGO Bonds has been satisfied for the then current Fiscal Year, any excess shall be allocated first to the 2014 Municipal Obligation Subaccount for application to the next Fiscal Year's Debt Service Requirements for the Municipal Obligation and then to the next Fiscal Year's Debt Service Requirements for the Stub UTGO Bonds.

3. THIRD, within three Business Days after a deposit is made to any account or subaccount in the UTGO Debt Millage Fund the Escrow Trustee shall transfer the funds in such account or subaccount as follows:

(a) Funds on deposit in the 2010A UTGO Debt Millage Account shall be transferred to the Master Trustee for application to Debt Service Requirements for the 2010A UTGO Bonds.

(b) Funds on deposit in the 2014 Municipal Obligation Subaccount shall be transferred to the Master Trustee for deposit in the Series 2014 Tax Levy Account for application to Debt Service Requirements for the Municipal Obligation.

(c) Funds on deposit in the Stub UTGO Bonds Subaccount shall be transferred to the Plan Assignees pursuant to the direction and in the amounts shown on Exhibit F. In the event insufficient funds are on deposit in the Stub UTGO Bonds Subaccount on the date set for any transfer, the Escrow Trustee shall allocate and transfer the funds then on deposit in the Stub UTGO Bonds Subaccount to the Plan Assignees pro rata, in proportion to the amount due to each Plan Assignee on such date.

(d) Funds on deposit in the Additional Bonds Account shall be transferred to the paying agent or trustee for the related series of Additional Bonds.

(b) The Escrow Trustee shall keep and maintain a ledger on its books and records showing each Debt Millage Deposit into the Debt Millage Fund of the UTGO Debt Millage Fund, all transfers of funds from one account to another or from the UTGO Debt Millage Fund to the Master Trustee or the Income Stabilization Funds or the paying agent or trustee for any Additional Bonds, which ledger shall be substantially in the form attached hereto as Exhibit D-2 (the "Set Aside Ledger"). Not later than one (1) Business Days after the receipt of each Debt Millage Deposit, the Escrow Trustee shall promptly confirm electronically or in writing to the

City the receipt of each Debt Millage Deposit and provide with such notice a copy of the Set Aside Ledger which shall include the deposit entries for the then most recent Debt Millage Deposit, all prior deposits for the Fiscal Year and entries for any inter-fund transfers during the Fiscal Year. While any of the Municipal Obligation or the Stub UTGO Bonds remains Outstanding, upon request of the Bond Insurers, the Escrow Trustee shall furnish a copy of the Set Aside Ledger to the Bond Insurers.

(c) Upon receipt of the Set Aside Ledger from the Escrow Trustee, the Finance Director of the City shall allocate on the books and records of the City a fractional amount of each Debt Millage Deposit shown in the Set Aside Ledger equal to the percentage of each Debt Millage Deposit that corresponds to the Debt Service Requirement by the City for the payment of that portion of debt service due on the UTGO Bonds in accordance with the ratios of the Debt Service Requirements for each series of UTGO Bonds to the total Debt Service Requirement for all UTGO Bonds set forth in Exhibit D hereto.

ARTICLE III **INVESTMENT OF FUNDS**

Section 301. Permitted Investments. All money held by the Escrow Trustee pursuant to this Agreement shall be invested by the Escrow Trustee, without the need for further direction by the City, in accordance with written instructions from the City in mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, that have been rated at the time of purchase within the highest classification established by not less than two standard rating services and so long as the portfolio of such mutual funds is limited to bonds, and other obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by the full faith and credit of the United States. In the absence of written direction delivered to the Escrow Trustee by the City, the Escrow Trustee shall hold funds uninvested. The Escrow Trustee shall be entitled to rely on any written direction from the City as to the suitability and legality of the directed investment.

ARTICLE IV **THE ESCROW TRUSTEE**

Section 401. Powers and Duties of Escrow Trustee. (a) The Escrow Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to act upon the opinion or advice of its counsel concerning all matters hereof, and may in all cases be reimbursed hereunder for reasonable compensation paid to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust hereof. The Escrow Trustee may act upon an opinion of counsel and shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance upon such opinion of counsel.

(b) The Escrow Trustee shall not be responsible for any recital herein, or for the validity of the execution by the City of this Escrow Agreement, or of any supplements thereto or

instruments of further assurance, or for the validity or sufficiency of, or filing of documents related to the security for the UTGO Bonds intended to be secured hereby.

(c) The Escrow Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Escrow Agreement .

(d) The Escrow Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Escrow Trustee shall be entitled to rely upon a certificate believed in good faith to be genuine and correct, signed on behalf of the City by an authorized officer of the City as sufficient evidence of the facts therein contained. The Escrow Trustee may also accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

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

(g) The Escrow Trustee shall not be required to give any bond or surety in respect to the execution of its rights and obligations hereunder.

(h) All moneys received by the Escrow Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purpose for which they were received, but need not be segregated from other funds except to the extent required by this Escrow Agreement, as amended, or by law. The Escrow Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(i) The Escrow Trustee shall not be under any obligation to initiate any suit or to take any remedial proceeding under this Escrow Agreement or to take any steps in the execution of the trusts created by this Escrow Agreement or in the enforcement of any rights and powers under this Escrow Agreement until it has been indemnified to its satisfaction against any and all fees, costs and expenses and other reasonable disbursements and against all liability.

(j) The Escrow Trustee shall have no responsibility or liability with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the UTGO Bonds, except for liability for its own gross negligence or willful misconduct.

(k) The Escrow Trustee may become the holder of any of the UTGO Bonds with the same rights it would have if it were not Escrow Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of holders, whether or

not such committee shall represent the holders of a majority in principal amount of any of the UTGO Bonds of such series then outstanding.

(l) The Escrow Trustee shall not be liable for any error of judgment made in good faith by any of its officers, employees, agents or representatives, unless it shall be proved that the Escrow Trustee was negligent in ascertaining the pertinent facts.

(m) The Escrow Trustee has no obligation or liability to the holders for the payment of interest on, principal of or redemption premium, if any, with respect to the UTGO Bonds from its own funds; but rather the Escrow Trustee's obligations shall be limited to the performance of its duties hereunder.

(n) Whether or not therein expressly so provided, every provision of this Agreement or related documents, relating to the conduct or affecting the liability of or affording protection to the Escrow Trustee shall be subject to the provisions of this Article.

Section 402. Fees and Expenses of Escrow Trustee. (a) The Escrow Trustee shall be entitled to reasonable fees for services rendered under this Escrow Agreement, as amended, and shall be reimbursed for all expenses reasonably incurred in connection with such services. Such fees and expenses shall be payable by the City and shall be determined in accordance with the Fee Schedule attached as Exhibit E of this Agreement or as otherwise may be agreed to by the City and the Escrow Trustee.

(b) The City shall be liable for all fees, expenses, charges, losses, costs, liabilities and damages incurred by the Escrow Trustee pursuant to this Agreement except for those which are adjudicated to have resulted from the gross negligence or willful misconduct of the Escrow Trustee, and shall pay such amounts to or at the direction of the Escrow Trustee.

Section 403. Resignation; Appointment of Successor Escrow Trustee; Successor Escrow Trustee Upon Merger, Consolidation or Sale. (a) The Escrow Trustee and any successor Escrow Trustee may resign only upon giving 60 days' prior written notice to the City and, while any of the Municipal Obligation or the Stub UTGO Bonds remains Outstanding, the Bond Insurers. Such resignation shall take effect only upon the appointment of a successor Escrow Trustee as described in Section 403(b) below and the acceptance of such appointment by the successor Escrow Trustee. Upon appointment of a successor Escrow Trustee, the resigning Escrow Trustee shall, after payment of its fees, costs and expenses, assign all of its right, title and interest in the Debt Millage Revenues, and transfer and assign its right, title and interest in the Escrow Agreement to the successor Escrow Trustee. The successor Escrow Trustee shall meet the requirements of Section 403(b) below and shall accept in writing its duties and responsibilities hereunder and file such acceptance with the City.

(b) In case the Escrow Trustee shall give notice of resignation or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public office or offices, or of a receiver appointed by a court, a successor may with the prior written consent of the City (so long as no Event of Default shall have occurred and be continuing under this Escrow Agreement) and, while any of the Municipal Obligation or the Stub UTGO Bonds remains

Outstanding, the Bond Insurers, be appointed by the owners of a majority in aggregate principal amount of UTGO Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their duly authorized attorneys in fact, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the City, the retiring Escrow Trustee, and the successor Escrow Trustee, which, while any of the Municipal Obligation or the Stub UTGO Bonds remains Outstanding must be acceptable to the Bond Insurers insuring such Outstanding Bonds. In the absence of an appointment by the bondholders, the City may appoint a successor Escrow Trustee, by an instrument in writing signed by an authorized officer of the City, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the retiring Escrow Trustee and the successor Escrow Trustee. If the owners of the UTGO Bonds and the City fail to so appoint a successor Escrow Trustee, hereunder within thirty (30) days after the Escrow Trustee has given notice of its resignation, has been removed, has been dissolved, has otherwise become incapable of acting hereunder or has been taken under control by a public officer or receiver, the Escrow Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor hereunder. Every such Escrow Trustee appointed pursuant to the provisions of this Section 403(b) (i) shall at all times be a bank having trust powers or a trust company, (ii) shall at all times be organized and doing business under the laws of the United States of America or of any state, (iii) shall have, or be wholly owned by an entity having, a combined capital and surplus of at least \$75,000,000, (iv) shall be authorized under such laws to exercise corporate trust powers, and (v) shall be subject to supervision or examination by federal or state authority.

(c) Any corporation or association into which the Escrow Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, provided such company shall be eligible under Section 403(b) hereof, shall be and become successor Escrow Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 404. Removal of Escrow Trustee. The Escrow Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Escrow Trustee and signed by the City; provided that if an Event of Default has occurred and is continuing hereunder, then, while any of the Municipal Obligation or the Stub UTGO Bonds remains Outstanding, the Escrow Trustee may not be removed without the consent of the holders of a majority in aggregate principal amount of the UTGO Bonds then Outstanding and the Bond Insurers. No removal of the Escrow Trustee and no appointment of a successor Escrow Trustee shall become effective until the successor Escrow Trustee has accepted its appointment in the manner provided in Section 403 hereof. Upon such removal and the payment of its fees, costs and expenses, the Escrow Trustee shall assign to the successor Escrow Trustee all of its right, title and interest in the Trust Estate in the same manner as provided in Section 403 hereof.

ARTICLE V

ADDITIONAL BONDS

Section 501. Issuance of Additional Bonds. The City reserves the right to issue unlimited tax full faith and credit bonds payable on a parity basis with the pledge of the City's unlimited tax full faith and credit as security for the UTGO Bonds. While any of the Municipal Obligation or the Stub UTGO Bonds remains Outstanding, the debt millage levy with respect to any such parity bonds shall be subject to the terms of this Agreement.

Section 502. Notices Regarding Additional Bonds. The City hereby covenants to provide notice to the Escrow Trustee and, while any of the Municipal Obligation or the Stub UTGO Bonds remains Outstanding, the Bond Insurers, of the issuance of each series of Additional Bonds. The City may enter into additional agreements or supplements hereto with the Escrow Trustee to provide for the remittance of Debt Millage Revenues to the Escrow Trustee to be held and transferred for the payment of principal of and interest on any Additional Bonds pursuant to this Agreement.

Section 503. Defeasance or Redemption. The City hereby covenants to provide notice to the Escrow Trustee of the defeasance or redemption of all or any portion of the UTGO Bonds. In the event that the City issues Additional Bonds as described in Section 501 hereof, the City hereby covenants to provide notice to the Escrow Trustee of the defeasance or redemption of all or any portion of the Additional Bonds.

ARTICLE VI

AMENDMENTS

Section 601. Modifications and Amendments Not Requiring Consent. Any provision of this Agreement may be amended at any time by the parties hereto, and while any of the Municipal Obligation or the Stub UTGO Bonds remains Outstanding, with the prior written consent of the Bond Insurers, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in this Agreement.
- (b) To grant to or confer upon the Escrow Trustee any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Escrow Trustee.
- (c) To accomplish, implement or give effect to any other action which is authorized or required by this Agreement.
- (d) To comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to the UTGO Bonds or any Additional Bonds.
- (e) To appoint separate or successor trustees.
- (f) To provide for the deposit of Debt Millage Revenues with respect to any Additional Bonds.

- (g) To make any other change which, in the judgment of the Escrow Trustee, is not to the material prejudice of holders of the UTGO Bonds, upon the opinion of bond counsel or other professionals.
- (h) To create obligation specific Escrow Funds and sub-accounts in accordance with Article II herein for further securing and establishing deposit and set-aside requirements of all UTGO Bonds issued by the City.

Within thirty (30) days after the execution of any amendment pursuant to this Section 601, the Escrow Trustee shall cause notice thereof to be mailed, postage prepaid to the Master Trustee, the Stub UTGO Paying Agent and the trustee or paying agent for any Additional Bonds at their addresses shown in Section 701. The notice shall briefly set forth the nature of the supplement and shall state that copies thereof are on file at the corporate trust office of the Escrow Trustee for inspection by all such holders. Any such supplement so executed shall be valid and binding notwithstanding any failure of the Escrow Trustee to mail the notice herein required and notwithstanding any objections which may be received pursuant to any mailed notice.

Upon the execution of any Amendment pursuant to the provisions of this Section, this Agreement shall be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under this Agreement of the City, the Escrow Trustee, the Bond Insurers, and all registered holders of the UTGO Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

ARTICLE VII MISCELLANEOUS

Section 701. Notices. Except as other provided, all notices, certificates, requests, complaints, demands or other communications under this Agreement shall be deemed sufficiently given when sent by first class mail or overnight mail postage prepaid, addressed as follows:

If to the City, to:

City of Detroit
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1126
Detroit MI 48226
Attention: Chief Financial Officer

If to the Escrow Trustee, the Master Trustee or the Stub UTGO Bonds Paying Agent, to:

U.S. Bank National Association
535 Griswold, Suite 550
Detroit, Michigan 48226
Attention: Corporate Trust Services

If to the Bond Insurers, to:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: Surveillance Department and
General Counsel's Office

Assured Guaranty Municipal Corp and
Assured Guaranty Corp.
31 West 52nd Street
New York, NY 10019
Attention: Kevin J. Lyons
Attention: Terence Workman

National Public Finance Guarantee
Corporation
113 King Street
Armonk, NY 10504
Attention: Kenneth Epstein and William J.
Rizzo

The City, the Escrow Trustee or the Bond Insurers may, by giving notice hereunder, in writing, designate any further or different addresses to which subsequent notices, certificates, requests, complaints, demands or other communications hereunder shall be sent.

Section 702. Termination. This Agreement shall terminate following delivery of written direction from the City to the Escrow Trustee to so terminate, together with written notice: (1) that all of the Municipal Obligation and the Stub UTGO Bonds have been paid in full at maturity or defeased (and for each series of UTGO Bonds that have been or are to be defeased prior to termination, such notice shall include written certification by an independent verification agent for the City that sufficient cash or obligations necessary to defease such UTGO Bonds in accordance with the applicable defeasance requirements are on deposit with the Master Trustee, in the case of the Municipal Obligation, and the Income Stabilization Funds, in the case of the Stub UTGO Bonds to be defeased, as of the date of the City's notice), and (2) that all fees owed to the Escrow Trustee have been paid in full. Upon termination of this Agreement, any money remaining on deposit in the funds and accounts created and established hereunder shall be paid to the City.

Section 703. Severability. If any one or more sections, clauses or provisions of this Escrow Agreement shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions of the Agreement.

Section 704. Headings. Any headings shall be solely for convenience of reference and shall not constitute a part of the Agreement, nor shall they affect its meaning, construction or effect.

Section 705. Escrow Agreement Executed in Counterparts. This Escrow Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, and such counterparts together shall and will constitute one and the same instrument.

Section 706. Parties Interested Herein. Nothing in this Escrow Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Escrow Trustee, the City, the Bond Insurers and the registered owners of the UTGO Bonds, any right, remedy or claim under or by reason of this Escrow Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Agreement on behalf of the City shall be for the sole and exclusive benefit of the Escrow Trustee, the City, the Bond Insurers and the registered owners of the UTGO Bonds.

IN WITNESS WHEREOF, this Escrow Agreement has been signed on behalf of the City by its Emergency Manager and U.S. Bank National Association to evidence the acceptance of the trust, has caused this Escrow Agreement to be executed in its behalf by its authorized officer, all as of the date first above written.

CITY OF DETROIT

By _____
Kevyn D. Orr
Its: Emergency Manager

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Trustee

By _____
Its: _____

EXHIBIT A
DEBT RETIREMENT SCHEDULES
(BY SERIES)

UTGO Bond Series Debt Retirement Schedules

Maturity Date	Rate	Principal	Issuer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
Interest																	
UTGO 2002-A	5.250%	\$2,500,000.00	Assured	\$74,812.50	\$74,812.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03M3	5.000%	\$2,500,000.00	Assured	\$74,812.50	\$74,812.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03P6	5.000%	\$3,145,000.00	Assured	\$78,625.00	\$78,625.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Q4	5.000%	\$3,305,000.00	Assured	\$82,625.00	\$82,625.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03R2	5.000%	\$3,470,000.00	Assured	\$86,750.00	\$86,750.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03R2	5.000%	\$15,765,000.00	Assured	\$397,687.50	\$397,687.50	\$322,875.00	\$322,875.00	\$248,000.00	\$169,375.00	\$169,375.00	\$86,750.00	\$86,750.00	-	-	-	-	-
Interest																	
UTGO 2003-A	5.250%	\$5,940,000.00	NPPG	\$159,637.50	\$159,637.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X6	5.250%	\$6,260,000.00	NPPG	\$168,237.50	\$168,237.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03V1	5.250%	\$6,600,000.00	NPPG	\$177,375.00	\$177,375.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03V9	5.250%	\$14,000,000.00	NPPG	\$376,250.00	\$376,250.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03V7	5.000%	\$14,000,000.00	NPPG	\$350,000.00	\$350,000.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03V2	5.000%	\$14,000,000.00	NPPG	\$350,000.00	\$350,000.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03V0	5.000%	\$14,000,000.00	NPPG	\$350,000.00	\$350,000.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03V0	5.000%	\$74,800,000.00	NPPG	\$1,931,500.00	\$1,931,500.00	\$1,771,862.50	\$1,771,862.50	\$1,426,250.00	\$1,003,625.00	\$1,003,625.00	\$142,250.00	\$142,250.00	\$1,050,000.00	\$700,000.00	\$350,000.00	\$350,000.00	\$350,000.00
UTGO 2002	5.125%	\$3,240,000.00	NPPG	\$83,025.00	\$83,025.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03W8	5.125%	\$3,405,000.00	NPPG	\$87,253.13	\$87,253.13	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03W6	5.125%	\$6,645,000.00	NPPG	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13	\$170,278.13
Interest																	
UTGO 2003-A	4.000%	\$300,000.00	Synco	\$6,000.00	\$6,000.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X0	5.250%	\$2,550,000.00	Synco	\$66,937.50	\$66,937.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X8	5.250%	\$2,995,000.00	Synco	\$78,618.75	\$78,618.75	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03S4	5.250%	\$3,315,000.00	Synco	\$82,687.50	\$82,687.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X2	5.250%	\$3,490,000.00	Synco	\$87,018.75	\$87,018.75	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X9	5.250%	\$5,000,000.00	Synco	\$91,612.50	\$91,612.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X7	5.250%	\$5,000,000.00	Synco	\$91,612.50	\$91,612.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X3	5.250%	\$5,175,000.00	Synco	\$93,343.75	\$93,343.75	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X1	4.625%	\$3,860,000.00	Synco	\$101,325.00	\$101,325.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03X2	4.625%	\$3,565,000.00	Synco	\$93,581.25	\$93,581.25	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03A2	4.625%	\$1,500,000.00	Synco	\$34,687.50	\$34,687.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03B0	5.250%	\$2,775,000.00	Synco	\$72,843.75	\$72,843.75	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03A0	5.250%	\$31,675,000.00	Synco	\$821,468.75	\$821,468.75	\$748,531.25	\$748,531.25	\$669,912.50	\$587,225.00	\$587,225.00	\$500,206.25	\$500,206.25	\$406,593.75	\$406,593.75	\$314,000.00	\$314,000.00	\$314,000.00
UTGO 2004-A	5.250%	\$4,500,000.00	Ambac	\$118,125.00	\$118,125.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Y2	4.250%	\$185,000.00	Ambac	\$3,931.25	\$3,931.25	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Y0	5.250%	\$6,085,000.00	Ambac	\$159,731.25	\$159,731.25	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Z1	5.000%	\$6,030,000.00	Ambac	\$181,912.50	\$181,912.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Z0	5.000%	\$6,930,000.00	Ambac	\$8,437.50	\$8,437.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Z5	5.000%	\$6,920,000.00	Ambac	\$8,437.50	\$8,437.50	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Z3	5.000%	\$785,000.00	Ambac	\$18,055.00	\$18,055.00	-	-	-	-	-	-	-	-	-	-	-	-
25/03/03Z0	5.250%	\$6,890,000.00	Ambac	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50
25/03/03Z0	5.250%	\$39,270,000.00	Ambac	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00	\$1,017,705.00

Subject to Mandatory Redemption

13553846 Print Doc 80354 Filed 10/22/24 Entered 10/22/24 23:43:39 Page 2 of 30

* Subject to Mandatory Redemption

UTGO Bond Series Debt Retirement Schedules

Coupon	Maturity Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28
UTGO 2009-A																		
251000000	4/1/15	5.250%	\$2,850,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/16	5.000%	\$2,995,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/17	5.000%	\$3,145,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/18	5.000%	\$3,305,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/19	5.000%	\$3,470,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/21	5.000%	\$3,765,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2009-A(1)																		
251000000	4/1/15	5.375%	\$5,940,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/16	5.375%	\$6,260,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/17	5.375%	\$6,600,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/18	5.375%	\$6,950,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/19	5.000%	\$14,000,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/20	5.000%	\$14,000,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/21	5.000%	\$14,000,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/21	5.000%	\$74,800,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2002																		
251000000	4/1/21	5.125%	\$3,240,000.00	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/22	5.125%	\$3,405,000.00	NPPG	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13
251000000	4/1/22	5.125%	\$6,645,000.00	NPPG	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13	\$87,253.13
UTGO 2003-A																		
251000000	4/1/15	4.000%	\$300,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/15	5.250%	\$2,550,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/16	5.250%	\$2,995,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/17	5.250%	\$3,150,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/18	5.250%	\$3,315,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/19	5.250%	\$3,490,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/20	4.500%	\$500,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/20	5.250%	\$3,175,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/21	5.250%	\$3,860,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/22	4.625%	\$500,000.00	Syncora	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50	\$11,562.50
251000000	4/1/22	5.250%	\$3,565,000.00	Syncora	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25	\$93,581.25
251000000	4/1/22	5.250%	\$1,500,000.00	Syncora	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50
251000000	4/1/23	4.625%	\$2,775,000.00	Syncora	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75
251000000	4/1/23	5.250%	\$3,675,000.00	Syncora	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00
251000000	4/1/23	5.250%	\$39,270,000.00	Syncora	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00	\$212,675.00
UTGO 2004-A(1)																		
251000000	4/1/19	5.250%	\$4,500,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/20	4.250%	\$185,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/20	5.250%	\$6,085,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/21	5.000%	\$6,600,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000000	4/1/21	5.250%	\$6,930,000.00	Ambac	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50	\$181,912.50
251000000	4/1/22	5.250%	\$375,000.00	Ambac	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50
251000000	4/1/23	4.500%	\$6,920,000.00	Ambac	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00
251000000	4/1/23	5.250%	\$785,000.00	Ambac	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00
251000000	4/1/24	4.600%	\$785,000.00	Ambac	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50
251000000	4/1/24	5.250%	\$6,890,000.00	Ambac	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50
251000000	4/1/24	5.250%	\$39,270,000.00	Ambac	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50	\$570,917.50

* Subject to Mandatory Redemption

UTGO Bond Series Debt Retirement Schedules

Coupon	Maturity Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28
Interest																		
UTGO 2004-B(1)																		
251000P8	4/1/15	5.000%	\$8,675,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/16	5.250%	\$9,105,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/17	4.000%	\$305,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/17	5.250%	\$9,280,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/18	5.250%	\$2,000,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/18	5.250%	\$29,365,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2004-B(2)																		
251000P8	4/1/19	5.240%	\$575,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2005-B																		
251000P8	4/1/15	5.000%	\$2,290,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/16	5.000%	\$2,405,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/17	4.300%	\$2,520,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/18	5.000%	\$2,635,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/19	5.000%	\$2,765,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/20	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/21	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/22	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/23	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/24	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/25	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/25	5.000%	\$42,615,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2005-C																		
251000P8	4/1/15	5.000%	\$2,305,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/16	5.000%	\$2,425,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/17	4.300%	\$2,545,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/18	5.000%	\$2,670,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/19	5.250%	\$2,885,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/20	5.250%	\$15,525,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2008-A																		
251000P8	4/1/15	5.000%	\$2,875,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/16	5.000%	\$3,015,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/17	5.000%	\$3,170,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/18	5.000%	\$3,325,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/19	5.000%	\$3,460,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/20	5.000%	\$3,630,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/21	5.000%	\$3,815,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/22	5.000%	\$4,005,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/24	5.000%	\$8,620,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/25	5.000%	\$19,980,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/28	5.000%	\$55,895,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2008-B(1)																		
251000P8	4/1/15	5.000%	\$7,970,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/16	5.000%	\$3,440,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/17	5.000%	\$3,580,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/18	5.000%	\$3,790,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	4/1/18	5.000%	\$18,780,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2008-B(2)																		
251000P8	11/1/14	5.129%	\$1,885,000.00	Ambac	11/1/21	5/1/22	11/1/22	5/1/23	11/1/23	5/1/24	11/1/24	5/1/25	11/1/25	5/1/26	11/1/26	5/1/27	11/1/27	5/1/28
251000P8	11/1/15	5.429%	\$1,985,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/16	6.087%	\$2,105,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/17	6.337%	\$2,240,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/22	7.188%	\$221,570.10	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/22	7.188%	\$3,259,097.83	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$3,480,667.93	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$5,459,896.75	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$4,960,462.38	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$4,845,034.08	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$4,317,890.33	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$4,173,315.85	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$3,739,023.35	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$3,581,895.38	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$3,441,020.38	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$3,261,875.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$3,048,333.55	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$2,862,541.75	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$2,734,791.75	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251000P8	11/1/25	8.367%	\$2,532,889.63	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Total \$430,910,000.00
 * See Schedule to Mandatory Redemption

UTGO Bond Series Debt Retirement Schedules

CL	Maturity Date	Rate	Principal	Insurer	10/1/28	4/1/29	10/1/29	4/1/30	10/1/30	4/1/31	10/1/31	4/1/32	10/1/32	4/1/33	10/1/33	4/1/34	10/1/34	4/1/35	Total Interest	Total Principal & Interest
UTGO 2009-A																				
251000M3	4/1/15	5.250%	\$2,850,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$149,625.00	\$2,999,625.00
251000M3	4/1/16	5.000%	\$2,950,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$299,500.00	\$3,249,500.00
251000M6	4/1/17	5.000%	\$3,145,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$471,750.00	\$3,616,750.00
251000M4	4/1/18	5.000%	\$3,305,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$661,000.00	\$3,966,000.00
251000M2	4/1/19	5.000%	\$3,470,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$867,500.00	\$4,337,500.00
251000M2	4/1/20	5.000%	\$3,645,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,087,500.00	\$4,732,500.00
251000M2	4/1/21	5.000%	\$3,830,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,322,500.00	\$5,152,500.00
UTGO 2010-A(1)																				
251000M6	4/1/15	5.375%	\$5,940,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$310,275.00	\$6,250,275.00
251000M3	4/1/16	5.375%	\$6,260,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$672,950.00	\$6,932,950.00
251000M1	4/1/17	5.375%	\$6,600,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,064,250.00	\$7,664,250.00
251000M9	4/1/18	5.375%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,010,000.00	\$17,010,000.00
251000M7	4/1/19	5.000%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,500,000.00	\$17,500,000.00
251000M7	4/1/20	5.000%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,200,000.00	\$18,200,000.00
251000M2	4/1/21	5.000%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,900,000.00	\$18,900,000.00
251000M0	4/1/21	5.000%	\$74,800,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,666,475.00	\$92,466,475.00
UTGO 2010-02																				
251000M1V8	4/1/21	5.125%	\$3,240,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,162,350.00	\$4,402,350.00
251000M1V6	4/1/22	5.125%	\$3,405,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,396,050.00	\$4,801,050.00
251000M1V6	4/1/22	5.125%	\$6,645,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,558,400.00	\$9,203,400.00
UTGO 2013-A																				
251000M3-A	4/1/15	4.000%	\$100,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,000.00	\$112,000.00
251000M3	4/1/15	5.250%	\$2,550,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$133,875.00	\$2,683,875.00
251000M8	4/1/16	5.250%	\$2,995,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$314,475.00	\$3,309,475.00
251000M6	4/1/17	5.250%	\$3,150,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$406,125.00	\$3,556,125.00
251000M4	4/1/18	5.250%	\$3,315,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$498,150.00	\$3,813,150.00
251000M2	4/1/19	5.250%	\$3,490,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$590,175.00	\$4,080,175.00
251000M1	4/1/20	5.250%	\$3,675,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$682,200.00	\$4,357,200.00
251000M1	4/1/21	5.250%	\$3,860,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$774,225.00	\$4,634,225.00
251000M3	4/1/21	5.250%	\$500,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$135,000.00	\$635,000.00
251000M1	4/1/22	4.625%	\$500,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,000,125.00	\$4,175,125.00
251000M1	4/1/22	4.625%	\$3,860,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,418,550.00	\$5,278,550.00
251000M1	4/1/22	4.625%	\$3,565,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,855,000.00	\$5,420,000.00
251000M1	4/1/22	4.625%	\$1,500,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,497,300.00	\$3,002,300.00
251000M1	4/1/23	4.625%	\$3,775,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,124,375.00	\$5,899,375.00
251000M1	4/1/23	5.250%	\$3,675,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,311,187.50	\$4,986,187.50
251000M1	4/1/23	5.250%	\$3,675,000.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,710,287.50	\$40,415,287.50
UTGO 2014-A(1)																				
251000M2	4/1/19	5.250%	\$4,500,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,181,250.00	\$5,681,250.00
251000M1	4/1/20	4.250%	\$1,855,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$47,175.00	\$1,902,175.00
251000M1	4/1/20	5.250%	\$6,085,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,916,775.00	\$8,001,775.00
251000M1	4/1/21	5.000%	\$6,600,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,310,000.00	\$8,910,000.00
251000M1	4/1/21	5.250%	\$6,930,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,910,600.00	\$9,840,600.00
251000M1	4/1/22	5.250%	\$3,755,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$151,875.00	\$3,906,875.00
251000M1	4/1/23	4.500%	\$6,920,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,269,700.00	\$8,189,700.00
251000M1	4/1/23	5.250%	\$7,985,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$361,100.00	\$8,346,100.00
251000M1	4/1/24	4.600%	\$6,890,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,071,250.00	\$10,507,250.00
251000M1	4/1/24	5.250%	\$39,270,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$15,765,725.00	\$55,035,725.00

* Subject to Mandatory Redemption

UTGO Bond Series Debt Retirement Schedules

Cl	Maturity Date	Rate	Principal	Insurer	10/1/28	4/1/29	10/1/29	4/1/30	10/1/30	4/1/31	10/1/31	4/1/32	10/1/32	4/1/33	10/1/33	4/1/34	10/1/34	4/1/35	10/1/35	Total Interest	Total Principal & Interest
UTGO 2005-B(1)																					
25100008	4/1/15	5.000%	\$8,675,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$433,750.00	\$9,108,750.00
25100009	4/1/16	5.250%	\$9,105,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$956,025.00	\$10,061,025.00
25100010	4/1/17	5.000%	\$305,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$36,600.00	\$341,600.00
25100011	4/1/17	5.250%	\$9,280,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,461,600.00	\$10,741,600.00
25100012	4/1/18	5.250%	\$2,000,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$220,000.00	\$2,220,000.00
25100013	4/1/18	5.250%	\$29,365,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,307,975.00	\$32,672,975.00
UTGO 2005-B(2)																					
25100014	4/1/19	5.200%	\$575,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$69,954.00	\$644,954.00
UTGO 2005-B(3)																					
25100015	4/1/15	5.000%	\$2,290,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$114,500.00	\$2,404,500.00
25100016	4/1/16	5.000%	\$2,405,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$240,500.00	\$2,645,500.00
25100017	4/1/17	4.300%	\$2,520,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$225,080.00	\$2,745,080.00
25100018	4/1/18	5.000%	\$2,635,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$327,000.00	\$3,162,000.00
25100019	4/1/19	5.000%	\$2,765,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$691,250.00	\$3,456,250.00
25100020	4/1/20	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,500,000.00	\$6,500,000.00
25100021	4/1/21	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,750,000.00	\$6,750,000.00
25100022	4/1/22	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,000,000.00	\$7,000,000.00
25100023	4/1/23	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,250,000.00	\$7,250,000.00
25100024	4/1/24	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,500,000.00	\$7,500,000.00
25100025	4/1/25	5.000%	\$42,615,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,750,000.00	\$45,365,000.00
UTGO 2005-C																					
25100026	4/1/15	5.000%	\$2,305,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$115,250.00	\$2,420,250.00
25100027	4/1/16	5.000%	\$2,425,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$242,500.00	\$2,667,500.00
25100028	4/1/17	4.300%	\$2,545,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$328,305.00	\$2,873,305.00
25100029	4/1/18	5.000%	\$2,630,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$356,000.00	\$3,156,000.00
25100030	4/1/19	5.250%	\$2,735,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$717,937.50	\$3,452,937.50
25100031	4/1/20	5.250%	\$15,525,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$908,775.00	\$16,433,775.00
UTGO 2006-A																					
25100032	4/1/15	5.000%	\$2,875,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$143,750.00	\$3,018,750.00
25100033	4/1/16	5.000%	\$3,015,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$301,500.00	\$3,316,500.00
25100034	4/1/17	5.000%	\$3,170,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$475,500.00	\$3,645,500.00
25100035	4/1/18	4.000%	\$3,325,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$352,000.00	\$3,677,000.00
25100036	4/1/19	5.000%	\$3,460,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$865,000.00	\$4,325,000.00
25100037	4/1/20	5.000%	\$3,630,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,089,000.00	\$4,719,000.00
25100038	4/1/21	5.000%	\$3,815,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,335,250.00	\$5,150,250.00
25100039	4/1/22	5.000%	\$4,005,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,602,000.00	\$5,607,000.00
25100040	4/1/23	5.000%	\$8,620,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,099,750.00	\$12,719,750.00
25100041	4/1/24	5.000%	\$19,980,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,548,250.00	\$32,528,250.00
25100042	4/1/25	5.000%	\$55,895,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$22,992,000.00	\$78,887,000.00
UTGO 2006-B(1)																					
25100043	4/1/15	5.000%	\$7,970,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$398,500.00	\$8,368,500.00
25100044	4/1/16	5.000%	\$3,440,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$344,000.00	\$3,784,000.00
25100045	4/1/17	5.000%	\$3,580,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$537,000.00	\$4,117,000.00
25100046	4/1/18	5.000%	\$3,790,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$758,000.00	\$4,548,000.00
25100047	4/1/18	5.000%	\$18,790,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,037,500.00	\$20,827,500.00
UTGO 2006-A																					
25100048	11/1/14	5.120%	\$1,885,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$48,340.83	\$1,933,340.83
25100049	11/1/15	5.420%	\$1,985,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$161,448.48	\$2,146,448.48
25100050	11/1/16	6.087%	\$2,105,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$320,328.38	\$2,425,328.38
25100051	11/1/17	6.337%	\$2,240,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$496,820.80	\$2,736,820.80
25100052	11/1/22	7.188%	\$13,900,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,637,758.60	\$20,537,758.60
25100053	11/1/22	8.367%	\$7,885,000.00	Ambac	\$2,398,764.63	\$2,179,078.38	\$2,179,078.38	\$2,179,078.38	\$1,940,352.65	\$1,940,352.65	\$1,680,704.43	\$1,680,704.43	\$1,398,250.68	\$1,398,250.68	\$1,091,317.60	\$1,091,317.60	\$757,603.73	\$394,598.35	\$394,598.35	\$108,522,887.58	\$186,402,887.58
25100054	11/1/25	8.367%	\$100,000,000.00	Ambac	\$2,398,764.63	\$2,179,078.38	\$2,179,078.38	\$2,179,078.38	\$1,940,352.65	\$1,940,352.65	\$1,680,704.43	\$1,680,704.43	\$1,398,250.68	\$1,398,250.68	\$1,091,317.60	\$1,091,317.60	\$757,603.73	\$394,598.35	\$394,598.35	\$108,522,887.58	\$186,402,887.58
Total																					
			\$430,970,000.00		\$2,398,764.63	\$2,179,078.38	\$2,179,078.38	\$2,179,078.38	\$1,940,352.65	\$1,940,352.65	\$1,680,704.43	\$1,680,704.43	\$1,398,250.68	\$1,398,250.68	\$1,091,317.60	\$1,091,317.60	\$757,603.73	\$394,598.35	\$394,598.35	\$207,261,973.65	\$640,171,973.65

* Subject to Mandatory Redemption

UTGO Series - Prior Bonds

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)										Issuance: 2008-A									
CUSIP 251093ZK1					CUSIP 251093N63					CUSIP 251093N63					CUSIP 251093N63				
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest				Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest			
10/1/14	Ambac	6/30/15	-	\$575,000.00	5.240%	\$15,065.00				10/1/14	Assured	6/30/15	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/15	Ambac	6/30/15	\$155,000.00	\$420,000.00	5.240%	\$15,065.00				4/1/15	Assured	6/30/15	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/15	Ambac	6/30/16	-	\$420,000.00	5.240%	\$11,004.00				10/1/15	Assured	6/30/16	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/16	Ambac	6/30/16	\$165,000.00	\$255,000.00	5.240%	\$11,004.00				4/1/16	Assured	6/30/16	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/16	Ambac	6/30/17	-	\$255,000.00	5.240%	\$6,681.00				10/1/16	Assured	6/30/17	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/17	Ambac	6/30/17	\$170,000.00	\$85,000.00	5.240%	\$6,681.00				4/1/17	Assured	6/30/17	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/17	Ambac	6/30/18	-	\$85,000.00	5.240%	\$2,227.00				10/1/17	Assured	6/30/18	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/18	Ambac	6/30/18	\$85,000.00	-	5.240%	\$2,227.00				4/1/18	Assured	6/30/18	-	\$19,980,000.00	5.000%	\$499,500.00			
Total							\$69,954.00												
Issuance: 2008-A																			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest				Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest			
10/1/14	Assured	6/30/15	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2022	Assured	6/30/23	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/15	Assured	6/30/15	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2023	Assured	6/30/23	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/15	Assured	6/30/16	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2023	Assured	6/30/24	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/16	Assured	6/30/16	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2024	Assured	6/30/24	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/16	Assured	6/30/17	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2024	Assured	6/30/25	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/17	Assured	6/30/17	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2025	Assured	6/30/25	\$4,635,000.00	\$15,345,000.00	5.000%	\$383,625.00			
10/1/17	Assured	6/30/18	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2025	Assured	6/30/26	-	\$15,345,000.00	5.000%	\$383,625.00			
4/1/18	Assured	6/30/18	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2026	Assured	6/30/26	-	\$10,475,000.00	5.000%	\$261,875.00			
10/1/18	Assured	6/30/19	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2026	Assured	6/30/27	-	\$10,475,000.00	5.000%	\$261,875.00			
4/1/19	Assured	6/30/19	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2027	Assured	6/30/27	\$5,110,000.00	\$5,365,000.00	5.000%	\$134,125.00			
10/1/19	Assured	6/30/20	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2027	Assured	6/30/28	-	\$5,365,000.00	5.000%	\$134,125.00			
4/1/20	Assured	6/30/20	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2028	Assured	6/30/28	\$5,365,000.00	-	5.000%	\$134,125.00			
10/1/20	Assured	6/30/21	-	\$8,620,000.00	5.000%	\$215,500.00				Total							\$12,548,250.00		
4/1/21	Assured	6/30/21	-	\$8,620,000.00	5.000%	\$215,500.00				\$19,980,000.00									
10/1/21	Assured	6/30/22	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/22	Assured	6/30/22	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/22	Assured	6/30/23	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/23	Assured	6/30/23	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/23	Assured	6/30/24	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/24	Assured	6/30/24	-	\$8,620,000.00	5.000%	\$215,500.00													
Total							\$4,099,750.00												
							\$8,620,000.00												

UTGO Series - 2010A

Bond Series Subject to Mandatory Redemption

Issuance: 2010-A									
CUSIP 59447PDA6		Mandatory Redemption			Mandatory Redemption			CUSIP 59447PDA6	
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Amounts	Outstanding	Rate
11/1/14	Ambac	6/30/15	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/15	Ambac	6/30/15	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/15	Ambac	6/30/16	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/16	Ambac	6/30/16	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/16	Ambac	6/30/17	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/17	Ambac	6/30/17	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/17	Ambac	6/30/18	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/18	Ambac	6/30/18	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/18	Ambac	6/30/19	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/19	Ambac	6/30/19	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/19	Ambac	6/30/20	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/20	Ambac	6/30/20	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/20	Ambac	6/30/21	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/21	Ambac	6/30/21	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/21	Ambac	6/30/22	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/22	Ambac	6/30/22	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
11/1/22	Ambac	6/30/23	-	\$77,885,000.00	8.369%	\$3,259,097.83	-	\$77,885,000.00	8.369%
5/1/23	Ambac	6/30/23	\$3,455,000.00	\$74,430,000.00	8.369%	\$3,259,097.83	\$3,455,000.00	\$74,430,000.00	8.369%
11/1/23	Ambac	6/30/24	-	\$74,430,000.00	8.369%	\$3,114,523.35	-	\$74,430,000.00	8.369%
5/1/24	Ambac	6/30/24	-	\$74,430,000.00	8.369%	\$3,114,523.35	-	\$74,430,000.00	8.369%
11/1/24	Ambac	6/30/25	\$3,755,000.00	\$70,675,000.00	8.369%	\$2,957,395.38	\$3,755,000.00	\$70,675,000.00	8.369%
5/1/25	Ambac	6/30/25	-	\$70,675,000.00	8.369%	\$2,957,395.38	-	\$70,675,000.00	8.369%
11/1/25	Ambac	6/30/26	\$4,085,000.00	\$66,590,000.00	8.369%	\$2,786,458.55	\$4,085,000.00	\$66,590,000.00	8.369%
5/1/26	Ambac	6/30/26	-	\$66,590,000.00	8.369%	\$2,786,458.55	-	\$66,590,000.00	8.369%
11/1/26	Ambac	6/30/27	\$4,440,000.00	\$62,150,000.00	8.369%	\$2,600,666.75	\$4,440,000.00	\$62,150,000.00	8.369%
5/1/27	Ambac	6/30/27	-	\$62,150,000.00	8.369%	\$2,600,666.75	-	\$62,150,000.00	8.369%
11/1/27	Ambac	6/30/28	\$4,825,000.00	\$57,325,000.00	8.369%	\$2,398,764.63	\$4,825,000.00	\$57,325,000.00	8.369%
5/1/28	Ambac	6/30/28	-	\$57,325,000.00	8.369%	\$2,398,764.63	-	\$57,325,000.00	8.369%
11/1/28	Ambac	6/30/29	\$5,250,000.00	\$52,075,000.00	8.369%	\$2,179,078.38	\$5,250,000.00	\$52,075,000.00	8.369%
5/1/29	Ambac	6/30/29	-	\$52,075,000.00	8.369%	\$2,179,078.38	-	\$52,075,000.00	8.369%
11/1/29	Ambac	6/30/30	\$5,705,000.00	\$46,370,000.00	8.369%	\$1,940,352.65	\$5,705,000.00	\$46,370,000.00	8.369%
5/1/30	Ambac	6/30/30	-	\$46,370,000.00	8.369%	\$1,940,352.65	-	\$46,370,000.00	8.369%
11/1/30	Ambac	6/30/31	\$6,205,000.00	\$40,165,000.00	8.369%	\$1,680,704.43	\$6,205,000.00	\$40,165,000.00	8.369%
5/1/31	Ambac	6/30/31	-	\$40,165,000.00	8.369%	\$1,680,704.43	-	\$40,165,000.00	8.369%
11/1/31	Ambac	6/30/32	\$6,750,000.00	\$33,415,000.00	8.369%	\$1,398,250.68	\$6,750,000.00	\$33,415,000.00	8.369%
5/1/32	Ambac	6/30/32	-	\$33,415,000.00	8.369%	\$1,398,250.68	-	\$33,415,000.00	8.369%
11/1/32	Ambac	6/30/33	\$7,335,000.00	\$26,080,000.00	8.369%	\$1,091,317.60	\$7,335,000.00	\$26,080,000.00	8.369%
5/1/33	Ambac	6/30/33	-	\$26,080,000.00	8.369%	\$1,091,317.60	-	\$26,080,000.00	8.369%
11/1/33	Ambac	6/30/34	\$7,975,000.00	\$18,105,000.00	8.369%	\$757,603.73	\$7,975,000.00	\$18,105,000.00	8.369%
5/1/34	Ambac	6/30/34	-	\$18,105,000.00	8.369%	\$757,603.73	-	\$18,105,000.00	8.369%
11/1/34	Ambac	6/30/35	\$8,675,000.00	\$9,430,000.00	8.369%	\$394,598.35	\$8,675,000.00	\$9,430,000.00	8.369%
5/1/35	Ambac	6/30/35	-	\$9,430,000.00	8.369%	\$394,598.35	-	\$9,430,000.00	8.369%
11/1/35	Ambac	6/30/36	\$9,430,000.00	-	8.369%	\$108,522,287.58	\$9,430,000.00	-	8.369%
Total				\$77,885,000.00			\$77,885,000.00		

EXHIBIT B
MUNICIPAL OBLIGATION

UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

SIP	Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
UT 2009-A 2009-001 2009-002 2009-003 2009-004 2009-005 2009-006 2009-007 2009-008 2009-009 2009-010	4/1/15	5.250%	\$2,476,650.00	Assured	\$65,012.06	-	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	5.250%	\$2,476,650.00	Assured	\$65,066.38	\$65,066.38	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	5.000%	\$2,602,655.00	Assured	\$65,066.38	-	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	5.000%	\$2,733,095.00	Assured	\$68,325.13	\$68,325.13	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	5.000%	\$2,872,045.00	Assured	\$71,801.13	\$71,801.13	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	5.000%	\$3,015,530.00	Assured	\$75,385.75	\$75,385.75	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	5.000%	\$3,169,985.00	Assured	\$79,971.69	\$79,971.69	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	5.000%	\$3,330,430.00	Assured	\$84,667.62	\$84,667.62	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	5.000%	\$3,505,975.00	Assured	\$89,463.49	\$89,463.49	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	5.000%	\$3,687,520.00	Assured	\$94,269.36	\$94,269.36	-	-	-	-	-	-	-	-	-	-	-	-
UT 2010-A 2010-001 2010-002 2010-003 2010-004 2010-005 2010-006 2010-007 2010-008 2010-009 2010-010	4/1/15	5.375%	\$5,161,860.00	NPPG	\$138,724.99	\$138,724.99	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	5.375%	\$5,439,940.00	NPPG	\$146,198.39	\$146,198.39	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	5.375%	\$5,728,020.00	NPPG	\$154,138.88	\$154,138.88	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	5.375%	\$6,026,100.00	NPPG	\$162,079.37	\$162,079.37	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	5.000%	\$6,334,180.00	NPPG	\$170,019.86	\$170,019.86	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	5.000%	\$6,652,260.00	NPPG	\$177,960.35	\$177,960.35	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	5.000%	\$7,000,340.00	NPPG	\$185,900.84	\$185,900.84	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	5.000%	\$7,358,420.00	NPPG	\$193,841.33	\$193,841.33	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	5.000%	\$7,726,500.00	NPPG	\$201,781.82	\$201,781.82	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	5.000%	\$8,104,580.00	NPPG	\$209,722.31	\$209,722.31	-	-	-	-	-	-	-	-	-	-	-	-
UT 2011-A 2011-001 2011-002 2011-003 2011-004 2011-005 2011-006 2011-007 2011-008 2011-009 2011-010	4/1/15	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
UT 2012-A 2012-001 2012-002 2012-003 2012-004 2012-005 2012-006 2012-007 2012-008 2012-009 2012-010	4/1/15	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
UT 2013-A 2013-001 2013-002 2013-003 2013-004 2013-005 2013-006 2013-007 2013-008 2013-009 2013-010	4/1/15	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
UT 2014-A 2014-001 2014-002 2014-003 2014-004 2014-005 2014-006 2014-007 2014-008 2014-009 2014-010	4/1/15	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
UT 2015-A 2015-001 2015-002 2015-003 2015-004 2015-005 2015-006 2015-007 2015-008 2015-009 2015-010	4/1/15	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
UT 2016-A 2016-001 2016-002 2016-003 2016-004 2016-005 2016-006 2016-007 2016-008 2016-009 2016-010	4/1/15	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/18	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/19	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/20	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/21	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/22	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/23	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/24	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
UT 2017-A 2017-001 2017-002 2017-003 2017-004 2017-005 2017-006 2017-007 2017-008 2017-009 2017-010	4/1/15	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/16	4.000%	\$2,600,700.00	Syncona	\$5,214.00	\$5,214.00	-	-	-	-	-	-	-	-	-	-	-	-
	4/1/17	4.000%	\$2,60															

UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
UTGO 2004-B(1)																	
2004B32P8	4/1/15	\$7,538,575.00	Ambac	\$188,464.38	\$188,464.38	-	-	-	-	-	-	-	-	-	-	-	-
2004B32P9	4/1/16	\$7,912,245.00	Ambac	\$207,696.43	\$207,696.43	\$207,696.43	\$207,696.43	-	-	-	-	-	-	-	-	-	-
2004B32R4	4/1/17	\$3,300,045.00	Ambac	\$5,300.90	\$5,300.90	\$5,300.90	\$5,300.90	\$5,300.90	\$5,300.90	\$5,300.90	-	-	-	-	-	-	-
2004B32S2	4/1/17	\$8,064,320.00	Ambac	\$211,688.40	\$211,688.40	\$211,688.40	\$211,688.40	\$211,688.40	\$211,688.40	\$211,688.40	-	-	-	-	-	-	-
2510932T0	4/1/18	\$1,738,000.00	Ambac	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50
		\$25,318,185.00		\$658,772.61	\$658,772.61	\$470,308.23	\$470,308.23	\$262,611.80	\$262,611.80	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50	\$45,622.50
UTGO 2004-B(2)																	
2004B32X1	4/1/19	\$499,675.00	Ambac	\$13,091.49	\$13,091.49	\$9,562.48	\$9,562.48	\$5,805.79	\$5,805.79	\$1,935.26	\$1,935.26	-	-	-	-	-	-
UTGO 2005-B																	
2005B32G5	4/1/15	\$1,990,010.00	Assured	\$49,750.25	\$49,750.25	-	-	-	-	-	-	-	-	-	-	-	-
2005B32G6	4/1/16	\$2,089,945.00	Assured	\$52,248.63	\$52,248.63	\$52,248.63	\$52,248.63	\$47,082.42	\$47,082.42	\$47,082.42	-	-	-	-	-	-	-
2005B32G7	4/1/17	\$2,189,880.00	Assured	\$47,082.42	\$47,082.42	\$47,082.42	\$47,082.42	\$47,082.42	\$47,082.42	\$47,082.42	-	-	-	-	-	-	-
2005B32G8	4/1/18	\$2,289,815.00	Assured	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38	\$57,245.38
2005B32G9	4/1/19	\$2,402,785.00	Assured	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63	\$60,069.63
2005B32H2	4/1/20	\$4,345,000.00	Assured	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00
2005B32H3	4/1/21	\$4,345,000.00	Assured	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00
2005B32H4	4/1/22	\$4,345,000.00	Assured	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00
2005B32H5	4/1/23	\$4,345,000.00	Assured	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00
2005B32H6	4/1/24	\$4,345,000.00	Assured	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00
2005B32H7	4/1/25	\$4,345,000.00	Assured	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00	\$108,625.00
		\$37,032,435.00		\$918,146.30	\$918,146.30	\$868,396.05	\$868,396.05	\$816,147.42	\$816,147.42	\$769,065.00	\$769,065.00	\$711,819.63	\$711,819.63	\$651,750.00	\$651,750.00	\$543,125.00	\$543,125.00
UTGO 2005-C																	
2005C32J2	4/1/15	\$2,003,045.00	Assured	\$50,076.13	\$50,076.13	-	-	-	-	-	-	-	-	-	-	-	-
2005C32K2	4/1/16	\$2,107,325.00	Assured	\$52,683.13	\$52,683.13	\$52,683.13	\$52,683.13	\$47,549.51	\$47,549.51	\$47,549.51	-	-	-	-	-	-	-
2005C32K3	4/1/17	\$2,211,605.00	Assured	\$47,549.51	\$47,549.51	\$47,549.51	\$47,549.51	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75
2005C32K4	4/1/18	\$2,316,715.00	Assured	\$57,136.75	\$57,136.75	\$57,136.75	\$57,136.75	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77
2005C32K5	4/1/19	\$2,376,715.00	Assured	\$62,388.77	\$62,388.77	\$62,388.77	\$62,388.77	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46
2005C32K6	4/1/20	\$2,507,065.00	Assured	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46	\$72,885.48	\$72,885.48	\$72,885.48	\$72,885.48	\$72,885.48	\$72,885.48	\$72,885.48	\$72,885.48	\$72,885.48	\$72,885.48
		\$13,491,225.00		\$335,644.73	\$335,644.73	\$285,568.61	\$285,568.61	\$232,885.48	\$232,885.48	\$185,335.98	\$185,335.98	\$128,199.23	\$128,199.23	\$65,810.46	\$65,810.46	\$65,810.46	\$65,810.46
UTGO 2008-A																	
2008A32M5	4/1/15	\$2,498,375.00	Assured	\$62,459.38	\$62,459.38	-	-	-	-	-	-	-	-	-	-	-	-
2008A32M6	4/1/16	\$2,620,035.00	Assured	\$65,500.88	\$65,500.88	\$65,500.88	\$65,500.88	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25
2008A32M7	4/1/17	\$2,754,730.00	Assured	\$68,868.25	\$68,868.25	\$68,868.25	\$68,868.25	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50
2008A32M8	4/1/18	\$2,889,425.00	Assured	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50	\$75,788.50
2008A32M9	4/1/19	\$3,006,740.00	Assured	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75	\$78,861.75
2008A32N2	4/1/20	\$3,154,470.00	Assured	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88	\$82,880.88
2008A32N3	4/1/21	\$3,315,235.00	Assured	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63
2008A32N4	4/1/22	\$3,480,345.00	Assured	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63
2008A32N5	4/1/23	\$7,490,780.00	Assured	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50
2008A32N6	4/1/24	\$7,490,780.00	Assured	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50	\$187,269.50
2008A32N7	4/1/25	\$17,362,020.00	Assured	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50	\$434,065.50
		\$48,572,755.00		\$1,199,871.75	\$1,199,871.75	\$1,137,412.38	\$1,137,412.38	\$1,071,911.50	\$1,071,911.50	\$1,003,043.25	\$1,003,043.25	\$945,254.75	\$945,254.75	\$870,086.25	\$870,086.25	\$791,224.50	\$791,224.50
UTGO 2008-B(1)																	
2008B32P3	4/1/15	\$6,925,930.00	Assured	\$173,148.25	\$173,148.25	-	-	-	-	-	-	-	-	-	-	-	-
2008B32P4	4/1/16	\$2,989,360.00	Assured	\$74,734.00	\$74,734.00	\$74,734.00	\$74,734.00	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50
2008B32P5	4/1/17	\$3,111,020.00	Assured	\$77,775.50	\$77,775.50	\$77,775.50	\$77,775.50	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75
2008B32P6	4/1/18	\$3,293,510.00	Assured	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75	\$82,337.75
2008B32P7	4/1/19	\$3,480,345.00	Assured	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63	\$87,008.63
2008B32P8	4/1/20	\$3,672,755.00	Assured	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63	\$91,814.63
		\$28,750,790.00		\$730,799.99	\$730,799.99	\$650,252.86	\$650,252.86	\$577,048.66	\$577,048.66	\$506,593.72	\$506,593.72	\$424,014.52	\$424,014.52	\$348,072.13	\$348,072.13	\$269,849.50	\$269,849.50

UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

CUSIP	Maturity Date	Rate	Principal	Insurer	Interest														
					10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Interest
UTGO Series 2001-A																			
251099A	4/1/15	5.250%	\$2,476,650.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$130,024.13	\$2,606,674.13
251099B	4/1/16	5.000%	\$2,602,655.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$260,265.50	\$2,862,920.50
251099C	4/1/17	5.000%	\$2,733,005.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$409,950.75	\$3,142,955.75
251099D	4/1/18	5.000%	\$2,872,045.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$574,409.00	\$3,446,454.00
251099E	4/1/19	5.000%	\$3,015,430.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$753,857.50	\$3,769,287.50
251099F	4/1/20	5.000%	\$3,169,785.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,128,506.88	\$5,298,291.88
UTGO Series 2001-B																			
251099G	4/1/15	5.375%	\$5,161,860.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$277,449.98	\$5,439,309.98
251099H	4/1/16	5.375%	\$5,439,940.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$584,793.55	\$6,024,733.55
251099I	4/1/17	5.375%	\$5,735,400.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$924,833.25	\$6,660,233.25
251099J	4/1/18	5.375%	\$12,166,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,615,690.00	\$14,781,690.00
251099K	4/1/19	5.000%	\$12,166,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,041,500.00	\$15,207,500.00
251099L	4/1/20	5.000%	\$12,166,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,649,800.00	\$15,815,800.00
251099M	4/1/21	5.000%	\$12,166,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,258,100.00	\$16,424,100.00
251099N	4/1/22	5.000%	\$65,001,200.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$15,352,166.78	\$80,353,366.78
UTGO Series 2002																			
251099O	4/1/21	5.125%	\$2,815,560.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,010,082.15	\$3,825,642.15
251099P	4/1/22	5.125%	\$2,958,945.00	NPFG	\$75,822.97	\$75,822.97	-	-	-	-	-	-	-	-	-	-	-	\$1,213,167.45	\$4,172,112.45
251099Q	4/1/23	5.125%	\$5,774,503.00	NPFG	\$75,822.97	\$75,822.97	-	-	-	-	-	-	-	-	-	-	-	\$2,223,249.60	\$7,997,754.60
UTGO Series 2003-A																			
251099R	4/1/15	4.000%	\$260,700.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,428.00	\$271,128.00
251099S	4/1/16	5.250%	\$2,215,950.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$116,337.38	\$2,332,287.38
251099T	4/1/17	5.250%	\$2,602,655.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$273,278.78	\$2,875,933.78
251099U	4/1/18	5.250%	\$2,737,350.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$431,132.63	\$3,168,482.63
251099V	4/1/19	5.250%	\$2,880,735.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$604,954.35	\$3,485,689.35
251099W	4/1/20	5.250%	\$3,032,810.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$796,112.63	\$3,828,922.63
251099X	4/1/21	4.500%	\$434,500.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$117,315.00	\$551,815.00
251099Y	4/1/22	5.250%	\$2,759,075.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$869,108.63	\$3,628,183.63
251099Z	4/1/23	5.250%	\$3,354,340.00	Sincora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,232,719.95	\$4,587,059.95
251099AA	4/1/24	4.625%	\$434,500.00	Sincora	\$10,047.81	\$10,047.81	-	-	-	-	-	-	-	-	-	-	-	\$160,765.00	\$595,265.00
251099AB	4/1/25	5.250%	\$3,097,985.00	Sincora	\$81,322.11	\$81,322.11	-	-	-	-	-	-	-	-	-	-	-	\$1,301,153.70	\$4,399,138.70
251099AC	4/1/26	4.625%	\$1,303,500.00	Sincora	\$30,143.44	\$30,143.44	\$30,143.44	-	-	-	-	-	-	-	-	-	-	\$542,581.88	\$1,846,081.88
251099AD	4/1/27	5.250%	\$2,411,475.00	Sincora	\$63,301.22	\$63,301.22	\$63,301.22	-	-	-	-	-	-	-	-	-	-	\$1,139,421.94	\$3,550,896.94
251099AE	4/1/28	5.250%	\$2,525,575.00	Sincora	\$184,814.58	\$184,814.58	\$93,444.66	\$93,444.66	-	-	-	-	-	-	-	-	-	\$7,595,309.84	\$35,120,884.84
UTGO Series 2004-A																			
251099AF	4/1/19	5.250%	\$3,910,500.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,026,506.25	\$4,937,006.25
251099AG	4/1/20	4.250%	\$160,765.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$40,995.08	\$201,760.08
251099AH	4/1/21	5.250%	\$5,287,863.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,665,677.48	\$6,953,542.48
251099AI	4/1/22	5.000%	\$5,735,400.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,007,390.00	\$7,742,790.00
251099AJ	4/1/23	5.250%	\$6,022,170.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,529,311.40	\$8,551,481.40
251099AK	4/1/24	5.250%	\$325,875.00	Ambac	\$158,081.96	\$158,081.96	\$7,332.19	\$7,332.19	-	-	-	-	-	-	-	-	-	\$131,979.38	\$457,854.38
251099AL	4/1/25	4.000%	\$6,013,480.00	Ambac	\$7,332.19	\$7,332.19	\$157,853.85	\$157,853.85	-	-	-	-	-	-	-	-	-	\$2,841,369.30	\$8,854,849.30
251099AM	4/1/26	5.250%	\$5,982,163.00	Ambac	\$157,853.85	\$157,853.85	\$15,689.80	\$15,689.80	\$15,689.80	\$15,689.80	-	-	-	-	-	-	-	\$313,795.90	\$995,960.90
251099AN	4/1/27	4.600%	\$5,987,410.00	Ambac	\$157,169.51	\$157,169.51	\$157,169.51	\$157,169.51	\$157,169.51	\$157,169.51	-	-	-	-	-	-	-	\$3,143,390.25	\$9,130,800.25
251099AO	4/1/28	5.250%	\$34,125,630.00	Ambac	\$496,127.31	\$496,127.31	\$338,045.35	\$338,045.35	\$172,859.31	\$172,859.31	-	-	-	-	-	-	-	\$13,700,415.03	\$47,826,045.03

* Subject to Mandatory Redemption

13-53846-1 Doc 83-454 Filed 02/21/23 Entered 02/21/23 18:22 Page 18 of 30

To be subject to Mandatory Redemption

UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)													Issuance: 2008-A												
CUSIP 251093ZX1						Mandatory Redemption							CUSIP 251093N63						Mandatory Redemption						
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest												
10/1/14	Ambac	6/30/15	-	\$499,675.00	5.240%	\$13,091.49	10/1/14	Assured	6/30/15	-	\$17,362,620.00	5.000%	\$434,065.50												
4/1/15	Ambac	6/30/15	\$134,695.00	-	5.240%	\$13,091.49	4/1/15	Assured	6/30/15	-	\$17,362,620.00	5.000%	\$434,065.50												
10/1/15	Ambac	6/30/16	-	\$364,980.00	5.240%	\$9,562.48	10/1/15	Assured	6/30/16	-	\$17,362,620.00	5.000%	\$434,065.50												
4/1/16	Ambac	6/30/16	\$143,385.00	-	5.240%	\$9,562.48	4/1/16	Assured	6/30/16	-	\$17,362,620.00	5.000%	\$434,065.50												
10/1/16	Ambac	6/30/17	-	\$221,595.00	5.240%	\$5,805.79	10/1/16	Assured	6/30/17	-	\$17,362,620.00	5.000%	\$434,065.50												
4/1/17	Ambac	6/30/17	\$147,730.00	-	5.240%	\$5,805.79	4/1/17	Assured	6/30/17	-	\$17,362,620.00	5.000%	\$434,065.50												
10/1/17	Ambac	6/30/18	-	\$73,865.00	5.240%	\$1,935.26	10/1/17	Assured	6/30/18	-	\$17,362,620.00	5.000%	\$434,065.50												
4/1/18	Ambac	6/30/18	\$499,675.00	-	5.240%	\$1,935.26	4/1/18	Assured	6/30/18	-	\$17,362,620.00	5.000%	\$434,065.50												
Total						\$60,790.03	Total						\$17,362,620.00	\$10,904,429.25											
Issuance: 2008-A													Issuance: 2008-A												
CUSIP 251093N55						Mandatory Redemption							CUSIP 251093N55						Mandatory Redemption						
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest												
10/1/14	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2022	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50												
4/1/15	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2023	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50												
10/1/15	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2023	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50												
4/1/16	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2024	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50												
10/1/16	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2024	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50												
4/1/17	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2025	Assured	6/30/25	\$4,027,815.00	\$13,334,805.00	5.000%	\$333,370.13												
10/1/17	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2025	Assured	6/30/26	-	\$13,334,805.00	5.000%	\$333,370.13												
4/1/18	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2026	Assured	6/30/26	\$4,232,030.00	\$9,102,775.00	5.000%	\$227,569.38												
10/1/18	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2026	Assured	6/30/27	-	\$9,102,775.00	5.000%	\$227,569.38												
4/1/19	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2027	Assured	6/30/27	\$4,440,590.00	\$4,662,185.00	5.000%	\$116,554.63												
10/1/19	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2027	Assured	6/30/28	-	\$4,662,185.00	5.000%	\$116,554.63												
4/1/20	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2028	Assured	6/30/28	\$4,662,185.00	-	5.000%	-												
Total						\$187,269.50	Total						\$17,362,620.00	\$10,904,429.25											

EXHIBIT C
STUB UTGO BONDS

UTGO Series STUB Bonds - Debt Service

ISIP	Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
13-53846-UTGO 1999-A																		
251093SM3	4/1/15	5.250%	\$173,350.00	Assured	\$9,800.44	\$9,800.44	\$9,808.63	\$9,808.63	-	-	-	-	-	-	-	-	-	-
251093SN1	4/1/16	5.000%	\$392,345.00	Assured	\$9,808.63	\$9,808.63	\$9,808.63	\$9,808.63	-	-	-	-	-	-	-	-	-	-
251093SP6	4/1/17	5.000%	\$411,995.00	Assured	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88	\$10,299.88
251093SQ4	4/1/18	5.000%	\$432,955.00	Assured	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88	\$10,823.88
251093SR2	4/1/19	5.000%	\$454,570.00	Assured	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25	\$11,364.25
13-53846-UTGO 2001-A(1)																		
251093UX6	4/1/15	5.375%	\$778,140.00	NPPG	\$20,912.51	\$20,912.51	\$22,039.11	\$22,039.11	-	-	-	-	-	-	-	-	-	-
251093VX3	4/1/16	5.375%	\$820,060.00	NPPG	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11	\$22,039.11
251093VK1	4/1/17	5.375%	\$864,600.00	NPPG	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13	\$23,236.13
251093VN9	4/1/18	5.375%	\$1,834,000.00	NPPG	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75	\$49,288.75
251093VN7	4/1/19	5.000%	\$1,834,000.00	NPPG	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00
251093VP2	4/1/20	5.000%	\$1,834,000.00	NPPG	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00
251093VQ0	4/1/21	5.000%	\$1,834,000.00	NPPG	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00	\$45,850.00
13-53846-UTGO 2002																		
251093VW8	4/1/21	5.125%	\$424,440.00	NPPG	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28	\$10,876.28
251093WV6	4/1/22	5.125%	\$446,055.00	NPPG	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16	\$11,430.16
13-53846-UTGO 2003-A																		
251093XP0	4/1/15	4.000%	\$39,300.00	Sincora	\$786.00	\$786.00	\$876.81	\$876.81	-	-	-	-	-	-	-	-	-	-
251093XQ8	4/1/15	5.250%	\$334,050.00	Sincora	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06	\$10,299.06
251093XR6	4/1/16	5.250%	\$392,345.00	Sincora	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06	\$10,832.06
251093XS4	4/1/17	5.250%	\$412,650.00	Sincora	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46	\$11,399.46
251093XT2	4/1/18	5.250%	\$454,265.00	Sincora	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24
251093XU9	4/1/19	5.250%	\$457,190.00	Sincora	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24	\$12,001.24
251093XV7	4/1/20	4.500%	\$65,500.00	Sincora	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75	\$1,473.75
251093XW5	4/1/20	5.250%	\$415,925.00	Sincora	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03	\$10,918.03
251093XX3	4/1/21	5.250%	\$505,660.00	Sincora	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58	\$13,273.58
251093XXY1	4/1/22	4.625%	\$505,660.00	Sincora	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69	\$15,146.69
251093XZ8	4/1/22	5.250%	\$467,015.00	Sincora	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14	\$12,259.14
251093YA2	4/1/23	4.625%	\$106,500.00	Sincora	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06	\$4,544.06
251093YB0	4/1/23	5.250%	\$363,525.00	Sincora	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53	\$9,542.53
13-53846-UTGO 2004-A(1)																		
251093YX2	4/1/19	5.250%	\$589,500.00	Ambac	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38	\$15,474.38
251093YY0	4/1/20	4.250%	\$24,235.00	Ambac	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99	\$514.99
251093YZ7	4/1/20	5.250%	\$797,135.00	Ambac	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79	\$20,924.79
251093ZA1	4/1/21	5.000%	\$864,600.00	Ambac	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00	\$21,615.00
251093ZB9	4/1/22	5.250%	\$907,830.54	Ambac	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54	\$23,830.54
251093ZC7	4/1/23	4.500%	\$49,125.00	Ambac	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31	\$1,105.31
251093ZD5	4/1/23	5.250%	\$906,520.00	Ambac	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15	\$23,796.15
251093ZE3	4/1/24	4.600%	\$102,835.00	Ambac	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21	\$2,365.21
251093ZF0	4/1/24	5.250%	\$1,144,370.00	Ambac	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99
13-53846-UTGO 2005-A(1)																		
251093ZG8	4/1/24	5.250%	\$1,144,370.00	Ambac	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98	\$117,844.98

Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service

ISIP	Maturity Date	Rate	Pincipal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
2004-B(1)																		
UTGO 2004B(1) 4/1/15	5.000%	\$1,136,425.00	Ambac	\$28,410.63	\$28,410.63	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2004B(1) 4/1/16	5.250%	\$1,192,755.00	Ambac	\$31,309.82	\$31,309.82	\$31,309.82	\$31,309.82	\$799.10	\$799.10	\$799.10	\$799.10	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60
UTGO 2004B(1) 4/1/17	4.000%	\$39,955.00	Ambac	\$799.10	\$799.10	\$799.10	\$799.10	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50
UTGO 2004B(1) 4/1/18	5.250%	\$1,215,680.00	Ambac	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50
UTGO 2004B(1) 4/1/19	5.250%	\$262,000.00	Ambac	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50
UTGO 2004-B(2)		\$3,846,815.00		\$99,308.64	\$99,308.64	\$70,898.02	\$70,898.02	\$39,588.20	\$39,588.20	\$39,588.20	\$39,588.20	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50
UTGO 2004B(2) 4/1/19	5.240%	\$75,325.00	Ambac	\$1,973.52	\$1,973.52	\$1,441.52	\$1,441.52	\$875.21	\$875.21	\$875.21	\$291.74	-	-	-	-	-	-	-
2005-B																		
UTGO 2005B 4/1/15	5.000%	\$299,990.00	Assured	\$7,499.75	\$7,499.75	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2005B 4/1/16	5.000%	\$315,055.00	Assured	\$7,876.38	\$7,876.38	\$7,876.38	\$7,876.38	\$7,097.58	\$7,097.58	\$7,097.58	\$7,097.58	\$8,629.63	\$8,629.63	\$9,055.38	\$9,055.38	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/17	4.300%	\$330,120.00	Assured	\$7,097.58	\$7,097.58	\$8,629.63	\$8,629.63	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/18	5.000%	\$345,185.00	Assured	\$8,629.63	\$8,629.63	\$9,055.38	\$9,055.38	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/19	5.000%	\$362,215.00	Assured	\$9,055.38	\$9,055.38	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/20	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/21	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/22	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/23	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/24	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/25	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UTGO 2005B 4/1/26	5.000%	\$5,582,565.00		\$138,408.71	\$138,408.71	\$130,908.96	\$130,908.96	\$123,032.58	\$123,032.58	\$123,032.58	\$115,935.00	\$107,305.38	\$107,305.38	\$98,250.00	\$98,250.00	\$98,250.00	\$81,875.00	\$81,875.00
2005-C																		
UTGO 2005C 4/1/15	5.000%	\$301,955.00	Assured	\$7,548.88	\$7,548.88	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2005C 4/1/16	5.000%	\$317,675.00	Assured	\$7,941.88	\$7,941.88	\$7,941.88	\$7,941.88	\$7,167.99	\$7,167.99	\$7,167.99	\$7,167.99	\$8,613.25	\$8,613.25	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98
UTGO 2005C 4/1/17	4.300%	\$333,395.00	Assured	\$7,167.99	\$7,167.99	\$8,613.25	\$8,613.25	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98
UTGO 2005C 4/1/18	5.000%	\$344,530.00	Assured	\$8,613.25	\$8,613.25	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98
UTGO 2005C 4/1/19	5.250%	\$358,285.00	Assured	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98
UTGO 2005C 4/1/20	5.250%	\$377,935.00	Assured	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98
UTGO 2005C 4/1/21	5.250%	\$2,033,775.00		\$50,597.77	\$50,597.77	\$43,048.89	\$43,048.89	\$35,107.02	\$35,107.02	\$35,107.02	\$27,939.03	\$27,939.03	\$27,939.03	\$19,325.78	\$19,325.78	\$19,325.78	\$9,920.79	\$9,920.79
2008-A																		
UTGO 2008A 4/1/15	5.000%	\$376,625.00	Assured	\$9,415.63	\$9,415.63	\$9,874.13	\$9,874.13	\$10,381.75	\$10,381.75	\$10,381.75	\$10,381.75	\$8,711.50	\$8,711.50	\$11,331.50	\$11,331.50	\$11,888.25	\$11,888.25	\$11,888.25
UTGO 2008A 4/1/16	5.000%	\$394,965.00	Assured	\$9,874.13	\$9,874.13	\$10,381.75	\$10,381.75	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$11,331.50	\$11,331.50	\$11,888.25	\$11,888.25	\$12,494.13	\$12,494.13	\$12,494.13
UTGO 2008A 4/1/17	5.000%	\$415,270.00	Assured	\$10,381.75	\$10,381.75	\$8,711.50	\$8,711.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,888.25	\$11,888.25	\$12,494.13	\$12,494.13	\$13,116.38	\$13,116.38	\$13,116.38
UTGO 2008A 4/1/18	4.000%	\$435,575.00	Assured	\$8,711.50	\$8,711.50	\$11,331.50	\$11,331.50	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$12,494.13	\$12,494.13	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38
UTGO 2008A 4/1/19	5.000%	\$453,260.00	Assured	\$11,331.50	\$11,331.50	\$11,888.25	\$11,888.25	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38
UTGO 2008A 4/1/20	5.000%	\$475,530.00	Assured	\$11,888.25	\$11,888.25	\$12,494.13	\$12,494.13	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38
UTGO 2008A 4/1/21	5.000%	\$499,765.00	Assured	\$12,494.13	\$12,494.13	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38
UTGO 2008A 4/1/22	5.000%	\$524,655.00	Assured	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38
UTGO 2008A 4/1/23	5.000%	\$1,120,220.00	Assured	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50
UTGO 2008A 4/1/24	5.000%	\$1,120,220.00	Assured	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50
UTGO 2008A 4/1/25	5.000%	\$2,617,380.00	Assured	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50
UTGO 2008A 4/1/26	5.000%	\$7,322,245.00		\$180,878.25	\$180,878.25	\$171,462.63	\$171,462.63	\$161,588.50	\$161,588.50	\$161,588.50	\$151,206.75	\$142,495.25	\$142,495.25	\$131,163.75	\$131,163.75	\$119,275.50	\$119,275.50	\$119,275.50
2008-B(1)																		
UTGO 2008B(1) 4/1/15	5.000%	\$1,044,070.00	Assured	\$26,101.75	\$26,101.75	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2008B(1) 4/1/16	5.000%	\$450,640.00	Assured	\$11,266.00	\$11,266.00	\$11,266.00	\$11,266.00	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25
UTGO 2008B(1) 4/1/17	5.000%	\$468,980.00	Assured	\$11,724.50	\$11,724.50	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25
UTGO 2008B(1) 4/1/18	5.000%	\$496,490.00	Assured	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25
UTGO 2008B(1) 4/1/19	5.000%	\$2,460,180.00		\$61,504.50	\$61,504.50	\$35,402.75	\$35,402.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75
UTGO 2008B(1) 4/1/20	5.000%	\$43,349,210.00		\$1,101,033.14	\$1,101,033.14	\$981,256.76	\$981,256.76	\$870,275.46	\$870,275.46	\$870,275.46	\$756,241.40	\$639,193.46	\$639,193.46	\$524,711.74	\$524,711.74	\$406,846.13	\$406,846.13	\$406,846.13

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service

CUSIP	Maturity Date	Rate	Principal	Insurer	Interest												Total Interest	Total Principal & Interest	
					10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27			10/1/27
UTGO 1999-A																			
251093SM3	4/1/15	5.250%	\$373,350.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$19,600.88	\$392,950.88
251093SN1	4/1/16	5.000%	\$392,345.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$39,234.50	\$431,579.50
251093SP6	4/1/17	5.000%	\$411,995.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$86,799.25	\$473,794.25
251093SQ4	4/1/18	5.000%	\$432,955.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$86,591.00	\$519,546.00
251093SR2	4/1/19	5.000%	\$454,570.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$113,642.50	\$568,212.50
			\$2,065,215.00		-	-	-	-	-	-	-	-	-	-	-	-	-	\$320,868.13	\$2,386,083.13
UTGO 2001-A(1)																			
251093UX6	4/1/15	5.375%	\$778,140.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,825.03	\$819,965.03
251093VK3	4/1/16	5.375%	\$820,600.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$88,156.45	\$908,216.45
251093VL1	4/1/17	5.375%	\$864,600.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$139,416.75	\$1,004,016.75
251093VM9	4/1/18	5.375%	\$1,834,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$394,310.00	\$2,228,310.00
251093VN7	4/1/19	5.000%	\$1,834,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$458,500.00	\$2,292,500.00
251093VP2	4/1/20	5.000%	\$1,834,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$550,200.00	\$2,384,200.00
251093VQ0	4/1/21	5.000%	\$1,834,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$641,900.00	\$2,475,900.00
			\$9,798,800.00		-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,314,308.23	\$12,113,108.23
UTGO 2002																			
251093WV8	4/1/21	5.125%	\$424,440.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	\$152,267.85	\$576,707.85
251093WV6	4/1/22	5.125%	\$446,055.00	NPFG	\$11,430.16	\$11,430.16	-	-	-	-	-	-	-	-	-	-	-	\$182,882.55	\$628,937.55
			\$870,495.00		\$11,430.16	\$11,430.16	-	-	-	-	-	-	-	-	-	-	-	\$335,150.40	\$1,205,645.40
UTGO 2003-A																			
251093XP0	4/1/15	4.000%	\$39,300.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,572.00	\$40,872.00
251093XQ8	4/1/15	5.250%	\$334,050.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,537.63	\$351,587.63
251093XR6	4/1/16	5.250%	\$392,345.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,196.23	\$433,541.23
251093XS4	4/1/17	5.250%	\$412,650.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$64,992.38	\$477,642.38
251093XT2	4/1/18	5.250%	\$434,265.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$91,195.65	\$525,460.65
251093XU9	4/1/19	5.250%	\$457,190.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$120,012.38	\$577,202.38
251093XV7	4/1/20	4.500%	\$65,500.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,685.00	\$83,185.00
251093XW5	4/1/20	5.250%	\$415,925.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$131,016.38	\$546,941.38
251093XX3	4/1/21	5.250%	\$505,660.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	\$185,830.05	\$691,490.05
251093XX1	4/1/22	4.625%	\$65,500.00	Syncora	\$1,514.69	\$1,514.69	-	-	-	-	-	-	-	-	-	-	-	\$24,235.00	\$89,735.00
251093XZ8	4/1/22	5.250%	\$467,015.00	Syncora	\$12,259.14	\$12,259.14	-	-	-	-	-	-	-	-	-	-	-	\$196,146.30	\$663,161.30
251093YA2	4/1/23	4.625%	\$196,500.00	Syncora	\$4,544.06	\$4,544.06	\$4,544.06	-	-	-	-	-	-	-	-	-	-	\$81,793.13	\$278,293.13
251093YB0	4/1/23	5.250%	\$363,525.00	Syncora	\$9,542.53	\$9,542.53	\$9,542.53	-	-	-	-	-	-	-	-	-	-	\$171,765.56	\$535,290.56
			\$4,149,425.00		\$27,860.43	\$27,860.43	\$14,086.59	\$14,086.59	-	-	-	-	-	-	-	-	-	\$1,144,977.66	\$5,294,402.66
UTGO 2004-A(1)																			
251093YX2	4/1/19	5.250%	\$589,500.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$154,743.75	\$744,243.75
251093YY0	4/1/20	4.250%	\$24,235.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,179.93	\$30,414.93
251093YZ7	4/1/20	5.250%	\$797,135.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$251,097.53	\$1,048,232.53
251093ZA1	4/1/21	5.000%	\$864,600.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$302,610.00	\$1,167,210.00
251093ZB9	4/1/22	5.250%	\$907,830.00	Ambac	\$23,830.54	\$23,830.54	-	-	-	-	-	-	-	-	-	-	-	\$381,288.60	\$1,289,118.60
251093ZC7	4/1/23	4.500%	\$49,125.00	Ambac	\$1,105.31	\$1,105.31	\$1,105.31	-	-	-	-	-	-	-	-	-	-	\$19,895.63	\$69,020.63
251093ZD5	4/1/23	5.250%	\$906,520.00	Ambac	\$23,796.15	\$23,796.15	\$23,796.15	-	-	-	-	-	-	-	-	-	-	\$428,330.70	\$1,334,850.70
251093ZE3	4/1/24	4.600%	\$102,635.00	Ambac	\$2,365.21	\$2,365.21	\$2,365.21	-	-	-	-	-	-	-	-	-	-	\$47,304.10	\$150,139.10
251093ZF0	4/1/24	5.250%	\$902,590.00	Ambac	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	-	-	-	-	-	-	-	\$473,859.75	\$1,376,449.75
			\$5,144,370.00		\$74,790.19	\$74,790.19	\$50,959.66	\$50,959.66	\$26,058.19	\$26,058.19	-	-	-	-	-	-	-	\$2,065,509.98	\$7,209,679.98

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service

SIP	Maturity Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Total Principal & Interest
Interest																				
2004-B(1)																				
251932P8	4/1/15	5.000%	\$1,136,425.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$56,821.25	\$1,193,246.25
251932Q6	4/1/16	5.250%	\$1,192,755.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$125,239.28	\$1,317,994.28
251932R4	4/1/17	4.000%	\$392,955.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,794.60	\$44,749.60
251932S2	4/1/17	5.250%	\$1,215,680.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$191,469.60	\$1,407,149.60
251093ZT0	4/1/18	5.250%	\$262,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$55,020.00	\$317,020.00
			\$3,846,815.00		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$433,344.73	\$4,280,159.73
2004-B(2)																				
251932X1	4/1/19	5.240%	\$75,325.00 *	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$9,163.97	\$84,488.97
2005-B																				
251932Y3	4/1/15	5.000%	\$299,990.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$14,999.50	\$314,989.50
251932G61	4/1/16	5.000%	\$315,055.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$31,505.50	\$346,560.50
251932G79	4/1/17	4.300%	\$330,120.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$42,585.48	\$372,705.48
251932G87	4/1/18	5.000%	\$345,185.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$69,037.00	\$414,222.00
251932G95	4/1/19	5.000%	\$362,215.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$90,553.75	\$452,768.75
251931Z29	4/1/20	5.000%	\$655,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$196,500.00	\$851,500.00
251931H37	4/1/21	5.000%	\$655,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$229,250.00	\$884,250.00
251931H45	4/1/22	5.000%	\$655,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$262,000.00	\$917,000.00
251931H52	4/1/23	5.000%	\$655,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$294,750.00	\$949,750.00
251931H60	4/1/24	5.000%	\$655,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$327,500.00	\$982,500.00
251931H78	4/1/25	5.000%	\$655,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$360,250.00	\$1,015,250.00
			\$5,592,565.00		\$65,500.00	\$65,500.00	\$49,125.00	\$32,750.00	\$32,750.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$1,918,931.23	\$7,501,496.23
2005-C																				
251932Y92	4/1/15	5.000%	\$301,955.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$15,097.75	\$317,052.75
251932K25	4/1/16	5.000%	\$317,675.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$31,767.50	\$349,442.50
251932K33	4/1/17	4.300%	\$333,395.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$43,007.96	\$376,402.96
251932K41	4/1/18	5.000%	\$344,530.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$68,906.00	\$413,436.00
251932K58	4/1/19	5.250%	\$358,285.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$94,049.81	\$452,334.81
251932K66	4/1/20	5.250%	\$377,935.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$119,049.53	\$496,984.53
			\$2,033,775.00		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$371,878.54	\$2,405,653.54
2008-A																				
251932M56	4/1/15	5.000%	\$376,025.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$18,831.25	\$395,456.25
251932M64	4/1/16	5.000%	\$394,965.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$39,496.50	\$434,461.50
251932M72	4/1/17	5.000%	\$415,270.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$62,290.50	\$477,560.50
251932M80	4/1/18	4.000%	\$435,575.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$69,692.00	\$505,267.00
251932M98	4/1/19	5.000%	\$453,260.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$113,315.00	\$566,575.00
251932N22	4/1/20	5.000%	\$475,530.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$142,659.00	\$618,189.00
251932N30	4/1/21	5.000%	\$499,765.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$174,917.75	\$674,682.75
251932N48	4/1/22	5.000%	\$524,655.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$209,862.00	\$734,517.00
251932N55	4/1/24	5.000%	\$1,129,220.00 *	Assured	\$13,116.38	\$13,116.38	\$28,230.50	\$28,230.50	\$14,459.13	\$14,459.13	\$65,434.50	\$65,434.50	\$50,254.88	\$50,254.88	\$34,305.63	\$34,305.63	\$17,570.38	\$17,570.38	\$537,067.25	\$1,666,287.25
251932N63	4/1/28	5.000%	\$2,617,380.00	Assured	\$28,230.50	\$28,230.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$50,254.88	\$50,254.88	\$34,305.63	\$34,305.63	\$17,570.38	\$17,570.38	\$1,643,820.75	\$4,261,200.75
			\$7,322,245.00		\$106,781.38	\$106,781.38	\$93,665.00	\$93,665.00	\$79,893.63	\$79,893.63	\$65,434.50	\$65,434.50	\$50,254.88	\$50,254.88	\$34,305.63	\$34,305.63	\$17,570.38	\$17,570.38	\$3,011,952.00	\$10,334,197.00
2008-B(1)																				
251932P53	4/1/15	5.000%	\$1,044,070.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$52,203.50	\$1,096,273.50
251932P61	4/1/16	5.000%	\$450,640.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$45,064.00	\$495,704.00
251932P79	4/1/17	5.000%	\$468,980.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$70,347.00	\$539,327.00
251932P87	4/1/18	5.000%	\$496,490.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$99,298.00	\$595,788.00
			\$2,460,180.00		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$366,912.50	\$2,827,092.50
			\$43,349,210.00		\$286,362.15	\$286,362.15	\$207,836.25	\$207,836.25	\$138,701.82	\$138,701.82	\$81,809.50	\$81,809.50	\$50,254.88	\$50,254.88	\$34,305.63	\$34,305.63	\$17,570.38	\$17,570.38	\$12,192,797.36	\$55,542,007.36

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)													Issuance: 2008-A												
CUSIP 251093ZX1						Mandatory Redemption							CUSIP 251093NG3						Mandatory Redemption						
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest												
10/1/14	Ambac	6/30/15	-	\$75,325.00	5.240%	\$1,973.52	10/1/14	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/15	Ambac	6/30/15	\$20,305.00	\$55,020.00	5.240%	\$1,973.52	4/1/15	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/15	Ambac	6/30/16	-	\$55,020.00	5.240%	\$1,441.52	10/1/15	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/16	Ambac	6/30/16	\$21,615.00	\$33,405.00	5.240%	\$1,441.52	4/1/16	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/16	Ambac	6/30/17	-	\$33,405.00	5.240%	\$875.21	10/1/16	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/17	Ambac	6/30/17	\$22,270.00	\$11,135.00	5.240%	\$875.21	4/1/17	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/17	Ambac	6/30/18	-	\$11,135.00	5.240%	\$291.74	10/1/17	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/18	Ambac	6/30/18	\$11,135.00	-	5.240%	\$291.74	4/1/18	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50												
Total						\$9,163.97	Total						\$2,617,380.00												
Issuance: 2008-A													Issuance: 2008-A												
CUSIP 251093N55						Mandatory Redemption							CUSIP 251093N55						Mandatory Redemption						
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest												
10/1/14	Assured	6/30/15	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/14	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/15	Assured	6/30/15	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/15	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/15	Assured	6/30/16	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/15	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/16	Assured	6/30/16	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/16	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/16	Assured	6/30/17	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/16	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/17	Assured	6/30/17	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/17	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/17	Assured	6/30/18	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/17	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/18	Assured	6/30/18	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/18	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/18	Assured	6/30/19	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/18	Assured	6/30/19	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/19	Assured	6/30/19	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/19	Assured	6/30/19	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/19	Assured	6/30/20	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/19	Assured	6/30/20	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/20	Assured	6/30/20	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/20	Assured	6/30/20	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/20	Assured	6/30/21	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/20	Assured	6/30/21	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/21	Assured	6/30/21	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/21	Assured	6/30/21	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/21	Assured	6/30/22	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/21	Assured	6/30/22	-	\$2,617,380.00	5.000%	\$65,434.50												
4/1/22	Assured	6/30/22	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/22	Assured	6/30/22	-	\$2,617,380.00	5.000%	\$65,434.50												
10/1/2022	Assured	6/30/2023	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/2022	Assured	6/30/2023	\$607,185.00	\$2,010,195.00	5.000%	\$65,434.50												
4/1/2023	Assured	6/30/2023	\$550,855.00	\$578,365.00	5.000%	\$578,365.00	4/1/2023	Assured	6/30/2023	\$637,970.00	\$1,372,225.00	5.000%	\$50,254.88												
10/1/2023	Assured	6/30/2024	-	\$578,365.00	5.000%	\$14,459.13	10/1/2023	Assured	6/30/2024	\$669,410.00	\$702,815.00	5.000%	\$34,305.63												
4/1/2024	Assured	6/30/2024	\$578,365.00	-	5.000%	\$14,459.13	4/1/2024	Assured	6/30/2024	\$702,815.00	\$702,815.00	5.000%	\$17,570.38												
10/1/2024	Assured	6/30/2025	-	-	5.000%	-	10/1/2024	Assured	6/30/2025	\$702,815.00	\$702,815.00	5.000%	\$17,570.38												
Total						\$537,067.25	Total						\$1,643,820.75												

EXHIBIT D
DEBT SERVICE REQUIREMENTS AND SET ASIDE LEDGER

UTGO Series 2014 DSA Fourth Lien Restructured Bonds

Property Tax Set Asides

Month	Year	Interest Set-Aside	Principal Set-Aside	Total Set-Aside	Interest Payments	Principal Payments	Balance Requirements
September	2014	\$7,303,799.99	\$15,602,895.00	\$22,906,694.99	-	-	\$22,906,694.99
October	2014	-	-	-	\$7,303,799.99	-	\$15,602,895.00
November	2014	\$2,434,600.00	\$5,200,965.00	\$7,635,565.00	-	-	\$23,238,460.00
January	2015	\$2,434,600.00	\$5,200,965.00	\$7,635,565.00	-	-	\$30,874,024.99
March	2015	\$2,434,600.00	\$5,200,965.00	\$7,635,565.00	-	-	\$38,509,589.99
April	2015	-	-	-	\$7,303,799.99	\$31,205,790.00	-
September	2015	\$6,509,252.86	\$14,253,772.50	\$20,763,025.36	-	-	\$20,763,025.36
October	2015	-	-	-	\$6,509,252.86	-	\$14,253,772.50
November	2015	\$2,169,750.95	\$4,751,257.50	\$6,921,008.45	-	-	\$21,174,780.95
January	2016	\$2,169,750.95	\$4,751,257.50	\$6,921,008.45	-	-	\$28,095,789.41
March	2016	\$2,169,750.95	\$4,751,257.50	\$6,921,008.45	-	-	\$35,016,797.86
April	2016	-	-	-	\$6,509,252.86	\$28,507,545.00	-
September	2016	\$5,773,048.66	\$14,975,042.50	\$20,748,091.16	-	-	\$20,748,091.16
October	2016	-	-	-	\$5,773,048.66	-	\$14,975,042.50
November	2016	\$1,924,349.55	\$4,991,680.83	\$6,916,030.39	-	-	\$21,891,072.89
January	2017	\$1,924,349.55	\$4,991,680.83	\$6,916,030.39	-	-	\$28,807,103.28
March	2017	\$1,924,349.55	\$4,991,680.83	\$6,916,030.39	-	-	\$35,723,133.66
April	2017	-	-	-	\$5,773,048.66	\$29,950,085.00	-
September	2017	\$5,016,593.72	\$15,244,432.50	\$20,261,026.22	-	-	\$20,261,026.22
October	2017	-	-	-	\$5,016,593.72	-	\$15,244,432.50
November	2017	\$1,672,197.91	\$5,081,477.50	\$6,753,675.41	-	-	\$21,998,107.91
January	2018	\$1,672,197.91	\$5,081,477.50	\$6,753,675.41	-	-	\$28,751,783.32
March	2018	\$1,672,197.91	\$5,081,477.50	\$6,753,675.41	-	-	\$35,505,458.72
April	2018	-	-	-	\$5,016,593.72	\$30,488,865.00	-
September	2018	\$4,240,145.92	\$14,955,490.00	\$19,195,635.92	-	-	\$19,195,635.92
October	2018	-	-	-	\$4,240,145.92	-	\$14,955,490.00
November	2018	\$1,413,381.97	\$4,985,163.33	\$6,398,545.31	-	-	\$21,354,035.31
January	2019	\$1,413,381.97	\$4,985,163.33	\$6,398,545.31	-	-	\$27,752,580.61
March	2019	\$1,413,381.97	\$4,985,163.33	\$6,398,545.31	-	-	\$34,151,125.92
April	2019	-	-	-	\$4,240,145.92	\$29,910,980.00	-
September	2019	\$3,480,721.39	\$15,407,370.00	\$18,888,091.39	-	-	\$18,888,091.39
October	2019	-	-	-	\$3,480,721.39	-	\$15,407,370.00
November	2019	\$1,160,240.46	\$5,135,790.00	\$6,296,030.46	-	-	\$21,703,400.46
January	2020	\$1,160,240.46	\$5,135,790.00	\$6,296,030.46	-	-	\$27,999,430.92
March	2020	\$1,160,240.46	\$5,135,790.00	\$6,296,030.46	-	-	\$34,295,461.39
April	2020	-	-	-	\$3,480,721.39	\$30,814,740.00	-
September	2020	\$2,698,849.50	\$15,865,767.50	\$18,564,617.00	-	-	\$18,564,617.00
October	2020	-	-	-	\$2,698,849.50	-	\$15,865,767.50
November	2020	\$899,616.50	\$5,288,589.17	\$6,188,205.67	-	-	\$22,053,973.17
January	2021	\$899,616.50	\$5,288,589.17	\$6,188,205.67	-	-	\$28,242,178.83
March	2021	\$899,616.50	\$5,288,589.17	\$6,188,205.67	-	-	\$34,430,384.50
April	2021	-	-	-	\$2,698,849.50	\$31,731,535.00	-
September	2021	\$1,899,608.47	\$10,169,472.50	\$12,069,080.97	-	-	\$12,069,080.97
October	2021	-	-	-	\$1,899,608.47	-	\$10,169,472.50
November	2021	\$633,202.82	\$3,389,824.17	\$4,023,026.99	-	-	\$14,192,499.49
January	2022	\$633,202.82	\$3,389,824.17	\$4,023,026.99	-	-	\$18,215,526.48
March	2022	\$633,202.82	\$3,389,824.17	\$4,023,026.99	-	-	\$22,238,553.47
April	2022	-	-	-	\$1,899,608.47	\$20,338,945.00	-
September	2022	\$1,378,700.00	\$9,026,737.50	\$10,405,437.50	-	-	\$10,405,437.50
October	2022	-	-	-	\$1,378,700.00	-	\$9,026,737.50
November	2022	\$459,566.67	\$3,008,912.50	\$3,468,479.17	-	-	\$12,495,216.67
January	2023	\$459,566.67	\$3,008,912.50	\$3,468,479.17	-	-	\$15,963,695.83
March	2023	\$459,566.67	\$3,008,912.50	\$3,468,479.17	-	-	\$19,432,175.00
April	2023	-	-	-	\$1,378,700.00	\$18,053,475.00	-
September	2023	\$920,090.68	\$7,425,605.00	\$8,345,695.68	-	-	\$8,345,695.68
October	2023	-	-	-	\$920,090.68	-	\$7,425,605.00
November	2023	\$306,696.89	\$2,475,201.67	\$2,781,898.56	-	-	\$10,207,503.56

UTGO Series 2014 DSA Fourth Lien Restructured Bonds

Property Tax Set Asides

Month	Year	Interest Set-Aside	Principal Set-Aside	Total Set-Aside	Interest Payments	Principal Payments	Balance Requirements
January	2024	\$306,696.89	\$2,475,201.67	\$2,781,898.56	-	-	\$12,989,402.12
March	2024	\$306,696.89	\$2,475,201.67	\$2,781,898.56	-	-	\$15,771,300.68
April	2024	-	-	-	\$920,090.68	\$14,851,210.00	-
September	2024	\$542,690.50	\$4,186,407.50	\$4,729,098.00	-	-	\$4,729,098.00
October	2024	-	-	-	\$542,690.50	-	\$4,186,407.50
November	2024	\$180,896.83	\$1,395,469.17	\$1,576,366.00	-	-	\$5,762,773.50
January	2025	\$180,896.83	\$1,395,469.17	\$1,576,366.00	-	-	\$7,339,139.50
March	2025	\$180,896.83	\$1,395,469.17	\$1,576,366.00	-	-	\$8,915,505.50
April	2025	-	-	-	\$542,690.50	\$8,372,815.00	-
September	2025	\$333,370.13	\$2,116,015.00	\$2,449,385.13	-	-	\$2,449,385.13
October	2025	-	-	-	\$333,370.13	-	\$2,116,015.00
November	2025	\$111,123.38	\$705,338.33	\$816,461.71	-	-	\$2,932,476.71
January	2026	\$111,123.38	\$705,338.33	\$816,461.71	-	-	\$3,748,938.42
March	2026	\$111,123.38	\$705,338.33	\$816,461.71	-	-	\$4,565,400.13
April	2026	-	-	-	\$333,370.13	\$4,232,030.00	-
September	2026	\$227,569.38	\$2,220,295.00	\$2,447,864.38	-	-	\$2,447,864.38
October	2026	-	-	-	\$227,569.38	-	\$2,220,295.00
November	2026	\$75,856.46	\$740,098.33	\$815,954.79	-	-	\$3,036,249.79
January	2027	\$75,856.46	\$740,098.33	\$815,954.79	-	-	\$3,852,204.58
March	2027	\$75,856.46	\$740,098.33	\$815,954.79	-	-	\$4,668,159.38
April	2027	-	-	-	\$227,569.38	\$4,440,590.00	-
September	2027	\$116,554.63	\$2,331,092.50	\$2,447,647.13	-	-	\$2,447,647.13
October	2027	-	-	-	\$116,554.63	-	\$2,331,092.50
November	2027	\$38,851.54	\$777,030.83	\$815,882.38	-	-	\$3,146,974.88
January	2028	\$38,851.54	\$777,030.83	\$815,882.38	-	-	\$3,962,857.25
March	2028	\$38,851.54	\$777,030.83	\$815,882.38	-	-	\$4,778,739.63
April	2028	-	-	-	\$116,554.63	\$4,662,185.00	-
Total					\$80,881,992	\$287,560,790	

**EXHIBIT E
FEE SCHEDULE**



U.S. Bank Customer Confidential

**Schedule of Fees for Services as
ESCROW TRUSTEE
For
City of Detroit Debt Millage Deposit Escrow Agreement**

CTS01010A	Acceptance Fee The acceptance fee includes the administrative review of documents, initial set-up of the account, and other reasonably required services up to and including the closing. This is a one-time, non-refundable fee, payable at closing.	\$1,000.00
CTS04460	Escrow Trustee Annual fee for the standard escrow agent services associated with the administration of the account. Administration fees are payable in advance.	\$5,000.00
	Direct Out of Pocket Expenses Reimbursement of expenses associated with the performance of our duties, including but not limited to publications, legal counsel after the initial close, travel expenses and filing fees.	At Cost
	Extraordinary Services Extraordinary Services are duties or responsibilities of an unusual nature, including termination, but not provided for in the governing documents or otherwise set forth in this schedule. A reasonable charge will be assessed based on the nature of the services and the responsibility involved. At our option, these charges will be billed at a flat fee or at our hourly rate then in effect.	

Account approval is subject to review and qualification. Fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Dated: July 21, 2014

EXHIBIT F
PAYMENTS TO PLAN ASSIGNEES

Wire Instructions for the Plan Assignees:

Police & Fire Retirement System of the City of Detroit, Income Stabilization Fund

General Retirement System of the City of Detroit, Income Stabilization Fund

General Retirement System of the City of Detroit, _____ Fund

Schedule of Payments

<u>Date</u>	<u>PFRS ISF</u>	<u>GRS ISF</u>	<u>GRS</u>	<u>Fund</u>
-------------	-----------------	----------------	------------	-------------

AGGREGATE PAYMENTS TO PLAN ASSIGNEES

Date	Income Stabilization Funds		GRS	Total
	PFRS	GRS	Pension	Payment
10/1/14	\$99,248.43	\$297,220.18	\$704,564.52	\$1,101,033.14
4/1/15	\$523,291.50	\$1,567,105.81	\$3,714,845.83	\$5,805,243.14
10/1/15	\$88,451.65	\$264,886.95	\$627,918.16	\$981,256.76
4/1/16	\$475,829.33	\$1,424,970.44	\$3,377,911.98	\$5,278,711.76
10/1/16	\$78,447.66	\$234,927.93	\$556,899.87	\$870,275.46
4/1/17	\$485,427.45	\$1,453,714.01	\$3,446,049.00	\$5,385,190.46
10/1/17	\$68,168.50	\$204,144.82	\$483,928.09	\$756,241.40
4/1/18	\$482,469.55	\$1,444,855.96	\$3,425,050.88	\$5,352,376.40
10/1/18	\$57,617.66	\$172,548.12	\$409,027.68	\$639,193.46
4/1/19	\$464,066.06	\$1,389,742.87	\$3,294,404.53	\$5,148,213.46
10/1/19	\$47,298.14	\$141,644.17	\$335,769.44	\$524,711.74
4/1/20	\$466,027.38	\$1,395,616.44	\$3,308,327.92	\$5,169,971.74
10/1/20	\$36,673.59	\$109,826.74	\$260,345.79	\$406,846.13
4/1/21	\$467,860.80	\$1,401,106.99	\$3,321,343.34	\$5,190,311.13
10/1/21	\$25,813.02	\$77,302.50	\$183,246.63	\$286,362.15
4/1/22	\$302,190.86	\$904,973.71	\$2,145,252.59	\$3,352,417.15
10/1/22	\$18,734.61	\$56,104.69	\$132,996.95	\$207,836.25
4/1/23	\$264,056.09	\$790,771.19	\$1,874,533.96	\$2,929,361.25
10/1/23	\$12,502.75	\$37,442.09	\$88,756.98	\$138,701.82
4/1/24	\$214,309.93	\$641,795.90	\$1,521,385.99	\$2,377,491.82
10/1/24	\$7,374.41	\$22,084.20	\$52,350.90	\$81,809.50
4/1/25	\$121,149.26	\$362,806.78	\$860,038.46	\$1,343,994.50
10/1/25	\$4,530.03	\$13,566.13	\$32,158.71	\$50,254.88
4/1/26	\$62,037.41	\$185,783.98	\$440,403.48	\$688,224.88
10/1/26	\$3,092.35	\$9,260.69	\$21,952.59	\$34,305.63
4/1/27	\$63,433.76	\$189,965.66	\$450,316.20	\$703,715.63
10/1/27	\$1,583.81	\$4,743.06	\$11,243.50	\$17,570.38
4/1/28	\$64,936.39	\$194,465.60	\$460,983.38	\$720,385.38
	\$5,006,622.37	\$14,993,377.63	\$35,542,007.36	\$55,542,007.36

13-53846-11 Doc 138-1 Filed 10/22/14 Entered 10/22/14 20:37:52 Page 3 of 32

Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service (PFRS ISF Allocation)

Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
UTGO 2004-B(1)																	
251093Z18	4/1/15	5.000%	Ambac	\$2,560.97	\$2,560.97	-	-	-	-	-	-	-	-	-	-	-	-
251093Z19	4/1/16	5.2500%	Ambac	\$2,822.30	\$2,822.30	\$2,822.30	-	-	-	-	-	-	-	-	-	-	-
251093Z20	4/1/17	5.000%	Ambac	\$2,720.03	\$2,720.03	\$2,720.03	\$720.03	-	-	-	-	-	-	-	-	-	-
251093Z21	4/1/17	5.2500%	Ambac	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55	\$2,876.55
251093Z22	4/1/17	5.2500%	Ambac	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95	\$619.95
251093Z23	4/1/18	5.2500%	Ambac	\$8,951.80	\$8,951.80	\$6,390.83	\$6,390.83	\$3,568.53	\$3,568.53	\$3,568.53	\$3,568.53	\$3,568.53	\$3,568.53	\$3,568.53	\$3,568.53	\$3,568.53	\$3,568.53
UTGO 2004-B(2)																	
251093Z24	4/1/19	5.240%	Ambac	\$177.89	\$177.89	\$129.94	\$129.94	\$78.89	\$78.89	\$26.30	\$26.30	-	-	-	-	-	-
UTGO 2005-B																	
251093G53	4/1/15	5.000%	Assured	\$676.04	\$676.04	-	-	-	-	-	-	-	-	-	-	-	-
251093G54	4/1/16	5.000%	Assured	\$709.99	\$709.99	\$709.99	-	-	-	-	-	-	-	-	-	-	-
251093G55	4/1/17	4.3000%	Assured	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78	\$639.78
251093G56	4/1/18	5.000%	Assured	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39	\$31,115.39
251093G57	4/1/19	5.000%	Assured	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49	\$32,650.49
251093H29	4/1/20	5.000%	Assured	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06
251093H30	4/1/21	5.000%	Assured	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48
251093H31	4/1/22	5.000%	Assured	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48
251093H32	4/1/23	5.000%	Assured	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48	\$59,042.48
251093H33	4/1/24	5.000%	Assured	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06
251093H34	4/1/25	5.000%	Assured	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06
251093H35	4/1/25	5.000%	Assured	\$12,476.32	\$12,476.32	\$11,800.29	\$11,800.29	\$11,090.30	\$11,090.30	\$10,450.52	\$10,450.52	\$9,672.63	\$9,672.63	\$8,856.37	\$8,856.37	\$7,380.31	\$7,380.31
UTGO 2005-C																	
251093J32	4/1/15	5.000%	Assured	\$680.46	\$680.46	-	-	-	-	-	-	-	-	-	-	-	-
251093J33	4/1/16	5.000%	Assured	\$715.89	\$715.89	\$715.89	-	-	-	-	-	-	-	-	-	-	-
251093J34	4/1/17	4.3000%	Assured	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13	\$646.13
251093J35	4/1/18	5.000%	Assured	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24	\$31,056.24
251093J36	4/1/19	5.2500%	Assured	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78	\$847.78
251093J37	4/1/20	5.2500%	Assured	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27	\$894.27
251093J38	4/1/20	5.2500%	Assured	\$4,560.94	\$4,560.94	\$3,880.48	\$3,880.48	\$3,164.59	\$3,164.59	\$2,518.46	\$2,518.46	\$1,742.05	\$1,742.05	\$894.27	\$894.27	-	-
UTGO 2008-A																	
251093M56	4/1/15	5.000%	Assured	\$848.74	\$848.74	-	-	-	-	-	-	-	-	-	-	-	-
251093M57	4/1/16	5.000%	Assured	\$890.07	\$890.07	\$890.07	-	-	-	-	-	-	-	-	-	-	-
251093M58	4/1/17	5.000%	Assured	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82	\$935.82
251093M59	4/1/18	4.000%	Assured	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26	\$785.26
251093M60	4/1/19	5.000%	Assured	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43	\$1,021.43
251093M61	4/1/20	5.000%	Assured	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62	\$1,071.62
251093M62	4/1/21	5.000%	Assured	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24	\$1,126.24
251093M63	4/1/22	5.000%	Assured	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33	\$1,182.33
251093M64	4/1/23	5.000%	Assured	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73	\$2,544.73
251093M65	4/1/24	5.000%	Assured	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34	\$5,898.34
251093M66	4/1/28	5.000%	Assured	\$16,304.58	\$16,304.58	\$15,455.84	\$15,455.84	\$14,565.78	\$14,565.78	\$13,629.96	\$13,629.96	\$12,844.69	\$12,844.69	\$11,823.26	\$11,823.26	\$10,751.63	\$10,751.63
UTGO 2008-B(1)																	
251093P53	4/1/15	5.000%	Assured	\$2,352.84	\$2,352.84	-	-	-	-	-	-	-	-	-	-	-	-
251093P54	4/1/16	5.000%	Assured	\$1,015.53	\$1,015.53	\$1,015.53	-	-	-	-	-	-	-	-	-	-	-
251093P55	4/1/17	5.000%	Assured	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86	\$1,056.86
251093P56	4/1/18	5.000%	Assured	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85	\$1,118.85
251093P57	4/1/18	5.000%	Assured	\$5,544.09	\$5,544.09	\$3,191.25	\$3,191.25	\$2,175.72	\$2,175.72	\$1,188.85	\$1,188.85	\$1,188.85	\$1,188.85	\$1,188.85	\$1,188.85	\$1,188.85	\$1,188.85
251093P58	4/1/18	5.000%	Assured	\$3,907,549.17	\$3,907,549.17	\$88,451.65	\$88,451.65	\$78,447.66	\$78,447.66	\$68,168.50	\$68,168.50	\$57,617.66	\$57,617.66	\$47,298.14	\$47,298.14	\$36,673.59	\$36,673.59
UTGO 2008-B(2)																	
251093P59	4/1/18	5.000%	Assured	\$221,763.54	\$221,763.54	-	-	-	-	-	-	-	-	-	-	-	-

Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service (PFRS ISF Allocation)

Maturity Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Total Principal & Interest
UTGO 1999-A																			
2/28/99-3M3	4/1/15 5.250%	\$33,654.21	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,766.85	\$35,421.06
2/28/99-3M1	4/1/16 5.000%	\$35,366.44	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,536.64	\$38,903.09
2/28/99-3M6	4/1/17 5.000%	\$37,137.72	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,570.66	\$42,708.38
2/28/99-3Q4	4/1/18 5.000%	\$39,027.08	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$7,805.42	\$46,832.49
2/28/99-3R2	4/1/19 5.000%	\$40,975.48	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,243.87	\$51,219.35
		\$186,160.93		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$28,923.43	\$215,084.36
UTGO 2001-A(1)																			
2/28/01-3UX6	4/1/15 5.375%	\$70,142.46	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,770.16	\$73,912.62
2/28/01-3YK3	4/1/16 5.375%	\$73,921.18	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$7,946.53	\$81,867.71
2/28/01-3YK3	4/1/17 5.375%	\$77,936.07	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,567.19	\$90,503.26
2/28/01-3YK3	4/1/18 5.375%	\$105,318.93	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$35,543.57	\$200,862.50
2/28/01-3YK3	4/1/19 5.000%	\$105,318.93	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,329.73	\$206,648.67
2/28/01-3YK3	4/1/20 5.000%	\$105,318.93	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$49,595.68	\$214,914.61
2/28/01-3YK3	4/1/21 5.000%	\$105,318.93	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$57,861.63	\$223,180.56
		\$883,275.45		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$208,614.49	\$1,091,889.93
UTGO 2002																			
2/28/02-3WV8	4/1/21 5.125%	\$38,259.52	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$13,725.60	\$51,985.13
2/28/02-3WV6	4/1/22 5.125%	\$40,207.93	NPFG	\$1,030.33	\$1,030.33	-	-	-	-	-	-	-	-	-	-	-	-	\$16,485.25	\$56,693.18
		\$78,467.45		\$1,030.33	\$1,030.33	-	-	-	-	-	-	-	-	-	-	-	-	\$30,210.85	\$108,678.31
UTGO 2003-A																			
2/28/03-3XP0	4/1/15 4.000%	\$3,542.55	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$141.70	\$3,684.25
2/28/03-3XQ8	4/1/15 5.250%	\$30,111.66	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,580.86	\$31,692.53
2/28/03-3XQ6	4/1/16 5.250%	\$35,366.44	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,713.48	\$39,079.92
2/28/03-3XQ4	4/1/17 5.250%	\$37,196.76	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,858.49	\$43,055.25
2/28/03-3XT2	4/1/18 5.250%	\$39,145.16	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,220.48	\$47,365.65
2/28/03-3XU9	4/1/19 5.250%	\$41,211.65	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,818.06	\$52,029.71
2/28/03-3XV7	4/1/20 4.500%	\$5,904.25	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,594.15	\$7,498.39
2/28/03-3XW5	4/1/20 5.250%	\$37,491.97	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,809.97	\$49,301.94
2/28/03-3XX3	4/1/21 5.250%	\$5,904.25	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,184.57	\$8,088.82
2/28/03-3XY1	4/1/22 4.625%	\$5,904.25	Syncora	\$136.54	\$136.54	-	-	-	-	-	-	-	-	-	-	-	-	\$16,750.94	\$17,680.86
2/28/03-3XZ8	4/1/22 5.250%	\$42,097.29	Syncora	\$1,105.05	\$1,105.05	-	-	-	-	-	-	-	-	-	-	-	-	\$17,680.86	\$59,778.15
2/28/03-3YAZ	4/1/23 4.625%	\$17,712.74	Syncora	\$409.61	\$409.61	\$409.61	\$409.61	\$409.61	-	-	-	-	-	-	-	-	-	\$7,372.93	\$25,085.67
2/28/03-3YB0	4/1/23 5.250%	\$32,768.57	Syncora	\$860.18	\$860.18	\$860.18	\$860.18	\$860.18	-	-	-	-	-	-	-	-	-	\$15,483.15	\$48,251.73
		\$374,034.09		\$2,511.37	\$2,511.37	\$1,269.78	\$1,269.78	\$1,269.78	-	-	-	-	-	-	-	-	-	\$103,209.64	\$477,243.73
UTGO 2004-A(1)																			
2/28/04-3YX2	4/1/19 5.250%	\$53,138.23	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$13,948.79	\$67,087.01
2/28/04-3YX0	4/1/20 4.250%	\$2,184.57	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$557.07	\$2,741.64
2/28/04-3YX2	4/1/20 5.250%	\$71,854.69	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$22,634.23	\$94,488.92
2/28/04-3YX2	4/1/21 5.000%	\$77,936.07	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$27,277.62	\$105,213.69
2/28/04-3YX2	4/1/22 5.250%	\$81,832.87	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$34,369.81	\$116,202.68
2/28/04-3YX2	4/1/23 4.500%	\$4,428.19	Ambac	\$2,148.11	\$2,148.11	\$99.63	\$99.63	\$99.63	-	-	-	-	-	-	-	-	-	\$1,793.42	\$6,221.60
2/28/04-3YX2	4/1/23 5.250%	\$81,714.79	Ambac	\$99.63	\$99.63	\$2,145.01	\$2,145.01	\$2,145.01	-	-	-	-	-	-	-	-	-	\$38,610.24	\$120,325.02
2/28/04-3YX2	4/1/24 4.600%	\$9,269.67	Ambac	\$2,145.01	\$2,145.01	\$213.20	\$213.20	\$213.20	\$213.20	\$213.20	-	-	-	-	-	-	-	\$4,264.05	\$13,533.72
2/28/04-3YX2	4/1/24 5.250%	\$81,360.53	Ambac	\$2,135.71	\$2,135.71	\$2,135.71	\$2,135.71	\$2,135.71	-	-	-	-	-	-	-	-	-	\$42,714.28	\$124,074.81
		\$463,719.61		\$6,741.68	\$6,741.68	\$4,593.56	\$4,593.56	\$4,593.56	\$2,348.92	\$2,348.92	-	-	-	-	-	-	-	\$186,169.49	\$649,889.10

Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service (PFRS ISF Allocation)

Interest													Total Principal & Interest			
UTGO 2004-B(1)	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Total Principal & Interest
251093ZP8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,121.93	\$107,560.63
251093ZQ6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,289.22	\$118,805.57
251093ZR4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$432.19	\$4,033.78
251093ZS2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,259.30	\$126,842.13
251093ZT0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,959.57	\$28,576.56
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$39,062.21	\$385,818.67
UTGO 2004-B(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$826.05	\$7,615.94
251093ZX1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UTGO 2005-B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251093G53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,352.07	\$28,393.53
251093G61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,839.94	\$31,239.37
251093G79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,838.71	\$33,596.11
251093G87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,223.08	\$37,338.46
251093G95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,162.62	\$40,813.11
251093H29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,712.74	\$76,755.22
251093H37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$20,664.87	\$79,707.34
251093H45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$23,616.99	\$82,659.47
251093H52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$26,569.11	\$85,611.59
251093H60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$29,521.24	\$88,563.71
251093H78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$32,473.36	\$91,515.84
	\$5,904.25	\$5,904.25	\$4,428.19	\$4,428.19	\$2,952.12	\$2,952.12	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$1,476.06	\$172,974.74	\$676,193.76
	\$503,219.03															
UTGO 2005-C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251093J92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,360.93	\$28,579.51
251093K25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,863.56	\$31,499.16
251093K33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,876.79	\$33,929.41
251093K41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,211.27	\$37,267.61
251093K58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,477.76	\$40,774.00
251093K66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,731.27	\$44,798.77
	\$183,326.89														\$33,521.57	\$216,848.46
UTGO 2008-A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251093M56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,697.47	\$35,646.90
251093M64	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,560.26	\$39,162.87
251093M72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,614.94	\$43,047.87
251093M80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,282.12	\$45,545.37
251093M98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,214.35	\$51,071.74
251093N22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,859.45	\$55,724.29
251093N30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$15,767.29	\$60,816.70
251093N48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$18,917.21	\$66,210.23
251093N55	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$48,411.88	\$190,201.11
251093N63	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$148,175.95	\$384,109.69
	\$9,625.40	\$9,625.40	\$8,443.07	\$8,443.07	\$7,201.71	\$7,201.71	\$5,898.34	\$5,898.34	\$4,530.03	\$4,530.03	\$3,092.35	\$3,092.35	\$1,583.81	\$1,583.81	\$271,500.92	\$931,536.77
	\$660,035.84															
UTGO 2008-B(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
251093P53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,705.69	\$98,819.39
251093P61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,062.12	\$44,683.35
251093P79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,341.16	\$48,615.57
251093P87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,950.84	\$53,705.04
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$24,059.81	\$28,576.56
	\$25,813.02	\$25,813.02	\$18,734.61	\$18,734.61	\$12,502.75	\$12,502.75	\$7,374.41	\$7,374.41	\$4,530.03	\$4,530.03	\$3,092.35	\$3,092.35	\$1,583.81	\$1,583.81	\$1,099,073.20	\$5,006,622.37
	\$3,907,549.17															
Total Subject to Mandatory Redemption																

UTGO Series STUB Bonds - Debt Service (PFRS ISF Allocation)

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)													Issuance: 2008-A												
CUSIP 251093ZX1						Mandatory Redemption							CUSIP 251093N63						Mandatory Redemption						
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest												
10/1/14	Ambac	6/30/15	-	\$6,789.88	5.240%	\$177.89	10/1/14	Assured	6/30/15	-	\$235,933.74	5.000%	\$5,898.34												
4/1/15	Ambac	6/30/15	\$1,830.32	\$4,959.57	5.240%	\$177.89	4/1/15	Assured	6/30/15	-	\$235,933.74	5.000%	\$5,898.34												
10/1/15	Ambac	6/30/16	-	\$4,959.57	5.240%	\$129.94	10/1/15	Assured	6/30/16	-	\$235,933.74	5.000%	\$5,898.34												
4/1/16	Ambac	6/30/16	\$1,948.40	\$3,011.17	5.240%	\$129.94	4/1/16	Assured	6/30/16	-	\$235,933.74	5.000%	\$5,898.34												
10/1/16	Ambac	6/30/17	-	\$3,011.17	5.240%	\$78.89	10/1/16	Assured	6/30/17	-	\$235,933.74	5.000%	\$5,898.34												
4/1/17	Ambac	6/30/17	\$2,007.44	\$1,003.72	5.240%	\$78.89	4/1/17	Assured	6/30/17	-	\$235,933.74	5.000%	\$5,898.34												
10/1/17	Ambac	6/30/18	-	\$1,003.72	5.240%	\$26.30	10/1/17	Assured	6/30/18	-	\$235,933.74	5.000%	\$5,898.34												
4/1/18	Ambac	6/30/18	\$6,789.88	\$1,003.72	5.240%	\$26.30	4/1/18	Assured	6/30/18	-	\$235,933.74	5.000%	\$5,898.34												
Total						\$826.05	Total						\$235,933.74	Total						\$148,175.95					
Issuance: 2008-A																									
CUSIP 251093N55						Mandatory Redemption							CUSIP 251093N63						Mandatory Redemption						
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest												
10/1/14	Assured	6/30/15	-	\$101,789.23	5.000%	\$2,544.73	10/1/2022	Assured	6/30/2023	-	\$235,933.74	5.000%	\$5,898.34												
4/1/15	Assured	6/30/15	-	\$101,789.23	5.000%	\$2,544.73	4/1/2023	Assured	6/30/2023	-	\$235,933.74	5.000%	\$5,898.34												
10/1/15	Assured	6/30/16	-	\$101,789.23	5.000%	\$2,544.73	10/1/2023	Assured	6/30/2024	-	\$235,933.74	5.000%	\$5,898.34												
4/1/16	Assured	6/30/16	-	\$101,789.23	5.000%	\$2,544.73	4/1/2024	Assured	6/30/2024	-	\$235,933.74	5.000%	\$5,898.34												
10/1/16	Assured	6/30/17	-	\$101,789.23	5.000%	\$2,544.73	10/1/2024	Assured	6/30/2025	-	\$235,933.74	5.000%	\$5,898.34												
4/1/17	Assured	6/30/17	-	\$101,789.23	5.000%	\$2,544.73	4/1/2025	Assured	6/30/2025	\$54,732.38	\$181,201.36	5.000%	\$5,898.34												
10/1/17	Assured	6/30/18	-	\$101,789.23	5.000%	\$2,544.73	10/1/2025	Assured	6/30/2026	-	\$181,201.36	5.000%	\$4,530.03												
4/1/18	Assured	6/30/18	-	\$101,789.23	5.000%	\$2,544.73	4/1/2026	Assured	6/30/2026	\$57,507.37	\$123,693.99	5.000%	\$4,530.03												
10/1/18	Assured	6/30/19	-	\$101,789.23	5.000%	\$2,544.73	10/1/2026	Assured	6/30/2027	-	\$123,693.99	5.000%	\$3,092.35												
4/1/19	Assured	6/30/19	-	\$101,789.23	5.000%	\$2,544.73	4/1/2027	Assured	6/30/2027	\$60,341.41	\$63,352.58	5.000%	\$3,092.35												
10/1/19	Assured	6/30/20	-	\$101,789.23	5.000%	\$2,544.73	10/1/2027	Assured	6/30/2028	-	\$63,352.58	5.000%	\$1,583.81												
4/1/20	Assured	6/30/20	-	\$101,789.23	5.000%	\$2,544.73	4/1/2028	Assured	6/30/2028	\$63,352.58	-	5.000%	\$1,583.81												
10/1/20	Assured	6/30/21	-	\$101,789.23	5.000%	\$2,544.73	Total						\$235,933.74	Total		\$148,175.95									
4/1/21	Assured	6/30/21	-	\$101,789.23	5.000%	\$2,544.73																			
10/1/21	Assured	6/30/22	-	\$101,789.23	5.000%	\$2,544.73																			
4/1/22	Assured	6/30/22	-	\$101,789.23	5.000%	\$2,544.73																			
10/1/22	Assured	6/30/23	-	\$101,789.23	5.000%	\$2,544.73																			
4/1/23	Assured	6/30/23	-	\$101,789.23	5.000%	\$2,544.73																			
10/1/23	Assured	6/30/24	-	\$101,789.23	5.000%	\$2,544.73																			
4/1/24	Assured	6/30/24	-	\$101,789.23	5.000%	\$2,544.73																			
10/1/24	Assured	6/30/25	-	\$101,789.23	5.000%	\$2,544.73																			
4/1/25	Assured	6/30/25	-	\$101,789.23	5.000%	\$2,544.73																			
10/1/25	Assured	6/30/26	-	\$101,789.23	5.000%	\$2,544.73																			
4/1/26	Assured	6/30/26	-	\$101,789.23	5.000%	\$2,544.73																			
10/1/26	Assured	6/30/27	-	\$101,789.23	5.000%	\$2,544.73																			
4/1/27	Assured	6/30/27	-	\$101,789.23	5.000%	\$2,544.73																			
10/1/27	Assured	6/30/28	-	\$101,789.23	5.000%	\$2,544.73																			
4/1/28	Assured	6/30/28	-	\$101,789.23	5.000%	\$2,544.73																			
Total						\$48,411.88	Total						\$235,933.74	Total		\$148,175.95									

13-53846-11 Doc 80-85-1 Filed 10/22/23 Entered 10/22/23 18:22:01 Page 38 of 21

***Subject to Mandatory Redemption**

UTGO Series STUB Bonds - Debt Service (GRS ISF Allocation)

Maturity	SIP	Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
UTGO 2004-B(1)																			
2510932P8	4/1/15	5.000%		\$306,774.10	Ambac	\$7,669.35	\$7,669.35	-	-	-	-	-	-	-	-	-	-	-	-
2510932Q6	4/1/16	5.250%		\$321,980.19	Ambac	\$8,451.98	\$8,451.98	-	-	-	-	-	-	-	-	-	-	-	-
2510932R4	4/1/17	4.000%		\$310,785.72	Ambac	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71	\$215.71
2510932S2	4/1/17	5.250%		\$328,168.72	Ambac	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43	\$8,614.43
2510932T0	4/1/18	5.250%		\$70,726.02	Ambac	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56
				\$1,038,434.74		\$26,808.03	\$26,808.03	\$19,138.68	\$19,138.68	\$10,686.70	\$10,686.70	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56	\$1,856.56
UTGO 2004-B(2)																			
2510932X1	4/1/19	5.240%		\$20,333.73	Ambac	\$532.74	\$532.74	\$389.13	\$389.13	\$236.26	\$236.26	\$78.75	\$78.75	-	-	-	-	-	-
UTGO 2005-B																			
251093G53	4/1/15	5.000%		\$80,981.29	Assured	\$2,024.53	\$2,024.53	-	-	-	-	-	-	-	-	-	-	-	-
251093G61	4/1/16	5.000%		\$85,048.04	Assured	\$2,126.20	\$2,126.20	\$2,126.20	\$2,126.20	\$1,915.97	\$1,915.97	\$1,915.97	\$1,915.97	\$1,915.97	\$1,915.97	\$1,915.97	\$1,915.97	\$1,915.97	\$1,915.97
251093G79	4/1/17	4.300%		\$89,114.78	Assured	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54	\$2,329.54
251093G87	4/1/18	5.000%		\$93,181.53	Assured	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47	\$2,444.47
251093G95	4/1/19	5.000%		\$97,778.72	Assured	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38
251093H29	4/1/20	5.000%		\$176,815.04	Assured	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38
251093H37	4/1/21	5.000%		\$176,815.04	Assured	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38
251093H45	4/1/22	5.000%		\$176,815.04	Assured	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38
251093H52	4/1/23	5.000%		\$176,815.04	Assured	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38
251093H60	4/1/24	5.000%		\$176,815.04	Assured	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38
251093H78	4/1/25	5.000%		\$176,815.04	Assured	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38	\$4,420.38
				\$1,506,994.60		\$37,362.96	\$37,362.96	\$35,338.43	\$35,338.43	\$33,212.23	\$33,212.23	\$31,296.26	\$31,296.26	\$29,966.72	\$29,966.72	\$28,522.26	\$28,522.26	\$27,101.88	\$27,101.88
UTGO 2005-C																			
251093J92	4/1/15	5.000%		\$81,511.73	Assured	\$2,037.79	\$2,037.79	-	-	-	-	-	-	-	-	-	-	-	-
251093K25	4/1/16	5.000%		\$85,755.30	Assured	\$2,143.88	\$2,143.88	\$2,143.88	\$2,143.88	\$1,934.98	\$1,934.98	\$1,934.98	\$1,934.98	\$1,934.98	\$1,934.98	\$1,934.98	\$1,934.98	\$1,934.98	\$1,934.98
251093K33	4/1/17	4.300%		\$89,998.86	Assured	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12	\$2,325.12
251093K41	4/1/18	5.000%		\$93,004.71	Assured	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84	\$2,538.84
251093K58	4/1/19	5.250%		\$96,717.83	Assured	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08
251093K66	4/1/20	5.250%		\$102,022.28	Assured	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08
				\$599,010.70		\$13,658.70	\$13,658.70	\$11,620.90	\$11,620.90	\$9,477.02	\$9,477.02	\$7,542.05	\$7,542.05	\$5,216.93	\$5,216.93	\$2,678.08	\$2,678.08	\$2,678.08	\$2,678.08
UTGO 2008-A																			
251093M56	4/1/15	5.000%		\$101,668.65	Assured	\$2,541.72	\$2,541.72	-	-	-	-	-	-	-	-	-	-	-	-
251093M64	4/1/16	5.000%		\$106,619.47	Assured	\$2,665.49	\$2,665.49	\$2,665.49	\$2,665.49	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52
251093M72	4/1/17	5.000%		\$112,100.74	Assured	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52	\$2,802.52
251093M80	4/1/18	4.000%		\$117,582.00	Assured	\$2,351.64	\$2,351.64	\$2,351.64	\$2,351.64	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90
251093M98	4/1/19	5.000%		\$122,356.01	Assured	\$3,058.90	\$3,058.90	\$3,058.90	\$3,058.90	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19
251093N22	4/1/20	5.000%		\$128,367.72	Assured	\$3,209.19	\$3,209.19	\$3,209.19	\$3,209.19	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75
251093N30	4/1/21	5.000%		\$134,909.88	Assured	\$3,372.75	\$3,372.75	\$3,372.75	\$3,372.75	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72
251093N48	4/1/22	5.000%		\$141,628.85	Assured	\$3,540.72	\$3,540.72	\$3,540.72	\$3,540.72	\$3,720.73	\$3,720.73	\$3,720.73	\$3,720.73	\$3,720.73	\$3,720.73	\$3,720.73	\$3,720.73	\$3,720.73	\$3,720.73
251093N55	4/1/24	5.000%		\$304,829.13	Assured	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73	\$7,620.73
251093N63	4/1/28	5.000%		\$706,552.91	Assured	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82	\$17,663.82
				\$1,976,615.35		\$48,827.47	\$48,827.47	\$46,285.76	\$46,285.76	\$43,620.27	\$43,620.27	\$40,877.75	\$40,877.75	\$38,466.11	\$38,466.11	\$35,407.21	\$35,407.21	\$32,198.02	\$32,198.02
UTGO 2008-B(1)																			
251093P53	4/1/15	5.000%		\$281,843.18	Assured	\$7,046.08	\$7,046.08	-	-	-	-	-	-	-	-	-	-	-	-
251093P61	4/1/16	5.000%		\$121,648.75	Assured	\$3,041.22	\$3,041.22	\$3,041.22	\$3,041.22	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99
251093P79	4/1/17	5.000%		\$126,599.57	Assured	\$3,164.99	\$3,164.99	\$3,164.99	\$3,164.99	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65
251093P87	4/1/18	5.000%		\$134,025.80	Assured	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,556.85	\$3,556.85	\$3,556.85	\$3,556.85	\$3,556.85	\$3,556.85	\$3,556.85	\$3,556.85	\$3,556.85	\$3,556.85
				\$664,117.30		\$16,602.93	\$16,602.93	\$9,556.85	\$9,556.85	\$6,515.63	\$6,515.63	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65	\$3,350.65
Total																			
				\$1,976,615.35		\$297,220.18	\$297,220.18	\$264,886.95	\$264,886.95	\$234,972.93	\$234,972.93	\$204,144.82	\$204,144.82	\$172,548.12	\$172,548.12	\$141,644.17	\$141,644.17	\$109,826.74	\$109,826.74

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service (GRS ISF Allocation)

C/P	Maturity Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Total Principal & Interest
UTGO Series 2000-A																				
25100399-A	4/1/15	5.250%	\$100,784.57	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,291.19	\$106,075.76
25100399-B	4/1/16	5.000%	\$105,912.21	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,591.22	\$116,503.43
25100399-C	4/1/17	5.000%	\$111,216.66	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$16,682.50	\$127,899.16
25100399-D	4/1/18	5.000%	\$116,874.74	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$23,374.95	\$140,249.69
25100399-E	4/1/19	5.000%	\$122,709.64	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$30,677.41	\$153,387.05
25100399-F	4/1/20	5.000%	\$127,709.64	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$36,617.27	\$164,326.91
UTGO Series 2001-A(1)																				
25100400-A	4/1/15	5.375%	\$210,056.27	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,290.52	\$221,346.79
25100400-B	4/1/16	5.375%	\$221,372.43	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$23,797.54	\$245,169.97
25100400-C	4/1/17	5.375%	\$233,395.86	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$37,635.08	\$271,030.94
25100400-D	4/1/18	5.375%	\$495,082.12	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$106,442.66	\$601,524.77
25100400-E	4/1/19	5.000%	\$495,082.12	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$123,770.53	\$618,852.65
25100400-F	4/1/20	5.000%	\$495,082.12	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$148,524.64	\$643,606.75
25100400-G	4/1/21	5.000%	\$495,082.12	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$173,278.74	\$668,360.86
25100400-H	4/1/22	5.000%	\$2,645,153.02	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$624,739.70	\$3,269,892.72
UTGO Series 2002																				
25100401-A	4/1/21	5.125%	\$114,576.15	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,104.19	\$155,680.34
25100401-B	4/1/22	5.125%	\$120,411.04	NPFG	\$3,085.53	\$3,085.53	-	-	-	-	-	-	-	-	-	-	-	-	\$9,170.06	\$129,586.10
25100401-C	4/1/23	5.125%	\$234,987.19	NPFG	\$3,085.53	\$3,085.53	-	-	-	-	-	-	-	-	-	-	-	-	\$9,170.06	\$234,987.19
UTGO Series 2003-A																				
25100402-A	4/1/15	4.000%	\$10,608.90	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$424.36	\$11,033.26
25100402-B	4/1/16	5.250%	\$90,175.67	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,734.22	\$94,909.89
25100402-C	4/1/17	5.250%	\$105,912.21	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,120.78	\$117,032.99
25100402-D	4/1/18	5.250%	\$111,393.48	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,544.47	\$128,937.95
25100402-E	4/1/19	5.250%	\$117,228.37	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$24,617.96	\$141,846.33
25100402-F	4/1/20	5.250%	\$123,416.90	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$32,396.94	\$155,813.84
25100402-G	4/1/21	5.250%	\$17,681.50	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,774.01	\$22,455.51
25100402-H	4/1/22	5.250%	\$112,277.55	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$35,367.43	\$147,644.98
25100402-I	4/1/23	5.250%	\$136,501.21	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$50,164.20	\$186,665.41
25100402-J	4/1/24	5.250%	\$17,681.50	Synco	\$408.88	\$408.88	-	-	-	-	-	-	-	-	-	-	-	-	\$6,542.16	\$24,223.66
25100402-K	4/1/25	5.250%	\$126,069.12	Synco	\$3,309.31	\$3,309.31	-	-	-	-	-	-	-	-	-	-	-	-	\$52,949.03	\$179,018.16
25100402-L	4/1/26	5.250%	\$53,044.51	Synco	\$1,226.65	\$1,226.65	\$1,226.65	\$1,226.65	-	-	-	-	-	-	-	-	-	-	\$22,079.78	\$75,124.29
25100402-M	4/1/27	5.250%	\$98,132.35	Synco	\$2,575.97	\$2,575.97	\$2,575.97	\$2,575.97	-	-	-	-	-	-	-	-	-	-	\$46,367.53	\$144,499.88
25100402-N	4/1/28	5.250%	\$1,120,123.29	Synco	\$7,520.83	\$7,520.83	\$3,802.63	\$3,802.63	-	-	-	-	-	-	-	-	-	-	\$309,082.86	\$1,429,206.15
UTGO Series 2004-A(1)																				
25100403-A	4/1/19	5.250%	\$159,133.54	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,772.55	\$200,906.09
25100403-B	4/1/20	4.250%	\$6,542.16	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,668.25	\$8,210.41
25100403-C	4/1/21	5.250%	\$215,183.91	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$67,782.93	\$282,966.84
25100403-D	4/1/22	5.000%	\$233,395.86	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$81,688.55	\$315,084.40
25100403-E	4/1/23	5.250%	\$245,065.65	Ambac	\$6,432.97	\$6,432.97	-	-	-	-	-	-	-	-	-	-	-	-	\$102,927.57	\$347,993.22
25100403-F	4/1/24	5.000%	\$13,261.13	Ambac	\$298.38	\$298.38	\$298.38	\$298.38	-	-	-	-	-	-	-	-	-	-	\$5,370.76	\$18,631.89
25100403-G	4/1/25	5.250%	\$244,712.02	Ambac	\$6,423.69	\$6,423.69	\$6,423.69	\$6,423.69	-	-	-	-	-	-	-	-	-	-	\$115,626.43	\$360,338.45
25100403-H	4/1/26	5.250%	\$27,759.96	Ambac	\$638.48	\$638.48	\$638.48	\$638.48	\$638.48	-	-	-	-	-	-	-	-	-	\$12,769.58	\$40,529.54
25100403-I	4/1/27	5.250%	\$243,651.13	Ambac	\$6,395.84	\$6,395.84	\$6,395.84	\$6,395.84	\$6,395.84	-	-	-	-	-	-	-	-	-	\$127,916.84	\$371,567.97
25100403-J	4/1/28	5.250%	\$1,388,705.34	Ambac	\$20,189.36	\$20,189.36	\$13,756.39	\$13,756.39	\$7,034.32	\$7,034.32	-	-	-	-	-	-	-	-	\$557,523.46	\$1,946,228.80

* Subject to Mandatory Redemption

13 53846 Doc 8025-5 Filed 10/22/24 Entered 10/22/24 23:18:32 Page 61 of 22

*** Subject to Mandatory Redemption**

UTGO Series STUB Bonds - Debt Service (GRS ISF Allocation)

13-53846-11 Filed 10/22/23 Entered 10/22/23 17:52:01 Page 42 of 55

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)										Issuance: 2008-A									
CUSIP 51093ZX1							CUSIP 251093N63												
Mandatory Redemption							Mandatory Redemption			Mandatory Redemption									
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest						
10/1/14	Ambac	6/30/15	-	\$20,333.73	5.240%	\$532.74	10/1/14	Assured	6/30/15	-	\$706,552.91	5.000%	\$17,663.82						
4/1/15	Ambac	6/30/15	\$5,481.27	\$14,852.46	5.240%	\$532.74	4/1/15	Assured	6/30/15	-	\$706,552.91	5.000%	\$17,663.82						
10/1/15	Ambac	6/30/16	-	\$14,852.46	5.240%	\$389.13	10/1/15	Assured	6/30/16	-	\$706,552.91	5.000%	\$17,663.82						
4/1/16	Ambac	6/30/16	\$5,834.90	\$9,017.57	5.240%	\$389.13	4/1/16	Assured	6/30/16	-	\$706,552.91	5.000%	\$17,663.82						
10/1/16	Ambac	6/30/17	-	\$9,017.57	5.240%	\$236.26	10/1/16	Assured	6/30/17	-	\$706,552.91	5.000%	\$17,663.82						
4/1/17	Ambac	6/30/17	\$6,011.71	\$3,005.86	5.240%	\$236.26	4/1/17	Assured	6/30/17	-	\$706,552.91	5.000%	\$17,663.82						
10/1/17	Ambac	6/30/18	-	\$3,005.86	5.240%	\$78.75	10/1/17	Assured	6/30/18	-	\$706,552.91	5.000%	\$17,663.82						
4/1/18	Ambac	6/30/18	\$3,005.86	-	5.240%	\$78.75	4/1/18	Assured	6/30/18	-	\$706,552.91	5.000%	\$17,663.82						
Total						\$2,473.78	Total							\$443,743.87					
Issuance: 2008-A																			
CUSIP 51093N55																			
Mandatory Redemption							Mandatory Redemption												
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest						
10/1/14	Assured	6/30/15	-	\$304,829.13	5.000%	\$7,620.73	10/1/2022	Assured	6/30/2023	-	\$706,552.91	5.000%	\$17,663.82						
4/1/15	Assured	6/30/15	-	\$304,829.13	5.000%	\$7,620.73	4/1/2023	Assured	6/30/2023	-	\$706,552.91	5.000%	\$17,663.82						
10/1/15	Assured	6/30/16	-	\$304,829.13	5.000%	\$7,620.73	10/1/2023	Assured	6/30/2024	-	\$706,552.91	5.000%	\$17,663.82						
4/1/16	Assured	6/30/16	-	\$304,829.13	5.000%	\$7,620.73	4/1/2024	Assured	6/30/2024	-	\$706,552.91	5.000%	\$17,663.82						
10/1/16	Assured	6/30/17	-	\$304,829.13	5.000%	\$7,620.73	10/1/2024	Assured	6/30/2025	-	\$706,552.91	5.000%	\$17,663.82						
4/1/17	Assured	6/30/17	-	\$304,829.13	5.000%	\$7,620.73	4/1/2025	Assured	6/30/2025	\$163,907.54	\$542,645.36	5.000%	\$17,663.82						
10/1/17	Assured	6/30/18	-	\$304,829.13	5.000%	\$7,620.73	10/1/2025	Assured	6/30/2026	-	\$542,645.36	5.000%	\$13,566.13						
4/1/18	Assured	6/30/18	-	\$304,829.13	5.000%	\$7,620.73	4/1/2026	Assured	6/30/2026	\$172,217.85	\$370,427.51	5.000%	\$13,566.13						
10/1/18	Assured	6/30/19	-	\$304,829.13	5.000%	\$7,620.73	10/1/2026	Assured	6/30/2027	-	\$370,427.51	5.000%	\$9,260.69						
4/1/19	Assured	6/30/19	-	\$304,829.13	5.000%	\$7,620.73	4/1/2027	Assured	6/30/2027	\$180,704.97	\$189,722.54	5.000%	\$9,260.69						
10/1/19	Assured	6/30/20	-	\$304,829.13	5.000%	\$7,620.73	10/1/2027	Assured	6/30/2028	-	\$189,722.54	5.000%	\$4,743.06						
4/1/20	Assured	6/30/20	-	\$304,829.13	5.000%	\$7,620.73	4/1/2028	Assured	6/30/2028	\$189,722.54	-	5.000%	\$4,743.06						
10/1/20	Assured	6/30/21	-	\$304,829.13	5.000%	\$7,620.73	Total							\$706,552.91					
4/1/21	Assured	6/30/21	-	\$304,829.13	5.000%	\$7,620.73													
10/1/21	Assured	6/30/22	-	\$304,829.13	5.000%	\$7,620.73													
4/1/22	Assured	6/30/22	-	\$304,829.13	5.000%	\$7,620.73													
10/1/22	Assured	6/30/23	-	\$304,829.13	5.000%	\$7,620.73													
4/1/23	Assured	6/30/23	-	\$304,829.13	5.000%	\$7,620.73													
10/1/23	Assured	6/30/24	-	\$304,829.13	5.000%	\$7,620.73													
4/1/24	Assured	6/30/24	-	\$304,829.13	5.000%	\$7,620.73													
10/1/24	Assured	6/30/25	-	\$304,829.13	5.000%	\$7,620.73													
4/1/25	Assured	6/30/25	-	\$304,829.13	5.000%	\$7,620.73													
10/1/25	Assured	6/30/26	-	\$304,829.13	5.000%	\$7,620.73													
4/1/26	Assured	6/30/26	-	\$304,829.13	5.000%	\$7,620.73													
10/1/26	Assured	6/30/27	-	\$304,829.13	5.000%	\$7,620.73													
4/1/27	Assured	6/30/27	-	\$304,829.13	5.000%	\$7,620.73													
10/1/27	Assured	6/30/28	-	\$304,829.13	5.000%	\$7,620.73													
4/1/28	Assured	6/30/28	-	\$304,829.13	5.000%	\$7,620.73													
Total						\$144,979.49	Total							\$706,552.91					

UTGO Series STUB Bonds - Debt Service (GRS Pension Allocation)

CIP	Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
Interest																		
UTGO Series 2004-A																		
251033SN43	4/1/15	5.250%	\$238,911.21	Assured	\$6,271.42	\$6,271.42	\$6,276.66	\$6,276.66	-	-	-	-	-	-	-	-	-	-
251033SN41	4/1/16	5.000%	\$251,066.35	Assured	\$6,276.66	\$6,276.66	\$6,276.66	\$6,276.66	-	-	-	-	-	-	-	-	-	-
251033SN46	4/1/17	5.000%	\$263,640.02	Assured	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02	\$6,591.02
251033SN44	4/1/18	5.000%	\$277,053.18	Assured	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33	\$6,926.33
251033SN42	4/1/19	5.000%	\$290,884.88	Assured	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12	\$7,272.12
			\$1,321,556.25		\$33,337.55	\$33,337.55	\$27,066.13	\$27,066.13	\$20,789.47	\$20,789.47	\$14,198.45	\$14,198.45	\$7,272.12	\$7,272.12	-	-	-	-
UTGO Series 2001-A(1)																		
251033SN46	4/1/15	5.375%	\$497,941.27	NPFG	\$13,382.17	\$13,382.17	\$14,103.10	\$14,103.10	-	-	-	-	-	-	-	-	-	-
251033SN43	4/1/16	5.375%	\$524,766.39	NPFG	\$14,103.10	\$14,103.10	\$14,869.08	\$14,869.08	-	-	-	-	-	-	-	-	-	-
251033SN41	4/1/17	5.375%	\$553,268.08	NPFG	\$14,869.08	\$14,869.08	\$15,540.47	\$15,540.47	\$14,869.08	\$14,869.08	\$15,540.47	\$15,540.47	\$15,540.47	\$15,540.47	\$15,540.47	\$15,540.47	\$15,540.47	\$15,540.47
251033SN49	4/1/18	5.375%	\$1,173,598.95	NPFG	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47	\$31,540.47
251033SN47	4/1/19	5.000%	\$1,173,598.95	NPFG	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97
251033SN40	4/1/20	5.000%	\$1,173,598.95	NPFG	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97
251033SN42	4/1/21	5.000%	\$1,173,598.95	NPFG	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97	\$29,339.97
			\$6,270,371.53		\$161,914.74	\$161,914.74	\$148,532.57	\$148,532.57	\$134,429.47	\$134,429.47	\$119,560.39	\$119,560.39	\$88,019.92	\$88,019.92	\$58,679.95	\$29,339.97	\$29,339.97	\$29,339.97
UTGO Series 2002																		
251033SN48	4/1/21	5.125%	\$271,604.33	NPFG	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86	\$6,959.86
251033SN46	4/1/22	5.125%	\$285,436.03	NPFG	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30	\$7,314.30
			\$557,040.36		\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16	\$14,274.16
UTGO Series 2003-A																		
251033SN40	4/1/15	4.000%	\$25,148.55	Syncora	\$502.97	\$502.97	-	-	-	-	-	-	-	-	-	-	-	-
251033SN48	4/1/15	5.250%	\$213,762.67	Syncora	\$5,611.27	\$5,611.27	-	-	-	-	-	-	-	-	-	-	-	-
251033SN46	4/1/16	5.250%	\$251,066.35	Syncora	\$6,590.49	\$6,590.49	\$6,590.49	\$6,590.49	-	-	-	-	-	-	-	-	-	-
251033SN44	4/1/17	5.250%	\$264,059.76	Syncora	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57	\$6,931.57
251033SN42	4/1/18	5.250%	\$277,891.47	Syncora	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65	\$7,294.65
251033SN40	4/1/19	5.250%	\$292,561.45	Syncora	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74	\$7,679.74
251033SN48	4/1/20	4.500%	\$41,914.25	Syncora	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07	\$943.07
251033SN46	4/1/20	5.250%	\$266,155.48	Syncora	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58	\$6,986.58
251033SN44	4/1/21	5.250%	\$323,578.00	Syncora	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92	\$8,493.92
251033SN42	4/1/22	4.625%	\$41,914.25	Syncora	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27	\$969.27
251033SN40	4/1/22	5.250%	\$298,848.59	Syncora	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78	\$7,844.78
251033SN48	4/1/23	4.625%	\$125,742.74	Syncora	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80
251033SN46	4/1/23	5.250%	\$232,624.08	Syncora	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38
			\$2,655,267.62		\$68,862.49	\$68,862.49	\$62,748.25	\$62,748.25	\$56,157.76	\$56,157.76	\$49,226.19	\$49,226.19	\$41,931.54	\$41,931.54	\$34,251.80	\$26,322.15	\$26,322.15	\$26,322.15
UTGO Series 2004-A(1)																		
251033SN42	4/1/19	5.250%	\$377,228.23	Ambac	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24	\$9,902.24
251033SN40	4/1/20	4.250%	\$15,508.27	Ambac	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55	\$329.55
251033SN48	4/1/20	5.250%	\$510,096.40	Ambac	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03	\$13,390.03
251033SN46	4/1/21	5.000%	\$553,268.08	Ambac	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70	\$13,831.70
251033SN44	4/1/21	5.250%	\$580,931.48	Ambac	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45	\$15,249.45
251033SN42	4/1/23	4.500%	\$31,435.69	Ambac	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30
251033SN40	4/1/23	5.250%	\$580,093.20	Ambac	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45
251033SN48	4/1/24	4.600%	\$65,805.37	Ambac	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52	\$1,513.52
251033SN46	4/1/24	5.250%	\$577,578.34	Ambac	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43
			\$3,291,945.05		\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68	\$85,312.68

55

13-53846-1 Doc 138-1 Filed 10/22/23 Entered 10/22/23 18:52 Page 55

Subject to Mandatory Redemption

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service (GRS Pension Allocation)

UTIP	Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
UTGO Series 2004-B(1)																		
2503ZP8	4/1/15	5.000%	\$727,212.21	Ambac	\$18,180.31	\$18,180.31	\$20,035.53	-	-	-	-	-	-	-	-	-	-	-
2503ZQ6	4/1/16	5.250%	\$763,258.46	Ambac	\$20,035.53	\$20,035.53	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35
2503ZR4	4/1/17	4.000%	\$25,507.69	Ambac	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35	\$511.35
2503SZ2	4/1/17	5.250%	\$777,920.62	Ambac	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62	\$20,420.62
2503SZ7	4/1/18	5.250%	\$167,656.99	Ambac	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00
			\$2,461,623.80		\$63,548.81	\$63,548.81	\$45,368.51	\$45,368.51	\$25,332.97	\$25,332.97	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00	\$4,401.00
UTGO Series 2004-B(2)																		
2503ZX1	4/1/19	5.240%	\$48,201.39	Ambac	\$1,262.88	\$1,262.88	\$922.45	\$922.45	\$560.06	\$560.06	\$186.69	\$186.69	\$186.69	\$186.69	\$186.69	\$186.69	\$186.69	\$186.69
UTGO Series 2005-B																		
2503G53	4/1/15	5.000%	\$191,967.26	Assured	\$4,799.18	\$4,799.18	\$5,040.19	\$5,040.19	\$4,541.83	\$4,541.83	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20
2503G61	4/1/16	5.000%	\$201,607.53	Assured	\$5,040.19	\$5,040.19	\$4,541.83	\$4,541.83	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20
2503G79	4/1/17	4.300%	\$211,247.81	Assured	\$4,541.83	\$4,541.83	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20
2503G87	4/1/17	5.000%	\$220,888.09	Assured	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20	\$5,522.20
2503G95	4/1/19	5.000%	\$231,785.79	Assured	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64	\$5,794.64
2503H29	4/1/20	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56
2503H37	4/1/21	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56
2503H45	4/1/22	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56
2503H52	4/1/23	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56
2503H60	4/1/24	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56
2503H78	4/1/25	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56
			\$3,572,351.37		\$88,569.42	\$88,569.42	\$83,770.24	\$83,770.24	\$78,730.05	\$78,730.05	\$74,188.22	\$74,188.22	\$68,666.02	\$68,666.02	\$62,871.37	\$62,871.37	\$52,392.81	\$52,392.81
UTGO Series 2005-C																		
2503J92	4/1/15	5.000%	\$193,224.68	Assured	\$4,830.62	\$4,830.62	\$5,082.10	\$5,082.10	\$4,586.89	\$4,586.89	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72
2503K25	4/1/16	5.000%	\$203,284.10	Assured	\$5,082.10	\$5,082.10	\$4,586.89	\$4,586.89	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72
2503K33	4/1/17	4.300%	\$213,343.52	Assured	\$4,586.89	\$4,586.89	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72
2503K41	4/1/18	5.000%	\$220,468.95	Assured	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72	\$5,511.72
2503K58	4/1/19	5.250%	\$229,270.94	Assured	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36
2503K66	4/1/20	5.250%	\$241,845.21	Assured	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44	\$6,348.44
			\$1,301,437.41		\$32,378.13	\$32,378.13	\$27,547.51	\$27,547.51	\$22,465.41	\$22,465.41	\$17,878.52	\$17,878.52	\$12,366.80	\$12,366.80	\$6,348.44	\$6,348.44	-	-
UTGO Series 2008-A																		
2503M56	4/1/15	5.000%	\$241,006.93	Assured	\$6,025.17	\$6,025.17	\$6,318.57	\$6,318.57	\$6,643.41	\$6,643.41	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60
2503M64	4/1/16	5.000%	\$252,742.92	Assured	\$6,318.57	\$6,318.57	\$6,643.41	\$6,643.41	\$6,968.25	\$6,968.25	\$5,746.60	\$5,746.60	\$5,746.60	\$5,746.60	\$5,746.60	\$5,746.60	\$5,746.60	\$5,746.60
2503M72	4/1/17	5.000%	\$265,736.33	Assured	\$6,643.41	\$6,643.41	\$6,968.25	\$6,968.25	\$7,293.10	\$7,293.10	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36	\$6,018.36
2503M80	4/1/18	4.000%	\$278,729.75	Assured	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60	\$5,574.60
2503M98	4/1/19	5.000%	\$290,046.60	Assured	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16	\$7,251.16
2503N22	4/1/20	5.000%	\$304,207.44	Assured	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44	\$7,607.44
2503N30	4/1/21	5.000%	\$319,205.71	Assured	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14	\$7,995.14
2503N38	4/1/22	5.000%	\$335,733.13	Assured	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33	\$8,393.33
2503N46	4/1/23	5.000%	\$352,001.64	Assured	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04
2503N55	4/1/24	5.000%	\$1,674,893.36	Assured	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33
2503N63	4/1/28	5.000%	\$4,685,593.81	Assured	\$115,746.20	\$115,746.20	\$109,721.02	\$109,721.02	\$103,402.45	\$103,402.45	\$96,759.04	\$96,759.04	\$91,184.45	\$91,184.45	\$83,933.28	\$83,933.28	\$76,325.85	\$76,325.85
UTGO Series 2008-B(1)																		
2503P53	4/1/15	5.000%	\$668,113.12	Assured	\$16,702.83	\$16,702.83	\$7,209.25	\$7,209.25	\$7,502.65	\$7,502.65	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75
2503P61	4/1/16	5.000%	\$288,370.03	Assured	\$7,209.25	\$7,209.25	\$7,502.65	\$7,502.65	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75
2503P79	4/1/17	5.000%	\$300,106.02	Assured	\$7,502.65	\$7,502.65	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75
2503P87	4/1/18	5.000%	\$337,710.00	Assured	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75
			\$1,574,299.16		\$39,357.48	\$39,357.48	\$22,654.65	\$22,654.65	\$15,445.40	\$15,445.40	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75	\$7,942.75
			\$27,719,687.74		\$704,564.52	\$704,564.52	\$627,918.16	\$627,918.16	\$556,899.87	\$556,899.87	\$483,928.09	\$483,928.09	\$409,027.68	\$409,027.68	\$335,769.44	\$335,769.44	\$260,345.79	\$260,345.79

* Subject to Mandatory Redemption
 Total

UTGO Series STUB Bonds - Debt Service (GRS Pension Allocation)

C/P	Maunty Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Total Principal & Interest
Interest																				
UTC00099-A																				
2510099M3	4/1/15	5.250%	\$238,011.21	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,542.84	\$251,454.05
2510099S1	4/1/16	5.000%	\$251,066.35	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$25,106.63	\$276,172.98
2510099P6	4/1/17	5.000%	\$263,640.62	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$39,546.09	\$303,186.71
2510099S4	4/1/18	5.000%	\$277,053.18	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$55,410.64	\$332,463.82
2510099SR2	4/1/19	5.000%	\$290,884.88	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$72,721.22	\$363,606.10
			\$1,321,556.25		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$205,327.42	\$1,526,883.67
UTC00001-A(1)																				
2510001X6	4/1/15	5.375%	\$497,941.27	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$56,764.34	\$554,705.61
2510001K3	4/1/16	5.375%	\$524,766.39	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$56,412.39	\$581,178.77
2510001V1	4/1/17	5.375%	\$553,268.08	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$89,214.48	\$642,482.55
2510001N9	4/1/18	5.375%	\$1,173,598.95	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$252,323.77	\$1,425,922.72
2510001N7	4/1/19	5.000%	\$1,173,598.95	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$293,399.74	\$1,466,998.69
2510001VP2	4/1/20	5.000%	\$1,173,598.95	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$352,079.68	\$1,525,678.63
2510001VQ0	4/1/21	5.000%	\$1,173,598.95	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$410,759.63	\$1,584,358.58
			\$6,270,371.53		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,480,954.04	\$7,751,325.57
UTC00002																				
2510002V8	4/1/21	5.125%	\$271,604.33	NPRG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$97,438.05	\$369,042.38
2510002W6	4/1/22	5.125%	\$285,436.03	NPRG	\$7,314.30	\$7,314.30	-	-	-	-	-	-	-	-	-	-	-	-	\$117,028.77	\$402,464.80
			\$557,040.36		\$7,314.30	\$7,314.30	-	-	-	-	-	-	-	-	-	-	-	-	\$214,466.83	\$771,507.18
UTC00003-A																				
2510003X0	4/1/15	4.000%	\$25,148.55	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,005.94	\$26,154.49
2510003X8	4/1/15	5.250%	\$213,762.67	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,222.54	\$224,985.21
2510003X6	4/1/16	5.250%	\$251,066.35	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$26,361.97	\$277,428.31
2510003X4	4/1/17	5.250%	\$264,059.76	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,389.41	\$305,449.18
2510003X2	4/1/18	5.250%	\$277,891.47	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$58,357.21	\$336,248.67
2510003X9	4/1/19	5.250%	\$292,561.45	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$76,797.38	\$369,358.83
2510003X7	4/1/20	4.500%	\$41,914.25	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,316.85	\$53,231.10
2510003W5	4/1/20	5.250%	\$266,155.48	Synco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$83,838.97	\$349,994.45
2510003X3	4/1/21	5.250%	\$323,578.00	Synco	\$969.27	\$969.27	-	-	-	-	-	-	-	-	-	-	-	-	\$118,914.91	\$442,492.91
2510003X1	4/1/22	4.625%	\$41,914.25	Synco	\$7,844.78	\$7,844.78	-	-	-	-	-	-	-	-	-	-	-	-	\$125,516.41	\$178,083.16
2510003Z8	4/1/22	5.250%	\$298,848.59	Synco	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$2,907.80	\$52,440.42	\$349,538.95
2510003A2	4/1/23	4.625%	\$125,742.74	Synco	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$6,106.38	\$109,914.88	\$337,952.78
2510003Y0	4/1/23	5.250%	\$232,624.08	Synco	\$17,828.23	\$17,828.23	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$732,685.16	\$1,014,670.34
			\$2,655,267.62		\$17,828.23	\$17,828.23	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$9,014.18	\$732,685.16	\$3,387,952.78
UTC00004-A(1)																				
2510004YX2	4/1/19	5.250%	\$377,228.23	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$99,022.41	\$476,250.65
2510004YX0	4/1/20	4.250%	\$15,508.27	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,954.61	\$19,462.88
2510004YZ7	4/1/20	5.250%	\$510,096.40	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$160,680.37	\$670,776.77
2510004Z1	4/1/21	5.000%	\$553,268.08	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$193,643.83	\$746,911.90
2510004Z9	4/1/22	5.250%	\$580,931.48	Ambac	\$15,249.45	\$15,249.45	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$707.30	\$243,991.22	\$824,922.70
2510004Z7	4/1/23	4.500%	\$31,435.69	Ambac	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$12,731.45	\$44,167.14
2510004Z5	4/1/23	5.250%	\$580,093.20	Ambac	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$15,227.45	\$274,094.03	\$854,187.23
2510004Z3	4/1/24	4.600%	\$65,805.37	Ambac	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$15,151.52	\$30,270.47	\$96,075.94
2510004Z10	4/1/24	5.250%	\$777,578.34	Ambac	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$15,161.43	\$303,228.63	\$880,806.97
			\$3,291,945.05		\$47,859.16	\$47,859.16	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$32,609.70	\$1,321,617.02	\$4,613,562.08

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service (GRS Pension Allocation)

CUSIP	Maturity Date	Rate	Principal	Insurer	Interest										Total Interest	Total Principal & Interest				
					10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26			10/1/26	4/1/27	10/1/27	4/1/28
UTG004-B(1)																				
251004BZ10	4/1/15	5.000%	\$727,212.21	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	\$36,360.61	\$763,572.82		
251004BZ11	4/1/16	5.250%	\$763,258.46	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	\$80,142.14	\$843,400.60		
251004BZ12	4/1/17	4.000%	\$25,567.69	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	\$3,068.12	\$28,635.81		
251004BZ13	4/1/17	5.250%	\$777,928.45	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	\$122,523.73	\$900,452.18		
251004BZ14	4/1/17	5.250%	\$167,656.99	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	\$35,207.97	\$202,864.96		
251004BZ15	4/1/18	5.250%	\$2,461,623.80	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	\$277,302.57	\$2,738,926.37		
UTG004-B(2)																				
251004BZ16	4/1/19	5.240%	\$48,201.39	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	\$5,864.14	\$54,065.52		
UTG005-B																				
251005BZ17	4/1/15	5.000%	\$191,967.26	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$9,598.36	\$201,565.62		
251005BZ18	4/1/16	5.000%	\$201,607.53	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$20,160.75	\$221,768.29		
251005BZ19	4/1/17	4.300%	\$211,247.81	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$27,250.97	\$238,498.78		
251005BZ20	4/1/18	5.000%	\$220,888.09	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$265,065.71	\$289,732.24		
251005BZ21	4/1/19	5.000%	\$231,785.79	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$57,946.45	\$289,732.24		
251005BZ22	4/1/20	5.000%	\$419,142.48	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$125,742.74	\$544,885.23		
251005BZ23	4/1/20	5.000%	\$419,142.48	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$146,699.87	\$565,842.35		
251005BZ24	4/1/21	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$167,656.99	\$586,499.47		
251005BZ25	4/1/22	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$188,614.12	\$607,156.60		
251005BZ26	4/1/23	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$209,571.24	\$628,713.72		
251005BZ27	4/1/24	5.000%	\$419,142.48	Assured	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$230,528.37	\$649,670.85		
251005BZ28	4/1/25	5.000%	\$3,572,351.37	Assured	\$41,914.25	\$41,914.25	\$31,435.69	\$31,435.69	\$20,957.12	\$20,957.12	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$10,478.56	\$1,227,947.48	\$4,800,298.85		
UTG005-C																				
251005CZ29	4/1/15	5.000%	\$193,224.68	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$9,661.23	\$202,885.92		
251005CZ30	4/1/16	5.000%	\$203,284.10	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$20,328.41	\$223,612.51		
251005CZ31	4/1/17	4.300%	\$213,343.52	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$27,521.31	\$240,864.84		
251005CZ32	4/1/18	5.000%	\$220,468.95	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$44,093.79	\$264,562.73		
251005CZ33	4/1/19	5.250%	\$229,270.94	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$60,183.62	\$289,454.56		
251005CZ34	4/1/20	5.250%	\$241,845.21	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$76,181.24	\$318,026.45		
251005CZ35	4/1/20	5.250%	\$1,301,437.41	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$237,969.61	\$1,539,407.02		
UTG008-A																				
251008AZ36	4/1/15	5.000%	\$241,006.93	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$12,050.35	\$253,057.27		
251008AZ37	4/1/16	5.000%	\$252,742.92	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$25,274.29	\$278,017.21		
251008AZ38	4/1/17	5.000%	\$265,736.33	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$30,860.45	\$305,596.78		
251008AZ39	4/1/18	4.000%	\$278,729.75	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$44,596.76	\$323,326.51		
251008AZ40	4/1/19	5.000%	\$290,046.60	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$72,511.65	\$362,558.25		
251008AZ41	4/1/20	5.000%	\$304,297.44	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$91,289.23	\$395,586.67		
251008AZ42	4/1/20	5.000%	\$319,805.71	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$111,932.00	\$431,737.71		
251008AZ43	4/1/21	5.000%	\$335,733.13	Assured	\$8,393.33	\$8,393.33	\$18,065.04	\$18,065.04	\$9,252.57	\$9,252.57	\$32,158.71	\$32,158.71	\$32,158.71	\$32,158.71	\$32,158.71	\$32,158.71	\$134,293.25	\$470,026.38		
251008AZ44	4/1/22	5.000%	\$722,601.64	Assured	\$18,065.04	\$18,065.04	\$18,065.04	\$18,065.04	\$9,252.57	\$9,252.57	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$1,066,277.52	\$1,066,277.52		
251008AZ45	4/1/24	5.000%	\$1,674,893.36	Assured	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$2,726,794.29	\$2,726,794.29		
251008AZ46	4/1/28	5.000%	\$4,685,593.81	Assured	\$68,330.70	\$68,330.70	\$59,937.37	\$59,937.37	\$51,124.90	\$51,124.90	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$41,872.33	\$1,927,384.79	\$6,612,978.60		
UTG008-B(1)																				
251008BZ47	4/1/15	5.000%	\$668,113.12	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$33,405.66	\$701,518.77		
251008BZ48	4/1/16	5.000%	\$288,370.03	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$28,837.00	\$317,207.03		
251008BZ49	4/1/17	5.000%	\$301,106.02	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$45,015.90	\$345,121.92		
251008BZ50	4/1/17	5.000%	\$317,710.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$63,542.00	\$381,252.00		
251008BZ51	4/1/18	5.000%	\$1,574,299.16	Assured	-	-	-	-	-	-	-	-	-	-	-	-	\$170,800.56	\$1,745,099.72		
Total																				
			\$27,739,687.74		\$183,246.63	\$183,246.63	\$132,996.95	\$132,996.95	\$88,756.98	\$88,756.98	\$52,350.90	\$52,350.90	\$32,158.71	\$32,158.71	\$21,952.59	\$21,952.59	\$11,243.50	\$11,243.50	\$7,802,319.61	\$35,542,007.36

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service (GRS Pension Allocation)

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)							Issuance: 2008-A						
CUSIP 51093ZK1							CUSIP 251093N63						
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest
10/1/14	Ambac	6/30/15	-	\$48,201.39	5.240%	\$1,262.88	10/1/14	Assured	6/30/15	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/15	Ambac	6/30/15	\$12,993.42	\$35,207.97	5.240%	\$1,262.88	4/1/15	Assured	6/30/15	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/15	Ambac	6/30/16	-	\$35,207.97	5.240%	\$922.45	10/1/15	Assured	6/30/16	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/16	Ambac	6/30/16	\$13,831.70	\$21,376.27	5.240%	\$922.45	4/1/16	Assured	6/30/16	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/16	Ambac	6/30/17	-	\$21,376.27	5.240%	\$560.06	10/1/16	Assured	6/30/17	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/17	Ambac	6/30/17	\$14,250.84	\$7,125.42	5.240%	\$560.06	4/1/17	Assured	6/30/17	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/17	Ambac	6/30/18	-	\$7,125.42	5.240%	\$186.69	10/1/17	Assured	6/30/18	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/18	Ambac	6/30/18	\$7,125.42	-	5.240%	\$186.69	4/1/18	Assured	6/30/18	-	\$1,674,893.36	5.000%	\$41,872.33
Total			\$48,201.39			\$5,864.14	10/1/18	Assured	6/30/19	-	\$1,674,893.36	5.000%	\$41,872.33
Issuance: 2008-A							4/1/19	Assured	6/30/19	-	\$1,674,893.36	5.000%	\$41,872.33
							10/1/19	Assured	6/30/20	-	\$1,674,893.36	5.000%	\$41,872.33
							4/1/20	Assured	6/30/20	-	\$1,674,893.36	5.000%	\$41,872.33
							10/1/20	Assured	6/30/21	-	\$1,674,893.36	5.000%	\$41,872.33
							4/1/21	Assured	6/30/21	-	\$1,674,893.36	5.000%	\$41,872.33
							10/1/21	Assured	6/30/22	-	\$1,674,893.36	5.000%	\$41,872.33
							4/1/22	Assured	6/30/22	-	\$1,674,893.36	5.000%	\$41,872.33
							10/1/22	Assured	6/30/23	-	\$1,674,893.36	5.000%	\$41,872.33
							4/1/23	Assured	6/30/23	-	\$1,674,893.36	5.000%	\$41,872.33
							10/1/23	Assured	6/30/24	-	\$1,674,893.36	5.000%	\$41,872.33
							4/1/24	Assured	6/30/24	-	\$1,674,893.36	5.000%	\$41,872.33
							10/1/24	Assured	6/30/25	-	\$1,674,893.36	5.000%	\$41,872.33
							4/1/25	Assured	6/30/25	\$388,545.08	\$1,286,348.28	5.000%	\$41,872.33
							10/1/25	Assured	6/30/26	-	\$1,286,348.28	5.000%	\$32,158.71
							4/1/26	Assured	6/30/26	\$408,244.78	\$878,103.50	5.000%	\$32,158.71
							10/1/26	Assured	6/30/27	-	\$878,103.50	5.000%	\$21,952.59
							4/1/27	Assured	6/30/27	\$428,363.62	\$449,739.88	5.000%	\$21,952.59
							10/1/27	Assured	6/30/28	-	\$449,739.88	5.000%	\$11,243.50
							4/1/28	Assured	6/30/28	\$449,739.88	-	5.000%	\$11,243.50
							Total			\$1,674,893.36			\$1,051,900.93

CUSIP 51093N55							CUSIP 251093N63						
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest
10/1/14	Assured	6/30/15	-	\$722,601.64	5.000%	\$18,065.04	10/1/14	Assured	6/30/15	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/15	Assured	6/30/15	-	\$722,601.64	5.000%	\$18,065.04	4/1/15	Assured	6/30/15	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/15	Assured	6/30/16	-	\$722,601.64	5.000%	\$18,065.04	10/1/15	Assured	6/30/16	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/16	Assured	6/30/16	-	\$722,601.64	5.000%	\$18,065.04	4/1/16	Assured	6/30/16	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/16	Assured	6/30/17	-	\$722,601.64	5.000%	\$18,065.04	10/1/16	Assured	6/30/17	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/17	Assured	6/30/17	-	\$722,601.64	5.000%	\$18,065.04	4/1/17	Assured	6/30/17	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/17	Assured	6/30/18	-	\$722,601.64	5.000%	\$18,065.04	10/1/17	Assured	6/30/18	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/18	Assured	6/30/18	-	\$722,601.64	5.000%	\$18,065.04	4/1/18	Assured	6/30/18	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/18	Assured	6/30/19	-	\$722,601.64	5.000%	\$18,065.04	10/1/18	Assured	6/30/19	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/19	Assured	6/30/19	-	\$722,601.64	5.000%	\$18,065.04	4/1/19	Assured	6/30/19	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/19	Assured	6/30/20	-	\$722,601.64	5.000%	\$18,065.04	10/1/19	Assured	6/30/20	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/20	Assured	6/30/20	-	\$722,601.64	5.000%	\$18,065.04	4/1/20	Assured	6/30/20	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/20	Assured	6/30/21	-	\$722,601.64	5.000%	\$18,065.04	10/1/20	Assured	6/30/21	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/21	Assured	6/30/21	-	\$722,601.64	5.000%	\$18,065.04	4/1/21	Assured	6/30/21	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/21	Assured	6/30/22	-	\$722,601.64	5.000%	\$18,065.04	10/1/21	Assured	6/30/22	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/22	Assured	6/30/22	-	\$722,601.64	5.000%	\$18,065.04	4/1/22	Assured	6/30/22	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/22	Assured	6/30/23	-	\$722,601.64	5.000%	\$18,065.04	10/1/22	Assured	6/30/23	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/23	Assured	6/30/23	-	\$722,601.64	5.000%	\$18,065.04	4/1/23	Assured	6/30/23	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/23	Assured	6/30/24	\$352,498.83	\$370,102.81	5.000%	\$9,252.57	10/1/23	Assured	6/30/24	-	\$1,674,893.36	5.000%	\$41,872.33
4/1/24	Assured	6/30/24	\$370,102.81	-	5.000%	\$9,252.57	4/1/24	Assured	6/30/24	-	\$1,674,893.36	5.000%	\$41,872.33
10/1/24	Assured	6/30/25	-	\$370,102.81	5.000%	\$9,252.57	10/1/24	Assured	6/30/25	-	\$1,674,893.36	5.000%	\$41,872.33
			-	-		\$343,675.88							
			\$722,601.64										

Exhibit B

EMERGENCY MANAGER ORDER

ORDER NO. ____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE AND RESTRUCTURING OF CERTAIN UNLIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY OF DETROIT BY THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$287,560,790 DISTRIBUTABLE STATE AID FOURTH LIEN RESTRUCTURED BONDS (UNLIMITED TAX GENERAL OBLIGATION), SERIES 2014 IN ONE OR MORE SUB-SERIES FOR THE PURPOSE OF PROVIDING CERTAIN BANKRUPTCY PLAN OF ADJUSTMENT FINANCING FOR THE CITY RELATED TO UNLIMITED TAX GENERAL OBLIGATION BOND CLAIMS; AUTHORIZING A FIFTH SUPPLEMENT TO THE OUTSTANDING MASTER DEBT RETIREMENT TRUST INDENTURE TO SECURE REPAYMENT OF SAID BONDS; IMPLEMENTING THE ASSIGNMENT OF PAYMENTS ON NOT TO EXCEED \$43,349,210 OF THE CITY'S OUTSTANDING UNLIMITED TAX GENERAL OBLIGATION BONDS (STUB UTGO BONDS) PURSUANT TO THE PLAN OF ADJUSTMENT; AND AUTHORIZING THE AUTHORIZED OFFICERS TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE TRANSFER OF A PORTION OF THE CITY'S OUTSTANDING UNLIMITED TAX GENERAL OBLIGATION BONDS IN CONSIDERATION FOR BONDS ISSUED BY THE MICHIGAN FINANCE AUTHORITY.

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION	6
Section 101. Definitions.....	6
Section 102. Interpretation.....	11
ARTICLE II DETERMINATIONS.....	11
Section 201. Finding, and Declaration of Need to Issue Bonds; Authorized Denominations	11
Section 202. Declaration of Borrowing	12
ARTICLE III AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS	12
Section 301. Authorization of Bonds and Pledge	12
Section 302. Designations, Dates, Interest Rates, Maturities, Redemption and Other Terms of the Bonds and Stub UTGO Bonds	13
Section 303. Execution, Authentication and Delivery of Bonds	15
Section 304. Authentication of the Bonds	15
Section 305. The MFA's Depository	15
Section 306. Mutilated, Destroyed, Stolen or Lost Bonds.....	15
Section 307. Form of the Bonds	15
ARTICLE IV SPECIAL COVENANTS	19
Section 401. Tax Exemption Covenant for Tax-Exempt Bonds.....	19
Section 402. Arbitrage Covenant.....	19
ARTICLE V FUNDS AND ACCOUNTS; DISPOSITION OF BOND PROCEEDS.....	19
Section 501. Establishment of Accounts and Funds.....	19
Section 502. Debt Retirement Fund-All Bonds	20
Section 503. Debt Retirement Fund – Series 2014 Escrow Fund	20
Section 504. Investment of Monies in the Funds and Accounts.....	20
ARTICLE VI THE MASTER TRUSTEE.....	20
Section 601. Master Trustee.	20
Section 602. Fifth Supplemental Indenture.	21
ARTICLE VII SUPPLEMENTAL ORDERS OR RESOLUTIONS	21
Section 701. Supplemental Orders or Resolutions Not Requiring Consent of Holders of the Bonds	21
Section 702. Opinion and Filing Under Act 34	22
ARTICLE VIII DEFEASANCE.....	22

(continued)

Page

ORDER NO. _____

ORDER OF THE EMERGENCY MANAGER OF THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN, AUTHORIZING THE ISSUANCE AND RESTRUCTURING OF CERTAIN UNLIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY OF DETROIT BY THE ISSUANCE BY THE CITY OF DETROIT OF NOT TO EXCEED \$287,560,790 DISTRIBUTABLE STATE AID FOURTH LIEN RESTRUCTURED BONDS (UNLIMITED TAX GENERAL OBLIGATION), SERIES 2014 IN ONE OR MORE SUB-SERIES FOR THE PURPOSE OF PROVIDING CERTAIN BANKRUPTCY PLAN OF ADJUSTMENT FINANCING FOR THE CITY RELATED TO UNLIMITED TAX GENERAL OBLIGATION BOND CLAIMS; AUTHORIZING A FIFTH SUPPLEMENT TO THE OUTSTANDING MASTER DEBT RETIREMENT TRUST INDENTURE TO SECURE REPAYMENT OF SAID BONDS; IMPLEMENTING THE ASSIGNMENT OF PAYMENTS ON NOT TO EXCEED \$43,349,210 OF THE CITY'S OUTSTANDING UNLIMITED TAX GENERAL OBLIGATION BONDS (STUB UTGO BONDS) PURSUANT TO THE PLAN OF ADJUSTMENT; AND AUTHORIZING THE AUTHORIZED OFFICERS TO MAKE CERTAIN DETERMINATIONS AND TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE TRANSFER OF A PORTION OF THE CITY'S OUTSTANDING UNLIMITED TAX GENERAL OBLIGATION BONDS IN CONSIDERATION FOR BONDS ISSUED BY THE MICHIGAN FINANCE AUTHORITY.

WHEREAS, at elections held on November 7, 1978, August 5, 1980, November 4, 1986, August 2, 1988, August 4, 1992, August 5, 1996, November 4, 1997, November 7, 2000, November 6, 2001, April 29, 2003, November 2, 2004 and February 24, 2009 (the "Prior Elections"), the qualified electors of the City of Detroit, County of Wayne, State of Michigan (the "City") authorized the issuance and sale of general obligation unlimited tax bonds of the City to finance certain public capital improvement projects of the City; and

WHEREAS, pursuant to the authorizations provided by certain of the Prior Elections, the City Charter, Act 279, Public Acts of Michigan, 1909, as amended ("Act 279"), Act 202, Public Acts of Michigan, 1943, as amended ("Act 202"), and Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), the City issued certain general obligation unlimited tax bonds (collectively, but not including the 2010A UTGO Bonds, as hereinafter defined, the "Prior UTGO Bonds") outstanding in the amounts set forth on Exhibit A attached hereto; and

WHEREAS, on March 18, 2010, pursuant to Act 80, Public Acts of Michigan, 1981, as amended ("Act 80") the City issued \$249,790,000 of its Distributable State Aid General Obligation Limited Tax Bonds, Series 2010 (the "DSA Bonds") secured by and payable from money received or to be received by the City derived from the imposition of taxes by the State of Michigan (the "State") and returned or to be returned to the City as provided by law ("Distributable Aid"); and

WHEREAS, in connection with the issuance of the DSA Bonds, the City entered into a Master Debt Retirement Trust Indenture (the "Master Indenture") and a First Supplemental Debt Retirement Trust Indenture, each dated as of March 1, 2010, (the "First Supplemental Indenture") between the City and U.S. Bank National Association, Detroit, Michigan, as master trustee (the "Master Trustee" or the "Trustee"), that provides for the escrow of Distributable Aid payments received by the Trustee on behalf of the City to pay the debt service on obligations of the City secured by Distributable Aid (the "Distributable Aid Obligations"); and

WHEREAS, pursuant to Act 80, the Master Indenture and the First Supplemental Indenture, the DSA Bonds have a first lien on the City's Distributable Aid to secure the payment of the DSA Bonds and to provide for the direct payment to the Master Trustee of the Distributable Aid to be held in trust and used solely for payment of principal of and interest on Distributable Aid Obligations, and for that purpose, the City, the Master Trustee and the State Treasurer of the State of Michigan (the "State Treasurer") entered into an Agreement dated as of March 1, 2010 (the "DSA Bonds Deposit Agreement"); and

WHEREAS, on December 16, 2010, pursuant to the City Charter, Act 279 and Act 34, the City issued \$100,000,000 Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds-Direct Payment) (the "2010A UTGO Bonds") and sold them to the Michigan Finance Authority (the "MFA") under Act 227, Public Acts of Michigan, 1985, as amended ("Act 227"); and

WHEREAS, in connection with the issuance of the 2010A UTGO Bonds, the City entered into a Second Supplemental Debt Retirement Trust Indenture, dated as of December 1, 2010 (the "Second Supplemental Indenture") with the Trustee, to further provide for the security and payment of the 2010A UTGO Bonds with the unlimited tax levy and a second lien on Distributable Aid; and

WHEREAS, pursuant to Act 227, in order to provide for the direct payment of Distributable Aid to the Trustee to pay the debt service on the 2010A UTGO Bonds, the City, the MFA and the State Treasurer entered into an Agreement to Deposit Distributable State Aid with the Master Trustee for payment of the 2010A UTGO Bonds (the "UTGO Bonds Deposit Agreement"); and

WHEREAS, pursuant to Resolutions adopted on March 27, 2012 by the City Council of the City, certain Sale Orders of the Finance Director and Act 34, the City issued: (i) \$38,865,000 Self Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A2) (the "Series 2012(A2) Bonds"); (ii) \$30,730,000 Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B) (the "Series 2012(A2-B) Bonds"); (iii) \$6,405,000 General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation) Series 2012B (the "Series 2012B Bonds"); and (iv) \$53,520,000 Self Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2) (the "Series 2012(B2) Bonds", and collectively with the Series 2012(A2) Bonds, the Series 2012(A2-B) Bonds and the Series 2012B Bonds, the "Third Lien Bonds"); and

WHEREAS, the Third Lien Bonds were sold to the MFA and pursuant to Act 227 and Act 140, in order to provide for the direct payment of Distributable Aid to the Master Trustee to

pay the debt service on the Third Lien Bonds, the City, the MFA and the State Treasurer entered into an Agreement to Deposit Distributable State Aid (as amended the "2012 Deposit Agreement") with the Master Trustee and the City and the Master Trustee entered into a Third Supplemental Debt Retirement Trust Indenture, dated as of March 1, 2012, as amended (the "Third Supplemental Indenture") and a Fourth Supplemental Debt Retirement Trust Indenture dated as of August 1, 2012 (the "Fourth Supplemental Indenture") for payment of the Third Lien Bonds on a third lien basis subordinate to the first lien on Distributable State Aid securing the DSA Bonds and subordinate to the second lien on Distributable Aid securing the Series 2010A UTGO Bonds; and

WHEREAS, on March 1, 2013, the Governor (the "Governor") of the State of Michigan (the "State") determined that a financial emergency existed within the City pursuant to the Local Government Fiscal Responsibility Act, Act 72, Public Acts of Michigan, 1990, as amended ("Act 72"); and

WHEREAS, on March 14, 2013, the Governor confirmed that a financial emergency existed within the City and, pursuant to Act 72, assigned to the Local Emergency Financial Assistance Loan Board established pursuant to the Emergency Municipal Loan Act, Act 243 Public Acts of Michigan, 1980, as amended (the "Board") the responsibility for managing the financial emergency; and

WHEREAS, on March 14, 2013, pursuant to Act 72, the Board appointed Kevyn D. Orr as Emergency Financial Manager for the City; and

WHEREAS, by operation of law the financial emergency continues to exist within the City pursuant to the Local Financial Stability and Choice Act, Act 436, Public Acts of Michigan, 2012 ("Act 436") and the Emergency Financial Manager continues in the capacity of the Emergency Manager for the City (the "Emergency Manager"); and

WHEREAS, on July 18, 2013 (the "Petition Date"), in accordance with Act 436 and the approval of the Governor, the Emergency Manager filed on behalf of the City a petition for relief pursuant to Chapter 9 of title 11 of the United States Code, 11 U.S.C. Sections 101-1532 (as amended, the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"); and

WHEREAS, on _____, 2014, the Emergency Manager filed on behalf of the City a _____ Amended Plan for the Adjustment of the Debts of the City of Detroit (now and as subsequently amended, the "Plan of Adjustment") in the Bankruptcy Court to provide for the adjustment of the debts of the City pursuant to and in accordance with Chapter 9 of the Bankruptcy Code; and

WHEREAS, more than 90% of the Prior UTGO Bonds are insured by Ambac Assurance Corporation; Assured Guaranty Municipal Corp. together with Assured Guaranty Corp.; and National Public Finance Guarantee Corporation (each a "Bond Insurer" and collectively, the "Bond Insurers"); and

WHEREAS, pursuant to the Plan of Adjustment and a settlement agreement dated July 18, 2014 among the City and the Bond Insurers (the "UTGO Settlement Agreement") the City intends to restructure a portion of the outstanding Prior UTGO Bonds (the "Restructured UTGO

Bonds”) as provided in this Order; and

WHEREAS, pursuant to a bond purchase contract (the “Purchase Contract”) between the City and the MFA, the City shall deliver the Bonds authorized hereunder (the “Bonds” or the “Municipal Obligation”) to the MFA, and in consideration thereof, the MFA will deliver its [Local Government Loan Program Revenue Bonds, Series 2014 (City of Detroit Unlimited Tax General Obligation Local Project Bonds)] (the “MFA Bonds”) to (i) the holders of the Holders Restructured UTGO Bonds (as defined in the UTGO Settlement Agreement) and (ii) the Bond Insurers and the Dissenting Bond Insurer as holders of the Insurer Owned Restructured UTGO Bonds (as defined in the UTGO Settlement Agreement) in consideration for the transfer of the Restructured UTGO Bonds to the MFA; and

WHEREAS, the MFA Bonds will be issued by the MFA in Authorized Denominations in the same aggregate principal amounts per maturity as the Restructured UTGO Bonds, rounded down as provided in this Order, for each denomination to the nearest Authorized Denomination; and on the Effective Date, as hereinafter defined, the holders of the Holders Restructured UTGO Bonds shall be paid the difference in principal amount, if any, between the Holders Restructured UTGO Bonds and the principal amount of MFA Bonds allocated and transferred to them as provided herein by the City from its General Fund or by the Master Trustee at the direction of the City from available funds on deposit in the Debt Retirement Fund (the “Debt Retirement Fund”) established hereunder, as determined by an Authorized Officer; and

WHEREAS, a portion of the Prior UTGO Bonds not restructured by the Municipal Obligation which mature on or after April 1, 2015, in the principal amount of \$43,349,210 (the “Stub UTGO Bonds” and collectively with the 2010A UTGO Bonds, the Municipal Obligation and any Additional Bonds (defined below), the “UTGO Bonds”) shall be reinstated, remain Outstanding in the amounts and will remain payable as shown on Exhibit C hereto; and

WHEREAS, the Stub UTGO Bonds also will be in Authorized Denominations; and

WHEREAS, upon satisfaction of all of the terms and conditions required of the City related to the confirmation of the Plan of Adjustment, the City shall establish the Business Day upon which the Plan of Adjustment shall become effective (the “Effective Date”); and

WHEREAS, on or after the Effective Date, the City shall issue and deliver the Municipal Obligation to the MFA and pursuant to the Plan of Adjustment, the Assigned UTGO Bond Tax Proceeds (as hereinafter defined), will be assigned to the Income Stabilization Funds and the GRS (collectively, the “Plan Assignees”) as such terms are defined in the Plan of Adjustment; and

WHEREAS, the Emergency Manager deems it necessary to authorize the issuance of the Bonds in one or more series in the aggregate principal amount of not to exceed Two Hundred Eighty-Seven Million Five Hundred Sixty Thousand Seven Hundred Ninety Dollars (\$287,560,790); and

WHEREAS, pursuant to the resolutions authorizing the Prior UTGO Bonds and the 2010A UTGO Bonds, this Order and Section 4a of Act 279, the City has pledged, and to the

extent permitted by applicable law, including without limitation, Section 12(1)(x) of Act 436, will create a lien upon the Debt Millage Revenues (as hereinafter defined) to pay the debt service on the UTGO Bonds; and

WHEREAS, pursuant to Section 4a of Act 279, and Section 701 of the Revised Municipal Finance Act, Act No. 34, Public Acts of Michigan, 2001, as amended, the Emergency Manager desires to provide for the deposit of the Debt Millage Revenues into a separate escrow account to be used for the sole purpose of paying principal of and interest on the UTGO Bonds and the administrative costs related to the deposit and escrow of Debt Millage Revenues; and

WHEREAS, in order to effectuate a lien, to the extent permitted by law, upon the debt millage revenues (the "Debt Millage Revenues") derived from the unlimited tax pledge in favor of the Registered Owners of the Bonds, it is necessary for the City to provide for the deposit of the proceeds of 100% of the City's unlimited tax general obligation debt millage levy in trust to further secure payment of the debt service on the Bonds, with U.S. Bank National Association, as Debt Millage Escrow Trustee (the "Debt Millage Escrow Trustee"), pursuant to a Debt Millage Deposit Escrow Agreement (the "Debt Millage Escrow Agreement") between the City and the Debt Millage Escrow Trustee; and

WHEREAS, the Emergency Manager recommends that the Bonds be secured by a fourth lien pledge of Distributable Aid under a Fifth Supplemental Debt Retirement Trust Indenture (the "Fifth Supplemental Indenture"), in addition to a pledge of the City's unlimited tax full faith and credit; and

WHEREAS, the Emergency Manager desires the Debt Millage Revenues to constitute special revenues under Section 902 of the Bankruptcy Code and to afford the holders of the UTGO Bonds the protection provided to "pledged special revenues," as that term is used in Section 922(d) of the Bankruptcy Code.

WHEREAS, the MFA may distribute one or more preliminary official statements (together with any supplements thereto, each a "Preliminary Official Statement") and final official statements (together with any supplements thereto, each an "Official Statement") to the holders of the MFA Bonds; and

WHEREAS, the Emergency Manager also desires to authorize the submission of disclosure information to the MFA, as applicable, if necessary in connection with the issuance and delivery of the Municipal Obligation and the issuance and delivery of the MFA Bonds; and

WHEREAS, the MFA will require, as a condition precedent to accepting the Municipal Obligation, that the City agree to provide continuing disclosure as required by Section (b)(5) of Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended; and

WHEREAS, the Emergency Manager also desires to authorize the submission of disclosure information to the holders of the Stub UTGO Bonds, if necessary in connection with the secondary marketing, if any, of the Stub UTGO Bonds by the holders thereof on the Effective Date; and

WHEREAS, pursuant to the authority of Section 315(1)(d) of Act 34, the Emergency Manager desires to delegate to the Finance Director the authority to make certain determinations with respect to the Bonds, if necessary, within the parameters of this Order and to take such other actions and make such other determinations as may be necessary to accomplish the delivery of the Bonds and the transactions contemplated by this Order, as shall be confirmed by the Finance Director in the Supplemental Order; and

WHEREAS, prior to the issuance of the Bonds, pursuant to Sections 12(1) (u) and 19(1) of Act 436, the Emergency Manager must obtain the approval of the issuance of the Bonds by the City Council, and if the City Council disapproves of the issuance of the Bonds, the issuance of the Bonds must be approved by the Board.

NOW, THEREFORE, BE IT ORDERED BY THE EMERGENCY MANAGER OF THE CITY OF DETROIT, WAYNE COUNTY, MICHIGAN, PURSUANT TO THE CHARTER, ACT 34, ACT 227, ACT 279, AND ACT 436 AS FOLLOWS:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 101. Definitions. The words and terms defined in the preambles and recitals hereof and the following words and terms as used in this Order shall have the meanings ascribed therein, herein or in the Plan of Adjustment unless a different meaning clearly appears from the context:

“Act 34” means Act 34, Public Acts of Michigan, 2001, as amended.

“Act 80” means Act 80, Public Acts of Michigan, 1981, as amended.

“Act 227” means Act 227, Public Acts of Michigan, 1985, as amended.

“Act 279” means Act 279, Public Acts of Michigan, 1909, as amended.

“Act 436” means Act No. 436, Public Acts of Michigan, 2012.

“Additional Bonds” shall mean any unlimited tax general obligation bonds issued under Act 279 on a parity with the Prior UTGO Bonds, the 2010A UTGO Bonds, the Municipal Obligation and the Stub UTGO Bonds as to the Aggregate UTGO Tax Levy.

“Aggregate UTGO Tax Levy” means all proceeds of the Debt Millage Revenues.

“Ambac” means Ambac Assurance Corporation.

“Assigned UTGO Bond Tax Proceeds” means that portion of the Aggregate UTGO Tax Levy designated to pay the principal of and interest on the Stub UTGO Bonds.

“Assured” means Assured Guaranty Municipal Corp. and Assured Guaranty Corp.

“Authorized Denominations” shall mean denominations of Bonds and Stub UTGO Bonds equal to multiples of \$1.00.

“Authorized Officer” means (i) the Emergency Manager or his designee or successor, or if the City is no longer operating under a financial emergency pursuant to Act 436, the Mayor of the City, the Finance Director or his or her designee, or (ii) any other person authorized by a Certificate of an Authorized Officer to act on behalf of or otherwise represent the City in any legal capacity, which such certificate shall be delivered, if at all, in the City’s sole discretion.

“Bankruptcy Case” means the City’s Bankruptcy Case No. 13-53846 in the U.S. Bankruptcy Court for the Eastern District of Michigan.

“Bankruptcy Court Order” has the meaning set forth in the recitals hereto.

“Board” has the meaning set forth in the recitals hereto.

“Bond” or “Bonds” means the Municipal Obligations.

“Bond Counsel” means Miller, Canfield, Paddock and Stone, P.L.C., attorneys of Detroit, Michigan, or such other nationally recognized firm of attorneys experienced in matters pertaining to municipal bonds and appointed to serve in such capacity by the City with respect to the Bonds.

“Bond Insurer” means Ambac, Assured or NPF, as the case may be, as an issuer of a bond insurance policy with respect to that portion of the Restructured UTGO Bonds such entity insures.

“Bond Orders” means collectively this Order and the Supplemental Order.

“Bond Registry” means the books for the registration of Bonds maintained by the Master Trustee.

“Bondowner”, “Owner” or “Registered Owner” means, with respect to any Bond, the person in whose name such Bond is registered in the Bond Registry.

“Business Day” means a day which is not (i) a Saturday, Sunday or legal holiday on which banks located in either the State of Michigan or the state or states in which the principal corporate trust office of the Master Trustee, is located are authorized or required by law to be closed, or (ii) a day on which the New York Stock Exchange is closed.

“Charter” means the Charter of the City, as amended from time to time.

“City” means the City of Detroit, County of Wayne, State of Michigan.

“Closing Date” means the date or dates upon which the Restructured UTGO Bonds are transferred to the MFA in consideration for the MFA Bonds.

“Code” means the Internal Revenue Code of 1986, as amended.

“Constitution” means the Constitution of the State of Michigan of 1963, as amended.

“Council” means the City Council of the City of Detroit, Michigan.

“Debt Millage Deposit” or “Debt Millage Deposits” means whenever used herein singularly, each payment of Debt Millage Revenues, and collectively all payments of Debt Millage Revenues by the City to the Debt Millage Escrow Trustee for deposit in the UTGO Debt Millage Fund in accordance with the Debt Millage Escrow Agreement.

“Debt Millage Escrow Agreement” means the Debt Millage Deposit Escrow Agreement, between the City and the Debt Millage Escrow Trustee, for the collection of 100% of the City’s unlimited tax general obligation bond debt millage.

“Debt Millage Escrow Trustee” means U.S. Bank National Association, Detroit, Michigan, as Debt Millage Escrow Trustee, and any successor to the Debt Millage Escrow Trustee substituted in its place pursuant to the provisions of the Debt Millage Escrow Agreement.

“Debt Millage Revenues” means the proceeds of the ad valorem debt millage levies, including interest subsidy payments received by the City in respect of the 2010A UTGO Bonds delinquent millage payments received from Wayne County, Michigan, or otherwise, pledged to and on account of unlimited tax general obligation bonds of the City for the payment of debt service on the Prior UTGO Bonds (or after the Effective Date, the UTGO Bonds), and the 2010A UTGO Bonds, the Municipal Obligation, the Stub UTGO Bonds and any Additional Bonds.

“Debt Retirement Fund” means the fund so designated and established under Section 501 hereof.

“Dissenting Bond Insurer” means Syncora Guarantee, Inc.

“Distributable Aid” has the meaning given in Act 80.

“DSA Bonds” means the City’s \$249,790,000 original principal amount Distributable State Aid General Obligation Limited Tax Bonds, Series 2010.

“Effective Date” has the meaning set forth in the recitals hereto.

“Fifth Supplemental Indenture” means the Fifth Supplemental Debt Retirement Trust Indenture, dated as of the date of issuance of the Bonds, between the City and the Master Trustee providing for the escrow of Distributable State Aid payments received by the Master Trustee on behalf of the City to pay the debt service on the Bonds.

“Finance Director” means the Finance Director of the City or his/her deputy or designee.

“First Lien Bonds” means the DSA Bonds.

“First Supplemental Indenture” means the First Supplemental Debt Retirement Trust Indenture dated as of March 1, 2010, between the City and the Master Trustee, providing for the

escrow of Distributable Aid payments received by the Master Trustee on behalf of the City to pay the debt service on the DSA Bonds.

“Fiscal Year” means the fiscal year of the City as in effect from time to time.

“Fourth Supplemental Indenture” has the meaning set forth in the recitals hereto.

“GRS” means General Retirement System for the City of Detroit.

“Income Stabilization Fund” means the Income Stabilization Funds as defined in the Plan of Adjustment.

“Interest Payment Date” has the meaning given such term in Section 302.

“Master Indenture” shall mean the Master Debt Retirement Trust Indenture dated as of March 1, 2010 by and between the City and U.S. Bank National Association, Detroit, Michigan, as Master Trustee, as supplemented by (i) the First Supplemental Indenture; (ii) the Second Supplemental Indenture; (iii) the Third Supplemental Indenture; (iv) the Fourth Supplemental Indenture; and (v) the Fifth Supplemental Indenture, by and between the City and the Master Trustee.

“Master Trustee” means U.S. Bank National Association, Detroit, Michigan, as Master Trustee under the Master Indenture, and successors to the Master Trustee substituted in its place pursuant to the provisions of the Master Indenture.

“Maximum Aggregate Principal Amount” has the meaning given such term in Section 201.

“MFA” means the Michigan Finance Authority, as successor to the Michigan Municipal Bond Authority.

“MFA Bonds” means has the meaning set forth in the recitals hereto.

“Municipal Obligation” has the meaning set forth in the recitals hereto.

“Non-Arbitrage and Tax Compliance Certificate” means the Non-Arbitrage and Tax Compliance Certificate of the City, dated the Closing Date, regarding rebate requirements and other tax responsibilities of the City relating to the Tax-Exempt Bonds under the Code.

“NPFG” means National Public Finance Guaranty Corporation.

“Order” means this Order of the Emergency Manager as supplemented by the Supplemental Order, and as amended from time to time pursuant to Article VII.

“Outstanding” when used with respect to:

- (1) the Bonds, means, as of the date of determination, the Bonds theretofore authenticated and delivered under this Order, except:

- (A) Bonds theretofore canceled by the Master Trustee or delivered to the Master Trustee for cancellation;
- (B) Bonds for whose payment money in the necessary amount, without the need for reinvestment thereof, has been theretofore deposited with the Master Trustee in trust for the registered owners of such Bonds;
- (C) Bonds delivered to the Master Trustee for cancellation in connection with (x) the exchange of such Bonds for other Bonds or (y) the transfer of the registration of such Bonds;
- (D) Bonds alleged to have been destroyed, lost or stolen which have been paid or replaced pursuant to this Order or otherwise pursuant to law; and
- (E) Bonds deemed paid as provided in Section 801.

“Permitted Investments” means those investments specified in Article III of the Debt Millage Escrow Agreement.

“Plan of Adjustment” has the meaning set forth in the recitals hereto.

“Plan Assignees” means the Income Stabilization Funds and the GRS.

“Prior DSA Bonds” means, collectively, the First Lien Bonds, the Second Lien Bonds and the Third Lien Bonds.

“Prior UTGO Bonds” has the meaning set forth in the recitals hereto.

“Pro Rata” means the proportion that a claim of one Holder of Restructured UTGO Bonds bears to the aggregate of all claims of all Holders of Restructured UTGO Bonds.

“Purchase Contract” means the purchase contract negotiated by the Finance Director between the City and the MFA, providing for the terms and conditions of the delivery of the Municipal Obligation to the MFA in anticipation of the transfer of the Restructured Bonds to the MFA in consideration for the MFA Bonds on the terms and conditions and in form and substance reasonably acceptable to the Bond Insurers.

“Regular Record Date” has the meaning given such term in Section 302.

“Restructured UTGO Bonds” has the meaning set forth in the recitals hereto.

“Second Lien Bonds” means the 2010A UTGO Bonds.

“Second Supplemental Indenture” has the meaning set forth in the recitals hereto.

“State” means the State of Michigan.

“State Treasurer” means the Treasurer of the State.

“Stub UTGO Bonds” has the meaning set forth in the recitals hereto.

“Supplemental Order” means, to the extent necessary, the order or orders of the Authorized Officer making certain determinations and/or confirming the final details of the Bonds upon the sale thereof in accordance with the parameters of this Order and the terms of the Purchase Contract.

“Tax-Exempt Bonds” means those Bonds, if any, the interest on which is excluded from gross income for federal tax purposes, as determined by the Authorized Officer in the Supplemental Order.

“Third Lien Bonds” has the meaning set forth in the recitals hereto.

“Third Supplemental Indenture” has the meaning set forth in the recitals hereto.

“UTGO Bonds” has the meaning in the recitals hereto.

“UTGO Bond Tax Levy” means that portion of the Aggregate UTGO Tax Levy at a level that was pledged to pay the Prior UTGO Bonds.

“UTGO Debt Millage Fund” means the fund so designated and authorized by Section 501 hereof and established under the Debt Millage Escrow Agreement.

“2010A UTGO Bonds” means the City’s outstanding Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A).

Section 102. Interpretation. (a) Words of the feminine or masculine genders include the correlative words of the other gender or the neuter gender.

(b) Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons.

(c) Articles and Sections referred to by number mean the corresponding Articles and Sections of this Order.

(d) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Order, refer to this Order as a whole unless otherwise expressly stated.

ARTICLE II

DETERMINATIONS

Section 201. Finding, and Declaration of Need to Issue Bonds; Authorized Denominations. (a) The Emergency Manager hereby finds and declares that it is necessary for the City to restructure and refund (under applicable state law) \$287,560,790 of the Prior UTGO Bonds which mature on or after April 1, 2015, by restructuring them as Restructured UTGO Bonds to be transferred to the MFA and in such form issuing them in the principal amounts as

shown on Exhibit B as Municipal Obligations, in Authorized Denominations and leaving \$43,349,210 of the Prior UTGO Bonds remaining outstanding as Stub UTGO Bonds in Authorized Denominations as shown on Exhibit C, pursuant to and in accordance with the provisions of Act 34 and Act 279, for the purpose of satisfying the Class 8 claims as required by the Plan of Adjustment. The MFA Bonds will, in the aggregate, mature or be subject to mandatory redemption and optional redemption in the same principal amounts per maturity, and bear interest at the same interest rates as the Restructured UTGO Bonds.

(b) On the Effective Date, that portion of the Aggregate UTGO Tax Levy designated to pay the principal of and interest on the Stub UTGO Bonds (but subject to the prior rights of the holders of the Municipal Obligation) (the “Assigned UTGO Bond Tax Proceeds”) shall be assigned by the Plan of Adjustment (without any further consent or action on the part of, or additional consideration payable to, the Bond Insurers, the Dissenting Bond Insurer or the holders of the Stub UTGO Bonds) to the Plan Assignees, and such proceeds shall not be paid to the paying agent for the UTGO Bonds, but shall be paid to the Plan Assignees directly by the Debt Millage Escrow Trustee.

Section 202. Declaration of Borrowing. The City shall issue the Bonds as hereinafter provided and as finally confirmed by the Authorized Officer in the Supplemental Order, secured by the unlimited tax full faith, credit and resources of the City which will be payable from ad valorem taxes levied on all taxable property within the City without limitation as to rate or amount, for the purposes stated herein.

ARTICLE III

AUTHORIZATION, REDEMPTION AND ASSIGNMENT OF THE BONDS

Section 301. Authorization of Bonds and Pledge. (a) The City hereby authorizes the issuance of the Bonds in such series and in such principal amounts as shall be confirmed in the Supplemental Order. The Bonds shall be payable from and secured, to the extent permitted by applicable law, including, without limitation, Section 12(1)(x) of Act 436, by a lien on the Debt Millage Revenues derived from an annual levy of ad valorem taxes on all taxable property in the City without limitation as to rate or amount. Pursuant to authorization provided in Act 227, the City hereby pledges as additional security for the payment of principal of and interest on the Bonds, Distributable Aid payments that the City is eligible to receive on a fourth lien basis subordinate to the pledge thereof for the payment of the Prior DSA Bonds. The Finance Director is hereby authorized and directed to negotiate, approve and execute the Fifth Supplemental Indenture for and on behalf of the City with U.S. Bank National Association, Detroit, Michigan, as Master Trustee, to provide for a fourth lien pledge of Distributable Aid to secure payment of the Bonds. Nothing in this Order shall restrict or be construed as restricting the City’s ability to make additional pledges or assignments of Distributable Aid as security for current or future bonds or obligations of the City, subject to the requirements for the issuance of additional bonds and obligations set forth in the Master Indenture.

(b) The Debt Millage Revenues as pledged by the City to secure payment of the Bonds, shall constitute “special revenues,” as defined in Section 902 of the Bankruptcy Code and “pledged special revenues,” as the term is used in Section 922(d) of the Bankruptcy Code.

Section 302. Designations, Dates, Interest Rates, Maturities, Redemption and Other Terms of the Bonds and Stub UTGO Bonds.

(a) The Bonds shall be designated as “DISTRIBUTABLE STATE AID FOURTH LIEN RESTRUCTURED BONDS (UNLIMITED TAX GENERAL OBLIGATION), SERIES 2014 and may bear such later or earlier dates and additional or alternative designations as the Authorized Officer may determine in the Supplemental Order, shall be issued in fully registered form and shall be consecutively numbered from “R-1” upwards, respectively unless otherwise provided by the Authorized officer in the Supplemental Order. The Bonds shall be dated and issued in Denominations all as determined by the Authorized Officer and confirmed by the Authorized Officer in the Supplemental Order.

(b) The Bonds shall be issued in multiple separate series, each one corresponding to the related series of the Prior UTGO Bonds listed on Exhibit A hereto. Each separate series of the Municipal Obligations shall be issued in a principal amount equal to 86.9% of the outstanding principal amount of each maturity of the related series of Prior UTGO Bonds in Authorized Denominations as provided in Section 201(a). Each series of Municipal Obligations shall be further subdivided into two subseries, with one subseries equal to 84.5% of the outstanding principal amount of each maturity of the related series of Prior UTGO Bonds, in Authorized Denominations, and the second subseries equal to 2.4% of the outstanding principal amount of each maturity of the related series of Prior UTGO Bonds, in Authorized Denominations.

(c) The Bonds and the Stub UTGO Bonds shall bear interest from _____, 201_, at the same interest rate per annum as the related Prior UTGO Bonds; be subject to amortization on the same schedule as the related Prior UTGO Bonds; mature on the same dates; and be subject to redemption in the same manner as the related Prior UTGO Bonds. Unless otherwise provided by the Authorized Officer in the Supplemental Order, interest on the Bonds shall be calculated on the basis of a 360 day year consisting of twelve, 30 day months. In the event that a calculation of interest is not an integral multiple of \$0.01, the Paying Agent shall round all amounts less than or equal to \$0.0049 down to the nearest \$0.01 and round all amounts greater than \$.0049 up to the nearest \$0.01. The Bonds shall be payable, as to principal and interest, in lawful money of the United States of America.

(d) On or after the Effective Date, the Municipal Obligations shall be delivered to the MFA in consideration for bonds to be issued by the MFA (the “MFA Bonds”) and the following additional provisions shall apply:

(1) Each subseries of Municipal Obligations shall be in the form of a single fully-registered, nonconvertible bond in the denomination of the full principal amount thereof, dated as of the date of delivery of the Municipal Obligations, payable in principal installments serially shown on Exhibit B and approved by the MFA and the Authorized Officer. The obligation to deliver the Municipal Obligations to the MFA shall be evidenced by execution of a Purchase Contract (the “Purchase Contract”) between the City and the MFA providing for the transfer of the Municipal Obligations to the MFA in consideration for the MFA Bonds, and an Authorized Officer is authorized and directed to execute and deliver the Purchase Contract when it is in final form and to make the

determinations set forth above. An Authorized Officer is authorized and directed to approve of a series designation with respect to each series of Municipal Obligations.

(2) Each subseries of the Municipal Obligations shall not be convertible or exchangeable into more than one fully-registered bond. Principal of and interest on the Municipal Obligations shall be payable as provided in the Bond form in this Order as the same may be amended to conform to MFA requirements.

(3) The Master Trustee shall record on the registration books payment by the City of each installment of principal or interest or both when made and the cancelled checks or other records evidencing such payments shall be returned to and retained by the City Treasurer.

(4) Upon payment by the City of all outstanding principal of and interest on a Municipal Obligation, the MFA shall deliver the respective Municipal Obligation to the City for cancellation.

(e) Concurrently with the restructuring of a portion of the Prior UTGO Bonds and issuance of the MFA Bonds, the Stub UTGO Bonds, in Authorized Denominations as provided in Section 201(a), will be reinstated and remain Outstanding and will be payable from the UTGO Bond Tax Levy, provided that the Assigned UTGO Bond Tax Proceeds as assigned by the Plan of Adjustment shall be paid by the Debt Millage Escrow Trustee to the Plan Assignees and such proceeds shall not be paid to the paying agent for the Stub UTGO Bonds.

Section 303. Execution, Authentication and Delivery of Bonds. The Bonds shall be executed in the name of the City by the manual or facsimile signatures of the Mayor and the Finance Director and authenticated by the manual signature of the Finance Director, and the seal of the City (or a facsimile thereof) shall be impressed or imprinted on the Bonds. After the Bonds have been executed and authenticated for delivery, they shall be delivered by the Finance Director to the MFA in consideration for the issuance of the MFA Bonds.

Section 304. Authentication of the Bonds. Anything in this Order to the contrary notwithstanding, the Bonds bearing the manual or facsimile signatures of the Mayor and the Finance Director shall require no further authorization.

Section 305. The MFA's Depository. Notwithstanding any other provision herein to the contrary, as long as the MFA is the owner of the Bonds, the Bonds are payable as to principal, premium, if any, and interest at the corporate trust office of _____, _____, Michigan, or such other qualified bank or financial institution as shall be designated in writing to the City by the MFA (the "Authority's Depository"). The City will deposit, or cause the Master Trustee, to deposit with the MFA's Depository payments of the principal of, premium, if any, and interest on the Bonds in immediately available funds at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise. Written notice of any redemption of the Bonds shall be given by the City and received by the MFA's Depository at least 40 days prior to the date on which such redemption is to be made.

Section 306. Mutilated, Destroyed, Stolen or Lost Bonds. (a) Subject to the provisions of Act 354, Public Acts of Michigan, 1972, as amended and any other applicable law, if (i) any mutilated Bond is surrendered to the City, and the City receives evidence to its satisfaction of the destruction, loss or theft of any Bond and (ii) there is delivered to the City such security or indemnity as may be required by it to save the City harmless, then, in the absence of notice to the City that such Bond has been acquired by a bona fide purchaser, the City shall execute and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(b) If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

(c) Any new Bond issued pursuant to this Section in substitution for a Bond alleged to be mutilated, destroyed, stolen or lost shall constitute an original additional contractual obligation on the part of the City, and shall be equally secured by and entitled to equal proportionate benefits with all other Bonds of like tenor issued under this Order.

Section 307. Form of the Bonds. The Bonds shall be in substantially the following form with such insertions, omissions, substitutions and other variations as shall not be inconsistent with this Order or required by the Michigan Attorney General and the MFA or permitted by the Supplemental Order or as approved by an Authorized Officer and Bond Counsel:

[Form of Bond]

United States of America
State of Michigan
County of Wayne

CITY OF DETROIT
DISTRIBUTABLE STATE AID FOURTH LIEN RESTRUCTURED BOND
(UNLIMITED TAX GENERAL OBLIGATION), SERIES 2014__

REGISTERED OWNER: Michigan Finance Authority

PRINCIPAL AMOUNT: _____ Dollars (\$ ____,000)

DATE OF ORIGINAL ISSUE: _____, 2014

The CITY OF DETROIT, County of Wayne, State of Michigan (the "City"), for value received, hereby promises to pay to the Michigan Finance Authority (the "Authority"), or registered assigns, the Principal Amount shown above, in lawful money of the United States of America, unless prepaid prior thereto as hereinafter provided. Capitalized terms used herein, but not defined herein, shall have the meanings ascribed to them in the Order, as hereinafter defined.

The Principal Amount shall be payable on the dates and in the annual principal installment amounts set forth in Schedule A attached hereto and made a part hereof, or if a portion of the Principal Amount is prepaid as provided below, with interest on said principal installments from the [Date of Original Issue] shown above, until paid at the rate [of interest as set forth on the attached schedule] [of _____ percent (____%) per annum]. Interest is first payable on _____ 1, 20__, and semiannually thereafter on the first day of _____ and _____ of each year, as set forth in the Purchase Contract.

Notwithstanding any other provision of this bond, as long as the MFA is the owner of this bond, (a) this bond is payable as to principal, premium, if any, and interest at the corporate trust office of _____, _____, _____, or at such other place as shall be designated in writing to the City by the MFA (the "Authority's Depository"); (b) the City agrees that it will cause the Master Trustee to deposit with the MFA's Depository payments of the principal of, premium, if any, and interest on this bond in immediately available funds at least five business days prior to the date on which any such payment is due whether by maturity, redemption or otherwise; and (c) written notice of any redemption of this bond shall be given by the City and received by the MFA's Depository at least 40 days prior to the date on which such redemption is to be made.

Additional Interest

[In the event of a default in the payment of principal or interest hereon when due, whether at maturity, by redemption or otherwise, the amount of such default shall bear interest

(the "additional interest") at a rate equal to the rate of interest which is two percent above the MFA's cost of providing funds (as determined by the MFA) to make payment on the bonds of the MFA issued to provide funds to purchase this bond but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the MFA has been fully reimbursed for all costs incurred by the MFA (as determined by the MFA) as a consequence of the City's default. Such additional interest shall be payable on the interest payment date following demand of the MFA. In the event that (for reasons other than the default in the payment of any municipal obligation purchased by the MFA) the investment of amounts in the reserve account established by the MFA for the bonds of the MFA issued to provide funds to purchase this bond fails to provide sufficient available funds (together with any other funds which may be made available for such purpose) to pay the interest on outstanding bonds of the MFA issued to fund such account, the City shall and hereby agrees to pay on demand only the City's pro rata share (as determined by the MFA) of such deficiency as additional interest on this bond.]

This bond is a single, fully-registered, non-convertible bond in the principal sum of \$____,000, issued pursuant to and in accordance with Act 34, Public Acts of Michigan, 2001, as amended, and Act 279, Public Acts of Michigan, 1909, as amended, Act 227, Public Acts of Michigan, 1985, as amended ("Act 227") and pursuant to and in accordance with an Order duly adopted by the Emergency Manager of the City on _____, ____ [and a Supplemental Order of the Authorized Officer of the City issued on _____, ____ (together,) the "Order"). The Bonds are issued for the purpose of restructuring certain unlimited tax general obligation bonds of the City as described in the Order, pursuant to the City's Plan of Adjustment under the Bankruptcy Case.

[Optional and/or Mandatory Redemption Provisions]

This Bond is payable out of the City's Debt Retirement Fund for this issue (which will be held by the Master Trustee), and the City is obligated to levy annually sufficient taxes to provide for the payment of the principal of and interest on the bonds of this issue as they mature on all taxable property in the City without limitation as to rate or amount (the revenues of such levy, the "Debt Millage Revenues").

The Bonds shall be payable from and secured, to the extent permitted by applicable law, including without limitation, Section 12(1)(x) of Act 436, by a lien on the Debt Millage Revenues.

The Debt Millage Revenues as pledged by the City to secure payment of the Bonds, shall constitute "special revenues," as defined in Section 902 of the Bankruptcy Code and "pledged special revenues," as the term is used in Section 922(d) of the Bankruptcy Code.

As additional security for the City's obligation to pay the Bonds, pursuant to Act 227 the City has pledged the payments that the City is eligible to receive from the State of Michigan under Act 140, Public Acts of Michigan, 1971, as amended ("Distributable Aid"), and certain monies in the funds and accounts established by the City with U.S. Bank National Association, as master trustee (the "Trustee"), pursuant to the terms and conditions of a Master Debt Retirement Trust Indenture dated as of March 1, 2010, as supplemented, by (i) the First Supplemental Debt Retirement Trust Indenture dated as of March 1, 2010; (ii) the Second

Supplemental Debt Retirement Trust Indenture dated as of December 1, 2010; (iii) the Third Supplemental Debt Retirement Trust Indenture dated as of March 1, 2012; (iv) the Fourth Supplemental Debt Retirement Trust Indenture dated as of August 1, 2012; and (v) the Fifth Supplemental Debt Retirement Trust Indenture, dated as of _____, 2014, by and between the City and the Master Trustee (collectively, the "Trust Indenture"). The pledge and lien on Distributable Aid securing the Bonds is on a fourth lien basis to a lien on Distributable Aid securing the City's outstanding Prior DSA Bonds. The City has reserved the right to make additional pledges or assignments of Distributable Aid on a prior, parity or subordinate basis with the pledge of Distributable Aid securing the Prior DSA Bonds and the Bonds as security for future bonds or obligations of the City, subject to the requirements for the issuance of additional bonds and obligations as provided in the Trust Indenture.

This bond is transferable only upon the registration books of the City by the registered owner of record in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the City duly executed by the registered owner or the registered owner's attorney duly authorized in writing, and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefor as provided in the resolution authorizing this bond and upon the payment of the charges, if any, therein prescribed.

It is hereby certified and recited that all acts, conditions and things required by law to be done, precedent to and in the issuance of this bond and the series of bonds of which this is one, exist and have been done and performed in regular and due form and time as required by law, and that the total indebtedness of the City, including this bond and the series of bonds of which this is one, does not exceed any constitutional, statutory or charter debt limitation.

IN WITNESS WHEREOF, the City of Detroit by authority of its Mayor, has caused this bond to be signed for and on its behalf and in its name by the manual or facsimile signature of the Mayor of the City and the manual or facsimile signature of its Finance Director and the official seal of the City to be impressed hereon, all as of the Date of Original Issue.

CITY OF DETROIT

County of Wayne
State of Michigan

By _____

Its Mayor

(SEAL)

By _____

Its Finance Director

ARTICLE IV

SPECIAL COVENANTS

Section 401. Tax Exemption Covenant for Tax-Exempt Bonds. The City covenants that it will not take any action, or fail to take any action required to be taken, if taking such action or failing to take such action would adversely affect the general exclusion from gross income of interest on any Tax-Exempt Bonds, from federal income taxation under the Code.

Section 402. Arbitrage Covenant. (a) The City will not directly or indirectly (1) use or permit the use of any proceeds of any Tax-Exempt Bonds or other funds of the City or (2) take or omit to take any action required by Section 148(a) of the Code in order to maintain the exclusion from gross income of the interest on any Tax-Exempt Bonds for federal income tax purposes. To that end, the City will comply with all requirements of Section 148 of the Code to the extent applicable to the Tax-Exempt Bonds and the requirements set forth in the Non-Arbitrage and Tax Compliance Certificate of the City.

(b) Without limiting the generality of subsection (a), above, the City agrees that there shall be paid by the City from time to time all amounts, if any, required to be rebated to the United States pursuant to Section 148(f) of the Code. This covenant shall survive payment in full or defeasance of the Tax-Exempt Bonds.

(c) Notwithstanding any provision of this Section, if the City obtains an opinion of Bond Counsel to the effect that any action required under this Section is no longer required, or that some further action is required, to maintain the exclusion from gross income of the interest of any Tax-Exempt Bonds for federal income tax purposes pursuant to Section 103 of the Code, the City may conclusively rely on such opinion in complying with the provisions hereof.

ARTICLE V

FUNDS AND ACCOUNTS; DISPOSITION OF BOND PROCEEDS

Section 501. Establishment of Accounts and Funds. (a) The City hereby establishes and creates the following special, separate and segregated accounts and funds which shall be held in trust by the Master Trustee for the benefit of the Bondholders:

- A. Debt Retirement Fund; and
- B. Series 2014 Escrow Fund.

(b) Pursuant to Section 201(b) of the Fifth Supplemental Indenture, the Master Trustee shall establish within the Series 2014 Escrow Fund, the separate and segregated sub-accounts designated the "Distributable Aid Account," the "Series 2014 Tax Levy Account" and the "General Account," the deposits into which and withdrawals from which shall be governed by Article II of the Fifth Supplemental Indenture.

(c) The UTGO Debt Millage Fund shall be established with the Debt Millage Escrow Trustee by the Finance Director of the City under the Debt Millage Escrow Agreement which is

hereby authorized. The Finance Director is hereby authorized to negotiate the terms of the Debt Millage Escrow Agreement and to execute and deliver it for and on behalf of the City. The Finance Director is further hereby authorized to establish such accounts, subaccounts or other funds as shall be required for the Bonds, if any, to accommodate the requirements of such series of Bonds.

Section 502. Debt Retirement Fund-All Bonds. Proceeds of the Debt Millage Revenues levied pursuant to Section 301 hereof and transferred by the Debt Millage Escrow Trustee to the Master Trustee in accordance with the terms of the Debt Millage Escrow Agreement shall be used to pay the principal of and interest on the Bonds when due. The foregoing amounts shall be placed in the Debt Retirement Fund and held in trust by the Master Trustee, and so long as the principal of or interest on the Bonds shall remain unpaid, no moneys shall be withdrawn from the Debt Retirement Fund except to pay such principal and interest. Any amounts remaining in the Debt Retirement Fund after payment in full of the Bonds shall be retained by the City to be used for any lawful purpose.

Section 503. Debt Retirement Fund – Series 2014 Escrow Fund. As additional security for Bonds, Distributable Aid payments to be received by the City from time to time shall be distributed by the State Treasurer to the Master Trustee and deposited by the Master Trustee in the Debt Retirement Fund (designated the “Distributable State Aid – Common Debt Retirement Fund” in the Master Indenture), and allocated and set-aside by the Master Trustee into the Series 2014 Escrow Fund in accordance with the provisions of the Master Indenture and the related Fifth Supplemental Indenture for the payment of the principal of and interest on the Bonds when due. Any amounts remaining in the Debt Retirement Fund after the setting aside of the amounts necessary to satisfy the Deposit Date Balance Requirements (defined in the Master Indenture) of all DSA Escrow Funds (defined in the Master Indenture), shall be released to the City for deposit to the General Fund of the City.

Section 504. Investment of Monies in the Funds and Accounts. (a) The Finance Director shall direct the investment of monies on deposit in the Funds and Accounts established hereunder, and the Master Trustee, upon written direction or upon oral direction promptly confirmed in writing by the Finance Director, shall use its best efforts to invest monies on deposit in the Funds and Accounts in accordance with such direction.

(b) Monies on deposit in the Funds and Accounts may be invested in such investments and to the extent permitted by applicable law.

ARTICLE VI

THE MASTER TRUSTEE

Section 601. Master Trustee. Except as otherwise required by the MFA, the Master Trustee for the Bonds shall act as bond registrar, transfer agent and trustee for the Bonds, and shall be initially U.S. Bank National Association, Detroit, Michigan, or such other bank or trust company located in the State of Michigan which is qualified to act in such capacity under the laws of the United States of America or the State of Michigan. The Master Trustee means and includes any company into which the Master Trustee may be merged or converted or with which

it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Master Trustee may sell or transfer all or substantially all of its corporate trust business, provided, that such company shall be a trust company or bank which is qualified to be a successor to the Master Trustee as determined by the Finance Director, shall be authorized by law to perform all the duties imposed upon it by this Order, and shall be the successor to the Master Trustee without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding. The Finance Director is authorized to enter into a Fifth Supplement to the Master Trust Indenture in the form of a Fifth Supplemental Indenture with the Master Trustee, and from time to time as required, may designate a similarly qualified successor Master Trustee and enter into an agreement therewith for such services.

Section 602. Fifth Supplemental Indenture. The Authorized Officers are each hereby authorized and directed on behalf of the City to take any and all other actions and perform any and all acts that shall be required, necessary or desirable to enter into and implement the Fifth Supplemental Indenture with the Master Trustee, including, but not limited to, entering into an agreement with the State Treasurer in accordance with Act 227 to provide for the direct payment of Distributable Aid by the State Treasurer to the Master Trustee as additional security for the Bonds.

ARTICLE VII

SUPPLEMENTAL ORDERS OR RESOLUTIONS

Section 701. Supplemental Orders or Resolutions Not Requiring Consent of Holders of the Bonds. The City may with the prior written consent of the Bond Insurers, which in the opinion of the independent Bond Counsel are affected by such order or resolution, but without the consent of any Bondowner, adopt orders or resolutions supplemental to this Order for any one or more of the following purposes:

- (i) to confirm or further assure the security hereof or to grant or pledge to the holders of the Bonds any additional security;
- (ii) to add additional covenants and agreements of the City for the purposes of further securing the payment of the Bonds;
- (iii) to cure any ambiguity or formal defect or omission in this Order;
- (iv) to amend provisions in the Order relating to rebate to the United States Government or otherwise, which in the opinion of Bond Counsel are required in order to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes; and
- (v) such other action not materially, adversely and directly affecting the security of the Bonds;

provided that the effectiveness of any supplemental order or resolution is subject to Section 702 to the extent applicable.

Section 702. Opinion and Filing Under Act 34. Before any supplemental order or resolution under this Article shall become effective, a copy thereof shall be filed with the Master Trustee, together with an opinion of Bond Counsel that such supplemental order or resolution is authorized or permitted by this Article; provided that Bond Counsel in rendering any such opinion shall be entitled to rely upon certificates of the Finance Director or other City official, and opinions or reports of consultants, experts and other professionals retained by the City to advise it, with respect to the presence or absence of facts relative to such opinion and the consequences of such facts.

ARTICLE VIII

DEFEASANCE

Section 801. Defeasance. Bonds shall be deemed to be paid in full upon the deposit in trust of cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or any combination thereof, not redeemable at the option of the issuer thereof, the principal and interest payments upon which, without reinvestment thereof, will come due at such times and in such amounts, as to be fully sufficient to pay when due, the principal of such Bonds and interest to accrue thereon, as confirmed by a verification report prepared by an independent certified public accountant; provided, that if any of such Bonds are to be called for redemption prior to maturing, irrevocable instructions to call such Bonds for redemption shall be given only with the prior written consent of the MFA and on such terms as may be required by the MFA. Such cash and securities representing such obligations shall be deposited with a bank or trust company and held for the exclusive benefit of the Owners of such Bonds. After such deposit, such Bonds shall no longer be entitled to the benefits of this Order (except for any rights of transfer or exchange of Bonds as therein or herein provided for) and shall be payable solely from the funds deposited for such purpose and investment earnings, if any, thereon, and the lien of this Order for the benefit of such Bonds shall be discharged.

ARTICLE IX

OTHER PROVISIONS OF GENERAL APPLICATION

Section 901. Approval of Other Documents and Actions. The Mayor, the Finance Director, the Treasurer and the City Clerk are hereby authorized and directed on behalf of the City to take any and all other actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Order.

The Finance Director is authorized to file applications with and to pay the related fees, if any, to the Michigan Department of Treasury at his discretion under Act 34 for an Order or Orders of Approval to issue all or a portion of the Bonds, and apply for such waivers or other Treasury approvals as necessary to implement the issuance, delivery and security for the Bonds, and as required by the Michigan Department of Treasury and Act 34. The Finance Director is authorized and directed to apply for ratings on the Bonds, if necessary, and pay any post closing filing fees required by Act 34 to the Michigan Department of Treasury or other specified agency, from legally available funds.

Section 902. Continuing Disclosure Undertaking. The City shall enter into a continuing disclosure undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") for the benefit of the MFA and the holders and beneficial owners of the MFA Bonds in connection with the delivery of the Bonds as to which the Rule is applicable, as more specifically set forth in Exhibit D hereto (the "Undertaking"); provided, however, that the terms of the Undertaking are subject to completion and modification prior to delivery of the Bonds by the Finance Director to such extent as the Finance Director shall deem necessary to comply with law or market requirements. The Finance Director is authorized to execute and deliver the Undertaking after completion and modification as provided in this Order and the Supplemental Order.

Section 903. Delegation of City to, and Authorization of Actions of the Mayor and the Finance Director. (a) Prior to the delivery date for the Bonds, the Finance Director may cause the preparation and approve the form and distribution of City disclosure, if necessary, for any Preliminary Official Statement or Official Statement of the MFA and offering materials to be used in conjunction with the transfer of the Municipal Obligations to the MFA in form and substance reasonably acceptable to the Bond Insurers, and the issuance of the MFA Bonds, and the Mayor or Finance Director shall deem the City's disclosure "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

(b) The Finance Director is hereby authorized and directed to do and perform any and all acts and things with respect to the Bonds which are necessary and appropriate to carry into effect, consistent with this Order, the authorizations therein and herein contained, including without limitation, the securing of ratings by bond rating agencies, if cost effective, the negotiation for and acquisition of bond insurance and/or other credit enhancement, if any, to further secure the Bonds or any portions thereof, the acquisition of an irrevocable surety bond to fulfill the City's obligation to fund any reserve account, the printing of the Bonds and the incurring and paying of reasonable fees, costs and expenses incidental to the foregoing and other costs of issuance of the Bonds including, but not limited to fees and expenses of bond counsel, financial advisors, accountants and others, from Bond proceeds or other available funds, for and on behalf of the City.

(c) Except as otherwise provided herein, all determinations and decisions of the Finance Director with respect to the issuance and sale of the Bonds as permitted or required by this Order shall be confirmed by the Authorized Officer in a Supplemental Order or Supplemental Orders, and such confirmations shall constitute determinations that any conditions precedent to such determinations and decisions of the Authorized Officer have been fulfilled.

Section 904. Act 34 Approval of the Bonds. The Bonds shall neither be issued nor delivered unless and only so long as the issuance of the Bonds as provided herein shall have been authorized and approved in accordance with the applicable provisions of Act 34.

Section 905. Approving Legal Opinions with Respect to the Bonds. Transfer of the Bonds to the MFA shall be conditioned upon receiving, at the time of delivery, the approving opinion of Bond Counsel, approving legality of the Bonds and, with respect to Bonds determined by the Finance Director to be issued on a tax-exempt basis, the exclusion from gross income of the interest paid thereon from federal and State income taxation only.

Section 906. Negotiated Transaction. (a) Pursuant to Section 309(1) of Act 34 the Emergency Manager determines to negotiate the delivery of the Bonds to the MFA in consideration for the transfer by the City to the MFA of the Bonds, as provided in the Purchase Contract approved by the Finance Director within the parameters established hereby, and confirmed by the Finance Director in the Supplemental Order. The reason for choosing a negotiated transaction instead of a competitive sale is that the terms of the Plan of Adjustment and the UTGO Settlement Agreement require the City to secure the payment of the Bonds with Distributable Aid under the terms of Act 227 which may only be accomplished by a delivery of the Bonds to the MFA. The negotiated transaction will allow the Municipal Obligations to be transferred to the MFA in consideration for the MFA Bonds to successfully implement a portion of the Plan of Adjustment.

(b) Subject to the foregoing, the Purchase Contract shall be dated the date of delivery of the Bonds. The Finance Director is hereby authorized and directed to execute the Purchase Contract for and on behalf of the City.

Section 907. Delivery of Bonds. Subject to the approval of the Supplemental Order, the Finance Director is hereby authorized to deliver the Municipal Obligations to the MFA upon the issuance and delivery of the MFA Bonds in consideration therefor.

Section 908. Official Statement. The Finance Director is hereby authorized to execute the Official Statement or other offering materials with respect to the Bonds in the form approved by him with such changes as the Finance Director may authorize. Circulation of the Preliminary Official Statement, if any, or other preliminary offering materials is hereby approved.

Section 909. Appointment of Bond Counsel; Engagement of Other Parties. The appointment by the Emergency Manager of the law firm of Miller, Canfield, Paddock and Stone, P.L.C. of Detroit, Michigan, as Bond Counsel for the Bonds is hereby ratified and confirmed, notwithstanding the periodic representation by Miller, Canfield, Paddock and Stone, P.L.C., in unrelated matters of other parties and potential parties to the issuance of the Bonds. The fees and expenses of Miller, Canfield, Paddock and Stone, P.L.C. as Bond Counsel and other accumulated bond related fees and expenses shall be payable as a cost of issuance from available funds in accordance with the agreement of such firm on file with the Emergency Manager.

Section 910. Parties in Interest. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Master Trustee, the MFA, the holders of the Bonds, the holders of the MFA Bonds, the Bond Insurers, and the Dissenting Bond Insurer any right, remedy or claim under or by reason of this Order or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Order contained by and on behalf of the City, or the MFA shall be for the sole and exclusive benefit of the City and the MFA.

Section 911. No Recourse Under Order. All covenants, agreements and obligations of the City contained in this Order shall be deemed to be the covenants, agreements and obligations of the City and not of any councilperson, member, officer or employee of the City in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Order against any councilperson, member,

officer or employee of the City or any person executing the Bonds in his or her official individual capacity.

Section 912. Severability. If any one or more sections, clauses or provisions of this Order shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions hereof.

Section 913. Cover Page, Table of Contents and Article and Section Headings. The cover page, table of contents and Article and Section headings hereof are solely for convenience of reference and do not constitute a part of this Order, and none of them shall affect its meaning, construction or effect.

Section 914. Conflict. All resolutions or parts of resolutions or other proceedings of the City in conflict herewith shall be and the same hereby are repealed insofar as such conflict exists.

Section 915. Governing Law and Jurisdiction. This Order shall be governed by and construed in accordance with the laws of the State.

Section 916. Order and Supplemental Order are a Contract. The provisions of this Order and the Supplemental Order shall constitute a contract among the City, the MFA, the holders of the Bonds and the Bond Insurers.

Section 917. Effective Date. This Order shall take effect immediately upon its adoption by the Council.

Section 918. Notices. All notices and other communications hereunder shall be in writing and given by United States certified or registered mail, expedited courier overnight delivery service or by other means (including facsimile transmission) that provides a written record of such notice and its receipt. Notices hereunder shall be effective when received and shall be addressed to the address set forth below or to such other address as any of the below persons shall specify to the other persons:

If to the City, to:

City of Detroit
Finance Department
1200 Coleman A. Young Municipal Center
Detroit, Michigan 48226
Attention: Finance Director

If to the Master Trustee, to:

U.S. Bank National Association
535 Griswold, Suite 550 Buhl Bldg.
Detroit, MI 48226
Attention: Corporate Trust Dept.

If to the MFA, to:

Michigan Finance Authority
Austin Building, 1st Floor
430 W. Allegan
Lansing, MI 48922

If to the Bond Insurers to:

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: Surveillance Department and General
Counsel's Office

Assured Guaranty Municipal Corp and Assured
Guaranty Corp.
31 West 52nd Street
New York, NY 10019
Attention: Kevin J. Lyons
Attention: Terence Workman

National Public Finance Guarantee Corporation
113 King Street
Armonk, NY 10504
Attention: Kenneth Epstein and William J. Rizzo

EXHIBIT A

OUTSTANDING PRIOR UTGO BONDS

13-53846-11 Doc 30-45 Filed 02/21/23 Entered 02/21/23 13:28:01 Page 24 b7

* Subject to Mandatory Redemption

13-53846-11 Doc 33-17-1 Filed 02/21/23 Entered 02/21/23 18:52:01 Page 25 of 27

Page 2 of 5

UTGO Series Prior Bonds - Debt Service

UTGO Series	Maturity Date	Rate	Principal	Insurer	Interest										Total				
					10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Principal & Interest
UTGO 1999-A																			
13-53846-11	4/1/15	5.250%	\$2,850,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$149,625.00
25-10935M3	4/1/16	5.000%	\$2,995,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$299,500.00
25-10935N1	4/1/17	5.000%	\$3,145,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$471,750.00
25-10935P6	4/1/18	5.000%	\$3,305,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$661,000.00
25-10935Q4	4/1/19	5.000%	\$3,470,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$867,500.00
25-10935R2	4/1/20	5.000%	\$3,645,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,093,750.00
25-10935V0	4/1/21	5.000%	\$3,830,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,387,500.00
UTGO 2001-A(1)																			
25-10935X6	4/1/15	5.375%	\$5,940,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$319,275.00
25-10935X7	4/1/16	5.375%	\$6,260,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$672,950.00
25-10935V1	4/1/17	5.375%	\$6,600,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,064,250.00
25-10935N9	4/1/18	5.375%	\$7,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,010,000.00
25-10935N7	4/1/19	5.000%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,500,000.00
25-10935P2	4/1/20	5.000%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,200,000.00
25-10935V0	4/1/21	5.000%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,900,000.00
25-10935V0	4/1/21	5.000%	\$14,000,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,900,000.00
UTGO 2002																			
25-10935W8	4/1/21	5.125%	\$3,240,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$116,350.00
25-10935W6	4/1/22	5.125%	\$3,405,000.00	NPFG	\$87,253.13	\$87,253.13	-	-	-	-	-	-	-	-	-	-	-	-	\$1,396,050.00
25-10935W6	4/1/22	5.125%	\$6,645,000.00	NPFG	\$87,253.13	\$87,253.13	-	-	-	-	-	-	-	-	-	-	-	-	\$2,558,400.00
UTGO 2003-A																			
25-10935X0	4/1/15	4.000%	\$300,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,000.00
25-10935X0	4/1/15	4.000%	\$2,550,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,683,875.00
25-10935X0	4/1/16	5.250%	\$2,995,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,309,475.00
25-10935X6	4/1/16	5.250%	\$3,150,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$496,125.00
25-10935X4	4/1/17	5.250%	\$3,315,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$696,150.00
25-10935X2	4/1/18	5.250%	\$3,490,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$916,125.00
25-10935X9	4/1/19	5.250%	\$3,675,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,150,000.00
25-10935X7	4/1/20	4.500%	\$500,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$135,000.00
25-10935W5	4/1/20	5.250%	\$3,175,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,000,125.00
25-10935X3	4/1/21	5.250%	\$3,860,000.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,418,550.00
25-10935X1	4/1/22	4.625%	\$500,000.00	Syncora	\$11,562.50	\$11,562.50	-	-	-	-	-	-	-	-	-	-	-	-	\$185,500.00
25-10935X2	4/1/22	5.250%	\$3,565,000.00	Syncora	\$93,581.25	\$93,581.25	-	-	-	-	-	-	-	-	-	-	-	-	\$5,062,300.00
25-10935A2	4/1/23	4.625%	\$1,500,000.00	Syncora	\$34,687.50	\$34,687.50	\$34,687.50	\$34,687.50	-	-	-	-	-	-	-	-	-	-	\$624,375.00
25-10935B0	4/1/23	5.250%	\$2,775,000.00	Syncora	\$72,843.75	\$72,843.75	\$72,843.75	\$72,843.75	-	-	-	-	-	-	-	-	-	-	\$1,311,187.50
25-10935B0	4/1/23	5.250%	\$31,675,000.00	Syncora	\$212,675.00	\$212,675.00	\$107,531.25	\$107,531.25	-	-	-	-	-	-	-	-	-	-	\$8,740,287.50
UTGO 2004-A(1)																			
25-10935X2	4/1/19	5.250%	\$4,500,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,681,250.00
25-10935Y0	4/1/20	4.250%	\$185,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$47,175.00
25-10935Y2	4/1/20	5.250%	\$6,085,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,916,775.00
25-10935Z1	4/1/21	5.000%	\$6,600,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,310,000.00
25-10935Z9	4/1/22	5.250%	\$6,930,000.00	Ambac	\$181,912.50	\$181,912.50	-	-	-	-	-	-	-	-	-	-	-	-	\$2,910,600.00
25-10935Z7	4/1/23	4.500%	\$375,000.00	Ambac	\$8,437.50	\$8,437.50	\$8,437.50	\$8,437.50	-	-	-	-	-	-	-	-	-	-	\$15,875.00
25-10935Z5	4/1/23	5.250%	\$6,920,000.00	Ambac	\$181,650.00	\$181,650.00	\$181,650.00	\$181,650.00	-	-	-	-	-	-	-	-	-	-	\$3,269,700.00
25-10935Z3	4/1/24	4.600%	\$785,000.00	Ambac	\$18,055.00	\$18,055.00	\$18,055.00	\$18,055.00	-	-	-	-	-	-	-	-	-	-	\$361,100.00
25-10935Z0	4/1/24	5.250%	\$6,890,000.00	Ambac	\$180,862.50	\$180,862.50	\$180,862.50	\$180,862.50	-	-	-	-	-	-	-	-	-	-	\$3,617,250.00
25-10935Z0	4/1/24	5.250%	\$39,270,000.00	Ambac	\$570,917.50	\$570,917.50	\$389,005.00	\$389,005.00	-	-	-	-	-	-	-	-	-	-	\$15,765,725.00
UTGO 2005-A(1)																			
25-10935Z0	4/1/24	5.250%	\$39,270,000.00	Ambac	\$570,917.50	\$570,917.50	\$389,005.00	\$389,005.00	-	-	-	-	-	-	-	-	-	-	\$15,765,725.00

Subject to Mandatory Redemption

UTGO Series Prior Bonds - Debt Service

STP	Maturity Date	Rate	Principal	Insurer	Interest												Total Interest	Total Principal & Interest	
					10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27			10/1/27
2004-B(1)																			
2503ZP8	4/1/15	5.000%	\$8,675,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$433,750.00	\$9,108,750.00
2503ZQ6	4/1/16	5.250%	\$9,105,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$956,025.00	\$10,061,025.00
2503ZR4	4/1/17	4.000%	\$305,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$36,600.00	\$341,600.00
2503ZS2	4/1/17	5.250%	\$9,280,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,461,600.00	\$10,741,600.00
251093ZT0	4/1/18	5.250%	\$2,000,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$420,000.00	\$2,420,000.00
			\$29,365,000.00		-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,307,975.00	\$32,672,975.00
2004-B(2)																			
2503ZXX1	4/1/19	5.240%	\$575,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	\$69,954.00	\$644,954.00
2005-B																			
2503CG53	4/1/15	5.000%	\$2,290,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$114,500.00	\$2,404,500.00
2503CG61	4/1/16	5.000%	\$2,405,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$240,500.00	\$2,645,500.00
2503CG79	4/1/17	4.300%	\$2,520,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$325,080.00	\$2,845,080.00
2503CG87	4/1/18	5.000%	\$2,635,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$527,000.00	\$3,162,000.00
2503CG95	4/1/19	5.000%	\$2,765,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$691,250.00	\$3,456,250.00
2503CH29	4/1/20	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,500,000.00	\$6,500,000.00
2503CH37	4/1/21	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,750,000.00	\$6,750,000.00
2503CH45	4/1/22	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,000,000.00	\$7,000,000.00
2503CH52	4/1/23	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,250,000.00	\$7,250,000.00
2503CH60	4/1/24	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,500,000.00	\$7,500,000.00
2503CH78	4/1/25	5.000%	\$5,000,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,750,000.00	\$7,750,000.00
			\$42,615,000.00		\$500,000.00	\$500,000.00	\$375,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$14,648,330.00	\$57,263,330.00
2005-C																			
2503J92	4/1/15	5.000%	\$2,305,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$115,250.00	\$2,420,250.00
2503K25	4/1/16	5.000%	\$2,425,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$242,500.00	\$2,667,500.00
2503K33	4/1/17	4.300%	\$2,545,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$328,305.00	\$2,873,305.00
2503K41	4/1/18	5.000%	\$2,630,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$526,000.00	\$3,156,000.00
2503K58	4/1/19	5.250%	\$2,735,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$717,937.50	\$3,452,937.50
2503K66	4/1/20	5.250%	\$2,865,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$908,775.00	\$3,793,775.00
			\$15,525,000.00		-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,838,767.50	\$18,363,767.50
2008-A																			
2503M56	4/1/15	5.000%	\$2,875,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$143,750.00	\$3,018,750.00
2503M64	4/1/16	5.000%	\$3,015,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$301,500.00	\$3,316,500.00
2503M72	4/1/17	5.000%	\$3,170,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$475,500.00	\$3,645,500.00
2503M80	4/1/18	4.000%	\$3,325,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$532,000.00	\$3,857,000.00
2503M98	4/1/19	5.000%	\$3,460,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$865,000.00	\$4,325,000.00
2503N22	4/1/20	5.000%	\$3,630,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,089,000.00	\$4,719,000.00
2503N30	4/1/21	5.000%	\$3,815,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,335,250.00	\$5,150,250.00
2503N38	4/1/22	5.000%	\$4,005,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,602,000.00	\$5,607,000.00
2503N55	4/1/24	5.000%	\$4,620,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,099,750.00	\$12,719,750.00
2503N63	4/1/28	5.000%	\$19,980,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,548,250.00	\$32,528,250.00
			\$55,895,000.00		\$815,125.00	\$815,125.00	\$715,000.00	\$715,000.00	\$609,875.00	\$609,875.00	\$499,500.00	\$499,500.00	\$383,625.00	\$383,625.00	\$261,875.00	\$261,875.00	\$134,125.00	\$22,992,000.00	\$78,887,000.00
2008-B(1)																			
2503P53	4/1/15	5.000%	\$7,970,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$398,500.00	\$8,368,500.00
2503P61	4/1/16	5.000%	\$3,440,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$344,000.00	\$3,784,000.00
2503P79	4/1/17	5.000%	\$3,580,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$537,000.00	\$4,117,000.00
2503P87	4/1/18	5.000%	\$3,790,000.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	\$758,000.00	\$4,548,000.00
			\$18,780,000.00		-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,037,500.00	\$20,817,500.00
			\$350,990,000.00		\$2,185,970.63	\$2,185,970.63	\$1,586,536.25	\$1,586,536.25	\$1,058,792.50	\$1,058,792.50	\$624,500.00	\$624,500.00	\$383,625.00	\$383,625.00	\$261,875.00	\$261,875.00	\$134,125.00	\$93,074,789.00	\$403,984,789.00

UTGO Series Prior Bonds - Debt Service

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)										Issuance: 2008-A									
CUSIP					Mandatory Redemption					CUSIP					Mandatory Redemption				
251093ZK1										251093N63									
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest				Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest			
10/1/14	Ambac	6/30/15	-	\$575,000.00	5.240%	\$15,065.00				10/1/14	Assured	6/30/15	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/15	Ambac	6/30/15	\$155,000.00	\$420,000.00	5.240%	\$15,065.00				4/1/15	Assured	6/30/15	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/15	Ambac	6/30/16	-	\$420,000.00	5.240%	\$11,004.00				10/1/15	Assured	6/30/16	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/16	Ambac	6/30/16	\$165,000.00	\$255,000.00	5.240%	\$11,004.00				4/1/16	Assured	6/30/16	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/16	Ambac	6/30/17	-	\$255,000.00	5.240%	\$6,681.00				10/1/16	Assured	6/30/17	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/17	Ambac	6/30/17	\$170,000.00	\$85,000.00	5.240%	\$6,681.00				4/1/17	Assured	6/30/17	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/17	Ambac	6/30/18	-	\$85,000.00	5.240%	\$2,227.00				10/1/17	Assured	6/30/18	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/18	Ambac	6/30/18	\$85,000.00	-	5.240%	\$2,227.00				4/1/18	Assured	6/30/18	-	\$19,980,000.00	5.000%	\$499,500.00			
Total						\$69,954.00													
						\$575,000.00													
Issuance: 2008-A																			
CUSIP					Mandatory Redemption					CUSIP					Mandatory Redemption				
251093N55										251093N55									
Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest				Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest			
10/1/14	Assured	6/30/15	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2022	Assured	6/30/23	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/15	Assured	6/30/15	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2023	Assured	6/30/23	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/15	Assured	6/30/16	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2023	Assured	6/30/24	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/16	Assured	6/30/16	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2024	Assured	6/30/24	-	\$19,980,000.00	5.000%	\$499,500.00			
10/1/16	Assured	6/30/17	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2024	Assured	6/30/25	-	\$19,980,000.00	5.000%	\$499,500.00			
4/1/17	Assured	6/30/17	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2025	Assured	6/30/25	\$4,635,000.00	\$15,345,000.00	5.000%	\$383,625.00			
10/1/17	Assured	6/30/18	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2025	Assured	6/30/26	-	\$15,345,000.00	5.000%	\$383,625.00			
4/1/18	Assured	6/30/18	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2026	Assured	6/30/26	\$4,870,000.00	\$10,475,000.00	5.000%	\$261,875.00			
10/1/18	Assured	6/30/19	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2026	Assured	6/30/26	-	\$10,475,000.00	5.000%	\$261,875.00			
4/1/19	Assured	6/30/19	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2027	Assured	6/30/27	\$5,110,000.00	\$5,365,000.00	5.000%	\$261,875.00			
10/1/19	Assured	6/30/20	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2027	Assured	6/30/27	-	\$5,365,000.00	5.000%	\$261,875.00			
4/1/20	Assured	6/30/20	-	\$8,620,000.00	5.000%	\$215,500.00				10/1/2027	Assured	6/30/28	-	\$5,365,000.00	5.000%	\$261,875.00			
10/1/20	Assured	6/30/21	-	\$8,620,000.00	5.000%	\$215,500.00				4/1/2028	Assured	6/30/28	\$5,365,000.00	-	5.000%	\$134,125.00			
4/1/21	Assured	6/30/21	-	\$8,620,000.00	5.000%	\$215,500.00				Total					\$19,980,000.00				
10/1/21	Assured	6/30/22	-	\$8,620,000.00	5.000%	\$215,500.00									\$12,548,250.00				
4/1/22	Assured	6/30/22	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/22	Assured	6/30/23	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/23	Assured	6/30/23	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/23	Assured	6/30/24	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/24	Assured	6/30/24	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/24	Assured	6/30/25	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/25	Assured	6/30/25	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/25	Assured	6/30/26	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/26	Assured	6/30/26	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/26	Assured	6/30/27	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/27	Assured	6/30/27	-	\$8,620,000.00	5.000%	\$215,500.00													
10/1/27	Assured	6/30/28	-	\$8,620,000.00	5.000%	\$215,500.00													
4/1/28	Assured	6/30/28	-	\$8,620,000.00	5.000%	\$215,500.00													
Total						\$4,099,750.00													
						\$8,620,000.00													

EXHIBIT B

RESTRUCTURED UTGO BONDS AND MUNICIPAL OBLIGATIONS

[including break out of subseries of Municipal Obligations as between BHs and Insurers]

Reinstated to Holders: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

SLIP	Maturity Date	Rate	Principal	Insurer	4/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/20	4/1/21
Interest																
2009-9A																
2009-9A-1	4/1/15	5.250%	\$2,408,250.00	Assured	\$63,216.56	\$63,216.56	-	-	-	-	-	-	-	-	-	-
2009-9A-2	4/1/16	5.000%	\$2,530,775.00	Assured	\$63,269.38	\$63,269.38	\$63,269.38	\$63,269.38	\$66,438.13	\$66,438.13	\$69,818.13	\$69,818.13	\$73,303.75	\$73,303.75	\$79,076.16	\$85,619.63
2009-9A-3	4/1/17	5.000%	\$2,657,425.00	Assured	\$66,438.13	\$66,438.13	\$66,438.13	\$66,438.13	\$69,818.13	\$69,818.13	\$73,303.75	\$73,303.75	\$77,770.31	\$81,242.56	\$85,619.63	\$89,091.88
2009-9A-4	4/1/18	5.000%	\$2,792,725.00	Assured	\$69,818.13	\$69,818.13	\$69,818.13	\$69,818.13	\$73,303.75	\$73,303.75	\$77,770.31	\$81,242.56	\$85,619.63	\$89,091.88	\$92,564.03	\$96,036.28
2009-9A-5	4/1/19	5.000%	\$2,932,150.00	Assured	\$73,303.75	\$73,303.75	\$73,303.75	\$73,303.75	\$77,770.31	\$81,242.56	\$85,619.63	\$89,091.88	\$92,564.03	\$96,036.28	\$99,508.53	\$102,980.78
2009-9A-6	4/1/20	5.000%	\$3,071,575.00	Assured	\$77,770.31	\$77,770.31	\$77,770.31	\$77,770.31	\$81,242.56	\$85,619.63	\$89,091.88	\$92,564.03	\$96,036.28	\$99,508.53	\$102,980.78	\$106,453.03
2009-9A-7	4/1/21	5.000%	\$3,211,000.00	Assured	\$81,242.56	\$81,242.56	\$81,242.56	\$81,242.56	\$85,619.63	\$89,091.88	\$92,564.03	\$96,036.28	\$99,508.53	\$102,980.78	\$106,453.03	\$109,925.28
2009-9A-8	4/1/22	5.000%	\$3,350,425.00	Assured	\$85,619.63	\$85,619.63	\$85,619.63	\$85,619.63	\$89,091.88	\$92,564.03	\$96,036.28	\$99,508.53	\$102,980.78	\$106,453.03	\$109,925.28	\$113,397.53
2009-9A-9	4/1/23	5.000%	\$3,489,850.00	Assured	\$89,091.88	\$89,091.88	\$89,091.88	\$89,091.88	\$92,564.03	\$96,036.28	\$99,508.53	\$102,980.78	\$106,453.03	\$109,925.28	\$113,397.53	\$116,869.78
2009-9A-10	4/1/24	5.000%	\$3,629,275.00	Assured	\$92,564.03	\$92,564.03	\$92,564.03	\$92,564.03	\$96,036.28	\$99,508.53	\$102,980.78	\$106,453.03	\$109,925.28	\$113,397.53	\$116,869.78	\$120,342.03
2009-9A-11	4/1/25	5.000%	\$3,768,700.00	Assured	\$96,036.28	\$96,036.28	\$96,036.28	\$96,036.28	\$99,508.53	\$102,980.78	\$106,453.03	\$109,925.28	\$113,397.53	\$116,869.78	\$120,342.03	\$123,814.28
2009-9A-12	4/1/26	5.000%	\$3,908,125.00	Assured	\$99,508.53	\$99,508.53	\$99,508.53	\$99,508.53	\$102,980.78	\$106,453.03	\$109,925.28	\$113,397.53	\$116,869.78	\$120,342.03	\$123,814.28	\$127,286.53
2009-9A-13	4/1/27	5.000%	\$4,047,550.00	Assured	\$102,980.78	\$102,980.78	\$102,980.78	\$102,980.78	\$106,453.03	\$109,925.28	\$113,397.53	\$116,869.78	\$120,342.03	\$123,814.28	\$127,286.53	\$130,758.78
2009-9A-14	4/1/28	5.000%	\$4,186,975.00	Assured	\$106,453.03	\$106,453.03	\$106,453.03	\$106,453.03	\$109,925.28	\$113,397.53	\$116,869.78	\$120,342.03	\$123,814.28	\$127,286.53	\$130,758.78	\$134,231.03
2009-9A-15	4/1/29	5.000%	\$4,326,400.00	Assured	\$109,925.28	\$109,925.28	\$109,925.28	\$109,925.28	\$113,397.53	\$116,869.78	\$120,342.03	\$123,814.28	\$127,286.53	\$130,758.78	\$134,231.03	\$137,703.28
2009-9A-16	4/1/30	5.000%	\$4,465,825.00	Assured	\$113,397.53	\$113,397.53	\$113,397.53	\$113,397.53	\$116,869.78	\$120,342.03	\$123,814.28	\$127,286.53	\$130,758.78	\$134,231.03	\$137,703.28	\$141,175.5

Reinstated to Holders: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

ISIP	Maunty Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
UTGO 2004-B(1)																		
13-53846-1	9/3/27/8	4/1/15	5.000%	Ambac	\$183,259.38	\$183,259.38	-	-	-	-	-	-	-	-	-	-	-	-
13-53846-2	9/3/27/6	4/1/16	5.250%	Ambac	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28	\$201,960.28
13-53846-3	9/3/28/4	4/1/17	4.000%	Ambac	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50	\$5,154.50
13-53846-4	9/3/25/2	4/1/17	5.250%	Ambac	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00	\$205,842.00
25-1093270	4/1/18	5.250%	Ambac	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50
					\$640,578.66	\$640,578.66	\$457,319.28	\$457,319.28	\$255,359.00	\$255,359.00	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50	\$44,362.50
UTGO 2004-B(2)																		
13-53846-5	9/3/23/1	4/1/19	5.240%	Ambac	\$12,729.93	\$12,729.93	\$9,298.38	\$9,298.38	\$5,645.45	\$5,645.45	\$1,881.82	\$1,881.82	\$1,881.82	\$1,881.82	\$1,881.82	\$1,881.82	\$1,881.82	\$1,881.82
UTGO 2005-B																		
13-53846-6	9/3/5/3	4/1/15	5.000%	Assured	\$48,376.25	\$48,376.25	-	-	-	-	-	-	-	-	-	-	-	-
13-53846-7	9/3/6/1	4/1/16	5.000%	Assured	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63	\$50,805.63
13-53846-8	9/3/7/9	4/1/17	4.300%	Assured	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10	\$45,782.10
13-53846-9	9/3/8/7	4/1/18	5.000%	Assured	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38	\$55,664.38
13-53846-10	9/3/9/5	4/1/19	5.000%	Assured	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63	\$58,410.63
13-53846-11	9/3/10/3	4/1/20	5.000%	Assured	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00
13-53846-12	9/3/11/2	4/1/21	5.000%	Assured	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00
13-53846-13	9/3/12/1	4/1/22	5.000%	Assured	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00
13-53846-14	9/3/13/2	4/1/23	5.000%	Assured	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00
13-53846-15	9/3/14/1	4/1/24	5.000%	Assured	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00
13-53846-16	9/3/15/2	4/1/25	5.000%	Assured	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00	\$105,625.00
					\$892,788.98	\$892,788.98	\$844,412.73	\$844,412.73	\$793,607.10	\$793,607.10	\$747,825.00	\$747,825.00	\$692,160.63	\$692,160.63	\$633,750.00	\$633,750.00	\$528,125.00	\$528,125.00
UTGO 2005-C																		
13-53846-17	9/3/19/2	4/1/15	5.000%	Assured	\$48,693.13	\$48,693.13	-	-	-	-	-	-	-	-	-	-	-	-
13-53846-18	9/3/20/1	4/1/16	5.000%	Assured	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13	\$51,228.13
13-53846-19	9/3/21/2	4/1/17	4.300%	Assured	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29	\$46,236.29
13-53846-20	9/3/22/3	4/1/18	5.000%	Assured	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75	\$55,558.75
13-53846-21	9/3/23/4	4/1/19	5.250%	Assured	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72	\$60,665.72
13-53846-22	9/3/24/5	4/1/20	5.250%	Assured	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91
					\$326,374.91	\$326,374.91	\$277,681.79	\$277,681.79	\$226,453.66	\$226,453.66	\$180,217.38	\$180,217.38	\$124,658.63	\$124,658.63	\$63,992.91	\$63,992.91	\$63,992.91	\$63,992.91
UTGO 2008-A																		
13-53846-23	9/3/25/6	4/1/15	5.000%	Assured	\$60,734.38	\$60,734.38	-	-	-	-	-	-	-	-	-	-	-	-
13-53846-24	9/3/26/7	4/1/16	5.000%	Assured	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88	\$63,691.88
13-53846-25	9/3/27/8	4/1/17	5.000%	Assured	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25	\$66,966.25
13-53846-26	9/3/28/9	4/1/18	4.000%	Assured	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50	\$56,192.50
13-53846-27	9/3/29/0	4/1/19	5.000%	Assured	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50	\$73,092.50
13-53846-28	9/3/30/1	4/1/20	5.000%	Assured	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75	\$76,683.75
13-53846-29	9/3/31/2	4/1/21	5.000%	Assured	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88	\$80,591.88
13-53846-30	9/3/32/3	4/1/22	5.000%	Assured	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63	\$84,605.63
13-53846-31	9/3/33/4	4/1/23	5.000%	Assured	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50	\$88,619.50
13-53846-32	9/3/34/5	4/1/24	5.000%	Assured	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50	\$182,097.50
13-53846-33	9/3/35/6	4/1/25	5.000%	Assured	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50	\$422,077.50
					\$1,166,733.75	\$1,166,733.75	\$1,105,999.38	\$1,105,999.38	\$1,042,307.50	\$1,042,307.50	\$975,341.25	\$975,341.25	\$919,148.75	\$919,148.75	\$846,056.25	\$846,056.25	\$769,372.50	\$769,372.50
UTGO 2008-B(1)																		
13-53846-34	9/3/36/7	4/1/15	5.000%	Assured	\$168,366.25	\$168,366.25	-	-	-	-	-	-	-	-	-	-	-	-
13-53846-35	9/3/37/8	4/1/16	5.000%	Assured	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00	\$72,670.00
13-53846-36	9/3/38/9	4/1/17	5.000%	Assured	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50	\$75,627.50
13-53846-37	9/3/39/0	4/1/18	5.000%	Assured	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75
					\$396,727.50	\$396,727.50	\$228,361.25	\$228,361.25	\$155,691.25	\$155,691.25	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75	\$80,063.75
UTGO 2008-B(2)																		
13-53846-38	9/3/40/1	4/1/15	5.000%	Assured	\$7,102,083.99	\$7,102,083.99	\$6,329,480.63	\$6,329,480.63	\$5,613,608.89	\$5,613,608.89	\$4,878,045.68	\$4,878,045.68	\$4,123,041.77	\$4,123,041.77	\$3,384,590.99	\$3,384,590.99	\$2,624,312.80	\$2,624,312.80
					\$7,102,083.99	\$7,102,083.99	\$6,329,480.63	\$6,329,480.63	\$5,613,608.89	\$5,613,608.89	\$4,878,045.68	\$4,878,045.68	\$4,123,041.77	\$4,123,041.77	\$3,384,590.99	\$3,384,590.99	\$2,624,312.80	\$2,624,312.80

Subject to Mandatory Redemption

Reinstated to Holders: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

ISIP	Maturity Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Total Principal & Interest
UTGO 1999-A																				
251033M3	4/1/15	5.250%	\$2,408,250.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$126,433.13	\$2,534,683.13
251033N1	4/1/16	5.000%	\$2,530,775.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$253,077.50	\$2,783,852.50
251033P1	4/1/17	5.000%	\$2,657,525.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$398,628.75	\$3,056,153.75
251033Q4	4/1/18	5.000%	\$2,792,725.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$558,545.00	\$3,351,270.00
251033R2	4/1/19	5.000%	\$2,932,150.00	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$733,037.50	\$3,665,187.50
			\$15,321,425.00		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,069,721.88	\$15,391,146.88
UTGO 2001-A(1)																				
251033IX6	4/1/15	5.375%	\$5,019,300.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$269,787.38	\$5,289,087.38
251033YK3	4/1/16	5.375%	\$5,289,700.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$568,642.75	\$5,858,342.75
251033YL1	4/1/17	5.375%	\$5,577,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$899,291.25	\$6,476,291.25
251033YM9	4/1/18	5.375%	\$11,830,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,543,450.00	\$14,373,450.00
251033VN7	4/1/19	5.000%	\$11,830,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,957,500.00	\$14,787,500.00
251033VP2	4/1/20	5.000%	\$11,830,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,549,000.00	\$15,379,000.00
251033VQ0	4/1/21	5.000%	\$11,830,000.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$4,140,500.00	\$15,970,500.00
			\$63,206,000.00		-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$14,928,171.38	\$78,134,171.38
UTGO 2002																				
251033WV8	4/1/21	5.125%	\$2,737,800.00	NPFG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$982,185.75	\$3,719,985.75
251033WV6	4/1/22	5.125%	\$2,877,225.00	NPFG	\$73,728.89	\$73,728.89	-	-	-	-	-	-	-	-	-	-	-	-	\$1,179,662.25	\$4,056,887.25
			\$5,615,025.00		\$73,728.89	\$73,728.89	-	-	-	-	-	-	-	-	-	-	-	-	\$2,161,848.00	\$7,776,873.00
UTGO 2003-A																				
251033XP0	4/1/15	4.000%	\$253,500.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,140.00	\$263,640.00
251033XQ8	4/1/15	5.250%	\$2,154,750.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$113,124.38	\$2,267,874.38
251033XR6	4/1/16	5.250%	\$2,530,775.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$365,731.38	\$2,796,506.38
251033XS4	4/1/17	5.250%	\$2,661,750.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$419,225.63	\$3,080,975.63
251033XT2	4/1/18	5.250%	\$2,801,175.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$588,246.75	\$3,389,421.75
251033XU9	4/1/19	5.250%	\$2,949,050.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$774,125.63	\$3,723,175.63
251033XV7	4/1/20	5.000%	\$422,500.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$114,075.00	\$536,575.00
251033XW5	4/1/20	5.250%	\$2,682,875.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$845,105.63	\$3,527,980.63
251033XX3	4/1/21	5.250%	\$3,261,700.00	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,198,674.75	\$4,460,374.75
251033XY1	4/1/22	4.625%	\$422,500.00	Syncora	\$9,770.31	\$9,770.31	-	-	-	-	-	-	-	-	-	-	-	-	\$156,325.00	\$578,825.00
251033XZ8	4/1/22	5.250%	\$3,012,425.00	Syncora	\$79,076.16	\$79,076.16	-	-	-	-	-	-	-	-	-	-	-	-	\$1,265,218.50	\$4,277,643.50
251033YA2	4/1/23	4.625%	\$1,267,500.00	Syncora	\$29,310.94	\$29,310.94	\$29,310.94	-	-	-	-	-	-	-	-	-	-	-	\$527,596.88	\$1,795,096.88
251033YB0	4/1/23	5.250%	\$2,344,875.00	Syncora	\$61,552.97	\$61,552.97	\$61,552.97	-	-	-	-	-	-	-	-	-	-	-	\$1,107,953.44	\$3,452,828.44
			\$26,765,375.00		\$179,710.38	\$179,710.38	\$90,863.91	\$90,863.91	-	-	-	-	-	-	-	-	-	-	\$7,385,542.94	\$34,150,917.94
UTGO 2004-A(1)																				
251033YX2	4/1/19	5.250%	\$3,802,500.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$998,156.25	\$4,800,656.25
251033YY0	4/1/20	4.250%	\$156,325.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$39,862.88	\$196,187.88
251033YZ7	4/1/20	5.250%	\$5,141,825.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,619,674.88	\$6,761,499.88
251033ZA1	4/1/21	5.000%	\$5,577,000.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,951,950.00	\$7,528,950.00
251033ZB9	4/1/22	5.250%	\$5,855,850.00	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,459,457.00	\$8,315,307.00
251033ZC7	4/1/23	4.500%	\$13,618,750.00	Ambac	\$153,716.06	\$153,716.06	\$7,129.69	\$7,129.69	-	-	-	-	-	-	-	-	-	-	\$128,334.38	\$14,809,209.38
251033ZD5	4/1/23	5.250%	\$5,847,400.00	Ambac	\$7,129.69	\$7,129.69	\$153,494.25	\$153,494.25	-	-	-	-	-	-	-	-	-	-	\$2,762,896.50	\$8,610,296.50
251033ZE3	4/1/24	4.600%	\$663,325.00	Ambac	\$15,256.48	\$15,256.48	\$15,256.48	-	-	-	-	-	-	-	-	-	-	-	\$305,129.50	\$968,454.50
251033ZF0	4/1/24	5.250%	\$5,822,050.00	Ambac	\$152,828.81	\$152,828.81	\$152,828.81	\$152,828.81	-	-	-	-	-	-	-	-	-	-	\$3,056,576.25	\$8,878,626.25
			\$33,183,150.00		\$482,425.29	\$482,425.29	\$328,709.23	\$328,709.23	\$168,085.29	\$168,085.29	-	-	-	-	-	-	-	-	\$13,322,037.63	\$46,505,187.63

* Subject to Mandatory Redemption

Reinstated to Holders: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

Maturity Date	Rate	Principal	Insurer	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Total Principal & Interest
UT 2004-B(1)																			
25/03/27P8	4/1/15	5.000%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$366,518.75	\$7,696,893.75
25/03/27Q6	4/1/16	5.250%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$807,841.13	\$8,501,566.13
25/03/28R4	4/1/17	4.000%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$30,927.00	\$288,652.00
25/03/32S2	4/1/17	5.250%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,235,052.00	\$9,076,652.00
25/03/32T0	4/1/18	5.250%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$354,900.00	\$2,044,900.00
																		\$2,795,238.88	\$27,608,663.88
UT 2004-B(2)																			
25/03/32X1	4/1/19	5.240%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$59,111.13	\$544,986.13
UT 2005-B																			
25/03/35G3	4/1/15	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$96,752.50	\$2,031,802.50
25/03/36G1	4/1/16	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$203,222.50	\$2,235,447.50
25/03/36G7	4/1/17	4.300%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$274,692.60	\$2,404,092.60
25/03/36G8	4/1/18	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$445,315.00	\$2,671,890.00
25/03/36G9	4/1/19	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$584,106.25	\$2,920,531.25
25/03/37H2	4/1/20	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,267,500.00	\$5,492,500.00
25/03/37H3	4/1/21	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,478,750.00	\$5,703,750.00
25/03/37H4	4/1/22	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,690,000.00	\$5,915,000.00
25/03/37H5	4/1/23	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,901,250.00	\$6,126,250.00
25/03/37H6	4/1/24	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,112,500.00	\$6,337,500.00
25/03/37H7	4/1/25	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,323,750.00	\$6,548,750.00
																		\$12,377,838.85	\$48,387,513.85
UT 2005-C																			
25/03/39J2	4/1/15	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$97,386.25	\$2,045,111.25
25/03/39J3	4/1/16	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$204,912.50	\$2,250,023.75
25/03/39J4	4/1/17	4.300%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$277,417.73	\$2,427,942.73
25/03/39K3	4/1/17	4.300%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$444,470.00	\$2,666,820.00
25/03/39K4	4/1/18	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$606,657.19	\$2,917,732.19
25/03/39K5	4/1/19	5.250%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$767,914.88	\$3,205,739.88
25/03/39K6	4/1/20	5.250%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,398,758.54	\$15,517,383.54
UT 2008-A																			
25/03/39M5	4/1/15	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$121,468.75	\$2,550,843.75
25/03/39M6	4/1/16	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$254,767.50	\$2,802,442.50
25/03/39M7	4/1/17	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$401,797.50	\$3,080,447.50
25/03/39M8	4/1/18	4.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$449,540.00	\$3,259,165.00
25/03/39M9	4/1/19	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$730,925.00	\$3,654,625.00
25/03/39N2	4/1/20	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$920,205.00	\$3,987,555.00
25/03/39N3	4/1/21	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,128,286.25	\$4,351,961.25
25/03/39N4	4/1/22	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,353,690.00	\$4,737,915.00
25/03/39N5	4/1/24	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,464,288.75	\$10,748,188.75
25/03/39N6	4/1/28	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,603,271.25	\$27,486,371.25
																		\$19,428,240.00	\$66,659,515.00
UT 2008-B(1)																			
25/03/39P5	4/1/15	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$336,732.50	\$7,071,382.50
25/03/39P6	4/1/16	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$290,680.00	\$3,197,480.00
25/03/39P7	4/1/17	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$453,765.00	\$3,478,865.00
25/03/39P8	4/1/18	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$640,510.00	\$3,843,060.00
																		\$1,721,687.50	\$7,190,787.50
UT 2008-B(2)																			
25/03/39Q5	4/1/15	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$336,732.50	\$7,071,382.50
25/03/39Q6	4/1/16	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$290,680.00	\$3,197,480.00
25/03/39Q7	4/1/17	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$453,765.00	\$3,478,865.00
25/03/39Q8	4/1/18	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$640,510.00	\$3,843,060.00
																		\$1,721,687.50	\$7,190,787.50

* Subject to Mandatory Redemption

Reinstated to Holders: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)										Issuance: 2008-A									
CUSIP		Mandatory Redemption								CUSIP		Mandatory Redemption							
251093ZX1		Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest		251093N63		Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	
		10/1/14	Ambac	6/30/15	-	\$485,875.00	5.240%	\$12,729.93				10/1/14	Assured	6/30/15	-	\$16,883,100.00	5.000%	\$422,077.50	
		4/1/15	Ambac	6/30/15	\$130,975.00	\$354,900.00	5.240%	\$12,729.93				4/1/15	Assured	6/30/15	-	\$16,883,100.00	5.000%	\$422,077.50	
		10/1/15	Ambac	6/30/16	-	\$354,900.00	5.240%	\$9,298.38				10/1/15	Assured	6/30/16	-	\$16,883,100.00	5.000%	\$422,077.50	
		4/1/16	Ambac	6/30/16	\$139,425.00	\$215,475.00	5.240%	\$9,298.38				4/1/16	Assured	6/30/16	-	\$16,883,100.00	5.000%	\$422,077.50	
		10/1/16	Ambac	6/30/17	-	\$215,475.00	5.240%	\$5,645.45				10/1/16	Assured	6/30/17	-	\$16,883,100.00	5.000%	\$422,077.50	
		4/1/17	Ambac	6/30/17	\$143,650.00	\$71,825.00	5.240%	\$5,645.45				4/1/17	Assured	6/30/17	-	\$16,883,100.00	5.000%	\$422,077.50	
		10/1/17	Ambac	6/30/18	-	\$71,825.00	5.240%	\$1,881.82				10/1/17	Assured	6/30/18	-	\$16,883,100.00	5.000%	\$422,077.50	
		4/1/18	Ambac	6/30/18	\$71,825.00	-	5.240%	\$1,881.82				4/1/18	Assured	6/30/18	-	\$16,883,100.00	5.000%	\$422,077.50	
		Total			\$485,875.00			\$59,111.13				Total							
Issuance: 2008-A																			
CUSIP		Mandatory Redemption								CUSIP		Mandatory Redemption							
251093N55		Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest		251093N63		Date	Insurer	Fiscal Year	Amounts	Outstanding	Rate	Interest	
		10/1/14	Assured	6/30/15	-	\$7,283,900.00	5.000%	\$182,097.50				10/1/2022	Assured	6/30/23	-	\$16,883,100.00	5.000%	\$422,077.50	
		4/1/15	Assured	6/30/15	-	\$7,283,900.00	5.000%	\$182,097.50				4/1/2023	Assured	6/30/23	-	\$16,883,100.00	5.000%	\$422,077.50	
		10/1/15	Assured	6/30/16	-	\$7,283,900.00	5.000%	\$182,097.50				10/1/2023	Assured	6/30/24	-	\$16,883,100.00	5.000%	\$422,077.50	
		4/1/16	Assured	6/30/16	-	\$7,283,900.00	5.000%	\$182,097.50				10/1/2024	Assured	6/30/24	-	\$16,883,100.00	5.000%	\$422,077.50	
		10/1/16	Assured	6/30/17	-	\$7,283,900.00	5.000%	\$182,097.50				10/1/2024	Assured	6/30/25	-	\$16,883,100.00	5.000%	\$422,077.50	
		4/1/17	Assured	6/30/17	-	\$7,283,900.00	5.000%	\$182,097.50				4/1/2025	Assured	6/30/25	\$3,916,575.00	\$12,966,525.00	5.000%	\$422,077.50	
		10/1/17	Assured	6/30/18	-	\$7,283,900.00	5.000%	\$182,097.50				10/1/2025	Assured	6/30/26	-	\$12,966,525.00	5.000%	\$394,163.13	
		4/1/18	Assured	6/30/18	-	\$7,283,900.00	5.000%	\$182,097.50				4/1/2026	Assured	6/30/26	\$4,115,150.00	\$8,851,375.00	5.000%	\$321,284.38	
		10/1/18	Assured	6/30/19	-	\$7,283,900.00	5.000%	\$182,097.50				10/1/2026	Assured	6/30/27	-	\$8,851,375.00	5.000%	\$271,284.38	
		4/1/19	Assured	6/30/19	-	\$7,283,900.00	5.000%	\$182,097.50				4/1/2027	Assured	6/30/27	\$4,317,950.00	\$4,533,425.00	5.000%	\$221,284.38	
		10/1/19	Assured	6/30/20	-	\$7,283,900.00	5.000%	\$182,097.50				10/1/2027	Assured	6/30/28	-	\$4,533,425.00	5.000%	\$113,335.63	
		4/1/20	Assured	6/30/20	-	\$7,283,900.00	5.000%	\$182,097.50				4/1/2028	Assured	6/30/28	\$4,533,425.00	-	5.000%	\$113,335.63	
		10/1/20	Assured	6/30/21	-	\$7,283,900.00	5.000%	\$182,097.50				Total			\$16,883,100.00		\$10,603,271.25		

Reinstated to Insurers: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

CUSIP	Maturity Date	Rate	Principal	Insurer	Beneficial Holder	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
UTGO 1999-A																			
251093YB3	4/1/15	5.250%	\$68,400.00	Assured	Assured	\$1,795.50	\$1,795.50	-	-	-	-	-	-	-	-	-	-	-	-
251093YB4	4/1/16	5.000%	\$71,880.00	Assured	Assured	\$1,797.00	\$1,797.00	\$1,797.00	\$1,797.00	\$1,887.00	\$1,887.00	-	-	-	-	-	-	-	-
251093YB5	4/1/17	5.000%	\$75,480.00	Assured	Assured	\$1,887.00	\$1,887.00	\$1,887.00	\$1,887.00	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00
251093YB6	4/1/18	5.000%	\$79,320.00	Assured	Assured	\$1,983.00	\$1,983.00	\$1,983.00	\$1,983.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00
251093YB7	4/1/19	5.000%	\$83,280.00	Assured	Assured	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00	\$2,082.00
251093YB8	4/1/20	5.000%	\$87,240.00	Assured	Assured	\$2,181.00	\$2,181.00	\$2,181.00	\$2,181.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00
251093YB9	4/1/21	5.000%	\$91,200.00	Assured	Assured	\$2,280.00	\$2,280.00	\$2,280.00	\$2,280.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00
251093YB10	4/1/22	5.000%	\$95,160.00	Assured	Assured	\$2,379.00	\$2,379.00	\$2,379.00	\$2,379.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00
251093YB11	4/1/23	5.000%	\$99,120.00	Assured	Assured	\$2,478.00	\$2,478.00	\$2,478.00	\$2,478.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00
251093YB12	4/1/24	5.000%	\$103,080.00	Assured	Assured	\$2,577.00	\$2,577.00	\$2,577.00	\$2,577.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00
251093YB13	4/1/25	5.000%	\$107,040.00	Assured	Assured	\$2,676.00	\$2,676.00	\$2,676.00	\$2,676.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00
251093YB14	4/1/26	5.000%	\$111,000.00	Assured	Assured	\$2,775.00	\$2,775.00	\$2,775.00	\$2,775.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00
251093YB15	4/1/27	5.000%	\$114,960.00	Assured	Assured	\$2,874.00	\$2,874.00	\$2,874.00	\$2,874.00	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00
251093YB16	4/1/28	5.000%	\$118,920.00	Assured	Assured	\$2,973.00	\$2,973.00	\$2,973.00	\$2,973.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00
251093YB17	4/1/29	5.000%	\$122,880.00	Assured	Assured	\$3,072.00	\$3,072.00	\$3,072.00	\$3,072.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00
251093YB18	4/1/30	5.000%	\$126,840.00	Assured	Assured	\$3,171.00	\$3,171.00	\$3,171.00	\$3,171.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00
251093YB19	4/1/31	5.000%	\$130,800.00	Assured	Assured	\$3,270.00	\$3,270.00	\$3,270.00	\$3,270.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00
251093YB20	4/1/32	5.000%	\$134,760.00	Assured	Assured	\$3,369.00	\$3,369.00	\$3,369.00	\$3,369.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00
251093YB21	4/1/33	5.000%	\$138,720.00	Assured	Assured	\$3,468.00	\$3,468.00	\$3,468.00	\$3,468.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00
251093YB22	4/1/34	5.000%	\$142,680.00	Assured	Assured	\$3,567.00	\$3,567.00	\$3,567.00	\$3,567.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00
251093YB23	4/1/35	5.000%	\$146,640.00	Assured	Assured	\$3,666.00	\$3,666.00	\$3,666.00	\$3,666.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00
251093YB24	4/1/36	5.000%	\$150,600.00	Assured	Assured	\$3,765.00	\$3,765.00	\$3,765.00	\$3,765.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00
251093YB25	4/1/37	5.000%	\$154,560.00	Assured	Assured	\$3,864.00	\$3,864.00	\$3,864.00	\$3,864.00	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00
251093YB26	4/1/38	5.000%	\$158,520.00	Assured	Assured	\$3,963.00	\$3,963.00	\$3,963.00	\$3,963.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00
251093YB27	4/1/39	5.000%	\$162,480.00	Assured	Assured	\$4,062.00	\$4,062.00	\$4,062.00	\$4,062.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00
251093YB28	4/1/40	5.000%	\$166,440.00	Assured	Assured	\$4,161.00	\$4,161.00	\$4,161.00	\$4,161.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00
251093YB29	4/1/41	5.000%	\$170,400.00	Assured	Assured	\$4,260.00	\$4,260.00	\$4,260.00	\$4,260.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00
251093YB30	4/1/42	5.000%	\$174,360.00	Assured	Assured	\$4,359.00	\$4,359.00	\$4,359.00	\$4,359.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00
251093YB31	4/1/43	5.000%	\$178,320.00	Assured	Assured	\$4,458.00	\$4,458.00	\$4,458.00	\$4,458.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00
251093YB32	4/1/44	5.000%	\$182,280.00	Assured	Assured	\$4,557.00	\$4,557.00	\$4,557.00	\$4,557.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00
251093YB33	4/1/45	5.000%	\$186,240.00	Assured	Assured	\$4,656.00	\$4,656.00	\$4,656.00	\$4,656.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00
251093YB34	4/1/46	5.000%	\$190,200.00	Assured	Assured	\$4,755.00	\$4,755.00	\$4,755.00	\$4,755.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00
251093YB35	4/1/47	5.000%	\$194,160.00	Assured	Assured	\$4,854.00	\$4,854.00	\$4,854.00	\$4,854.00	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00
251093YB36	4/1/48	5.000%	\$198,120.00	Assured	Assured	\$4,953.00	\$4,953.00	\$4,953.00	\$4,953.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00
251093YB37	4/1/49	5.000%	\$202,080.00	Assured	Assured	\$5,052.00	\$5,052.00	\$5,052.00	\$5,052.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00
251093YB38	4/1/50	5.000%	\$206,040.00	Assured	Assured	\$5,151.00	\$5,151.00	\$5,151.00	\$5,151.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00
251093YB39	4/1/51	5.000%	\$210,000.00	Assured	Assured	\$5,250.00	\$5,250.00	\$5,250.00	\$5,250.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00
251093YB40	4/1/52	5.000%	\$213,960.00	Assured	Assured	\$5,349.00	\$5,349.00	\$5,349.00	\$5,349.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00
251093YB41	4/1/53	5.000%	\$217,920.00	Assured	Assured	\$5,448.00	\$5,448.00	\$5,448.00	\$5,448.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00
251093YB42	4/1/54	5.000%	\$221,880.00	Assured	Assured	\$5,547.00	\$5,547.00	\$5,547.00	\$5,547.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00
251093YB43	4/1/55	5.000%	\$225,840.00	Assured	Assured	\$5,646.00	\$5,646.00	\$5,646.00	\$5,646.00	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745.00
251093YB44	4/1/56	5.000%	\$229,800.00	Assured	Assured	\$5,745.00	\$5,745.00	\$5,745.00	\$5,745,										

Reinstated to Insurers: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

[illegible]

Reinstated to Insurers: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

CUSIP	Maturity Date	Rate	Principal	Insurer	Beneficial Holder	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Principal & Interest
UTGO 2001-A																					
2510999A	4/1/15	5.250%	\$68,400.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,591.00	\$71,991.00
2510999B	4/1/16	5.000%	\$71,880.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$7,188.00	\$79,068.00
2510999C	4/1/17	5.000%	\$75,480.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,322.00	\$86,802.00
2510999D	4/1/18	5.000%	\$79,320.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$15,864.00	\$95,184.00
2510999E	4/1/19	5.000%	\$83,280.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$20,820.00	\$104,100.00
2510999F	4/1/20	5.000%	\$87,360.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$25,860.00	\$113,220.00
2510999G	4/1/21	5.000%	\$91,440.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$30,900.00	\$122,340.00
2510999H	4/1/22	5.000%	\$95,520.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$35,940.00	\$131,460.00
2510999I	4/1/23	5.000%	\$99,600.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$40,980.00	\$140,580.00
2510999J	4/1/24	5.000%	\$103,680.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$46,020.00	\$149,700.00
2510999K	4/1/25	5.000%	\$107,760.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$51,060.00	\$158,820.00
2510999L	4/1/26	5.000%	\$111,840.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$56,100.00	\$167,940.00
2510999M	4/1/27	5.000%	\$115,920.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$61,140.00	\$177,060.00
2510999N	4/1/28	5.000%	\$120,000.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$66,180.00	\$186,180.00
2510999O	4/1/29	5.000%	\$124,080.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$71,220.00	\$195,300.00
2510999P	4/1/30	5.000%	\$128,160.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$76,260.00	\$204,420.00
2510999Q	4/1/31	5.000%	\$132,240.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$81,300.00	\$213,540.00
2510999R	4/1/32	5.000%	\$136,320.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$86,340.00	\$222,660.00
2510999S	4/1/33	5.000%	\$140,400.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$91,380.00	\$231,780.00
2510999T	4/1/34	5.000%	\$144,480.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$96,420.00	\$240,900.00
2510999U	4/1/35	5.000%	\$148,560.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$101,460.00	\$250,020.00
2510999V	4/1/36	5.000%	\$152,640.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$106,500.00	\$259,140.00
2510999W	4/1/37	5.000%	\$156,720.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$111,540.00	\$268,260.00
2510999X	4/1/38	5.000%	\$160,800.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$116,580.00	\$277,380.00
2510999Y	4/1/39	5.000%	\$164,880.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$121,620.00	\$286,500.00
2510999Z	4/1/40	5.000%	\$168,960.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$126,660.00	\$295,620.00
2510999AA	4/1/41	5.000%	\$173,040.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$131,700.00	\$304,740.00
2510999AB	4/1/42	5.000%	\$177,120.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$136,740.00	\$313,860.00
2510999AC	4/1/43	5.000%	\$181,200.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$141,780.00	\$322,980.00
2510999AD	4/1/44	5.000%	\$185,280.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$146,820.00	\$332,100.00
2510999AE	4/1/45	5.000%	\$189,360.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$151,860.00	\$341,220.00
2510999AF	4/1/46	5.000%	\$193,440.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$156,900.00	\$350,340.00
2510999AG	4/1/47	5.000%	\$197,520.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$161,940.00	\$359,460.00
2510999AH	4/1/48	5.000%	\$201,600.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$166,980.00	\$368,580.00
2510999AI	4/1/49	5.000%	\$205,680.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$172,020.00	\$377,700.00
2510999AJ	4/1/50	5.000%	\$209,760.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$177,060.00	\$386,820.00
2510999AK	4/1/51	5.000%	\$213,840.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$182,100.00	\$395,940.00
2510999AL	4/1/52	5.000%	\$217,920.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$187,140.00	\$405,060.00
2510999AM	4/1/53	5.000%	\$222,000.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$192,180.00	\$414,180.00
2510999AN	4/1/54	5.000%	\$226,080.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$197,220.00	\$423,300.00
2510999AO	4/1/55	5.000%	\$230,160.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$202,260.00	\$432,420.00
2510999AP	4/1/56	5.000%	\$234,240.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$207,300.00	\$441,540.00
2510999AQ	4/1/57	5.000%	\$238,320.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$212,340.00	\$450,660.00
2510999AR	4/1/58	5.000%	\$242,400.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$217,380.00	\$459,780.00
2510999AS	4/1/59	5.000%	\$246,480.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$222,420.00	\$468,900.00
2510999AT	4/1/60	5.000%	\$250,560.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$227,460.00	\$478,020.00
2510999AU	4/1/61	5.000%	\$254,640.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$232,500.00	\$487,140.00
2510999AV	4/1/62	5.000%	\$258,720.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$237,540.00	\$496,260.00
2510999AW	4/1/63	5.000%	\$262,800.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$242,580.00	\$505,380.00
2510999AX	4/1/64	5.000%	\$266,880.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$247,620.00	\$514,500.00
2510999AY	4/1/65	5.000%	\$270,960.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$252,660.00	\$523,620.00
2510999AZ	4/1/66	5.000%	\$275,040.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$257,700.00	\$532,740.00
2510999BA	4/1/67	5.000%	\$279,120.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$262,740.00	\$541,860.00
2510999BB	4/1/68	5.000%	\$283,200.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$267,780.00	\$550,980.00
2510999BC	4/1/69	5.000%	\$287,280.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$272,820.00	\$560,100.00
2510999BD	4/1/70	5.000%	\$291,360.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$277,860.00	\$569,220.00
2510999BE	4/1/71	5.000%	\$295,440.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$282,900.00	\$578,340.00
2510999BF	4/1/72	5.000%	\$299,520.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$287,940.00	\$587,460.00
2510999BG	4/1/73	5.000%	\$303,600.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$292,980.00	\$596,580.00
2510999BH	4/1/74	5.000%	\$307,680.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$298,020.00	\$605,700.00
2510999BI	4/1/75	5.000%	\$311,760.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$303,060.00	\$614,820.00
2510999BJ	4/1/76	5.000%	\$315,840.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$308,100.00	\$623,940.00
2510999BK	4/1/77	5.000%	\$319,920.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$313,140.00	\$633,060.00
2510999BL	4/1/78	5.000%	\$324,000.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$318,180.00	\$642,180.00
2510999BM	4/1/79	5.000%	\$328,080.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$323,220.00	\$651,300.00
2510999BN	4/1/80	5.000%	\$332,160.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$328,260.00	\$660,420.00
2510999BO	4/1/81	5.000%	\$336,240.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$333,300.00	\$669,540.00
2510999BP	4/1/82	5.000%	\$340,320.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$338,340.00	\$678,660.00
2510999BQ	4/1/83	5.000%	\$344,400.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$343,380.00	\$687,780.00
2510999BR	4/1/84	5.000%	\$348,480.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$348,420.00	\$696,900.00
2510999BS	4/1/85	5.000%	\$352,560.00	Assured	Assured	-	-														

Reinstated to Insurers: UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

CUSIP	Maturity Date	Rate	Principal	Insurer	Beneficial Holder	10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27	10/1/27	4/1/28	Total Interest	Principal & Interest
UTGO 2004-A(1)																					
250303YX2	4/1/19	5.250%	\$108,000.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$28,350.00	\$136,350.00
250303YX0	4/1/20	4.250%	\$4,440.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,132.20	\$5,572.20
250303YX1	4/1/20	5.250%	\$14,040.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$46,002.60	\$192,042.60
250303ZAI	4/1/21	5.000%	\$158,400.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$55,440.00	\$213,840.00
250303ZB9	4/1/22	5.250%	\$166,320.00	Ambac	Ambac	\$4,365.90	\$4,365.90	\$202.50	\$202.50	\$202.50	-	-	-	-	-	-	-	-	-	\$69,854.40	\$236,174.40
250303ZC7	4/1/23	4.500%	\$9,000.00	Ambac	Ambac	\$202.50	\$202.50	\$4,359.60	\$4,359.60	\$4,359.60	-	-	-	-	-	-	-	-	-	\$12,645.00	\$23,645.00
250303ZD5	4/1/23	5.250%	\$166,080.00	Ambac	Ambac	\$4,332.32	\$4,332.32	\$4,332.32	\$4,332.32	\$4,332.32	-	-	-	-	-	-	-	-	-	\$78,472.80	\$244,552.80
250303ZE3	4/1/24	4.000%	\$18,840.00	Ambac	Ambac	\$4,340.70	\$4,340.70	\$4,340.70	\$4,340.70	\$4,340.70	\$433.32	\$433.32	-	-	-	-	-	-	-	\$8,666.40	\$27,506.40
250303ZF0	4/1/24	5.250%	\$165,360.00	Ambac	Ambac	\$13,702.02	\$13,702.02	\$9,336.12	\$9,336.12	\$9,336.12	\$4,774.02	\$4,774.02	-	-	-	-	-	-	-	\$86,814.00	\$252,174.00
UTGO 2004-B(1)																					
250303ZF8	4/1/15	5.000%	\$208,200.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,410.00	\$218,610.00
250303ZQ6	4/1/16	5.250%	\$218,520.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$22,944.60	\$241,464.60
250303ZRA	4/1/17	4.000%	\$7,320.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$878.40	\$8,198.40
250303ZS2	4/1/17	5.250%	\$222,720.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$35,078.40	\$257,798.40
250303ZT0	4/1/18	5.250%	\$704,760.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$10,080.00	\$58,080.00
UTGO 2004-B(2)																					
250303ZXX	4/1/19	5.240%	\$13,800.00	Ambac	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$79,391.40	\$784,151.40
UTGO 2005-B																					
250303G53	4/1/15	5.000%	\$54,960.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,748.00	\$57,708.00
250303G61	4/1/16	5.000%	\$57,720.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,772.00	\$63,492.00
250303G79	4/1/17	4.300%	\$60,480.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$7,801.92	\$68,281.92
250303G87	4/1/18	5.000%	\$63,240.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,648.00	\$75,888.00
250303G95	4/1/19	5.000%	\$66,560.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$16,590.00	\$82,950.00
250303H29	4/1/20	5.000%	\$120,000.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$36,000.00	\$156,000.00
250303H37	4/1/21	5.000%	\$120,000.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$42,000.00	\$162,000.00
250303H45	4/1/22	5.000%	\$120,000.00	Assured	Assured	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	-	-	-	-	-	-	-	-	-	\$46,000.00	\$168,000.00
250303H52	4/1/23	5.000%	\$120,000.00	Assured	Assured	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	-	-	-	-	-	-	-	-	\$54,000.00	\$174,000.00
250303H60	4/1/24	5.000%	\$120,000.00	Assured	Assured	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	-	-	-	-	-	-	-	\$60,000.00	\$180,000.00
250303H78	4/1/25	5.000%	\$120,000.00	Assured	Assured	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	-	-	-	-	-	-	\$66,000.00	\$186,000.00
UTGO 2005-C																					
250303J92	4/1/15	5.000%	\$55,320.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,766.00	\$58,086.00
250303K25	4/1/16	5.000%	\$58,200.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$5,820.00	\$64,020.00
250303K33	4/1/17	4.300%	\$61,080.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$7,879.32	\$68,959.32
250303K41	4/1/18	5.000%	\$63,120.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,634.40	\$75,754.40
250303K58	4/1/19	5.250%	\$65,640.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,230.30	\$82,870.30
250303K66	4/1/20	5.250%	\$69,240.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$21,810.60	\$91,050.60
UTGO 2008-A																					
250303M56	4/1/15	5.000%	\$69,000.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,450.00	\$72,450.00
250303M64	4/1/16	5.000%	\$72,360.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$7,236.00	\$79,596.00
250303M72	4/1/17	5.000%	\$76,080.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$11,412.00	\$87,492.00
250303M80	4/1/18	4.000%	\$79,800.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,768.00	\$92,568.00
250303M98	4/1/19	5.000%	\$83,040.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$20,760.00	\$103,800.00
250303N22	4/1/20	5.000%	\$87,120.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$26,136.00	\$113,256.00
250303N30	4/1/21	5.000%	\$91,560.00	Assured	Assured	\$2,403.00	\$2,403.00	\$5,172.00	\$5,172.00	\$5,172.00	\$2,649.00	\$2,649.00	-	-	-	-	-	-	-	\$38,448.00	\$134,568.00
250303N38	4/1/22	5.000%	\$96,120.00	Assured	Assured	\$5,172.00	\$5,172.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$98,394.00	\$305,274.00
250303N55	4/1/24	5.000%	\$206,880.00	Assured	Assured	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$11,988.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$301,158.00	\$780,678.00
250303N63	4/1/28	5.000%	\$479,520.00	Assured	Assured	\$17,160.00	\$17,160.00	\$17,160.00	\$17,160.00	\$17,160.00	\$14,637.00	\$14,637.00	\$14,637.00	\$14,637.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$551,808.00	\$1,893,288.00
UTGO 2008-B(1)																					
250303P53	4/1/15	5.000%	\$191,280.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$9,564.00	\$200,844.00
250303P61	4/1/16	5.000%	\$82,560.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$8,256.00	\$90,816.00
250303P79	4/1/17	5.000%	\$85,920.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$12,868.00	\$98,808.00
250303P87	4/1/18	5.000%	\$90,240.00	Assured	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$18,192.00	\$108,432.00
UTGO 2008-B(2)																					
250303Q53	4/1/15	5.000%	\$52,463.30	Assured	Assured	\$52,463.30	\$52,463.30	\$38,076.87	\$38,076.87	\$38,076.87	\$25,411.02	\$25,411.02	\$14,988.00	\$14,988.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$2,233,794.94	\$10,175,634.94
UTGO 2008-B(3)																					
250303R53	4/1/15	5.000%	\$2,032,469.00	Assured	Assured	\$14,659.94	\$14,659.94	\$9,673.03	\$9,673.03	\$9,673.03	\$4,774.02	\$4,774.02	-	-	-	-	-	-	-	\$554,422.82	\$2,586,891.82
250303R61	4/1/16	5.000%	\$5,661,892.00	Assured	Assured	\$37,484.55	\$37,484.55	\$28,242.66	\$28,242.66	\$28,242.66	\$20,637.00	\$20,637.00	\$14,988.00	\$14,988.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$1,666,270.80	\$7,253,162.80
250303R79	4/1/17	5.000%	\$6,479,720.00	Assured	Assured	\$118.81	\$118.81	\$161.19	\$161.19	\$161.19	-	-	-	-	-	-	-	-	-	\$13,101.32	\$60,580.32
250303R87	4/1/18	5.000%	\$7,941,840.00	Assured	Assured	\$52,463.30	\$52,463.30	\$38,076.87	\$38,076.87	\$38,076.87	\$25,411.02	\$25,411.02	\$14,988.00	\$14,988.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$6,285.00	\$2,233,794.94	\$10,175,634.94
Total																					

13-53846-jlt Doc 83-5 Filed 10/22/23 Entered 10/22/23 18:22:01 Page 39 b7
45

Page 10 of 10

EXHIBIT C

STUB UTGO BONDS

13-53846-11 Doc 83-45-B-1 Filed 10/22/24 Entered 10/22/24 23:48:20 Page 1 of 17

Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service

SIP	Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
2004-B(1)																		
UT 2004B(1) 251093278	4/1/15	5.000%	\$1,136,425.00	Ambac	\$28,410.63	\$28,410.63	-	-	-	-	-	-	-	-	-	-	-	-
UT 2004B(1) 251093279	4/1/16	5.250%	\$1,192,755.00	Ambac	\$31,309.82	\$31,309.82	\$31,309.82	\$799.10	\$799.10	\$799.10	\$799.10	-	-	-	-	-	-	-
UT 2004B(1) 251093280	4/1/17	4.000%	\$399,555.00	Ambac	\$799.10	\$799.10	\$799.10	\$799.10	\$799.10	\$799.10	\$799.10	-	-	-	-	-	-	-
UT 2004B(1) 251093281	4/1/17	5.250%	\$1,215,680.00	Ambac	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	-	-	-	-	-	-	-
UT 2004B(1) 251093282	4/1/17	5.250%	\$1,215,680.00	Ambac	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	\$31,911.60	-	-	-	-	-	-	-
UT 2004B(1) 251093283	4/1/18	5.250%	\$262,000.00	Ambac	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50
UT 2004-B(2)			\$3,846,815.00		\$99,308.64	\$99,308.64	\$70,898.02	\$70,898.02	\$39,588.20	\$39,588.20	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50	\$6,877.50
UT 2004B(2) 251093284	4/1/19	5.240%	\$75,325.00	Ambac	\$1,973.52	\$1,973.52	\$1,441.52	\$1,441.52	\$875.21	\$875.21	\$291.74	\$291.74	-	-	-	-	-	-
2005-B																		
UT 2005B 251093285	4/1/15	5.000%	\$299,990.00	Assured	\$7,499.75	\$7,499.75	-	-	-	-	-	-	-	-	-	-	-	-
UT 2005B 251093286	4/1/16	5.000%	\$331,055.00	Assured	\$7,876.38	\$7,876.38	\$7,876.38	\$7,876.38	\$7,097.58	\$7,097.58	\$7,097.58	-	-	-	-	-	-	-
UT 2005B 251093287	4/1/17	4.300%	\$330,120.00	Assured	\$7,097.58	\$7,097.58	\$7,097.58	\$7,097.58	\$8,629.63	\$8,629.63	\$8,629.63	-	-	-	-	-	-	-
UT 2005B 251093288	4/1/18	5.000%	\$345,185.00	Assured	\$8,629.63	\$8,629.63	\$8,629.63	\$8,629.63	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38
UT 2005B 251093289	4/1/19	5.000%	\$362,215.00	Assured	\$9,055.38	\$9,055.38	\$9,055.38	\$9,055.38	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UT 2005B 251093290	4/1/20	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UT 2005B 251093291	4/1/21	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UT 2005B 251093292	4/1/22	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UT 2005B 251093293	4/1/23	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UT 2005B 251093294	4/1/24	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UT 2005B 251093295	4/1/25	5.000%	\$655,000.00	Assured	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00	\$16,375.00
UT 2005-C			\$5,582,565.00		\$138,408.71	\$138,408.71	\$130,908.96	\$130,908.96	\$123,032.58	\$123,032.58	\$115,935.00	\$115,935.00	\$107,305.38	\$107,305.38	\$98,250.00	\$98,250.00	\$81,875.00	\$81,875.00
UT 2005C 251093296	4/1/15	5.000%	\$301,955.00	Assured	\$7,548.88	\$7,548.88	-	-	-	-	-	-	-	-	-	-	-	-
UT 2005C 251093297	4/1/16	5.000%	\$317,675.00	Assured	\$7,941.88	\$7,941.88	\$7,941.88	\$7,941.88	\$7,167.99	\$7,167.99	\$7,167.99	-	-	-	-	-	-	-
UT 2005C 251093298	4/1/17	4.300%	\$333,395.00	Assured	\$7,167.99	\$7,167.99	\$7,167.99	\$7,167.99	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25
UT 2005C 251093299	4/1/18	5.000%	\$344,530.00	Assured	\$8,613.25	\$8,613.25	\$8,613.25	\$8,613.25	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98
UT 2005C 251093300	4/1/19	5.250%	\$358,285.00	Assured	\$9,404.98	\$9,404.98	\$9,404.98	\$9,404.98	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79
UT 2005C 251093301	4/1/20	5.250%	\$377,935.00	Assured	\$9,920.79	\$9,920.79	\$9,920.79	\$9,920.79	\$35,107.02	\$35,107.02	\$27,939.03	\$27,939.03	\$19,325.78	\$19,325.78	\$9,920.79	\$9,920.79	-	-
UT 2008-A			\$2,033,775.00		\$50,597.77	\$50,597.77	\$43,048.89	\$43,048.89	\$35,107.02	\$35,107.02	\$27,939.03	\$27,939.03	\$19,325.78	\$19,325.78	\$9,920.79	\$9,920.79	-	-
UT 2008A 251093302	4/1/15	5.000%	\$376,625.00	Assured	\$9,415.63	\$9,415.63	-	-	-	-	-	-	-	-	-	-	-	-
UT 2008A 251093303	4/1/16	5.000%	\$394,965.00	Assured	\$9,874.13	\$9,874.13	\$10,381.75	\$10,381.75	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50
UT 2008A 251093304	4/1/17	5.000%	\$415,270.00	Assured	\$10,381.75	\$10,381.75	\$10,381.75	\$10,381.75	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50
UT 2008A 251093305	4/1/18	4.000%	\$435,575.00	Assured	\$8,711.50	\$8,711.50	\$8,711.50	\$8,711.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50
UT 2008A 251093306	4/1/19	5.000%	\$453,260.00	Assured	\$11,331.50	\$11,331.50	\$11,331.50	\$11,331.50	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25
UT 2008A 251093307	4/1/20	5.000%	\$475,530.00	Assured	\$11,888.25	\$11,888.25	\$11,888.25	\$11,888.25	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13
UT 2008A 251093308	4/1/21	5.000%	\$499,765.00	Assured	\$12,494.13	\$12,494.13	\$12,494.13	\$12,494.13	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38
UT 2008A 251093309	4/1/22	5.000%	\$524,655.00	Assured	\$13,116.38	\$13,116.38	\$13,116.38	\$13,116.38	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50
UT 2008A 251093310	4/1/23	5.000%	\$550,000.00	Assured	\$28,230.50	\$28,230.50	\$28,230.50	\$28,230.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50
UT 2008A 251093311	4/1/24	5.000%	\$575,000.00	Assured	\$65,434.50	\$65,434.50	\$65,434.50	\$65,434.50	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50
UT 2008A 251093312	4/1/25	5.000%	\$600,000.00	Assured	\$161,588.50	\$161,588.50	\$161,588.50	\$161,588.50	\$171,462.63	\$171,462.63	\$171,462.63	\$171,462.63	\$171,462.63	\$171,462.63	\$171,462.63	\$171,462.63	\$171,462.63	\$171,462.63
UT 2008-B(1)			\$7,322,245.00		\$180,878.25	\$180,878.25	\$171,462.63	\$171,462.63	\$161,588.50	\$161,588.50	\$151,206.75	\$151,206.75	\$142,495.25	\$142,495.25	\$131,163.75	\$131,163.75	\$119,275.50	\$119,275.50
UT 2008B(1) 251093313	4/1/15	5.000%	\$1,044,070.00	Assured	\$26,101.75	\$26,101.75	-	-	-	-	-	-	-	-	-	-	-	-
UT 2008B(1) 251093314	4/1/16	5.000%	\$450,640.00	Assured	\$11,266.00	\$11,266.00	\$11,266.00	\$11,266.00	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50
UT 2008B(1) 251093315	4/1/17	5.000%	\$468,980.00	Assured	\$11,724.50	\$11,724.50	\$11,724.50	\$11,724.50	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25
UT 2008B(1) 251093316	4/1/18	5.000%	\$496,490.00	Assured	\$12,412.25	\$12,412.25	\$12,412.25	\$12,412.25	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136.75	\$24,136		

UTGO Series STUB Bonds - Debt Service

Maturity Date	Rate	Principal	Insurer	Interest												Total Interest	Total Principal & Interest		
				10/1/21	4/1/22	10/1/22	4/1/23	10/1/23	4/1/24	10/1/24	4/1/25	10/1/25	4/1/26	10/1/26	4/1/27			10/1/27	4/1/28
UTGO Series 1999-A																			
251093SM3	4/1/15	5.250%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$19,600.88	\$392,950.88
251093SN1	4/1/16	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$39,234.50	\$431,579.50
251093SP6	4/1/17	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$61,799.25	\$473,794.25
251093SQ4	4/1/18	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$86,591.00	\$519,546.00
251093SR2	4/1/19	5.000%	Assured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$113,642.50	\$568,212.50
				-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$320,868.13	\$2,386,083.13
UTGO Series 2001-A(1)																			
251093UX6	4/1/15	5.375%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,825.03	\$819,965.03
251093VK3	4/1/16	5.375%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$88,156.45	\$908,216.45
251093VL1	4/1/17	5.375%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$139,416.75	\$1,004,016.75
251093VM9	4/1/18	5.375%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$394,310.00	\$2,228,310.00
251093VN7	4/1/19	5.000%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$458,500.00	\$2,292,500.00
251093VP2	4/1/20	5.000%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$550,200.00	\$2,384,200.00
251093VQ0	4/1/21	5.000%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$641,900.00	\$2,475,900.00
				-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$2,314,308.23	\$12,113,108.23
UTGO Series 2002																			
251093WV8	4/1/21	5.125%	NPPG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$152,267.85	\$576,707.85
251093WV6	4/1/22	5.125%	NPPG	\$11,430.16	\$11,430.16	-	-	-	-	-	-	-	-	-	-	-	-	\$182,882.55	\$628,937.55
				\$11,430.16	\$11,430.16	-	-	-	-	-	-	-	-	-	-	-	-	\$335,150.40	\$1,205,645.40
UTGO Series 2003-A																			
251093XP0	4/1/15	4.000%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$1,572.00	\$40,872.00
251093XQ8	4/1/15	5.250%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,537.63	\$351,587.63
251093XR6	4/1/16	5.250%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$41,196.23	\$433,541.23
251093XS4	4/1/17	5.250%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$64,992.38	\$477,642.38
251093XT2	4/1/18	5.250%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$91,195.65	\$525,460.65
251093XU9	4/1/19	5.250%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$120,012.38	\$577,202.38
251093XV7	4/1/20	4.500%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$17,685.00	\$83,185.00
251093XW5	4/1/20	5.250%	Syncora	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$131,016.38	\$546,941.38
251093XX3	4/1/21	5.250%	Syncora	\$1,514.69	\$1,514.69	-	-	-	-	-	-	-	-	-	-	-	-	\$185,830.05	\$691,490.05
251093XX1	4/1/22	4.625%	Syncora	\$12,259.14	\$12,259.14	-	-	-	-	-	-	-	-	-	-	-	-	\$24,235.00	\$89,735.00
251093XZ8	4/1/22	5.250%	Syncora	\$4,544.06	\$4,544.06	-	-	-	-	-	-	-	-	-	-	-	-	\$196,146.30	\$663,161.30
251093YA2	4/1/23	4.625%	Syncora	\$9,542.53	\$9,542.53	\$4,544.06	-	-	-	-	-	-	-	-	-	-	-	\$81,793.13	\$278,293.13
251093YB0	4/1/23	5.250%	Syncora	\$27,860.43	\$27,860.43	\$9,542.53	\$9,542.53	-	-	-	-	-	-	-	-	-	-	\$171,765.56	\$535,290.56
				\$27,860.43	\$27,860.43	\$14,086.59	\$14,086.59	-	-	-	-	-	-	-	-	-	-	\$1,144,977.66	\$5,294,402.66
UTGO Series 2004-A(1)																			
251093YX2	4/1/19	5.250%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$154,743.75	\$744,243.75
251093YY0	4/1/20	4.250%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$6,179.93	\$30,414.93
251093YZ7	4/1/20	5.250%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$251,097.53	\$1,048,232.53
251093ZA1	4/1/21	5.000%	Ambac	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$302,610.00	\$1,167,210.00
251093ZB9	4/1/22	5.250%	Ambac	\$23,830.54	\$23,830.54	-	-	-	-	-	-	-	-	-	-	-	-	\$381,288.60	\$1,289,118.60
251093ZC7	4/1/23	4.500%	Ambac	\$1,105.31	\$1,105.31	\$1,105.31	-	-	-	-	-	-	-	-	-	-	-	\$19,895.63	\$69,020.63
251093ZD5	4/1/23	5.250%	Ambac	\$23,796.15	\$23,796.15	\$23,796.15	-	-	-	-	-	-	-	-	-	-	-	\$428,330.70	\$1,334,850.70
251093ZE3	4/1/24	4.600%	Ambac	\$23,662.21	\$23,662.21	\$23,662.21	-	-	-	-	-	-	-	-	-	-	-	\$47,304.10	\$150,139.10
251093ZF0	4/1/24	5.250%	Ambac	\$74,790.19	\$74,790.19	\$23,692.99	\$23,692.99	\$23,692.99	\$23,692.99	-	-	-	-	-	-	-	-	\$473,859.75	\$1,376,449.75
				\$74,790.19	\$74,790.19	\$50,959.66	\$50,959.66	\$26,058.19	\$26,058.19	-	-	-	-	-	-	-	-	\$2,065,309.98	\$7,209,679.98

* Subject to Mandatory Redemption

13-53846-1 Doc 83-45-B Filed 10/22/24 Entered 10/22/24 23:48:32 Page 41 of 45

* Subject to Mandatory Redemption

UTGO Series STUB Bonds - Debt Service

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)						Issuance: 2008-A							
CUSIP		CUSIP		CUSIP		CUSIP		CUSIP		CUSIP			
251093ZNX1		251093N63		251093N63		251093N63		251093N63		251093N63			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest
10/1/14	Ambac	6/30/15	-	\$75,325.00	5.240%	\$1,973.52	10/1/14	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/15	Ambac	6/30/15	\$20,305.00	\$55,020.00	5.240%	\$1,973.52	4/1/15	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/15	Ambac	6/30/16	-	\$55,020.00	5.240%	\$1,441.52	10/1/15	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/16	Ambac	6/30/16	\$21,615.00	\$33,405.00	5.240%	\$1,441.52	4/1/16	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/16	Ambac	6/30/17	-	\$33,405.00	5.240%	\$875.21	10/1/16	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/17	Ambac	6/30/17	\$22,270.00	\$11,135.00	5.240%	\$875.21	4/1/17	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/17	Ambac	6/30/18	-	\$11,135.00	5.240%	\$291.74	10/1/17	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/18	Ambac	6/30/18	\$11,135.00	-	5.240%	\$291.74	4/1/18	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50
Total				\$75,325.00		\$9,163.97	Total				\$2,617,380.00		\$1,643,820.75
Issuance: 2008-A						Issuance: 2008-A							
CUSIP		CUSIP		CUSIP		CUSIP		CUSIP		CUSIP			
251093N55		251093N55		251093N55		251093N55		251093N55		251093N55			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest
10/1/14	Assured	6/30/15	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/14	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/15	Assured	6/30/15	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/15	Assured	6/30/15	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/15	Assured	6/30/16	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/15	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/16	Assured	6/30/16	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/16	Assured	6/30/16	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/16	Assured	6/30/17	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/16	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/17	Assured	6/30/17	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/17	Assured	6/30/17	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/17	Assured	6/30/18	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/17	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/18	Assured	6/30/18	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/18	Assured	6/30/18	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/18	Assured	6/30/19	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/18	Assured	6/30/19	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/19	Assured	6/30/19	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/19	Assured	6/30/19	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/19	Assured	6/30/20	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/19	Assured	6/30/20	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/20	Assured	6/30/20	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/20	Assured	6/30/20	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/20	Assured	6/30/21	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/20	Assured	6/30/21	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/21	Assured	6/30/21	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/21	Assured	6/30/21	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/21	Assured	6/30/22	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/21	Assured	6/30/22	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/22	Assured	6/30/22	-	\$1,129,220.00	5.000%	\$28,230.50	4/1/22	Assured	6/30/22	-	\$2,617,380.00	5.000%	\$65,434.50
10/1/22	Assured	6/30/23	-	\$1,129,220.00	5.000%	\$28,230.50	10/1/22	Assured	6/30/23	-	\$2,617,380.00	5.000%	\$65,434.50
4/1/2023	Assured	6/30/23	\$550,855.00	\$578,365.00	5.000%	\$28,230.50	4/1/2023	Assured	6/30/23	\$607,185.00	\$2,010,195.00	5.000%	\$50,254.88
10/1/2023	Assured	6/30/24	-	\$578,365.00	5.000%	\$28,230.50	10/1/2023	Assured	6/30/24	\$657,970.00	\$1,372,225.00	5.000%	\$34,305.63
4/1/2024	Assured	6/30/24	\$578,365.00	-	5.000%	\$14,459.13	4/1/2024	Assured	6/30/24	\$669,410.00	\$702,815.00	5.000%	\$17,570.38
10/1/2024	Assured	6/30/25	-	-	5.000%	-	10/1/2024	Assured	6/30/25	\$702,815.00	-	5.000%	\$17,570.38
Total				\$1,129,220.00		\$537,067.25	Total				\$2,617,380.00		\$1,643,820.75

EXHIBIT D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the City of Detroit, County of Wayne, State of Michigan (the “City”) in connection with bonds issued by the City, purchased or to be purchased with funds from the Michigan Finance Authority Local Government Loan Program Revenue Bonds, Series [2014], of the Type designated City of Detroit Unlimited Tax General Obligation Local Project Bonds (the “Local Project Municipal Obligations”) by the Michigan Finance Authority (the “MFA”). The City covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

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

“Audited Financial Statements” means the annual audited financial statement pertaining to the City prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

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

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

(b) *Continuing Disclosure.* The City hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA no later than 270 days after the end of its fiscal year the following annual financial information and operating data, commencing with the fiscal year ended June 30, 20__ in an electronic format as prescribed by the MSRB, the Audited Financial Statements and updates of certain financial and operating data of the City appearing under the headings and tables in the Official Statement of

the MFA dated _____, 2014 relating to the MFA Bonds as follows: [Tables 1 through 32, inclusive, and 42 in Appendix II to the Official Statement (“Annual Financial Information”).]

If the fiscal year of the City is changed, the City shall send notice of such change to the MSRB through EMMA prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

In the event that the Audited Financial Statements are not available by the date specified above, they will be provided when available and Unaudited Financial Statements will be filed by such date and the Audited Financial Statements will be filed as soon as available.

Such annual financial information and operating data described above are expected to be provided directly by the City by specific reference to documents available to the public through EMMA or filed with the SEC.

(c) *Notice of Failure to Disclose.* The City agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the City to provide the annual financial information with respect to the City described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Local Project Municipal Obligations, or other material events affecting the tax status of the Local Project Municipal Obligations;
- (7) modifications to rights of Bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Local Project Municipal Obligations, if material;
- (11) rating changes;

- (12) bankruptcy, insolvency, receivership or similar event of the City, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

(f) *Termination of Reporting Obligation.* The City reserves the right to terminate their obligation to provide annual financial information and notices of material events, as set forth above, if and when the City is no longer an "obligated person" with respect to the MFA Bonds within the meaning of the Rule, including upon legal defeasance of all MFA Bonds.

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

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

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the City, provided that the City agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a)

the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the MFA Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the City (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the City in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

(j) *Municipal Advisory Council of the State of Michigan.* The City shall also file by electronic or other means any information or notice required to be filed with the MSRB through EMMA pursuant to this Undertaking in a timely manner with the Municipal Advisory Council of the State of Michigan.

CITY OF DETROIT
County of Wayne
State of Michigan

By _____
Its: Finance Director

Dated: _____, 2014

22059790.15\022765-00202
7/23/14 7:57 AM

Exhibit C

ANNUAL CERTIFICATION OF IMPOSITION OF DEBT MILLAGE LEVY

Exhibit C
ANNUAL CERTIFICATION OF IMPOSITION OF DEBT MILLAGE LEVY

Millage Calculation

Numerator	
Fiscal Year 2015 Interest	\$ 24,753,181
Fiscal Year 2015 Principal	\$ 37,795,000
Projected Bond Sales - Current Year (Interest)	\$ -
Projected Bond Sales - Current Year (Principal)	\$ -
Projected Bond Sales - Next Year (Interest)	\$ -
Projected Bond Sales - Next Year (Principal)	\$ -
Fiscal Year 2015 Debt Service	\$ 62,548,181
Prior Year 2010E BAB Federal Tax Rebates	\$ 3,351,142
Prior Year Real Property Tax Overcollection / (Undercollection)	\$ -
Prior Year Personal Property Tax Overcollection / (Undercollection)	\$ -
Earnings in Escrow Account	\$ -
Change in Escrow Account Funding Balance	\$ -
Total Adjustments	\$ 3,351,142
Tax Levy Requirement	\$ 59,197,039

Denominator	
Total Net Tax Base	\$ 6,025,940,795

Millage	
Tax Rate	0.0098237
Tax Rate (per \$1000 valuation)	<div style="border: 1px solid black; padding: 2px;">9.8237</div>

Chief Financial Officer
City of Detroit

Date

Exhibit D

FORM OF SETTLEMENT ESCROW AGREEMENT

D-1

AFDOCS/10855025.6

SETTLEMENT ESCROW AGREEMENT

THIS SETTLEMENT ESCROW AGREEMENT (the "Agreement" or "Settlement Escrow Agreement"), is dated as of the ____ day of _____, 2014, made by and among the City of Detroit, County of Wayne, State of Michigan (the "City"), Ambac Assurance Corporation ("Ambac"), Assured Guaranty Municipal Corp. and Assured Guaranty Corp. (together, "Assured"), and National Public Finance Guarantee Corporation ("NPFG"), and U. S. Bank National Association, Detroit, Michigan (in such capacity, the "Settlement Escrow Trustee"). In this Agreement, each of the City, Ambac, Assured, NPFG and the Settlement Escrow Trustee is referred to individually as a "Party"; Ambac, Assured, and NPFG (including their successors and assigns) are referred to collectively as the "Bond Insurers"; and the City, the Settlement Escrow Trustee and the Bond Insurers are referred to collectively as the "Parties."

Capitalized terms not otherwise defined herein shall have the meaning set forth in the UTGO Settlement Agreement (defined herein).

WITNESSETH:

WHEREAS, the City and the Bond Insurers have heretofore entered into a Settlement Agreement, dated XX (the "UTGO Settlement Agreement") to consensually resolve their dispute under or in respect of the Prior UTGO Bonds, the Assured/NPFG Action, the AMBAC Action as it relates to the Prior UTGO Bonds, and the UTGO Claims, all arising out of a petition for relief filed by the City pursuant to Chapter 9 of title 11 of the United States Code in the United States Bankruptcy Court for the Eastern District of Michigan;

WHEREAS, if the Effective Date of the Plan does not occur on or prior to September 30, 2014, for any reason other than proximately by reason of the actions or positions taken by any of the Bond Insurers, or their failure to support the Plan as described in Section 3.1 of the UTGO Settlement Agreement, solely in their capacity as the insurers of the Prior UTGO Bonds and not in any other capacity (including, for the avoidance of doubt in their capacity as insurers of any other obligations of the City), the City will be obligated to pay into an escrow to be established with the Settlement Escrow Trustee under this Agreement the October 2014 scheduled interest debt service payment that would otherwise be made on the Restructured UTGO Bonds as if the transaction contemplated by the UTGO Settlement Agreement (other than the MFA Bond issuance) had closed (the "Pro Forma Restructured UTGO Bonds"), and any pro rata payments of principal and interest due thereafter, as further described in Section 2.8 of the UTGO Settlement Agreement and herein;

WHEREAS, the City has executed the Debt Millage Escrow Agreement pursuant to which the City will be required, as of the Effective Date, to segregate and deposit the UTGO Tax Levy with the Debt Millage Escrow Trustee;

NOW, THEREFORE, in consideration of the mutual undertakings, provisions and agreements herein contained, the sufficiency of which are hereby acknowledged, and in order to provide for the payment of the Pro Forma Restructured UTGO Bonds should the Effective Date

not occur on or prior to September 30, 2014, and to secure the performance and observance of the conditions and covenants herein set forth and for other valuable consideration, the receipt of which is hereby acknowledged, the City covenants and agrees with the Settlement Escrow Trustee and the Bond Insurers as follows:

ARTICLE I.
ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 101 Establishment of Settlement Escrow Fund. There is hereby created and established with the Settlement Escrow Trustee, pursuant to Order No. ____ and this Agreement, a single and common trust fund designated the "Settlement Escrow Fund" (the "**Settlement Escrow Fund**").

Section 102 Deposits to the Settlement Escrow Fund.

(a) If the Effective Date of the Plan does not occur on or prior to September 30, 2014 for any reason other than proximately by reason of the actions or positions taken by any of the Bond Insurers, or their failure to support the Plan as described in Section 3.1 of the UTGO Settlement Agreement, solely in their capacity as the insurers of the Prior UTGO Bonds and not in any other capacity (including, for the avoidance of doubt in their capacity as insurers of any other obligations of the City), the City shall pay the Settlement Escrow Trustee, from Debt Millage Revenues, for deposit into the Settlement Escrow Fund the October 2014 scheduled interest debt service payment with respect to the Pro Forma Restructured UTGO Bonds, as shown on Exhibit A, and any pro rata payments of principal and interest due thereafter, as shown on Exhibit A, as if the transaction contemplated by the UTGO Settlement Agreement (other than the MFA Bond issuance) had closed. Any such monies in the Settlement Escrow Fund which would have been payable on October 1, 2014 shall be released to the Bond Insurers on the Effective Date of the Plan. Any other monies then on deposit in the Settlement Escrow Fund shall be transferred on the Effective Date to the Debt Millage Escrow Trustee for deposit in the 2014 UTGO Municipal Obligation Subaccount in the 2014 UTGO Bonds Account established pursuant to the Debt Millage Escrow Agreement.

(b) If the Plan is not effective by March 31, 2015, and the Bankruptcy Court has issued an Approval Order (that is not stayed pending appeal) approving the settlement embodied in the UTGO Settlement Agreement, the monies in the Settlement Escrow Fund will be released and paid to the Bond Insurers in the amounts shown in Exhibit A for each prior interest payment date and the City shall make, or shall cause the Debt Millage Escrow Trustee to make, all subsequent debt service payments on each interest date payment (as shown on Exhibit A) directly to the paying agent for the Prior UTGO Bonds. If an Approval Order is entered but is subject to a stay pending appeal, the City shall continue to pay into the Settlement Escrow Fund the scheduled debt service on the Pro Forma Restructured UTGO Bonds as shown on Exhibit A for so long as such stay remains in effect, and, as soon as such order is no longer subject to stay, shall thereafter apply all monies in the Settlement Escrow Fund first, to immediately reimburse the Bond Insurers for payments of principal and interest made on and after October 1, 2014 with respect to the Prior UTGO Bonds, and thereafter to make payments directly to the Paying Agent for the UTGO Bonds.

(c) Notwithstanding the foregoing, if any Bond Insurer shall have defaulted in its obligation to make payments under its respective Bond Insurance Policy or Policies, any payment required to be made to such Bond Insurer shall be made to the holders of the Prior UTGOs at the direction of the City but only to the extent of any uncured failure or shortfall in the Bond Insurer's payment.

Section 103 Partial Payments; Accounting.

(a) If on any interest payment date amounts held in the Settlement Escrow Fund are less than the amounts due with respect to all Pro Forma Restructured UTGO Bonds (as shown on Exhibit A), such payments shall distributed pro rata based upon the aggregate amount payable to each Bond Insurer. If the City fails to deposit into the Settlement Escrow Fund, or to otherwise pay to the Bond Insurers or holders of the Prior UTGO the amounts required by this Agreement, any deficiencies shall be paid into the Settlement Escrow Fund from the first available amounts of the Aggregate UTGO Tax Levy as provided for in Section 2.4(b)(i) of the UTGO Settlement Agreement, and shall be distributed to, or at the direction of the Bond Insurers, pro rata, as soon as practicable (subject to Section 102(b)) hereof.

(b) The Settlement Escrow Trustee shall keep and maintain a record showing each deposit into the Settlement Escrow Fund, and all transfers of funds made therefrom, which shall be provided to any Bond Insurer upon request.

(c) Any payment to a Bond Insurer shall be paid by wire transfer in immediately available funds into the accounts as shown in Section 501.

ARTICLE II.
INVESTMENT OF FUNDS

Section 201 Permitted Investments. All money held by the Settlement Escrow Fund, without the need for further direction by the City, shall be invested by the Settlement Escrow Trustee in accordance with written instructions from the City in mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, that are at the time of purchase within the highest classification established by not less than two standard rating services and so long as the portfolio of such mutual funds is limited to bonds, and other obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by the full faith and credit of the United States. All investments shall mature or be redeemable at the option of the holder no later than the next interest payment date on the Pro Forma Restructured UTGO Bonds. In the absence of any written direction delivered to the Settlement Escrow Trustee by the City, the Settlement Escrow Trustee shall hold funds uninvested. The Settlement Escrow Trustee shall be entitled to rely on any written direction from the City as to the suitability and legality of the directed investment.

ARTICLE III.
THE SETTLEMENT ESCROW TRUSTEE

Section 301 Powers and Duties of Settlement Escrow Trustee. (a) The Settlement Escrow Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to act upon the opinion or advice of its counsel concerning all matters hereof, and may in all cases be reimbursed hereunder for reasonable compensation paid to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust hereof. The Settlement Escrow Trustee may act upon an opinion of counsel and shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith in reliance upon such opinion of counsel.

(b) The Settlement Escrow Trustee shall not be responsible for any recital herein, or for the validity of the execution by the City of this Settlement Escrow Agreement, or of any supplements thereto or instruments of further assurance, or for the validity or sufficiency of, or filing of documents related to the security for the Prior UTGO Bonds intended to be secured hereby.

(c) The Settlement Escrow Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Settlement Escrow Agreement.

(d) The Settlement Escrow Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Settlement Escrow Trustee shall be entitled to rely upon a certificate believed in good faith to be genuine and correct, signed on behalf of the City or a Bond Insurer by an authorized officer of the City or Bond Insurer, as the case may be, as sufficient evidence of the facts therein contained. The Settlement Escrow Trustee may also accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

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

(g) The Settlement Escrow Trustee shall not be required to give any note or surety in respect to the execution of its rights and obligations hereunder.

(h) All moneys received by the Settlement Escrow Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purpose for which they

were received, but need not be segregated from other funds except to the extent required by this Settlement Escrow Agreement, as amended, or by law. The Settlement Escrow Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(i) The Settlement Escrow Trustee shall not be under any obligation to initiate any suit or to take any remedial proceeding under this Settlement Escrow Agreement or to take any steps in the execution of the trusts created by this Settlement Escrow Agreement or in the enforcement of any rights and powers under this Settlement Escrow Agreement until it has been indemnified to its satisfaction against any and all fees, costs and expenses and other reasonable disbursements and against all liability.

(j) The Settlement Escrow Trustee shall have no responsibility or liability with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Prior UTGO Bonds, except for liability for its own gross negligence or willful misconduct.

(k) The Settlement Escrow Trustee may become the holder of any of the Prior UTGO Bonds with the same rights it would have if it were not Settlement Escrow Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of holders, whether or not such committee shall represent the holders of a majority in principal amount of any of the Prior UTGO Bonds of such series then outstanding.

(l) The Settlement Escrow Trustee shall not be liable for any error of judgment made in good faith by any of its officers, employees, agents or representatives, unless it shall be proved that the Settlement Escrow Trustee was negligent in ascertaining the pertinent facts.

(m) The Settlement Escrow Trustee has no obligation or liability to the holders for the payment of interest on, principal of or redemption premium, if any, with respect to the Prior UTGO Bonds from its own funds; but rather the Settlement Escrow Trustee's obligations shall be limited to the performance of its duties hereunder.

(n) Whether or not therein expressly so provided, every provision of this Agreement or related documents, relating to the conduct or affecting the liability of or affording protection to the Settlement Escrow Trustee shall be subject to the provisions of this Article.

Section 302 Fees and Expenses of Settlement Escrow Trustee. (a) The Settlement Escrow Trustee shall be entitled to reasonable and customary fees for services rendered under this Agreement, as amended, and shall be reimbursed for all expenses reasonably incurred in connection with such services. Such fees and expenses shall be payable by the City and shall be determined in accordance with the Fee Schedule attached as Exhibit E of this Agreement or as otherwise may be agreed to by the City and the Settlement Escrow Trustee. The Settlement Escrow Trustee shall not have a lien for the payment of its fees and expenses upon any of the money deposited with it in accordance with this Agreement.

(b) The City shall be liable for all fees, expenses, charges, losses, costs, liabilities and damages (including reasonable attorneys' or other professional fees) incurred by the Settlement

Escrow Trustee pursuant to this Agreement except for those which are adjudicated to have resulted from the gross negligence or willful misconduct of the Settlement Escrow Trustee, and shall pay such amounts to or at the direction of the Settlement Escrow Trustee.

Section 303 Resignation; Appointment of Successor Settlement Escrow Trustee; Successor Settlement Escrow Trustee Upon Merger, Consolidation or Sale. (a) The Settlement Escrow Trustee and any successor Settlement Escrow Trustee may resign only upon giving 60 days' prior written notice to the City and the Bond Insurers. Such resignation shall take effect only upon the appointment of a successor Settlement Escrow Trustee and the acceptance of such appointment by the successor Settlement Escrow Trustee. Upon appointment of a successor Settlement Escrow Trustee, the resigning Settlement Escrow Trustee shall, after payment of its fees, costs and expenses, assign all of its right, title and interest in the Settlement Escrow Fund, and transfer and assign its right, title and interest in the Settlement Escrow Agreement to the successor Settlement Escrow Trustee. The successor Settlement Escrow Trustee shall meet the requirements of Section 303(b) below and shall accept in writing its duties and responsibilities hereunder and file such acceptance with the City.

(b) In case the Settlement Escrow Trustee shall give notice of resignation or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public office or offices, or of a receiver appointed by a court, a successor may be appointed by the Bond Insurers, with the prior written consent of the City (to the extent that no breach by the City of any material agreement or covenant, i.e. an "Event of Default," shall have occurred and be continuing under this Settlement Escrow Agreement, written notice of which has been provided by the Bond Insurers to the City and the Settlement Escrow Trustee), which consent shall not be unreasonably be withheld. Every such Settlement Escrow Trustee appointed pursuant to the provisions of this Section 303(b) (i) shall at all times be a bank having trust powers or a trust company, (ii) shall at all times be organized and doing business under the laws of the United States of America or of any state, (iii) shall have, or be wholly owned by an entity having, a combined capital and surplus of at least \$75,000,000, (iv) shall be authorized under such laws to exercise corporate trust powers, and (v) shall be subject to supervision or examination by federal or state authority.

(c) Any corporation or association into which the Settlement Escrow Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, provided such company shall be eligible under Section 303(b) hereof, shall be and become successor Settlement Escrow Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 304 Removal of Settlement Escrow Trustee. The Settlement Escrow Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Settlement Escrow Trustee signed by the City and by all of the Bond Insurers. No removal of the Settlement Escrow Trustee and no appointment of a successor Settlement Escrow Trustee

shall become effective until the successor Settlement Escrow Trustee has accepted its appointment. Upon such removal and the payment of its fees, costs and expenses, the Settlement Escrow Trustee shall assign to the successor Settlement Escrow Trustee all of its right, title and interest in the Trust Estate.

ARTICLE IV. MISCELLANEOUS

Section 401 Notices; Payment Accounts. Except as other provided, all notices, certificates, requests, complaints, demands or other communications under this Agreement shall be deemed sufficiently given when sent by first class mail or overnight mail postage prepaid, addressed as follows:

If to the City, to:	City of Detroit Coleman A. Young Municipal Center 2 Woodward Avenue, Suite 1126 Detroit MI 48226 Attention: Chief Financial Officer
---------------------	---

If to the Settlement Escrow Trustee, to:	[U.S. Bank National Association 535 Griswold, Suite 550 Detroit, Michigan 48226 Attention: Corporate Trust Services]
--	---

If to the Bond Insurers, to:	Ambac Assurance Corporation One State Street Plaza New York, New York 10004 Attention: Surveillance Department and General Counsel's Office
------------------------------	---

Assured Guaranty Municipal Corp and
Assured Guaranty Corp.
31 West 52nd Street
New York, NY 10019
Attention: Kevin J. Lyons
Attention: Terence Workman

National Public Finance Guarantee Corporation
113 King Street
Armonk, NY 10504
Attention: Kenneth Epstein and William J. Rizzo

The City and the Settlement Escrow Trustee may, by giving notice hereunder, in writing, designate any further or different addresses to which subsequent notices, certificates, requests, complaints, demands or other communications hereunder shall be sent.

All payments to the Bond Insurers shall be made by wire transfer to the following accounts, unless otherwise changed by any Bond Insurer by written notice to the Escrow Agent:

[TO COME]

Section 402 Termination. This Agreement shall terminate following delivery of written direction from the City and the Bond Insurers to the Settlement Escrow Trustee to so terminate, together with written notice that all fees owed to the Settlement Escrow Trustee have been paid in full. Upon termination of this Agreement, any money remaining on deposit in the funds and accounts created and established hereunder shall be paid to the City.

Section 403 Amendments. This Agreement shall only be amended by the written agreement of all Parties.

Section 404 Severability. If any one or more sections, clauses or provisions of this Settlement Escrow Agreement shall be determined by a court of competent jurisdiction to be invalid or ineffective for any reason, such determination shall in no way affect the validity and effectiveness of the remaining sections, clauses and provisions of the Agreement.

Section 405 Headings. Any headings shall be solely for convenience of reference and shall not constitute a part of the Agreement, nor shall they affect its meaning, construction or effect.

Section 406 Settlement Escrow Agreement Executed in Counterparts. This Settlement Escrow Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, and such counterparts together shall and will constitute one and the same instrument.

Section 407 Parties Interested Herein. Nothing in this Settlement Escrow Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Settlement Escrow Trustee, the City and the Bond Insurers any right, remedy or claim under or by reason of this Settlement Escrow Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Agreement on behalf of the City shall be for the sole and exclusive benefit of the Settlement Escrow Trustee, the City, and the Bond Insurers.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date set forth above.

CITY OF DETROIT

By _____
Kevyn D. Orr
Its: Emergency Manager

AMBAC ASSURANCE CORPORATION

By: _____
Name:
Title:

ASSURED GUARANTY CORP.

By: _____
Name:
Title:

ASSURED GUARANTY MUNICIPAL CORP.

By: _____
Name:
Title:

NATIONAL PUBLIC FINANCE GUARANTEE
CORPORATION

By: _____
Name:
Title:

U. S. BANK NATIONAL ASSOCIATION,
as Escrow Trustee

By _____

Its: _____

EXHIBIT A
RESTRUCTURED UTGO BONDS DEBT SERVICE REQUIREMENTS
AND APPLICABLE BOND INSURER

UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

Maturity Date	Rate	Principal	Insurer	10/1/14	4/1/15	10/1/15	4/1/16	10/1/16	4/1/17	10/1/17	4/1/18	10/1/18	4/1/19	10/1/19	4/1/20	10/1/20	4/1/21
Interest																	
2019-9-A																	
2019-9M3	4/1/15	5.250%	Assured	\$65,012.06	\$65,012.06	-	\$65,066.38	-	-	-	-	-	-	-	-	-	-
2019-9M4	4/1/16	5.000%	Assured	\$65,066.38	\$65,066.38	-	\$65,066.38	-	-	-	-	-	-	-	-	-	-
2019-9M5	4/1/17	5.000%	Assured	\$68,325.13	\$68,325.13	-	\$68,325.13	-	-	-	-	-	-	-	-	-	-
2019-9M6	4/1/18	5.000%	Assured	\$71,801.13	\$71,801.13	-	\$71,801.13	-	-	-	-	-	-	-	-	-	-
2019-9M7	4/1/19	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M8	4/1/20	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M9	4/1/21	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M10	4/1/22	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M11	4/1/23	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M12	4/1/24	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M13	4/1/25	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M14	4/1/26	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M15	4/1/27	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M16	4/1/28	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M17	4/1/29	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M18	4/1/30	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M19	4/1/31	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M20	4/1/32	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M21	4/1/33	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M22	4/1/34	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M23	4/1/35	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M24	4/1/36	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M25	4/1/37	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M26	4/1/38	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M27	4/1/39	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M28	4/1/40	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M29	4/1/41	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M30	4/1/42	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M31	4/1/43	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M32	4/1/44	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M33	4/1/45	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M34	4/1/46	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M35	4/1/47	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M36	4/1/48	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M37	4/1/49	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M38	4/1/50	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M39	4/1/51	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M40	4/1/52	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M41	4/1/53	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M42	4/1/54	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M43	4/1/55	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M44	4/1/56	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M45	4/1/57	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M46	4/1/58	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M47	4/1/59	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M48	4/1/60	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M49	4/1/61	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M50	4/1/62	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M51	4/1/63	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M52	4/1/64	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M53	4/1/65	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M54	4/1/66	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M55	4/1/67	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M56	4/1/68	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M57	4/1/69	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M58	4/1/70	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M59	4/1/71	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M60	4/1/72	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M61	4/1/73	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M62	4/1/74	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M63	4/1/75	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M64	4/1/76	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M65	4/1/77	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M66	4/1/78	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M67	4/1/79	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M68	4/1/80	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M69	4/1/81	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M70	4/1/82	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M71	4/1/83	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M72	4/1/84	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M73	4/1/85	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M74	4/1/86	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M75	4/1/87	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M76	4/1/88	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M77	4/1/89	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M78	4/1/90	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M79	4/1/91	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M80	4/1/92	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M81	4/1/93	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M82	4/1/94	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M83	4/1/95	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M84	4/1/96	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M85	4/1/97	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M86	4/1/98	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75	-	-	-	-	-	-	-	-	-	-
2019-9M87	4/1/99	5.000%	Assured	\$75,385.75	\$75,385.75	-	\$75,385.75										

* Subject to Mandatory Redemption

13-53846-11 Doc 83-45 p 13 Filed 02/24/23 Entered 02/24/23 17:52:00 Page 20 of 32

Page 2 of 5

13-53846-1 Doc 3-245-9-1 Filed 10/22/11 Entered 10/22/11 23:43:29 Page 21 of 32

* Subject to Mandatory Redemption

13-53846-1 Doc 83-47-1 Filed 10/22/21 Entered 10/22/21 03:48:32 Page 2 of 32

To be Subject to Mandatory Redemption

UTGO Series 2014 DSA Fourth Lien Restructured Bonds - Debt Service

Bond Series Subject to Mandatory Redemption

Issuance: 2004-B(2)										Issuance: 2008-A									
CUSIP 251093ZX1							CUSIP 251093N63												
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest						
10/1/14	Ambac	6/30/15	-	\$499,675.00	5.240%	\$13,091.49	10/1/14	Assured	6/30/15	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/15	Ambac	6/30/15	\$134,695.00	\$364,980.00	5.240%	\$13,091.49	4/1/15	Assured	6/30/15	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/15	Ambac	6/30/16	-	\$364,980.00	5.240%	\$9,562.48	10/1/15	Assured	6/30/16	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/16	Ambac	6/30/16	\$143,385.00	\$221,595.00	5.240%	\$9,562.48	4/1/16	Assured	6/30/16	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/16	Ambac	6/30/17	-	\$221,595.00	5.240%	\$5,805.79	10/1/16	Assured	6/30/17	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/17	Ambac	6/30/17	\$147,730.00	\$73,865.00	5.240%	\$5,805.79	4/1/17	Assured	6/30/17	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/17	Ambac	6/30/18	-	\$73,865.00	5.240%	\$1,935.26	10/1/17	Assured	6/30/18	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/18	Ambac	6/30/18	\$73,865.00	-	5.240%	\$1,935.26	4/1/18	Assured	6/30/18	-	\$17,362,620.00	5.000%	\$434,065.50						
Total						\$60,790.03	Total						\$17,362,620.00	5.000%	\$10,904,429.25				
Issuance: 2008-A																			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest						
10/1/14	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2022	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/15	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2023	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/15	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2023	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/16	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2024	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/16	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2024	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/17	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2025	Assured	6/30/25	\$4,027,815.00	\$13,334,805.00	5.000%	\$434,065.50						
10/1/17	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2025	Assured	6/30/26	-	\$13,334,805.00	5.000%	\$333,370.13						
4/1/18	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2026	Assured	6/30/26	\$4,232,030.00	\$9,102,775.00	5.000%	\$333,370.13						
10/1/18	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2026	Assured	6/30/27	-	\$9,102,775.00	5.000%	\$227,569.38						
4/1/19	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2027	Assured	6/30/27	\$4,440,590.00	\$4,662,185.00	5.000%	\$227,569.38						
10/1/19	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2027	Assured	6/30/28	-	\$4,662,185.00	5.000%	\$116,554.63						
4/1/20	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2028	Assured	6/30/28	\$4,662,185.00	-	5.000%	\$116,554.63						
Total						\$187,269.50	Total						\$17,362,620.00	5.000%	\$10,904,429.25				
Issuance: 2008-A																			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest						
10/1/14	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2022	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/15	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2023	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/15	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2023	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/16	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2024	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/16	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2024	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/17	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2025	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/17	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2025	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/18	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2026	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/18	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2026	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/19	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2027	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/19	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2027	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/20	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2028	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
Total						\$187,269.50	Total						\$17,362,620.00	5.000%	\$10,904,429.25				
Issuance: 2008-A																			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest						
10/1/14	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2022	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/15	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2023	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/15	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2023	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/16	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2024	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/16	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2024	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/17	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2025	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/17	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2025	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/18	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2026	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/18	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2026	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/19	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2027	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/19	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2027	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/20	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2028	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
Total						\$187,269.50	Total						\$17,362,620.00	5.000%	\$10,904,429.25				
Issuance: 2008-A																			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest						
10/1/14	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2022	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/15	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2023	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/15	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2023	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/16	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2024	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/16	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2024	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/17	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2025	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/17	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2025	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/18	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2026	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/18	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2026	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/19	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2027	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/19	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2027	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/20	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2028	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
Total						\$187,269.50	Total						\$17,362,620.00	5.000%	\$10,904,429.25				
Issuance: 2008-A																			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest	Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate	Interest						
10/1/14	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2022	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/15	Assured	6/30/15	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2023	Assured	6/30/23	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/15	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2023	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/16	Assured	6/30/16	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2024	Assured	6/30/24	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/16	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2024	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/17	Assured	6/30/17	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2025	Assured	6/30/25	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/17	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2025	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/18	Assured	6/30/18	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2026	Assured	6/30/26	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/18	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2026	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/19	Assured	6/30/19	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2027	Assured	6/30/27	-	\$17,362,620.00	5.000%	\$434,065.50						
10/1/19	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	10/1/2027	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
4/1/20	Assured	6/30/20	-	\$7,490,780.00	5.000%	\$187,269.50	4/1/2028	Assured	6/30/28	-	\$17,362,620.00	5.000%	\$434,065.50						
Total						\$187,269.50	Total						\$17,362,620.00	5.000%	\$10,904,429.25				
Issuance: 2008-A																			
Date	Insurer	Fiscal Year	Mandatory Redemption Amounts	Outstanding	Rate														

EXHIBIT B
FEE SCHEDULE

B-1

ACTIVE 202233018v.4



U.S. Bank Customer Confidential

**Schedule of Fees for Services as
ESCROW AGENT
For
Settlement Escrow Agreement**

CTS01010A	Acceptance Fee The acceptance fee includes the administrative review of documents, initial set-up of the account, and other reasonably required services up to and including the closing. This is a one-time, non-refundable fee, payable at closing.	\$1,000.00
CTS04460	Escrow Agent Annual fee for the standard escrow agent services associated with the administration of the account. Administration fees are payable in advance.	\$5,000.00
	Direct Out of Pocket Expenses Reimbursement of expenses associated with the performance of our duties, including but not limited to publications, legal counsel after the initial close, travel expenses and filing fees.	At Cost
	Extraordinary Services Extraordinary Services are duties or responsibilities of an unusual nature, including termination, but not provided for in the governing documents or otherwise set forth in this schedule. A reasonable charge will be assessed based on the nature of the services and the responsibility involved. At our option, these charges will be billed at a flat fee or at our hourly rate then in effect.	

Account approval is subject to review and qualification. Fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Dated: July 21, 2014

Exhibit E

CONFIRMATION ORDER INSERT

D-1

UTGO Settlement Agreement – Insert for Confirmation Order

Findings of Fact and Conclusions of Law

A. After sufficient notice and opportunity for all parties to be heard, and after due deliberation, based on the Court's thorough review and full consideration of the UTGO Settlement Agreement and good and sufficient cause appearing therefor, the Court makes the following findings of fact and conclusions of law. Any finding of fact constitutes a finding of fact even if it is stated as a conclusion of law, and any conclusion of law constitutes a conclusion of law even if it is stated as a finding of fact. All findings of fact and conclusions of law announced by the Court on the record in connection with confirmation of the Plan or otherwise at the Confirmation Hearing are incorporated herein by reference.¹ The findings and conclusions set forth herein and in the record of the Confirmation Hearing constitute the Court's findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, as made applicable herein by Bankruptcy Rules 7052 and 9014.

B. The UTGO Settlement described in the Plan and the UTGO Settlement Agreement are fair, equitable, reasonable, and in the best interests of the City and its creditors and residents.² The UTGO Settlement Agreement is the result of extensive arms' length negotiations among the City and the UTGO Bond Insurers – all of whom were represented by

¹ The findings of fact and conclusions of law set forth herein and announced on the record during the Confirmation Hearing shall be construed in a manner consistent with each other so as to effect the purpose of each; provided, however, that if there is any direct conflict that cannot be reconciled, then, solely to the extent of such conflict, the provisions of this Confirmation Order shall govern and shall control and take precedence over any findings of fact or conclusions of law announced on the record at the Confirmation Hearing.

² Capitalized terms used herein but not defined shall have the meanings ascribed to them in the Plan or the UTGO Settlement Agreement, a copy of which is attached to the Plan as Exhibit ____.

sophisticated counsel. The compromises and settlements embodied in the UTGO Settlement (a) resolve all disputes with respect to claims classified in Class 8 under the Plan and the issues raised by the UTGO Bond Insurers in the UTGO Litigation and (b) are, collectively, a key compromise upon which several provisions of the Plan rest. In the absence of such compromises and settlements, the City's emergence from chapter 9 would likely have been delayed by litigation and burdened with additional expenses. The UTGO Settlement and the UTGO Settlement Agreement: (a) were negotiated and entered into in good faith, (b) comport with policies and purposes of chapter 9, (c) are fair, equitable and reasonable; (d) are in the best interests of the City and its creditors and residents as they not only fully resolve the UTGO Litigation but also permit the City's assignees to receive value from the Assigned UTGO Bond Tax Proceeds as set forth in the Plan; (e) are within the range of reasonable results if the disputes resolved by the UTGO Settlement, including the Assured/NPFG Action and the Ambac Action as they relate to the UTGO Bonds, were instead litigated to a conclusion; (f) fall above the lowest point in the range of reasonableness; and (g) meet the standards for approval under sections 105(a) and 1123(b) of the Bankruptcy Code, Bankruptcy Rule 9019(a) and other applicable law.

C. Without limiting any of the foregoing, the Court hereby finds that:

- a. The Plan incorporates the UTGO Settlement Agreement, and the effectiveness of the Plan is expressly conditioned upon: (a) the Michigan Finance Authority board having approved the issuance of the MFA Bonds and such bonds having been issued; and (b) the City having obtained all governmental and Emergency Manager consents and approvals required to carry out the terms of the UTGO Settlement Agreement.

- b. As of the Effective Date, the Plan represents a full, final and complete compromise, settlement, release and resolution of, among other matters, all disputes and pending or potential litigation (including any appeals), including, without limitation, the UTGO Litigation, regarding the allowability, amount, priority and treatment of the Unlimited Tax General Obligation Bond Claims. The treatment of Class 8 UTGO Claims under the Plan is a component of a settlement and compromise of the UTGO Litigation.
- c. Good and valuable consideration has been provided for all releases and exculpations granted pursuant to the UTGO Settlement Agreement, including, without limitation, the releases and exculpations granted pursuant to sections 6.1 and 6.2 of the UTGO Settlement Agreement. Such provisions are fair, equitable, reasonable and integral elements of the UTGO Settlement Agreement.
- d. The Court confirms that as of the Effective Date and pursuant to Emergency Manager Order No. __, the Municipal Obligation shall be secured, to the extent permitted by law, including without limitation section 12(1)(x) of Act 436, by a lien granted by the City on the UTGO Bond Tax Levy for so long as either the Municipal Obligation or the Stub UTGO Bonds are outstanding.
- e. As of the Effective Date, the UTGO Bond Tax Levy shall constitute “special revenues,” as defined in section 902 of the Bankruptcy Code, and

“pledged special revenues,” as that term is used in section 922(d) of the Bankruptcy Code.

- f. As of the Effective Date, the MFA shall possess a valid and enforceable statutory fourth lien and trust on Distributable State Aid, as provided in section 15(2) of the Shared Credit Rating Act or as otherwise provided under applicable law.
- g. As of the Effective Date, Holders of the MFA Bonds shall possess all of the MFA’s rights and interest in the Municipal Obligation including all the rights and interest provided herein and under the UTGO Settlement Agreement, subject to the reservation by the MFA of rights to indemnification and to make all determinations and approvals and receive all notices accorded to it under the Municipal Obligation and related documents. Accordingly, the MFA Bonds will be payable from and secured by (i) payments made by the City on the Municipal Obligation and to the extent permitted by law, including without limitation section 12(1)(x) of Act 436, a lien on the portion of the UTGO Bond Tax Levy allocable to the Municipal Obligation, pledged by the City to secure the Municipal Obligation and (ii) a lien, made a statutory lien as provided by the Shared Credit Rating Act, on moneys in the funds and accounts established for the MFA Bonds under the authorizing resolution for such bonds, including payments pledged by the City and received and held by the MFA or its trustee for the MFA Bonds, which include, without

limitation, all payments of (x) the proceeds of the UTGO Bond Tax Levy and (y) Distributable State Aid.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The UTGO Settlement. Consistent with the findings herein, the UTGO Settlement and the UTGO Settlement Agreement, including without limitation all of the transactions contemplated, the liens granted, and the protections created therein, are APPROVED in their entirety as a good faith, fair, reasonable, and equitable compromise and settlement of all disputes with respect to claims classified in Class 8 under the Plan that is in the best interests of the City and its creditors and residents. The entry of this Confirmation Order constitutes approval of the UTGO Settlement Agreement pursuant to the Bankruptcy Rules, including Bankruptcy Rule 9019, the Bankruptcy Code, including section 1123, and Act 279, Public Acts of Michigan, 1909, as amended; Act 436, Public Acts of Michigan, 2012; Act 34, Public Acts of Michigan, 2001, as amended; and Act 80, Public Acts of Michigan, 1981, as amended. As provided in the Plan, on the Effective Date, the UTGO Settlement Agreement shall be binding on the City, Ambac, Assured and NPFG.

2. Approval of Exculpations and Releases. All exculpations and releases granted pursuant to the UTGO Settlement, including, without limitation, the releases and exculpations granted pursuant to sections 6.1 and 6.2 of the UTGO Settlement Agreement, are hereby approved in their entirety. The Court approves such settlements and releases on the grounds that good and valuable consideration has been provided therefor, and that such provisions are fair, equitable, reasonable, and integral elements of the UTGO Settlement Agreement.

3. Segregation of UTGO Bond Tax Levy. The proceeds of the UTGO Bond Tax Levy collected by the City shall be segregated and transmitted to the Debt Millage Escrow Trustee under the Debt Millage Deposit Escrow Agreement, and the Debt Millage Escrow Trustee shall segregate and transmit the proceeds allocable to the Municipal Obligation to the Master Trustee in accordance with section 2.4(a) of the UTGO Settlement Agreement.

4. Annual Certification of Debt Millage Levy. Pursuant to the Section 2.7(b) of the UTGO Settlement Agreement, the City shall certify annually, not later than June 30 of each year, that it has imposed the debt millage levy as required by and in accordance with the terms of the UTGO Settlement Agreement.

5. Retention of Jurisdiction. Pursuant to section 945(a) of the Bankruptcy Code, the Court shall retain jurisdiction over the UTGO Settlement and the UTGO Settlement Agreement and any dispute arising from or related to the UTGO Settlement Agreement. For the avoidance of doubt and as the City has consented, the Court shall retain exclusive post-confirmation authority and power, to implement, interpret and enforce the UTGO Settlement Agreement and all Settlement-Related Documents, including, without limitation, all exhibits to the UTGO Settlement Agreement, the Restructured UTGO Bonds, the Municipal Obligation and the MFA Bonds. As the City has consented, the Court reserves all powers as are necessary or appropriate to enforce or to give effect to the Court's retained jurisdiction under the Plan and this Confirmation Order, including by way of injunction, as long as any of the Municipal Obligation, Stub UTGO Bonds or MFA Bonds are outstanding.

EXHIBIT II.B.3.g.ii.A

**SCHEDULE OF PAYMENTS AND SOURCES OF
PAYMENTS FOR MODIFIED PFRS PENSION BENEFITS**

City of Detroit
PFRS Pension contributions (FY14 - FY23)

\$ in millions

PFRS	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
Source:											
State	\$ -	\$ 96.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96.0
Foundations	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
Total	-	114.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	260.7

EXHIBIT II.B.3.g.ii.C

TERMS OF PFRS PENSION RESTORATION

TERMS OF PFRS PENSION RESTORATION

Pension Restoration Process

The following rules shall govern how accrued pensions, including COLA benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the Confirmation Order. The pension restoration process shall be supervised, and restoration decisions undertaken by the Investment Committee of PFRS and in accordance with the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto. This pension restoration program shall be deemed a part of Component II of the Combined Plan for the Police and Fire Retirement System, but in the event of any conflict between the language set forth herein and the Combined Plan the terms of this Pension Restoration Agreement will govern.

GENERAL RESTORATION RULES

I. PFRS RESTORATION

1. Waterfall Categories

There will be three Waterfall Classes:

- a. PFRS Waterfall Class 1 – Retirees in retirement benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries
- b. PFRS Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses and beneficiaries, and who are in pay status as of the end of the PFRS Fiscal Year prior to the year in which the restoration decision is made
- c. PFRS Waterfall Class 3 – All retirees, surviving spouses, and beneficiaries in pay status and all other PFRS participants who as of June 30, 2014 are not in retirement benefit pay status

2. General PFRS Pension Restoration Through June 30, 2023

Each year in conjunction with the annual actuarial valuation report, the PFRS actuary will project the PFRS funded ratio as of 2023 based upon the market value of plan assets relative to the actuarial accrued liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses (administrative and investment), future employer contributions as set forth in the Plan of Adjustment (subject to conditions in the Plan of Adjustment), and such other actuarial

assumptions as utilized by the PFRS actuary. For purposes of PFRS Restoration through June 30, 2023, the Funding Target will be a 75% funded ratio, and the Restoration Target will be a 78% funded ratio, both projected to June 30, 2023. For purposes of calculating the funded ratio, the assets in the Restoration Reserve Account will be excluded. Each year, if the actuary projects that the Funded Level as of 2023 (excluding Restoration Account assets to avoid double counting) exceeds the Restoration Target (i.e., exceeds 78%), a credit of assets for bookkeeping purposes will be made into a new notional Restoration Reserve Account. The notional credit will be an amount equal to the excess of assets above the amount projected to be needed to satisfy the Restoration Target. Once the Restoration Reserve Account is established, each year thereafter, Restoration Account assets will be credited with interest in an amount equal to the net return on plan investments but capped at the actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023). In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses and any required transfer to the PFRS Pension Reserve Account as provided herein.

Actual restoration payments and restoration credits will work as follows: each year, in conjunction with the preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the PFRS actuary will determine whether there are sufficient funds in such account to restore COLA benefits in a minimum incremental amount of 10% or more. For example: If a retiree's then current COLA benefit is a 1.0% annual compounded COLA, the minimum incremental restoration would increase the COLA benefit to 1.225%. COLA restoration only will occur if the funding level in the Restoration Reserve Account can fund 100% of the COLA increase over the actuarially-projected lives of the eligible recipient PFRS Waterfall Class. If the actuary certifies that the Restoration Reserve Account as of the end of the prior PFRS fiscal year satisfies the required funding level for one or more increments of restoration, then in the next immediate PFRS fiscal year actual COLA restoration payments will be made to PFRS Waterfall Class 1 members in such increments until an amount sufficient to fund 66% of the value of their future COLA payments (e.g., a 1.5% compound COLA, or as otherwise applicable) has been funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account would fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), PFRS Waterfall Class 2 members will receive COLA restoration, until an amount sufficient to fund 66% of the value of their future COLA payments has been funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account would fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), PFRS Waterfall Class 3 members will receive COLA restoration on a pro-rata basis. For PFRS Waterfall Class 3 members who are in pay status at that time of restoration, they will receive COLA payments; for active employees at the time of restoration, they will receive credits granting them a right upon retirement to receive COLA restoration equal to the 10% increments that are fully funded to PFRS Waterfall Class 3 members. For Example: Assume there are sufficient assets credited to the Restoration Reserve Account as of the

end of a fiscal year to fully fund 66% of the value of the COLA for all PFRS Waterfall Class 1 and Class 2 members for their actuarially projected lives. To the extent additional assets remain in the Restoration Reserve Account to fully fund at least a 10% COLA increment for PFRS Waterfall Class 3 members for their actuarially projected lives, then (i) all retirees would receive a restoration payment of 76% of the value of their COLAs (their having already received by virtue of their membership in PFRS Waterfall Classes 1 and 2 an increase to 66% of the value of their COLAs) and also a 10% COLA increment would be credited to eligible active employees which would be included in their benefit payments upon retirement (thus causing their COLAs to increase in value from 45% to 55%). Restoration amounts actually paid from the Restoration Reserve Account will be debited from such account. Restoration payments will be calculated and paid on a prospective basis only.

Once restoration payments and credits begin, as long as the Restoration Reserve Account continues to have assets to fund 100% of an incremental COLA restoration amount for such Waterfall Class for their actuarially projected lives, the restoration payments and credits will continue; provided, however, that in the event the Restoration Reserve Account, after having sufficient assets to fund 100% of two or more increments, falls below 100% for the second or greater increment, the annual amounts to pay such second or greater increment can continue until the Restoration Reserve Account lacks any assets to fund such additional increment. For Example, assume a 10% increment in PFRS Waterfall Class 1 requires \$10 million in assets to be fully funded for the PFRS Waterfall Class' actuarially projected lives, and that based on FY 2018 results the Restoration Reserve Account has assets of \$22 million so as to fund two increments of restoration in FY 2019. Assume further that in the following year the Restoration Reserve Account drops in value to \$17 million; in such event two increments could still be paid, and the second increment would cease being paid only if the value of assets in the Restoration Reserve Account dropped to or below \$10 million (in the event they dropped below \$10 million, the first increment also would cease being paid). For purposes of restoration reduction, restoration increments will be taken away in reverse order in which they were granted (i.e. last in, first out).

If the PFRS Funded Level (excluding Restoration Reserve Assets) projected to 2023 falls below 76% (hereinafter, "Restoration Reserve Suspension Trigger"), then, until such time as the projected PFRS Funded Level in 2023 is 76% or above, further interest credits to the notional Restoration Reserve Account will cease notwithstanding the actual net PFRS investment returns for the fiscal year in question. Furthermore, if the PFRS Funded Level projected to 2023 falls below the Funding Target (i.e., 75%) then restoration payments to retirees and credits to active employees in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the PFRS Pension Reserve Account in sufficient amounts to restore the projected PFRS Funded Level in 2023 to 75%; (2) following such transfer, the remaining assets in the Restoration Reserve Account shall be applied to

make restoration payments in accordance with and pursuant to the same mechanism described in the previous paragraph.

In connection with preparation of the actuarial report for FY 2023, the PFRS actuary will determine whether PFRS has satisfied the Permanent Restoration Target, which shall be 78%. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers, the PFRS Funded Level as of June 30, 2023 has satisfied the Permanent Restoration Target (*i.e.*, 78%), then the residual amounts, if any, in the Restoration Reserve Account (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of COLA restoration payments for one or more PFRS Waterfall Classes for their actuarially projected lives, shall be transferred from the Restoration Reserve Account and credited to the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored for the applicable PFRS Waterfall Class and shall no longer be variable from year to year.

Following receipt of the actuarial reports for 2019, and in the event that the projected Funded Level of PFRS as of 2023 is less than 76%, the PFRS actuary shall revisit the restoration calculations that it made during each of the prior 4 years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2023, or (ii) an amount of annual administrative expenses until 2023 equal to the average annual normal course administrative expenses in the prior 4 years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the PFRS Restoration Reserve Account than actually were transferred during such look back period, then the PFRS Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period); or (iii) the amount required to increase the projected 2023 PFRS Funded Level to 76%.

3. General PFRS Pension Restoration from July 1, 2023 to June 30, 2033.

If and to the extent that all COLA payments have not been restored pursuant to the permanent restoration feature as of June 30, 2023 described in the immediately preceding paragraph, then during this period and for purposes of variable restoration, the Funding Target, the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth on Exhibit A hereto, all projected as of June 30, 2033. The same rules for restoration payments that applied during the period ending June 30, 2023 shall apply (including ceasing interest credits in

the event of a Restoration Reserve Suspension Trigger, and making Restoration Account asset transfers in the event the 2033 PFRS Funded Level falls below the 2033 Funding Target), except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan actuary shall project investment returns through June 30, 2033 at the then current investment return assumption which is assumed to be net of expenses (administrative and investment), and the then applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the Plan actuary shall assume, merely for purposes of determining whether the Restoration Target is satisfied, that the annual City contribution amount shall be the annual amount necessary to fund the PFRS based upon an amortization of the actual 2023 UAAL (using the market value of assets) over 30 years (hereinafter, the "2023 UAAL Amortization") and in such manner that the resulting annual contribution stream would achieve the applicable PFRS' Funding Target (on Exhibit A) as of 2033. (Such projected, hypothetical contributions shall be for purposes only of making restoration determinations, and shall not necessarily be the actual contributions made or required to be made by the City or recommended during such period; all of which shall be determined independent of the restoration calculation process). For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded

To the extent that the City's actual contributions to the PFRS in any of the FYs 2024 (i.e., the year ending June 30, 2024) through 2033 are greater than the projected annual contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in PFRS called the Extra Contribution Account. In determining pension restoration during the period from FY 2024 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected funded level for the Restoration Target or Permanent Restoration Target. To the extent that the City's actual contributions to the PFRS in any of the FYs 2024 through 2033 are less than the projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Restoration Reserve Account.

Each year, in addition to the crediting of assets that exceed the amount necessary to satisfy the Restoration Target, existing Restoration Account assets will be credited with interest equal to the net return on plan investments, but capped at the then actuarial investment return assumption. In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses.

In connection with preparation of the annual actuarial valuation report for FY 2033, the PFRS actuary will determine whether PFRS has satisfied the applicable Permanent Restoration Target, as set forth on Exhibit A. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the funding level as of June 30, 2033 has satisfied the applicable Permanent Restoration

Target , then the residual amounts in the Restoration Reserve Account, if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of COLA restoration payments for one or more PFRS Waterfall Classes, shall be transferred from the Restoration Reserve Account and credited to the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored for the applicable PFRS Waterfall Class and shall no longer be variable from year to year.

Following receipt of the actuarial reports for 2028, and in the event that the projected Funded Level of PFRS as of 2033 is less than 79%, the PFRS actuary shall revisit the restoration calculations that it made during each of the prior 4 years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2033, or (ii) an amount of annual administrative expenses until 2033 equal to the average annual normal course administrative expenses in the prior 4 years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the PFRS Restoration Reserve Account than actually were transferred during such look back period, then the PFRS Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the applicable look-back period or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the applicable look-back period); or (iii) the amount required to increase the projected 2033 PFRS Funded Level to 79%.

4. General PFRS Pension Restoration from July 1, 2033 to June 30, 2043.

If and to the extent that all COLA payments have not been restored pursuant to the permanent restoration feature as of June 30, 2033 described in the immediately preceding paragraph, then during the period ending June 30, 2044 and for purposes of variable restoration, the Funding Target , the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth on Exhibit A hereto. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and making Restoration Account asset transfers in the event the 2043 PFRS Funded Level falls below the 2043 Funding Target), and shall be rolled forward. For example, for purposes of determining whether the 2043 Restoration Target has been satisfied, the Plan actuary shall project annual contributions using the same 2023 UAAL Amortization. For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded, and no Extra Contribution Account assets shall be included for purposes of determining whether the Funded Level meets the Restoration Target or Permanent Restoration Target, including any additions to such account after 2033.

In connection with preparation of the annual actuarial valuation report for FY 2043, the PFRS actuary will determine whether PFRS has satisfied the applicable Permanent Restoration Target, as set forth on Exhibit A. Transfers from the Restoration Reserve Account for credit to the PFRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the PFRS Funded Level as of June 30, 2043 is equal to or greater than the applicable Permanent Restoration Target, then the residual amounts in the Restoration Reserve Account, if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), shall be transferred from the Restoration Reserve Account and credited to the PFRS Pension Reserve Account and the applicable incremental COLA payments shall be permanently restored for the applicable PFRS Waterfall Class and shall no longer be variable from year to year.

5. Modification of the Pension Restoration Program

If any time after July 1, 2026, the PFRS Investment Committee (by vote of 5 of its 7 members), or the PFRS Board of Trustees (by a greater than 66% vote) determines that a change in relevant circumstances has occurred, or there was a mutual mistake of fact in developing this Pension Restoration Agreement, such that the continued operation of this Agreement without amendment will: (a) materially harm the long-term economic interests of the City, or Retirement System; (b) materially impair the City's ability to fully fund over a reasonable period the then existing frozen benefit liabilities; or (c) materially hinder the Restoration program, if as of that juncture (and for purposes of applying this subsection 5(c)) annual funding levels (excluding the Extra Contribution Account) had materially exceeded the applicable PFRS Restoration Targets for a substantial period yet without any material actual restoration of benefits as contemplated herein having been made, the Investment Committee or the Board, as the case may be, shall provide written notice to the other entity of such a determination and of the need to amend this Restoration Agreement (it being understood that the post-Chapter 9, 40-year amortization period (to 2053) to fully fund PFRS frozen liabilities is, unless the relevant facts demonstrate otherwise, presumptively reasonable). The Investment Committee and the Board shall then meet to negotiate amendments to this Agreement that address the identified risk of harm or impairment, but which also considers this Agreement's objective of providing pension restoration. Such negotiations shall take into account reasonable actions the City has pursued or could pursue to mitigate such harm or impairment. Any such amendments shall require the approval of a majority vote of the combined members of the Committee and Board (persons who sit on both the Board and Committee shall have one vote). Such parties shall consult with the Mayor, City Council and the Governor in connection with such negotiation. If the Board, acting through a majority, and the Investment Committee, acting through a majority, cannot agree to such amendments within the 90-day period following the provision of such notice by the determining party, then the Board and Investment Committee shall proceed to mediation upon demand from either the Board or the Investment Committee. In this regard, within 30-days following expiration of the 90-day period the Board and the Investment Committee shall each select a mediator from the list of approved mediators for the United States District Court for the Eastern District of Michigan. The two selected mediators shall

appoint a third neutral mediator from the approved list. Each party shall furnish a written statement to the mediators within 30 days of selection of the neutral mediator. Representatives of the Mayor and the Governor shall be consulted in connection with such mediations. If following a 90-day mediation period following submission of the written statements the matter is not settled, then either the Investment Committee or the Board can file an action in the United States District Court for the Eastern District of Michigan asking it to declare, inter alia, whether or in what manner to amend this Agreement.

EXHIBIT A

PFRS - The 2033 and 2043 Funding Targets shall be 3.0% and 6% higher than the actual 2023 Funded Level rounded to the nearest 10th decimal. The Restoration Target shall be 3.0% higher than the Funding Target but not less than 81% and 84% in 2033 and 2043, respectively. The Permanent Restoration Targets shall be equal to the Restoration Targets for all time periods. The Restoration Reserve Suspension Trigger will be set 1% higher than the projected Funding Target for all time periods.

<u>2023 Funded Level</u>	<u>2033 Projected Funding Target /Restoration Target</u>	<u>2043 Projected Funding Target /Restoration Target</u>
78%	81%/84%	84%/87%
77%	80%/83%	83%/86%
76%	79%/82%	82%/85%
75%	78%/81%	81%/84%
74% or lower	3% > than 2023 Funded Level %/81%	3% > than 2023 Funded Level %/84%
	<u>2033 Permanent Restoration Target</u>	<u>2043 Permanent Restoration Target</u>
	Same as 2033 Restoration Target	Same as 2043 Restoration Target

EXHIBIT II.B.3.r.ii.A

**SCHEDULE OF PAYMENTS AND SOURCES OF
PAYMENTS FOR MODIFIED GRS PENSION BENEFITS**

City of Detroit
GRS Pension contributions (FY14 - FY23)

\$ in millions

GRS	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Year
Source:											
DWSD	\$ -	\$ 65.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 428.5
UTGO	-	4.4	4.0	4.0	3.9	3.7	3.7	3.6	2.3	2.0	31.7
State	-	98.8	-	-	-	-	-	-	-	-	98.8
DIA	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
Other	-	14.6	22.5	22.5	22.5	22.5	2.5	2.5	2.5	2.5	114.6
Total	-	188.2	76.9	76.9	76.8	76.6	56.5	56.5	55.2	54.9	718.6

EXHIBIT II.B.3.r.ii.C

TERMS OF GRS PENSION RESTORATION

TERMS OF GRS PENSION RESTORATION

Pension Restoration Process

The following rules shall govern how accrued pensions, including COLA benefits, that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the Confirmation Order. The pension restoration process shall be supervised, and restoration decisions undertaken by the Investment Committee of GRS and in accordance with the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto. This pension restoration program shall be deemed a part of Component II of the Combined Plan for the General Retirement System of the City of Detroit, but in the event of any conflict between the language set forth herein and the Combined Plan the terms of this Pension Restoration Agreement will govern.

GENERAL RESTORATION RULES

I. GRS RESTORATION

1. Waterfall Categories

There will be three Waterfall Classes:

- a. GRS Waterfall Class 1 – Retirees, in retirement benefit pay status as of June 30, 2014, and their surviving spouses and beneficiaries
- b. GRS Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving spouses and beneficiaries, and who are in pay status as of the end of the GRS Fiscal Year prior to the year in which the restoration decision is made
- c. GRS Waterfall Class 3 – All other GRS participants who as of June 30, 2014 are not in retirement benefit pay status

2. General GRS Pension Restoration Through June 30, 2023

Each year in conjunction with the annual actuarial valuation report, the GRS actuary will project the GRS funded ratio as of 2023 based upon the market value of plan assets relative to the actuarial accrued liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses (investment and administrative), future employer contributions as set forth in the Plan of Adjustment (subject to the conditions in the Plan of Adjustment) and such other actuarial assumptions as utilized by the GRS actuary. For purposes of GRS Restoration through June 30, 2023, the Funding Target will be a 70% funded ratio, the Restoration Target will be a 75% funded ratio, and the Restoration Reserve Suspension Trigger will be a

71% funded ratio, all projected to June 30, 2023. For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded. Each year, if the actuary projects that the projected Funded Level as of June 30, 2023 (excluding Restoration Account assets to avoid double counting) exceeds the Restoration Target (i.e., exceeds 75%), a credit of assets for bookkeeping purposes will be made into a new notional Restoration Reserve Account. The notional credit will be in an amount equal to the excess of assets above the amount projected to be needed to satisfy the Restoration Target. Once the Restoration Reserve Account is established, each year thereafter, Restoration Account assets will be credited with interest in an amount equal to the net return on plan investments, but capped at the actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023). In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses and any required transfer to the GRS Pension Reserve Account.

To the extent that the City's (including DWSD or a successor authority) actual contributions in any of the FYs 2015 through 2023 are less than the contributions provided for in the Plan of Adjustment, such difference and any investment earnings thereon shall be notionally allocated to the Pension Fund Reserve Account.

Actual restoration payments and credits will work as follows: Each year in conjunction with preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the GRS actuary will determine whether there are sufficient funds in such account to restore a portion of the 4.5% across the board pension cuts in one or more minimum incremental amounts equal to $\frac{1}{2}\%$ of the monthly benefit for each member of GRS Waterfall Class 1 (i.e. reducing the initial across the board cut to 4.0%). This restoration only occurs if the funding level in the Restoration Reserve Account can fund 100% of each incremental increase over the remaining actuarially projected lives of the eligible recipients in GRS Waterfall Class 1. If the Restoration Reserve Account satisfies the required funding level, then in the next GRS fiscal year, actual restoration payments will be made to GRS Waterfall Class 1 members in amounts equal to the benefit associated with each increment that have been fully funded in the Restoration Reserve Account. Once Waterfall Class 1 has sufficient assets in the GRS Restoration Reserve Account to fully fund and restore the 4.5% cut in their monthly benefits, and to the extent that additional assets in the Restoration Reserve Account remain and will fully fund at least $\frac{1}{2}\%$ of the monthly benefit for each member of GRS Waterfall Class 2 over their remaining actuarially projected lives, then GRS Waterfall Class 2 members will receive pension restoration in minimum $\frac{1}{2}\%$ benefit increments until an amount equal to the 4.5% cuts in their monthly benefits has been fully funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account remain and will fund at least a minimum $\frac{1}{2}\%$ of the monthly benefit of each member in GRS Waterfall Class 3 over their remaining actuarially projected

lives, then each such member of the class shall receive a credit granting them a right upon retirement to receive pension restoration equal to the benefit increments that are fully funded. Restoration payments will be calculated and paid on a prospective basis only.

After the full 4.5% across the board pension cuts are restored for all three GRS Waterfall Classes, and to the extent there are additional assets in the Restoration Reserve Account to fully fund COLA benefits over the actuarially-projected lives of the eligible recipient GRS Waterfall Class, such assets will be used to fully fund and restore a portion of the COLA values that were eliminated as part of the Plan of Adjustment. COLA will be restored in minimum 10% COLA value increments up to 50% of the future COLA values for each member of GRS Waterfall Class 1 (i.e., a 50% future COLA value will constitute a 1.25% simple COLA), then up to 50% of the future COLA values for each member of Waterfall Class 2, and then up to 50% of the future COLA values for each member of Waterfall Class 3 until all members of the three GRS Waterfall Classes have had 50% of the value of their COLAs fully funded and restored. After 50% of the future values of COLA have been fully funded and restored, and to the extent there are additional assets in the Restoration Reserve Account for each of the three GRS Waterfall Classes, then a second 50% COLA restoration will be made, first to members of GRS Waterfall Class 1, then Waterfall Class 2, and then Waterfall Class 3. Classes will be restored in minimum 10% COLA value increments. Restoration payments will be calculated and paid on a prospective basis only.

If the amounts in the Restoration Reserve Account are sufficient to fully-fund the 4.5% across the board pension cuts for all three GRS Waterfall Classes and 100% COLA restoration for all three GRS Waterfall Classes, then any additional assets in the Restoration Reserve Account shall be used to increase the frozen accrued benefits of active and other GRS participants whose ASF accounts were diminished as part of the ASF Recoupment, such that they receive treatment equal to the 20%/20% ceiling applied to retirees in pay status under the Plan of Adjustment. If after such pension restoration there are additional assets in the Restoration Reserve Account to fully fund benefit increments over their remaining actuarially projected lives, GRS Waterfall Class 1 members will receive pension restoration in $\frac{1}{2}\%$ benefit increments of the reductions to their monthly pension due to ASF Recoupment, and once such pension benefits are restored, Waterfall Class 2 members will receive pension restoration in $\frac{1}{2}\%$ benefit increments in connection with the reductions to their monthly pensions due to ASF Recoupment. Restoration payments will be calculated and paid on a prospective basis only.

Once restoration payments to applicable retirees and restoration credits to active employees begin, as long as the Restoration Reserve Account continues to have assets sufficient to fund 100% of an incremental pension restoration amount for such GRS Waterfall Class members for their actuarially projected lives, such restoration payments and credits will continue; provided, however,

that in the event the Restoration Reserve Account, after having sufficient assets to fund 100% of two or more increments (over their actuarially projected lives), falls below 100% for the second or greater increment, the annual amounts to pay such second or other additional increment can continue until the Restoration Reserve Account lacks any assets to fund it. For example, assume a $\frac{1}{2}\%$ increment in GRS Waterfall Class 1 requires \$10 million in assets to be fully funded for the GRS Waterfall Class' actuarially projected lives, and that based on FY 2018 results the Restoration Reserve Account has assets of \$22 million so as to fund two increments of restoration in FY 2019, *i.e.*, a 1% pension increase. Assume further that in the following year the Restoration Reserve Account drops in value to \$17 million; in such event two increments could still be paid, and the second increment of $\frac{1}{2}\%$ would cease being paid only if the value of assets in the Restoration Reserve Account dropped to or below \$10 million (in the event they dropped below \$10 million, the first increment also would cease being paid). For purposes of restoration reduction, restoration increments will be taken away in reverse order in which they were granted (*i.e.* last in, first out).

In the event the GRS Funded Level (not including Restoration Reserve Assets) falls below 71% (hereinafter, "Restoration Reserve Suspension Trigger"), then, until such time as the projected GRS Funded Level in 2023 is 71% or above, further interest credits to the notional Restoration Reserve Account will cease notwithstanding the actual net GRS investment returns for the fiscal year in question. Furthermore, if the GRS Funded Level projected to 2023 falls below the Funding Target (*i.e.*, 70%) then restoration payments and credits in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the GRS Pension Reserve Account in sufficient amounts to restore the projected GRS Funded Level in 2023 to 70%; (2) following such transfer, the remaining assets in the Restoration Reserve Account shall be applied to make restoration payments in accordance with and pursuant to the same mechanism described in the previous paragraph.

Following receipt of the actuarial reports for 2019, and in the event that the projected Funded Level of GRS as of 2023 is less than 71%, the GRS actuary shall revisit the restoration calculations that it made during each of the prior 4 years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2023, or (ii) an amount of annual administrative expenses until 2023 equal to the average annual normal course administrative expenses in the prior 4 years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the GRS Restoration Reserve Account than actually were transferred during such look back period, then the GRS Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period or (ii) the dollars that were actually paid out in restoration

payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period); or (iii) the amount required to increase the projected 2023 GRS Funded Level to 71%.

3. General GRS Pension Restoration from July 1, 2023 to June 30, 2033.

During this period, the Funding Target, the Restoration Target, the Permanent Restoration Targets and the Restoration Reserve Suspension Trigger shall be as set forth on Exhibit A hereto. The same rules for variable restoration payments and credits that applied during the period ending June 30, 2023 shall apply during the period ending June 30, 2033 (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and making Restoration Account asset transfers in the event the 2033 GRS Funded Level falls below the 2033 Funding Target), except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan actuary shall project investment returns through June 30, 2033 at the then current investment return assumption which is assumed to be net of expenses (administrative and investment) and the applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the GRS Plan actuary shall assume, merely for purposes of determining whether the Restoration Target is satisfied, that the annual City contribution amount shall be the annual amount necessary to fund the GRS based upon an amortization of the actual 2023 UAAL at market value over 30 years (hereinafter, the "2023 UAAL Amortization") and in such manner that the resulting annual contribution stream would achieve the GRS Funding Target (on Exhibit A) as of 2033. (Such projected, hypothetical contributions shall be for purposes only of making restoration determinations, and shall not necessarily be the actual contributions made or required to be made by the City or recommended during such period; all of which shall be determined independent of the restoration calculation process.). For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded.

To the extent that the City's actual contributions to the GRS in any of the FYs 2024 (the year ending June 30, 2024) through 2033 are greater than the projected annual contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in GRS called the Extra Contribution Account. In determining pension restoration during the period from FY 2024 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected funded level for the Restoration Target or Permanent Restoration Targets. To the extent that the City's (including for this purpose DWSD or a successor authority) actual contributions in any of the FYs 2024 through 2033 are less than the projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Pension Fund Reserve Account.

Each year, in addition to the credit of assets that exceed the amount necessary to satisfy the Restoration Target, existing Restoration Account assets will be credited with interest equal to the net return on plan investments, but capped at the then investment return assumption. In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses.

In connection with preparation of the actuarial report for FY 2028, the GRS actuary will determine whether GRS has satisfied the applicable Permanent Restoration Target, which shall be 75%. Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the GRS Funded Level as of June 30, 2028 has satisfied the Permanent Restoration Target(75%), then the amounts in the Restoration Reserve Account , if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of restoration payments for one or more GRS Waterfall Classes over such GRS Waterfall Class members' actuarially projected lives, shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental payments shall be permanently restored for the applicable GRS Waterfall Class and shall no longer be variable from year to year. Variable restoration payments will continue to be paid or credited during the period from July 1, 2028 through June 30, 2033 based on the applicable Restoration Target set forth in Exhibit A and otherwise in accordance with this restoration memorandum, notwithstanding whether the Restoration Target during this period is less than the Permanent Restoration Target as of June 30, 2028 of 75%.

In connection with preparation of the annual actuarial valuation report for FY 2033, the GRS actuary will determine whether GRS has satisfied the Permanent Restoration Target for 2033, as set forth on Exhibit A. Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target . If following such transfers the GRS Funded Level as of June 30, 2033 has satisfied the applicable Permanent Restoration Target, then the amounts in the Restoration Reserve Account if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of restoration payments for one or more GRS Waterfall Classes over such GRS Waterfall Class members' actuarially projected lives, shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable incremental payments shall be permanently restored for the applicable GRS Waterfall Class and shall no longer be variable from year to year.

Following receipt of the actuarial reports for 2028, and in the event that the projected Funded Level of GRS as of 2033 is less than 71%, the GRS actuary shall revisit the restoration calculations that it made during each of the prior 4 years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2033, or (ii) an amount of annual normal course administrative expenses until 2033 equal to the average annual administrative expenses in the prior 4 years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the GRS Restoration Reserve Account than actually were transferred during such look back period, then the GRS Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period); or (iii) the amount required to increase the projected 2033 GRS Funded Level to 71%.

4. General GRS Pension Restoration from July 1, 2033 to June 30, 2043.

During this period, the Funding Target, the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth on Exhibit A hereto. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and making Restoration Account asset transfers in the event the 2043 GRS Funded Level falls below the 2043 Funding Target). For example, for purposes of determining whether the 2043 Restoration Target has been satisfied, the Plan actuary shall project annual contributions using the same 2023 UAAL Amortization. For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded, and no Extra Contribution Account assets shall be included for purposes of determining whether the Funded Level meets the Restoration Target or Permanent Restoration Target, including any additions to such account after 2033.

In connection with preparation of the annual actuarial valuation report for FY 2043, the GRS actuary will determine whether GRS has satisfied the applicable Permanent Restoration Target, as set forth on Exhibit A. Transfers from the Restoration Reserve Account for credit to the GRS Pension Reserve Account may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the GRS Funded Level as of June 30, 2043 is equal to or greater than the applicable Permanent Restoration Target, then the amounts in the Restoration Reserve Account if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target),

shall be transferred from the Restoration Reserve Account and credited to the GRS Pension Reserve Account and the applicable payments for the applicable GRS Waterfall Class shall be permanently restored and shall no longer be variable.

5. Modification of the Pension Restoration Program

If any time after July 1, 2026, the GRS Investment Committee (by vote of 5 of its 7 members), or the GRS Board of Trustees (by a greater than 66% vote) determines that a change in relevant circumstances has occurred, or there was a mutual mistake of fact in developing this Pension Restoration Agreement, such that the continued operation of this Agreement without amendment will: (a) materially harm the long-term economic interests of the City, or Retirement System; (b) materially impair the City's ability to fully fund over a reasonable period the then existing frozen benefit liabilities; or (c) materially hinder the Restoration program, if as of that juncture (and for purposes of applying this subsection 5(c)) annual funding levels (excluding the Extra Contribution Account) had materially exceeded the applicable PFRS Restoration Targets for a substantial period yet without any material actual restoration of benefits as contemplated herein having been made, the Investment Committee or the Board, as the case may be, shall provide written notice to the other entity of such a determination and of the need to amend this Restoration Agreement (it being understood that the post-Chapter 9, 40-year amortization period (to 2053) to fully fund GRS frozen liabilities is, unless the relevant facts demonstrate otherwise, presumptively reasonable). The Investment Committee and the Board shall then meet to negotiate amendments to this Agreement that address the identified risk of harm or impairment, but which also considers this Agreement's objective of providing pension restoration. Such negotiations shall take into account reasonable actions the City has pursued or could pursue to mitigate such harm or impairment. Any such amendments shall require the approval of a majority vote of the combined members of the Committee and Board (persons who sit on both the Board and Committee shall have one vote). Such parties shall consult with the Mayor, City Council and the Governor in connection with such negotiation. If the Board, acting through a majority, and the Investment Committee, acting through a majority, cannot agree to such amendments within the 90-day period following the provision of such notice by the determining party, then the Board and Investment Committee shall proceed to mediation upon demand from either the Board or the Investment Committee. In this regard, within 30-days following expiration of the 90-day period the Board and the Investment Committee shall each select a mediator from the list of approved mediators for the United States District Court for the Eastern District of Michigan. The two selected mediators shall appoint a third neutral mediator from the approved list. Each party shall furnish a written statement to the mediators within 30 days of selection of the neutral mediator. Representatives of the Mayor and the Governor shall be consulted in connection with such

mediations. If following a 90-day mediation period following submission of the written statements the matter is not settled, then either the Investment Committee or the Board can file an action in the United States District Court for the Eastern District of Michigan asking it to declare, *inter alia*, whether or in what manner to amend this Agreement.

EXHIBIT A TO THE GRS PENSION RESTORATION PROGRAM

GRS - The 2033 and 2043 Funding Targets shall be equal to the actual 2023 Funded Level rounded to the nearest 10th decimal . The Restoration Target shall be 3.0% higher than the Funding Target but not less than 73%. The Permanent Restoration Targets shall be 75% in 2028, and 1% higher than the Restoration Targets in 2033 and 2024, but not less than 75%.. The Restoration Reserve Suspension Trigger will be set 1% higher than the projected Funding Target for all time periods.

<u>2023 Funded Level</u>	<u>2033 Funding Target/Restoration Target</u>	<u>2043 Funding Target/Restoration Target</u>
--------------------------	---	---

75%	75%/78%	75%/78%
74%	74%/77%	74%/77%
73%	73%/76%	73%/76%
72%	72%/75%	72%/75%
71%	71%/74%	71%/74%
70%	70%/73%	70%/73%
69% or lower	the % = to 2023 Funded Level %/73%	the % = to 2023 Funded Level %/73%

<u>2033 Permanent Restoration Target</u>	<u>2043 Permanent Restoration Target</u>
75% ,or if greater, 1% more than 2033 Restoration Target	75%, or if greater, 1% more than 2043 Restoration Target

EXHIBIT II.D.5

SCHEDULE OF POSTPETITION COLLECTIVE BARGAINING AGREEMENTS

EXHIBIT II.D.5

SCHEDULE OF POSTPETITION COLLECTIVE BARGAINING AGREEMENTS

I. FULLY APPROVED AGREEMENTS¹

A. City of Detroit Collective Bargaining Agreements

- 1) Master Agreement Between the City of Detroit and the Police Officers Association of Michigan (POAM), 2013-2018, dated November 12, 2013.
- 2) Master Agreement Between the City of Detroit and the International Brotherhood of Teamsters Local 214 2013-2018, dated December 18, 2013.
 - a. Supplemental Agreement Between the City of Detroit Police Department and Teamsters State, County and Municipal Workers, Local 214 2013-2018, dated December 18, 2013.
 - b. Supplemental Agreement Between the Department of Public Works and Teamsters Local 214 2013-2018, dated December 18, 2013.
 - c. Supplemental Agreement Between the General Services Department and Teamsters Local 214 2013-2018, dated December 18, 2013.
 - d. Supplemental Agreement between the City of Detroit Municipal Parking Department and Local #214 Teamsters State, County and Municipal Workers, 2013-2018, dated December 18, 2013.
- 3) Master Agreement Between the City of Detroit and the International Union of Operating Engineers (IUOE) Local 324 2013-2018, dated December 18, 2013.
- 4) Master Agreement Between the City of Detroit and the International Union of Operating Engineers (IUOE) Local 324 (Park Management) 2013-2018, dated December 18, 2013.
- 5) Master Agreement Between the City of Detroit and the International Union of Operating Engineers (IUOE) Local 324 (Principal Clerks) 2013-2018, dated December 18, 2013.
- 6) Master Agreement Between the Assistant Supervisors of Street Maintenance and Construction and the City of Detroit 2014-2018, dated February 26, 2014.
- 7) Master Agreement Between the City of Detroit and the Michigan Building and Construction Trades Council 2014-2018, dated May 1, 2014.
- 8) Master Agreement Between the City of Detroit and the Emergency Medical Service Officers Association (EMSOA) 2014-2019, dated June 11, 2014.
- 9) Master Agreement Between the City of Detroit and Local 1863 of the American Federation of State County and Municipal Employees, AFL-CIO (Detroit Civilian Crossing Guards) 2014-2018, dated June 27, 2014.
- 10) Master Agreement Between the City of Detroit and Local 542 of the American Federation of State County and Municipal Employees, AFL-CIO (Motor City Seasonals) 2014-2018, dated June 27, 2014.

¹ "Fully Approved Agreements" means those collective bargaining agreements that have been (i) ratified by the applicable bargaining unit or units, as necessary (ii) approved by the applicable City or Detroit Water and Sewerage Department bargaining representatives, (iii) approved by the Emergency Manager and (iv) approved by the Office of the Treasurer of the State of Michigan.

- 11) Master Agreement Between the City of Detroit and Local 1206 of the American Federation of State County and Municipal Employees, AFL-CIO (Detroit Forestry and Landscape Foreman's Union) 2014-2018, dated June 27, 2014.
- 12) Master Agreement Between the City of Detroit and Local 2394 of the American Federation of State County and Municipal Employees, AFL-CIO (Supervisory Unit) 2014-2018, dated June 27, 2014.
 - a. Supplemental Agreement Between the City of Detroit Elections Department and Local 2394 of the American Federation of State County and Municipal Employees, AFL-CIO (Supervisory Unit) 2014-2018, dated June 27, 2014.
 - b. Supplemental Agreement Between the City of Detroit Municipal Parking Department and Local 2394 of the American Federation of State County and Municipal Employees, AFL-CIO (Supervisory Unit) 2014-2018, dated June 27, 2014.
 - c. Supplemental Agreement Between the City of Detroit Planning and Development Department and Local 2394 of the American Federation of State County and Municipal Employees, AFL-CIO (Supervisory Unit) 2014-2018, dated June 27, 2014.
 - d. Supplemental Agreement Between the City of Detroit Police Department and Local 2394 of the American Federation of State County and Municipal Employees, AFL-CIO (Supervisory Unit) 2014-2018, dated June 27, 2014.
 - e. Supplemental Agreement Between the City of Detroit Recreation Department and Local 2394 of the American Federation of State County and Municipal Employees, AFL-CIO (Supervisory Unit) 2014-2018, dated June 27, 2014.
- 13) Master Agreement Between the City of Detroit and Local 6087 of the American Federation of State County and Municipal Employees, AFL-CIO (Paving Forepersons) 2014-2018, dated June 27, 2014.
- 14) Master Agreement Between the City of Detroit and the Detroit Police Command Officers Association 2014-2019, dated June 18, 2014.
- 15) Master Agreement Between the City of Detroit and the Detroit Income Tax Investigators Association 2014-2018, dated August 11, 2014.
- 16) Master Agreement Between the City of Detroit and the Association of Municipal Inspectors 2014-2018, dated June 27, 2014.
- 17) Master Agreement Between the City of Detroit and the Service Employees International Union (SEIU) Local 517-M (Supervisory Unit) 2014-2018, dated June 25, 2014.
- 18) Master Agreement Between the City of Detroit and the Service Employees International Union (SEIU) Local 517-M (Non-Supervisory Unit) 2014-2018, dated June 25, 2014.
- 19) Master Agreement Between the City of Detroit and the Service Employees International Union (SEIU) Local 517-M (Professional and Technical Unit) 2014-2018, dated June 25, 2014.
- 20) Master Agreement Between the City of Detroit and the Association of City of Detroit Supervisors 2014-2018, dated June 27, 2014.
- 21) Master Agreement Between the City of Detroit and the Association of Professional and Technical Employees 2014-2018, dated July 22, 2014.
- 22) Master Agreement Between the City of Detroit and the Senior Accountants, Analysts and Appraisers Association 2014-2018, dated May 27, 2014.

- 23) Master Agreement Between the City of Detroit and Michigan Council 25 of the American Federation of State, County and Municipal Employees, AFL-CIO (Non-Supervisory Bargaining Unit) 2014-2018, dated June 27, 2014.
- 24) Master Agreement Between the City of Detroit and the Detroit Police Officers Association (DPOA) 2014-2019, dated October 1, 2014.
- 25) Master Agreement Between the City of Detroit and the Association of Professional Construction Inspectors 2014-2018, dated September 30, 2014.
- 26) Master Agreement Between the City of Detroit and the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) Local 212 – Police Commission Investigators 2014-2018, dated October 20, 2014.
- 27) Master Agreement Between the City of Detroit and the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) Local 412 – Legal Assistants 2014-2018, dated October 20, 2014.

B. Detroit Water and Sewerage Department Collective Bargaining Agreements

- 1) 2012-2018 Master Agreement Between the Detroit Water & Sewerage Department and AFSCME, Michigan Council 25 Local 2920.
- 2) Master Agreement Between the City of Detroit and the Michigan Building and Construction Trades Council 2013-2016, dated June 26, 2013.
 - a. Memorandum of Agreement between the Detroit Water and Sewerage Department and the Michigan Building & Construction Trades Council to amend their June 26, 2013 - June 30, 2016 collective bargaining agreement.
- 3) 2013-2016 Master Agreement Between the Detroit Water & Sewerage Department and the Building Trades Foremen, dated June 26, 2013.
- 4) 2014-2016 Master Agreement Between the Detroit Water & Sewerage Department and the Detroit Senior Water Systems Chemists Association.
- 5) 2014-2019 Master Agreement Between the DWSD and Teamsters State, County and Municipal Workers, Local 214.
- 6) Memorandum of Agreement between the Detroit Water and Sewerage Department and the International Union of Operating Engineers, Local 324 to amend their March 25, 2013 - June 30, 2022 collective bargaining agreement.
- 7) Memorandum of Agreement between the Detroit Water and Sewerage Department and the Association of Professional Construction Inspectors to amend their March 26, 2013 - June 30, 2020 collective bargaining agreement.

II. RATIFIED AGREEMENTS PENDING FINAL APPROVALS²

A. Ratified City of Detroit Collective Bargaining Agreements Pending Final Approvals

- 1) Master Agreement Between the City of Detroit and the Detroit Police Lieutenants and Sergeants Association 2014-2019.
 - a. Tentative Agreement Between the City of Detroit and the Detroit Police Lieutenants and Sergeants Association, dated June 19, 2014.
- 2) Master Agreement Between the City of Detroit and the Association of Detroit Engineers 2014-2018.
- 3) Master Agreement Between the City of Detroit and Michigan Building and Construction Trades Council – Tripartite 2014-2018.

² "Ratified Agreements Pending Final Approvals" means those collective bargaining agreements approved by the City bargaining representatives, and ratified by the applicable bargaining unit or units, as necessary, that remain subject to approval by either, or both, the Emergency Manager and the Office of the Treasurer of the State of Michigan. The inclusion of such collective bargaining agreements in this Exhibit does not, and shall not be deemed to, modify or waive the requirement for such approvals in any way.

EXHIBIT II.D.6

EXECUTORY CONTRACTS AND UNEXPIRED LEASES TO BE REJECTED

Exhibit II.D.6

Executory Contracts and Unexpired Leases to be Rejected
In re City of Detroit, Michigan, Case No. 13-53846 (Bankr. E.D. Mich)

Name of Counterparty	Vendor #	Contract #	Description	City Department
151 W FORT ST ASSOCIATES LLC	1075036	2635434		INFORMATION TECHNOLOGY SERVICES
1600 ASSOCIATES LLC	20396	2501191		MUNICIPAL PARKING DEPARTMENT
3M CONTRACTING INC	1107578	2809948		HUMAN SERVICES DEPARTMENT
455 ASSOCIATES LLC	19602	2600416		WORKFORCE DEVELOPMENT DEPARTMENT
455 ASSOCIATES LLC	19602	2722656		WORKFORCE DEVELOPMENT DEPARTMENT
660 WOODWARD ASSOCIATES LLC	1117401	2604895		INFORMATION TECHNOLOGY SERVICES
660 WOODWARD ASSOCIATES LLC	1117401	2809305		LAW DEPARTMENT
660 WOODWARD ASSOCIATES LLC	1117401	2866561		LAW DEPARTMENT
A & H CONTRACTORS	1090249	2797590	ICE RINK IMPROVEMENTS	RECREATION DEPARTMENT
A NEW BEGINNING II INC	1010270	2626822		EMPLOYMENT AND TRAINING DEPARTMENT
AARON L FORD	1101801	2759870		HEALTH DEPARTMENT
ABAYOMI CDC	1055088	2597193		FINANCE DEPARTMENT
ABBOT NICHOLSON	1064317	2605132	LEGAL SERVICES	LAW DEPARTMENT
ACCENTURE LLP	19843	2582670		HUMAN SERVICES DEPARTMENT
ACHIEVEMENT RESOURCES LLC	1075198	2640120		DEPARTMENT OF PUBLIC WORKS
ADAMS HOME REPAIR SERVICE INC	1031652	2532093	HOME REPAIR FOR LOW INCOME CITIZENS.	HUMAN SERVICES DEPARTMENT
ADULT WELL BEING SERVICES	17259	2507595	ADULT WELL BEING SERVICES	HEALTH DEPARTMENT
ADULT WELL BEING SERVICES	17259	2501821	EZ-PUBLIC SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
ADVANCED ENGINEERING SOLUTION INC	1043861	2613331		ENVIRONMENTAL AFFAIRS DEPARTMENT
AFFILIATED INTERNISTS CORPORATION	1007088	2541129	PROVIDE MEDICAL STAFF	HEALTH DEPARTMENT
AFL CIO COUNCIL	9713	2505335		FINANCE DEPARTMENT
AFL CIO COUNCIL	9713	2504234	AFL/CIO COUNCIL-METRO COUNCIL	FINANCE DEPARTMENT
AGAR LAWN SPRINKLER SYSTEMS INC	1019225	2871984	FURNISH UNDERGROUND SPRINKLER MAINT.	GENERAL SERVICES DEPARTMENT
AIRGAS GREAT LAKES	-	2754331	PURCHASE ORDER FOR COMMERCIAL GASES	GENERAL SERVICES DEPARTMENT
AKT PEERLESS ENVIRONMENTAL SERVICES LLC	1025663	2845810	DEMOLITION OF PROPERTIES	BUILDINGS AND SAFETY DEPARTMENT
ALAN C YOUNG ASSOCIATES PC	20513	2554416	CONTRACTUAL RESOURCES	INFORMATION TECHNOLOGY SERVICES
ALAN C YOUNG ASSOCIATES PC	20513	2572989		HEALTH DEPARTMENT
ALAN C YOUNG ASSOCIATES PC	20513	2511247	AUDITING SERVICES FY 98/99 FICS 78653	HUMAN SERVICES DEPARTMENT
ALAN C YOUNG ASSOCIATES PC	20513	2501399	PROFESSIONAL SERVICES	FINANCE DEPARTMENT
ALAN C YOUNG ASSOCIATES PC	20513	2507833	AUDITING - ALAN C YOUNG	HEALTH DEPARTMENT
ALAN C YOUNG ASSOCIATES PC	20513	2515896	AUDIT DRUG TREATMENT/AIDS PROGRAMS	HUMAN SERVICES DEPARTMENT
ALAN C YOUNG ASSOCIATES PC	20513	2780084		HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
ALKEBU LAN VILLAGE	1043877	2588741		HUMAN SERVICES DEPARTMENT
ALKEBU LAN VILLAGE	1043877	2533139	YOUTH PROGRAM	HUMAN SERVICES DEPARTMENT
ALKEBU LAN VILLAGE	1043877	2619692		HUMAN SERVICES DEPARTMENT
ALKEBU LAN VILLAGE	1043877	2804801		HUMAN SERVICES DEPARTMENT
ALKEBU LAN VILLAGE	1043877	2775178		HUMAN SERVICES DEPARTMENT
ALKEBU LAN VILLAGE	1043877	2772580	PROFESSIONAL SERVICES CONTRACT	RECREATION DEPARTMENT
ALLEN & ASSOCIATES APPRAISAL GROUP INC	20517	2502141	PROFESSIONAL SERVICES: CASINO APPRAISAL	LAW DEPARTMENT
ALLIANCE FOR A SAFER GREATER DETROIT	1102712	2767089		POLICE DEPARTMENT
ALPHA ELECTRIC INC	1026028	2625782		PUBLIC LIGHTING DEPARTMENT
ALPHA ELECTRIC INC	1026028	2625784		PUBLIC LIGHTING DEPARTMENT
ALPHA ELECTRIC INC	1026028	2625780		PUBLIC LIGHTING DEPARTMENT
ALPHA KAPPA ALPHA FOUNDATION OF DETROIT	19649	2592410		FINANCE DEPARTMENT
ALTERNATIVE FOR GIRLS	16279	2503526	TRANSITIONAL HOUSING	FINANCE DEPARTMENT
AMERICAN INDIAN HEALTH & FAMILY	18997	2500866	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
AMERITECH	20497	2506112		PUBLIC LIGHTING DEPARTMENT
AMPCO SYSTEM PARKING	18489	2501028	PARKING SERVICES	MUNICIPAL PARKING DEPARTMENT
AMPCO SYSTEM PARKING	18489	2501362	KENNEDY SQUARE PARKING SERVICES	MUNICIPAL PARKING DEPARTMENT
AMPCO SYSTEM PARKING	18489	2501356	PARKING SERVICE FOR KENNEDY SQUARE	MUNICIPAL PARKING DEPARTMENT
AMPCO SYSTEM PARKING	18489	2501789	PARKING LOT MANAGEMENT	FINANCE DEPARTMENT
AMPRO CONSTRUCTION LLC	1026137	2524825	WEATHERIZATION PROGRAM	HUMAN SERVICES DEPARTMENT
AMPRO CONSTRUCTION LLC	1026137	2525177	LIHEAP	HUMAN SERVICES DEPARTMENT
AMPRO CONSTRUCTION LLC	1026137	2544432	HOME WEATHERIZATION	HUMAN SERVICES DEPARTMENT
AMPRO CONSTRUCTION LLC	1026137	2607320		HUMAN SERVICES DEPARTMENT
AMPRO CONSTRUCTION LLC	1026137	2789077		HUMAN SERVICES DEPARTMENT
AMPRO CONSTRUCTION LLC	1026137	2761179		HUMAN SERVICES DEPARTMENT
ANACAPA SCIENCE INC	1012433	2507585		POLICE DEPARTMENT
ANDREW J BEAN	1003634	2530372	LEGAL SERVICES: DAVIS/WILLIAMS V CITY	FINANCE DEPARTMENT
ANDREW J BEAN	1003634	2634325		LAW DEPARTMENT
ANDREW J BEAN	1003634	2538079	LEGAL SERVICES: TOMMIE THOMAS V CITY	LAW DEPARTMENT
ANDREW J BEAN	1003634	2561944	LEGAL SERVICES: MICHELLE HARPER, ET AL	LAW DEPARTMENT
ANDREW J BEAN	1003634	2561936	LEGAL SERVICES	LAW DEPARTMENT
ANDREW J BEAN	1003634	2501547	LEGAL SERVICES: RYAN MULLINS V CITY	LAW DEPARTMENT
ANDREW J BEAN	1003634	2545467	LEGAL SERVICES: BOSWELL V JORDAN/CITY	LAW DEPARTMENT
ANDREW J BEAN	1003634	2505202	LEGAL SERVICES	LAW DEPARTMENT
ANDREW J BEAN	1003634	2512646	LEGAL SERVICES	FINANCE DEPARTMENT
ANDREW J BEAN	1003634	2505710	LEGAL SERVICES: KEITH THORNTON V CITY	LAW DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
ANDREW J BEAN	1003634	2576673		LAW DEPARTMENT
ANDREW J BEAN	1003634	2505715	LEGAL SERVICES	FINANCE DEPARTMENT
ANDREW J BEAN	1003634	2574494		LAW DEPARTMENT
AON RISK SERVICES INC OF MICHIGAN	17959	2506866	AUDIT	AUDITOR GENERAL
APCOA INC	18982	2504151	COBO COMPLEX PARKINGMANAGEMENT SERVICES	MUNICIPAL PARKING DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2546963	PARTNERSHIP FOR ADULT LEARNING	EMPLOYMENT AND TRAINING DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2563067	WORK FIRST & WELFARE TO WORK	EMPLOYMENT AND TRAINING DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2778448		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2797753		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2806229		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2775339		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2714444		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB AMERICAN & CHALDEAN COUNCIL	19955	2717186		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB COMMUNITY CENTER	20424	2549478	ENGLISH AS A SECOND LANGUAGE	EMPLOYMENT AND TRAINING DEPARTMENT
ARAB COMMUNITY CENTER	20424	2519169	JOB SEARCH AND TRAINING (WORK FIRST)	EMPLOYMENT AND TRAINING DEPARTMENT
ARAB COMMUNITY CENTER	20424	2740257		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB COMMUNITY CENTER FOR ECONOMIC SOCIAL SERVICES (ACCESS)	1070466	2778446		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB COMMUNITY CENTER FOR ECONOMIC SOCIAL SERVICES (ACCESS)	1070466	2797751		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB COMMUNITY CENTER FOR ECONOMIC SOCIAL SERVICES (ACCESS)	1070466	2800934		WORKFORCE DEVELOPMENT DEPARTMENT
ARAB COMMUNITY CENTER FOR ECONOMIC SOCIAL SERVICES (ACCESS)	1070466	2778768		WORKFORCE DEVELOPMENT DEPARTMENT
ARTHUR F SMITH ARCHITECTS	19092	2500783	CAMP MASTERPLAN	NO DEPARTMENT INDICATED
ASHPAUGH & SCULCO CPA PLC	1026075	2506711	RATE CONSULTANT	NON-DEPARTMENTAL
AVANCE COMMUNICATIONS INC	1017277	2589125		DEPARTMENT OF TRANSPORTATION
AVANCE COMMUNICATIONS INC	1017277	2544753	COMMUNICATIONS	HUMAN SERVICES DEPARTMENT
B & B POOLS AND SPAS	8897	2680662		RECREATION DEPARTMENT
B E I ASSOCIATES INC	1002153	2500794	PROFESSIONAL ENGINEERING SERVICES	DEPARTMENT OF PUBLIC WORKS
BABBIE DEVELOPERS	1100891	2753822	ROOF REPLACEMENT FORT WAYNE-QUARTERMASTER WAREHOUSE	RECREATION DEPARTMENT
BAPCO-SUBSTANCE ABUSE	15997	2501510	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
BARNEY MCCOSKY BASEBALL LEAGUE	17329	2540757	36-NTV-NOF PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
BARTCH GROUP	19194	2578539		FINANCE DEPARTMENT
BARTHEL CONTRACTING	6174	2506716	PAVEMENT RESURFACING, GROUP 95-3	DEPARTMENT OF PUBLIC WORKS
BARTHEL CONTRACTING	6174	2508554	WIDENING & RESURFACING	DEPARTMENT OF PUBLIC WORKS

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
BARTHEL CONTRACTING	6174	2508474	PAVEMENT RESURFACING, GROUP 96-5	DEPARTMENT OF PUBLIC WORKS
BARTHEL CONTRACTING	6174	2630995		DEPARTMENT OF PUBLIC WORKS
BARTHEL CONTRACTING	6174	2658806		DEPARTMENT OF PUBLIC WORKS
BDN INDUSTRIAL HYGIENE CONSULTANT	19807	2502471	ABATEMENT OF ASBESTOS	DEPARTMENT OF PUBLIC WORKS
BDO SEIDMAN LLP	1073285	2659484		LAW DEPARTMENT
BEACON ENERGY LLC	1088904	2699766		SEWERAGE DEPARTMENT
BEACON ENERGY LLC	1088904	2763942	PROVIDE CONSULTING SERVICES	PUBLIC LIGHTING DEPARTMENT
BEAL INC	1104822	2786319		RECREATION DEPARTMENT
BEI ASSOCIATES INC	19420	2586915		DEPARTMENT OF PUBLIC WORKS
BEI ASSOCIATES INC	19420	2576869		PUBLIC LIGHTING DEPARTMENT
BELLANCA BEATTIE & DELISLE PC	1002283	2515001	LEGAL SERVICES	FINANCE DEPARTMENT
BELLANCA BEATTIE & DELISLE PC	1002283	2502106	LEGAL SERVICES	NO DEPARTMENT INDICATED
BELLANCA BEATTIE & DELISLE PC	1002283	2618387	LEGAL SERVICES	LAW DEPARTMENT
BELMARC INC	1012648	2505560	PROFESSIONAL SERVICES	LAW DEPARTMENT
BERG MUIRHEAD AND ASSOCIATES	1051572	2758875		MAYOR'S OFFICE
BEST AMERICAN INDUSTRIAL	17038	2501442	SKILLED TRADES	NO DEPARTMENT INDICATED
BETTS MEDICAL GROUP LLC	1030943	2531569	PHYSICIAN SERVICES	HEALTH DEPARTMENT
BLACK & VEATCH	20115	2501009	PROFESSIONAL SERVICES	NO DEPARTMENT INDICATED
BLACK CAUCUS FOUNDATION OF MICHIGAN	18481	2501792		HEALTH DEPARTMENT
BLACK FAMILY DEVELOPMENT INC	1012009	2508726	PROGRAM COORDINATION OF COOPER	FINANCE DEPARTMENT
BLACK FAMILY DEVELOPMENT INC	1012009	2506003	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT
BLACK FAMILY DEVELOPMENT INC	1012009	2784374		HUMAN SERVICES DEPARTMENT
BLACK FAMILY DEVELOPMENT INC	1012009	2761029		HUMAN SERVICES DEPARTMENT
BLOUNT ENGINEERS INC.	13566	2500972	PROFESSIONAL SERVICES	PUBLIC LIGHTING DEPARTMENT
BODMAN LONGLEY DAHLING LLP	1000341	2507188	LEGAL SERVICES	LAW DEPARTMENT
BODMAN LONGLEY DAHLING LLP	1000341	2501800	LEGAL SERVICES	PUBLIC LIGHTING DEPARTMENT
BODMAN LONGLEY DAHLING LLP	1000341	2505006	LEGAL SERVICES	LAW DEPARTMENT
BODMAN LONGLEY DAHLING LLP	1000341	2501852	LEGAL SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
BONIFACE HUMAN SRVS	19449	2501513	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
BOOKER T WASHINGTON	17389	2517857	PUBLIC FACILITY REHABILITATION	FINANCE DEPARTMENT
BOOMER CO	19949	2784930	CITY OF DETROIT CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
BOOTH RESEARCH GROUP INC	1058277	2585080		POLICE DEPARTMENT
BOOTH RESEARCH GROUP INC	1058277	2759498	DPD PROMOTIONAL EXAMINATION	POLICE DEPARTMENT
BRACEFUL & ASSOCIATES PC	1002357	2508823	LEGAL SERVICES	FINANCE DEPARTMENT
BRACEFUL & ASSOCIATES PC	1002357	2507332	LEGAL SERVICES: TROMEUR V CITY	LAW DEPARTMENT
BRADY HATHAWAY PC	20356	2505092	LEGAL SERVICES: VINES/CHILDS V CITY	LAW DEPARTMENT
BRIGHTMOOR COMMUNITY CENTER	18407	2501479	PUBLIC FACILITY REHAB	NO DEPARTMENT INDICATED

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
C & H BUILDERS	1025257	2544437	HOME WEATHERIZATION	FINANCE DEPARTMENT
C & H BUILDERS	1025257	2524574	WEATHERIZATION PROGRAM	HUMAN SERVICES DEPARTMENT
C & H BUILDERS	1025257	2543531	LIHEAP-HOME WEATHERIZATION PROGRAM	HUMAN SERVICES DEPARTMENT
C & H BUILDERS	1025257	2793400		HUMAN SERVICES DEPARTMENT
CAASTI CONTRACTING SERVICES INC	1066086	2799257	CPATTON PARK IMPROVEMENT	RECREATION DEPARTMENT
CAASTI CONTRACTING SERVICES INC	1066086	2799260	BELLE ISLE - TENNIS COURT RENOVATIONS	RECREATION DEPARTMENT
CAASTI CONTRACTING SERVICES INC	1066086	2789963	LITTLEFIELD PLAYFIELD RENOVATIONS	RECREATION DEPARTMENT
CAASTI CONTRACTING SERVICES INC	1066086	2798602	WINGLE PLAYLOT IMPROVEMENTS	RECREATION DEPARTMENT
CADILLAC TOWER MI LLC	1117104	2810553		BUDGET DEPARTMENT
CAPITAL ACCESS INC	1033428	2536054	CONSULTING AGREEMENT	PLANNING AND DEVELOPMENT DEPARTMENT
CAPITAL COMPUTER SOLUTIONS	16316	2507466	IMAGING SYSTEM (FICS #76497)	HEALTH DEPARTMENT
CAPITAL COMPUTER SOLUTIONS	16316	2760099		HEALTH DEPARTMENT
CARE GIVERS	19339	2510116	HOMELESSNESS PREVENTION	FINANCE DEPARTMENT
CAREERWORKS INC	10310	2501469	SUMMER PROGRAM	NO DEPARTMENT INDICATED
CAREERWORKS INC	10310	2518192	WORK FIRST JOB PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
CAREERWORKS INC	10310	2526127	YOUTH SERVICES PROGRAM PY2000	EMPLOYMENT AND TRAINING DEPARTMENT
CAREERWORKS INC	10310	2539830	FOOD STAMP - 10/01/00 - 9/30/01	EMPLOYMENT AND TRAINING DEPARTMENT
CAREERWORKS INC	10310	2560643	FOOD STAMP 2001-2002	EMPLOYMENT AND TRAINING DEPARTMENT
CAREERWORKS INC	10310	2553148	WIA SUMMER COORDINATION	EMPLOYMENT AND TRAINING DEPARTMENT
CAREERWORKS INC	10310	2530117	WIA SUMMER - MICROSOFT PROGRAM	EMPLOYMENT AND TRAINING DEPARTMENT
CAREERWORKS INC	10310	2536669	WIA-ELECTRONICS & TELECOMMUNICATIONS	EMPLOYMENT AND TRAINING DEPARTMENT
CAREERWORKS INC	10310	2740262		WORKFORCE DEVELOPMENT DEPARTMENT
CARNEGIE MORGAN PARTNERS	18655	2600434		FINANCE DEPARTMENT
CASS COMMUNITY SOCIAL SERVICES INC	1057639	2539246	PUBLIC SERVICE FOR THE HOMELESS	HUMAN SERVICES DEPARTMENT
CASS COMMUNITY SOCIAL SERVICES INC	1057639	2521565	FOOD PROGRAM, EASTSIDE AND WESTSIDE	HUMAN SERVICES DEPARTMENT
CASS COMMUNITY SOCIAL SERVICES INC	1057639	2570923		HUMAN SERVICES DEPARTMENT
CASS COMMUNITY SOCIAL SERVICES INC	1057639	2775168		HUMAN SERVICES DEPARTMENT
CASS COMMUNITY UNITED	18514	2559508	CASE MANAGEMENT AND COUNSELING	DEPARTMENT OF PUBLIC WORKS
CASS COMMUNITY UNITED	18514	2515503	WARMING CENTER FOR HOMELESS	HUMAN SERVICES DEPARTMENT
CASS COMMUNITY UNITED METHODIST	7182	2588909		HUMAN SERVICES DEPARTMENT
CASS CORRIDOR NEIGHBORHOOD DEVELOPMENT CORP	20452	2506844	PRE-DEVELOPMENT ACTIVITIES	FINANCE DEPARTMENT
CATHOLIC SOCIAL SERVICES	3536	2501515	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
CATHOLIC YOUTH ORGANIZATION	1961	2501808	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
CDL TRAINING SCHOOL LLC	1064701	2804809		HUMAN SERVICES DEPARTMENT
CDL TRAINING SCHOOL LLC	1064701	2775174		HUMAN SERVICES DEPARTMENT
CEI MICHIGAN LLC	1104760	2785400	EASTERN MARKET SHED NO. 3 RENOVATIONS	RECREATION DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
CEI MICHIGAN LLC	1104760	2785393	CONSTRUCTION CONTRACT FOR EASTERN MARKET SHED NO. 3	RECREATION DEPARTMENT
CENTRAL MAINTENANCE SERVICE	9209	2501782	36/LS - MANAGEMENT SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
CENTRAL UNITY METHODIST CHURCH	5570	2503083	PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
CENTURY CEMENT CO INC	1393	2520066	REPAIR OF DAMAGED SIDEWALKS	DEPARTMENT OF PUBLIC WORKS
CENTURY CEMENT CO INC	1393	2541213	REPAIR OF DAMAGED SIDEWALKS	DEPARTMENT OF PUBLIC WORKS
CHARFOOS & CHRISTENSEN	19681	2599095	LEGAL SERVICES	LAW DEPARTMENT
CHARLES MERZ	19485	2501931	BELLE ISLE PICNIC SHELTER	NO DEPARTMENT INDICATED
CHECKER CAB	1002656	2533466		HUMAN SERVICES DEPARTMENT
CHECKER CAB	1002656	2620877		HUMAN SERVICES DEPARTMENT
CHECKER CAB	1002656	2775459		HUMAN SERVICES DEPARTMENT
CHECKER CAB	1002656	2803649		HUMAN SERVICES DEPARTMENT
CHECKER CAB	6574	2743785		HUMAN SERVICES DEPARTMENT
CHILD CARE COORDINATING COUNCIL OF DETROIT	18279	2751505		HUMAN SERVICES DEPARTMENT
CHILD CARE COORDINATING COUNCIL OF DETROIT	18279	2774001		HUMAN SERVICES DEPARTMENT
CHILDREN & YOUTH INITIATIVE OF DETROIT	18304	2516007	EMPOWERMENT ZONE- PUBLIC SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
CHILDREN & YOUTH INITIATIVE OF DETROIT	18304	2500872		NO DEPARTMENT INDICATED
CHILDREN & YOUTH INITIATIVE OF DETROIT	18304	2554216	EMPOWERMENT ZONE- PUBLIC SERVICES	FINANCE DEPARTMENT
CHILDREN & YOUTH INITIATIVE OF DETROIT	18304	2532118	EMPOWERMENT ZONE - PUBLIC SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
CHILDRENS AID SOCIETY	1002607	2618760		POLICE DEPARTMENT
CHILDRENS AID SOCIETY	1002607	2620357		HUMAN SERVICES DEPARTMENT
CHILDRENS AID SOCIETY	1002607	2563913		FINANCE DEPARTMENT
CHILDRENS AID SOCIETY	1002607	2740222		WORKFORCE DEVELOPMENT DEPARTMENT
CHILDRENS AID SOCIETY	1002607	2775157		HUMAN SERVICES DEPARTMENT
CHILDRENS AID SOCIETY	1049240	2614565		HUMAN SERVICES DEPARTMENT
CHILDRENS AID SOCIETY	1049240	2778775		WORKFORCE DEVELOPMENT DEPARTMENT
CHILDRENS AID SOCIETY	1049240	2778778		WORKFORCE DEVELOPMENT DEPARTMENT
CHILDRENS AID SOCIETY	1049240	2800817		WORKFORCE DEVELOPMENT DEPARTMENT
CHILDRENS CENTER OF WAYNE COUNTY	12390	2501646	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
CHILDRENS CENTER OF WAYNE COUNTY	12390	2535133	HEAD START MENTAL CONSULTANT SERVICES	HUMAN SERVICES DEPARTMENT
CHILDRENS CENTER OF WAYNE COUNTY	12390	2516136	MENTAL HEALTH CONSULTANT SERVICES	HUMAN SERVICES DEPARTMENT
CHILDRENS CENTER OF WAYNE COUNTY	12390	2569653		HUMAN SERVICES DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
CHILDRENS CENTER OF WAYNE COUNTY	12390	2501812	SUBSTANCE ABUSE COORDINATION AGENCY	HEALTH DEPARTMENT
CHRISTIAN GUIDANCE CENTER	18739	2501814	SUBSTANCE ABUSE COORDINATION AGENCY	HEALTH DEPARTMENT
CITY CONNECT DETROIT	1082718	2796700		WORKFORCE DEVELOPMENT DEPARTMENT
CLARK & ASSOCIATES PC	1008458	2543328	ADDICTION TREATMENT	HEALTH DEPARTMENT
CLARK & ASSOCIATES PC	1008458	2539765	TRAINING WORK FIRST PROGRAM	HEALTH DEPARTMENT
CLARK & ASSOCIATES PC	1008458	2539650	YOUTH DEPARTMENT SAFETY PROGRAM	HEALTH DEPARTMENT
CLARK & ASSOCIATES PC	1008458	2675311		HUMAN SERVICES DEPARTMENT
CLARK ASSOCIATES INC	15176	2625022		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2504251	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2518285	CLARK MASTER - SUBSTANCE ABUSE	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2588764		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2536507	CLARK - MEDICAID	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2670290		HUMAN SERVICES DEPARTMENT
CLARK ASSOCIATES INC	15176	2689636		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2534097	SUBSTANCE ABUSE MASTER AGREEMENT	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2559955	CLARK- MEDICAID	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2518292	CLARK MEDICAID-MASTER	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2518483	CLARK - DRUG EDUCATION	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2506642	EDUCATE FYE 6/30/99 CLARK/POLICE	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2501252		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2557597	CLARK MASTER - SUBSTANCE ABUSE	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2625016		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2527241	YOUTH DEPT. SAFETY ASSESSMENT PROG.	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2618554		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2502443		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2618552		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2700218		RECREATION DEPARTMENT
CLARK ASSOCIATES INC	15176	2515854	CLARK - CCA- FYE 6/30/00 SPO2515857	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2779347		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2797389		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2750134		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2747666		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2779369		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2756507		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2805210		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2875766	S.A.F.E.T.Y. PROGRAM	HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2776664		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2779355		HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
CLARK ASSOCIATES INC	15176	2755767		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2801963		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2803778		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2786574		HEALTH DEPARTMENT
CLARK ASSOCIATES INC	15176	2759243		HEALTH DEPARTMENT
CLARK HILL	7778	2501937	LEGAL SERVICES	LAW DEPARTMENT
CLARK HILL	7778	2543385	LEGAL SERVICES	LAW DEPARTMENT
CLARKS CONSTRUCTION	1016952	2679759		RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2636522		RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2713626		RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2714063		RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2715398		RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2731184	PARK & PLAYGROUND IMPROVEMENTS	RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2709777		RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2756725	PARK & PLAYGROUND IMPROVEMENTS	RECREATION DEPARTMENT
CLARKS CONSTRUCTION	1016952	2789767	LAKER PLAYGROUND IMPROVEMENTS	RECREATION DEPARTMENT
CLAYTON ENVIRONMENTAL	1002564	2519814	EPA PERMITS & DEREGULATIONS	PUBLIC LIGHTING DEPARTMENT
CMTS INC	18181	2501924	FICS 074776 INSPECTION SERVICES	DEPARTMENT OF PUBLIC WORKS
COHL STOKER TOSKEY & MCCLINCHEY PC	1081162	2661933		CITY COUNCIL
COMMUNITY & EDUCATIONAL SERVICES INC	1059876	2777992	EMERGENCY SHELTER SERVICES	HUMAN SERVICES DEPARTMENT
COMMUNITY DEVELOPMENT SOLUTIONS LLC	1057282	2695015		RECREATION DEPARTMENT
COMMUNITY DEVELOPMENT SOLUTIONS LLC	1057282	2675021		RECREATION DEPARTMENT
COMMUNITY HEALTH AWARENESS GROUP INC	1051231	2571474		HEALTH DEPARTMENT
COMMUTER TRANSPORTATION	15328	2510505	SHUTTLE SERVICE	CIVIC CENTER DEPARTMENT
COMPREHENSIVE DATA PROCESSING	11248	2502241	PROGRAMMING CODING	INFORMATION TECHNOLOGY SERVICES
COMPUTECH CORPORATION	1054040	2574424		NON-DEPARTMENTAL
COMPUTECH CORPORATION	1054040	2620775		NON-DEPARTMENTAL
COMPUWARE CORPORATION	1003122	2595111		NON-DEPARTMENTAL
CONNOLLY RODGERS & SCHARMAN PLLC	1089154	2703083		LAW DEPARTMENT
CONSULTING ENGINEERING ASSOCIATES INC	1806	2514647	ELECTRICAL DESIGN-HIGHWAYS PROJECTS	DEPARTMENT OF PUBLIC WORKS
CONSULTING ENGINEERING ASSOCIATES INC	1806	2508478	ENGINEERING	WATER DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
CONSULTING ENGINEERING ASSOCIATES INC	1806	2544911	FICS CONTRACT # 064150, ELECTRICAL DESIGN	DEPARTMENT OF PUBLIC WORKS
CONSULTING ENGINEERING ASSOCIATES INC	1806	2544914	FICS CONTRACT 065783, ELECTRICAL DESIGN	DEPARTMENT OF PUBLIC WORKS
CORPORATE ASSET MANAGEMENT INC	1022860	2607935		DEPARTMENT OF TRANSPORTATION
COUNCIL OF ACTION UNITED FOR SERVICE EFFORTS	14189	2608202		FINANCE DEPARTMENT
COUNCIL OF ISLAMIC ORGANIZATIONS	20305	2501825	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
COURRIER & I	-	2506952		LAW DEPARTMENT
COUZENS LANSKY FEALK ELLIS ROEDER & LAZAR	19705	2534094	LEGAL SERVICES	LAW DEPARTMENT
COVENANT HOUSE OF MICHIGAN	1049191	2614501		EMPLOYMENT AND TRAINING DEPARTMENT
COVENANT HOUSE OF MICHIGAN	1049191	2622827		EMPLOYMENT AND TRAINING DEPARTMENT
COVENANT HOUSE OF MICHIGAN	1049191	2563788	SUPPORTIVE HOUSING	HUMAN SERVICES DEPARTMENT
CREEKSIDE COMMUNITY DEVELOPMENT CORPORATION	1024525	2752940		PLANNING AND DEVELOPMENT DEPARTMENT
CSFB 1998 P1 WOODWARD OFFICE LLC	1074168	2652205		FINANCE DEPARTMENT
CUMMINGS MCCLOREY DAVIS	19999	2502111	LEGAL SERVICES: JANE DOE V P.O. JOURNEY	LAW DEPARTMENT
CUMMINGS MCCLOREY DAVIS	19999	2502154	LEGAL SERVICES	NO DEPARTMENT INDICATED
CURTIS & ASSOCIATES	18886	2563163	JOB SEARCH WORK FIRST/WTW 2001	EMPLOYMENT AND TRAINING DEPARTMENT
CVS	1026222	2782910		WORKFORCE DEVELOPMENT DEPARTMENT
D A CENTRAL INC	1020403	2860051	SECURITY SURVEILLANCE SYSTEM	NO DEPARTMENT INDICATED
D C BYERS COMPANY DETROIT	15847	2502244	FORD RD RESERVOIR REHAB	WATER DEPARTMENT
D P VANBLARICOM INC	1011787	2517238	ESTATE OF LARRY BELL V CITY	LAW DEPARTMENT
DATA COMPRESSION TECHNOLOGY INC.	1057080	2584759		FINANCE DEPARTMENT
DATA CONSULTING GROUP INC	18268	2507857	PARKING TICKETS	MUNICIPAL PARKING DEPARTMENT
DAVID ANDERSON & CATHY STULL	16925	2500749		LAW DEPARTMENT
DBAKER SOLUTIONS	1027729	2526961	CONCESSIONS CONTRACT CONSULTANT	ZOO
DECISION CONSULTANTS INC	14788	2502051	PROGRAMMING CODING	INFORMATION TECHNOLOGY SERVICES
DELOITTE & TOUCHE LLP	17837	2592267		CITY COUNCIL
DEMARIA BUILDING COMPANY	19428	2819183	SKILLED TRADES REPAIR AND MAINTENANCE	GENERAL SERVICES DEPARTMENT
DEMARIA BUILDING COMPANY	19428	2706154	BELLE ISLE CONSERVATORY RENOVATIONS	RECREATION DEPARTMENT
DEMARIA BUILDING COMPANY	19428	2832912	EQUIPMENT PURCHASE AND INSTALLATION	WATER DEPARTMENT
DETROIT AREA AGENCY ON AGING	10643	2803629		HUMAN SERVICES DEPARTMENT
DETROIT AREA AGENCY ON AGING	10643	2743788		HUMAN SERVICES DEPARTMENT
DETROIT AREA AGENCY ON AGING	10643	2775457		HUMAN SERVICES DEPARTMENT
DETROIT AREA HEALTH COUNCIL INC	1069815	2619988		RECREATION DEPARTMENT
DETROIT ASSOC OF WOMENS CLUBS	14566	2514218	PUBLIC FACILITY REHAB-FICS #74834	FINANCE DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
DETROIT ASSOCIATION OF BLACK ORGANIZATIONS	16148	2501915	PUBLIC SERVICE	NO DEPARTMENT INDICATED
DETROIT ASSOCIATION OF BLACK ORGANIZATIONS	16148	2502124		NO DEPARTMENT INDICATED
DETROIT ASSOCIATION OF BLACK ORGANIZATIONS	16148	2807055		WORKFORCE DEVELOPMENT DEPARTMENT
DETROIT ASSOCIATION OF BLACK ORGANIZATIONS	16148	2761547		WORKFORCE DEVELOPMENT DEPARTMENT
DETROIT ASSOCIATION OF BLACK ORGANIZATIONS	16148	2740241		WORKFORCE DEVELOPMENT DEPARTMENT
DETROIT BOARD OF EDUCATION	1569	2503530	JOB SEARCH & PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
DETROIT BOARD OF EDUCATION	1569	2508003	EZ-PUBLIC SERVICE	FINANCE DEPARTMENT
DETROIT BOARD OF EDUCATION	1569	2516130	DISABILITY SUPPORT TEAM	HUMAN SERVICES DEPARTMENT
DETROIT BOARD OF EDUCATION	1569	2501369	CAREER PREP PLANNING	EMPLOYMENT AND TRAINING DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2500796	WINTER HOLDING & LIGHTING	ZOO
DETROIT BUILDING AUTHORITY	9266	2510115	DPD SECURITY SYSTEM UPGRADE	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2500859	HUBER BUILDING RESTORE	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2513351		INFORMATION TECHNOLOGY SERVICES
DETROIT BUILDING AUTHORITY	9266	2593193		POLICE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2530203	CENTER & SITE IMPROVE	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2526905	FIRE DETECTION, ALARM & SUPPRESSION	ZOO
DETROIT BUILDING AUTHORITY	9266	2501859	EASTERN MARKET RENOVATIONS	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2545275	SECURITY SYSTEM UPGRADE	POLICE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2503827	CUSTOMER SERVICE CENTER	FINANCE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2501051	FIRESTATION RENOVATION PROGRAM	FIRE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2636298		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2508408	BUILDING RENOVATIONS	FINANCE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2500748	PARKING IMPROVEMENTS	ZOO
DETROIT BUILDING AUTHORITY	9266	2540535		POLICE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2502360		PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2630384		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2514346	INFRASTRUCTURE IMPROVEMENTS	PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2516282	FIRE SUPPRESSION AND DETECTION SYSTEM	CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2501977	ADAMS BUTZEL CENTER	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2506561	COLEMAN A. YOUNG & ROBERTO CLEMENTE CENTERS IMPROVEMENTS	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2560470	2001-02 CAPITAL IMPROVEMENT PROGRAM	CIVIC CENTER DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
DETROIT BUILDING AUTHORITY	9266	2500743	BIRD & TIGER RENOVATION	ZOO
DETROIT BUILDING AUTHORITY	9266	2691117		FIRE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2506912		RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2501579	MCCABE FIELD HOUSE SITE IMPROVEMENTS	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2501961	MADISON CTR IMPROVEMENTS	NO DEPARTMENT INDICATED
DETROIT BUILDING AUTHORITY	9266	2653472		ZOO
DETROIT BUILDING AUTHORITY	9266	2505570	B.I. CANAL FICS CONTRACT# 073005	FINANCE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2594879		RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2517916		HUMAN SERVICES DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2600472		FINANCE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2544837	PUBLIC IMPROVEMENTS AT WOODWARD	PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2654364		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2532375		RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2505579		FINANCE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2536241	COBO CENTERS CAPITAL PROGRAM	CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2619410		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2688656		FIRE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2505726	MINATURE RAILROAD RENOVATION	ZOO
DETROIT BUILDING AUTHORITY	9266	2531292	ARCHITECTURAL PROGRAMMING	POLICE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2561933	CAPITAL IMPROVEMENTS	CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2517985		HISTORICAL
DETROIT BUILDING AUTHORITY	9266	2638245		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2500762		RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2545352		FINANCE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2706199		POLICE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2767791		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2630436		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2739330		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2726923		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2719133		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2630388		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2501957	CAPITAL PROJECTS	HEALTH DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2697790		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2630408		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2626704		HISTORICAL
DETROIT BUILDING AUTHORITY	9266	2675809		ZOO
DETROIT BUILDING AUTHORITY	9266	2550346	GROUND CARE PROJECT	RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2675818		ZOO

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
DETROIT BUILDING AUTHORITY	9266	2583964		RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2627766		RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2653471		ZOO
DETROIT BUILDING AUTHORITY	9266	2710513		POLICE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2651003		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2697809		CIVIC CENTER DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2560660	DETENTION CENTERS/POLICE HEADQUARTERS	FINANCE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2796726		AIRPORT DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2865303		DETROIT OFFICE OF HOMELAND SECURITY
DETROIT BUILDING AUTHORITY	9266	2749361		PUBLIC LIGHTING DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2568320		RECREATION DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2510335	RENOVATION AT PRECINCTS 2, 5, 7, & 11	POLICE DEPARTMENT
DETROIT BUILDING AUTHORITY	9266	2510162		POLICE DEPARTMENT
DETROIT CATHOLIC PASTORAL	18185	2855625		PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT CATHOLIC PASTORAL	18185	2778107		PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT CATHOLIC PASTORAL	18185	2554997	NEW CONTRACT SET-UP	PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT CENTRAL CITY COMMUNITY	17253	2501790	PUBLIC FACILITY REHAB	NO DEPARTMENT INDICATED
DETROIT DISCOUNT DISTRIBUTORS INC	1027457	2526361	EMERGENCY FOOD	HUMAN SERVICES DEPARTMENT
DETROIT EAST COMMUNITY MENTAL	1005394	2663209		DEPARTMENT OF TRANSPORTATION
DETROIT EAST COMMUNITY MENTAL	1005394	2719895		DEPARTMENT OF TRANSPORTATION
DETROIT EAST INC	13771	2520517	TRANSITIONAL HOUSING	HUMAN SERVICES DEPARTMENT
DETROIT ECONOMIC GROWTH CORPORATION	7662	2515604	PROFESSIONAL ECONOMIC DEVELOPMENT	PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT ECONOMIC GROWTH CORPORATION	7662	2784670	ECONOMIC DEVELOPMENT SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT ECONOMIC GROWTH CORPORATION	7662	2753574		PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT ECONOMIC GROWTH CORPORATION	7662	2809284		PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT ECONOMIC GROWTH CORPORATION	7662	2725283		PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT EDISON COMPANY	5636	2501179		NO DEPARTMENT INDICATED
DETROIT ELECTRICAL SERVICES LLC	1059639	2676228		WATER DEPARTMENT
DETROIT ENTREPRENEURSHIP INST	1036516	2562737	SELF EMPLOYMENT INITIATIVE	WORKFORCE DEVELOPMENT DEPARTMENT
DETROIT ENTREPRENEURSHIP INST	1036516	2507446	P&DD/PS FICS CONTRACT #75285	FINANCE DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
DETROIT GENERAL RETIREMENT SYSTEM SERVICE CORPORATION	-	-	GRS SERVICE CONTRACT 2005, DATED MAY 25, 2005, BY AND BETWEEN THE CITY AND THE DETROIT GENERAL RETIREMENT SYSTEM SERVICE CORPORATION	NO DEPARTMENT INDICATED
DETROIT GENERAL RETIREMENT SYSTEM SERVICE CORPORATION	-	-	GRS SERVICE CONTRACT 2006, DATED JUNE 7, 2006, BY AND BETWEEN THE CITY AND THE DETROIT GENERAL RETIREMENT SYSTEM SERVICE CORPORATION, AS THEREAFTER AMENDED	NO DEPARTMENT INDICATED
DETROIT HISPANIC	20401	2564466	JOB SEARCH AND PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
DETROIT HOUSING COMMISSION	1033965	2801908	FUNDING AGREEMENT	DEPARTMENT OF PUBLIC WORKS
DETROIT HOUSING COMMISSION	1033965	2833063	FUNDING AGREEMENT	DEPARTMENT OF PUBLIC WORKS
DETROIT HOUSING COMMISSION	1033965	2669571		HOUSING DEPARTMENT
DETROIT LIGHT HOUSE PROGRAM	1001492	2501736	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT
DETROIT LIGHT HOUSE PROGRAM	1001492	2515558	SUBSTANCE ABUSE FYE 9/99	HEALTH DEPARTMENT
DETROIT MEDICAL CENTER	20097	2501916	MEDICAL SERVICES	NO DEPARTMENT INDICATED
DETROIT METRO CONVENTION	1027508	2615728		CIVIC CENTER DEPARTMENT
DETROIT NEIGHBORHOOD & FAMILY INITIATIVE	1018914	2520602	EMPOWERMENT ZONE - PUBLIC SERVICE	PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT NEIGHBORHOOD DEVELOPMENT CORP	1035571	2539512	NEIGHBORHOOD REVITALIZATION	PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT NONPROFIT HOUSING CORPORATION	10641	2514457	NON-PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
DETROIT POLICE AND FIRE RETIREMENT SYSTEM SERVICE CORPORATION	-	-	PFRS SERVICE CONTRACT 2005, DATED MAY 25, 2005, BY AND BETWEEN THE CITY AND THE DETROIT POLICE AND FIRE RETIREMENT SYSTEM SERVICE CORPORATION	NO DEPARTMENT INDICATED
DETROIT POLICE AND FIRE RETIREMENT SYSTEM SERVICE CORPORATION	-	-	PFRS SERVICE CONTRACT 2006, DATED JUNE 7, 2006, BY AND BETWEEN THE CITY AND THE DETROIT POLICE AND FIRE RETIREMENT SYSTEM SERVICE CORPORATION, AS THEREAFTER AMENDED	NO DEPARTMENT INDICATED
DETROIT PUBLIC SCHOOLS	1835	2587295		HUMAN SERVICES DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2557062	2001-2002 HEAD START CONTRACT	HUMAN SERVICES DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2532505	HEAD START PROGRAM	HUMAN SERVICES DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2617076		EMPLOYMENT AND TRAINING DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2657665		WORKFORCE DEVELOPMENT DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2663934		WORKFORCE DEVELOPMENT DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
DETROIT PUBLIC SCHOOLS	1835	2571396		EMPLOYMENT AND TRAINING DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2512549	HEAD START SERVICES	HUMAN SERVICES DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2771471		HUMAN SERVICES DEPARTMENT
DETROIT PUBLIC SCHOOLS	1835	2767770		HUMAN SERVICES DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2502297	PERMANENT SHELTER & SUPPORT	HEALTH DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2560689	SUPPORTIVE SERVICES	HUMAN SERVICES DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2619840		HUMAN SERVICES DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2548291	TRANSITIONAL HOUSING (FICS #076950)	FINANCE DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2501406	SHELTER FOR THE HOMELESS (FICS #079045)	HUMAN SERVICES DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2559511	CASE MANAGEMENT AND COUNSELING	HUMAN SERVICES DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2588816		HUMAN SERVICES DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2751508		HUMAN SERVICES DEPARTMENT
DETROIT RESCUE MISSION MINISTRIES	14618	2774007		HUMAN SERVICES DEPARTMENT
DETROIT SNAP INC	19532	2501606	PUBLIC SERVICE	NO DEPARTMENT INDICATED
DETROIT SPECTRUM PAINTERS INC	11290	2785384	EASTERN MARKET RENOVATIONS	RECREATION DEPARTMENT
DETROIT TIGERS BASEBALL CLUB	1036628	2575026		PLANNING AND DEVELOPMENT DEPARTMENT
DETROIT TRANSPORTATION CORP DN2	14896	2624573		DEPARTMENT OF TRANSPORTATION
DETROIT URBAN LEAGUE	1587	2518492	DHS EMERGENCY NEED SERVICES PROGRAM	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2504264	CAREER DEVELOPMENT TRAINING	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2620591		HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2575580		HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2563476	WAGES AND MILEAGE WEATHERIZATION WORKERS	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2515009	WEATHERIZATION SPECIALIST	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2512778	WEATHERIZATION INSPECTORS	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2672024		HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2608694		HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2557533	JOB READINESS TRAINING	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2557619	EMERGENCY NEEDS PROGRAM	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2533037	CAREER DEVELOPMENT PROGRAM	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2620874		HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2535487	EMERGENCY NEEDS PROGRAM.	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2518497	PROVIDE COMPUTER SKILLS TRAINING	HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2588385		HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2804820		HUMAN SERVICES DEPARTMENT
DETROIT URBAN LEAGUE	1587	2775162		HUMAN SERVICES DEPARTMENT
DETROIT WAYNE JOINT BUILDING AUTHORITY	19336	2693328		BUDGET DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
DETROIT WAYNE JOINT BUILDING AUTHORITY	19336	2825805		BUDGET DEPARTMENT
DETROIT WAYNE JOINT BUILDING AUTHORITY	19336	2738647		BUDGET DEPARTMENT
DETROIT WAYNE JOINT BUILDING AUTHORITY	19336	2770051		BUDGET DEPARTMENT
DETROIT WAYNE JOINT BUILDING AUTHORITY	19336	2714701		BUDGET DEPARTMENT
DETROIT WAYNE JOINT BUILDING AUTHORITY	19336	2800319		BUDGET DEPARTMENT
DETROIT WAYNE PORT AUTHORITY	10780	2501783		NON-DEPARTMENTAL
DETROIT WORKFORCE NETWORK INC	1071709	2623415		WORKFORCE DEVELOPMENT DEPARTMENT
DEVELOPMENT CENTER INC	16686	2563727	JOB SEARCH AND PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
DEVELOPMENT CENTER INC	16686	2597991		WORKFORCE DEVELOPMENT DEPARTMENT
DEVELOPMENT CENTER INC	16686	2627616		WORKFORCE DEVELOPMENT DEPARTMENT
DEVELOPMENT CENTER INC	16686	2658738		WORKFORCE DEVELOPMENT DEPARTMENT
DEVELOPMENT CENTER INC	16686	2778452		WORKFORCE DEVELOPMENT DEPARTMENT
DEVELOPMENT CENTER INC	16686	2725743		WORKFORCE DEVELOPMENT DEPARTMENT
DEVELOPMENT CENTER INC	16686	2806231		WORKFORCE DEVELOPMENT DEPARTMENT
DFT SECURITY TEAM JV	1081574	2658119		WATER DEPARTMENT
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2504635	NEAL/WHITFIELD V ARCHER/JAMES	LAW DEPARTMENT
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2501914	LEGAL SERVICES	NO DEPARTMENT INDICATED
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2502116	LEGAL SERVICES: JOAN GHOGIAN V CITY	LAW DEPARTMENT
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2500792	LEGAL SERVICES	LAW DEPARTMENT
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2501982	LEGAL SERVICES	NO DEPARTMENT INDICATED
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2502108	NORDE JAMES V CHIEF ISIAH MCKINNON	LAW DEPARTMENT
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2504874	LEGAL SERVICES: CHILDS V CITY	LAW DEPARTMENT
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2502115	LEGAL SERVICES: TAMARA HARMON V CITY	LAW DEPARTMENT
DICKINSON WRIGHT MOON VANDUSEN PLLC	7769	2502105	NAOMI CONAWAY V CITY OF DETROIT	LAW DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
DICKINSON WRIGHT PLLC	1023465	2522227	ANALYSIS OF PA 374; ARCHER V STATE	LAW DEPARTMENT
DICKINSON WRIGHT PLLC	1023465	2553236	LEGAL SERVICES	LAW DEPARTMENT
DICKINSON WRIGHT PLLC	1023465	2534973	TIGER STADIUM MGMT AGREEMENT	LAW DEPARTMENT
DICKINSON WRIGHT PLLC	1023465	2546606	LEGAL SERVICES	LAW DEPARTMENT
DICKINSON WRIGHT PLLC	1023465	2543718	LEGAL SERVICES	LAW DEPARTMENT
DICKINSON WRIGHT PLLC	1023465	2803153	LEGAL SERVICES	LAW DEPARTMENT
DICKINSON WRIGHT PLLC	1023465	2765485	LEGAL SERVICES	LAW DEPARTMENT
DICKINSON WRIGHT PLLC	1023465	2781254	LEGAL SERVICES	LAW DEPARTMENT
DIVERSIFIED EDUCATIONAL SERVICE INC	18910	2561519	WORK FIRST/WELFARE TO WORK	EMPLOYMENT AND TRAINING DEPARTMENT
DIVERSIFIED EDUCATIONAL SERVICE INC	18910	2734876		WORKFORCE DEVELOPMENT DEPARTMENT
DOGWOOD BROOKSIDE NEIGHBORHOODS	1103646	2781555	SIDEWALKS, CURBS, AND APPROACHES	PLANNING AND DEVELOPMENT DEPARTMENT
DOMBROWSKI, ROBERT	20565	2501542	UNIFORM RELOCATION ASSISTANCE	LAW DEPARTMENT
DON BOSCO HALL	20026	2501185		NO DEPARTMENT INDICATED
DON BOSCO HALL	20026	2595057		RECREATION DEPARTMENT
DON BOSCO HALL	20026	2622063		RECREATION DEPARTMENT
DON BOSCO HALL	20026	2778547		WORKFORCE DEVELOPMENT DEPARTMENT
DON BOSCO HALL	20026	2801085		WORKFORCE DEVELOPMENT DEPARTMENT
DOPAR SUPPORT SYSTEMS INC	21284	2713282		INFORMATION TECHNOLOGY SERVICES
DOWNTOWN DEVELOPMENT AUTHORITY	17716	2770230	LOWER WOODWARD IMPROVEMENT	DEPARTMENT OF PUBLIC WORKS
DOWNTOWN DEVELOPMENT AUTHORITY	17716	2563708	EQUIPMENT INSTALLATION	PUBLIC LIGHTING DEPARTMENT
DTWR LLC C/O FARBMAN GROUP	1066425	2604131		FINANCE DEPARTMENT
DTWR LLC C/O FARBMAN GROUP	1066425	2770218		BUDGET DEPARTMENT
DTWR LLC C/O FARBMAN GROUP	1066425	2738724		BUDGET DEPARTMENT
DUREN & ASSOCIATES	20479	2658590		WORKFORCE DEVELOPMENT DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2517349	WASHINGTON, D.C. LEGISLATIVE SERVICES	LAW DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2518125	U.S. DEPT OF JUSTICE DOT INVESTIGATION	LAW DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2537039	ANDRE YOUNG A/K/A DR. DRE V CITY	LAW DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2537005	WASHINGTON D.C. LIAISON	LAW DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2501222		PLANNING AND DEVELOPMENT DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2561984	LEGAL SERVICES	LAW DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2501872	LEGAL SERVICES	LAW DEPARTMENT
DYKEMA GOSSETT PLLC	22091	2550459	EUGENE BROWN V CITY	LAW DEPARTMENT
DYNALECTRIC	1103998	2765307	CLOSED CIRCUIT TELEVISION FOR DOT	DEPARTMENT OF TRANSPORTATION
E L S CONSTRUCTION	1098327	2785558	EASTERN MARKET SHED NO. 3 RENOVATIONS	RECREATION DEPARTMENT
EARTH TECH INC	20544	2500983	BELT FILTER PRESSES	SEWERAGE DEPARTMENT
EARTH TECH INC	20544	2502192	CASINO SITE APPRAISALS	LAW DEPARTMENT
EARTH TECH INC	20544	2510034	ENVIRONMENTAL REAL ESTATE-FICS #71021	FINANCE DEPARTMENT
EASTERN OIL CO.	-	2809177	LUBRICANT OIL	GENERAL SERVICES DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
EASTSIDE COMMUNITY RESOURCE	1018050	2538974	JOB ACCESS REVERSE COMMUTE	EMPLOYMENT AND TRAINING DEPARTMENT
EASTSIDE EMERGENCY CTR	16519	2502205	TRANSITIONAL HOUSING	HUMAN SERVICES DEPARTMENT
EASTSIDE EMERGENCY CTR	16519	2532107	TRANSITIONAL HOUSING	HUMAN SERVICES DEPARTMENT
EASTSIDE EMERGENCY CTR	16519	2543569	EMERGENCY SHELTER	HUMAN SERVICES DEPARTMENT
EASTWOOD CLINICS CORP OFFICE	1000451	2501528	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
EASTWOOD CLINICS CORP OFFICE	1000451	2501826	SUBSTANCE ABUSE COORDINATION AGENCY	HEALTH DEPARTMENT
EBI DETROIT	1000452	2517413	WW-529 SCREEN HOUSE REHABILITATION	WATER DEPARTMENT
ECONOMIC DEVELOPMENT CORPORATION	1000454	2515748	PROFESSIONAL ECONOMIC DEVELOPMENT	PLANNING AND DEVELOPMENT DEPARTMENT
ECONOMIC DEVELOPMENT CORPORATION	1000454	2764614	FOX CREEK INFRASTRUCTURE PROJECT	DEPARTMENT OF PUBLIC WORKS
ECONOMIC DEVELOPMENT CORPORATION	1000454	2818723	EAST RIVERFRONT IMPROVEMENT PROJECT	DEPARTMENT OF PUBLIC WORKS
ECONOMIC DEVELOPMENT CORPORATION	1000454	2641018		PLANNING AND DEVELOPMENT DEPARTMENT
ECONOMIC DEVELOPMENT CORPORATION	1000454	2784665		PLANNING AND DEVELOPMENT DEPARTMENT
ECONOMIC DEVELOPMENT CORPORATION	1000454	2753580		PLANNING AND DEVELOPMENT DEPARTMENT
ECONOMIC DEVELOPMENT CORPORATION	1000454	2809038	ECONOMIC DEVELOPMENT SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
EDUCATIONAL DATA SYSTEMS INC	20423	2724428		WORKFORCE DEVELOPMENT DEPARTMENT
EDUCATIONAL DATA SYSTEMS INC	1055746	2806233		WORKFORCE DEVELOPMENT DEPARTMENT
EDUCATIONAL DATA SYSTEMS INC	1055746	2778455		WORKFORCE DEVELOPMENT DEPARTMENT
EDWARD C GEORGE	9826	2502379		HUMAN SERVICES DEPARTMENT
EDWARD C LEVY CO DBA PLANT MAINTENANCE	1020737	2502151	BITUMINOUS SURFACE REMOVAL	DEPARTMENT OF PUBLIC WORKS
EJH CONSTRUCTION	1020562	2808924		HUMAN SERVICES DEPARTMENT
ELEVATOR TECHNOLOGY	1000471	2500082	ELEVATOR MAINTENANCE SERVICE	GENERAL SERVICES DEPARTMENT
ELMHURST HOME INC	10998	2501829	SUBSTANCE ABUSE COORDINATION AGENCY	HEALTH DEPARTMENT
ELMHURST HOME INC	10998	2501729	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT
EMERSON PROCESS MANAGEMENT POWER	1016248	2847526	GAS TURBINE UPGRADE AND REPAIR	PUBLIC LIGHTING DEPARTMENT
EMPCO INC	1118906	2878252		MAYOR'S OFFICE
EMPOWERMENT ZONE DEVELOPMENT CORP	19637	2513278	ADMINISTRATIVE ACTIVITY	PLANNING AND DEVELOPMENT DEPARTMENT
EMPOWERMENT ZONE DEVELOPMENT CORP	19637	2529275	EMPOWERMENT ZONE - PUBLIC SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
EMPRESA	1099489	2776404		WORKFORCE DEVELOPMENT DEPARTMENT
ENERGY GROUP INC	1017472	2509158	FICS CONTRACT 076115 - TREE TRIMMING	PUBLIC LIGHTING DEPARTMENT
ENGINE SUPPLY OF NOVI	1994	2505264	PARTS COMPLETE ENGINES (M80372)	FINANCE DEPARTMENT
ENOTA INC	1092130	2717072		POLICE DEPARTMENT
ENTECH PERSONNEL SERVICES INC	1000768	2544596	CLERICAL ASSISTANCE	CITY CLERK
ENVIRONMENTAL CONSULTING & TECHNOLOGY	1106148	2551431	ENVIRONMENTAL SVCS/GREATER RIVERFRONT	PLANNING AND DEVELOPMENT DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
ENVIRONMENTAL TESTING & CONSULTING INC	1003675	2502196	ABATEMENT OF ASBESTOS	DEPARTMENT OF PUBLIC WORKS
EPITEC GROUP INC	1045979	2556386	PROFESSIONAL SERVICES CONTRACT	INFORMATION TECHNOLOGY SERVICES
EPITEC GROUP INC	1045979	2573836		NON-DEPARTMENTAL
EPITEC GROUP INC	1045979	2620773		NON-DEPARTMENTAL
ESTHER LYNISE BRYANT	1019604	2508103	IJJOE/GIBSON V CITY	LAW DEPARTMENT
EVANS GROUP	1019232	2515534	JOSEPHINE MILLS V CITY	LAW DEPARTMENT
EVEREST SOLUTIONS LLC	1000830	2503912	CONVERSION OF YEAR 2000	FINANCE DEPARTMENT
EVO ACCOUNTING & FINANCIAL SERVICES	1070752	2761823		FINANCE DEPARTMENT
FAMILY SERVICE INC	4010	2541124	CASE MANAGEMENT/COUNSELING SERVICES	HUMAN SERVICES DEPARTMENT
FAMILY SERVICE INC	4010	2508864	P&DD PUBLIC SERVICE	FINANCE DEPARTMENT
FAMILY SERVICE INC	4010	2559513	ASE MANAGEMENT AND COUNSELING	HUMAN SERVICES DEPARTMENT
FAMILY SERVICE INC	4010	2597464		FINANCE DEPARTMENT
FAMILY SERVICE INC	4010	2620491		HUMAN SERVICES DEPARTMENT
FAMILY SERVICE INC	4010	2588790		HUMAN SERVICES DEPARTMENT
FAMILY SERVICE INC	4010	2773997		HUMAN SERVICES DEPARTMENT
FAMILY SERVICE INC	4010	2751502		HUMAN SERVICES DEPARTMENT
FARBMAN DEVELOPMENT GROUP INC	1052543	2574590		PLANNING AND DEVELOPMENT DEPARTMENT
FELIX J LIDDELL MID	9742	2619048		HUMAN SERVICES DEPARTMENT
FELIX J LIDDELL MID	9742	2771950		HUMAN SERVICES DEPARTMENT
FEMI TALABI & ASSOCIATES IINC	1025786	2693989		PLANNING AND DEVELOPMENT DEPARTMENT
FERGUSON ENTERPRISES INC	1002829	2762820	WATER SYSTEM IMPROVEMENTS	WATER DEPARTMENT
FERGUSON ENTERPRISES INC	1002829	2708886		RECREATION DEPARTMENT
FIRST AMERICAN EQUITY LOAN SERVICES INC	1053418	2572513		LAW DEPARTMENT
FIRST TEE OF DETROIT	1106838	2509532	JUNIOR GOLF PROGRAM	RECREATION DEPARTMENT
FLORISE E NEVILLE EWELL	18953	2511634	LAW DEPARTMENT CONTRACTS SECTION	FINANCE DEPARTMENT
FOCUS HOPE	20156	2595470		EMPLOYMENT AND TRAINING DEPARTMENT
FOCUS HOPE	20156	2517834	MACHINIST TRAINING	EMPLOYMENT AND TRAINING DEPARTMENT
FOCUS HOPE	20156	2782889		WORKFORCE DEVELOPMENT DEPARTMENT
FOLIA INDUSTRIES INC	1078969	2647895		RECREATION DEPARTMENT
FORBES MANAGEMENT INC	13713	2500738	8TH FL 2111 WOODWARD	NO DEPARTMENT INDICATED
FORBES MANAGEMENT INC	13713	2500736		NO DEPARTMENT INDICATED
FORENSIC EXAMINATION SERVICE	19765	2511601	ESTATE OF CARA BELL JONES	LAW DEPARTMENT
FORT WAYNE CONSTRUCTION INC	1002341	2508445	EMER. REPAIR OF STORM DAMAGED SIDEWALKS	DEPARTMENT OF PUBLIC WORKS
FOUNDATION FOR BEHAVIORAL RESOURCES	1001251	2562165	WORK FIRST & WTW	EMPLOYMENT AND TRAINING DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
FOUNDATION FOR BEHAVIORAL RESOURCES	1001251	2629097		EMPLOYMENT AND TRAINING DEPARTMENT
FOUNDATION FOR BEHAVIORAL RESOURCES	1001251	2778457		WORKFORCE DEVELOPMENT DEPARTMENT
FRANCES GREENEBAUM	15339	2500958		HUMAN SERVICES DEPARTMENT
FRANCES GREENEBAUM	15339	2500968		HUMAN SERVICES DEPARTMENT
FRANCES S GREENEBAUM	1001353	2663660		HUMAN SERVICES DEPARTMENT
FRANKLIN WRIGHT SETTLEMENTS INC	1001261	2557088	2001-2002 EARLY HEAD START CONTRACT	HUMAN SERVICES DEPARTMENT
FRANKLIN WRIGHT SETTLEMENTS INC	1001261	2532391	EARLY HEAD START 2000-2001	FINANCE DEPARTMENT
FRANKLIN WRIGHT SETTLEMENTS INC	1001261	2512564	HEAD START SERVICES	HUMAN SERVICES DEPARTMENT
FRANKLIN WRIGHT SETTLEMENTS INC	1001261	2501500	PUBLIC FACILITY REHAB	NO DEPARTMENT INDICATED
FREEDOM HOUSE	19860	2551708	EMERGENCY SHELTER	HUMAN SERVICES DEPARTMENT
G4S SECURE SOLUTIONS USA, INC.	1116038	2741015	SECURITY SERVICES	GENERAL SERVICES DEPARTMENT
GARAN LUCOW MILLER PC	1007550	2525486	ELIZABETH HURD, ET AL V CITY OF DETROIT	LAW DEPARTMENT
GARAN LUCOW MILLER PC	1007550	2540460	LEGAL SERVICES	LAW DEPARTMENT
GARAN LUCOW MILLER PC	1007550	2505197	JOHNSON V JECZEN, ET AL	LAW DEPARTMENT
GARAN LUCOW MILLER PC	1007550	2502158	LEGAL SERVICES: TROMEUR V ADKINS	LAW DEPARTMENT
GARAN LUCOW MILLER PC	1007550	2505077	LEGAL SERVICES	LAW DEPARTMENT
GARAN LUCOW MILLER PC	1007550	2574321		LAW DEPARTMENT
GARAN LUCOW MILLER PC	1007550	2505187	LEGAL SERVICES: BERNICE MARTIN V CITY	FINANCE DEPARTMENT
GENESIS ENERGY SOLUTIONS LLC	1059170	2623273		PUBLIC LIGHTING DEPARTMENT
GENESIS ENERGY SOLUTIONS LLC	1059170	2630629		PUBLIC LIGHTING DEPARTMENT
GENESIS ENERGY SOLUTIONS LLC	1059170	2623274		PUBLIC LIGHTING DEPARTMENT
GENESIS ENERGY SOLUTIONS LLC	1059170	2625340		PUBLIC LIGHTING DEPARTMENT
GEORGE E SANSOUY P E LLC	1034071	2537262	PROFESSIONAL SERVICES: APPRAISALS	LAW DEPARTMENT
GEORGE JOHNSON & COMPANY	1826	2754359		HUMAN SERVICES DEPARTMENT
GERALD K EVELYN	1102554	2765473	LEGAL SERVICES	LAW DEPARTMENT
GERALD K EVELYN	1102554	2765475	LEGAL SERVICES	LAW DEPARTMENT
GHAFARI ASSOCIATES LLC	16840	2500978	ADAMS ROAD IMPROVEMENTS	NO DEPARTMENT INDICATED
GHAFARI ASSOCIATES LLC	16840	2520892	ELECTRICAL SERVICES AT 2633 MICHIGAN AVE.	DEPARTMENT OF PUBLIC WORKS
GIORGI CONCRETE LLC	1010405	2764704	REPAIR OF WATER SYSTEM	WATER DEPARTMENT
GIRL SCOUTS OF METRO DETROIT	7539	2588820		HUMAN SERVICES DEPARTMENT
GIRL SCOUTS OF METRO DETROIT	7539	2775160		HUMAN SERVICES DEPARTMENT
GIS DATA RESOURCES INC	1087473	2696020		POLICE DEPARTMENT
GLEANERS COMMUNITY FOOD BANK 1	16611	2775453		HUMAN SERVICES DEPARTMENT
GLEANERS COMMUNITY FOOD BANK 1	16611	2803612		HUMAN SERVICES DEPARTMENT
GLEANERS COMMUNITY FOOD BANK 1	16611	2778130		HUMAN SERVICES DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
GLEANERS COMMUNITY FOOD BANK 1	16611	2746566		HUMAN SERVICES DEPARTMENT
GLEN OLIVACHE CPA PC	1001562	2507371		FINANCE DEPARTMENT
GLOBEWIDE FAVOR CONSTRUCTION CO LLC	1085092	2808926		HUMAN SERVICES DEPARTMENT
GLOBEWIDE FAVOR CONSTRUCTION CO LLC	1085092	2793406		HUMAN SERVICES DEPARTMENT
GODFREY J DILLARD ESQ	1103303	2779417		LAW DEPARTMENT
GOODMAN & HURWITZ PC	1101745	2760433	SPECIAL COUNSEL	CITY COUNCIL
GOODMAN MUSCAT INC	1015305	2509737	ORGANIZATIONAL ASSESSMENT	ENVIRONMENTAL AFFAIRS DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2563438	WORKFIRST/WTW JS/JR	EMPLOYMENT AND TRAINING DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2559919	FOOD STAMPS	EMPLOYMENT AND TRAINING DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2539285	WORKFIRST JS/JP 10/01/00-9/30/01	EMPLOYMENT AND TRAINING DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2628317		EMPLOYMENT AND TRAINING DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2797757		WORKFORCE DEVELOPMENT DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2736042		WORKFORCE DEVELOPMENT DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2782892		WORKFORCE DEVELOPMENT DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2761556		WORKFORCE DEVELOPMENT DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2740308		WORKFORCE DEVELOPMENT DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2770617		WORKFORCE DEVELOPMENT DEPARTMENT
GOODWILL INDUSTRIES OF GREATER DETROIT	14999	2770613		WORKFORCE DEVELOPMENT DEPARTMENT
GRAY & GRAY PRODUCTIONS	18090	2594537		RECREATION DEPARTMENT
GREAT LAKES CENTER FOR INDEPENDENT LIVING	19673	2501926	PUBLIC SERVICE	PLANNING AND DEVELOPMENT DEPARTMENT
GREATER DETROIT COMMUNITY OUTREACH CENTER INC	19466	2501509	PUBLIC FACILITY REHAB	NO DEPARTMENT INDICATED
GREEN GREEN ADAMS PALMER & CRAIG PC	1014038	2508762	LEGAL SERVICES	CITY COUNCIL

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
GREGORY TERRELL & COMPANY	14501	2506562	AUDIT	HUMAN SERVICES DEPARTMENT
GRIER & COPELAND PC	11779	2527604	LEGAL SERVICES	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2546243	SANDRA MILLER V EUGENE BROWN, ET AL	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2502429	CHISHOLM, ET AL V CITY	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2550395	LEGAL SERVICES	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2548219	LEGAL SERVICES	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2632136		LAW DEPARTMENT
GRIER & COPELAND PC	11779	2545753	BRANDON BRYANT V EUGENE BROWN/CITY	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2502093	LEGAL SERVICES	NO DEPARTMENT INDICATED
GRIER & COPELAND PC	11779	2502430	LEGAL SERVICES: MCHUGH, ET AL V CITY	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2505089	LEGAL SERVICES	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2597158		LAW DEPARTMENT
GRIER & COPELAND PC	11779	2576025		LAW DEPARTMENT
GRIER & COPELAND PC	11779	2708898		LAW DEPARTMENT
GRIER & COPELAND PC	11779	2634211		LAW DEPARTMENT
GRIER & COPELAND PC	11779	2649862	CONTRACT FOR LEGAL SERVICES	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2688106	DAREL DEON CHANCELLOR V CITY	LAW DEPARTMENT
GRIER & COPELAND PC	11779	2551543	WILLIE BRYANT V EUGENE BROWN	LAW DEPARTMENT
GS EQUITIES LLC	1088912	2700328		LAW DEPARTMENT
HALCROW INC	1102933	2769474		MAYOR'S OFFICE
HALE CONTRACTING INC	1025577	2757453	VENTILATION SYSTEM	RECREATION DEPARTMENT
HALEY & ALDRICH INC	1098676	2740779		WATER DEPARTMENT
HAMILTON ANDERSON ASSOCIATES	18698	2507157	BELLE ISLE MASTER PLAN	RECREATION DEPARTMENT
HAMILTON ANDERSON ASSOCIATES	18698	2530873	FARWELL FIELD ARCHITECTURAL SERVICES	RECREATION DEPARTMENT
HAMILTON ANDERSON ASSOCIATES	18698	2508644	BELLE ISLE'S LOITER WAY REFECTORY	RECREATION DEPARTMENT
HAMILTON ANDERSON ASSOCIATES	18698	2563405	BELLE ISLE'S MASTER PLAN	RECREATION DEPARTMENT
HAMPTON RIDGE PROPERTIES LLC	1019230	2515341		WORKFORCE DEVELOPMENT DEPARTMENT
HARBIN GROUP INC	16607	2507665	CASINO SITE APPRAISAL	FINANCE DEPARTMENT
HARPER HOUSE	1003691	2501737		HEALTH DEPARTMENT
HARTFORD MEMORIAL BAPTIST CHURCH	14442	2502480	SENIOR CITIZENS MEALS	HEALTH DEPARTMENT
HAYES LAND DEVELOPMENT CORPORATION	1106003	2613519		WATER DEPARTMENT
HEALTH MANAGEMENT SYSTEMS	5654	2542966	EMPLOYEE ASSISTANCE PROGRAM	HUMAN RESOURCES DEPARTMENT
HEALTH MANAGEMENT SYSTEMS	1043088	2613135		HUMAN RESOURCES DEPARTMENT
HEALTH SERVICES TECHNICAL ASSISTANCE	9042	2504678	TARGET CITIES FYE 9/30/99	FINANCE DEPARTMENT
HEALTH SERVICES TECHNICAL ASSISTANCE	9042	2501833	SUBSTANCE ABUSE COORDINATION AGENCY	HEALTH DEPARTMENT
HEALTH SERVICES TECHNICAL ASSISTANCE	9042	2568871		HEALTH DEPARTMENT
HEALTH SERVICES TECHNICAL ASSISTANCE	9042	2570277		HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
HEALTH SERVICES TECHNICAL ASSISTANCE	9042	2504742	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT
HEALTH SERVICES TECHNICAL ASSISTANCE	9042	2512068	SUBSTANCE ABUSE ASSESSMENT	HEALTH DEPARTMENT
HEAT & WARMTH FUND	18570	2717114		WATER DEPARTMENT
HEIGHTS HEATING & COOLING INC	1032472	2741890	AIR CONDITIONING INSTALLATION	RECREATION DEPARTMENT
HENRY FORD HEALTH SYSTEM	1012926	2505277	MEDICAL SERVICES	HEALTH DEPARTMENT
HENRY FORD HEALTH SYSTEM	1012926	2605168		HEALTH DEPARTMENT
HENRY FORD HEALTH SYSTEM	1012926	2574218		HEALTH DEPARTMENT
HENRY FORD HEALTH SYSTEM	1012926	2621296		HEALTH DEPARTMENT
HENRY FORD HEALTH SYSTEM	1012926	2752105		HEALTH DEPARTMENT
HERBERT REALTY & MANAGEMENT	1018769	2559115		FINANCE DEPARTMENT
HERITAGE OPTICAL CENTER INC	16451	2515148	OPTOMETRIC SERVICES	HEALTH DEPARTMENT
HERITAGE OPTICAL CENTER INC	16451	2530208		HEALTH DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2604598		FINANCE DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2761160		HUMAN SERVICES DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2775593		HUMAN SERVICES DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2757513		HUMAN SERVICES DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2783105		HUMAN SERVICES DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2761157		HUMAN SERVICES DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2706006		HUMAN SERVICES DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2804847		HUMAN SERVICES DEPARTMENT
HINES FINANCIAL SERVICES	1059682	2744129		HUMAN SERVICES DEPARTMENT
HNTB MICHIGAN INC	1025696	2589459		DEPARTMENT OF PUBLIC WORKS
HNTB MICHIGAN INC	1025696	2800235	PROFESSIONAL SERVICES	AIRPORT DEPARTMENT
HOUSING & COMMUNITY DEVELOPMENT CORP OF WAYNE COUNTY	1021017	2518243	HOUSING REHABILITATION SERVICES	FINANCE DEPARTMENT
HOWARD & HOWARD ATTORNEYS PC	1013410	2773508	LEGAL SERVICES	LAW DEPARTMENT
HTC GLOBAL SERVICES INC	1003630	2501175		INFORMATION TECHNOLOGY SERVICES
HUBBARD RICHARD COMMON COUNCIL	9225	2501533		NO DEPARTMENT INDICATED
HUFFMASTER ASSOCIATES LLC	1010540	2506275	INVESTIGATIVE SERVICES	FINANCE DEPARTMENT
HUNGER ACTION COALITION OF MICHIGAN	16897	2510332	NOF PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
HUNT ASSOCIATES 1 INC	19746	2537045	WIA OUT OF SCHOOL YOUTH	EMPLOYMENT AND TRAINING DEPARTMENT
HUNT ASSOCIATES 1 INC	19746	2628062		WORKFORCE DEVELOPMENT DEPARTMENT
HUTZEL HOSPITAL	15175	2501837	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
HUTZEL HOSPITAL	15175	2508866		HEALTH DEPARTMENT
IBM CORPORATION	2865	2505095		INFORMATION TECHNOLOGY SERVICES
ICDS	1003163	2501182		PUBLIC LIGHTING DEPARTMENT
IMAGE SCAN INC	18157	2512900	DATA ENTRY SOFTWARE	INFORMATION TECHNOLOGY SERVICES

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
IMPERIAL CONSTRUCTION CO	12464	2746886		WATER DEPARTMENT
IMPERIAL CONSTRUCTION CO	12464	2685161		WATER DEPARTMENT
IMPERIAL CONSTRUCTION CO	12464	2679721		WATER DEPARTMENT
IN LAND WATERS POLLUTION	14434	2502291	REMOVAL OF STORAGE TANKS	DEPARTMENT OF PUBLIC WORKS
IN LAND WATERS POLLUTION	14434	2502290	UST UPGRADES	DEPARTMENT OF PUBLIC WORKS
INDUSTRIAL RELATIONS INC	1027976	2527324	PERFORMANCE MANAGEMENT SYSTEM	FINANCE DEPARTMENT
INDUSTRIAL RELATIONS INC	1027976	2513432	EMPLOYEE DEVELOPMENT PROGRAM	HUMAN RESOURCES DEPARTMENT
INFRASTRUCTURE MANAGEMENT GROUP INC	1061121	2634315		PUBLIC LIGHTING DEPARTMENT
INLAND WATERS POLLUTION CONTROL INC	1055642	2556880	UNDERGROUND STORAGE TANKS	DEPARTMENT OF PUBLIC WORKS
INTERCLEAN EQUIPMENT INC	1011180	2504773	INSTALLATION OF TRUCK WASH SYSTEMS	DEPARTMENT OF PUBLIC WORKS
INTERGRAPH CORPORATION	6153	2516412	953625- COMPUTER RELATED PRODUCTS	INFORMATION TECHNOLOGY SERVICES
INTERNATIONAL INSTITUTE OF METROPOLITAN DETROIT INC	9144	2521334		FINANCE DEPARTMENT
ISLANDVIEW VILLAGE DEVELOPMENT CORP	20425	2509212	SITE PREP/STREET IMPROVEMENT	FINANCE DEPARTMENT
ITW MORTGAGE INVESTMENTS III INC	1561	2501775		FINANCE DEPARTMENT
J & J YOUTH SERVICES	1012849	2506553	NOF PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
JJ ASSOCIATES	17711	2589033		INFORMATION TECHNOLOGY SERVICES
JJ ASSOCIATES	17711	2502052	PROGRAMMING CODING	INFORMATION TECHNOLOGY SERVICES
JJ ASSOCIATES	17711	2560948	2002 PROFESSIONAL SERVICES CONSULTING	INFORMATION TECHNOLOGY SERVICES
JO A CONSTRUCTION CO INC	1001666	2642903		RECREATION DEPARTMENT
JACKETS FOR JOBS INC	1064297	2778459		WORKFORCE DEVELOPMENT DEPARTMENT
JACKETS FOR JOBS INC	1064297	2754535		WORKFORCE DEVELOPMENT DEPARTMENT
JACKSON & KELLY PLLC	1016929	2511861	LEGAL SERVICES	LAW DEPARTMENT
JAMES C COBB JR PC	10571	2504319	LEGAL SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
JAMES C COBB JR PC	10571	2501780	LEGAL SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
JAMES HANEY MD	1012073	2544158	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
JAMES HANEY MD	1012073	2513136	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
JAMES HANEY MD	1012073	2559396	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
JAMES HANEY MD	1012073	2508122	DRUG TREATMENT PROGRAM PHYSICIAN	FINANCE DEPARTMENT
JAMES HANEY MD	1012073	2591486		HUMAN SERVICES DEPARTMENT
JAMES HANEY MD	1012073	2746434		HUMAN SERVICES DEPARTMENT
JAMES HANEY MD	1012073	2771944		HUMAN SERVICES DEPARTMENT
JAMES W BURDICK PC	1101618	2760028		LAW DEPARTMENT
JEFFERSON WELLS INTERNATIONAL INC	1032623	2546414	PROFESSIONAL SERVICES	AUDITOR GENERAL
JEFFERSON WELLS INTERNATIONAL INC	1032623	2534548	INTERNAL AUDIT PARTNER	AUDITOR GENERAL

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
JENKINS CONSTRUCTION INC	17037	2541121	WS-621 WATER MAIN REPAIRS	WATER DEPARTMENT
JENKINS CONSTRUCTION INC	17037	2501854	CONSTRUCTION	DEPARTMENT OF PUBLIC WORKS
JENKINS CONSTRUCTION INC	17037	2691365		WATER DEPARTMENT
JESSE TOLBERT MD	1012082	2559428	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
JESSE TOLBERT MD	1012082	2544148	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
JESSE TOLBERT MD	1012082	2508116	DRUG TREATMENT PROGRAM	FINANCE DEPARTMENT
JESSE TOLBERT MD	1012082	2513142	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
JESSE TOLBERT MD	1012082	2591460		HUMAN SERVICES DEPARTMENT
JEWISH VOCATIONAL SERVICE	1015533	2797759		WORKFORCE DEVELOPMENT DEPARTMENT
JEWISH VOCATIONAL SERVICE	1015533	2726449		WORKFORCE DEVELOPMENT DEPARTMENT
JEWISH VOCATIONAL SERVICE	1015533	2777965		WORKFORCE DEVELOPMENT DEPARTMENT
JEWISH VOCATIONAL SERVICE	1015533	2778659		WORKFORCE DEVELOPMENT DEPARTMENT
JEWISH VOCATIONAL SERVICE	11835	2552853	CASE MANAGEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
JEWISH VOCATIONAL SERVICE	11835	2513901	NO WRONG DOOR	EMPLOYMENT AND TRAINING DEPARTMENT
JEWISH VOCATIONAL SERVICE	11835	2550062	PAL BASIC LITERACY	EMPLOYMENT AND TRAINING DEPARTMENT
JEWISH VOCATIONAL SERVICE	11835	2538061	WORK FIRST JOB SEARCH & PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
JOHN KING	1070289	2799418		WORKFORCE DEVELOPMENT DEPARTMENT
JOHN KING	1070289	2781812		
JOHN PETER QUINN	1088277	2751148		LAW DEPARTMENT
JOHN W HEAD JR DR	1016367	2544130	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
JOHN W HEAD JR DR	1016367	2559403	MEDICAL DIRECTOR	HUMAN SERVICES DEPARTMENT
JOHN W HEAD JR DR	1016367	2771947		HUMAN SERVICES DEPARTMENT
JOHNSON ROSATI LABARGE	1012630	2577160		LAW DEPARTMENT
JOHNSON ROSATI LABARGE	1012630	2600509		LAW DEPARTMENT
JOHNSON ROSATI LABARGE	1012630	2508107	LEGAL SERVICES	FINANCE DEPARTMENT
JORDAN CLINCS LIMITED PARTNERSHIP	1098511	2770685		HEALTH DEPARTMENT
JOWA ASSOCIATES	7422	2501000	UNIFORMED GUARD SERVICE	AIRPORT DEPARTMENT
JOWA ASSOCIATES	7422	2513434	GUARD SERVICE FOR DEPARTMENT CLINICS	HUMAN SERVICES DEPARTMENT
JOYFIELD CAREGIVERS	1048950	2597503		FINANCE DEPARTMENT
JOYFIELD CAREGIVERS	1048950	2563712	36-NTV-NOF PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
JVS DETROIT'S WORKPLACE	1034682	2575844		EMPLOYMENT AND TRAINING DEPARTMENT
JVS DETROIT'S WORKPLACE	1034682	2592232		WORKFORCE DEVELOPMENT DEPARTMENT
JVS DETROIT'S WORKPLACE	1034682	2597745		EMPLOYMENT AND TRAINING DEPARTMENT
JVS DETROIT'S WORKPLACE	1034682	2566265	WORK FIRST JOB SEARCH & PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
KASIBORSKI RONANYRI FLASKA PC	19685	2503637	LEGAL SERVICES	FINANCE DEPARTMENT
KASIBORSKI RONANYRI FLASKA PC	19685	2531995	WAYNE COUNTY V CITY OF DETROIT	LAW DEPARTMENT
KASIBORSKI RONANYRI FLASKA PC	19685	2502453	LEGAL SERVICES	FINANCE DEPARTMENT
KELLER THOMA SCHWARTZ	1020326	2517263	EMPLOYMENT-RELATED INVESTIGATIONS	LAW DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
KELLY SERVICES INC	1000576	2583741		FINANCE DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2760784		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2664187		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2706955		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2755384	ROOF PLACEMENT	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2798610		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2733881	BUTZEL PLAYFIELD RENOVATIONS	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2734358	ACTIVITIES CENTER RENOVATIONS	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2760999	WISH-EGAN PLAYFIELD RENOVATIONS	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2761019	MILAN PLAYFIELD RENOVATIONS	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2761662	KRAINZ PARK RENOVATIONS	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2789769		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2734388	DRAINAGE/SEWER	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2731179		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2712232		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2760990	OPTOMIST-STOUT RENOVATIONS	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2762087	2008 PARK IMPROVEMENTS	RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2711290		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2712252		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2714050		RECREATION DEPARTMENT
KEO AND ASSOCIATES INC	1040014	2807770	REPAIRS AT HENDERSON MARINA	RECREATION DEPARTMENT
KIDSMART SOFTWARE COMPANY	1072607	2781805		WORKFORCE DEVELOPMENT DEPARTMENT
KIMLEY-HORN OF MICHIGAN INC	1003415	2502474	CASINO SITE APPRAISER	LAW DEPARTMENT
KOHN FINANCIAL CONSULTING	1014434	2511508	PASSALAQUA CHOP HOUSE V DETROIT	FINANCE DEPARTMENT
KOHN FINANCIAL CONSULTING	1014434	2537217	PROFESSIONAL SERVICES: STILLMON V CITY	LAW DEPARTMENT
KOHN FINANCIAL CONSULTING	1014434	2794993	PROVIDE ADVICE ON SOLID WASTE FUND	BUDGET DEPARTMENT
KPMG CONSULTING, INC	1028311	2529517	AUDITING SERVICES	AUDITOR GENERAL
KPMG CONSULTING, INC	1028311	2552186	AUDITING SERVICES	AUDITOR GENERAL
KPMG LLP	1440	2510105	IMPLEMENT TIDEMARK COMPUTER SYSTEM	BUILDINGS AND SAFETY DEPARTMENT
KPMG LLP	1440	2513477	AUDITING SERVICES	AUDITOR GENERAL
KPMG LLP	1440	2504566	CONSULTING SERVICES	BUDGET DEPARTMENT
KVM DOOR SYSTEMS INC	1099793	2785386	EASTERN MARKET SHED NO. 3 RESERVATIONS	RECREATION DEPARTMENT
L D' AGOSTINI & SONS INC	1000677	2500927	LATERAL SEWER REPLACEMENT	NO DEPARTMENT INDICATED
LACEY & ASSOCIATES	1010869	2590826		FINANCE DEPARTMENT
LACEY & JONES LLP	1013697	2562865	DPOA ACT 312 2001-2004 PROCEEDINGS	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2502300	BLUE CROSS/BLUE SHIELD RESERVE FUND	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2518960	LEGAL SERVICES	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2534969	KELLY FOREMAN V CITY	LAW DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
LACEY & JONES LLP	1013697	2518952	LEGAL SERVICES	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2518964	EDWARD LEWIS V P.O. STEVEN PEIL/CITY	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2539980	LEGAL SERVICES	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2520968	LEGAL SERVICES: KEMP V NOETZEL & KEMP	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2539975	LEGAL SERVICES: MAURICE BROWN V CITY	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2518969	MICHAEL MCHUGH V CITY OF DETROIT	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2518967	JESSE WILLIAMS V CITY OF DETROIT	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2501959	LEGAL SERVICES	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2518973	BEAUCHAMP V OWENS/CITY	LAW DEPARTMENT
LACEY & JONES LLP	1013697	2562836	MAXIMILIAN ENGRAM, ET AL V CITY	LAW DEPARTMENT
LAKESHORE ENGINEERING SERVICE INC	19808	2502201	ABATEMENT ASBESTOS	DEPARTMENT OF PUBLIC WORKS
LAMONT TITLE CORPORATION	1070200	2501595	36/LS - TITLE COMMITMENTS	PLANNING AND DEVELOPMENT DEPARTMENT
LAMONT TITLE CORPORATION	1070200	2603572		PLANNING AND DEVELOPMENT DEPARTMENT
LANIER	1012355	2533656	EMERGENCY USE FOR POLICE PAYROLL	FINANCE DEPARTMENT
LANZO CONSTRUCTION CO	13425	2613521		WATER DEPARTMENT
LARDNER ELEVATOR COMPANY	24166	2507678	ELEVATOR LOAD & NO-LOAD TEST	WATER DEPARTMENT
LASED	11513	2560786	WIA IN SCHOOL YOUTH PROGRAM	EMPLOYMENT AND TRAINING DEPARTMENT
LASED	11513	2501749	PUBLIC FACILITY REHAB	NO DEPARTMENT INDICATED
LASED	11513	2740243		WORKFORCE DEVELOPMENT DEPARTMENT
LASED	11513	2719927		DEPARTMENT OF TRANSPORTATION
LASED	11513	2801087		WORKFORCE DEVELOPMENT DEPARTMENT
LASED	11513	2778540		WORKFORCE DEVELOPMENT DEPARTMENT
LATINO FAMILY SERVICES INC	16339	2504667	MEDICAID FYE 9/30/99	HEALTH DEPARTMENT
LATINO FAMILY SERVICES INC	16339	2501843	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
LAW OFFICES COLLINS EINHORN	1049868	2765611		LAW DEPARTMENT
LAWTON SCHOOL	1100766	2806424		HUMAN SERVICES DEPARTMENT
LEWIS & MUNDAY PC	12439	2502307	LEGAL SERVICES: CRUMBIE V GUYTON, ET AL	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2502427	GAINES/HARRIS/HINES/HUGHES V CITY	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2539985	SANDRA/DARREN MILLER V EUGENE BROWN	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2539983	LEGAL SERVICES	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2536840	LEGAL SERVICES	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2553151	BERRY/CHENAULT/CROCKETT ET AL V CITY	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2553122	KUE/WALKER/SMITH/WIGGINS V CITY	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2634333		LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2655854		LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2529631	BRAZIL/PENA V CITY/HOOD	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2561951	ALLEN/BATTLE/COOPER/GRIFFIN V CITY	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2600494		LAW DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
LEWIS & MUNDAY PC	12439	2774620	LEGAL SERVICES	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2502303	LEGAL SERVICES	LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2641462		LAW DEPARTMENT
LEWIS & MUNDAY PC	12439	2649874		LAW DEPARTMENT
LIEDEL GRINNAN & LIEDEL PC	1007353	2500765	LEGAL SERVICES: VELA V PRICE/CITY	LAW DEPARTMENT
LIEDEL GRINNAN & LIEDEL PC	1007353	2539960	LEGAL SERVICES	LAW DEPARTMENT
LIEDEL GRINNAN & LIEDEL PC	1007353	2517379	LEGAL SERVICES	LAW DEPARTMENT
LIEDEL GRINNAN & LIEDEL PC	1007353	2548909	LEGAL SERVICES	LAW DEPARTMENT
LIFE FITNESS INC	1085199	2704235		RECREATION DEPARTMENT
LIONEL SAWYER COLLINS	19940	2502230	PROFESSIONAL SERVICES	CITY COUNCIL
LOCAL INITIATIVES SUPPORT CORPORATION	1014122	2562574	PROFESSIONAL SERVICES	CITY COUNCIL
LOCAL INITIATIVES SUPPORT CORPORATION	18595	2502034	EMPOWERED ZONE	NO DEPARTMENT INDICATED
LOCAL INITIATIVES SUPPORT CORPORATION	1014122	2592262		FINANCE DEPARTMENT
LOCAL INITIATIVES SUPPORT CORPORATION	1014122	2567588		FINANCE DEPARTMENT
LOOKING FOR MY SISTER	1104410	2784890	BLOCK GRANT PROGRAM	POLICE DEPARTMENT
LOUIS G REDSTONE ASSCS INC	16448	2502006	DESIGN FOR ROGELL GLF CRS	NO DEPARTMENT INDICATED
LUXURY SEDAN VAN SERVICE	1015148	2570671		MUNICIPAL PARKING DEPARTMENT
MACDERMOTT ROOFING & SHEET METAL	16537	2732369	BELLE ISLE GARAGE - ROOF REPLACEMENT	RECREATION DEPARTMENT
MACDERMOTT ROOFING & SHEET METAL	16537	2796454	ROOF REPAIRS	RECREATION DEPARTMENT
MACK ALIVE INC	19676	2801089		WORKFORCE DEVELOPMENT DEPARTMENT
MACK ALIVE INC	19676	2778765		WORKFORCE DEVELOPMENT DEPARTMENT
MAJOR CEMENT CO	22141	2502189	PW 7561 REPAIR DAMAGED	NO DEPARTMENT INDICATED
MAJOR CEMENT CO	22141	2634038		DEPARTMENT OF PUBLIC WORKS
MARINERS INN	5159	2509995	WTW SUBSTANCE ABUSE COUNSELING	EMPLOYMENT AND TRAINING DEPARTMENT
MARINERS INN	5159	2549595	CAREER INITIATIVES CENTER PROJECT	HUMAN SERVICES DEPARTMENT
MARJORIE R MALARNEY & ASSOCIATES	12830	2500751	LANSING LOBBYIST	LAW DEPARTMENT
MARYGROVE COLLEGE	6279	2589338		EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE COLLEGE	6279	2629691		EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE COLLEGE	6279	2595777		EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE COLLEGE	6279	2627961		EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2507022	FIC #76292 WORK FIRST	EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2512792	ASSESSMENT CTR TITLES IIA/IIC & III	EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2555328	WIA ADULT & OUT-OF-SCHOOL YOUTH	EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2529603	ASSESS CTR MOD#1	FINANCE DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
MARYGROVE NONPROFIT CORPORATION	1014543	2563669	LEARNING RESOURCE CTR WORK FIRST	EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2571652		EMPLOYMENT AND TRAINING DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2777810		WORKFORCE DEVELOPMENT DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2771650		WORKFORCE DEVELOPMENT DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2740292		WORKFORCE DEVELOPMENT DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2725976		WORKFORCE DEVELOPMENT DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2740278		WORKFORCE DEVELOPMENT DEPARTMENT
MARYGROVE NONPROFIT CORPORATION	1014543	2754537		WORKFORCE DEVELOPMENT DEPARTMENT
MATRIX HUMAN SERVICES	1584	2512563	HEAD START SERVICES	HUMAN SERVICES DEPARTMENT
MATRIX HUMAN SERVICES	1584	2528270	EMPOWERMENT ZONE- PUBLIC SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
MATRIX HUMAN SERVICES	1584	2541817	PAROLEE EMPLOYMENT TRAINING PROGRAM	EMPLOYMENT AND TRAINING DEPARTMENT
MATRIX HUMAN SERVICES	1584	2557083	2001-2002 HEAD START CONTRACT	HEALTH DEPARTMENT
MATRIX HUMAN SERVICES	1584	2502075	HEAD START SERVICES	HUMAN SERVICES DEPARTMENT
MATRIX HUMAN SERVICES	1584	2532520	HEAD START PROGRAM	HUMAN SERVICES DEPARTMENT
MATRIX HUMAN SERVICES	1584	2501666	JOB SEARCH AND PLACEMENT	NO DEPARTMENT INDICATED
MATRIX HUMAN SERVICES	1584	2512181	SHELTER FOR HOMELESS YOUTH	HUMAN SERVICES DEPARTMENT
MATRIX HUMAN SERVICES	1584	2561392	WORK FIRST & WTW. 2001-2002	EMPLOYMENT AND TRAINING DEPARTMENT
MATRIX HUMAN SERVICES	1584	2606499		EMPLOYMENT AND TRAINING DEPARTMENT
MATRIX HUMAN SERVICES	1584	2847169		HUMAN SERVICES DEPARTMENT
MATRIX HUMAN SERVICES	1584	2767093		HUMAN SERVICES DEPARTMENT
MAYOR'S TIME	1070618	2780286		WORKFORCE DEVELOPMENT DEPARTMENT
METCO SERVICES INC	13250	2502148		DEPARTMENT OF PUBLIC WORKS
METROPOLITAN BAPTIST CHURCH HEAD START	9004	2557075	2001-2002 HEAD START CONTRACT	HUMAN SERVICES DEPARTMENT
METROPOLITAN BAPTIST CHURCH HEAD START	9004	2532514	HEAD START PROGRAM	HUMAN SERVICES DEPARTMENT
METROPOLITAN BAPTIST CHURCH HEAD START	9004	2505351		HUMAN SERVICES DEPARTMENT
METROPOLITAN BAPTIST CHURCH HEAD START	9004	2512558	HEAD START SERVICES	HUMAN SERVICES DEPARTMENT
METROPOLITAN BAPTIST CHURCH HEAD START	9004	2768826		HUMAN SERVICES DEPARTMENT
METRO EAST DRUG TREATMENT	10996	2501534	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
METRO EMPLOYMENT SOLUTIONS	1007722	2564007	WORK FIRST & WELFARE TO WORK	EMPLOYMENT AND TRAINING DEPARTMENT
METRO EMPLOYMENT SOLUTIONS	1007722	2626981		WORKFORCE DEVELOPMENT DEPARTMENT
METROPOLITAN ARTS COMPLEX INC	1001141	2501630	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
METROPOLITAN ARTS COMPLEX INC	1001141	2501857	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
METROPOLITAN CHILDREN & YOUTH INC	1082096	2847163		HUMAN SERVICES DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
METROPOLITAN DETROIT AFL-CIO	1001142	2502169	JOB SEARCH	NO DEPARTMENT INDICATED
METROPOLITAN DETROIT AFL-CIO	1001142	2603384		EMPLOYMENT AND TRAINING DEPARTMENT
METROPOLITAN DETROIT VISITORS	21182	2530321	ADVERTISING AND PROMOTIONAL EXPERTISE	CIVIC CENTER DEPARTMENT
METROPOLITAN DETROIT VISITORS	21182	2550871	PROMOTION FOR COBO CENTER	CIVIC CENTER DEPARTMENT
METROPOLITAN DETROIT VISITORS	21182	2767846	PROFESSIONAL SERVICES CONTRACT	CIVIC CENTER DEPARTMENT
MGM LEGAL MGMT SOLUTIONS	20133	2502235		NO DEPARTMENT INDICATED
MICHIGAN CONFERENCE SDA DETROIT/METRO	1012847	2506682	NOF PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
MICHIGAN DEPARTMENT OF CAREER	1016600	2511440	EMPLOYMENT SERVICES	EMPLOYMENT AND TRAINING DEPARTMENT
MICHIGAN DEPARTMENT OF CAREER	1016600	2620233		EMPLOYMENT AND TRAINING DEPARTMENT
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2510495	ADVANCE-TRAFFIC SIGNAL MODERNIZATION	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2517085	BITUMINIOUS COLDMILLING WORK ALONG HWY M102 FROM HWY M53TO KELLY ROAD	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2500761	DECK REPLACEMENT	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2518505	COLDMILLING ALONG HWY. US-24 FROM HWY. M-5(GRAND RIVER) TO M-102	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2501400	RESURFACING	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2501407	RECONSTRUCTION OF DECK	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2511603	TRAFFIC SIGNALS AND PAVEMENT MARKINGS	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2501807	DECK REPLACEMENT	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2500758	SCREENING	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2518522	DECK REPLACEMENT	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2500787	REPLACE BRIDGES	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2512565	CONCRETE OVERLAY FOR STRUCTURE WHICH CARRIES PORTER ST. OVER I-75	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2501877	BRIDGE	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2521604	DECK REPLACEMENT	DEPARTMENT OF PUBLIC WORKS

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2524693	PEDESTRAIN SCREENING FOR VARIOUS STRUCTURES	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2502178	RECONSTRUCT HWY - I 75 SPRINGWELL	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2501411	BRIDGE AND DECK REPLACEMENT	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2567088		DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2502469	RESURFACE DECK	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2538766	TRAFFIC SIGNALWORK AT DICKERSON ROAD	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2520074	RECONSTRUCTION OF STRUCTURE WHICH CARRIES GREENFIELD ROAD OVER HWY. M-10	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2500781	DECK REPLACEMENT	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2500779	RESURFACING	NO DEPARTMENT INDICATED
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2622755		DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2740688		DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2517764	DECK REPLACEMENT WORK ON BRIDGE	DEPARTMENT OF PUBLIC WORKS
MICHIGAN DEPARTMENT OF STATE HIGHWAYS & TRANSPORTATION	2100	2511049	BITUMINOUS RESURFACING AND CURB WORK ALONG LIVERNOIS	DEPARTMENT OF PUBLIC WORKS
MICHIGAN FOOD AND BEVERAGE ASSOCIATION	1101727	2759218	PERIOD SERVICES FOR METRO YOUTH DAY	RECREATION DEPARTMENT
MICHIGAN FOOD AND BEVERAGE ASSOCIATION	1101727	2786573	METRO YOUTH DAY	RECREATION DEPARTMENT
MICHIGAN HVAC VOCATIONAL	17478	2512764	RETRAINING SERVICES	EMPLOYMENT AND TRAINING DEPARTMENT
MICHIGAN STATE AFL-CIO HRDI	1027005	2769866		WORKFORCE DEVELOPMENT DEPARTMENT
MICHIGAN STATE UNIVERSITY	8167	2795800	ACCIDENT INVESTIGATION COURSES	POLICE DEPARTMENT
MIDNIGHT GOLF PROGRAM	1055952	2778544		WORKFORCE DEVELOPMENT DEPARTMENT
MIDWEST CAREERS INSTITUTE	1062863	2540054	JOB SEARCH & PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
MIDWEST CAREERS INSTITUTE	1062863	2562793	WORK FIRST PROGRAM	EMPLOYMENT AND TRAINING DEPARTMENT
MIDWEST CAREERS INSTITUTE	1062863	2778461		WORKFORCE DEVELOPMENT DEPARTMENT
MIDWEST CAREERS INSTITUTE	1062863	2806239		WORKFORCE DEVELOPMENT DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
MILWAUKEE INVESTMENT CO	17041	2501818		EMPLOYMENT AND TRAINING DEPARTMENT
MILWAUKEE INVESTMENT CO	17041	2524249		WORKFORCE DEVELOPMENT DEPARTMENT
MIRO WEINER & KRAMER PC	1039572	2665562		LAW DEPARTMENT
MISDEMEANOR DEFENDERS LAW CLINIC PC	1009823	2534641	LEGAL SERVICES	NO DEPARTMENT INDICATED
MITCHCO	1022053	2553859	GAS, COMPRESSED NATURAL	DEPARTMENT OF TRANSPORTATION
MOLLY LEVITT	1951	2500956		HUMAN SERVICES DEPARTMENT
MOLLY LEVITT	1951	2500955		HUMAN SERVICES DEPARTMENT
MOMS & BABES TOO MISP/ISSP INC	1013849	2508892	25-WIC 9/99 CERTIFICATION	HEALTH DEPARTMENT
MONTEZ GROUP	1100889	2769654		MAYOR'S OFFICE
MOORE & ASSOCIATES INC	1001299	2501402	EMPOWERMENT ZONE PROJECT	RECREATION DEPARTMENT
MOORISH SCIENCE TEMPLE OF AMERICA	1003703	2506282	NOF PUBLIC SERVICE	FINANCE DEPARTMENT
MORGAN FRAZIER SPECIALIZED SERVICES	1001308	2502273	CONSULTANT NUISANCE ABATEMENT	BUILDINGS AND SAFETY DEPARTMENT
MOSAIC YOUTH THEATRE OF DETROIT	1001332	2543835	THEATRICAL TRAINING	RECREATION DEPARTMENT
MOTOR CITY ELECTRIC CO	13102	2581185		PUBLIC LIGHTING DEPARTMENT
MOTOR CITY ELECTRIC CO	13102	2501432	ELECTRICAL CONSTRUCTION PL 130	NO DEPARTMENT INDICATED
MOTOR CITY ELECTRIC CO	13102	2611714		PUBLIC LIGHTING DEPARTMENT
MOTOR CITY ELECTRIC CO	13102	2611719		PUBLIC LIGHTING DEPARTMENT
MOTOR CITY ELECTRIC/METCO SERVICES AUV	1033698	2537241	FREQUENCY DRIVES AT WWTP'S INTERMEDIATE LIFT PUMP STATION #2	SEWERAGE DEPARTMENT
MOTOR CITY PIPE	1001344	2753399	WING SEALS STAINLESS STEEL STRAPPING	GENERAL SERVICES DEPARTMENT
MOTOR CITY PIPE	1001344	2763247	PLUMBING & STEAM FITTING SUPPLIES	GENERAL SERVICES DEPARTMENT
NARDIN PARK DRUG ABUSE CENTER	1706	2501540	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
NARDIN PARK DRUG ABUSE CENTER	1706	2506559	SUBSTANCE ABUSE FYE9/98 NARDIN PARK	HEALTH DEPARTMENT
NATIONAL COUNCIL ON ALCOHOLISM	16455	2501541	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
NEIGHBORHOOD DEVELOPMENT CORPORATION	20509	2501589	LAND ACQUISITION SITE PREPARATION	PLANNING AND DEVELOPMENT DEPARTMENT
NEIGHBORHOOD RECONCILIATION CENTER INC	1000268	2533307		HUMAN RIGHTS DEPARTMENT
NEIGHBORHOOD SERVICE ORGANIZATION	8118	2547780	WALK IN CENTER FOR THE HOMELESS	HUMAN SERVICES DEPARTMENT
NEIGHBORHOOD SERVICE ORGANIZATION	8118	2532814	24 HOUR WALK IN CENTER	HUMAN SERVICES DEPARTMENT
NEIGHBORHOOD SERVICE ORGANIZATION	8118	2527949	963-STAY (HOMELESS HOTLINE)	HUMAN SERVICES DEPARTMENT
NEIGHBORHOOD SERVICE ORGANIZATION	8118	2501594	SERVICES FOR THE HOMELESS	HUMAN SERVICES DEPARTMENT
NEIGHBORHOOD SERVICE ORGANIZATION	8118	2557085	2001-2002 HEAD START (HIPPI) CONTRACT	HUMAN SERVICES DEPARTMENT
NEIGHBORHOOD SERVICE ORGANIZATION	8118	2849011		HEALTH DEPARTMENT
NESS BORIS CORPORATION	1087558	2693925		PLANNING AND DEVELOPMENT DEPARTMENT
NETCOL ASSOCIATES INC	1101173	2782059		HEALTH DEPARTMENT
NETCOL ASSOCIATES INC	1101173	2756230		HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
NETIMATION INC	20384	2502117	PROFESSIONAL SERVICES	NO DEPARTMENT INDICATED
NEW CENTER COMMUNITY	19199	2502090		NO DEPARTMENT INDICATED
NEW DAY MULTI-PURPOSE COMMUNITY	14872	2510758	NUTRITIONAL MEALS, TRANSPORTATION	HUMAN SERVICES DEPARTMENT
NEW DAY MULTI-PURPOSE COMMUNITY	14872	2533571	SHELTER AND SUPPORTIVE SERVICES	HUMAN SERVICES DEPARTMENT
NEW DETROIT INC	10869	2529859	WIA CLASSROOM INSTRUCTION	EMPLOYMENT AND TRAINING DEPARTMENT
NEW DETROIT INC	10869	2502172	EZ-PUBLIC SERVICE	PLANNING AND DEVELOPMENT DEPARTMENT
NEW LIFE HOME FOR RECOVERING	18726	2501457	SUBSTANCE ABUSE COOR AGENCY 9-99	HEALTH DEPARTMENT
NEW LIFE HOME FOR RECOVERING	18726	2501621	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
NEW LIGHT RECOVERY CENTER INC	1003695	2501638	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
NEW ST PAUL HEAD START AGENCY	1048766	2620502		HUMAN SERVICES DEPARTMENT
NEW ST PAUL HEAD START AGENCY	1048766	2587304		HUMAN SERVICES DEPARTMENT
NEW TECHNOLOGY LTD	16280	2500969		SEWERAGE DEPARTMENT
NITRO TELECOM COMMUNICATIONS SPECIALIST	1012632	2582916		FINANCE DEPARTMENT
NOETIX CORPORATION	1067921	2649928		NON-DEPARTMENTAL
NORTH CENTRAL COMMUNITY MENTAL HEALTH	1003696	2501657		NO DEPARTMENT INDICATED
NORTHEAST HEALTH SERVICES INC	1003700	2507303	MEDICAID SERVICES	HEALTH DEPARTMENT
NORTHERN AREA ASSOCIATION	19677	2509233	HOME REPAIR TECHNICAL ASSISTANCE	FINANCE DEPARTMENT
NORTHSTAR COMMUNITY DEVELOPMENT CORP	1018049	2565847	PREDEVELOPMENT ACTIVITIES	FINANCE DEPARTMENT
NORTHSTAR COMMUNITY DEVELOPMENT CORP	1018049	2536554	36/LS-CHDO OPERATING SUPPORT	FINANCE DEPARTMENT
NORTHSTAR COMMUNITY DEVELOPMENT CORP	1018049	2517450	NOF PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
NORTHWEST COMMUNITY PROGRAMS INC	1062722	2676860		HUMAN SERVICES DEPARTMENT
NORTHWEST COMMUNITY PROGRAMS INC	1062722	2765500	PROFESSIONAL SERVICES CONTRACT	RECREATION DEPARTMENT
NORTHWEST DETROIT NON-PROFIT	12557	2510026	PUBLIC FACILITY REHAB.-FICS #74895	FINANCE DEPARTMENT
NOVA CONTRACTING CORPORATION	14983	2504312	ENLOADER / W OPERATOR (M-80754)	SEWERAGE DEPARTMENT
NOVA DEVELOPMENT GROUP DETROIT LLC	1107544	2809435		HUMAN SERVICES DEPARTMENT
NTH CONSULTANTS LTD	16602	2504056	CONSULTING UGS TANKS	DEPARTMENT OF PUBLIC WORKS
NTH CONSULTANTS LTD	16602	2501727	ENVIRONMENTAL SERVICES-FICS #73837	PLANNING AND DEVELOPMENT DEPARTMENT
NTH CONSULTANTS LTD	16602	2627188		RECREATION DEPARTMENT
OFFICE EXPRESS	1105974	2731413		MAYOR'S OFFICE
O'LAUGHLIN CONSTRUCTION	12053	2507308	RENOVATION OF HYDRAULIC STRUCTURES	WATER DEPARTMENT
O'LAUGHLIN CONSTRUCTION	12053	2574640	PC-695 IN SYSTEM STORAGE	SEWERAGE DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
OLYMPIA ENTERTAINMENT	1007150	2507725	PARKING FACILITY MANAGEMENT SERVICES	MUNICIPAL PARKING DEPARTMENT
OMNICARE HEALTH PLAN	1005707	2546137	WIC CERTIFICATION	HEALTH DEPARTMENT
OMNICARE HEALTH PLAN	1005707	2507763	25 WIC 1999 CERTIFICATION	HEALTH DEPARTMENT
OMNILEARN LLC	1066579	2633220		NON-DEPARTMENTAL
OPERATION ABLE OF MICHIGAN	17427	2519090	BASIC SKILLS AND OCCUPATIONAL SKILLS	EMPLOYMENT AND TRAINING DEPARTMENT
OPERATION ABLE OF MICHIGAN	17427	2519079	BASIC SKILLS AND OCCUPATIONAL SKILLS.	EMPLOYMENT AND TRAINING DEPARTMENT
OPERATION ABLE OF MICHIGAN	17427	2501939	PUBLIC SERVICE EZ	NO DEPARTMENT INDICATED
OPERATION ABLE OF MICHIGAN	17427	2797761		WORKFORCE DEVELOPMENT DEPARTMENT
OPERATION ABLE OF MICHIGAN	17427	2771757		WORKFORCE DEVELOPMENT DEPARTMENT
OPERATION ABLE OF MICHIGAN	17427	2740218		WORKFORCE DEVELOPMENT DEPARTMENT
OPERATION GET DOWN	3347	2550216	TRANSITIONAL HOUSING	HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2533044	EMERGENCY NEED RESOURCES	HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2518996	EMERGENCY NEED RESOURCES	HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2588310		HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2557544	FAMILY AND COMMODITY SERVICES	FINANCE DEPARTMENT
OPERATION GET DOWN	3347	2776867		HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2746767		HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2810794		HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2775349		HUMAN SERVICES DEPARTMENT
OPERATION GET DOWN	3347	2803609		HUMAN SERVICES DEPARTMENT
OPERATION HELP INC	1442	2501652	WF EMP SKILLS & JOB PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
OPERATION HELP INC	1442	2721152		WORKFORCE DEVELOPMENT DEPARTMENT
OPERATION HELPING HAND INC	19338	2511433	EMERGENCY SHELTER	FINANCE DEPARTMENT
ORCHARDS CHILDRENS SERVICE	1015406	2778756		WORKFORCE DEVELOPMENT DEPARTMENT
ORDER OF THE FISHERMEN MINISTRY	1057660	2557060	2001-2002 HEAD START CONTRACT	HUMAN SERVICES DEPARTMENT
ORDER OF THE FISHERMEN MINISTRY	1057660	2532503	HEAD START PROGRAM	HUMAN SERVICES DEPARTMENT
ORDER OF THE FISHERMEN MINISTRY	1057660	2512545	HEAD START SERVICES	RECREATION DEPARTMENT
ORDER OF THE FISHERMEN MINISTRY	1057660	2620494		HUMAN SERVICES DEPARTMENT
ORDER OF THE FISHERMEN MINISTRY	1057660	2502084		HUMAN SERVICES DEPARTMENT
ORDER OF THE FISHERMEN MINISTRY	1057660	2797263		HUMAN SERVICES DEPARTMENT
ORGANIZATION & SYSTEMS CHANGE CONSULTANTS	1101841	2779409		WORKFORCE DEVELOPMENT DEPARTMENT
PARK RITE	18490	2504157	PROFESSIONAL PARKING MANAGEMENT	MUNICIPAL PARKING DEPARTMENT
PARK RITE	18490	2570673		MUNICIPAL PARKING DEPARTMENT
PARK RITE	18490	2504154	PROFESSIONAL PARKING MANAGEMENT	MUNICIPAL PARKING DEPARTMENT
PARK RITE	18490	2504153	PROFESSIONAL PARKING MANAGEMENT	MUNICIPAL PARKING DEPARTMENT
PARK RITE	18490	2501379	EASTERN MARKET GARAGE	MUNICIPAL PARKING DEPARTMENT
PARKVIEW COUNSELING CENTER	1003697	2501728	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
PARSONS BRINCKEROFF MICHIGAN INC	1025586	2531875	DEVELOP TRAFFIC MASTER PLAN	DEPARTMENT OF PUBLIC WORKS
PARSONS BRINCKEROFF MICHIGAN INC	1025586	2666820		RECREATION DEPARTMENT
PARTRIDGE ENTERPRISES INC	19090	2515024	REMOVAL OF DEAD ANIMALS	HEALTH DEPARTMENT
PARTRIDGE ENTERPRISES INC	19090	2773727		HEALTH DEPARTMENT
PATTERSON PHIFER	1007814	2508834	KUE/SWANGER/ WALKER/BOONE V CITY	LAW DEPARTMENT
PATTERSON PHIFER	1007814	2509732	LEGAL SERVICES	LAW DEPARTMENT
PATTERSON PHIFER	1007814	2521163	LEGAL SERVICES	LAW DEPARTMENT
PATTERSON PHIFER	1007814	2521178	LEGAL SERVICES	LAW DEPARTMENT
PATTERSON PHIFER	1007814	2513517	MAURICE BROWN V CITY OF DETROIT, ET AL	LAW DEPARTMENT
PATTERSON PHIFER & PHILLIPS	17376	2505725	LEGAL SERVICES	FINANCE DEPARTMENT
PATTERSON PHIFER & PHILLIPS	17376	2505728	LEGAL SERVICES	LAW DEPARTMENT
PAYNE-PULLIAM SCHOOL OF TRADE	7737	2564267	WORKFIRST/WTW, 10/1/01 - 9/30/02, JS/JR	EMPLOYMENT AND TRAINING DEPARTMENT
PAYNE-PULLIAM SCHOOL OF TRADE	7737	2528278	WIA BASIC EDUCATION AGES 14-18	EMPLOYMENT AND TRAINING DEPARTMENT
PAYNE-PULLIAM SCHOOL OF TRADE	7737	2740260		WORKFORCE DEVELOPMENT DEPARTMENT
PAYNE-PULLIAM SCHOOL OF TRADE AND COMMERCE	1030662	2778463		WORKFORCE DEVELOPMENT DEPARTMENT
PAYNE-PULLIAM SCHOOL OF TRADE AND COMMERCE	1030662	2801097		WORKFORCE DEVELOPMENT DEPARTMENT
PAYNE-PULLIAM SCHOOL OF TRADE AND COMMERCE	1030662	2778760		WORKFORCE DEVELOPMENT DEPARTMENT
PCT SECURITY LLC	1107205	2812357	SURVEILLANCE EQUIPMENT INSTALLATION	WORKFORCE DEVELOPMENT DEPARTMENT
PEGGY YOUNG & ASSOCIATES INC	7333	2502363	APPRAISAL SERVICES	PLANNING AND DEVELOPMENT DEPARTMENT
PEGGY YOUNG & ASSOCIATES INC	7333	2763958		PLANNING AND DEVELOPMENT DEPARTMENT
PEOPLE'S COMMUNITY SERVICES OF METROPOLITAN DETROIT	10686	2501460	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
PEOPLE'S CREATIVE ENSEMBLE	14786	2501435	PUBLIC SERVICE	NO DEPARTMENT INDICATED
PEPPER HAMILTON LLP	1009412	2635807		LAW DEPARTMENT
PEPPER HAMILTON LLP	1009412	2719996		LAW DEPARTMENT
PERRY MATHIS MD	1012076	2559401	DRUG TREATMENT PROGRAM PHYSICIAN	FINANCE DEPARTMENT
PERRY MATHIS MD	1012076	2544150	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
PERRY MATHIS MD	1012076	2508114	DRUG TREATMENT PROGRAM	FINANCE DEPARTMENT
PERRY MATHIS MD	1012076	2513140	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
PHARMACY EMPLOYMENT SERVICE	1053611	2572655		HEALTH DEPARTMENT
PHIFER & WHITE PC	1027627	2537538	LEGAL SERVICES: SMITH/WIGGINS V CITY	LAW DEPARTMENT
PHIFER & WHITE PC	1027627	2537563	LEGAL SERVICES: WOODWARD/JEAN V CITY	LAW DEPARTMENT
PHIFER & WHITE PC	1027627	2623900		LAW DEPARTMENT
PHILLIP G CRAMER MD	1019205	2527982	TB MEDICAL SERVICES	HEALTH DEPARTMENT
PHILLIP G CRAMER MD	1019205	2579701		HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
PHOENIX SERVICES UNLIMITED INC	19496	2501351	BATTERER'S SCHOOL	NO DEPARTMENT INDICATED
PHOENIX SERVICES UNLIMITED INC	19496	2548814	DOMESTIC VIOLENCE COUNSELING	POLICE DEPARTMENT
PIERCE MONROE & ASSOCIATES INC	18223	2501044		FINANCE DEPARTMENT
PIERCE MONROE & ASSOCIATES INC	18223	2502104		FINANCE DEPARTMENT
PIQUETTE MARKET INC	1072282	2803604		HUMAN SERVICES DEPARTMENT
PIQUETTE MARKET INC	1072282	2775345		HUMAN SERVICES DEPARTMENT
PIQUETTE MARKET INC	1072282	2743795		HUMAN SERVICES DEPARTMENT
PLANNED PARENTHOOD	1012848	2603682		FINANCE DEPARTMENT
PLUNKETT & COONEY PC	10371	2527611	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2536997	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2590835		LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2540467	LEGAL SERVICES: ADAMS, ET AL V CITY, ET AL	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2508813	IRA LEE TODD V CITY OF DETROIT, ET AL	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2508816	GRAZES/IVERZAI/SMITH, ET AL V CITY	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2527406	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2538058	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2501702	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2538244	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2652076	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2502112	LEGAL SERVICES	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2537223	LORETTA BOOTH V CITY OF DETROIT	LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2569755		LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2570503		LAW DEPARTMENT
PLUNKETT & COONEY PC	10371	2774678		LAW DEPARTMENT
POLICE ATHLETIC LEAGUE INC	3703	2535838	TENNIS PROGRAM	RECREATION DEPARTMENT
POPKIN SOFTWARE SYSTEMS	20304	2518460	SYSTEMS ARCHITECT AND OPTIONS	INFORMATION TECHNOLOGY SERVICES
POSEN CONSTRUCTION CO	20208	2748229	BELLE ISLE SCOTT FOUNTAIN LAGOON PIPELINE SYSTEM CLEAN-OUT	RECREATION DEPARTMENT
POSEN CONSTRUCTION CO	20208	2584529		WATER DEPARTMENT
POSITIVE IMAGES	19950	2501495		HEALTH DEPARTMENT
POSITIVE IMAGES	19950	2501653	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT
PREMIER STAFFING SOURCE INC	1118976	2877577	TEMPORARY STAFFING SERVICES	HUMAN RESOURCES DEPARTMENT
PRISM SOLUTIONS LLC	1051836	2610132		RECREATION DEPARTMENT
PROBE ENVIRONMENTAL INC	19803	2502194	ABATEMENT OF ASBESTOS	DEPARTMENT OF PUBLIC WORKS
PROJECT GET	20363	2540814	JOB SEARCH & PLACEMENT-WORK FIRST	EMPLOYMENT AND TRAINING DEPARTMENT
PROJECT GET	20363	2563946	JOB SEARCH & PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
PROJECT GET	20363	2501733	JOB SEARCH	NO DEPARTMENT INDICATED
PROJECT GET	20363	2778465		WORKFORCE DEVELOPMENT DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
PROJECT GET	20363	2806247		WORKFORCE DEVELOPMENT DEPARTMENT
PROVIDENCE COMMUNITY SERVICES/ROSS IES	1095234	2778467		WORKFORCE DEVELOPMENT DEPARTMENT
PROVIDENCE COMMUNITY SERVICES/ROSS IES	1095234	2778477		WORKFORCE DEVELOPMENT DEPARTMENT
PROVIDENCE COMMUNITY SERVICES/ROSS IES	1095234	2761554		WORKFORCE DEVELOPMENT DEPARTMENT
PROVIDENCE COMMUNITY SERVICES/ROSS IES	1095234	2778661		WORKFORCE DEVELOPMENT DEPARTMENT
PVS TECHNOLOGIES INC	24231	2501270		SEWERAGE DEPARTMENT
R L WINIGER & COMPANY	1033182	2506508	INVESTIGATIVE SERVICES	FINANCE DEPARTMENT
RALPH CALDER & ASSOC	20041	2502210	PATTON PARK POOL/RECREATION FACILITY	RECREATION DEPARTMENT
RAM CONSTRUCTION SERVICES OF MICHIGAN	1104845	2786314	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
RAMA RAO & ALFRED INC	15030	2502274	A/E SERVICES WATER WORKS	NO DEPARTMENT INDICATED
RAMA RAO & ALFRED INC	15030	2500977	BLUEHILL STATION ADDITIONS	NO DEPARTMENT INDICATED
RAMA RAO & ALFRED INC	15030	2767688	CONTRACT FOR PROFESSIONAL SERVICES	INFORMATION TECHNOLOGY SERVICES
RANDALL S LEVINE PC DBA LEVINE & LEVINE PC	1017685	2513748	LEGAL SERVICES	OMBUDSPERSON
RANDY LANE PC	1070228	2879763	CONTRACT FOR ACCOUNTING SERVICES	FINANCE DEPARTMENT
RAYMOND JONES MD	10770	2513137	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
RAYMOND JONES MD	10770	2544138	DRUG TREATMENT PROGRAM PHYSICIAN	HUMAN SERVICES DEPARTMENT
RAYMOND JONES MD	10770	2508115	SERVICES FOR DRUG TREATMENT PROGRAM	FINANCE DEPARTMENT
RAYMOND JONES MD	10770	2559423	PHISICIAN FOR DRUG TREATMENT PROGRAM	FINANCE DEPARTMENT
RAYMOND JONES MD	10770	2591480		HUMAN SERVICES DEPARTMENT
REACH INC	17260	2504789	NOF-PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
REACH PROJECT INC	1048827	2599632		HEALTH DEPARTMENT
REDSTONE ARCHITECTS	1001648	2506677	CAMPUS MARTIUS PARK DEVELOPMENT	RECREATION DEPARTMENT
REID & REID PC	1012544	2633008		LAW DEPARTMENT
RENAISSANCE PROPERTIES INC	1032580	2562053		FINANCE DEPARTMENT
RENAISSANCE PROPERTIES INC	1032580	2534576		HUMAN SERVICES DEPARTMENT
RESOURCE DATA SYSTEMS CORP	10349	2500772	LAW DEPARTMENT COMPUTER SYSTEMS	LAW DEPARTMENT
RESOURCE NETWORK	1007604	2560345	JOB SEARCH AND PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
RESOURCE NETWORK	1007604	2726455		WORKFORCE DEVELOPMENT DEPARTMENT
RESOURCE NETWORK	1007604	2778663		WORKFORCE DEVELOPMENT DEPARTMENT
RESPONSE NETWORK	1103012	2771949	CUSTOM SOFTWARE DEVELOPMENT	POLICE DEPARTMENT
RIGHT ASSOCIATES /JANNOTTA BRAY & ASSOCIATES	20383	2511677	EXECUTIVE COACHING SERVICES	HUMAN RESOURCES DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
RILEY ROUMELL & CONNOLLY PC	1060612	2623897		LAW DEPARTMENT
RILEY ROUMELL & CONNOLLY PC	1060612	2623906		LAW DEPARTMENT
RILEY ROUMELL & CONNOLLY PC	1060612	2623942		LAW DEPARTMENT
RLI INSURANCE COMPANY	1099957	2765028		WATER DEPARTMENT
ROBERT C BIRKS MD PC	7251	2578999		HUMAN SERVICES DEPARTMENT
ROBERT C BIRKS MD PC	7251	2592085		HUMAN SERVICES DEPARTMENT
ROBERT MATHEWS & ASSOCIATES INC	1059586	2620918		HUMAN SERVICES DEPARTMENT
ROBERT SEDLER	9851	2769756	CONSULTANT SERVICES	LAW DEPARTMENT
ROSE & ROSE	15597	2500750	LEGAL SERVICES	NO DEPARTMENT INDICATED
ROSS LEARNING INC	10675	2562588	WF WTW TIREMAN/GREYDALE PY 2002	EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2562593	WF & WTW FORT WAYNE PY 2002	EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2554055	BASIC LITERACY & COORDINATION	EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2562407	WF & WTW LTC PY 2002	EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2549631	WTW COMPETITIVE COORDINATION	EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2537106	WIA ITA IMPLEMENTATION PY 01	EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2540277	WF & FOOD STAMP ITA PY 01	EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2572344		EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2624160		EMPLOYMENT AND TRAINING DEPARTMENT
ROSS LEARNING INC	10675	2599059		EMPLOYMENT AND TRAINING DEPARTMENT
ROY F WESTON INC	16868	2512933	ENVIRONMENTAL SERVICES - FICS #74431	FINANCE DEPARTMENT
ROY F WESTON INC	16868	2501574	WATERFRONT RECLAMATION PROJECT	LAW DEPARTMENT
ROYAL ROOFING CO INC	13119	2730710	ROOF REPLACEMENT	RECREATION DEPARTMENT
S D HAMILTON GROUP	1019484	2603327		FINANCE DEPARTMENT
SABRE CONTRACTING LLC	1106108	2797979	RENOVATIONS	RECREATION DEPARTMENT
SACRED HEART MAJOR SEMINARY	1576	2501491	FICS CONTRACT 078684 SPO 2510159	HEALTH DEPARTMENT
SACRED HEART REHABILITATION CENTER, INC	1013401	2507443	MEDICAID S.A. F.YE 9/99 SACRED HEART	HEALTH DEPARTMENT
SAFE CENTER INC	19547	2501207		NO DEPARTMENT INDICATED
SAFE CENTER INC	19547	2557542	FAMILY SERVICES AND COUNSELING	FINANCE DEPARTMENT
SAFE CENTER INC	19547	2533141	EMERGENCY SERVICES	HUMAN SERVICES DEPARTMENT
SALVATION ARMY BOOTH SERVICES	15401	2510155	TRANSITIONAL HOUSING	FINANCE DEPARTMENT
SANDERS & JOHNSON PLLC	1003611	2538824	LEGAL SERVICES	LAW DEPARTMENT
SANDERS & JOHNSON PLLC	1003611	2538789	LEGAL SERVICES	LAW DEPARTMENT
SANDERS & JOHNSON PLLC	1003611	2538820	LEGAL SERVICES: CLAUDE NELSON V CITY	LAW DEPARTMENT
SANDERS & JOHNSON PLLC	1003611	2505098	LEGAL SERVICES	FINANCE DEPARTMENT
SANDERS & JOHNSON PLLC	1003611	2538816	BRADFORD ERVING V CITY/HAYWARD	LAW DEPARTMENT
SANDERS & JOHNSON PLLC	1003611	2538794	EST. OF TOMMIE THOMAS V CITY	LAW DEPARTMENT
SANDERS & JOHNSON PLLC	1003611	2534988	PATRICK HATFIELD V CITY	LAW DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
SCHINDLER ELEVATOR CORPORATION	6926	2558355	MADISON CENTER ELEVATOR MAINTENANCE	NO DEPARTMENT INDICATED
SCHUMAKER & COMPANY INC	1064547	2689171		BUDGET DEPARTMENT
SER CASA ACADEMY	1025139	2589594	EMPOWERMENT ZONE- PUBLIC SERVICE	PLANNING AND DEVELOPMENT DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2528378	YOUTH OPPORTUNITY GRANT # 2	EMPLOYMENT AND TRAINING DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2519316	YOUTH OPPORTUNITIES	EMPLOYMENT AND TRAINING DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2622682		WORKFORCE DEVELOPMENT DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2536987	INDIVIDUAL TRAINING ACCOUNTS	EMPLOYMENT AND TRAINING DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2594584		WORKFORCE DEVELOPMENT DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2501434	PUBLIC FACILITY REHAB	NO DEPARTMENT INDICATED
SER METRO DETROIT - JOB FOR PROGRESS	3369	2778762		WORKFORCE DEVELOPMENT DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2775948		WORKFORCE DEVELOPMENT DEPARTMENT
SER METRO DETROIT - JOB FOR PROGRESS	3369	2761551		WORKFORCE DEVELOPMENT DEPARTMENT
SERCO INC	16569	2568070		EMPLOYMENT AND TRAINING DEPARTMENT
SERCO INC	16569	2623557		EMPLOYMENT AND TRAINING DEPARTMENT
SERCO INC	16569	2548196	PARTNERSHIP FOR ADULT LEARNING	EMPLOYMENT AND TRAINING DEPARTMENT
SERCO INC	16569	2561194	JOB SEARCH AND JOB PLACEMENT (JSP)	EMPLOYMENT AND TRAINING DEPARTMENT
SERCO INC	16569	2561177	JOB SEARCH AND PLACEMENT(DEC-2K)	EMPLOYMENT AND TRAINING DEPARTMENT
SERCO INC	16569	2778471		WORKFORCE DEVELOPMENT DEPARTMENT
SERCO INC	16569	2806253		WORKFORCE DEVELOPMENT DEPARTMENT
SFT INCORPORATED	1033579	2536333	FOR MISTERSKI POWER PLANT PROJECT	CITY COUNCIL
SHAR HOUSE	11024	2501503	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
SHAR HOUSE	11024	2501501	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
SHAR HOUSE	11024	2564200	WOMEN AND CHILDREN EXPANSION GRANT	HEALTH DEPARTMENT
SHAR HOUSE	11024	2501642	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
SHARON RODDY MD	1016242	2544065		HUMAN SERVICES DEPARTMENT
SHEVRIN CONSULTING SERVICES	1081120	2658592		WORKFORCE DEVELOPMENT DEPARTMENT
SIEMENS BUILDING TECHNOLOGIES INC	1080147	2799544	CONTROL SYSTEM IMPROVEMENTS	RECREATION DEPARTMENT
SIEMENS HEALTHCARE DIAGNOSTICS	1101501	2849348	ON-SITE DRUG TESTING	HEALTH DEPARTMENT
SILVERI ARCHITECTS	1031901	2549574	EMPOWERMENT ZONE IMPROVEMENT	RECREATION DEPARTMENT
SIMON HOUSE	18009	2541640	PERMANENT HOUSING (FICS#074931)	FINANCE DEPARTMENT
SIMON HOUSE	18009	2510640	EMERGENCY SHELTER	FINANCE DEPARTMENT
SIMONE CONTRACTING CORPORATION	1000476	2786501	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
SMITH BROS ELECTRIC INC	1018473	2582919		FINANCE DEPARTMENT
SMITH BROS ELECTRIC INC	1018473	2505208	INSTALL VOICE AND DATA WIRING SERVICES	INFORMATION TECHNOLOGY SERVICES
SMITH GROUP JR LLC	1003317	2504102	LONG TERM MANAGEMENT	FINANCE DEPARTMENT
SNELL ENVIRONMENTAL GROUP INC	1000483	2502200	ABATEMENT ASBESTOS	DEPARTMENT OF PUBLIC WORKS
SNELL ENVIRONMENTAL GROUP INC	1000483	2500795	ENGINEERING SERVICES FOR NEW BRIDGES	DEPARTMENT OF PUBLIC WORKS
SOBH PROPERTY MANAGEMENT LLC	1018847	2515472		HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
SOBRIETY HOUSE INC	1797	2501505	SUBSTANCE ABUSE COORDINATION AGENCY	HEALTH DEPARTMENT
SOBRIETY HOUSE INC	1797	2501734	MEDICAID SUBSTANCE ABUSE	HEALTH DEPARTMENT
SOCIETY OF ST VINCENT DE PAUL	10460	2587915		FINANCE DEPARTMENT
SONDRA E JENKINS	1013274	2507145	JOINT L-M/QI PROJECT CONSULTANT	HUMAN RESOURCES DEPARTMENT
SOUTHEAST CHILDREN AND FAMILY DEVELOPMENT HEAD START	10372	2587309		HUMAN SERVICES DEPARTMENT
SOUTHEAST CHILDREN AND FAMILY DEVELOPMENT HEAD START	10372	2532516	HEAD START PROGRAM	HUMAN SERVICES DEPARTMENT
SOUTHEAST CHILDREN AND FAMILY DEVELOPMENT HEAD START	10372	2504138	HEAD START PROGRAM 1998-99	HUMAN SERVICES DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2593437		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2501895	HEALTHY START INIT 8/98	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2560866	CPBC MASTER AGREEMENT	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2516778	FIDUCIARY SERVICES	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2538658	HEALTHY START INITIATIVE PROGRAM	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2556341	FIDUCIARY SERVICES FOR LEAD FREE DETROIT	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2537516	CPBC MASTER CONTRACT	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2501527	EPSDT (HEALTHY KIDS)	NO DEPARTMENT INDICATED
SOUTHEASTERN MICHIGAN HEALTH	8092	2625403		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2522514	HEALTHY START INITIATIVE	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2507951	HIV EMERGENCY RELIEF 2/00	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2501918	25 STD CONTROL 9-98 AND 9-99	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2501498	HOPWA-PERSONS W/AIDS HSG	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2505868	25 STD & TB PHYSICIAN SERVICES	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2502007	STD & TB PYHSICIAN	NO DEPARTMENT INDICATED
SOUTHEASTERN MICHIGAN HEALTH	8092	2536778	FETAL INFANT MORTALITY REVIEW GRANT	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2516123	EPSDT (HEALTHY KIDS)	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2528888	SEMHA - CCA ADMINISTRATION	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2538739	HIV/AIDS PROJECT CPO	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2665698		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2587750		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2506174	25 TB/HIV CONTROL PROGRAM - 12/99	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2510504	LEAD FREE DETROIT PROJECT	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2581401		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2504657	FISCAL MANAGEMENT SERVICES	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2614575		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2612915		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2619300		HEALTH DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
SOUTHEASTERN MICHIGAN HEALTH	8092	2538646	REFUGEE HEALTH SCREENING PROGRAM	HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2613498		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2571721		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2766781		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2766314		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2793186		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2770373		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2753985		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2761660		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2788671		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2755765		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2784430		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2799776		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2796870		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2797934		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2797936		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2624694		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2799792		HEALTH DEPARTMENT
SOUTHEASTERN MICHIGAN HEALTH	8092	2776660		HEALTH DEPARTMENT
SOUTHWEST COUNSELING	1000589	2549618	CAREER INITIATIVES CENTER PROJECT	HUMAN SERVICES DEPARTMENT
SOUTHWEST COUNSELING	1000589	2593318		FINANCE DEPARTMENT
SOUTHWEST DETROIT BUSINESS ASSOCIATION	19640	2548414		FINANCE DEPARTMENT
SOUTHWEST DETROIT COMMUNITY	1067854	2606819		FINANCE DEPARTMENT
SPALDING DEDECKER ASSOCIATES INC	1427	2632652		RECREATION DEPARTMENT
SPEC ASSOCIATES	19262	2765376		HUMAN SERVICES DEPARTMENT
SPECTRUM HUMAN SERVICES	20301	2501508	SUBSTANCE ABUSE COORDINATION AGENCY	NO DEPARTMENT INDICATED
SPIEGEL & MCDIARMID	19669	2501813	LEGAL SERVICES	PUBLIC LIGHTING DEPARTMENT
ST GREGORY COMMUNITY CENTER	16937	2511397	P&DD PUBLIC SERVICE	FINANCE DEPARTMENT
ST PATRICKS SENIOR CENTER INC	12493	2502481	SENIOR CITIZENS MEAL	HEALTH DEPARTMENT
ST REGIS DETROIT PARTNERS LLC	1102961	2770016		POLICE DEPARTMENT
STAR CENTERS INC	1003699	2501619	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
STELLA B SEIDEN	2398	2502097		NO DEPARTMENT INDICATED
STONE & WEBSTER MICHIGAN INC	8561	2500914	MISTERSKY PWR PLANT CONSULTING	PUBLIC LIGHTING DEPARTMENT
STRATEGIC STAFFING SOLUTIONS	17268	2620837		NON-DEPARTMENTAL
STRATEGIC STAFFING SOLUTIONS	17268	2767687	CONTRACT FOR PROFESSIONAL SERVICES	INFORMATION TECHNOLOGY SERVICES
STRATEGIC STAFFING SOLUTIONS	17268	2681666		INFORMATION TECHNOLOGY SERVICES
STRATEGIC STAFFING SOLUTIONS	17268	2554729	2001/2002 CONTRACTUAL RESOURCES	INFORMATION TECHNOLOGY SERVICES

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
STRATEGIC STAFFING SOLUTIONS	17268	2643900		INFORMATION TECHNOLOGY SERVICES
STROHL SYSTEMS GROUP INC	19599	2514946	970259-COMPUTER - SOFTWARE LICENSE	INFORMATION TECHNOLOGY SERVICES
STS CONSULTANTS LTD	1027626	2619993		RECREATION DEPARTMENT
SWORD SOLUTIONS INC	1075932	2634531		HEALTH DEPARTMENT
SYNC TECHNOLOGIES INC	1025602	2643904		INFORMATION TECHNOLOGY SERVICES
SYNC TECHNOLOGIES INC	1025602	2681667		INFORMATION TECHNOLOGY SERVICES
SYNC TECHNOLOGIES INC	1025602	2804856		HUMAN SERVICES DEPARTMENT
SYNCH SOLUTIONS	1102866	2768084	CONTRACT FOR TECHNOLOGY RESOURCES	INFORMATION TECHNOLOGY SERVICES
SYSTEMS CONSULTING GROUP LLC	1021802	2537205	CONSULTANT SERVICES	DEPARTMENT OF TRANSPORTATION
T & T BUILDERS	1025258	2544439	HOME WEATHERIZATION	HUMAN SERVICES DEPARTMENT
T & T BUILDERS	1025258	2524579	WEATHERIZATION PROGRAM	HUMAN SERVICES DEPARTMENT
T & T BUILDERS	1025258	2525183		FINANCE DEPARTMENT
T & T BUILDERS	1025258	2672030		HUMAN SERVICES DEPARTMENT
T & T BUILDERS	1025258	2607322		HUMAN SERVICES DEPARTMENT
T & T BUILDERS	1025258	2789080		HUMAN SERVICES DEPARTMENT
T & T BUILDERS	1025258	2732569		HUMAN SERVICES DEPARTMENT
T & T BUILDERS	1025258	2761175		HUMAN SERVICES DEPARTMENT
TARA TUOMAALA	1047262	2569166		CULTURAL AFFAIRS DEPARTMENT
TC SIMMONS VISITING MINISTRY	18571	2510152	SHELTER AND SERVICE	FINANCE DEPARTMENT
TECH TOWN	1107416	2807786		HUMAN SERVICES DEPARTMENT
TEI ENVIRONMENTAL SOLUTIONS LLC	1109309	2548181	(UNIROYAL) INTERIM RESPONSE ACTIVITIES FOR EAST JEFFERSON AT BELLE ISLE	ENVIRONMENTAL AFFAIRS DEPARTMENT
TEI ENVIRONMENTAL SOLUTIONS LLC	1109309	2563252	BROWNFIELD SAP PHASE I AND PHASE II	ENVIRONMENTAL AFFAIRS DEPARTMENT
TETRA TECH MPS	1030048	2633203		DEPARTMENT OF PUBLIC WORKS
THE ARTS PLACE	20040	2643815		RECREATION DEPARTMENT
THE BARTECH GROUP	1036576	2681675		INFORMATION TECHNOLOGY SERVICES
THE BARTECH GROUP	1036576	2643893		INFORMATION TECHNOLOGY SERVICES
THERMO JARRELL ASH CORP	23280	2502432	MAINTENANCE	FINANCE DEPARTMENT
THOMAS E MARSHALL PC	17881	2511456	SHAUN NEAL, ET AL V CITY OF DETROIT, ET AL	LAW DEPARTMENT
THOMAS E MARSHALL PC	17881	2513521	LIGENS D. MOORE V CITY OF DETROIT	LAW DEPARTMENT
THOMAS J WALSH APPRAISAL CO	20198	2502095	CASINO SITE APPRAISER	LAW DEPARTMENT
TIBURON INC	1072420	2614989		POLICE DEPARTMENT
TIBURON INC	1072420	2637943		POLICE DEPARTMENT
TILLMAN & TILLMAN PC	1018624	2515016	WILLIAM GRAHAM V CITY/MANSON	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2562545	LEGAL SERVICES: LYNN/BEAUCHAMP V CITY	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2544381	RYAN LACKIE V CITY OF DETROIT/FULKS	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2632190		LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2534965	ANDREOS COOPER V CITY	LAW DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
TIMMIS & INMAN LLP	19998	2562570	LEGAL SERVICES	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2508654	SHANNON L. TROMEUR V JULIUS LIGE	HEALTH DEPARTMENT
TIMMIS & INMAN LLP	19998	2502450	LEGAL SERVICES: WILLIAM BURKES V CITY	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2544404	TITO BURLEIGH V CITY/WILLIAMS	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2508661	LEGAL SERVICES: TUCKER V CITY OF DETROIT	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2562575	HENRY BROWN V CITY/JULIUS TATE	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2562563	LEGAL SERVICES	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2544430	TOMMIE THOMAS V CITY, ET AL	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2562559	TORI CARTER, ET AL V CITY	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2502452	LEGAL SERVICES	LAW DEPARTMENT
TIMMIS & INMAN LLP	19998	2544420	RUPERT/HAYES/BOWERS V BROWN	LAW DEPARTMENT
TISEO BROTHERS INC	18296	2501389	VIRGINIA PARK PAVING	NO DEPARTMENT INDICATED
TODD PHILLIPS CHILDRENS HOME	16998	2501778		NO DEPARTMENT INDICATED
TRAVELLERS AID SOCIETY OF DET	15890	2501964	EMERGENCY SHELTER	HUMAN SERVICES DEPARTMENT
TWW & ASSOCIATES INC	15821	2563101	WORKFIRST/WELFARE TO WORK	EMPLOYMENT AND TRAINING DEPARTMENT
TWW & ASSOCIATES INC	15821	2550329	OPERATION FAST BREAK/ PAL	EMPLOYMENT AND TRAINING DEPARTMENT
TWW & ASSOCIATES INC	15821	2696181		WORKFORCE DEVELOPMENT DEPARTMENT
TWW & ASSOCIATES INC	15821	2803891		WORKFORCE DEVELOPMENT DEPARTMENT
TWW & ASSOCIATES INC	15821	2778474		WORKFORCE DEVELOPMENT DEPARTMENT
TWW & ASSOCIATES INC	15821	2806255		WORKFORCE DEVELOPMENT DEPARTMENT
TXU ENERGY SERVICE	1021990	2525960	CITY WIDE NATURAL GAS PURCHASE	PUBLIC LIGHTING DEPARTMENT
UNIGLOBE CONSTRUCTION CO	19275	2793402		HUMAN SERVICES DEPARTMENT
UNITED COMMUNITY HOUSING COALITION	9812	2510128	HOMELESS ASSISTANCE PROGRAM	FINANCE DEPARTMENT
UNIVERSAL SYSTEM TECHNOLOGIES INC	20223	2589037		INFORMATION TECHNOLOGY SERVICES
UNIVERSAL SYSTEM TECHNOLOGIES INC	20223	2768088	PROFESSIONAL SERVICES CONTRACT	INFORMATION TECHNOLOGY SERVICES
UNIVERSITY FAMILY PHYSICIANS	1045603	2541597	ENV: MEDICAL MONITORING SERVICES	ENVIRONMENTAL AFFAIRS DEPARTMENT
UNIVERSITY OF DETROIT MERCY	1051358	2722921		RECREATION DEPARTMENT
UNIVERSITY OF MICHIGAN	8466	2500990	EMERGENCY RESPONSE PLANNING	WATER DEPARTMENT
UNIVERSITY PHYSICIAN GROUP	1093137	2799075		HEALTH DEPARTMENT
UNIVERSITY WOMEN'S CARE	1030044	2530120		HEALTH DEPARTMENT
UNIVERSITY WOMEN'S CARE	1030044	2595456		HEALTH DEPARTMENT
UNIVERSITY WOMEN'S CARE	1030044	2567920		HEALTH DEPARTMENT
UNIVERSITY WOMEN'S CARE	1030044	2614558		HEALTH DEPARTMENT
UNLIMITED SOLUTIONS INC	17906	2502050	PROGRAMMING CODING	INFORMATION TECHNOLOGY SERVICES
UNLIMITED SOLUTIONS INC	17906	2554534	2001/2001 CONTRACTUAL RESOURCES	INFORMATION TECHNOLOGY SERVICES
UPTOWN LAND DEVELOPMENT CORP	18833	2501758		EMPLOYMENT AND TRAINING DEPARTMENT
URBAN MANAGEMENT CORP	20310	2502173	FLEET MAINTENANCE SERVICES	DEPARTMENT OF PUBLIC WORKS

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
URBANWERKS LLC	1083053	2664787		RECREATION DEPARTMENT
URS CORPORATION	1052537	2607949		ENVIRONMENTAL AFFAIRS DEPARTMENT
URSO PALMER & ROSS PC	1048532	2574335		CITY COUNCIL
U-SNAP BAC NON-PROFIT CORP	20364	2506589	PUBLIC SERVICE AND REHAB	FINANCE DEPARTMENT
U-SNAP BAC NON-PROFIT CORP	20364	2584237		PLANNING AND DEVELOPMENT DEPARTMENT
U-SNAP BAC NON-PROFIT CORP	20364	2501597	SITE IMPROVEMENTS HOUSING	NO DEPARTMENT INDICATED
V W PROPERTIES	1084250	2531882		POLICE DEPARTMENT
V W PROPERTIES	1084250	2509482		POLICE DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2505192	LEGAL SERVICES: DEWOLF, ET AL V CITY	LAW DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2521182	LYNN/BEAUCHAMP V CITY/RADFORD	LAW DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2505073	LEGAL SERVICES	LAW DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2539172	LEGAL SERVICES	LAW DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2515553	LEGAL SERVICES: KIMBER V CITY/ADUROJA	LAW DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2521167	LEGAL SERVICES: LONGSTREET V JORDAN	LAW DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2536310	LEGAL SERVICES	LAW DEPARTMENT
VAN OVERBEKE & ASSOCIATES	20121	2511869	LEGAL SERVICES	LAW DEPARTMENT
VAN SCOYOC ASSOCIATES INC	1070940	2617193		LAW DEPARTMENT
VANOVERBEKE MICHAUD & TIMMONY P C	1026688	2594482		LAW DEPARTMENT
VANOVERBEKE MICHAUD & TIMMONY P C	1026688	2563075	BLUE CROSS/BLUE SHIELD RESERVE FUND	LAW DEPARTMENT
VANOVERBEKE MICHAUD & TIMMONY P C	1026688	2544823	LEGAL SERVICES	LAW DEPARTMENT
VANOVERBEKE MICHAUD & TIMMONY P C	1026688	2546318	LEGAL SERVICES	LAW DEPARTMENT
VANOVERBEKE MICHAUD & TIMMONY P C	1026688	2591271		LAW DEPARTMENT
VANOVERBEKE MICHAUD & TIMMONY P C	1026688	2563068	TOYIA MOODY/STEPHANIE BENNETT V CITY	LAW DEPARTMENT
VANOVERBEKE MICHAUD & TIMMONY P C	1026688	2632746		LAW DEPARTMENT
VARNUM RIDDERING SCHMIDT	17517	2502367	TELECOMMUNICATIONS/FIBER OPTICS	LAW DEPARTMENT
VARNUM RIDDERING SCHMIDT	17517	2514143	LEGAL SERVICES	LAW DEPARTMENT
VENABLE BAETJER HOWARD LLP	20054	2503723	PROFESSIONAL SERVICES	CITY COUNCIL
VIRCHOW KRAUSE & CO LLP	1099691	2746850		FINANCE DEPARTMENT
VIRGINIA PARK CITIZENS SERVICE	16867	2719711		DEPARTMENT OF TRANSPORTATION
VISION INFORMATION TECHNOLOGIES	1011855	2542788	WEB DEVELOPMENT	INFORMATION TECHNOLOGY SERVICES
VOICE PRINT INTERNATIONAL INC	1045791	2816063	MAINTENANCE FOR VOICE SERVICES	POLICE DEPARTMENT
VORHIES ESTATE INC	1005399	2517975		HUMAN SERVICES DEPARTMENT
VS VISUAL STATEMENT INC	1076618	2796124		POLICE DEPARTMENT
W D LEE CENTER FOR LIFE MANAGEMENT	1003687	2502211	MEDICAID SUBSTANCE ABUSE	NO DEPARTMENT INDICATED
W-3 CONSTRUCTION COMPANY	1022302	2796096	LIGHTING IMPROVEMENTS	RECREATION DEPARTMENT
WALBRIDGE-ALDINGER CO	2782	2588907		WATER DEPARTMENT
WALBRIDGE-ALDINGER CO	2782	2529880	PRIMARY CLARIFIER NUMBERS 17 AND 18	SEWERAGE DEPARTMENT
WALBRIDGE-ALDINGER CO	2782	2517999	SECONDARY CLARIFIER IMPROVEMENTS	SEWERAGE DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
WALSH CONSTRUCTION	1003706	2540999	CONNER CREEK PILOT CSO CONTROL FACILITY	SEWERAGE DEPARTMENT
WARM TRAINING CENTER	1099138	2798140		HUMAN SERVICES DEPARTMENT
WARM TRAINING CENTER	1099138	2761360		HUMAN SERVICES DEPARTMENT
WARM TRAINING PROGRAM INC	1001814	2637413		HUMAN SERVICES DEPARTMENT
WARM TRAINING PROGRAM INC	1001814	2592885		FINANCE DEPARTMENT
WARM TRAINING PROGRAM INC	1001814	2746897		HUMAN SERVICES DEPARTMENT
WARM TRAINING PROGRAM INC	1001814	2808870		HUMAN SERVICES DEPARTMENT
WARM TRAINING PROGRAM INC	1001814	2706004		HUMAN SERVICES DEPARTMENT
WARREN CONNER DEVELOPMENT COALITIONS	1015379	2515838	WARREN CONNER SA FYE 9/99	HEALTH DEPARTMENT
WARREN CONNER DEVELOPMENT COALITIONS	1015379	2736044		WORKFORCE DEVELOPMENT DEPARTMENT
WAYNE COUNTY	18789	2560623	WF/WTW JOB SEARCH AND JOB PLACEMENT	EMPLOYMENT AND TRAINING DEPARTMENT
WAYNE COUNTY	18789	2574696		POLICE DEPARTMENT
WAYNE COUNTY	18789	2772891		POLICE DEPARTMENT
WAYNE COUNTY	-	-	PURCHASE AGREEMENT, DATED JULY 28, 1976 BETWEEN THE CITY AND COUNTY OF WAYNE	NO DEPARTMENT INDICATED
WAYNE COUNTY COMMUNITY COLLEGE	1008933	2782908		WORKFORCE DEVELOPMENT DEPARTMENT
WAYNE COUNTY COMMUNITY COLLEGE	1008933	2782906		WORKFORCE DEVELOPMENT DEPARTMENT
WAYNE STATE UNIVERSITY	1015979	2539793		HEALTH DEPARTMENT
WAYNE STATE UNIVERSITY	1015979	2539816	PREVENTATIVE SERVICES	HEALTH DEPARTMENT
WAYNE STATE UNIVERSITY	1015979	2539788	TARGET CITIES	HEALTH DEPARTMENT
WAYNE STATE UNIVERSITY	1015979	2539821	PREVENTATIVE SERVICES	HEALTH DEPARTMENT
WAYNE STATE UNIVERSITY	1015979	2516330	WSU - UNIVERSITY CONSORTIUM	HUMAN RESOURCES DEPARTMENT
WAYNE STATE UNIVERSITY	1015979	2539807	PREVENTATIVE SERVICES	HEALTH DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2560543	CITY/UNIVERSITY CONSORTIUM	HUMAN RESOURCES DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2532723	WIA TITLE I OFFICE AUTOMATION TRAINING	EMPLOYMENT AND TRAINING DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2501980	TITLE III OFFICE AUTOMATION TRAINING	EMPLOYMENT AND TRAINING DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2571280		EMPLOYMENT AND TRAINING DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2552859	OFFICE AUTOMATION & WORD PROCESSING	EMPLOYMENT AND TRAINING DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2519218	WORD PROCESS TRAINING	EMPLOYMENT AND TRAINING DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2611249		POLICE DEPARTMENT
WAYNE STATE UNIVERSITY	3116	2501174		NO DEPARTMENT INDICATED
WAYNE STATE UNIVERSITY	3116	2765357		CITY COUNCIL
WAYNE STATE UNIVERSITY	3116	2797492		HEALTH DEPARTMENT
WAYNE STATE UNIVERSITY COLLEGE	19759	2502190		PLANNING AND DEVELOPMENT DEPARTMENT
WAYNE STATE UNIVERSITY COLLEGE	19759	2500873	EZ PROGRAM OPERATIONS	NO DEPARTMENT INDICATED

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
WCI CONTRACTORS	17607	2681202		RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2733883	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2762089	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2708713		RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2731182		RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2762091	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2729538	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2785381	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
WCI CONTRACTORS	17607	2799443	CONSTRUCTION CONTRACT	RECREATION DEPARTMENT
WE CARE DEVELOPMENT CORP	20361	2627183		WORKFORCE DEVELOPMENT DEPARTMENT
WEISS CONSTRUCTION CO	16586	2500908	DWS-805 SUBURBAN METER AUTOMATION	WATER DEPARTMENT
WEISS CONSTRUCTION CO	16586	2501482	DWS-800 SUBURBAN WATER METERS	WATER DEPARTMENT
WELLSPRING	18110	2597175		FINANCE DEPARTMENT
WEST DETROIT INTERFAITH	1044949	2554192		FINANCE DEPARTMENT
WESTFIELD DETROIT LLC	1021039	2517679		HUMAN SERVICES DEPARTMENT
WESTIN ENGINEERING INC	14468	2767695	PROFESSIONAL SERVICES CONTRACT	INFORMATION TECHNOLOGY SERVICES
WILDWOOD RANCH	1012803	2547128	DETROIT RESCUE MISSION	HUMAN SERVICES DEPARTMENT
WILDWOOD RANCH	1012803	2516691	SUMMER CAMPERSHIPS TO URBAN YOUTHS	HUMAN SERVICES DEPARTMENT
WILLA R WALKER LLC	1071151	2618732		CULTURAL AFFAIRS DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2501454	GRAIMARK REHAB PROJ - FICS #79019	PLANNING AND DEVELOPMENT DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2501725	ENVIRONMENTAL STATUTES & REGULATIONS	LAW DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2505940	LEGAL SERVICES-ENVIRONMENTAL	PLANNING AND DEVELOPMENT DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2500981	FICS #68652-MID-CITY REVITALIZATION	PLANNING AND DEVELOPMENT DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2559971	ERNEST MONROE V CITY OF DETROIT	WATER DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2623874		LAW DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2501539	CASINO DEVELOPMENT PROJECT	LAW DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2553947	BRUSH PARK PROJECT	PLANNING AND DEVELOPMENT DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2641654	LEGAL SERVICES	LAW DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2593326	LEGAL SERVICES	ENVIRONMENTAL AFFAIRS DEPARTMENT
WILLIAMS ACOSTA PLLC	1049952	2512512	LEGAL SERVICES	LAW DEPARTMENT
WILLIE L MAYO CPA	1021915	2518939	AUDIT TRAINING	HUMAN SERVICES DEPARTMENT
WILLIE MCCORMICK ASSOCIATES INC	1001824	2618093		WATER DEPARTMENT
WILLIE MCCORMICK ASSOCIATES INC	1001824	2679478		WATER DEPARTMENT
WILLIE MCCORMICK ASSOCIATES INC	1001824	2566621		WATER DEPARTMENT
WILLIE MCCORMICK ASSOCIATES INC	1001824	2673433		WATER DEPARTMENT
WINDHAM REALTY GROUP INC	17474	2500986	VIC PARK MANAGER	PLANNING AND DEVELOPMENT DEPARTMENT
WOMENS JUSTICE CENTER	14689	2508100		HUMAN SERVICES DEPARTMENT

<u>Name of Counterparty</u>	<u>Vendor #</u>	<u>Contract #</u>	<u>Description</u>	<u>City Department</u>
WOMENS JUSTICE CENTER/MY SISTER PLACE	1031434	2535491	DOMESTIC VIOLENCE SERVICES	POLICE DEPARTMENT
WORKBRAIN INC	1087022	2688977		NON-DEPARTMENTAL
WTF COMPANY LLC	1009825	2509611		POLICE DEPARTMENT
XEROX CORPORATION	20143	2527583	PHOTOCOPIER MAINTENANCE	COMMUNICATIONS AND CREATIVE SERVICES DEPARTMENT
YMCA OF METRO DETROIT	17203	2502285	PUBLIC FACILITY REHABILITATION	NO DEPARTMENT INDICATED
YMCA OF METROPOLITAN DETROIT	1071155	2801079		WORKFORCE DEVELOPMENT DEPARTMENT
YOUNG DETROIT BUILDERS	1008086	2516595		EMPLOYMENT AND TRAINING DEPARTMENT
YOUNG DETROIT BUILDERS	1008086	2797765		WORKFORCE DEVELOPMENT DEPARTMENT
YOUNG DETROIT BUILDERS	1008086	2775343		HUMAN SERVICES DEPARTMENT
YOUNG DETROIT BUILDERS	1008086	2743797		HUMAN SERVICES DEPARTMENT
YOUNG DETROIT BUILDERS	1008086	2803602		HUMAN SERVICES DEPARTMENT
YOUTH CONNECTION	1054883	2801091		WORKFORCE DEVELOPMENT DEPARTMENT
YOUTH LINKS USA	1044013	2552463	OPERATION FAST BREAK	EMPLOYMENT AND TRAINING DEPARTMENT
YWCA INTERIM HOUSE	2143	2535474	SERVICES WITH DOMESTIC VIOLENCE UNIT	POLICE DEPARTMENT
YWCA INTERIM HOUSE	2143	2508609	ESG CONTRACT FICS # 078503	FINANCE DEPARTMENT
ZETA STORK'S NEST FOUNDATION	13210	2508767	NOF PUBLIC SERVICE CONTRACT	FINANCE DEPARTMENT
All collective bargaining agreements that had expired prior to confirmation to the extent that they purported to, or would be determined by applicable law to, provide continuing contractual benefits to employees or former employees of the City				

EXHIBIT III.D.2

RETAINED CAUSES OF ACTION

EXHIBIT III.D.2

Reference is made to Section III.D.2 of the Plan. Capitalized terms used but not defined herein shall have the meanings given to them in Section I.A of the Plan.

Without limiting any relevant provision of the Plan (including Section III.D.2 thereof), the City expressly reserves and retains, and may enforce, any and all of its rights with respect to: (i) Causes of Action related to the City's Municipal Parking Department, (ii) Causes of Action related to the City's Finance Department, (iii) Causes of Action related to the City's Airport Department, (iv) Causes of Action related to the City's Public Lighting Department, (v) Causes of Action related to the City's Planning and Development Department, (vi) Causes of Action related to the City's Building Safety, Engineering and Environmental Department, (vii) Causes of Action related to the City's Water and Sewerage Department, (viii) Causes of Action related to the City's Department of Public Works, (ix) Causes of Action related to the City's Police Department, (x) Causes of Action related to the City's Fire Department, (xi) Causes of Action related to the City's Assessment Division, (xii) Causes of Action related to the City's Law Department, (xiii) Causes of Action related to any other City department, (xiv) Causes of Action against all litigation parties listed on Schedule H of the Second Amended List of Creditors and Claims [Docket No. 1059] and (xv) the Causes of Action in the following proceedings:

1. City of Detroit v. MTZ Incorporated, No. 05-121906, Mich. 36th Dist. Ct.;
2. City of Detroit v. Big Daddy's Soul Food, No. 04-109681, Mich. 36th Dist. Ct.;
3. City of Detroit v. Louie's Foods, Inc., No. 05-115153, Mich. 36th Dist. Ct.;
4. City of Detroit v. Robinson Group Home and Rodney Robinson, No. 07-125747, Mich. 36th Dist. Ct.;
5. City of Detroit v. Arthur R. Jett and Mildred S. Jett, No. 97-713173, Mich. 36th Dist. Ct.;
6. City of Detroit v. Celia Y. Collins, No. 02-107182, Mich. 36th Dist. Ct.;
7. City of Detroit v. Anthony Gillam & Kimberly Gillam, No. 01-113119, Mich. 36th Dist. Ct.;
8. City of Detroit v. Caesar Austin and Evelyn Austin, No. 02-119500, Mich. 36th Dist. Ct.;
9. City of Detroit v. Means Construction, Inc., Eric J. Means and Ted Smith, No. 03-105353, Mich. 36th Dist. Ct.;
10. City of Detroit v. Eick B. Jeter and Crystal B. Jeter, No. 03-146312, Mich. 36th Dist. Ct.;
11. City of Detroit v. Albert Green and Loretta Green, No. 06-102852, Mich. 36th Dist. Ct.;
12. City of Detroit v. Marlon Currie, No. 04-110183-GC, Mich. 36th Dist. Ct.;
13. City of Detroit v. Tamara Smith and James Smith, No. 04-114151, Mich. 36th Dist. Ct.;
14. City of Detroit v. Juan Rosado and Lori Rosado, No. 04-420691, Mich. 36th Dist. Ct.;
15. City of Detroit v. Victor Barnes and Gwendolyn Barnes, No. 04-130939, Mich. 36th Dist. Ct.;
16. City of Detroit v. Charles Selmon, No.04-132032-GC, Mich. 36th Dist. Ct.;

17. City of Detroit v. Gregory Webb, No. 04-139195, Mich. 36th Dist. Ct.;
18. City of Detroit v. Alden M. Jarvis and Veronica V. Jarvis, No. 04-136449, Mich. 36th Dist. Ct.;
19. City of Detroit v. Lisa D. Bradley, No. 04-136448, Mich. 36th Dist. Ct.;
20. City of Detroit v. Jarrick F. Goldsby, No. 04-145046, Mich. 36th Dist. Ct.;
21. City of Detroit v. Edgar Butler & Quensetta Butler, No. 04-145049-GC, Mich. 36th Dist. Ct.;
22. City of Detroit v. Michael Marshall and Sheila Marshall, No. 04-415055, Mich. 36th Dist. Ct.;
23. City of Detroit v. Dwight Riddell, Mich. 36th Dist. Ct.;
24. City of Detroit v. Frank Wilson and Edwina J. Wilson, No. 04-142987-GC, Mich. 36th Dist. Ct.;
25. City of Detroit v. Sharon F. Sexton, No. 05-103709, Mich. 36th Dist. Ct.;
26. City of Detroit v. John W. & Winnie M. Plummer, No. 05-108201-GC, Mich. 36th Dist. Ct.;
27. City of Detroit v. Leon Jackson and Harvard Square Center, Mich. 36th Dist. Ct.;
28. City of Detroit v. Michael Franke, No. 05-110302-GC, Mich. 36th Dist. Ct.;
29. City of Detroit v. Caesar Austin and Evelyn Austin, No. 05-116751, Mich. 36th Dist. Ct.;
30. City of Detroit v. Steven P. Morrow and Sophia Morrow, No. 05-121904, Mich. 36th Dist. Ct.;
31. City of Detroit v. Brian L. Reese and Deborah H. Reese, No. 07-121144, Mich. 36th Dist. Ct.;
32. City of Detroit v. Lori Rosado, No. 06-105264, Mich. 36th Dist. Ct.;
33. City of Detroit v. James M. Woodget, No. 08-124280, Mich. 36th Dist. Ct.;
34. City of Detroit v. Calvin L. Hall and Juanda W. Hall, No. 06-111621, Mich. 36th Dist. Ct.;
35. City of Detroit v. Stanley T. and Linda A. Bridges, Mich. 36th Dist. Ct.;
36. City of Detroit v. Nardin Park Recovery Center, No. 07-714583, Mich. 36th Dist. Ct.;
37. City of Detroit v. Jimmie Maddix and Carolyn Maddix, No. 08-137874, Mich. 36th Dist. Ct.;
38. City of Detroit v. Adrian Austin, No. 09-123096, Mich. 36th Dist. Ct.;
39. City of Detroit v. Betty Warmack, No. 09-123865, Mich. 36th Dist. Ct.;
40. City of Detroit v. Caesar Austin and Evelyn Austin, No. 10-106506, Mich. 36th Dist. Ct.;
41. City of Detroit v. Charles & Cheryl Lasley (Moss), No. 09-130913, Mich. 36th Dist. Ct.;
42. City of Detroit v. Sterling J. Brown and Mary Lisa Brown, No. 09-131658, Mich. 36th Dist. Ct.;

43. City of Detroit v. Carter Stevenson and Barbara Stevenson, No. 10-106505, Mich. 36th Dist. Ct.;
44. City of Detroit v. Jacqueline Murry, Mich. 36th Dist. Ct.;
45. City of Detroit v. James Gulley and Phyllis Gulley, Mich. 36th Dist. Ct.;
46. City of Detroit v. John Reed, No.10-124047, Mich. 36th Dist. Ct.;
47. City of Detroit v. Coleman Reed and Laurine Reed, No. 11-118847-GC, Mich. 36th Dist. Ct.;
48. City of Detroit v. Ernest Gardner, No. 11-117750, Mich. 36th Dist. Ct.;
49. City of Detroit v. Ronald Carrington and Delores Carrington, No. 12-109805, Mich. 36th Dist. Ct.;
50. City of Detroit v. Lawrence Harris, Mich. 36th Dist. Ct.;
51. City of Detroit v. Raymond McMurrian, No. 12-117043, Mich. 36th Dist. Ct.;
52. City of Detroit v. Luis Arroyo and Braka Higgins a.k.a. Arroyo, Mich. 36th Dist. Ct.;
53. City of Detroit v. Adrian Austin, Mich. 36th Dist. Ct.;
54. City of Detroit v. Joel Ruffin and Willma Orange-Ruffin, Mich. 36th Dist. Ct.;
55. City of Detroit v. Paulette Cochran, Mich. 36th Dist. Ct.;
56. City of Detroit v. April Kincaid, No. 12-113636, Mich. 36th Dist. Ct.;
57. City of Detroit v. James & Adino, No. 14-10436, Mich. 36th Dist. Ct.;
58. City of Detroit v. Dennis Denmark & Elana Denmark, No. 13-102803, Mich. 36th Dist. Ct.;
59. City of Detroit v. Clarinda Barnett-Harrison, Mich. 36th Dist. Ct.;
60. City of Detroit v. Jason Jordan, Mich. 36th Dist. Ct.;
61. City of Detroit v. Mondry Hardware & Mondrey, Louis, Mich. 36th Dist. Ct.;
62. City of Detroit v. Roland, Lisa, Mich. 36th Dist. Ct.;
63. City of Detroit v. Lazana, Deandre & Natalie, No. 12-123542-GC, Mich. 36th Dist. Ct.;
64. City of Detroit v. William Landrum and Caroline Landrum, No. 13-119468, Mich. 36th Dist. Ct.;
65. City of Detroit v. James Bates and Pricilla Bates, No. 13-102805, Mich. 36th Dist. Ct.;
66. City of Detroit v. Coutia Ramsey, No. 13-102804, Mich. 36th Dist. Ct.;
67. City of Detroit v. Ann Fletcher, No. 13-108163, Mich. 36th Dist. Ct.;
68. City of Detroit v. Jackie Hunter and Mary Hunter, Mich. 36th Dist. Ct.;
69. City of Detroit v. Monica Gordon, Mich. 36th Dist. Ct.;
70. City of Detroit v. Patricia Brown, No. 13-119470, Mich. 36th Dist. Ct.;

71. City of Detroit v. Ronald Coleman & Alice Coleman, No. 13-117682 GC, Mich. 36th Dist. Ct.;
72. City of Detroit v. Rennilda Graham, No. 13-119472, Mich. 36th Dist. Ct.;
73. City of Detroit v. Kamin Davis & Tana Davis, Mich. 36th Dist. Ct.;
74. City of Detroit v. Elaine Ivery, Mich. 36th Dist. Ct.;
75. City of Detroit v. Eric Smith, No. 13-122869, Mich. 36th Dist. Ct.;
76. City of Detroit v. Mary Waters, Mich. 36th Dist. Ct.;
77. City of Detroit v. Todd Philson, Mich. 36th Dist. Ct.;
78. City of Detroit v. Kenneth Holms, Sr., Mich. 36th Dist. Ct.;
79. City of Detroit v. Jack Kene Obi, No. 05-104554-GC, Mich. 36th Dist. Ct.;
80. City of Detroit v. Brandy Marie Duke aka Brandy Niang, No. 08-124279, Mich. 36th Dist. Ct.;
81. City of Detroit v. Cevonia Cherise McClure, No. 07-110343, Mich. 36th Dist. Ct.;
82. City of Detroit v. Henry Ricardo Smith, No. 07-2093, Mich. 36th Dist. Ct.;
83. City of Detroit v. Abdul Raheem Rashed, No. 07-1556323, Mich. 36th Dist. Ct.;
84. City of Detroit v. Milton Lee Newman, No. 07-121142, Mich. 36th Dist. Ct.;
85. City of Detroit v. Andre Williams, Mich. 36th Dist. Ct.;
86. City of Detroit v. Helen Roberts, Mich. 36th Dist. Ct.;
87. City of Detroit v. Terry Darnell Jackson , No. 06-119826-GC, Mich. 36th Dist. Ct.;
88. City of Detroit v. Bushierra McDonald, No. 07-132889, Mich. 36th Dist. Ct.;
89. City of Detroit v. Denna Belton, No. 06-160876, Mich. 36th Dist. Ct.;
90. City of Detroit v. Georgianna Colston , No. 07-132886, Mich. 36th Dist. Ct.;
91. City of Detroit v. Terrance Omar Ford, No. 07-144864, Mich. 36th Dist. Ct.;
92. City of Detroit v. Jessie Al McQuarter, No. 07-127234, Mich. 36th Dist. Ct.;
93. City of Detroit v. Kevin Labrell Howell, No. 07-127238, Mich. 36th Dist. Ct.;
94. City of Detroit v. Deconte Jerdo, Mich. 36th Dist. Ct.;
95. City of Detroit v. Sheila Marie-Maxwell Coleman, Mich. 36th Dist. Ct.;
96. City of Detroit v. Jessie Crutcher and Adrienne Smith, No. 08-133795, Mich. 36th Dist. Ct.;
97. City of Detroit v. Joachba D. Hammound-Grace, Mich. 36th Dist. Ct.;
98. City of Detroit v. Lamont Street, Mich. 36th Dist. Ct.;
99. City of Detroit v. William F. & Constance Harris, No. 08-124278, Mich. 36th Dist. Ct.;
100. City of Detroit v. Shealtiel N. Moore, Mich. 36th Dist. Ct.;

101. City of Detroit v. Mary Rogers, Mich. 36th Dist. Ct.;
102. City of Detroit v. Daniel R. Tapert, Mich. 36th Dist. Ct.;
103. City of Detroit v. Dukes, Emanuel C., Mich. 36th Dist. Ct.;
104. City of Detroit v. Yolanda F. Brady, Mich. 36th Dist. Ct.;
105. City of Detroit v. Erskine Wright II, Mich. 36th Dist. Ct.;
106. City of Detroit v. Lonnie E. Coleman, Mich. 36th Dist. Ct.;
107. City of Detroit v. Calvin Meeks, III, Mich. 36th Dist. Ct.;
108. City of Detroit v. Neandue O. Nance, No. 09-11643, Mich. 36th Dist. Ct.;
109. City of Detroit v. Lula M. Smith, No. 09-119723, Mich. 36th Dist. Ct.;
110. City of Detroit v. Latasha Merriweather, No. 09-119723, Mich. 36th Dist. Ct.;
111. City of Detroit v. Tamieka L. Norris, No. 10-125151, Mich. 36th Dist. Ct.;
112. City of Detroit v. Franceksa Rodriquez, No. 10-124044, Mich. 36th Dist. Ct.;
113. City of Detroit v. Laquanya Candice, No. 08-120177-GC, Mich. 36th Dist. Ct.;
114. City of Detroit v. Latonya Katina-Foxey, No. 08-120173, Mich. 36th Dist. Ct.;
115. City of Detroit v. Raegan Carmell Sweet, No. 08-120172, Mich. 36th Dist. Ct.;
116. City of Detroit v. Oscar Cameron & Oscar G. Cameron II, Mich. 36th Dist. Ct.;
117. City of Detroit v. Macia Sherrie Stokes, No. 08-120171, Mich. 36th Dist. Ct.;
118. City of Detroit v. Angela Conley, No. 08-120174, Mich. 36th Dist. Ct.;
119. City of Detroit v. Eugene Cole & Victory Outreach Detroit, No. 07-120608-GC, Mich. 36th Dist. Ct.;
120. City of Detroit v. Kevin Dittich, No. 14-101640, Mich. 36th Dist. Ct.;
121. City of Detroit v. Morgan McCrary, Mich. 36th Dist. Ct.;
122. City of Detroit v. Twayla Lynette Larry, No. 07-120610, Mich. 36th Dist. Ct.;
123. City of Detroit v. Deandre Lamarr Falls, Mich. 36th Dist. Ct.;
124. City of Detroit v. Latonya Katina-Foxey, No. 08-120173, Mich. 36th Dist. Ct.;
125. City of Detroit v. Raegan Carmell Sweet, No. 08-120172, Mich. 36th Dist. Ct.;
126. City of Detroit v. Milton L. Newman, Mich. 36th Dist. Ct.;
127. City of Detroit v. 3843 Biddle & Scroggins, Daisy, No. 05-122123-GC, Mich. 36th Dist. Ct.;
128. City of Detroit v. Alexander Spencer, Jr., Mich. 36th Dist. Ct.;
129. City of Detroit v. Tonia Williams, Mich. 36th Dist. Ct.;
130. City of Detroit v. Mayor Rissell & Karen Russell, No. 04-113310, Mich. 36th Dist. Ct.;
131. City of Detroit v. Minnie Lee Martin, No. 99-925205, Mich. Third Judicial Cir.;

132. City of Detroit v. Ambassador Nursing Home, Inc. aka Pembroke Nursing Center, No. 02-238630, Mich. Third Judicial Cir.;
133. City of Detroit v. Tyrone and Janice Winfrey, Mich. 36th Dist. Ct.;
134. City of Detroit v. Mark Kulbaba, Inc. dba Servicemaster & Mark Kulbaba, No. 03-302931, Mich. Third Judicial Cir.;
135. City of Detroit v. Nardin Park Recovery Center, Mich. Third Judicial Cir.;
136. City of Detroit v. Page Litho, Inc., No. 11-006743-CZ, Mich. Third Judicial Cir.;
137. City of Detroit v. The Printing Professionals, No. 11-006745-CZ, Mich. Third Judicial Cir.;
138. City of Detroit v. Waterman & Sons Printing Company, Inc., No. 11-007078-CZ, Mich. Third Judicial Cir.;
139. City of Detroit v. Opus One, Mich. Third Judicial Cir.;
140. City of Detroit v. Kyler Reamules, Mich. Third Judicial Cir.;
141. City of Detroit v. B & J Enameling Inc. & Holtshouser, Erin & Kownacki, Sandra, Mich. Third Judicial Cir.;
142. City of Detroit v. Jacquettier Coleman, No. 13-116327, Mich. 36th Dist. Ct.;
143. City of Detroit v. Nardin Park Drug Abuse Center et al., No. 13-011688-CZ, Mich. Third Judicial Cir.;
144. City of Detroit v. Sheila A. Kimbrough, No. 07-155641, Mich. 36th Dist. Ct.;
145. City of Detroit v. Counselo Maurico, No. 07-155674, Mich. 36th Dist. Ct.;
146. City of Detroit v. Christina Morris, No. 07-155726, Mich. 36th Dist. Ct.;
147. DuJon Johnson v. City of Detroit; No. 12-202678, Mich. 36th Dist. Ct.;
148. Bella Marshall, aka Bella Marshall Barden, No. 2012-777-270-DE (Probate);
149. William S. Jordan, No. 03-41137, Bankr. E.D. Mich.;
150. Catherine Gaskin, No. 03-67569, Bankr. E.D. Mich.;
151. Catherine Gaskin, No. 03-41232, Bankr. E.D. Mich.;
152. Dwayne Akra, No. 03-69349, Bankr. E.D. Mich.;
153. Dwayne Akra, No. 00-47216, Bankr. E.D. Mich.;
154. Diana Daniel, No. 05-56536, Bankr. E.D. Mich.;
155. Jerry Lee Miller, No. 09-62314, Bankr. E.D. Mich.;
156. Lyall T Hoggatt and Gwendolyn Hoggatt, No. 09-76296, Bankr. E.D. Mich.;
157. Terri L. Sykes, No. 11-72188, Bankr. E.D. Mich.;
158. Shanta Corporation, No. 12-43956, Bankr. E.D. Mich.;
159. Sareta Jean Cheathem, No. 12-59435, Bankr. E.D. Mich.;

160. Belinda Rochelle Sanders, No. 12-57603, Bankr. E.D. Mich.;
161. Denise Evans Whitley, No. 14-40849, Bankr. E.D. Mich.;
162. Whitley v. City of Detroit Treasurer et al, No. 14-04131 Bankr. E.D. Mich.;
163. Kimberli Powell, No. 13-40036 (Adversary Case No. 13-04134), Bankr. E.D. Mich.;
164. Ruthea Taylor:, No. 13-41265-PJS (Adversary Case No(s) 13-04235, 13-04237 and 13-04239), Bankr. E.D. Mich.;
165. Louise Williams, No. 13-40374-MBM (Adversary Case No. 13-04215), Bankr. E.D. Mich.;
166. Dorothy Wilson, No. 13-43731-WSD (Adversary Case No. 13-04296); Bankr. E.D. Mich.;
167. Carol Lowe-Redding, No. 12-60626, Bankr. E.D. Mich.;
168. Rodney A. Bowie, No. 04-40019, Bankr. E.D. Mich.;
169. Christopher D. Baty, No. 04-54408, Bankr. E.D. Mich.;
170. Tonia Howard, No. 07-58025, Bankr. E.D. Mich.;
171. Carl Barner and Yolanda Barner, No. 07-58840, Bankr. E.D. Mich.;
172. Jerome Jenkins, No. 09-67014, Bankr. E.D. Mich.;
173. Romana Bullock v. Wayne County Treasurer, et al. Mich. 36th Dist. Ct.;
174. General Shale Brick v. City of Detroit, No. 06-44397, Mich. 36th Dist. Ct.;
175. Gloria Jean McLaurin v. Detroit Parking Violations Bureau, No. 293700, Mich. Ct. App.;
176. Dennis Lynval v. City of Detroit, No. 12-012164, Mich. 36th Dist. Ct.;
177. City of Detroit v. Mdrahi, Mohamed, No. 3-005784-CC (Condemnation);
178. City of Detroit v. True Missionary Baptist Church, No. 13-005785-CC (Condemnation);
179. City of Detroit v. True Missionary Baptist Church, No. 13-005787-CC (Condemnation);
180. City of Detroit v. True Missionary Baptist Church, No. 13-005795-CC (Condemnation);
181. City of Detroit v. True Missionary Baptist Church, No. 13-005814-CC (Condemnation);
182. City of Detroit v. Khami, Issam, et al., No. 13-005816-CC (Condemnation);
183. City of Detroit v. CE Detroit, No. 13-005820-CC (Condemnation);
184. City of Detroit v. State of Michigan, No. 12-014797-CC (Condemnation);
185. City of Detroit v. Wilcox aka Albert, Martha, No. 12-014799-CC (Condemnation);
186. City of Detroit v. Wilson, Kenneth L., No. 13-005825-CC (Condemnation);
187. City of Detroit v. True Missionary Baptist Church, No. 13-05826-CC (Condemnation);
188. City of Detroit v. True Missionary Baptist Church, No. 13-005827-CC (Condemnation);
189. City of Detroit v. Wilson, Gail, et al., No. 12-015039-CC (Condemnation);

190. City of Detroit v. Wilcox, Martha, No. 12-014867-CC (Condemnation);
191. City of Detroit v. CE Detroit, LLC, No. 12-014803-CC (Condemnation);
192. City of Detroit v. Lucido, Steven J., et al., No. 13-05828-CC (Condemnation);
193. City of Detroit v. Detroit Leasing, Inc., No. 13-005829-CC (Condemnation);
194. City of Detroit v. Newell, Nema N., No. 13-005830-CC (Condemnation);
195. City of Detroit v. Jones, James N., No. 13-005831-CC (Condemnation);
196. City of Detroit v. Jones, James N., No. 13-005832-CC (Condemnation);
197. Manos, Dino v. City of Detroit and Abram, Frank H. , No. 12-011400, Mich. 36th Dist. Ct.;
198. City of Detroit v. Priscilla White, No. 06-120153-GC, Mich. 36th Dist. Ct.;
199. City of Detroit v. Tommie L. Douglas, Jr., No. 13-116328, Mich. 36th Dist. Ct.;
200. City of Detroit v. Natoshia Lane Lucas, No. GC-08H559, Mich. 36th Dist. Ct.;
201. City of Detroit v. James Strickland, No. 12-103387-GC, Mich. 36th Dist. Ct.;
202. City of Detroit v. Giant Janitorial Services Inc & Peter J. Huthwaite, No. 02-147508, Mich. 36th Dist. Ct.;
203. City of Detroit v. Deborah Davenport Bankruptcy, No. 03-65075, Bankr. E.D. Mich.;
204. City of Detroit v. Renaissance West Comental Helath Services et al., No. 04-405900-CZ, Mich. Third Judicial Cir.;
205. City of Detroit v. Ernest Karr, No. 13-009376, Mich. 36th Dist. Ct.;
206. City of Detroit v. Clarence & Marilyn Bell, Mich. 36th Dist. Ct.;
207. City of Detroit v. John W. & Martha Higgins, Mich. 36th Dist. Ct.;
208. City of Detroit v. Beverly Jeanette, Mich. 36th Dist. Ct.;
209. City of Detroit v. Gwendolyn Broadnax, Mich. 36th Dist. Ct.;
210. City of Detroit v. Emily Talbert-Holt, No. 09-003020-CZ, Mich. Third Judicial Cir.;
211. City of Detroit v. Linda Terry, No. 09-17213-GC, Mich. 36th Dist. Ct.;
212. City of Detroit v. Dwayne B. Toles, No. 07-157206-GC, Mich. 36th Dist. Ct.;
213. City of Detroit v. Victor C. Travier, No. 08-126677-GC, Mich. 36th Dist. Ct.;
214. City of Detroit v. Victoria L. Cliett, No. 13-118142, Mich. 36th Dist. Ct.;
215. City of Detroit v. Bessie Harris, No. 08-126678-GC, Mich. 36th Dist. Ct.;
216. City of Detroit v. Donald R. & Latania C. McClendon, No. 08-145303-GC, Mich. 36th Dist. Ct.;
217. City of Detroit v. Jeanette Beverly, No. 09-108564-GC, Mich. 36th Dist. Ct.;
218. City of Detroit v. Linda Terry, No. 09-17213-GC, Mich. 36th Dist. Ct.;
219. City of Detroit v. Sharon Brown, No. 09-114024-GC, Mich. 36th Dist. Ct.;

220. City of Detroit v. Emily Talbert-Holt, No. 09-003020-CZ, Mich. 36th Dist. Ct.;
221. City of Detroit v. Deborah Hicks, No. 13-012387, Mich. 36th Dist. Ct.;
222. City of Detroit v. Flozelle Crosby, No. 09-112041-GC, Mich. 36th Dist. Ct.;
223. City of Detroit v. Vanessa A. Hall, No. 09-112039-GC, Mich. 36th Dist. Ct.;
224. City of Detroit v. Milton s. & Brenda K. Campbell, No. 09-114017-GC, Mich. 36th Dist. Ct.;
225. City of Detroit v. Jerel Johnson & Deshawn L. Morrison, No. 09-131660-GC, Mich. 36th Dist. Ct.;
226. City of Detroit v. Will Ivey, No. 13-118143, Mich. 36th Dist. Ct.;
227. City of Detroit v. Melvin Eades and Rachel Eades, No. 09-135760, Mich. 36th Dist. Ct.;
228. City of Detroit v. James Woodget, No. 10-104902-GC, Mich. 36th Dist. Ct.;
229. City of Detroit v. Pamela Franklin and Marvin Franklin, No. 10B2476, Mich. 36th Dist. Ct.;
230. City of Detroit v. Yvette Pugh, No. 11-107209-GC, Mich. 36th Dist. Ct.;
231. City of Detroit v. Everette Driver & Sheila Driver, No. 11-107031-GC, Mich. 36th Dist. Ct.;
232. City of Detroit v. Paul Swanson, No. 1102022H-GC, Mich. 41B Dist. Ct.;
233. City of Detroit v. Gillian John, No. 13-118144, Mich. 36th Dist. Ct.;
234. City of Detroit v. Luther Gray III, No. 07-122557-GC, Mich. 36th Dist. Ct.;
235. City of Detroit v. Tony Davis Garnishment, No. 08-114619-CD, Mich. 36th Dist. Ct.;
236. City of Detroit v. Bennie Hayden, No. 13-C3512-GC, Mich. 36th Dist. Ct.;
237. City of Detroit v. Raymond McMurrian, No. 12-117043-GC, Mich. 36th Dist. Ct.;
238. City of Detroit v. Timothy Ebendick and Colleen Ebendick, No. 13-117680-gc, Mich. 36th Dist. Ct.;
239. City of Detroit v. Sea-Breeze Traing Corp dba City Laundry Pers Prop, Mich. Third Judicial Cir.;
240. City of Detroit v. Jean James, No. 13-117268-GC, Mich. 36th Dist. Ct.;
241. City of Detroit v. Chezcore Inc. & Cieskowksi, David, Mich. Third Judicial Cir.;
242. City of Detroit v. Monica Chavers, No. 13-118145, Mich. 36th Dist. Ct.;
243. City of Detroit v. Slack, Jonathon, No. 13-117270-GC, Mich. 36th Dist. Ct.;
244. City of Detroit v. Kevin Doss, No. 13-117269-GC, Mich. 36th Dist. Ct.;
245. City of Detroit v. Mack Orangel, No. 13-39949-GC, Mich. 36th Dist. Ct.;
246. Markos Patty Store v. City of Detroit, No. 13-000003-CZ, Mich. Third Judicial Cir.;
247. City of Detroit v. Gloria Ballard, Mich. 36th Dist. Ct.;

248. City of Detroit v. Daryl Johnson & Nadeine Johnson, Mich. 36th Dist. Ct.;
249. City of Detroit v. Rebecca Shelton, Mich. 36th Dist. Ct.;
250. City of Detroit v. Cynthia Snith & Kwame Smith, No. 13-117678-GC, Mich. 36th Dist. Ct.;
251. City of Detroit v. Zeola Carey, No. 09-107281, Mich. 36th Dist. Ct.;
252. City of Detroit v. Kenneth Tinsley & Cheryl Tinsley, Mich. 36th Dist. Ct.;
253. City of Detroit v. Louis Parker, Mich. 36th Dist. Ct.;
254. City of Detroit v. Matthew Underwood & Vantress Underwood, No. 13-117679-GC, Mich. 36th Dist. Ct.;
255. City of Detroit v. James D. & Marva E. Washington, No. 03-145330-GC, Mich. 36th Dist. Ct.;
256. City of Detroit v. Belda P. Garza, No. 07-122553-GC, Mich. 36th Dist. Ct.;
257. City of Detroit v. Fred Hill, No. 14-101263-GC, Mich. 36th Dist. Ct.;
258. City of Detroit v. Kathrine Luckett, No. 13-122872-GC, Mich. 36th Dist. Ct.;
259. City of Detroit v. Mary Majek, No. 14-101262-GC, Mich. 36th Dist. Ct.;
260. City of Detroit v. Kyler Reamules, No. 13-122874-GC, Mich. 36th Dist. Ct.;
261. City of Detroit v. Mary Waters, No. 13-121800, Mich. 36th Dist. Ct.;
262. City of Detroit v. Meal Tech Products, Inc. & Letitia Gordon, No. 14--000586-CZ, Mich. Third Judicial Cir.;
263. City of Detroit v. Davis McGill & Juwana D. McGill, No. 13-20224-GC, Mich. 36th Dist. Ct.;
264. City of Detroit v. Majestic Theater center Inc., No. 11-007260-CZ, Mich. Third Judicial Cir.;
265. City of Detroit v. Shelbourne Group In. Y Leipsitz-Makino, Kathy, No. 14-102379-GC, Mich. 36th Dist. Ct.;
266. City of Detroit v. Ali Beidoun, No. 13-121801, Mich. 36th Dist. Ct.;
267. City of Detroit v. Marcel Maurice Moore, No. 07-04395T-GC, Mich. 41B Dist. Ct.;
268. City of Detroit v. Shashu Makeda Harris, No. 06-101803-GC, Mich. 36th Dist. Ct.;
269. City of Detroit v. Lesley Girard Gates, No. 06-120154-GC, Mich. 36th Dist. Ct.;
270. City of Detroit v. Shawn Myatt, Mich. 36th Dist. Ct.;
271. City of Detroit v. Angela Nicole Shelly, No. 07-122578-GC, Mich. 36th Dist. Ct.;
272. City of Detroit v. Ann Francine Smith, No. 07-117414-GC, Mich. 36th Dist. Ct.;
273. City of Detroit v. Saun Roland Scott, No. 07-122576-GC, Mich. 36th Dist. Ct.;
274. City of Detroit v. Faynese deeneil Robinson-Law, No. 06-101802-GC, Mich. 36th Dist. Ct.;

275. City of Detroit v. Celia Harris, No. 13-121803, Mich. 36th Dist. Ct.;
276. City of Detroit v. Delois Kirkman, No. 07-134556-GC, Mich. 36th Dist. Ct.;
277. City of Detroit v. Michael Amthony Hines, No. 06-120152-GC, Mich. 36th Dist. Ct.;
278. City of Detroit v. Derrick James McDowell, No. 07-58101-GC, Mich. 36th Dist. Ct.;
279. City of Detroit v. Tamaara Morris, No. 06-101804-GC, Mich. 36th Dist. Ct.;
280. City of Detroit v. Rhonda Joann White, No. 07-134557-GC, Mich. 36th Dist. Ct.;
281. City of Detroit v. Danetta L. Simpson, No. 12-121739-GC, Mich. 36th Dist. Ct.;
282. City of Detroit v. Kildare Clarke, No. 08-00468-GC, Mich. 36th Dist. Ct.;
283. City of Detroit v. Aretha Lula Crawford, No. 07-145090-GC, Mich. 36th Dist. Ct.;
284. City of Detroit v. Euel Kinsey, No. 14-304163, Mich. 36th Dist. Ct.;
285. City of Detroit v. Natasha Nakie-Nacole Coats, No. 08-C0945-GC, Mich. 36th Dist. Ct.;
286. City of Detroit v. Rebecca Marie Dunn, No. 07155738-GC, Mich. 36th Dist. Ct.;
287. City of Detroit v. Eve Reedy Doster, No. 08-106725-GC, Mich. 36th Dist. Ct.;
288. City of Detroit v. Barnstormer Pilot Club, LLC, No. 14-002984, Mich. 36th Dist. Ct.;
289. City of Detroit v. Virginia Francnessa Flamer, No. 07-145091-GC, Mich. 36th Dist. Ct.;
290. City of Detroit v. Gregory Lynn Delaney, No. 07-145091-GC, Mich. 36th Dist. Ct.;
291. City of Detroit v. Tyrone Jemall Peals, No. 07-117411-GC, Mich. 36th Dist. Ct.;
292. City of Detroit v. Paul Douglas Bosman, No. 07-1805-GC, Mich. 22nd Dist. Ct.;
293. City of Detroit v. Ann Francien Smith, Mich. 36th Dist. Ct.;
294. City of Detroit v. Khatoon Dawood, No. 08-C01778-GC-01, 52nd Dist. Ct.;
295. City of Detroit v. Jaroslaw Sziejter, No. 09-114019, Mich. 36th Dist. Ct.;
296. City of Detroit v. Kimberly James, Mich. 36th Dist. Ct.;
297. City of Detroit v. Rachel Erika Thomas-Sharpe, Mich. 36th Dist. Ct.;
298. City of Detroit v. Tawanda Latreese Wilder, No. 09-114021-GC, Mich. 36th Dist. Ct.;
299. City of Detroit v. Elgin R. Taylor, No. 09-114022-GC, Mich. 36th Dist. Ct.;
300. City of Detroit v. Lasonia Smith, Mich. 36th Dist. Ct.;
301. City of Detroit v. Lamont Street, Mich. 36th Dist. Ct.;
302. City of Detroit v. Shealtiel N. Moore, Mich. 36th Dist. Ct.;
303. City of Detroit v. Jaroslaw Sziejter, No. 09-114019, Mich. 36th Dist. Ct.;
304. City of Detroit v. Christine Myers, Gavin Harrison, Karen Kialka, No. 09-114016-GC, Mich. 36th Dist. Ct.;
305. City of Detroit v. Verizon, Mich. 36th Dist. Ct.;
306. City of Detroit v. Marcus Ricardo Gary, No. 09-114018-GC, Mich. 36th Dist. Ct.;

307. City of Detroit v. Christine Myers, Gavin Harrison, Karen Kialka, No. 09-114016-GC, Mich. 36th Dist. Ct.;
308. City of Detroit v. Derek Culver, No. 13-121802, Mich. 36th Dist. Ct.;
309. City of Detroit v. Rita Lynette Powell-Pyles, No. 09-131657-GC, Mich. 36th Dist. Ct.;
310. City of Detroit v. Kari Burge, No. 10-106504-GC, Mich. 36th Dist. Ct.;
311. City of Detroit v. Jerea Deana Jackson, No. 08-106730-GC, Mich. 36th Dist. Ct.;
312. City of Detroit v. Angelo Iafrate, Mich. 36th Dist. Ct.;
313. City of Detroit v. Jamal Anthony Gaddie, No. 07-141061-GC, Mich. 36th Dist. Ct.;
314. City of Detroit v. Sophia Hawkins, No. 07-141894-GC, Mich. 36th Dist. Ct.;
315. City of Detroit v. Terrance Thomas, No. 10-108337-GC, Mich. 36th Dist. Ct.;
316. City of Detroit v. Terrance Thomas, No. 10-108337-GC, Mich. 36th Dist. Ct.;
317. City of Detroit v. Maia Williams, Mich. 36th Dist. Ct.;
318. City of Detroit v. Frances Blue, No. 10-118297-GC, Mich. 36th Dist. Ct.;
319. City of Detroit v. Jerel D. Matthaw, No. 10-122303, Mich. 36th Dist. Ct.;
320. City of Detroit v. Ashli R. Thomas, No. 10-122302-GC, Mich. 36th Dist. Ct.;
321. City of Detroit v. George Webb, No. 10-121743-GC, Mich. 36th Dist. Ct.;
322. City of Detroit v. Elsie L. Green & Sadie Reynolds, No. 10-124040-GC, Mich. 36th Dist. Ct.;
323. City of Detroit v. Wayne County 7 Raymond J. Wojtowicz, No. 13-000036-MZ-C30, Mich. 36th Dist. Ct.;
324. City of Detroit v. Kenneth L. Hurt, No. 11-105194-GC, Mich. 36th Dist. Ct.;
325. City of Detroit v. Tiyunna George, Mich. 36th Dist. Ct.;
326. City of Detroit v. Dejuan L. Washington, No. 11-105192-GC, Mich. 36th Dist. Ct.;
327. City of Detroit v. Marc Williams, No. 12-103384-GC, Mich. 36th Dist. Ct.;
328. City of Detroit v. Charles Williams, Mich. 36th Dist. Ct.;
329. City of Detroit v. Jennifer Bramer, No. 12-103386-GC, Mich. 36th Dist. Ct.;
330. City of Detroit v. Ronald Taylor, No. 04-117439-GC, Mich. 36th Dist. Ct.;
331. City of Detroit v. Empire Leasing, No. 14-15917-GC, Mich. 36th Dist. Ct.;
332. City of Detroit v. Wise Finley, No. 14-105916-GC, Mich. 36th Dist. Ct.;
333. City of Detroit v. John Louis Herring, Mich. 36th Dist. Ct.;
334. City of Detroit v. Damon Key, No. 14-15921-GC, Mich. 36th Dist. Ct.;
335. City of Detroit v. Claudio Lopez, Mich. 36th Dist. Ct.;
336. City of Detroit v. Michael Mingo, No. 14-105920-GC, Mich. 36th Dist. Ct.;

337. City of Detroit v. Myrtle Pasha, Mich. 36th Dist. Ct.;
338. City of Detroit v. Larry Callahan, No. 08-105046-GC, Mich. 36th Dist. Ct.;
339. City of Detroit v. Anthony Caslio, No. 07-154008-GC, Mich. 36th Dist. Ct.;
340. City of Detroit v. Antonio L. Johnson, No. 08-122838-GC, Mich. 36th Dist. Ct.;
341. City of Detroit v. Markeeda Morgan, No. 07-124692-GC, Mich. 36th Dist. Ct.;
342. City of Detroit v. 19696 Omira, No. 09-110228-GC, Mich. 36th Dist. Ct.;
343. City of Detroit v. Cadolba Management and Associates, No. 09-120755-GC, Mich. 36th Dist. Ct.;
344. City of Detroit v. Clarence Edward Key, No. 09-114023-GC, Mich. 36th Dist. Ct.;
345. Motor City Bending Inc vs City of Detroit, No. 07-729179, Mich. 36th Dist. Ct.;
346. City of Detroit v. 19696 Omira, No. 09-110228, Mich. 36th Dist. Ct.;
347. City of Detroit v. Cadpba Management and Associates, No. 09-120755, Mich. 36th Dist. Ct.;
348. City of Detroit v. Clarence Edward Key, No. 09-114023, Mich. 36th Dist. Ct.;

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----X	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----X	:	

**ORDER CONFIRMING EIGHTH AMENDED PLAN FOR
THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT**

TABLE OF CONTENTS

FINDINGS OF FACT AND CONCLUSIONS OF LAW	4
Jurisdiction and Venue	4
Modifications of the Plan	5
Standards for Confirmation Under Section 943 of the Bankruptcy Code	6
Section 943(b)(1).....	6
Section 1122.....	7
Section 1123(a)(1).....	7
Section 1123(a)(2).....	8
Section 1123(a)(3).....	8
Section 1123(a)(4).....	8
Section 1123(a)(5).....	10
Section 1123(b)(1)	10
Section 1123(b)(2)	10
Section 1123(b)(3)	11
Section 1123(b)(5)	11
Section 1123(b)(6)	11
Section 1123(d)	12
Section 1127(d)	12
Section 1129(a)(2).....	12
Section 1129(a)(3).....	19
Section 1129(a)(6).....	20
Section 1129(a)(8).....	21
Section 1129(a)(10)	21
Section 1129(b)(1) – Unfair Discrimination.....	21
Sections 1129(b)(1), (b)(2) – Fair and Equitable.....	25
Section 943(b)(2).....	26
Section 943(b)(3).....	27

Section 943(b)(4).....	29
Section 943(b)(5).....	30
Section 943(b)(6).....	30
Section 943(b)(7).....	31
Best Interests of Creditors.....	31
Feasibility.....	36
Executory Contracts.....	42
Settlements and Releases.....	43
The DIA Settlement.....	44
The UTGO Settlement	48
The LTGO Settlement.....	52
The OPEB Settlement	53
The 36th District Court Settlement	54
The Syncora Settlement	55
The FGIC/COP Settlement.....	58
ASF Recoupment.....	60
Plan Releases	63
Miscellaneous	66
Exit Facility	66
Waiver of Stay of Confirmation Order	68
ORDER	68
A. Confirmation of Plan.....	68
B. Findings of Fact and Conclusions of Law.....	69
C. Approval of Settlements.....	70
D. Approval of Releases and Exculpation	78
E. Order Binding on All Parties.....	86
F. Discharge of Claims	87
G. Release of Liens	88
H. Injunction.....	89

I.	State Contribution Agreement.....	93
J.	DWSD Authority Transaction.....	94
K.	ASF Recoupment	95
L.	Survival of Indemnities	98
M.	Issuance of New Securities and Exemption From Securities Laws.....	99
N.	Executory Contracts and Unexpired Leases	100
O.	Plan Distributions	103
P.	Retained Causes of Action	103
Q.	Claims Bar Dates and Other Claims Matters	104
R.	Plan Implementation.....	109
S.	Cancellation of Existing Bonds, Bond Documents, COPs and COP Documents	110
T.	Binding Effect of Prior Orders	114
U.	Final Order; Waiver of Stay	115
V.	Reversal	115
W.	Notice of Confirmation of Plan.....	115
X.	Miscellaneous Provisions	116
Y.	No Diminution of State Power	124
Z.	Post-Effective Date Governance	125
AA.	Retention of Jurisdiction	125

Appendix I	Plan of Adjustment
Appendix II	Confirmation Notice

The City of Detroit (the "City" or the "Debtor") having proposed its Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (October 22, 2014) (the "Plan" or the "Eighth Amended Plan"),¹ a true and correct copy of which (without exhibits) is attached hereto as Appendix I; the Court having conducted a 24-day evidentiary hearing to consider confirmation of the Plan on August 18, September 2-5, September 8-9, September 15-18, September 29 to October 3, October 6, October 14-16, October 20-22 and October 27, 2014 (the "Confirmation Hearing"); the Court having conducted a hearing on July 15, 2014, at which 46 individuals who (i) filed objections to Confirmation of the Plan with the Court and (ii) appeared in the Chapter 9 Case *pro se* made presentations with respect to such objections to the Court (the "Pro Se Hearing") and the Court having considered the arguments of such parties at the *Pro Se* Hearing;² the Court having conducted hearings on certain legal issues related to confirmation of the Plan on July 16, 2014 and August 19, 2014; the Court having considered: (i) the testimony of the 41 witnesses called at the

¹ On May 5, 2014, the City filed its Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014) (the "Fourth Amended Plan"), which version of the Plan was included in the contents of the solicitation packages distributed to creditors entitled to vote thereon.

All capitalized terms used but not defined herein have the meanings given to them in the Plan.

² See Notice of Hearing to Individuals Who Filed Plan Objections (Docket No. 5264) (June 10, 2014).

Confirmation Hearing, as well as the affidavits and declarations included among the approximately 2,300 exhibits admitted into evidence at the Confirmation Hearing; (ii) the arguments of counsel presented at the Confirmation Hearing; (iii) the pleadings filed by the City in support of the Plan, including the following:

- Consolidated Reply to Certain Objections to Confirmation of Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 5034) (the "Consolidated Reply"), filed by the City on May 26, 2014;
- Debtor's Supplemental Brief on Legal Issues Relating to Confirmation of Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 5707), filed by the City on June 30, 2014;
- City's Supplemental Brief Regarding Standing of Syncora to Raise Certain Objections to Confirmation (Docket No. 6010), filed by the City on July 14, 2014;
- The City of Detroit's Brief Regarding the Court's Authority to Determine the Reasonableness of Fees Under 11 U.S.C. § 943(b)(3) (Docket No. 6842), filed by the City on August 18, 2014;
- Consolidated (A) Pretrial Brief in Support of Confirmation of Sixth Amended Plan for the Adjustment of Debts of the City of Detroit and (B) Response to (I) Certain Objections Filed by Individual Bondholders and Individual Retirees and (II) Supplemental Objections (Docket No. 7143), filed by the City on August 27, 2014 (the "Pretrial Brief"), including the summary of the City's compliance with the standards of section 943 of the Bankruptcy Code (inclusive of the standards of sections 1122, 1123(a)(1)-(a)(5), 1123(b), 1123(d), 1124, 1125, 1126(a)-1126(c), 1126(e)-1126(g), 1127(d), 1128, 1129(a)(2), 1129(a)(3), 1129(a)(6), 1129(a)(8), 1129(a)(10), 1129(b)(1), 1129(b)(2)(A) and 1129(b)(2)(B) of the Bankruptcy

Code) attached as Exhibit A thereto (the "Confirmation Standards Exhibit");

- Consolidated Response to Certain *Pro Se* Objections to Confirmation of the Sixth Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 7303) (the "Response to *Pro Se* Objections"), filed by the City on September 5, 2014;
- Consolidated Reply to Supplemental Objections to Confirmation of the Seventh Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 7707), filed by the City on September 26, 2014, as well as all other pleadings filed in support of the Plan by parties in interest; and
- Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (October 22, 2014) (Docket No. 8045), including all Exhibits thereto.

(iv) all other papers filed in support of, and in opposition to, Confirmation of the Plan, including the objections filed with respect to Confirmation of the Plan;³

(v) the resolution, settlement or withdrawal of timely objections to Confirmation of the Plan filed by, among others, FGIC, Syncora, the FGIC COP Holders, the DWSD Settlement Parties, the LTGO Insurer, certain insurers of Unlimited Tax General Obligation Bonds, Michigan Council 25 of the American Federation of

³ See Summary of the City's Responses to Initial Plan Objections, attached as Exhibit A to the Consolidated Reply; Summary of the City's Responses to (I) Supplemental Objections and (II) Objections filed by (A) the UAW and (B) AFSCME, attached as Exhibit B to the Pretrial Brief; Summary of the City's Responses to (I) *Pro Se* Objections Specified in the Order Requiring City to Respond to Certain *Pro Se* Objections to Confirmation [Docket No. 6640] and (II) *Pro Se* Objections Not Addressed in the Consolidated Reply to Certain Objections to Confirmation of Fourth Amended Plan for the Adjustment of Debts of the City of Detroit [Docket No. 5034], attached as Exhibit A to the Response to *Pro Se* Objections.

State, County and Municipal Employees, AFL-CIO ("AFSCME"), the International Union, UAW, each of the Counties and the Macomb Interceptor Drain Drainage District; and the Court being familiar with the Plan and other relevant factors affecting this Chapter 9 Case; the Court having taken judicial notice of the entire docket of the City's Chapter 9 Case maintained by the Clerk of the Court and/or its duly appointed agent, pursuant to Federal Rule of Evidence 201(c) (made applicable to this case by Bankruptcy Rule 9017), including, but not limited to, those orders, pleadings and other documents set forth in the Confirmation Standards Exhibit; the Court having found that due and proper notice has been given with respect to the Confirmation Hearing and the deadlines and procedures for filing objections to the Plan; the appearance of all interested parties having been duly noted in the record of the Confirmation Hearing; and upon the record of the Confirmation Hearing, and after due deliberation thereon, and sufficient cause appearing therefor;

IT IS HEREBY FOUND AND CONCLUDED, that:

JURISDICTION AND VENUE

A. The Court has jurisdiction over this matter and this Chapter 9 Case pursuant to 28 U.S.C. § 1334 and Rule 83.50(a) of the Local Rules of the United States District Court for the Eastern District of Michigan.

B. Confirmation of the Plan is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(L), and this Court has jurisdiction to enter a final order with respect thereto.

C. The City is a proper debtor under section 109 of the Bankruptcy Code⁴ and the proper proponent of the Plan under section 941 of the Bankruptcy Code.

D. On the Effective Date of the Plan, or as soon thereafter as is practicable, all appeals of the Opinion Regarding Eligibility and the Order for Relief, in accordance with settlements by and among the appellants and the City, shall be withdrawn.

MODIFICATIONS OF THE PLAN

E. The Plan does not materially and adversely affect or change the treatment of any Claim against the City under the Fourth Amended Plan. Pursuant to sections 942 and 1127(d) of the Bankruptcy Code and Bankruptcy Rule 3019, the Plan does not require additional disclosure under section 1125 of the Bankruptcy Code or the resolicitation of acceptances or rejections of the Fourth Amended Plan under section 1126 of the Bankruptcy Code, nor does it require that

⁴ See Opinion Regarding Eligibility (Docket No. 1945), entered on December 5, 2013 (the "Opinion Regarding Eligibility"); Order for Relief Under Chapter 9 of the Bankruptcy Code (Docket No. 1946), entered on December 5, 2013 (the "Order for Relief").

holders of Claims against the City be afforded an opportunity to change previously cast acceptances or rejections of the Fourth Amended Plan as filed with the Court. The filing of the Plan, and the disclosure of certain modifications and amendments to the Fourth Amended Plan contained therein on the record at the Confirmation Hearing, constitute due and sufficient notice thereof under the circumstances of the Chapter 9 Case. Accordingly, the Plan is properly before the Court, and, except as set forth in the Plan or later orders of the Court, all votes cast with respect to the Fourth Amended Plan prior to the filing of the Plan shall be binding and shall apply with respect to the Plan.

**STANDARDS FOR CONFIRMATION
UNDER SECTION 943 OF THE BANKRUPTCY CODE**

F. The evidentiary record of the Confirmation Hearing and the Confirmation Standards Exhibit support the findings of fact and conclusions of law set forth in the following paragraphs.

G. The Court's supplemental opinion regarding confirmation of the Plan (the "Confirmation Opinion"), to be issued, is incorporated fully herein.

H. Section 943(b)(1). The Plan complies with the provisions of the Bankruptcy Code made applicable to this Chapter 9 Case by sections 103(e) and 901 of the Bankruptcy Code.⁵ In particular:

1. *Section 1122*. In accordance with section 1122(a) of the Bankruptcy Code, Section II.B of the Plan classifies each Claim against the City into a Class containing only substantially similar Claims. The legal rights under applicable law of each holder of Claims within each Class under the Plan are substantially similar in nature and character to the legal rights of all other holders of Claims within such Class. No Claims were separately classified under the Plan to gerrymander favorable votes with respect to the Plan. In accordance with section 1122(b) of the Bankruptcy Code, Convenience Claims are separately classified in Class 15 under the Plan solely for the purpose of administrative convenience.

2. *Section 1123(a)(1)*. In accordance with section 1123(a)(1) of the Bankruptcy Code, Section II.B of the Plan properly classifies all Claims that require classification. Valid factual and legal reasons

⁵ Section 901 of the Bankruptcy Code incorporates into chapter 9 the following chapter 11 provisions relevant to plan confirmation: sections 1122, 1123(a)(1)-(5), 1123(b), 1123(d), 1125, 1126(a)-(c) and (e)-(g), 1127(d), 1128, 1129(a)(2), 1129(a)(3), 1129(a)(6), 1129(a)(8), 1129(a)(10), 1129(b)(1) and 1129(b)(2)(A)-(B) of the Bankruptcy Code. *See* 11 U.S.C. § 901(a).

exist for the separate classification of (a) certain secured Claims from Other Secured Claims and (b) certain unsecured Claims from Other Unsecured Claims.

3. *Section 1123(a)(2)*. In accordance with section 1123(a)(2) of the Bankruptcy Code, Section II.B of the Plan properly identifies and describes each Class of Claims that is not impaired under the Plan.⁶

4. *Section 1123(a)(3)*. In accordance with section 1123(a)(3) of the Bankruptcy Code, Section II.B of the Plan properly identifies and describes the treatment of each Class of Claims that is impaired under the Plan.

5. *Section 1123(a)(4)*. In accordance with section 1123(a)(4) of the Bankruptcy Code, the Plan provides the same treatment for each Claim of a particular Class unless the holder of such a Claim has agreed to less favorable treatment. Because ASF Recoupment is a settlement mechanism designed to (a) implement a critical component of the City's comprehensive settlement of pension-related issues and (b) enable the trustees of the GRS

⁶ See Order Pursuant to (I) 11 U.S.C. §§ 105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922 and 928 (A) Approving Postpetition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections (Docket No. 7028), entered on August 25, 2014 (the "DWSD Tender Order"); Notice of Occurrence of Settlement Date and Unimpairment of Class 1A Claims and (B) Withdrawal of DWSD Plan Objections by Financial Creditors (Docket No. 7268), filed on September 4, 2014 (the "DWSD Settlement Notice").

(collectively, the "GRS Trustees") to recover a portion of excess interest allocated to members' Annuity Savings Fund accounts from the GRS's traditional defined benefit pension plan (the "GRS Traditional Pension Plan"), ASF Recoupment may be deemed (x) separate and distinct from the calculation of recoveries provided to holders of GRS Pension Claims and, thus, (y) disregarded for purposes of determining whether the Plan complies with section 1123(a)(4) of the Bankruptcy Code.

6. The consideration provided to Syncora in connection with the Syncora Settlement that is not provided on account of the Plan COP Settlement (a) is separate and distinct from the treatment of Class 9 COP Claims held or insured by Syncora under the Plan, (b) is provided on account of (i) Syncora's agreement to invest new funds (subject to the terms and conditions of the applicable agreements) pursuant to commercial relationships with the City that are distinct from COP Claims held or insured by Syncora and (ii) Syncora's agreement to resolve all of its pending litigation against the City and, thus, (c) has been disregarded for purposes of determining whether the Plan complies with section 1123(a)(4) of the Bankruptcy Code. The consideration provided to FGIC in connection with the FGIC/COP Settlement that is not provided on account of the Plan COP Settlement (a) is separate and distinct from the treatment of Class 9 COP Claims held or insured by FGIC under the Plan and reflects an agreement to invest

new funds in a commercial relationship with the City, (b) is provided on account of FGIC's agreement to resolve all of its pending litigation against the City and, thus, (c) has been disregarded for purposes of determining whether the Plan complies with section 1123(a)(4) of the Bankruptcy Code.

7. *Section 1123(a)(5).* In accordance with section 1123(a)(5) of the Bankruptcy Code, the Plan provides adequate means for its implementation, including, without limitation, (a) the issuance of the New Securities pursuant to the Plan, (b) the consummation of the Settlements (as such term is defined below) described in the Plan, (c) the consummation of the State Contribution Agreement, (d) the assumption or rejection of Executory Contracts and Unexpired Leases, (e) the establishment and funding of the Professional Fee Reserve, (f) the City's assumption of certain indemnification obligations, (g) the City's entry into the Exit Facility and any agreements and ancillary notes related thereto and (h) the provisions regarding Effective Date transactions and transfers in Article IV of the Plan.

8. *Section 1123(b)(1).* In accordance with section 1123(b)(1) of the Bankruptcy Code, Section II.B of the Plan impairs or leaves unimpaired, as the case may be, each Class of Claims.

9. *Section 1123(b)(2).* In accordance with section 1123(b)(2) of the Bankruptcy Code, Section II.D and other provisions of

the Plan provide for the assumption, assumption and assignment, or rejection of the Executory Contracts or Unexpired Leases of the City that have not been previously assumed, assumed and assigned, or rejected pursuant to section 365 of the Bankruptcy Code and orders of the Court.

10. *Section 1123(b)(3)*. In accordance with section 1123(b)(3) of the Bankruptcy Code, Section III.D.2 of the Plan provides that, except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the City will retain and may enforce any claims, demands, rights, defenses and Causes of Action that it may hold against any Entity (including but not limited to (a) any and all Causes of Action against any party relating to the past practices of the Retirement Systems, (b) the currently pending actions and claims brought by the City identified on Schedule A to Exhibit III.D.2 to the Plan and (c) potential recovery actions that may be brought by the City under the Bankruptcy Code (or similar federal or state law) against, among other parties, the Entities identified on Schedule B to Exhibit III.D.2 to the Plan), to the extent not expressly released under the Plan or by any Final Order of the Court.

11. *Section 1123(b)(5)*. In accordance with section 1123(b)(5) of the Bankruptcy Code, Section II.B of the Plan modifies or leaves unaffected, as the case may be, the rights of holders of Claims in each Class.

12. *Section 1123(b)(6)*. In accordance with section 1123(b)(6) of the Bankruptcy Code, the Plan includes additional appropriate provisions that are not inconsistent with applicable provisions of the Bankruptcy Code, including, without limitation, the provisions of Article III, Article IV, Article V, Article VI, Article VII and Article VIII of the Plan.

13. *Section 1123(d)*. In accordance with section 1123(d) of the Bankruptcy Code, Section II.D.4 of the Plan provides for the satisfaction of Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan in accordance with section 365(b)(1) of the Bankruptcy Code. All Cure Amount Claims will be determined in accordance with the underlying agreements and applicable law.

14. *Section 1127(d)*. All creditors entitled to vote on the Plan received proper notice of the Confirmation Hearing, and were provided an adequate opportunity to object to any amendments and modifications to the Fourth Amended Plan.⁷

15. *Section 1129(a)(2)*. The City has complied with all applicable provisions of the Bankruptcy Code with respect to the Plan and the solicitation of acceptances or rejections thereof. In particular, the Plan complies

⁷ See Certificate of Service (Docket No. 6177).

with the requirements of sections 1125 and 1126 of the Bankruptcy Code as follows:

- a) In compliance with the (i) Order (I) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment and (II) Approving Notice Procedures Related to Confirmation of the Plan of Adjustment (Docket No. 2984) (the "Solicitation Procedures Order"), entered on March 11, 2014, and (ii) Order Establishing Supplemental Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment with Respect to Pension and OPEB Claims (Docket No. 4400) (together with the Solicitation Procedures Order, the "Solicitation Orders"), entered on May 5, 2014, on or before May 12, 2014, the City, through its claims, noticing, balloting and solicitation agent, Kurtzman Carson Consultants LLC ("KCC"), caused copies of the following materials to be transmitted to all holders of Claims in Classes that were entitled to vote to accept or reject the Fourth Amended Plan (*i.e.*, Allowed Claims in impaired Classes within Class 1A⁸ and Classes 5, 7, 8, 9, 10, 11, 12, 13, 14 and 15):
- the Disclosure Statement (together with the exhibits thereto, including the Fourth Amended Plan);
 - a notice of the Confirmation Hearing and other matters (the "Confirmation Hearing Notice");
 - an appropriate form of Ballot;

⁸ Subsequent to the City's solicitation of acceptances of the Fourth Amended Plan, the Plan was amended to unimpaired all Classes in Class 1A, and such Classes are therefore deemed to have accepted the Plan. *See* DWSD Tender Order; DWSD Settlement Notice. As a result, all votes and elections previously delivered with respect to Class 1A Claims shall not be counted and shall be of no force and effect.

- a notice summarizing certain dispute resolution procedures to be employed with respect to voting;
 - for holders of Claims in Classes 10, 11 and 12, a "Plain Language Supplement," drafted in collaboration with, among others, the Retiree Committee and the Retirement Systems, describing the treatment of such Claims in non-technical terms;
 - the procedures for the solicitation and tabulation of votes to accept or reject the Plan, including approval of (i) the deadline for creditors' submission of Ballots, (ii) the rules for tabulating votes to accept or reject the Plan and (iii) the proposed record date for Plan voting (collectively with the materials described in the preceding bullets, the "Solicitation Package"); and
 - cover letters from the City, the DRCEA, the RDPFFA, the Detroit Police Lieutenants and Sergeants Association (the "DPLSA") and the Detroit Police Command Officers Association (the "DPCOA") recommending acceptance of the Plan.⁹
- b) In compliance with the Solicitation Procedures Order, on or before May 12, 2014, the City, through KCC, caused copies of the Solicitation Package (not including Ballots) to be transmitted to parties entitled to receive notice pursuant to Bankruptcy Rule 2002.¹⁰

⁹ See Certificate of Service (Docket No. 6177), at ¶¶ 1-41. A separate communication recommending acceptance of the Plan was mailed to holders of Class 10, Class 11 and Class 12 Claims by the Retiree Committee contemporaneously with the solicitation of votes undertaken by the City. In addition, the GRS and the PFRS sent letters recommending acceptance of the Plan to holders of Class 10 and Class 11 Claims.

¹⁰ See Certificate of Service (Docket No. 6177), at ¶ 21.

- c) In compliance with the Solicitation Procedures Order, on or before May 12, 2014, the City, through KCC, transmitted (i) the Confirmation Hearing Notice and (ii) a "Notice of Non-Voting Status" to all holders of Claims in the Classes not entitled to vote on the Plan (*i.e.*, holders of Claims in unimpaired Classes within Class 1A and in Classes 1B, 1C, 2A, 2B, 2C, 2D, 2E, 2F, 3, 4, 6 and 16) that were not entitled to vote on the Plan.¹¹
- d) In compliance with the Solicitation Procedures Order, on or before May 12, 2014, the City, through KCC, transmitted the Confirmation Hearing Notice to: (i) all other creditors of the City; and (ii) all parties in interest that had filed requests for notice in accordance with Bankruptcy Rule 2002 in the Chapter 9 Case.¹²
- e) In compliance with the Solicitation Procedures Order, on May 9, 2014, the City caused a copy of the Confirmation Hearing Notice to be published in the national editions of the *Wall Street Journal* and *USA Today* and the daily editions of the *Detroit Free Press* and the *Detroit News*.¹³
- f) Pursuant to the Order Approving the Stipulation Regarding Certain Class 11 and Class 10 Ballots (Docket No. 5209), entered on June 4, 2014, the City mailed replacement ballots to certain members of Classes 10 and 11.¹⁴

¹¹ See *id.* at ¶ 20.

¹² See *id.* at ¶ 19.

¹³ See Affidavit of Publication of Confirmation Hearing Notice in the *Detroit Free Press* and the *Detroit News*, dated July 22, 2014 (Docket No. 6209), at page 2; Affidavit of Publication of Confirmation Hearing Notice in *USA Today*, dated July 22, 2014 (Docket No. 6211), at page 2; Affidavit of Publication of Confirmation Hearing Notice in the *Wall Street Journal*, dated July 24, 2014 (Docket No. 6253), at page 2.

¹⁴ See Certificate of Service (Docket No. 6177), at ¶¶ 11, 27, Exhibit P.

- g) On July 3, 2014, the City filed (and made available on the Document Website) the following Exhibits:
 - (i) Exhibit I.A.189.a (Form of New GRS Active Pension Plan) (renumbered as Exhibit I.A.250.a to the Eighth Amended Plan); (ii) Exhibit I.A.191.a (Form of New PFRS Active Pension Plan) (renumbered as Exhibit I.A.254.a to the Eighth Amended Plan);
 - (iii) Exhibit I.A.220 (Form of Prior GRS Pension Plan) (renumbered as Exhibit I.A.280 to the Eighth Amended Plan); and (iv) Exhibit I.A.221 (Form of Prior PFRS Pension Plan) (renumbered as Exhibit I.A.281 to the Eighth Amended Plan).¹⁵
- h) On July 3, 2014, the City filed (and made available on the Document Website) Exhibit II.D.6 (Executory Contracts and Unexpired Leases to be Rejected).¹⁶
- i) On August 7, 2014, the City filed (and made available on the Document Website) Exhibit I.A.103 (Form of DIA Settlement Documents) (renumbered as Exhibit I.A.127 to the Eighth Amended Plan).¹⁷
- j) On August 11, 2014, the City filed (and made available on the Document Website) the following Exhibits:
 - (i) Exhibit I.A.146 (Principal Terms of Exit Facility) (renumbered as Exhibit I.A.183 to the Eighth Amended Plan); (ii) Exhibit I.A.255 (Form of Restoration Trust Agreement) (renumbered as Exhibit I.A.292 to the Eighth Amended Plan); (iii) Exhibit II.D.5 (Schedule of Postpetition Collective Bargaining Agreements); and (iv) Exhibit III.D.2 (Retained Causes of Action).¹⁸
- k) The Confirmation Hearing Notice and the subsequent scheduling orders entered by the Court provided due and

¹⁵ See Notice of Filing of Plan Supplement (Docket No. 5755).

¹⁶ See Notice of Filing of Plan Supplement (Docket No. 5756).

¹⁷ See Notice of Filing of Plan Supplement (Docket No. 6576).

¹⁸ See Notice of Filing of Plan Supplement (Docket No. 6647).

proper notice of the Confirmation Hearing and all relevant dates, deadlines, procedures and other information relating to the Plan and/or the solicitation of votes thereon, including, without limitation, the Voting Deadline, the Objection Deadline (as such term was defined in the Confirmation Hearing Notice), the time, date and place of the Confirmation Hearing and the release provisions in the Plan.¹⁹

- l) All persons entitled to receive notice of the Disclosure Statement, the Plan and the Confirmation Hearing received proper, timely and adequate notice in accordance with the Solicitation Orders, applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, and have had an opportunity to appear and be heard with respect thereto.²⁰
- m) The City solicited votes with respect to the Plan in good faith and in a manner consistent with the Bankruptcy Code, the Bankruptcy Rules and the Solicitation Orders, including, without limitation, the inclusion of letters from the City, the DRCEA, the RDPFFA, the DPLSA and the DPCOA recommending acceptance of the Plan in the solicitation materials and the separate mailing of solicitation letters from the Retiree Committee, the GRS and the PFRS. Accordingly, the City, the Retiree Committee, the GRS, the PFRS, the DRCEA and the RDPFFA are entitled to the protections afforded by section 1125(e) of the Bankruptcy Code and the exculpation provisions set forth in Section III.D.6 of the Plan.

¹⁹ See Solicitation Procedures Order at ¶ 17; Motion of the City of Detroit for Entry of an Order (I) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment and (II) Approving Notice Procedures Related to Confirmation of the Plan of Adjustment (Docket No. 2789), at Exhibit 6A.

²⁰ See Certificates of Service (Docket Nos. 6174, 6177).

- n) Claims in Classes 1A, 1B, 1C, 2A, 2B, 2C, 2D, 2E, 2F, 3 and 4 under the Plan are unimpaired, and such Classes are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.²¹
- o) KCC has made a final determination of the validity of, and tabulation with respect to, all acceptances and rejections of the Plan by holders of Claims entitled to vote on the Plan, including the amount and number of accepting and rejecting Claims in Classes 5, 7, 8, 9, 10, 11, 12, 13, 14 and 15 under the Plan.²²
- p) Holders of Claims in Class 17 (Indirect 36th District Court Claims) were previously classified in Class 14 under the Fourth Amended Plan. The City solicited acceptances or rejections of the Plan from the holders of Indirect 36th District Court Claims in their previous capacity as holders of Class 14 Claims. Pursuant to the Order Authorizing Certain Holders of Indirect 36th District Court Claims to Change Their Votes on the City's Plan of Adjustment (Docket No. 6288), entered on July 28, 2014, by agreement of the parties, the votes of all known holders of Indirect 36th District Court Claims rejecting the Plan under Class 14 were deemed to be votes accepting the Plan under Class 17.
- q) Under the Plan, Class 16 (Subordinated Claims) is Impaired and holders of Claims in such Class will receive

²¹ See DWSD Settlement Notice. Subsequent to the filing of the Fourth Amended Plan, the Parking Bonds giving rise to Parking Bond Claims in Class 6 of the Plan were paid in full by the City, mooted the proposed treatment of such Parking Bond Claims in the Fourth Amended Plan (as reflected in the Plan).

²² See Second Supplemental Declaration of Michael J. Paque Regarding the Solicitation and Tabulation of Votes On, and the Results of Voting with Respect to, Plan for the Adjustment of Debts of the City of Detroit (Docket No. 8072), filed on October 23, 2014 (the "Second Supplemental Voting Declaration"), at ¶¶ 8-9.

no distributions under the Plan.²³ Therefore, Class 16 is conclusively presumed to reject the Plan in accordance with section 1126(g) of the Bankruptcy Code, and no votes were solicited from holders of Class 16 Claims.²⁴

- r) The Plan was voted on by each Class of impaired Claims that was entitled to vote pursuant to the Bankruptcy Code, the Bankruptcy Rules and the Solicitation Orders.
- s) Each of Classes 5, 7, 8, 9, 10, 11, 12, 13 and 17 have accepted the Plan by at least two-thirds in amount and a majority in number of the Claims in such Classes actually voting.²⁵
- t) The voting declarations admitted into evidence as City Exhibits 764 and 765, and the Second Supplemental Voting Declaration, set forth the tabulation of votes, as required by the Bankruptcy Code, the Bankruptcy Rules and the Disclosure Statement Order.²⁶

16. *Section 1129(a)(3)*. The Plan has been proposed (a) in good faith; (b) with honesty, sincerity and good intentions; (c) with a basis for expecting that an adjustment of the City's debts and an operational restructuring of the City can be effected in accordance with the purpose of chapter 9, and that the Plan is feasible; and (d) not by any means forbidden by law. The Plan and the treatment of Claims thereunder are, and the process pursuant to which the City has sought Confirmation thereof has been, fundamentally fair to the City's creditors.

²³ See Plan, at § II.B.3.w.i.

²⁴ See *id.*.

²⁵ See Second Supplemental Voting Declaration, at ¶¶ 8-9.

²⁶ See *id.* at Exhibits A-C.

The purpose of the Plan is to adjust the City's debts to enable the City to reverse its decades-long financial decline, eliminate its service delivery insolvency, restore adequate municipal services to its residents and meet its future financial obligations, consistent with the overarching remedial purpose of chapter 9 and the objectives and purposes of the Bankruptcy Code. The City's good faith in proposing the Plan and its prior versions, and fundamental fairness in dealing with its creditors, is further evidenced by the fact that the Plan (a) incorporates multiple key settlements that are the result of extensive arm's length negotiations (often conducted within the context of Court-ordered mediation) between the City and representatives of a large proportion of its creditors, (b) has been proposed with the support of the City's largest creditor constituencies and (c) is feasible (see ¶¶ N.10-18 below). In so finding, the Court has considered the totality of the circumstances in this Chapter 9 Case.

17. *Section 1129(a)(6)*. Section III.A.7 of the Plan provides that the obtaining of any authorizations, consents and regulatory approvals necessary under applicable nonbankruptcy law is a specific condition to the effectiveness of the Plan, consistent with the language of section 1129(a)(6) of the Bankruptcy Code.²⁷ The Board of Water Commissioners will continue to have all authority to set and approve the water and sewerage rates charged by the DWSD,

²⁷ See Plan, at § III.A.7.

provided that, if a DWSD Authority is approved and formed, such rates would be determined by the board of such DWSD Authority.²⁸

18. *Section 1129(a)(8).* The Plan has not been accepted by all impaired Classes of Claims because (a) Classes 14 and 15 (collectively, the "Impaired Rejecting Classes") have voted to reject the Plan²⁹ and (b) consistent with section 1126(g) of the Bankruptcy Code, the holders of Claims in Class 16 (Subordinated Claims) (who receive no Distributions pursuant to Section II.B.3.w.i of the Plan) are deemed to have rejected the Plan.³⁰ Nevertheless, as more fully explained below, the Plan is confirmable because it satisfies section 1129(b) of the Bankruptcy Code with respect to such Impaired Rejecting Classes.

19. *Section 1129(a)(10).* The Plan has been accepted by the following impaired Classes of Claims that are entitled to vote on the Plan, determined without including any acceptance of the Plan by any insider: Classes 5, 7, 8, 9, 10, 11, 12, 13 and 17.³¹

20. *Section 1129(b)(1): Unfair Discrimination.* For the reasons set forth in the Confirmation Opinion, the Plan does not discriminate unfairly against the Impaired Rejecting Classes. The Plan provides greater

²⁸ See Plan, at § IV.A.1.

²⁹ See Second Supplemental Voting Declaration, at ¶¶ 8-9.

³⁰ See Solicitation Procedures Order, at ¶ 10.

³¹ See Second Supplemental Voting Declaration, at ¶¶ 8-9.

percentage recoveries to holders of (a) Pension Claims in Classes 10 and 11 (as high as approximately 59% and 60%, respectively, although the Court does not make any specific finding with respect to such percentage recoveries), (b) Class 8 Unlimited Tax General Obligation Bond Claims (approximately 74%), (c) Limited Tax General Obligation Bond Claims (approximately 44%) and (d) Indirect 36th District Court Claims (approximately 33%) than to holders of (x) Other Unsecured Claims (approximately 13%) and (y) Convenience Claims (25% recovery).

21. Despite the differences in the Classes' respective recoveries, the Court finds that such discrimination is fair in light of, among other things, (a) the circumstances of the City's Chapter 9 Case, (b) the purpose of chapter 9, which is to adjust an insolvent municipality's debt so that it can provide adequate municipal services and (c) the Court's conscience, as informed by the Court's experience, education and sense of morality.

22. Substantial mission-based considerations justify the differential treatment of Pension Claims. The City is a municipal service enterprise whose mission is to provide municipal services to its residents and visitors to promote their health, welfare and safety. The City, therefore, has a strong interest in preserving its relationships with its employees and in enhancing their motivation, consistent with the City's financial resources. In contrast, the City

has no similar mission-related investment in its relationships with holders of Claims in Classes 14 and 15.

23. The Plan's differential treatment of Pension Claims is further justified because the fulfillment of the City municipal service mission is informed by, and subject to, the provisions of the constitution and laws of the State of Michigan and the City's status as an agency of the State. Article IX, Section 24 of the Michigan Constitution (the "Pensions Clause") (a) singles out municipal pension claims for special protection and (b) in so doing, specifically expresses the considered judgment of the people of the State of Michigan, which is entitled to substantial deference in connection with determining the fairness of the Plan's discrimination against the Impaired Rejecting Classes.

24. The reasonable expectations of creditors further demonstrate that the Plan's treatment of Pension Claims is fair, because the Pensions Clause gives notice to all of the City's unsecured creditors that, outside of bankruptcy, the rights of pension creditors are distinct and entitled to special State-law protections that are unavailable to other unsecured creditors of the City. Such constitutional notice (a) reasonably justifies the enhanced expectations of Holders of Pension Claims in this Chapter 9 Case and (b) should lower the reasonable expectations of all other unsecured creditors.

25. Moreover, the Plan's treatment of Pension Claims is the result of a collection of interconnected settlements. The factors that inform the reasonableness of each individual settlement are the same factors that inform the Court's judgment regarding the fairness of discrimination under the Plan. Because each such settlement is fair and reasonable, the discrimination in claim treatment resulting from such settlements also is fair.

26. The treatment of Limited Tax General Obligation Bond Claims, Unlimited Tax General Obligation Bond Claims and Indirect 36th District Court Claims also is fair because, in each instance, such treatment is the result of arm's-length, intensely negotiated and reasonable settlements between the City and the respective creditors and their representatives and is based on the asserted differing legal rights of, and litigation brought by, such parties. Specifically, a reasonable basis exists for the differential treatment of Limited Tax General Obligation Bond Claims and Unlimited Tax General Obligation Bond Claims, because the treatment of such Claims reflects (a) the results of protracted and comprehensively negotiated settlements between the City and the holders of such Claims and (b) the claimants' arguments to relative priority and security under State law. In addition, the Plan's treatment of Indirect 36th District Court Claims is related to the City's mission, and therefore is fair, because of the City's continuing legal and funding relationship with the 36th District Court.

27. The plan would not be feasible without discriminating among unsecured creditors because, with respect to Pension Claims in particular, the City's recovery will turn in large part on its ability to marshal the support of its residents in general and its retirees, employees and their labor unions in particular. With respect to Pension Claims, Limited Tax General Obligation Bond Claims, Unlimited Tax General Obligation Bond Claims and Indirect 36th District Court Claims, the settlements achieved by the City removed the risk of ongoing litigation over their respective asserted priorities, which litigation posed a significant obstacle to the City's ability to confirm a workable plan. The City's proposal of the differential treatment between Classes of unsecured Claims under the Plan was made in good faith and was not motivated by personal animosity or antipathy. The Plan treats holders of Claims in the Impaired Rejecting Classes as well as possible under the circumstances.

28. The Plan does not discriminate unfairly against Class 16 (Subordinated Claims) because the Claims within such Class are subordinated to all other Claims classified under the Plan in accordance with section 510(b) of the Bankruptcy Code and are entitled to Distributions under the Plan only to the extent that Classes that are senior in priority are paid in full.

Section 1129(b)(1), (b)(2): Fair and Equitable. For the reasons to be set forth in the Confirmation Opinion, the Plan is "fair and equitable"

with respect to the Impaired Rejecting Classes. No evidence suggests that the City or any Class or group of creditors has committed any overreaching or misconduct that would require the Court to impose a remedy as a condition to Confirmation. Moreover, the circumstances of the City's Chapter 9 Case suggest to the Court's conscience that it is fair and equitable to impose the Plan upon the dissenting creditors against their stated will. A large number of Detroit residents are suffering hardship due to the City's service delivery insolvency. This condition is inhumane and intolerable, and can only be successfully addressed if the Plan is confirmed. No viable alternatives to the Plan exist that would resolve the City's service delivery insolvency and provide a greater recovery to Classes 14 and 15. Requiring creditors in the Impaired Rejecting Classes to share in the sacrifice that other creditors of the City have agreed to endure, and confirming the Plan, thus is fair and equitable under the circumstances.

I. Section 943(b)(2). The Plan complies with the provisions of chapter 9 of the Bankruptcy Code. The Plan complies with section 941 of the Bankruptcy Code because the City filed the Plan for the Adjustment of Debts of the City of Detroit (Docket No. 2708) on February 21, 2014, consistent with the First Order Establishing Dates and Deadlines (Docket No. 280), entered on August 2, 2013, which order established March 1, 2014 as the deadline for the City to file its plan of adjustment. The Plan complies with section 942 of the

Bankruptcy Code because the amendments and modifications made to the Fourth Amended Plan are either immaterial to, or do not adversely affect the treatment of, any Claim under the Plan.

J. Section 943(b)(3). The Court, with the assistance of counsel, will establish an expeditious mediation and Court-review process to determine the reasonableness and disclosure of all fees and expenses, paid and unpaid, for which the City is obligated in connection with this case through the Effective Date, as required by section 943(b)(3) of the Bankruptcy Code, including (1) the professional fees and expenses of the GRS and the PFRS, to the extent that the City reimburses them, (2) the fees and expenses of the Fee Examiner and his professionals, (3) the Court-appointed feasibility expert and her counsel and (4) the other Fee Review Professionals. The preceding sentence does not apply with respect to fees and expenses explicitly dealt with in settlements previously approved by orders of the Court. The review pursuant to such process will satisfy the requirements of section 943(b)(3) of the Bankruptcy Code.

1. In addition, pursuant to the Fee Review Order and the Fee Examiner Order, and with the City's consent, the Fee Examiner was appointed in the Chapter 9 Case as an officer of the Court and has reviewed, or will review, the fees and expenses of all Fee Review Professionals submitted to the Fee Examiner for review in accordance with the Fee Review Order for the period

beginning on the Petition Date. Unless the Court subsequently orders otherwise, the fee review process established by the Fee Review Order will continue for fees and expenses incurred through the Effective Date pursuant to Section IV.N.2 of the Plan. In accordance with the Fee Review Order, each quarterly report and supplemental quarterly report filed by the Fee Examiner to date has determined that all Fee Review Professional Fees incurred during the relevant reporting periods have been fully disclosed and are reasonable or otherwise are commensurate with the complexity and speed of the Chapter 9 Case and the quality of services provided.³² Further, the fees and expenses of the Fee Examiner Parties are subject to Court review and approval under the terms of the Fee Review Order and the Plan.

³² See Fee Examiner's Quarterly Report for Months of July, August and September 2013 (Docket No. 2642), at ¶ 15; Fee Examiner's First Supplemental Quarterly Report for Months of July, August and September 2013 (Docket No. 3457), at ¶ 14; Fee Examiner's Second Supplemental Quarterly Report for Months of July, August and September 2013 (Docket No. 7574), at ¶ 14; Fee Examiner's Second Quarterly Report for Months of October, November and December 2013 (Docket No. 4498), at ¶ 16; Fee Examiner's First Supplemental Quarterly Report for Months of October, November and December 2013 (Docket No. 7575), at ¶ 17; Fee Examiner's Third Quarterly Report for Months of January, February and March 2014 (Docket No. 6528), at ¶ 18; Fee Examiner's First Supplemental Quarterly Report for Months of January, February and March 2014 (Docket No. 7332), at ¶ 19; Fee Examiner's Fourth Quarterly Report for Months of April, May and June 2014 (Docket No. 8186), at ¶ 18.

K. Section 943(b)(4).

1. All actions to be taken by the City to carry out the Plan are consistent with, do not violate and are not prohibited by applicable law, including, but not limited to, the following actions:

- the creation of the Detroit General VEBA and the Detroit Police and Fire VEBA;
- payments to be made by the DWSD during the period from the Effective Date through June 30, 2023 on account of (a) the DWSD's \$428.5 million currently-calculated allocable share of the unfunded actuarially accrued liabilities of the GRS (as modified by the Plan), (b) related administrative costs and (c) restructuring costs incurred by the City in connection with the Chapter 9 Case allocable to the DWSD (the "DWSD Pension Funding"), consistent with paragraph 24 of the DWSD Tender Order;
- all actions taken in connection with the UTGO Settlement Agreement and all provisions of the Plan addressing recoveries upon Unlimited Tax General Obligation Bond Claims, including Sections II.B.3.n, II.B.3.o, II.B.3.p and IV.C of the Plan (such provisions of the Plan as they relate to such recoveries, and, collectively with the UTGO Settlement Agreement, the "UTGO Settlement"), including, but not limited to, the City's designation of an entity or entities to receive the Assigned UTGO Bond Tax Proceeds;
- the transfer of the DIA Assets to DIA Corp. pursuant to the DIA Settlement;³³ and

³³ See Attorney General's Approval of DIA Settlement (Docket No. 5338), filed on June 17, 2014.

- all actions taken in connection with the Syncora Development Agreement (including the garage option), the Tunnel Lease and the FGIC Development Agreement.

L. Section 943(b)(5). The Plan satisfies the requirements of section 943(b)(5) of the Bankruptcy Code. The Plan expressly provides for the cash payment, in full, of Allowed Administrative Claims, including administrative expenses allowed under section 503(b) of the Bankruptcy Code either (1) on the Effective Date or as soon as reasonably practicable thereafter or (2) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim.³⁴

M. Section 943(b)(6). The Plan satisfies the requirements of section 943(b)(6) of the Bankruptcy Code. The effectiveness of the Plan is expressly conditioned upon the obtaining of any authorizations, consents and regulatory approvals necessary under applicable nonbankruptcy law.³⁵ Neither the DWSD Pension Funding nor the provisions of the Plan relating to the DWSD CVR constitute a tax upon any DWSD ratepayer subject to electoral approval.

The restructuring of the City's obligations pursuant to the Plan, and the consequent restructuring (and lowering) of DWSD's costs, will not necessitate an increase in the rates charged by DWSD in excess of normally scheduled rate increases.

³⁴ See Plan, at § II.A.1.a.

³⁵ See Plan, at § III.A.7.

N. Section 943(b)(7).

1. *Best Interests of Creditors.* The Plan is in the best interests of creditors. The Plan provides the City's creditor body, as a whole, with a better alternative than dismissal of the Chapter 9 Case and all that creditors can reasonably expect under the circumstances. Outside of bankruptcy, the City would face several billion dollars in cumulative deficits over the next ten years, even if it attempted only to maintain the current level of inadequate public services. Although the automatic stay has allowed the City to enhance its cash position during the bankruptcy, the fundamentals of the City's financial forecasts have not changed materially since the City first created the baseline financial forecasts in June 2013. Moreover, if the City's Chapter 9 Case were dismissed, the City would lose the benefit of many of the settlements it has reached with its creditors. The City does not have sufficient excess revenues to continue paying its creditors outside of bankruptcy.

2. The legal limitations on the collection of judgments that apply outside of bankruptcy also constrain the best interests of creditors test in bankruptcy. Because Michigan Public Act 236 of 1961, the Revised Judicature Act, M.C.L. §§ 600.101, *et seq.* (the "Revised Judicature Act"), provides the sole remedy under State law for the City's creditors to recover on their claims, the City cannot be compelled under State law to liquidate City-owned assets to satisfy

creditors' claims.³⁶ The City also cannot be compelled to sell any City-owned assets under the Bankruptcy Code because, in chapter 9 cases, section 904 of the Bankruptcy Code prohibits the Court from interfering with "(1) any of the political or governmental powers of the debtor; (2) any of the property or revenues of the debtor; or (3) the debtor's use or enjoyment of any income-producing property."³⁷

3. Maintaining the art collection housed at the DIA (the "DIA Collection") is critical to the feasibility of the Plan and to the City's future because the DIA Collection is an invaluable and irreplaceable resource, and because the DIA stands at the center of the City's cultural life. Selling the DIA Collection would impede the City's efforts to attract new residents, visitors and businesses and would only deepen the City's fiscal, economic and social problems. In addition, using the DIA Collection or some portion thereof as collateral for a loan to pay creditors would be imprudent because doing so would (a) merely substitute debt for debt and thus not benefit the City and (b) create a risk that the City would lose any art used as collateral in the event of a default.

4. Moreover, it would be impracticable for the City to liquidate the DIA Collection in an attempt to maximize creditor recoveries. Because (a) many works within the DIA Collection are subject to donor

³⁶ See M.C.L. § 600.6093.

³⁷ 11 U.S.C. § 904.

restrictions and (b) the Michigan Attorney General and DIA Corp. contend that the entire DIA Collection is held in trust, any attempt to liquidate the DIA Collection or any material portion thereof to satisfy the claims of creditors most likely would result in costly, complex and time-consuming litigation regarding the City's precise ownership interests in the approximately 60,000 works of art that comprise the DIA Collection. A forced liquidation of the DIA Collection would generate only a fraction of its true economic value.

5. Nevertheless, the Plan provides for multiple new sources of revenue, cost saving initiatives and settlements that improve recoveries for creditors. The City has made reasonable efforts to monetize assets other than the DIA Collection, including the Detroit Windsor Tunnel, certain real estate properties, certain parking properties and the Joe Louis Arena property. The City also has entered into the Great Lakes Water Authority memorandum of understanding, which benefits all of the City's creditors.³⁸

6. The transactions and settlements associated with the "Grand Bargain" – including the State Contribution Agreement, the DIA Settlement and the City's comprehensive settlement of pension-related and labor-related issues negotiated with the Retiree Committee, the Retirement

³⁸ See Memorandum of Understanding Regarding the Formation of the Great Lakes Water Authority, filed as Exhibit A to the Notice of Execution of Framework for Creating a Water and Sewer Authority (Docket No. 7357).

Systems and certain unions and retiree associations – will generate at least an additional \$816 million in nominal revenue for the benefit of the holders of Pension Claims. In addition, the City has entered into favorable settlements with representatives of the holders of Pension Claims, OPEB Claims, COP Claims, Unlimited Tax General Obligation Bond Claims, Limited Tax General Obligation Bond Claims and Indirect 36th District Court Claims. The difference between the amounts asserted by such claimants and the amounts accepted in settlement of such Claims redounds to the benefit of all the City's stakeholders. The successful implementation of the reinvestment initiatives incorporated into the Plan (the "Reinvestment Initiatives") is indispensable to the City's efforts to provide its creditors with as significant a recovery as could be expected under the circumstances, and the maximization of such creditor recoveries influenced the design of the Reinvestment Initiatives. In addition, absent confirmation of the Plan, the City would not have the ability to access the capital markets on reasonable terms, meaning that the issuance of numerous and large judgments against the City would quickly deplete the City's limited resources and its tax base.

7. Raising taxes also is not a viable option for the City. The City is legally prohibited from raising property tax rates above their current levels, which rates are higher than those in neighboring communities and among the highest in Michigan. The likelihood of the people of Detroit or the State

legislature voting to raise taxes is remote. Even if the City could legally increase property tax rates, doing so would not increase the City's revenues because the City has reached its practical taxable limit, *i.e.*, tax saturation, meaning that any further tax increases on Detroit residents most likely would (a) exacerbate the City's already high tax collection delinquency rate, (b) continue the flight of residents and businesses from the City, (c) discourage inflow of prospective residents and businesses, (d) destabilize growth and (e) ultimately reduce the City's overall tax revenues. The loss of population in Detroit has compounded the City's financial difficulties and led to additional cutbacks in municipal services – which cutbacks, in turn, have led to continuing losses of population, industry and tax revenues. Increasing the tax burden on Detroit residents would only perpetuate this vicious cycle.

8. The effect of dismissal of the City's Chapter 9 Case would be the issuance of myriad judgment levies under State law.³⁹ In a dismissal scenario, the Revised Judicature Act would require the City to satisfy any judgments obtained by creditors either through bond issuances or property tax levies.⁴⁰ If the Chapter 9 Case were dismissed, the City's creditors would not realize greater recoveries than they would receive under the Plan because the City

³⁹ See M.C.L. § 600.6093.

⁴⁰ See *id.*

would lack the resources and ability to satisfy such judgment levies. In such a scenario, the City's pension obligations alone likely would quickly eradicate any meaningful recoveries for other unsecured creditors outside of chapter 9.

9. Dismissal of the Chapter 9 Case would deprive the City of the benefit of the Reinvestment Initiatives. Without such reinvestment, the City's ability to provide basic services would continue to decline below even today's inadequate levels. Without the ability to provide adequate levels of basic services, the City would be unable to reverse the exodus of residents and businesses from the City that has depleted the City's tax base, reduced land values and led to widespread abandonment and blight. In addition, the Plan offers financial benefits that would be unavailable to the City in the event of dismissal, including the \$816 million that will be contributed to the Retirement Systems in connection with the Grand Bargain, the Exit Facility and the cost savings to be realized by the Reinvestment Initiatives and the Settlements under the Plan.

10. *Feasibility.* The Plan is feasible, within the meaning of section 943(b)(7) of the Bankruptcy Code. On and after the Effective Date, it is more likely than not that the City will be able to (a) make all payments contemplated by the Plan without a significant probability of default and

(b) sustainably provide adequate municipal services to its residents.⁴¹ The City has demonstrated a reasonable prospect that the City will successfully implement the Plan and the Reinvestment Initiatives.⁴²

11. The City's revenue and expense projections contained in (a) the ten-year summary of the Reinvestment Initiatives (the "10-Year Reinvestment Initiative Summary") introduced into evidence as City Exhibit 108 (July 2014); (b) the ten-year statement of projected cash flows (the "10-Year Forecast") introduced into evidence as City Exhibits 109 (July 2014), 733 (September 2014), 780 (October 2014), 781 (October 2014) and 782 (October 2014); (c) the forty-year statement of projected cash flows (the "40-Year Forecast") introduced into evidence as City Exhibits 111 (July 2014), 734 (September 2014), 779 (October 2014) and 793 (October 2014); and (d) the ten-year statement of projected cash flows of the City's water and sewage disposal funds introduced into evidence as part of City Exhibit 3 (collectively with the 10-Year Reinvestment Initiative Summary, the 10-Year Forecast and the 40-Year Forecast, the "Projections"), are reasonable, made in good faith, accurate,

⁴¹ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 202-03; Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 5-6.

⁴² See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 29, 164-65, 202-03; Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 5-6.

consistent with other financial projections made by the City and based upon assumptions that are reasonable when considered individually or collectively.⁴³

12. The City will have employees that have the necessary skill and commitment to implement, and perform according to the terms of, the Plan. The City will also have adequate systems, controls and procedures (as modified, modernized and developed by the Reinvestment Initiatives) to (a) monitor the City's financial and operational performance and (b) minimize and eliminate fraud, abuse and waste (both in the City's day-to-day operations and in the implementation of the Reinvestment Initiatives).⁴⁴

13. The City is beginning to implement appropriate controls to reasonably ensure the City's ongoing compliance with the terms of the Plan.⁴⁵ These controls include, but are not limited to: (a) the Michigan Financial Review Commission (the "Financial Review Commission") established pursuant to Public Act 181 of 2014, M.C.L. §§ 141.1631, *et seq.* ("PA 181" or the "Financial Review Commission Act"); (b) the requirements imposed by Public Act 182 of 2014,

⁴³ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 10, 200-01; Court's Exhibit 12001 (Supplemental Expert Report of Martha E.M. Kopacz), at 3-4; Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 5-6.

⁴⁴ See Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 29-30.

⁴⁵ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 175, 202.

M.C.L. § 117.4s-t ("PA 182" and, together with PA 181, the "Grand Bargain Legislation"), that the City (i) adopt a sound, multi-year financial plan, (ii) appoint a Chief Financial Officer and (iii) post its financial forecasts and contracts to the City's official website; and (c) the adoption of governance and financial oversight mechanisms for the Retirement Systems in connection with the State Contribution Agreement. The Financial Review Commission will have broad authority, under the Grand Bargain Legislation, to obtain and review the City's financial records on an ongoing basis, and to conduct financial audits of the City.⁴⁶

14. The Reinvestment Initiatives provide for the reinvestment of approximately \$1.7 billion in the City between the Effective Date and June 30, 2023. The Reinvestment Initiatives will allow the City to achieve approximately \$483 million in additional revenue and \$358 million in cost savings during that same period, resulting in net reinvestment in the City of approximately \$877 million. The Reinvestment Initiatives are reasonably designed to, and more likely than not will, ensure that the City will be able to (a) remedy its service delivery insolvency and provide adequate municipal services to its residents, (b) meet its financial obligations on a prospective basis, (c) promote the stability of

⁴⁶ See M.C.L. § 141.1636.

the City's population and (d) provide a platform for the growth of both the City's resident and business populations.⁴⁷

15. The costs associated with the Reinvestment Initiatives are reasonable. The goals of the Reinvestment Initiatives are achievable.⁴⁸ The City can arrest the reinforcing trends of population loss, declining property values and declining revenues if adequate services are restored, blight is remediated and the City becomes a more attractive place to live and work. The Reinvestment Initiatives will accelerate investment in the City by business, community and philanthropic organizations.

16. Absent the Reinvestment Initiatives, the City cannot provide a sustainable level of services to its residents. The Reinvestment Initiatives are necessary to (a) remedy the City's service delivery insolvency, (b) reduce blight and strengthen neighborhoods, (c) improve the efficiency of, and adequately fund, the City's operations (including, but not limited to, its administrative and support departments and the operations of the 36th District Court), (d) allow elected officials to more effectively manage the City, (e) enhance the City's revenues, (f) reduce the City's costs and (g) ensure the provision of

⁴⁷ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 202.

⁴⁸ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 201-02.

adequate and significantly improved municipal and public safety services to City residents and businesses.⁴⁹ The Mayor's office and the City Council have been consulted in connection with the City's restructuring and are committed to working in concert to implement the Plan and the Reinvestment Initiatives.⁵⁰

17. It is more likely than not that the Plan is sustainable over the long term.⁵¹ Based on the Projections, the City will have sufficient liquidity to sustain normal municipal operations, issue and perform under the New Securities, satisfy the Settlements and otherwise meet its financial obligations after the Effective Date. The amount and terms of the Exit Facility are reasonable. The City will have sufficient resources to service the Exit Facility. The Plan and the Exit Facility will enable the City to resolve onerous debts related to the City's excessive prepetition borrowing. The City's commitment, under the Plan, to use its best efforts to prepay the New LTGO Bonds on the Effective Date, or as soon as reasonably practicable thereafter, is both reasonable and feasible. Credit markets

⁴⁹ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 201-02.

⁵⁰ See Joint Notice of Transition Plan (Docket No. 7681), Exhibit A (Detroit City Council Resolution adopted Sept. 25, 2014), at 2-3 ("The City Council supports the confirmation and implementation of a Plan of Adjustment.... After, and assuming, confirmation of the Plan of Adjustment, the City Council will support the City's implementation of the confirmed Plan of Adjustment.").

⁵¹ See Court's Exhibit 12001 (Supplemental Expert Report of Martha E.M. Kopacz), at 3-4.

likely (a) will be receptive to the newly de-leveraged City and (b) would be closed to the City absent the restructuring to be implemented pursuant to the Plan and the Reinvestment Initiatives. Although future economic risks cannot be predicted with certainty, and some economic risk factors are outside of the City's control, under the Plan, the City more likely than not will be able to adapt to unforeseen circumstances as necessary to preserve its revitalization.

18. Under the Plan, the DWSD will have sufficient resources to make the capital improvements necessary to enable the DWSD to continue to provide an adequate level of water and sewer service to its customers, and the DWSD's current capital improvement plans are reasonable for this purpose. There is no material risk of a system-wide failure that would prevent the DWSD from providing adequate levels of service. In addition, the DWSD Pension Funding does not negatively impact the feasibility of the Plan with respect to other creditors or the reinvestment initiatives.

EXECUTORY CONTRACTS

O. Pursuant to sections 365 and 1123(b)(2) of the Bankruptcy Code (incorporated into this Chapter 9 Case by section 901 of the Bankruptcy Code), upon the occurrence of the Effective Date, Section II.D of the Plan provides for the assumption, assumption and assignment or rejection of certain Executory Contracts and Unexpired Leases. The City's determinations regarding the

assumption, assumption and assignment or rejection of Executory Contracts and Unexpired Leases are based on and within the sound business judgment of the City, are necessary to the implementation of the Plan and are in the best interests of the City, holders of Claims and other parties in interest in the Chapter 9 Case.

The City has filed Exhibit II.D.6 to the Plan (as it may have been amended or supplemented) and either has provided or will provide notice of the City's determinations regarding the assumption, assumption and assignment or rejection of Executory Contracts or Unexpired Leases and any related Cure Amount Claims consistent with the procedures (collectively, the "Contract Procedures") set forth in the Order, Pursuant to Sections 365, 901 and 1123 of the Bankruptcy Code, (A) Establishing Procedures with Respect to the Proposed Assumption and Rejection of Executory Contracts and Unexpired Leases and (B) Approving the Form and Manner of Notice Thereof (Docket No. 6512), entered on August 4, 2014 (the "Contract Procedures Order").

SETTLEMENTS AND RELEASES

P. Pursuant to Bankruptcy Rule 9019(a) or otherwise, and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan.

Q. Based upon the representations and arguments of counsel to the City, the Retiree Committee, the Retirement Systems, Syncora, FGIC, the State, DIA Corp., the RDPFFA and the DRCEA, and all other testimony either actually given or proffered and other evidence introduced at the Confirmation Hearing and the full record of this Chapter 9 Case, the findings and conclusions of which are hereby incorporated by reference as if fully set forth herein, this Order constitutes the Court's approval of all Settlements provided for herein or in the Plan because, among other things, all aspects of such Settlements have been fully disclosed and such Settlements (and, as applicable, the agreements underlying such Settlements): (1) were negotiated and entered into in good faith and at arm's length; (2) comport with the policies and purposes of chapter 9 of the Bankruptcy Code; (3) reflect a reasonable balance between certainty and the risks and expenses of both future litigation and the continuation of the Chapter 9 Case; (4) fall well within the range of reasonableness for the resolution of complex litigation; (5) are fair, equitable and reasonable and in the best interests of the City, its creditors and other parties in interest; (6) represent appropriate exercises of the City's business judgment; (7) are essential to the successful implementation of the Plan; and (8) meet the standards for approval under sections 105(a) and 1123(b) of the Bankruptcy Code, Bankruptcy Rule 9019(a) and other applicable law.

R. The DIA Settlement. The DIA Settlement resolves a substantial dispute surrounding the extent of the City's property rights with respect to the DIA Assets. Under the DIA Settlement, as reflected in Section IV.E.2 of the Plan, the City will irrevocably transfer all of its right, title and interest in and to the DIA Assets to DIA Corp., as trustee, to hold in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and the Counties and the citizens of the State.⁵²

1. The City cannot be compelled to liquidate the DIA Collection.⁵³ Even if such a liquidation could be compelled, however, many works in the DIA Collection are subject to donor restrictions and, contrary to the City's position, the Michigan Attorney General and DIA Corp. assert that the entire DIA Collection is held in trust.⁵⁴ The City's likelihood of success in potential litigation over whether the City has sufficient interest in the DIA Assets (or in any of them) to permit it to sell any such assets and use the proceeds of sale for its own purposes, including payment of operating expenses or debt, is uncertain. Any such litigation would likely take substantial time and cause the City to incur substantial expense.

⁵² *See* Plan, at Exhibit I.A.127 (DIA Settlement Documents).

⁵³ *See supra*, ¶ N.2; 11 U.S.C. § 904.

⁵⁴ *See* Michigan Attorney General Opinion No. 7272 (June 13, 2013).

2. For the reasons set forth in the Confirmation Opinion, even if the City were to prevail in whole or in part in such litigation over the City's ability to sell the DIA Assets, it would not be in the City's best interests to liquidate the DIA Assets because (a) the City's ability to realize, on a timely basis, the full value of each of the DIA Assets it would be permitted to sell is uncertain and (b) a forced liquidation of the DIA Collection likely would yield only a fraction of the DIA Collection's true economic value. A proposed sale or other deaccession of the DIA Assets would have been resisted, and likely would have provoked adverse action, including litigation, by (a) DIA Corp. and donors to DIA Corp. and to the DIA and (b) the international art community. Preservation of the DIA Assets and the DIA is strongly in the interest of the City and its residents, is an important element in the revitalization of the City, critical to the feasibility of the Plan and to the City's future and therefore is in the interest of its creditors, who are receiving under the Plan payments over a period of time.

3. The compromises and settlements embodied in the DIA Settlement (a) accurately reflect and effectively resolve a substantial dispute surrounding the extent of the property rights the City possesses with respect to the DIA Assets, (b) avoid objections to confirmation of the Plan regarding the Plan's treatment of Pension Claims, (c) resolve pending appeals regarding the Court's ability to impair pensions under chapter 9 of the Bankruptcy Code, and (d) are,

collectively, a key compromise upon which several provisions of the Plan rest.

In the absence of the DIA Settlement, the City's emergence from chapter 9 would likely have been delayed by litigation and burdened with additional expenses.

4. The DIA Settlement has not been entered into fraudulently, nor with the intent to hinder, delay or defraud any entity to which the City is, or may become, indebted on or after the Effective Date. The DIA Settlement is not a fraudulent transfer under state or federal law.

5. The transfer of the DIA Assets to the DIA Corp. serves the public purpose of providing civic, artistic and cultural activities to the general public. Such transfer is authorized by law, including by Section 4k of the Michigan Home Rule City Act, M.C.L. § 117.4k, and Section 1-102 of the Detroit City Charter.

6. The DIA Settlement (a) eliminates the risk and expense of litigation regarding the DIA Assets and the Plan's treatment of Pension Claims and (b) leverages the DIA Assets for the benefit of the City's pensioners while also protecting the DIA Assets from the threat of liquidation and preserving the DIA Assets for the benefit of the City, its residents and surrounding communities. Based on the evidence of (a) the amount of the consideration to be provided under the DIA Settlement directly to the Retirement Systems, (b) DIA Corp.'s commitments to the City under the DIA Settlement, including the obligation to

maintain for the benefit of the public an encyclopedic art museum the permanent primary situs of which will be in the City, and (c) the settlement of litigation over the extent of the City's right, title or interest in the DIA Assets, the DIA Settlement and the transfer of the DIA Assets as provided in the DIA Settlement are for fair value and fair consideration and are fair, equitable, reasonable and in the best interests of the City and its creditors and residents.

S. The UTGO Settlement. After sufficient notice and opportunity for all parties to be heard, and after due deliberation, based on the Court's thorough review and full consideration of the UTGO Settlement Agreement and good and sufficient cause appearing therefor, the Court makes the following findings of fact and conclusions of law with respect to the UTGO Settlement:

1. The UTGO Settlement described in the Plan and the UTGO Settlement Agreement are fair, equitable, reasonable and in the best interests of the City and its creditors and residents. The UTGO Settlement Agreement is the result of extensive arm's length negotiations among the City and the Settling UTGO Bond Insurers – all of whom were represented by sophisticated counsel. The compromises and settlements embodied in the UTGO Settlement (a) resolve all disputes with respect to claims classified in Class 8 under the Plan and the issues raised by the Settling UTGO Bond Insurers in the UTGO Litigation and (b) are, collectively, a key compromise upon which several provisions of the

Plan rest. In the absence of such compromises and settlements, the City's emergence from chapter 9 would likely have been delayed by litigation and burdened with additional expenses.

2. The UTGO Settlement and the UTGO Settlement

Agreement: (a) were negotiated and entered into in good faith; (b) comport with the policies and purposes of chapter 9; (c) are fair, equitable and reasonable; (d) are in the best interests of the City and its creditors and residents as they not only fully resolve the UTGO Litigation but also permit the City's assignees to receive value from the Assigned UTGO Bond Tax Proceeds as set forth in the Plan, which receipt fulfills a requirement of the State Contribution Agreement; (e) are within the range of reasonable results if the disputes resolved by the UTGO Settlement, including the UTGO Litigation, were instead litigated to a conclusion; (f) fall above the lowest point in the range of reasonableness; and (g) meet the standards for approval under sections 105(a) and 1123(b) of the Bankruptcy Code, Bankruptcy Rule 9019(a) and other applicable law.

3. Without limiting any of the foregoing, the Court hereby finds that:

- The Plan incorporates the UTGO Settlement Agreement, and the effectiveness of the Plan is expressly conditioned upon: (a) the MFA board having approved the issuance of the Restructured UTGO Bonds and such bonds having been issued;

and (b) the City having obtained all governmental and Emergency Manager consents and approvals required to carry out the terms of the UTGO Settlement Agreement.⁵⁵

- As of the Effective Date, the Plan represents a full, final and complete compromise, settlement, release and resolution of, among other matters, all disputes and pending or potential litigation (including any appeals), including, without limitation, the UTGO Litigation, regarding the allowability, amount, priority and treatment of the Unlimited Tax General Obligation Bond Claims. The treatment of Class 8 Unlimited Tax General Obligation Bond Claims under the Plan is a component of a settlement and compromise of the UTGO Litigation.⁵⁶
- Good and valuable consideration has been provided for all releases and exculpations granted pursuant to the UTGO Settlement Agreement, including, without limitation, the releases and exculpations granted pursuant to Sections 6.1 and 6.2 of the UTGO Settlement Agreement. Such provisions are fair, equitable, reasonable and integral elements of the UTGO Settlement Agreement.⁵⁷
- The Court confirms that, as of the Effective Date and pursuant to Emergency Manager Bond Order No. 4, the Municipal Obligation shall be secured, to the extent permitted by law, including, without limitation, Section 12(1)(x) of PA 436, by a lien granted by the City on the UTGO Bond Tax Levy

⁵⁵ See Plan, at §§ III.A.9, III.A.10.

⁵⁶ See Plan, at § II.B.3.o.ii, Exhibit I.A.360.

⁵⁷ See Plan, at Exhibit I.A.360.

for so long as either the Municipal Obligation or the Stub UTGO Bonds are outstanding.⁵⁸

- As of the Effective Date, the UTGO Bond Tax Levy shall constitute "special revenues," as defined in section 902 of the Bankruptcy Code, and "pledged special revenues," as that term is used in section 922(d) of the Bankruptcy Code.⁵⁹
- As of the Effective Date, the MFA shall possess a valid and enforceable statutory fourth lien and trust on the shared revenue payments that the City is entitled to receive from the State under the Michigan Constitution and Michigan Public Act 140 of 1971, the Glenn Steil State Revenue Sharing Act, M.C.L. §§ 141.901, *et seq.*, as amended ("Distributable State Aid"), as provided in Section 15(2) of Michigan Public Act 227 of 1985, the Shared Credit Rating Act, M.C.L. §§ 141.1051, *et seq.*, or as otherwise provided under applicable law.⁶⁰
- As of the Effective Date, Holders of the Restructured UTGO Bonds shall possess all of the MFA's rights and interest in the Municipal Obligation including all the rights and interest provided herein and under the UTGO Settlement Agreement, subject to the reservation by the MFA of rights to indemnification and to make all determinations and approvals and receive all notices accorded to it under the Municipal Obligation and related documents. Accordingly, the Restructured UTGO Bonds will be payable from and secured by (a) payments made by the City on the Municipal Obligation and to the extent

⁵⁸ *See id.*

⁵⁹ *See id.*; 11 U.S.C. §§ 902, 922(d).

⁶⁰ *See Plan*, at Exhibit I.A.360.

permitted by law, including, without limitation, Section 12(1)(x) of PA 436, a lien on the portion of the UTGO Bond Tax Levy allocable to the Municipal Obligation, pledged by the City to secure the Municipal Obligation; and (b) a lien, made a statutory lien as provided by the Shared Credit Rating Act, on moneys in the funds and accounts established for the Restructured UTGO Bonds under the authorizing resolution for such bonds, including payments pledged by the City and received and held by the MFA or its trustee for the Restructured UTGO Bonds, which include, without limitation, all payments of (i) the proceeds of the UTGO Bond Tax Levy and (ii) Distributable State Aid.⁶¹

T. The LTGO Settlement. The LTGO Settlement Agreement and all Sections of the Plan pertaining to recoveries upon Limited Tax General Obligation Bond Claims, including Sections II.B.3.n and II.B.3.p.i.A of the Plan (such sections of the Plan, collectively with the LTGO Settlement Agreement, the "LTGO Settlement") are fair, equitable, reasonable and in the best interests of the City and its creditors and residents. The LTGO Settlement is the result of extensive arm's length negotiations among the City, the LTGO Insurer and BlackRock Financial Management (on behalf of certain managed funds and accounts) ("BlackRock"). The compromises and settlements embodied in the LTGO Settlement (1) resolve all disputes with respect to (a) the Plan and any objections filed by the LTGO Insurer or BlackRock related to the Plan, (b) the

⁶¹ *See id.*

Claims classified in Class 7 under the Plan and (c) all issues relating to Limited Tax General Obligation Bonds raised in the adversary proceeding brought before the Bankruptcy Court, captioned as *Ambac Assurance Corp. v. City of Detroit, Michigan*, No. 13-5310 (Bankr. E.D. Mich.) (the "Ambac Action"); and (2) are, collectively, a key compromise upon which several provisions of the Plan rest.⁶² In the absence of such compromises and settlements, the City's emergence from chapter 9 likely would have been delayed by litigation and burdened with additional expenses, with no assurance of a better result for the City. The treatment of Limited Tax General Obligation Bonds and related Limited Tax General Obligation Bond Claims under the Plan is part of the settlement of the Ambac Action, as such proceeding relates to such Bonds and Claims.

U. The OPEB Settlement. The OPEB Settlement is the result of extensive arm's length negotiations between the City and the Retiree Committee, which was represented by sophisticated counsel, and is an integral component of the City's global settlement of pension-related and other labor-related issues negotiated with, among others, the Retiree Committee. The compromises and settlements embodied in the OPEB Settlement (1) resolve all disputes with respect to the aggregate valuation of Claims classified in Class 12 under the Plan and the issues raised by the Retiree Committee in the Retiree Health Care Litigation; and

⁶² See Plan, at Exhibit I.A.237 (LTGO Settlement Agreement).

(2) are, collectively, a key compromise upon which several provisions of the Plan rest. In the absence of such compromises and settlements, the City's emergence from chapter 9 likely would have been delayed by litigation and burdened with additional expenses, with no assurance of a better result for the City.

1. The OPEB Settlement is in the best interests of the City and its creditors and residents as it fully resolves (a) the dispute between the City and the Retiree Committee regarding the aggregate valuation of OPEB Claims and the treatment of OPEB Claims under the Plan and (b) the Retiree Health Care Litigation. The OPEB Settlement is within the range of reasonable results if the disputes resolved by the OPEB Settlement, including the Retiree Health Care Litigation, were instead litigated to a conclusion.

V. The 36th District Court Settlement. The 36th District Court Settlement is the result of extensive arm's length negotiations among the City, the 36th District Court and the Settling 36th District Court Claimants. The compromises and settlements embodied in the 36th District Court Settlement resolve all disputes with respect to (1) the Plan and any objections filed by Settling 36th District Court Claimants related to the Plan and (2) the treatment of Indirect 36th District Court Claims under the Plan. In the absence of such compromises and settlements, the City's emergence from chapter 9 likely would have been

delayed by litigation and burdened with additional expenses, with no assurance of a better result for the City.

1. The 36th District Court Settlement is in the best interests of the City and its creditors and residents as it not only resolves the treatment of Indirect 36th District Court Claims under the Plan, but also provides for the payment of the Settling 36th District Court Claimants' Claims at a significant discount while enabling the City to avoid further litigation with the Settling 36th District Court Claimants regarding the City's power to impair Indirect 36th District Court Claims under the Plan. The 36th District Court Settlement is within the range of reasonable results if the disputes resolved by the 36th District Court Settlement were instead litigated to a conclusion.

W. The Syncora Settlement. The Syncora Settlement is the result of extensive arm's length negotiations among the City, Syncora and other interested parties impacted by the Syncora Settlement, including the Retiree Committee and the LTGO Insurer. The Syncora Settlement includes a long term commitment by Syncora to the revitalization of core areas of the City and a partnership between Syncora and the City focused on the City's growth. Without limiting the foregoing, the Court hereby finds as follows with respect to the Syncora Settlement:

1. The compromises and settlements embodied in the Syncora Settlement resolve all disputes between the City and Syncora with respect to (a) any Class 9 Claim or Class 14 Claim held by Syncora, (b) the Plan and all objections filed by Syncora related to the Plan (including any objection related to the UTGO Settlement) and (c) all issues arising in connection with the Dismissed Syncora Litigation, including, but not limited to, issues arising in connection with the COP Swap Settlement and the Tunnel Lease. In the absence of the Syncora Settlement, the City's emergence from chapter 9 likely would have been delayed by additional litigation and burdened with additional expenses, with no assurance of a better result for the City. The Syncora Settlement is (a) a reasonable exercise of the City's business judgment and (b) within the range of reasonable results if the disputes resolved by the Syncora Settlement were instead litigated to a conclusion.

2. As part of the Syncora Settlement and to resolve all pending litigation involving the City and Syncora, the parties have agreed to enter into certain transactions (collectively, the "Syncora Redevelopment Transactions"), which include: (a) the amendment, assumption and extension of the Tunnel Lease;⁶³ (b) the Syncora Development Agreement;⁶⁴ and (c) the agreement between the City and Pike Pointe Holdings, LLC (the "Developer"), a subsidiary of

⁶³ See Plan, at Exhibit I.A.344.

⁶⁴ See Plan, at Exhibit I.A.340.

Syncora, that provides the Developer, for a period of one year following the Effective Date, with the option to enter into a 30-year concession agreement to operate and maintain the Grand Circus Parking Garage. The Syncora Redevelopment Transactions will provide the City with benefits that the City otherwise would be unable to realize, including by laying the groundwork for a decades-long partnership between the City and Syncora that promises to provide substantial investment in, and rehabilitation of, City assets on a mutually beneficial basis. In addition, pursuant to the Syncora Settlement, the City will pay Syncora the sum of \$5 million (the "Swap-Related Consideration") in consideration for Syncora's (a) dismissal of Syncora's appeals of the COP Swap Settlement Approval Order (Docket No. 4094) and the Order Regarding Casino Revenues and Automatic Stay (Docket No. 670) and (b) withdrawal of Syncora's other litigation claims arising from the COP Swap Documents.⁶⁵ The Swap-Related Consideration, and any consideration provided by the City to Syncora in connection with the Syncora Redevelopment Transactions, is separate and distinct from, and constitutes no part of, the treatment under the Plan of Class 9 COP Claims. The Syncora Development Agreement is solely for the benefit of Syncora (subject to any provision set forth in the Plan for payment of COP Agent Fees). The Syncora

⁶⁵ See Plan, at § IV.I.

Settlement provides benefits to Classes 7, 12 and 14 under the Plan that would otherwise have been unavailable thereto.

X. The FGIC/COP Settlement. The FGIC/COP Settlement is the result of extensive good faith, arm's length negotiations among the City, FGIC, the FGIC COP Holders and the State. The FGIC/COP Settlement is founded on a long term commitment by FGIC to the revitalization of core areas of the City and a partnership among FGIC, the City and the State focused on the City's growth. Without limiting the foregoing, the Court hereby finds as follows with respect to the FGIC/COP Settlement:

1. The compromises and settlements embodied in the FGIC/COP Settlement resolve all disputes between the City, FGIC and the FGIC COP Holders with respect to (a) all Class 9 or Class 14 Claims held by FGIC and all Class 9 Claims held by the FGIC COP Holders, (b) the Plan and any objection filed by FGIC or the FGIC COP Holders related to the Plan and (c) all issues arising in connection with the Dismissed FGIC/COP Litigation. In the absence of the FGIC/COP Settlement, the City's emergence from chapter 9 likely would have been delayed by litigation and burdened with additional expenses, with no assurance of a better result for the City. The FGIC/COP Settlement is (a) a reasonable exercise of the City's business judgment and (b) within the range of

reasonable results if the disputes resolved by the FGIC/COP Settlement were instead litigated to a conclusion.

2. As part of the FGIC/COP Settlement and to resolve all pending litigation involving the City and FGIC, the City and FGIC have agreed to enter into the FGIC Development Agreement. The FGIC Development Agreement will provide the City with various benefits that the City otherwise would be unable to realize, including by laying the groundwork for a decades-long partnership among the City, FGIC and the State that promises to provide substantial investment in, and rehabilitation of, City assets. Any consideration provided by the City to FGIC in connection with the FGIC Development Agreement is separate and distinct from, and constitutes no part of, the treatment under the Plan of Class 9 COP Claims. The FGIC Settlement Consideration and the FGIC Development Agreement are solely for the benefit of FGIC and the FGIC COP Holders (subject to any provision set forth in the Plan for payment of COP Agent Fees).⁶⁶

⁶⁶ In addition, pursuant to the FGIC/COP Settlement, in full satisfaction and discharge of FGIC's Claims against the City related to the COP Swap Documents, FGIC will receive an Allowed Class 14 Claim in the amount of \$6.13 million and the Downtown Development Authority shall assign to FGIC all of the Downtown Development Authority's right, title and interest to its distribution of New B Notes under the Plan on account of its \$33.6 million Class 13 Claim. This consideration is solely for FGIC's benefit.

The FGIC/COP Settlement provides benefits to Classes 7, 12 and 14 under the Plan that would otherwise have been unavailable thereto.

3. The consideration to be paid by the City pursuant to the Syncora Settlement and the FGIC/COP Settlement is expected to be offset by certain newly-identified sources of revenue not incorporated into the City's July and September 2014 Projections (the "Prior Projections"), meaning that (a) the City's overall cash position set forth in the Prior Projections remains materially unchanged in the City's October 2014 Projections (incorporating the costs of the Syncora Settlement and the FGIC/COP Settlement) and (b) the City will have sufficient cash and revenues to satisfy its obligations under the Settlements and meet its operating expenses going forward.

Y. ASF Recoupment. ASF Recoupment, as set forth at Section II.B.3.r.ii.D of the Plan, is: (1) an integral component of the City's global settlement of pension-related and other labor-related issues negotiated with, among others, the Retirement Systems and the Retiree Committee; and (2) is well within the range of possible reasonable settlements.

1. During the period beginning in the mid-1980s until fiscal year 2012, Annuity Savings Fund accounts maintained on behalf of certain participants (who voluntarily contributed after tax dollars into the Annuity Savings Fund maintained by the GRS) often were credited with interest in excess of the

actual or market rate of return for assets in the GRS Traditional Pension Plan (such interest, the "ASF Excess Interest"). Because the assets credited to such Annuity Savings Fund accounts were coinvested with the assets of the GRS Traditional Pension Plan, assets of the GRS Traditional Pension Plan were allocated to the applicable Annuity Savings Fund accounts to fund such ASF Excess Interest. The City asserts that the aggregate total of such ASF Excess Interest credited during the period from 2003 through 2013 was approximately \$387 million. The ASF Recoupment contemplated by the Plan would recover approximately \$190 million in total ASF Excess Interest credited to Annuity Savings Fund accounts through reductions to retiree pension benefits and asset transfers from active GRS participants.

2. The City has argued that the crediting of ASF Excess Interest to Annuity Savings Fund accounts constitutes a violation under Michigan Public Act 314 of 1965, the Public Employee Retirement System Investment Act, as well as the common law of trusts of the fiduciary duties owed to the GRS Traditional Pension Plan by the GRS Trustees and was an *ultra vires* act under the Detroit City Charter. Several GRS participants object, and assert a number of defenses to, the ASF Recoupment proposed by the City.

3. The Court does not rule on the merits of the City's claim to recover ASF Recoupment or the merits of the GRS participants' defenses.

The Court reviews the parties' respective positions solely to determine whether the ASF Recoupment component of the City's broader pension-related settlement is reasonable. The Court finds substantial merit in the City's claim to recover ASF Excess Interest. The legal authority of the GRS Trustees to credit ASF Savings Fund Accounts with ASF Excess Interest was doubtful, and the prudence of the practice even more so. The Court further finds that the defenses to ASF Recoupment asserted by the objecting GRS participants likely have little merit. Accordingly, the Court finds that the City would have a reasonable likelihood of success (between 60% and 70%) on any claim to recover ASF Excess Interest. Nevertheless, the length, complexity and expense of any such litigation, and related issues of collectability, would be substantial.

4. ASF participants received due process of law with respect to ASF Recoupment. In particular, ASF participants received (a) the Plain Language Supplement as part of their Solicitation Packages describing in detail the effect of ASF Recoupment (as well as subsequent communications from the City, the Retiree Committee, the Retirement Systems and certain retiree associations) and (b) sufficient opportunity to object to the Plan and ASF Recoupment, an opportunity exercised by many ASF participants.⁶⁷

⁶⁷ See Certificate of Service (Docket No. 6177), at ¶¶ 10, 14.

5. ASF Recoupment will not cause the amounts recovered from ASF Distribution Recipients to exceed the ASF Recoupment Cap or the Current GRS Retiree Adjustment Cap as such amounts are amortized over time using a 6.75% interest rate. Subject to Section II.B.3.r of the Plan, GRS participants subject to ASF Recoupment have the option to pay the ASF Recoupment Amount in a lump sum. The caps and other limitations on ASF Recoupment limit the hardship resulting to GRS participants therefrom.

Z. Plan Releases. Each non-Debtor party that will benefit from the releases, exculpations and related injunctions set forth in, among others, Sections III.D.5, III.D.6 and III.D.7 of the Plan (collectively, the "Plan Releases") either shares an identity of interest with the City, was instrumental to the successful prosecution of the Chapter 9 Case or provided substantial consideration, which value will allow for distributions that would not otherwise be available but for the contributions made by such non-Debtor parties. The Plan Releases are, individually and collectively, integral to, and necessary for the successful implementation of, the Plan, essential to the City's restructuring and supported by reasonable consideration. The City and all creditors that voted to accept the Plan have expressly consented to the Plan Releases. Releases of non-Debtor parties pursuant to Section III.D.7 of the Plan were appropriately disclosed by the City in the Disclosure Statement, on each Ballot mailed to creditors and in the Plain

Language Supplement.⁶⁸ Accordingly, in light of all of the circumstances, the Plan Releases are consonant with the prevailing law in this District and are fair to the releasing parties. Without limiting the foregoing, the Court hereby finds as follows with respect to the Plan Releases:

1. The releases set forth in Section III.D.7.a of the Plan are consensual releases that apply only to holders of Claims that voted to accept the Plan. The Plan's consensual release provisions are lawful and appropriate.

2. The exculpation provision contained in Section III.D.6 of the Plan complies with applicable law and is appropriate. Such provision contains a carve-out for gross negligence and willful misconduct and is limited to claims arising out of the City's restructuring efforts and the Chapter 9 Case. In addition, the Plan's exculpation provision extends only to certain parties who either have settled with the City or have actively participated in the City's restructuring activities.

3. The non-consensual third party releases and related injunctions contained in the Plan (as such releases and injunctions may have been modified herein with respect to claims asserted against officers and employees of the City in their individual capacity pursuant to 42 U.S.C. § 1983 (*see* ¶¶ 22, 32 below)) are lawful and appropriate because unusual circumstances exist in the

⁶⁸ *See, e.g.*, Disclosure Statement, at 16, 28-29, 37, 39, 50, 52, 60.

City's Chapter 9 Case that justify their application. As far as this Court is aware, this is the first chapter 9 case wherein (a) the debtor has sought to compromise pension benefits for a municipality's active and retired workforce *and* (b) third parties under no obligation to contribute funds to creditors of a municipal debtor have volunteered to provide funding in addition to proposed recoveries under the debtor's plan of adjustment.

4. As part of the Grand Bargain, the State has agreed to contribute \$194.8 million to reduce the Retirement Systems' underfunding.⁶⁹ The settlements the City reached with representatives of its retirees and employees are conditioned upon the receipt of the State funding.⁷⁰ The contributions to be made by the State pursuant to the State Contribution Agreement are made in exchange for the release of, among other things, (a) the constitutionally-based claims asserted by the Retirement Systems and holders of Pension Claims that such Claims may not be impaired and (b) certain litigation identified in the State Contribution Agreement. The funding obligation of the State under the State Contribution Agreement is expressly conditioned upon the State and the State Related Entities obtaining the release set forth in Section III.D.7.b of the Plan.⁷¹

⁶⁹ See Plan, at Exhibit I.A.332 (State Contribution Agreement).

⁷⁰ See Plan, at Exhibits I.A.127, I.A.332.

⁷¹ See Plan, Exhibit I.A.332, at 5.

The funding obligation of the DIA Funders under the DIA Settlement Documents is expressly conditioned upon the State's provision of funding pursuant to the State Contribution Agreement.⁷² Because (a) the consummation of both the State Contribution Agreement and the DIA Settlement – and, thus, the State's and DIA Funders' respective contributions pursuant thereto – depends upon the approval of the releases set forth at Section III.D.7.b of the Plan; (b) the releases set forth at Section III.D.7.b of the Plan apply only with respect to holders of Class 10 and Class 11 Claims, *i.e.*, direct beneficiaries of both the State Contribution Agreement and the DIA Settlement; and (c) such provisions otherwise comply with applicable law, the Court hereby finds that the releases set forth at Section III.D.7.b of the Plan and any related injunctions are lawful and appropriate under the unusual circumstances of the City's Chapter 9 Case.

MISCELLANEOUS

AA. Exit Facility. The terms and conditions of the Exit Facility and all of the transaction documents governing the Exit Facility, including, but not limited to, bond purchase agreements, indentures, bond forms, account control agreements and all other related documents and agreements (collectively, the "Exit Facility Documents") and the fees to be paid thereunder (1) are fair and reasonable, (2) reflect the City's exercise of prudent judgment, (3) are supported by reasonably

⁷² See Plan, Exhibit I.A.127, at 3.

equivalent value and fair consideration, (4) are proposed in good faith, (5) are critical to the success and feasibility of the Plan and (6) are in the best interests of the City. The Exit Facility and the fees to be paid thereunder are the result of a full and fair marketing process conducted by the City and its agents and advisors.

The Exit Facility and the Exit Facility Documents and the fees to be paid thereunder were negotiated in good faith, without fraud or collusion and at arm's length among the parties, without the intent to hinder, delay or defraud any creditor of the City, and are supported by reasonably equivalent value and fair consideration. Credit extended under the Exit Facility and the Exit Facility Documents is extended in good faith for purposes and uses that are permitted by law, and not in violation of the Bankruptcy Code or of applicable nonbankruptcy law, and the Exit Facility (including the transactions contemplated by the Exit Facility Documents) is not prohibited by applicable bankruptcy or nonbankruptcy law. Each of (1) the MFA, (2) Barclays Capital Inc. (or such other qualifying affiliate as transferee), (3) the indenture trustee to be named under the Exit Facility Documents and (4) the holders of the bonds to be issued in connection with the Exit Facility (collectively, the "Exit Bonds"), therefore, shall not be affected by any reversal, modification, vacatur, amendment, reargument or reconsideration of this Order, any order finding jurisdiction, the Order for Relief or any other order.

BB. Waiver of Stay of Confirmation Order. To enable the City to (1) consummate the DIA Settlement and the State Contribution Agreement expeditiously, both of which settlements are conditioned upon the occurrence of the Effective Date; (2) begin implementing, and making distributions to the City's creditors pursuant to, the Plan; and (3) emerge from bankruptcy as expeditiously as possible to minimize costs to all parties and remedy its service delivery insolvency, good cause exists to support a waiver of the stay imposed by Bankruptcy Rule 3020(e).

ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED AND DECREED, AS FOLLOWS:

A. Confirmation of Plan

1. The Plan and each of its provisions (whether or not specifically approved herein) are CONFIRMED in each and every respect, pursuant to section 943 of the Bankruptcy Code. Failure specifically to include or reference particular sections or provisions of the Plan or any related agreement in this Order shall not diminish or impair the effectiveness of such sections or provisions, it being the intent of the Court that the Plan be confirmed and such related agreements be approved in their entirety.

2. The Effective Date of the Plan shall occur on the date determined by the City when the conditions set forth in Section III.A of the Plan

have been satisfied or, if applicable, have been waived in accordance with Section III.B of the Plan.

3. Any objections or responses to Confirmation of the Plan and the reservation of rights contained therein that (a) have not been withdrawn, waived or settled prior to the entry of this Order or (b) are not cured by the relief granted herein are hereby OVERRULED in their entirety and on their merits, and all withdrawn objections or responses are hereby deemed withdrawn with prejudice.

B. Findings of Fact and Conclusions of Law

4. Any finding of fact set forth in this Order constitutes a finding of fact even if it is stated as a conclusion of law, and any conclusion of law set forth in this Order constitutes a conclusion of law even if it is stated as a finding of fact. All findings of fact and conclusions of law announced by the Court on the record in connection with confirmation of the Plan or otherwise at the Confirmation Hearing or in the Confirmation Opinion are incorporated herein by reference.⁷³ The findings of fact and conclusions of law set forth herein, in the

⁷³ The findings of fact and conclusions of law that are (a) set forth herein, (b) announced on the record during the Confirmation Hearing and (c) in the Confirmation Opinion shall be construed in a manner consistent with each other so as to effect the purpose of each; *provided, however*, that if there is any direct conflict that cannot be reconciled, then, solely to the extent of such conflict, the provisions of the Confirmation Opinion shall govern and

Confirmation Opinion and in the record of the Confirmation Hearing constitute the Court's findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, as made applicable herein by Bankruptcy Rules 7052 and 9014.

C. Approval of Settlements

5. Consistent with the findings herein, the DIA Settlement, the State Contribution Agreement, the UTGO Settlement, the LTGO Settlement, the 36th District Court Settlement, the OPEB Settlement, the Syncora Settlement and the FGIC/COP Settlement (collectively, the "Settlements"), including, without limitation, any and all of the transactions contemplated, liens granted and protections created therein, are approved in all respects as good faith, fair, reasonable and equitable compromises and settlements of all disputes with respect to the subject matter thereof that are in the best interests of the City and its creditors and residents.

6. The entry of this Order constitutes: (a) approval of the each of the Settlements pursuant to, as applicable, (i) the Bankruptcy Rules, including Bankruptcy Rule 9019, (ii) the Bankruptcy Code, including section 1123 thereof

(continued...)

shall control and take precedence over any findings of fact or conclusions of law announced on the record at the Confirmation Hearing or in the Confirmation Opinion.

and (iii) any and all applicable State law, including, but not limited to, (A) Act 279, Public Acts of Michigan, 1909, as amended, (B) PA 436, (C) Act 34, Public Acts of Michigan, 2001, as amended, and (D) Act 80, Public Acts of Michigan, 1981, as amended; and (b) authorization for the City to enter into each Settlement and take any and all actions necessary or appropriate to perform under or implement the terms of the applicable agreements.

7. The transfer under the Plan and the DIA Settlement of the DIA Assets, including without limitation (a) the real property located at 5200 Woodward Avenue, Detroit, Michigan, (b) the underground parking garage commonly known as the "Cultural Center Garage," located at 41 Farnsworth Street, Detroit, Michigan, (c) the parking lot located at 5200 Woodward Avenue, Detroit, Michigan, (d) the parking lot, commonly known as the "Frederick Lot," located at 318 Frederick Street, Detroit, Michigan and (e) the art collection located in the DIA, shall be free and clear of all liens, claims and interests (as such terms are defined in the Bankruptcy Code) of the City and its creditors.

8. As provided in the Plan, on the Effective Date, the UTGO Settlement Agreement shall be binding on the City, Ambac, Assured and NPFG. All exculpations and releases granted pursuant to the UTGO Settlement, including, without limitation, the releases and exculpations granted pursuant to Sections 6.1 and 6.2 of the UTGO Settlement Agreement, are hereby approved in their entirety.

The Court approves such settlements and releases on the grounds that good and valuable consideration has been provided therefor, and that such provisions are fair, equitable, reasonable and integral elements of the UTGO Settlement Agreement.

9. The proceeds of the UTGO Bond Tax Levy collected by the City shall be segregated and transmitted to the Debt Millage Escrow Trustee (as such term is defined at Section 2.4(a) of the UTGO Settlement Agreement) under the Debt Millage Escrow Agreement (as such term is defined at Section 1.2 of the UTGO Settlement Agreement), and the Debt Millage Escrow Trustee shall segregate and transmit the proceeds allocable to the Municipal Obligation to the Master Trustee (as such term is defined at Section 1.2 of the UTGO Settlement Agreement) in accordance with Section 2.4(a) of the UTGO Settlement Agreement.

10. Pursuant to the Section 2.7(b) of the UTGO Settlement Agreement, the City shall certify annually, not later than June 30 of each year, that it has imposed the debt millage levy as required by and in accordance with the terms of the UTGO Settlement Agreement.

11. All exculpations and releases granted pursuant to the LTGO Settlement, including, without limitation, the releases and exculpations granted pursuant to Sections 6.1 and 6.2 of the LTGO Settlement Agreement, are hereby approved in their entirety. The Court hereby approves such settlements and releases on the grounds that good and valuable consideration has been provided

therefor, and that such provisions are fair, equitable, reasonable and integral elements of the LTGO Settlement.

12. All consent rights granted by the City to the LTGO Settlement Parties, on behalf of the holders of Allowed Limited Tax General Obligation Bond Claims, as reflected in the LTGO Settlement and specifically in Section II.B.3.p.i.A of the Plan, with respect to pre-Effective Date and post-Effective Date settlements of the COP Litigation are integral elements of the LTGO Settlement and supported by good and valuable consideration.

13. In accordance with the LTGO Settlement, each month, the City shall segregate and deposit into a debt service fund monies for the payment of one-sixth of the next semi-annual debt service payable on the New LTGO Bonds, which monies shall not be used for any purpose other than paying debt service on the New LTGO Bonds so long as any New LTGO Bonds remain outstanding.

14. The Syncora Settlement Documents, including, but not limited to, (a) the Settlement Agreement between the City and Syncora, (b) the Syncora Development Agreement (including the garage option) and (c) the Tunnel Lease, and all transactions contemplated thereby, are hereby approved in all respects. The Syncora Development Agreement shall be administered by, and consideration related thereto shall be distributed to, Syncora in a manner consistent with this Order and the Plan.

15. Notwithstanding anything to the contrary in this Order or the Plan (including, without limitation, Sections II.B.3.p.i.A, III.D.6 or IV.L of the Plan, the FGIC/COP Settlement or the Syncora Settlement): (a) none of the form, method, mechanics or allocation of distributions in Section II.B.3.p.i.A of the Plan, nor any findings or orders of the Bankruptcy Court related thereto, shall, or shall be asserted or construed to, affect or prejudice any rights, claims or defenses between the COP Swap Counterparties, on the one hand, and any Settling COP Claimant (including Syncora, FGIC and the FGIC COP Holders) or COP Insurer, on the other hand. Subject to the proviso at the end of this paragraph, the preceding sentence hereby amends and replaces in its entirety the fourth paragraph of Section II.B.3.p.i.A of the Plan; (b) neither (i) any determinations, adjudications, findings or rulings in the Plan or by the Bankruptcy Court regarding the distributions or consideration provided to the COP Insurers or the Settling COP Claimants under the Plan, including whether such distributions or consideration are solely for the benefit of any particular parties nor (ii) any acceleration or deemed acceleration of any COPs provided for in the Plan or by the Bankruptcy Court shall in any way affect or prejudice any rights, claims or defenses of the COP Swap Counterparties, including with respect to such distributions or consideration; and (c) no release or agreement by any COP Agent provided for in the Plan (including, without limitation any agreement not to sue any COP Holder or any COP Insurer

in Section II.B.3.p.i.A of the Plan) or by the Bankruptcy Court, shall in any way affect any liability of such COP Holder, COP Insurer or COP Agent to any COP Swap Counterparty (or to any COP Agent on behalf of such COP Swap Counterparty) or impair in any way the rights or obligations of any COP Swap Counterparty or COP Agent (on behalf of any COP Swap Counterparty) to sue any COP Holder, COP Insurer or COP Agent; *provided, however* that, notwithstanding anything in this paragraph to the contrary, the COP Swap Counterparties have agreed not to, and shall not, seek to enjoin, block, prevent, subject to any lien (other than a judgment lien) or otherwise interfere with (a) the distribution by the Debtor of the Class 9 Settlement Asset Pool and New B Notes to, as applicable, FGIC, the FGIC COP Holders, Syncora and the Settling COP Claimants under and as provided for in Section II.B.3.p.i.A of the Plan, (b) any performance, operation, administration of, sale of, transfer of, assignment of or other action with respect to the FGIC Development Agreement, the Syncora Development Agreement or the Tunnel Lease (it being understood that this clause (b) shall not impair any rights or claims of the COP Swap Counterparties to monetary damages related to such agreements or the value thereof), or (c) except as a defense, counterclaim or claim against and in response to a party asserting a counterclaim, in each case asserted by either of the COP Swap Counterparties, distributions to FGIC, the FGIC COP

Holders, Syncora and the Settling COP Claimants (as applicable) of the proceeds of any of the foregoing.

16. The FGIC/COP Settlement Documents, including, but not limited to, (a) the Settlement Agreement between the City and FGIC, (b) the Stipulation Regarding FGIC Plan COP Settlement and FGIC COP Swap Settlement and (c) the FGIC Development Agreement, and all transactions contemplated thereby are hereby approved in all respects. The FGIC Settlement Consideration and the FGIC Development Agreement shall be administered and distributed to FGIC and the FGIC COP Holders in a manner consistent with this Order and the Plan. The allocation of Plan distributions among FGIC and the FGIC COP Holders shall be determined in accordance with agreements among FGIC and the FGIC COP Holders disclosed in a term sheet filed with the Court on October 22, 2014, as the same was amended on October 27, 2014 and may be subsequently amended (with the written consent of the parties thereto) and more fully documented (the "FGIC/FGIC COP Holders Term Sheet"). Pursuant to the FGIC/COP Settlement, the Downtown Development Authority shall, as of the Effective Date, irrevocably assign to FGIC all of the New B Notes that the Downtown Development Authority is entitled to receive pursuant to its Class 13 Allowed Claim.

17. The COP Service Corporations shall enter into such Supplemental Trust Agreements as FGIC and Syncora may reasonably request with respect to their respective insured COPs as long as such Supplemental Trust Agreements (a) do not impose any additional obligations or liability on the COP Service Corporations and (b) are consistent with the allocation of Plan distributions among FGIC and the FGIC COP Holders agreed to by and among FGIC and the FGIC COP Holders pursuant to the FGIC/FGIC COP Holders Term Sheet.

18. Pursuant to and in accordance with the New C Notes Documents, revenues collected by the City related to (a) tickets issued for parking violations (including, but not limited to, meter collections, towing, storage fees and booting fees), other than revenues that would otherwise be paid to the 36th District Court, and (b) if the New C Notes are issued in a principal amount greater than \$21,271,804, garage operations at the Parking Garages (collectively, the "City Parking Revenues") shall be directly remitted to a bank or banks or other financial institution which the Emergency Manager designates as a depository of the City (such institution, the "Depository Bank"). The Depository Bank shall deposit City Parking Revenues received by it into a special, separate and segregated fund (the "City Parking Revenue Fund") established at the Depository Bank. Beginning on the date of delivery of the New C Notes and commencing on the first day of each fiscal year thereafter, each day, City Parking Revenues deposited into the City

Parking Revenue Fund shall be remitted by the Depository Bank to a special, separate and segregated account held for and on behalf of the City (the "Debt Retirement Fund") by the bond registrar, transfer agent and paying agent for the New C Notes until sufficient funds are on deposit in the Debt Retirement Fund to pay the principal and interest payable on the New C Notes on the last day of that Fiscal Year (such amount, the "Annual Deposit Requirement"). Once the Annual Deposit Requirement is satisfied for that fiscal year, any additional City Parking Revenues deposited in the City Parking Revenue Fund during that fiscal year may be remitted to the City for deposit into the General Fund and may be used by the City for any other purposes permitted by law.

D. Approval of Releases and Exculpation

19. The Plan Releases set forth in Section III.D.7 of the Plan are approved in all respects, are incorporated herein in their entirety, are so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Court, any of the parties to such releases or any other party.

20. Without limiting any other applicable provisions of, or releases contained in, the Plan, this Order or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under

the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement), each holder of a Claim that voted in favor of the Plan, to the fullest extent permissible under law, is hereby deemed to forever release, waive and discharge all Liabilities in any way relating to: (a) the City, the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), the Plan, the Exhibits or the Disclosure Statement, in each case that such holder has, had or may have against the City or its current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity (and, in addition to and without limiting the foregoing, in the case of any Emergency Manager, in such Emergency Manager's capacity as an appointee under PA 436), *provided that*, for the avoidance of doubt, any person or entity designated to manage the Chapter 9 Case for the City after the Emergency Manager's term is terminated, whether such person or entity acts as an employee, advisor or contractor to the City or acts as an employee, agent, contractor or appointee of the State under any applicable state law, shall be treated the same as an employee of the City hereunder; and (b) (i) Claims that are compromised, settled or discharged under or in connection with the Plan, (ii) the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), (iii) the Plan, (iv) the Exhibits, (v) the Disclosure Statement or

(vi) the DIA Settlement, in each case that such holder has, had or may have against the City's Related Entities, the State, the State Related Entities and the Released Parties; *provided, however*, that any such Liability of the Foundations, the DIA Funders and the CFSEM Supporting Organization and their Related Entities shall be released only to the extent that such Liability, if any, arises from any such entity's participation in the DIA Settlement.

21. Nothing in paragraph 20 hereof shall (a) affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; or (b) release (i) the City's obligations under the Plan or (ii) any defenses that any party may have against the City, its Related Entities, the State, the State Related Entities or the Released Parties.

22. For the avoidance of doubt, notwithstanding anything in the Plan or this Order (including paragraph 20) to the contrary, claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983 shall not be released.

23. If the State Contribution Agreement is consummated, each holder of a Pension Claim will be deemed forever to release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the

authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the foregoing sentence does not provide for a release, waiver or discharge of obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (a) pensions as modified by the Plan or (b) labor-related obligations, which post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law or the Plan, or, with respect to pensions only, the GRS or the PFRS.

24. As a condition to the State funding, the State and certain parties, including Michigan Council 25, Sub-Chapter 98, Local 3308 and Local 917 of AFSCME, entered into certain Support and Release Agreements and, for the avoidance of doubt, in the event of an express conflict between any such Support and Release Agreement, on the one hand, and the Plan, Plan Supplements or this Order, on the other hand, as to the parties to these Support and Release Agreements, their respective Support and Release Agreement shall govern.

25. Notwithstanding Sections III.D.5 through III.D.7 and IV.L of the Plan, paragraph Z of the above findings (titled "Plan Releases") and paragraphs 19 through 21 and 29 through 33 hereof, except as set forth in the COP Swap Settlement, nothing in the Plan or this Order shall or shall be deemed to provide a release by the COP Swap Counterparties of any Liabilities related to the COPs, the COP Service Corporations, the Transaction Documents (as defined in the COP Swap Settlement), the COP Swap Settlement or the COP Swap Settlement Approval Order.

26. Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each Settling COP Claimant shall be, and hereby is, to the fullest extent permitted under law, deemed to forever release, waive and discharge all Liabilities relating to COP Documents such Settling COP Claimant has, had or may have against the (a) the GRS, (b) the PFRS or (c) Related Entities of either the GRS or the PFRS. At the direction of FGIC, which shall be, and hereby is, deemed given on the Effective Date, the COP Contract Administrator shall have irrevocably agreed (on behalf of

itself, any successors and each FGIC COP Holder) to release and not to sue any COP Holder or any COP Insurer on behalf of any FGIC COP Holder, COP Insurer, the Detroit Retirement Systems Funding Trust 2005 or the Detroit Retirement Systems Funding Trust 2006 in connection with any liability arising in connection with or related to (a) Sections 6.5 and 9.1 of the Contract Administration Agreements, (b) Section 8.03 of the COP Service Contracts, (c) distributions made pursuant to or in connection with Section II.B.3.p.i.A of the Plan, (d) the FGIC/COP Settlement or (e) the Syncora Settlement. On the Effective Date, Syncora and FGIC shall be, and hereby are, to the fullest extent permitted under law, deemed to forever mutually release, waive and discharge all liabilities against each other relating to distributions made pursuant to or in connection with Section II.B.3.p.i.A of the Plan, Sections 6.5 and 9.1 of the Contract Administration Agreements or Section 8.03 of the COP Service Contracts.

27. The exculpation provision set forth in Section III.D.6 of the Plan is approved in all respects, is incorporated herein in its entirety, is so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Court, any of the parties to such exculpation or any other party. From and after the Effective Date, to the fullest extent permitted under applicable law and except as expressly set forth in this paragraph, neither the City; its Related Entities (including the members of the City Council, the Mayor

and the Emergency Manager), to the extent a claim arises from actions taken by such Related Entity in its capacity as a Related Entity of the City; the State; the State Related Entities; the Exculpated Parties; nor the Released Parties shall have or incur any liability to any person or Entity for any act or omission in connection with, relating to or arising out of the City's restructuring efforts and the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the formulation, preparation, negotiation, dissemination, consummation, implementation, confirmation or approval (as applicable) of the Plan, the property to be distributed under the Plan, the settlements implemented under the Plan, the Exhibits, the Disclosure Statement, any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan or the management or operation of the City; *provided that* the foregoing provisions shall, and hereby do, apply to (a) the LTGO Exculpated Parties solely in connection with acts or omissions taken in connection with the LTGO Settlement Agreement or the Plan (as it relates to the LTGO Settlement Agreement), (b) the UTGO Exculpated Parties solely in connection with acts or omissions taken in connection with the UTGO Settlement Agreement or the Plan (as it relates to the UTGO Settlement Agreement), (c) the DWSD Exculpated Parties solely in connection with acts or omissions taken in connection with the DWSD Tender, DWSD Tender Motion or DWSD Tender Order, (d) the

Syncora Exculpated Parties solely in connection with acts or omissions taken in connection with the Syncora Settlement Documents and any actions or litigation positions taken by the Syncora Exculpated Parties in the Chapter 9 Case, (e) the FGIC/COP Exculpated Parties solely in connection with acts or omissions taken in connection with the FGIC/COP Settlement Documents and any actions or litigation positions taken by the FGIC/COP Exculpated Parties in the Chapter 9 Case, (f) the RDPMA Exculpated Parties and (g) the COP Agent, solely in its capacity as such and solely in connection with any Distributions made pursuant to the terms of the Plan; *provided, further*, that the foregoing provisions of this paragraph shall not affect the liability of the City, its Related Entities, the State, the State Related Entities, the Released Parties and the Exculpated Parties that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct or any act or omission occurring before the Petition Date. The City, its Related Entities (with respect to actions taken by such Related Entities in their capacities as Related Entities of the City), the State, the State Related Entities, the Released Parties and the Exculpated Parties shall be entitled to rely upon the advice of counsel and financial advisors with respect to their duties and responsibilities under, or in connection with, the Chapter 9 Case, the administration thereof and the Plan. This paragraph shall not affect any liability of

(a) any of the COP Swap Exculpated Parties to the Syncora Exculpated Parties or FGIC or (b) the Syncora Exculpated Parties or the FGIC/COP Exculpated Parties to any of the COP Swap Exculpated Parties. For the avoidance of doubt, notwithstanding anything in the Plan or this paragraph to the contrary, officers or employees of the City acting in their individual capacity shall not be exculpated from liability for claims asserted pursuant to 42 U.S.C. § 1983.

E. Order Binding on All Parties

28. Subject to the provisions of Section III.A of the Plan, in accordance with section 944(a) of the Bankruptcy Code and notwithstanding any otherwise applicable law, upon the occurrence of the Effective Date, the terms of the Plan and this Order shall be binding upon, and inure to the benefit of: (a) the City; (b) any and all holders of Claims (irrespective of whether (i) any such Claim is impaired under the Plan, (ii) proof of any such Claim has been filed or deemed filed under section 501 of the Bankruptcy Code, (iii) any such Claim is allowed under section 502 of the Bankruptcy Code or (iv) whether the holders of such Claims accepted, rejected or are deemed to have accepted or rejected the Plan); (c) the registered and beneficial holders of COPs; (d) any other person giving, acquiring or receiving property under the Plan; (e) any and all non-Debtor parties to Executory Contracts or Unexpired Leases with the City; (f) any party to any Settlement; and (g) the respective heirs, executors, administrators, trustees,

affiliates, officers, directors, agents, representatives, attorneys, beneficiaries, guardians, successors or assigns, if any, of any of the foregoing. All settlements (including, without limitation, the Settlements), compromises, releases (including, without limitation, the Plan Releases), waivers, discharges, exculpations and injunctions set forth in the Plan shall be, and hereby are, operative, effective and binding on all Persons who may have had standing to assert any settled, released, discharged, exculpated or enjoined causes of action, and no other Person or entity shall possess such standing to assert such causes of action after the Effective Date. The compromises and settlements (including, without limitation, the Settlements) embodied in the Plan, along with the treatment of any associated Allowed Claims, shall not be subject to any collateral attack or other challenge by any Entity in any court or other forum.

F. Discharge of Claims

29. The Plan discharge provisions set forth in Section III.D.4 of the Plan are approved in all respects, are incorporated herein in their entirety, are so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Court or any other party.

30. In accordance with Section III.D.4 of the Plan, except as specifically provided otherwise in the Plan or this Order, as of the Effective Date, pursuant to sections 524(a)(1), 524(a)(2) and 944(b) of the Bankruptcy Code, all

debts of the City shall be, and hereby are, discharged, and such discharge will void any judgment obtained against the City at any time, to the extent that such judgment relates to a discharged debt; *provided that*, in accordance with section 944(c)(1) of the Bankruptcy Code, such discharge shall not apply to (a) debts specifically exempted from discharge under the Plan, (b) debts held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case, (c) claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983 or (d) Claims of (i) T&T Management, Inc., (ii) HRT Enterprises and (iii) the John W. and Vivian M. Denis Trust related to condemnation or inverse condemnation actions against the City alleging that the City has taken private property without just compensation in violation of the Takings Clause of the Fifth Amendment to the United States Constitution.

G. Release of Liens

31. The release and discharge of all Liens against the City's property set forth in Section IV.M of the Plan are approved in all respects, are incorporated herein in their entirety, are so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Court. As of the Effective Date, (a) the holders of such Liens are hereby authorized and directed to release any collateral or other property of the City (including any cash collateral) held by such holder and to take such actions as

may be requested by the City to evidence the release of such Lien, including (i) the execution, delivery, filing or recording of appropriate releases and (ii) the taking of any action necessary to implement, consummate and otherwise effect the Plan in accordance with its terms, and (b) the City shall be authorized to execute and file on behalf of creditors such forms as may be necessary or appropriate to implement the provisions of Section IV.M of the Plan and this paragraph. All entities holding Claims against the City shall be, and hereby are, bound by the terms and provisions of all documents executed and delivered by them in connection with the Plan.

Upon the entry of this Order, all entities holding Claims against the City that are treated under the Plan, and other parties in interest, along with their respective present or former employees, agents, officers, directors or principals, shall be, and hereby are, enjoined from taking any actions to interfere with the implementation and consummation of the Plan.

H. Injunction

32. On the Effective Date, except as otherwise provided in the Plan or in this Order, all Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims asserted against officers or employees of the City in their official capacity, along with their Related Entities, shall be, and hereby are, permanently enjoined from taking any of the following actions against or affecting the City or its

property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such Claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from this Order): (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property (including (i) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (ii) Indirect 36th District Court Claims and (iii) Indirect Employee Indemnity Claims asserted against officers or employees of the City in their official capacity); (b) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the City or its property; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property; (e) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of this Order, the Plan or the Settlements (to the extent such Settlements have been approved by the Court herein); and (f) taking any actions to interfere with the implementation or consummation of the Plan. For the avoidance of doubt, notwithstanding anything

in the Plan or this Order (including this paragraph) to the contrary, claims against officers or employees of the City in their individual capacity under 42 U.S.C.

§ 1983 shall not be enjoined. In addition, all individuals affected by the AFS Recoupment are enjoined from commencing any proceeding against the GRS and its trustees, officers, employees or professionals arising from GRS's compliance with the Plan or this Order.

33. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan shall be, and hereby are, permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (b) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (d) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the

DRCEA, or a Released Party; and (e) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan or this Order. Notwithstanding the provisions of this paragraph and without limiting the injunctions in Section III.D.5.a of the Plan or paragraph 32 hereof, the holders of Indirect 36th District Court Claims shall not be enjoined from taking any of the foregoing actions against the State or the State Related Entities with respect to Indirect 36th District Court Claims to the extent such Claims are not satisfied pursuant to the Plan.

34. During the period that begins on the Effective Date and ends on June 30, 2023, the trustees of the PFRS, the trustees of the GRS or the trustees of any successor trust or pension plan to either the PFRS or the GRS shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS or the GRS (as applicable) that shall be 6.75%. Except as may be required to maintain the tax-qualified status of the PFRS or the GRS, or to comply with the terms of the Plan or this Order, the City, the trustees of the PFRS, the trustees of the GRS and all other persons or entities shall be, and hereby are, enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of either the PFRS, the GRS or any successor plan or trust to either the PFRS or the GRS, that govern the calculation of pension benefits (including, as applicable, the PFRS Adjusted

Pension Amount, the GRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior PFRS Pension Plan, the Prior GRS Pension Plan, the PFRS Restoration Payment, the GRS Restoration Payment, the New PFRS Active Pension Plan Formula, the New GRS Active Pension Plan Formula, the terms of the New PFRS Active Pension Plan and the terms of the New GRS Active Pension Plan) or against any action that governs the selection of the investment return assumptions described in Section II.B.3.q.ii.B of the Plan (with respect to the PFRS) or Section II.B.3.r.ii.B of the Plan (with respect to the GRS), the contributions to the PFRS or the GRS, or the calculation or amount of PFRS pension benefits or GRS pension benefits (as the case may be), for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

I. State Contribution Agreement

35. The State Contribution Agreement is approved in all respects, and the City is hereby authorized to enter into, and take any action necessary to perform under or implement, the terms thereof. The State shall file and serve via the Court's electronic case filing and noticing system a notice that the conditions precedent to the State's payment of the State Contribution (as set forth at

Section IV.D.3 of the Plan) have been satisfied or otherwise addressed pursuant to the procedures outlined in the State Contribution Agreement no later than ten days after all such conditions have been satisfied or otherwise addressed.

36. In accordance with Section IV.D.2 of the Plan, the Income Stabilization Funds of the GRS and the PFRS shall receive not less than an aggregate amount of \$20 million over 14 years of the Assigned UTGO Bond Tax Proceeds in the form of annual installment payments pursuant to a payment schedule approved by the State.

37. In accordance with Section 4.f.ii of the State Contribution Agreement, filed as Exhibit I.A.332 to the Plan, the governing documents of the GRS and the governing documents of the PFRS shall be amended to include (a) the governance terms and conditions set forth in Paragraph 2, Exhibit A and Exhibit B of the State Contribution Agreement and (b) the Income Stabilization Payments and Income Stabilization Fund described in Paragraph 3 of the State Contribution Agreement.

J. DWSD Authority Transaction

38. The Memorandum of Understanding Regarding the Formation of the Great Lakes Water Authority (the "Memorandum of Understanding"), filed as Exhibit A to the Notice of Execution of Framework for Creating a Water and Sewer Authority (Docket No. 7357), is approved in all respects. The City is

hereby authorized to enter into, and take any action necessary to perform under or implement, the terms of the Memorandum of Understanding and any final agreement resulting therefrom creating a regional water and sewer/stormwater authority to be called the Great Lakes Water Authority (the "GLWA") in accordance with, and subject to all approvals and consents required under, State law, the DWSD Tender Order, all documents related to the 2014 DWSD Refinancing Obligations, all documents related to the 2014 Revenue Refinancing Bonds, all documents related to the 2014 Revenue and Revenue Refinancing Bonds and the DWSD Bond Documents. The GLWA transaction contemplated in the Memorandum of Understanding, if consummated, would constitute a Qualifying DWSD Transaction as such term is defined in the Plan.

K. ASF Recoupment

39. ASF Recoupment is (a) an integral component of the City's global settlement of pension-related and other labor-related issues negotiated with, among others, the Retiree Committee, (b) is well within the range of possible reasonable settlements and (3) is approved in all respects. The City is hereby authorized to, and shall, on or as soon as reasonably practicable after the Effective Date, calculate the Annuity Savings Fund Excess Amount for each ASF Current Participant, and the GRS, at the direction of the City, and solely as agent of the City and without any liability accruing to the GRS, shall deduct the Annuity

Savings Fund Excess Amount from each such participant's Annuity Savings Fund account, which deducted amounts shall be used to fund the accrued pension benefits of all GRS participants; *provided, however*, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap and the Current GRS Retiree Adjustment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.

40. For each ASF Distribution Recipient who, after receipt of notice as required by the Plan and this Order, does not elect the ASF Recoupment Cash Option described in Section II.B.3.r.ii.D.2.ii of the Plan and in the case of any ASF Distribution Recipient that elected the ASF Recoupment Cash Option but does not timely deliver the ASF Recoupment Cash Payment to the GRS, the City is hereby authorized to, and shall, on or as soon as reasonably practicable after the Effective Date: (a) calculate the Annuity Savings Fund Excess Amount; and (b) convert such amount into monthly annuity amounts based on common actuarial assumptions (such as the ASF Distribution Recipient's life expectancy, and, if not already retired, expected date of retirement) and amortized using a 6.75% interest rate, and the GRS, pursuant to the Plan and at the direction of the Court, and

without any liability accruing to the GRS, shall deduct such monthly annuity amounts from the ASF Distribution Recipient's monthly pension check; *provided, however,* that in no event shall the total amount deducted from an ASF Distribution Recipient's monthly pension check exceed the ASF Recoupment Cap or the Current GRS Retiree Adjustment Cap, if applicable. The total ASF Recoupment from the ASF Distribution Recipient's monthly pension checks over time shall not exceed the amount necessary to amortize the applicable Annuity Savings Fund Excess Amount at 6.75% interest.

41. Each ASF Distribution Recipient shall be afforded the ASF Recoupment Cash Option. No later than seven days following the Effective Date, the City, through its Claims and Balloting Agent, shall send the ASF Election Notice and the ASF Election Form by first-class U.S. mail to each ASF Distribution Recipient. The ASF Election Form shall explain that the amount of the ASF Recoupment Cash Payment shall be equal to the total amount of ASF Recoupment shown on the ASF Distribution Recipient's Ballot, unless the aggregate amount of ASF Recoupment for all ASF Distribution Recipients electing the ASF Recoupment Cash Option exceeds \$30,000,000, in which case (a) the ASF Recoupment Cash Payment will be the ASF Distribution Recipient's Pro Rata portion of \$30,000,000, and (b) the remaining portion of the ASF Distribution Recipient's ASF Recoupment will be annuitized and deducted from the ASF

Distribution Recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i of the Plan. An ASF Distribution Recipient must return his or her ASF Election Form to the Claims and Balloting Agent so that it is actually received by the Claims and Balloting Agent by the ASF Election Date.

42. The GRS shall mail the ASF Final Cash Payment Notice no later than 14 days after the ASF Election Date. ASF Distribution Recipients shall have until the ASF Final Cash Payment Date to make the ASF Recoupment Cash Payment, which payment must be made by cashier's check or wire transfer and may not be made by personal check. If an ASF Distribution Recipient's ASF Recoupment Cash Payment is not received by the ASF Final Cash Payment Date, the GRS will notify the ASF Distribution Recipient of the failure to timely pay, and ASF Recoupment will be effected through diminution of such recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i of the Plan and paragraph 40 hereof. The calculation of each electing ASF Distribution Recipient's ASF Recoupment Cash Payment shall not be adjusted under any circumstances, including as a result of default by any other electing ASF Distribution Recipient to remit his or her ASF Recoupment Cash Payment by the ASF Final Cash Payment Date.

L. Survival of Indemnities

43. Notwithstanding anything to the contrary in this Order or the Plan, nothing in this Order or the Plan shall discharge or impair the obligations of the City as provided in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements as of the Petition Date to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of officers and employees of the City (consistent with the provisions hereof and including the members of the City Council, the Mayor and the Emergency Manager) and their Related Entities, in each case to the extent such Entities were acting in such capacity, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, foreseen or unforeseen, asserted or unasserted. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan or this Order and shall be, and hereby are, discharged. For the avoidance of doubt, no indemnification provision in any loan document, bond document, Bond Insurance Policy or other agreement with a Bond Insurer is exempted from discharge by reason of this paragraph.

M. Issuance of New Securities and Exemption From Securities Laws

44. The issuance of the New Securities by the City on the Effective Date or on a subsequent Distribution Date (as applicable) is hereby approved and

authorized. To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-bankruptcy law, the issuance of New Securities pursuant to the Plan is, and shall be, exempt from Section 5 of the Securities Act and any other applicable U.S. state or local law requiring registration prior to the offering, issuance, distribution, or sale of securities. Except as set forth in the Plan with respect to the Syncora Excess New B Notes, the New Securities (a) are not "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, and (b) are, and shall be, freely tradable and transferable by any initial recipient (including the Detroit General VEBA and the Detroit Police and Fire VEBA) thereof that (i) is not an "affiliate" of the City or applicable issuer as defined in Rule 144(a)(1) under the Securities Act, (ii) has not been such an "affiliate" within 90 days of such transfer and (iii) is not an entity that is an "underwriter" as defined in subsection (b) of Section 1145 of the Bankruptcy Code. It is hereby expressly found and determined that the Detroit General VEBA and the Detroit Police and Fire VEBA are not affiliates of the City within the meaning of Rule 144(a)(1) under the Securities Act.

N. Executory Contracts and Unexpired Leases

45. The Executory Contract and Unexpired Lease provisions of Section II.D of the Plan are specifically approved in all respects, are incorporated herein in their entirety and are so ordered. The City is authorized to assume,

assume and assign, or reject Executory Contracts or Unexpired Leases in accordance with Section II.D of the Plan and the Contract Procedures Order.

46. The assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 of the Plan (and any related assignment) as of the Effective Date is hereby approved, except for Executory Contracts or Unexpired Leases that: (a) have been rejected pursuant to a Final Order of the Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 of the Plan or (e) are designated for rejection in accordance with the last sentence of this paragraph. If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim filed in accordance with the Contract Procedures is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be, and hereby is, deemed effective as of the Effective Date.

47. Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5 to the Plan, will be performed by the City in the ordinary course

of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of this Order.

48. The rejection of each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 to the Plan is hereby approved pursuant to section 365 of the Bankruptcy Code as of the later of (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 to the Plan shall be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. The City may, at any time on or prior to the Effective Date, amend Exhibit II.D.6 to the Plan to delete any Executory Contract or Unexpired Lease therefrom, thus providing for its assumption pursuant to Section II.D.1 of the Plan, or add any Executory Contract or Unexpired Lease thereto, thus providing for its rejection pursuant to Section II.D.6 of the Plan. The City will provide notice of any such amendments to Exhibit II.D.6 to the Plan in accordance with the terms of the Contract Procedures Order. Listing a contract or lease on Exhibit II.D.6 to the Plan shall not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as

Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

O. Plan Distributions

49. On and after the Effective Date, Distributions on account of Allowed Claims and the resolution and treatment of Disputed Claims shall be effectuated pursuant to Section II.B and Article V of the Plan. The Distribution Record Date shall be 5:00 p.m., Eastern Time, on the date of entry of this Order.

P. Retained Causes of Action

50. Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the City shall retain and may enforce any claims, demands, rights, defenses and Causes of Action that it may hold against any Entity, including but not limited to, (a) any and all Causes of Action against any party relating to the past practices of the Retirement Systems (including any investment decisions related to, and the management of, the Retirement Systems' respective pension plans or assets) and (b) the currently pending actions and claims brought by the City and identified on Exhibit III.D.2 to the Plan, to the extent not expressly released under the Plan or pursuant to any Final Order of the Court. The City's inclusion of, or failure to include, any right of action or claim on Exhibit III.D.2 to the Plan shall not be

deemed an admission, denial or waiver of any claims, demands, rights or Causes of Action that the City may hold against any Entity.

Q. Claims Bar Dates and Other Claims Matters

51. General Administrative Claim Bar Date Provisions. Except as otherwise provided in Section II.A.2.b or Section II.A.2.c of the Plan or in a Bar Date Order or other order of the Court, unless previously filed, requests for payment of Administrative Claims must be filed and served on the City no later than 45 days after the Effective Date. Holders of Administrative Claims that are required to file and serve a request for payment of such Administrative Claims and that do not file and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be filed and served on the City and the requesting party by the later of (a) 150 days after the Effective Date, (b) 60 days after the filing of the applicable request for payment of Administrative Claims or (c) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims. The foregoing procedures shall be specified in the notice of entry of this Order and served on all parties in interest.

52. Holders of Claims based on Liabilities incurred by the City after the Petition Date in the ordinary course of its operations will not be required

to file or serve any request for payment or application for allowance of such Claims. Such Claims will be paid by the City, pursuant to the terms and conditions of the particular transaction giving rise to such Claims, without further action by the holders of such Claims or further action or approval of the Court.

53. Holders of Administrative Claims that are Postpetition Financing Claims will not be required to file or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied pursuant to Section II.A.1.b of the Plan.

54. Professional Fee Reserve. On the Effective Date, the City shall establish and fund the Professional Fee Reserve from the General Fund or, where applicable, the DWSD's funds, in an amount sufficient to pay the Fee Review Professional Fees that remain unpaid as of the Effective Date, solely to the extent that such amounts are payable from the General Fund or the DWSD's funds. The initial amount of the Professional Fee Reserve shall be equal to the sum of (a) all invoices received from Fee Review Professionals and the Fee Examiner Parties as of the establishment and funding of the Professional Fee Reserve to the extent not yet paid (including holdbacks); (b) an estimate of the Fee Review Professionals' unbilled fees through the Effective Date as determined by the City in consultation with the Fee Review Professionals, which estimate shall be no lower than 125% of the aggregate amount of the highest monthly invoices respectively

submitted by each Fee Review Professional pursuant to the Fee Review Order prior to the establishment and funding of the Professional Fee Reserve; and (c) an estimate of the Fee Examiner Parties' unbilled fees and expenses through the projected date of dismissal of the Fee Examiner under Section IV.N.3 of the Plan, as determined by the City in consultation with the Fee Examiner. The funds held in the Professional Fee Reserve may not be used for any purpose other than the payment of Fee Review Professional Fees until any and all disputes regarding the Fee Review Professional Fees, including any disputes arising under the Fee Review Order or the process established under paragraph 87 hereof, have been fully and finally resolved pursuant to a Final Order or a stipulation between the disputing parties. Any amounts remaining in the Professional Fee Reserve after final resolution of all such disputes and the payment of all Fee Review Professional Fees determined to be reasonable by the Court shall be released to the General Fund or the DWSD's funds, as applicable. If the Professional Fee Reserve is insufficient to pay all Fee Review Professional Fees that are determined to be reasonable by the Court and that are payable from the General Fund or the DWSD's funds, the City shall pay such additional amounts from the General Fund or the DWSD's funds, as applicable.

55. Bar Date for Rejection Damage Claims. Except as otherwise provided in a Final Order of the Court approving the rejection of an Executory

Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be filed with the Court and served upon counsel to the City on or before the later of: (a) 45 days after the Effective Date; or (b) 45 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3 of the Plan. Any Claims not filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City.

56. Notwithstanding anything to the contrary in the Plan or this Order, neither FGIC nor the COP Trustee shall be required to file any Claims arising out of the rejection of the COP Service Contracts pursuant to the Plan, which Claims are resolved and treated pursuant to the terms of the FGIC/COP Settlement Documents and the Plan.

57. Workers' Compensation Claims. From and after the Effective Date, (a) the City shall continue to administer (either directly or through a third party administrator) and pay all valid claims for benefits and liabilities for which the City is responsible under applicable State workers' compensation law, regardless of when the applicable injuries were incurred, in accordance with the City's prepetition practices and procedures and governing State workers' compensation law, and (b) nothing in the Plan or this Order shall discharge, release

or relieve the City from any current or future liability under applicable State workers' compensation law; *provided that* the City shall retain the right to challenge the validity of any claim for benefits or liabilities arising under applicable State workers' compensation law.

58. Claims Related to Operation of City Motor Vehicles. From and after the Effective Date, the City shall continue to administer (either directly or through a third party administrator) and pay valid prepetition Claims for liabilities with respect to which the City is required to maintain insurance coverage pursuant to M.C.L. § 500.3101 in connection with the operation of the City's motor vehicles consistent with the terms of Section IV.S of the Plan. Nothing in the Plan or this Order shall discharge, release or relieve the City from any current or future liability with respect to Claims subject to insurance coverage pursuant to M.C.L. § 500.3101 or Claims within the minimum coverage limits in M.C.L. § 500.3009(1); *provided that* the City shall retain the right to challenge the validity of any Claim subject to Section IV.S of the Plan or this paragraph, and nothing therein or herein shall be deemed to expand the City's obligations or any claimant's rights with respect to such Claims under State law.

59. Payment of Tax Refund Claims. From and after the Effective Date, the City shall continue to administer (either directly or through a third party administrator) and pay all valid claims for income tax refunds and property tax

refunds for which the City is responsible under applicable law, regardless of when the applicable right to a refund arose, in accordance with the City's prepetition practices and procedures; *provided that* the City shall retain the right to challenge the validity of any claim for an income tax refund or property tax refund.

60. Utility Deposits. From and after the Effective Date, the City will continue to administer utility deposits in accordance with the City's prepetition practices and procedures, including the payment of any undisputed, non-contingent, liquidated claims against the City for the refund of a utility deposit.

61. Pass-Through Obligations. The City has certain Pass-Through Obligations to the Pass-Through Recipients with respect to which the City acts, or may in the future act, as tax-collecting agent for tax increment revenues derived from property taxes of the City and certain other jurisdictions and required to be transmitted by the Treasurer of the City to the Pass-Through Recipients under the respective tax increment financing enabling statutes. The City shall continue to honor its Pass-Through Obligations to the Pass-Through Recipients.

R. Plan Implementation

62. In accordance with section 1142 of the Bankruptcy Code, without further action by the Court, the City is authorized to: (a) take any and all actions necessary or appropriate to implement, effectuate and consummate the Plan, this Order or the transactions contemplated thereby or hereby, including the

transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, settlements (including the Settlements), releases (including the Plan Releases) and other agreements or documents entered into or delivered in connection with the Plan; and (b) execute and deliver, adopt or amend, as the case may be, any contracts, instruments, releases, agreements and documents necessary to implement, effectuate and consummate the Plan, including, without limitation, those contracts, instruments, releases, agreements and documents identified in Article IV of the Plan. All transactions effected by the City during the pendency of the Chapter 9 Case from the Petition Date through the Confirmation Date are approved and ratified.

63. Each federal, state, commonwealth, county, municipal, local, foreign or other governmental agency is hereby directed and authorized to accept any and all documents, mortgages and instruments necessary or appropriate to effectuate, implement or consummate the transactions contemplated by the Plan and this Order.

**S. Cancellation of Existing Bonds,
Bond Documents, COPs and COP Documents**

64. Except (a) as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, (b) for purposes of evidencing a right to Distribution under the Plan or (c) as

specifically provided otherwise in the Plan or this Order (including any rejection of Executory Contracts pursuant to Section II.D of the Plan or paragraph 48 hereof), on the Effective Date, the Bonds, the Bond Documents, the COPs and the COP Documents will be deemed automatically cancelled, terminated and of no further force or effect against the City without any further act or action under any applicable agreement, law, regulation, order or rule, and the obligations of the parties to the City, as applicable, under the Bonds, the Bond Documents, the COPs and the COP Documents shall be discharged; *provided, however*, that the Bonds, the Bond Documents, the COPs and the COP Documents shall continue in effect solely (a) to allow the Disbursing Agent to make any Distributions as set forth in the Plan and to perform such other necessary administrative or other functions with respect thereto; (b) for any trustee, agent, contract administrator or similar entity under the Bond Documents or COP Documents to have the benefit of all the rights and protections and other provisions of the Bond Documents or COP Documents, as applicable, and all other related agreements with respect to priority in payment and lien rights with respect to any Distribution; (c) to set forth the terms and conditions applicable to parties to the Bond Documents and COP Documents other than the City; (d) as may be necessary to preserve any claim by (i) a Bondholder or Bond Agent under a Bond Insurance Policy or against any Bond Insurer, (ii) a COPs Holder or COP Agent under a COP Insurance Policy or against any

COP Insurer or (iii) a COP Swap Counterparty under a Swap Insurance Policy or against any insurer thereunder; and (e) with respect to any obligation of any party (other than the City, except to the extent provided in the COP Swap Settlement or the COP Swap Settlement Approval Order) under any COP Document related to such party's obligations owed in respect of the COP Swap Documents or the COP Swap Claims. Notwithstanding the foregoing, and except as otherwise expressly provided in the Plan (or the COP Swap Settlement or the COP Swap Settlement Approval Order), such Bonds, Bond Documents, COPs or COP Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City. For the avoidance of doubt, this paragraph shall not apply to any Bonds that are Reinstated pursuant to Section II.B.3.a.ii of the Plan.

65. As of the Effective Date, the principal amounts of the COPs originally insured by FGIC shall be, and hereby are, deemed accelerated and due and payable, and no interest on the COPs originally insured by FGIC shall accrue thereafter, solely for the purposes of determining distributions from the COP Trustee to FGIC and the FGIC COP Holders. The foregoing acceleration of principal and cessation of interest shall affect only the rights of each FGIC COP Holder to the receipt of proceeds of distributions under the Plan and not the rights of each such FGIC COP Holder against FGIC and shall not in any way modify payments currently required of FGIC under its existing insurance policies or the

First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company, dated June 4, 2013 (the "FGIC Rehabilitation Plan").

66. FGIC (irrespective of the terms of FGIC's COP Insurance Policies including, without limitation, the definition of "Due for Payment") may elect on or prior to the earlier to occur of (a) the Effective Date and (b) December 15, 2014, by filing a notice with the Court on or prior to such date, to treat all (but not less than all) of the outstanding principal owing on all (but not less than all) series of the FGIC-insured COPs as having been accelerated and currently "Due for Payment" (as such term is defined in the applicable FGIC COP Insurance Policy for purposes of such policy) as of the Effective Date, in which case, with respect to each FGIC COP Insurance Policy there shall be deemed a Permitted Policy Claim (as defined in the FGIC Rehabilitation Plan) in the amount of (a) the outstanding principal amount of the FGIC-Insured COPs in each CUSIP, as of the Effective Date, insured by such policy and (b) interest accrued and unpaid on such principal amount of such FGIC-Insured COPs through the Effective Date, in which case no interest shall accrue on or after the Effective Date. If FGIC does not elect to accelerate its COP Insurance Policies pursuant to the preceding sentence, FGIC's and the FGIC COP Holders' respective rights and obligations with respect to FGIC's COP Insurance Policies shall be governed by the FGIC/FGIC COP Holders Term Sheet.

67. Nothing in the Plan impairs, modifies, affects or otherwise alters the rights of (a) Bondholders or Bond Agents with respect to claims under applicable Bond Insurance Policies or against the Bond Insurers, (b) COPs Holders or the COP Agent with respect to claims under COP Insurance Policies and obligations related thereto or (c) COP Swap Counterparties with respect to claims under Swap Insurance Policies and obligations related thereto.

68. No provision of this Order or the Plan shall (a) enjoin any holder of a COP from enforcing its rights against any COP Insurer or (b) exculpate, release or affect any rights any holder of a COP may have with respect to any COP Insurance Policy.

T. Binding Effect of Prior Orders

69. Effective as of the Confirmation Date, but subject to the occurrence of the Effective Date and subject to the terms of the Plan and this Order, all prior orders entered in the Chapter 9 Case, all documents and agreements executed by the City as authorized and directed thereunder and all motions or requests for relief by the City pending before the Court as of the Effective Date shall be binding upon and shall inure to the benefit of the City and any other parties expressly subject thereto. Nothing in the Plan or this Order shall in any respect modify the DWSD Tender Order, the rulings made and the rights granted

therein or any of the documents approved, authorized or entered into pursuant thereto.

U. Final Order; Waiver of Stay

70. This Order is a final order, and the period in which an appeal must be filed shall commence immediately upon the entry hereof. The stay of this Order otherwise imposed by Bankruptcy Rule 3020(e) is hereby waived as of the date hereof.

V. Reversal

71. If any or all of the provisions of this Order are hereafter reversed, modified or vacated by subsequent order of this Court or any other federal appellate court with appropriate jurisdiction, such reversal, modification or vacatur shall not affect the validity of the acts or obligations incurred or undertaken under or in connection with the Plan prior to the City's receipt of written notice of such order. Notwithstanding any such reversal, modification or vacatur of this Order, any such act or obligation incurred or undertaken pursuant to, and in reliance on, this Order prior to the effective date of such reversal, modification or vacatur shall be governed in all respects by the provisions of this Order and the Plan and all related documents or any amendments or modifications thereto.

W. Notice of Confirmation of the Plan

72. Pursuant to Bankruptcy Rules 2002(f)(7) and 3020(c)(2), on or before ten Business Days after occurrence of the Effective Date, the City shall mail or cause to be mailed to all creditors a notice (the "Confirmation Notice"), substantially in the form of Appendix II hereto, that informs such creditors of:

(a) entry of this Order; (b) the occurrence of the Effective Date; (c) the assumption and rejection of Executory Contracts and Unexpired Leases pursuant to the Plan, as well as the deadline and procedures for the filing of Claims arising from any such rejection; (d) the deadline and procedures for the filing of Administrative Claims; and (e) such other matters as the City deems to be appropriate; *provided, however*, that the City shall be obligated to serve the Confirmation Notice only on the record holders of Claims as of the Confirmation Date. The City is directed to publish the Confirmation Notice once in the national editions of *The Wall Street Journal* and *USA Today* and the daily edition of the *Detroit Free Press* no later than ten Business Days after the Effective Date. As soon as practicable after the entry of this Order, the City shall make copies of this Order and the form Confirmation Notice available on (a) the City's official website at www.detroitmi.gov and (b) the Document Website at www.kccllc.net/Detroit.

X. Miscellaneous Provisions

73. The City is hereby authorized to make non-material modifications or amendments to the Plan at any time prior to the substantial consummation of the Plan, without further order of the Court. In addition, without the need for a further order or authorization of this Court, but subject to the express provisions of this Order, the City shall be, and hereby is, authorized and empowered to make non-material modifications to the documents filed with the Court, including Exhibits or documents forming part of the evidentiary record at the Confirmation Hearing, in its reasonable business judgment as may be necessary or appropriate.

74. The City shall not, without FGIC's prior written consent, amend the Plan in a manner that (a) would have a materially adverse effect on Class 9 or (b) adversely affect FGIC; *provided, however*, that, notwithstanding anything to the contrary in this Order or the Plan, nothing in this Order or the Plan is intended to or shall be deemed to limit any rights of the FGIC COP Holders to object to any such Plan amendment.

75. On the Effective Date, the Retiree Committee, to the extent not previously dissolved or disbanded, will dissolve and disband, and the members of the Retiree Committee and their respective professionals will cease to have any role arising from or related to the Chapter 9 Case. Notwithstanding the foregoing,

the Retiree Committee's professionals will have standing to participate in the post-Effective Date determination by the Court of the reasonableness of the fees and expenses incurred by the Retiree Committee and its professionals in connection with the City's Chapter 9 Case.

76. Pursuant to the Order Resolving Corrected Motion of the Official Committee of Retirees for Entry of An Order Allowing an Administrative Expense Claim, entered on March 31, 2014 (Docket No. 3334), approving a stipulation and settlement agreement that requires the City to include a provision under the Barton doctrine first developed in Barton v. Barbour, 104 U.S. 126 (1881), and this Court having previously held that the Barton doctrine is applicable to members of the Retiree Committee, each and every member of the Retiree Committee is not only subject to protections under the release and injunction provisions of the Plan but is further protected by the provisions of the Barton doctrine and thus no action may be taken against any member of the Retiree Committee without separate relief granted by this Court.

77. On the Effective Date or as soon thereafter as is practicable, all appeals of the Opinion Regarding Eligibility and the Order for Relief, subject to settlements by and among the appellants and the City, shall be withdrawn.

78. The terms and conditions of the Exit Facility are fair and reasonable, and the Exit Facility has been negotiated in good faith and at arm's

length. The City is hereby authorized to enter into, execute, deliver, file, record and issue the Exit Facility Documents and to incur the obligations under the Exit Facility, including the granting of liens thereunder, the payment of all fees, expenses, indemnities and other amounts provided for in each of the Exit Facility and the other instruments, agreements, guaranties and documents entered into in connection therewith, all of which are hereby approved. The City is authorized and empowered to incur and to perform its obligations in accordance with, and subject to, the Exit Facility Documents and to perform all acts, and make, execute and deliver all instruments and documents which may be required for the performance by the City under the Exit Facility Documents and the creation and perfection of the liens described in and provided for by the Exit Facility Documents. Subject to (a) the terms and conditions set forth in the Exit Facility Documents and (b) the City's compliance with the procedures for authorizing the borrowing of money under Sections 12(1) and 19 of PA 436 and the State Local Emergency Financial Assistance Loan Board's approval of the Exit Facility under Section 36a of Michigan Public Act 279 of 1909, the Home Rule City Act, M.C.L. §§ 117.1, *et seq.* (as amended), the City is hereby authorized to issue the Exit Bonds for purchase by the MFA in accordance with the terms and conditions set forth in the Exit Facility Documents.

79. The Exit Facility Documents and the obligations of the City thereunder, including all related pledges and security agreements, shall, upon execution, constitute legal, valid, binding and authorized obligations of the City, enforceable in accordance with their terms. The loans, advances and financial accommodations to be extended under the Exit Facility are being extended, and shall be, and hereby are, deemed to have been extended, in good faith, for legitimate purposes, are reasonable, shall not be subject to avoidance, recharacterization or subordination (including equitable subordination) for any purposes whatsoever, and shall not constitute preferential transfers, fraudulent transfers or conveyances or other voidable transfers under the Bankruptcy Code or any other applicable non-bankruptcy law.

80. Notwithstanding any other provision of this Order or the Plan, as to the United States, its agencies, departments or agents, nothing in the Plan or this Order shall discharge, release or otherwise preclude: (a) any liability of the City arising on or after the Effective Date; (b) any liability that is not a "claim" within the meaning of section 101(5) of the Bankruptcy Code; (c) any valid defense of setoff or recoupment with respect to a Claim; or (d) any liability of any entity under environmental laws arising, continuing or springing anew after the Effective Date that any entity would be subject to as a post-Effective Date owner or operator of property, *provided that*, for the avoidance of doubt and without

limiting the liabilities previously described in sub-paragraph (d), any liability that is a dischargeable "claim" within the meaning of section 101(5) of the Bankruptcy Code and arose before the Effective Date, including any liabilities for costs expended or paid by the United States under environmental laws before the Effective Date or any penalties or fines owed to the United States for days of violation of environmental laws before the Effective Date, shall be treated as otherwise provided in the Plan.

81. The Plan does not, and shall not be deemed to, modify, limit, release, discharge or enjoin any claims (a) related to the Retirement Systems that Bank of New York Mellon in its capacity as custodian under (i) the Global Custody Agreement with the Policemen and Firemen Retirement System of the City of Detroit, (ii) the Global Custody Agreement with the General Retirement System of the City of Detroit and (iii) the Global Custody Agreement with The Board of Trustees of The City of Detroit Employees' Benefit Plan (in such capacity, "BNY Mellon") may have against persons or entities other than the City or (b) against property of the Retirement Systems held by BNY Mellon in its capacity as custodian.

82. Any document related to the Plan that refers to a plan of adjustment of the City other than the Plan confirmed by this Order shall be, and it hereby is, deemed to be modified such that the reference to a plan of adjustment of

the City in such document shall mean the Plan confirmed by this Order, as appropriate.

83. Without intending to modify any prior Order of this Court (or any agreement, instrument or document addressed by any prior Order), in the event of a direct conflict between the Plan, on the one hand, and any other agreement, instrument, or document intended to implement the provisions of the Plan, on the other, the provisions of the Plan shall govern (except as provided in paragraph 24 above, and unless otherwise expressly provided for in such agreement, instrument, or document). In the event of a direct conflict between the Plan or any agreement, instrument, or document intended to implement the Plan, on the one hand, and this Order, on the other, the provisions of this Order shall govern.

84. In accordance with Section III.C of the Plan, if the Effective Date does not occur, then upon motion by the City, the Court may declare that:

(a) the Plan is null and void in all respects, including with respect to (i) the discharge of Claims pursuant to section 944 of the Bankruptcy Code, (ii) the assumptions, assignments or rejections of Executory Contracts or Unexpired Leases pursuant to Section II.D of the Plan and (iii) the releases described in Section III.D.7 of the Plan; and (b) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against the City or (ii) prejudice in any manner the rights of the City or any other party in interest.

85. To the extent that (a) the Court has held that any term or provision of the Plan is invalid, void or unenforceable and (b) with the consent of the City, the Court altered and interpreted such term or provision, consistent with Section VIII.D of the Plan, to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable: (a) such term or provision, as altered or interpreted, shall be (i) valid and enforceable pursuant to its terms, (ii) considered integral to the Plan and shall not be deleted or modified without the City's consent and (iii) non-severable and mutually dependent; and (b) notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

86. Pursuant to Section IV.N of the Plan and in accordance with the Fee Review Order, the Fee Examiner shall continue to review and assess all Fee Review Professional Fees for the period through, but not including, the Effective Date pursuant to the standard of section 943(b)(3) of the Bankruptcy Code. The Fee Review Order shall not apply to any fees or expenses of the Fee Review Professionals for the period on and after the Effective Date, and the Fee Examiner shall not review any such fees or expenses. All fees and expenses of the Fee Examiner Parties, whether incurred before, on or after the Effective Date, shall

remain subject to review and approval of the Court pursuant to the terms of the Fee Review Order. Upon completing his review of all Fee Review Professional Fees and submitting all reports related thereto (as required by the Fee Review Order), the Fee Examiner shall have no further duties or obligations under the Fee Review Order other than obligations of confidentiality thereunder (which obligations, including, but not limited to, the confidentiality obligations set forth at paragraph 22 of the Fee Review Order, shall remain binding from and after the Effective Date). Nothing in this paragraph prohibits the mediator from requesting or requiring the Fee Examiner to participate in mediation regarding Professional Fees at any time.

87. The Court, with the assistance of counsel, will establish an expeditious mediation and Court-review process to determine the reasonableness and disclosure of all fees and expenses, paid and unpaid, for which the City is obligated in connection with this case through the Effective Date, as required by 11 U.S.C. § 943(b)(3). The preceding sentence does not apply with respect to fees and expenses explicitly dealt with in settlements previously approved by orders of the Court.

88. The provisions in the Plan and in this Order regarding fees and expenses shall include the professional fees and expenses of (a) the GRS and the PFRS, to the extent that the City reimburses them; (b) the Fee Examiner and his

professionals, and the Court-appointed feasibility expert and her counsel; and
(c) the other Fee Review Professionals.

89. Notwithstanding Section II.B.3.s.ii.A of the Plan, Charles Gayney shall serve as an initial member of the Detroit General VEBA board of trustees in place of Suzanne Daniels Paranjpe.

Y. No Diminution of State Power

90. No provision of the Plan or this Order shall be construed: (a) to limit or diminish the power of the State to control, by legislation or otherwise, the City in the exercise of the political or governmental powers of the City, including expenditures for such exercise; or (b) as a waiver by the State of its rights as a sovereign or rights granted to it pursuant to the Tenth Amendment to the United States Constitution, or limit or diminish the State's exercise of such rights.

Z. Post-Effective Date Governance

91. The City shall promptly provide to the Court copies of any reports given to, or received from, the Financial Review Commission. Nothing in the Plan or this Order shall expand, limit or otherwise modify the role or powers of the Financial Review Commission.

AA. Retention of Jurisdiction

92. The Court shall, and hereby does, retain such jurisdiction over the City and the Chapter 9 Case as is consistent with section 1334 of title 28 and

title 11 of the United States Code until the Effective Date. Notwithstanding the entry of this Order, from and after the Effective Date, the Court shall retain such jurisdiction over the Chapter 9 Case to the fullest extent permitted by law, including, among other things, jurisdiction over those matters and issues described in Article VII of the Plan, *provided, however*, that notwithstanding Article VII of the Plan, the Court shall not have jurisdiction over any dispute between or among FGIC and the FGIC COP Holders with respect to agreements between or among them that do not involve the City, the State or any Released Party (other than FGIC and the FGIC COP Holders) as a party.

93. Pursuant to section 945(a) of the Bankruptcy Code, the Court shall, and hereby does, retain jurisdiction over the UTGO Settlement and the UTGO Settlement Agreement and any dispute arising from or related to the UTGO Settlement Agreement. For the avoidance of doubt and as the City has consented, the Court shall retain exclusive post-Confirmation authority and power to implement, interpret and enforce the UTGO Settlement Agreement and all Settlement-Related Documents (as such term is defined at Section 1.2 of the UTGO Settlement Agreement), including, without limitation, all exhibits to the UTGO Settlement Agreement, the Restructured UTGO Bonds and the Municipal Obligation. As the City has consented, the Court reserves all powers as are necessary or appropriate to enforce or to give effect to the Court's retained

jurisdiction under the Plan and this Order, including by way of injunction, as long as any of the Municipal Obligation, Stub UTGO Bonds or Restructured UTGO Bonds are outstanding.

94. Pursuant to section 945(a) of the Bankruptcy Code, the Court shall, and hereby does, retain jurisdiction over the settlement of Limited Tax General Obligation Bond Claims and the LTGO Settlement and any dispute arising from or related to the LTGO Settlement. For the avoidance of doubt and as the City has consented, the Court shall retain exclusive post-Confirmation authority and power to implement, interpret and enforce the LTGO Settlement and all Settlement-Related Documents, including, without limitation, all exhibits to the LTGO Settlement Agreement and the New LTGO Bonds. As the City has consented, the Court reserves all powers as are necessary or appropriate to enforce or to give effect to the Court's retained jurisdiction under the Plan and this Order, including by way of injunction, as long as any of the New LTGO Bonds are outstanding.

95. Pursuant to section 945(a) of the Bankruptcy Code, the Court shall, and hereby does, retain jurisdiction over any matters, cases, controversies, suits or disputes that may arise in connection with the FGIC Development Agreement or the Syncora Development Agreement.

Signed on November 12, 2014

/s/ Steven Rhodes

Steven Rhodes
United States Bankruptcy Judge

APPENDIX I

PLAN OF ADJUSTMENT

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN**

-----	X	
	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----	X	

**EIGHTH AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT
(October 22, 2014)**

DAVID G. HEIMAN
HEATHER LENNOX
THOMAS A. WILSON
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
tawilson@jonesday.com

BRUCE BENNETT
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 489-3939
Facsimile: (213) 243-2539
bbennett@jonesday.com

JONATHAN S. GREEN
STEPHEN S. LAPLANTE
MILLER, CANFIELD,
PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE DEBTOR

TABLE OF CONTENTS

ARTICLE I DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME	1
A. Defined Terms.	1
B. Rules of Interpretation and Computation of Time.	30
1. Rules of Interpretation.	30
2. Computation of Time.	30
ARTICLE II CLASSIFICATION OF CLAIMS; CRAMDOWN; EXECUTORY CONTRACTS AND UNEXPIRED LEASES	30
A. Unclassified Claims.	31
1. Payment of Administrative Claims.	31
2. Bar Dates for Administrative Claims.	31
B. Classified Claims.	32
1. Designation of Classes.	32
2. Subordination; Reservation of Rights to Reclassify Claims.	33
3. Treatment of Claims.	33
C. Confirmation Without Acceptance by All Impaired Classes.	45
D. Treatment of Executory Contracts and Unexpired Leases.	45
1. Assumption.	45
2. Assumption of Ancillary Agreements.	45
3. Approval of Assumptions and Assignments.	45
4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases.	46
5. Contracts and Leases Entered Into After the Petition Date.	46
6. Rejection of Executory Contracts and Unexpired Leases.	46
7. Rejection Damages Bar Date.	46
8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.	47
9. Insurance Policies.	47
ARTICLE III CONFIRMATION OF THE PLAN	47
A. Conditions Precedent to the Effective Date.	47
B. Waiver of Conditions to the Effective Date.	48
C. Effect of Nonoccurrence of Conditions to the Effective Date.	49
D. Effect of Confirmation of the Plan.	49
1. Dissolution of Retiree Committee.	49
2. Preservation of Rights of Action by the City.	49
3. Comprehensive Settlement of Claims and Controversies.	49
4. Discharge of Claims.	50

5.	Injunction	50
6.	Exculpation	51
7.	Releases	52
E.	No Diminution of State Power	53
F.	Effectiveness of the Plan	53
G.	Binding Effect of Plan	53
ARTICLE IV MEANS FOR IMPLEMENTATION OF THE PLAN		54
A.	DWSD	54
1.	Rates and Revenues	54
2.	DWSD CBAs	54
3.	Potential DWSD Authority Transaction	54
B.	The New B Notes, New C Notes and New LTGO Bonds	55
C.	The UTGO Settlement	55
D.	The State Contribution Agreement	55
1.	State Contribution	55
2.	Income Stabilization Payments	55
3.	Conditions to State's Participation	56
4.	Release of Claims Against the State and State Related Entities	56
E.	The DIA Settlement	57
1.	Funding Contributions	57
2.	Transfer of DIA Assets	57
3.	Conditions to the DIA Funding Parties' Participation	57
F.	Contingent Payment Rights	58
1.	Special Restoration	58
2.	General Restoration	58
G.	The OPEB Settlement	58
H.	The LTGO Settlement	59
I.	The Syncora Settlement	59
J.	The FGIC/COP Settlement	59
K.	Issuance of the New Securities	59
L.	Cancellation of Existing Bonds, Bond Documents, COPs and COP Documents	60
M.	Release of Liens	60
N.	Professional Fees	61
1.	Professional Fee Reserve	61
2.	Fee Review Order	61
3.	Dismissal of the Fee Examiner	61
4.	Potential Review of Fees Not Subject to Fee Review Order	61

5.	Court-Appointed Expert	62
O.	Assumption of Indemnification Obligations.	62
P.	Incorporation of Retiree Health Care Settlement Agreement.	62
Q.	Payment of Workers' Compensation Claims.....	62
R.	36th District Court Settlement.	62
S.	Payment of Certain Claims Relating to the Operation of City Motor Vehicles.	62
T.	Payment of Tax Refund Claims.	63
U.	Utility Deposits.	63
V.	Pass-Through Obligations.....	63
W.	Exit Facility.....	63
X.	Post-Effective Date Governance.	63
ARTICLE V PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN		64
A.	Appointment of Disbursing Agent.	64
B.	Distributions on Account of Allowed Claims.	64
C.	Certain Claims to Be Expunged.....	64
D.	Record Date for Distributions; Exception for Bond Claims.	64
E.	Means of Cash Payments.	64
F.	Selection of Distribution Dates for Allowed Claims.....	65
G.	Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.	65
H.	City's Rights of Setoff Preserved.	65
I.	Delivery of Distributions and Undeliverable or Unclaimed Distributions.....	65
1.	Delivery of Distributions Generally.....	65
2.	Delivery of Distributions on Account of Bond Claims.....	65
3.	De Minimis Distributions / No Fractional New Securities.	66
4.	Undeliverable or Unclaimed Distributions.	66
5.	Time Bar to Cash Payment Rights.....	66
J.	Other Provisions Applicable to Distributions in All Classes.	66
1.	No Postpetition Interest.	66
2.	Compliance with Tax Requirements.....	66
3.	Allocation of Distributions.	67
4.	Surrender of Instruments.	67
ARTICLE VI PROCEDURES FOR RESOLVING DISPUTED CLAIMS		67
A.	Treatment of Disputed Claims.	67
1.	General.....	67
2.	ADR Procedures.	68
3.	Tort Claims.....	68

B.	Disputed Claims Reserve	68
C.	Objections to Claims	69
1.	Authority to Prosecute, Settle and Compromise	69
2.	Expungement or Adjustment of Claims Without Objection	69
3.	Extension of Claims Objection Bar Date	69
4.	Authority to Amend List of Creditors	69
ARTICLE VII RETENTION OF JURISDICTION		69
ARTICLE VIII MISCELLANEOUS PROVISIONS		71
A.	Plan Supplements	71
B.	Modification of the Plan	71
C.	Revocation of the Plan	71
D.	Severability of Plan Provisions	71
E.	Effectuating Documents and Transactions	71
F.	Successors and Assigns	72
G.	Plan Controls	72
H.	Notice of the Effective Date	72
I.	Governing Law	72
J.	Request for Waiver of Automatic Stay of Confirmation Order	72
K.	Term of Existing Injunctions and Stays	72
L.	Service of Documents	72
1.	The City	73
2.	The Retiree Committee	73

TABLE OF EXHIBITS

Exhibit I.A.9	Principal Terms of 36th District Court Settlement
Exhibit I.A.66	Schedule of Class 9 Eligible City Assets
Exhibit I.A.88	Schedule of COP Swap Agreements
Exhibit I.A.108	Form of Detroit General VEBA Trust Agreement
Exhibit I.A.112	Form of Detroit Police and Fire VEBA Trust Agreement
Exhibit I.A.126	Principal Terms of DIA Settlement
Exhibit I.A.127	Form of DIA Settlement Documents
Exhibit I.A.132	Dismissed FGIC/COP Litigation
Exhibit I.A.133	Dismissed Syncora Litigation
Exhibit I.A.148	Schedule of DWSD Bond Documents & Related DWSD Bonds
Exhibit I.A.156	Schedule of DWSD Revolving Sewer Bond Documents & Related DWSD Revolving Sewer Bonds
Exhibit I.A.159	Schedule of DWSD Revolving Water Bond Documents & Related DWSD Revolving Water Bonds
Exhibit I.A.183	Principal Terms of Exit Facility
Exhibit I.A.197	Form of FGIC/COP Settlement Documents
Exhibit I.A.198	Form of FGIC Development Agreement
Exhibit I.A.216	Schedule of HUD Installment Note Documents & Related HUD Installment Notes
Exhibit I.A.230	Schedule of Limited Tax General Obligation Bond Documents & Related Limited Tax General Obligation Bonds
Exhibit I.A.237	Form of LTGO Settlement Agreement
Exhibit I.A.246	Principal Terms of New B Notes
Exhibit I.A.247	Form of New B Notes Documents
Exhibit I.A.248	Principal Terms of New C Notes
Exhibit I.A.249	Form of New C Notes Documents
Exhibit I.A.250.a	Form of New GRS Active Pension Plan
Exhibit I.A.250.b	Principal Terms of New GRS Active Pension Plan
Exhibit I.A.254.a	Form of New PFRS Active Pension Plan

Exhibit I.A.254.b	Principal Terms of New PFRS Active Pension Plan
Exhibit I.A.280	Prior GRS Pension Plan
Exhibit I.A.281	Prior PFRS Pension Plan
Exhibit I.A.292	Restoration Trust Agreement
Exhibit I.A.298	Retiree Health Care Settlement Agreement
Exhibit I.A.305	Schedule of Secured GO Bond Documents
Exhibit I.A.332	State Contribution Agreement
Exhibit I.A.340	Form of Syncora Development Agreement
Exhibit I.A.344	Form of Syncora Settlement Documents
Exhibit I.A.354	Schedule of Unlimited Tax General Obligation Bond Documents & Related Unlimited Tax General Obligation Bonds
Exhibit I.A.360	Form of UTGO Settlement Agreement
Exhibit II.B.3.q.ii.A	Schedule of Payments and Sources of Payments for Modified PFRS Pension Benefits
Exhibit II.B.3.q.ii.C	Terms of PFRS Pension Restoration
Exhibit II.B.3.r.ii.A	Schedule of Payments and Sources of Payments for Modified GRS Pension Benefits
Exhibit II.B.3.r.ii.C	Terms of GRS Pension Restoration
Exhibit II.D.5	Schedule of Postpetition Collective Bargaining Agreements
Exhibit II.D.6	Executory Contracts and Unexpired Leases to Be Rejected
Exhibit III.D.2	Retained Causes of Action

INTRODUCTION

The City of Detroit proposes the following plan for the adjustment of its debts pursuant to and in accordance with chapter 9 of the Bankruptcy Code.

A discussion of the City's organizational structure, operations, capital structure and events leading to the commencement of the City's Chapter 9 Case, as well as a summary and description of the Plan, risk factors and other related matters, is included in the Disclosure Statement. Retirees of the City will receive a supplement summarizing important information relevant to their entitlement to benefits (the "Retiree Supplement"). Other agreements and documents, which have been or will be Filed with the Bankruptcy Court, are referenced in the Plan or the Disclosure Statement and are available for review.

The City encourages all of its creditors to read the Plan, the Disclosure Statement and the other material that has been approved for use in soliciting votes on the Plan and encourages holders of claims for pensions and other post-employment benefits to read the Retiree Supplement and to consider the information included on the Ballot before casting a vote to accept or reject the Plan and before choosing among available treatment options.

ARTICLE I

DEFINED TERMS, RULES OF INTERPRETATION AND COMPUTATION OF TIME

A. Defined Terms.

Capitalized terms used in the Plan have the meanings set forth in this Section I.A. Any term that is not otherwise defined herein, but that is used in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning given to that term in the Bankruptcy Code or the Bankruptcy Rules.

1. "2005 COPs" means, collectively, the Detroit Retirement Systems Funding Trust 2005 Certificates of Participation Series 2005-A, issued by the Detroit Retirement Systems Funding Trust 2005 pursuant to the 2005 COPs Agreement, in an initial principal amount of \$640 million, bearing interest at 4.0% to 4.948%.

2. "2005 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 2, 2005, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

3. "2006 COPs" means, collectively, the (a) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-A, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$148.5 million, bearing interest at 5.989%; and (b) Detroit Retirement Systems Funding Trust 2006 Certificates of Participation Series 2006-B, issued by the Detroit Retirement Systems Funding Trust 2006 pursuant to the 2006 COPs Agreement, in an initial principal amount of \$800 million, bearing interest at a floating rate.

4. "2006 COPs Agreement" means the Trust Agreement by and between the COP Service Corporations and U.S. Bank National Association, as trustee, dated June 12, 2006, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

5. "2014 DWSD Refinancing Obligations" means, collectively, the (i) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014D, (ii) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014E, (iii) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2014F, (iv) City of Detroit, Michigan, Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2014G, (v) City of Detroit, Michigan, Detroit Water and Sewerage Department Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014A, (vi) City of Detroit, Michigan, Detroit Water and Sewerage

Department Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014B, (vii) City of Detroit, Michigan, Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Bonds, Series 2014C, and (viii) City of Detroit, Michigan, Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Bonds, Series 2014D.

6. "2014 Revenue and Revenue Refinancing Bonds" means, collectively, one or more series of Sewage Disposal System Revenue and Revenue Refunding Bonds and Water Supply System Revenue Refunding Bonds.

7. "2014 Revenue Refinancing Bonds" means, collectively, the Michigan Finance Authority's (i) Local Government Loan Program Revenue Bonds, Series 2014C-4 (Insured) (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (ii) Local Government Loan Program Revenue Bonds, Series 2014C-5 (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (iii) Local Government Loan Program Revenue Bonds, Series 2014C-6 (Insured) (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (iv) Local Government Loan Program Revenue Bonds, Series 2014C-7 (Detroit Water and Sewerage Department Sewage Disposal System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (v) Local Government Loan Program Revenue Bonds, Series 2014D-1 (Insured) (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (vi) Local Government Loan Program Revenue Bonds, Series 2014D-2 (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Senior Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, (vii) Local Government Loan Program Revenue Bonds, Series 2014D-3 (Insured) (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds, and (viii) Local Government Loan Program Revenue Bonds, Series 2014D-4 (Detroit Water and Sewerage Department Water Supply System Revenue Refunding Second Lien Local Project Bonds), issued as the Type: Detroit Water and Sewerage Department Local Project Bonds.

8. "36th District Court" means the district court for the thirty-sixth judicial district of the State.

9. "36th District Court Settlement" means the settlement between the City and the Settling 36th District Court Claimants, substantially on the terms set forth on Exhibit I.A.9.

10. "Active Employee" means an active employee of the City on and after the Confirmation Date.

11. "Actual Return" means, for each Fiscal Year during the period beginning July 1, 2003 and ending June 30, 2013, the actual net return percentage on invested GRS assets for that Fiscal Year; provided that, if the actual net return percentage on invested GRS assets for any given Fiscal Year is greater than 7.9%, the Actual Return for that Fiscal Year shall be 7.9%, and if the actual net return percentage on invested GRS assets for any given Fiscal Year is less than 0.0%, the Actual Return for that Fiscal Year shall be 0.0%.

12. "Ad Hoc Committee of DWSD Bondholders" means, collectively, Blackrock Financial Management, Inc., Eaton Vance Management, Fidelity Management & Research Company, Franklin Advisers, Inc. and Nuveen Asset Management.

13. "Adjusted Pension Amount" means the GRS Adjusted Pension Amount or the PFRS Adjusted Pension Amount, as applicable.

14. "Administrative Claim" means a Claim against the City arising on or after the Petition Date and prior to the Effective Date for a cost or expense of administration related to the Chapter 9 Case that is entitled to priority or superpriority under sections 364(c)(1), 503(b) or 507(b)(2) of the Bankruptcy Code, including (a) Claims, pursuant to section 503(b)(9) of the Bankruptcy Code, for the value of goods received by the City in the 20 days

immediately prior to the Petition Date and sold to the City in the ordinary course of the City's operations and (b) any Allowed Claims for reclamation under section 546(c)(1) of the Bankruptcy Code or section 2-702 of the Uniform Commercial Code; provided that no claim for professional fees or any other costs or expenses incurred by any official or unofficial creditors' committee or any member thereof shall be considered an Administrative Claim, except that the Retiree Committee's members and the Retiree Committee Professionals shall be entitled to payment in accordance with the Fee Review Order.

15. "ADR Injunction" means the injunction set forth at Section I.B of the ADR Procedures.

16. "ADR Procedures" means the alternative dispute resolution procedures approved by the ADR Procedures Order, as such procedures may be modified by further order of the Bankruptcy Court.

17. "ADR Procedures Order" means the Order, Pursuant to Sections 105 and 502 of the Bankruptcy Code, Approving Alternative Dispute Resolution Procedures to Promote the Liquidation of Certain Prepetition Claims (Docket No. 2302), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on December 24, 2013, as it may be subsequently amended, supplemented or otherwise modified.

18. "Affiliate" shall have the meaning set forth in section 101(2) of the Bankruptcy Code.

19. "Allowed Claim(s)" means: (a) a Claim, proof of which has been timely Filed by the applicable Bar Date (or for which Claim under express terms of the Plan, the Bankruptcy Code or a Final Order of the Bankruptcy Court, a proof of Claim is not required to be Filed); (b) a Claim (i) that is listed in the List of Creditors, (ii) that is not identified on the List of Creditors as contingent, unliquidated or disputed and (iii) for which no proof of Claim has been timely Filed; (c) a Claim allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; (d) a Claim designated as allowed in a stipulation or agreement between the City and the Holder of the Claim that is Filed; or (e) a Claim designated as allowed in a pleading entitled "Designation of Allowed Claims" (or a similar title of the same import) that is Filed; provided that with respect to any Claim described in clauses (a) or (b) above, such Claim shall be considered allowed only if and to the extent that (x) no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or (y) if an objection is so interposed, the Claim shall have been allowed by a Final Order. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed to be an Allowed Claim unless and until such Entity pays in full the amount that it owes the City. "Allow" and "Allowing" shall have correlative meanings.

20. "Ambac" means Ambac Assurance Corporation.

21. "Annuity Savings Fund" means that sub-account and pension benefit arrangement that is part of the GRS and operated by the trustees of the GRS.

22. "Annuity Savings Fund Excess Amount" means the following: (a) for an ASF Current Participant who has not received any distributions from the Annuity Savings Fund, the difference between (i) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (ii) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return; (b) for an ASF Current Participant who has received any distribution from the Annuity Savings Fund other than a total distribution, the difference between (i) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 and (B) all distributions received by such participant from the Annuity Savings Fund during the ASF Recoupment Period and (ii) the sum of (A) the value of such participant's Annuity Savings Fund account as of June 30, 2013 calculated using the Actual Return and (B) the value of the participant's distribution calculated as of the date of distribution using the Actual Return through such date; and (c) for an ASF Distribution Recipient, the difference between (i) the value of such ASF Distribution Recipient's Annuity Savings Fund account as of the date of distribution from the Annuity Savings Fund, provided such date falls within the ASF Recoupment Period, and (ii) the value of such participant's Annuity Savings Fund account as of such date, calculated using the Actual Return. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from his Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

23. "ASF/GRS Reduction" means, with respect to a Holder of a GRS Pension Claim who is a retiree who is receiving a monthly pension as of June 30, 2014 or such retiree's later-surviving beneficiary, the 4.5% reduction in the Current Accrued Annual Pension amount described in Section I.A.211, plus the ASF Recoupment.

24. "ASF Current Participant" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) is not an ASF Distribution Recipient.

25. "ASF Distribution Recipient" means a person who (a) participates in the GRS, (b) participated in the Annuity Savings Fund at any time during the ASF Recoupment Period and (c) has received a total distribution from the Annuity Savings Fund.

26. "ASF Election Date" means the date that is 35 days after the date on which the ASF Election Form is mailed.

27. "ASF Election Form" means a form to be mailed to each ASF Distribution Recipient with the ASF Election Notice to allow such ASF Distribution Recipient to elect the ASF Recoupment Cash Option.

28. "ASF Election Notice" means a notice to be mailed to each ASF Distribution Recipient notifying such ASF Distribution Recipient of the ASF Recoupment Cash Option and providing such recipient with an ASF Election Form.

29. "ASF Final Cash Payment Date" means the later of (a) 90 days after the Effective Date or (b) 50 days after the date of mailing of an ASF Final Cash Payment Notice.

30. "ASF Final Cash Payment Notice" means a notice to be provided by GRS to each ASF Distribution Recipient who timely elects the ASF Recoupment Cash Option indicating the amount of such ASF Distribution Recipient's ASF Recoupment Cash Payment.

31. "ASF Recoupment" means the amount to be deducted from an ASF Current Participant's Annuity Savings Fund account or an ASF Distribution Recipient's monthly pension check, as applicable, pursuant to the formulae set forth in Section II.B.3.r.ii.D.

32. "ASF Recoupment Cap" means, for both ASF Current Participants and ASF Distribution Recipients, 20% of the highest value of such participant's Annuity Savings Fund account during the ASF Recoupment Period plus an interest component of 6.75% if the amount recouped is amortized over time. For purposes of this definition, the value of a participant's Annuity Savings Fund account as of any date will include the principal amount of any loans to the participant from such participant's Annuity Savings Fund account that are outstanding as of such date or that were defaulted during the ASF Recoupment Period.

33. "ASF Recoupment Cash Option" means an election that may be exercised by an ASF Distribution Recipient to pay the total amount of such ASF Distribution Recipient's ASF Recoupment in a single lump sum.

34. "ASF Recoupment Cash Payment" means the amount of the cash payment that an ASF Distribution Recipient who elects the ASF Recoupment Cash Option will be required to pay on account of such ASF Distribution Recipient's ASF Recoupment.

35. "ASF Recoupment Period" means the period beginning July 1, 2003 and ending June 30, 2013.

36. "Assigned UTGO Bond Tax Proceeds" means the rights to the proceeds of the UTGO Bond Tax Levy in an amount equal to the principal and interest payable on the Stub UTGO Bonds (but subject to the prior rights of the holders of the Municipal Obligation), which rights shall be assigned to a designee or designees of the City pursuant to the UTGO Settlement Agreement, substantially on the terms set forth on Exhibit I.A.360.

37. "Assured" means, together, Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance, Inc., and Assured Guaranty Corp.

38. "Ballot" means the ballot upon which a Holder of an Impaired Claim entitled to vote shall cast its vote to accept or reject the Plan and make certain elections provided for in the Plan.

39. "Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as now in effect or hereafter amended.

40. "Bankruptcy Court" means the United States Bankruptcy Court for the Eastern District of Michigan having jurisdiction over the Chapter 9 Case, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 or the General Order of the District Court pursuant to § 151 of title 28 of the United States Code, the District Court.

41. "Bankruptcy Rules" means, collectively, the Federal Rules of Bankruptcy Procedure and the general, local and chambers rules of the Bankruptcy Court, as now in effect or hereafter amended, as applicable to the Chapter 9 Case.

42. "Bar Date" means the applicable bar date by which a proof of Claim must be or must have been Filed, as established by an order of the Bankruptcy Court, including a Bar Date Order and the Confirmation Order.

43. "Bar Date Order" means any order of the Bankruptcy Court establishing Bar Dates for Filing proofs of Claim in the Chapter 9 Case, including the Order, Pursuant to Sections 105, 501 and 503 of the Bankruptcy Code and Bankruptcy Rules 2002 and 3003(c), Establishing Bar Dates for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof (Docket No. 1782), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on November 21, 2013, as it may be amended, supplemented or otherwise modified.

44. "Bond Agent" means a trustee, paying agent or similar Entity, as applicable, under the Bond Documents.

45. "Bond Claims" means, collectively, the DWSD Bond Claims, the DWSD Revolving Bond Claims, the General Obligation Bond Claims, the HUD Installment Note Claims and the Secured GO Bond Claims.

46. "Bond Documents" means, collectively, the DWSD Bond Documents, the DWSD Revolving Bond Documents, the General Obligation Bond Documents, the HUD Installment Note Documents and the Secured GO Bond Documents.

47. "Bond(s)" means, individually or collectively, the DWSD Bonds, the DWSD Revolving Bonds, the General Obligation Bonds, the HUD Installment Notes or the Secured GO Bonds.

48. "Bondholder" means any beneficial or record holder of a Bond.

49. "Bond Insurance Policies" means those policies, surety policies or other instruments insuring any Bond and obligations related thereto, including all ancillary and related documents that may obligate the City to pay any amount to a Bond Insurer for any reason.

50. "Bond Insurance Policy Claim" means a Claim held by a Bond Insurer arising under or in connection with a Bond Insurance Policy.

51. "Bond Insurer" means any party, other than the City, that has issued a Bond Insurance Policy.

52. "Business Day" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)).

53. "Cash" means legal tender of the United States of America and equivalents thereof.

54. "Causes of Action" means, without limitation, any and all actions, causes of action, controversies, liabilities, obligations, rights, suits, damages, judgments, claims and demands whatsoever, whether known or

unknown, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring prior to the Effective Date, including without limitation (a) claims and causes of action under sections 502(d), 510, 544, 545, 547, 548, 549(a), 549(c), 549(d), 550, 551 and 553 of the Bankruptcy Code and (b) any other avoidance or similar claims or actions under the Bankruptcy Code or under similar or related state or federal statutes or common law, and, in the case of each Cause of Action, the proceeds thereof, whether received by judgment, settlement or otherwise.

55. "CFSEM Supporting Organization" means the Foundation for Detroit's Future, a supporting organization of, and an Entity legally separate from, the Community Foundation for Southeast Michigan, solely in its capacity as a participant in the DIA Settlement.

56. "Chapter 9 Case" means the bankruptcy case commenced by the City under chapter 9 of the Bankruptcy Code, captioned as *In re City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.), and currently pending before the Bankruptcy Court.

57. "City" means the City of Detroit, Michigan.

58. "City Council" means the duly-elected City Council of the City.

59. "City Parking Assets" means, collectively, the City's right, title and interest in (a) the Parking Garages, (b) operating revenue received by the City generated by the Parking Garages, (c) revenues collected from fines received by the City related to tickets issued for parking violations (other than any such revenue that would otherwise be paid to the 36th District Court), (d) revenue received by the City generated by parking meters owned by the City and (e) revenue received by the City generated by "boot and tow" operations conducted by the City.

60. "Claim" means a claim, as defined in section 101(5) of the Bankruptcy Code, against the City.

61. "Claims and Balloting Agent" means Kurtzman Carson Consultants, LLC, in its capacity as Bankruptcy Court-appointed claims and balloting agent for the Chapter 9 Case.

62. "Claims Objection Bar Date" means the deadline for objecting to a Claim, which shall be on the date that is the latest of (a) 180 days after the Effective Date, subject to extension by an order of the Bankruptcy Court, (b) 90 days after the Filing of a proof of Claim for such Claim and (c) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court, which other period may be set without notice to Holders of Claims.

63. "Claims Register" means the official register of Claims maintained by the Claims and Balloting Agent.

64. "Class" means a class of Claims, as described in Section II.B.

65. "Class 9 Settlement Asset Pool" means (a) either: (i) the New C Notes or (ii) in the event of a disposition or monetization of the City Parking Assets prior to distribution of the New C Notes, the proceeds from such disposition or monetization, in an amount not less than \$80 million; and (b) the Class 9 Settlement Credits.

66. "Class 9 Eligible City Asset" means those assets identified on Exhibit I.A.66.

67. "Class 9 Settlement Credits" means assignable, transferable settlement credits in the aggregate amount of \$25 million that may be applied to offset not more than 50% of the purchase price of a Class 9 Eligible City Asset; provided that, in all cases, to apply a Class 9 Settlement Credit, the owner thereof must (a) be the final party selected in a procurement process or auction conducted by the City and (b) otherwise satisfy all other elements of the procurement or auction process applicable to a particular Class 9 Eligible City Asset (in each of (a) and (b), without regard to such owner's offsetting any portion of the purchase price with such Class 9 Settlement Credit and irrespective of such owner's ability to apply any Class 9 Settlement Credit).

68. "COLAs" means the cost of living adjustments made to annual pension benefits pursuant to collective bargaining agreements, other contracts or ordinances (as applicable) to account for the effects of inflation, which adjustments sometimes are called "escalators" in such collective bargaining agreements, other contracts or ordinances.

69. "Confirmation" means the entry of the Confirmation Order by the Bankruptcy Court on the docket of the Chapter 9 Case.

70. "Confirmation Date" means the date on which the Bankruptcy Court enters the Confirmation Order on the docket in the Chapter 9 Case, within the meaning of Bankruptcy Rules 5003 and 9021.

71. "Confirmation Hearing" means the hearing held by the Bankruptcy Court on Confirmation of the Plan, as such hearing may be continued.

72. "Confirmation Order" means the order of the Bankruptcy Court confirming the Plan pursuant to section 943 of the Bankruptcy Code, as it may be subsequently amended, supplemented or otherwise modified.

73. "Contract Administration Agreement 2005" means the Contract Administration Agreement dated June 2, 2005, by and among the COP Service Corporations, the Detroit Retirement Systems Funding Trust 2005, the COP Contract Administrator and the COP Swap Counterparties.

74. "Contract Administration Agreement 2006" means the Contract Administration Agreement dated June 12, 2006, by and among the COP Service Corporations, the Detroit Retirement Systems Funding Trust 2006, the COP Contract Administrator and the COP Swap Counterparties.

75. "Contract Administration Agreements" means, together, the Contract Administration Agreement 2005 and the Contract Administration Agreement 2006.

76. "Convenience Claim" means a Claim that would otherwise be an Other Unsecured Claim that is (a) an Allowed Claim in an amount less than or equal to \$25,000.00; or (b) in an amount that has been reduced to \$25,000.00 pursuant to an election made by the Holder of such Claim; provided that, where any portion(s) of a single Claim has been transferred, (y) the amount of all such portions will be aggregated to determine whether a Claim qualifies as a Convenience Claim and for purposes of the Convenience Claim election and (z) unless all transferees make the Convenience Claim election on the applicable Ballots, the Convenience Claim election will not be recognized for such Claim.

77. "COP Agent" means a contract administrator, trustee, paying agent or similar Entity, as applicable, under the COP Documents.

78. "COP Agent Fees" means reasonable, actual and documented fees payable to the COP Agent for services rendered or expenses incurred in accordance with and pursuant to the terms of the COPs Documents.

79. "COP Claim" means a Claim under or evidenced by the COP Service Contracts. For the avoidance of doubt, except as provided in any Final Order of the Bankruptcy Court, the definition of COP Claim shall include any Claim (other than a COP Swap Claim) on account of any act, omission or representation (however described) based upon, arising out of or relating to: (a) the issuance, offering, underwriting, purchase, sale, ownership or trading of any COPs (to the extent any such Claim is not a Subordinated Claim); (b) the COP Service Corporations; (c) any COP Service Contracts; (d) the 2005 COPs Agreement; (e) the 2006 COPs Agreement; (f) the Detroit Retirement Systems Funding Trust 2005; (g) the Detroit Retirement Systems Funding Trust 2006; (h) the Contract Administration Agreement 2005; (i) the Contract Administration Agreement 2006; (j) any allegations that have been made or could have been made by or against the City or any other person in the COP Litigation; or (k) any policy of insurance relating to the COPs.

80. "COP Contract Administrator" means Wilmington Trust, National Association, as successor to U.S. Bank, N.A.

81. "COP Documents" means, collectively, the COP Service Contracts, the 2005 COPs Agreement, the 2006 COPs Agreement and the Contract Administration Agreements.

82. "COP Insurance Policies" means those certain policies or other instruments insuring the 2005 COPs issued under the 2005 COPs Agreement and the 2006 COPs issued under the 2006 COPs Agreement, including all ancillary and related documents that may obligate the City to pay any amount to a COP Insurer for any reason.

83. "COP Insurance Policies Claim" means a Claim held by a COP Insurer arising under or in connection with a COP Insurance Policy.

84. "COP Insurer" means any party, other than the City, that has issued a COP Insurance Policy.

85. "COP Litigation" means the adversary proceeding captioned as *City of Detroit, Michigan v. Detroit General Retirement System Service Corporation, Detroit Police and Fire Retirement System Service Corporation, Detroit Retirement Systems Funding Trust 2005 and Detroit Retirement Systems Funding Trust 2006*, Case No. 14-04112 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 31, 2014.

86. "COP Service Contracts" means, collectively, the (a) the GRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit General Retirement System Service Corporation; (b) the PFRS Service Contract 2005, dated May 25, 2005, by and between the City and the Detroit Police and Fire Retirement System Service Corporation; (c) the GRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit General Retirement System Service Corporation; and (d) the PFRS Service Contract 2006, dated June 7, 2006, by and between the City and the Detroit Police and Fire Retirement System Service Corporation, as each of the foregoing may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments.

87. "COP Service Corporations" means, collectively, the Detroit General Retirement System Service Corporation and the Detroit Police and Fire Retirement System Service Corporation.

88. "COP Swap Agreements" means the 1992 ISDA Master Agreements (Local Currency Single Jurisdiction) between the COP Service Corporations and the COP Swap Counterparties, as set forth on Exhibit I.A.88, together with all ancillary and related instruments and agreements, as the same may have been subsequently amended, restated, supplemented or otherwise modified.

89. "COP Swap Claim" means a Claim by the COP Swap Counterparties arising under the COP Swap Documents.

90. "COP Swap Collateral Agreement" means the Collateral Agreement among the City, the COP Service Corporations, the COP Swap Collateral Agreement Custodian and the COP Swap Counterparties, together with all ancillary and related instruments and agreements.

91. "COP Swap Collateral Agreement Custodian" means U.S. Bank National Association as custodian under the COP Swap Collateral Agreement or any successor custodian.

92. "COP Swap Counterparties" means UBS AG and Merrill Lynch Capital Services, Inc., as successor to SBS Financial Products Company LLC, under the COP Swap Documents.

93. "COP Swap Documents" means the COP Swap Agreements and the COP Swap Collateral Agreement.

94. "COP Swap Exculpated Parties" means the COP Swap Counterparties and their affiliates and each of their respective present and former (a) officers, (b) directors, (c) employees, (d) members, (e) managers, (f) partners and (g) attorneys, attorneys-in-fact and other advisors, in each case solely in their capacity as such.

95. "COP Swap Settlement" means that Settlement and Plan Support Agreement among the City and the COP Swap Counterparties filed with the Bankruptcy Court on the docket of the Chapter 9 Case on March 26, 2014 (Docket No. 3234), as the same may be subsequently amended, restated, supplemented or otherwise modified in accordance therewith.

96. "COP Swap Settlement Approval Order" means the order entered by the Bankruptcy Court approving the COP Swap Settlement (Docket No. 4094).

97. "COP Syncora Swap Insurance Policies" shall mean policy numbers CA03049E, CA03049D, CA3049C and CA03049B issued by XL Capital Assurance Inc.

98. "COPs" means, collectively, the 2005 COPs and the 2006 COPs.

99. "COP Trustee" means Wilmington Trust, National Association, as Successor Trustee for the Detroit Retirement Systems Funding Trust 2005 and the Detroit Retirement Systems Funding Trust 2006, or any successor thereto.

100. "Counties" means, collectively, Macomb County, Oakland County and Wayne County.

101. "Cure Amount Claim" means a Claim based upon the City's defaults under an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the City under section 365 of the Bankruptcy Code to the extent such Claim is required to be cured by section 365 of the Bankruptcy Code.

102. "Current Accrued Annual Pension" means, with respect to any Holder of a Pension Claim, the amount of annual pension benefits that the applicable Retirement System (a) is obligated to pay to such Holder as of June 30, 2014 to the extent such Holder is retired or a surviving beneficiary and receiving, or terminated from City employment and eligible to receive, a monthly pension as of such date or (b) would be obligated to pay such Holder upon his or her future retirement to the extent such Holder is actively employed by the City on June 30, 2014, assuming such Holder's annual pension is frozen as of June 30, 2014, and such Holder is no longer able to accrue pension benefits after such date under the current terms and conditions of the applicable Retirement System, in either case as reflected on the books and records of the applicable Retirement System as of June 30, 2014.

103. "Current GRS Retiree Adjustment Cap" means, if the funding from the State Contribution Agreement and the DIA Settlement is received, an ASF/GRS Reduction in an amount not to exceed 20% of the Current Accrued Annual Pension (including an interest component of 6.75% on the ASF Recoupment portion of the ASF/GRS Reduction if the ASF Recoupment is amortized over time) of a person who was a current retiree as of June 30, 2014.

104. "CUSIP" means the nine-character identifier (consisting of letters and numbers) that uniquely identifies any particular issue of DWSD Bonds.

105. "Detroit General Retiree" means a retired employee or surviving beneficiary of a retired employee of a department of the City who (a) is not a Detroit Police and Fire Retiree, (b) retired (or is a surviving beneficiary of one who retired) on or before December 31, 2014 and (c) is a Holder of an OPEB Claim.

106. "Detroit General VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit General VEBA Beneficiaries and certain of their dependents.

107. "Detroit General VEBA Beneficiary" means either (a) a Holder of an Allowed OPEB Claim who is a Detroit General Retiree or (b) a retired employee (or surviving beneficiary of a retired employee) of the Detroit Public Library or the Detroit Regional Convention Facility Authority who (i) retired (or is a surviving beneficiary of one who retired) on or before December 31, 2014 and (ii) holds a valid claim for OPEB Benefits against the Detroit Public Library or the Detroit Regional Convention Facility Authority.

108. "Detroit General VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit General VEBA, in substantially the form attached hereto as Exhibit I.A.108.

109. "Detroit Police and Fire Retiree" means a retired employee or surviving beneficiary of a retired employee of the Detroit Police Department or the Detroit Fire Department who (a) was not an employee of the Emergency Medical Services Division of the Detroit Fire Department, (b) is a Holder of an OPEB Claim and (c) retired (or was a surviving beneficiary of one who retired) on or before December 31, 2014.

110. "Detroit Police and Fire VEBA" means a voluntary employees' beneficiary association established in accordance with section 501(c)(9) of the Internal Revenue Code of 1986, as amended, and regulations thereunder that provides health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents.

111. "Detroit Police and Fire VEBA Beneficiary" means a Holder of an Allowed OPEB Claim that is a Detroit Police and Fire Retiree.

112. "Detroit Police and Fire VEBA Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Detroit Police and Fire VEBA, in substantially the form attached hereto as Exhibit I.A.112.

113. "Detroit Retirement Systems Funding Trust 2005" means the funding trust established pursuant to the 2005 COPs Agreement.

114. "Detroit Retirement Systems Funding Trust 2006" means the funding trust established pursuant to the 2006 COPs Agreement.

115. "Developer" means FGIC or its designee(s) under the FGIC Development Agreement.

116. "DDA" means the City of Detroit Downtown Development Authority.

117. "DIA" means The Detroit Institute of Arts, a museum and cultural institution located at 5200 Woodward Avenue, Detroit, Michigan 48202.

118. "DIA Assets" means the "Museum Assets" as defined in the DIA Settlement Documents.

119. "DIA Corp." means The Detroit Institute of Arts, a Michigan non-profit corporation.

120. "DIA Direct Funders" means DIA Corp. and those DIA Funders whose commitments to contribute monies in furtherance of the DIA Settlement are made directly to the CFSEM Supporting Organization.

121. "DIA Funders" means those persons, businesses, business-affiliated foundations and other foundations from which DIA Corp. secures commitments, whether before or after the Effective Date, to contribute monies or otherwise secures contributions of monies in support of DIA Corp.'s payment obligations under the DIA Settlement, whether paid directly to the CFSEM Supporting Organization or to DIA Corp. for the purpose of supporting DIA Corp.'s payments to the CFSEM Supporting Organization.

122. "DIA Funding Parties" means the Foundations and the DIA Direct Funders.

123. "DIA Proceeds" means, collectively, the irrevocable funding commitments described in Section IV.E.1.

124. "DIA Proceeds Default Amount" means a reduction in the Adjusted Pension Amount of a Holder of a Pension Claim (or a surviving beneficiary) by virtue of a DIA Proceeds Payment Default, as determined by the trustees of the GRS or the PFRS, the aggregate amount of which shall be commensurate with the pertinent DIA Proceeds Payment Default.

125. "DIA Proceeds Payment Default" means a default that has not been cured during any applicable grace period, as determined by the trustees of the GRS or the PFRS, by one or more DIA Funding Parties respecting material amounts scheduled to be paid to the City in accordance with the DIA Settlement that the City, in turn, is required to pay over to the GRS or the PFRS in accordance with the terms and conditions of the Plan.

126. "DIA Settlement" means the comprehensive settlement regarding the DIA Assets, as described at Section IV.E and as definitively set forth in the DIA Settlement Documents, the principal terms of which are attached hereto as Exhibit I.A.126.

127. "DIA Settlement Documents" means the definitive documentation to be executed in connection with the DIA Settlement, in substantially the form attached hereto as Exhibit I.A.127, which documents substantially conform to the term sheet attached hereto as Exhibit I.A.126.

128. "Disbursing Agent" means the disbursing agent(s) appointed pursuant to Section V.A.

129. "Disclosure Statement" means the disclosure statement (including all exhibits and schedules thereto or referenced therein) that relates to the Plan and has been prepared and distributed by the City and approved by the Bankruptcy Court in the Disclosure Statement Order, as the same may be amended, supplemented or otherwise modified.

130. "Disclosure Statement Order" means the Order Approving the Proposed Disclosure Statement (Docket No. 4401), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on May 5, 2014, approving the Disclosure Statement as containing adequate information pursuant to section 1125 of the Bankruptcy Code, as it may have been subsequently amended, supplemented or otherwise modified.

131. "Discounted Value" means the net present value of all Net DWSD Transaction Proceeds to be received immediately or in the future utilizing a 6.75% discount rate.

132. "Dismissed FGIC/COP Litigation" means all litigation pending between the City and FGIC (including all appeals) arising out of or related to, and all motions or objections pending in, the Chapter 9 Case, including the litigation set forth on Exhibit I.A.132, which litigation shall be dismissed or withdrawn as set forth in the FGIC/COP Settlement Documents.

133. "Dismissed Syncora Litigation" means all litigation pending between the City and Syncora (including all appeals) arising out of or related to, and all motions or objections pending in, the Chapter 9 Case, including the litigation set forth on Exhibit I.A.133, which litigation shall be dismissed or withdrawn as set forth in the Syncora Settlement Documents.

134. "Disputed Claim" means any Claim that is not Allowed.

135. "Distribution" means any initial or subsequent payment or transfer made on account of an Allowed Claim under or in connection with the Plan.

136. "Distribution Amount" means the principal amount of \$42,500,000 for each of the COP Swap Counterparties, plus interest, on and after October 15, 2014, on the unpaid Net Amount at the rate applicable to obligations under the Postpetition Financing Agreement, payable in cash in the manner set forth in the COP Swap Settlement Agreement.

137. "Distribution Date" means any date on which a Distribution is made.

138. "Distribution Record Date" means 5:00 p.m., Eastern Time, on the Confirmation Date.

139. "District Court" means the United States District Court for the Eastern District of Michigan.

140. "Document Website" means the internet site address <http://www.kccllc.net/Detroit>, at which the Plan, the Disclosure Statement and all Filed Exhibits to the Plan shall be available to any party in interest and the public, free of charge.

141. "Downtown Development Authority Claims" means Claims in respect of the Downtown Development Authority Loans.

142. "Downtown Development Authority Loans" means loans made pursuant to that certain Loan Agreement, dated August 26, 1991, by and between the City and the DDA, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements.

143. "DRCEA" means the Detroit Retired City Employees Association.

144. "DWSD" means the Detroit Water and Sewerage Department, which is a department of the City.

145. "DWSD Authority" means an authority that may be formed pursuant to a DWSD Authority Transaction to conduct many or all of the operations currently conducted by DWSD as described in Section IV.A.3.

146. "DWSD Authority Transaction" means the potential formation (including the potential transfer of certain assets owned by DWSD) and operation of the DWSD Authority, as described in Section IV.A.3.

147. "DWSD Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Bond Documents, including a Claim for principal and interest on the DWSD Bonds.

148. "DWSD Bond Documents" means the ordinances passed, resolutions adopted, orders issued or indentures executed with respect to the DWSD Bonds, as set forth on Exhibit I.A.148, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

149. "DWSD Bonds" means the secured bonds issued pursuant to the DWSD Bond Documents, as set forth on Exhibit I.A.148.

150. "DWSD CVR" means a single series of contingent value right certificates representing the right to receive 50% of the Net DWSD Transaction Proceeds received by the General Fund on account of a Qualifying DWSD Transaction.

151. "DWSD Exculpated Parties" means, collectively, the DWSD Settlement Parties and their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents, attorneys, advisors, accountants, restructuring consultants, financial advisors and investment bankers, solely in their capacity as such.

152. "DWSD Revolving Bond Claims" means, collectively, the DWSD Revolving Sewer Bond Claims and the DWSD Revolving Water Bond Claims.

153. "DWSD Revolving Bond Documents" means, collectively, the DWSD Revolving Sewer Bond Documents and the DWSD Revolving Water Bond Documents.

154. "DWSD Revolving Bonds" means, collectively, the DWSD Revolving Sewer Bonds and the DWSD Revolving Water Bonds.

155. "DWSD Revolving Sewer Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Sewer Bond Documents, including a Claim for principal and interest on the DWSD Revolving Sewer Bonds.

156. "DWSD Revolving Sewer Bond Documents" means the ordinances passed, resolutions adopted or indentures or agreements executed with respect to the DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.156, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

157. "DWSD Revolving Sewer Bonds" means the secured bonds issued pursuant to the DWSD Revolving Sewer Bond Documents, as set forth on Exhibit I.A.156.

158. "DWSD Revolving Water Bond Claims" means any Claim against the City arising under or evidenced by the DWSD Revolving Water Bond Documents, including a Claim for principal and interest on the DWSD Revolving Water Bonds.

159. "DWSD Revolving Water Bond Documents" means the ordinances passed, resolutions adopted or indentures or agreements executed with respect to the DWSD Revolving Water Bonds, as set forth on Exhibit I.A.159, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

160. "DWSD Revolving Water Bonds" means the secured bonds issued pursuant to the DWSD Revolving Water Bond Documents, as set forth on Exhibit I.A.159.

161. "DWSD Series" means an individual issue of DWSD Revolving Bonds having the same lien priority, issue date and series designation.

162. "DWSD Settlement Date" means the date prior to the Effective Date upon which each of (i) consummation of the purchase of the DWSD Tendered Bonds, (ii) issuance of the 2014 DWSD Refinancing Obligations and (iii) issuance of the 2014 Revenue Refinancing Bonds occurs, which date is identified as September 4, 2014 in the DWSD Tender Invitations (subject to rescheduling to a date earlier or later than that date by the City in its sole discretion).

163. "DWSD Settlement Parties" means, collectively, Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance Inc., Berkshire Hathaway Assurance Corp., FGIC (solely in its capacity as a DWSD Bond Insurer), NPFG, the Ad Hoc Committee of DWSD Bondholders and U.S. Bank National Association, as trustee for the DWSD Bonds.

164. "DWSD Tender" means the offers, subject to acceptance at the City's election and in its sole discretion, to purchase for cancellation some or all of the DWSD Bonds that have been tendered and accepted in connection with, and on the terms provided in, the DWSD Tender Invitations.

165. "DWSD Tendered Bonds" means the DWSD Bonds that have been tendered for purchase or cancellation pursuant to the DWSD Tender.

166. "DWSD Tender Invitations" means the invitations and accompanying disclosure statements sent by the City to holders of DWSD Bonds on August 7, 2014, in the form of those collectively attached as Exhibits 8A and 8B to the DWSD Tender Motion.

167. "DWSD Tender Motion" means the Motion of the Debtor for a Final Order Pursuant to (I) 11 U.S.C. §§105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922 and 928 (A) Approving Postpetition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections (Docket No. 6644), Filed by the City on August 11, 2014.

168. "DWSD Tender Order" means the Order, Pursuant to (I) 11 U.S.C. §§ 105, 364(c), 364(d)(1), 364(e), 902, 904, 921, 922 and 928 (A) Approving Postpetition Financing and (B) Granting Liens and (II) Bankruptcy Rule 9019 Approving Settlement of Confirmation Objections (Docket No. 7028), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on August 25, 2014.

169. "Effective Date" means the Business Day, as determined by the City, on which each applicable condition contained in Section III.A has been satisfied or waived.

170. "Eligible Pensioner" means a Holder of a Pension Claim who is eligible to receive an Income Stabilization Payment because such Holder (a) is, as of the Effective Date, at least 60 years of age or is a minor child receiving survivor benefits from GRS or PFRS and (b) has an aggregate annual household income equal to or less than 140% of the Federal Poverty Level in 2013 (as determined by reference to their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation); provided, that no new persons will be eligible to receive Income Stabilization Payments at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

171. "Emergency Manager" means Kevyn D. Orr, in his capacity as emergency manager for the City serving in accordance with PA 436 or any successor emergency manager.

172. "Employee Health and Life Insurance Benefit Plan" means the Employee Health and Life Insurance Benefit Plan, a welfare benefit plan sponsored and administered by the City, which provides health, dental, vision care and life insurance benefits to (a) all officers and employees of the City who were employed on the day preceding the effective date of the benefit plan, and who continue to be employed by the City on and after the Effective Date and (b) substantially all retired officers and employees of the City.

173. "Employees Death Benefit Board of Trustees" means the governing board of the City of Detroit Employee Health and Life Insurance Benefit Plan, which operates and administers the Employees Death Benefit Plan.

174. "Employees Death Benefit Plan" means the City of Detroit Employee Death Benefit Plan, a pre-funded defined benefit plan and trust administered by the Employees Death Benefit Board of Trustees that provides supplemental death benefits to active and retired officers and employees of the City.

175. "Entity" shall have the meaning set forth in section 101(15) of the Bankruptcy Code.

176. "Estimated Future Liability" means the Income Stabilization Payments anticipated to be made from GRS or PFRS, as applicable, in the future in order for the respective Retirement System to fulfill the obligation to make Income Stabilization Payments, as determined by the respective Retirement System's board of trustees in the year 2022, provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to the Retirement System at any time prior to 2022.

177. "Excess Assets" means the amount by which, if at all, the Income Stabilization Fund of either GRS or PFRS is credited with assets in excess of its Estimated Future Liability.

178. "Excess New B Notes" means, collectively: (a) the Syncora Excess New B Notes and (b) New B Notes in the aggregate face amount of approximately \$48.71 million, representing the difference between (i) the New B Notes that would have been distributed to FGIC or the FGIC COP Holders had their respective asserted COP Claims for principal and interest in Class 9 been Allowed in full and (ii) the New B Notes to be provided to FGIC and the FGIC COP Holders as partial consideration pursuant to the terms of the FGIC/COP Settlement.

179. "Excluded Actions" means (a) any claims with respect to enforcement of the FGIC/COP Settlement Documents or the FGIC Development Agreement, (b) any claims with respect to the New B Notes, the New C Notes or the Class 9 Settlement Credits, (c) any claims held by FGIC against the (i) COP Swap Counterparties or (ii) Related Entities of any of the foregoing, or (d) any claims asserted against the City in the proofs of claim filed by FGIC and the COP Trustee; provided that, with respect to the claims described in clause (d), notwithstanding any other provision of the Plan, such claims shall be subject to the treatment, discharge and injunction provisions set forth herein.

180. "Exculpated Parties" means, collectively and individually, (a) the RDPFFA and its board of trustees/directors, attorneys, advisors and professionals, (b) the DRCEA and its board of trustees/directors,

attorneys, advisors and professionals, (c) the postpetition officers of the Detroit Police Lieutenants and Sergeants Association, (d) the postpetition officers of the Detroit Police Command Officers Association, (e) GRS and its postpetition professional advisors, (f) PFRS and its postpetition professional advisors, (g) Gabriel, Roeder, Smith & Company, (h) the COP Swap Exculpated Parties, (i) the LTGO Exculpated Parties, (j) the UTGO Exculpated Parties, (k) the DWSD Exculpated Parties, (l) the RDPMA Exculpated Parties, (m) the Syncora Exculpated Parties, (n) the COP Agent and (o) the FGIC/COP Exculpated Parties. For the avoidance of doubt, Exculpated Parties shall not include the COP Service Corporations.

181. "Executory Contract" means a contract to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

182. "Exhibits" means, collectively, the documents listed on the "Table of Exhibits" included herein, all of which will be made available on the Document Website once they are Filed. The City reserves the right, in accordance with the terms hereof, to modify, amend, supplement, restate or withdraw any of the Exhibits after they are Filed and shall promptly make such changes available on the Document Website.

183. "Exit Facility" means a credit facility that will be entered into by the City, the Exit Facility Agent and the other financial institutions party thereto on the Effective Date on substantially the terms set forth on Exhibit I.A.183.

184. "Exit Facility Agent" means the agent under the Exit Facility.

185. "Face Amount" means either (a) the full stated amount claimed by the holder of such Claim in any proof of Claim Filed by the Bar Date or otherwise deemed timely Filed under applicable law, if the proof of Claim specifies only a liquidated amount; (b) if no proof of Claim is Filed by the Bar Date or otherwise deemed timely Filed under applicable law, the full amount of the Claim listed on the List of Creditors, provided that such amount is not listed as disputed, contingent or unliquidated; or (c) the amount of the Claim (i) acknowledged by the City in any objection Filed to such Claim, (ii) estimated by the Bankruptcy Court for such purpose pursuant to section 502(c) of the Bankruptcy Code, or (iii) proposed by City, if (A) no proof of Claim has been Filed by the Bar Date or has otherwise been deemed timely Filed under applicable law and such amount is not listed in the List of Creditors or is listed in List of Creditors as disputed, contingent or unliquidated or (B) the proof of Claim specifies an unliquidated amount (in whole or in part).

186. "Federal Poverty Level" means the poverty guidelines issued each year in the *Federal Register* by the United States Department of Health and Human Services.

187. "Fee Examiner" means Robert M. Fishman, in his capacity as the fee examiner appointed pursuant to the Fee Examiner Order.

188. "Fee Examiner Order" means the Order Appointing Fee Examiner (Docket No. 383), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on August 19, 2013, as it may have been amended, supplemented or otherwise modified.

189. "Fee Examiner Parties" means, collectively, (a) the Fee Examiner and (b) all counsel and other professionals advising the Fee Examiner whose fees and expenses are subject to the Fee Review Order.

190. "Fee Review Order" means the Fee Review Order (Docket No. 810), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on September 11, 2013, as it may have been amended, supplemented or otherwise modified, including pursuant to the Order Amending and Clarifying Fee Review Order of September 11, 2013 (Docket No. 5150), entered on May 29, 2014.

191. "Fee Review Professionals" means, collectively, (a) those professionals retained by the City and the Retiree Committee to render services in connection with the Chapter 9 Case who seek payment of compensation and reimbursement of expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order and (b) those additional professionals retained by third parties to provide services in connection with

the Chapter 9 Case that seek reimbursement by or payment from the City or any of its departments and are, or are determined (by Bankruptcy Court order or otherwise) to be, subject to the Fee Review Order or the terms of this Plan. For the avoidance of doubt, any professionals retained by any official committee appointed in the Chapter 9 Case other than the Retiree Committee are not Fee Review Professionals.

192. "Fee Review Professional Fees" means, collectively, (a) the fees and expenses of the Fee Review Professionals incurred during the period beginning on the Petition Date and ending on the Effective Date and (b) the fees and expenses of the Fee Examiner Parties through the projected date of dismissal of the Fee Examiner pursuant to Section IV.N.3.

193. "FGIC" means Financial Guaranty Insurance Company.

194. "FGIC/COP Exculpated Parties" means (a) FGIC and its Related Entities, (b) the FGIC COP Holders and their respective Related Entities and (c) the COP Agent and its Related Entities, in each case solely in their respective capacities as holders of, insurer of or administrator, trustee, or paying agent with respect to COP Claims.

195. "FGIC COP Holders" means the registered and beneficial holders of COPs originally insured by FGIC.

196. "FGIC/COP Settlement" means the comprehensive settlement with FGIC and the FGIC COP Holders, as described at Section IV.J and as definitively set forth in the FGIC/COP Settlement Documents.

197. "FGIC/COP Settlement Documents" means the definitive documentation to be executed in connection with the FGIC/COP Settlement, in substantially the form attached hereto as Exhibit I.A.197, and in any case in form and substance reasonably acceptable to the City, FGIC and the FGIC COP Holders. Whenever the consent of the FGIC COP Holders is required hereunder, or any document is required to be reasonably satisfactory to the FGIC COP Holders, such consent shall be deemed given and such document shall be deemed reasonably satisfactory unless within the period of time specified for such consent or document (which shall be reasonable under the circumstances and in any event not less than 48 hours after the request for such consent or proposed document shall have been filed with the court) unless beneficial holders of a majority of the COPs originally insured by FGIC shall have objected in writing to the action or document.

198. "FGIC Development Agreement" means that certain development agreement to be entered into by the City and the Developer, in substantially the form attached hereto as Exhibit I.A.198.

199. "FGIC Settlement Consideration" means the share of the Class 9 Settlement Asset Pool and New B Notes to be distributed for the benefit of FGIC and the FGIC COP Holders pursuant to Section II.B.3.p.i.A in respect of COPs originally insured by FGIC.

200. "File," "Filed," or "Filing" means file, filed or filing with the Bankruptcy Court or the Claims and Balloting Agent, as applicable, in the Chapter 9 Case.

201. "Final Order" means an order or judgment of the Bankruptcy Court, or any other court of competent jurisdiction, as entered on the docket in the Chapter 9 Case or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari or move, under Bankruptcy Rule 9023 or Rule 59 of the Federal Rules of Civil Procedure, for a new trial, reargument or rehearing has expired, and no appeal or petition for certiorari or other proceedings for a new trial, reargument or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing shall have been denied or resulted in no modification of such order; provided that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed shall not prevent such order from being a Final Order.

202. "Financial Review Commission" means the financial review commission appointed under Section 4 of the Financial Review Commission Act.

203. "Financial Review Commission Act" means Public Act 181 of 2014 of the State, also known as the Michigan Financial Review Commission Act, Michigan Compiled Laws §§ 141.1631, *et seq.*

204. "Fiscal Year" means a fiscal year for the City, commencing on July 1 of a year and ending on June 30 of the following year. A Fiscal Year is identified by the calendar year in which the Fiscal Year ends, such that, for example, the 2015 Fiscal Year is the Fiscal Year commencing on July 1, 2014, and ending on June 30, 2015.

205. "Foundations" means those entities identified on Exhibit B to the summary of the material terms of the DIA Settlement, which is attached hereto as Exhibit I.A.126.

206. "General Fund" means the primary governmental fund and the chief operating fund of the City, which fund accounts for several of the City's primary services, including police, fire, public works, community and youth services.

207. "General Obligation Bond Claims" means, collectively, the Limited Tax General Obligation Bond Claims and the Unlimited Tax General Obligation Bond Claims.

208. "General Obligation Bond Documents" means, collectively, the Limited Tax General Obligation Bond Documents and the Unlimited Tax General Obligation Bond Documents.

209. "General Obligation Bonds" means, collectively, the Limited Tax General Obligation Bonds and the Unlimited Tax General Obligation Bonds.

210. "GRS" means the General Retirement System of the City of Detroit.

211. "GRS Adjusted Pension Amount" means, with respect to a Holder of a GRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 4.5% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment, provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and

(b) If Classes 10 and 11 do not vote to accept the Plan or funding is not received from the DIA Settlement and the State Contribution Agreement: for a Holder of a GRS Pension Claim who is (i) either retired and receiving a monthly pension or a surviving beneficiary or (ii) an Active Employee or a terminated employee with a right to receive a GRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus an additional 27% reduction in the Current Accrued Annual Pension amount, plus the ASF Recoupment; provided that ASF Recoupment shall not apply to a surviving beneficiary of a retiree who died prior to June 30, 2014; and provided further, that with respect to Holders who are Active Employees, in the event the unfunded liabilities of the GRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the GRS as of June 30, 2013, the monthly pension amount shall be decreased to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

212. "GRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City or any participants in GRS, their heirs or beneficiaries or by the GRS or any trustee thereof or any other Entity acting on the GRS's behalf, against the City or any fund managed by the City (including,

but not limited to, the General Fund, the water fund, the sewage disposal fund, the Detroit General Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability or other post-retirement payment or distribution in respect of the employment of current or former employees or (b) the payment by the GRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the GRS.

213. "GRS Restoration Payment" means an addition to the pension benefits that comprise the GRS Adjusted Pension Amount as described in Exhibit II.B.3.r.ii.C.

214. "Holder" means an Entity holding a Claim. With respect to any COP originally insured by FGIC, "Holder" includes the beneficial holders of any such COP.

215. "HUD Installment Note Claims" means any Claim against the City arising under or evidenced by the HUD Installment Note Documents, including a Claim for principal and interest on the HUD Installment Notes.

216. "HUD Installment Note Documents" means the promissory notes executed with respect to the HUD Installment Notes, as set forth on Exhibit I.A.216, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

217. "HUD Installment Notes" means, collectively, the secured notes issued under the HUD Installment Note Documents, as set forth on Exhibit I.A.216.

218. "Impaired" means, with respect to a Class or a Claim, that such Class or Claim is impaired within the meaning of section 1124 of the Bankruptcy Code.

219. "Income Stabilization Benefit" means a supplemental pension benefit in an amount necessary to ensure that (a) each Eligible Pensioner's total household income is equal to 130% of the Federal Poverty Level in 2013 or (b) the annual pension benefit payment payable to each Eligible Pensioner equals 100% of the annual pension benefit payment actually received by the Eligible Pensioner in 2013, whichever amount is lower.

220. "Income Stabilization Benefit Plus" means a supplemental pension benefit in an amount necessary to ensure that (a) an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in a given calendar year is equal to 105% of the Federal Poverty Level for such year or (b) the annual pension benefit payment payable to an Eligible Pensioner equals 100% of the Eligible Pensioner's Current Accrued Annual Pension, plus COLAs, whichever amount is lower.

221. "Income Stabilization Payments" means the Income Stabilization Benefit and the Income Stabilization Benefit Plus, which will be paid from the Income Stabilization Fund in each of GRS and PFRS to Eligible Pensioners in accordance with the State Contribution Agreement.

222. "Income Stabilization Fund" means a separate recordkeeping sub-account that will be established in each of GRS and PFRS for the sole purpose of paying Income Stabilization Payments to Eligible Pensioners. The assets credited to these sub-accounts will be invested on a commingled basis with the GRS and PFRS assets, as applicable, and will be credited with a pro rata portion of the applicable Retirement System's earnings and losses.

223. "Indirect 36th District Court Claim" means any claim arising in connection with a Cause of Action against the 36th District Court, solely to the extent that (a) the 36th District Court is entitled to receive funding from the City to satisfy any such claim and (b) any Claim for such funding by the 36th District Court is resolved pursuant to the Plan and the 36th District Court Settlement.

224. "Indirect Employee Indemnity Claim" means any claim against an employee or former employee of the City with respect to which such employee has an Allowed Claim against the City for indemnification or

payment or advancement of defense costs based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law.

225. "Insured LTGO Bonds" means those Limited Tax General Obligation Bonds that are insured by the LTGO Insurer.

226. "Investment Committee" means, as applicable, the investment committee established by GRS or PFRS for the purpose of making recommendations to, and approving certain actions by, the respective Retirement System's board of trustees or making determinations and taking action under, and with respect to certain matters described in, the State Contribution Agreement.

227. "Liabilities" means any and all claims, obligations, suits, judgments, damages, demands, debts, rights, derivative claims, causes of action and liabilities, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, arising in law, equity or otherwise, that are based in whole or in part on any act, event, injury, omission, transaction, agreement, employment, exposure or other occurrence taking place on or prior to the Effective Date.

228. "Lien" shall have the meaning set forth in section 101(37) of the Bankruptcy Code.

229. "Limited Tax General Obligation Bond Claim" means any Claim against the City arising under or evidenced by the Limited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Limited Tax General Obligation Bonds.

230. "Limited Tax General Obligation Bond Documents" means the resolutions adopted and orders issued with respect to the Limited Tax General Obligation Bonds, as set forth on Exhibit I.A.230, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

231. "Limited Tax General Obligation Bonds" means, collectively, the unsecured bonds issued under the Limited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.230.

232. "Liquidity Event" shall be deemed to occur only if the City has at all times complied with its obligations under the COP Swap Settlement to use its best efforts to secure sufficient exit financing as set forth therein, but is nonetheless unable to secure sufficient exit financing to pay the Net Amount on or promptly following the Effective Date.

233. "List of Creditors" means the Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (together with the summaries and schedules attached thereto), attached as Exhibit A to the Notice of Filing of Second Amended List of Creditors and Claims, Pursuant to Sections 924 and 925 of the Bankruptcy Code (Docket No. 1059), Filed by the City on September 30, 2013, as such list, summaries or schedules may be amended, restated, supplemented or otherwise modified.

234. "LTGO Distribution Agent" means U.S. Bank National Association, in its capacity as agent under a distribution agreement to be entered into in connection with the LTGO Settlement Agreement or such other entity as may be agreed to among the parties to the LTGO Settlement Agreement.

235. "LTGO Exculpated Parties" means (a) the LTGO Insurer, (b) BlackRock Financial Management, solely in its capacity as a Holder of Limited Tax General Obligation Bonds, and (c) their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents, attorneys, advisors, accountants, consultants, financial advisors and investment bankers, solely in their capacity as such.

236. "LTGO Insurer" means Ambac, solely in its capacity as insurer of certain of the City's obligations with respect to the Limited Tax General Obligation Bonds.

237. "LTGO Settlement Agreement" means the comprehensive settlement regarding Limited Tax General Obligation Bond Claims and related Bond Insurance Policy Claims, substantially in the form attached hereto as Exhibit I.A.237.

238. "LTGO Settlement Parties" means (a) the LTGO Insurer and (b) BlackRock Financial Management, on behalf of certain managed funds and accounts set forth in the LTGO Settlement Agreement.

239. "Macomb County" means the County of Macomb, Michigan.

240. "Mayor" means the duly-elected mayor of the City.

241. "MFA" means the Michigan Finance Authority.

242. "Municipal Obligation" means the local government municipal obligation to be delivered by the City to the MFA in accordance with the LTGO Settlement Agreement and applicable law.

243. "NPFG" means National Public Finance Guarantee Corporation.

244. "Net Amount" means the Distribution Amount less the sum of all quarterly payments received by the COP Swap Counterparties under the COP Swap Collateral Agreement in respect of amounts owed under the COP Swap Agreements since January 1, 2014.

245. "Net DWSD Transaction Proceeds" means (a) the cash proceeds received by or for the benefit of, or for attribution to, the General Fund as a result of a Qualifying DWSD Transaction less (1) any cash payments made by or on behalf of the General Fund in connection with a Qualifying DWSD Transaction, (2) any cash payments previously anticipated or projected to be contributed to GRS by DWSD but for the Qualifying DWSD Transaction and (3) any cash payments previously anticipated or projected to be received by or on behalf of the General Fund but for the Qualifying DWSD Transaction; and (b) any other net payments, assumption of scheduled monetary liability or cancellation of indebtedness or other monetary obligations that inures to the direct benefit of the General Fund as a result of the Qualifying DWSD Transaction. In applying this definition, the City and the Restoration Trust (or the Retiree Committee if prior to the Effective Date) will work to develop a schedule of Net DWSD Transaction Proceeds at the time of the Qualifying DWSD Transaction that will inform any Value Determination (if requested) and allow the parties to subsequently track actual results and adjust applicable pension restoration levels accordingly.

246. "New B Notes" means the unsecured bonds to be issued by the City pursuant to the New B Notes Documents, substantially on the terms set forth on Exhibit I.A.246.

247. "New B Notes Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued or indentures to be executed with respect to the New B Notes, in substantially the form attached hereto as Exhibit I.A.247.

248. "New C Notes" means the unsecured bonds to be issued by the City pursuant to the New C Notes Documents, substantially on the terms set forth on Exhibit I.A.248 and in any case in form and substance reasonably acceptable to the City and Syncora.

249. "New C Notes Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued or indentures to be executed with respect to the New C Notes, in substantially the form attached hereto as Exhibit I.A.249 and in any case in form and substance reasonably acceptable to the City and Syncora.

250. "New GRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active non-public safety employees of the City or another entity that participates in GRS in connection with employment service performed on and after July 1, 2014, in substantially the form attached hereto as Exhibit I.A.250.a and the material terms of which are attached hereto as Exhibit I.A.250.b.

251. "New GRS Active Pension Plan Formula" means an accrual rate for active employee participants in the GRS for benefits earned for service on or after July 1, 2014 that equals the product of (a) 1.5% multiplied by (b) an employee's average base compensation over such employee's final 10 years of service, multiplied by (c) such employee's years of service after July 1, 2014. For purposes of this definition, base compensation will exclude overtime, longevity or other bonuses, and unused sick leave, and the New GRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

252. "New LTGO Bond Documents" means the ordinances to be passed, resolutions to be adopted, orders to be issued or indentures to be executed with respect to the New LTGO Bonds, in substantially the form attached as an exhibit to the LTGO Settlement Agreement.

253. "New LTGO Bonds" means the bonds to be issued by the City pursuant to the New LTGO Bond Documents, substantially on the terms set forth on Schedule 1 of the LTGO Settlement Agreement.

254. "New PFRS Active Pension Plan" means the terms and conditions for future accrual and payment of pensions for active public safety employees of the City in connection with employment service performed on and after July 1, 2014, in substantially the form attached hereto as Exhibit I.A.254.a and the material terms of which are attached hereto as Exhibit I.A.254.b.

255. "New PFRS Active Pension Plan Formula" means an accrual rate for active employee participants in the PFRS for benefits earned on or after July 1, 2014 that equals the product of (a) 2.0% multiplied by (b) an employee's average base compensation over the employee's final five years of service, as set forth on Exhibit I.A.254.b, multiplied by (c) such employee's years of service after July 1, 2014. For purposes of this definition, base compensation will mean the employee's actual base compensation and will exclude overtime, longevity or other bonuses, and unused sick leave, and the New PFRS Active Pension Plan Formula will be part of a hybrid program that will contain rules to shift funding risk to participants in the event of underfunding of hybrid pensions, and mandate minimum retirement ages for unreduced pensions.

256. "New Securities" means, collectively, the New B Notes, the New C Notes, the New LTGO Bonds and the Municipal Obligation.

257. "Non-Settling UTGO Bond Insurer" means, together, Syncora Capital Assurance Inc. and Syncora Guarantee Inc., solely in their capacity as insurers of certain of the City's obligations with respect to the Unlimited Tax General Obligation Bonds.

258. "Oakland County" means the County of Oakland, Michigan.

259. "OPEB Benefits" means, collectively, post-retirement health, vision, dental, life and death benefits provided to retired employees of the City, the Detroit Public Library or the Detroit Regional Convention Facility Authority and their surviving beneficiaries pursuant to the Employee Health and Life Insurance Benefit Plan, the Employees Death Benefit Plan or any comparable plan, including the members of the certified class in the action captioned *Weiler et. al. v. City of Detroit*, Case No. 06-619737-CK (Wayne County Circuit Court), pursuant to the "Consent Judgment and Order of Dismissal" entered in that action on August 26, 2009.

260. "OPEB Claim" means any Claim against the City for OPEB Benefits held by a retiree who retired on or before December 31, 2014 and is otherwise eligible for OPEB Benefits, and any eligible surviving beneficiaries of such retiree.

261. "Other Secured Claim" means a Secured Claim, other than a COP Swap Claim, a DWSD Bond Claim, a DWSD Revolving Bond Claim, a HUD Installment Note Claim or a Secured GO Bond Claim.

262. "Other Unsecured Claim" means any Claim that is not an Administrative Claim, a Convenience Claim, a COP Claim, a Downtown Development Authority Claim, a General Obligation Bond Claim, a GRS Pension Claim, an OPEB Claim, a PFRS Pension Claim, a Secured Claim, an Indirect 36th District Court Claim or a

Subordinated Claim. For the avoidance of doubt, Section 1983 Claims and Indirect Employee Indemnity Claims are included within the definition of Other Unsecured Claim.

263. "PA 436" means Public Act 436 of 2012 of the State, also known as the Local Financial Stability and Choice Act, Michigan Compiled Laws §§ 141.1541-141.1575.

264. "Parking Garages" means, collectively, parking garages owned by the City other than (a) that certain underground parking garage, commonly known as the "Grand Circus Parking Garage," located at 1600-01 Woodward Avenue, Detroit, Michigan, (b) that certain underground parking garage, commonly known as the "Cultural Center Garage," located at 41 Farnsworth Street, Detroit, Michigan and (c) that certain multi-story parking structure near the Riverfront Arena with an address of 900 W. Jefferson Avenue, Detroit, Michigan having a capacity of approximately 3,200 car spaces commonly known as "Joe Louis Arena Garage." For the avoidance of doubt, (a) that certain parking lot located at 5200 Woodward Avenue, Detroit, Michigan and (b) that certain parking lot, commonly known as the "Frederick Lot," located at 318 Frederick Street, Detroit, Michigan, shall not be considered Parking Garages.

265. "Pass-Through Obligations" means the City's obligations to the Pass-Through Recipients with respect to which the City acts, or may in the future act, as a tax-collecting agent for tax increment revenues derived from property taxes of the City and certain other taxing jurisdictions and required to be transmitted by the Treasurer of the City to the Pass-Through Recipients under their respective tax increment financing enabling statutes.

266. "Pass-Through Recipients" means, collectively, the (a) DDA, (b) Local Development Finance Authority, (c) Detroit Brownfield Redevelopment Authority and (d) City of Detroit Eight Mile/Woodward Corridor Improvement Authority, each of which are separate legal entities from the City.

267. "Pension Claim" means a GRS Pension Claim or a PFRS Pension Claim.

268. "Petition Date" means July 18, 2013.

269. "PFRS" means the Police and Fire Retirement System of the City of Detroit.

270. "PFRS Adjusted Pension Amount" means, with respect to a Holder of a PFRS Pension Claim, the Current Accrued Annual Pension payable to such Holder as adjusted in accordance with the following formulas:

(a) If Classes 10 and 11 vote to accept the Plan, and funding is received from the DIA Settlement and the State Contribution Agreement: Holders of PFRS Pension Claims will continue to receive their Current Accrued Annual Pension, but COLAs from and after June 30, 2014 shall be 45% of the COLAs provided for in police and fire collective bargaining agreements, other contracts or ordinances; and

(b) If Classes 10 and 11 do not vote to accept the Plan or funding is not received from the DIA Settlement and the State Contribution Agreement: (i) for a Holder of a PFRS Pension Claim who is (A) either retired and receiving a monthly pension or a surviving beneficiary or (B) a terminated employee with a right to receive a PFRS pension in the future, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs; and (ii) for a Holder of a PFRS Pension Claim who is an Active Employee, elimination of the right to supplemental pension benefits to be paid after July 1, 2014 in respect of COLAs, plus elimination of the deferred retirement option plan feature of PFRS for certain Active Employees who have not already irrevocably elected to participate in the feature; provided that, with respect to Holders that are Active Employees, in the event the unfunded liabilities of the PFRS for the plan year ending June 30, 2014 are greater than the unfunded liabilities of the PFRS as of June 30, 2013, the monthly pension amount shall be reduced to the extent necessary to ensure that there is no change in the amount of the underfunding between Fiscal Years 2013 and 2014.

271. "PFRS Pension Claim" means any Claim (other than an OPEB Claim), whether asserted by current or former employees of the City, their heirs or beneficiaries or by the PFRS or any trustee thereof or any other Entity acting on the PFRS's behalf, against the City or any fund managed by the City (including, but not

limited to, the General Fund, the Police and Fire Retirement System Service Corporation fund or the pension funds) based upon, arising under or related to any agreement, commitment or other obligation, whether evidenced by contract, agreement, rule, regulation, ordinance, statute or law for (a) any pension, disability, or other post-retirement payment or distribution in respect of the employment of such current or former employees or (b) the payment by the PFRS to persons who at any time participated in, were beneficiaries of or accrued post-retirement pension or financial benefits under the PFRS.

272. "PFRS Restoration Payment" means an addition to the pension benefits that comprise the PFRS Adjusted Pension Amount as described in Exhibit II.B.3.q.ii.C.

273. "Plan" means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

274. "Plan COP Settlement" means the comprehensive settlement regarding COP Claims on terms and conditions described in Section II.B.3.p.i.A.

275. "Plan Supplement" means any supplement to the Plan containing Exhibits that were not Filed as of the date of the entry of the Disclosure Statement Order.

276. "Pledged Property" means the collateral pledged by the City under the COP Swap Collateral Agreement or Ordinance No. 05-09 of the City.

277. "Postpetition Financing Agreement" means, collectively, (a) the Bond Purchase Agreement by and among the City and Barclays Capital, Inc., as purchaser, (b) the Financial Recovery Bond Trust Indenture by and among the City and UMB Bank, N.A., as trustee, and (c) all ancillary and related instruments and agreements approved by the Bankruptcy Court pursuant to the Postpetition Financing Order.

278. "Postpetition Financing Order" means the Order Pursuant to 11 U.S.C. §§ 105, 362, 364(c)(1), 364(c)(2), 364(e), 364(f), 503, 507(a)(2), 904, 921 and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Claim Status and (III) Modifying Automatic Stay (Docket No. 3067) entered by the Bankruptcy Court on the docket of the Chapter 9 Case on April 2, 2014, approving the Postpetition Financing Agreement.

279. "Postpetition Financing Claims" means any Claim against the City under or evidenced by (a) the Postpetition Financing Agreement and (b) the Postpetition Financing Order.

280. "Prior GRS Pension Plan" means the terms and conditions of the GRS in effect as of June 30, 2014 and applicable to benefits accrued by members of GRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.280.

281. "Prior PFRS Pension Plan" means the terms and conditions of the PFRS in effect as of June 30, 2014 and applicable to benefits accrued by members of PFRS prior to July 1, 2014, the form documentation of which is attached hereto as Exhibit I.A.281.

282. "Pro Rata" means, when used with reference to a distribution of property to Holders of Allowed Claims in a particular Class or other specified group of Claims, proportionately so that with respect to a particular Allowed Claim in such Class or in such group, the ratio of (a)(i) the amount of property to be distributed on account of such Claim to (ii) the amount of such Claim, is the same as the ratio of (b)(i) the amount of property to be distributed on account of all Allowed Claims in such Class or group of Claims to (ii) the amount of all Allowed Claims in such Class or group of Claims. Until all Disputed Claims in a Class or other specified group of Claims are resolved, Disputed Claims shall be treated as Allowed Claims in their Face Amount for purposes of calculating a Pro Rata distribution of property to holders of Allowed Claims in such Class or group of Claims.

283. "Professional Fee Reserve" means the reserve for Fee Review Professional Fees established pursuant to Section IV.N.1.

284. "Qualifying DWSD Transaction" means a potential transaction involving the transfer to a third party (including but not limited to a lease) of a majority of the assets of, or the right to operate and manage, the City's water or sewage disposal systems currently operated by the DWSD in one or a series of related transactions.

285. "RDPFFA" means the Retired Detroit Police and Fire Fighters Association.

286. "RDPMA" means the Retired Detroit Police Members Association.

287. "RDPMA Exculpated Parties" means the RDPMA and its board of trustees/directors, attorneys, advisors and professionals, solely in their capacity as such.

288. "Reinstated" means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the Holder or (b) notwithstanding any contractual provision or applicable law that entitles the Holder of such Claim to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) the cure of any such default other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code or of a kind that section 365(b)(2) of the Bankruptcy Code expressly does not require to be cured; (ii) the reinstatement of the maturity of such Claim as such maturity existed before such default; (iii) compensation of the Holder of such Claim for any damages incurred as a result of any reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such Claim arises from any failure to perform a nonmonetary obligation other than a default arising from failure to operate a nonresidential real property lease subject to section 365(b)(1)(A) of the Bankruptcy Code, compensation of the Holder of such Claim for any actual pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Holder. "Reinstate" and "Reinstatement" shall have correlative meanings.

289. "Related Entity" means, with respect to any Entity, such Entity's Affiliates, predecessors, successors and assigns (whether by operation of law or otherwise), and with respect to any of the foregoing their respective present and former Affiliates and each of their respective current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity, and any Entity claiming by or through any of them (including their respective officials, officers, directors, employees, managers, advisors and professionals).

290. "Released Parties" means, collectively and individually, the Retiree Committee, the members of the Retiree Committee, the Retiree Committee Professionals, the Foundations, DIA Corp., the DIA Funders and their Related Entities and the CFSEM Supporting Organization and its Related Entities.

291. "Restoration Trust" means a trust to be established pursuant to the Restoration Trust Agreement to (a) hold the DWSD CVR and enforce rights related to its terms and (b) consult with the trustees and the Investment Committee of PFRS or GRS with respect to restoration rights affecting retirees of PFRS or GRS, respectively; provided, however, that the Restoration Trust shall not have any right to initiate enforcement proceedings against the trustees or Investment Committee of either PFRS or GRS with respect to Special Restoration or the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

292. "Restoration Trust Agreement" means the definitive documentation to be executed in connection with the formation of the Restoration Trust, in substantially the form attached hereto as Exhibit I.A.292.

293. "Restructured UTGO Bonds" means the bonds to be issued by the MFA to the current Holders of Unlimited Tax General Obligation Bond Claims, the Settling UTGO Bond Insurers and the Non-Settling UTGO Bond Insurer in the amount of \$287,560,790 pursuant to the UTGO Settlement Agreement, which bonds shall be limited obligations of the MFA and shall be secured as more particularly described in the UTGO Settlement Agreement.

294. "Retiree Classes" means Classes 10, 11 and 12, as set forth in Section II.B.

295. "Retiree Committee" means the official committee of retired employees first appointed by the United States Trustee in the Chapter 9 Case on August 22, 2013 (Docket No. 566), as such committee may be reconstituted, solely in its capacity as such.

296. "Retiree Committee Professionals" means those professionals retained by the Retiree Committee to render services in connection with the Chapter 9 Case that seek payment of compensation and reimbursement of expenses from the City for postpetition services pursuant to and in accordance with the Fee Review Order, solely in their capacity as such.

297. "Retiree Health Care Litigation" means the adversary proceeding captioned as *Official Committee of Retirees of the City of Detroit, Michigan, et al. v. City of Detroit, Michigan, et al.*, Case No. 14-04015 (Bankr. E.D. Mich.), filed in the Chapter 9 Case on January 9, 2014.

298. "Retiree Health Care Settlement Agreement" means the Settlement Agreement, effective February 14, 2014, between the parties to the Retiree Health Care Litigation, pursuant to which such parties agreed to certain modifications to the changes in retiree health care benefits that the City was otherwise to implement on March 1, 2014, a copy of which is attached hereto as Exhibit I.A.298.

299. "Retirement System Indemnity Obligations" means any and all obligations of the City, as of the Petition Date, to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of any party in connection with any Causes of Action relating in any way to either GRS or PFRS or the management, oversight, administration or activities thereof, as such obligations may be as provided for in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements.

300. "Retirement Systems" means, collectively, the GRS and the PFRS.

301. "Section 115" means section 115 of the Internal Revenue Code of 1986, as amended.

302. "Section 1983 Claim" means any Claim against the City, its employees or both arising under 42 U.S.C. § 1983 that has not been settled, compromised or otherwise resolved and with respect to which Claim a lawsuit was pending before the District Court on or prior to the Petition Date.

303. "Secured Claim" means a Claim that is secured by a Lien on property in which the City has an interest or that is subject to valid setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the City's interest in such property or to the extent of the amount subject to valid setoff, as applicable, as determined pursuant to section 506 of the Bankruptcy Code.

304. "Secured GO Bond Claims" means, collectively, the Secured GO Series 2010 Claims, the Secured GO Series 2010(A) Claims, the Secured GO Series 2012(A)(2) Claims, the Secured GO Series 2012(A2-B) Claims, the Secured GO Series 2012(B) Claims and the Secured GO Series 2012(B2) Claims.

305. "Secured GO Bond Documents" means, collectively, the Secured GO Series 2010 Bond Documents, the Secured GO Series 2010(A) Bond Documents, the Secured GO Series 2012(A)(2) Bond Documents, the Secured GO Series 2012(A2-B) Bond Documents, the Secured GO Series 2012(B) Bond Documents and the Secured GO Series 2012(B2) Bond Documents.

306. "Secured GO Bonds" means, collectively, the Secured GO Series 2010 Bonds, the Secured GO Series 2010(A) Bonds, the Secured GO Series 2012(A)(2) Bonds, the Secured GO Series 2012(A2-B) Bonds, the Secured GO Series 2012(B) Bonds and the Secured GO Series 2012(B2) Bonds.

307. "Secured GO Series 2010 Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010 Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

308. "Secured GO Series 2010 Bonds" means the secured \$249,790,000 Distributable State Aid General Obligation (Limited Tax) Bonds, Series 2010, issued pursuant to the Secured GO Series 2010 Bond Documents.

309. "Secured GO Series 2010 Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010 Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010 Bonds.

310. "Secured GO Series 2010(A) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2010(A) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

311. "Secured GO Series 2010(A) Bonds" means the secured \$100,000,000 Distributable State Aid Second Lien Bonds (Unlimited Tax General Obligation), Series 2010(A) (Taxable-Recovery Zone Economic Development Bonds – Direct Payment), issued pursuant to the Secured GO Series 2010(A) Bond Documents.

312. "Secured GO Series 2010(A) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2010(A) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A) Bonds.

313. "Secured GO Series 2012(A)(2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A)(2) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

314. "Secured GO Series 2012(A)(2) Bonds" means the secured \$38,865,000 Self-Insurance Distributable State Aid Third Lien Bonds (Limited Tax General Obligation), Series 2012(A)(2), issued pursuant to the Secured GO Series 2012(A)(2) Bond Documents.

315. "Secured GO Series 2012(A)(2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A)(2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2010(A)(2) Bonds.

316. "Secured GO Series 2012(A2-B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(A2-B) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

317. "Secured GO Series 2012(A2-B) Bonds" means the secured \$53,520,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(A2-B), issued pursuant to the Secured GO Series 2012(A2-B) Bond Documents.

318. "Secured GO Series 2012(A2-B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(A2-B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(A2-B) Bonds.

319. "Secured GO Series 2012(B) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

320. "Secured GO Series 2012(B) Bonds" means the \$6,405,000 General Obligation Distributable State Aid Third Lien Capital Improvement Refunding Bonds (Limited Tax General Obligation), Series 2012(B), issued pursuant to the Secured GO Series 2012(B) Bond Documents.

321. "Secured GO Series 2012(B) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B) Bonds.

322. "Secured GO Series 2012(B2) Bond Documents" means the resolutions adopted, orders issued and indentures executed with respect to the Secured GO Series 2012(B2) Bonds, as set forth on Exhibit I.A.305, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

323. "Secured GO Series 2012(B2) Bonds" means the \$30,730,000 Self-Insurance Distributable State Aid Third Lien Refunding Bonds (Limited Tax General Obligation), Series 2012(B2), issued pursuant to the Secured GO Series 2012(B2) Bond Documents.

324. "Secured GO Series 2012(B2) Claim" means any Claim against the City arising under or evidenced by the Secured GO Series 2012(B2) Bond Documents, including a Claim for principal and interest on the Secured GO Series 2012(B2) Bonds.

325. "Securities Act" means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended, or any similar federal, state, or local law.

326. "Settling 36th District Court Claimants" means (a) the 36th District Court, (b) Local 917 of the American Federation of State, County and Municipal Employees, (c) Local 3308 of the American Federation of State, County and Municipal Employees and (d) those individuals identified as "Individual Claimants" on the term sheet attached hereto as Exhibit I.A.9.

327. "Settling COP Claimant" means (a) those holders of COP Claims that are the subject of the Syncora Settlement Documents or (b) those Holders of COP Claims that are the subject of the FGIC/COP Settlement Documents.

328. "Settling UTGO Bond Insurers" means, collectively, Ambac, Assured and NPFG and each of their respective successors and assigns, solely in their capacity as insurers of certain of the City's obligations with respect to the Unlimited Tax General Obligation Bonds.

329. "Special Restoration" means the potential restoration or replacement of benefit reductions imposed by the Plan in connection with a Qualifying DWSD Transaction, as described in Section IV.F.

330. "State" means the state of Michigan.

331. "State Contribution" means payments to be made to GRS and PFRS by the State or the State's authorized agent for the purpose of funding Adjusted Pension Amounts in an aggregate amount equal to the net present value of \$350 million payable over 20 years using a discount rate of 6.75%, pursuant to the terms of the State Contribution Agreement.

332. "State Contribution Agreement" means the definitive documentation to be executed in connection with the comprehensive settlement regarding Pension Claims as described in Section IV.D, in substantially the form attached hereto as Exhibit I.A.332.

333. "State Related Entities" means, collectively: (a) all officers, legislators, employees, judges and justices of the State; (b) the Governor of the State; (c) the Treasurer of the State; (d) all members of the Local Emergency Financial Assistance Loan Board created under the Emergency Municipal Loan Act, Michigan Compiled Laws §§ 141.931-141.942; (e) each of the State's agencies and departments; and (f) the Related Entities of each of the foregoing.

334. "Stay Extension Order" means the Order Pursuant to Section 105(a) of the Bankruptcy Code Extending the Chapter 9 Stay to Certain (A) State Entities, (B) Non-Officer Employees and (C) Agents and

Representatives of the Debtor (Docket No. 166), entered by the Bankruptcy Court on the docket of the Chapter 9 Case on July 25, 2013, as it may be amended, supplemented or otherwise modified.

335. "Stub UTGO Bonds" means Unlimited Tax General Obligation Bonds in the principal amount of \$43,349,210 that, from and after the Effective Date, will (a) be reinstated, (b) remain outstanding and (c) be payable from the UTGO Bond Tax Levy, as more particularly described in the UTGO Settlement Agreement.

336. "Subordinated Claim" means a Claim of the kind described in sections 726(a)(3) or 726(a)(4) of the Bankruptcy Code or Claims subordinated under sections 510(b) or 510(c) of the Bankruptcy Code.

337. "Supplemental Trust Agreements" means, collectively, (a) one or more supplemental trust agreements between the COP Trustee and COP Service Corporations, entered into with the consent of FGIC and (b) one or more supplemental trust agreements between the COP Trustee and COP Service Corporations, entered into with the consent of Syncora, in each case to be executed prior to the Effective Date, which agreements shall, among other things, for purposes of distributions of trust assets explicitly supersede the 2005 COPs Agreement and the 2006 COPs Agreement, which incorporates by reference Sections 6.5 and 9.1 of each Contract Administration Agreement and Section 8.03 of each COP Service Contract.

338. "Swap Insurance Policies" means those policies or other instruments insuring the COP Swap Agreements and obligations related thereto.

339. "Syncora" means, collectively, Syncora Guarantee, Inc. and Syncora Capital Assurance Inc.

340. "Syncora Development Agreement" means that certain development agreement by and between the City and Pike Point Holdings, LLC, a wholly owned indirect subsidiary of Syncora, in substantially the form attached hereto as Exhibit I.A.340, including all exhibits thereto, and in any case in form and substance reasonably acceptable to the City and Syncora.

341. "Syncora Excess New B Notes" means New B Notes in the aggregate face amount of approximately \$15.43 million, representing the difference between (a) the New B Notes that would have been distributed to Syncora had its asserted COP Claim for principal and interest in Class 9 been Allowed in full and (b) the New B Notes to be provided to Syncora as partial consideration pursuant to the terms of the Syncora Settlement.

342. "Syncora Exculpated Parties" means Syncora and their Related Entities, solely with respect to issues arising in connection with Syncora's capacity as holder or insurer of Unlimited Tax General Obligation Bond Claims and COP Claims.

343. "Syncora Settlement" means the comprehensive settlement with Syncora, as described at Section IV.I and as definitively set forth in the Syncora Settlement Documents.

344. "Syncora Settlement Documents" means the definitive documentation to be executed in connection with the Syncora Settlement, in substantially the form attached hereto as Exhibit I.A.344, and in any case in form and substance reasonably acceptable to the City and Syncora.

345. "Tax" means: (a) any net income, alternative or add-on minimum, gross income, gross receipts, gross margins, sales, use, stamp, real estate transfer, mortgage recording, ad valorem, value added, transfer, franchise, profits, license, property, payroll, employment, unemployment, occupation, disability, excise, severance, withholding, environmental or other tax, assessment or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax or additional amount) imposed by any federal, state, local or foreign taxing authority; or (b) any liability for payment of any amounts of the foregoing types as a result of being a member of an affiliated, consolidated, combined or unitary group, or being a transferee or successor or a party to any agreement or arrangement whereby liability for payment of any such amounts is determined by reference to the liability of any other Entity.

346. "Top-Off Payments" means the payments to be made to the Settling UTGO Bond Insurers pursuant to the UTGO Settlement Agreement if a Trigger Event occurs in amounts equal to the product of: (a) the amount by which the recovery received by Holders of Allowed Limited Tax General Obligation Bond Claims or Allowed COP Claims, as applicable, under the Plan exceeds 69.5% of the aggregate amount of all such Allowed Claims in such Class, multiplied by (b) the quotient of (i) \$100.5 million, divided by (ii) the sum of (x) 30.5% of the aggregate amount of all Allowed Limited Tax General Obligation Bond Claims or Allowed COP Claims, as the case may be, and (y) \$100.5 million.

347. "Tort Claim" means any Claim that has not been settled, compromised or otherwise resolved that arises out of allegations of personal injury or wrongful death claims and is not a Section 1983 Claim.

348. "Trigger Event" means the receipt by Holders of Allowed Limited Tax General Obligation Bond Claims or Allowed COP Claims, as applicable, of consideration pursuant to the Plan of 69.5% or more of the aggregate amount of all of the Allowed Claims in such Class. For purposes of determining whether a Trigger Event has occurred, all actual recoveries for Holders of Allowed Limited Tax General Obligation Bond Claims and Allowed COP Claims shall be determined by discounting the payments made to such Classes using a 5% discount rate back to the date of Confirmation.

349. "Tunnel Lease" means, collectively, (a) that certain Tube Lease, dated March 20, 1978, by and between the City, as landlord, and Detroit Windsor Tunnel LLC, as successor-in-interest to Detroit & Canada Tunnel Corporation, as tenant, and (b) that certain Sublease, dated March 20, 1978, by and between the City, as landlord, as successor-in-interest to Ford Motor Properties, Inc. as sublandlord, and Detroit Windsor Tunnel LLC, as successor-in-interest to Detroit & Canada Tunnel Corporation, as subtenant, each as may be amended, restated, supplemented or otherwise modified, in any case in form and substance reasonably acceptable to the City and Syncora.

350. "Unexpired Lease" means a lease to which the City is a party that is subject to assumption, assumption and assignment, or rejection under section 365 of the Bankruptcy Code.

351. "Unimpaired" means, with respect to a Class or a Claim, that such Class or Claim is not Impaired.

352. "United States Trustee" means the Office of the United States Trustee for the Eastern District of Michigan.

353. "Unlimited Tax General Obligation Bond Claim" means any Claim against the City arising under or evidenced by the Unlimited Tax General Obligation Bond Documents, including a Claim for principal and interest on the Unlimited Tax General Obligation Bonds.

354. "Unlimited Tax General Obligation Bond Documents" means the resolutions passed and orders issued with respect to the Unlimited Tax General Obligation Bonds, as set forth on Exhibit I.A.354, as the same may have been subsequently amended, restated, supplemented or otherwise modified, together with all ancillary and related instruments and agreements and all related Bond Insurance Policies.

355. "Unlimited Tax General Obligation Bonds" means, collectively, the bonds issued under the Unlimited Tax General Obligation Bond Documents, as set forth on Exhibit I.A.354.

356. "Unsecured Claim" means a Claim that is not a Secured Claim or an Administrative Claim.

357. "UTGO Bond Tax Levy" means that portion of the proceeds of the ad valorem tax millage levies pledged to and on account of the Unlimited Tax General Obligation Bonds.

358. "UTGO Exculpated Parties" means, collectively, Ambac, Assured and NPFG, solely in their capacity as insurers of certain of the City's obligations with respect to the Unlimited Tax General Obligation Bonds, and each of their respective parents, affiliates, shareholders, directors, officers, managers, employees, agents,

attorneys, advisors, accountants, consultants, restructuring consultants, financial advisors and investment bankers, solely in their capacity as such.

359. "UTGO Litigation" means, together, the adversary proceedings filed in the Chapter 9 Case on November 8, 2013, captioned as *National Public Finance Guarantee Corporation and Assured Guaranty Municipal Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05309 (Bankr. E.D. Mich.), and *Ambac Assurance Corporation v. City of Detroit, Michigan, et al.*, Case No. 13-05310 (Bankr. E.D. Mich.), to the extent that such proceedings relate to the Unlimited Tax General Obligation Bonds.

360. "UTGO Settlement Agreement" means that certain Settlement Agreement, dated as of July 18, 2014, among the City and the Settling UTGO Bond Insurers, substantially in the form attached hereto as Exhibit I.A.360.

361. "Value Determination" means a valuation of the expected Net DWSD Transaction Proceeds.

362. "Voting Deadline" means the deadline fixed by the Bankruptcy Court in the Disclosure Statement Order for submitting Ballots to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code.

363. "Wayne County" means the Charter County of Wayne, Michigan.

B. Rules of Interpretation and Computation of Time.

1. Rules of Interpretation.

For purposes of the Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference herein to an existing document or Exhibit Filed or to be Filed shall mean such document or Exhibit, as it may have been or may be amended, restated, supplemented or otherwise modified pursuant to the Plan, the Confirmation Order or otherwise; (d) any reference to an Entity as a Holder of a Claim includes that Entity's successors, assigns and Affiliates; (e) all references to Sections or Exhibits are references to Sections and Exhibits of or to the Plan; (f) the words "herein," "hereunder," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (h) the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words "without limitation"; and (i) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply to the extent not inconsistent with any other provision of this Section.

2. Computation of Time.

In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

ARTICLE II CLASSIFICATION OF CLAIMS; CRAMDOWN; EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Pursuant to sections 1122 and 1123 of the Bankruptcy Code, Claims are classified under the Plan for all purposes, including voting, Confirmation and Distribution. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, as described in Section II.A, have not been classified and thus are excluded from the Classes described in Section II.B.1. A Claim shall be deemed classified in a particular Class only to the extent that the Claim qualifies within the description of that Class and shall be deemed classified in a different

Class to the extent that any remainder of such Claim qualifies within the description of such other Class. Notwithstanding the foregoing, in no event shall any Holder of an Allowed Claim be entitled to receive payments or Distributions under the Plan that, in the aggregate, exceed the Allowed amount of such Holder's Claim.

A. Unclassified Claims.

1. Payment of Administrative Claims.

a. Administrative Claims in General.

Except as specified in this Section II.A.1, and subject to the bar date provisions herein, unless otherwise agreed by the Holder of an Administrative Claim and the City, or ordered by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of such Allowed Administrative Claim, Cash in an amount equal to such Allowed Administrative Claim either: (1) on the Effective Date or as soon as reasonably practicable thereafter; or (2) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim. No Claim of any official or unofficial creditors' committee or any member thereof for professionals' fees or other costs and expenses incurred by such creditors' committee or by a member of such creditors' committee shall constitute an Allowed Administrative Claim, except that the Retiree Committee's members and the Retiree Committee Professionals shall be entitled to payment in accordance with the Fee Review Order.

b. Claims Under the Postpetition Financing Agreement.

Unless otherwise agreed by Barclays Capital, Inc. pursuant to the Postpetition Financing Agreement, on or before the Effective Date, Postpetition Financing Claims that are Allowed Administrative Claims will be paid in Cash equal to the amount of those Allowed Administrative Claims.

2. Bar Dates for Administrative Claims.

a. General Bar Date Provisions.

Except as otherwise provided in Section II.A.2.b, Section II.A.2.c or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the City no later than 45 days after the Effective Date. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the City and the requesting party by the later of (i) 150 days after the Effective Date, (ii) 60 days after the Filing of the applicable request for payment of Administrative Claims or (iii) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims. The foregoing procedures shall be specified in the Confirmation Order and the notice of entry of the Confirmation Order and served on all parties in interest.

b. Ordinary Course Claims

Holders of Claims based on Liabilities incurred by the City after the Petition Date in the ordinary course of its operations will not be required to File or serve any request for payment or application for allowance of such Claims. Such Claims will be paid by the City, pursuant to the terms and conditions of the particular transaction giving rise to such Claims, without further action by the Holders of such Claims or further action or approval of the Bankruptcy Court.

c. Claims Under the Postpetition Financing Agreement.

Holders of Administrative Claims that are Postpetition Financing Claims will not be required to File or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied pursuant to Section II.A.1.b.

d. No Modification of Bar Date Order.

The Plan does not modify any other Bar Date Order, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

B. Classified Claims.

1. Designation of Classes.

The following table designates the Classes and specifies whether such Classes are Impaired or Unimpaired by the Plan.

CLASS	NAME	IMPAIRMENT
<i>Secured Claims</i>		
1A	All Classes of DWSD Bond Claims (One Class for each CUSIP of DWSD Bonds, as set forth on Exhibit I.A.148)	Unimpaired
1B	All Classes of DWSD Revolving Sewer Bond Claims (One Class for each DWSD Series of DWSD Revolving Sewer Bonds, as set forth on Exhibit I.A.156)	Unimpaired/Nonvoting
1C	All Classes of DWSD Revolving Water Bond Claims (One Class for each DWSD Series of DWSD Revolving Water Bonds, as set forth on Exhibit I.A.159)	Unimpaired/Nonvoting
2A	Secured GO Series 2010 Claims	Unimpaired/Nonvoting
2B	Secured GO Series 2010(A) Claims	Unimpaired/Nonvoting
2C	Secured GO Series 2012(A)(2) Claims	Unimpaired/Nonvoting
2D	Secured GO Series 2012(A2-B) Claims	Unimpaired/Nonvoting
2E	Secured GO Series 2012(B) Claims	Unimpaired/Nonvoting
2F	Secured GO Series 2012(B2) Claims	Unimpaired/Nonvoting
3	Other Secured Claims	Unimpaired/Nonvoting
4	HUD Installment Notes Claims	Unimpaired/Nonvoting
5	COP Swap Claims	Impaired/Voting
6	Claims Previously Classified in Class 6 Paid in Full	N/A
<i>Unsecured Claims</i>		
7	Limited Tax General Obligation Bond Claims	Impaired/Voting
8	Unlimited Tax General Obligation Bond Claims	Impaired/Voting
9	COP Claims	Impaired/Voting

CLASS	NAME	IMPAIRMENT
10	PFRS Pension Claims	Impaired/Voting
11	GRS Pension Claims	Impaired/Voting
12	OPEB Claims	Impaired/Voting
13	Downtown Development Authority Claims	Impaired/Voting
14	Other Unsecured Claims	Impaired/Voting
15	Convenience Claims	Impaired/Voting
16	Subordinated Claims	Impaired/Nonvoting
17	Indirect 36th District Court Claims	Impaired/Voting

2. Subordination; Reservation of Rights to Reclassify Claims.

Except with respect to Bond Insurance Policy Claims, the allowance, classification and treatment of Allowed Claims and the respective Distributions and treatments specified in the Plan take into account the relative priority and rights of the Claims in each Class and all contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Except as expressly set forth herein, consistent with section 510(a) of the Bankruptcy Code, nothing in the Plan shall, or shall be deemed to, modify, alter or otherwise affect any right of a Holder of a Claim to enforce a subordination agreement against any Entity other than the City to the same extent that such agreement is enforceable under applicable nonbankruptcy law. Pursuant to section 510 of the Bankruptcy Code, the City reserves the right to reclassify any Disputed Claim in accordance with any applicable contractual, legal or equitable subordination. For the avoidance of doubt, this Section II.B.2 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims, which are preserved for enforcement by the City or by the relevant Bond Insurer.

3. Treatment of Claims.

a. Class 1A – DWSD Bond Claims.

i. Classification and Allowance.

DWSD Bond Claims relating to each CUSIP of DWSD Bonds shall be separately classified, as reflected on Exhibit I.A.148, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.148.

ii. Treatment.

Each Holder of an Allowed DWSD Bond Claim shall have its Allowed DWSD Bond Claim Reinstated on the Effective Date, unless such Holder agrees to a different treatment of such Claim. All votes and elections previously delivered in Class 1A shall not be counted and shall be of no force and effect. Any Allowed Secured Claims for fees, costs and expenses under the DWSD Bond Documents arising in connection with such Allowed DWSD Bond Claims shall be paid in full in Cash once Allowed pursuant to the DWSD Tender Order, by agreement of the parties or by order of the Bankruptcy Court. In addition, all claims for fees, costs and expenses authorized pursuant to or in accordance with the DWSD Tender Order shall be paid as provided therein.

b. Class 1B – DWSD Revolving Sewer Bond Claims.

i. Classification and Allowance.

DWSD Revolving Sewer Bond Claims relating to each DWSD Series of DWSD Revolving Sewer Bonds shall be separately classified, as reflected on Exhibit I.A.156, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Sewer Bond Claims shall be deemed Allowed in the aggregate amounts set forth on Exhibit I.A.156.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Sewer Bond Claim shall have its Allowed DWSD Revolving Sewer Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

c. Class 1C – DWSD Revolving Water Bond Claims

i. Classification and Allowance.

DWSD Revolving Water Bond Claims relating to each DWSD Series of DWSD Revolving Water Bonds shall be separately classified, as reflected on Exhibit I.A.159, with each Class receiving the treatment set forth below. On the Effective Date, the DWSD Revolving Water Bond Claims shall be deemed Allowed in the amounts set forth on Exhibit I.A.159.

ii. Treatment.

On the Effective Date, each Holder of an Allowed DWSD Revolving Water Bond Claim shall have its Allowed DWSD Revolving Water Bond Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

d. Class 2A – Secured GO Series 2010 Claims.

On the Effective Date, (i) the Secured GO Series 2010 Claims shall be deemed Allowed in the aggregate amount of \$252,475,366 and (ii) each Holder of an Allowed Secured GO Series 2010 Claim shall have its Allowed Secured GO Series 2010 Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

e. Class 2B – Secured GO Series 2010(A) Claims.

On the Effective Date, (i) the Secured GO Series 2010(A) Claims shall be deemed Allowed in the aggregate amount of \$101,707,848 and (ii) each Holder of an Allowed Secured GO Series 2010(A) Claim shall have its Allowed Secured GO Series 2010(A) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

f. Class 2C – Secured GO Series 2012(A)(2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A)(2) Claims shall be deemed Allowed in the aggregate amount of \$39,254,171 and (ii) each Holder of an Allowed Secured GO Series 2012(A)(2) Claim shall have its Allowed Secured GO Series 2012(A)(2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

g. Class 2D – Secured GO Series 2012(A2-B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(A2-B) Claims shall be deemed Allowed in the aggregate amount of \$54,055,927 and (ii) each Holder of an Allowed Secured GO Series 2012(A2-B) Claim

shall have its Allowed Secured GO Series 2012(A2-B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

h. Class 2E - Secured GO Series 2012(B) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B) Claims shall be deemed Allowed in the aggregate amount of \$6,469,135 and (ii) each Holder of an Allowed Secured GO Series 2012(B) Claim shall have its Allowed Secured GO Series 2012(B) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

i. Class 2F – Secured GO Series 2012(B2) Claims.

On the Effective Date, (i) the Secured GO Series 2012(B2) Claims shall be deemed Allowed in the aggregate amount of \$31,037,724 and (ii) each Holder of an Allowed Secured GO Series 2012(B2) Claim shall have its Allowed Secured GO Series 2012(B2) Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

j. Class 3 – Other Secured Claims.

On the Effective Date, each Holder of an Allowed Other Secured Claim shall have its Allowed Other Secured Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

k. Class 4 – HUD Installment Note Claims.

On the Effective Date, (i) the HUD Installment Note Claims shall be deemed Allowed in the aggregate amount of \$90,075,004 and (ii) each Holder of a HUD Installment Note Claim shall have its Allowed HUD Installment Note Claim Reinstated, unless such Holder agrees to a different treatment of such Claim.

l. Class 5 – COP Swap Claims.

i. Allowance.

The COP Swap Claims shall be deemed Allowed as Secured Claims, which, solely for purposes of distributions from the City, will be equal to the Distribution Amount.

ii. Treatment.

Each Holder of an Allowed COP Swap Claim, in full satisfaction of such Allowed Claim, shall receive, either: (A) within thirty days following the Effective Date, the Net Amount in full in cash, provided that until paid in cash in full, such Secured Claims will remain secured by the Pledged Property; or (B) solely in the case of a Liquidity Event, the Net Amount in cash in full within 180 days following the Effective Date, provided that (1) other than with respect to net proceeds used to repay the Postpetition Financing Agreement, to the extent permitted by law but without taking into consideration any limitations imposed by the City, including in any ordinance or resolution of the City, the first dollars of any net cash proceeds of any financing or refinancing consummated in connection with, or subsequent to, the consummation of such Plan and either (a) supported by the full faith and credit of the City or (b) payable from the general fund of the City, will be used to pay the Net Amount, (2) the City will continue to comply with its obligations under the COP Swap Settlement and the COP Swap Settlement Approval Order until the Net Amount is paid in cash in full, (3) until paid in cash in full, such Secured Claims will remain secured by the Pledged Property, (4) from and after the Effective Date, the unpaid Net Amount will accrue interest at the rate applicable to obligations under the Postpetition Financing Agreement plus 1.5% with the interest obligation likewise being secured by the Pledged Property and (5) the COP Swap Counterparties will receive from the City on the Effective Date a deferral fee in cash equal to 1.0% of the Net Amount to be shared equally between them.

m. Class 6.

[Claims previously classified in Class 6 paid in full – Paragraph intentionally left blank]

n. Class 7 – Limited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Limited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$163,544,770.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, (A) each Holder of an Allowed Limited Tax General Obligation Bond Claim that is not attributable to the Insured LTGO Bonds and (B) the LTGO Insurer with respect to those Allowed Limited Tax General Obligation Bond Claims attributable to the Insured LTGO Bonds, in full satisfaction of such Allowed Claim(s), shall receive, on or as soon as reasonably practicable after the Effective Date, (X) a Pro Rata share of, at the City's option, (1) \$55,000,000 in Cash or (2) the New LTGO Bonds and (Y) distributions in accordance with Section II.B.3.p.i.A.

The City will use its best efforts to prepay the New LTGO Bonds on the Effective Date or as soon as reasonably practicable thereafter from the proceeds of the Exit Facility. If the City cannot prepay all of the New LTGO Bonds on the Effective Date or as soon as reasonably practicable thereafter, the City will use its best efforts to prepay as much of the New LTGO Bonds as reasonably possible, and the LTGO Settlement Parties will accept such partial prepayment. Upon a partial prepayment of the New LTGO Bonds, such New LTGO Bonds will be redeemed by lot.

iii. Impact of UTGO Settlement.

Pursuant to the UTGO Settlement Agreement, the City has agreed that (a) the Plan shall not permit the Holders of Allowed Limited Tax General Obligation Bond Claims to recover more on a percentage basis on account of such Allowed Limited Tax General Obligation Bond Claims than the Holders of Allowed Unlimited Tax General Obligation Bond Claims recover on a percentage basis on account of such Allowed Unlimited Tax General Obligation Bond Claims, as such percentage recoveries are projected on the terms set forth in the UTGO Settlement Agreement at Confirmation; and (b) if a Trigger Event occurs, the Settling UTGO Bond Insurers shall receive Top-Off Payments (as set forth in Section IV.C).

o. Class 8 – Unlimited Tax General Obligation Bond Claims.

i. Allowance.

On the Effective Date, the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Unlimited Tax General Obligation Bond Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of Restructured UTGO Bonds as set forth in Schedules 1a and 1b to the UTGO Settlement Agreement. Those Holders identified on Schedule 1a of the UTGO Settlement Agreement shall retain ownership of the Stub UTGO Bonds, subject to Sections I.A.36 and IV.C, which Stub UTGO Bonds shall be reinstated.

p. Class 9 – COP Claims.

i. Treatment.

A. Plan COP Settlement Option.

On the Effective Date, the City shall deliver to the COP Trustee, solely for the benefit of, and for distribution to, the COP Insurers and the Settling COPs Claimants in accordance with (1) the Supplemental Trust Agreements and (2) the instructions of the applicable COP Insurer, (x) the Class 9 Settlement Asset Pool and (y) New B Notes in the face amount of \$97,692,787, based upon each Settling COP Claimant's Pro Rata share calculated as an amount equal to the proportion that the unpaid principal amount plus accrued prepetition interest of COPs held by such Settling COP Claimant bears to the aggregate unpaid principal amount of all COPs plus all accrued prepetition interest thereon; provided, that the allocation of distributions among FGIC COP Holders shall be determined in accordance with agreements among FGIC and the FGIC COP Holders disclosed in a term sheet filed in court on October 22, 2014, as the same may be subsequently amended and more fully documented. For the avoidance of doubt, a Settling COP Claimant shall not be required to transfer (1) any claim against a COP Insurer or (2) the COPs it holds to the City pursuant to the Plan COP Settlement or otherwise pursuant to the Plan, the Syncora Settlement Documents or the FGIC/COP Settlement Documents. The COP Service Corporations shall enter into such Supplemental Trust Agreements as FGIC and Syncora may reasonably request with respect to their respective insured COPs as long as such Supplemental Trust Agreements do not impose any additional obligations or liability on the COP Service Corporations.

The City has granted the LTGO Settlement Parties, on behalf of the holders of Allowed Limited Tax General Obligation Bond Claims in Class 7, and the Retiree Committee consent rights regarding pre-Effective Date settlements of the COP Litigation if and as permitted under applicable non-bankruptcy law. The LTGO Settlement Parties have consented to the Syncora Settlement and FGIC/COP Settlement. On the Effective Date, on account of such consent rights, the Excess New B Notes shall be distributed as follows: (1) approximately \$42.68 million to the Detroit General VEBA and the Detroit Police and Fire VEBA in proportion with the New B Notes allocated to each pursuant to Sections II.B.3.s.ii.A and II.B.3.s.ii.B; (2) approximately \$17.34 million to be distributed Pro Rata among holders of Allowed Limited Tax General Obligation Bond Claims in Class 7; and (3) approximately \$4.12 million to be distributed Pro Rata among holders of Allowed Other Unsecured Claims in Class 14. With respect to the distribution of the Syncora Excess New B Notes, on April 1, 2015, the City shall pay the interest then due on the Syncora Excess New B Notes and shall also prepay the October 1, 2015 interest payment on the Syncora Excess New B Notes (as a consequence of which, no interest payment shall be made on the Syncora Excess New B Notes on October 1, 2015). The VEBAs may not sell or otherwise transfer their right, title or interest in the Syncora Excess New B Notes prior to October 2, 2015.

As part of the Plan COP Settlement, on or as soon as reasonably practicable after the Effective Date, Syncora shall cause to be paid \$500,126.94 in cash to the COP Agent on account of COP Agent Fees. As part of the Plan COP Settlement, FGIC shall cause to be paid to the COP Agent 75.945% of the reasonable COP Agent Fees in cash out of the first proceeds of the distributions to or for the benefit of the FGIC COP Holders.

Nothing in this Section II.B.3.p.i.A shall, or shall be asserted or construed to, affect or prejudice any rights, claims or defenses between the COP Swap Counterparties on the one hand and any Settling COP Claimant (including Syncora, FGIC and the FGIC COP Holders) on the other hand.

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each Settling COP Claimant shall, to the fullest extent permitted under law, be deemed to forever release, waive and discharge all Liabilities relating to COP Documents such Settling COP Claimant has, had or may have against the (1) GRS, (2) PFRS or (3) Related Entities of either GRS or PFRS. At the direction of FGIC, which shall be deemed given on the Effective Date, the COP Contract Administrator shall have irrevocably agreed (on behalf of itself, any successors and each FGIC COP Holder) to release and not to sue any COP Holder or any COP Insurer on behalf of any FGIC COP Holder, COP Insurer, the Detroit Retirement Systems Funding Trust 2005 or the Detroit Retirement

Systems Funding Trust 2006 in connection with any liability arising in connection with or related to (1) Sections 6.5 and 9.1 of the Contract Administration Agreements, (2) Section 8.03 of the COP Service Contracts, (3) distributions made pursuant to or in connection with this Section II.B.3.p.i.A, (4) the FGIC Settlement or (5) the Syncora Settlement. On the Effective Date, Syncora and FGIC shall, to the fullest extent permitted under law, be deemed to forever mutually release, waive and discharge all liabilities against each other relating to distributions made pursuant to or in connection with this Section II.B.3.p.i.A, Sections 6.5 and 9.1 of the Contract Administration Agreements or Section 8.03 of the COP Service Contracts.

ii. Impact of UTGO Settlement.

Pursuant to the UTGO Settlement Agreement, the City has agreed that (a) the Plan shall not permit the Holders of Allowed COP Claims to recover more on a percentage basis on account of such Allowed COP Claims than the Holders of Allowed Unlimited Tax General Obligation Bond Claims recover on a percentage basis on account of such Allowed Unlimited Tax General Obligation Bond Claims, as such percentage recoveries are projected on the terms set forth in the UTGO Settlement Agreement at Confirmation; and (b) if a Trigger Event occurs, the Settling UTGO Bond Insurers shall receive Top-Off Payments (as set forth in Section IV.C).

q. Class 10 – PFRS Pension Claims.

i. Allowance.

The PFRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,250,000,000.

ii. Treatment.

A. Contributions to PFRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.q.ii.A. The exclusive source for such contributions shall be certain DIA Proceeds and a portion of the State Contribution. After June 30, 2023, (1) PFRS will receive certain additional DIA Proceeds and (2) the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of PFRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the trustees of the PFRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the PFRS that shall be 6.75%.

C. Modification of Benefits for PFRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a PFRS Pension Claim shall be equal to the PFRS Adjusted Pension Amount for such Holder, provided that such PFRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any PFRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.q.ii.C. For purposes of calculating a PFRS Restoration Payment, market value of assets shall not include any City contributions through June 30, 2023, other than those listed on Exhibit II.B.3.q.ii.A or any State contributions if the PFRS trustees fail to comply with the requirements described in

the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.E.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.F.

E. Accrual of Future Benefits.

Each Holder of a PFRS Pension Claim who is an Active Employee shall receive, in addition to his or her PFRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014 consistent with the terms and conditions of the New PFRS Active Pension Plan Formula and the New PFRS Active Pension Plan.

F. Governance.

On or as soon as reasonably practicable after the Effective Date, an Investment Committee shall be established under PFRS in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date. The initial independent members of the Investment Committee established by PFRS shall be (1) Woodrow S. Tyler, (2) McCullough Williams III, (3) Robert C. Smith, (4) Joseph Bogdahn and (5) Rebecca Sorenson.

G. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the PFRS or to comply with the terms of the Plan, the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, or any successor plan or trust, that govern the calculation of pension benefits (including the PFRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior PFRS Pension Plan, the PFRS Restoration Payment, the New PFRS Active Pension Plan Formula and the terms of the New PFRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B, the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

H. State Contribution Agreement.

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

r. Class 11 – GRS Pension Claims.

i. Allowance.

The GRS Pension Claims shall be allowed in an aggregate amount equal to the sum of approximately \$1,879,000,000.

ii. Treatment.

A. Contributions to GRS.

During the Fiscal Years from the Effective Date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior GRS Pension Plan only in the amounts identified on Exhibit II.B.3.r.ii.A. The exclusive sources for such contributions shall be certain pension related, administrative and restructuring payments received from the DWSD equal to approximately \$428.5 million, a portion of the State Contribution, certain DIA Proceeds, a portion of the Assigned UTGO Bond Tax Proceeds and certain revenues from City departments, the Detroit Public Library and the Detroit Regional Convention Facility Authority. After June 30, 2023, (1) certain DIA Proceeds shall be contributed to the GRS and (2) the City will contribute such additional funds as are necessary to pay each Holder of a GRS Pension Claim his or her GRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior GRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto. Nothing in this Plan prevents any non-City third party from making additional contributions to or for the benefit of GRS if such party chooses to do so.

B. Investment Return Assumption.

During the period that ends on June 30, 2023, the board of trustees of the GRS, or the trustees of any successor trust or pension plan, shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and liabilities of the GRS that shall be 6.75%.

C. Modification of Benefits for GRS Participants.

During the period that ends no earlier than June 30, 2023, the pension benefits payable to each Holder of a GRS Pension Claim shall be equal to the GRS Adjusted Pension Amount for such Holder, provided that such GRS Adjusted Pension Amount shall be (1) automatically reduced by the DIA Proceeds Default Amount in the event of a DIA Proceeds Payment Default and (2) increased by any GRS Restoration Payment.

Restoration of all or a portion of the modified pension benefits will be provided in accordance with the methodology set forth on Exhibit II.B.3.r.ii.C. For purposes of calculating a GRS Restoration Payment, market value of assets shall not include any City contributions through June 30, 2023, other than those listed on Exhibit II.B.3.r.ii.A or any State contributions if the GRS trustees fail to comply with the requirements described in the State Contribution Agreement. In the event that the Foundations and DIA Corp. accelerate all or a portion of their funding commitments described in Section IV.E.1 prior to June 30, 2023, the incremental portion of the acceleration will not count towards pension restoration.

D. Annuity Savings Fund Recoupment.

1. ASF Current Participants.

On or as soon as reasonably practicable after the Effective Date, the Annuity Savings Fund Excess Amount will be calculated for each ASF Current Participant and will be deducted from such participant's Annuity Savings Fund account and be used to fund the accrued pension benefits of all GRS participants; provided, however, that in no event shall the amount deducted from an ASF Current Participant's Annuity Savings Fund account exceed the ASF Recoupment Cap. In the event that the amount credited to an ASF Current Participant's Annuity Savings Fund account as of the Effective Date is less than such participant's Annuity Savings Fund Excess Amount, the ASF Current Participant will be treated as an ASF Distribution Recipient to the extent of the shortfall.

2. ASF Distribution Recipients.

i. Monthly Deduction.

For each ASF Distribution Recipient who does not elect the ASF Recoupment Cash Option described in Section II.B.3.r.ii.D.2.ii and in the case of any ASF Distribution Recipient that elected the ASF Recoupment Cash Option but does not timely deliver the ASF Recoupment Cash Payment to the GRS, the Annuity Savings Fund Excess Amount will: (A) be calculated and converted into monthly annuity amounts based on common actuarial assumptions (such as the ASF Distribution Recipient's life expectancy, and, if not already retired, expected date of retirement) and amortized using a 6.75% interest rate; and (B) then be deducted from the ASF Distribution Recipient's monthly pension check; provided, however, that in no event shall the total amount deducted from an ASF Distribution Recipient's monthly pension check exceed the ASF Recoupment Cap or the Current GRS Retiree Adjustment Cap, if applicable. The total ASF Recoupment from the ASF Distribution Recipient's monthly pension checks over time shall not exceed the amount necessary to amortize the applicable Annuity Savings Fund Excess Amount at 6.75% interest.

ii. Single Lump Sum Payment.

Each ASF Distribution Recipient shall be afforded the ASF Recoupment Cash Option.

No later than seven days following the Effective Date, the City, through its Claims and Balloting Agent, shall send the ASF Election Notice and the ASF Election Form by first-class U.S. mail to each ASF Distribution Recipient. The ASF Election Form shall explain that the amount of the ASF Recoupment Cash Payment shall be equal to the total amount of ASF Recoupment shown on the ASF Distribution Recipient's Ballot, unless the aggregate amount of ASF Recoupment for all ASF Distribution Recipients electing the ASF Recoupment Cash Option exceeds \$30,000,000, in which case (A) the ASF Recoupment Cash Payment will be the ASF Distribution Recipient's Pro Rata portion of \$30,000,000, and (B) the remaining portion of the ASF Distribution Recipient's ASF Recoupment will be annuitized and deducted from the ASF Distribution Recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i.

An ASF Distribution Recipient must return his or her ASF Election Form to the Claims and Balloting Agent so that it is actually received by the Claims and Balloting Agent by the ASF Election Date.

GRS shall mail the ASF Final Cash Payment Notice no later than 14 days after the ASF Election Date. ASF Distribution Recipients shall have until the ASF Final Cash Payment Date to make the ASF Recoupment Cash Payment, which payment must be made by cashier's check or wire transfer and may not be made by personal check. If an ASF Distribution Recipient's ASF Recoupment Cash Payment is not received by the ASF Final Cash Payment Date, GRS will notify the ASF Distribution Recipient of the failure to timely pay, and ASF Recoupment will be effected through diminution of such recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i. The calculation of each electing ASF Distribution Recipient's ASF Recoupment Cash Payment shall not be adjusted under any circumstances, including as a result of default by any other electing ASF Distribution Recipient to remit his or her ASF Recoupment Cash Payment by the ASF Final Cash Payment Date.

E. Contingent Payment Rights.

The City will issue the DWSD CVR to the Restoration Trust for the benefit of Holders of Pension Claims, as described in Section IV.F.

F. Accrual of Future Benefits.

Each Holder of a GRS Pension Claim who is an Active Employee shall receive, in addition to his or her GRS Adjusted Pension Amount, as such amount may be modified herein, such additional pension benefit for service on or after July 1, 2014, consistent with the terms and conditions of the New GRS Active Pension Plan Formula and the New GRS Active Pension Plan.

G. Governance.

On or as soon as reasonably practicable after the Effective Date, an Investment Committee shall be established under GRS in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date. The initial independent members of the Investment Committee established by GRS shall be (1) Kerrie VandenBosch, (2) Doris Ewing, (3) Robert Rietz, (4) David Sowerby and (5) Ken Whipple.

H. No Changes in Terms for Ten Years.

Except as may be required to maintain the tax-qualified status of the GRS or to comply with the terms of the Plan, the City, the trustees of the GRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the GRS, or any successor plan or trust, that govern the calculation of pension benefits (including the GRS Adjusted Pension Amount, accrual of additional benefits, the DIA Proceeds Default Amount, the Prior GRS Pension Plan, the GRS Restoration Payment, the New GRS Active Pension Plan Formula and the terms of the New GRS Active Pension Plan) or against any action that governs the selection of the investment return assumption described in Section II.B.3.r.ii.B, the contribution to the GRS, or the calculation or amount of GRS pension benefits for the period ending June 30, 2023, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

I. State Contribution Agreement.

The State Contribution Agreement, the effectiveness of which is contingent upon the acceptance of the Plan by Classes 10 and 11, shall include the following principal terms: (1) the State, or the State's authorized agent, will distribute the State Contribution for the benefit of Holders of Pension Claims; and (2) the Plan shall provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

s. Class 12 – OPEB Claims.

i. Allowance.

As a result of a settlement between the City and the Retiree Committee, the OPEB Claims shall be allowed in an aggregate amount equal to \$4,303,000,000.

ii. Treatment.

A. Detroit General VEBA.

Establishment of Detroit General VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit General VEBA to provide health benefits to Detroit General VEBA Beneficiaries and certain of their dependents. The Detroit General VEBA will be governed by a seven member board of trustees that will be responsible for, among other things, management of property held by the Detroit General VEBA, administration of the Detroit General VEBA and determination of the level of and distribution of benefits to Detroit General VEBA Beneficiaries. The Detroit General VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.108. With respect to the initial appointment of the board of trustees, the Mayor will appoint one member, and the DRCEA and the Retiree Committee will each appoint three board members. The DRCEA will fill board member vacancies created by the departure of members initially appointed by the Retiree Committee or the DRCEA, and the Mayor will fill a board member vacancy created by the departure of the member appointed by the Mayor. The initial members of the Detroit General VEBA board of trustees shall be (1) Floyd Allen, (2) Roger Cheek, (3) Suzanne Daniels Paranjpe, (4) Doris Ewing,

(5) Barbara Wise-Johnson, (6) Shirley Lightsey and (7) Thomas Sheehan. Nothing in the Plan precludes either the Detroit General VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit General VEBA: On the Effective Date, the City shall distribute to the Detroit General VEBA New B Notes in the aggregate principal amount of \$218,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit General VEBA Beneficiaries. The Detroit General VEBA shall also be entitled to additional distributions as set forth in Section II.B.3.p.i.A.

B. Detroit Police and Fire VEBA.

Establishment of Detroit Police and Fire VEBA: On or as soon as practicable following the Effective Date, the City will establish the Detroit Police and Fire VEBA to provide health benefits to Detroit Police and Fire VEBA Beneficiaries and certain of their dependents. The Detroit Police and Fire VEBA will be governed by a seven member board of trustees and, for the first four years, one additional non-voting, ex-officio member. The board of trustees will be responsible for, among other things, management of property held by the Detroit Police and Fire VEBA, administration of the Detroit Police and Fire VEBA and determination of the level of and distribution of benefits to Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA Trust Agreement and related plan documentation will be substantially in the form set forth on Exhibit I.A.112. With respect to the initial appointment of the board of trustees, the Mayor will appoint one member, and the RDPFFA and the Retiree Committee will each appoint three board members. The RDPMA will appoint the non-voting, ex-officio member. The RDPFFA will fill board member vacancies created by the departure of voting members initially appointed by the Retiree Committee or the RDPFFA, and the Mayor will fill a board member vacancy created by the departure of the member appointed by the Mayor. The RDPMA will fill a non-voting, ex-officio board member vacancy created by the departure of the member initially appointed by the RDPMA, but such non-voting, ex-officio member position shall expire on December 31, 2018. The initial members of the Detroit Police and Fire VEBA board of trustees shall be (1) Floyd Allen, (2) Gregory Best, (3) John Clark, (4) Andrew Dillon, (5) Allan Grant, (6) Thomas Sheehan, (7) Greg Trozak and (8) Shirley Berger (*ex officio*). Nothing in the Plan precludes either the Detroit Police and Fire VEBA from being formed under Section 115 or the formation of a separate trust under Section 115, in each case with the City's consent, which consent will not be unreasonably withheld.

Distributions to Detroit Police and Fire VEBA: On the Effective Date, the City shall distribute to the Detroit Police and Fire VEBA New B Notes in the aggregate principal amount of \$232,000,000, in satisfaction of the Allowed OPEB Claims held by Detroit Police and Fire VEBA Beneficiaries. The Detroit Police and Fire VEBA shall also be entitled to additional distributions as set forth in Section II.B.3.p.i.A.

C. No Further Responsibility.

From and after the Effective Date, the City shall have no further responsibility to provide retiree healthcare or any other retiree welfare benefits. The City shall have no responsibility from and after the Effective Date to provide life insurance or death benefits to former employees. On the Effective Date, the Employees Death Benefit Plan will be frozen for former employees, and the City will no longer have an obligation to contribute to fund death benefits under the plan for any participant or beneficiary who is a former employee. Existing retirees who participate in the plan will be granted a one-time opportunity to receive a lump sum distribution of the present value of their actuarially determined death benefit to the extent of the plan funding. For the avoidance of doubt, the Employees Death Benefit Plan shall not be merged into or operated by either the Detroit General VEBA or the Detroit Police and Fire VEBA. The Employees Death Benefit Board of Trustees shall continue to manage the Employees Death Benefit Plan and employ the staff of the Retirement Systems to administer the disbursement of benefits thereunder, the costs of which administration shall be borne by the assets of the Employees Death Benefit Plan.

Retirees (and active employees that retire prior to December 31, 2014) of the Detroit Public Library and the Detroit Regional Convention Facility Authority are Detroit General VEBA Beneficiaries and will receive the treatment set forth above. However, the collective bargaining and other legal rights and obligations of the Detroit Public Library and the Detroit Regional Convention Facility Authority, on one hand, and their respective unions and former and current employees, on the other hand, are not affected by the Plan. These parties retain the

right to negotiate further or additional benefits; provided, however, that the City shall not be responsible for, or have any obligation with respect to, any such further or additional benefits or the administration thereof. In addition, in consideration of the eligible retirees of the Detroit Public Library and the Detroit Regional Convention Facility Authority participating in the Detroit General VEBA, the Detroit Public Library and the Detroit Regional Convention Facility Authority shall reimburse the City for their allocable share of the New B Note debt service related to the Detroit General VEBA.

t. Class 13 – Downtown Development Authority Claims.

i. Allowance.

On the Effective Date, the Downtown Development Authority Claims shall be deemed Allowed in the amount of \$33,600,000.

ii. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Downtown Development Authority Claim, in full satisfaction of such Allowed Claim, shall receive, on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of approximately \$3.69 million in New B Notes.

u. Class 14 – Other Unsecured Claims.

i. Treatment.

Unless such Holder agrees to a different treatment of such Claim, each Holder of an Allowed Other Unsecured Claim, in full satisfaction of such Allowed Claim, shall receive (A) on or as soon as reasonably practicable after the Effective Date, a Pro Rata share of approximately \$16.48 million in New B Notes and (B) distributions in accordance with Section II.B.3.p.i.A.

v. Class 15 – Convenience Claims.

i. Treatment.

Each Holder of an Allowed Convenience Claim, in full satisfaction of such Allowed Claim, shall receive Cash equal to the amount of 25% of such Allowed Claim (as reduced, if applicable, pursuant to an election by such Holder in accordance with Section I.A.76) on or as soon as reasonably practicable after the Effective Date, unless such Holder agrees to a different treatment of such Claim.

w. Class 16 – Subordinated Claims.

i. Treatment.

On the Effective Date, all Subordinated Claims shall be disallowed, extinguished and discharged without Distribution under the Plan, and Holders of Subordinated Claims shall not receive or retain any property on account of such Claims. Pursuant to section 1126(g) of the Bankruptcy Code, Class 16 is deemed to have rejected the Plan and Holders of Subordinated Claims are not entitled to cast a Ballot in respect of such Claims.

x. Class 17 – Indirect 36th District Court Claims.

i. Treatment.

Unless such Holder agrees to a different treatment of its Claim, each Holder of an Allowed Indirect 36th District Court Claim, in full satisfaction of such Allowed Claim, shall receive: (A) if the Allowed amount of such Indirect 36th District Court Claim is less than \$100,000.00, on or as soon as reasonably practicable after the Effective Date, Cash in an amount equal to 33% of the Allowed amount of such Allowed Indirect 36th

District Court Claim; or (B) if the Allowed amount of such Indirect 36th District Court Claim is equal to or more than \$100,000.00, Cash equal to 33% of the Allowed amount of such Indirect 36th District Court Claim, plus simple interest on outstanding amounts at a rate of five percent per annum, payable in five equal annual installments, with the first installment to be paid on or as soon as reasonably practicable after the Effective Date and the remaining four installments to be paid on the date of the first four anniversaries of the Effective Date or, if any such date is not a Business Day, on the first Business Day thereafter.

ii. Further Obligation of City, State and 36th District Court.

Subject to the terms of the 36th District Court Settlement, the treatment of Allowed Indirect 36th District Court Claims set forth in Section II.B.3.x.i shall fulfill any obligation of the City and the 36th District Court that may exist with respect to all Indirect 36th District Court Claims. Nothing in Section II.B.3.x.i prevents the Holder of an Indirect 36th District Court Claim from seeking further relief or payment from the State with respect to such Indirect 36th District Court Claim to the extent such Claim is not satisfied pursuant to the Plan.

C. Confirmation Without Acceptance by All Impaired Classes.

The City requests Confirmation under section 1129(b) of the Bankruptcy Code in the event that any impaired Class does not accept or is deemed not to accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Plan shall constitute a motion for such relief.

D. Treatment of Executory Contracts and Unexpired Leases.

1. Assumption.

Except as otherwise provided in the Plan, in any contract, instrument, release or other agreement or document entered into in connection with the Plan or in a Final Order of the Bankruptcy Court, or as requested in any motion Filed by the City on or prior to the Effective Date, on the Effective Date, pursuant to section 365 of the Bankruptcy Code, the City will be deemed to assume all Executory Contracts and Unexpired Leases to which it is a party. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. For the avoidance of doubt, the City shall assume the Tunnel Lease pursuant to this Section II.D.1.

2. Assumption of Ancillary Agreements.

Each Executory Contract and Unexpired Lease assumed pursuant to Section II.D.1 will include any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such Executory Contract or Unexpired Lease, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section II.D.6 or designated for rejection in accordance with Section II.D.3.

3. Approval of Assumptions and Assignments.

The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 (and any related assignment) as of the Effective Date, except for Executory Contracts or Unexpired Leases that (a) have been rejected pursuant to a Final Order of the Bankruptcy Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 or (e) are designated for rejection in accordance with the last sentence of this paragraph. An order of the Bankruptcy Court (which may be the Confirmation Order) entered on or prior to the Confirmation Date will specify the procedures for providing notice to each party whose Executory Contract or Unexpired Lease is being assumed pursuant to the Plan of: (a) the Executory Contract or Unexpired Lease being assumed; (b) the Cure Amount Claim, if any, that the City believes it would be obligated to pay in connection with such assumption; (c) any assignment of an Executory Contract or Unexpired Lease; and (d) the procedures for such party to object to

the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease. If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be deemed effective as of the Effective Date.

4. Payments Related to the Assumption of Executory Contracts and Unexpired Leases.

To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the City: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding: (a) the amount of any Cure Amount Claim, (b) the ability of the City or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to the assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order resolving the dispute and approving the assumption.

5. Contracts and Leases Entered Into After the Petition Date.

Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5, will be performed by the City in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

6. Rejection of Executory Contracts and Unexpired Leases.

On the Effective Date, each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 shall be deemed rejected pursuant to section 365 of the Bankruptcy Code. The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 shall be rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. The City reserves its right, at any time on or prior to the Effective Date, to amend Exhibit II.D.6 to delete any Executory Contract or Unexpired Lease therefrom, thus providing for its assumption pursuant to Section II.D.1, or add any Executory Contract or Unexpired Lease thereto, thus providing for its rejection pursuant to this Section II.D.6. The City will provide notice of any amendments to Exhibit II.D.6 to the parties to the Executory Contracts or Unexpired Leases affected thereby and to the parties on the then-applicable service list in the Chapter 9 Case. Listing a contract or lease on Exhibit II.D.6 shall not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

7. Rejection Damages Bar Date.

Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served upon counsel to the City on or before the later of: (a) 45 days after the Effective Date; or (b) 45 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City.

8. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases.

Pursuant to section 365(g) of the Bankruptcy Code, rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall constitute a breach of such contract or lease and not a termination thereof, and all obligations owing to the City under such contract or lease as of the date of such breach shall remain owing to the City upon rejection. Notwithstanding any applicable non-bankruptcy law to the contrary, the City expressly reserves and does not waive any right to receive, or any continuing obligation of a non-City party to provide, warranties, indemnifications or continued maintenance obligations on goods previously purchased, or services previously received, by the City from non-City parties to rejected Executory Contracts or Unexpired Leases, and any such rights shall remain vested in the City as of the Effective Date.

9. Insurance Policies.

From and after the Effective Date, each of the City's insurance policies (other than welfare benefits insurance policies) in existence as of or prior to the Effective Date shall be reinstated and continue in full force and effect in accordance with its terms and, to the extent applicable, shall be deemed assumed by the City pursuant to section 365 of the Bankruptcy Code and Section II.D.1. Nothing contained herein shall constitute or be deemed a waiver of any Causes of Action that the City may hold against any Entity, including any insurer under any of the City's insurance policies. For the avoidance of doubt, nothing contained in this Section II.D.9 shall apply to reinstate or continue any obligation of the City or any fund thereof to any Bond Insurer.

**ARTICLE III
CONFIRMATION OF THE PLAN**

A. Conditions Precedent to the Effective Date.

The Effective Date will not occur, and the Plan will not be consummated, unless and until the City has determined that all of following conditions have been satisfied or waived in accordance with Section III.B:

1. The Bankruptcy Court shall have entered the Confirmation Order in form and substance satisfactory to the City.
2. The Bankruptcy Court shall have entered an order (which may be included in the Confirmation Order) approving and authorizing the City to take all actions necessary or appropriate to implement the Plan, including the transactions contemplated by the Plan and the implementation and consummation of the contracts, instruments, settlements, releases and other agreements or documents entered into or delivered in connection with the Plan.
3. The Confirmation Order shall not be stayed in any respect.
4. The Confirmation Order shall contain (a) a finding that the FGIC Settlement Consideration and the FGIC Development Agreement are solely for the benefit of FGIC and the FGIC COP Holders (subject to any provision set forth herein for payment of COP Agent Fees), and (b) an ordered provision that such consideration be administered and distributed to FGIC and the FGIC COP Holders in a manner consistent therewith and with the Plan.
5. The Confirmation Order shall contain (a) a finding that the Syncora Development Agreement is solely for the benefit of Syncora (subject to any provision set forth herein for payment of COP Agent Fees), and (b) an ordered provision that such consideration be administered and distributed to Syncora in a manner consistent therewith and with the Plan.
6. All actions and all contracts, instruments, settlements, releases and other agreements or documents necessary to implement the terms and provisions of the Plan are effected or executed and delivered, as applicable, in form and substance satisfactory to the City.

7. All authorizations, consents and regulatory approvals, if any, required in connection with the consummation of the Plan have been obtained and not revoked, including all governmental and Emergency Manager consents and approvals required to carry out the terms of the LTGO Settlement Agreement.

8. Any legislation that must be passed by the State legislature to effect any term of the Plan shall have been enacted.

9. The MFA board shall have approved the issuance of the Restructured UTGO Bonds and the Restructured UTGO Bonds shall have been issued.

10. The City shall have obtained all governmental and Emergency Manager consents and approvals required to carry out the terms of the UTGO Settlement Agreement.

11. The Plan and all Exhibits shall have been Filed and shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made in accordance with Section VIII.B.

12. If Classes 10 and 11 have accepted the Plan, all conditions to the effectiveness of the State Contribution Agreement and the DIA Settlement Documents have been satisfied.

13. The Syncora Settlement and the Syncora Settlement Agreement shall have been approved by the Bankruptcy Court in form and substance reasonably acceptable to the City and Syncora, and such approval shall not have been vacated or otherwise modified, and the definitive documents contemplated thereby shall have been executed and delivered.

14. The Syncora Development Agreement shall have been approved by the Bankruptcy Court in form and substance reasonably acceptable to the City and Syncora, and such approval shall not have been vacated or otherwise modified, and the definitive documents contemplated thereby shall have been executed and delivered.

15. The FGIC/COP Settlement Documents and the FGIC Development Agreement shall have been approved by the Bankruptcy Court in form and substance reasonably acceptable to the City and FGIC, and such approval shall not have been vacated or otherwise modified, and the definitive documents contemplated thereby shall have been executed and delivered.

16. The New York State Department of Financial Services shall have waived in writing the notice requirement under FGIC's plan of rehabilitation with respect to the settlement contemplated by the FGIC/COP Settlement Documents and the FGIC Development Agreement in form and substance reasonably acceptable to FGIC, and such waiver shall not have been vacated or otherwise modified.

17. The Effective Date shall have occurred within 180 days of the entry of the Confirmation Order, unless the City requests an extension of such deadline and such deadline is extended by the Bankruptcy Court.

B. Waiver of Conditions to the Effective Date.

The conditions to the Effective Date set forth in Section III.A may be waived in whole or part at any time by the City in its sole and absolute discretion, except for those conditions set forth in (1) Section III.A.9 and Section III.A.10, which conditions cannot be waived, (2) Sections III.A.5, III.A.13 and III.A.14, which may only be waived by the City with the prior written consent of Syncora, (3) Sections III.A.4 and III.A.15, which may only be waived by the City with the prior written consent of FGIC and (4) Section III.A.16, which may be waived by the City at any time on or after November 4, 2014 at 5:00 p.m. (Eastern Time) with the prior written consent of FGIC.

C. Effect of Nonoccurrence of Conditions to the Effective Date.

If each of the conditions to the Effective Date is not satisfied, or duly waived in accordance with Section III.B, then, before the time that each of such conditions has been satisfied and upon notice to such parties in interest as the Bankruptcy Court may direct, the City may File a motion requesting that the Bankruptcy Court vacate the Confirmation Order; provided, however, that, notwithstanding the Filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is satisfied before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section III.C: (1) the Plan will be null and void in all respects, including with respect to (a) the discharge of Claims pursuant to section 944(b) of the Bankruptcy Code, (b) the assumptions, assignments or rejections of Executory Contracts and Unexpired Leases pursuant to Section II.D and (c) the releases described in Section III.D.7; and (2) nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, will be or will be deemed to be (a) a waiver or release of any Claims by or against the City, (b) an admission of any sort by the City or any other party in interest or (c) prejudicial in any manner the rights of the City or any other party in interest.

D. Effect of Confirmation of the Plan.

1. Dissolution of Retiree Committee.

On the Effective Date, the Retiree Committee, to the extent not previously dissolved or disbanded, will dissolve and disband, and the members of the Retiree Committee and their respective professionals will cease to have any role arising from or related to the Chapter 9 Case.

2. Preservation of Rights of Action by the City.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, the City will retain and may enforce any claims, demands, rights, defenses and Causes of Action that it may hold against any Entity, including but not limited to any and all Causes of Action against any party relating to the past practices of the Retirement Systems (including any investment decisions related to, and the management of, the Retirement Systems' respective pension plans or assets), to the extent not expressly released under the Plan or pursuant to any Final Order of the Bankruptcy Court. A nonexclusive schedule of currently pending actions and claims brought by the City is attached as Exhibit III.D.2. The City's inclusion of, or failure to include, any right of action or claim on Exhibit III.D.2 shall not be deemed an admission, denial or waiver of any claims, demands, rights or Causes of Action that the City may hold against any Entity, and all Entities are hereby notified that the City intends to preserve all such claims, demands, rights or Causes of Action.

3. Comprehensive Settlement of Claims and Controversies.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the rights that a holder of a Claim may have with respect to any Allowed Claim or any Distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that all such compromises or settlements are (a) in the best interests of the City, its property and Claim Holders and (b) fair, equitable and reasonable. For the avoidance of doubt, this Section III.D.3 shall not affect or limit the application of section 509 of the Bankruptcy Code or any similar doctrine to Bond Insurance Policy Claims.

4. Discharge of Claims.

a. Complete Satisfaction, Discharge and Release.

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date, discharge the City from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (iii) the Holder of a Claim based on such debt has accepted the Plan.

b. Discharge.

In accordance with Section III.D.4.a, except as expressly provided otherwise in the Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of a discharge of all debts of the City, pursuant to sections 524(a)(1), 524(a)(2) and 944(b) of the Bankruptcy Code, and such discharge will void any judgment obtained against the City at any time, to the extent that such judgment relates to a discharged debt; provided that such discharge will not apply to (i) debts specifically exempted from discharge under the Plan; and (ii) debts held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case.

5. Injunction.

On the Effective Date, except as otherwise provided herein or in the Confirmation Order,

a. all Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims, along with their Related Entities, shall be permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order):

1. commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property (including (A) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (B) Indirect 36th District Court Claims and (C) Indirect Employee Indemnity Claims);

2. enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property;

3. creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the City or its property;

4. asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property;

5. proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth herein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and

6. taking any actions to interfere with the implementation or consummation of the Plan.

b. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan will be permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan. Notwithstanding the foregoing and without limiting the injunctions in Section III.D.5.a, the Holders of Indirect 36th District Court Claims shall not be enjoined from taking any of the foregoing actions against the State or the State Related Entities with respect to Indirect 36th District Court Claims to the extent such Claims are not satisfied pursuant to the Plan.

6. Exculpation.

From and after the Effective Date, to the fullest extent permitted under applicable law and except as expressly set forth in this Section, neither the City, its Related Entities (including the members of the City Council, the Mayor and the Emergency Manager), to the extent a claim arises from actions taken by such Related Entity in its capacity as a Related Entity of the City, the State, the State Related Entities, the Exculpated Parties nor the Released Parties shall have or incur any liability to any person or Entity for any act or omission in connection with, relating to or arising out of the City's restructuring efforts and the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the formulation, preparation, negotiation, dissemination, consummation, implementation, confirmation or approval (as applicable) of the Plan, the property to be distributed under the Plan, the settlements implemented under the Plan, the Exhibits, the Disclosure Statement, any contract, instrument, release or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in the Plan or the management or operation of the City; provided that the foregoing provisions shall apply to (a) the LTGO Exculpated Parties solely in connection with acts or omissions taken in connection with the LTGO Settlement Agreement or the Plan (as it relates to the LTGO Settlement Agreement), (b) the UTGO Exculpated Parties solely in connection with acts or omissions taken in connection with the UTGO Settlement Agreement or the Plan (as it relates to the UTGO Settlement Agreement), (c) the DWSD Exculpated Parties solely in connection with acts or omissions taken in connection with the DWSD Tender, DWSD Tender Motion or DWSD Tender Order, (d) the Syncora Exculpated Parties solely in connection with acts or omissions taken in connection with the Syncora Settlement Documents and any actions or litigation positions taken by the Syncora Exculpated Parties in the Chapter 9 Case, (e) the FGIC/COP Exculpated Parties solely in connection with acts or omissions taken in connection with the FGIC/COP Settlement Documents and any actions or litigation positions taken by the FGIC/COP Exculpated Parties in the Chapter 9 Case, (f) the RDPMA Exculpated Parties and (g) the COP Agent, solely in its capacity as such and solely in connection with any Distributions made pursuant to the terms of the Plan; provided, further, that the foregoing provisions in this Section III.D.6 shall not affect the liability of the City, its Related Entities, the State, the State Related Entities, the Released Parties and the Exculpated Parties that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct or any act or omission occurring before the Petition Date. The City, its Related Entities (with respect to actions taken by such Related Entities in their capacities as Related Entities of the City), the State, the State Related Entities, the Released Parties and the Exculpated Parties shall be entitled to rely upon the advice of counsel and financial advisors with respect to their duties and responsibilities under, or in connection with, the Chapter 9 Case, the administration thereof and the Plan. This Section III.D.6 shall not affect any liability of (a) any of the COP Swap Exculpated Parties to the Syncora Exculpated Parties or FGIC or (b) the Syncora Exculpated Parties or FGIC/COP Exculpated Parties to any of the COP Swap Exculpated Parties.

7. Releases.

Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement):

- a. each holder of a Claim that votes in favor of the Plan, to the fullest extent permissible under law, will be deemed to forever release, waive and discharge (which release will be in addition to the release and discharge of Claims otherwise provided herein and under the Confirmation Order and the Bankruptcy Code):
 - i. all Liabilities in any way relating to the City, the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), the Plan, the Exhibits or the Disclosure Statement, in each case that such holder has, had or may have against the City or its current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity (and, in addition to and without limiting the foregoing, in the case of any Emergency Manager, in such Emergency Manager's capacity as an appointee under PA 436); provided further, for the avoidance of doubt, that any person or entity designated to manage the Chapter 9 Case for the City after the Emergency Manager's term is terminated, whether such person or entity acts as an employee, advisor or contractor to the City or acts as an employee, agent, contractor or appointee of the State under any applicable state law, shall be treated the same as an employee of the City hereunder; and
 - ii. all Liabilities in any way relating to (A) Claims that are compromised, settled or discharged under or in connection with the Plan, (B) the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), (C) the Plan, (D) the Exhibits, (E) the Disclosure Statement or (F) the DIA Settlement, in each case that such holder has, had or may have against the City's Related Entities, the State, the State Related Entities and the Released Parties; provided, however, that any such Liability of the Foundations, the DIA Funders and the CFSEM Supporting Organization and their Related Entities shall be released only to the extent that such Liability, if any, arises from any such entity's participation in the DIA Settlement;

provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; and provided further, however, that if Classes 10 and 11 vote to accept the Plan, but any necessary conditions precedent to the receipt of the initial funding from the State (pursuant to the State Contribution Agreement) and the DIA Funding Parties that are such as of the commencement of the Confirmation Hearing (pursuant to the DIA Settlement) that can be satisfied or waived by the applicable funding party prior to the Confirmation Hearing (including, but not limited to, adoption of relevant legislation and appropriations by the State and execution of necessary and irrevocable agreements for their funding commitments by each of the DIA Funding Parties that are such as of the commencement of the Confirmation Hearing, which conditions may not be waived) are not satisfied or waived by the applicable funding party prior to the Confirmation Hearing, then Holders of Claims in Classes 10 and 11 that voted to accept the Plan shall be deemed to have voted to reject the Plan, and the voluntary release set forth in the first sentence of this Section III.D.7.a shall not apply to Holders of Claims in Classes 10 and 11; provided, further, that nothing in this Section III.D.7.a shall release (i) the City's obligations under the Plan or (ii) any defenses that any party may have against the City, its Related Entities, the State, the State Related Entities or the Released Parties; and

- b. if the State Contribution Agreement is consummated, each holder of a Pension Claim will be deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law or the Plan, or, with respect to pensions only, GRS or PFRS.

Notwithstanding Sections III.D.5-7 and IV.L of the Plan, except as set forth in the COP Swap Settlement, nothing in the Plan or the Confirmation Order shall or shall be deemed to provide a release by the COP Swap Counterparties of any Liabilities related to the COPs, the COP Service Corporations, the Transaction Documents (as defined in the COP Swap Settlement), the COP Swap Settlement or the COP Swap Settlement Approval Order. For the avoidance of doubt, notwithstanding Section III.D.6 of the Plan, a vote of DWSD Bond Claims or DWSD Revolving Bond Claims in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to this Section III.D.7 by a Holder of any such DWSD Bond Claims, a Holder of any such DWSD Revolving Bond Claims or the Bond Insurer insuring any such Claims of any Liabilities against the City or its Related Entities that do not arise in connection with the DWSD Bonds or the DWSD Revolving Bonds. For the further avoidance of doubt, notwithstanding anything in the Plan to the contrary, a vote of a Claim other than a DWSD Bond Claim or DWSD Revolving Bond Claim in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to this Section III.D.7 by a Holder of any such voted Claim or the Bond Insurer insuring such voted Claim of any Liabilities against the City or any other Entity arising in connection with the DWSD Bonds or DWSD Revolving Bonds.

E. No Diminution of State Power.

No provision of this Plan shall be construed: (1) so as to limit or diminish the power of the State to control, by legislation or otherwise, the City in the exercise of the political or governmental powers of the City, including expenditures for such exercise; (2) so as to limit or diminish the power of the State to effect setoffs necessary to compensate the State or relieve the State of liability against funds (a) owing to the City from the State, (b) granted to the City by the State, or (c) administered by the State on behalf of the City or the federal government (including funds resulting from federal or state grants), for acts or omissions by the City (including but not limited to misappropriation or misuse of funds); and (3) as a waiver by the State of its rights as a sovereign or rights granted to it pursuant to the Tenth Amendment to the United States Constitution, or limit or diminish the State's exercise of such rights.

F. Effectiveness of the Plan.

The Plan shall become effective on the Effective Date. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

G. Binding Effect of Plan.

Pursuant to section 944(a) of the Bankruptcy Code, on and after the Effective Date, the provisions of the Plan shall bind all Holders of Claims, and their respective successors and assigns, whether or not the Claim of any such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan. The releases and settlements effected under the Plan will be operative, and subject to enforcement by the Bankruptcy Court, from and after the Effective Date, including pursuant to the injunctive provisions of the Plan. Once approved, the

compromises and settlements embodied in the Plan, along with the treatment of any associated Allowed Claims, shall not be subject to any collateral attack or other challenge by any Entity in any court or other forum. As such, any Entity that opposes the terms of any compromise and settlement set forth in the Plan must (1) challenge such compromise and settlement prior to Confirmation of the Plan and (2) demonstrate appropriate standing to object and that the subject compromise and settlement does not meet the standards governing bankruptcy settlements under Bankruptcy Rule 9019 and other applicable law.

ARTICLE IV MEANS FOR IMPLEMENTATION OF THE PLAN

A. DWSD.

1. Rates and Revenues.

DWSD will maintain Fiscal Year 2015 rate setting protocols for a minimum of five years, subject to certain changes necessary to stabilize water and sewer revenues. Rates will be determined by the Board of Water Commissioners or, if a DWSD Authority is formed and approved by the incorporating units' governing bodies, by the board of any such DWSD Authority. The City may seek to implement a rate stability program for City residents, which program may, among other things, (a) provide a source of funds to mitigate against rate increases, (b) enhance affordability and (c) provide a buffer against delinquent payments.

2. DWSD CBAs.

Collective bargaining agreements with respect to current DWSD employees that are in effect and not expired as of the Effective Date will be assumed by the City.

3. Potential DWSD Authority Transaction.

As a result of mediation or otherwise, it is possible that the City may enter into a DWSD Authority Transaction that includes the formation of the DWSD Authority to conduct many or all of the operations currently conducted by DWSD. Any such transaction would be subject to the approval of incorporating units and numerous other conditions. The timing of any such transaction, if it occurs at all, is not known. If any such transaction could occur, unless waived by the City in its sole discretion, the City will enter into such transaction only if Macomb County, Oakland County and Wayne County, and each of their municipal affiliates or related public corporations, withdraw with prejudice or shall have withdrawn with prejudice their objections to the Confirmation of the Plan. Any DWSD Authority Transaction shall be on terms that are consistent with all other provisions of the Plan, applicable law and orders of the Bankruptcy Court. The City shall not enter into any binding agreement with respect to or consummate any DWSD Authority Transaction prior to the Effective Date without first obtaining an order of the Bankruptcy Court approving and authorizing such DWSD Authority Transaction.

All terms and conditions in respect of any DWSD Authority Transaction set forth in (a) any DWSD Bond Document or (b) any transaction document in respect of such a DWSD Authority Transaction shall in any case include: (i) no material modifications to the source of payment and security for any DWSD Bonds or 2014 Revenue and Revenue Refinancing Bonds; (ii) an opinion of tax counsel that such transfer shall have no material adverse effect on the tax exempt status of the interest on the DWSD Bonds or 2014 Revenue and Revenue Refinancing Bonds; (iii) that the City could issue at least \$1 of additional new money DWSD Bonds in compliance with the additional bonds test set forth in the applicable DWSD Bond Documents; and (iv) ratings confirmation of any rating agency then rating the DWSD Bonds and 2014 Revenue and Revenue Refinancing Bonds. A DWSD Authority Transaction shall not affect, impair, modify or otherwise alter the rights of any party under the DWSD Tender Order, the DWSD Bond Documents, the DWSD Revolving Bond Documents, the 2014 DWSD Refinancing Obligations, the 2014 Revenue and Revenue Refinancing Bonds or the 2014 Revenue Refinancing Bonds or any Bond Insurance Policy related to or issued in connection with any of the foregoing.

B. The New B Notes, New C Notes and New LTGO Bonds.

On or before the Effective Date, the City shall (a) execute the New B Notes Documents, issue the New B Notes, substantially on the terms set forth on Exhibit I.A.246, and distribute the New B Notes as set forth in the Plan; (b) execute the New C Notes Documents, issue the New C Notes, substantially on the terms set forth on Exhibit I.A.248 (and in any case in form and substance reasonably acceptable to the City and Syncora), and distribute the New C Notes as set forth in the Plan; and (c) execute the New LTGO Bond Documents, issue the New LTGO Bonds, substantially on the terms set forth on Exhibit I.A.237, and distribute the New LTGO Bonds as set forth in the Plan.

C. The UTGO Settlement.

On the Effective Date, the City and the Settling UTGO Bond Insurers shall consummate the UTGO Settlement Agreement, a copy of which is attached hereto as Exhibit I.A.360. The treatment of Unlimited Tax General Obligation Bond Claims under the Plan is provided for pursuant to the UTGO Settlement Agreement, which involves the settlement of, among other things, the UTGO Litigation and is subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, the UTGO Settlement Agreement pursuant to Bankruptcy Rule 9019.

Pursuant to the UTGO Settlement Agreement, among other things: (1) the Unlimited Tax General Obligation Bond Claims shall be deemed Allowed in the amount of \$388,000,000; (2) the City shall issue the Municipal Obligation to the MFA, which in turn will issue the Restructured UTGO Bonds; (3) Holders of Allowed Unlimited Tax General Obligation Bond Claims shall be entitled to receive their Pro Rata share of \$279,618,950 of the Restructured UTGO Bonds as set forth in Schedule 1a of the UTGO Settlement Agreement; (4) the Settling UTGO Bond Insurers and the Non-Settling UTGO Bond Insurer shall be entitled to receive \$7,941,840 of the Restructured UTGO Bonds as set forth in Schedule 1b to the UTGO Settlement Agreement; and (5) a designee or designees of the City shall have the right to receive the Assigned UTGO Bond Tax Proceeds, which Assigned UTGO Bond Tax Proceeds will be distributed over a 14-year period to the Income Stabilization Funds of GRS and PFRS for the payment of Income Stabilization Payments to Eligible Pensioners and to the Retirement Systems, in accordance with applicable agreements.

Each Settling UTGO Bond Insurer shall receive, as soon as reasonably practicable after the occurrence of a Trigger Event, its allocable share of the Top-Off Payments in accordance with the terms of the UTGO Settlement Agreement.

D. The State Contribution Agreement.

Prior to or on the Effective Date, if Classes 10 and 11 vote to accept the Plan, the City, GRS, PFRS and the State will enter into the State Contribution Agreement, substantially on the terms set forth on Exhibit I.A.332.

1. State Contribution.

The State or the State's authorized agent will contribute the net present value of \$350 million payable over 20 years using a discount rate of 6.75% to GRS and PFRS for the benefit of the Holders of Pension Claims.

2. Income Stabilization Payments.

The Income Stabilization Funds of GRS and PFRS will receive not less than an aggregate amount of \$20 million over 14 years of the Assigned UTGO Bond Tax Proceeds in the form of annual installment payments pursuant to a payment schedule approved by the State. Following the Effective Date, on an annual basis, GRS and PFRS will distribute such portion of the funds held in their respective Income Stabilization Fund to Eligible Pensioners entitled to receive the Income Stabilization Benefit and the Income Stabilization Benefit Plus. The

Income Stabilization Benefit, which will be calculated in the first year following the Effective Date and will not increase thereafter, will be provided by the applicable Retirement System to each Eligible Pensioner. In addition, to the extent that an Eligible Pensioner's estimated adjusted annual household income (as determined by the applicable Retirement System) in any calendar year after the first year of the income stabilization program is less than 105% of the Federal Poverty Level for such year, the applicable Retirement System will distribute the Income Stabilization Benefit Plus to such Eligible Pensioner.

In the event that, in 2022 (provided that the State has not issued a certificate of default under the State Contribution Agreement with respect to GRS or PFRS, as applicable, at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee of GRS or PFRS, as applicable, that the Income Stabilization Fund of the applicable Retirement System is credited with Excess Assets, the respective Investment Committee may recommend that the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System. In the event that any funds remain in the Income Stabilization Fund of each or either of GRS or PFRS on the date upon which no Eligible Pensioners under the applicable Retirement System are living, such funds shall be used to fund the Adjusted Pension Amounts payable by the applicable Retirement System.

3. Conditions to State's Participation.

The payment of the State Contribution by the State or the State's authorized agent is conditioned upon satisfaction of the conditions precedent set forth in the State Contribution Agreement, including, among other things, the following: (a) the Confirmation Order becoming a Final Order no later than December 31, 2014, which Confirmation Order must contain certain provisions as set forth in the State Contribution Agreement, including a requirement that the governing documents of GRS and PFRS be amended to include (i) the governance terms and conditions set forth in the State Contribution Agreement and (ii) the Income Stabilization Funds and Income Stabilization Payments; (b) the occurrence of the Effective Date no later than April 1, 2015; (c) acceptance of the Plan by Classes 10 and 11, which Plan must be in form and substance reasonably acceptable to the State and contain certain release provisions; (d) the Retiree Committee's endorsement of the Plan, including a letter from the Retiree Committee recommending that Classes 10 and 11 vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in Classes 10 and 11; (e) active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way the litigation described in subsection (f) of this Section by, the City, the Retiree Committee, the Retirement Systems and certain unions and retiree associations, or equivalent assurances of litigation finality; (f) cessation of all litigation, or equivalent assurances of finality of such litigation, including the cessation of funding of any litigation initiated by any other party, as it relates to the City, (i) challenging PA 436 or any actions taken pursuant to PA 436 or (ii) seeking to enforce Article IX, Section 24 of the Michigan Constitution; (g) evidence satisfactory to the State of an irrevocable commitment by the Foundations (excluding the Special Foundation Funders, as that term is defined in the DIA Settlement Documents) to fund \$366 million (or the net present value thereof) as part of the DIA Settlement, as provided in Section IV.E.1; and (h) evidence satisfactory to the State of an irrevocable commitment by DIA Corp. to fund \$100 million (or the net present value thereof) as part of the DIA Settlement, as provided in Section IV.E.1.

The State shall File and serve via the Court's electronic case filing and noticing system a notice that the conditions precedent to the State's payment of the State Contribution have been satisfied or otherwise addressed pursuant to the procedures outlined in the State Contribution Agreement no later than ten days after all such conditions have been satisfied or otherwise addressed.

4. Release of Claims Against the State and State Related Entities.

The State Contribution Agreement requires that the Plan provide for the release of the State and the State Related Entities by each holder of a Pension Claim from all Liabilities arising from or related to the City, the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution, as more particularly described in the State Contribution Agreement and as set forth at Section III.D.7.b.

E. The DIA Settlement.

On the Effective Date, the City and the DIA Corp. will enter into the DIA Settlement, pursuant to which (1) the DIA Funding Parties that are such as of the Effective Date have committed to assist in the funding of the City's restructured legacy pension obligations and (2) the City has agreed to enter into certain transactions that will cause the DIA to remain in the City in perpetuity, as described in and subject to the terms and conditions of the DIA Settlement Documents, and to otherwise make the DIA Assets available for the benefit of the residents of the City and the Counties and the citizens of the State. The DIA Settlement Documents attached hereto as Exhibit I.A.127 will qualify the description of the DIA Settlement in the Plan, Disclosure Statement and Exhibit I.A.126. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, the DIA Settlement pursuant to Bankruptcy Rule 9019.

1. Funding Contributions.

The DIA Settlement will be funded as follows: (a) irrevocable commitments in an aggregate amount of at least \$366 million by the Foundations (excluding the Special Foundation Funders, as that term is defined in the DIA Settlement Documents); and (b) in addition to its continuing commitments outside of the DIA Settlement, irrevocable commitments in an aggregate amount of \$100 million from the DIA Direct Funders (including the commitment of the Special Foundation Funders, as that term is defined in the DIA Settlement Documents, and subject to certain adjustments as set forth in the DIA Settlement Documents), the payment of which \$100 million will be guaranteed by DIA Corp., subject to the terms of the DIA Settlement Documents. The foregoing commitments shall be funded over the course of the 20 year period immediately following the Effective Date (subject to the annual confirmation of the City's continuing compliance with the terms of the DIA Settlement) according to the "Agreed Required Minimum Schedule" and subject to the option at any time for the "Present Value Discount," as set forth in the DIA Settlement Documents. Amounts committed by the Foundations and the DIA Direct Funders will be paid to the CFSEM Supporting Organization, which will (a) transfer such amounts for the purpose of funding the Retirement Systems upon the City's satisfaction of certain conditions and (b) not be subject to claims of creditors of the Community Foundation for Southeast Michigan.

2. Transfer of DIA Assets.

On the Effective Date, the City shall irrevocably transfer all of its right, title and interest in and to the DIA Assets to DIA Corp., as trustee, to be held in perpetual charitable trust, and within the City limits, for the primary benefit of the residents of the City and the Counties and the citizens of the State.

3. Conditions to the DIA Funding Parties' Participation.

The DIA Funding Parties' participation in the DIA Settlement is conditioned upon, among other things, the following: (a) execution of the DIA Settlement Documents by each Foundation; (b) the irrevocable commitment from the DIA Corp. described in Section IV.E.1; (c) the acceptance of the Plan by Classes 10 and 11; (d) the irrevocable transfer by the City of the DIA Assets described in Section IV.E.2; (e) approval by the DIA's Board of Directors and the taking effect of the recommendation of the governance committee as described in Exhibit I.A.126; (f) the earmarking of all funds provided by the DIA Funding Parties towards the recoveries upon Pension Claims under the Plan for Holders of Claims in Classes 10 and 11; (g) the adoption of prospective governance and financial oversight mechanisms for the Retirement Systems that are reasonably satisfactory to the DIA Funding Parties; (h) the amendment by DIA Corp. and the art institute authority for each of Macomb County, Oakland County and Wayne County, Michigan of each art institute authority's respective service agreement so that the termination of the 1997 Operating Agreement between the City and DIA Corp. will not affect the art institute authorities' obligations under such agreements to pay millage proceeds to DIA Corp.; (i) the approval of the DIA Settlement by the Attorney General for the State; (j) the agreement of the State to provide the State Contribution; and (k) the City's agreement to indemnify and hold harmless the DIA Funding Parties and the CFSEM Supporting Organization and their Related Entities pursuant to, and in accordance with, the terms of the DIA Settlement Documents.

F. Contingent Payment Rights.

On or as soon as reasonably practicable after the Confirmation Date, the City shall establish the Restoration Trust. The City shall issue the DWSD CVR to the Restoration Trust. If a Qualifying DWSD Transaction has not occurred before the seventh anniversary of the Effective Date, the DWSD CVR shall terminate and expire. The Restoration Trust shall distribute proceeds from the DWSD CVR in the following amounts and priorities: (1) first, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have their 4.5% pension reductions restored; (2) second, to GRS up to an amount sufficient for all three GRS waterfall classes identified on Exhibit II.B.3.r.ii.C to have 92% of their COLA benefits restored; and (3) third, 53% to GRS and 47% to PFRS. If the City makes any contributions to either GRS or PFRS out of its portion of the Net DWSD Transaction Proceeds, such contributions and earnings thereon shall not be taken into account for determining whether any pension restoration may be made. The DWSD CVR may not be transferred.

1. Special Restoration.

Any proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated on or before the Effective Date, or fully executed and enforceable before the Effective Date but consummated after the Effective Date, shall be utilized for the purpose of funding the Special Restoration; provided that the City shall act in good faith so as not to unreasonably delay the execution of a Qualifying DWSD Transaction solely to avoid Special Restoration. In such case, the City will perform a Value Determination and arrive at the Discounted Value. The City will engage in good faith discussion as to the reasonableness of the Value Determination with the Retiree Committee or Restoration Trust, as applicable. In the event that the Retiree Committee or the Restoration Trust, as applicable, does not accept the Value Determination, the Retiree Committee or the Restoration Trust, as applicable, may seek to have the Bankruptcy Court determine the dispute, and the City consents to such jurisdiction.

Special Restoration shall follow the priorities of restoration of benefits set forth in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C. In order for benefits to be restored pursuant to the Special Restoration, such benefits must be fully funded by 50% of the Discounted Value for the full actuarially-determined lives of all participants for whom benefits are restored. In the event that actual Net DWSD Transaction Proceeds from the DWSD CVR do not equal 50% of the contemplated Net DWSD Transaction Proceeds as of the date of the Value Determination, the Investment Committees of the Retirement Systems will reduce or eliminate the Special Restoration benefits, as applicable, by the amount that 50% of the Discounted Value exceeds the actual Net DWSD Transaction Proceeds from the DWSD CVR received or projected to be received using a 6.75% discount rate. In the event that the Retiree Committee, the Restoration Trust or the City, as applicable, does not agree with the reduction in the Special Restoration benefits, the Retiree Committee or the Restoration Trust, as applicable, or the City may consult with the trustees and Investment Committees of PFRS or GRS with respect to any such reduction. Neither the Retiree Committee nor the Restoration Trust shall have any right to initiate any enforcement proceeding with respect to Special Restoration.

2. General Restoration.

Any Net DWSD Transaction Proceeds from the DWSD CVR distributed by the Restoration Trust on account of a Qualifying DWSD Transaction consummated after the Effective Date, if such Qualifying Transaction was not fully executed and enforceable before the Effective Date, shall be utilized for the purpose of funding the pension trusts, and such cash contributions shall be included in any calculations allowing for the restoration of benefits in accordance with the general rules governing pension restoration as provided for in Exhibits II.B.3.q.ii.C and II.B.3.r.ii.C.

G. The OPEB Settlement.

The City and the Retiree Committee have reached a settlement related to the allowance and calculation of the OPEB Claims in Class 12 and the treatment of such Allowed OPEB Claims, the terms of which settlement are reflected in the Plan. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, such settlement pursuant to Bankruptcy Rule 9019.

H. The LTGO Settlement.

The City, the LTGO Insurer and BlackRock Financial Management have reached a settlement related to the treatment of Allowed Limited Tax General Obligation Bond Claims, the terms of which settlement are reflected in the Plan. Pursuant to the LTGO Settlement Agreement, Distributions attributable to the Insured LTGO Bonds shall be made to the LTGO Distribution Agent (as opposed to directly to the record owners of the Insured LTGO Bonds or to the LTGO Insurer) for the benefit of the record owners of the Insured LTGO Bonds in accordance with the LTGO Settlement Agreement. In the event that the City intends to redeem the principal amount of New LTGO Notes during any time that the Insured LTGO Bonds are outstanding, the City and the LTGO Distribution Agent shall be required to take certain actions as described in the LTGO Settlement Agreement. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, the LTGO Settlement Agreement pursuant to Bankruptcy Rule 9019.

I. The Syncora Settlement.

The City and Syncora have reached a settlement effecting a global resolution of all matters and litigation between the parties related to the Chapter 9 Case, as set forth in the Syncora Settlement Documents (the terms of which qualify and control over any description of the Syncora Settlement contained herein). Pursuant to the Syncora Settlement, and in accordance with the Plan, among other things: (1) the City shall, pursuant to Section II.D.1, assume the Tunnel Lease; (2) the parties shall enter into the Syncora Development Agreement; (3) the parties shall dismiss or withdraw the Dismissed Syncora Litigation as set forth in the Syncora Settlement Agreement; (4) any vote cast by Syncora to reject the Plan shall be deemed a vote to accept the Plan; (5) Syncora shall support Confirmation; and (6) on the Effective Date or as soon thereafter as practical, the City shall pay the sum of \$5 million in full satisfaction of all of Claims filed or asserted against the City by Syncora relating to the COP Swap Agreements and any agreements related thereto, including the COP Syncora Swap Insurance Policies and the COP Swap Collateral Agreement. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving and authorizing the parties to enter into, (1) the Syncora Settlement pursuant to Bankruptcy Rule 9019 and (2) the related Syncora Development Agreement (including the garage option) and the Tunnel Lease. The City shall not amend the Plan in any way that adversely affects Syncora without Syncora's prior written consent.

J. The FGIC/COP Settlement.

The City and FGIC have reached a settlement effecting a global resolution of all matters and litigation between the parties related to the Chapter 9 Case, as set forth in the FGIC/COP Settlement Documents (the terms of which qualify and control over any description of the FGIC/COP Settlement contained herein). Pursuant to the FGIC/COP Settlement, and in accordance with the Plan, among other things: (1) the City and the Developer, for the benefit of FGIC and the FGIC COP Holders, shall enter into the FGIC Development Agreement; (2) FGIC shall, on behalf of the FGIC COP Holders, become a Settling COP Claimant with respect to all COPs and COP Claims associated with COPs originally insured by FGIC; (3) the parties shall dismiss or withdraw the Dismissed FGIC/COP Litigation as set forth in the FGIC/COP Settlement Documents; (4) except for Excluded Actions, FGIC shall waive any claims it may have against any other party related to the Dismissed FGIC/COP Litigation as set forth in the FGIC/COP Settlement Documents; (5) any vote cast by FGIC to reject the Plan shall be deemed a vote to accept the Plan; and (6) in full satisfaction and discharge of FGIC's claims against the City related to FGIC's Swap Insurance Policies, (a) FGIC shall receive an Allowed Class 14 Claim in the amount of \$6.15 million, entitling FGIC to receive the Distributions provided pursuant to Section II.B.3.u.i and (b) the DDA shall assign to FGIC all of its right, title and interest to the New B Notes to be distributed to the DDA pursuant to Section II.B.3.t.ii. The Plan shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving and authorizing the parties to enter into, (1) the FGIC/COP Settlement pursuant to Bankruptcy Rule 9019 and (2) the related FGIC Development Agreement. The City shall not amend the Plan in any way that adversely affects FGIC without FGIC's prior written consent.

K. Issuance of the New Securities.

The City shall issue the New Securities on the Effective Date or a subsequent Distribution Date, as applicable. To the maximum extent provided by section 1145 of the Bankruptcy Code and applicable non-

bankruptcy law, the issuance of New Securities as contemplated by the Plan is exempt from, among other things, the registration requirements of Section 5 of the Securities Act and any other applicable U.S. state or local law requiring registration prior to the offering, issuance, distribution, or sale of securities. The New Securities (a) are not "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, and (b) are freely tradable and transferable by any initial recipient thereof that (i) is not an "affiliate" of the City or applicable issuer as defined in Rule 144(a)(1) under the Securities Act, (ii) has not been such an "affiliate" within 90 days of such transfer, and (iii) is not an entity that is an "underwriter" as defined in subsection (b) of Section 1145 of the Bankruptcy Code.

L. Cancellation of Existing Bonds, Bond Documents, COPs and COP Documents.

Except (a) as provided in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, (b) for purposes of evidencing a right to Distribution under the Plan or (c) as specifically provided otherwise in the Plan (including any rejection of Executory Contracts pursuant to Section II.D), on the Effective Date, the Bonds, the Bond Documents, the COPs and the COP Documents will be deemed automatically cancelled, terminated and of no further force or effect against the City without any further act or action under any applicable agreement, law, regulation, order or rule, and the obligations of the parties to the City, as applicable, under the Bonds, the Bond Documents, the COPs and the COP Documents shall be discharged; provided, however, that the Bonds, the Bond Documents, the COPs and the COP Documents shall continue in effect solely (i) to allow the Disbursing Agent to make any Distributions as set forth in the Plan and to perform such other necessary administrative or other functions with respect thereto, (ii) for any trustee, agent, contract administrator or similar entity under the Bond Documents or COP Documents to have the benefit of all the rights and protections and other provisions of the Bond Documents or COP Documents, as applicable, and all other related agreements with respect to priority in payment and lien rights with respect to any Distribution, (iii) to set forth the terms and conditions applicable to parties to the Bond Documents and COP Documents other than the City, (iv) as may be necessary to preserve any claim by (1) a Bondholder or Bond Agent under a Bond Insurance Policy or against any Bond Insurer, (2) a COPs Holder or COP Agent under a COP Insurance Policy or against any COP Insurer or (3) a COP Swap Counterparty under a Swap Insurance Policy or against any insurer thereunder and (v) with respect to any obligation of any party (other than the City, except to the extent provided in the COP Swap Settlement or the COP Swap Settlement Approval Order) under any COP Document related to such party's obligations owed in respect of the COP Swap Documents or the COP Swap Claims. Notwithstanding the foregoing, and except as otherwise expressly provided in the Plan (or the COP Swap Settlement or the COP Swap Settlement Approval Order), such Bonds, Bond Documents, COPs or COP Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City. Nothing in the Plan impairs, modifies, affects or otherwise alters the rights of (a) Bondholders or Bond Agents with respect to claims under applicable Bond Insurance Policies or against the Bond Insurers, (b) COPs Holders or COP Agent with respect to claims under COP Insurance Policies and obligations related thereto or (c) COP Swap Counterparties with respect to claims under Swap Insurance Policies and obligations related thereto. For the avoidance of doubt, except for the immediately preceding sentence, this Section IV.L shall not apply to any Bonds that are Reinstated pursuant to Section II.B.3.a.ii. As of the Effective Date, the principal amounts of the COPs originally insured by FGIC shall be deemed accelerated and due and payable, and no interest on the COPs originally insured by FGIC shall accrue thereafter, solely for the purposes of determining distributions from the COP Trustee to holders of COPs originally insured by FGIC. The foregoing acceleration of principal and cessation of interest shall affect only the rights of each holder of COPs originally insured by FGIC to the receipt of proceeds of distributions under the Plan and not the rights of each such COPs holder against FGIC or shall not in any way modify payments currently required of FGIC under its existing insurance policies or FGIC's Plan of Rehabilitation.

M. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, or where a Claim is Reinstated, on the Effective Date, all Liens against the City's property will be deemed fully released and discharged, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, will revert to the City. As of the Effective Date, (1) the holders of such Liens will be authorized and directed to release any collateral or other property of the City (including any cash collateral) held by such Holder and to take such actions as may be requested by the City to evidence the release of such Lien, including the execution, delivery, filing or recording of such releases as may be requested by the City, and (2) the City shall be authorized to execute and file on behalf of

creditors Form UCC-3 termination statements or such other forms as may be necessary or appropriate to implement the provisions of this Section IV.M.

N. Professional Fees.

1. Professional Fee Reserve.

On the Effective Date, the City shall establish and fund the Professional Fee Reserve from the General Fund or, where applicable, the DWSD's funds, in an amount determined by the City to be sufficient to pay the Fee Review Professional Fees that remain unpaid as of the Effective Date, solely to the extent that such amounts are payable from the General Fund or the DWSD's funds. The initial amount of the Professional Fee Reserve shall be equal to the sum of (a) all invoices received from Fee Review Professionals and the Fee Examiner Parties as of the establishment and funding of the Professional Fee Reserve to the extent not yet paid (including holdbacks); (b) an estimate of the Fee Review Professionals' unbilled fees through the Effective Date as determined by the City in consultation with the Fee Review Professionals, which estimate shall be no lower than 125% of the aggregate amount of the highest monthly invoices respectively submitted by each Fee Review Professional pursuant to the Fee Review Order prior to the establishment and funding of the Professional Fee Reserve; and (c) an estimate of the Fee Examiner Parties' unbilled fees and expenses through the projected date of dismissal of the Fee Examiner under Section IV.N.3, as determined by the City in consultation with the Fee Examiner. The funds held in the Professional Fee Reserve may not be used for any purpose other than the payment of Fee Review Professional Fees until any and all disputes regarding the Fee Review Professional Fees, including any disputes arising under the Fee Review Order, have been fully and finally resolved pursuant to a Final Order or a stipulation between the disputing parties. Any amounts remaining in the Professional Fee Reserve after final resolution of all such disputes and the payment of all Fee Review Professional Fees determined to be reasonable in accordance with the Fee Review Order shall be released to the General Fund or the DWSD's funds, as applicable. If the Professional Fee Reserve is insufficient to pay all Fee Review Professional Fees that are determined to be reasonable in accordance with the Fee Review Order and that are payable from the General Fund or the DWSD's funds, the City shall pay such additional amounts from the General Fund or the DWSD's funds, as applicable.

2. Fee Review Order.

The Fee Examiner shall review all fees and expenses of the Fee Review Professionals for the period from the Petition Date and ending on the Effective Date in accordance with the terms of the Fee Review Order. For the avoidance of doubt, the Fee Review Order shall not apply to any fees or expenses of the Fee Review Professionals for the period on and after the Effective Date, and the Fee Examiner shall not review any such fees or expenses; provided, however, that all fees and expenses of the Fee Examiner Parties, whether incurred before, on or after the Effective Date, shall remain subject to review and approval of the Bankruptcy Court pursuant to the terms of the Fee Review Order.

3. Dismissal of the Fee Examiner.

Once the Fee Examiner completes his review of all Fee Review Professional Fees and submits or Files all reports related thereto as required by the Fee Review Order, the Fee Examiner shall be dismissed of all duties and obligations under the Fee Examiner Order and the Fee Review Order, other than any obligations of confidentiality thereunder. The confidentiality obligations of the Fee Examiner and the other Fee Examiner Parties, including the confidentiality obligations set forth in paragraph 22 of the Fee Review Order, shall remain binding from and after the Effective Date.

4. Potential Review of Fees Not Subject to Fee Review Order.

The City shall have the right to bring before the Bankruptcy Court a request to review and determine the reasonableness of the fees and expenses of any Fee Review Professional retained by a creditor of the City or any of its departments to the extent that such fees and expenses have not been either (a) approved pursuant to or in accordance with the DWSD Tender Order, (b) subject to court review or (c) subject to a Bankruptcy Court-approved or agreed upon process for binding arbitration.

5. Court-Appointed Expert.

The Court-appointed expert, Martha E. M. Kopacz of Phoenix Management Services, and her counsel shall be compensated for any reasonable fees and expenses incurred through the Confirmation Date in accordance with the terms of the Court's Order Appointing Expert Witness (Docket No. 4215), entered on April 22, 2014, as amended.

O. Assumption of Indemnification Obligations.

Notwithstanding anything otherwise to the contrary in the Plan, nothing in the Plan shall discharge or impair the obligations of the City as provided in the City Charter of the City or other organizational documents, resolutions, employment contracts, applicable law or other applicable agreements as of the Petition Date to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of officers and employees of the City (consistent with the injunction provisions of Section III.D.5 and including the members of the City Council, the Mayor and the Emergency Manager) and their Related Entities, in each case to the extent such Entities were acting in such capacity, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, foreseen or unforeseen, asserted or unasserted; provided that this Section IV.O shall be read in conjunction with the provisions for Indirect Employee Indemnity Claims set forth in Section III.D.5. Notwithstanding the foregoing, Retirement System Indemnity Obligations shall not be assumed under the Plan and shall be discharged. For the avoidance of doubt, no indemnification provision in any loan document, bond document, Bond Insurance Policy or other agreement with a Bond Insurer is exempted from discharge by reason of this Section IV.O.

P. Incorporation of Retiree Health Care Settlement Agreement.

The terms of the Retiree Health Care Settlement Agreement resolving the Retiree Health Care Litigation, which agreement is attached hereto as Exhibit I.A.298, are incorporated herein by reference and shall be binding upon the parties thereto.

Q. Payment of Workers' Compensation Claims.

From and after the Effective Date, (a) the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for benefits and liabilities for which the City is responsible under applicable State workers' compensation law, regardless of when the applicable injuries were incurred, in accordance with the City's prepetition practices and procedures and governing State workers' compensation law, and (b) nothing in the Plan shall discharge, release or relieve the City from any current or future liability under applicable State workers' compensation law. The City expressly reserves the right to challenge the validity of any claim for benefits or liabilities arising under applicable State workers' compensation law.

R. 36th District Court Settlement.

The City and the Settling 36th District Court Claimants have reached a settlement related to (1) the allowance of certain of the Settling 36th District Court Claimants' Claims and (2) the treatment of Allowed Indirect 36th District Court Claims under the Plan substantially on the terms attached hereto as Exhibit I.A.9. The 36th District Court Settlement is incorporated into the Plan, which shall be construed as a motion for approval of, and the Confirmation Order shall constitute an order approving, such settlement pursuant to Bankruptcy Rule 9019.

S. Payment of Certain Claims Relating to the Operation of City Motor Vehicles.

From and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay valid prepetition Claims for liabilities with respect to which the City is required to maintain insurance coverage pursuant to MCL § 500.3101 in connection with the operation of the City's motor vehicles, as follows: (1) Claims for personal protection benefits as provided by MCL § 500.3107 and MCL § 500.3108, for which insurance coverage is required by MCL § 500.3101(1), shall be paid in full, to the extent valid, provided, however, that the City will not be liable for or pay interest or attorneys' fees under MCL § 500.3142

or MCL § 500.3148 on prepetition Claims for personal protection benefits; (2) tort claims permitted by MCL § 500.3135, for which residual liability insurance coverage is required by MCL § 500.3101(1) and MCL § 500.3131, shall be paid, to the extent valid, only up to the minimum coverages specified by MCL § 500.3009(1), i.e., up to a maximum of (a) \$20,000 because of bodily injury to or death of one person in any one accident, and subject to that limit for one person, (b) \$40,000 because of bodily injury to or death of two or more persons in any one accident and (c) \$10,000 because of injury to or destruction of property of others in any accident; and (3) Claims for property protection benefits under MCL § 500.3121 and MCL § 500.3123 shall be paid, to the extent valid, only up to the maximum benefits specified in MCL § 500.3121; provided, however, for the avoidance of doubt, to the extent any valid Claim subject to subsections 2 and 3 above exceeds the applicable payment limits, the excess claim amount shall be treated as an Other Unsecured Claim or a Convenience Claim (as applicable). Nothing in the Plan shall discharge, release or relieve the City from any current or future liability with respect to Claims subject to insurance coverage pursuant to MCL § 500.3101 or Claims within the minimum coverage limits in MCL § 500.3009(1). The City expressly reserves the right to challenge the validity of any Claim subject to this Section IV.S, and nothing herein shall be deemed to expand the City's obligations or claimants' rights with respect to these Claims under State law.

T. Payment of Tax Refund Claims.

From and after the Effective Date, the City will continue to administer (either directly or through a third party administrator) and pay all valid claims for income tax refunds and property tax refunds for which the City is responsible under applicable law, regardless of when the applicable right to a refund arose, in accordance with the City's prepetition practices and procedures. The City expressly reserves the right to challenge the validity of any claim for an income tax refund or property tax refund.

U. Utility Deposits.

From and after the Effective Date, the City will continue to administer utility deposits in accordance with the City's prepetition practices and procedures, including the payment of any undisputed, non-contingent, liquidated claims against the City for the refund of a utility deposit.

V. Pass-Through Obligations.

The City shall continue to honor its Pass-Through Obligations to the Pass-Through Recipients.

W. Exit Facility.

On the Effective Date, the City shall enter into the Exit Facility, as well as any ancillary notes, documents or agreements in connection therewith, including, without limitation, any documents required in connection with the creation or perfection of the liens securing the Exit Facility.

X. Post-Effective Date Governance.

Prior to or on the Effective Date, the Financial Review Commission shall be established pursuant to and in accordance with the Financial Review Commission Act. The Financial Review Commission shall provide oversight as set forth in the Financial Review Commission Act, including to ensure that, post-Effective Date, the City adheres to the Plan and continues to implement financial and operational reforms that promote more efficient and effective delivery of services to City residents. The City shall promptly provide to the Bankruptcy Court copies of any reports given to, or received from, the Financial Review Commission. Nothing herein shall expand, limit or otherwise modify the role or powers of the Financial Review Commission.

ARTICLE V
PROVISIONS REGARDING DISTRIBUTIONS UNDER THE PLAN

A. Appointment of Disbursing Agent.

The City may act as Disbursing Agent or may employ or contract with other Entities to act as the Disbursing Agent or to assist in or make the Distributions required by the Plan. Any Disbursing Agent appointed by the City will serve without bond. Other than as specifically set forth in the Plan, the Disbursing Agent shall make all Distributions required to be made under the Plan.

B. Distributions on Account of Allowed Claims.

Except as otherwise provided in the Plan, on the Effective Date or as soon as practicable thereafter (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such a Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive from the Disbursing Agent, the Bond Agent or the COP Agent, as applicable, the Distributions that the Plan provides for Allowed Claims in the applicable Class. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, Distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Section VI.B. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the Distributions provided for in the Plan, regardless of whether such Distributions are delivered on or at any time after the Effective Date. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a Distribution in excess of the Allowed amount of such Claim.

C. Certain Claims to Be Expunged.

Any Claim that has been or is hereafter listed in the List of Creditors as contingent, unliquidated or disputed, and for which no proof of Claim is or has been timely Filed, is not considered to be an Allowed Claim and shall be expunged without further action by the City and without further notice to any party or any action, approval or order of the Bankruptcy Court.

D. Record Date for Distributions; Exception for Bond Claims.

With the exception of Bond Claims, neither the City nor any Disbursing Agent will have any obligation to recognize the transfer of, or the sale of any participation in, any Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims (including Holders of Claims that become Allowed after the Distribution Record Date) that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. With the exception of the Bond Claims, the City and any Disbursing Agent shall instead be entitled to recognize and deal for all purposes under the Plan with only those record Holders stated on the official Claims Register as of the close of business on the Distribution Record Date. Unless otherwise set forth in the Confirmation Order, the City shall not establish a record date for Distributions to Holders of Bond Claims.

E. Means of Cash Payments.

Except as otherwise specified herein, all Cash payments made pursuant to the Plan shall be in U.S. currency and made by check drawn on a domestic bank selected by the Disbursing Agent or, at the option of the Disbursing Agent, by wire transfer, electronic funds transfer or ACH from a domestic bank selected by the Disbursing Agent; provided, however, that Cash payments to foreign Holders of Allowed Claims may be made, at the option of the Disbursing Agent, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

F. Selection of Distribution Dates for Allowed Claims.

Except where the Plan requires the making of a Distribution on account of a particular Allowed Claim within a particular time, the Disbursing Agent shall have the authority to select Distribution Dates that, in the judgment of the Disbursing Agent, provide Holders of Allowed Claims with payments as quickly as reasonably practicable while limiting the costs incurred in the distribution process. Upon the selection of a Distribution Date by the Disbursing Agent, the Disbursing Agent shall File a notice of such Distribution Date that provides information regarding the Distribution to be made.

G. Limitations on Amounts to Be Distributed to Holders of Allowed Claims Otherwise Insured.

No Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the City's insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy; provided that, if the City believes a Holder of an Allowed Claim has recourse to an insurance policy and intends to direct the Disbursing Agent to withhold a Distribution pursuant to this Section V.G, the City shall provide written notice to such Holder regarding what the City believes to be the nature and scope of applicable insurance coverage. To the extent that one or more of the City's insurance carriers agrees to satisfy a Claim in full, then immediately upon such agreement such Claim may be expunged without a Claims objection having to be Filed and without any further notice or any action, order or approval of the Bankruptcy Court. Nothing in the Plan, including this Section V.G, shall constitute a waiver of any claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action or liabilities that any Entity may hold against any other Entity, including the City's insurance carriers and Bond Insurers, other than the City. For the avoidance of doubt, this Section shall not apply to Bond Insurance Policies or Swap Insurance Policies.

H. City's Rights of Setoff Preserved.

Notwithstanding anything to the contrary in the Plan, pursuant to section 553 of the Bankruptcy Code or otherwise applicable non-bankruptcy law, the City may set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim the claims, rights and Causes of Action of any nature that the City may assert against the Holder of such Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim pursuant to the terms of the Plan shall constitute a waiver or release by the City of any claims, rights and Causes of Action that the City may assert against such Holder, all of which are expressly preserved.

I. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Delivery of Distributions Generally.

Except as set forth in Section V.I.2, Distributions to Holders of Allowed Claims shall be made at the addresses set forth in the City's records unless such addresses are superseded by proofs of Claim or transfers of Claim Filed pursuant to Bankruptcy Rule 3001.

2. Delivery of Distributions on Account of Bond Claims.

Distributions on account of the Bond Claims shall (a) be made by the Disbursing Agent to the Bond Agent under the applicable Bond Documents for the benefit of Holders of Bond Claims and (b) be deemed completed when made by the Disbursing Agent to the Bond Agent as if such Distributions were made directly to the Holders of such Claims. The applicable Bond Agent, in turn, shall make such distributions to the applicable Holders pursuant to the terms and conditions of the applicable Bond Documents and subject to the respective rights, claims and interests, if any, that the Bond Agent may have under the applicable Bond Documents or otherwise to the recovery or reimbursement of their fees, costs and expenses (including the fees, costs and expenses of counsel and financial advisors) from any distribution hereunder, whether such rights, claims or interests are in the nature of a charging lien or otherwise. The Bond Agent shall not be required to give any bond, surety or other security for the performance of its duties with respect to such Distributions.

3. De Minimis Distributions / No Fractional New Securities.

No distribution shall be made by the Disbursing Agent on account of an Allowed Claim if the amount to be distributed to the specific Holder of an Allowed Claim on the applicable Distribution Date has an economic value of less than \$25.00. No fractional New Securities shall be distributed. Where a fractional portion of a New Security otherwise would be called for under the Plan, the actual issuance shall reflect a rounding down to the nearest whole New Security.

4. Undeliverable or Unclaimed Distributions.

In the event that any Distribution to any Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such Distribution shall be made to such Holder without interest.

Any Holder of an Allowed Claim that does not claim an undeliverable or unclaimed Distribution within six months after the Effective Date shall be deemed to have forfeited its claim to such Distribution and shall be forever barred and enjoined from asserting any such claim against the City or its property. In such cases, any Cash held by the City on account of such undeliverable or unclaimed Distributions shall become the property of the City free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary. Any New Securities held for distribution on account of such Claims shall be canceled and of no further force or effect. Nothing contained in the Plan shall require any Disbursing Agent to attempt to locate any Holder of an Allowed Claim.

5. Time Bar to Cash Payment Rights.

Checks issued in respect of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Disbursing Agent by the Holder of the Allowed Claim to whom such check originally was issued within 180 days after the date of the original check issuance. After such date, the Claim of any Holder to the amount represented by such voided check shall be released and forever barred from assertion against the City and its property.

J. Other Provisions Applicable to Distributions in All Classes.

1. No Postpetition Interest.

Except as otherwise specifically provided for in the Plan, or required by applicable bankruptcy law, the City shall have no obligation to pay any amount that constitutes or is attributable to interest on an Allowed Claim accrued after the Petition Date and no Holder of a Claim shall be entitled to be paid any amount that constitutes or is attributable to interest accruing on or after the Petition Date on any Claim without regard to the characterization of such amounts in any document or agreement or to whether such amount has accrued for federal income tax purposes. Any such amount that constitutes or is attributable to interest that has been accrued and has not been paid by the City shall be cancelled as of the Effective Date for federal income tax purposes.

2. Compliance with Tax Requirements.

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the City and any Disbursing Agent shall comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions under the Plan shall be subject to such withholding and reporting requirements. All such amounts withheld and paid to the appropriate governmental unit shall be treated as if made directly to the Holder of an Allowed Claim. The City and the Disbursing Agent shall be authorized to take any actions that they determine, in their reasonable discretion, to be necessary or appropriate to comply with such withholding and reporting requirements, including withholding Distributions pending receipt of information necessary to facilitate such Distributions, or establishing any other mechanisms they believe are reasonable and appropriate.

Notwithstanding any other provision of the Plan, each Entity receiving or deemed to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax imposed on such Entity on account of such Distribution, including income, withholding and other Tax obligations. The City has the right, but not the obligation, to refuse, or to direct a Disbursing Agent to refuse, to make a Distribution until a Holder of an Allowed Claim has made arrangements satisfactory to the City and any Disbursing Agent for payment of any such Tax obligations. The City may require, as a condition to making a Distribution, that the Holder of an Allowed Claim provide the City or any Disbursing Agent with a completed Form W-8, W-9 or other Tax information, certifications and supporting documentation, as applicable.

If the City makes such a request and the Holder of an Allowed Claim fails to comply before the date that is 180 days after the initial request is made, the amount of such Distribution shall irrevocably revert to the City and any Claim in respect of such Distribution shall be released and forever barred from assertion against the City and its property.

3. Allocation of Distributions.

All Distributions to Holders of Allowed Claims that have components of principal and interest shall be deemed to apply first to the principal amount of such Claim until such principal amount is paid in full, and then the remaining portion of such Distributions, if any, shall be deemed to apply to any applicable accrued interest included in such Claim to the extent interest is payable under the Plan.

4. Surrender of Instruments.

As a condition to participation under this Plan, the Holder of a note, debenture or other evidence of indebtedness of the City that desires to receive the property to be distributed on account of an Allowed Claim based on such note, debenture or other evidence of indebtedness shall surrender such note, debenture or other evidence of indebtedness to the City or its designee (unless such Holder's Claim will not be Impaired by the Plan, in which case such surrender shall not be required), and shall execute and deliver such other documents as are necessary to effectuate the Plan; provided, however, that, if a claimant is a Holder of a note, debenture or other evidence of indebtedness for which no physical certificate was issued to the Holder but which instead is held in book-entry form pursuant to a global security held by the Depository Trust Company or other securities depository or custodian thereof, there shall be no requirement of surrender. In the City's sole discretion, if no surrender of a note, debenture or other evidence of indebtedness occurs and the Holder of Claim does not provide an affidavit and indemnification agreement, in form and substance reasonably satisfactory to the City, that such note, debenture or other evidence of indebtedness was lost, then no distribution may be made to such Holder in respect of the Claim based on such note, debenture or other evidence of indebtedness. For the avoidance of doubt, (a) no Bond, note, debenture or other evidence of indebtedness of the City shall be surrendered or deemed surrendered that is subject to any Bond Insurance Policy and (b) no COP shall be surrendered or deemed surrendered hereby to the extent necessary to make or preserve a claim under any applicable policies or other instruments insuring the COPs and obligations related thereto or against any party, other than the City, that insures the COPs. Notwithstanding the foregoing, such Bonds or Bond Documents as remain outstanding shall not form the basis for the assertion of any Claim against the City.

ARTICLE VI PROCEDURES FOR RESOLVING DISPUTED CLAIMS

A. Treatment of Disputed Claims.

1. General.

No Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code, or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) allowing such Claim. Notwithstanding any other provision of the Plan, no payments or Distributions shall be made on account of a Disputed Claim until such Claim becomes an Allowed Claim. Without limiting the foregoing in any way, no partial payments and no partial Distributions will be made with respect to a disputed, contingent or

unliquidated Claim, or with respect to any Claim for which a proof of Claim has been Filed but not Allowed, until the resolution of such disputes or estimation or liquidation of such Claim by settlement or by Final Order.

2. ADR Procedures.

At the City's option, any Disputed Claim designated or eligible to be designated for resolution through the ADR Procedures may be submitted to the ADR Procedures in accordance with the terms thereof and the ADR Procedures Order. For the avoidance of doubt, the designation of a Disputed Claim for resolution through the ADR Procedures, either prior to or after the Effective Date, will not modify, and will not be deemed to have modified, the terms of the ADR Injunction imposed pursuant to the ADR Procedures Order. Disputed Claims not resolved through the ADR Procedures will be resolved pursuant to the Plan.

3. Tort Claims.

At the City's option, any unliquidated Tort Claim (as to which a proof of Claim was timely Filed in the Chapter 9 Case) not resolved through the ADR Procedures or pursuant to a Final Order of the Bankruptcy Court will be determined and liquidated in the administrative or judicial tribunal(s) in which it is pending on the Effective Date (subject to the City's right to seek removal or transfer of venue) or, if no action was pending on the Effective Date, in an administrative or judicial tribunal of appropriate jurisdiction that (a) has personal jurisdiction over the parties, (b) has subject matter jurisdiction over the Tort Claim and (c) is a proper venue. The City may exercise the above option by service upon the holder of the applicable Tort Claim of a notice informing such holder that the City has exercised such option (which notice shall be deemed to satisfy the notice requirements of Section I.B of the ADR Procedures). Upon the City's service of such notice, the automatic stay imposed pursuant to sections 362 and 922 of the Bankruptcy Code (along with any extension of such stay pursuant to the terms of the Stay Extension Order) or, after the Effective Date, the injunction set forth at Section III.D.5, will be deemed modified, without the necessity for further Bankruptcy Court approval or any further action by the City, solely to the extent necessary to allow the parties to determine or liquidate the Tort Claim in the applicable administrative or judicial tribunal(s); provided that nothing contained in this Section will modify, or will be deemed to have modified, the terms of the Stay Extension Order with respect to any Tort Claim prior to the City having served notice of its intent to determine and liquidate such Tort Claim pursuant to this Section. If the City does not serve such a notice upon a holder of a Tort Claim by the Claims Objection Bar Date, such holder may file a motion with the Bankruptcy Court no later than 30 days after the Claims Objection Bar Date seeking relief from the discharge injunction imposed pursuant to Section III.D.5 in order to liquidate and determine its Claim, which right and the deadline for exercising such right shall be set forth in the notice of entry of the Confirmation Order.

Any Tort Claim determined and liquidated pursuant to a judgment obtained in accordance with this Section VI.A.3 and applicable non-bankruptcy law that is no longer appealable or subject to review will be deemed an Allowed Claim, provided that only the amount of such Allowed Tort Claim that is not satisfied from proceeds of insurance payable to the holder of such Allowed Tort Claim will be treated as an Allowed Claim for the purposes of distributions under the Plan and subject to the terms of the Plan. Distributions on account of any such Allowed Tort Claim shall be made in accordance with the Plan. Nothing contained in this Section will constitute or be deemed a waiver of any claim, right or Cause of Action that the City may have against any Entity in connection with or arising out of any Tort Claim, including any rights under section 157(b)(5) of title 28 of the United States Code. All claims, demands, rights, defenses and Causes of Action that the City may have against any Entity in connection with or arising out of any Tort Claim are expressly retained and preserved.

B. Disputed Claims Reserve.

On and after the Effective Date, until such time as all Disputed Claims have been compromised and settled or determined by Final Order and before making any Distributions, consistent with and subject to section 1123(a)(4) of the Bankruptcy Code, the City shall establish and maintain a reserve of property equal to (1) the Distributions to which Holders of Disputed Claims would be entitled under the Plan if such Disputed Claims were Allowed Claims in the Face Amount of such Disputed Claims or (2) such lesser amount as required by an order of the Bankruptcy Court. On the first Distribution Date that is at least 30 days (or such fewer days as may be agreed to by the City in its sole discretion) after the date on which a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall remit to the Holder of such Allowed Claim any Distributions such Holder would have been

entitled to under the Plan on account of such Allowed Claim had such Claim been Allowed as of the Effective Date. If a Disputed Claim is disallowed by Final Order, the property reserved on account shall become available for Distribution to the Holders of Allowed Claims within the Class(es) entitled to receive such property. Each Holder of a Disputed Claim that ultimately becomes an Allowed Claim will have recourse only to the assets held in the disputed claims reserve and not to any other assets held by the City, its property or any property previously distributed on account of any Allowed Claim.

C. Objections to Claims.

1. Authority to Prosecute, Settle and Compromise.

The City's rights to object to, oppose and defend against all Claims on any basis are fully preserved. As of the Effective Date, only the City shall have the authority to File, settle, compromise, withdraw or litigate to judgment objections to Claims, including pursuant to the ADR Procedures or any similar procedures approved by the Bankruptcy Court. Any objections to Claims shall be Filed no later than the Claims Objection Bar Date. On and after the Effective Date, the City may settle or compromise any Disputed Claim or any objection or controversy relating to any Claim without any further notice or any action, order or approval of the Bankruptcy Court.

2. Expungement or Adjustment of Claims Without Objection.

Any Claim that has been paid, satisfied or superseded shall be expunged from the Claims Register by the Claims and Balloting Agent at the request of the City, and any Claim that has been amended by the Holder of such Claim shall be adjusted on the Claims Register by the Claims and Balloting Agent at the request of the City, without the Filing of an objection and without any further notice or any action, order or approval of the Bankruptcy Court.

3. Extension of Claims Objection Bar Date.

Upon motion by the City to the Bankruptcy Court, the City may request, and the Bankruptcy Court may grant, an extension to the Claims Objection Bar Date generally or with respect to specific Claims. Any extension granted by the Bankruptcy Court shall not be considered to be a modification to the Plan under section 1127 of the Bankruptcy Code.

4. Authority to Amend List of Creditors.

The City will have the authority to amend the List of Creditors with respect to any Claim and to make Distributions based on such amended List of Creditors without approval of the Bankruptcy Court. If any such amendment to the List of Creditors reduces the amount of a Claim or changes the nature or priority of a Claim, the City will provide the Holder of such Claim with notice of such amendment and such Holder will have 20 days to File an objection to such amendment with the Bankruptcy Court. If no such objection is Filed, the Disbursing Agent may proceed with Distributions based on such amended List of Creditors without approval of the Bankruptcy Court.

ARTICLE VII RETENTION OF JURISDICTION

Pursuant to sections 105(c), 945 and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 9 Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

A. Allow, disallow, estimate, determine, liquidate, reduce, classify, re-classify, estimate or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the amount, allowance, priority or classification of Claims;

B. Confirm the maturity date and the terms as written of the collective bargaining agreements identified on Exhibit II.D.5 of the Plan, which agreements are incorporated as part of the Plan (it being understood that the enforcement, interpretation and resolution of disputes of the terms of the contracts shall proceed under applicable state law);

C. Resolve any matters related to the assumption, assignment or rejection of any Executory Contract or Unexpired Lease and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including claims for payment of any cure amount;

D. Ensure that Distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;

E. Adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving the City that may be pending on the Effective Date or brought thereafter;

F. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

G. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;

H. Approve any modification of the Plan or approve any modification of the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any order, the Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or enter any order in aid of confirmation pursuant to sections 945 and 1142(b) of the Bankruptcy Code, in such manner as may be necessary or appropriate to consummate the Plan;

I. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

J. Adjudicate, decide or resolve any matters relating to the City's compliance with the Plan and the Confirmation Order consistent with section 945 of the Bankruptcy Code;

K. Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or vacated or Distributions pursuant to the Plan are enjoined or stayed;

L. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

M. Resolve any matters, cases, controversies, suits or disputes that may arise in connection with the FGIC Development Agreement;

N. Resolve any matters, cases, controversies, suits or disputes that may arise in connection with the Syncora Development Agreement;

O. Enforce or clarify any orders previously entered by the Bankruptcy Court in the Chapter 9 Case;

P. Enter a final decree closing the Chapter 9 Case pursuant to section 945(b) of the Bankruptcy Code; and

Q. Hear any other matter over which the Bankruptcy Court has jurisdiction under the provisions of the Bankruptcy Code and the Bankruptcy Rules subject to any limits on the Bankruptcy Court's jurisdiction and powers under sections 903 and 904 of the Bankruptcy Code.

ARTICLE VIII MISCELLANEOUS PROVISIONS

A. Plan Supplements.

All Plan Supplements not previously filed will be Filed no later than ten days before the Confirmation Hearing.

B. Modification of the Plan.

Subject to section 942 and 1127(d) of the Bankruptcy Code, the City may alter, amend or modify the Plan or the Exhibits at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as altered, amended or modified so long as the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such Holder.

C. Revocation of the Plan.

The City reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the City revokes or withdraws the Plan, or if the Confirmation Date does not occur, then the Plan shall be null and void in all respects, and nothing contained in the Plan, nor any action taken or not taken by the City with respect to the Plan, the Disclosure Statement or the Confirmation Order, shall be or shall be deemed to be: (1) a waiver or release of any claims by or against the City; (2) an admission of any sort by the City or any other party in interest, or (3) prejudicial in any manner to the rights of the City or any other party in interest.

D. Severability of Plan Provisions.

If any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, in each case at the election of and with the consent of the City, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the City's consent; and (3) non-severable and mutually dependent.

E. Effectuating Documents and Transactions.

The City is authorized to execute, deliver, File or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and any notes or securities issued pursuant to the Plan. All such actions shall be deemed to have occurred and shall be in effect pursuant to applicable non-bankruptcy law and the Bankruptcy Code, without any requirement of further action by the City Council, the Emergency Manager, the Mayor or any employees or officers of the City. On the Effective Date, the appropriate employees and officers of the City are authorized and directed to execute and deliver the agreements, documents and instruments contemplated

by the Plan, and to take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan, in the name and on behalf of the City.

F. Successors and Assigns.

Except as expressly provided otherwise in the Plan, the rights, benefits and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign, Affiliate, representative, beneficiary or guardian, if any, of each Entity.

G. Plan Controls.

In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence.

H. Notice of the Effective Date.

On or before ten Business Days after occurrence of the Effective Date, the City shall mail or cause to be mailed to all Holders of Claims a notice that informs such Holders of (1) entry of the Confirmation Order; (2) the occurrence of the Effective Date; (3) the assumption and rejection of Executory Contracts and Unexpired Leases pursuant to the Plan, as well as the deadline for the filing of Claims arising from such rejection; (4) the deadline for the filing of Administrative Claims; and (5) such other matters as the City deems to be appropriate.

I. Governing Law.

Unless (1) a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or (2) otherwise specifically stated herein or in any contract, articles or certificates of incorporation, bylaws, codes of regulation, ordinance, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the laws of the State of Michigan, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan and any contract, articles or certificates of incorporation, bylaws, codes of regulation, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan.

J. Request for Waiver of Automatic Stay of Confirmation Order.

The Plan shall serve as a motion seeking a waiver of the automatic stay of the Confirmation Order imposed by Bankruptcy Rule 3020(e). Any objection to this request for waiver shall be Filed and served on the parties listed in Section VIII.L on or before the Voting Deadline.

K. Term of Existing Injunctions and Stays.

All injunctions or stays provided for in the Chapter 9 Case under sections 105, 362 or 922 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

L. Service of Documents.

Any pleading, notice or other document required by the Plan or the Confirmation Order to be served on or delivered to (1) the City and (2) the Retiree Committee must be sent by overnight delivery service, facsimile transmission, courier service or messenger to:

1. The City

David G. Heiman, Esq.
Heather Lennox, Esq.
Thomas A. Wilson, Esq.
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett, Esq.
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539

Jonathan S. Green, Esq.
Stephen S. LaPlante, Esq.
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

(Counsel to the City)

2. The Retiree Committee

Claude Montgomery, Esq.
Carole Neville, Esq.
DENTONS US LLP
1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 768-6700
Facsimile: (212) 768-6800

Sam J. Alberts, Esq.
DENTONS US LLP
1301 K Street NW, Suite 600, East Tower
Washington, DC 20005-3364
Telephone: (202) 408-6400
Facsimile: (202) 408-6399

Matthew E. Wilkins, Esq.
Paula A. Hall, Esq.
BROOKS WILKINS SHARKEY & TURCO PLLC
401 South Old Woodward, Suite 400
Birmingham, Michigan 48009
Telephone: (248) 971-1711
Facsimile: (248) 971-1801

(Counsel to the Retiree Committee)

Dated: October 22, 2014

Respectfully submitted,

The City of Detroit, Michigan

By: /s/ Kevyn D. Orr
Name: Kevyn D. Orr
Title: Emergency Manager for the City of Detroit, Michigan

COUNSEL:

/s/ David G. Heiman
David G. Heiman
Heather Lennox
Thomas A. Wilson
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212

Bruce Bennett
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539

Jonathan S. Green
Stephen S. LaPlante
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500

ATTORNEYS FOR THE DEBTOR

APPENDIX II

CONFIRMATION NOTICE

-----	X	
	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----	X	

PLEASE TAKE NOTICE OF THE FOLLOWING:

On _____, 2014, the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") entered an order (Docket No. ____) (the "Confirmation Order") confirming the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (as it may have been amended, supplemented or modified, the "Plan"), in the above-captioned chapter 9 case of the City of Detroit, Michigan (the "City"). The Effective Date of the Plan occurred on _____, 201_. Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Plan and the Confirmation Order.

a. Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan are in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, as of the Effective Date, the City is discharged from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt was Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt was allowed pursuant to section 502 of the Bankruptcy Code or (iii) the Holder of a Claim based on such debt accepted the Plan.

13558466-jtj Doc 823871 Filed 11/12/21 Entered 11/12/21 17:52 Page 217 of 225

944(c)(1) of the Bankruptcy Code, such discharge does not apply to (i) debts specifically exempted from discharge under the Plan; (ii) debts held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case; (iii) claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983; or (iv) Claims of (A) T&T Management, Inc., (B) HRT Enterprises and (C) the John W. and Vivian M. Denis Trust related to condemnation or inverse condemnation actions against the City alleging that the City has taken private property without just compensation in violation of the Takings Clause of the Fifth Amendment to the United States Constitution.

3. Releases.

a. General Releases by Holders of Claims. Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement), each holder of a Claim that voted in favor of the Plan, to the fullest extent permissible under law, is deemed to forever release, waive and discharge (which release will be in addition to the release and discharge of Claims otherwise provided herein and under the Confirmation Order and the Bankruptcy Code):

i. all Liabilities in any way relating to the City, the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), the Plan, the Exhibits or the Disclosure Statement, in each case that such holder has, had or may have against the City or its current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity (and, in addition to and without limiting the foregoing, in the case of any Emergency Manager, in such Emergency Manager's capacity as an appointee under PA 436); provided further, for the avoidance of doubt, that any person or entity designated to manage the Chapter 9 Case for the City after the Emergency Manager's term is terminated, whether such person or entity acts as an employee, advisor or contractor to the City or acts as an employee, agent, contractor or appointee of the State under any applicable state law, shall be treated the same as an employee of the City hereunder; and

ii. all Liabilities in any way relating to (A) Claims that are compromised, settled or discharged under or in connection with the Plan, (B) the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), (C) the Plan, (D) the Exhibits, (E) the Disclosure Statement or (F) the DIA Settlement, in each case that such holder has, had or may have against the City's Related Entities, the State, the State Related Entities and the Released Parties; provided, however, that any such Liability of the Foundations, the DIA Funders and the CFSEM Supporting Organization and their Related Entities are released only to the extent that such Liability, if any, arises from any such entity's participation in the DIA Settlement;

provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that nothing in Section III.D.7.a of the Plan shall release (i) the City's obligations under the Plan or (ii) any defenses that any party may have against the City, its Related Entities, the State, the State Related Entities or the Released Parties. Notwithstanding anything in the Plan or the Confirmation Order to the contrary, claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983 shall not be released.

b. Release by Holders of Pension Claims. Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases,

agreements or documents entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement), if the State Contribution Agreement is consummated, each holder of a Pension Claim is deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law or the Plan, or, with respect to pensions only, GRS or PFRS.

Notwithstanding Sections III.D.5-7 and IV.L of the Plan, except as set forth in the COP Swap Settlement, nothing in the Plan or the Confirmation Order shall or shall be deemed to provide a release by the COP Swap Counterparties of any Liabilities related to the COPs, the COP Service Corporations, the Transaction Documents (as defined in the COP Swap Settlement), the COP Swap Settlement or the COP Swap Settlement Approval Order. For the avoidance of doubt, notwithstanding Section III.D.6 of the Plan, a vote of DWSD Bond Claims or DWSD Revolving Bond Claims in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to Section III.D.7 of the Plan by a Holder of any such DWSD Bond Claims, a Holder of any such DWSD Revolving Bond Claims or the Bond Insurer insuring any such Claims of any Liabilities against the City or its Related Entities that do not arise in connection with the DWSD Bonds or the DWSD Revolving Bonds. For the further avoidance of doubt, notwithstanding anything in the Plan to the contrary, a vote of a Claim other than a DWSD Bond Claim or DWSD Revolving Bond Claim in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to Section III.D.7 of the Plan by a Holder of any such voted Claim or the Bond Insurer insuring such voted Claim of any Liabilities against the City or any other Entity arising in connection with the DWSD Bonds or DWSD Revolving Bonds.

4. Injunctions.

On the Effective Date, except as otherwise provided in the Plan or in the Confirmation Order:

a. All Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims asserted against officers or employees of the City in their official capacity, along with their Related Entities, are permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order): (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property (including (A) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (B) Indirect 36th District Court Claims and (C) Indirect Employee Indemnity Claims asserted against officers or employees of the City in their official capacity); (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly,

any encumbrance of any kind against the City or its property; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property; (v) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth therein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and (vi) taking any actions to interfere with the implementation or consummation of the Plan. Notwithstanding anything in the Plan or the Confirmation Order to the contrary, claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983 are not enjoined. In addition, all individuals affected by the AFS Recoupment are enjoined from commencing any proceeding against the GRS and its trustees, officers, employees or professionals arising from GRS's compliance with the Plan or this Order.

b. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan are permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan. Notwithstanding the foregoing and without limiting the injunctions in sub-paragraph 4(a) above, the Holders of Indirect 36th District Court Claims shall not be enjoined from taking any of the foregoing actions against the State or the State Related Entities with respect to Indirect 36th District Court Claims to the extent such Claims are not satisfied pursuant to the Plan.

5. Treatment of Executory Contracts and Unexpired Leases.

a. Assumption. Except for Executory Contracts and Unexpired Leases rejected in the Plan or by other court order, or as requested in any motion Filed by the City on or prior to the Effective Date, as of the Effective Date, pursuant to section 365 of the Bankruptcy Code, the City has been deemed to assume all Executory Contracts and Unexpired Leases to which it is a party. Notwithstanding the foregoing, Retirement System Indemnity Obligations have not been assumed under the Plan and have been discharged. For the avoidance of doubt, the City has assumed the Tunnel Lease pursuant to Section II.D.1 of the Plan.

b. Assumption of Ancillary Agreements. Each Executory Contract and Unexpired Lease assumed pursuant to Section II.D.1 of the Plan includes any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such Executory Contract or Unexpired Lease, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section II.D.6 of the Plan or designated for rejection in accordance with Section II.D.3 of the Plan.

c. Approval of Assumptions and Assignments. The Confirmation Order constitutes an order of the Bankruptcy Court approving the assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 of the Plan (and any related assignment) as of the

Effective Date, except for Executory Contracts or Unexpired Leases that (a) have been rejected pursuant to a Final Order of the Bankruptcy Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 of the Plan or (e) are designated for rejection in accordance with the last sentence of this paragraph. The City has provided separate notice to each party whose Executory Contract or Unexpired Lease is being assumed pursuant to the Plan of: (a) the Executory Contract or Unexpired Lease being assumed; (b) the Cure Amount Claim, if any, that the City believes it would be obligated to pay in connection with such assumption; (c) any assignment of an Executory Contract or Unexpired Lease; and (d) the procedures for such party to object to the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease are set forth in the Contract Procedures Order (Docket No. 6512). If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be deemed effective as of the Effective Date.

d. Payments Related to the Assumption of Executory Contracts and Unexpired Leases. To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the City: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding: (a) the amount of any Cure Amount Claim, (b) the ability of the City or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to the assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order resolving the dispute and approving the assumption.

e. Contracts and Leases Entered Into After the Petition Date. Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5 to the Plan, will be performed by the City in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

f. Rejection of Executory Contracts and Unexpired Leases. Each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 to the Plan was deemed rejected as of the Effective Date pursuant to section 365 of the Bankruptcy Code. The Confirmation Order constitutes an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 to the Plan is rejected only to the extent that any such contract or lease constitutes an Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit II.D.6 to the Plan does not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

g. Rejection Damages Bar Date. Except as otherwise provided in a Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or

Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served upon counsel to the City on or before the later of: (a) 45 days after the Effective Date, i.e., _____, 20__; or (b) 45 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3 of the Plan. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City. Proof of claim forms and instructions for filing claims can be found at the City's restructuring website, <https://www.kccllc.net/detroit>.

h. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases. Pursuant to section 365(g) of the Bankruptcy Code, rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall constitute a breach of such contract or lease and not a termination thereof, and all obligations owing to the City under such contract or lease as of the date of such breach shall remain owing to the City upon rejection. Notwithstanding any applicable non-bankruptcy law to the contrary, the City expressly reserves and does not waive any right to receive, or any continuing obligation of a non-City party to provide, warranties, indemnifications or continued maintenance obligations on goods previously purchased, or services previously received, by the City from non-City parties to rejected Executory Contracts or Unexpired Leases, and any such rights shall remain vested in the City as of the Effective Date.

i. Insurance Policies. From and after the Effective Date, each of the City's insurance policies (other than welfare benefits insurance policies) in existence as of or prior to the Effective Date are reinstated and continue in full force and effect in accordance with their terms and, to the extent applicable, are deemed assumed by the City pursuant to section 365 of the Bankruptcy Code and Section II.D.1 of the Plan. Nothing contained in the Plan shall constitute or be deemed a waiver of any Causes of Action that the City may hold against any Entity, including any insurer under any of the City's insurance policies. For the avoidance of doubt, nothing contained in Section II.D.9 of the Plan shall apply to reinstate or continue any obligation of the City or any fund thereof to any Bond Insurer.

6. Payment of Administrative Claims.

a. Administrative Claims in General. Except as specified in Section II.A.1 of the Plan, and subject to the bar date provisions therein, unless otherwise agreed by the Holder of an Administrative Claim and the City, or ordered by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of such Allowed Administrative Claim, Cash in an amount equal to such Allowed Administrative Claim either: (1) on the Effective Date or as soon as reasonably practicable thereafter; or (2) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim. No Claim of any official or unofficial creditors' committee or any member thereof for professionals' fees or other costs and expenses incurred by such creditors' committee or by a member of such creditors' committee shall constitute an Allowed Administrative Claim, except that the Retiree Committee's members and the Retiree Committee Professionals shall be entitled to payment in accordance with the Fee Review Order and any additional fee process established by the Court.

7. Bar Dates for Administrative Claims.

a. General Bar Date Provisions. Except as otherwise provided in subparagraphs 7(b) or 7(c) below or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the City no later than 45 days after the Effective Date, i.e., _____, 20__. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will

be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the City and the requesting party by the later of (i) 150 days after the Effective Date, i.e., _____, 20__ , (ii) 60 days after the Filing of the applicable request for payment of Administrative Claims or (iii) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims.

b. Ordinary Course Claims. Holders of Claims based on Liabilities incurred by the City after the Petition Date in the ordinary course of its operations are not required to File or serve any request for payment or application for allowance of such Claims. Such Claims will be paid by the City, pursuant to the terms and conditions of the particular transaction giving rise to such Claims, without further action by the Holders of such Claims or further action or approval of the Bankruptcy Court.

c. Claims Under the Postpetition Financing Agreement. Holders of Administrative Claims that are Postpetition Financing Claims are not required to File or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied as set forth in subparagraph 7(b) above.

d. No Modification of Bar Date Order. The Plan does not modify any other Bar Date Order, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

8. ASF Recoupment Cash Option.

a. ASF Recoupment Cash Option Election. No later than seven days following the Effective Date, i.e., _____, 20__, the City, through its Claims and Balloting Agent, will send the ASF Election Notice and the ASF Election Form by first-class U.S. mail to each ASF Distribution Recipient. The ASF Election Notice will notify ASF Distribution Recipients that each ASF Distribution Recipient may elect to pay the total amount of his or her ASF Recoupment in a single lump sum by timely returning a properly-completed ASF Election Form. The ASF Election Form will explain that the amount of the ASF Recoupment Cash Payment shall be equal to the total amount of ASF Recoupment shown on the ASF Distribution Recipient's Ballot, unless the aggregate amount of ASF Recoupment for all ASF Distribution Recipients electing the ASF Recoupment Cash Option exceeds \$30,000,000, in which case (i) the ASF Recoupment Cash Payment will be the ASF Distribution Recipient's Pro Rata portion of \$30,000,000, and (ii) the remaining portion of the ASF Distribution Recipient's ASF Recoupment will be annuitized and deducted from the ASF Distribution Recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i of the Plan. ***An ASF Distribution Recipient must return his or her ASF Election Form to the Claims and Balloting Agent so that it is actually received by the Claims and Balloting Agent by the ASF Election Date, i.e., 35 days after the date on which the ASF Election Form is mailed.***

b. ASF Recoupment Cash Payment. GRS will mail the ASF Final Cash Payment Notice no later than 14 days after the ASF Election Date. The ASF Final Cash Payment Notice is a notice that will be sent to each ASF Distribution Recipient who timely elects the ASF Recoupment Cash Option, and will indicate the amount of such ASF Distribution Recipient's ASF Recoupment Cash Payment. ***ASF Distribution Recipients shall have until the ASF Final Cash Payment Date – i.e., the later of (i) 90 days after the Effective Date, i.e., _____, 20__ or (ii) 50 days after the date of mailing of an ASF Final Cash Payment Notice – to make the ASF Recoupment Cash Payment, which payment must be made by cashier's check or wire transfer and may not be made by personal check. If an ASF Distribution Recipient's ASF Recoupment Cash Payment is not received by the ASF Final Cash Payment Date, GRS will notify the ASF Distribution Recipient of the failure to timely pay, and***

ASF Recoupment will be effected through diminution of such recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i of the Plan. The calculation of each electing ASF Distribution Recipient's ASF Recoupment Cash Payment shall not be adjusted under any circumstances, including as a result of default by any other electing ASF Distribution Recipient to remit his or her ASF Recoupment Cash Payment by the ASF Final Cash Payment Date.

9. Copies of the Plan and Confirmation Order. Copies of the Plan, Confirmation Order and all other documents Filed in the Chapter 9 Case may be obtained, free of charge, from the City's restructuring website at <https://www.kccllc.net/detroit> or from Kurtzman Carson Consultants LLC by calling (877) 298-6236 (toll-free).

BY ORDER OF THE COURT

David G. Heiman (OH 0038271)
Heather Lennox (OH 0059649)
Thomas A. Wilson (OH 0077047)
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
tawilson@jonesday.com

Bruce Bennett (CA 105430)
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539
bbennett@jonesday.com

Jonathan S. Green (MI P33140)
Stephen S. LaPlante (MI P48063)
MILLER, CANFIELD, PADDOCK AND
STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

ATTORNEYS FOR THE CITY

CERTIFICATE OF SERVICE

I, Heather Lennox, hereby certify that the foregoing Notice of (I) Entry of Order Confirming Eighth Amended Plan for the Adjustment of Debts of the City of Detroit and (II) Occurrence of Effective Date was filed and served via the Court's electronic case filing and noticing system on this ____ day of _____, 201__.

/s/ Heather Lennox

-----X	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----X	:	

PLEASE TAKE NOTICE OF THE FOLLOWING:

On November 12, 2014, the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") entered an order (Docket No. 8272) (the "Confirmation Order") confirming the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (as it may have been amended, supplemented or modified, the "Plan"), in the above-captioned chapter 9 case of the City of Detroit, Michigan (the "City"). The Effective Date of the Plan occurred on December 10, 2014. Unless otherwise defined in this Notice, capitalized terms and phrases used herein have the meanings given to them in the Plan and the Confirmation Order.

a. Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims under the Plan are in exchange for and in complete satisfaction, discharge and release of all Claims arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, as of the Effective Date, the City is discharged from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a proof of Claim based on such debt was Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code, (ii) a Claim based on such debt was allowed pursuant to section 502 of the Bankruptcy Code or (iii) the Holder of a Claim based on such debt accepted the Plan.

13133846-tit Doc 13874915 Filed 12/21/21 Entered 12/21/21 14:23:41 Page 1 of 9

944(c)(1) of the Bankruptcy Code, such discharge does not apply to (i) debts specifically exempted from discharge under the Plan; (ii) debts held by an Entity that, before the Confirmation Date, had neither notice nor actual knowledge of the Chapter 9 Case; (iii) claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983; or (iv) Claims of (A) T&T Management, Inc., (B) HRT Enterprises and (C) the John W. and Vivian M. Denis Trust related to condemnation or inverse condemnation actions against the City alleging that the City has taken private property without just compensation in violation of the Takings Clause of the Fifth Amendment to the United States Constitution.

3. Releases.

a. General Releases by Holders of Claims. Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement), each holder of a Claim that voted in favor of the Plan, to the fullest extent permissible under law, is deemed to forever release, waive and discharge (which release will be in addition to the release and discharge of Claims otherwise provided herein and under the Confirmation Order and the Bankruptcy Code):

i. all Liabilities in any way relating to the City, the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), the Plan, the Exhibits or the Disclosure Statement, in each case that such holder has, had or may have against the City or its current and former officials, officers, directors, employees, managers, attorneys, advisors and professionals, each acting in such capacity (and, in addition to and without limiting the foregoing, in the case of any Emergency Manager, in such Emergency Manager's capacity as an appointee under PA 436); provided further, for the avoidance of doubt, that any person or entity designated to manage the Chapter 9 Case for the City after the Emergency Manager's term is terminated, whether such person or entity acts as an employee, advisor or contractor to the City or acts as an employee, agent, contractor or appointee of the State under any applicable state law, shall be treated the same as an employee of the City hereunder; and

ii. all Liabilities in any way relating to (A) Claims that are compromised, settled or discharged under or in connection with the Plan, (B) the Chapter 9 Case (including the authorization given to file the Chapter 9 Case), (C) the Plan, (D) the Exhibits, (E) the Disclosure Statement or (F) the DIA Settlement, in each case that such holder has, had or may have against the City's Related Entities, the State, the State Related Entities and the Released Parties; provided, however, that any such Liability of the Foundations, the DIA Funders and the CFSEM Supporting Organization and their Related Entities are released only to the extent that such Liability, if any, arises from any such entity's participation in the DIA Settlement;

provided, however, that the foregoing provisions shall not affect the liability of the City, its Related Entities and the Released Parties that otherwise would result from any act or omission to the extent that act or omission subsequently is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that nothing in Section III.D.7.a of the Plan shall release (i) the City's obligations under the Plan or (ii) any defenses that any party may have against the City, its Related Entities, the State, the State Related Entities or the Released Parties. Notwithstanding anything in the Plan or the Confirmation Order to the contrary, claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983 shall not be released.

b. Release by Holders of Pension Claims. Without limiting any other applicable provisions of, or releases contained in, the Plan or any contracts, instruments, releases,

agreements or documents entered into or delivered in connection with the Plan, as of the Effective Date, in consideration for the obligations of the City under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan (including the State Contribution Agreement), if the State Contribution Agreement is consummated, each holder of a Pension Claim is deemed to forever release, waive and discharge all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities. For the avoidance of doubt, the Plan does not release, waive or discharge obligations of the City that are established in the Plan or that arise from and after the Effective Date with respect to (i) pensions as modified by the Plan or (ii) labor-related obligations. Such post-Effective Date obligations shall be enforceable against the City or its representatives by active or retired employees or their collective bargaining representatives to the extent permitted by applicable non-bankruptcy law or the Plan, or, with respect to pensions only, GRS or PFRS.

Notwithstanding Sections III.D.5-7 and IV.L of the Plan, except as set forth in the COP Swap Settlement, nothing in the Plan or the Confirmation Order shall or shall be deemed to provide a release by the COP Swap Counterparties of any Liabilities related to the COPs, the COP Service Corporations, the Transaction Documents (as defined in the COP Swap Settlement), the COP Swap Settlement or the COP Swap Settlement Approval Order. For the avoidance of doubt, notwithstanding Section III.D.6 of the Plan, a vote of DWSD Bond Claims or DWSD Revolving Bond Claims in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to Section III.D.7 of the Plan by a Holder of any such DWSD Bond Claims, a Holder of any such DWSD Revolving Bond Claims or the Bond Insurer insuring any such Claims of any Liabilities against the City or its Related Entities that do not arise in connection with the DWSD Bonds or the DWSD Revolving Bonds. For the further avoidance of doubt, notwithstanding anything in the Plan to the contrary, a vote of a Claim other than a DWSD Bond Claim or DWSD Revolving Bond Claim in favor of the Plan shall not, and shall not be deemed to, effect a release pursuant to Section III.D.7 of the Plan by a Holder of any such voted Claim or the Bond Insurer insuring such voted Claim of any Liabilities against the City or any other Entity arising in connection with the DWSD Bonds or DWSD Revolving Bonds.

4. Injunctions.

On the Effective Date, except as otherwise provided in the Plan or in the Confirmation Order:

a. All Entities that have been, are or may be holders of Claims against the City, Indirect 36th District Court Claims or Indirect Employee Indemnity Claims asserted against officers or employees of the City in their official capacity, along with their Related Entities, are permanently enjoined from taking any of the following actions against or affecting the City or its property, DIA Corp. or its property, the DIA Assets, the Released Parties or their respective property and the Related Entities of each of the foregoing, with respect to such claims (other than actions brought to enforce any rights or obligations under the Plan and appeals, if any, from the Confirmation Order): (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the City or its property (including (A) all suits, actions and proceedings that are pending as of the Effective Date, which must be withdrawn or dismissed with prejudice, (B) Indirect 36th District Court Claims and (C) Indirect Employee Indemnity Claims asserted against officers or employees of the City in their official capacity); (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order against the City or its property; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly,

any encumbrance of any kind against the City or its property; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the City or its property; (v) proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth therein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and (vi) taking any actions to interfere with the implementation or consummation of the Plan. Notwithstanding anything in the Plan or the Confirmation Order to the contrary, claims against officers or employees of the City in their individual capacity under 42 U.S.C. § 1983 are not enjoined. In addition, all individuals affected by the ASF Recoupment are enjoined from commencing any proceeding against the GRS and its trustees, officers, employees or professionals arising from the GRS's compliance with the Plan or the Confirmation Order.

b. All Entities that have held, currently hold or may hold any Liabilities released pursuant to the Plan are permanently enjoined from taking any of the following actions against the State, the State Related Entities, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, and the Released Parties or any of their respective property on account of such released Liabilities: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind; (ii) enforcing, levying, attaching, collecting or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree or order; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any lien; (iv) asserting any setoff, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the State, a State Related Entity, the officers, board of trustees/directors, attorneys, advisors and professionals of the RDPFFA or the DRCEA, or a Released Party; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the Plan. Notwithstanding the foregoing and without limiting the injunctions in sub-paragraph 4(a) above, the Holders of Indirect 36th District Court Claims shall not be enjoined from taking any of the foregoing actions against the State or the State Related Entities with respect to Indirect 36th District Court Claims to the extent such Claims are not satisfied pursuant to the Plan.

5. Treatment of Executory Contracts and Unexpired Leases.

a. Assumption. Except for Executory Contracts and Unexpired Leases rejected in the Plan or by other court order, or as requested in any motion Filed by the City on or prior to the Effective Date, as of the Effective Date, pursuant to section 365 of the Bankruptcy Code, the City has been deemed to assume all Executory Contracts and Unexpired Leases to which it is a party. Notwithstanding the foregoing, Retirement System Indemnity Obligations have not been assumed under the Plan and have been discharged. For the avoidance of doubt, the City has assumed the Tunnel Lease pursuant to Section II.D.1 of the Plan.

b. Assumption of Ancillary Agreements. Each Executory Contract and Unexpired Lease assumed pursuant to Section II.D.1 of the Plan includes any modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such Executory Contract or Unexpired Lease, unless any such modification, amendment, supplement, restatement or other agreement is rejected pursuant to Section II.D.6 of the Plan or designated for rejection in accordance with Section II.D.3 of the Plan.

c. Approval of Assumptions and Assignments. The Confirmation Order constitutes an order of the Bankruptcy Court approving the assumption of Executory Contracts and Unexpired Leases pursuant to Sections II.D.1 and II.D.2 of the Plan (and any related assignment) as of the

Effective Date, except for Executory Contracts or Unexpired Leases that (a) have been rejected pursuant to a Final Order of the Bankruptcy Court, (b) are subject to a pending motion for reconsideration or appeal of an order authorizing the rejection of such Executory Contract or Unexpired Lease, (c) are subject to a motion to reject such Executory Contract or Unexpired Lease Filed on or prior to the Effective Date, (d) are rejected pursuant to Section II.D.6 of the Plan or (e) are designated for rejection in accordance with the last sentence of this paragraph. On November 21, 2014, in accordance with the Contract Procedures Order, the City filed with the Bankruptcy Court a non-exclusive list (Docket No. 8387) (the "Non-Exclusive Plan Assumption List") of Executory Contracts and Unexpired Leases to be assumed pursuant to the Plan. On December 5, 2014, the City filed a notice of amendment to the Non-Exclusive Plan Assumption List (Docket No. 8573). The City has provided separate notice to each party whose Executory Contract or Unexpired Lease is identified on the Non-Exclusive Plan Assumption List of: (a) the Executory Contract or Unexpired Lease being assumed; (b) the Cure Amount Claim, if any, that the City believes it would be obligated to pay in connection with such assumption; (c) any assignment of an Executory Contract or Unexpired Lease; and (d) the procedures for such party to object to the assumption of the applicable Executory Contract or Unexpired Lease, the amount of the proposed Cure Amount Claim or any assignment of an Executory Contract or Unexpired Lease are set forth in the Contract Procedures Order (Docket No. 6512). **For Executory Contracts or Unexpired Leases assumed under the Plan but not identified in the Non-Exclusive Plan Assumption List, the counterparty to such an agreement must file any written objection, setting forth the basis for opposing assumption or assignment of the applicable agreement or the proposed Cure Amount Claim, no later than 20 days after the Effective Date of the Plan, i.e., December 30, 2014.** If an objection to a proposed assumption, assumption and assignment or Cure Amount Claim is not resolved in favor of the City, the applicable Executory Contract or Unexpired Lease may be designated by the City for rejection, which shall be deemed effective as of the Effective Date.

d. Payments Related to the Assumption of Executory Contracts and Unexpired Leases. To the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the City: (a) by payment of the Cure Amount Claim in Cash on the Effective Date or (b) on such other terms as are agreed to by the parties to such Executory Contract or Unexpired Lease. If there is a dispute regarding: (a) the amount of any Cure Amount Claim, (b) the ability of the City or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed or (c) any other matter pertaining to the assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made within 30 days following the entry of a Final Order resolving the dispute and approving the assumption.

e. Contracts and Leases Entered Into After the Petition Date. Contracts, leases and other agreements entered into after the Petition Date by the City, including (a) any Executory Contracts or Unexpired Leases assumed by the City and (b) the collective bargaining agreements identified on Exhibit II.D.5 to the Plan, will be performed by the City in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts or Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

f. Rejection of Executory Contracts and Unexpired Leases. Each Executory Contract and Unexpired Lease that is listed on Exhibit II.D.6 to the Plan was deemed rejected as of the Effective Date pursuant to section 365 of the Bankruptcy Code. The Confirmation Order constitutes an order of the Bankruptcy Court approving such rejections, pursuant to section 365 of the Bankruptcy Code, as of the later of: (a) the Effective Date or (b) the resolution of any objection to the proposed rejection of an Executory Contract or Unexpired Lease. Each contract or lease listed on Exhibit II.D.6 to the Plan is rejected only to the extent that any such contract or lease constitutes an

Executory Contract or Unexpired Lease. Listing a contract or lease on Exhibit II.D.6 to the Plan does not constitute an admission by the City that such contract or lease is an Executory Contract or Unexpired Lease or that the City has any liability thereunder. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan shall be treated as Class 14 Claims (Other Unsecured Claims), subject to the provisions of section 502 of the Bankruptcy Code.

g. Rejection Damages Bar Date. Except as otherwise provided in a **Final Order of the Bankruptcy Court approving the rejection of an Executory Contract or Unexpired Lease, Claims arising out of the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served upon counsel to the City on or before the later of: (a) 45 days after the Effective Date, i.e., January 26, 2015; or (b) 45 days after such Executory Contract or Unexpired Lease is rejected pursuant to a Final Order or designated for rejection in accordance with Section II.D.3 of the Plan. Any Claims not Filed within such applicable time periods will be forever barred from receiving a Distribution from, and shall not be enforceable against, the City. Proof of claim forms and instructions for filing claims can be found at the City's restructuring website, <https://www.kccllc.net/detroit>.**

h. Preexisting Obligations to the City Under Rejected Executory Contracts and Unexpired Leases. Pursuant to section 365(g) of the Bankruptcy Code, rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall constitute a breach of such contract or lease and not a termination thereof, and all obligations owing to the City under such contract or lease as of the date of such breach shall remain owing to the City upon rejection. Notwithstanding any applicable non-bankruptcy law to the contrary, the City expressly reserves and does not waive any right to receive, or any continuing obligation of a non-City party to provide, warranties, indemnifications or continued maintenance obligations on goods previously purchased, or services previously received, by the City from non-City parties to rejected Executory Contracts or Unexpired Leases, and any such rights shall remain vested in the City as of the Effective Date.

i. Insurance Policies. From and after the Effective Date, each of the City's insurance policies (other than welfare benefits insurance policies) in existence as of or prior to the Effective Date are reinstated and continue in full force and effect in accordance with their terms and, to the extent applicable, are deemed assumed by the City pursuant to section 365 of the Bankruptcy Code and Section II.D.1 of the Plan. Nothing contained in the Plan shall constitute or be deemed a waiver of any Causes of Action that the City may hold against any Entity, including any insurer under any of the City's insurance policies. For the avoidance of doubt, nothing contained in Section II.D.9 of the Plan shall apply to reinstate or continue any obligation of the City or any fund thereof to any Bond Insurer.

6. Payment of Administrative Claims.

a. Administrative Claims in General. Except as specified in Section II.A.1 of the Plan, and subject to the bar date provisions therein, unless otherwise agreed by the Holder of an Administrative Claim and the City, or ordered by the Bankruptcy Court, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of such Allowed Administrative Claim, Cash in an amount equal to such Allowed Administrative Claim either: (1) on the Effective Date or as soon as reasonably practicable thereafter; or (2) if the Administrative Claim is not Allowed as of the Effective Date, 30 days after the date on which such Administrative Claim becomes an Allowed Claim. No Claim of any official or unofficial creditors' committee or any member thereof for professionals' fees or other costs and expenses incurred by such creditors' committee or by a member of such creditors' committee shall constitute an Allowed Administrative Claim, except that the Retiree Committee's members and the Retiree Committee Professionals shall be entitled to payment in accordance with the Fee Review Order and any additional fee process established by the Court.

7. **Bar Dates for Administrative Claims.**

a. **General Bar Date Provisions.** Except as otherwise provided in subparagraphs 7(b) or 7(c) below or in a Bar Date Order or other order of the Bankruptcy Court, unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the City no later than 45 days after the Effective Date, i.e., January 26, 2015. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims and that do not File and serve such a request by the applicable Bar Date will be forever barred from asserting such Administrative Claims against the City or its property, and such Administrative Claims will be deemed discharged as of the Effective Date. Objections to such requests must be Filed and served on the City and the requesting party by the later of (i) 150 days after the Effective Date, i.e., May 11, 2015, (ii) 60 days after the Filing of the applicable request for payment of Administrative Claims or (iii) such other period of limitation as may be specifically fixed by a Final Order for objecting to such Administrative Claims.

b. **Ordinary Course Claims.** Holders of Claims based on Liabilities incurred by the City after the Petition Date in the ordinary course of its operations are not required to File or serve any request for payment or application for allowance of such Claims. Such Claims will be paid by the City, pursuant to the terms and conditions of the particular transaction giving rise to such Claims, without further action by the Holders of such Claims or further action or approval of the Bankruptcy Court.

c. **Claims Under the Postpetition Financing Agreement.** Holders of Administrative Claims that are Postpetition Financing Claims are not required to File or serve any request for payment or application for allowance of such Claims. Such Administrative Claims will be satisfied as set forth in subparagraph 7(b) above.

d. **No Modification of Bar Date Order.** The Plan does not modify any other Bar Date Order, including Bar Dates for Claims entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

8. **ASF Recoupment Cash Option.**

a. **ASF Recoupment Cash Option Election.** No later than seven days following the Effective Date, i.e., December 17, 2014, the City, through its Claims and Balloting Agent, will send the ASF Election Notice and the ASF Election Form by first-class U.S. mail to each ASF Distribution Recipient. The ASF Election Notice will notify ASF Distribution Recipients that each ASF Distribution Recipient may elect to pay the total amount of his or her ASF Recoupment in a single lump sum by timely returning a properly-completed ASF Election Form. The ASF Election Form will explain that the amount of the ASF Recoupment Cash Payment shall be equal to the total amount of ASF Recoupment shown on the ASF Distribution Recipient's Ballot, unless the aggregate amount of ASF Recoupment for all ASF Distribution Recipients electing the ASF Recoupment Cash Option exceeds \$30,000,000, in which case (i) the ASF Recoupment Cash Payment will be the ASF Distribution Recipient's Pro Rata portion of \$30,000,000, and (ii) the remaining portion of the ASF Distribution Recipient's ASF Recoupment will be annuitized and deducted from the ASF Distribution Recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i of the Plan. ***An ASF Distribution Recipient must return his or her ASF Election Form to the Claims and Balloting Agent so that it is actually received by the Claims and Balloting Agent by the ASF Election Date, i.e., 35 days after the date on which the ASF Election Form is mailed.***

b. **ASF Recoupment Cash Payment.** GRS will mail the ASF Final Cash Payment Notice no later than 14 days after the ASF Election Date. The ASF Final Cash Payment Notice

is a notice that will be sent to each ASF Distribution Recipient who timely elects the ASF Recoupment Cash Option, and will indicate the amount of such ASF Distribution Recipient's ASF Recoupment Cash Payment. *ASF Distribution Recipients shall have until the ASF Final Cash Payment Date – i.e., the later of (i) 90 days after the Effective Date, i.e., March 10, 2015 or (ii) 50 days after the date of mailing of an ASF Final Cash Payment Notice – to make the ASF Recoupment Cash Payment, which payment must be made by cashier's check or wire transfer and may not be made by personal check. If an ASF Distribution Recipient's ASF Recoupment Cash Payment is not received by the ASF Final Cash Payment Date, GRS will notify the ASF Distribution Recipient of the failure to timely pay, and ASF Recoupment will be effected through diminution of such recipient's monthly pension check, as provided for in Section II.B.3.r.ii.D.2.i of the Plan.* The calculation of each electing ASF Distribution Recipient's ASF Recoupment Cash Payment shall not be adjusted under any circumstances, including as a result of default by any other electing ASF Distribution Recipient to remit his or her ASF Recoupment Cash Payment by the ASF Final Cash Payment Date.

9. Copies of the Plan and Confirmation Order. Copies of the Plan, Confirmation Order and all other documents Filed in the Chapter 9 Case may be obtained, free of charge, from the City's restructuring website at <https://www.kccllc.net/detroit> or from Kurtzman Carson Consultants LLC by calling (877) 298-6236 (toll-free).

BY ORDER OF THE COURT

David G. Heiman (OH 0038271)
Heather Lennox (OH 0059649)
Thomas A. Wilson (OH 0077047)
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
tawilson@jonesday.com

Jonathan S. Green (MI P33140)
Stephen S. LaPlante (MI P48063)
MILLER, CANFIELD, PADDOCK AND
STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

Bruce Bennett (CA 105430)
JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539
bbennett@jonesday.com

ATTORNEYS FOR THE CITY

CERTIFICATE OF SERVICE

I, Heather Lennox, hereby certify that the foregoing Notice of (I) Entry of Order Confirming Eighth Amended Plan for the Adjustment of Debts of the City of Detroit and (II) Occurrence of Effective Date was filed and served via the Court's electronic case filing and noticing system on this 10th day of December, 2014.

/s/ Heather Lennox

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:
City of Detroit, Michigan,
Debtor

Chapter 9
Case No. 13-53846
Hon. Steven W. Rhodes

**Supplemental Opinion Regarding Plan Confirmation,
Approving Settlements, and Approving Exit Financing**

Table of Contents

I. INTRODUCTION	1
II. THE PLAN CONFIRMATION PROCESS	3
A. The City's Plans of Adjustment	3
B. An Overview of the City's Eighth Amended Plan of Adjustment	6
C. Objections Filed by Represented Parties	7
D. The Participation by Unrepresented Parties	10
1. The Unrepresented Parties' Oral Presentations	11
2. The Unrepresented Parties' Participation in the Confirmation Hearing.....	12
E. The City Tour.....	12
III. THE SETTLEMENTS IN THE PLAN	15
A. Mediation.....	15
B. The Applicable Law	15
C. The <i>Bard</i> Considerations Applicable to All of the Settlements	17
D. The Grand Bargain	18
E. The State Contribution Agreement	19
1. The Potential Claim Against the State of Michigan	19
2. The Terms of the State Contribution Agreement	20
3. The State Contribution Agreement Is Fair and Equitable	21
a. The State Contribution Agreement Is Reasonable in Amount	22
b. The Releases in the State Contribution Agreement Are Reasonable	23
F. The DIA Settlement	30
1. The Dispute over the DIA Art	30
2. The Terms of the DIA Settlement	30
3. The DIA Settlement Is Fair and Equitable	32
G. The Pension Global Settlement	35
1. The Terms of the Pension Global Settlement	36
a. The Treatment of Pension Claims	36
b. Restoration of Pension Benefits	37
c. Governance and Oversight	38
2. The Pension Global Settlement Is Fair and Equitable	39
H. The Annuity Savings Fund Recoupment Settlement	41
1. The Dispute Over the Excess ASF Credits.....	41
2. The Terms of the ASF Settlement	42
3. Objections to the ASF Settlement.....	43
4. The ASF Settlement Is Fair and Equitable, and Does Not Violate the Bankruptcy Code	44
I. The OPEB Settlement	46

1. The Disputes Over the OPEB Claims.....	46
2. The Terms of the OPEB Settlement	47
3. The OPEB Settlement Is Fair and Equitable	48
J. The 36th District Court Settlement.....	50
K. The UTGO Settlement.....	51
1. The Dispute Regarding the UTGO Bonds	52
2. The Terms of the UTGO Settlement	53
3. The UTGO Settlement Is Fair and Equitable	54
L. The LTGO Settlement	56
1. The Dispute Regarding the LTGO Bonds	57
2. The Terms of the LTGO Settlement.....	57
3. The LTGO Settlement Is Fair and Equitable.....	58
M. The Settlements Related to the Certificates of Participation	59
1. The Dispute Relating to the COPs Transactions	60
2. The Terms of the COPs Settlement	62
3. The Terms of the Syncora Global Settlement.....	64
4. The Syncora Global Settlement Is Fair and Equitable.....	66
5. The Terms of the FGIC Global Settlement.....	67
6. The FGIC Global Settlement Is Fair and Equitable.....	69
IV. SETTLEMENTS THAT THE COURT APPROVED DURING THE CASE	69
A. The Swaps Settlement	70
B. The DWSD Bondholders Settlement.....	71
C. The MIDDD Settlement	71
V. THE CREATION OF THE GREAT LAKES WATER AUTHORITY	72
VI. THE CLASSES OF CLAIMS IN THE CITY’S PLAN AND THE RESULTS OF THE BALLOTING	73
VII. THE STATUTORY REQUIREMENTS FOR CHAPTER 9 PLAN CONFIRMATION	74
VIII. THE COURT’S FINDINGS REGARDING CONFIRMATION OF THE CITY’S EIGHTH AMENDED PLAN OF ADJUSTMENT	78
IX. THE OUTSTANDING OBJECTIONS TO THE CITY’S PLAN	80
A. Objections Filed by Represented Parties.....	80
B. Objections Filed by Unrepresented Parties	80
X. ISSUES RELATING TO PLAN CONFIRMATION.....	81
A. The City’s Professional Fees Will Be Fully Disclosed and Reviewed for Reasonableness As Soon As Practicable, As Required by § 943(b)(3)	81
1. The City’s Professional Fees Will Be Fully Disclosed	82
2. Section 943(b)(3) Requires the Court to Determine Whether the City’s Professional Fees in the Case Are Reasonable	84
a. The Scope of § 943(b)(3)	85

b. Deferring to the Fee Examiner’s Determination of Reasonableness in This Case Is Insufficient to Comply with § 943(b)(3) and <i>City of Avon Park</i>	92
c. The Process for Reviewing Fees	93
B. The Debtor Is Not Prohibited by Law from Taking Any Action Necessary to Carry Out the Plan, As Required by § 943(b)(4).....	94
C. The Plan Is in the Best Interests of Creditors, As Required by § 943(b)(7).....	95
1. The Applicable Law	96
2. If the Case Were Dismissed, State Law Remedies Would Not Provide Creditors with a Better Result Than the Plan	97
a. The Creditors’ Legal Remedies in the Event of a Dismissal	97
b. The Creditors’ Recoveries in the Event of a Dismissal	100
c. The Creditors’ Loss of Other Plan Benefits	104
3. The Creditors Can Access No Other Assets in This Bankruptcy Case	105
4. The Best Interests of Creditors and Feasibility.....	107
D. The Plan Is Feasible, As Required by § 943(b)(7)	108
1. Applicable Law.....	108
2. An Overview of Feasibility	109
3. Evidentiary Issues Regarding the Report and Testimony of the Court’s Feasibility Expert.....	112
4. The Expert’s Standard for Feasibility.....	113
5. The City’s Plan Is Feasible	114
6. The City’s Revenue and Expense Projections	115
a. The City’s Ten-Year Revenue Projections.....	116
b. The City’s Ten-Year Expense Projections.....	117
c. The City’s Forty-Year Revenue Projections	118
d. The City’s Forty-Year Expense Projections	118
e. The Resulting Forty-Year Projections.....	119
f. The Expert’s Review of the Plan Projections	119
g. The Revenue in the Plan Projections	120
h. The Expenditures, Revenue and Cost Savings Associated with the RRI’s.	124
7. The City’s Obligations to Creditors Under the Plan.....	125
a. The City’s Post-Bankruptcy Debt	125
b. The Cost of Servicing the Post-Bankruptcy Debt.....	126
c. The City Will Be Able to Service Its Post-Bankruptcy Debt.....	128
8. The Feasibility of the City’s Plan to Address Its Pension Obligations.....	129
a. The City’s Plan Regarding Its Pension Obligations	130
b. Evaluating the Risks in the City’s Plan to Address Its Pension Obligations	131
c. Recommendations for Enhanced Disclosures to Reduce the Risk of Unmanageable Pension Obligations.....	133
9. The City Will Be Able to Sustainably Provide Adequate Services.....	134
a. The Blight Initiatives.....	136
b. The Public Safety Initiatives	138
c. The Organizational Efficiency Initiatives	142
d. The Resident Services Initiatives	145

e. The Business Services Initiatives	146
10. The City's Commitment to Implement the Plan.....	148
11. Final Thoughts and Recommendations on Feasibility.....	153
E. Each of the Claims in Each Class Is Substantially Similar to the Other Claims in the Class, As Required by § 1122(a).....	155
1. The Applicable Law	155
2. Creditors' Objections to Classification Are Overruled	156
F. The City Proposed the Plan in Good Faith, As Required by § 1129(a)(3)	158
1. The Applicable Law	159
2. The City's Good Faith	160
3. The City's Long-Term Solvency	161
4. Federalism Considerations in the Court's Good Faith Analysis	163
G. The City Has Complied with the Applicable Provisions of the Bankruptcy Code, As Required by § 1129(a)(2)	166
1. The ASF Interest Rate Disclosure Issue	167
2. Successive Plan Modifications Did Not Require Re-Solicitation of Ballots.....	168
H. The Plan Does Not Discriminate Unfairly Against Dissenting Classes 14 and 15, As Required by § 1129(b)(1)	169
1. The Plan Discriminates Against Dissenting Classes 14 and 15	170
2. The Unfair Discrimination Standard	173
3. The Discrimination Against the Classes of General Unsecured Creditors and Convenience Creditors Is Not Unfair	176
a. The Discrimination in Favor of the Pension Classes Is Not Unfair	176
b. The Discrimination in Favor of the UTGO, LTGO and 36th District Court Classes Is Not Unfair.....	178
c. The Discrimination Against Classes 14 and 15 Is Not Unfair Even Though Some Creditors in Those Classes May Be Involuntary Creditors.....	179
I. The Plan Is Fair and Equitable with Respect to the Dissenting Classes, As Required by § 1129(b)(1).....	181
1. The Test of "Fair and Equitable" in Chapter 9	182
2. The Plan Is "Fair and Equitable"	184
J. The Objections of the Creditors with Constitutional Claims Are Sustained in Part and Overruled in Part	186
1. The Relevant Plan Provisions.....	187
2. The § 1983 Creditors' Objections.....	187
a. Impairing and Discharging the § 1983 Claims Against the City Does Not Violate the Fourteenth Amendment	188
b. The Bankruptcy Code Does Not Provide for the Discharge of § 1983 Claims Against the City's Officers in Their Individual Capacity	191
c. The City Has Not Established That a Third-Party Release of § 1983 Claims Against Its Officers in Their Individual Capacity Is Essential to Its Plan	193
3. The Takings Clause Creditors' Objection	195
a. Discharging Takings Clause Claims Would Violate the Fifth Amendment	196

b. The Takings Clause Claims Must Be Excepted from Discharge	200
K. The Plan Does Not Violate the Funding Clause of the Michigan Constitution	201
L. The Pension Creditors' Claims Are Against the City, Not the Retirement Systems....	203
M. The Pensions of DWSD and Library Employees Are Properly Included in the Plan .	204
N. The Plan Does Not Violate the Blighted Area Rehabilitation Act.....	205
O. The Grand Bargain Is Not an Improper Use of Tobacco Settlement Money	206
P. The Plan Does Not Violate the Federal Transit Act	207
XI. THE EXIT FINANCING PROPOSED IN THE PLAN IS APPROVED.....	210
XII. CONCLUSION	212

I. INTRODUCTION¹

In chapter 9 of the bankruptcy code, the federal government offers help to the states in solving a problem that, under our constitutional structure, the states cannot solve by themselves. That problem is the adjustment of the debts of an insolvent municipality. In this case, this Court grants that help to the State of Michigan (the “State”) and the City of Detroit (the “City”).

On December 5, 2013, the Court entered an order for relief finding that the City was eligible to file a chapter 9 bankruptcy case under § 109(c).² (Dkt. #1946) Both before and after that, nearly every creditor group filed litigation against the City seeking the full protection of its claims.

The City filed its first plan and disclosure statement on February 21, 2014. At that time, the City had no approved settlements with any of its creditors. After that, every creditor group filed objections to the City’s plan.

Since then, however, through court-ordered mediation, the City has achieved settlements with every creditor group that was represented by counsel, with one exception—creditors with claims that the City or its officers had violated their constitutional rights. Successive settlements resulted in successive plans. The settlements also resulted in the settling creditors’ support of the plan and their withdrawal of their litigation against the City and their objections to the plan.

The City now seeks confirmation of its eighth amended plan of adjustment, filed on October 22, 2014. (Dkt. #8045)

¹ This opinion supplements the opinion that the Court announced on the record on November 7, 2014. *See* Trial Tr., Nov. 7, 2014. (Dkt. #8257)

² Unless otherwise specified, all references to code sections in this opinion are to the bankruptcy code, title 11 of the United States Code.

In the context of seeking confirmation of its plan, the City also seeks approval of its several settlements with creditors under bankruptcy rule 9019:

- The Grand Bargain settlement, which includes the State Contribution Agreement, the DIA settlement and the global pension settlement;
- The OPEB settlement;
- The 36th District Court settlement;
- The UTGO settlement;
- The LTGO settlement;
- The COPs settlement, including the Syncora settlement and the FGIC settlement.

As more fully described in parts III and IV below, the Court has reviewed each settlement included in the plan and determines that each is fair and equitable, and within the range of reasonableness. Accordingly, the Court approves those settlements.

Based upon its findings in part VIII below, the Court concludes that the City's eighth amended plan of adjustment meets the legal requirements for confirmation. Most significantly, the Court finds that:

- The plan was proposed in good faith.
- The plan is feasible.
- The plan is in the best interests of creditors.
- The Court will determine the reasonableness and disclosure of the professional fees for which the City is responsible in connection with this case.
- The City's proposed exit financing meets the requirements of the bankruptcy code.
- The plan was accepted by all creditor classes but two—the classes of other unsecured claims and convenience claims.
- As to the two dissenting creditor classes, the plan is fair and equitable.
- As to the two dissenting creditor classes, the plan does not unfairly discriminate against them.

Accordingly, the Court confirms the plan.

It does so, however, with conditions. First, for the reasons stated in part X.J.2. below, creditors' claims against City employees in their individual capacity are neither discharged nor released. Second, for the reasons stated in part X.J.3. below, creditors' claims against the City that are based in the Takings Clause of the Fifth Amendment of the United States Constitution are excepted from the discharge.

The Court's confirmation of the City's plan also comes with recommendations in parts X.D.8.c. and X.D.11. below to take specific actions to assure that what happened in Detroit never happens again.

II. THE PLAN CONFIRMATION PROCESS

A. The City's Plans of Adjustment

The City filed ten plans of adjustment. Most of the amended plans were the result of successive creditor settlements and agreements.

The City filed its first plan and disclosure statement on February 21, 2014 (Dkt. ##2708 and 2709), ahead of the March 1, 2014, deadline that this Court first set.

On March 31, 2014, the City filed an amended plan and disclosure statement. (Dkt. ##3380 and 3382) This plan incorporated the Court-approved swap settlement agreement and the initial stages of the Grand Bargain, discussed in parts IV.A. and III.D., respectively.

On April 16, 2014, the City filed its second amended plan and disclosure statement. (Dkt. ##4140 and 4141) It clarified and expanded on aspects of the Grand Bargain and added the settlements relating to the restoration of benefits, the ASF recoupment and the income stabilization program, discussed in parts III.G.1.b., III.H and III.E.2, respectively. It also clarified and expanded on aspects of the OPEB settlement, discussed in part III.I. below,

incorporated the UTGO settlement, discussed in part III.K. below, and introduced the concept of post-effective date oversight for the City.

On April 25, 2014, the City filed its third amended plan and disclosure statement. (Dkt. ##4271 and 4272) This plan incorporated the parties' agreements that clarified and expanded upon the provisions for restoration of PFRS pension benefits and other aspects of the Grand Bargain and the OPEB settlement. It also clarified the treatment of claims relating to the operation of City vehicles, tax refund claims, utility deposits and pass-through claims.

On May 5, 2014, the City filed its fourth amended plan and disclosure statement. (Dkt. ##4391 and 4392) The Court approved that disclosure statement. (Dkt. #4401) The City served solicitation packages, including this plan and disclosure statement, and plan ballots. (Dkt. ##4421 and 6179) It also published notice of the plan and the disclosure statement in the Detroit News, the Detroit Free Press, USA Today and the Wall Street Journal. (Dkt. ##6209, 6211 and 6253) This amended plan incorporated the final aspects of the Grand Bargain, including final agreements relating to restoration of pension benefits and pension plan governance, as well as the OPEB settlement.³

³ To fill out this chronology, it is important to note that on June 3, 2014, the Michigan Legislature enacted, and on June 19 and 20, 2014, the governor signed into law, the package of bills necessary to implement the Grand Bargain and for other purposes related to the City's plan of adjustment. These bills became effective on June 20, 2014. They include:

PA 181 (2014), "Michigan Financial Review Commission Act"

PA 182 (2014), "An Act to amend 1909 PA 279"

PA 183 (2014), "An Act to amend 1909 PA 279"

PA 184 (2014), "An Act to amend 2011 PA 152"

PA 185 (2014), "An Act to amend 1965 PA 314"

PA 186 (2014), "An Act to amend 2000 PA 489"

PA 187 (2014), "Michigan Settlement Administration Authority Act"

PA 188 (2014), "An Act to amend 1984 PA 431"

PA 189 (2014), "An Act to amend 1969 PA 312"

Continued...

On July 25, 2014, the City filed a fifth amended plan. (Dkt. #6257) This plan incorporated the LTGO settlement, discussed in part III.L. below, and the 36th District Court settlement, discussed in part III.J. below. It also added the cash payment option for the ASF recoupment settlement, and specified the composition of the two Voluntary Employee Benefit Association (“VEBA”) boards created as part of the OPEB settlement. Clarifications and changes were also made to the Grand Bargain and the UTGO settlement.

On July 29, 2014, the City filed a corrected fifth amended plan. (Dkt. #6379) This plan removed the provisions for post-confirmation reporting to the bankruptcy court that were apparently included in the fifth amended plan by mistake.

On August 20, 2014, the City filed its sixth amended plan. (Dkt. #6908) This plan incorporated the DWSD bondholders settlement, discussed in part IV.B below.

On September 16, 2014, the City filed its seventh amended plan. (Dkt. #7502) This plan incorporated the Syncora global settlement and set forth the treatment of COPs claims in class 9, discussed in part III.M. below. It also incorporated agreements with the retiree committee and the LTGO parties regarding the residual interests in the COP claims reserve. It also reflected the closing and completion of the DWSD bond tender offer and further specified how the two VEBA boards would be comprised. It also provided for the prepayment to creditors in classes 7, 12 and 14 of the October 2015 interest payment on the Excess New B Notes.

On October 22, 2014, the City filed its eighth and last amended plan. (Dkt. #8045) This final plan reflects the City’s settlement with FGIC, its last objecting financial creditor, discussed

PA 190 (2014), “An Act to amend 1978 PA 566”

A summary of this package of bills prepared by the Michigan House Fiscal Agency is available at: www.legislature.mi.gov/documents/2013-2014/billanalysis/House/pdf/2013-HLA-5566-7780ED85.pdf.

in part III.M. below. It also reflects the settlement with the UAW and AFSCME regarding the treatment of retirees of the Detroit Public Library and the Detroit Regional Convention Facility Authority.

For the reasons discussed in part X.G.2. below, the Court concluded that the plans that the City filed after the fourth amended plan did not require new balloting and therefore did not require a new disclosure statement.

B. An Overview of the City's Eighth Amended Plan of Adjustment

The plan that the City ultimately requested this Court to confirm contemplates a complete restructuring of the City's debt. The City has settled with every major creditor group. Because of the plan, the City has eliminated approximately \$7 billion in liabilities. Trial Tr. 70:4-7, Sept. 30, 2014. (Dkt. #7821) Upon exiting bankruptcy, the City will issue "New B Notes" in the aggregate face amount of \$632 million and "New C Notes" in the aggregate face amount of \$88 million. These new notes will be used to restructure the City's obligations for post-retirement health benefits, debt service on several types of bonds and other unsecured liabilities. Ex. 791. The City has also restructured its unlimited tax general obligation bonds at a significant savings and will use exit financing to retire many of its limited tax general obligation bonds. Ex. 791. In addition, the settlements with FGIC, the City's largest creditor, and Syncora include real estate development agreements that give these creditors vested stakes in the City's recovery.

The plan also contemplates post-bankruptcy financial oversight of the City to ensure that the fiscal exigencies that resulted in the City's chapter 9 bankruptcy never happen again. The state legislation that implemented the Grand Bargain created a financial review commission to review the City's finances and budgets to ensure that the City adheres to the plan and continues

to implement needed financial and operational reforms. Mich. Comp. Laws § 141.1631 *et seq.* The GRS and PFRS are also required to create investment committees whose role will be to make recommendations to, and approve certain actions by, the respective system's board of trustees. Mich. Comp. Laws § 38.1133g; Eighth Am. Plan of Adjustment (hereafter cited as "Plan"), Ex. I.A.332 at 2. (Dkt. #8045)

Finally, because of the financial reforms contained in the plan, the City is able to invest approximately \$1.7 billion in several reinvestment and restructuring initiatives ("RRIs") over ten years to help improve the City government's infrastructure and its provision of services. Ex. 579. These RRIs are designed to "substantially improve and provide adequate levels of services, as well as enhance revenue and reduce costs." Trial Tr. 42:11-12, Sept. 5, 2014. (Dkt. #7434) The City believes these RRIs will also result in approximately \$841 million in revenue savings and that they are critical to the City's recovery after bankruptcy. Ex. 592; *see also* Fourth Am. Disclosure Statement (hereafter cited as "Disc. Stmt.") at 160. (Dkt. #4391) The RRIs will, among other things:

- (a) Provide basic, essential services to City residents; (b) attract new residents and businesses to foster growth and redevelopment;
- (c) reduce crime; (d) demolish blighted and dangerous properties;
- (e) provide functional streetlights that are aligned with the current population footprint; (f) improve information technology systems, thereby increasing efficiency and decreasing costs; and (g) otherwise set the City on a path toward a better future.

Disc. Stmt. at 10. (Dkt. #4391)

C. Objections Filed by Represented Parties

The following represented parties objected to the plan and subsequently withdrew their objections due to settlements with the City:

- Oakland County (Dkt. ##4627 and 6648);

- The United States (Dkt. #4629);
- Macomb County (Dkt. ##4636, 6666 and 7039);
- U.S. Bank National Association (Dkt. ##4647 and 6679);
- BlackRock Financial Management, Inc., Eaton Vance Management, Fidelity Management & Research Company, Franklin Advisers, Inc. and Nuveen Asset Management (the “DWSD Bondholders”) (Dkt. ##4650, 4671 and 6681);
- Hypothekenbank Frankfurt AG, Hypothekenbank Frankfurt International S.A., Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A., Deutsche Bank AG, London; Dexia Crédit Local, Dexia Holdings, Inc., and FMS Wertmanagement AöR (Dkt. ##4653 and 5979);
- Wilmington Trust, N.A. (Dkt. ##4656, 6678, 7050 and 7603);
- Berkshire Hathaway Assurance Corporation (Dkt. ##4657 and 6680);
- Financial Guaranty Insurance Company (“FGIC”) (Dkt. ##4660, 6674 and 7611);
- Wayne County (Dkt. #4663);
- National Public Finance Guarantee Corporation (“NPFG”) (Dkt. ##4665 and 6687);
- Merrill Lynch Capital Services, Inc. and UBS AG (“the Swap Counterparties”) (Dkt. #4668);
- Assured Guaranty Municipal Corp. (Dkt. ##4674 and 6677);
- Ambac Assurance Corp. (Dkt. #4677);
- Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (“Syncora”) (Dkt. ##4679, 6651, 7041 and 7213);
- BlackRock Financial Management, Inc. (Dkt. #4681);
- The Detroit Police Officers Association (Dkt. ##4901 and 4938);
- The Detroit Fire Fighters Association (Dkt. #4918);
- The UAW (Dkt. #6464);
- AFSCME Council 25 (Dkt. ##6466, 6468 and 7063);
- BlueMountain Capital Management, LLC (Dkt. #6506);
- The Detroit Retirement Systems (Dkt. ##6659, 6676, 6762 and 7052);

- FGIC, Dexia Crédit Local and Dexia Holdings, Inc., Panning Capital Management, LP, Monarch Alternative Capital LP, Bronze Gable, L.L.C., Aurelius Capital Management, LP, Stone Lion Capital Partners L.P., BlueMountain Capital Management, LLC, and Deutsche Bank AG, London (“the COPs Holders”) (Dkt. ##7046 and 7615); and
- The Macomb Interceptor Drain Drainage District (Dkt. #7612).

The objecting parties who were represented by attorneys and who have maintained their objections include:

- Ben McKenzie, Jr. (Dkt. #3230);
- T&T Management, Inc., HRT Enterprises, and the John W. and Vivian M. Denis Trust (Dkt. #3412);
- Hyde Park Cooperative (Dkt. #3497);
- The Housing Is a Human Rights Coalition (Dkt. #3511);
- Deborah Ryan, Walter Swift, Cristobal Mendoza and Annica Cuppetelli (Dkt. ##4099, 4608 and 5690);
- Dwayne Provience, Richard Mack, and Gerald and Alecia Wilcox (Dkt. ##4224, 4226, 4228, 6764 and 6900);
- David Sole (Dkt. #4318);
- John Cato (Dkt. #4376);
- Carlton Carter, Bobby Jones, Roderick Holley and Richard T. Weatherly (Dkt. #4625);
- Robert Cole (Dkt. ##4930 and 4950);
- the Ochadleus parties⁴ (Dkt. ##5788, 5964, 6642, 6671, 6995 and 7523);

⁴ These parties are William Ochadleus, Shelton Hayes, Shirley Berger, Raymond Yee, Frederick T. McClure Jr., John Clark, Jim Benci, Janice Butler, Morris Wells, Melvin F. Williams Sr., Kimberly Ann Sanders, Sarah E. Giddens, Deborah Ward, Jackie Fulbright, Catherine Tuttle, Rita Serra, Martin Treadwell, Ed Gaines, Barbara Triplett-Decrease, John J. O’Neill, Roy McCalister, Polly McCalister, Gail Wilson Turner, Loletha Porter Coleman, Afford Coleman, Jessie Banks, Lester Coleman, Deborah Lark, Moses Lark, Sharon Cowling, Michael

Continued...

- the Section 1983 Plaintiffs⁵ (Dkt. #6911); and
- Johnathan Brown (Dkt. #8170).

D. The Participation by Unrepresented Parties

Unrepresented creditors filed 1159 objections to confirmation of the City's plan. Of these, 836 were timely filed. The Court permitted some of these parties to participate in the confirmation process through oral argument before the confirmation hearing commenced, and by presenting evidence and questioning witnesses during the confirmation hearing.

Cowling, Robert Jackson, Rashelle Pettway, Michael A. Adams, John Hawkins, Laura Isom, Duane McKissic, Herbert Moreland, Cynthia Diane Moreland, Henry Ellis, Keith Jackson Sr., Deborah Robinson, James Alexander Jr., Debra J. Fair, Brenda Goss Andrews, Jamie Fields, Ricardo C. Jenkins, Jacqueline Jackson, Tommie Carodine, Lawrence V. Porter, Robbin Rivers, James R. Younger, Roscoe Mayfield, Charles Barbieri, Craig Schwartz, Glenda Cole-Dixon, Walter Long Jr., George Graves, Terrance Anderson, David Anderson, Nancy Fowler, George Chester, Anthony Klukowski Jr., Todd Klukowski, Roger Klukowski, Lois Klukowski-Hogen, Patricia E. McCabe, Daniel P. Root, Jeannetta Washington, Mike Foley, James Jones, Joe Smith, Reggie Barnes, Calvin Adkins, Jack Aliotta, Patti Graves, Andy Smith, Steve Leggatt, Paula Day, Deborah McCreary, Greg Jones, Andrew White, Christine Marie Jepsen, John Jepsen, Alicia Terry, Joyce Daniel, Bryan Glover, Tobi Ascione Young, Greg Huizar, Lori Gallman, Beverly Hoffman-Nichols, Barbara Stafford, Micelle Pierson, Shelley I. Foy, Parrie Lee Highgate, Renee Ellis-Sumpter, David Pomeroy, Jim Lemaux, Eric Heckman, Shelley Holderbaum, Keith Oleniacz, Edgardo Aponte, Jon Gardner, Judith Norwood, Kenneth Emerson, Patricia Lofton, Karen Leskie, Roosevelt Lawrence Jr., Sonja Hollis, William Anderson, Derek Hicks, Marsha Thompson-Kidd, Yvonne Williams Jones, Lula Millender, William Davis, Evelyn Owen Smith, Cecily McClellan, Belinda A. Myers-Florence, Jesse J. Florence, Sr., Paulette Brown, Linda White, Jo Fuller, David Malhalab, Gerald Williams, Douglas Kuykendall, Nancy Kuykendall, Roger Saledo, Darius Clay, Nyra Turner Blackmon, and Rheuben Blackmon.

⁵ These parties are Jerry Ashley, Shumithia Baker, David Booth, Branden Brooks, Angel Brown, Teran Brown, Wendy Jefferson, Floyd Brunson, Laverne Covington, Ezekiel Davis, Jeremiah Duren, Otis Evans, Darnell Fields, Keitha Gomez, Cheval Gomez, Jermaine Green, Terry Hardison IV, Anthony Harmon, Donald Harris, Rodney Heard, Tommie Hickey, Kevin Ivie, James Jackson, Leinathan Jelks, Quentin King, Daniel Lattanzio, April Lee, Mario Littlejohn, Ray Lizzamore, Orlando Marion, James Matson, Dave Mazur, Kevin McDonald, Kevin McGillivary, Robert McCowen, Michael McKay, Melvin Miller, Eddie Moore, Curtis Morris, Gary Musser, Winter Owens, Porter Hondra, Woodrow Roberson, Bradley Schick, Ali Sobh, Daniel Soto, Samiya Speed, Douglas Taylor, Jeffrey Theriot, Raymond Thompson, Jr., Bernard White, Christina Wilmore, and Joseph Wright.

1. The Unrepresented Parties' Oral Presentations

After reviewing all of the filed objections, the Court invited 79 individuals, constituting a cross-section of the objecting parties and their objections, to state and argue their objections at a hearing on July 15, 2014.

At the hearing, 46 of these 79 objectors appeared before the Court. They are: Dempsey Addison, Hassan Aleem, Audry Bellamy, Harold Franklin Bryant, Thomas Cattron, Gisele Caver, Ronald Clegg, Jo Ann Cooper, Rita Dickerson, Jamie Fields, Fabris Fiorenzo, Jesse Florence, Sr., Gerald Galazka, Deborah Graham, Andrea Hackett, Kristen A. Hamel, Patricia Beamon, Cynthia Haskin, Beverly Holman, Irma Industrious, Felicia Jones, Gerald Kent, Richard C. Lewandowski, David L. Malhalab, Cecily McClellan, Mashuk Meah, Amru Meah, Constance Phillips, H. Jean Powell, Roger D. Rice, Renla C. Session, Mark L. Smith, Michael Smith, Elaine Thayer, Marie Lynette Thornton, Jean Vortkamp, Mary Jo Vortkamp, Shirley J. Walker, William Curtis Walton, Beverly A. Welch, Paul C. Wells, Carl Williams, Yvonne Williams-Jones, Laura Wilson, Steven Wojtowicz, and Lucinda Darrah. *See generally* Trial Tr. July 15, 2014. (Dkt. #6141)

The objectors were each given five minutes to address the Court. These parties were uniformly articulate, thoughtful, sincere, well prepared and appreciative. Most focused on the City's proposal to reduce pension benefits and the ASF recoupment settlement, and the impact that these proposals would have on them. They told stories of the real hardship that the plan will cause them and their families. Some still object to the filing of the bankruptcy and blame the City's problems on State leadership.

2. The Unrepresented Parties' Participation in the Confirmation Hearing

The Court also invited unrepresented parties to file motions requesting to participate in the confirmation hearing. The Court required each motion to state: (a) the names of the witnesses sought to be questioned or presented; (b) the subject matter of the proposed testimony; (c) the expected duration of the testimony; (d) an explanation of why the proposed evidence would not be duplicative of other evidence; and (e) a list of the exhibits to be offered into evidence during the proposed testimony. (Dkt. #6584)

Parties filed 36 such motions. Upon its review of each motion, the Court allowed seven parties to testify: Fredia M. Butler, Elaine E. Thayer, Estella L. Ball, Walter Gary Knall, JoAnn Watson, Wanda Jan Hill, and Steven Wojtowicz.

The Court permitted Michael J. Karwoski and John P. Quinn, attorneys and retirees from the City's law department, to participate fully in the confirmation hearing within a certain time limit.

The Court also permitted Jamie Fields to cross-examine Charles Moore; Estella L. Ball to examine Kevyn Orr; Thomas Catron to submit documents; Wanda Jan Hill to examine Kevyn Orr and Heather Lennox; and Yvonne Williams Jones and Cecily McClellan, jointly, to examine David T. Kausch. The Court also granted the motions to participate filed by Irma Industrious, Frenchie Williamson and Gloria C. Williams, but they did not appear at the hearing.

E. The City Tour

On June 6, 2014, the City filed a motion for a site visit by the Court. (Dkt. #5250) The motion argued:

In order to be able to put into context the evidence that it will hear, the Court needs to experience what the witnesses will describe. Witnesses will testify about the planned reinvestment in the City of \$1.4 billion over the next ten years, in areas ranging from blight remediation and public safety to transportation, recreation and public works – but in the courtroom, these are mere abstractions. To give meaning to the testimony, the Court must see what this reinvestment means for the people of Detroit.

For example, the Court will hear ample testimony about the problem of blight in the City. But no amount of testimony or even photographs can fully express the devastating impact that blight has had on Detroit's neighborhoods, or convey to the Court what it is like for Detroit residents to have to walk down half-empty streets of burnt-out buildings and abandoned dumping-ground lots. Without that context, the City's plan to spend \$440 million on blight remediation has little meaning.

Id. at 3-4.

Over the objections of several creditors, the Court granted the motion and participated in a tour of the City just before the commencement of the evidentiary hearing on confirmation. (Dkt. #5629) In addition to counsel for the City, the Court also permitted participation by two representative attorneys for objecting creditors. The tour was video recorded and a stenographic record was made of the verbal descriptions that the City's attorney provided during the tour. Notice of Filing R. of Site Visit, Ex. A and B. (Dkt. #8673) The tour covered 59 miles in the City through many neighborhoods, both well maintained and blighted. It included the police department's combined 5th/9th precinct and ended at the Detroit Institute of Arts (the "DIA").

The primary impression that remains with the Court following the tour is that blight in Detroit is extensive. The statistics do not fully convey its extent or impact. In neighborhood after neighborhood, short and long stretches of streets have abandoned structures—they can no longer be called homes—that are intimidating hulks. Some are partially or mostly burned out. Some have gaping holes in their roofs or collapsed garages. Many have missing doors and windows, and broken front steps and porches. Some are strewn with illegal dumping. All are

vivid statements of their former owners' emotional and financial struggles, and of community loss.

These streets also have vacant lots, or collections of vacant lots, on which unmanaged and unsightly vegetation has taken over from the structures after their removal. On the commercial streets, block after block of abandoned, boarded up and graffiti-littered strip shopping centers far outnumbered the occasional small businesses that have survived.

It is heartbreaking, maddening and sad. No one should have to endure, day in and day out, the damage to the human spirit that can result from living in those surroundings. City residents who live, work and play in these neighborhoods deserve better. Detroit deserves better.

The precinct building is past its useful life by years, or perhaps decades, and shows obvious signs of long-term inadequate maintenance. The interior is dilapidated and its layout is ill suited to the needs of a modern, efficient and effective police precinct. The brick façade over the front door was loose and in danger of falling, so that a scaffold is necessary to protect against injury. No expert is required to find that the building should be torn down and replaced.⁶

The Court also witnessed, however, many signs of hope and determination among the residents of these neighborhoods—new residential construction, gardens, parks and outdoor art where the City has removed blight. There were also historic neighborhoods that are beautiful and remarkable in their preservation.

And then there is the DIA. For present purposes, it is enough to observe that the tour demonstrated for the Court that the DIA is a critical and immeasurable sign of great hope and

⁶ The City's plan to address its blight and to modernize its police, fire and EMS services is addressed in the Court's discussion of the feasibility of the plan of adjustment in part X.D.9. below.

determination in the City. In part X.C.3. below, the Court addresses why preserving the DIA is essential to the City's future.

It was an enlightening and valuable tour.

III. THE SETTLEMENTS IN THE PLAN

A. Mediation

As the Court was hearing evidence and considering the parties' objections, another process that was fundamental to the City's plan and its revitalization was unfolding. On August 13, 2013, the Court appointed Chief United States District Judge Gerald Rosen to be the mediator in the case. (Dkt. #322) Chief Judge Rosen then appointed a team of mediators—District Judge Victoria Roberts, District Judge Sean Cox, District Judge Wiley Daniel, Bankruptcy Judge Elizabeth Perris, and attorney Eugene Driker—to assist in the mediations. Over the next fourteen months, Chief Judge Rosen and his team worked tirelessly and diligently in the spirit of public service to supervise settlement negotiations between the City and each of the various creditor groups.

Those efforts were fully successful. The City and its settling creditors have already placed on the record their sincere expressions of gratitude and appreciation for the skill, patience, commitment, dedication and creativity that the mediators demonstrated throughout the process. This Court now adds its thanks and appreciation to the mediators for this monumental and historic achievement.

B. The Applicable Law

In connection with its request that the Court confirm its plan, the City has requested approval of those settlements. Under bankruptcy rule 9019(a), "the court may approve a

compromise or settlement.” Fed. R. Bankr. P. 9019(a). Section 1123(b)(3)(A) states that a plan may provide for “the settlement or adjustment of any claim or interest belonging to the debtor or to the estate.”

In *Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414 (1968), the Supreme Court addressed the importance of bankruptcy settlements and the bankruptcy court’s responsibilities in reviewing them:

Compromises are ‘a normal part of the process of reorganization.’ *Case v. Los Angeles Lumber Prods. Co.*, 308 U.S. 106, 130, 60 S. Ct. 1, 14, 84 L. Ed. 110 (1939). In administering reorganization proceedings in an economical and practical manner it will often be wise to arrange the settlement of claims as to which there are substantial and reasonable doubts. At the same time, however, it is essential that every important determination in reorganization proceedings receive the ‘informed, independent judgment’ of the bankruptcy court. *National Surety Co. v. Coriell*, 289 U.S. 426, 436, 53 S. Ct. 678, 682, 77 L. Ed. 1300 (1933). The requirements of §§ 174 and 221(2) of Chapter X, 52 Stat. 891, 897, 11 U.S.C. §§ 574, 621(2), that plans of reorganization be both ‘fair and equitable,’ apply to compromises just as to other aspects of reorganizations. *Ashbach v. Kirtley*, 289 F.2d 159 (C.A. 8th Cir. 1961); *Conway v. Silesian-American Corp.*, 186 F.2d 201 (C.A. 2d Cir. 1950). The fact that courts do not ordinarily scrutinize the merits of compromises involved in suits between individual litigants cannot affect the duty of a bankruptcy court to determine that a proposed compromise forming part of a reorganization plan is fair and equitable. *In re Chicago Rapid Transit Co.*, 196 F.2d 484 (C.A. 7th Cir. 1952). There can be no informed and independent judgment as to whether a proposed compromise is fair and equitable until the bankruptcy judge has apprised himself of all facts necessary for an intelligent and objective opinion of the probabilities of ultimate success should the claim be litigated. Further, the judge should form an educated estimate of the complexity, expense, and likely duration of such litigation, the possible difficulties of collecting on any judgment which might be obtained, and all other factors relevant to a full and fair assessment of the wisdom of the proposed compromise. Basic to this process in every instance, of course, is the need to compare the terms of the compromise with the likely rewards of litigation.

Id. at 424-25.

In *Bard v. Sicherman (In re Bard)*, 49 F. App'x 528 (6th Cir. 2002), the Sixth Circuit reflected on *Protective Committee*, observing:

The federal courts of appeal have in turn implemented this directive by considering:

(a) The probability of success in the litigation; (b) the difficulties, if any, to be encountered in the matter of collection; (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; (d) the paramount interest of the creditors and a proper deference to their reasonable views in the premises.

Id. at 530. The Court will apply these *Bard* considerations in determining whether to approve the City's settlements with its creditors.

C. The *Bard* Considerations Applicable to All of the Settlements

Several factors relevant to the reasonableness of each of the settlements are common to all of them. These include the following:

- All of the creditors in these settlements filed and vigorously pursued both objections to the plan and litigation with the City to protect their claims.
- All of the creditors were highly motivated to pursue those objections and that litigation, and had the resources to do so. This would include the appellate process if necessary.
- Many of the objections and much of the litigation raised issues that were novel, legally and factually complex, and significant beyond this case.
- All of the parties were well represented and well prepared for litigation.
- For the City, litigating with creditors was incompatible with its goal of a prompt and efficient exit from bankruptcy and start to its revitalization.
- For all parties, the stakes were high. On the City's part, even a single loss in litigation against any major creditor would seriously compromise its goals in this case.
- Each settlement was at arm's length and hard-fought. Each required perseverance, creativity and compromise by all involved.

With these factors in mind, the Court will now examine each settlement in depth.

D. The Grand Bargain

The cornerstone of the plan is the Grand Bargain. It is a collection of settlements among a number of parties with an interest in the City's two pension plans and in protecting the City's art at the DIA. The parties to the Grand Bargain include:

- The City
- The State
- The Official Committee of Retirees
- The General Retirement System ("GRS")
- The Police and Fire Retirement System ("PFRS")
- The American Federation of State, County and Municipal Employees ("AFSCME")
- The United Auto Workers Union
- The Detroit Retired City Employees Association
- The Retired Detroit Police Members Association
- The Retired Detroit Police & Fire Fighters Association
- The Detroit Police Lieutenants and Sergeants Association
- The Detroit Police Command Officers Association
- The Detroit Police Officers Association
- The Detroit Fire Fighters Association
- A number of charitable foundations, including the Ford Foundation, the Kresge Foundation, the W.K. Kellogg Foundation, the Knight Foundation, the William Davidson Foundation, the Community Foundation for Southeastern Michigan, the Fred A. and Barbara M. Erb Family Foundation, the Hudson-Webber Foundation, the Charles Stewart Mott Foundation, the McGregor Foundation, the Max M. and Marjorie S. Fisher Foundation and the A. Paul and Carol C. Schaap Foundation
- The DIA.

The settlements represented in the Grand Bargain are the State Contribution Agreement, the DIA settlement, and the pension settlement. The Court addresses each of these settlements below. The plan reflects the Grand Bargain in its treatment of class 10, which consists of the PFRS pension claims, and class 11, which consists of the GRS pension claims.

E. The State Contribution Agreement

The City has asserted that the GRS and the PFRS have substantial unfunded actuarial accrued liabilities (“UAAL”) and that its obligation to reduce the UAAL was one of the reasons that it filed bankruptcy.

1. The Potential Claim Against the State of Michigan

It has been suggested that because pensions are protected by the Michigan constitution, the State may be obligated to pay all or a portion of the UAAL. Article IX, § 24 of the Michigan constitution provides:

The accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby.

Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.

Some argue that this language can be read to require the State to assume the responsibility for any underfunding of a municipal pension in Michigan. The State disputes that claim.

2. The Terms of the State Contribution Agreement

In settlement of the State's potential liability for the GRS and PFRS underfunding and in support of the City's plan, the City, the State, the GRS and the PFRS have agreed to enter into the State Contribution Agreement.

Under the State Contribution Agreement, the State has agreed to contribute \$98.8 million to the GRS and \$96 million to the PFRS for a total of \$194.8 million (the "State Contribution"). The City and State contend that this amount is equal to the net present value of \$350 million payable over a twenty-year period at a discount rate of 6.75%. The State Contribution may only be used to fund payments to holders of GRS pension claims and PFRS pension claims.

The State Contribution Agreement requires the GRS and the PFRS to establish investment committees for the purpose of making recommendations to, and approving certain actions by, the respective system's board of trustees under the terms and conditions set forth in the State Contribution Agreement.

As part of this agreement, the City, the GRS and the PFRS will also establish an income stabilization program. The goal of this program is to ensure that pension creditors will not be forced into poverty as a result of the pension reductions in the plan. Under the income stabilization program, the State will identify all pensioners who, as of the effective date of the plan, are at least 60 years old and had a household income equal to or less than 140% of the Federal Poverty Guideline in 2013. The GRS and the PFRS will be required to make annual supplemental payments to these pensioners equal to the lesser of (a) the amount needed to restore such pensioner's benefits to the amount received in 2013 or (b) the amount needed to bring such pensioner's annual household income up to 130% of the 2013 Federal Poverty Guideline.

In addition, to the extent any such pensioner's annual household income in any year is less than 105% of the Federal Poverty Guideline for that year, the City must make an additional payment to that pensioner equal to the lesser of (a) 100% restoration of pension benefits, including escalators and inflation adjustments, or (b) the amount needed to bring that pensioner's annual household income up to 105% of the Federal Poverty Guideline for that year.

The proceeds of the Stub UTGO Bonds, described in part III.K. below, will be used to help fund the income stabilization program.

The PFRS and the GRS must keep separate recordkeeping sub-accounts for the purpose of making payments under and crediting assets to the income stabilization program, including the proceeds of the Stub UTGO Bonds. In 2022, if the investment committee of either GRS or PFRS determines that the sub-account for its system is more than fully funded to meet all future liabilities for income stabilization payments, it may recommend that the excess assets, but not more than \$35 million, be used to fund the restoration of pension benefits.

In exchange for the State Contribution, the parties will cease all litigation challenging Public Act 436 (2012) or seeking enforcement of article IX, § 24 of the Michigan constitution relating to pension benefits. In addition, each holder of a pension claim, regardless of whether such holder voted in favor of the plan, must release the State and its related entities from all liabilities arising from or related to the City, the chapter 9 case, PA 436 or article IX, § 24 of the Michigan constitution.

3. The State Contribution Agreement Is Fair and Equitable

In determining the reasonableness of this settlement, the Court must analyze two issues: (1) whether the State Contribution is reasonable in amount under the circumstances, and (2)

whether the release of liabilities against the State and its related entities, who are third parties in this bankruptcy case, is necessary, appropriate and reasonable.

**a. The State Contribution Agreement Is
Reasonable in Amount**

The claims settled by the State Contribution Agreement are not frivolous. The obligation not to impair municipal pensions established in the Michigan constitution is absolute. Moreover, the State is in a much better position than individual retirees to enforce that obligation. There is, nonetheless, no precedent for such a claim. Therefore, judging the likelihood that this claim would be successful is challenging.

If the claim were successful, the State would be responsible for the City's pension underfunding, potentially in the neighborhood of \$3 billion. The State might also then be responsible for the entire unfunded liability of every municipality in the state. Needless to say, this would be disastrous for the State. Indeed, the litigation would be high-risk for all concerned. In addition, any litigation of the claim would be lengthy, complex and expensive.

In settlement of a claim against the State valued at potentially \$3 billion, the State's contribution is \$194.8 million. The many skilled and capable representatives of the pension creditors have concluded that the State Contribution Agreement is fair. They recommended it to their pension creditors, who, in turn, voted strongly to support the plan and to release their potential litigation claims, as discussed in part VI below.

In the circumstances, the Court finds that the State's monetary contribution in the State Contribution Agreement is reasonable, although perhaps at the lowest end of the range of reasonable settlements.

b. The Releases in the State Contribution Agreement Are Reasonable

As noted, under the State Contribution Agreement and the plan, each holder of a pension claim releases the State and its related entities from all liabilities arising from or related to the City, this case, PA 436, or article IX, § 24 of the Michigan constitution. Several parties maintain their objections to these releases.

In *Class Five Nevada Claimants v. Dow Corning Corp. (In re Dow Corning Corp.)*, 280 F.3d 648 (6th Cir. 2002), the Sixth Circuit addressed the circumstances in which releases are permitted in a chapter 11 plan.⁷ In that decision, the Sixth Circuit held that it is “not inconsistent with the Code” for a bankruptcy court to enjoin “a non-consenting creditor’s claim against a non-debtor.” *Id.* at 658. The court explained the basis for this conclusion:

[B]ankruptcy courts, “as courts of equity, have broad authority to modify creditor-debtor relationships.” *United States v. Energy Resources Co.*, 495 U.S. 545, 549, 110 S. Ct. 2139, 109 L. Ed. 2d 580 (1990). For example, section 105(a) of the Bankruptcy Code grants a bankruptcy court the broad authority to issue “any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). This section grants the bankruptcy court the power to take appropriate equitable measures needed to implement other sections of the Code. *See In re Granger Garage, Inc.*, 921 F.2d 74, 77 (6th Cir. 1990).

Consistent with section 105(a)’s broad grant of authority, the Code allows bankruptcy courts considerable discretion to approve plans of reorganization. *Energy Resources Co.*, 495 U.S. at 549, 110 S. Ct. 2139. Section 1123(b)(6) permits a reorganization plan to “include any . . . appropriate provision not inconsistent with the applicable provisions of this title.” 11 U.S.C. § 1123(b)(6). Thus, the bankruptcy court, as a forum for resolving large and complex

⁷ Another release in the plan is also the subject of objections. Specifically, the § 1983 creditors object to the provision in the plan that would release officers of the City from claims against them in their individual capacity under 42 U.S.C. § 1983. Relying on the discussion of *Dow Corning* here, the Court sustains that objection in part X.J.2.c. below.

mass litigations, has substantial power to reorder creditor-debtor relations needed to achieve a successful reorganization.

Id. at 656.⁸

The court cautioned, however, “Because such an injunction is a dramatic measure to be used cautiously, we follow those circuits that have held that enjoining a non-consenting creditor’s claim is only appropriate in ‘unusual circumstances.’” *Id.* at 658. The Court then announced the seven elements that must be met for granting a third-party release:

We hold that when the following seven factors are present, the bankruptcy court may enjoin a non-consenting creditor’s claims against a non-debtor: (1) There is an identity of interests between the debtor and the third party, usually an indemnity relationship, such that a suit against the non-debtor is, in essence, a suit against the debtor or will deplete the assets of the estate; (2) The non-debtor has contributed substantial assets to the reorganization; (3) The injunction is essential to reorganization, namely, the reorganization hinges on the debtor being free from indirect suits against parties who would have indemnity or contribution claims against the debtor; (4) The impacted class, or classes, has overwhelmingly voted to accept the plan; (5) The plan provides a mechanism to pay for all, or substantially all, of the class or classes affected by the injunction; (6) The plan provides an opportunity for those claimants who choose not to settle to recover in full and; (7) The bankruptcy court made a record of specific factual findings that support its conclusions.

Id.

Initially, the City makes the interesting argument that *Dow Corning* is inapplicable in a chapter 9 case because § 901 does not incorporate § 524(e) in chapter 9. Section 524(e)

⁸ In *In re Valley Health System*, 429 B.R. 692, 714 n.57 (Bankr. C.D. Cal. 2010), the court suggested in dicta, “Section 105(a) is not applicable to chapter 9 cases.” This is mistaken. Section 103(f) states, “Except as provided in section 901 of this title, only chapters 1 and 9 of this title apply in a case under such chapter 9.” Because § 105 is in chapter 1, it does apply in a chapter 9 case. As a result, the statutory premise on which *Dow Corning* authorized third party releases in chapter 11 case also applies in chapter 9.

provides, “discharge of a debt of the debtor does not affect the liability of any other entity on, or the property of any other entity for, such debt.” In support, the City cites *In re Connector 2000 Ass’n, Inc.*, 447 B.R. 752, 767 (Bankr. D.S.C. 2011). The argument is based on the premise that it is the application of § 524(e) in chapter 11 cases that compels courts to be cautious about approving third-party releases.

The Court rejects this argument. *Dow Corning* explicitly concluded that § 524(e) is no obstacle to third-party releases:

However, this language [of § 524(e)] explains the effect of a debtor’s discharge. It does not prohibit the release of a non-debtor. *See In re Specialty Equip. Co.*, 3 F.3d 1043, 1047 (7th Cir. 1993) (“This language does not purport to limit or restrict the power of the bankruptcy court to otherwise grant a release to a third party.”); *Republic Supply Co. v. Shoaf*, 815 F.2d 1046, 1050 (5th Cir. 1987); *In re A.H. Robins Co.*, 880 F.2d [694] at 702 [4th Cir. 1989].

280 F.3d at 657.

More than that, even if the inapplicability of § 524(e) in chapter 9 did, by itself, free a chapter 9 debtor to include third-party releases in its plan, such releases would still be subject to the other requirements of confirmation, including the requirements that the plan is proposed in good faith and that the releases in the plan are fair and equitable.

Accordingly, the Court rejects the City’s argument that *Dow Corning* is inapplicable in this case and will consider its guidance here.

Some courts have, however, tailored the seven *Dow Corning* elements to suit the needs of the case and have not required satisfaction of all seven factors. *See, e.g., Nat’l Heritage Found., Inc., v. Highbourne Found.*, No. 13-1608, 2014 WL 2900933, at *6 (4th Cir. June 27, 2014) (In denying a third-party release, the court noted, “A debtor need not demonstrate that every *Dow Corning* factor weighs in its favor to obtain approval of a non-debtor release. But . . . a debtor must provide adequate factual support to show that the circumstances warrant such exceptional

relief[.]”); *In re Friedman’s, Inc.*, 356 B.R. 758, 761-3 (Bankr. S.D. Ga. 2005) (approving a third-party release over objection without having specifically found that all seven *Dow Corning* factors were met).

It must be recognized that the *Dow Corning* holding is in the context of a chapter 11 business reorganization of a debtor beset by mass tort claims. Its direct application in a chapter 9 municipal debt adjustment case is therefore awkward and uncertain. Much debate could be had regarding which of the *Dow Corning* factors should apply in a chapter 9 case and whether any other factors should apply.

There is little case law applying the *Dow Corning* test in the chapter 9 context. However, the Court does find *Connector 2000* instructive and persuasive on this matter. In that case, a “public benefit corporation,” formed to assist the South Carolina Department of Transportation (“SCDOT”) in financing and operation of transportation facilities, filed a chapter 9 bankruptcy case. The plan of adjustment included broad releases of SCDOT in consideration for “significant concessions” by SCDOT. *Connector 2000*, 447 B.R. at 766.

The court found that the release of SCDOT met the *Dow Corning* standard. It held that the release was “an essential means of implementing the Plan; . . . an integral element of the settlements and transactions incorporated into the Plan; . . . fair, equitable, appropriate and reasonable; . . . confers material benefits on, and is in the best interests of, the Debtor and its creditors; . . . [and] is important to the overall objectives of the Plan to finally resolve all claims among or against the parties-in-interest in the case with respect to the Debtor” *Id.* at 768-69.

This Court concludes that the releases of the State and its related entities required under the State Contribution Agreement and the plan meet the *Dow Corning* standard as applied in

Connector 2000, and are reasonable, necessary and appropriate to implementation of the plan. The Court therefore approves them.

With regard to the *Dow Corning* analysis, the Court concludes:

First, there is an identity of interests between the City and the State. The City is a political arm of the State. It, like all municipalities in Michigan, was created to further the objectives of the State by providing for the health, safety and welfare of the State's residents. The City has no sovereign powers other than those conferred on it by the State. The protection of municipal pensions in the Michigan constitution binds both.

Second, the State is contributing substantial assets to the reorganization—\$194.8 million to classes 10 and 11.

Third, the release and injunction are essential to the reorganization of the City. Importantly, the Court observes that this element arises from the fundamental premise of *Dow Corning*—that a bankruptcy court's power to order a third-party release is based in its “power to reorder creditor-debtor relations *needed to achieve a successful reorganization*.” 280 F.3d at 656 (emphasis added). As noted, the Grand Bargain, which includes the State Contribution Agreement and the DIA settlement, is the cornerstone of the City's plan. *See, e.g.*, Trial Tr. 57:7-22, Oct. 2, 2014. (Dkt. #7878) The release of the State is a condition precedent to the effectiveness of the State Contribution Agreement and, thus, the DIA settlement. Without these settlements, several other creditor settlements would also collapse. In addition, the approximately \$816 million in outside funding provided as part of the Grand Bargain would not

be available.⁹ As discussed in part X.C.3. below, the DIA is essential to the City's continuing recovery and revitalization. Without the DIA settlement, the City might not be able to ensure that the DIA art would remain in the City or that the art would be protected from future creditor recoveries.

Fourth, the impacted classes have overwhelmingly voted to accept the plan. The non-consensual releases of the State in the State Contribution Agreement and the plan apply only to the pension creditors in classes 10 and 11. These classes voted in favor of the plan by 82% and 73%, respectively. *See* part VI below.

Fifth, the plan provides a mechanism to pay a substantial portion of the claims in the classes affected by the release—classes 10 and 11. The contributions by the State under the State Contribution Agreement, and by the DIA and the foundations under the DIA settlement, enable classes 10 and 11 to receive their recoveries. Without these contributions, the impairment to these classes would have been much more significant. *See* Disc. Stmt. at 17. (Dkt. #4391)

The sixth element of the *Dow Corning* test requires that the plan provide an opportunity for non-consenting creditors to recover in full. The City's plan does not have such a provision. Accordingly, this element is not met. The City argues that this element should not apply here because the release of liabilities is a condition precedent to receiving the State Contribution and the DIA funding. Therefore, there can be no "opt out" option for pension creditors. City's

⁹ As discussed in part III.E., under the DIA settlement, the DIA and certain donors and foundations will pay \$466 million to the GRS and the PFRS over 20 years. The State Contribution of \$194.8 million is payable immediately, but is considered to be the net present value of \$350 million paid over 20 years at a 6.75% discount rate. The amount payable over 20 years, therefore, would be \$816 million: \$466 million from the DIA settlement and \$350 million from the State Contribution. Although confusing, this is the amount that the parties commonly identify as the funding that the Grand Bargain makes available to the pension plans.

Consol. Pretrial Br. at 143. (Dkt. #7143) The Court concludes that it is unnecessary to determine whether this element applies here. Instead, it concludes that the other *Dow Corning* factors weigh so heavily in favor of approving the releases that it is appropriate to do so even if this element is not met.

Finally, regarding the seventh element, this opinion contains the specific findings of facts supporting the Court's conclusion that the non-consensual releases of the State and its related entities are appropriate.

Accordingly, the Court concludes that the plan meets the *Dow Corning* requirements for the approval of the releases that the State Contribution Agreement requires and that the plan proposes.

The Court additionally concludes that it is reasonable for the State to require these releases. Both the City and State need finality regarding the City's pension liabilities and the City's eligibility to file this chapter 9 case. Those are legitimate objectives in a chapter 9 case and these releases help to achieve those objectives. Thus, like in *Connector 2000*, the releases of the State and related entities here are "an essential means of implementing the Plan; . . . an integral element of the settlements and transactions incorporated into the Plan; . . . fair, equitable, appropriate and reasonable; . . . confers material benefits on, and [are] in the best interests of, the Debtor and its creditors; . . . [and are] important to the overall objectives of the Plan to finally resolve[s] all claims among or against the parties-in-interest in the case with respect to the Debtor" 477 B.R. at 768-69.

Consequently, under *Dow Corning* and *Connector 2000*, the Court approves the releases of the State and its related entities that are included in the State Contribution Agreement and in the plan.

The Court approves the State Contribution Agreement under bankruptcy rule 9019.

F. The DIA Settlement

1. The Dispute over the DIA Art

The second component of the Grand Bargain is the DIA settlement. One of the most contentious issues in this case has been the extent to which the bankruptcy code requires the City to sell or otherwise monetize the art at the DIA to pay creditors.

Several parties, including at times the City itself, have taken the position that the City holds title to several significant pieces of art in the DIA and has the right to sell them outright to pay its obligations to creditors. Several other parties, including the State Attorney General and the DIA, have taken the position that the art that the City purchased or that others contributed to it is held in public trust for the citizens of the City and the State, and cannot be sold to satisfy the City's debts.

2. The Terms of the DIA Settlement

The DIA settlement represents the full and final settlement of all disputes relating to the rights of all parties with respect to the DIA and the art.

By this settlement, the DIA pledges to secure and guaranty commitments for contributions of \$100 million from individuals, local foundations and the business community (collectively, the "DIA Funders"). From these contributions, the DIA will make payments of \$50 million each to the GRS and the PFRS over twenty years.

In addition, various other local and national foundations (collectively, the "Foundation Funders") have pledged to make payments totaling \$366 million over twenty years, to be divided equally between the GRS and the PFRS.

Upon the closing of the DIA settlement, the Foundation Funders will pay at least 5% of the amounts they have committed to pay, and the DIA and DIA Funders will pay at least \$5 million.

In exchange for these payments, the City has agreed to transfer all of its right, title and interest in the art to the DIA to be held in a perpetual charitable trust for the benefit of the people of the City and the State. This will be a permanent transfer, free and clear of all liens, encumbrances, claims and interests of the City or its creditors.

Also as a condition precedent to the continued payment commitments of the DIA, the DIA Funders and the Foundation Funders, the City is required to adopt and maintain certain pension governance mechanisms, including the creation of a review board and the production of annual reports. The requirements are intended to ensure acceptable fiscal practices and procedures for management and investment of pensions.

As a further condition of the commitments of the DIA Funders and Foundation Funders, the DIA will also provide an array of art programs at no cost or discounted cost to the residents of the State.

The retirement systems agree to waive and release any and all claims against the DIA Funders and Foundation Funders related to the DIA settlement or the City's commitment to make payments to the retirement systems. The DIA settlement also includes mutual indemnification provisions.

Most of the objections to the DIA settlement have been withdrawn as part of settlements reached with those objecting creditors. However, some objections that *pro se* pension creditors filed do remain. These objections assert that the City should be required to sell the DIA art so

that their claims can be paid in full. For the reasons stated in the next part and in part X.C.3. below relating to the best interests of creditors test, the Court overrules these objections.

3. The DIA Settlement Is Fair and Equitable

Two issues arise here. The first is whether the DIA settlement is a fair settlement. The Court will address that issue here. The second is whether the settlement, which is incorporated into the plan, is in the best interests of creditors as required by § 943(b)(7). The Court will address that issue in part X.C.3. below.

In determining the fairness of the DIA settlement, the Court must examine the strengths and weaknesses of the parties' positions.

The Michigan Attorney General and the DIA take the position that all of the art at the DIA is held in charitable trust for the benefit of the people of the State and so it cannot be sold to pay the City's debts. Trial Tr. 76:13-16, Sept. 18, 2014 (Dkt. #7634); Mich. Att'y Gen. Op. 7272 (June 13, 2013).

The DIA further asserts that the donors of many of the pieces of art imposed specific transfer restrictions on them. Trial Tr. 103:25-106:6, Sept. 18, 2014. (Dkt. #7634)

The City presented credible evidence that the Attorney General, the DIA itself and even many of its individual donors would vigorously challenge any attempt by the City to sell any of the art. *See, e.g.*, Trial Tr. 28:8-15, 30:3-12, Oct. 2, 2014. (Dkt. #7878)

Any sale could result in the cancellation of the tri-county millage taxes that support almost 70% of the DIA's operating budget. Trial Tr. 113:6-19, Sept. 18, 2014. (Dkt. #7634)

The DIA also presented credible historical documentary evidence in support of its position that the City holds the art in trust. Public Act 67 of 1919, which provided for the transfer of the DIA real property and its art from the Detroit Museum of Art (the predecessor to

the DIA) to the City, required that the “property so conveyed shall in the hands of said city be faithfully used for the purposes for which the [Detroit Museum of Art] was organized.” Ex. 286. In January 1920, after the 1919 transfer of the art, the trustees of the Detroit Museum of Art held a special meeting to determine its future. The minutes of that meeting reflect that the trustees believed the restrictions in PA 67 of 1919 “give assurance that the property cannot be used excepting for the same purposes as were provided for in the incorporation of the Detroit Museum of Art.” Ex. 269 at 4. At that same meeting, the trustees resolved to continue in existence to “encourage and receive in trust and to administer future gifts and legacies.” *Id.* at 5; *see also* Ex. 268 at 11 (minutes of meeting of City Arts Commission in 1961 noting that the purpose of the Founders Society, the successor to the Detroit Museum of Art, was to “assist the City of Detroit in the operation of the DIA and . . . to promote the people’s interest in and knowledge of art matters”).

Further, the recitals in the Operating Agreement between the City and the Founders Society dated May 15, 1984, first state that the City “has maintained and operated the DIA for over 60 years for the benefit of the citizens of the City and the State of Michigan.” It later states that the City would use state-allocated funds solely for the DIA, which was consistent with “the goal of continuing to benefit the citizens of the City and the State by preserving for their enjoyment the treasures of the DIA[.]” Ex. 281 at 1, 3.

Finally, the DIA’s current Collection Management Policy states that “the [DIA] must be ever aware of its role as trustee of the collection for the benefit of the public.” Ex. 267 at 11. Even the façade of the DIA itself, built by the City in 1927, states that it is “Dedicated by the People of Detroit to the Knowledge and Enjoyment of Art.” *See* Trial Tr. 101:4-13, Sept. 18, 2014. (Dkt. #7634)

This is strong evidence that the DIA was founded for the benefit of the residents of the City and the State, that the City believed that this was the case when the City received title to the art in 1919, and that the City has treated the DIA as a public trust for over one hundred years.

The evidence further establishes that nationally accepted standards for museums prohibit the de-acquisition of art to pay debt. Annmarie Erickson, the executive vice president and chief operating officer of the DIA, testified that the DIA is a member of the Association of Art Museum Directors (the “AAMD”), which represents over one hundred sixty art museums throughout the United States, Canada and Mexico. The AAMD standards provide that “proceeds from the sale of accessioned works of art by an art museum be used only to replenish the collection through the acquisition of other works of art.” Ex. 273 at 2. A violation of this standard “will be considered a serious breach of professional responsibility and sanctions may be recommended by a vote of the members of [AAMD]. The imposition of sanctions or penalties may mean suspension of all professional interchange, including loans and shared exhibitions.” *Id.* at 3. This standard refers to the prohibition of the sale of art to pay operating expenses of a museum. However, Ms. Erickson testified that the standard would also apply to the sale of art for the purpose of paying City debt. Trial Tr. 114:16-115:19, Sept. 18, 2014. (Dkt. #7634) Accordingly, it is likely that if the City sold any of its art to pay its debts, the national and international art community would refuse to do business with the DIA. Trial Tr. 29:17-23, Oct. 7, 2014 (Dkt. #7878); Trial Tr. 115:2-19, Sept. 18, 2014. (Dkt. #7634)

Further, the City presented credible evidence that de-accessing many highly valuable pieces at the same time would flood the art market and could cause prices to fall significantly. Trial Tr. 112:5-9, Sept. 16, 2014 (Dkt. #7618); Trial Tr. 14:19-15:18, Sept. 18, 2014. (Dkt.

#7634) Consequently, there is no guaranty that the City would achieve the high returns that many creditors asserted.

On the other hand, the creditors did submit substantial evidence and legal grounds to support the contrary view that the City can legally sell or monetize the DIA art. For example, the current DIA Operating Agreement states that “[t]he *City* shall retain title to and ownership of the (a) *City art collection* and (b) the *DIA properties*.” Ex. 254 at 15 (italics in original).

On balance, the Court concludes that in any potential litigation concerning the City’s right to sell the DIA art, or concerning the creditors’ right to access the art to satisfy their claims, the position of the Attorney General and the DIA would almost certainly prevail.

However, the evidence also establishes that any such litigation would take years to conclude and would be costly to pursue. It also would be difficult for the City to endure that delay and expense while at the same time attempting to revitalize itself.

In addition, because of the DIA settlement and the Grand Bargain, the GRS and the PFRS will receive \$816 million in outside funding that would not be available to them otherwise.

The Court therefore concludes that the DIA settlement was a most reasonable and favorable settlement for the City and its pension creditors. The Court overrules any remaining objections and approves the settlement under bankruptcy rule 9019.

G. The Pension Global Settlement

The final component of the Grand Bargain is the global settlement of pension-related issues, including the treatment of claims relating to the UAAL of the GRS and the PFRS.

1. The Terms of the Pension Global Settlement

The GRS, the PFRS and the retiree committee, on one hand, and the City, on the other hand, aggressively disputed the pension plans' UAAL. The GRS and PFRS reported that as of June 30, 2013, the GRS was 70% funded and the PFRS was 89.3% funded with a combined total UAAL for both retirement systems of only \$1.5 billion. Disc. Stmt. at 105. (Dkt. #4391) The City claimed that the UAAL is actually \$2 billion for the GRS and \$1.4 billion for the PFRS, for a total of \$3.4 billion. *Id.* at 107.

a. The Treatment of Pension Claims

As part of the settlement, the parties agreed to an allowed aggregate UAAL claim of \$1.25 billion for the PFRS and \$1.879 billion for the GRS.

Because of the Grand Bargain, the GRS and the PFRS will receive \$816 million in outside funding that would not have been available to them otherwise. Consequently, the pension reductions for retirees on account of the UAAL are now significantly less than the City had originally concluded would be necessary.

For PFRS pension claims, the accrued pension amount will not be reduced. However, the annual cost of living adjustment ("COLA") will be reduced to 45% of the amount provided in pre-petition collective bargaining agreements.

For GRS pension claims, the accrued pension amount will be reduced by 4.5% and COLAs will be eliminated. Some GRS retirees will also be subject to the terms of an annuity savings fund ("ASF") recoupment. Some of those GRS retirees have objected to this ASF recoupment. The Court addresses this issue separately in part III.H. below.

Because of the outside money committed as part of the Grand Bargain, the City will have little responsibility for funding the GRS and the PFRS through June 2023. During that time

period, the PFRS will be funded exclusively from contributions from the DIA, the DIA Funders, the Foundation Funders and the State under the Grand Bargain, as described previously.

Through 2023, GRS funding will come from: (a) the DWSD; (b) a portion of the contributions from the State, the DIA, the DIA Funders, and the Foundation Funders as part of the Grand Bargain, (c) the proceeds from the Stub UTGO Bonds as part of the UTGO settlement, described in part III.K. below, and (d) certain revenues from City departments, (e) the Detroit Public Library and (f) the Detroit Regional Convention Facility Authority.

In addition, the parties agree that the pension plans in effect on the petition date will be frozen as of July 1, 2014. Active employees continuing to work for the City after July 1, 2014, will have benefits accrue under new hybrid pension plans. The pension formulas contained in the new hybrid plans are less generous than those in the prior plans.

b. Restoration of Pension Benefits

As part of the settlement, the parties agree upon certain provisions for the restoration of pension benefit payments if funding levels for the retirement systems exceed certain targets. Through 2023, the funding targets for purposes of benefit restoration are 75% for GRS and 78% for PFRS. *See* Disc. Stmt. at 19-23 (Dkt. #4391); Plan, Exs. II.B.3.q.ii.C. and II.B.3.r.ii.C. (Dkt. #8045) If at any time these targets are exceeded, the amount by which the targets are exceeded will be credited to a restoration reserve account. When the assets credited to the restoration reserve account can fully fund certain percentages of the reduced benefits (for example, when the GRS reserve account can fund 0.5% of the 4.5% benefit reduction), restoration payments will begin. As more money becomes available in the restoration reserve accounts, more benefits will be restored. If funding levels for the retirement systems drop, money in the restoration reserve accounts may no longer be available and restoration payments will be suspended.

c. Governance and Oversight

As described previously, the parties have agreed to establish investment committees for the PFRS and the GRS as required by the State Contribution Agreement. The retiree committee has also agreed to defer to the retirement systems, the City and the State regarding post-effective date governance of the prior pension plans and restoration mechanics.

The parties have further agreed that until June 30, 2023, the boards of trustees of each system will adopt and maintain an investment return assumption and discount rate of 6.75% for purposes of determining the assets and liabilities of the pension systems.

The plan also includes a provision that all parties are enjoined until June 30, 2023 from making any amendment to the terms, conditions and rules of operation of the GRS and the PFRS relating to the calculation of pension benefits, the selection of investment return assumptions, or the contributions to the pension systems.

The City has also set certain targets at which the UAAL for the GRS and the PFRS must be funded. For 2023, the funding targets are 70% for the GRS and 78% for the PFRS. For 2053, in 40 years, the targets are 100% for each. Ex. 723.

Finally, the retiree committee has agreed that it will support the plan and advise retirees to vote in favor of the plan. The committee further agreed to suspend its appeal of the Court's eligibility order and to dismiss the appeal upon the effective date of the plan.

The pension classes voted to accept the plan by 82% in class 10 (PFRS) and 73% in class 11 (GRS).

2. The Pension Global Settlement Is Fair and Equitable

Despite these strong votes in favor of the plan, the treatment of pension claims in the City's plan has been a significant issue in this case. In the Court's eligibility opinion, it held that because of the Bankruptcy Clause of the U.S. Constitution, the federal bankruptcy power could be used to impair pension rights in this case, even if the Michigan constitution protects them. *In re City of Detroit, Mich.*, 504 B.R. 97, 150-54 (Bankr. E.D. Mich. 2013). The Court stands by that decision.

Here at the confirmation stage, the Court must determine whether the plan's treatment of pension claims meets the legal requirements for plan confirmation and settlement approval. The plan confirmation issues include good faith, best interests of creditors, feasibility and others. The Court addresses these questions separately in other parts of this opinion. The Court will now address whether the pension settlement is a reasonable settlement under bankruptcy rule 9019.

Despite the acceptance of the plan by the pension classes, a significant number of pension creditors still strongly oppose the impairment of their pension rights. They believe and assert in their many objections that under the Michigan constitution, their pension rights are not subject to impairment. They credibly state that they worked hard for the City, that they did nothing wrong, and that these pension impairments will cause them real hardship. Some also argue that the pension impairments in the plan are unnecessary because the pension plans are in fact fully funded. They further argue that if the pension plans are underfunded, as the City asserts, the City should sell the art at the DIA or other City assets. As discussed in part II.D. above, many of these objecting parties took the time to come to court to give a strong, sincere and personal voice to their objections.

The Court, however, finds that the pension settlement is a reasonable settlement and overrules those objections to the plan and to the pension settlement.

Several representatives of the pension classes appealed this Court's eligibility decision. The City, of course, takes the position that the eligibility decision was correct and should be affirmed. To determine the reasonableness of the settlement, it is incumbent upon this Court to estimate the parties' likelihood of success of the appeal. That is challenging here. The issue of whether pensions can be impaired in bankruptcy despite state constitutional protection is a novel one. However, this Court believes that its reasoning in the eligibility decision is sound. The Court therefore estimates that the pension creditors' chances of success on appeal would be in the range of 25%.

The next step is to determine each side's best-case scenario. For the City, that would plainly be to prevail on appeal and to continue in this chapter 9 case. For the pension creditors, however, the best-case scenario is much less clear. The City presented convincing evidence at the confirmation hearing that it would have no ability to pay the UAAL even if the pension creditors were to prevail on appeal. Gaurav Malhotra, an expert on restructuring and financial analysis at Ernst & Young, LLP, testified that without restructuring, the City would have a \$4 billion deficit over the next ten years, or \$390 to \$400 million per year, due largely to the City's unsustainable legacy costs. Trial Tr. 71:10-13, Sept. 29, 2014 (Dkt. #7819); Ex. 109 at 6.

It is therefore a vast understatement to say that the pension settlement is reasonable. It borders on the miraculous. No one could have foreseen this result for the pension creditors when the City filed this case. Without the outside funding from the Grand Bargain, the City anticipated having to reduce pensions by as much as 27%. Disc. Stmt. at 17. (Dkt. #4391) The

pension reductions in the pension settlement are minor compared to any reasonably foreseeable outcome for these creditors without the pension settlement and the Grand Bargain.

At the same time, the Court recognizes that even these relatively minor pension reductions will cause real and, in some cases, severe hardship. However, this bankruptcy, like most, requires shared sacrifice because the City is insolvent and desperately needs confirmation of this plan to fix its future.

As noted, a substantial majority of both classes 10 and 11 voted in favor of the City's plan and accepted the necessity of shared sacrifice for the common good of the City. That collective judgment is entitled to substantial consideration here.

Accordingly, the Court finds that the pension settlement is reasonable and approves it.

H. The Annuity Savings Fund Recoupment Settlement

In the City's long-standing Annuity Savings Fund program, GRS employees could voluntarily contribute a percentage of their gross pay to a separate pension account. The GRS then invested these ASF contributions with the other GRS assets that the City contributed or that the GRS earned on its investments. Each participant's ASF account increased in value based on the participant's contributions and the interest that the GRS credited to that account.

1. The Dispute Over the Excess ASF Credits

For many years, the GRS credited interest in each participant's ASF account at the assumed rate of return even when the actual rate of return was less.

The City claims that this diversion of assets increased the GRS UAAL. It therefore contends that recoupment of the excess interest from the ASF participants is necessary and

appropriate to offset the increased UAAL. That recoupment in turn reduces the pension cuts to the GRS retirees. The City calculates that the total of this claim is approximately \$387 million.

The ASF participants assert that there is no basis for recoupment.

2. The Terms of the ASF Settlement

The parties have settled this issue as part of the global pension settlement. The City and the retiree committee have agreed that the ASF recoupment amount for each retiree will be limited to the total amount of excess interest that was credited between July 1, 2003, and June 20, 2013. The GRS will amortize each ASF participant's recoupment amount over the participant's life expectancy with interest at 6.75%, to be deducted from the participant's monthly pension check or ASF account. In no event will the total ASF recoupment from any participant exceed the amount necessary to amortize the ASF excess amount calculated for the participant at 6.75% interest. Each ASF participant will have the option to pay the ASF recoupment amount in a single lump sum cash payment.

The parties also agreed upon limitations on the ASF recoupment. The ASF recoupment will be capped at 20% of the highest value of each participant's ASF account between July 1, 2003, and June 30, 2013. An additional cap limits the combined pension reduction and ASF recoupment for each participant to 20% of such participant's annual pension.

The City anticipates that this settlement will result in an additional \$190 million for the GRS. City's Consol. Resp. to Certain *Pro Se* Objections, ¶ 8 at 9. (Dkt. #7303) This is approximately 49% of the City's ASF claim.

3. Objections to the ASF Settlement

Several GRS participants object to the ASF recoupment in the plan. These include: Hassan Aleem (Dkt. #5057); George Cannon (Dkt. #5126); Roger N. Cheek (Dkt. #5947); Jamie S. Fields (Dkt. #4404); Michael J. Karwoski (Dkt. ##5089 and 5923); Mattie D. Pritchett (Dkt. #5887); John P. Quinn (Dkt. #5723); Dennis Taubitz (Dkt. #5971); Gerald G. Thompson (Dkt. #3352); Jean Vortkamp (Dkt. #4578); Mary Jo Vortkamp (Dkt. #4579); Steven Wojtowicz (Dkt. #6870); and Demetria Wright (Dkt. #5795). They argue:

1. The ASF recoupment violates the applicable statute of limitations.
2. Under state law, the City's recoupment claim has no merit.
3. They did nothing that justifies imposing this liability on them.
4. The GRS board of trustees did nothing wrong and was acting within its complete discretion under Sections 47-2-17 and 47-2-18 of the Detroit City Code by allocating the excess interest payments to ASF participants.
5. The City has no standing to assert the recoupment claim.
6. They do not consent to the lesser treatment of their pension claim in class 11 that results from the recoupment.
7. The treatment of the City's recoupment claim in the plan violates their right to be heard on the merits.
8. The City did not properly disclose the 6.75% interest rate.
9. The 6.75% interest rate is illegal, usurious and unfair.
10. The Court should carve the ASF settlement out of the plan and then approve the plan.
11. The ASF recoupment proposes a seizure of the assets of creditors holding class 11 claims without due process of law because the City has not brought any action under bankruptcy or non-bankruptcy law that would provide a legal basis for ASF recoupment.
12. The ASF recoupment settlement in the plan constitutes an improperly asserted preference or fraudulent transfer action.

13. The City is precluded from recouping the ASF excess interest amounts because the City had knowledge of, or participated in, the allocation of these amounts to the ASF participants.
14. As a result of the imposition of the 6.75% interest rate to annuitize the ASF excess amounts, amounts recovered from ASF distribution recipients will “greatly exceed” the ASF recoupment cap, which is 20% of the highest value of the ASF distribution recipient’s annuity savings account during the ASF recoupment period.

4. The ASF Settlement Is Fair and Equitable, and Does Not Violate the Bankruptcy Code

The ASF recoupment settlement is a part of the global pension settlement and therefore a part of the Grand Bargain. It is also a part of the City’s plan. The bankruptcy code provides that a class of claims accepts a plan “if such plan has been accepted by creditors . . . that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors . . . that have accepted or rejected such plan.” 11 U.S.C. § 1126(c). Although there are dissenting creditors in class 11, “[i]n a Chapter 9 [case], dissenting creditors in an accepting class are bound by the accepting vote of the other members.” *In re City of Colorado Springs Spring Creek Gen’l Improvement Dist.*, 187 B.R. 683, 690 (Bankr. D. Colo. 1995).

The Court, therefore, has only two issues to consider. The first is whether the settlement is fair and equitable. The second is whether the plan provisions that incorporate the ASF settlement violate the bankruptcy code.

It is not for the Court to rule on the merits of the City’s ASF recoupment claim. Nor is it for the Court to rule on the merits of the participants’ defenses to that claim. The Court only reviews the parties’ respective positions to determine whether the settlement is fair and equitable.

The Court finds that the City’s recoupment claim would quite likely succeed. As noted, the practice was to credit interest in each participant’s ASF account at the assumed rate of return even when the actual rate of return was less. The legal authority of the GRS board to do that is

doubtful. The prudence of the practice is even more doubtful. The practice ignored the practical reality that over the long term, the GRS needs to retain its earnings that exceed the assumed rate of return to offset the earnings shortfalls that result when the actual rate of return is less than the assumed rate of return. The City's claims of breach of fiduciary duties and diversion of assets are therefore quite strong. Its claim that recoupment against ASF participants is the proper equitable remedy is also quite strong.

On the other hand, the Court considers that the asserted defenses have less merit.

On balance, it appears that the City's recoupment claim would have a reasonable likelihood of success, in the range of 60-70%.

However, the length, complexity and expense of litigation would be substantial. If the City prevails, issues of collectability against ASF participants could also be substantial, depending upon the structure of the final judgment.

The Court also considers that this settlement is part of the much larger settlement of all pension-related issues. The class of claims affected by the settlement, class 11, accepted the settlement by a vote of 73%. Finally, the Court notes that the caps and other limitations on the recoupment amount that the parties negotiated should reduce the hardship of it.

Fairly weighing these factors suggests that the ASF recoupment settlement is well within the range of possible reasonable settlements. The Court, therefore, overrules the objections and finds the ASF recoupment portion of the pension settlement is fair and equitable. The Court further concludes that nothing about the ASF settlement violates the bankruptcy code.

I. The OPEB Settlement

In addition to their pension claims, retirees also have claims against the City for loss of other post-employment benefits (“OPEB claims”) including post-employment health, vision, dental, life and death benefits. These OPEB claims constitute class 12 in the plan.

1. The Disputes Over the OPEB Claims

The amount of the City’s outstanding obligation related to OPEB claims has been the subject of intense dispute, described more fully below. However, all estimates put the liability in the multi-billion dollar range. OPEB claims represent the single largest portion of the City’s unsecured debt obligation. Trial Tr. 11:5-9, Oct. 2, 2014. (Dkt. #7878)

In early 2014, the City notified its retirees that it would drastically change the healthcare plans that it offered to them, resulting in significantly lower benefit payments. In response, the retiree committee filed an adversary proceeding against the City seeking an injunction to prohibit it from unilaterally changing the healthcare benefits that it provided to retirees. The committee asserted largely equitable grounds relating to the hardship that terminating these benefits would naturally cause retirees. There did not appear to be any substantial legal grounds for the requested relief. *See, Complaint, Official Comm. of Retirees v. City of Detroit (In re City of Detroit)*, No. 13-05244 (Bankr. E.D. Mich. Oct. 22, 2013). (Dkt. #1)

The City and the retiree committee disputed the present value of the OPEB claims. The City estimated the amount of the claim to be roughly \$3.77 billion. The retiree committee estimated it to be approximately \$5 billion. City’s Consol. Reply to Certain Objections to Confirmation of Fourth Am. Plan at 13. (Dkt. #5034) The difference in the estimated values of the claim is the result of differing actuarial assumptions and discount rates that the parties used. *Id.*

The City and the retiree committee also disagreed on the characterization of payments that the City made on OPEB benefits after the City filed this case. The City's position was that these payments were a partial satisfaction of the OPEB claim and should reduce the amount of New B Notes that, under the plan, would be distributed on account of the allowed OPEB claim on a dollar-for-dollar basis. The retiree committee argued that the payments should be ignored for purposes of calculating the OPEB claim amount. *Id.* at 14.

2. The Terms of the OPEB Settlement

The City and the retiree committee reached a settlement of their disputes related to the OPEB claim as part of the pension global settlement.

Pursuant to the settlement, the total allowed amount of the OPEB claim is fixed at \$4.303 billion—\$2.208 billion for PFRS retirees and \$2.095 billion for GRS retirees.

In addition, the City and retiree committee have settled on the treatment of the OPEB claim. The City will establish VEBAs for the PFRS and the GRS. On the effective date, the City will distribute \$232 million in New B Notes to the PFRS VEBA and \$218 million in New B Notes to the GRS VEBA. The retiree committee also negotiated an improved interest rate for the New B Notes—4.0% for the first twenty years and 6.0% for the last ten years. The New B Notes have a thirty-year maturity.

The City will also distribute \$42.7 million in New B Notes to the VEBAs from the Excess New B Notes. As described in part III.M. below, the Excess New B Notes are a result of the settlement agreements with holders of class 9 claims.

The start-up costs for the VEBAs will be funded by: (1) \$8 million from a reserve fund held in the currently existing benefits plans; (2) approximately \$3.5 million from charitable contributions; (3) an advance of the interest payment on the Excess New B Notes due in October

of 2015; and (4) \$18 million in grants from various local foundations and the Detroit Benefits Board. Ex. 720; *see also* Letter Agreement with Retiree Committee at 2-3, Nov. 4, 2014. (Dkt. #8183)

The VEBAs will provide health benefits, including life insurance, to retirees and certain of their beneficiaries and dependents. Each VEBAs will be governed by boards of trustees that will be responsible for the management of its assets, for its administration, and for determining the beneficiaries' benefits.

As a result of this settlement and the creation of the VEBAs, the City will have no further responsibility to provide retiree healthcare or other benefits for retirees. Further, the City will have no responsibility to provide life insurance or death benefits to current or former employees. The current death benefit plan will be frozen and will be self-liquidating. Any existing retirees who participate in the death benefit plan will be given a one-time opportunity to receive a lump sum distribution of the present value of the actuarially determined death benefit.

The plan treats the OPEB claim in class 12. The estimated recovery for the class 12 OPEB claim is 10%. Class 12 accepted the plan by over 88%.

3. The OPEB Settlement Is Fair and Equitable

The City contends that the OPEB settlement is fair and reasonable for several reasons. First, the City believes that the settlement avoids protracted and expensive litigation to resolve intense factual and legal disputes. Second, the City asserts that, given the range of estimated OPEB claim values between \$3.771 billion and \$5 billion, the settled allowed claim amount of \$4.303 billion is reasonable. Lastly, the City argues that the settlement is in the best interests of the City and its creditors because it settles one of the City's largest liabilities and at the time, allowed the City to bring the bankruptcy closer to its conclusion.

The Court agrees that litigation to resolve the amount of the City's OPEB liability would be complex, lengthy and very expensive. Resolution of the litigation would turn largely on actuarial opinion testimony with extensive discovery regarding multiple competing experts. Disc. Stmt. at 15. (Dkt. #4391) The evidence would be intensely fact-specific. Trial Tr. 18:1-5, Oct. 2, 2014. (Dkt. #7878) As the City points out, any litigation could also involve resolution of other fact-intensive issues, such as retiree census data and the proper discount rate to be applied to liabilities. Disc. Stmt. at 152. (Dkt. #4391)

The outcome of any potential litigation to resolve the claim would be uncertain. The City's view that the retiree committee would zealously oppose the City's position is justified. Trial Tr. 17:12-15, Oct. 2, 2014. (Dkt. #7878) It is also significant that the City would be responsible for the committee's professional fees in any such litigation. A settled claim amount that falls almost exactly midway between the disputed values is therefore reasonable.

The Court also finds that creation of the VEBAs to address the OPEB claim is reasonable. The City presented evidence that, without restructuring, OPEB liabilities would account for as much as 26% of expenditures from the City's general fund by the year 2023. Trial Tr. 177:10-13, Oct. 1, 2014 (Dkt. #7850); Ex. 721. Such a large liability would destroy the City's ability to make the financial and operational changes necessary to provide adequate municipal services.

The City's evidence also shows that transferring the OPEB legacy costs to the VEBAs will reduce the City's obligation to a much more manageable 3% of general fund expenditures over the next 30 years. Trial Tr. 173:21-174:15, Oct. 1, 2014 (Dkt. #7850); Ex. 721.

Accordingly, the Court finds that the OPEB settlement is reasonable and approves it.

J. The 36th District Court Settlement

Although the 36th District Court is a separate legal entity from the City, under state law, the City is required to fund the operations of the court. Mich. Comp. Laws §§ 600.8103 and 600.8104. When the City filed this bankruptcy case, the 36th District Court was defending various employment-related claims. Because the City is required to fund the 36th District Court, it would ultimately be liable for the payment of any judgments against the 36th District Court on those claims.

During the bankruptcy proceeding, the creditors with claims against the 36th District Court participated in arbitration and obtained awards in the aggregate amount of approximately \$14 million. Trial Tr. 58:14-17, 59:24-25, Oct. 2, 2014. (Dkt. #7878)

AFSCME is the bargaining agent for employees of the 36th District Court. AFSCME, the individual creditors and the 36th District Court itself filed proofs of claim related to the obligations arising from those arbitration awards.

The parties have settled. Under this settlement, the 36th District Court creditors are classified into class 17 and the aggregate liquidated allowed amount of their claims is fixed at \$6 million. The parties have agreed to settle the claims for a recovery of \$2 million (33%) and the 36th District Court will withdraw its proof of claim entirely with prejudice.

The 36th District Court creditors whose claims are less than \$100,000 will receive 33% of their allowed claim in cash. Creditors whose claims are more than \$100,000 will receive 33% of their allowed claims payable in five equal annual installments plus simple interest at a rate of 5% per year.

The parties have also agreed to release all of the claims that they may have against each other, except that AFSCME and some of the individual creditors do not release claims that they have against the 36th District Court related to certain identified pending proceedings. The City

has also agreed to carve out an exception to the broad third-party releases in the plan to allow the 36th District Court creditors to pursue actions against the State and its related entities with respect to the liabilities that the 36th District Court creditors assert to the extent that the plan does not satisfy those liabilities.

AFSCME and the individual creditors are deemed to have voted their respective claims in favor of the plan in the amounts established by the Order Regarding the Voting of Claims Relating to the 36th District Court. (Dkt. #5905)

The Court finds that this settlement is reasonable. The claims against the 36th District Court were obviously not frivolous, as they have been reduced to substantial awards in arbitration. Outside of bankruptcy, the City would be liable to pay those claims on behalf of the court. If the City had chosen instead to continue to contest those claims, the number of claims would have made the expense of the litigation significant. Trial Tr. 62:2-10, Oct. 2, 2014. (Dkt. #7878)

Settling the dispute for an allowed claim of \$6 million with an ultimate distribution of \$2 million is reasonable. Consequently, the Court approves the 36th District Court settlement.

K. The UTGO Settlement

Under Michigan law, the City is authorized to issue variable rate unlimited tax general obligation bonds (“UTGO Bonds”) with approval from voters. Each year, the City is required to levy sufficient *ad valorem* property taxes to pay the debt service on those bonds without limitation as to rate or amount. Mich. Comp. Laws § 141.2701(1).

When the City filed this case, it had as much as \$480 million in outstanding UTGO Bonds, including principal and accrued interest (“Prior UTGO Bonds”). The claims related to Prior UTGO Bonds are in class 8.

1. The Dispute Regarding the UTGO Bonds

On October 1, 2013, and April 1, 2014, the City defaulted on its obligation to make principal and interest payments on the Prior UTGO Bonds. On both occasions, Ambac Assurance Corp., Assured Guaranty Municipal Corp. and National Public Finance Guarantee Corp. (collectively, the “UTGO Bond Insurers”) paid bondholders’ claims on the defaulted payments under insurance policies held with them and became subrogated to the rights of those bondholders.

On November 8, 2013, the UTGO Bond Insurers filed adversary proceedings against the City seeking declaratory relief regarding their rights with respect to the Prior UTGO Bonds. *See* First Am. Compl. for Declaratory J., *Nat’l Pub. Fin. Guar. Corp. v. City of Detroit (In re City of Detroit)*, No. 13-05309 (Bankr. E.D. Mich. Dec. 23, 2013) (Dkt. #41) (“NPFG Complaint”); Am. Compl. for Declaratory J., *Ambac Assurance Corp. v. City of Detroit (In re City of Detroit)*, No. 13-05310 (Bankr. E.D. Mich. Dec. 23, 2013) (Dkt. #57) (“Ambac Complaint”).

The UTGO Bond Insurers contended that the Prior UTGO Bond debt should be subject to special treatment under the plan. They argued that because taxpayers specifically voted to approve the issuance of these bonds, the taxes levied to pay them are special revenues that can only be used to service the Prior UTGO Bond debt. NPFG Complaint, ¶¶ 83-86 at 33-34; Ambac Complaint, ¶ 77 at 35-36. The UTGO Bond Insurers also argued that they had statutory and contractual liens on the tax revenues. NPFG Complaint, ¶¶ 80-82 at 32-33; Ambac Complaint, ¶¶ 66-76 at 32-35. Finally, the UTGO Bond Insurers relied on various trust theories to argue that the City was simply a pass-through entity between the taxpayers and the bondholders. NPFG Complaint, ¶¶ 76-79 at 31.

The City disputed these claims, arguing that the Prior UTGO Bonds are general unsecured obligations. The City also argued that the UTGO Bond Insurers did not have standing

to seek relief under the Michigan Revised Municipal Act because that act does not provide a private right of action and because § 904 prohibits the bankruptcy court from interfering with the City's decisions regarding its property. *See, e.g.,* Br. in Supp. at 7-16, *in* City's Motion to Dismiss, Ex. 3, *Nat'l Pub. Fin. Guar. Corp. v. City of Detroit (In re City of Detroit)*, No. 13-05309 (Bankr. E.D. Mich. Dec. 23, 2013). (Dkt. #38)

2. The Terms of the UTGO Settlement

The City and the UTGO Bond Insurers entered into negotiations and reached a settlement of their disputes. The parties agreed to an allowed claim in the amount of \$388 million relating to the Prior UTGO Bonds.

Just under \$288 million of the Prior UTGO Bonds will be restructured and reallocated among the holders of the bonds ("Restructured UTGO Bonds"), as more fully described below. The Restructured UTGO Bonds represent a 74% recovery for holders of the Prior UTGO Bonds.

As part of the restructuring of the Prior UTGO Bonds, the City will issue to the Michigan Finance Authority ("MFA") an unlimited tax obligation bond (the "Municipal Obligation") on the same terms as the Prior UTGO Bonds and secured by a pledge of the UTGO Bond tax levy and certain distributable state aid that the City expects to receive. The MFA will then issue the Restructured UTGO Bonds on the same terms as the Municipal Obligation. These Restructured UTGO Bonds will be payable from and secured by the Municipal Obligation, the City's pledge of the UTGO Bond tax levy and the distributable state aid the City expects to receive. The Restructured UTGO Bonds will then be exchanged for roughly \$288 million of Prior UTGO Bonds. In this way, the Prior UTGO Bondholders will then hold bonds issued by the MFA that are secured by the payment rights associated with the UTGO Bond tax levy and a fourth lien on certain distributable state aid. Plan, Ex. I.A.285. (Dkt. #8045)

The distributable state aid will only be used to pay the Restructured UTGO Bonds if the collection and deposit of the UTGO Bond tax levy has not reached specified amounts by the dates on which installments of the distributable state aid are deposited into the City's accounts.

The remainder of the Prior UTGO Bonds (the "Stub UTGO Bonds") in the principal amount of roughly \$43 million will be reinstated and will be payable from the UTGO Bond tax levies. The holders' rights to payment of the Stub UTGO Bonds will be assigned to a designee of the City for use in funding the income stabilization program that is part of the State Contribution Agreement described in part III.E. above.

In exchange, the parties agree that upon confirmation of the plan, all litigation related to the Prior UTGO Bonds will be dismissed with prejudice and all proofs of claim filed with respect to the Prior UTGO Bonds will be deemed resolved and fully satisfied.

The parties also agree that the UTGO Bond Insurers will be included as exculpated parties under the plan. The parties further agree that they release each other from any and all liabilities related to the Prior UTGO Bonds or the adversary proceedings filed by the UTGO Bond Insurers.

3. The UTGO Settlement Is Fair and Equitable

The UTGO Bond Insurers' arguments, while novel, may have some merit. When the Prior UTGO Bonds were issued, the City had arguably reached its maximum statutory limitations for *ad valorem* taxes. Ambac Complaint, ¶ 34 at 16. However, because of voter approval for these specific bonds, the City was able to collect additional tax revenues to pay them. Further, Michigan law provides strict controls and limitations over use of *ad valorem* taxes that are levied to retire debt. *See, e.g.*, Mich. Comp. Laws § 141.2701(1)-(3). For example, the City is required to segregate the additional *ad valorem* taxes into separate accounts

and use those monies to pay the debt service on the Prior UTGO Bonds. Mich. Comp. Laws § 141.2701(1)(d)(i). The UTGO Bond Insurers argued that this created a statutory lien on the *ad valorem* taxes collected to service the Prior UTGO Bonds. The UTGO Bond Insurers also had at least a colorable argument that the City intended to pledge a security interest in the revenues from the *ad valorem* property taxes.

The City contested these claims and argued that the Prior UTGO Bonds were only general unsecured claims. *See, e.g.,* Br. in Supp. at 15-16, *in* City's Mot. to Dismiss the Complaint, Ex. 3, *Ambac Assurance Corp. v. City of Detroit (In re City of Detroit)*, No. 13-05310 (Bankr. E.D. Mich. Dec. 23, 2013) (Dkt. #53); City's Consol. Reply, ¶ 19 at 12 (Dkt. #5034).

Mr. Orr, the emergency manager for the City, testified that if the UTGO Bond Insurers had been successful in litigation, the City could have faced a large secured claim that could not be impaired in bankruptcy. This would also have precluded the City from access to the additional tax revenue. Trial Tr. 187:6-10, Oct. 1, 2014. (Dkt. #7850) In addition, Mr. Orr testified that the City could have been required to raise taxes if the UTGO Bond Insurers were successful in their arguments. *Id.* at 190:3-6.

This settlement resolves all issues relating to the UTGO Bonds in adversary proceedings 13-05309 and 13-05310. These cases had already been vigorously litigated before the settlement was reached and any further litigation would have been lengthy, complex and time consuming. The UTGO Bond Insurers were not only motivated to protect their claims in this proceeding but were also highly motivated to avoid any negative precedent that could be used by other municipalities with UTGO bond financing. *Id.* at 188:1-189:25.

For this reason, even a favorable outcome for the City in litigation could have had negative consequences for the City. The City may have lost access to the capital markets when it emerges from bankruptcy or it may been required to pay higher interest rates for bond debt. *Id.* at 191:1-8. The settlement avoids these potential outcomes.

The outcome of the litigation was not certain. If the Prior UTGO Bonds claims were determined to be general unsecured claims, the dividends on the UTGO bond claims would have been about 10%. On the other hand, if the UTGO Bond Insurers were successful in their arguments that their claims were secured, the dividend would likely have been 100%.

On balance, the Court finds that the City's chance of success on the merits of the litigation was a coin-toss. The Court concludes that the other circumstances do warrant the premium that the 74% recovery settlement reflects. Accordingly, the Court finds that this recovery is within the range of reasonable settlements, although perhaps at the upper end of that range.

The settlement is also beneficial to other creditors. The Stub UTGO Bonds will be assigned to the City for use in the income stabilization program to ensure that pension reductions do not force City retirees into poverty.

Class 8 accepted the plan by a vote of 87%.

The Court finds that the UTGO settlement is fair and reasonable, and approves it.

L. The LTGO Settlement

Michigan law also allows the City to issue limited tax obligation bonds ("LTGO Bonds"), payable from *ad valorem* tax revenues. Mich. Comp. Laws § 141.2101 *et seq.* Unlike UTGO Bonds, LTGO Bonds are subject to applicable charter, statutory or constitutional rate limitations. Mich. Comp. Laws § 141.2701(3). State law does require the City, however, to set aside enough

revenues from the *ad valorem* tax collections to pay LTGO Bonds as a “first budget obligation.”
Id.

1. The Dispute Regarding the LTGO Bonds

When the City filed this case, it had almost \$164 million in outstanding LTGO Bonds, including principal and accrued interest.

On October 1, 2013, and April 1, 2014, the City defaulted on its obligation to make interest payments on the LTGO Bonds. On both occasions, Ambac, insurer of two-thirds of the LTGO Bonds, paid claims on the defaulted payments and became subrogated to the rights of the bondholders. On November 8, 2013, Ambac filed a complaint against the City seeking declaratory relief regarding its rights with respect to the LTGO Bonds. *See* Ambac Complaint.

The City asserted that the LTGO claims are merely unsecured claims. *See, e.g.,* Br. in Supp. at 22-33, *in* City’s Mot. to Dismiss, Ex. 3, *Ambac Assurance Corp. v. City of Detroit (In re City of Detroit)*, No. 13-05310 (Bankr. E.D. Mich. Dec. 23, 2013). (Dkt. #83)

2. The Terms of the LTGO Settlement

The City, Ambac and BlackRock Financial Management, on behalf of certain managed funds and accounts holding uninsured LTGO Bonds, entered into negotiations and reached a settlement of their disputes. Under the settlement agreement, the City has the option either to issue new LTGO Bonds in the amount of \$55 million or to pay \$55 million in cash using exit financing. Mr. Malhotra testified that the City has elected to make the \$55 million cash payment. Trial Tr. 58:16-22, Oct. 21, 2014. (Dkt. #8098)

The LTGO Bond creditors will also receive \$17.3 million in Excess New B Notes from the class 9 settlement, described in part III.M. below.

As part of the settlement, Ambac has agreed to cease all litigation and the parties agree that the LTGO settlement resolves and fully satisfies all proofs of claim filed with respect to the LTGO Bonds. In addition, Ambac and BlackRock Financial Management will be considered exculpated parties under the plan. Finally, Ambac and the City agree to release each other from any and all claims related to the LTGO Bonds and the adversary proceeding that Ambac filed.

The plan classifies the LTGO Bonds claims in class 7. The total estimated recovery for holders of LTGO Bond claims is 41%. The class accepted the plan by a vote of 63%.

3. The LTGO Settlement Is Fair and Equitable

The Court finds that the LTGO settlement is reasonable. The parties' arguments are very similar in nature to those described in the UTGO section above.

The LTGO Bond creditors had the additional argument that they were entitled to priority over other unsecured claims because the City had to pay them as a "first budget obligation" under state law. Mich. Comp. Laws § 141.2701(3); Ambac's Obj. to Fourth Am. Plan at 27-31. (Dkt. #4677) The meaning of this obligation in the statute is unclear in a bankruptcy context. However, if the LTGO Bond creditors had been successful in this argument, the City could have been required to pay them before it paid for its operating expenses. Trial Tr. 203:3-6, Oct. 1, 2014. (Dkt. #7850)

The Court concludes that the City had a substantial likelihood of prevailing in the LTGO Bond litigation, perhaps a 75% chance. If the LTGO Bond claims were determined to be general unsecured claims, recovery for the LTGO creditors would be approximately 10%. If the LTGO Bond claims were found to have priority over other unsecured claims, the recovery would be 100%. Accordingly, a 41% recovery is well within the range of reasonable settlements.

As noted, the LTGO recovery is estimated to be 41% while the UTGO recovery is estimated to be 74%. The City's justification for this difference is that the LTGO Bond creditors had somewhat weaker arguments on the merits of their claims. Trial Tr. 9:12-10:1, October 2, 2014. (Dkt. #7878) For example, the LTGO Bond creditors could not point to a dedicated *ad valorem* tax stream that had been approved through voter referendum. In addition, the City felt that the state law requirement that the UTGO Bonds must be paid without limitation meant the UTGO Bondholders had a more robust position than the LTGO Bondholders. *Id.* Nothing in the record contradicts these conclusions and the Court finds that they are reasonable.

Consequently, the Court approves the settlement with the LTGO Bond creditors.

M. The Settlements Related to the Certificates of Participation

By 2005, the City had fallen behind in its constitutional and statutory requirements to make contributions to the PFRS and the GRS. At the time, the City did not have sufficient resources to fully fund its pension plans, and the amounts it needed to borrow would have exceeded the debt limits under the Home Rule City Act ("HRCA"), Mich. Comp. Laws § 117.1.

In an attempt to meet its funding obligations without violating the HRCA, the City entered into a series of complex financial transactions. First, the City created two service corporations and entered into contracts with them in which the City agreed to make payments to the service corporations (the "City Payments") for the service of helping the City with its funding obligations to the retirement systems (the "Service Contracts").

The service corporations then created two funding trusts to sell certificates of participation ("COPs") in the City Payments. In order to make the COPs marketable to

investors, the City sought out monoline insurers, including FGIC and Syncora, to issue policies guaranteeing the payments of principal and interest on certain of the COPs.

The proceeds from the sale of the COPs were remitted by the funding trusts to the service corporations, which in turn remitted the funds to the PFRS and the GRS to satisfy the unfunded pension obligations of the City. Finally, the service corporations assigned their rights to receive the City Payments to the funding trusts, which used the payments to pay the COPs Holders the interest and principal that they were due. A structurally identical transaction was also completed in 2006. The Court will refer to these transactions collectively as the “COPs Transaction.”

By creating this structure, the City could characterize the payments that it made as contractual obligations for future services under the Service Contracts, rather than debt service. This allowed the City to avoid (or evade) the debt limitations in the HRCA.

1. The Dispute Relating to the COPs Transactions

Immediately before filing its chapter 9 petition, the City stopped making the City Payments. FGIC made payments to the COPs Holders under the insurance policies that it issued for the payments that the City did not make. When the City filed this case, the outstanding COPs obligation was approximately \$1.2 billion.

On January 31, 2014, the City filed an adversary proceeding against the service corporations and the funding trusts seeking a declaratory judgment that the Service Contracts were void *ab initio* and unenforceable. See Compl. for Declaratory J. and Inj. Relief, *City of Detroit v. Detroit General Retirement System Service Corp.*, No. 14-04112 (Bankr. E.D. Mich. Jan. 31, 2014) (Dkt. #1) (“City Complaint”). The Court later permitted FGIC and the COPs Holders to intervene in that adversary proceeding. (Dkt. ##73 and 93)

The City argued that the service corporations were simply sham entities that it created for the sole purpose of making a one-time payment of the COPs proceeds to the PFRS and the GRS. The City claimed that the Service Contracts were thus not future service contracts at all but rather a means for the City to incur debt in contravention of the HRCA. Because the Service Contracts were illegal under state law when they were created, the City argued, they were unenforceable and void *ab initio*.

The City also argued that the COPs Transaction is void because the City did not obtain the required approvals from the Michigan Department of Treasury before undertaking a debt financing of that magnitude as required by the Revised Municipal Finance Act, Mich. Comp. Laws 141.2101, *et seq.*

These arguments have substantial merit. According to the allegations in the City Complaint, the service corporations have no staff, no budgets, do not hold annual board meetings and have no real ongoing functions. City Complaint, ¶¶ 13-14 at 7. If these allegations were proven, they would strongly suggest that the service corporations are sham entities. If the service corporations were shams and could be disregarded, then the City would be left as the sole obligor for payment of the debt service on the COPs. This would arguably violate the HRCA.

On the other hand, FGIC and the COPs Holders argued that the doctrines of estoppel, unjust enrichment and *in pari delicto*, and unclean hands bar the City from claiming that the Service Contracts are illegal. At the time of the transaction, the City made several representations and warranties that the City was authorized to enter into the COPs Transaction, that the transaction would be valid and binding and that it did not represent indebtedness. *See, e.g.,* GRS Service Contract 2005, General Terms at § 3.02, *in* City Complaint, Ex. C. At the time, the City also provided evidence to FGIC and the COPs Holders of its due diligence and

legal opinions on these issues. The Detroit City Council also passed ordinances approving the COPs Transaction. *See, e.g.*, FGIC Countercl., ¶ 66 at 21-22, *City of Detroit v. Detroit General Retirement System Service Corp.*, No. 14-04112 (Bankr. E.D. Mich. Jan. 31, 2014) (Dkt. #129); City of Detroit Ordinance No. 05-05 (Feb. 4, 2005).

To this, the City countered that the insurers and COPs purchasers were aware that the structure of the COPs Transaction was precarious and that the City had reached its debt limit under state law. This information was included in the offering circulars and underwriting agreements provided at the time. *See, e.g.*, 2005 Offering Circular at 5, *in* City Complaint, Ex. A; Underwriting Agreement 2005 at 2, *in* Wilmington Trust's Answer with Affirm. Defenses and Countercl., Ex. 1., *City of Detroit v. Detroit General Retirement System Service Corp.*, No. 14-04112 (Bankr. E.D. Mich. Jan. 31, 2014). (Dkt. #10) Therefore, the City argues, there were no misrepresentations or breaches of warranty.

The outcome of the litigation of these issues is not clear. On balance, the Court finds that the City would have a reasonable likelihood of success on the merits. However, the litigation would likely have taken years, may have affected other parties such as the PFRS and the GRS, and would have been costly, time consuming and distracting for all involved. With these considerations in mind, the Court now turns to the settlements reached with the various parties to the COPs Transaction.

2. The Terms of the COPs Settlement

Class 9 consists of holders and insurers of COPs, including Syncora and FGIC. Each class 9 creditor has settled with the City and has chosen to participate in the class 9 settlement option. Under this settlement, each class 9 creditor will sell all of its claims to a settlement trust. In exchange, they will receive their pro rata share of (1) \$97.7 million in New B Notes and (2)

the class 9 settlement asset pool. The class 9 settlement asset pool consists of New C Notes and class 9 settlement credits.

The New C Notes have an aggregate amount of \$88 million with a twelve-year maturity and bear interest at 5%. Ex. 791. The New C Notes are unsecured obligations; however, the City will segregate certain parking revenues each year in an amount sufficient to pay the annual debt service on the New C Notes. This means that approximately \$10 million of parking revenues will be set aside annually in a single general government bank account. Although the New C Notes are due in 2026, the City must prepay them in the event certain parking assets are liquidated or otherwise monetized. In addition, the City may prepay them at any time without penalty or premium.

Settlement credits are credits in the aggregate amount of \$25 million and may be used to offset up to 50% of the purchase price of certain eligible City assets. To use the credits, the owner of the credits must participate in the normal procurement or auction process, be the final party selected in such process, and otherwise satisfy all requirements associated with such process. They are assignable and transferable.

Before the class 9 settlements were reached, the City established a litigation trust to hold an amount of New B Notes equal to the total amount of allowed class 9 claims. As a result of the settlements with the class 9 creditors, the City has designated "Excess New B Notes" in the aggregate face amount of approximately \$48.71 million. This amount represents the difference between the New B Notes that would have been distributed to class 9 creditors if their claims had been allowed in full and the amount they are actually receiving as part of the settlements. These additional monies have now been designated for other classes of claims as follows: \$42.68

million to the GRS VEBA and the PFRS VEBA in class 12, \$17.34 million to the LTGO Bond creditors in class 7, and \$4.12 million to the class 14 general unsecured creditors.

The settling class 9 creditors are included as exculpated parties in the plan and they release any claims that they may have against the GRS, the PFRS and each other. However, they do not release their claims against the Swap Counterparties.

3. The Terms of the Syncora Global Settlement

Syncora's claim against the City is \$354 million related to Syncora's purchase and insurance of COPs. As a settling class 9 creditor, Syncora will receive its pro rata share of New B Notes and the class 9 settlement asset pool. This equates to \$23.5 million in New B Notes, \$21.3 million in New C Notes and \$6.25 million in class 9 settlement credits. Syncora's recovery is estimated to be 13% of its class 9 claims.

Syncora also asserted certain secured claims and other litigation claims against the City. In settlement of those claims, the City agreed to make an additional \$5 million cash payment to Syncora.

Syncora agreed to support the plan and withdraw all objections. In addition, Syncora agreed to withdraw all its appeals with prejudice.

Syncora and the City have also entered into a development agreement. Under this agreement, a subsidiary of Syncora (the "Developer") is granted a five-year option to acquire certain properties owned by the City. If the Developer exercises the option, the Developer has fifteen months to develop the property into parking facilities, residential housing, commercial retail space or any other suitable use that is consistent with the City's urban planning policies and comprehensive development plan. If the Developer does not begin development of the property within fifteen months after the option is exercised, ownership of the property will revert to the

City. The Developer must also complete construction within three years and three months of exercising the option.

The development agreement also includes a one-year option for the Developer to enter into a thirty-year concession with respect to the parking garage located under Grand Circus Park. If the Developer exercises the option, it will have the right to operate the garage and will also be obligated to invest \$13.5 million in capital expenditures within the first five years of assuming garage operations. The settlement contemplates that the Developer will retain all revenues from the parking garage until it has recouped 140% of its capital expenditures. After that, the Developer will be required to pay to the City 25% of the revenues of the garage.

The final component of the Syncora settlement relates to the lease of the Detroit-Windsor Tunnel. Syncora owns the company that currently leases and operates the Detroit side of the tunnel that runs under the Detroit River to Windsor, Ontario (the "Tunnel Company"). By its present terms, that lease expires in November 2020. As part of the settlement, the City agrees to assume the lease and to extend it to December 2040. The lease will also be amended to require the Tunnel Company to maintain the City portion of the tunnel to the same standard as the Windsor portion. This will alleviate the concerns that the City of Windsor has historically expressed with operation of the tunnel. The amended lease will also require additional reporting by the Tunnel Company.

Under the amended lease, the Tunnel Company will be permitted to offset certain capital expenditures made to improve the tunnel against the Tunnel Company's rent obligations to the City. Through November 2020, the Tunnel Company will be allowed to credit capital expenditures against rent up to the full amount of the rent. During the extension term of the lease, November 2020 through December 2040, the Tunnel Company may credit capital

expenditures against up to 75% of the annual rent. However, in no event may the Tunnel Company credit more than \$8 million of capital expenditures during the extension term.

4. The Syncora Global Settlement Is Fair and Equitable

The Court finds that the Syncora global settlement is reasonable. Syncora has been one of the fiercest opponents of the City's plan. Syncora objected to or appealed almost every action by the Court in this case, including approval of the public lighting authority, the post-petition financing, the swaps settlement, and the mediation process itself. Without a settlement with Syncora, there is no doubt that it would have continued to litigate its positions on these issues through the appellate courts.

Even if the City were successful in the litigation with Syncora, it would have spent years and millions of dollars defending the results. Confirmation and the effectiveness of the plan may have been held in limbo as these issues made their way through the appellate process.

If Syncora had been successful in any of its appeals, especially its appeals relating to use of the City's gaming revenue or to the approval of the post-petition financing, it would have been devastating for the City and would have prevented the City from accessing vital revenue needed for its RRI's. Trial Tr. 70:12-13, Oct. 2, 2014. (Dkt. #7878)

The settlement avoids the extraordinary time, expense and uncertainty of litigation. It gives the City finality to these many issues and definitive access to its revenues. It allows the City to focus on proposing a more complete plan for confirmation. *Id.* at 86:1-87:2.

The value of the monetary portion of the settlement is estimated to be 13% of Syncora's class 9 claims. The Court finds that this aspect of the settlement is well within the range of reasonableness. It is only slightly more than the recovery of general unsecured creditors.

In addition, this aspect of the settlement agreement benefits several other classes of creditors. Because of the settlement, \$162 million in New B Notes that would have been held in reserve in a separate COPs litigation trust will be reallocated to the VEBAs, the LTGO Bond creditors, and the general unsecured creditors. This is clearly in the best interests of the City and its creditors.

The Court also specifically approves the development agreement and the assumption and extension of the tunnel lease. Because of these agreements, Syncora assumes a stake in the City's recovery. In addition, the City gets the benefit of improved management of the Detroit-Windsor Tunnel. If Syncora exercises its option, it will also be obligated to make desperately needed capital expenditures to the Grand Circus parking garage and to develop vacant city-owned properties.

The City presented credible evidence from James Doak, an expert from Miller Buckfire & Co., an investment banking firm retained by the City, that the business aspects of the Syncora settlement are a reasonable exercise of the City's business judgment. Trial Tr. 117:10-120:25, Oct. 3, 2014. (Dkt. #7894) The Court so finds.

Therefore, the Court finds that the Syncora settlement is well within the reasonable range of settlements and approves it.

5. The Terms of the FGIC Global Settlement

The City and FGIC, on behalf of itself and the COPs Holders, have also entered into a settlement agreement. Under the class 9 settlement option, FGIC will receive \$74.2 million in New B Notes, \$67.2 million in New C Notes and \$19.75 million in class 9 settlement credits. This represents roughly 13% of FGIC's class 9 claims. FGIC and the COPs Holders will divide

the consideration provided under the class 9 settlement option under terms agreed upon between them.

In exchange, FGIC and the COPs Holders have withdrawn their objections to the plan and are deemed to have voted in favor of the plan.

As part of the settlement, the parties agree to dismiss the COPs litigation. FGIC also agrees to waive any and all claims it may have against any other party, including the GRS and the PFRS related to the COPs litigation.

In addition to FGIC's share of the class 9 settlement option, FGIC and the City will enter into a development agreement for the Joe Louis Arena site. Under this agreement, an entity to be formed and controlled by FGIC and the COPs Holders will have the option to acquire and develop the land upon which Joe Louis Arena and its garage currently sit. The City will demolish the structures on the land and perform any necessary environmental remediation.

Within thirty-six months after exercising the option, the new entity must prepare a comprehensive development plan for the site. If the City approves development plan, the City and the new entity must close on the sale of the parcels within two years of that approval, or within six months of completion of the demolition of the structures, whichever is later. The State has agreed to reimburse the new entity for eligible project costs and tax increment financing incentives. The City has also agreed to zone the property such that certain tax abatements will be available. The new entity is required to have the development substantially completed within thirty-six months after closing on the sale of the structure.

FGIC also has claims against the City relating to the swap agreements. In settlement of those claims, FGIC will have an allowed class 14 claim for \$6.11 million. In addition, the Downtown Development Authority will assign to FGIC its right, title and interest to its

distribution of New B Notes under the plan on account of its \$33.6 million class 13 claim. The City estimates that FGIC will receive approximately \$4.5 million in New B Notes in settlement of its swap-related claims.

6. The FGIC Global Settlement Is Fair and Equitable

FGIC holds one of the largest claims against the City and it has zealously litigated its objections. The COPs litigation involved highly complex and novel issues that would have taken significant time and expense to resolve. As with Syncora, FGIC's estimated monetary recovery is 13% of its class 9 claims. This is comparable to what the general unsecured creditors are receiving. Accordingly, the Court readily finds that this aspect of the settlement is reasonable.

In addition, the Joe Louis Arena development agreement is of incalculable value to the City. The City has presented credible evidence that the Joe Louis Arena is currently considered a liability because of the cost of removing the existing structures and the necessary environmental remediation. Trial Tr. 135:14-20, Oct. 21, 2014. (Dkt. #8098) This evidence has not been contradicted and the Court accepts it. Because of this agreement, land that might have stood vacant and unused will become a shining demonstration of Detroit's recovery.

Accordingly, the Court finds that the Joe Louis Arena development agreement is reasonable and approves it.

IV. SETTLEMENTS THAT THE COURT APPROVED DURING THE CASE

During the case, pursuant the requests of the City, the Court approved settlements with the Swap Counterparties, the Ad Hoc Committee of DWSD Bondholders and the Macomb Interceptor Drain Drainage District ("MIDDD").

A. The Swaps Settlement

The Swap Counterparties settled their claims of approximately \$288 million arising from the termination of the interest rate swap agreements that related to the COPs Transaction.¹⁰ The settlement gives these creditors a secured claim for \$85 million, to be paid upon the effective date of the plan from the City's exit financing. In exchange, these creditors withdrew their objections to the plan and agreed to support it.

This settlement was significant because it was the first settlement with any of the City's creditors and because it created an impaired accepting class, as required for plan confirmation under § 1129(a)(10). Because the plan could then be confirmed over the dissent of other impaired classes (assuming the other confirmation requirements were met), this settlement paved the way for further settlements with other classes of impaired creditors. It also gave the City continued access to its gaming tax revenue, which these creditors, along with the swap insurers, had sought to bar through litigation.

On April 15, 2014, the Court approved the settlement, finding that it was reasonable in amount and overruling Syncora's objection that it violated its rights under the various COPs and swap agreements. (Dkt. #4094) This settlement is incorporated into the treatment of class 5 in the plan.

¹⁰ This settlement was actually the third settlement that these parties had reached. The first was for approximately \$230 million, which the parties had reached before the City filed this case. The City deemed that this settlement was an executory contract, so it filed a motion and a corrected motion to assume this contract under § 365. (Dkt. ##17 and 157) When the parties determined that the Court was not likely to approve that settlement, they engaged in mediation and negotiated a second settlement for \$165 million. (Dkt. #2341) On January 17, 2014, the Court denied approval of that settlement, concluding that it was too high under the *Bard* standards. (Dkt. #2511) The parties then negotiated the settlement for \$85 million, which the Court did approve.

B. The DWSD Bondholders Settlement

The DWSD bondholders settlement, reached in early August 2014, involved a tender offer for all existing DWSD bonds in the amount of \$5.3 billion, resulting in a restructuring of the debt and substantial interest cost savings for the City. It also included \$190 million in needed capital improvement financing.

By the time that this settlement was reached, the impaired class of these bondholders, class 1A, had voted to reject the plan. Many bondholders had also objected to the plan on several grounds, including that the plan is not fair and equitable because it does not give the bondholders the present value of their claims, impermissibly modifies the call protections of existing bonds, and does not provide them indubitable equivalent value.

By this settlement, these plan objections were resolved and the claims were left unimpaired. On August 11, 2014, the City filed a motion to approve this secured financing and to approve the settlement. (Dkt. #6644) On August 22, 2014, the City announced the success of the tender offer in the market. (Dkt. #6989) On August 25, 2014, following a hearing, the Court granted the City's motion. (Dkt. #7028) The settlement was incorporated into the City's sixth amended plan filed on August 20, 2014. (Dkt. #6908)

C. The MIDDD Settlement

The settlement with MIDDD resolved its plan objections and the City's objection to MIDDD's proof of claim. MIDDD's claim was a complex fraud claim asserting that the City intentionally misrepresented the amount of the expenses that MIDDD had reimbursed to the City for repairing a collapsed water line. By stipulation filed on October 16, 2014, the settlement fixed the claim at \$22 million, provided for its treatment in class 14 as a general unsecured

claim, and obligated MIDDD to withdraw its plan objections. (Dkt. #7987) On October 20, 2014, following a hearing, the Court approved the settlement. (Dkt. #8025)

V. THE CREATION OF THE GREAT LAKES WATER AUTHORITY

Another major achievement in the case is the mediated agreement that the City entered into with Wayne, Oakland and Macomb Counties for the creation of the Great Lakes Water Authority. These counties and their customers obtain their water and sewer services from the Detroit Water and Sewerage Department (“DWSD”). By this agreement, the assets of the DWSD will be governed by representatives of the region that it serves. In exchange, the GRS pension plan will be paid \$428.5 million as DWSD’s share of the City’s unfunded pension liability and for its share of restructuring expenses and professional fees. Although this agreement resulted in the counties’ withdrawal of their objections to the plan and involved the transfer of City assets, the City exercised its right under § 904 not to request Court approval of this memorandum of understanding.¹¹

¹¹ See *In re City of Stockton, Cal.*, 486 B.R. 194, 199 (Bankr. E.D. Cal. 2013) (“Hence, § 904 means that the City can expend its property and revenues during the chapter 9 case as it wishes. . . . When a chapter 9 debtor files a Rule 9019 motion to have the court approve a compromise or settlement, the municipality ‘consents’ for purposes of § 904 to judicial interference with the property or revenues of the debtor needed to accomplish the proposed transaction.”).

In *Stockton*, the court suggested that an unapproved settlement in a chapter 9 case might still be the basis for a confirmation objection under § 1129(b)(1) that the plan unfairly discriminates or is not fair and equitable, or an objection under § 1129(a)(2) that the plan is not proposed in good faith or by a means forbidden by law. *Id.* at 199-200. No such objections are raised in this case as to the Great Lakes Water Authority.

Moreover, although in a chapter 11 case, § 363(b) requires court approval of a non-ordinary course transfer like this, § 901 does not make that section applicable in a chapter 9 case. See *In re Richmond Unified Sch. Dist.*, 133 B.R. 221, 225 (Bankr. N.D. Cal. 1991) (“[T]he debtor is free to use, sell or lease property without regard to the restrictions in section 363.”).

VI. THE CLASSES OF CLAIMS IN THE CITY'S PLAN AND THE RESULTS OF THE BALLOTING

In the City's plan, classes 1-5 are secured and classes 7-17 are unsecured. Class 6 has already been paid.

Secured classes 1-4 are unimpaired and therefore, under § 1126(f), are deemed to have accepted the plan. These claims are:

- Class 1A - All Classes of DWSD Bond Claims
- Class 1B - All Classes of DWSD Revolving Sewer Bond Claims
- Class 1C - All Classes of DWSD Revolving Water Bond Claims
- Class 2A - Secured GO Series 2010 Claims
- Class 2B - Secured GO Series 2010(A) Claims
- Class 2C - Secured GO Series 2012(A)(2) Claims
- Class 2D - Secured GO Series 2012(A2-B) Claims
- Class 2E - Secured GO Series 2012(B) Claims
- Class 2F - Secured GO Series 2012(B2) Claims
- Class 3 - Other Secured Claims
- Class 4 - HUD Installment Notes Claims

Class 5 consists of swap claims arising from the COPs Transaction. These claims are secured but impaired. The amount and treatment of these claims is the result of the Court-approved Swaps Settlement, described in part IV.A. above. The class accepted the plan by 100% (two votes).

The classes of unsecured claims are impaired. Classes 7 through 13 and 17 settled their objections to confirmation and accepted the plan. The Court approved these settlements in part

III above. Classes 14 and 15 rejected the plan. Class 16 is deemed to have rejected the plan under § 1126(g). The classes and the results of the balloting are:

- Class 7 - LTGO Bond Claims accepted by 62.98% in number, 83.39% in amount.
- Class 8 - UTGO Bond Claims accepted by 87.26% in number, 97.35% in amount.
- Class 9 - COPs Claims accepted by 92.50% in number and 96.61% in amount.
- Class 10 - PFRS Pension Claims accepted by 82.17% in number, 82.10% in amount.
- Class 11 - GRS Pension Claims accepted by 73.15% in number, 72.94% in amount.
- Class 12 - OPEB Claims accepted by 88.25% in number, 84.62% in amount.
- Class 13 - Downtown Development Authority Claims accepted by 100% in number and amount (one vote).
- Class 14 - Other Unsecured Claims rejected by 51.05% in number, 57.49% in amount.
- Class 15 - Convenience Claims rejected by 55.26% in number, 57.92% in amount.
- Class 16 - Subordinated Claims are deemed to have rejected.
- Class 17 - Indirect 36th District Court Claims accepted by 100%.

(Dkt. ##6179, 6665 and 8072)

VII. THE STATUTORY REQUIREMENTS FOR CHAPTER 9 PLAN CONFIRMATION

Section 943(b) provides:

The court shall confirm the plan if—

- (1) the plan complies with the provisions of this title made applicable by sections 103(e) and 901 of this title;
- (2) the plan complies with the provisions of this chapter;
- (3) all amounts to be paid by the debtor or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable;
- (4) the debtor is not prohibited by law from taking any action necessary to carry out the plan;

(5) except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that on the effective date of the plan each holder of a claim of a kind specified in section 507(a)(2) of this title will receive on account of such claim cash equal to the allowed amount of such claim;

(6) any regulatory or electoral approval necessary under applicable nonbankruptcy law in order to carry out any provision of the plan has been obtained, or such provision is expressly conditioned on such approval; and

(7) the plan is in the best interests of creditors and is feasible.

11 U.S.C. § 943(b).¹²

Section 901 provides, “Sections . . . 1129(a)(2), 1129(a)(3), 1129(a)(6), 1129(a)(8), 1129(a)(10), 1129(b)(1), 1129(b)(2)(A), 1129(b)(2)(B) . . . of this title apply in a case under this chapter.”¹³

In pertinent part, § 1129 provides:

(a) The court shall confirm a plan only if all of the following requirements are met:

. . . .

¹² The reference in § 943(b)(1) to § 103(e) appears to be a mistake. Section 103(e) states: Scope of Application.— Subchapter V of chapter 7 of this title shall apply only in a case under such chapter concerning the liquidation of an uninsured State member bank, or a corporation organized under section 25A of the Federal Reserve Act, which operates, or operates as, a multilateral clearing organization pursuant to section 409 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

11 U.S.C. § 103(e). The reference probably should be to § 103(f), which provides, “Except as provided in section 901 of this title, only chapters 1 and 9 of this title apply in a case under such chapter 9.”

¹³ Section 901 also identifies other sections of chapter 11 that apply in chapter 9 cases. These include §§ 1122, 1123(a)(1), 1123(a)(2), 1123(a)(3), 1123(a)(4), 1123(a)(5), 1123(b), 1123(d), 1124, 1125, 1126(a), 1126(b), 1126(c), 1126(e), 1126(f), 1126(g), 1127(d), and 1128. These sections will be reviewed as necessary to address the parties’ objections to confirmation.

(2) The proponent of the plan complies with the applicable provisions of this title.

(3) The plan has been proposed in good faith and not by any means forbidden by law.

....

(6) Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

....

(8) With respect to each class of claims or interests—

(A) such class has accepted the plan; or

(B) such class is not impaired under the plan.

....

(10) If a class of claims is impaired under the plan, at least one class of claims that is impaired under the plan has accepted the plan, determined without including any acceptance of the plan by any insider.

....

(b)(1) Notwithstanding section 510(a) of this title, if all of the applicable requirements of subsection (a) of this section other than paragraph (8) are met with respect to a plan, the court, on request of the proponent of the plan, shall confirm the plan notwithstanding the requirements of such paragraph if the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan.

(2) For the purpose of this subsection, the condition that a plan be fair and equitable with respect to a class includes the following requirements:

(A) With respect to a class of secured claims, the plan provides—

(i)(I) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is

retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims; and

(II) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property;

(ii) for the sale, subject to section 363(k) of this title, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (i) or (iii) of this subparagraph; or

(iii) for the realization by such holders of the indubitable equivalent of such claims.

(B) With respect to a class of unsecured claims—

(i) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(ii) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property, except that in a case in which the debtor is an individual, the debtor may retain property included in the estate under section 1115, subject to the requirements of subsection (a)(14) of this section.

11 U.S.C. § 1129.

The City bears the burden of establishing each of the required elements for confirmation of its plan by a preponderance of the evidence. *In re Bamberg Cnty. Mem'l Hosp.*, No. 11-03877, 2012 WL 1890259, at *4 (Bankr. D.S.C. May 23, 2012); *In re Pierce Cnty. Hous. Auth.*, 414 B.R. 702, 715 (Bankr. W.D. Wash. 2009); *In re Mount Carbon Metro. Dist.*, 242 B.R. 18, 31 (Bankr. D. Colo. 1999).

Moreover, “the court has an independent obligation to determine that a proposed plan meets the confirmation requirements of § 943(b), notwithstanding creditor approval.” *Prime Healthcare Mgmt. Inc. v. Valley Health Sys. (In re Valley Health Sys.)*, 429 B.R. 692, 710 n.45 (Bankr. C.D. Cal. 2010).

VIII. THE COURT’S FINDINGS REGARDING CONFIRMATION OF THE CITY’S EIGHTH AMENDED PLAN OF ADJUSTMENT

Regarding confirmation of the eighth amended plan of adjustment, the Court specifically finds:

1. The plan complies with the provisions of title 11 that are made applicable in chapter 9 by §§ 103(f) and 901.
2. Each of the claims in each class is substantially similar to the other claims in the class, as required by § 1122(a).
3. Class 15, the class of convenience claims consisting only of every unsecured claim that is less than or reduced to \$25,000, is approved as reasonable and necessary for administrative convenience, as required by § 1122(b).
4. The plan complies with the “contents of plan” requirements of § 1123(a)(1)-(5), (b), and (d).
5. The classes of claims that the plan designates as unimpaired, classes 1 through 4, are unimpaired under § 1124.
6. The City complied with the “postpetition disclosure and solicitation” requirements of § 1125.
7. The plan complies with the provisions of chapter 9 of title 11 of the United States Code, as required by § 943(b)(2).
8. All amounts paid or to be paid by the City for services or expenses in the case or incident to the plan will be fully disclosed and reviewed for reasonableness as soon as practicable, as required by § 943(b)(3).
9. The debtor is not prohibited by law from taking any action necessary to carry out the plan, as required by § 943(b)(4).

10. Except to the extent agreed, the plan provides that on the effective date of the plan, each holder of a claim specified in § 507(a)(2) will receive cash equal to the allowed amount of the claim, as required by § 943(b)(5).
11. Any regulatory or electoral approval necessary under applicable nonbankruptcy law in order to carry out any provision of the plan has been obtained, as required by § 943(b)(6).
12. The plan is in the best interests of creditors, as required by § 943(b)(7).
13. The plan is feasible, as required by § 943(b)(7).
14. The City has complied with the applicable provisions of title 11, as required by § 1129(a)(2).
15. The plan has been proposed in good faith, as required by § 1129(a)(3).
16. The plan has not been proposed by any means forbidden by law, as required by § 1129(a)(3).
17. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the debtor has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval, as required by § 1129(a)(6).
18. All classes accepted the plan under § 1126 except class 14 (other unsecured claims), class 15 (convenience claims), and class 16 (subordinated claims). Therefore the requirement of § 1129(a)(8) that each impaired class has accepted the plan is not met. However, the plan meets the alternative requirements of § 1129(b).
19. At least one class of claims that is impaired under the plan has accepted the plan, determined without including any acceptance of the plan by any insider, as required by § 1129(a)(10).
20. The plan does not discriminate unfairly with respect to rejecting classes 14 and 15 (the other unsecured claims and the convenience claims), as required by § 1129(b)(1).
21. The plan is fair and equitable with respect to classes 14 and 15, as required by § 1129(b)(1).

Accordingly, the Court confirms the City's eighth amended plan of adjustment.

IX. THE OUTSTANDING OBJECTIONS TO THE CITY'S PLAN

A. Objections Filed by Represented Parties

Because of the settlements, the only remaining objections to the plan that represented parties filed are the objections of creditors with claims under 42 U.S.C. § 1983 and the objections of creditors with claims under the Takings Clause of the Fifth Amendment to the United States Constitution. Both groups assert that because their claims are based in the Constitution, their claims cannot be discharged in bankruptcy. These objections are addressed in part X.J. below.

B. Objections Filed by Unrepresented Parties

Unrepresented parties filed 836 timely objections to confirmation. These objections were thoughtful, articulate, sincere and substantive. The Court has attempted to summarize these objections with language that both captures the essence of the objections and appropriately speaks to the statutory requirements for chapter 9 plan confirmation:

1. The ASF recoupment is improper.
2. The plan is not in the best interests of creditors.
3. The plan unfairly discriminates.
4. The plan violates § 1123(a)(4) by providing different treatment among class 11 creditors.
5. The plan is not feasible.
6. The plan violates the funding clause of the Michigan constitution because it does not require the City to make up missed payments to the pension fund if outside funding does not happen.
7. The City did not provide adequate notice of amended plans and disclosure statements, objection deadlines, or voting rights.

8. The due process rights of creditors have been violated by the Court's haste in this entire process.
9. The plan impairs pension holders' claims against the retirement systems.
10. The DWSD and library pensions were fully funded so they should not be impaired.
11. The vote solicitation and balloting procedures were unlawful and unfair.
12. The plan's third-party release provisions are improper.
13. The plan improperly offers a higher recovery to classes 10 and 11 if they vote in favor of the plan.
14. The UTGO settlement violates state law.
15. The plan violates the Blighted Area Rehabilitation Act (Mich. Comp. Laws. §§ 125.71-125.84).
16. The Grand Bargain is an improper use of tobacco settlement money.
17. The plan violates the Federal Transit Act (49 U.S.C. § 5333(b)) with respect to DDOT employees.
18. The pension underfunding is overstated and therefore the pensions are improperly impaired.
19. The use of a 6.75% discount rate in the pension settlement is improper.

X. ISSUES RELATING TO PLAN CONFIRMATION

In this section, the Court addresses the confirmation issues and requirements that it concludes require discussion. The Court overrules all other objections without further discussion.

A. The City's Professional Fees Will Be Fully Disclosed and Reviewed for Reasonableness As Soon As Practicable, As Required by § 943(b)(3)

Section 943(b)(3) requires that "all amounts to be paid by the debtor or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable."

Section 943(b)(3) is clear in its requirement that the City's professional fees be fully disclosed. As discussed below, however, § 943(b)(3) is not clear on the extent to which it requires that the City's professional fees are reasonable.

1. The City's Professional Fees Will Be Fully Disclosed

The Court concludes that all amounts to be paid by the debtor for services or expenses in the case or incident to the plan will be fully disclosed.

On August 19, 2013, the Court entered an order appointing a fee examiner. (the "Fee Examiner Order") (Dkt. #383) That order requires the fee examiner "to assure the Court, the City, the creditors, and the public that the City's Professional Fee Expenses are fully disclosed and are reasonable, as required by § 943(b)(3)." *Id.* at ¶ 3. Under the Fee Examiner Order, "Professional Fee Expenses" are defined to include "professional compensation and reimbursement of expense obligations . . . that the City incurs in connection with this case whether payable to professionals employed by the City or by others." *Id.* at ¶ 2.

The Fee Examiner Order was followed by an order on September 11, 2013, establishing the process by which the fee examiner would review fees. (the "Fee Review Order") (Dkt. #810) The Fee Review Order requires the professionals whose fees the City must pay to submit detailed monthly fee statements to the fee examiner. The examiner then responds to the professionals with a preliminary report regarding the reasonableness of the fees. The professionals and the examiner then meet and confer in an effort to resolve any issues regarding the fees. Thereafter, the fee examiner files quarterly reports disclosing the fees and stating whether the fees were fully disclosed and reasonable under § 943(b)(3). These reports are then

posted on the Emergency Manager's website. If the fee examiner finds that the fees were not reasonable, the affected professional can bring the issue before the Court.

On May 29, 2014, the Court entered an Order Amending and Clarifying Fee Review Order of September 11, 2013. (the "DWSD Trustee Fee Order") (Dkt. #5150) The DWSD Trustee Fee Order clarifies that "[a]ll fees and expenses of the professionals retained by, and the employees of, U.S. Bank National Association in its capacity as Trustee . . . , to provide services in connection with the City's Bankruptcy case, shall be subject to review by the Fee Examiner under the Fee Review Order of September 11, 2013."¹⁴

Pursuant to these orders, the fee examiner has filed quarterly reports that have fully disclosed the City's Professional Fee Expenses through June 2014. These include:

- Fee Examiner's Quarterly Report for Months of July, August and September 2013, filed February 4, 2014 (Dkt. #2642);
- Fee Examiner's First Supplemental Quarterly Report for Months of July, August and September 2013, filed April 1, 2014 (Dkt. #3457);
- Fee Examiner's Second Quarterly Report for Months of October, November and December 2013, filed May 6, 2014 (Dkt. #4498);
- Fee Examiner's Third Quarterly Report for Months of January, February and March 2014, filed August 5, 2014 (Dkt. #6528);
- Fee Examiner's First Supplemental Quarterly Report for Months of January, February and March 2014, filed September 8, 2014 (Dkt. #7332);
- Fee Examiner's Second Supplemental Quarterly Report for Months of July, August and September 2013, filed September 18, 2014 (Dkt. #7574);
- Fee Examiner's First Supplemental Quarterly Report for Months of October, November and December 2013, filed September 18, 2014 (Dkt. #7575); and

¹⁴ Subsequently, as part of the DWSD settlement, the parties agreed that the fees and expenses of the U.S. Bank National Association in its capacity as trustee would be subject to a separate arbitration process to determine their reasonableness. (Dkt. #7028)

- Fee Examiner's Fourth Quarterly Report for Months of April, May and June 2014, filed November 5, 2014 (Dkt. #8186).

Subsequently, the Court entered an order requiring the City to fully disclose all of its professional fees in the case through the effective date of the plan. (Dkt. #8710)

2. Section 943(b)(3) Requires the Court to Determine Whether the City's Professional Fees in the Case Are Reasonable

As a condition of plan confirmation, § 943(b)(3) further requires that these amounts for services or expenses in the case or incident to the plan are "reasonable." In chapter 11, the court's authority and obligation to review professional fees is firmly established in § 330 of the bankruptcy code. *Cupps & Garrison, LLC v. Riehl (In re Two Gales, Inc.)*, 545 B.R. 427, 432-33 (6th Cir. BAP 2011); *In re Busy Beaver Bldg. Ctrs., Inc.*, 19 F.3d 833 (3d Cir. 1994). However, § 330 is omitted from the list of sections identified in § 901 that apply in chapter 9. As a result, the professionals in the case have not filed applications for the award of fees under § 330.

It is not readily apparent how to reconcile the fee reasonableness requirement of § 943(b)(3) with the inapplicability of § 330 in chapter 9. The Court therefore requested interested parties to brief this issue.

The City's brief asserts that § 943(b)(3) is satisfied by the fee examiner's findings that the fees disclosed are reasonable, together with the opportunity that the process establishes for any party to seek further review by the Court. It further argues that because of § 904 and the Tenth Amendment, the Court's role in reviewing fees should be more limited and circumspect than in a chapter 11 case. (Dkt. #6842)

The retiree committee restates the City's argument and also makes a broader argument. It asserts that under § 943(b)(3), only those fees remaining "to be paid" upon confirmation are subject to the reasonableness requirement, not the fees that the City paid during the case.

Two issues are raised here:

(1) Does § 943(b)(3) of the bankruptcy code require that all of the City's professional fees be reasonable or only those fees that remain unpaid at the moment of confirmation?

(2) Should the Court accept, without further review, the fee examiner's findings that the fees have been reasonable?

For the reasons set forth below, the Court concludes that § 943(b)(3) does require that all of the City's professional fees in connection with the case be reasonable. The Court further concludes that it is not appropriate to accept, without further judicial review, the fee examiner's findings that the fees have been reasonable.

a. The Scope of § 943(b)(3)

No case has closely analyzed the specific question of whether § 943(b)(3) requires that the reasonableness of all of the City's professional fees be reviewed or only those fees that remain unpaid at the moment of confirmation. The practices and procedures that the courts have followed appear to have split on the question. The majority of the decisions have adopted the practice of reviewing all fees. For example, in *In re Barnwell County Hospital*, 471 B.R. 849 (Bankr. D.S.C. 2012), the court stated in its opinion and order confirming the plan, entered on May 23, 2012:

As set forth in the Disclosure Statement, the Debtor disclosed the amounts paid to professionals due and owing as of February 28, 2012. Thereafter, counsel submitted an update of the amounts paid and due through March 31, 2012. There have been no objections to the Plan based upon these disclosures. The foregoing amounts

are reasonable and necessary to effectuate the Plan and reorganization in this complex case, and thus § 943(b)(3) is satisfied.

Id. at 868. *See also Bamberg Cnty. Mem'l Hosp.*, 2012 WL 1890259, at *7 (decision by the same judge and entered on the same date).

Similarly, in *In re Colorado Centre Metropolitan District*, 139 B.R. 534, 535 (Bankr. D. Colo. 1992), the court stated, “In a Chapter 9, the Court must determine if the fees paid by the Debtor or any person have been fully disclosed and are reasonable.” *See also In re East Shoshone Hosp. Dist.*, 226 B.R. 430, 433 (Bankr. D. Idaho 1998) (“§ 943(3) requires as a condition of confirmation that all amounts paid by debtor for services or expenses in the case or incident to the plan have been (1) disclosed and (2) are reasonable.”); *In re Sanitary & Improvement Dist. No. 7 of Lancaster Cnty., Neb.*, 96 B.R. 966, 967 (Bankr. D. Neb. 1989) (“Sections 943(b)(3) and (b)(5) permit this Court to confirm a plan if the Court determines administrative expenses to be reasonable and if the plan provides for payment on the effective date of all administrative expenses.”).

On the other hand, some decisions appear to review the reasonableness of only unpaid fees. One example here is *In re Corcoran Hospital District*, 233 B.R. 449 (Bankr. E.D. Cal. 1999):

The debtor has agreed that “after confirmation, the Debtor will seek to pay its attorneys and Committee counsel compensation and reimbursement in an amount and on a schedule to be approved by the Court. The Debtor will not make any final payments to either counsel without a finding from the Court that such payment is reasonable; therefore it is unnecessary to make a finding of reasonableness at this time.” Thus, this requirement of § 943(b)(3) is met, provided that the order confirming the Plan shall contain language consistent with the debtor's representation.

Id. at 452-53 (footnote omitted); *see also Connector 2000 Ass’n, Inc.*, 447 B.R. at 764-65.

Interestingly, these two decisions were by the same judge that decided *In re Barnwell County Hospital* and *In re Bamberg County Memorial Hospital*, cited above.¹⁵

¹⁵ It is worth observing that almost all of the secondary sources seem to agree with the majority of the courts that review all of the fees. This observation, however, must be tempered by the further observation that, like the cases, the secondary authorities have also not rigorously analyzed the question. *See, e.g.*, 5 Norton Bankr. L. & Prac. 3d § 90:20 (2014) (“Third, the municipality must disclose all amounts paid for services in the case incident to the plan, and the amounts must be reasonable. This includes attorney’s fees.”) (footnotes omitted); Francis J. Lawall & J. Gregg Miller, Debt Adjustments for Municipalities under Chapter 9 of the Bankruptcy Code: A Collier Monograph, § 8[ix] (2012) (“Section 943(b)(3) requires that the plan fully disclose all amounts paid for services or expenses in the chapter 9 case or incident to the plan. Section 943(b)(3) further requires that all such services or expenses be reasonable.”) (footnotes omitted); 1981 Norton Ann. Survey of Bankr. Law 5 (“[T]he municipality must disclose all amounts paid for services in the case as incident to the plan and such amounts must be reasonable.”); Elizabeth M. Watkins, In Defense of the Chapter 9 Option: Exploring the Promise of a Municipal Bankruptcy as a Mechanism for Structural Political Reform, 39 J. Legis. 89, 95 (2012-2013) (“A municipality must pay legal and financial professionals to administer the case and to subsequently monitor compliance with the reporting requirements of the readjustment plan. These costs can easily range in the seven figures. Of course, this carries the risk that the bankruptcy court might reject the readjustment plan entirely”) (footnotes omitted); Eric S. Pommer & Mark M. Friedman, Municipal Bankruptcy and Its Effects on Governmental Contractors, 25 Pub. Cont. L.J. 249, 259 (1996) (“all amounts paid by the debtor-municipality or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable”); and David S. Kupetz, Municipal Debt Adjustment Under the Bankruptcy Code, 27 Urb. Law. 531, 568 (1995) (“The only court approval required is the retroactive approval necessary in order to satisfy the condition for confirmation of a plan of adjustment set forth in § 943(b)(3).”).

One secondary source specifically acknowledges the issue but concludes without discussion that § 943(b)(3) applies only to fees to be paid. *See Stanley H. McGuffin*, Chapter 9 As a Remedy for Financially Stressed Municipalities, 2011 WL 5053634, at *9 (“It should be noted that the statute appears to have prospective application by virtue of the phrase ‘to be paid.’ Consequently, it is unclear whether the debtor must disclose fees previously paid or if the court must make a reasonableness determination as to such fees.”).

Collier on Bankruptcy adopts both positions. *Compare* 6 Collier on Bankruptcy ¶ 943.03[3] at 943-19 (“Section 943(b)(3) requires that the plan must disclose all amounts paid for services or expenses in the case or incident to the plan, and that the amounts paid be reasonable.”) *with* 6 Collier on Bankruptcy, ¶ 901.04[13][c] at 901-26.2 (“Indeed, section 943(b)(3) requires that professional fees to be paid under a plan must be disclosed and must be reasonable.”).

The plain language of § 943(b)(3) requires only that fees “to be paid” must be reasonable. The argument that the plain language of the statute should be applied is always strong. *Lamie v. United States Trustee*, 540 U.S. 526, 536 (2004) (“We should prefer the plain meaning since that approach respects the words of Congress.”); *U.S. Nat’l Bank of Or. v. Indep. Ins. Agents of Am., Inc.*, 508 U.S. 439, 454 (1993) (“A statute’s plain meaning must be enforced, of course[.]”); *Patterson v. Shumate*, 504 U.S. 753, 760 (1992) (party seeking to defeat plain meaning of bankruptcy code text bears an “exceptionally heavy burden”) (internal quotation marks omitted).

The Court concludes, however, that it must construe § 943(b)(3) as giving the Court the responsibility to determine the reasonableness of all of the professional fees incurred by the City, whether paid or unpaid at the point of confirmation.¹⁶

¹⁶ The Court notes that in another significant respect, the plain language of the statute leads to a bizarre and demonstrably unintended result. To repeat, the language of § 943(b)(3) is “all amounts to be paid by the debtor or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable.” Applying this language literally would require a determination of the reasonableness of any fees paid by “any person for services in the case.” This would include determining the reasonableness of the fees of all of the professionals in the case, including the professionals retained by all of the creditors.

In re Colorado Centre Metro. Dist., 139 B.R. 534 (Bankr. D. Colo. 1992), pointed out exactly how bizarre this can become. It observed, “[I]f the Court determines that the fees paid by a creditor to its attorney are unreasonable, the debtor’s plan cannot be confirmed. Such an interpretation would enable an antagonistic creditor to purposefully overpay his attorney in order to defeat the debtors plan—a truly absurd result.” *Id.* at 535.

The legislative history readily solves this problem by explaining what the phrase “by any person” was intended to accomplish. It states:

The inclusion of the phrase “by any person” is intended solely to prevent the petitioner from circumventing the requirement of this paragraph by making payments indirectly through some third person for the benefit of the petitioner. It is not intended that the court examine all payments made to all attorneys and agents that are in any way connected with the case.

H.R. REP. No. 94-686, 33-34(1975), *reprinted in* 1976 U.S.C.C.A.N. 539, 571-72.

Continued...

In reaching this conclusion, the Court is guided by *U.S. National Bank of Oregon*:

[T]ext consists of words living “a communal existence,” in Judge Learned Hand’s phrase, the meaning of each word informing the others and “all in their aggregate tak[ing] their purport from the setting in which they are used.” *NLRB v. Federbush Co.*, 121 F.2d 954, 957 (CA2 1941). Over and over we have stressed that “[i]n expounding a statute, we must not be guided by a single sentence or member of a sentence, but look to the provisions of the whole law, and to its object and policy.” *United States v. Heirs of Boisdore*, 49 U.S. (8 How.) 113, 122, 12 L. Ed. 1009 (1849) (quoted in more than a dozen cases, most recently *Dole v. Steelworkers*, 494 U.S. 26, 35, 110 S. Ct. 929, 934, 108 L. Ed. 2d 23 (1990)); see also *King v. St. Vincent’s Hospital*, 502 U.S. 215, 221, 112 S. Ct. 570, 574, 116 L. Ed. 2d 578 (1991). No more than isolated words or sentences is punctuation alone a reliable guide for discovery of a statute’s meaning. Statutory construction “is a holistic endeavor,” *United Savings Assn. of Texas v. Timbers of Inwood Forest Associates, Ltd.*, 484 U.S. 365, 371, 108 S. Ct. 626, 630, 98 L. Ed. 2d 740 (1988), and, at a minimum, must account for a statute’s full text, language as well as punctuation, structure, and subject matter.

Id., 508 U.S. at 454-55.

The Court therefore concludes that determining the issue of whether it must review all fees or only those to be paid after confirmation compels it to consider which result accounts for the bankruptcy code’s “full text, language as well as punctuation, structure, and subject matter.”

Id. at 455.

Initially, the Court notes that requiring the Court to determine the reasonableness of unpaid fees but not paid fees creates an arbitrary line that the parties can readily manipulate to avoid judicial review of their fees.

The point is that this legislative history explicitly admits that Congress did not intend for the language of § 943(b)(3) to be applied literally, at least in this respect. It also casts doubt on how carefully § 943(b)(3) was drafted.

It is possible that chapter 9 contemplates that a municipal debtor would pay the professionals to whom it is obligated only after confirmation and not during the pendency of the case, as here. Indeed, two cases so suggest. See *In re Valley Health Sys.*, 381 B.R. 756, 765 n.10 (Bankr. C.D. Cal. 2008); *In re Cnty. of Orange*, 179 B.R. 195, 199-200 (Bankr. C.D. Cal. 1995). This would fully harmonize the language in § 934(b)(3)—“all amounts to be paid”—with the court’s obligation to review all fees, if that is what Congress intended. In a complex case like this one, however, this is not a practical answer. No professional would take on a retention in a complex chapter 9 case if fees could only be paid upon judicial review upon confirmation.

A more practical and satisfactory answer grows out of the suggestion in Norton on Bankruptcy that § 943(b)(3) codifies the result in *American United Mutual Life Insurance Co. v. City of Avon Park*, 311 U.S. 138 (1940). See 5 Norton Bankr. L. & Prac. 3d § 90:20, n.13 (2014). In *City of Avon Park*, the Supreme Court discussed at length the legal and equitable necessity of the bankruptcy court reviewing the professional fees for which the municipal debtor is liable:

We have emphasized that full disclosure is the minimum requirement in order not to imply that it is the limit of the power and duty of the bankruptcy court in these situations. As this court stated in *Securities and Exchange Commission v. United States Realty & Improvement Co.*, 310 U.S. 434, 455, 60 S. Ct. 1044, 1053, 84 L. Ed. 1293: ‘A bankruptcy court is a court of equity, § 2, 11 U.S.C. § 11, 11 U.S.C.A. § 11, and is guided by equitable doctrines and principles except in so far as they are inconsistent with the Act. . . . A court of equity may in its discretion in the exercise of the jurisdiction committed to it grant or deny relief upon performance of a condition which will safeguard the public interest.’ And see *Papper v. Litton*, 308 U.S. 295, 304 *et seq.*, 60 S. Ct. 238, 244, 84 L. Ed. 281. These principles are a part of the control which the court has over the whole process of formulation and approval of plans of composition or reorganization, and the obtaining of assents thereto.

. . . .

Where such investigation discloses the existence of unfair dealing, a breach of fiduciary obligations, profiting from a trust, special benefits for the reorganizers, or the need for protection of investors against an inside few or of one class of investors from the encroachments of another, the court has ample power to adjust the remedy to meet the need. . . . That power is ample for the exigencies of varying situations. It is not dependent on express statutory provisions. It inheres in the jurisdiction of a court of bankruptcy. The necessity for its exercise (*Pepper v. Litton, supra*, 308 U.S. page 308, 60 S. Ct. 246, 84 L. Ed. 281) is based on the responsibility of the court before entering an order of confirmation to be satisfied that the plan in its practical incidence embodies a fair and equitable bargain openly arrived at and devoid of overreaching, however subtle.

311 U.S. at 145-46.

Thus, as a court of equity, a bankruptcy court has the authority, “guided by equitable doctrines and principles,” to “safeguard the public interest” as a condition of granting relief, unless the condition is inconsistent with the bankruptcy code. *Id.* at 145. It also has the authority, inherent in its jurisdiction and “not dependent on express statutory provisions” to remedy the “existence of unfair dealing, a breach of fiduciary obligations, profiting from a trust, special benefits for the reorganizers,” all as part of the Court’s responsibility to ensure that the plan is “fair and equitable” and “devoid of overreaching.” *Id.* at 146. Of course, as much in the professional fee context as in another context, a bankruptcy court must zealously protect against “unfair dealing, a breach of fiduciary obligations, profiting from a trust, [or] special benefits for the reorganizers.” *Id.*

In *City of Avon Park*, the professional fees at issue—the fees of the debtor’s bond agent—were unpaid upon confirmation, but the Supreme Court’s mandate to review professional fees was surely not so spineless as to permit an exception for paid fees. Rather, the Court’s mandate is an important and powerful one, to be observed with the greatest consideration and care. It simply cannot be obeyed by reviewing only unpaid fees.

Accordingly, the Court concludes that it has the obligation, as a condition of confirming a chapter 9 debtor's plan, to determine the reasonableness of all of the professional fees for which the debtor is obligated. Only this construction of § 943(b)(3) holistically accounts for the bankruptcy code's "full text, language as well as punctuation, structure, and subject matter." *U.S. Nat'l Bank of Or.*, 508 U.S. at 455.

**b. Deferring to the Fee Examiner's
Determination of Reasonableness in This Case Is
Insufficient to Comply with § 943(b)(3) and *City
of Avon Park***

The Court concludes that because its obligation under § 943(b)(3) is so closely linked to its obligation to determine whether the plan is fair and equitable, the Court simply cannot outsource this responsibility to the fee examiner. It must make an independent determination that § 943(b)(3) is met.

There is, in addition, a practical reason why this must be the result. Without hesitancy, the Court finds that the work of the fee examiner has been valuable, important and significant. It has, however, been limited by two significant circumstances that would not limit this Court's review of fees. One is that the fee examiner has not presided over the litigation and witnessed first-hand the services of the professionals whose fees must be reviewed. The second is that the fee examiner does not have the benefit of our time-honored adversary process to facilitate and advance the task of reviewing fees. At the same time, however, the Court also recognizes that the fee examiner has had resources to assist him—a staff of experienced attorneys and paralegals, as well as a retained accounting firm—that the Court does not have available.

Regardless, the Court must comply with § 943(b)(3) and *City of Avon Park*. Therefore, it must independently review the fees.

c. The Process for Reviewing Fees

In *Corcoran Hospital District*, 233 B.R. 449, the court found that the debtor could satisfy § 943(b)(3) through a post-confirmation process in which fees would be reviewed for reasonableness. This Court agrees that § 943(b)(3) only requires that the Court determine that the fees are reasonable and does not require the Court to make this determination before it enters an order confirming the plan.

Indeed, it is physically impossible to comply with the literal requirement of § 943(b)(3)—to find, before confirming the plan, that “all amounts to be paid by the debtor or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable.” Fees subject to this requirement include fees through the effective date of the plan. Those fees will not be known, let alone incurred, until after confirmation. Accordingly, to facilitate confirmation, the Court will defer this issue and will request the assistance of counsel in establishing a process for determining the reasonableness of the fees for which the City is obligated.

Another issue will have to be addressed. As noted, reasonableness of fees is a requirement for confirmation in chapter 9. This is unlike chapter 11 where objections to fees are not confirmation objections. The general deadline to object to the City’s plan was May 12, 2014, and for bondholders and retirees it was July 11, 2014. As far as the Court can determine, only one party, David Sole, asserted a timely objection to the reasonableness of fees in this case. The issue then becomes whether all other parties in the case have waived the issue.

Regardless, the Court reaffirms that even if there has been such a waiver, the Court intends to fulfill its independent obligation to review the reasonableness and disclosure of fees.

**B. The Debtor Is Not Prohibited by Law from
Taking Any Action Necessary to Carry Out the
Plan, As Required by § 943(b)(4)**

As a condition of plan confirmation, section 943(b)(4) requires that “the debtor is not prohibited by law from taking any action necessary to carry out the plan[.]” Several creditors object to the plan on the grounds that it violates Art. IV. § 24 of the Michigan constitution, prohibiting the impairment of pensions, and that therefore the plan does not comply with § 943(b)(4).

The Court overrules this objection. An important distinction applies here. Under § 1123(b)(1), the plan may impair unsecured claims. As the Court held in its eligibility opinion, pension claims are unsecured contract claims under the Michigan constitution and are therefore subject to impairment in bankruptcy. *In re City of Detroit*, 504 B.R. at 150-54. Section 943(b)(4) does not prohibit that. If it did, then no unsecured claims could be impaired in a chapter 9 case.

Rather, the effect of § 943(b)(4) is limited to the actions that the municipality must take to implement the plan once the Court confirms it. For example, if a municipal debtor’s plan called for the issuance of new bonds to creditors, that bond issuance must comply with applicable law. As the Court held in *In re Sanitary & Improvement District, No. 7*, 98 B.R. 970, 974 (Bankr. D. Neb. 1989):

The Bankruptcy Code permits modification of bondholder rights. The Bankruptcy Code permits an issuance of new bonds with different face amounts and different interest rates and different payment periods than the original bonds held by bondholders prior to the bankruptcy filing. However, those “new bonds” simply become a substitute for the original obligation and they must be issued in conformance with state law and the terms of their redemption and payment must be in conformance with state law.

In this case, the Court finds that the implementation of the City's plan is in conformance with all applicable law, as § 943(b)(4) requires. Accordingly, this objection is overruled.

**C. The Plan Is in the Best Interests of Creditors,
As Required by § 943(b)(7)**

Section 943(b)(7) requires that the plan is in the best interests of creditors. Most of the best interests objections under § 943(b)(7) have been withdrawn or resolved. Some retiree creditors, however, do maintain this specific objection to confirmation. For example, several parties assert that the plan violates § 943(b)(7) because retirees could receive greater recoveries on their pension and OPEB claims under Michigan law than under the plan. *See, e.g., Jamie Fields et al. Obj. to Confirmation of the Fourth Am. Plan.* (Dkt. #5964)

In *Kelley v. Everglades Drainage District*, 319 U.S. 415 (1943), the Supreme Court stated, “[T]he fact that the vast majority of securities holders may have approved a plan is not the test of whether that plan satisfies the statutory standard.” *Id.* at 418-19 (quoting *City of Avon Park*, 311 U.S. at 148).

The Supreme Court also explained the scope of the findings that this Court must make on this issue:

The nature and degree of exactness of the findings required depends on the circumstances of the particular case. . . .

Delusive exactness of findings is . . . not required in cases of municipal bankruptcy. But where future tax revenues are the only source to which creditors can look for payment of their claims, considered estimates of those revenues constitute the only available basis for appraising the respective interests of different classes of creditors. In order that a court may determine the fairness of the total amount of cash or securities offered to creditors by the plan, the court must have before it data which will permit a reasonable, and hence an informed, estimate of the probable future revenues available for the satisfaction of creditors.

Id. at 419-20.

After discussing the substantive legal requirements of the best interests of creditors requirement in chapter 9, the Court will discuss the relevant evidence in the record supporting its findings, both as to the issues raised by the retiree creditors and the best interests of the City's creditors more generally.

1. The Applicable Law

At the outset, it is important to note that the best interests requirement of chapter 9 differs significantly from the best interests requirement in chapter 11, which involves considering a liquidation analysis. *See In re City of Colo. Springs Spring Creek Gen. Improvement Dist.*, 187 B.R. 683, 690 (in a chapter 9 case, an objecting creditor is not “protected by the best interest test of § 1129(a)(7)”).

Courts generally agree that the best interests of creditors test in § 943(b)(7) requires “that a proposed plan provide a better alternative for creditors than what they already have.” *In re Pierce Cnty. Hous. Auth.*, 414 B.R. at 718 (quoting *In re Mount Carbon Metro. Dist.*, 242 B.R. at 34); *see also In re Sanitary & Improvement Dist., No. 7*, 98 B.R. at 974.

This Court adopts that test.

As the court reasoned in *In re Mount Carbon*, “This is often easy to establish. Since creditors cannot propose a plan; cannot convert to Chapter 7; cannot have a trustee appointed; and cannot force sale of municipal assets under state law, their only alternative to a debtor's plan is dismissal.” 242 B.R. at 34. *See also Silver Sage Partners, Ltd. v. City of Desert Hot Springs (In re City of Desert Hot Springs)*, 339 F.3d 782, 789 (9th Cir. 2003) (“Chapter 9 makes no provision for conversion of the case to another chapter or for an involuntary liquidation of any of the debtor's assets.”) (quoting *In re Richmond Unified Sch. Dist.*, 133 B.R. 221, 225 (Bankr. N.D. Cal. 1991)).

Section 943(b)(7) is therefore subject to § 904, which states:

Notwithstanding any power of the court, unless the debtor consents or the plan so provides, the court may not, by any stay, order, or decree, in the case or otherwise, interfere with—

- (1) any of the political or governmental powers of the debtor;
- (2) any of the property or revenues of the debtor; or
- (3) the debtor's use or enjoyment of any income-producing property.

11 U.S.C. § 904.

The issue, therefore, is primarily whether the available state law remedies could result in a greater recovery for the City's creditors than confirmation of the plan. This analysis will also point out that losing the benefits of the plan will actually impair creditors' recoveries under these state law remedies. The Court will also address the argument of some creditors that the City could pay them more by raising taxes, by monetizing assets, such as the art at the DIA, or by adjusting its budget forecasts. Finally, the Court will briefly discuss the impact of its findings regarding the feasibility of the plan.

2. If the Case Were Dismissed, State Law Remedies Would Not Provide Creditors with a Better Result Than the Plan

a. The Creditors' Legal Remedies in the Event of a Dismissal

The Michigan Revised Judicature Act ("RJA") explicitly states, "No execution may issue upon a judgment against (1) Any township, village, city" Mich. Comp. Laws § 600.6021(1). Accordingly, if the case was dismissed, the unsecured creditors' only remedy under Michigan law would be § 6093 of the RJA. That section provides that when a party obtains a money judgment against a municipality, the party has the right to take the judgment to

the “supervisor” or “assessing officer” of the municipality, who then “shall proceed to assess the amount [of the judgment] . . . upon the taxable property” of the municipality, “upon the then next tax roll.” Mich. Comp. Laws § 600.6093(1). No party disputes this proposition, and the Court finds that it is supported by Michigan statutes and case law.

In *Faitoute Iron & Steel, Co. v. City of Asbury Park*, 316 U.S. 502 (1942), the Supreme Court observed:

The principal asset of a municipality is its taxing power and that, unlike an asset of a private corporation, can not be available for distribution. An unsecured municipal security is therefore merely a draft on the good faith of a municipality in exercising its taxing power. . . . In effect, therefore, the practical value of an unsecured claim against the city is inseparable from reliance upon the effectiveness of the city’s taxing power. The only remedy for the enforcement of such a claim is a mandamus to compel the levying of authorized taxes.

Id. at 509.

In *City of Roosevelt Park v. Norton Township*, 47 N.W.2d 605 (Mich. 1951), the Michigan Supreme Court stated:

The basis for this rule is that municipal funds constitute a trust fund for the accomplishment of certain municipal functions, *see Vanderpoel v. Borough of Mt. Ephraim*, 111 N.J.L. 423, 168 A. 575, 89 A.L.R. 862; that to subject municipal funds to levy of execution and garnishment would restrict, thwart and interfere with the proper and orderly functioning of the municipal governmental machinery, *see Underhill v. Calhoun*, 63 Ala. 216, and that to allow an individual municipal creditor to reach municipal funds for the satisfaction of his claim would effect a preference in favor of such creditor to the prejudice of other creditors and to the ultimate prejudice of the credit of the municipality, *Vanderpoel v. Borough of Mt. Ephraim, supra*.

A township is a municipal corporation and as such an instrumentality of the State for purposes of local government. *See Hanslovsky v. Township of Leland*, 281 Mich. 652, 275 N.W. 720. Township funds are in the nature of trust funds and are placed for disposition in accordance with appropriations previously made. Public policy forbids disturbance of these funds as to do so would

have a tendency to curtail governmental activities for which these funds were appropriated.

In our opinion the sole remedy for the collection of a judgment against a township is provided by CL 1948, § 624.5[.]

Id. at 606; *see also Parker v. Klochko Equip. Rental Co.*, 590 F.2d 649, 653 (6th Cir. 1979) (holding that it is well established under Michigan law, “that it is contrary to public policy to allow private liens on public property”); *Herter v. City of Detroit*, 219 N.W. 617, 617 (Mich. 1928) (“The rule in this state is fixed by statute The method of collection judgments against cities is by mandamus to compel the property city authorities to spread the tax to pay them.”) (citing *Griswold v. Common Council of Ludington*, 75 N.W. 609, 609 (Mich. 1898)).

If the case were dismissed, therefore, unsecured creditors, including retiree creditors, would be limited to any additional property tax revenues that the City could levy in addition to the City’s existing property tax collections for its general fund.

The Supreme Court has described the right to compel a municipality to raise taxes to satisfy judgments against it as an “empty right to litigate,” particularly in times of economic crisis. *Faitoute Iron & Steel*, 316 U.S. at 510.

More recently, the court in *In re Sanitary & Improvement District, No. 7* recognized this conundrum:

The alternative to confirmation of a plan similar to the one before the Court is dismissal of the case. That would permit the parties to go back to state court and permit the state judge to order the debtor to levy sufficient taxes to pay all prepetition bonds plus accrued interest in full. There is evidence before this Court which this court finds convincing that such a procedure would create such a high level of taxes for the district and the homeowners of the district that it is likely the revenues would not be made available to the district by taxpayers and the bondholders would still not be paid. This Court sees no benefit in permitting this matter to go back through the state court system which has no power to permit compromise of the debt structure without consent of all parties.

b. The Creditors' Recoveries in the Event of a Dismissal

The record in this case also establishes that the City's unsecured creditors would find the RJA to be an "empty right to litigate." *Faitoute Iron & Steel*, 316 U.S. at 510.

Caroline Sallee, an accountant from Ernst & Young, was the City's expert witness on property tax revenue forecasts. Assuming that property tax rates remain the same, as is the standard practice in tax revenue forecasting, Ms. Sallee credibly testified that the taxable value of the City's property tax base will continue to decline in the years to come. Without the RRI's that the City intends to implement, Ms. Sallee projects that the City's annual property tax revenues will fall from approximately \$130 million in FY2013 to approximately \$90 million by FY2021, primarily due to population and employment decline and lower real property assessed values. She testified that in her expert opinion, the City will not experience even modest positive year-to-year growth rates in property tax revenue until FY2022. With the implementation of the RRI's, the City's property tax revenue is likely to increase, and more quickly, Ms. Sallee explained, but primarily because of the favorable economic conditions that the RRI's will produce. This, she testified, will increase "people's ability to pay." *See* Trial Tr. 238, Sept. 8, 2014. (Dkt. #7472)

The City's chief financial officer, John Hill, supervises the City's tax levying and collections. He credibly testified that the "chronic state of decline in assessed [property] value is expected to continue beyond 2016." Trial Tr. 123, Sept. 4, 2014. (Dkt. #7411) (quoting Ex. 38, the 2014 Revenue Consensus Conference Report). He further testified that "collection of taxes in an economy that we [are] dealing with [in] Detroit is very difficult." Trial Tr. 228, Sept. 4,

2014. (Dkt. #7411) Mr. Hill, unlike Ms. Sallee, did consider the possibility of increasing the property tax rates in Detroit (for example, to satisfy RJA judgments), but concluded it would not result in increased revenues:

One thing that certainly happens with taxing, it's not always clear whether or not increasing tax rates will actually produce greater revenues. As a matter of fact, in some cases increasing tax rates actually [results] in lower taxes, and it's called getting into . . . a death spiral. And Detroit, which is a highly taxed jurisdiction and also one that is obviously suffering from a long-term economic crisis, I would not at all think that raising the tax rates at this time would be an appropriate strategy here.

Trial Tr. 7-8, Sept. 5, 2014.¹⁷ (Dkt. #7434)

The evidence establishes that raising tax rates is not a viable option for the City, legally or practically. In the eligibility opinion, the Court found that the City cannot legally increase its tax rates. *See In re City of Detroit*, 504 B.R. at 121. Mayor Duggan testified that the likelihood is remote that the people of Detroit or the state legislature would vote to raise taxes. Trial Tr. 112-14, Oct. 6, 2014. (Dkt. #7917)

Further, a property tax increase would produce very little additional revenue. Mayor Duggan testified that taxes in Detroit are among the highest relative to surrounding communities and the level of services is comparatively low. *Id.* at 83-84. Mr. Orr credibly testified that the City is at tax saturation and that raising taxes would likely add to the population decline. Trial Tr. 109-11, Oct. 2, 2014. (Dkt. #7878)

¹⁷ The City did not offer expert testimony on whether an increase in tax rates might yield greater revenue for property taxes, arguing that expert testimony is generally not required on the subject of “tax saturation.” Trial Tr. 49-53, Oct. 27, 2014. (Dkt. #8156) The Court finds that the City’s proof is sufficient on this issue even though the City did not proffer expert testimony. This finding does not suggest, however, that an expert is never required on this issue. It may be that in some cases, expert testimony is necessary to meet the requirements of *Everglades Drainage District*, 319 U.S. at 419-420, discussed above.

The other side of the equation is the amount of the judgments that the City would face. By all accounts, as detailed earlier in this opinion, this number would be astronomical, potentially several billion dollars.

Some have argued that the City's liability estimations are exaggerated because the entirety of the City's debts (for example, its long-term OPEB costs) would not accelerate upon dismissal. For the purpose of determining whether the plan is in the best interests of creditors, however, the Court finds that this argument lacks merit. Without the benefits of the plan, the portion of the City's annual budget that will be consumed with current legacy liabilities¹⁸ is projected to increase dramatically over time. Ernst & Young's baseline financial projections show that the annual cost of the City's legal liabilities will grow from approximately \$588 million in FY2014, to \$713 in FY2018, to \$767 million, or roughly 70% of the City's annual budget, in FY2023. Ex. 33 at 91.

The City is simply unable to pay these judgments by raising taxes. Moreover, the Court finds that chaos would ensue if the City's creditors engaged in the proverbial "race to the courthouse" to obtain judgments against the City upon the dismissal of the chapter 9 case. Moreover, the state courts would be powerless to order the City's creditors to compromise their debts to ensure anything like an equitable or fair distribution. *Cf. Sanitary & Improvement Dist., No. 7*, 98 B.R. at 975-76.

¹⁸ Mr. Malhotra explained that "legacy costs" include debt service on the LTGO and UTGO bonds, principal and interest payments on the COPs, payments owed to the COP Swap Counterparties, pension contributions, and retiree health benefits. *See* Ex. 33, City of Detroit Proposal for Creditors dated June 14, 2013 at 90-91; *see also* Trial Tr. 70, Sept. 29, 2014. (Dkt. #7819) (further describing legacy costs as, "the costs that were not associated with providing service or operations today, so . . . exclude[ing] the majority of the share of the costs related to the active employees and supplies as well as . . . the costs associated with debt that the city had taken on in prior periods.").

Mr. Fields and some creditors argue that if even one class of creditors could theoretically receive a better recovery if the case were dismissed, by “winning” the race to the courthouse, then the plan is not in the best interests of creditors.

As noted, section 943(b)(7) requires that “the plan is in the best interests of creditors.” 11 U.S.C. § 943(b)(7). Under this language, the question is whether the plan is in the best interests of creditors as a whole. Confirmation may not be denied simply because some creditors may do better upon dismissal. The plain language of the statute compels this result. The Court finds that the plan is in the best interests of the creditors as a whole. Accordingly, the Court rejects this argument.

Mr. Fields relies upon *ACC Bondholder Group v. Adelphia Communications Corp.* (*In re Adelphia Communications Corp.*), 361 B.R. 337 (S.D.N.Y. 2007), and *In re Sierra-Cal*, 210 B.R. 168 (Bankr. E.D. Calif. 1997). This reliance is misplaced, however, because these cases relate to the “best interests of creditors” test applicable in chapter 11, which is a liquidation analysis. As discussed above, this test is not applicable in this chapter 9 proceeding. *See* 11 U.S.C. § 901(a) (not incorporating § 1129(a)(7)).

The argument rings particularly hollow in this case due to the differences in financial and legal sophistication among the City’s many classes of creditors. Upon dismissal, many of these creditors would commence high-stakes litigation against the City, as the Court observed on its own docket. *See, e.g., Official Committee of Retirees v. City of Detroit (In re City of Detroit)*, No. 13-05244 (Bankr. E.D. Mich. Oct. 22, 2013) (seeking injunction to maintain OPEB benefits; settled); *Official Committee of Retirees v. City of Detroit (In re City of Detroit)*, No. 14-04015 (Bankr. E.D. Mich. Jan. 9, 2014) (same); *Nat’l Pub. Fin. Guar. Corp. v. City of Detroit (In re City of Detroit)*, No. 13-05309 (Bankr. E.D. Mich. Nov. 8, 2013) (seeking declaratory judgment

regarding parties' rights under UTGO bonds; settled); *Ambac Assurance Corp. v. City of Detroit* (*In re City of Detroit*), No. 13-05310 (Bankr. E.D. Mich. Nov. 8, 2013) (seeking declaratory judgment regarding parties' rights under LTGO bonds; settled). The record establishes, however, that this scenario would likely harm all creditors, as well as the City's residents.

c. The Creditors' Loss of Other Plan Benefits

The record further establishes that if the case were dismissed, the creditors' recoveries would be substantially impaired. The vast majority of plan settlements are conditioned upon confirmation of the plan, most notably the Grand Bargain. If the plan were not confirmed and the case were dismissed, the City would lose the State Contribution and the contributions from the DIA and the charitable foundations.

In addition to losing the benefits of the plan settlements, the City would be required to finance the balance of its obligation to the swap counterparties arising from the Swap Settlement. *See* Trial Tr. 210-11, Sept. 30, 2014. (Dkt. #7821)

Moreover, the plan provides that the City will use a portion of the exit financing proceeds to retire the \$120 million post-petition financing facility. *See* Plan, Ex. I.A.183. (Dkt. #8045) The post-petition financing is secured by the City's income tax revenue and casino tax revenue. Therefore, if the City defaulted, those income streams would also be in jeopardy. *See* Trial Tr. 210-11, Sept. 30, 2014. (Dkt. #7821)

The City would also lose any potential enhancement of its credit rating that it could experience due to the elimination of "the uncertainties of the OPEB and pension costs" that would result from the plan. *Id.* at 67-68 (Mr. Buckfire explaining that these "should give the markets a great deal of confidence that the borrowings . . . by the city will get repaid in the ordinary course.").

Most importantly, the City and its creditors would lose the benefits of the RRIIs, one of which is the creation of a sufficient operating budget surplus for the City to pay its obligations under the plan. *See* Trial Tr. 71-72, Sept. 29, 2014. (Dkt. #7819) (Mr. Malhotra testifying that “it was probably unlikely that the city would have been able to” implement the RRIIs without the plan); Trial Tr. 228-29, Sept. 5, 2014. (Dkt. #7434) (Mr. Moore testifying that “clearly” the RRIIs “would not have been able to get undertaken without some sort of restructuring based on the structural deficit that existed within the city in June of 2013”).

The evidence establishes, therefore, that the plan is a much better alternative for creditors than dismissal.

3. The Creditors Can Access No Other Assets in This Bankruptcy Case

Whether in bankruptcy or outside of bankruptcy, no provision of law allows the creditors to access City assets, most importantly including the DIA art, to satisfy their claims. The market value of the City’s assets, including its art is, therefore, irrelevant in this case. As observed above, a judgment creditor’s sole remedy is a court-ordered property tax assessment process under Michigan’s Revised Judicature Act. Michigan law prohibits execution on municipal property.

Some creditors argue that even if the assets would not be accessible to unsecured creditors outside of bankruptcy, the best interests test in chapter 9 requires this Court’s full consideration of all of the City’s assets, including the art.

The Court rejects this argument. The legal limitations on the collection of judgments that apply outside of bankruptcy also constrain the best interests of creditors test in bankruptcy. Neither the bankruptcy code nor the case law suggests otherwise.

As noted, the City determined not to sell or monetize the DIA art in the art market. Under § 904, that decision is off-limits to the Court.

However, even if the law did give the Court some authority here, the Court would not have interfered with the City's decision. The City made the only appropriate decision. Maintaining the art at the DIA is critical to the feasibility of the City's plan and to the City's future. The Court toured parts of the DIA and saw the art there, as well as how its many visitors were experiencing the art. It also accepts the testimony of Ms. Erickson on the priceless value that the DIA and the art create for the City, the region and the state. Trial Tr. 157-64, Sept. 18, 2014. (Dkt. #7634)

The evidence unequivocally establishes that the DIA stands at the center of the City as an invaluable beacon of culture, education for both children and adults, personal journey, creative outlet, family experience, worldwide visitor attraction, civic pride and energy, neighborhood and community cohesion, regional cooperation, social service, and economic development. Every great city in the world actively pursues these values. They are the values that Detroit must pursue to uplift, inspire and enrich its residents and its visitors. They are also the values that Detroit must pursue to compete in the national and global economy to attract new residents, visitors and businesses. To sell the DIA art would only deepen Detroit's fiscal, economic and social problems. To sell the DIA art would be to forfeit Detroit's future. The City made the right decision.

Some creditors proposed using the art as collateral for a loan to pay creditors' claims. The City also rejected that concept. That decision was sound for at least two good reasons. First, that proposal would just substitute debt for debt and would not help the City. Second, if the City defaulted, it might lose the art. The City made the right decision here too.

Beyond that, the record reflects that the City has made reasonable efforts to monetize other assets, including the Detroit Windsor Tunnel, certain real estate properties, certain parking properties, the Joe Louis arena property and certain other property that it no longer needs. It also entered into the Great Lakes Water Authority memorandum of understanding with Wayne, Oakland and Macomb Counties, which benefits all creditors. The Court finds that the City has made reasonable efforts to monetize its assets to satisfy the best interests of creditors test.

4. The Best Interests of Creditors and Feasibility

Finally, the Court finds that the “best interests of creditors” in chapter 9 is necessarily constrained by the second confirmation requirement found in § 943(b)(7)—that the plan is feasible. *See* 11 U.S.C. § 943(b)(7). In *In re Mount Carbon*, the court observed that the “‘best interests’ test acts as a floor requiring a reasonable effort at payment of creditors by the municipal debtor and that the ‘feasibility’ requirement sets a corresponding ceiling which prevents the Chapter 9 debtor from promising more than it can deliver.” 242 B.R. at 34. *See also In re Pierce Cnty. Hous. Auth.*, 414 B.R. at 718.

As a result, the City “may obtain confirmation of a plan, over objection, which does not utilize all of the assets of the estate to retire its obligations.” *In re Sanitary & Improvement Dist., No. 7*, 98 B.R. at 974. This is a straightforward observation that if a city “gives away” too much under a plan, its future ability to fund its plan obligations and daily operations is lessened.

As the Court’s expert witness on feasibility, Ms. Martha Kopacz, stated in her second supplemental report:

I want to emphasize, however, that there is little space remaining on the continuum of [feasibility]. The recent settlements and corresponding amendments to the Plan of Adjustment have served the laudable goals of efficiently resolving disputes and garnering additional support for the Plan of Adjustment. Conversely, they

have imposed additional financial obligations on the City. I have already expressed concerns regarding the level of contingency provided for in the Plan of Adjustment. The financial obligations associated with the recent settlements only intensify this concern.

Ex. 12002 at 6.

The Court addresses Ms. Kopacz's conclusions as they impact feasibility in part X.D. below. However, the Court finds that Ms. Kopacz's observation supports a finding that the City has effectively done all that it can do for its creditors in its plan.

There is no more money available for creditors in the City's already tight budget projections. Every dollar is accounted for in providing necessary services, in implementing the necessary RRI's, and in meeting plan obligations. All of those cash uses are essential to the City's future. In this plan, the floor of the best interest test and the ceiling of the feasibility test have, for all practical purposes, converged.

Accordingly, the Court finds that the plan will provide creditors all that they can reasonably expect under the circumstances and that it is therefore in their best interests, as required by § 943(b)(7).

D. The Plan Is Feasible, As Required by § 943(b)(7)

1. Applicable Law

Section 943(b)(7) provides, "The court shall confirm the plan if— . . . (7) the plan is . . . feasible." Few creditors substantively challenge the feasibility of the City's plan. Regardless, the Court has an independent duty to determine the issue and to make specific findings of fact. *See In re Mount Carbon*, 242 B.R. at 36 ("Not only is feasibility an express requirement set out in § 943(b)(7), but the long history of Chapter 9 requires an objective evaluation of the [chapter 9 debtor's] proposed reorganization.") (citing *Everglades Drainage Dist.*, 319 U.S. at 418-19).

As with cases in chapter 11, a chapter 9 feasibility finding should “prevent confirmation of visionary schemes which promise creditors . . . more under a proposed plan than the debtor can possibly attain after confirmation.” A plan should offer a reasonable prospect of success and be workable. In Chapter 9, this requires a practical analysis of whether the debtor can accomplish what the plan proposes and provide governmental services. Although success need not be certain or guaranteed, more is required than mere hopes, desires and speculation. The probability of future success will depend upon reasonable income and expense projections. As with plans proposed under Chapter 11, if performance of a Chapter 9 plan is based upon deferred payments, projections of future income and expenses must be based upon reasonable assumptions and must “not be speculative or conjectural.” Plan terms which provide for negative amortization, or for deferred payments over an extensive period of time, may make the showing of feasibility difficult. *Indeed a feasibility showing premised upon long-term repayment or negative amortization may be particularly difficult for the Chapter 9 debtor, which must not only demonstrate a probability that it will be able to pay on pre-petition debt in accordance with the plan, but must also demonstrate the probability that it can continue to provide public services while it repays debt.*

In re Mount Carbon, 242 B.R. at 35 (citations omitted) (emphasis added).

2. An Overview of Feasibility

In this case, examining the feasibility of the plan is difficult for a number of reasons. The City’s debt is enormous and the City proposes to pay most of its creditors over a long period of time. As the Court discusses below, the City’s revenue and expense projections extend forty years into the future.

Second, the feasibility of the plan depends upon the City’s ability to fix and maintain its broken governmental operations. This is significant because the chapter 9 feasibility inquiry requires an analysis of whether the City can reasonably provide sustainable municipal services, as the court found in *In re Mount Carbon*. It is also significant because the City’s ability to repay its creditors pursuant to the plan depends upon the City’s ability to increase its revenues

from taxes and fees by improving the efficiency of City operations and by identifying and accessing untapped sources of revenue.

The feasibility analysis is yet more complex because several key parts of the plan depend upon performance by parties who are completely beyond the City's control. For example, because the City's contributions to the retirement systems are fixed through FY2023, a risk remains that the pension plans will be significantly more underfunded than anticipated if one of the many organizations participating in the Grand Bargain fails to perform in the time or manner promised.

As the City itself succinctly states in its pretrial brief in support of plan confirmation, "[T]he City was—and remains today—enmeshed in a financial crisis of unsurpassed proportions and complexity." City's Pretrial Br. ¶ 1 at 17-18. (Dkt. #7143) Despite efforts from both the City and the State of Michigan, "the City is trapped in a vicious circle of cash crises, general fund deficits, crushing long-term liabilities and tumbling credit ratings exacerbated by the City's bureaucratic structure and frequent deviations from established budgets." *Id.* ¶ 2 at 18.

Finally, overlaying these concerns is that throughout these proceedings, the City's creditors have focused much more heavily on whether the plan provides them with a sufficient recovery, rather than on whether the City is "promising more than it can deliver." *See In re Mount Carbon*, 242 B.R. at 34. Thus their litigation focus was on whether the plan is in the best interests of creditors, unfairly discriminates, and is fair and equitable, rather than on whether it is feasible.

For these reasons, the Court found that the adversarial system would not function to clarify the issues and elucidate the facts relating to feasibility. Accordingly, it decided to seek out an independent expert witness on the feasibility of the City's plan. After interviewing

several candidates from diverse backgrounds, on April 22, 2014, the Court appointed Martha Kopacz as its expert witness on feasibility. *See generally* Order Appt'ing Expert Witness. (Dkt. #4215) Ms. Kopacz is an experienced restructuring professional from the Boston-based firm, Phoenix Management Services. The Court instructed Ms. Kopacz to “investigate and reach a conclusion on: (a) Whether the City’s plan is feasible as required by 11 U.S.C. § 943(b)(7); and (b) Whether the assumptions that underlie the City’s cash flow projections and forecasts regarding its revenues, expenses and plan payments are reasonable.” *Id.* ¶ 2 at 1.

After an evidentiary *Daubert* hearing on September 15, 2014, the Court determined Ms. Kopacz was qualified under Federal Rule of Evidence 702 to give expert testimony concerning these two questions, and that her opinion was the product of the application of reliable methods to sufficient facts and data. *See* Order Re: Expert Test. at 2-3. (Dkt. #7511)

Ms. Kopacz fulfilled her assignment, as set forth in three expert reports, Ex. 12000, 12001, 12002, and in her testimony on October 22, 2014. *See generally* Trial Tr. 1-89, Oct. 22, 2014. (Dkt. #8082) She provided the Court with a critical analysis of the City’s financial projections and its qualitative assumptions, as well as invaluable guidance for interpreting and understanding the mountain of data that the City’s financial professionals produced. Thus, although the City admirably shouldered the burden of producing the necessary raw financial data and projections, the efforts of Ms. Kopacz and her team were essential for the Court to discharge its duty under § 943(b)(7).

The Court finds Ms. Kopacz testified credibly. Therefore, the Court adopts Ms. Kopacz’s findings and conclusions as expressed in her testimony and in her three expert reports almost in their entirety, and incorporates them into the Court’s feasibility analysis. The only

conclusion that the Court cannot quite accept relates to her concerns about the expedited pace of this proceeding. The Court addresses this question in part X.F.4. below.

Before turning to the substance of Ms. Kopacz's findings and conclusions and the supporting evidence that the City's financial professionals compiled and testified to, the Court must address two evidentiary issues concerning Ms. Kopacz's testimony and expert reports.

3. Evidentiary Issues Regarding the Report and Testimony of the Court's Feasibility Expert

Although the GRS and the PFRS do not object generally to Ms. Kopacz's expertise, they did file a joint motion to exclude certain portions of Ms. Kopacz's testimony relating to the systems' historical performance and management, and their future governance and reporting requirements. In their motion, the GRS and the PFRS assert that Ms. Kopacz lacks the necessary qualifications to give pension-related opinions and further that her investigation of these issues exceeded the scope of her assignment from the Court. Retirement Systems' Mot. to Exclude at 1-2. (Dkt. #7061)

The GRS and the PFRS also moved to exclude these same portions of Ms. Kopacz's opinion and findings from admission into the evidentiary record as part of her expert reports. They argued that not only does Ms. Kopacz lack the expertise to give these opinions, but that any mention of them in her reports constitutes inadmissible hearsay. Retirement Systems' Br. in Opp'n to Admis. of Expert Report at 1-2. (Dkt. #6847) Relying on *Engbreetsen v. Fairchild Aircraft Corp.*, 21 F.3d 721, 728-29 (6th Cir. 1994), the GRS and the PFRS argue that expert reports in general may only be admitted into evidence to show the basis for the expert's opinion, "but not as general proof of the underlying matter." Br. in Opp'n at 9. (Dkt. #6847)

The Court concludes that the motion to exclude the expert's testimony is moot because the expert's testimony is now concluded and the testimony did not address the challenged matter. Accordingly, the Court denies that motion.

The Court further concludes that the motion to exclude the challenged matter from the expert's report should be denied. All of the challenged matter is within Ms. Kopacz's expertise to investigate and pertinent to her opinion on the feasibility of the plan. Her supplemental report of August 27, 2014, clarifies that she derived her statements regarding these matters from either the disclosure statement (Dkt. #4391) or the July 18, 2013 declaration of Charles M. Moore. (Dkt. #13) These are hearsay sources, but under Fed. R. Evid 703, an expert may rely on hearsay. "If experts in the particular field would reasonably rely on those kinds of facts or data in forming an opinion on the subject, they need not be admissible for the opinion to be admitted." Fed. R. Evid. 703.

While the challenged matter may be of marginal relevance to the greater issues before the Court, its prejudice to the GRS and the PFRS is equally marginal. The Court concludes that there is no cause to exclude it and denies this motion as well.

4. The Expert's Standard for Feasibility

Ms. Kopacz began her work by developing and articulating a standard for measuring the feasibility of the City's plan. The Court finds that Ms. Kopacz's articulation is appropriate and adopts it here:

Is it likely that the City of Detroit, after the confirmation of the Plan of Adjustment, will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the Plan without the significant probability of a default?

Ex. 12000 at 13. It closely tracks the standard articulated by the *Mount Carbon* court, set forth above. *See Mount Carbon Metro. Dist.*, 242 B.R. at 35.

Intertwined here are also the questions of whether the City is committed to implement the plan and whether it has sufficient resources to monitor its performance under the plan. The first question requires a review of the testimony of City leaders. The second question requires an examination of the Financial Review Commission and the other controls under Public Acts 181 and 182 of 2014 (hereafter, “Grand Bargain Legislation”), Mich. Comp. Laws §§ 141.1631-141.1643, 141.117.4s-t, as well as the internal systems created by the Mayor and the City’s chief financial officer.

5. The City’s Plan Is Feasible

The Court finds that the plan is feasible. As detailed below, this finding is based on the testimony and documentary evidence presented by Ms. Kopacz, Trial Tr. Oct. 22, 2014 (Dkt. #8082), Kevyn Orr, Trial Tr. Oct. 1-3, 2014 (Dkt. ##7850, 7878, 7894), and by the following independent professionals that the City retained:

- Gaurav Malhotra of Ernst & Young, Trial Tr. Sept. 29 & Oct. 21, 2014 (Dkt. ##7819 and 8098);
- Dr. Robert Cline, formerly of Ernst & Young, Trial Tr. Aug. 18, 2014 (Dkt. #7015);
- Caroline Sallee of Ernst & Young, Trial Tr. Sept. 8-9, 2014 (Dkt. ##7472 and 7473);
- Charles Moore of Conway MacKenzie, Inc., Trial Tr. Sept. 5 & 8, 2014 (Dkt. ##7434 and 7462);
- Kenneth Buckfire of Miller Buckfire and Co., Trial Tr. Sept. 30, 2014 (Dkt. #7821);
- James Doak of Miller Buckfire and Co., Trial Tr. Oct. 3, 2014 (Dkt. #7894);
- Alan Perry of Milliman, Inc., Trial Tr. Sept. 15-16, 2014 (Dkt. ##7617 and 7618);
- Glenn Bowen of Milliman, Inc., Trial Tr. Sept. 15, 2014 (Dkt. #7617); and

- Gerald Salzman of Desman Associates, Trial Tr. Oct. 21, 2014 (Dkt. #8098).

This finding is also based on the testimony and documentary evidence presented by the following elected and appointed leadership of the City and the State:

- Michael Duggan, Mayor of the City of Detroit, Trial Tr. Oct. 6, 2014 (Dkt. #7917);
- Brenda Jones, Detroit City Council President, Trial Tr. Oct. 6, 2014 (Dkt. #7917);
- John Hill, the City's Chief Financial Officer, Trial Tr. Sept. 4-5, 2014 (Dkt. ##7411 and 7434);
- Beth Niblock, the City's Chief Information Officer, Trial Tr. Sept. 8, 2014 (Dkt. #7462);
- James Craig, Detroit Police Chief, Trial Tr. Sept. 9, 2014 (Dkt. #7473);
- Edsel Jenkins, Detroit Executive Fire Commissioner, Trial Tr. Sept. 9, 2014 (Dkt. #7473);
- Sue McCormick, Director of the Detroit Water and Sewerage Department, Trial Tr. Sept. 17, 2014 (Dkt. #7638); and
- Brom Stibbitz, Senior Policy Advisor for the Michigan Department of Treasury, Trial Tr. Oct. 1, 2014 (Dkt. #7850).

It is also based on the testimony and documentary evidence presented by:

- Annmarie Erickson, Executive Vice President and Chief Operating Officer of the DIA, Trial Tr. Sept. 18, 2014 (Dkt. #7634);
- Rip Rapson, President of the Kresge Foundation, Trial Tr. Oct. 2, 2014 (Dkt. #7878);
- Dan Gilbert, Chairman of Rock Holdings, Trial Tr. Oct. 1, 2014 (Dkt. #7850); and
- Roger Penske, Chairman of the Penske Corporation, Trial Tr. Oct. 3, 2014 (Dkt. #7894).

6. The City's Revenue and Expense Projections

It is my opinion that, except where otherwise noted in my Report, the projections are generally mathematically correct and materially reasonable and therefore fall within the Feasibility Standard I have defined.

It is my opinion that, except where otherwise noted in my Report, the individual assumptions used to build the projections fall into a reasonable range and, that when taken as a group, these assumptions are also reasonable and fall within the Feasibility Standard.

Martha Kopacz, Ex. 12000 at 200.

Exhibit 793, to which Mr. Malhotra testified on October 21, 2014, sets forth the City's income and expense projections over ten and forty-year periods of time. *See generally* Trial Tr. 45:16-86:8, Oct. 21, 2014. (Dkt. #8098)

a. The City's Ten-Year Revenue Projections

The City projects that it will receive approximately \$11.6903 billion in revenue under the plan¹⁹ from FY2014-FY2023. Ex. 793 at 7-8. This total amount includes \$11.1815 billion in general fund revenue from the City's eight primary sources:

1. Municipal income tax;
2. State revenue sharing payments;
3. Wagering taxes;
4. Property taxes;
5. Utility users' taxes;
6. Sales and charges for services;
7. Other revenue, such as permits and parking tickets; and
8. Normal general fund reimbursements and receipts from enterprise funds.

¹⁹The Court uses the phrase "under the plan" here to refer to the City's financial projections that take into account all of the benefits of the plan, including the RRI's.

It also includes \$482.9 million in new revenue initiatives to be implemented under the plan and \$241.1 million in proceeds from cash loans. *Id.* at 7. The City will also receive \$508.8 million in plan-related reimbursements to the general fund from City enterprise funds, including \$464.4 million in reimbursements from the DWSD and \$44.4 million from other enterprise funds, including the library and parking systems. *Id.* at 7-8.

In addition, the City will receive approximately \$404.5 million from the Grand Bargain and the State Contribution Agreement over this ten-year period (and \$256.3 million over the next ten-year period from FY2024-FY2033) to be paid to the City's pension plans. *Id.* at 5.

b. The City's Ten-Year Expense Projections

On the operating expenditures side, the City projects that it will spend a total of \$10.3609 billion from FY2014-FY2023. *Id.* at 7. This amount includes payroll and active employee healthcare and pension contributions (but not the pension underfunding claims), as well as repayment of the cash loans, an annual contingency,²⁰ several one-time costs of restructuring, and additional operating expenditures associated with the implementation of the RRI. This leaves approximately \$1.3294 billion for the City's plan obligations to its creditors from FY2014-FY2023, plus approximately \$404.5 million in Grand Bargain and State Contribution Agreement funds for the pension claims, for a total of \$1.7339 billion. *Id.* at 7-8.

²⁰ Here, the Court is not referring to the cash balance required by the Grand Bargain Legislation. *See* Mich. Comp. Laws §117.4t(1)(c)(vi) ("A financial plan . . . shall . . . (c) Include a general fund reserve for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of the projected expenditures for the fiscal year."). The Court is referring to the contingency that is built into the City's annual budget as an operating expense. *See* Ex. 793 at 7; Trial Tr. 160, Sept. 29, 2014. (Dkt. #7819)

c. The City's Forty-Year Revenue Projections

The forty-year revenue projections are grouped by decade and are largely an extension of the ten-year projections. *See, e.g.*, Trial Tr. 62-63, 83, 154, Sept. 29, 2014 (describing previous version of the forty-year projections). (Dkt. #7819) For the most part, after FY2023 (the end of the first ten-year period) the City's experts applied a flat, positive growth rate for each component of the City's general fund revenue streams and the new general fund revenue initiatives. Ex. 793 at 4 ("Growth after FY23"). Other income components drop off. For example, most of the plan-related DWSD reimbursements to the general fund will end after the first decade. This is because most of the DWSD plan-related reimbursements will be used to satisfy DWSD's portion of the current pension underfunding, which the plan requires DWSD to pay over a ten-year period in annual payments of \$45.4 million. Ex. 793 at 8. Also, the City will receive all of the proceeds from the cash loans in the first two decades following the effective date of the plan. *Id.* at 5.

d. The City's Forty-Year Expense Projections

On the operating expenditures side, the City similarly assumes a flat growth rate in expenditures for employee salary, overtime, and other fringe benefits, as well as for active employee pensions and the additional operating costs arising from the Restructuring and Reinvestment Initiatives. *Id.* at 4. Other operating expenditures have growth assumptions built into the plan. For example, the City projects that it will be required to contribute \$2.2 million to the Income Stabilization Fund from FY2024-FY2033. *Id.*; *see also* Plan, § IV.D.2 at 55-56. (Dkt. #8045)

e. The Resulting Forty-Year Projections

The resulting forty-year projections provide as follows:

1) From FY2024-FY2033, the City projects that it will collect \$12.2321 billion in revenue and have \$10.6993 billion in operating expenditures, leaving \$1.5328 billion to satisfy its plan obligations to creditors, plus \$256.3 million in Grand Bargain funds for satisfaction of the pension claims, for a total of \$1.7891 billion.

2) From FY2034-FY2043, the City projects that it will collect \$14.4455 billion and have \$13.0563 billion in operating expenditures, leaving \$1.3892 billion to satisfy its last remaining plan obligations to creditors.

3) From FY2044-FY2053, the City projects that it will receive \$17.3359 billion and have \$16.5230 billion in operating expenses, leaving \$812.9 million to satisfy its plan obligations to creditors. Ex. 793 at 4-5.

The City began building these projections by constructing a baseline scenario that projects the City's finances in the absence of "the quantitative impacts of the restructuring initiatives, the cancellation of debt, the cash flow ramifications from the alterations in the City's pension plans and OPEB, and other impacts of the bankruptcy proceedings." Ex. 12000 at 32; Trial Tr. 72:13-17, Sept. 29, 2014. (Dkt. #7819) Building from this baseline projection, the City constructed the projections in Exhibit 793 by taking into account all of these costs and benefits of the plan and the RRI's (hereafter, "Plan Projections"). Ex. 12000 at 25-26; Trial Tr. 78:7-15, Sept. 29, 2014. (Dkt. #7819)

f. The Expert's Review of the Plan Projections

Ms. Kopacz and her team reviewed the Plan Projections in great detail. They interviewed the City's elected and appointed officials, the emergency manager, many City employees,

advisors, creditors, leaders and members of labor unions, as well as representatives of the GRS and the PFRS, the DIA, the Land Bank Authority, and many charitable organizations. *Id.* at 4. They also reviewed thousands of pages of documents that the City and third parties produced. They then “critiqued the methodology used to develop the financial projections, as well as the data and information used as the foundation for the assumptions.” *Id.* at 5.

Ms. Kopacz concluded that the projections are “mathematically correct and materially reasonable.” *Id.* at 200. She further concluded that “the individual assumptions used to build the projections fall into a reasonable range and, that when taken as a group, these assumptions are also reasonable and fall within the Feasibility Standard.” *Id.*

g. The Revenue in the Plan Projections

On the revenue side, Ms. Kopacz examined Dr. Cline’s expert opinion with regard to the City’s corporate and individual income taxes and wagering taxes, which are two of the City’s largest sources of revenue. Trial Tr. 58-68, Aug. 18, 2014. (Dkt. #7015) Dr. Cline explained that for income taxes, the Plan Projections are higher than the baseline projections due to “stronger growth in the underlying tax bases.” *Id.* at 67. This is a function of more optimistic assumptions about wage and employment growth as the plan is implemented and the economic conditions of the City improve. *Id.* Ms. Kopacz reported that when compared to state and national estimates for wage and employment growth, the City’s assumptions are “more conservative.” Ex. 12000 at 47. She testified there is a reasonable chance that employment and wages will be higher than projected. Trial Tr. 37:8-11, Oct. 22, 2014. (Dkt. #8082)

For wagering taxes, Dr. Cline testified that the key factor is the impact of new casinos in Toledo, Ohio, on the gross revenues of the City’s casinos. Trial Tr. 75:2-77:25, Aug. 18, 2014. (Dkt. #7015) As a result, he assumed a negative growth rate for the early years of the

projections, but eventually returned to a 1% annual increase. *Id.* at 75:18-76:16; *see also* Ex. 112-C. Ms. Kopacz agreed with Dr. Cline’s assessment of the risks, adding that it was completely outside the City’s control and that the assumptions adequately took the Toledo casinos into account. Trial Tr. 40, Oct. 22, 2014. (Dkt. #8082)

Ms. Sallee gave expert testimony with regard to the City’s property taxes and state revenue sharing payments. In creating her projections for property tax revenues, Ms. Sallee testified that she assumed the revenue would decrease in the short term as a result of a citywide property reassessment, but that eventually revenues would increase due to improved collections and long-term rebounding property values. Trial Tr. 234, Sept. 8, 2014 (Dkt. #7472) Ms. Sallee explained that increased collections will result from residents’ improved “ability to pay,” based on the lower amount of taxes and the improvements in wage and employment growth that Dr. Cline projected. *Id.*

Ms. Kopacz agreed that it is reasonable to assume that “reduced assessments will result in improved property tax collection rates and, in the longer term, increased property values as Detroit becomes a more desirable location.” Ex. 12000 at 59. Ms. Kopacz also testified that she found the City’s property tax revenue projections and assumptions to be “conservative,” particularly in the later years of the Plan Projections as the City begins to experience the full benefits of the implementation of the RRI. Trial Tr. 44, Oct. 22, 2014. (Dkt. #8082)

As for the state revenue sharing payments, Ms. Sallee testified that the City receives two types: 1) constitutional payments, which are calculated as a percentage of the statewide sales tax (15% of the first 4% of sales tax revenues), divided among Michigan municipalities based upon population, and 2) Economic Vitality Incentive Program (“EVIP”) payments, which are set forth in the state’s annual appropriation legislation and are thus at the discretion of the state

legislature. Trial Tr. 241:10-21, 247:3-15, Sept. 8, 2014. (Dkt. #7472) The legislature distributes the EVIP payments based on a municipality's financial "accountability and transparency," "consolidation of services," and whether it has established a plan to deal with any existing pension underfunding. Ex. 12000 at 51. Ms. Sallee testified that she assumed the constitutional payments would decrease after the next census, in line with Dr. Cline's population decline projections, and that the EVIP payments would remain constant throughout the forecast period. Trial Tr. 250:1-9, 252:14-255:10, Sept. 8, 2014. (Dkt. #7472)

Ms. Kopacz agreed that these projections were reasonable. In particular, she testified that she finds it "hard to fathom" that the City would not receive the full EVIP payments going forward, "given the capability of the current Mayor and the CFO." Trial Tr. 39:16-18, Oct. 22, 2014. (Dkt. #8082)

As explained above, although the DWSD operates as an enterprise fund, it is another major source of revenue for plan payments. Exhibit M to the City's Fourth Amended Disclosure Statement (Dkt. #4391) and Exhibit 178 set forth the City's projections of the DWSD's revenues, operating and legacy expenditures, and capital improvement plan for FY2014-FY2023. Ms. Kopacz expressed skepticism in her original report regarding the feasibility of the DWSD payments under the plan. Ex. 12000 at 196 ("While DWSD's debt is impacted by the POA, the DWSD operations are not included in the Plan. DWSD does play a significant role in funding the City's pension obligations during the forecast period.").

However, following the Court's approval of the DWSD Bondholders settlement on August 25, 2014 (Dkt. #7028), Ms. Kopacz testified, "Based on the DWSD settlement [], the risk that I had identified with the DWSD contribution to the pension funding is now removed." Trial Tr. 75, Oct. 22, 2014. (Dkt. #8082) Ms. McCormick also testified that the DWSD will have

sufficient resources to make all the necessary capital improvements to infrastructure so that it can continue providing adequate water and sewer services to its customers. Trial Tr. 99:4-100:6, Sept. 17, 2014. (Dkt. #7638)

The City's parking department is another important source for revenues needed in the plan.²¹ James Doak and Gerald Salzman testified about the City's projected parking revenues. See Trial Tr. 123-126, Oct. 3, 2014 (Dkt. #7894); Trial Tr. 9-45, Oct. 21, 2014. (Dkt. #8098) Mr. Salzman works for Desman, a firm that designs parking garages and optimizes parking system revenue. City Exhibit 783 reflects Mr. Salzman's projections of the City's parking revenues under four different scenarios—a "status quo" scenario; an "optimized," but still City-run scenario; a "private" investment and development scenario; and a "private upside" scenario, which is identical to the private scenario except that parking rates increase every three years. Ex. 783 at 47, 52.

Mr. Doak testified that the Plan Projections include an assumption that the City's parking revenues will exceed \$10 million per year, and that the status quo scenario would not be sufficient. Trial Tr. 130:2-9, Oct. 3, 2014. (Dkt. #7894) However, he also testified that the City has "the prospective capacity to either run the parking operations more efficiently and more economically generating more cash flow, or seek a private partner" in order to achieve the projected parking revenues in the plan. *Id.* at 130.

Ms. Kopacz further confirmed that the assumptions underlying the plan's parking revenue projections are "by and large . . . not significantly different than the historical trend,"

²¹ As explained in part III.L.3. above, the primary use of the parking revenues will be to satisfy the New C Notes that the City will issue under the plan. However, for the sake of clarity, the Court discusses them here as simply a source of City revenue.

thus, while there is “some rate increase,” and “some increased usage,” she explained that “it’s not a hockey stick” projection, and she concluded, “from the revenue side, I think they’re reasonable.” Trial Tr. 20-21, Oct. 22, 2014. (Dkt. #8082)

h. The Expenditures, Revenue and Cost Savings Associated with the RRI

Mr. Moore provided expert testimony regarding the projected expenditures, revenue, and cost savings associated with the implementation of the RRI. He testified that the projected expenses and gains associated with the RRI are “reasonable and achievable.” *See, e.g.*, Trial Tr. 75, 80-82, 152, Sept. 5, 2014. (Dkt. #7434) To reduce risk, Mr. Moore and his team at Conway MacKenzie specifically targeted areas with historically high costs and within the City’s immediate control. These include labor inefficiencies, high levels of employee downtime and overtime, inefficient processes, ineffective or non-existent management metrics and tools, and improper deployment and use of assets. Ex. 464 at 10-11. In determining which initiatives should be included in the RRI, the Conway team omitted any initiative that had a high degree of risk in implementation or that was outside the reasonable influence of the City’s leadership (for example, an initiative requiring state legislative action). Trial Tr. 74, Sept. 5, 2014. (Dkt. #7434)

Mr. Orr also testified that the increased revenues and cost savings projections associated with the RRI are reasonable “and achievable.” Trial Tr. 124-25, Oct. 2, 2014. (Dkt. #7878)

7. The City's Obligations to Creditors Under the Plan

While my opinion is the Plan of Adjustment remains feasible and there is not yet a 'significant probability of default' as described in the Standard, there is no denying the possibility of default has increased. It is not realistic or prudent to believe that the City could take on any additional Plan obligations and remain within the continuum of reasonableness necessary to establish feasibility.

Martha Kopacz, Ex. 12002 at 6.

The plan reduces the City's debt burden by over \$7 billion. *See, e.g.*, Trial Tr. 70:4-7, Sept. 30, 2014. (Dkt. #7821) This is a truly remarkable achievement for the City, unprecedented in the history of municipal bankruptcy. However, the Court begins with the statement from Ms. Kopacz above to emphasize the magnitude of debt that the City is undertaking and retaining under the plan, particularly in light of the ambitious revitalization plan that the City intends to implement over the next ten years.

a. The City's Post-Bankruptcy Debt

As Mr. Malhotra testified, and as reflected in Exhibit 791, the City will issue \$1.063 billion in new notes under the plan. This amount includes:

1. \$55 million in New LTGO Bonds, to be paid on the effective date from a part of the proceeds of the exit financing;
2. \$88 million in New C Notes, payable over twelve years at 5%;
3. \$288 million in Restructured UTGO Notes, payable over fourteen years, at the various pre-bankruptcy interest rates of between 3.7% and 5.375%; and
4. \$632 million in New B Notes, payable over thirty years at 4% for the first twenty years and 6% over the last ten years and interest-only for the first ten years.

See Ex. 791; Trial Tr. 63, Oct. 21, 2014. (Dkt. #8098) In addition, the City is obligated under the plan to pay \$2.2 million in cash to class 17, the 36th District Court creditors, and \$20 million in cash to cover the VEBA start-up costs. Ex. 793 at 2. These obligations total \$1.0852 billion.

This is in addition to other debts that the City retains, including debts associated with the DWSD and secured GO bonds. *See* Plan, § II.B.3.a-k at 33-35. (Dkt. #8145)

The plan also obligates the City to pay \$3.795 billion to the GRS and the PFRS on account of the class 10 and 11 pension claims. *Id.* at 3. Of this amount, \$661 million will be paid through contributions from the Grand Bargain and the State Contribution Agreement. *Id.*

Finally, the City is required by the Grand Bargain Legislation to maintain a minimum cash balance equal to 5% of annual projected expenditures. Mich. Comp. Laws § 117.4t(1)(c)(vi). Although this is not a debt-service obligation, the Court must nevertheless determine whether it is feasible that this amount will be available after all other plan obligations are satisfied. Because the City's forecasted annual expenditures hover around \$1 billion, the minimum cash balance amount is approximately \$50 million. City Ex. 793 at 7.

b. The Cost of Servicing the Post-Bankruptcy Debt

The cost of servicing these obligations and maintaining the minimum cash balance over the same ten and forty-year periods for which the City projected its income and operating expenditures is also reflected in City Exhibit 793, and was testified to by Mr. Malhotra. *See generally* Ex. 793; Trial Tr. Oct. 21, 2014. (Dkt. #8098)

For the time period FY2014-FY2023, the City will be required to spend \$709.5 million to service the notes and satisfy its cash obligations. This amount includes \$20 million in cash to the VEBAs, \$2.2 million in cash to the 36th District Court creditors in class 17, and \$687.3 million payable to service the B Notes. The City will also expend \$979.2 million to service its obligations to the GRS and PFRS on account of the UAAL. This totals \$1.6887 billion. Ex. 793 at 5.

As discussed above, the City projects that it will have \$1.7339 billion available to pay plan-related expenses.

Therefore, after paying its operating expenditures and satisfying its obligations to creditors, the City projects a surplus of \$45.2 million. *Id.* When added to the City's then-existing cash balance, the City projects that it will have a cash balance of \$81.2 million at the end of FY2023, which is sufficient to meet the requirements of the Grand Bargain Legislation.²² *Id.* at 8.

For the period FY2024-FY2033, the City will be required to spend \$541 million servicing the B Notes, C Notes, and Restructured UTGO Notes. The City projects that it will be required to spend \$1.2481 billion to service its obligations to the GRS and PFRS UAAL,²³ for a total of \$1.7891 billion. *Id.* at 5. The City projects that it will also have \$1.7891 billion for plan-related expenses during that time period. Therefore, the City projects that it will break even at the end of this time period, after paying its operating expenses and satisfying its plan obligations. *Id.* at

²² Page 8 of City Exhibit 793 shows the cash balance on a year-by-year basis. The City's actual cash balance at the end of FY2014 was \$154.4 million, due to a surplus of \$118.4 million for FY2014. *Id.* at 8.

Because of a projected deficit in FY2015 of \$78.8 million related to the implementation of certain RRI's, the City's projected cash balance drops to \$75.6 million at the end of FY2015. *Id.* at 8. The City then projects that it will be able to maintain that cash balance of \$75.6 million through FY2019 by deferring implementation of other Reinvestment and Restructuring Initiatives and selling certain assets, such as older city-owned vehicles and copper wire from the decommissioning of the Public Lighting Authority. *Id.* at 10-12. At that point, the City projects that its cash balance will begin to slightly improve each year, such that by the end of FY2023, the City will have this \$81.2 million cash balance. *Id.* at 8.

²³ As discussed in part III.F. above, the City's obligations to the GRS and the PFRS are fixed under the plan from FY2014-FY2023. During this time, as the City works to stabilize its finances and implement the RRI's, the majority of the City's contributions to the GRS and the PFRS will come from the DWSD, the State Contribution Agreement, and the Grand Bargain funding. *See* Ex. 793 at 3. However, after 2023, the City projects the retirement systems will remain somewhat underfunded. *See* Ex. 12000 at 133. The balance of the underfunding in 2023 will be amortized over a thirty year period of time. *Id.*

4-5. The City also projects that it will be able to maintain the \$81.2 million cash balance carried over from the first decade of projections through the end of FY2033. *Id.* at 5. The New C Notes, the New LTGO Bonds, the New UTGO Bonds, and the City's cash obligations to the 36th District Court creditors and the VEBAs are projected to all be satisfied by the end of FY2033. (Ex. 791; Ex. 793 at 5)

For the time period FY2034-FY2043, the City will be required to spend \$450.6 million servicing the New B Notes. Ex. 793 at 5. The City projects that it will also be required to contribute \$938.5 to the GRS and PFRS UAAL, for a total of \$1.3892 billion. *Id.* As detailed above, the City projects that it will have \$1.3892 billion in funds left over after its operating expenses are paid, thus breaking even again for this ten-year period. *Id.* at 4-5. However, again, the City projects that it will be able to maintain the \$81.2 million cash balance through the end of FY2043. *Id.* at 5.

Finally, for the time period FY2044-FY2053, the City will be required to spend only \$68.9 million to fully satisfy the B Notes. *Id.* The City also projects that it will be required to contribute \$628.9 million to complete payment on the pension underfunding, for a total of \$697.8 million in plan obligations. *Id.* During this time period, the City projects that it will have \$813.0 million in revenue funds after paying its operating expenses, leaving a surplus of \$115.2 million. When this surplus is added to the City's projected then-existing cash balance, the City projects it will have an overall cash balance of \$196.4 million by the end of FY2053. *Id.*

c. The City Will Be Able to Service Its Post-Bankruptcy Debt

As Ms. Kopacz's opening cautionary note suggests, and the Court's review of the projections demonstrates, the Plan Projections do not leave much room for error. In two of the

four ten-year periods, the City projects that it will only “break even” after paying its operating expenses and its obligations to creditors. *Id.* at 4-5. For the first thirty years of the plan, the City maintains its mandated cash balance only by deferring certain RRIs and selling assets. *Id.* at 10-14.

Nevertheless, as the Court concludes above, the City’s projections are reasonable. Ms. Kopacz reported that a number of the assumptions underlying the projections are even “conservative.” Ex. 12000 at 200. In addition, as counsel for the City pointed out in closing arguments, a narrow margin of error is to be expected in a broadly consensual plan:

[T]he fact that the deals that were reached with creditors had the result of leaving the City with just about enough to accomplish its principal objectives through reinvestment and service improvement but did not create an overwhelming margin is the result you should exactly expect from a largely consensual plan. That’s how they come out. Every side tries for as much as they can get and leaves for the other side only what is perceived they need. No one gets extra.

Trial Tr. 130-131, Oct. 27, 2014. (Dkt. #8156)

Accordingly, the Court concludes that the City is reasonably likely to have a balanced annual operating budget and to satisfy its plan obligations to creditors, while maintaining a cash balance that is sufficient to meet the requirements of the Grand Bargain legislation for the life of the plan.

8. The Feasibility of the City’s Plan to Address Its Pension Obligations

The City must be continually mindful that a root cause of the financial troubles it now experiences is the failure to properly address future pension obligations.

Martha Kopacz, Ex. 12000 at 147.

**a. The City's Plan Regarding Its Pension
Obligations**

The plan provides the City with fixed payments toward the pension underfunding for FY2014-FY2023. For the PFRS, 100% of the payments are covered by the funds from the State Contribution Agreement and the Grand Bargain. Ex. 732. For the GRS, which has a larger underfunding claim, the State Contribution Agreement and the Grand Bargain funds cover only 20%. *Id.* The City is obligated to contribute \$575 million in cash. However, approximately \$428.5 million of that will come from DWSD revenues to cover DWSD's portion of the GRS underfunding liability, and another \$31.7 million will come from the UTGO millage, as described in III.K. above. This leaves a balance of \$114.6 million. *Id.* Mr. Malhotra testified that \$80 million of this \$114.6 million will come from the City's general fund and that it is included in the Plan Projections. Trial Tr. 84, Oct. 21, 2014. (Dkt. #8098) The balance will come from the City's parking and library revenues. *Id.* at 81.

However, at the end of FY2023, the GRS and PFRS will remain significantly underfunded. Using the assumptions from the global pension settlement, including the 6.75% discount rate, the City projects that the PFRS will only achieve 78% funding, leaving a UAAL of \$681 million. Ex. 793 at 2. For the GRS, the City projects a 70% funded status by the end of FY2023, leaving a UAAL of \$695 million. *Id.* The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%. *Id.* Between FY2024 and FY2033, the City will receive an additional \$68 million in Grand Bargain proceeds to pay toward the UAAL amortization for PFRS, and \$188 million for GRS. The balance of the amortized UAAL will come from the City. *Id.* at 5.

The plan greatly reduces the City's pension obligations, thanks to the State Contribution Agreement, the Grand Bargain funding, and the modification of the City's obligations to its

current retirees. The Grand Bargain legislation reflects the State's ability and commitment to make its contribution. *See* Mich. Comp. Laws § 141.1602. Ms. Erickson credibly testified that the DIA has already raised \$85 million of the \$100 million that it committed, and that she is "completely confident" the DIA will be able to raise the balance. Trial Tr. 117, Sept. 18, 2014. (Dkt. #7634) Mr. Rapson testified that the Kresge Foundation is fully committed to making its promised \$100 million contribution to the Grand Bargain, and furthermore that it "should not eat into the normal investments we would normally make in the City of Detroit." Trial Tr. 202, Oct. 2, 2014. (Dkt. #7878)

Mr. Orr testified that he has received letters also expressing commitment from representatives of the Ford Foundation, the Kellogg Foundation, the Davidson Foundation, the Erb Family Foundation, the Mott Foundation, the McGregor Fund, the Hudson-Webber Foundation, the Community Foundation for Southeast Michigan, and the Knight Foundation. *See* Ex. 352; Trial Tr. 54, Oct. 2, 2014. (Dkt. #7878)

b. Evaluating the Risks in the City's Plan to Address Its Pension Obligations

However, the risk remains that at the end of FY2023, the UAAL could be much larger than currently projected. Ms. Kopacz testified that the fixed nature of the City's obligations for the next ten years supports the plan's feasibility. Trial Tr. 62, Oct. 22, 2014. (Dkt. #8082) The primary risk that Ms. Kopacz cites is the City's decision to discount the pension underfunding (and thus reduce all pension contributions) by 6.75%, which is based on the City's assumption that its pension investments will grow at that rate if properly managed. Ex. 12000 at 144-51. Her report stated:

The City's assumption of a 6.75% rate of return implicitly requires the City to accept risk and volatility. Volatility is, of

course, a positive and a negative force. At times, the City should be expected to achieve returns above 6.75% and, at times, the City should expect returns below this level. Over the past 10 years, the Retirement Systems have seen significant variations in their investment returns both above and below the average return. Because the City's defined benefit plans [as opposed to the new hybrid pension plans] are essentially in runoff, they will inevitably experience declining asset levels. In this environment of declining assets and volatility, returns over time are not equally weighted.

. . . . In an environment in which expected returns are low in the short term—as the current low-interest-rate, low-inflation environment may be—funds cannot simply balance low returns in the short term with high returns later; they will need much higher returns later because investible assets will be lower than they otherwise would have been.

Id. at 149-50 (footnote omitted).

She echoed this concern in her testimony:

The concern that I have is that if the City does not monitor the [pension] obligation that is going to be there in 2023 and beyond, . . . is that they could wake up with a bad nightmare, not unlike what they've been through with the pension systems to get to this point.

Trial Tr. 60, Oct. 22, 2014. (Dkt. #8082)

The GRS and the PFRS have historically used significantly higher assumed investment rates of return, and thus discount rates, of 7.9 and 8.0%. Ex. 12000 at 127. Nevertheless, Ms. Kopacz stated, “Highlighting that the City's assumptions are low relative to history, a history that got them to this place, . . . is not much consolation.” *Id.* at 147

The City presented testimony from actuaries to support the assumption that the City's investments will achieve the projected 6.75% growth rate. Glenn Bowen of Milliman testified that the 6.75% rate assumes a lower inflation rate than the vast majority of large public pension plans. Trial Tr. 121, Sept. 15, 2014. (Dkt. #7617) The City also presented testimony from Alan Perry, another actuary from Milliman, who testified that the 6.75% rate is “at or near the bottom

of the assumption that we would see for the largest public [pension] plans.” *Id.* at 222:10-15. These two points support a conclusion that the City’s assumptions regarding the investment return rate are conservative.

Mr. Bowen also testified that in November 2013, Milliman performed a series of calculations based on the City’s asset allocations, and determined that the City could reasonably expect an investment return assumption of at least 7.2%. *Id.* at 91; Ex. 496.

Based on this evidence, the Court concludes that the City’s projection of the UAAL for both retirement systems at the end of FY2023, including the 6.75% investment return assumption, is reasonable and supports a finding that the plan is feasible.

**c. Recommendations for Enhanced Disclosures
to Reduce the Risk of Unmanageable Pension
Obligations**

To improve the feasibility of the plan, Ms. Kopacz makes several recommendations to enhance the disclosures in the annual reports of the status of the pension UAAL. In her report, Ms. Kopacz recommends that on an annual basis, the City disclose three funding benchmarks:

The expected standard deviation of investment returns of the asset portfolio on the report date;

The plan liability and normal cost calculated at the risk-free rate, which estimates the investment risk being taken in the investment earnings assumption; and

A standardized plan contribution for assessing the aggregate risks to the adequacy of the recommended contribution.

Ex. 12000 at 155-56 (citing the Society of Actuaries “Report of the Blue Ribbon Panel on Public Pension Plan Funding,” February 2014).

Ms. Kopacz further recommended “that the City disclose the gross liability and the UAAL by year on an undiscounted basis.” *Id.* at 156. She explained, “This will allow third parties a better understanding of the changes in the liabilities from year to year.” *Id.*

The Court strongly recommends that the City, the GRS and the PFRS give serious consideration to these additional disclosures. Based on the record, the Court agrees that “[t]imely, accurate financial reporting relating to the City’s pension plans will be an essential tool as the retirement systems manage the plans’ assets and liabilities and make critical decisions regarding future estimated rates of returns and annual funding requirements.” *Id.* at 155.

9. The City Will Be Able to Sustainably Provide Adequate Services

The RRIs are one of the positive outcomes of the bankruptcy process. The RRIs provide the backbone of improved services to the citizens of Detroit.

Martha Kopacz, Ex. 12000 at 207.

The Court has determined the City’s financial projections and the assumptions that underlie them are reasonable, including the projected expenditures and increased revenues associated with the RRIs. Therefore, the only remaining feasibility questions are 1) whether the RRIs, if implemented, are reasonably likely to enable the City to sustainably provide adequate services, and 2) whether the City is reasonably likely to be able to implement the RRIs.

Charles Moore is the chief architect of the RRIs. He was qualified as an expert in “advising municipal and corporate entities on organizational turnarounds and restructuring, including operational and financial revitalization.” Trial Tr. 75-76, Sept. 5, 2014. (Dkt. #7434) During his testimony, he explained that the RRIs can be broken down into seven categories:

1. Blight initiatives, which focus on the remediation of primarily residential blight;

2. Public safety initiatives, which focus on police and fire services to improve overall public safety;
3. Resident service initiatives, which focus on departments that primarily interact with residents (such as the Department of Transportation);
4. Business service initiatives, which focus on departments that interact with businesses (such as Buildings, Safety Engineering and Environmental Department);
5. Organizational initiatives, which focus on the departments that serve primarily to support City operations (such as the Finance Department and General Services);
6. Management initiatives, which relate to the mayor's office, city council and the city clerk; and
7. Non-departmental initiatives, which relate to the 36th District Court.

Id. at 40-41.

In developing the RRI's, Mr. Moore and his team at Conway MacKenzie reviewed each of the general fund departments and the enterprise funds that impact the general fund. This was done to understand the nature of each department, the services that each provides, and the way in which those services are provided. That information was reviewed against benchmark data to determine the level of deficiency in each department. From there, initiatives for improving the level of services were developed and compiled into the reinvestment plan. *Id.* at 66-67.

This process was conducted from the bottom up, meaning that Conway MacKenzie worked department by department with employees and department heads to develop individual projects and initiatives to address specific service deficiencies. *Id.* at 66. For example, with regard to labor requirements for a given department, it looked at how many employees would be required to complete all necessary tasks, the appropriate pay levels, and the amount of training required. It looked at departmental information technology requirements, the associated costs, and the necessity of outside contractors and consultants. *Id.* at 68-69. Where necessary, it relied on outside experts for additional input. For example, the Tridata Group was consulted as to the

fire department, and both the Manhattan Institute and the Bratton Group were consulted as to the police department. Trial Tr. at 69-72, 263-64, Sept. 5, 2014. (Dkt. #7434)

Mr. Moore testified that in his expert opinion, each specific RRI is necessary and that if successfully implemented, the RRI's will improve City services to an adequate level. *Id.* at 82-83. The specific facts supporting these conclusions for the most significant RRI's are summarized below.

a. The Blight Initiatives

In assessing the scope of the blight problem, Mr. Moore relied, in part, on a report issued by the Detroit Blight Removal Task Force in May 2014. *Id.* at 88:7-10. The Task Force was created in September 2013 to focus on reducing or eliminating blight in the City. *See* Ex. 73. The Task Force surveyed over 99% of the City's 380,000 lots and compiled the results in a comprehensive database known as the Motor City Mapping Project. Trial Tr. at 90:5-91:7, Sept. 5, 2014. (Dkt. #7434) The Task Force identified an estimated 80,000 properties in the City that were either blighted or showing signs of blight. Approximately 30% of residential structures and 30% of commercial structures were blighted. Ex. 464 at 13-14, tables 1a and 1b.

In addition to relying on the Task Force report, Mr. Moore visited multiple blight removal sights, spoke with residents living in areas where blight removal activities were undertaken, met with members of the blight removal task force, and spoke with City personnel involved in blight removal from the planning and development department and the building department. Trial Tr. at 89-90, Sept. 5, 2014. (Dkt. #7434)

The proposed blight initiatives contemplate \$440.3 million in total investment and \$72.3 million in revenue initiatives, resulting in net reinvestment of \$368 million. *Id.* at 92-93; Ex. 464 at 15, tables 1c and 1d.

This level of investment will not completely eradicate blight in the City. Eliminating all 80,000 properties that are “blighted or showing signs of blight” would cost approximately \$850 million. Ex. 464 at 17, table 1e. The initiative is focused primarily on structural blight (buildings) as opposed to non-structural blight (brush and other debris).

There is no direct financial revenue projected from these initiatives. There are, however, indirect benefits from blight removal. These include:

- The improved appearance of the City;
- The stabilization of neighborhoods;
- Reduced migration from the City;
- Increased demand for property;
- Decreased crime;
- Reduction in the number of fires;
- Improved fire rating (which ties to insurance rates);
- Reduced maintenance burden on the City;
- Efficient land utilization;
- More efficient delivery of City services; and
- Enhanced development opportunities.

Ex. 464 at 14-15; Trial Tr. 95-96, Sept. 5, 2014. (Dkt. #7434)

The City’s disclosure statement further states, “In developing its blight removal initiative, the City has taken into account the proposals set forth in the Detroit Future City Strategic Framework . . . and the City believes that its strategies for blight removal are consistent with the goals set forth in the Strategic Framework.” Disc. Stmt. § IX.B.1, at 162. (Dkt. #4391)

Mr. Rapson testified about the Detroit Future City Plan, which was developed primarily by the Kresge Foundation. Trial Tr. 182, Oct. 2, 2014. (Dkt. #7878) He explained that the Blight Task Force is “nested within” the Detroit Future City project. *Id.* at 183. More importantly, he testified that incorporating City’s blight removal initiative into the highly-developed Detroit Future City plan increases its feasibility. *Id.* at 182 (“[T]he Detroit Future City plan is really in many ways the way by which the City will operationalize its approach to blight.”).

Finally, the Court finds Mr. Rapson credibly testified that the blight removal initiatives “will help the City return to providing adequate services.” *Id.* at 203. He elaborated:

[T]hese investments in City services represent a return to the kind of investments that are going to be necessary for us to make progress on blight remediation and to improve the kind of public services and emergency services that any city depends on for its long-term health.

. . . .

I think they will [] help stabilize the environment [so that the City can] build these other investments on top of an environment that is safe and that is not characterized by massive swaths of blighted land, but I think it will also serve as an accelerant. My sense is that what the plan of adjustment . . . does is to really accelerate the kind of progress that we need to make as a community if we’re going to return to health

Id. at 203-04.

b. The Public Safety Initiatives

The public safety initiatives are intended to improve the overall performance of the police and fire departments and to increase safety in the City.

In assessing how well the police department is currently functioning, Mr. Moore relied on numerous reports that have been written about the City, as well as nationwide data sources

regarding the effectiveness of police departments (for example, the FBI's uniformed crime reporting statistics). The benchmarking data measures crime rates, case closures and response times. Trial Tr. 97-99, Sept. 5, 2014. (Dkt. #7434)

The initiatives for the police department contemplate an investment of \$339.8 million, cost savings of \$87.6 million and revenue initiatives of \$32.6 million, for a net reinvestment of about \$220 million. *Id.* at 96-98; Ex. 464 at 20, table 2a. The specific investments required for the police department were determined by working closely with Police Chief James Craig as well as the finance and IT departments. Trial Tr. 105-06, Sept. 5, 2014. (Dkt. #7434)

The \$339.8 million in proposed expenditures for the police department include:

- 1) \$175 million in operating expenses. This is primarily to address staffing issues such as shifting 250 uniformed officers who currently perform duties that civilians could perform back to patrol duty and hiring civilians to fill the open positions. This represents about 12% of the police force.
- 2) \$91.3 million in fleet expenditures. More than half of the department's vehicles are over ten years old; this investment will put the fleet replacement cycle at 3½ to 4 years, which is not ideal, but is a significant improvement.
- 3) \$38.4 million in technology related expenses. This includes replacing handheld and vehicle radios as well as implementing an integrated police information system. That system allows for sharing information between precincts, accessing background information on individuals, automating paperwork and improving data access for management.
- 4) \$34.2 million in capital expenditures. This includes funds for improving existing facilities (\$24 million for substantial repairs that have been delayed) as well as opening three new precincts (\$7 million) and a new training facility (\$3 million).

Id. at 100-06.

Chief Craig confirmed that these investments will enable the police department to adequately serve the residents of Detroit. He described a "plan of action," prepared under his

supervision and direction, that is designed to transform the department into a “premier law enforcement agency.” *See* Ex. 66; Trial Tr. 108-09, Sept. 9, 2014. (Dkt. #7473) Chief Craig testified that the plan of action was his way of incorporating the public safety initiatives described in the disclosure statement into the actual day-to-day functioning of the police department. Trial Tr. 109-10, Sept. 9, 2014. (Dkt. #7473) He testified that the police department’s implementation of the plan of action is “roughly 65 percent complete,” citing, *inter alia*, an overall crime reduction of 19 percent from 2013, a murder clearance rate of 67% (up from 11% previously), and the successful transition out of an eleven year Department of Justice consent decree. *Id.* at 109-12. He also testified that “in-service training” has increased, and the department has successfully implemented its own “neighborhood police officer initiative,” designed to establish relationships between officers and the neighborhoods they protect. *Id.* at 115-16.

Chief Craig also testified that they had recently hired 133 new officers, but that they were only keeping up with attrition. *Id.* at 113. Part of the problem, he explained, is that officers in neighboring cities offer higher pay.

However, several weeks later Mayor Duggan testified that he has made efforts to address this problem. Trial Tr. 82, Oct. 6, 2014. (Dkt. #7917) He testified that he was able to re-negotiate contracts with the police unions in order to give all officers an 8% increase in base pay by reducing annual sick days and by moving 150 uniformed officers out of “non-core” roles, such as traffic enforcement, crime statistics, and prisoner transport, and into patrol positions. *Id.* He testified that the department plans to hire retired officers to fill the non-core positions at a lower hourly wage with no benefits, explaining, “It’ll save us a huge amount of money, and when we bring the retired officers back, we can move the 150 cops back to the street. And with

the money we save, we can give [the] officers a base pay increase of eight percent.” *Id.* Mayor Duggan testified that these changes will allow the police department “to effectuate the plan . . . much more quickly,” particularly by “putting officers on the street.” *Id.* at 82-83.

In assessing the Fire Department, Mr. Moore looked to the National Fire Protection Association’s published standards and concluded that the City is not meeting those standards. The NFPA standard response time for firefighting and EMS is six minutes. The City department’s response times were 9 minutes for firefighting and 18 minutes, 20 seconds for EMS. This is due to a lack of resources, both people and equipment. Trial Tr. 107-08, Sept. 5, 2014. (Dkt. #7434)

The initiatives for the Fire Department contemplate a total investment of \$218.9 million, with cost savings of \$60.6 million and revenue initiatives of \$87 million, for a net reinvestment of \$71.3 million. Ex. 464 at 20, table 2a. This includes:

1. \$85.3 million in additional operating expenses. This is primarily for hiring additional firefighters. This will be offset by some attrition, as well as increased efficiency as the department moves towards cross-training and cross-utilization of its fire and EMS resources.
2. \$58.6 million in fleet expenditures. This anticipates the purchase of about 17 vehicles per year. About 30% of the fleet will be replaced in 2015 and about 12% each year thereafter.
3. \$71.3 million in capital expenditures. This addresses repairing or replacing facilities. Many of the older facilities were not built to accommodate modern equipment and must be replaced or upgraded. \$30 million is allocated for that. In order to meet NFPA standards regarding response times, some firehouses need to be relocated. \$20 million is allocated for equipment replacement.
4. \$300,000 to combine firefighting and EMS. Most of this money has already been spent implementing Tridata’s recommendations

Trial Tr. 107-11, Sept. 4, 2014. (Dkt. #7434) *See also* Ex. 464 at 20, 26-28.

Executive Fire Commissioner Edsel Jenkins confirmed Mr. Moore’s testimony that the proposed initiatives dedicated to the fire department will enable the department to come into

compliance with—or close to compliance with—the NFPA standards. Trial Tr. 53, Sept. 9, 2014. (Dkt. #7473) He explained that certain kinds of complex, large fires will likely continue to impact the Department’s compliance with the NFPA standards. He explained, “[I]f we have all [of] our resources tied up at one or two fires, that’s going to leave us really hard-pressed to meet the response times for EMS and fire for regular runs.” *Id.* at 88. However, he further explained that the RRI’s provide a “great cash injection that the department needs,” and that while he could not say the department would be “perfect,” he testified, “we’ll be very close.” *Id.* at 89.

The Court finds that Chief Craig and Commissioner Jenkins are fully committed to and capable of implementing the RRI’s in their departments. The Court further finds that if these RRI’s are implemented, they will enable the City to provide an adequate level of public safety service that will be sustainable over the long term.

c. The Organizational Efficiency Initiatives

These initiatives relate to departments that provide support for the City’s operations, specifically: the finance department, the general services department, the human resources department, the law department, the office of the auditor general, the department of elections, and the human rights department. Implementation of the RRI’s associated with these departments is essential to the City’s improvement in its operations and ultimately the services it provides.

The RRI’s for organizational efficiency contemplate a total investment of \$479.9 million, offset by cost savings of \$109 million, and revenue initiatives of \$98.2 million, for a net reinvestment of \$272.7 million. Ex. 464, at 57-58, tables 5a and 5b. The Court addresses the main components of the organizational efficiency initiatives below.

The income tax division of the finance department is marked for a \$12.2 million investment, primarily for the implementation of a tax software program known as “City Tax,”

which is expected to create cost savings of \$10.4 million. Trial Tr. 142, Sept. 5, 2014. (Dkt. #7434) The City also hopes to increase its income tax revenue by working with the IRS to obtain information on individuals whose federal tax returns suggest that they should be filing a tax return with the City but who have not done so. *Id.* at 143. Mr. Stibbitz testified that the State is similarly hoping to assist the City in collecting income taxes. He stated, “[W]e’ve been working on an agreement and building a system, . . . through which we could actually collect city income taxes on behalf of the City.” Trial Tr. 91, Oct. 1, 2014. (Dkt. #7850)

Mr. Orr testified that the investments in the income tax division will address another serious problem in the City—people who are trying to pay their municipal income taxes frequently have to wait in line for several hours to make their payments. Trial Tr. 122-23, Oct. 2, 2014. (Dkt. #7878)

The grants division of the finance department is new and budgeted for a \$19 million investment. Trial Tr. 143, Sept. 5, 2014. (Dkt. #7434) It is responsible for establishing a grants management system. The City gets a fair amount of grant revenue each year, but the money is not properly tracked. HUD and other granting authorities have indicated that without changes, the City is at risk of losing future grants and also possibly having to reimburse grants already received. *Id.* at 143-44. The new initiatives are designed to prevent this from happening. Mr. Hill testified that the City will continue to use an interim grants management program until the City completes all of its planned information technology upgrades. Trial Tr. 87-88, Sept. 4, 2014. (Dkt. #7411) The expectation is to use the grant management module in the new financial control system once it is fully implemented. *Id.* at 88.

One major area that needs improvement is the human resources department, in which the City plans to invest \$40 million. Trial Tr. 152, Sept. 5, 2014. (Dkt. #7434) Mr. Moore

described reinvestment in this department as “another one of those critical elements that underlies all of the reinvestment initiatives.” *Id.* The department is understaffed and under-resourced. As a result, it can take the City six months to fill open positions. The plan calls for the City to eventually add over 800 employees. To free that process from the current constraints imposed by the condition of the HR department, the City plans to spend \$25 million in additional labor and training, including adding eleven employees dedicated to monitoring the City’s compliance with union contracts. *Id.* at 152-56. In addition, the City has hired a new director of human resources, who will start in January 2015. Trial Tr. 71, Oct. 22, 2014. (Dkt. #8082)

The City plans to direct the bulk of the remaining organizational efficiency investment in the finance department. The plan calls for a \$221.4 million reinvestment in the finance department, \$101 million of which will be dedicated toward information technology upgrades, including the implementation of a new enterprise resource planning system (“ERP”), as well as support staff, hardware and software. Trial Tr. 140, Sept. 5, 2014. (Dkt. #7434) The City also intends to spend \$24.9 million on labor, including hiring new employees and budgeting for future training. The City plans to hire nine new people to track, monitor and maintain the implementation of the RRI citywide. These employees’ responsibilities will include “making sure that the City is able to close its books on a monthly basis, perform bank reconciliations, activities that you would expect any accounting and finance area to be able to accomplish.” *Id.* at 140-41.

Because these RRIs are fundamental to the success of the plan, the City built flexibility into other RRIs to ensure that the organizational efficiency initiatives would not be deferred. *See* Trial Tr. 71-72, Oct. 21, 2014. (Dkt. #8098)

Ms. Niblock testified that the IT reinvestment initiatives are reasonable and, when implemented, will address the City's IT deficiencies. Trial Tr. 129, Sept. 8, 2014. (Dkt. #7472) Mr. Hill will work with Ms. Niblock on the implementation of the finance department's IT upgrades. *Id.* at 130. He testified that they have been working toward implementing best practices over the past several months, so that the finance department will be fully prepared when the new ERP system is implemented. Trial Tr. 172, Sept. 4, 2014. (Dkt. #7411) To further reduce implementation risk, Mr. Hill explained that the City decided to use one of two cloud-based ERP systems. He testified that the benefit of a cloud-based system is that the responsibility for storage of information is not with the City, so it does not need to allocate assets and resources to data storage and organization. This is done by the cloud servicing company. *Id.* at 171-73.

Mr. Hill testified that the finance department will use the IT upgrades to improve the state of its financial controls systems, its ability to issue periodic accounting statements, and its cash management functions. *Id.* at 84-86.

d. The Resident Services Initiatives

The resident services initiatives focus on non-public-safety departments "that have the front facing impact on residents," specifically transportation, ombudsperson, public works (solid waste), recreation and vital records (health and wellness). Trial Tr. 114, Sept. 5, 2014. (Dkt. #7434)

The RRI's for resident services contemplate total investment of \$170.9 million, with cost savings of \$64.7 million and revenue initiatives of \$52 million, for a net reinvestment of \$54.2 million. The largest expenditures are for transportation and recreation. Ex. 464 at 33, tables 3a and 3b.

First, the City contemplates spending \$111 million for the department of transportation (“DDOT”). The number of miles serviced by DDOT has declined significantly over the past five years, from sixteen million miles annually in 2009 to twelve million miles today. Trial Tr. 115, Sept. 5, 2014. (Dkt. #7434) Mayor Duggan intends to restore service back to 2009 levels by the end of fiscal year 2023. This means DDOT will need between 225 and 230 buses for peak afternoon times. Presently, DDOT only has about 190 functioning buses. *Id.* at 115-16.

To address these problems, the \$111 million in proposed expenditures includes \$101 million in additional operating expenses (fuel, maintenance, parts, supplies, additional drivers, cameras and security personnel) and \$10.3 million in capital expenditures for facility improvements. *Id.* at 117-18.

Mayor Duggan’s testimony supports the feasibility of the City’s plan to improve its transportation services. He testified that the City is set to receive fifty new buses in early 2015. Trial Tr. 89, Oct. 6, 2014. (Dkt. #7917)

The bulk of the remaining resident services investments relate to the reopening of the City’s parks. Under the plan, the City will invest \$37.8 million to reopen 180 of the City’s closed parks. Trial Tr. 122, Sept. 5, 2014. (Dkt. #7434) Mayor Duggan testified that churches and business people have come together to sponsor parks that were not covered by the reinvestments in the plan. As a result, the City plans to reopen all 275 of its parks. Trial Tr. 89, Oct. 6, 2014. (Dkt. #7917)

e. The Business Services Initiatives

The business services initiatives relate to the City departments that primarily interact with businesses, including the department of planning and development, and the buildings, safety engineering and environmental department (BSEED). These initiatives also cover reinvestment

in the Coleman A. Young Municipal Airport, the parking department, the board of zoning appeals and the department of administrative hearings. These departments address overall planning for the City, licensing and permits for businesses, and monitoring how businesses operate within the City. Trial Tr. 124-25, Sept. 5, 2014. (Dkt. #7434)

The RRI for business services contemplate \$51.4 million in investment offset by cost savings of \$24.3 million and revenue initiatives of \$61.9 million. Thus, these initiatives are a net gain for the City. Ex. 464 at 43, tables 4a and 4b.

First, to reduce redundancies, the City planning commission will be combined with the City's department of planning and development. The City plans to spend \$22.5 million on this department, offset by \$1.9 million in cost savings. The most important component of the City planning commission initiatives is \$11 million directed toward the creation of a new master plan for development in the City, which will include provisions for tracking blight removal efforts and facility location planning for the fire and police departments. Trial Tr. 125-26, Sept. 5, 2014. (Dkt. #7434)

The City also plans to invest \$20 million in the airport so that it can remain in compliance with federal guidelines and maintain its operating certificate. A portion of this amount will go toward developing a long-term plan for the airport and the remaining \$15.7 million will be dedicated to facility updates. *Id.* at 127-28.

For the municipal parking department, in addition to the Desman improvements addressed above, the City plans to spend \$8.2 million to improve the condition of City-owned impound lots, parking meters, and the department's vehicles. *Id.* at 128.

The Court concludes that the overall effect of these RRI's, and others not discussed here but detailed in the disclosure statement, will enable the City to sustainably provide adequate public services.

10. The City's Commitment to Implement the Plan

I can say, unequivocally, that without the positive and capable leadership of Mayor Duggan and the constructive relationship between the City Council and the Mayor, I would be unable to opine that the plan, as currently proposed, is feasible. The near term future will require course adjustments as undoubtedly revenues and expenses will vary from projections and unforeseen events will demand changes in plan. The democratic system has put in plan individuals who, at least for the next three years, can choose to continue the positive course for the City. I believe they will do so.

Martha Kopacz, Ex. 12000 at 29.

Having concluded that the RRI's are likely to restore services, the Court will now address whether the City is likely to implement the RRI's. Mr. Orr testified that as his tenure as Emergency Manager draws to a close, he is confident the City will be able to implement the RRI's and sustain them over the long term:

First, the mayor and the city council have shown me since the time I've been here in the last nine months that they are working hard. We started out a little rough, and there was some concern, but we've managed to work together and push some of these reforms through. And they're working together . . . to move the City forward.

Secondly, there's going to be a level of oversight in place with the Financial Review Commission, which is modeled on other commissions, the MAC, the DC Control Board, others. That commission is designed to be a robust commission to make sure after all this effort and work that the City keeps fidelity with the plan going forward.

Third, my sense is at city hall there's a very high degree of sensitivity and concern that the eyes of the county, if not . . . the

world, are on them; that they have an obligation to this Court; that they recognize we're in a federal process, and this is going to be ordered. I certainly have emphasized that to them. And . . . my impression is they feel very sincerely that they have an obligation to make this work.

Trial Tr. 123-24, Oct. 2, 2014. (Dkt. #7878)

Mayor Duggan testified credibly that the City is committed to implementing the RRI's, and that he has already developed effective methods of tracking progress on the improvement of city services. Trial Tr. 84-88, Oct. 6, 2014. (Dkt. #7917) He testified that the City is "probably about ten percent of where we need to be" in terms of providing adequate city services, but that under the plan and the RRI's, "we're building in the right order," meaning the RRI's are properly prioritized to enable the City to maintain financial stability as it works to improve services. *Id.* at 96-97. He testified, "[I]t's going to be a multi-year process before the people of the city get the kind of services that people in a major city deserve, but it's getting a little bit closer every month." *Id.* at 97. For example, he testified that the City has seen 20,000 new LED street lights installed since January. *Id.* at 88.

Mayor Duggan further testified that he believes the City will be able to attract and train a sufficient number of qualified employees to fill the positions needed for implementation of the RRI's. He described a job fair in March of 2014, at which the City recruited bus drivers, bus mechanics, police officers and firefighters. *Id.* at 135. He testified that the City received hundreds of applications for every open position. *Id.* at 135.

He also enthusiastically testified that the City plans to invest \$15 million in training City employees to use "lean processes," or methods designed to achieve maximum efficiency. Mayor Duggan first began using this type of training while working as the Director of the Detroit Medical Center, and testified that it was "very successful." *Id.* at 69, 95-96. He testified that he identified eighteen of the "most screwed up processes in the City of Detroit," and used a

combination of outside “lean process” experts and City employees to develop ways to improve them. *Id.* at 95-96. He continued:

I went to the meetings [related to lean process implementation] . . . and it’s great to hear our employees reporting out on what they’ve done And we’re going to continue to do this over and over until we get 400, 500 employees lean certified so that any employee can participate in a process to make their department more efficient.

Id. at 96.

City Council President Brenda Jones reiterated that the City is committed to implementing the plan. Trial Tr. 58, Oct. 6, 2014. (Dkt. #7917) She characterized the RRI as “help[ing] the City restructure so that the citizens can receive adequate services,” and testified that the level of service the City is currently providing its citizens is “improving.” *Id.* at 17, 21-22. To make sure the RRI is fully carried out, she testified:

[The City Council] will work as a team with the mayor collaboratively and the departments collaboratively to make sure that the services are improving and are adequate for the citizens in the City of Detroit. We will do our part with contracts and with the budget to ensure that the dollars that are being reinvested into the City will be spend where they should be spent.

Id. at 26.

Ms. Kopacz testified that the Mayor’s decision to hire Mr. Hill as the CFO also supports feasibility, as does his decision to hire Ms. Niblock as the new CIO. Trial Tr. 53-54, Oct. 22, 2012. (Dkt. #8082) She also testified that the Mayor has hired a “top notch” head of HR, who will start in January, as well as a new deputy mayor for economic policy. *Id.* at 83. The new deputy mayor for economic policy will focus on ensuring the City is achieving the plan’s revenue projections. *Id.* Regarding the City’s middle management, Ms. Kopacz testified, “I think there is a genuine desire to right the ship, to help the City prosper.” *Id.* at 70.

One of Ms. Kopacz's early concerns about the feasibility of the plan was that the City had not made sufficient efforts to harmonize the Plan Projections with the City's budgets and its finances more generally. Ex. 12000 at 25-29. Mayor Duggan testified that the City began addressing this concern on April 17, 2014, when he became aware that the Court required his input on whether the plan is feasible. Trial Tr. 99, Oct. 6, 2014. (Dkt. #7917) He testified:

After the Court indicated that it expected me to testify as to whether I thought [the plan] was feasible, the relationship between the emergency manager and me changed dramatically. The inclusion in analysis in the operations changed. But what I did immediately was this went from some theoretical document the emergency manager was preparing to the blueprint that we were going to have to operate on. . . . And I wanted to validate every number in here and every risk so that I could be comfortable in my own mind either saying to the Court I believe it was feasible or I did not. And so I put out a directive to each department head to first give me a preliminary analysis of how feasible they thought [the RRI]s were, and then over a six-week period from late May to early July I spent hours with the different departments—most of them came back two and three times until I was satisfied.

Id. at 100-01.

Another one of Ms. Kopacz's early concerns was the City's ability to monitor plan compliance.

The record establishes that the City will have adequate resources to monitor compliance with the plan. In addition to the initiatives in the finance department, Mr. Orr testified that the investments in the human resources department will allow the City to continue to monitor its progress and compliance with the plan throughout all of the City's departments:

So a particular component is that the City be able to [] assess, train, and gauge the efficacy of a particular job or function so that we can measure whether we're meeting the RRI, and [the HR-related RRI]s are designed to put those types of systems in place throughout the City's roughly . . . 28 departments.

Trial Tr. 122, Oct. 2, 2014. (Dkt. #7878)

The City also plans to invest \$15 million to implement a “311 system” to allow residents to report issues to the City and for the City to track resolution of those issues. *See* Trial Tr. 112, Sept. 8, 2014. (Dkt. #7472)

Most importantly, Mr. Hill testified that the City now has “budget strings” to prevent City employees from spending money without a specific provision covering the expense in the budget. He testified, “[T]he City cannot spent money and pay for things unless they have a budget string.” Trial Tr. 103, Sept. 4, 2014. (Dkt. #7411)

Finally, in addition to these systems of internal control, the Court finds that the Grand Bargain Legislation enhances the feasibility of the plan. As Ms. Kopacz testified, “The existence of the Financial Review Commission, the oversight commission, I think is a very positive qualitative factor in ensuring that the City conducts itself in a way that—that ensures or helps to ensure that the—commitments of the plan are going to be met.” Trial Tr. 69, Oct. 22, 2014. (Dkt. #8082)

The Grand Bargain Legislation establishes a nine-member Financial Review Commission, comprised of the state treasurer, the director of the department of technology, management, and budgeting, three members appointed by the governor, the mayor (or a designee of the mayor), two members chosen by the governor from nominations by the Speaker of the House and the Senate Majority Leader, and the president of the city council (or a designee). *See* Mich. Comp. Laws § 141.1635.

The statute provides for wide-ranging oversight of the City’s finances and, more specifically, of the City’s compliance with the plan. *See* Mich. Comp. Laws §§ 141.1636 and 141.1637. One significant responsibility of the commission is to review the City’s 4-year financial plans required by § 117.4t of the Home Rule City Act. The commission may require

modifications to the plan where necessary. Mich. Comp. Laws § 141.1636(4). The commission is also empowered to review and approve the City’s collective bargaining agreements and to “review, modify, and approve proposed and amended operational budgets.” *Id.* at §§ 141.1636(9) and 141.1637(c).

11. Final Thoughts and Recommendations on Feasibility

For the foregoing reasons, the Court concludes that the plan is feasible, as required by § 943(b)(7). Specifically, the Court finds it is likely that the City will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the plan without the significant probability of default.

Nevertheless, significant risks remain. Most are beyond the City’s control, but the Court recommends certain actions to the City and other stakeholders to improve the feasibility of the plan— from both a qualitative and quantitative perspective. While remaining cautious due to the limitations on the Court’s authority imposed by §§ 903 and 904, and the Tenth Amendment of the United States Constitution, the Court feels a duty to make these recommendations because of the unique position that the Court has held in this case over the past eighteen months.

The Court first appeals to the City’s labor unions and retiree associations. In his closing argument, counsel for the City perceptively asserted that the goal of protecting municipal pensions in this City and in this country requires these parties to enhance their vigilance of municipal pension funding. Trial Tr. 32-33, 134, Oct. 27, 2014. (Dkt. #8156) The Court agrees. The Court would only additionally ask these parties to consider whether this goal of protecting municipal pensions in the City and indeed the broader goal of revitalizing the City suggests that

they should take a longer-term and broader view of the best interests of their members and retirees.

The second recommendation is to the State. The Revised Municipal Finance Act unequivocally states that the Michigan department of treasury is “directed to protect the credit of this state and its municipalities.” Mich. Comp. Laws § 141.2201. The argument is powerful that this provision of State law, together with the constitutional protections of pensions, requires the State to take full responsibility to vigorously supervise and regulate its municipalities to assure adequate pension funding. The municipal employees and retirees of this City and State need and deserve the State’s robust commitment to that obligation.

The Court has found that the State Contribution of \$194.8 million in exchange for a release of liability on the pensioners’ constitutional claims is a reasonable settlement. *See* part III.E.3. History will judge the correctness of this finding. It will judge that this finding was correct only if what happened here in Detroit never happens again. The State can sustain that finding in history only by fulfilling its constitutional, legal, and moral obligations to assure that the municipalities in this state adequately fund their pension obligations. If the State fails, history will judge that this Court’s approval of that settlement was a massive mistake.

However, the City’s labor and retiree associations and the State can effectively carry out their responsibilities only if the City provides them with adequate accurate financial information. It is unrealistic and wasteful for these entities to replicate all of the City’s accounting functions. Rather, the City must provide the State, labor unions, and the public with the information they need.

Therefore, in addition to the requirements imposed by the Grand Bargain Legislation, the Court recommends that the City adopt the annual reporting requirements that Ms. Kopacz advocates in her expert report, discussed in part X.D.8.

**E. Each of the Claims in Each Class Is
Substantially Similar to the Other Claims in the
Class, As Required by § 1122(a)**

1. The Applicable Law

Section 1122 sets forth the basic rule governing the classification of claims and interests. With the exception of “convenience classes” of unsecured claims, the claims or interests within a given class must be “substantially similar” to the other claims or interests in that class. 11 U.S.C. § 1122(a). To be “substantially similar” for purposes of § 1122, “claims need not be identical . . . [a]nd there is certainly no requirement that claims be classified according to their values.” *In re Dow Corning Corp.*, 244 B.R. 634, 655 (Bankr. E.D. Mich. 1999) (citations omitted), *aff’d*, 255 B.R. 445 (E.D. Mich. 2000), *aff’d in relevant part sub nom. Class Five Nev. Claimants v. Dow Corning Corp. (In re Dow Corning Corp.)*, 280 F.3d 648 (6th Cir. 2002). Under that section, “claims will be substantially similar if they are similar in legal nature or character.” 244 B.R. at 655.

The bankruptcy code does not require the converse, that all similar claims be placed in one class. *In re Dow Corning Corp.*, 280 F.3d at 661 (“Section 1122(a) does not demand that all similar claims be in the same class.”).

The Sixth Circuit has stated, “the bankruptcy court has substantial discretion to place similar claims in different classes. . . . Congress incorporated into section 1122 . . . broad discretion to determine proper classification according to the factual circumstances of each individual case.” *Id.* (citations and quotation marks omitted).

“A classification scheme satisfies section 1122(a) of the Bankruptcy Code when a reasonable basis exists for the classification scheme, and the claims or interests within each particular class are substantially similar.” *In re Eagle-Picher Indus., Inc.*, 203 B.R. 256, 270 (S.D. Ohio 1996).

A plan proponent must not separately classify substantially similar claims solely to gerrymander favorable votes. As explained by the Sixth Circuit:

[T]here must be some limit on a debtor’s power to classify creditors in such a manner Unless there is some requirement of keeping similar claims together, nothing would stand in the way of a debtor seeking out a few impaired creditors (or even one such creditor) who will vote for the plan and placing them in their own class.

Teamsters Nat’l Freight Indus. Negotiating Comm. v. U.S. Truck Co. (In re U.S. Truck Co.), 800 F.2d 581, 586 (6th Cir. 1986) (footnote omitted). *See also Phoenix Mut. Life Ins. Co. v. Greystone III Joint Venture (In re Greystone III Joint Venture)*, 995 F.2d 1274, 1279 (5th Cir. 1991) (Under § 1122 of the bankruptcy code, “thou shalt not classify similar claims differently in order to gerrymander an affirmative vote on a reorganization plan.”).

Upon a review of the classes in the plan, the Court finds that all of the claims in each class are similar and that therefore the plan complies with § 1122(a)

2. Creditors’ Objections to Classification Are Overruled

Certain individual objectors argue that the plan’s classification scheme improperly gerrymanders class 10 (PFRS pension claims) by including both impaired and unimpaired claims in the class. They assert that certain retirees holding PFRS pension claims are essentially unimpaired under the plan because: (a) the impairment of class 10 claims arises solely from the elimination of future, not existing, claims to COLA adjustments, and (b) some retirees with

claims in class 10 have no imminent likelihood of receiving COLA benefits regardless of whether the plan is confirmed. *See* Obj. of William Ochadleus, *et. al.* (Dkt. #5788); Obj. of Jamie S. Fields (Dkt. #4404).

These objections misapprehend the requirements of § 1122. If claims in a class are similar in legal nature or character, § 1122 is satisfied regardless of whether the ultimate treatment of those claims is different. Under the plan, all holders of PFRS pension claims are in class 10 and all such holders have similar claims. Each has a right to receive COLA benefits and the plan reduces that benefit by 55%. The plan, therefore, complies with § 1122.

Further, as a general rule, courts in the Sixth Circuit have held that the issue of gerrymandering is properly asserted only in connection with allegations that a plan proponent has separately classified similar claims to obtain favorable votes. The *Dow Corning* court explained this rule:

It may well be that one of Congress' primary motivations for limiting class membership to substantially similar claims was . . . to ensure that the votes cast by the class will reflect the joint interests of the class. But to accomplish this goal, Congress enacted a single requirement, which is that a class may consist only of substantially similar claims. When determining whether claims within a single class meet this requirement, assertions of attempted vote gerrymandering are simply irrelevant. If all claims within a class are substantially similar, then the class is properly constituted. . . . Consequently, accusations that a classification scheme has been assigned to gerrymander the vote on a proposed plan need be addressed, if at all, only when the plan proponent has placed substantially similar claims in separate classes.

Dow Corning, 244 B.R. at 665 (citing *Teamsters Nat'l Freight Indus. Negotiating Comm. v. U.S. Truck Co. (In re U.S. Truck Co.)*, 800 F.2d 581 (6th Cir. 1986)) (internal citation and quotation marks omitted).

In the present case, the objecting parties do not object that the plan places substantially similar claims in separate classes.

Because the plan properly classifies substantially similar claims in class 10, the Court overrules the objections alleging improper gerrymandering under § 1122(a).

**F. The City Proposed the Plan in Good Faith, As
Required by § 1129(a)(3)**

Section 1129(a)(3) requires that the plan has been proposed in good faith.

This is the second time during this chapter 9 case that the Court has been called upon to examine the City's good faith. During the eligibility phase of these proceedings, the Court was confronted with the question of whether the City filed its petition for chapter 9 relief in good faith under § 921(c). The City's good faith in filing its chapter 9 petition was "a central issue" at the eligibility hearing. *In re City of Detroit*, 504 B.R. at 180. The Court found, "in one form or another, all of the objecting parties have taken the position that the City did not file its chapter 9 petition in good faith and that this Court should exercise its discretion under 11 U.S.C. § 921(c) to dismiss the case." *Id.*

The Court ultimately concluded that the City did file its petition in good faith. Nevertheless, the Court found that "in some particulars, the record does support the objectors' view of the reality that led to this bankruptcy filing," including that State officials, Mr. Orr, and the City's hired professionals had misrepresented their intentions regarding seeking bankruptcy relief and reducing pension benefits. *Id.* at 183-87.

Much has changed. By the close of the hearing on confirmation of the plan, almost all of the objections to the City's good faith had been withdrawn or otherwise resolved.

The only remaining objections arising under § 1129(a)(3) relate to the ASF recoupment, which the Court addressed in part III.H. above. Some of the other arguments raised by individual objectors could be construed as arguments that the City did not propose the plan in

good faith in violation of § 1129(a)(3). For example, one objection asserts that the City used “coercion and intimidation . . . to influence and force the retirees” to vote for the plan. Obj. by Ms. Lou Ann and Mr. Michael K. Pelletier. (Dkt. #5062) Another asserts that Mr. Orr fraudulently impersonated an elected official. Obj. by Demetria Wright. (Dkt. #5795) Yet another contends that the plan fails to address the loss of some state revenue sharing funds and the City’s use of certain other funds. Obj. by David Sole. (Dkt. #4318) Ms. Estella Ball, a City retiree, argues that the plan “is a redistribution of the resources of Detroit into the hands of persons who do not live in Detroit,” as evidenced by the number of non-Detroit and non-Michigan companies Mr. Orr and Mayor Duggan have contracted to provide City services. Trial Tr. 69-71, Oct. 3, 2014. (Dkt. #7894)

To the extent that these objections raise independent “good faith” objections, the Court overrules them now, for the reasons described below.

1. The Applicable Law

Neither the bankruptcy code nor the Sixth Circuit defines “good faith” for purposes of § 1129(a)(3). There are, however, guiding principles. Good faith under § 1129(a)(3) is “generally interpreted to mean that there exists a reasonable likelihood that the plan will achieve a result consistent with the objectives and purposes of the Bankruptcy Code.” *In re Waterford Hotel, Inc.*, 497 B.R. 255, 266 (Bankr. E.D. Mich. 2013) (quoting *In re Trenton Ridge Investors, LLC*, 461 B.R. 440, 468 (Bankr. S.D. Ohio 2011)); *see also In re Dow Corning*, 244 B.R. 673, 675 (Bankr. E.D. Mich. 1999).

In chapter 9, that purpose is “to allow municipalities created by state law to adjust their debts through a plan voted on by creditors and approved by the Bankruptcy Court.” *In re Mount Carbon Metro. Dist.*, 242 B.R. 18, 32 (Bankr. D. Colo. 1999). “The primary purpose of debt

restructure for a municipality is not future profit, but rather continued provision of public services.” *Id.* at 34. Another is to provide “a municipality a breathing space . . . and an opportunity to address its long term solvency through an organized process.” *In re City of San Bernadino, Cal.*, 499 B.R. 776, 791 (Bankr. C.D. Cal. 2013).

Good faith also generally requires that the plan be proposed “with honesty and good intentions, and with a basis for expecting that a reorganization can be effected,” and that the plan proponent deal with its creditors in a manner that is fundamentally fair. *In re Gregory Boat Co.*, 144 B.R. 361, 366 (Bankr. E.D. Mich. 1992) (citations omitted).

In one sense, the inquiry under § 1129(a)(3) is limited; in another sense it is broad. The Court’s focus must be on the plan itself. At the plan confirmation stage, “pre-petition behavior is largely irrelevant.” *In re Dow Corning*, 244 B.R. at 675. However, when considering the plan, courts consider the “totality of the circumstances,” and the court’s own “common sense and judgment.” *In re Okoreeh-Baah*, 836 F.3d 1030, 1033 (6th Cir. 1988). It is thus an intensely fact-specific inquiry.

2. The City’s Good Faith

The record overwhelmingly establishes that:

1. The City filed its plan with honest, good intentions and the reasonable expectation that the plan is feasible.
2. The process the City undertook to seek confirmation of the plan was fundamentally fair to the City’s creditors.
3. Most importantly for the good faith analysis, the plan is designed to achieve the objectives and purposes of chapter 9.

Based on those findings, the Court concludes that the City filed its plan in good faith.

The City’s good faith in proposing this plan shines with the greatest brilliance in the Grand Bargain and in the settlements with Syncora, FGIC and the COPs Holders. Those

settlements are more than just creditor claim settlements. They create new ventures and relationships that enable all of the stakeholders in the case to achieve their long-term missions and goals. As one of the City's investment bankers, James Doak, testified regarding the Syncora settlement, "it would be in the City's best interest to convey stewardship in these properties . . . to have private actors thinking about how to develop and how to create economic activity on them." Trial Tr. 117, Oct. 3, 2014. (Dkt. #7894) The Court finds that this conclusion also applies to the FGIC settlement and the COPs Holders settlement. This accomplishment is extraordinary in bankruptcy and an ideal model for future municipal debt restructurings.

Beyond that, the almost complete level of consensus in support of the plan among the City's major creditor groups demonstrates that the City has treated its creditors fairly in seeking confirmation of its plan. It is also strong evidence that the City's detailed financial projections support its reasonable expectation that the plan is feasible in the long term.

The City has proven through witness after witness that upon confirmation, it intends to implement its plan. The City has also proven its commitment and ability to begin the challenging process of revitalization.

The Court is compelled, however, to expand upon its conclusion that the plan is designed to achieve the objectives and purposes of chapter 9.

3. The City's Long-Term Solvency

Over the course of this case, many creditors, including retirees, have challenged the City's good faith in allocating as much as \$1.7 billion toward its RRIs while not satisfying all of its financial obligations to its creditors.

The Court rejects this challenge. The vast majority of the \$1.7 billion for the RRIs comes from improved efficiency of City operations, new revenue initiatives and the exit financing.

More importantly, however, the plan is designed so that the City's creditors will share in any potential financial upside realized from the RRI's. This upside is in the form of reduced risk that the City will default on its financial obligations in the future. In turn, this should result in enhanced market values for the notes that the City is distributing in satisfaction of many of the creditors' claims.

Charles Moore, the chief architect of the RRI's, testified that the "ultimate goal" of the RRI's is "really stability within the City, stability of the population base and providing a platform so that both resident population as well as business growth can occur." Trial Tr. 42, Sept. 5, 2014. (Dkt. #7434)

Particularly significant here is the testimony of Ron Bloom, the head of the financial advisory team for the retiree committee. Regarding the City's good faith, he testified:

What I'm trying to convey is that we saw the City taking a fresh start to how it dealt with long-seated problems, to be honest about them, and some of that came back on us in a bad way because we had substantial reductions in benefits that we'd been promised, and we didn't like that. . . . *But I think one of the things the City persuaded us over the course of the case was [that] they were sincere . . . we didn't like what they had to say often, but we felt that their commitment to revitalization was sincere. And when we saw evidence of that . . . for instance how they were treating the active workers, that was to us a positive sign that our long-term interest was going to be served and the revised promises we got would eventually be honored.*

Trial Tr. 26, Sept. 17, 2014 (emphasis added). (Dkt. #7638)

Mr. Bloom testified that the retiree committee realized early on that because a one-time "payout" for the retirement plans was simply not feasible, the City would have to pay the retirees' claims over a long period of time. Mr. Bloom added that without some major (and potentially very expensive) improvements in City operations to slow the long-term decline in the

City, the committee's constituents would face a huge risk that the City would not be able to honor even its revised, reduced promises in the long term. *Id.* at 20-21.

The Court notes that the same observation holds true for virtually all of the City's creditors.

The Court finds that the City's plan, particularly the RRIs and the settlements, demonstrates a good faith effort to achieve the purposes of chapter 9.

4. Federalism Considerations in the Court's Good Faith Analysis

The Court here addresses some findings that Ms. Kopacz made and clarifies the Court's own role in the City's bankruptcy case. Ms. Kopacz wrote in her first report, "This bankruptcy has been largely focused on deleveraging the City, often to the exclusion of fixing the City's broken operations." Ex. 12000 at 23. She further testified:

The speed of this proceeding has been a two-edged sword. And the good side of that is that . . . in a little bit over a year the City will have gone through a massive restructuring process.

And [the City] will have significantly de-levered its balance sheet. So going from in excess of \$10 [billion] down to . . . less than \$4 [billion] is a huge de-levering of the City and that's a really good thing.

But because the focus has been on that de-levering and the speed [of] getting that done, there has not been until recently as much energy put into restructuring the operations of the City. . . . So fundamentally the City operationally was broken. And that's evident I believe you said it's service delivery insolvent, right?

. . . I believe the Emergency Manager had to pick one of two options. And, the focus was on de-levering, not fixing the operations. So . . . the speed cut against what are necessary long term things that will now have to be accomplished outside of the bankruptcy which could be more difficult to accomplish . . . than in the bankruptcy under the power of the Emergency Manager.

Trial Tr. 25-26, Oct. 22, 2014. (Dkt. #8082)

The Court agrees with Ms. Kopacz that the City’s focus on debt has created challenges, as has the expedited pace that this Court imposed on this bankruptcy. However, the Court finds this path is entirely consistent with the limitations of federalism that the Tenth Amendment of the United States Constitution imposes and that §§ 903 and 904 manifest.

The Tenth Amendment provides, “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” U.S. Const. amend. X.

Consistent with (or perhaps required by) that amendment, § 903 provides that chapter 9 “does not limit or impair the power of a State to control, by legislation or otherwise, a municipality . . . in the exercise of the political or governmental powers of such municipality[.]” 11 U.S.C. § 903. Whether for clarity or emphasis, § 904 underscores that restriction on this Court’s authority by providing, “Notwithstanding any power of the court, . . . the court may not . . . interfere with” a chapter 9 debtor’s property, revenue, or use thereof, or with any of its “political or governmental powers.” 11 U.S.C. § 904.

Unlike chapter 11, chapter 9 requires that the debtor municipality establish that it is “insolvent” before it can receive the protection of the bankruptcy court. 11 U.S.C. § 109(c)(3). The court in *In re Mount Carbon* astutely observed the significance of this distinction in identifying the purpose of chapter 9:

Consistent with the concept of limited federal jurisdiction over governmental entities created by state law, the insolvency requirement limits eligibility under Chapter 9. It also suggests that Chapter 9 is a means to remedy insolvency, unlike Chapter 11 which can be used by a solvent entity to restructure its affairs for business purposes.

242 B.R. at 33.

The Court finds that the City’s plan, the manner in which the City has prosecuted this bankruptcy case and assembled the plan, and the speed that the Court has imposed on the case have been entirely consistent with the constitutional and statutory limitations on this Court’s authority and the policy underlying chapter 9. Properly, the focus has been on de-leveraging the City to the extent negotiated and allowed by law, and restructuring the City’s remaining debt so that the City’s remaining obligations are more predictable and manageable. The focus has also been on setting the City on a path to recovery. Under the Tenth Amendment, however, it is for the City, not this Court, to supervise the execution of that recovery. Accordingly, the City’s plan represents a good faith acknowledgement of the demands of the United States Constitution and of the needs of democracy.

As Ms. Kopacz also testified, “[T]he debt that the City is taking on as part of the restructuring [has] enabled it to resolve its bad borrowing practices and bad financial decisions of the past. . . . It is a debt level that the City can manage.” Trial Tr. 24, Oct. 22, 2014. (Dkt. #8082) She also testified, “[T]he good news is that some of the [City’s expenses] as a result of the restructuring have been fixed at reasonable levels going forward, i.e., pension[s].”). *Id.* at 48

Ms. Kopacz’s report and testimony are irrefutable proof that the City’s plan was filed to achieve a result consistent with the objectives and purposes of chapter 9—to adjust the City’s debts so that it can reinvest in itself, address its operational problems, recover its ability to provide adequate municipal services, and maintain long-term solvency.

For these reasons, the Court finds that the City proposed its plan in good faith, as required by § 1129(a)(3).

**G. The City Has Complied with the Applicable
Provisions of the Bankruptcy Code, As Required
by § 1129(a)(2)**

Section 1129(a)(2) requires, “The proponent of the plan complies with the applicable provisions of this title.” 11 U.S.C. § 1129(a)(2). “The principal purpose of section 1129(a)(2) of the Bankruptcy Code is to assure that the plan proponents have complied with the disclosure requirements of section 1125 of the Bankruptcy Code in connection with the solicitation of acceptances of the plan.” *In re Trans World Airlines, Inc.*, 185 B.R. 302, 313 (Bankr. E.D. Mo. 1995); *see also In re PWS Holding Corp.*, 228 F.3d 224, 248 (3d Cir. 2000); *In re G-I Holdings Inc.*, 420 B.R. 216, 262 (D.N.J. 2009); *In re Texaco Inc.*, 84 B.R. 893, 906-7 (Bankr. S.D.N.Y. 1988); *In re Butler*, 42 B.R. 777, 782 (Bankr. E.D. Ark. 1984); *In re Toy & Sports Warehouse, Inc.*, 37 B.R. 141, 149 (Bankr. S.D.N.Y. 1984).

The City has complied with the requirements of § 1125 in the solicitation of acceptances to the plan. That section requires:

(b) An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information[.]

11 U.S.C. § 1125(b).

On May 5, 2014, the Court entered an order approving the City’s fourth amended disclosure statement. (Dkt. #4401) Nothing in the record suggests, and no party argues, that the City solicited acceptances before that approval. That is all that § 1125(b) and 1129(a)(2) require. *In re Connector 2000 Ass’n, Inc.*, 447 B.R. 752, 763 (Bankr. D.S.C. 2011).

Two issues, however, do require further discussion. The first is whether the ASF interest rate was properly disclosed. The second is whether a new disclosure statement and new

balloting was required for any of the amended plans that the City filed after the balloting was underway or completed.

1. The ASF Interest Rate Disclosure Issue

Several objecting parties have argued that the City did not adequately disclose the terms of the ASF recoupment because it failed to disclose that the amortization of the ASF recoupment amount over each creditor's life expectancy would include interest at 6.75%.

Under § 1125(a)(1), the issue is whether the disclosure statement and the accompanying materials were "in sufficient detail" that would enable a creditor in class 11 "to make an informed judgment about the plan."

The detail that the City did disclose on this point was an individualized calculation of the monthly ASF recoupment amount for each affected creditor in class 11. This amount included the interest but the disclosure did not separately identify the interest rate or the dollar amount of the interest.

Nevertheless, the Court finds that the City's disclosure would enable an employee or retiree in class 11 to make an informed judgment about the plan. The disclosure statement would have been more complete if it had included the dollar amount of the interest and the rate of interest, but that is not the test. Every disclosure statement can always include more information. The only issue is whether the information that was disclosed was sufficient for creditors in class 11 to make an informed judgment about the plan.

In the Court's experience, two facts were most important to these creditors in making an informed judgment about whether to accept the amount of the ASF recoupment that the plan proposes and therefore whether to accept the plan. The first fact is the actual dollar impact of ASF recoupment that the creditor would repay. The second fact is how long the ASF

recoupment payments would last. As noted, the City did disclose to each class 11 creditor the full dollar amount of the ASF recoupment, including interest, and the time period of the recoupment.

Another factor fully persuades the Court that disclosure of the interest rate and amount was not necessary under § 1125(a)(1). A diverse group of attorneys reviewed the City's proposed disclosures on the ASF recoupment before the Court approved them. This group included attorneys for the City, the retiree committee, the two pension plans, and the several retiree associations. Apparently, none of those attorneys considered that disclosing the interest rate or amount was necessary to comply with § 1125. That is important here because those representatives, especially those on the creditor side, were the closest to the creditors in class 11 and therefore were in the best position to judge whether the City's disclosure statement was adequate under § 1125. Significantly, none of those representative groups or their representatives opposed confirmation on this ground.

Accordingly, the Court concludes that the City's disclosures of the ASF recoupment settlement did meet the disclosure requirements of § 1125. The Court overrules this objection and finds that the City complied with § 1125, as required by § 1129(a)(2).

2. Successive Plan Modifications Did Not Require Re-Solicitation of Ballots

The City modified the plan several times after the Court approved the disclosure statement and the City served it on creditors, and even after the deadlines to vote had passed. Section 942 permits this, stating, "The debtor may modify the plan at any time before confirmation, but may not modify the plan so that the plan as modified fails to meet the

requirements of this chapter. After the debtor files a modification, the plan as modified becomes the plan.” 11 U.S.C. § 942.

Bankruptcy rule 3019(a) identifies the circumstances in which a plan modification requires a new solicitation of ballots:

In a chapter 9 or chapter 11 case, after a plan has been accepted and before its confirmation, the proponent may file a modification of the plan. If the court finds after hearing on notice to the trustee, any committee appointed under the Code, and any other entity designated by the court that the proposed modification does not adversely change the treatment of the claim of any creditor or the interest of any equity security holder who has not accepted in writing the modification, it shall be deemed accepted by all creditors and equity security holders who have previously accepted the plan.

Fed. R. Bankr. P. 3019(a).

The Court finds that none of the modifications in any of the successive amended plans adversely changed the treatment of any claims. As noted in part II.A. above, the City modified its plan to incorporate creditor settlements that in each case, maintained or improved the treatment of claims or otherwise clarified various plan provisions. Accordingly, the Court concludes that the City was not required to re-solicit ballots after the initial solicitation.

H. The Plan Does Not Discriminate Unfairly Against Dissenting Classes 14 and 15, As Required by § 1129(b)(1)

As noted, two classes of claims voted to reject the plan. These are class 14, consisting of the other unsecured claims, and class 15, consisting of the convenience claims under \$25,000. Section 1129(b) allows the Court to confirm the City’s plan despite those dissenting class votes if, with respect to those dissenting classes, “the plan does not discriminate unfairly, and is fair and equitable.”

The Court will first address the unfair discrimination test. In doing so, the Court will first identify the discrimination against the classes of other unsecured claims and convenience claims. Next, it will discuss the test for determining whether the discrimination in the plan is unfair. Finally, it will address its conclusion that the discrimination is not unfair.

In the next section, the Court will address the fair and equitable test.

1. The Plan Discriminates Against Dissenting Classes 14 and 15

The recoveries for the rejecting classes are 13% for class 14 and 25% for class 15.

It is readily apparent that the plan discriminates in favor of class 7, the LTGO claims with a 41% recovery; class 8, the UTGO claims with a 74% recovery; and class 17, the 36th District Court claims with a 33% recovery.

Determining whether the plan discriminates in favor of the pension class 10, the PFRS claims, and class 11, the GRS claims, is challenging because properly calculating the percentage recoveries for those classes is complex.

The City's disclosure statement states that the recoveries are 59% for class 10 and 60% for class 11. If those recoveries are accurate, then the plan does discriminate in their favor and against classes 14 and 15.

Based on a number of complex arguments, however, the City now asserts that the true recovery percentages are much lower, in the range of 9% to 21%, and that therefore the plan does not materially discriminate in favor of classes 10 and 11.

The recoveries that the City asserted in the disclosure statement were calculated using the agreed upon 6.75% assumed rate of return as the discount rate to calculate the liability. Those

recovery calculations also include the contributions from the state, the foundations and the DIA Corp.

To justify its more recent and substantially lower recovery calculations, the City proposes to value the liability using a discount rate that is much lower than 6.75%. The City suggests using either the risk free rate, the Pension Benefit Guaranty Corporation discount rate or a commercial annuity rate—all in the range of about 3-4%. Using a lower discount rate to calculate the liability results in a higher liability amount and therefore a lower recovery percentage for the pension creditors.

The City argues that a lower discount rate is appropriate for essentially three reasons. First, it argues that this is necessary to accurately calculate the City's liability. Second, it argues that it is appropriate to avoid shifting investment return risk to the City. Finally, it argues that it is fair to calculate the pension creditors' recovery in a way that is comparable to the way that the recoveries of other long-term creditors, such as bondholders, are commonly calculated under the bankruptcy code.

In support of using a lower discount rate to value its pension liabilities for unfair discrimination purposes, the City relies on *In re U.S. Airways Group, Inc.*, 303 B.R. 784, 798 (Bankr. E.D. Va. 2003), and *Dugan v. Pension Benefit Guaranty Corporation (In re Rhodes, Inc.)*, 382 B.R. 550, 560 (Bankr. N.D. Ga. 2008).

In addition, the City also argues that the third-party contributions to the pension plans should be excluded from the recovery calculation on the grounds that an unfair discrimination analysis should only consider distributions of the debtor's property. In support, the City cites *In re Worldcom, Inc.*, No. 02-13533, 2003 WL 23861928, at *60-61 (Bankr. S.D.N.Y. Oct. 31, 2003); *In re Parke Imperial Canton, Ltd.*, No. 93-61004, 1994 WL 842777, at *11 (Bankr. N.D.

Ohio Nov. 14, 1994); *In re MCorp Fin., Inc.*, 160 B.R. 941, 960 (S.D. Tex. 1993); *Travelers Ins. Co. v. Bryson Props. XVIII (In re Bryson Props. XVIII)*, 129 B.R. 440, 445 (M.D.N.C. 1991), *rev'd on other grounds*, 961 F.2d 496 (4th Cir. 1992).

The City finally argues that in considering whether the plan unfairly discriminates against pension creditors, the Court should consider that the plan's overall treatment of them is substantially diminished by the plan's treatment of their OPEB claims. The City states that a majority of creditors in classes 10 and 11 also hold OPEB claims in class 12 and that the recovery on their OPEB claims is only 10%.

In part X.H.3. below, the Court concludes that even if the pension classes' recoveries are as high as stated in the disclosure statement, the resulting discrimination against the unsecured and convenience classes is not unfair. Accordingly, it is not necessary to address the difficult issues that the City raises here.²⁴

²⁴ As a matter of dicta, the Court finds merit in the City's argument that the discount rate for valuing a long-term liability should reflect the nature of that liability rather than the market rate of return on assets. It does appear to the Court that the conventional linking of the assumed rate of return and the discount rate for municipal pensions in this country is a substantial contributing factor in their UAAL and that it is time to reconsider that convention.

The Court finds less merit in excluding the third party contributions from the calculation of the pension plans' recovery percentage in this case. It is at least arguable that those contributions were on account of City assets, specifically, the DIA assets and the claim by the City's pension plans against the State for relief from their unfunded liability based on article IX, § 24 of the Michigan constitution and the State's failure to act to prevent the underfunding. If the connection between those assets and the third party contributions is found to exist, then the cases that the City cites in support of excluding the third party contributions are distinguishable and in fairness, those contributions arguably should be included in the recovery calculations.

Moreover, *City of Avon Park* seems to require that result. There, the City's fiscal agent, Crummer, could have potentially recovered on three financial stakes in the City's plan. The district court found one reasonable but did not evaluate the other two. 311 U.S. at 143. The Supreme Court stated, "Clearly, however, no finding could be made . . . that the compensation to be received by the fiscal agent was reasonable without passing on the worth of the aggregate of

Continued...

2. The Unfair Discrimination Standard

The bankruptcy code permits discrimination in the treatment of classes of claims. It only prohibits unfair discrimination. See *In re Mullins*, 435 B.R. 352, 358 (Bankr. W.D. Va. 2010); *In re Snyders Drug Stores, Inc.*, 307 B.R. 889, 894 (Bankr. N.D. Ohio 2004); *In re Aztec Co.*, 107 B.R. 585, 588–89 (Bankr. M.D. Tenn. 1989).

The bankruptcy code does not, however, specify a standard for determining the fairness of discrimination in a plan. Over the years, courts have considered various factors to determine whether discrimination is unfair. Three approaches have emerged. These are the *Aztec* approach, articulated in *In re Aztec Co.*, 107 B.R. at 590, the Markell “rebuttable presumption test,” proposed by Professor Bruce Markell in his article, A New Perspective on Unfair Discrimination in Chapter 11, 72 Am. Bankr. L.J. 227 (Spring 1998), and the *Crawford* standard, adopted in *In re Crawford*, 324 F.3d 539, 542 (7th Cir. 2003).

In *Aztec*, the court approved a four-part test to determine if discrimination is unfair, considering (1) whether the discrimination is supported by a reasonable basis; (2) whether the debtor can confirm and consummate a plan without the discrimination; (3) whether the discrimination is proposed in good faith; and (4) the treatment of the classes discriminated against. *Id.* at 590. Several courts, including this Court, have used this test. See, e.g., *In re*

all the emoluments accruing to the Crummer interests as a result of consummation of the plan[.]” *Id.* at 144 (citation omitted).

As a final matter of dicta, the Court finds that whether to consider the 10% recovery on pension creditors’ OPEB claims when deciding whether the treatment of their pension claims discriminates against unsecured creditors is a closer question. Normally, it would not seem appropriate to consider the recovery that creditors will realize on their claims in one class when determining whether the treatment of their claims in another class unfairly discriminates. The equities arguably tip, however, when the creditors are employees and retirees, and are or were mission-critical, contributing their time, labor and skill to advance the interests of not only the City, but also its other creditors, as discussed in part X.H.3.A. below.

Graphic Commc'ns, Inc., 200 B.R. 143, 148 (Bankr. E.D. Mich. 1996); *In re Riviera Drilling & Exploration Co.*, No. 10-11909, 2012 WL 6719591 (Bankr. D. Colo. Dec. 19, 2012); *In re Snyders Drug Stores, Inc.*, 307 B.R. at 894-95, *Ownby v. Jim Beck, Inc. (In re Jim Beck, Inc.)*, 214 B.R. 305, 307 (W.D. Va. 1997); *In re Sea Trail Corp.*, No. 11-07370-8, 2012 WL 5247175 (Bankr. E.D.N.C. Oct. 23, 2012).

Under the Markel “rebuttable presumption test,” a rebuttable presumption of unfair discrimination arises where there is: 1) a dissenting class, 2) another class of the same priority, and 3) a difference in the plan’s treatment that results in either, a) a materially lower percentage recovery for the dissenting class, or b) an allocation of materially greater risk to the dissenting class in connection with its proposed distribution. 72 Am. Bankr. L.J. at 228. For the plan proponent to rebut the presumption, it must show that outside of bankruptcy, the dissenting class would receive less than the class receiving a greater recovery, or that the alleged preferred class infused new value that offsets its gain. *Id.* See also *Armstrong World Indus., Inc.*, 348 B.R. 111, 122 (D. Del. 2006); *In re Dow Corning*, 244 B.R. at 701-03.

In *Crawford*, the Seventh Circuit admitted its struggle with articulating a test for unfair discrimination, stating, “We haven’t been able to think of a good test ourselves.” 324 F.3d at 542. It decided simply “to instruct the first-line decision maker, the bankruptcy judge, to seek a result that is reasonable in light of the purposes of the relevant law, which in this case is Chapter 13 of the Bankruptcy Code[.]” *Id.*

The Court concludes that neither the *Aztec* standard, the Markell standard, nor the *Crawford* instruction is faithful to the language of § 1129(b). The test in § 1129(b) is only whether the discrimination is unfair. Congress certainly could have established in § 1129(b) a more specific standard for courts to determine an unfair discrimination issue, including any of

the standards that the cases adopt or that the commentators propose. It did not. Accordingly, the Court rejects these standards.

Instead, the Court concludes that determining fairness is a matter of relying upon the judgment of conscience. That is all that Congress intended in so broadly articulating the unfair discrimination test in § 1129(b).

Several factors naturally inform this judgment of conscience. As *Crawford* suggests, these factors include the circumstances in the case that bear upon the fairness of the discrimination in light of the purpose of chapter 9. As noted, the purpose of chapter 9 is to restructure the municipality's debt so that it can provide adequate municipal services. *Bennett v. Jefferson County, Ala.*, No. 2:14-CV-0213-SLB, 2014 WL 4926261, at *19 (N.D. Ala. Sept. 30, 2014) (citing *In re Mount Carbon*, 242 B.R. at 34-35). To that end, chapter 9 leaves the municipality in control of its affairs while facilitating its debt restructuring. This suggests that a more flexible standard of unfair discrimination in chapter 9 cases is appropriate.

The factors that inform this judgment of conscience also naturally, and equally importantly, include the Court's experience and sense of morality.

That is what this Court meant in its eligibility opinion when it addressed the potential for the impairment of pension rights in the City's plan. It stated that when considering any such impairment, the bankruptcy code demands "this Court's judicious legal and equitable consideration of the interests of the City and all of its creditors, as well as the laws of the State of Michigan." *In re City of Detroit*, 504 B.R. at 154.

3. The Discrimination Against the Classes of General Unsecured Creditors and Convenience Creditors Is Not Unfair

The Court will first address the fairness of the discrimination in the plan in favor of the pension classes. Then it will discuss the fairness of the discrimination in favor of the UTGO, LTGO and 36th District Court classes.

a. The Discrimination in Favor of the Pension Classes Is Not Unfair

The Court finds that the City has demonstrated a substantial mission-related justification to propose a higher recovery to its pension creditors. The City is a municipal service enterprise. Viewed broadly, its mission is to provide municipal services to its residents and visitors to promote their health, welfare and safety. Its employees and retirees are and were the backbone of the structures by which the City fulfills its mission. The City, therefore, has a strong interest in preserving its relationships with its employees, in enhancing their motivation, and in attracting skilled new employees, consistent with its financial resources. The City has reasonably and properly concluded that the discrimination in favor of the pension claims in its plan is necessary to its mission.

In contrast, the City has no similar mission-related investment in its relationships with its other unsecured creditors in classes 14 and 15.

Second, the City is an agency of the State of Michigan. Its existence, its mission, and its means of fulfilling that mission are all subject to the provisions of the constitution and laws of the State of Michigan. Among these provisions is article IX, § 24 of the Michigan constitution, which singles out municipal pension claims for special protection.

In the Court's eligibility opinion, it held that because of the Supremacy Clause of the United States Constitution, this specific protection of the state constitution is not entitled to vindication in a federal bankruptcy proceeding. Nevertheless, that provision of the Michigan constitution does express the considered judgment of the people of the State of Michigan. The Court concludes that in determining the fairness of the discrimination against unsecured claims proposed in the City's plan, this judgment of the people of the State of Michigan is entitled to substantial consideration and deference.

Another consideration that appeals to the Court's conscience is the reasonable expectations of the parties. Generally, unsecured creditors reasonably expect similar treatment in bankruptcy. The difference here, however, is that the Michigan constitution gives notice to all unsecured creditors of a municipality that the rights of pension creditors are distinctive and of special value to the citizens of this state, even if their pension claims are legally unsecured. That constitutional notice reasonably justifies the enhanced expectations of the pension creditors in this case. At the same time, that notice should lower the reasonable expectations of the other unsecured creditors in the case.

A final consideration suggests that this discrimination is not unfair. The Court has already observed that the City's plan is largely a collection of interconnected settlements. Counsel for the retiree committee astutely argued that if each of the settlements in the plan is reasonable, then the resulting discrimination in the plan must be fair. Trial Tr. 171, Oct. 27, 2014. (Dkt. #8156) The Court agrees. The factors that inform the reasonableness of each individual settlement are the same factors that inform the Court's judgment about whether the resulting discrimination is fair.

Here, the classes that did not settle and instead rejected the plan, classes 14 and 15, are classes of general unsecured claims. There is, however, nothing about those claims that warrants any favorable consideration in the Court's unfair discrimination analysis.

Before closing this discussion, the Court must point out one factor that it has decided not to consider in evaluating this issue—the financial needs of the retirees. This is a challenging issue, because the record firmly establishes that many retirees need their full pensions, or at least pensions with the least possible impairment, while the record supports no similar finding for any other class of creditors. This, facially at least, appears to further support the discrimination in favor of the pension creditors.

However, it does not. As explained above, the Court must judge the fairness of the discrimination not in the abstract, but informed by the goals and purposes of the chapter 9 case. This judgment, therefore, necessarily excludes the relative needs of the creditors in the disparately treated classes.

On this point, the Court would further note that no case law in any of the rehabilitative chapters suggests that creditors' needs are an appropriate consideration in determining whether a plan unfairly discriminates.

In the Court's judgment, therefore, the discrimination in the City's plan in favor of the pension creditors is not unfair.

**b. The Discrimination in Favor of the UTGO,
LTGO and 36th District Court Classes Is Not
Unfair**

The Court comes to the same conclusion about the discrimination in the plan in favor of the UTGO, LTGO and 36th District Court classes. The Court has already found that these settlements are reasonable settlements. They fairly and reasonably reflect the strengths and

weakness of the creditors' claims and the City's defenses, the complexity and expense of possible litigation, and collectability issues. These considerations also justify discriminating in their favor and against the other unsecured claims and the convenience claims.

The Court only adds that the City also has two mission-related reasons to favor the 36th District Court claims. First, it has a strong interest in maintaining efficiency of court operations and therefore in maintaining the employees' morale. Second, it has a continuing legal and funding relationship with the court. Mich. Comp. Laws §§ 600.8103, 600.8104(1)(b) and 600.8104(2).

**c. The Discrimination Against Classes 14 and 15
Is Not Unfair Even Though Some Creditors in
Those Classes May Be Involuntary Creditors**

The Court further recognizes that the dissenting classes of unsecured creditors, classes 14 and 15, may appear to include two distinct types of creditors—voluntary creditors and involuntary creditors.

Voluntary creditors generally have contract claims against the City. They likely had an opportunity to perform due diligence and therefore to assess and knowingly accept the risk of the City's non-payment. They may well also have had the opportunity to limit that risk in their contract negotiations with the City.

Involuntary creditors, on the other hand, generally have statutory, tort, or constitutional claims against the City. They presumably had no opportunity to perform due diligence or to limit the risk of non-payment.

As a result, the Court's conscience suggests that it should consider whether involuntary creditors have a stronger argument for unfair discrimination. Ultimately however, two considerations suggest otherwise.

First, the City has no mission-related justification to discriminate in favor of involuntary unsecured creditors. As noted in part X.H.3.a. above, the primary focus of the Court's consideration here is on the needs of the City.

Second, the line between voluntary creditors and involuntary creditors is not as sharp as it may first appear. The assumption underlying the distinction is that some creditors voluntarily assume the risk of nonpayment, while other creditors do not voluntarily assume that risk. The difficulty with this distinction is that everything that people do in life entails risks—the risk of injury, damage or loss, as well as the risk of inadequate subsequent compensation, whether for legal or practical reasons.

It is not clear, for example, whether the pension creditors in this case are voluntary or involuntary creditors. Although each voluntarily accepted a contract of employment with the City and presumably understood and accepted its terms, it is not clear that each understood and accepted the risk that, perhaps decades later, the City would not be able to pay its resulting pension obligation. Beyond that, an employee who might at some point feel the need to protect himself or herself against the risk of the City's non-payment has only the relatively unsatisfactory option of finding a new job with a new employer. In any event, it is also inappropriate to judge all 20,000-30,000 pension creditors the same on the issue of knowing assumption of risk.

These deeper considerations suggest that the line between voluntary and involuntary creditors is a false line. More accurately, there is a continuum. More troublesome yet, the litigation to determine where to place each of the tens of thousands of unsecured creditors on that continuum, and where to draw the line on that continuum between voluntary and involuntary creditors for purposes of unfair discrimination, would be unwieldy, inefficient and expensive.

In our legal system, justice and fairness are not only about the legal and factual accuracy of the result. They are also about the efficiency and economy of the process. Our adversary system constantly struggles with this tension. In every judicial proceeding, the court must consider and account for all of these interests. This is especially challenging in bankruptcy, where the court must consider the diverse interests of multiple parties in a case. It is even more so in a municipal bankruptcy case, where the municipality's residents, visitors and businesses await the restoration of necessary municipal services.

In the Court's judgment, therefore, it is not unfair to discriminate against all of the unsecured creditors in classes 14 and 15, even though some creditors in those classes might be able to establish that they are at the involuntary end of this continuum.

Accordingly, the Court finds that the City's plan does not unfairly discriminate against the two dissenting unsecured classes, 14 and 15.

**I. The Plan Is Fair and Equitable with Respect to
the Dissenting Classes, As Required by
§ 1129(b)(1)**

As noted, substantial majorities of all but two classes accepted the debtor's plan. This does not by itself, however, establish that the plan is fair and equitable. *City of Avon Park*, 311 U.S. at 148 ("The fact that the vast majority of security holders may have approved a plan is not the test of whether that plan satisfies the statutory standard. The former is not a substitute for the latter. They are independent."); *Everglades Drainage Dist.*, 319 U.S. at 418 ("[T]he fact that only a very small minority of creditors have objected to the plan does not relieve the courts of the duty of appraising its fairness, and of making the findings necessary to support such an appraisal.").

1. The Test of “Fair and Equitable” in Chapter 9

As noted, under § 1129(b)(1), one of the requirements to confirm a plan when a class has rejected the plan is that the plan is “fair and equitable” to those dissenting classes. Under § 1129(b)(2), “For the purpose of this subsection, the condition that a plan be fair and equitable with respect to a class includes the following requirements . . .” The section then describes in § 1129(b)(2)(A), (B) and (C) specific standards for determining the issue as to holders of secured claims, unsecured claims and interests. Section § 1129(b)(2)(B), applicable to unsecured creditors, establishes the absolute priority rule that they must be paid in full before a junior class of claims or interests can receive or retain any value. *See Bank of Am. Nat’l. Trust and Sav. Ass’n v. 203 North LaSalle Street P’ship*, 526 U.S. 434, 444 (1999); *Norwest Bank Worthington v. Ahlers*, 485 U.S. 197, 202 (1988).

Three observations are important here. First, because municipalities have no junior class of shareholders, the absolute priority rule provides unsecured creditors with no protection. *In re Corcoran Hosp. Dist.*, 233 B.R. at 458. *Cf. In re Whittaker Mem’l Hosp. Ass’n, Inc.*, 149 B.R. 812, 816 (Bankr. E.D. Va. 1993).

Second, under § 102(3), the word “includes” in § 1129(b)(2)(B) is not limiting. Accordingly, the standards that follow in that section are not the only standards for determining whether a plan is fair and equitable in its treatment of the claims of dissenting classes. *Sandy Ridge Dev. Corp. v. La. Nat’l Bank (In re Sandy Ridge Dev. Corp.)*, 881 F.2d 1346, 1352 (5th Cir. 1989) (“[S]imple technical compliance with the requirements of section 1129(b)(2) does not assure that the plan is fair and equitable. Instead, this section merely sets minimal standards that a plan must meet, and does not require that every plan not prohibited be approved.”) (citations and internal quotation marks omitted); *Fed. Sav. & Loan Ins. Corp. v. D&F Constr. Inc. (In re*

D&F Constr. Inc.), 865 F.2d 673, 675 (5th Cir. 1989) (“Section 1129(b)(2) sets minimal standards plans must meet.”).

The third important observation here is that the standard for determining fair and equitable must not, if possible, be redundant of any other confirmation standards. *Gustafson v. Alloyd Co., Inc.*, 513 U.S. 561, 574 (1995) (Courts should avoid interpreting statutes in a way that “renders some words altogether redundant.”).

To properly determine the meaning of the fair and equitable test, it is important to understand its effect. In practical consequence, the law allows the judge, who has no stake in the outcome of the plan, to substitute his or her judgment about the fairness and equity of the plan for the judgment of the dissenting class of creditors, who have every stake in the outcome. Ultimately, the issue is whether the Court should force a debt adjustment on unwilling creditors. We colloquially call this “cramdown.” That is the power that the City requests this Court to exercise here.

The language “fair and equitable” suggests the same kind of process of adjudication that the Court just adopted for the unfair discrimination test. Indeed, the words of these two requirements overlap somewhat, but the fair and equitable test has a broader focus, as the Court will discuss below.

In *City of Avon Park*, which the Court discussed above in part X.A.2. relating to fees in chapter 9 cases, the Supreme Court reviewed at length the bankruptcy court’s role in determining whether a chapter 9 plan is fair and equitable. 311 U.S. at 146.

The Court concludes that under *City of Avon Park*, the City’s plan is fair and equitable as to dissenting classes 14 and 15. That case first mandates this Court to investigate whether there is evidence of any misconduct that would require the Court’s remedy as a condition of

confirmation, or whether the City or any class of creditors has committed any overreaching. *Id.* The Court readily finds that there is no such evidence in this case.

Under *City of Avon Park*, however, overriding the dissenting creditors' judgment about a plan requires more than just the absence of misconduct. The Court concludes that the fair and equitable requirement asks whether there are circumstances in the case that suggest to the Court's conscience that it is fair and equitable to impose the plan on the dissenting creditors against their stated will.

2. The Plan Is "Fair and Equitable"

The Court finds that several circumstances in this case do suggest that it is fair and equitable to impose the plan on the dissenting creditors against their stated will.

First, it is appropriate to look at exactly how this class reacted to the plan. Very few of the creditors in classes 14 and 15 filed objections to the plan. Also, although the classes did vote to reject the plan, the margins were small. In class 14, the margin was slim—51% rejecting, 49% accepting. In class 15, it was a bit more significant—58% rejecting, 42% accepting.

The numbers behind those percentages tell a story here, too. The actual vote in class 14 was 97 rejecting, 93 accepting. This means that if 3 rejecting votes had gone the other way, the necessary majority in number would have been achieved. The actual vote in class 15 was 189 rejecting and 153 accepting. That means that if 19 rejecting creditors in this class had accepted, the necessary majority would have been reached.

These circumstances raise the question whether it is fair and equitable to confirm the plan over the dissent of a handful of unsecured creditors, most of whom have claims under \$25,000, when thousands of creditors with claims amounting to billions of dollars support the plan. To the Court's conscience, this is fair and equitable.

The Court accepts the likelihood that the dividend to the creditors in classes 14 and 15 will cause those creditors real hardship. But as the Court concluded in connection with the unfair discrimination test, the Court's analysis of the fair and equitable requirement must focus on the purposes of chapter 9. The Court must therefore analyze whether imposing the plan on dissenting classes of creditors is an appropriate and necessary means to achieve that purpose.

A large number of people in this City are suffering hardship because of what has been antiseptically called service delivery insolvency. What this means is that the City is unable to provide basic municipal services such as police, fire and emergency medical services to protect the health and safety of the people here. Detroit's inability to provide adequate municipal services runs deep and has for years. It is inhumane and intolerable, and it must be fixed. This plan can fix these problems and the City is committed to it. If to fix these problems and to accomplish the purposes of chapter 9 in this case, the Court must require these few creditors that rejected the plan to nevertheless share in the sacrifice that the other creditors have agreed to endure, then so be it.

There is really no choice here. There are no viable alternatives to this plan that will solve the City's problems and at the same time pay more to classes 14 and 15 to obtain their support.

To revitalize itself for the good of all of its stakeholders, the City desperately needs the shared sacrifice that this plan will impose on all of its creditors, even these few rejecting creditors, and the City needs it now.

Accordingly, the Court concludes that it should exercise its power under the bankruptcy code to impose the plan on classes 14 and 15 despite their dissenting votes. The Court finds that the plan is fair and equitable.

**J. The Objections of the Creditors with
Constitutional Claims Are Sustained in Part and
Overruled in Part**

Objections were filed by two distinct groups of class 14 unsecured creditors that have constitutional claims against the City or its officers. One group has filed lawsuits seeking to recover damages for the deprivation of their constitutional rights under 42 U.S.C. § 1983 (collectively, “the § 1983 creditors”). (Dkt. ##4099, 4224, 4608, 5690, 5693 and 6764) The other group has lawsuits to recover on their just compensation claims under the Fifth Amendment for the City’s alleged taking of their property (collectively, “the Takings Clause creditors”). (Dkt. ##3412, 5671 and 6262) Both groups of objectors assert that because their claims are constitutionally protected, the plan may not be confirmed unless it provides full payment for those claims.

The City argues that under the bankruptcy code, both types of claims are unsecured claims and are therefore properly discharged and impaired in class 14.

The Court entered an order permitting the Attorney General of the United States to intervene to address these two objections because they raised questions regarding the constitutionality of chapter 9. For reasons similar to those argued by the City, the Attorney General contends that the plan’s proposed discharge of the § 1983 claims does not present a constitutional issue under the Fourteenth Amendment. The Attorney General does assert, however, that impairing claims under the Takings Clause of the Fifth Amendment would raise substantial constitutional concerns. The Attorney General suggested that to avoid that issue, if the plan is confirmed, the confirmation order should explicitly except the Takings Clause claims from discharge, as § 944(c)(1) permits in the Court’s discretion.

The Court agrees with the Attorney General’s analysis of both issues.

1. The Relevant Plan Provisions

The City's plan treats Takings Clause claims and § 1983 claims identically, offering them a recovery of approximately 10-13% in class 14. Disc. Stmt. at 41. (Dkt. #4391) Under § 944, confirmation of the plan would discharge these debts and foreclose any opportunity for either group of creditors to recover the full amount of their claims.

2. The § 1983 Creditors' Objections

The § 1983 creditors are Dwayne Provience, Richard Mack, Gerald and Alecia Wilcox, Deborah Ryan, Walter Swift, Cristobal Mendoza, and Annica Cuppetelli. Prior to the City's bankruptcy filing, those individuals filed separate lawsuits seeking damages against the City under 42 U.S.C. § 1983. Their lawsuits allege that the City is liable for its officers' various violations of their constitutional rights, including those guaranteed by the First, Fourth, Fifth, Sixth, Seventh, and Fourteenth Amendments.

These creditors have two objections. First, they assert that treatment of their claims as unsecured claims in the City's plan violates their Fourteenth Amendment right to receive compensation for the violations of their constitutional rights. The essence of their position is that the Fourteenth Amendment guarantees compensation through § 1983 when state actors violate those constitutional protections. The § 1983 creditors further contend that the impairment of their constitutional claims is prohibited by law and that therefore the plan does not comply with § 943(b)(4).

Second, the § 1983 creditors also argue that the plan impermissibly discharges claims brought against the City's officers in their individual capacity.

The City responds that the text of the Fourteenth Amendment does not establish a claim for damages but only delegates to Congress the power to create appropriate mechanisms to

enforce its provisions. U.S. Const. amend. XIV, § 5. The City reasons that because a claim under § 1983 is a claim for relief created by Congress and not by the Constitution, Congress is free to restrict that remedy, which it has done in chapter 9. The City thus denies that the plan requires any action prohibited by law in contravention of § 943(b)(4).

With respect to the discharge of individual police officer liability, the City responds that its plan properly seeks to release those claims.

**a. Impairing and Discharging the § 1983 Claims
Against the City Does Not Violate the Fourteenth
Amendment**

Section 1 of the Fourteenth Amendment of the U.S. Constitution provides:

All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

U.S. Const. amend. XIV, § 1.

Section 5 of the Fourteenth Amendment delegates to Congress the power to “enforce, by appropriate legislation, the provisions of this article.” U.S. Const. amend. XIV, § 5. Under that authority, Congress enacted the Civil Rights Act of 1871. That act included what is now codified at 42 U.S.C. § 1983. It states:

Every person who, under color of any statute, ordinance, regulation, custom, or usage, of any State or Territory or the District of Columbia, subjects, or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress[.]

42 U.S.C. § 1983.

Congress enacted this provision “for the express purpose of enforc(ing) the Provisions of the Fourteenth Amendment.” *Mitchum v. Foster*, 407 U.S. 225, 238 (1972) (citations omitted). It “provides a cause of action for the deprivation of any rights, privileges, or immunities secured by the Constitution and laws of the United States.” *Wilder v. Va. Hosp. Ass’n*, 496 U.S. 498, 508 (1990) (internal quotations omitted).

Although a § 1983 claim for damages is statutory, the § 1983 creditors contend that this statute merely provides the procedural mechanism to bring these claims and that the Fourteenth Amendment constitutionally entitles them to that damages remedy. They contend that therefore the impairment and discharge of their claims violates the Fourteenth Amendment. The § 1983 creditors rely on the Supreme Court’s decisions in *Monell v. Department of Social Services of New York*, 436 U.S. 658 (1978); *Owen v. City of Independence*, 445 U.S. 622 (1980); and *Bivens v. Six Unknown Named Agents of Federal Bureau of Narcotics* 403 U.S. 388 (1971).

The Court concludes that none of these decisions supports that result.

In *Monell*, the Supreme Court held that a municipality is a “person” under § 1983 and therefore potentially liable for damages. *Monell* overruled the previous contrary decision in *Monroe v. Pape*, 365 U.S. 167 (1961). *Monell* neither held nor suggested that overruling *Monroe* was necessary because a party has a constitutional right to money damages. To the contrary, in *Monell*, the Supreme Court attributed its decision to its “analysis of the legislative history of the Civil Rights Act of 1871.” 436 U.S. at 690. Thus, *Monell* recognized that § 1983, not the Constitution, provides the right to compensation against municipalities.

Owen addressed whether a municipality can assert a common law qualified immunity defense to a § 1983 claim. In denying this defense, the Supreme Court observed, “A damages

remedy against the offending party is a vital component of any scheme for vindicating cherished constitutional guarantees” 445 U.S. at 651.

Again however, this observation does not rise to the level of holding that the Fourteenth Amendment itself establishes a right to damages. Indeed, nothing in the opinion suggests that denying a qualified immunity defense to a § 1983 claim is a matter of necessity because the Fourteenth Amendment establishes a right to damages. To the contrary, in summarizing the basis of its holding, the *Owen* court notably failed to identify a constitutional basis. It stated, “rejection of a construction of § 1983 that would accord municipalities a qualified immunity for their good-faith constitutional violations is compelled both by the legislative purpose in enacting the statute and by considerations of public policy.” *Id.* at 650.

Finally, the § 1983 creditors argue that *Bivens* held that all substantive constitutional rights include a right to compensation. Therefore, they argue, § 1983 is unnecessary and merely codifies an existing constitutional right to damages.

The Court rejects this argument. In *Bivens*, the Supreme Court created a new claim for relief for a constitutional violation by a federal officer. It did not recognize that the Constitution includes a right to damages.

Subsequent Supreme Court decisions confirm this view of *Bivens*. In *Davis v. Passman*, 442 U.S. 228 (1979), the Supreme Court stated, “*Bivens* . . . holds that in appropriate circumstances a federal district court *may* provide relief in damages for the violation of constitutional rights *if* there are ‘no special factors counseling hesitation in the absence of affirmative action by Congress.’” *Id.* at 245 (emphasis added) (quoting *Bivens*, 403 U.S. at 396). In *Bush v. Lucas*, 462 U.S. 367, 378 (1983), the Supreme Court stated, “The federal courts’ statutory jurisdiction to decide federal questions confers adequate power to award damages to the

victim of a constitutional violation.” Similarly, in *Correctional Services Corp. v. Malesko*, 534 U.S. 61 (2001), the Supreme Court stated, “Our authority to imply a new constitutional tort, not expressly authorized by statute, is anchored in our general jurisdiction to decide all cases ‘arising under the Constitution, laws, or treaties of the United States.’ We first exercised this authority in *Bivens*” *Id.* at 66 (quoting 28 U.S.C. § 1331). None of these cases suggests that *Bivens* found a constitutional right to damages.

The Court concludes that the Fourteenth Amendment does not provide a substantive constitutional right to compensation for damages. Accordingly, the Court overrules this objection to the plan.

The § 1983 creditors further argue that “the Supreme Court made clear that § 1983 is a vehicle for vindicating rights emanating from the Constitution.” Ryan’s Second Supplemental Br. 7. (Dkt. #6764) This distinction between a substantive constitutional right and the means of enforcing that right is precisely what drives this Court’s conclusion. The § 1983 remedial scheme may “emanate” or “flow from” the Fourteenth Amendment, as the § 1983 creditors argue. This does not, however, elevate that remedy to a constitutionally protected status.

Accordingly, the plan does not violate the Fourteenth Amendment by discharging § 1983 claims.

Further, because discharging and impairing a § 1983 claim is not “prohibited by law,” the Court also rejects the § 1983 creditors’ argument that the plan violates § 943(b)(4).

**b. The Bankruptcy Code Does Not Provide for
the Discharge of § 1983 Claims Against the
City’s Officers in Their Individual Capacity**

The City asserts that its plan properly seeks to release claims against its employees in their individual capacity under § 1983. It asserts that because of its obligation to defend and

indemnify these claims, they are, as a matter of practical reality, claims against the City. The § 1983 creditors contend that these claims are not claims against the City.

In *V.W. ex rel. Barber v. City of Vallejo*, CIV.S-12-1629, 2013 WL 3992403 (E.D. Cal. Aug. 2, 2013), the court analyzed whether a § 1983 claim brought against a police officer of the City of Vallejo was discharged in its chapter 9 bankruptcy. The court explained that “[t]o the degree plaintiff sues [the city’s officer] ‘in his . . . official capacity,’ those claims are dismissed for the same reason the claims against the City are dismissed.” *Id.* at *4 n.9. On the other hand, the court concluded that “a claim against a City official is not essentially one against the City for bankruptcy discharge purposes, even if state law requires the City to indemnify the official.” *Id.* at *6. The court further observed that § 524(a), which § 901(a) makes applicable in a chapter 9 case, only discharges debts that are a “personal liability of the debtor.” The court also noted the Supreme Court’s direction that “‘an award of damages against an official in his personal capacity can be executed only against the official’s personal assets.’” *Id.* at *5 (quoting *Kentucky v. Graham*, 473 U.S. 159, 165-66 (1985)).

The City attempts to distinguish *Barber* on the grounds that the Vallejo plan did not include a discharge or release of claims against officers in their individual capacity, but its plan does. The difficulty with this argument is that, as discussed in the next section, the record fails to establish the grounds for a release under the Sixth Circuit’s decision in *Dow Corning*, 280 F.3d 648. Because the Court cannot approve the release here, this case is analytically identical to *Barber*.

The Court concludes, therefore, that a claim against a City employee in his or her individual capacity is not a claim against the City for bankruptcy purposes. Accordingly, such a

claim is neither discharged nor subject to impairment. To this extent, the objections of the § 1983 creditors are sustained.

c. The City Has Not Established That a Third-Party Release of § 1983 Claims Against Its Officers in Their Individual Capacity Is Essential to Its Plan

As noted, the plan purports to discharge and release claims against the City's officers in their individual capacity. The § 1983 creditors object to this.

In part III.E.3.b. above, the Court addressed the application of *Dow Corning* to the release of the State in the State Contribution Agreement. The Court observed that the third of the seven factors that the Sixth Circuit adopted expresses the fundamental premise of *Dow Corning* that a bankruptcy court's power to order a third-party release is based on its "power to reorder creditor-debtor relations *needed to achieve a successful reorganization*." 280 F.3d at 656 (emphasis added). This factor requires that the release "is essential to reorganization, namely, the reorganization hinges on the debtor being free from indirect suits against parties who would have indemnity or contribution claims against the debtor[.]" *Id.* at 658.

That factor is not met for the plan's proposed release of § 1983 claims against officers of the City in their individual capacity. The record of this case fails to establish that this release is essential to the success of the City's plan.

The Court accepts that the City has a strong interest in the efficient and effective functioning of the police department and that protecting its officers from personal liability for § 1983 claims is necessary to that mission. However, that protection appears to be fully accomplished by the contractual indemnity obligations that the City assumes in the plan,

specifically the indemnity obligations in the City's collective bargaining agreements with its public safety unions.

The record is devoid of any evidence suggesting that the additional protection of a third-party release for these officers is necessary to the City's efficient and effective functioning, to its revitalization, or to the success of its plan. In these circumstances, the Court must find that the standard of *Dow Corning* is not met.

The City expresses concern that the failure to release these third-party claims will effectively create a class of creditors that will be paid in full. This is true. The City's assumption of its contractual indemnity obligations will result in the City's full payment of valid § 1983 claims against employees in their individual capacity.

However, this is perfectly proper. Under § 365, a debtor's assumption of an executory contract requires the debtor to comply with the contract and specifically here to meet its indemnity obligations in the contract. In principle, the City's mission-based reason for assuming the executory contract justifies that result and presumably the City entered into the contract and assumed it precisely because it concluded that it is mission-justified.

Moreover, the bankruptcy code allows the impairment and discharge of unsecured claims against a debtor, such as the § 1983 claims against the City here. However, as held in *Dow Corning*, absent demonstrated necessity, the bankruptcy code does not allow the impairment and discharge of unsecured claims against third parties, such as the City's officers.

The bankruptcy code astutely recognizes and accepts the economic reality behind this. Post-confirmation, the City must pay whatever costs are essential to its operations and is therefore legally authorized to do that. Because the City reasonably considers that indemnifying officers for valid § 1983 claims against the officers is essential to its operations, it is authorized

to pay those claims. On the other hand, because paying § 1983 claims against the City is not essential to its operations, the City can legally impair those claims.

In part III.E.3.b. above, the Court approved the third-party release of the State that was part of the Grand Bargain. As the Court explained, however, that release was fully justified as part of that settlement because the State Contribution is crucial to the City's revitalization and the release is crucial to confirmation of the City's plan. *See Connector 2000*, 447 B.R. at 766. The releases under consideration here carry no such weight.

Therefore, the Court sustains the § 1983 creditors' objections to the provisions in the City's plan that would have the effect of discharging and releasing their claims against City officers in their individual capacity.

3. The Takings Clause Creditors' Objection

The Takings Clause creditors are T&T Management, Inc., HRT Enterprises, and the John W. and Vivian M. Denis Trust. T&T Management, through its merger with Merkur Steel, Inc., has obtained a liquidated final judgment against the City for an ongoing Fifth Amendment Takings violation due to certain land use restrictions. That judgment entitles T&T Management, as successor in interest, to a prospective monthly just compensation damage award until the City terminates those restrictions. The other two creditors have pending suits against the City for just compensation but have not obtained a judgment. Although these claims differ in their procedural postures, the distinction is irrelevant here as both suits seek just compensation arising out of an alleged taking of property by the City.

The Takings Clause creditors argue that because the City's plan treats their claims as general unsecured claims and impairs them, the plan is unconstitutional. They contend that to comply with the Fifth Amendment, the City's plan must pay their just compensation awards in

full, instead of the fractional dividend that the plan proposes for class 14. In support of their argument, they rely on two Supreme Court cases, *Louisville Joint Stock Land Bank v. Radford*, 295 U.S. 555 (1935), and *United States v. Security Industrial Bank*, 459 U.S. 70 (1982).

The City responds that a Takings Clause claim under the Fifth Amendment is merely an unsecured claim that is subject to impairment under the bankruptcy code. Although the City concedes that *Radford* and *Security Industrial Bank* recognize that the Fifth Amendment restricts the bankruptcy code, it attempts to distinguish those cases. The City also argues that it is not relevant that the Constitution itself provides the right to just compensation.

a. Discharging Takings Clause Claims Would Violate the Fifth Amendment

The Takings Clause of the Fifth Amendment mandates that “private property [shall not] be taken for public use, without just compensation.” U.S. Const. amend. V. This amendment is made applicable to the states, and thus to municipalities, through the Fourteenth Amendment. U.S. Const. amend. XIV; *Dolan v. City of Tigard*, 512 U.S. 374, 383 (1994); *Penn Cent. Transp. Co. v. City of N.Y.*, 438 U.S. 104, 122 (1978).

The Supreme Court has explained that “because the Fifth Amendment proscribes takings without just compensation, no constitutional violation occurs until just compensation has been denied.” *Williamson Cnty. Reg’l Planning Comm’n v. Hamilton Bank*, 473 U.S. 172, 194 n.13 (1985). The Supreme Court further stated, “Nor does the Fifth Amendment require that just compensation be paid in advance of, or contemporaneously with, the taking; all that is required is that a ‘reasonable, certain and adequate provision for obtaining compensation’ exist at the time of the taking.” *Id.* at 194 (citation omitted). “[T]he property owner cannot claim a violation of

the Just Compensation Clause until it has used the procedure [for seeking just compensation] and been denied” *Id.* at 195.

Thus, a Takings Clause violation is defined by two elements: (1) the public taking of private property, and (2) the subsequent denial of just compensation for that taking. *See Williamson*, 473 U.S. at 195 n.13. If confirmed, the City’s plan would satisfy both of those elements and, therefore, would violate the Fifth Amendment.

The Supreme Court has consistently held that bankruptcy laws are subject to the prohibition against governmental taking of private property without just compensation. Nevertheless, the specific issue of whether a municipal debtor in a chapter 9 bankruptcy case may impair a creditor’s claim for just compensation under the Fifth Amendment is one of first impression.

In *Radford*, 295 U.S. 555, the Supreme Court first announced that “[t]he bankruptcy power, like the other great substantive powers of Congress, is subject to the Fifth Amendment.” *Id.* at 589 (footnote omitted). In that case, the Supreme Court analyzed the constitutionality of the Frazier-Lemke Act, which added § 75 to the Bankruptcy Act. *Id.* at 573. That amendment permitted the debtor to elect one of two alternative options with respect to his mortgaged property. *Id.* at 575. Either the debtor could purchase the property at its appraised value by agreeing to make certain deferred payments with the mortgagee’s consent or, if the mortgagee did not consent, the debtor was entitled to stay proceedings for five years and pay rent annually. *Id.* at 575-76.

The Supreme Court held the Frazier-Lemke Act unconstitutional. *Id.* at 596. It concluded that the act impermissibly took property rights from the mortgagee without just compensation. *Id.* at 595. The Supreme Court stated:

The province of the Court is limited to deciding whether the Frazier-Lemke Act (11 USCA § 203(s)) as applied has taken from the bank without compensation, and given to Radford, rights in specific property which are of substantial value. As we conclude that the act as applied has done so, we must hold it void; for the Fifth Amendment commands that, however great the nation's need, private property shall not be thus taken even for a wholly public use without just compensation.

Id. at 601-02 (citations omitted); *see also Sec. Indus. Bank*, 459 U.S. at 75 (reaffirming the holding in *Radford* and explaining, “The bankruptcy power is subject to the Fifth Amendment’s prohibition against taking private property without compensation.”).

In a more recent decision, the Supreme Court examined the Takings Clause in the context of an emergency railroad reorganization statute. In *Blanchette v. Connecticut General Insurance Corps.*, 419 U.S. 102 (1974), the Court addressed a constitutional challenge to the Rail Act, which was a specialized amendment to the Bankruptcy Act that Congress passed pursuant to its bankruptcy power. The Rail Act consolidated eight insolvent railroads into one privately owned for-profit corporation. *Id.* at 109. To accomplish that goal, the Rail Act established the “Final System Plan,” which mandated that the reorganized railroads would transfer their assets to a new private corporation (Conrail), and then this entity would issue securities to repay the current creditors of the eight railroads. *Id.* at 111-12.

Several creditors challenged the Rail Act on the basis that it imposed a reorganization plan that violated the Fifth Amendment Takings Clause. *Id.* at 137. Specifically, they “assert[ed] that . . . because compensation is not in cash but largely in stock of an unproved entity, [the Rail Act] will necessarily work an unconstitutional taking.” *Id.* (footnote omitted). Although each creditor was entitled “to get[] all the value of his lien and his share of any free assets” from the reorganization, because of the speed of the reorganization mandated by the Rail Act, it was impossible to judicially determine the values of those liens and whether the

replacement Conrail securities were actually equivalent in value *prior* to the reorganization. *Id.* at 154-55. Thus, the Court concluded that “any deficiency of constitutional magnitude in the value of the limited compensation provided under the Act will indeed be a taking of private property for public use.” *Id.* at 155.

However, the Supreme Court further reasoned that because the plaintiffs were able to pursue “a Tucker Act suit in the Court of Claims for a cash award to cover any constitutional shortfall, the Rail Act does provide adequate assurance that any taking will be compensated.” *Id.* Thus, the Court found that the Rail Act did not violate the Takings Clause. *Id.*

Blanchette and *Radford* establish that bankruptcy proceedings are subject to the Fifth Amendment’s prohibition on public takings of private property without just compensation.

The City argues that even if the right to just compensation is protected in bankruptcy, the interest of the Takings Clause creditors in their claims against the City is not a property interest that must be protected in bankruptcy. The City seeks to distinguish *Radford* and *Security Industrial*, arguing that in those cases, the Supreme Court faced a Takings Clause issue only because the applicable bankruptcy law itself destroyed an existing property right. *See Radford*, 295 U.S. at 588-89; *Sec. Indus. Bank*, 459 U.S. at 78-82. The City argues that the Takings Clause creditors have no such property interest and that chapter 9 does not extinguish any such property right. The City cites several cases establishing the principle that an unsecured creditor’s mere right to collect payment is not a property interest. *See, e.g., Bank of N.Y. v. Treco (In re Treco)*, 240 F.3d 148 (2d Cir. 2001).

The Court rejects this argument. The taken property here is not the creditor’s unsecured claim in bankruptcy. Moreover, the source of the taking is immaterial. In the present case, the City took, or allegedly took, the creditors’ property. In *Radford* and *Security Industrial*, the

bankruptcy code itself resulted in the taking. Nevertheless, all that matters under the Fifth Amendment is that the owner of private property must be justly compensated if that property was taken for public use, whenever and however that taking occurred.

If confirmed, this plan would deny that just compensation. The plan would allow the City to impair the property owners' constitutional claim for just compensation after the City took their private property. That violates the Fifth Amendment.

b. The Takings Clause Claims Must Be Excepted from Discharge

The Attorney General argues that chapter 9 is not necessarily unconstitutional for failing to exempt Takings Clause claims from discharge. He suggests that in the interest of avoiding a finding of unconstitutionality, the Court should use its discretion under § 944(c)(1) to order the nondischargeability of Takings Clause claims in the confirmation order.

The Court agrees. Section 944(c)(1) provides, “The debtor is not discharged under subsection (b) of this section for any debt— (1) excepted from discharge by the plan or order confirming the plan[.]” The Court finds that when the Constitution requires a money damage award—as is the case here—§ 944(c)(1) allows the Court to except claims for that award from discharge in the confirmation order. This eliminates all issues regarding the constitutionality of chapter 9 in this respect.

Courts should avoid “interpreting [a statute] in a manner that would render it clearly unconstitutional . . . if there is another reasonable interpretation available.” *Edmond v. United States*, 520 U.S. 651, 658 (1997); see *Lorillard v. Pons*, 434 U.S. 575, 577 (1978) (“[I]t is a cardinal principle that this Court will first ascertain whether a construction of the statute is fairly possible by which the constitutional question may be avoided.”).

Pursuant to § 944(c)(1), therefore, the Court provided in the confirmation order that the valid claims of these Takings Clause creditors are excepted from the discharge. (Dkt. #8272) This result harmonizes chapter 9 with the Fifth Amendment while giving full effect to the principle that the Court should avoid interpreting chapter 9 in such a way that renders it unconstitutional.

K. The Plan Does Not Violate the Funding Clause of the Michigan Constitution

Several objectors argue that the plan violates article IX, § 24 of the Michigan constitution (the “funding clause”) because the City will not make up missed pension payments in the event that outside funding expected pursuant to the Grand Bargain is not received. They also assert that the plan impermissibly provides the City with a 10-year holiday on making pension contributions. These objecting creditors include Dorothy M.W. Baker (Dkt. #4520); Fiorenzo Fabris (Dkt. #5211); Jamie S. Fields (Dkt. #4404); William Ochadleus (Dkt. #4082); Mattie D. Prichett (Dkt. #5887); Cheryl Rayford (Dkt. #3776); Jean Vorkamp (Dkt. #4578); Mary Jo Vorkamp (Dkt. #4579); William Curtis Walton (Dkt. #2899); and Demetria Wright (Dkt. #5795).

The funding clause of article IX, § 24 of the Michigan constitution provides, “Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.”

Its purpose is “to check legislative bodies, requiring them to fund pension obligations annually, and thereby preventing back door spending.” *Musselman v. Governor*, 533 N.W.2d 237, 241 (Mich. 1995), *overruled on other grounds by Studier v. Mich. Pub. Sch. Employees’ Ret. Bd.*, 698 N.W.2d 350 (Mich. 2005). “Article 9, § 24 arose out of concern about legislative

bodies failing to fund pension obligations at the time they were earned, so that the liabilities of several public pension funds greatly exceeded their assets.” *Musselman*, 533 N.W.2d at 241. The funding clause “expressly mandates townships and municipalities to fund employee pension systems to a level which includes unfunded accrued liabilities.” *Shelby Twp. Police and Fire Ret. Bd. v. Charter Twp. of Shelby*, 475 N.W.2d 249, 255-56 (Mich. 1991). The Michigan Supreme Court has “acknowledge[d] that the Michigan constitution does not provide the specifics for meeting funding obligations upon a retirement plan’s unfunded accrued liabilities.” *Id.*

The Court concludes that the plan does not violate the funding clause of the Michigan constitution. The first step in determining whether a municipality is complying with its obligation under the funding clause is to identify its funding obligation. This Court has held that municipal pension obligations are contractual obligations subject to impairment in a confirmed plan in a chapter 9 bankruptcy case. *In re City of Detroit*, 504 B.R. at 150-54. It follows that the City’s plan defines the City’s pension funding obligation.

The plan, which incorporates the pension settlement, provides for funding of the City’s pension plans from a variety of sources, including the City itself. The plan further states that the City has no obligation to provide substitute funding if the pension plans do not receive the outside funding. *See* Plan, §§ II.B.3.q.ii.A and II.B.3.r.ii.A. (Dkt. #8045) Because the City’s only pension funding obligation is fixed in the plan, the City will fully comply with the funding clause when it fulfills those obligations.

Accordingly, the Court overrules this objection.

L. The Pension Creditors' Claims Are Against the City, Not the Retirement Systems

Several objecting parties argue that by reducing pension benefits, the plan seeks to improperly impair claims that employees and retirees hold against the retirement systems (as opposed to the City). These creditors include Denise Cattron (Dkt. #4297), Thomas Cattron (Dkt. #4296), John P. Quinn (Dkt. #5723), and Sylvester Tobias (Dkt. #5330). Because these objections misunderstand the legal nature of the pension obligations owing to employees and retirees, they are overruled.

The pension clause of the Michigan constitution expressly provides, “The accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby.” Mich. Const. Art. IV. § 24. The Detroit city charter, consistent with the Michigan constitution, provides, “The accrued financial benefits of active and retired city employees, being contractual obligations of the city, shall in no event be diminished or impaired.” Detroit City Charter § 11-101(3). Pursuant to these provisions, the liability for pension obligations lies with the City.

The Detroit city charter established the GRS and the PFRS as separate entities for the purpose of administering the pensions. Detroit City Charter § 11-103. The retirement systems act pursuant to specific provisions of the Detroit City Code. *See* Detroit City Code Chapter 47. Both the City Charter and the Code make it clear that the City is the sole sponsor of the GRS and the PFRS and that liability for funding the pensions rests solely with the City.²⁵

²⁵*See* Detroit City Code § 47-2-18(c) (providing that the Pension Accumulation Fund of the GRS, from which pensions are paid, shall consist of the “accumulated reserves for the

Continued...

Because the City is the sole entity liable to the GRS and the PFRS participants on account of their pension claims, the creditors' claims are not claims against the retirement systems, they are claims against the City. Accordingly, the plan's impairment of pension claims does not constitute the improper impairment of claims against the retirement systems.

At least one of the objectors, Mr. Quinn, argues that the phrase "shall be a contractual obligation thereof" in the pension clause of the Michigan constitution should be read to apply to both the City and the retirement systems. (Dkt. #5723) He then draws a distinction between the City's obligation to fully fund employees' accrued pension benefits each year (along with any underfunding thereof) and the mechanical distribution of pension benefits by the retirement systems. The Court finds that these distinctions are unwarranted in light of the provisions in the Michigan constitution and the Detroit City Charter that clearly place the obligation for pension funding on the City, not the retirement systems.

M. The Pensions of DWSD and Library Employees Are Properly Included in the Plan

Certain objecting parties argue that the plan cannot properly impair the pension claims of the employees of the DWSD and the Detroit Public Library, and grant-funded employees,

pensions and other benefits payable from the contributions made by the City . . ."); Detroit City Code § 47-2-19 (specifying how the City's annual contribution to GRS shall be calculated and providing for no funding source other than the City); 1964 Detroit City Code § 54-2-1 (Ord. No. 77-H) ("Pension' means the portion of a retirement allowance which is paid for by appropriations made by the city.") (Chapter 54 of the 1964 Detroit City Code (as amended and supplemented from time to time by City Ordinance) was saved from repeal by Section 11-102 of the 1974, 1997 and 2012 Detroit City Charters and is incorporated by reference in Chapter 47 of the 1984 Detroit City Code.); 1964 Detroit City Code §§ 54-43-4 (Ord. No. 76-H), 54-43-5 (Ord. No. 04-05) (providing that the City shall fund the Pension Accumulation Fund of the PFRS), §§ 54-2-3 (Ord. No. 77-H), 54-2-4 (Ord. No. 77-H), 54-2-6 (Ord. No. 77-H), 54-2-7 (Ord. No. 77-H), 54-43-3 (Ord. No. 39-05) (specifying how the City's annual contribution to the PFRS shall be calculated and providing for no funding source other than the City).

because these entities have fully funded their allocated portion of the City's pension obligations. These objecting creditors include Dorothy M.W. Baker (Dkt. ##4520 and 6019), Keith Davis (Dkt. #4288), Lenetta Walker (Dkt. #3350), and Shirley Walker (Dkt. #3435).

The Court overrules these objections. The GRS is a single pension fund and the City is its sole sponsor. *See* Detroit City Code § 47-1-2, *et seq.* (providing for the establishment of a single GRS). As a result, the City's underfunding liability impacts the claims of all GRS participants.

It is true that the library is an entity distinct from the City. It may therefore have, pursuant to collective bargaining agreements, contractual obligations to employees and retirees that are independent of the City's obligations. To the extent that the library has independent contractual obligations to its employees or retirees, the plan does not purport to affect those obligations. The library and its unions are free to address, enforce, resolve or renegotiate any such contractual obligations. Nevertheless, where the City itself also has an obligation, such as it does for pensions, the City's obligation is properly compromised as part of this chapter 9 case.

Accordingly, this objection is overruled.

N. The Plan Does Not Violate the Blighted Area Rehabilitation Act

Certain objecting parties allege that the plan violates the Blighted Area Rehabilitation Act, Mich. Comp. Laws §§ 125.71-.84. They assert that the plan does not provide for the involvement of residents and interested parties in blight remediation and rehabilitation, as the statute requires. These creditors include Marie L. Thornton (Dkt. #3249) and Douglas Yee (Dkt. #3481).

The Blighted Area Rehabilitation Act was enacted to authorize Michigan municipalities to adopt plans for the prevention and rehabilitation of blighted areas and to acquire real property for the purpose of implementing the rehabilitation plans. It authorizes the acquisition of land by various means to carry out this purpose. It also provides for the establishment of citizens' district councils to consult with the local governing body regarding the rehabilitation plans.

As part of its restructuring, the City intends to spend \$440.3 million on blight remediation projects to stabilize and revitalize Detroit's neighborhoods. Ex. 626 at 2. This is included as a budget line item in the projections and forecasts. Nothing in the plan, however, commits the City to any particular blight remediation projects. More importantly, nothing in the plan establishes a blight removal process that if implemented, would violate the Blighted Area Rehabilitation Act. The plan is not permission for the City to violate the Act.

Accordingly, these objections are overruled.

O. The Grand Bargain Is Not an Improper Use of Tobacco Settlement Money

At least one objector argues that the State Contribution Agreement to the Grand Bargain allocates funds derived from the settlement of a class action lawsuit between the state of Michigan and the tobacco industry. According to the objection, those funds belong, "equitably and morally," to the City and other cities around the state. Krystal A. Crittendon filed this objection. (Dkt. #5836)

The source of funds identified by the State to fund its contribution to the Grand Bargain is irrelevant to whether the plan meets the requirements for confirmation under the bankruptcy code. Moreover, the objection cites no legal limitation on the State's authority to distribute tobacco settlement money within its discretion or any legal basis for the argument that the City is

“equitably and morally” entitled to the money. The State Contribution does aid the City by supporting the City’s retirees. Because there is no legal basis for this objection, the Court overrules it.

P. The Plan Does Not Violate the Federal Transit Act

Certain DDOT retirees allege that the impairment of their pension and OPEB claims under the plan violates § 5333(b) of the Federal Transit Act. 49 U.S.C. § 5301-5340 (“Federal Transit Act”) (formerly known as the “Urban Mass Transportation Act”). These retirees are Thomas Catron (Dkt. #4296), Judy Flowers-Tisdale (Dkt. #5329), Sylvester Tobias (Dkt. #5330), and Gail M. Wilson (Dkt. #5883).

Section 5333(b) of the Federal Transit Act requires that employers receiving federal assistance under that act provide certain labor protections to their employees, including the preservation of rights under collective bargaining agreements and the continuation of collective bargaining rights. Specifically, § 5333(b) states:

(1) As a condition of financial assistance under . . . this title, the interests of employees affected by the assistance shall be protected under arrangements the Secretary of Labor concludes are fair and equitable. . . .

(2) Arrangements under this subsection shall include provisions that may be necessary for: (A) the preservation of rights, privileges, and benefits (including continuation of pension rights and benefits) under existing collective bargaining agreements or otherwise;[and] (B) the continuation of collective bargaining rights[.]

49 U.S.C. § 5333(b).

With respect to active employees, the City bargained with and ultimately entered into agreements with each of the six unions representing DDOT employees. The City’s response to this objection stated:

The City entered into memoranda of understanding with five of the six Unions representing DDOT employees as a result of collective bargaining. The City and two AFSCME locals initially disagreed on the amount of benefit reductions, however, and the parties entered into a fact-finding proceeding administered by the Michigan Employee Relations Commission (“MERC”). On April 22, 2014, the MERC-appointed fact-finder (the “Fact Finder”) entered his decision (the “Decision”) recommending that the City’s requested impairment of pension and OPEB benefits be implemented. A copy of the Decision is attached hereto as Exhibit C. On May 1, 2014, the City accepted the Fact Finder’s decision in its entirety. On May 2, 2014, the two AFSCME locals accepted the Fact Finder’s Decision with respect to the impairment of pension and OPEB benefits, among other things (although they rejected certain other aspects of the Decision). Copies of the e-mails accepting the Fact Finder’s Decision with respect to pension and OPEB benefits are attached hereto as Exhibit D. As such, the City’s proposed reductions in pension and OPEB benefits were accepted by and are binding upon all parties.

City’s Consol. Resp. to Certain *Pro Se* Objections at 75, n.64. (Dkt. #7303)

As to those employees, therefore, the City has complied with the requirements of the Federal Transit Act.

The City is not required to collectively bargain with retirees to satisfy the Federal Transit Act. By its express terms, § 5333(b) of the Federal Transit Act applies only to employees and not retirees. *See* 49 U.S.C. § 5333(b)(1).

The Eleventh Circuit has confirmed that the purpose of the Federal Transit Act is to protect active employees:

Although it was not the intent of the [Federal Transit Act] to curtail collective bargaining rights, Congress recognized that in some instances, transit employees might be adversely affected by the introduction of new equipment or the reorganization of existing transit operations promoted by the legislation. In particular, since the Act was to authorize grants or loans of federal funds to state or local public authorities to enable them to acquire private transit companies, employees of those companies would foreseeably become employees of the public agencies. When it passed the Act, Congress was concerned that such employees might lose collective bargaining rights, the right to strike, or pension and retirement

benefits. Section 13(c) of the Act [(now 49 U.S.C. § 5333(b))] is designed to protect affected employees from such losses.

Local Div. 732 Amalgamated Transit Union v. Metro. Atlanta Rapid Transit Auth., 667 F.2d 1327, 1335 (11th Cir. 1982) (internal citation omitted).

Both the plain language and the stated purpose of the Federal Transit Act, therefore, suggest that the purpose of § 5333(b) is to preserve the collective bargaining rights of active employees, not retirees. The Court therefore concludes that the Federal Transit Act did not require the City to collectively bargain proposed pension and OPEB benefit reductions with its retirees.

The City's response to this objection also stated:

As a practical matter, it would not have been possible for the City to collectively bargain with retirees because, under applicable Michigan law, unions generally are prohibited from representing retirees absent their individual, express consent. *See, e.g., Cleveland Elec. Illuminating Co. v. Util. Workers Union of Am.*, 440 F.3d 809, 817-18 (6th Cir. 2006) (requiring that union obtain the consent of retirees to be authorized to act on their behalf); *see also Amos v. PPG Indus., Inc.*, 699 F.3d 448, 453 (6th Cir. 2012) (holding that federal action was not "brought by the unions 'in a representative capacity' on behalf of the plaintiff retirees" for the purposes of nonparty preclusion because unions did not obtain the assent of the retirees), *cert. denied*, 133 S. Ct. 2008 (2013).

City's Consol. Resp. to Certain *Pro Se* Objections at 76-77, n.65. (Dkt. #7303)

While the City was under no obligation to collectively bargain with retirees, the City did, in fact, negotiate extensively with the retiree committee (together with the other retiree representatives) and obtained its agreement on the terms of the plan, including the proposed reductions in pension and OPEB benefits. The City is therefore modifying its DDOT-related pension and OPEB obligations in a manner that is not inconsistent with § 5333(b) of the Federal Transit Act. The Court therefore overrules this objection.

XI. THE EXIT FINANCING PROPOSED IN THE PLAN IS APPROVED

The City's plan contemplates exit financing of up to \$325 million. However, the City has stated, its intent to borrow \$275 million. It is a private loan that is intended to be bridge financing for 150 days. At that time, the debt will be the subject of a public offering at market rates. The loan is secured by a lien on the City's income tax revenues. The proceeds of the loan will be used to repay the post-petition financing, to pay the LTGO settlement, and to begin to implement the RRI's.

Mr. Buckfire gave expert testimony regarding the annual costs of repaying the exit financing. He testified that the City currently projects the exit financing will have a long-term interest rate of 5%. However, he believes there are several factors that "lead one to conclude that the exit financing will be priced below the levels indicated in our projections." Trial Tr. 217:16-18, Sept. 30, 2014. (Dkt. #7821) These factors include the shedding of a large amount of debt and the implementation of new financial oversight mechanisms. *Id.* at 81:9-19. Mr. Buckfire further testified, "Detroit uniquely [will] not have to go back into the market to borrow to repay maturing debt which every other city routinely has to do." *Id.* at 217:3-5. He explained that his conclusion was also based on the City's experience with the post-petition financing. The City originally projected this cash loan would bear an interest rate of 5%, but that the market had been so receptive to the City's improved credit position that the rate is closer to 3.5%. *Id.* at 86-88.

The City argues that § 364 does not apply to post-confirmation exit financing. The Court agrees. *See In re SAI Holdings Ltd.*, No. 06-33227, 2012 WL 3201893, at *7 (Bankr. N.D. Ohio Aug. 3, 2012) ("By its express terms, § 364(c) and (d) refer only to the obtaining of credit by the bankruptcy trustee, or Debtors-in-Possession in this case, and refer to incurring debt secured by a lien on 'property of the estate.' After confirmation of the Plan, Debtors were no longer

Debtors-in-Possession . . .”); *In re Les Ruggles & Sons, Inc.*, 222 B.R. 344, 345 (Bankr. D. Neb. 1998) (“[S]ection 364(d)(1) does not apply to post-confirmation borrowings.”); *In re Hickey Props., Ltd.*, 181 B.R. 173, 174 (Bankr. D. Vt. 1995) (same).

Nevertheless, such financing is contemplated in the plan and the City seeks the Court’s approval of it in that context. The record establishes and the Court finds:

- The proposed exit financing and the City’s proposed uses of the proceeds of the exit financing are necessary and appropriate to implement the plan under § 1123(a)(5);
- The financing is not inconsistent with any other provisions of the bankruptcy code under § 1123(b)(6);
- The fees associated with the financing are reasonable under § 943(b)(3);
- The City is not prohibited by law from entering into the exit financing transaction under § 943(b)(4);
- The terms of the exit financing are fair and reasonable;
- The financing reflects prudent judgment on the City’s part; that the City obtained all necessary regulatory approval to enter into this transaction, including approvals from the Detroit City Council, the Michigan Finance Authority, and the Emergency Financial Assistance Loan Board; that the City implemented a full marketing process to identify exit financing on the most favorable available terms;
- The terms were negotiated at arm’s length; that the lender has acted in good faith in the transaction;
- Upon closing it is not subject to avoidance on any grounds by any party;
- Its terms are legal, valid and binding on all parties; and
- The transaction should not be affected by the reversal or modification of any of this Court’s orders, including the order confirming the plan.

For these reasons, the Court approves the proposed exit financing.

XII. CONCLUSION

There has been much discussion throughout this case about how a chapter 9 case is different from the other types of bankruptcy cases. It is, but only around the edges. In fundamental ways, the Detroit bankruptcy case is just like every one of the other 30,609 bankruptcy cases that were filed in our court in 2013. In every case, a debtor needs help, made mistakes, took unwarranted risks, accepted bad advice, exercised bad judgment, was too long in denial, or had just plain bad luck.

But no matter, our society holds dear the values of a fresh start and of second chances. That value is manifested with brilliant clarity in our bankruptcy laws. And that value is manifested the same in this \$18 billion case as it was in the no asset chapter 7 cases that were filed just before and just after this case was filed on July 18, 2013.

The current leadership of the City is now getting the City back from the emergency manager and from us in the bankruptcy world. The City will have the fresh start that it needs and deserves under our federal bankruptcy laws. It is now the responsibility of City leadership to implement this plan. The City's true and full fresh start depends on it.

The people of the City of Detroit have a passion for this City that is remarkable in its breadth, in its expression, and in its unwavering endurance. They are about to get their City back. It is their City.

A large number of them told the Court that they were angry that their City was taken from them and put into bankruptcy. They said that in their court papers. They said that in their statements in court. They said that in their blogs, letters, and protests. The Court heard them.

The Court urges the people of the City of Detroit not to forget that anger. Their enduring and collective memory of what happened here, and their memory of their anger about it, will be exactly what will prevent this from ever happening again. It must never happen again.

When Fredia Butler testified during the confirmation hearing, she quoted the great wisdom of Marian Wright Edelman, who said, “Democracy is not a spectator sport.” Trial Tr. 44:3-4, Oct. 15, 2014. (Dkt. #8033) And so the Court asks the people of the City, for the good of the City’s fresh start, to move past their anger, to join in the work that is necessary to fix this City, and to help your City leaders do that. It is your City.

We have used the fitting phrase, the Grand Bargain, to describe the group of agreements that will fix the City’s pension problem. In our nation, we join together in the promise and in the ideal of a much grander bargain. It is the bargain by which we interact with each other and with our government, all for the common good. That grander bargain, enshrined in our Constitution, is democracy. It is now time to restore democracy to the people of the City of Detroit. The Court urges the people of the City of Detroit to participate in that democracy, and hopes that they will soon realize its full, vibrant and everlasting potential.

Signed on December 31, 2014

/s/ Steven Rhodes
Steven Rhodes
United States Bankruptcy Judge

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

**CITY OF DETROIT’S MOTION TO ENFORCE PLAN OF ADJUSTMENT
AND REQUIRE 30-YEAR AMORTIZATION OF THE UAAL IN THE
POLICE AND FIRE RETIREMENT SYSTEM PENSION PLAN**

The City of Detroit, Michigan (“City”), by its undersigned counsel, Miller, Canfield, Paddock and Stone, PLC, files this *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan*. In support of this Motion, the City relies on and incorporates herein the Brief attached to this Motion as Exhibit 3. The City sought consent to the relief requested in this Motion on August 1, 2022, but concurrence was denied.

[signature block on following page]

Dated: August 3, 2022

Respectfully submitted,

By: /s/ Marc N. Swanson

Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK AND
STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-8451
swansonm@millercanfield.com

and

By: /s/ Charles N. Raimi

Charles N. Raimi (P29746)
Deputy Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Coleman A. Young Municipal Center
Detroit, Michigan 48226
Telephone: (313)-237-5037
raimic@detroitmi.gov

ATTORNEYS FOR THE CITY OF DETROIT

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re: City of Detroit, Michigan, Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

EXHIBIT LIST

Exhibit 1	Proposed Order
Exhibit 2	Notice of Opportunity to Object
Exhibit 3	Brief
Exhibit 4	Certificate of Service
Exhibit 5	None
Exhibit 6	Exhibits to Brief (summarized below)

Ex. 1 — Declaration of Mayor Michael Duggan

Ex. 2 — Gabriel Roeder's March 4, 2021, PFRS funding policy

Ex. 3 — March 4, 2021, PFRS Board minutes approving 20-year amortization

Ex. 4 — Detroit CFO's July 21, 2021, memo objecting to 20-year amortization

Ex. 5 — Gabriel Roeder's August 2, 2021, supplemental funding report

Ex. 6 — October 1-14, 2021, emails between Ms. Brader and Mr. Raimi

Ex. 7 — October 18, 2021, PFRS IC minutes approving 20-year amortization

Ex. 8 — October 18, 2021, PFRS IC resolution approving 20-year amortization

- Ex. 9 — November 18, 2021, PFRS Board minutes ratifying 20-year amortization
- Ex. 10 — Stout report dated October 13, 2021
- Ex. 11 — Michigan Tax Tribunal Order dated June 11, 2021
- Ex. 12 — Cheiron report dated June 6, 2022
- Ex. 13 — Gabriel Roeder's June 17, 2022, letter re Restoration Reserve Account
- Ex. 14 — Excerpt from 40-year projection

EXHIBIT 1 – PROPOSED ORDER

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re: City of Detroit, Michigan, Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

**ORDER GRANTING THE CITY OF DETROIT’S MOTION TO
ENFORCE PLAN OF ADJUSTMENT AND REQUIRE 30-YEAR
AMORTIZATION OF THE UAAL IN THE POLICE AND FIRE
RETIREMENT SYSTEM PENSION PLAN**

This matter, having come before the Court on the *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* (“Motion”),¹ upon proper notice and a hearing, the Court being fully advised in the premises, and there being good cause to grant the relief requested,

THE COURT ORDERS THAT:

1. The Motion is granted.
2. The resolutions passed and the votes taken by Police and Fire Retirement System (“PFRS”) and the Investment Committee which shortened the amortization period to 20 years are void and of no force or effect, and the PFRS and

¹ Capitalized terms used but not otherwise defined in this Order shall have the meanings given to them in the Motion.

the Investment Committee are enjoined and barred from shortening the 30-year amortization period.

3. The PFRS shall amortize the PFRS's plan's unfunded actuarial accrued liability that will exist as of June 30, 2023, over an additional 30 years commencing on June 30, 2023.

4. The Court shall retain jurisdiction over any and all matters arising from the interpretation or implementation of this Order.

EXHIBIT 2 – NOTICE

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re: City of Detroit, Michigan, Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

**NOTICE OF OPPORTUNITY TO OBJECT TO CITY OF
DETROIT’S MOTION TO ENFORCE PLAN OF ADJUSTMENT AND
REQUIRE 30-YEAR AMORTIZATION OF THE UAAL IN THE POLICE
AND FIRE RETIREMENT SYSTEM PENSION PLAN**

The City of Detroit has filed the *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan*.

Your rights may be affected. You should read these papers carefully and discuss them with your attorney.

If you do not want the Court to enter an Order granting the *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan*, within 14 days, you or your attorney must:

1. File with the court a written response or an answer, explaining your position at:²

United States Bankruptcy Court
211 W. Fort St., Suite 1900
Detroit, Michigan 48226

If you mail your response to the court for filing, you must mail it early enough so that the court will **receive** it on or before the date stated above. You must also mail a copy to:

Miller, Canfield, Paddock & Stone, PLC
Attn: Marc N. Swanson
150 West Jefferson, Suite 2500
Detroit, Michigan 48226

2. If a response or answer is timely filed and served, the clerk will schedule a hearing on the motion and you will be served with a notice of the date, time, and location of that hearing.

If you or your attorney do not take these steps, the court may decide that you do not oppose the relief sought in the motion or objection and may enter an order granting that relief.

² Response or answer must comply with F. R. Civ. P. 8(b), (c) and (e).

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

By: /s/ Marc N. Swanson

Marc N. Swanson (P71149)
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 496-7591
Facsimile: (313) 496-8451
swansonm@millercanfield.com

Dated: August 3, 2022

EXHIBIT 3 – BRIEF

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

**BRIEF IN SUPPORT OF CITY OF DETROIT'S
MOTION TO ENFORCE PLAN OF ADJUSTMENT AND
REQUIRE 30-YEAR AMORTIZATION OF THE UAAL IN THE
POLICE AND FIRE RETIREMENT SYSTEM PENSION PLAN**

Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-8451
swansonm@millercanfield.com

Charles N. Raimi (P29746)
Deputy Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Coleman A. Young Municipal Ctr
Detroit, Michigan 48226
Telephone: (313)-237-5037
Facsimile: (313) 224-5505
raimic@detroitmi.gov

ATTORNEYS FOR THE CITY OF DETROIT

Dated: August 3, 2022

TABLE OF CONTENTS

ISSUES AND MOST APPROPRIATE AUTHORITY	III
I. FACTS	1
A. DUGGAN’S DUE DILIGENCE AND TESTIMONY IN SUPPORT OF THE POA.....	1
B. DUGGAN LEARNS THE ACTUARIAL ASSUMPTIONS FOR THE POA WERE GROSSLY INACCURATE AND MATERIALLY UNDERSTATED THE PLANS’ LIABILITIES. THE CITY RESPONDS BY CREATING AND PLACING HUNDREDS OF MILLIONS OF DOLLARS INTO A RETIREE PROTECTION TRUST FUND, LARGELY NEGATING THE POA’S “PENSION HOLIDAY” FOR THE CITY.	8
C. IN NOVEMBER 2021 PFRS ADOPTS A RESOLUTION WHICH, CONTRARY TO THE POA, SHORTENED THE AMORTIZATION PERIOD FOR PFRS’ UAAL FROM 30 TO 20 YEARS.....	10
1. <i>PFRS’ governance by its Board of Trustees and Investment Committee (IC).</i>	10
2. <i>Events leading to PFRS’ adoption of 20-year amortization.</i>	11
D. THE DEVASTATING IMPACT TO THE CITY OF 20-YEAR AMORTIZATION.....	15
E. THE STOUT REPORT PREPARED FOR THE IC LACKS ALL CREDIBILITY.	17
F. THE CHEIRON REPORT CONFIRMS THERE IS NO ACTUARIAL BASIS FOR 20-YEAR AMORTIZATION.	23
G. PFRS’ MOST RECENT ACTIONS AGAIN CONFIRM THERE IS NO NEED FOR 20-YEAR AMORTIZATION.	24
II. ARGUMENT.....	25
A. THE COURT HAS JURISDICTION OVER THIS DISPUTE.	25
B. THE COURT SHOULD ORDER PFRS TO AMORTIZE THE PFRS’ PLAN’S UAAL THAT WILL EXIST AS OF JUNE 30, 2023, OVER 30 YEARS, RATHER THAN 20 YEARS, BECAUSE THE POA PROVIDES THAT 30 YEARS IS THE PROPER AMORTIZATION PERIOD.	25

C. THE COURT ALSO SHOULD ORDER 30-YEAR AMORTIZATION TO CARRY OUT THE INTENT OF, AND ALLOW THE CITY TO SUCCESSFULLY IMPLEMENT, THE POA.	27
1. <i>Governing law</i>	27
2. <i>The Court should order 30-year amortization to carry out the intent of, and allow the City to successfully implement, the POA</i>	28
III. FURTHER PROCEEDINGS.	30
IV. CONCLUSION AND RELIEF.....	30

ISSUES AND MOST APPROPRIATE AUTHORITY

1. The City of Detroit Police and Fire Retirement System (PFRS) recently adopted (over the City's objections) a resolution providing that the plan's unfunded actuarial accrued liability (UAAL) for retirement benefits, existing as of June 30, 2023, be amortized over 20 years. The Plan of Adjustment (POA) provides that the proper period is 30 years. 20-year amortization will require the City to pay additional hundreds of millions of dollars in front-loaded funding over the amounts that would be due under 30-year amortization (and under the original projections in the POA).

The first issue in this case is:

Should the Court compel PFRS to amortize the PFRS' plan's UAAL that will exist as of June 30, 2023, over 30 years, rather than 20 years, where the POA provides that 30-years is the proper amortization period.

City answers **yes**.

The Confirmation Order explicitly requires the UAAL to be amortized over 30 years. *In re City of Detroit, Mich.*, 524 B.R. 147, 231-32 (Bankr. E.D. Mich. 2014) ("Confirmation Opinion") and see Confirmation Order, ¶ G, p. 10 of 225, (incorporating the Confirmation Opinion). Consequently, the PFRS's attempt to change the 30-year amortization period is a violation of the Confirmation Order. Further, the governing pension plan documents (section 16.6) provide that "Nothing [in the PFRS pension plan documents] shall be interpreted as permitting the

Investment Committee or the Board to alter or depart from the requirements set forth in the Plan of Adjustment.”

2. The City learned shortly after the POA was confirmed that, due to material actuarial mistakes in devising the POA, the accrued pension liabilities for the two legacy plans had been understated by some \$500 million. To ensure the legacy plans would be properly funded, the City voluntarily created the Retiree Protection Trust Fund. By June of 2023, the City will have paid \$445 million of general fund monies into the Trust Fund. As a result, and directly contrary to the POA, the City has been deprived of much of the benefit of the POA’s ten-year “pension holiday” during which the City was to have made only nominal contributions to the legacy plans.

The second issue in this case is:

Should the Court compel PFRS to amortize the PFRS’ plan’s UAAL that will exist as of June 30, 2023, over 30 years, rather than 20 years, where (i) 20-year amortization, together with (ii) the City’s need to use \$445 million from the Retiree Protection Trust Fund—depriving the City of much of the benefit of the POA’s “pension holiday”—will threaten the City’s ability to successfully implement the POA?

City answers **yes**.

POA Article VII gives the Court broad authority to enter orders necessary for the successful implementation of the POA, including the order requested here.

I. FACTS

This factual recitation is supported by the declaration of Michael Duggan, Mayor of the City of Detroit, attached as exhibit 1, and other documents appended as exhibits.

A. Duggan's due diligence and testimony in support of the POA.

Duggan was first elected in November 2013 and then again in November 2017 and 2021. His prior jobs included Deputy County Executive of Wayne County, elected Wayne County Prosecutor, and Chief Executive Officer of the Detroit Medical Center. Ex. 1 ("Duggan Dec'1."), ¶ 1.

The City filed for Chapter 9 bankruptcy in July 2013 and was in bankruptcy when Duggan became Mayor effective January 1, 2014. Kevyn Orr was the state appointed emergency manager and supervised the bankruptcy activities. *Id.*, ¶ 3.

For much of Duggan's first year in office (2014), he was excluded from ongoing bankruptcy activities. However, as the Plan of Adjustment ("POA") was being negotiated, and it became clear to Mr. Orr and his team that Duggan would need to support the POA to secure its approval, Duggan was provided access to significant information about the bankruptcy. After extensive due diligence Duggan ultimately testified in support of the POA and its feasibility. *Id.*, ¶ 4.

Perhaps the most important and contentious issue in the bankruptcy, and one of Duggan's primary concerns about the POA and its feasibility, was the City's

legacy retirement obligations. The City historically had two defined benefit pension plans for employees and retirees. The Police and Fire Retirement System (“PFRS”) managed the plan for public safety employees and retirees. The General Retirement System (“GRS”) managed the plan for all other City employees and retirees. Both plans were frozen in bankruptcy and, under the POA, covered only City retirees and employees who performed services for the City prior to July 1, 2014. *Id.*, ¶ 5.

Both plans were replaced going forward with hybrid plans that combined elements of both defined benefit and defined contribution plans. In the POA, the new hybrid plans are known as Component I plans, and the frozen plans are known as Component II plans.

At issue in this case is the PFRS Component II plan that was frozen in bankruptcy and now covers only public safety employees and retirees who provided services prior to July 1, 2014. *Id.*, ¶ 6. References in this brief to the PRFS plan are to the PFRS Component II plan that was frozen in bankruptcy. Because the plan was frozen and no new beneficiaries are being added, it is a “closed plan” and will terminate after all beneficiaries have died.

The eighth, final, and operative POA incorporated what became known as the “Grand Bargain.” The Grand Bargain raised the equivalent of \$816 million from the state of Michigan, the Detroit Institute of Arts, and various charities and, as a result:

- Pension cuts to retirees were minimized. The only cut to public safety pensions was a 55% reduction to the cost-of-living adjustment (COLA).

Other City employees' pensions were cut more but still far less than had been anticipated.

- The Detroit Institute of Arts' collection was protected.
- The POA gave the City a 10-year pension contribution "holiday" and, thereafter, the legacy plans' UAAL was to be amortized over a 30-year period. This was to allow the City to devote as many resources as reasonably possible to address ongoing issues that had substantially contributed to the bankruptcy, such as blight, public safety, loss of employment opportunities, etc.

Id., ¶ 7.

On November 12, 2014, this Court entered the Confirmation Order and found the POA to be feasible. To make this determination, the Court relied on the City's 40-year forecast. Confirmation Order, ¶ 11, pp. 41-42 of 225. The City has attached as Exhibit 14 an excerpt of one of the forecasts that it believes was referenced by the Court in paragraph 11(c) of the Confirmation Order. This 40-year forecast specifically provides for a 30-year amortization. The Court found the 40-year forecasts referenced in paragraph 11(c) of the Confirmation Order to be "reasonable, made in good faith, accurate and consistent with other financial projections made by the City and based upon assumptions that are reasonable when considered individually and collectively." Confirmation Order, ¶ 11, pp. 41-42 of 225.

On December 31, 2014, Bankruptcy Judge Steven Rhodes issued a supplemental opinion approving the Plan of Adjustment. *In re City of Detroit*, Mich., 524 B.R. 147 (Bankr. E.D. Mich. 2014), ("Supp Op").

As Judge Rhodes noted, the pension classes voted to accept the POA by 82% in class 10 (PFRS) and 73% in class 11 (GRS). Supp Op at 180. The Supplemental Opinion explains:

Because of the outside money committed as part of the Grand Bargain, the City will have little responsibility for funding the GRS [General Retirement System] and the PFRS [Police/Fire Retirement System] through June 2023. During that time period, the PFRS will be funded exclusively from contributions from the DIA, the DIA Funders, the Foundation Funders and the State under the Grand Bargain, as described previously.

Id. at 179.

Judge Rhodes concluded that the pension settlement was “fair and equitable” and stated as follows:

It is therefore a vast understatement to say that the pension settlement is reasonable. It borders on the miraculous. No one could have foreseen this result for the pension creditors when the City filed this case. Without the outside funding from the Grand Bargain, the City anticipated having to reduce pensions by as much as 27%. The pension reductions in the pension settlement are minor compared to any reasonably foreseeable outcome for these creditors without the pension settlement and the Grand Bargain.

Id. at 181.

At the time of the bankruptcy, both the public safety (PFRS) and general retirement (GRS) legacy (Component II) plans were underfunded. Under financial projections prepared for the POA, the plans were likewise projected to be underfunded at the end of the 10-year pension holiday. Actuaries identify the

amount of such underfunding as the plan's "unfunded actuarial accrued liability," or "UAAL." Duggan Dec'1., ¶ 10.

In examining the feasibility of the POA, experts addressed how the Component II plans' UAAL would be amortized after the end of the 10-year pension holiday. Those projections showed that after the 10-year holiday, the then existing UAAL would be amortized over the following 30 years. The Supplemental Opinion confirmed in two separate places that the Component II Plans' UAAL at the end of the pension holiday were to be amortized over a thirty-year period:

However, at the end of FY2023, the GRS and PFRS will remain significantly underfunded. Using the assumptions from the global pension settlement, including the 6.75% discount rate, the City projects that the PFRS will only achieve 78% funding, leaving a UAAL of \$681 million. For the GRS, the City projects a 70% funded status by the end of FY2023, leaving a UAAL of \$695 million. **The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%.** Between FY2024 and FY2033, the City will receive an additional \$68 million in Grand Bargain proceeds to pay toward the UAAL amortization for PFRS, and \$188 million for GRS. The balance of the amortized UAAL will come from the City.

The plan greatly reduces the City's pension obligations, thanks to the State Contribution Agreement, the Grand Bargain funding, and the modification of the City's obligations to its current retirees."

Supp Op at 231-32 (emphasis added and citations removed).

As discussed in part III.F. above, the City's obligations to the GRS and the PFRS are fixed under the plan from FY2014-FY2023. During this time, as the City works to stabilize its finances and implement the RRI, the majority of the City's contributions to the GRS and the PFRS will come from the DWSD, the State Contribution Agreement, and the

Grand Bargain funding. However, after 2023, the City projects the retirement systems will remain somewhat underfunded. **The balance of the underfunding in 2023 will be amortized over a thirty year period of time.**

Supp Op at 230 n.23 (emphasis added and citations removed).

Despite the funding provided by the Grand Bargain, Judge Rhodes was extremely concerned about the feasibility of the POA. His opinion stated:

In this case, examining the feasibility of the plan is difficult for a number of reasons. The City's debt is enormous and the City proposes to pay most of its creditors over a long period of time. As the Court discusses below, the City's revenue and expense projections extend forty years into the future [40 years is the 10-year pension holiday plus 30-year amortization].

Second, the feasibility of the plan depends upon the City's ability to fix and maintain its broken governmental operations. This is significant because the chapter 9 feasibility inquiry requires an analysis of whether the City can reasonably provide sustainable municipal services, as the court found in *In re Mount Carbon*. It is also significant because the City's ability to repay its creditors pursuant to the plan depends upon the City's ability to increase its revenues from taxes and fees by improving the efficiency of City operations and by identifying and accessing untapped sources of revenue.

The feasibility analysis is yet more complex because several key parts of the plan depend upon performance by parties who are completely beyond the City's control. For example, because the City's contributions to the retirement systems are fixed through FY2023, a risk remains that the pension plans will be significantly more underfunded than anticipated if one of the many organizations participating in the Grand Bargain fails to perform in the time or manner promised.

As the City itself succinctly states in its pretrial brief in support of plan confirmation, "[T]he City was—and remains today—enmeshed in a financial crisis of unsurpassed proportions and complexity." Despite

efforts from both the City and the State of Michigan, “the City is trapped in a vicious circle of cash crises, general fund deficits, crushing long-term liabilities and tumbling credit ratings exacerbated by the City’s bureaucratic structure and frequent deviations from established budgets.”

Supp Op at 220-21 (citations omitted, alterations in original).

Martha Kopacz, the Court’s appointed feasibility expert, was likewise extremely concerned about the feasibility of the POA:

I want to emphasize, however, that there is little space remaining on the continuum of [feasibility]. The recent settlements and corresponding amendments to the Plan of Adjustment have served the laudable goals of efficiently resolving disputes and garnering additional support for the Plan of Adjustment. Conversely, they have imposed additional financial obligations on the City. I have already expressed concerns regarding the level of contingency provided for in the Plan of Adjustment. The financial obligations associated with the recent settlements only intensify this concern.”

Supp Op, at p. 219 (Court’s quotation of expert, alterations in original).

Duggan worked closely with Ms. Kopacz and her staff, and major City departments, in examining the POA’s feasibility. Ultimately, Duggan and Ms. Kopacz came to the same conclusion—that the POA was feasible but enormous work would be required and financially there was no room to spare. Critical to Duggan’s support for the POA was that the City’s legacy pension liabilities would be minimized for the initial ten years and then amortized over a 30-year period, thus providing the City as much funding as reasonably possible to address the City’s problems by investing in what were called “RRIs,” or recovery and reinvestment

initiatives. As of the time of the confirmation hearing, Duggan believed the City was perhaps 10% of the way toward providing proper City services, and that many years of implementing major service improvements and job creation initiatives would be needed to successfully carry out the POA. Duggan Dec'1., ¶ 14.

In considering the feasibility of the POA, Duggan was aware that the POA provided an assumed rate of return of 6.75% for the legacy pension plans. During his due diligence, Duggan learned that a proposal had been made to raise the assumed rate of return to 7%. That would have allowed the actuaries to more easily “make the numbers work” for the feasibility analysis but would have put more funding stress on the City when it came time to resume funding the plans. Duggan advised the participants that if they raised the assumed rate of return to 7%, he would testify against the feasibility of the POA. *Id.*, ¶ 15.

B. Duggan learns the actuarial assumptions for the POA were grossly inaccurate and materially understated the plans’ liabilities. The City responds by creating and placing hundreds of millions of dollars into a Retiree Protection Trust Fund, largely negating the POA’s “pension holiday” for the City.

The POA was approved and then became effective in December 2014. Sometime in 2015, Duggan learned that the actuarial assumptions for the legacy pension plans were seriously flawed. Specifically, the plans’ projected UAAL had been understated by roughly \$500 million. That information was provided by Gabriel Roeder Smith & Company (“Gabriel Roeder”), the actuary for both legacy

plans. Neither Gabriel Roeder, nor any of the other actuaries or experts who worked on the POA, ever explained how the error occurred. *Id.*, ¶ 16.

The City considered bringing a lawsuit. The City’s investigation revealed serious concerns about the way in which the retirement liability issues were handled by the “experts” in the bankruptcy process. Those included use of outdated mortality tables. Duggan also learned that the “experts” were seemingly more concerned about the making the numbers work, *i.e.*, minimizing retiree pension cuts, than with the City’s ability to successfully carry out the POA. Duggan spoke with Ms. Kopacz who advised she likewise had no idea that the retirement plan projections were materially incorrect, and that information would likely have changed her view on the feasibility of the POA. Duggan ultimately decided not to bring a lawsuit because the POA had broad exculpatory provisions. *Id.*, ¶ 17.

Thereafter, to further ensure proper funding of legacy pensions, Duggan’s administration voluntarily put in place an irrevocable Retiree Protection Trust Fund to provide additional funding for the legacy plans after the end of the 10-year pension “holiday.” To date, the City has deposited \$355 million, and will be adding \$90 million later this year. Accordingly, by the time City funding of the PFRS plan is to begin (FY 2024), the City will have funded the Retiree Protection Trust Fund with \$445 million of general fund money. *Id.*, ¶ 18.

Under the POA, that \$445 million should have been available for recovery and reinvestment initiatives such as blight remediation, public safety, job creation initiatives etc. It has instead irrevocably been set aside for the retirees' pension security. *Id.*, ¶ 19.

C. In November 2021 PFRS adopts a resolution which, contrary to the POA, shortened the amortization period for PFRS' UAAL from 30 to 20 years.

This litigation challenges PFRS' adoption of a funding resolution which provides for amortizing the UAAL that will exist after the expiration of the pension "holiday" (June 30, 2023) over 20 years – rather than the 30-years required by the POA. Section 16.6 of the governing plan documents makes crystal clear PFRS had no right to violate the POA. "Nothing herein [in the PFRS plan document] shall be interpreted as permitting the Investment Committee or the Board to alter or depart from the requirements set forth in the Plan of Adjustment."¹

Relevant background to that action is discussed below.

1. PFRS' governance by its Board of Trustees and Investment Committee (IC).

In reaction to serious investment abuses in prior years, the POA materially changed the governance of the City's GRS and PFRS retiree legacy plans. Investment decisions were entrusted to newly created Investment Committees, or

¹ Doc. No. 8045-1, p. 519 of 809. Section 16.6 of the Component I plan also applies to Component II. Doc. No. 8045-1, pp. 597-98 of 809.

ICs. The PFRS IC has 9 members as follows: four public safety representatives and five independent members. The City and Mayor have no representation. The public safety members each have one-half vote. The independent members originally were appointed by Governor Snyder, typically based on their investment expertise.

PFRS has a 17-member Board of Trustees. Because the City and public safety representatives could never agree on an “independent” trustee, at all relevant times there have been 16 trustees. Five represent the Mayor’s administration. One represents the City Council president. Eight directly represent public safety employee/retiree interests. Two trustees were appointed by the Mayor but the chosen individuals had to be retired public safety officers. As a result, public safety representatives control the Board, as evidenced by their votes adopting 20-year amortization, discussed below.

2. Events leading to PFRS’ adoption of 20-year amortization.

August 20, 2020, City presentation. After learning that PFRS was considering accelerated amortization, the City’s CFO and Deputy made a presentation to PFRS’ Board and IC. The City opposed acceleration for reasons that included, *inter alia*, the POA expressly provides for 30-year amortization.

March 4, 2021, Gabriel Roeder’s 20-year funding policy. At the urging of the PFRS’ public safety representatives, Gabriel Roeder prepared an Actuarial Funding Policy providing for 20-year amortization. Ex. 2, p. 3, § 3(b)(a). Gabriel

Roeder gave no consideration whatsoever to the points made by the City in its prior presentation. PFRS' Board's public safety representatives, over the objections of the City, adopted the funding policy on March 4, 2021, with an 8-6 vote. Ex. 3, pp. 6-7. IC approval also was needed for a funding policy.

July 21, 2021, City continues to object. The IC had previously engaged the Stout Consulting Firm to prepare an analysis of the City's "ability to pay" using the proposed 20-year amortization funding. On July 21, 2021, the City provided to Stout and the IC's counsel documents and information requested by Stout to complete its analysis, together with a transmittal memorandum attached as Exhibit 4. The memorandum again reiterated the City's fundamental concerns with accelerated amortization. Ex. 4, pp. 1-3. The memo also asked the Board and IC to hear both from the City's Mayor, and the independent actuary the City had engaged (Cheiron) before taking any final action on the funding policy. Ex. 4, p. 3.

August 2, 2021, Gabriel Roeder's supplemental report. At the IC's request, Gabriel Roeder prepared a supplemental report that examined financial projections using 20- and 25-year amortizations under various assumptions of baseline or unfavorable investment results. Ex. 5. Six projections were considered. The worst-case scenario was "25-year amortization, Downside Level 2." Ex. 5, p. 11. Even under the worst case, the funded level percentage never dropped below

40%. Neither PFRS nor Gabriel Roeder has ever articulated any need to accelerate the POA's 30-year amortization.

October 1 – 14, 2021, email exchanges between counsel for the City and IC. On October 1, 2021, the City's deputy corporation counsel (Raimi) reminded the IC's counsel (Valerie Brader) of the City's prior request for the PFRS Board and IC to hear from the City's Mayor and actuarial expert prior to making a final decision of the funding policy. Ex. 6, pp. 5-6, Raimi email dated 10/1/21. Ms. Brader responded that the Stout report was not yet complete. Ex. 6, p. 5.

Ms. Brader advised on October 12 that the IC would be taking up the Stout report at its October 18 meeting and "would be happy to have the Mayor present." Ex. 6, p. 4. That timing was, of course, impossible. Raimi responded that the City had not even seen the Stout report and both the Mayor and the City's expert (Cheiron) would need reasonable time to review the report and prepare the presentations. Ex. 6, pp. 3-4. The Stout report was dated October 13, 2021, Exhibit 6, but the City did not receive a copy until sometime later.

Raimi questioned why the IC insisted on moving so quickly, and without input from the Mayor and Cheiron, since the funding policy would not take effect until July 2023. Ex. 6, p. 1. Ms. Brader responded that the IC was attempting to accommodate an earlier City request for guidance on the funding issue by the fall of 2021. *Id.* The City, obviously, was perfectly willing to push this back so the IC

could be fully informed, but it clearly was not interested. Ms. Brader also advised that any action by the IC would also need Board ratification, *id.*, but it was perfectly clear that the public safety-controlled Board would again approve 20-year amortization. *Id.*²

October 18, 2021, IC adopts 20-year amortization. On October 18, Stout’s Robert Roth presented to the IC his report addressing the City’s ability to pay using 20-year amortization. Gabriel Roeder presented its supplemental analysis. Ex. 7, IC minutes. The IC adopted 20-year amortization, *id.*, and approved the appended resolution. Ex. 8.

There was never any doubt that the “independent” members of the IC would follow fiduciary law 101—which instructs fiduciaries that they generally cannot be criticized or sued if they act in accordance with their “expert’s” (Gabriel Roeder’s) advice. And here, the City had no representation on the IC to offer any contrary view.

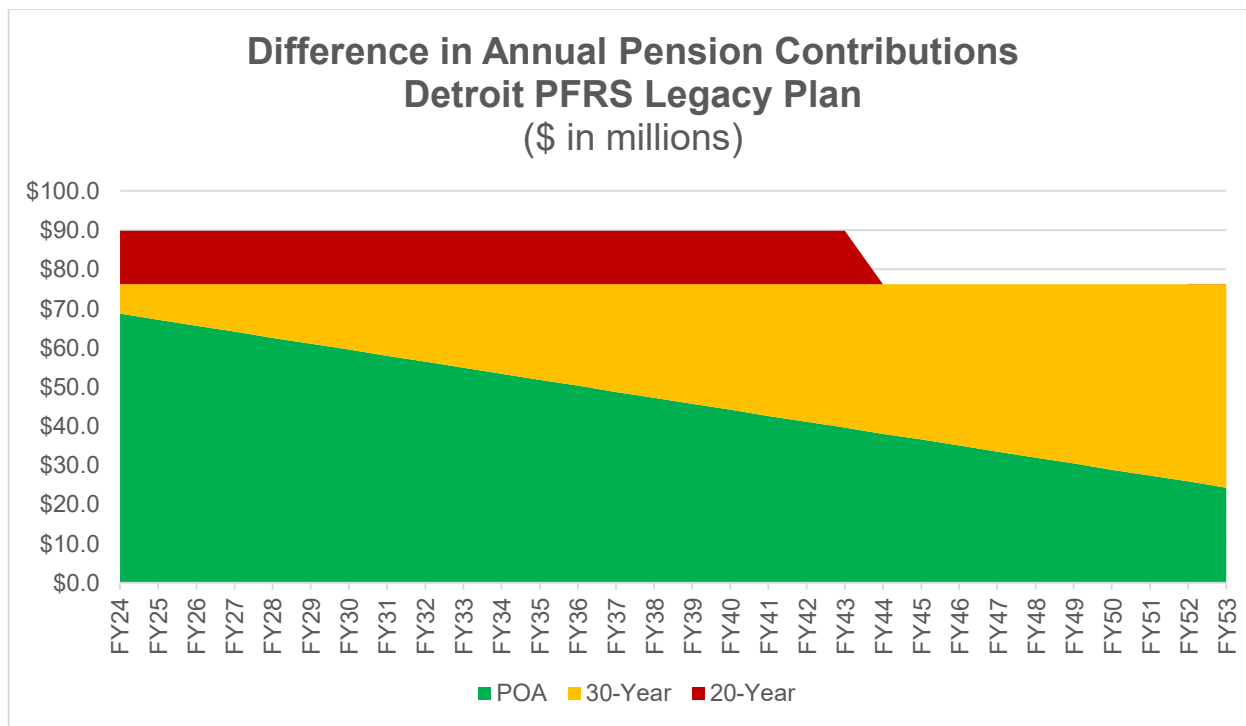
November 18, 2021, PFRS Board ratifies 20-year amortization. At the November 18 PFRS Board meeting, trustee Conrad Mallett, the City’s deputy

²Ms. Brader’s October 1, 2021, email expressed her concerns about the so-called “pay-as-you-go” funding proposal which the City’s CFO offered as one option in his August 2020 presentation. Ex. 6, p. 5. Raimi advised Ms. Brader that Cheiron would be offering a different and more focused approach. Ex. 6, p. 2. The City is not pursuing the “pay-as-you-go” approach, nor is it relevant because both Gabriel Roeder and Cheiron agree that there is no foreseeable danger that the City would not be able to pay benefits under 30-year amortization.

mayor, offered a resolution asking the Board to disaffirm its prior approval of 20-year funding and agree to mediation concerning the funding dispute. On the strength of the votes of the public safety representatives, that resolution was defeated and the Board affirmed 20-year amortization. Ex. 9, pp. 9-10.

D. The devastating impact to the City of 20-year amortization.

The critical importance of the amortization issue is illustrated by the following diagram which is addressed in Duggan's affidavit. Duggan Dec'l., ¶ 21. This shows (i) the City's funding obligation as originally estimated under the (POA) (in green), (ii) the City's increased funding obligation over the POA estimates, using 30-year amortization (green and yellow), and (iii) the City's increased funding obligation over the POA estimates, using 20-year (green, yellow, and red). The 20-year and 30-year amortization projections (yellow and red) are based on the most recently available data from PRFS's actuaries, which is as of June 30, 2021. (Gabriel Roeder's June 30, 2021, actuarial report was not released until March 24, 2022, and is the most recent data available. That data is used for the chart below and in the Cheiron expert report discussed below.)



Duggan Dec’1., ¶ 21.

The additional hundreds of millions of dollars of front-loaded payments under 20-year amortization would be devastating to the City’s ability to fund critical programs needed to improve City services, attract employment opportunities, and otherwise continue to successfully implement the POA. Duggan Dec’1., ¶ 22.

Moreover, in addition to the PFRS frozen legacy plan, there is also the frozen legacy GRS pension plan for non-public safety employees. The Investment Committee for that plan is carefully following this funding dispute. If this Court were to allow PFRS to violate the POA and impose 20-year amortization, the City is justly apprehensive that GRS will feel compelled to do likewise. That would roughly double the additional upfront pension funding payments for the City. *Id.*, ¶ 39.

E. The Stout Report prepared for the IC lacks all credibility.

The Stout Report was prepared by Raymond Roth and is appended (without exhibits) as Exhibit 10. The report's stated purpose is to advise the IC "regarding the capability of Detroit to make specified levels of pension contributions [using 20-year amortization] beginning in 2024." Ex. 10, ¶ 12. The report concludes "Thus, it is my opinion that Detroit will have the ability to pay the additional amounts of PFRS Legacy Plan contributions under the scenarios projected by its actuaries." *Id.*, ¶ 84.

Mayor Duggan has carefully reviewed the Stout Report and concludes that it is meaningless to the amortization dispute for reasons including the following (Ex. 1, ¶¶ 29-38):

The report purports to compare Detroit to four allegedly "comparable" cities, namely, Indianapolis, Cleveland, Columbus, and Minneapolis. That is absurd on its face. Stout's own report shows (Ex. 10, p. 9) that in 2015, the year after Detroit exited from bankruptcy, Detroit's median income was roughly \$25,000 per year, versus \$43,000 for Indianapolis, \$45,000 for Columbus, and \$51,000 for Minneapolis. None of those cities are remotely "comparable" to Detroit. Although Cleveland's median income was similar to Detroit's, in 2015 some 40% of Detroit residents were below the poverty line versus 35% for Cleveland. Stout Report, Ex. 10, p. 11. And, of course, Cleveland never declared bankruptcy, nor has it ever faced

problems such as those described in Judge Rhodes' Supplemental Opinion (describing his tour of the City):

The primary impression that remains with the Court following the tour is that blight in Detroit is extensive. The statistics do not fully convey its extent or impact. In neighborhood after neighborhood, short and long stretches of streets have abandoned structures—they can no longer be called homes—that are intimidating hulks. Some are partially or mostly burned out. Some have gaping holes in their roofs or collapsed garages. Many have missing doors and windows, and broken front steps and porches. Some are strewn with illegal dumping. All are vivid statements of their former owners' emotional and financial struggles, and of community loss.

These streets also have vacant lots, or collections of vacant lots, on which unmanaged and unsightly vegetation has taken over from the structures after their removal. On the commercial streets, block after block of abandoned, boarded up and graffiti-littered strip shopping centers far outnumbered the occasional small businesses that have survived.

It is heartbreaking, maddening and sad. No one should have to endure, day in and day out, the damage to the human spirit that can result from living in those surroundings. City residents who live, work and play in these neighborhoods deserve better. Detroit deserves better.”

Supp. Op. at 167. Ironically, the Stout Report (Ex. 10, ¶ 17) acknowledges the following:

Detroit has experienced a remarkable transformation since its emergence from bankruptcy. The median income of its residents has risen, while the number of families living below poverty, unemployment, and crime has declined. In addition, blight has been reduced, street lighting improved, emergency medical services (“EMS”) response times are down, and credit ratings have stabilized. However, Detroit’s population remains at lower income levels, including higher concentrations of poverty and crime rates, than the Comparable Midwestern Cities.”

Nevertheless, Mr. Roth inexplicably “concludes” that Detroit could “afford” the dramatically increased up-front payments under 20-year amortization. Roth argues that Detroit allegedly is spending too much of its budget on “central government.” Duggan Dec’l., ¶ 32 (citing Stout report, Ex. 10, ¶¶ 54-67).

The City’s review of Mr. Roth’s report raises substantial questions whether the “central government” comparison properly analyzes each City’s unique accounting policies and practices. But even if it does, Mr. Roth’s “opinion” completely ignores the fact that the City’s “remarkable transformation” was precisely the result of the Duggan administration’s spending priorities including “central government.” Duggan Dec’l., ¶ 33. The “central government” spending was critical to the City’s job creation, housing initiatives, blight removal, neighborhood revitalization, revamping of City departments, and myriad other activities that produced the “remarkable transformation.” Mr. Roth never asked to speak to the Mayor about this or any other aspect of his report. Nor did the PFRS Board of Trustees or its Investment Committee request the Mayor’s input on the report or on the impact the 20-year amortization would have on the City. Duggan Dec’l., ¶ 33.

The Stout Report (Ex. 10, ¶¶ 54-55) notes that Detroit has lower levels of public safety spending as a percentage of general fund revenue than the “comparable cities.” As explained in his declaration, Mayor Duggan did not need Mr. Roth’s

report to tell him that Detroit needs additional resources for public safety and many other priorities. The City's financial crisis and bankruptcy devastated all City departments and employee morale, and none more than public safety. Improving public safety recruiting, pay, benefits and performance has been a top priority to which Mayor Duggan and his administration have devoted enormous time and effort. Mr. Roth also ignores the fact that the City would have been able to spend more on public safety had it not been required to fund the \$445 million Retiree Protection Trust Fund. Duggan Dec'1., ¶ 34.

It is extremely disturbing that Mr. Roth, after acknowledging the City's need for additional resources for public safety, would nevertheless conclude that the City can "afford" sharp increases in pension funding payments under 20-year amortization. It is quite evident that Mr. Roth has no understanding of the realities and complexities of managing the City of Detroit. Nor does his resume list anything that would qualify him to opine on these subjects. *Id.*, ¶ 35.

The Stout Report also speculates that the City may in the future gain additional revenues via internet gaming. What is known for certain is that the pandemic wreaked havoc on the City's finances, including income tax which is the City's largest revenue source. As a result of the pandemic, many thousands of employees who formerly worked in City offices are working from their homes in the suburbs.

As a result, they are not paying City income tax. City restaurants, businesses, etc. are adversely affected. *Id.*, ¶ 36.

To the extent the City does realize additional gaming tax from internet gaming, those have already been considered in the City's spending projections, so that would not be "additional revenues" available for pension funding. *Id.*, ¶ 37.

Wholly apart from the fact that Mr. Roth has no crystal ball to see into the future, the Bankruptcy Court, the Court appointed mediators, Ms. Kopacz, myriad interested parties and their advisors spent thousands of hours working out the POA. In addition to Gabriel Roeders, the national/international law firms and actuaries included:

- The Official Committee of Retirees engaged the Dentons law firm, the Segal Company financial/actuarial firm and the Lazard actuarial/financial firm.
- PFRS and GRS engaged Clark Hill and the financial/actuarial firm of Greenhill & Co.
- Kevyn Orr, the emergency manager, engaged multiple law firms including Jones Day and actuarial firm Milliman.

The advisors collectively charged tens of millions of dollars for their services. After all of that, the POA provided for a 30-year amortization period for the legacy plans' UAAL beginning with the 2024 fiscal year. The Mayor rightly points out that if PFRS had recently identified some compelling need to violate the POA to ensure

proper funding, PFRS should have petitioned the Court for relief. But PFRS has never identified any such need and there is no reason for violating the POA with a 20-year amortization schedule. *Id.*, ¶ 38.

Finally, this Court should be aware of Stout firm's recent history with the City. For the last 7 years Raimi has been lead counsel in the City's defense of a property tax appeal by MGM Grand Detroit casino-hotel. MGM seeks past refunds and future reductions likely totaling more than \$100 million. MGM engaged the Stout firm (Kevin Kernen) to issue a report supporting MGM's novel and, in the City's view untenable theory, supporting those reductions. The Tribunal, on June 11, 2021, issued a 100-page Order addressing the parties' dispositive motions. The Tribunal ruled in the City's favor (affirmed on reconsideration) and spent much of the decision attacking the Stout report in the harshest possible terms. For example:

[The Tribunal] cannot draw a "uniform assessment" from Mr. Kernen's Report which relies on inaccurate information and, frankly, makes little sense. The methodology in the Report is not found in any appraisal textbook, treatise, scholarly article, case law or statute and appears to have been presented to Kernen by counsel for its client's own self-interest, not from any independent thought.

Ex. 11, p. 91-92. The current Stout report is as deeply flawed and incredible as the Kernen report.

F. The Cheiron report confirms there is no actuarial basis for 20-year amortization.

The most recent PFRS data available is Gabriel Roeder's June 30, 2021, actuarial report, which was not released until March 24, 2022. The Cheiron report, which is attached as Exhibit 12, used that data. The report was authored by Gene Kalwarski, whose impeccable credentials are discussed at page 7 of the report.

The report's key finding is that "The differences between a 20-year and 30-year amortization are negligible in terms of ensuring sufficient assets will be available to pay all future benefits under the plan." Ex. 12, p. 1, point 1. The balance of the report provides the supporting data for that statement. Likewise, even under Gabriel Roeder's worst-case scenario the plan's funded level percentage never dropped below 40%. Ex. 5, p. 11.

There is one major difference in Cheiron's analysis versus Gabriel's. Cheiron states "Because a 20-year amortization results in increased assets when compared to a 30-year amortization, this level of assets increases the exposure the City has to investment risk, without any offsetting benefit to taking such risk due to conclusion number 1 (quoted above)." Ex. 12, p. 1, point 3. In other words, if the City is compelled to front-load the funding, and the stock market falls, the accelerated amortization will impose even more financial stress on the City.

The City commissioned the Cheiron report to determine whether 30-year amortization posed any risk to retirees. It would not. Duggan's administration

would never take any action to jeopardize pension benefits. Duggan Dec'1., ¶ 24. That is exactly why his administration voluntarily created the Retiree Protection Trust Fund and will soon have funded it with \$445 million in general fund money. *Id.*

Finally, to alleviate any possible concerns, the Mayor would support, in connection with 30-year amortization, adoption of a “trigger” such that if the funded percentage of the plan fell below a certain agreed upon threshold, the City would be required to provide additional funding. But there is nothing to currently suggest that will ever be an issue. *Id.*, ¶ 28.

G. PFRS’ most recent actions again confirm there is no need for 20-year amortization.

The POA contemplates that if the PFRS achieves a funded ratio in excess of 78%, PFRS can establish a “Restoration Reserve Account.” The Account’s purpose is to pay PFRS retirees’ amounts they lost under the 55% COLA reduction in the POA. On June 17, 2022, Gabriel Roeders wrote to PFRS advising that \$26+ million dollars could be placed in the Restoration Account. Ex. 13. Although minutes are not yet available, the IC approved creation of the account at its June 22, 2022, meeting. In short, the PFRS plan is so healthy that public safety retirees are seeking to recoup their minor pension reductions (55% of COLA) resulting from the POA.

II. ARGUMENT

A. The Court has jurisdiction over this dispute.

The Court has jurisdiction over this dispute under POA Article VII, paragraphs E, F, G, I, K, L, and Q.

B. The Court should order PFRS to amortize the PFRS' plan's UAAL that will exist as of June 30, 2023, over 30 years, rather than 20 years, because the POA provides that 30 years is the proper amortization period.

Judge Rhodes' Supplemental Opinion approving the POA confirmed in two separate places that the Component II Plans' liabilities at the end of the pension holiday were to be amortized over a thirty-year period. See excerpts of the Supplemental Opinion at p. 230, n. 23 and pages 231-232 quoted above.

Judge Rhodes' Supplemental Opinion was incorporated as part of the Confirmation Order. Confirmation Order, ¶ G, p. 10 of 225. In both instances in which Judge Rhodes discussed the 30-year amortization, he affirmatively stated that the balance "will" be amortized over a thirty-year period. Judge Rhodes' directives in the Confirmation Opinion should be treated as conclusions of law under the Confirmation Order. Indeed, the Confirmation Order states that "All findings of fact and conclusions of law announced by the Court on the record in connection with confirmation of the Plan or otherwise at the Confirmation Hearing or in the Confirmation Opinion are incorporated herein by reference." Confirmation Order, Section B, ¶ 4, p. 73-74 of 225. Because of this express incorporation, the

Confirmation Opinion is construed as part of the Confirmation Order. *See In re Terrell*, 637 B.R. 129, 135-38 (Bankr. E.D. Wisc. 2021) (discussing, in chapter 13 context, how courts construe plans, the orders confirming them, and “other documents expressly incorporated” into them); *Somerset Trust Co. v. Mostoller (In re Somerset Regional Water Res., LLC)*, 592 B.R. 38, 49-50 (Bankr. W.D. Pa. 2018) (similar, in chapter 11 setting).

Section 16.6 of the governing PFRS plan document provides that “Nothing herein shall be interpreted as permitting the Investment Committee or the Board to alter or depart from the requirements set forth in the Plan of Adjustment.” Doc. No. 8045-1, p. 519 or 809, and see Doc. No. 8045-1, pp. 597-98 of 809 (Sec. 16.6 applies both to Component I and Component II plans).

Because the POA requires 30-year amortization, and PFRS has no legal right to change that, the POA enjoins the PFRS from changing the amortization period to 20 years because this action “does not conform to or comply with the provisions of the Plan or the settlements” and it is an action which “interfere[s] with the implementation or consummation of the Plan.” POA, pp. 50-51, Art. III.D.5 and III.D.6. PFRS’ proposed 20-year amortization is directly contrary to the POA and the governing PFRS plan documents. The Court should Order PFRS to continue with 30-year amortization.

C. The Court also should order 30-year amortization to carry out the intent of, and allow the City to successfully implement, the POA.

1. Governing law.

Article VII of the POA gives the Court broad powers to enter Orders necessary to the successful implementation of the POA:

Pursuant to sections 105(c), 945 and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 9 Case and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to: [. . .]

F. Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order;

G. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or other agreement or document that is entered into or delivered pursuant to the Plan or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;

H. Approve any modification of the Plan or approve any modification of the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any order, the Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, or enter any order in aid of confirmation pursuant to sections 945 and 1142(b) of the Bankruptcy Code, in such manner as may be necessary or appropriate to consummate the Plan;

I. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;

[. . .]

L. Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan, the Disclosure Statement or the Confirmation Order [. . .]”

POA, Art. VII. pp. 69-71.

2. The Court should order 30-year amortization to carry out the intent of, and allow the City to successfully implement, the POA.

An integral and critical component of the Court’s finding that the POA was feasible was the POA’s provision of a ten year “pension holiday” for the City, which was to be followed by 30-year amortization. The stated purpose was to provide the City with many millions of dollars to spend on initiatives to improve City services including public safety, create of new economic opportunities and deal with blight and other endemic City problems. Facts, Section I.A of this Brief, *supra*.

But the City learned shortly after the POA was confirmed that due to material actuarial mistakes in devising the POA, the UAAL for the two legacy plans had been understated by some \$500 million. To ensure the legacy plans would be properly funded, the City voluntarily created the Retiree Protection Trust Fund. By June of

2023 the City will have paid \$445 million of general fund monies into the Trust Fund. Facts, Section I.B, *supra*. As a result, and directly contrary to the POA, the City has been deprived of much of the benefit of the POA’s pension holiday.

The deprivation of much of the benefits of the pension holiday, together with the greatly accelerated funding that would be required by the proposed 20-year amortization, seriously threaten the City’s ability to continue to improve City services and thereby successfully implement the Plan of Adjustment. Facts, Section I.D, *supra*.

There are no countervailing facts supporting 20-year amortization. Gabriel Roeder’s worst-case projection did not result in the PFRS’ plan funding level dropping below 40%. Facts, Section I.C.2, *supra*. Cheiron found that “The differences between a 20-year and 30-year amortization are negligible in terms of ensuring sufficient assets will be available to pay all future benefits under the plan.” Facts, Section I.F, *supra*. But Cheiron also pointed out that the increased up-front funding would expose the City to unnecessary investment risk if there is a drop in the stock market. *Id*.

Gabriel Roeders and PFRS’ IC recently recognized that funding is so adequate that it can begin to set aside money to restore pension benefits to plan members. Facts, section G. And to avoid any possible concern, the City is prepared to agree to a reasonable “trigger” to increase payments if a problem arises in the future. *Id*.

Finally, the Stout report is utterly meaningless and has zero credibility. Facts, Section I.E, *supra*. It praises the City’s comeback while criticizing its alleged failure to spend enough money on public safety. The report completely ignores the fact that the City was forced to divert some \$445 million of general fund monies from public safety and other City priorities to fund the Retiree Protection Trust Fund. That shortfall was the result of Gabriel Roeders and other actuaries understating the legacy pension plans’ liabilities by some \$500 million in preparing the POA. That “mistake,” in turn, allowed the public safety retirees to escape bankruptcy with *de minimis* cuts to their pensions – cuts they are now looking to restore at the City’s expense.

III. Further proceedings.

The City’s arguments are supported by the POA, Judge Rhodes’ Supplemental Opinion, and other documents and facts that should be uncontested. However, to the extent the Court believes there are disputed questions of fact, the City respectfully seeks the opportunity for discovery and an evidentiary hearing.

IV. Conclusion and Relief

For the reasons stated, the City asks the Court to order PFRS to continue with 30-year amortization for Plan’s UAAL that will exist as of June 30, 2023.

Dated: August 3, 2022

Respectfully submitted,

By: /s/ Marc N. Swanson

Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK AND
STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-8451
swansonm@millercanfield.com

and

By: /s/ Charles N. Raimi

Charles N. Raimi (P29746)
Deputy Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Coleman A. Young Municipal Center
Detroit, Michigan 48226
Telephone: (313)-237-5037
raimic@detroitmi.gov

ATTORNEYS FOR THE CITY OF DETROIT

EXHIBIT 4 – CERTIFICATE OF SERVICE

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:
City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 3, 2022, he served a copy of the foregoing *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* via the Court's ECF system which will provide service to all registered parties and in the manner described below:

Via first class mail and email:

Counsel to the PFRS
Ronald King
Clark Hill
215 South Washington Square, Suite 200
Lansing, MI 48933
rking@clarkhill.com

Counsel to the Investment Committee
Valerie Brader
RIVENOAK LAW GROUP PC
3331 W. Big Beaver Rd., Suite 109
Troy, MI 48084
valerie@rivenoaklaw.com

DATED: August 3, 2022

By: /s/ Marc N. Swanson

Marc N. Swanson (P71149)

150 West Jefferson, Suite 2500

Detroit, Michigan 48226

Telephone: (313) 496-7591

Facsimile: (313) 496-8451

swansonm@millercanfield.com

EXHIBIT 5 – NONE

EXHIBIT 6

Exhibits to Brief

Part 1

- Ex. 1 — Declaration of Mayor Michael Duggan
- Ex. 2 — Gabriel Roeder's March 4, 2021, PFRS funding policy
- Ex. 3 — March 4, 2021, PFRS Board minutes approving 20-year amortization
- Ex. 4 — Detroit CFO's July 21, 2021, memo objecting to 20-year amortization
- Ex. 5 — Gabriel Roeder's August 2, 2021, supplemental funding report
- Ex. 6 — October 1-14, 2021, emails between Ms. Brader and Mr. Raimi
- Ex. 7 — October 18, 2021, PFRS IC minutes approving 20-year amortization

EXHIBIT 1

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:
City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

DECLARATION OF MICHAEL DUGGAN

Michael Duggan states as follows for his declaration:

1. I am the elected Mayor of the City of Detroit. I was first elected in November 2013 and then again in November 2017 and 2021. My prior jobs included Deputy County Executive of Wayne County, elected Wayne County Prosecutor, and Chief Executive Officer of the Detroit Medical Center.
2. This declaration is made on my personal knowledge or upon reliable records and information made known to me in the course of my duties as Mayor.
3. The City filed for Chapter 9 bankruptcy in July 2013 and was in bankruptcy when I became Mayor effective January 1, 2014. Kevyn Orr was the state appointed emergency manager and supervised the bankruptcy activities.
4. For much of my first year (2014) I was excluded from the ongoing bankruptcy activities. However, as the Plan of Adjustment ("POA") was being negotiated, and it became clear to Mr. Orr and his team that I would need to support the POA to secure its approval, I was provided access to significant information about the

bankruptcy. After extensive due diligence I ultimately testified in support of the POA and its feasibility.

5. Perhaps the most important and contentious issue in the bankruptcy, and one of my primary concerns about the POA and its feasibility, was the City's legacy retirement obligations. The City historically had two defined benefit pension plans for employees and retirees. The Police and Fire Retirement System ("PFRS") managed the plan for public safety employees and retirees. The General Retirement System ("GRS") managed the plan for all other City employees and retirees. Both plans were frozen in bankruptcy and, under the POA, covered only City retirees and employees who performed services for the City prior to July 1, 2014.

6. Both plans were replaced going forward with hybrid plans that combined elements of defined benefit and defined contribution plans. In the POA the new hybrid plans are known as Component I plans, and the frozen plans are known as Component II plans. At issue in this case is the PFRS Component II plan that was frozen in bankruptcy and now covers only public safety employees and retirees who provided services prior to July 1, 2014.

7. The eighth, final and operative POA incorporated what became known as the "Grand Bargain." The Grand Bargain raised the equivalent of \$816 million from the state of Michigan, the Detroit Institute of Arts, and various charities and, as a result:

- Pension cuts to retirees were minimized. The only cut to public safety pensions was a 55% reduction to the cost of living adjustment (COLA); other City employees' pensions were cut more but far less than had been anticipated.
 - The Detroit Institute of Arts' collection was protected.
 - The POA gave the City a 10-year pension contribution "holiday" and, thereafter, the legacy plans' unfunded liabilities were to be amortized over a 30-year period. This was to allow the City to devote as many resources as reasonably possible to address ongoing issues that had substantially contributed to the bankruptcy such as blight, public safety, loss of employment opportunities, etc.
8. On December 31, 2014, Bankruptcy Judge Steven Rhodes issued a supplemental opinion approving the Plan of Adjustment. *In re City of Detroit*, 524 B.R. 147 (Bankr. E.D. Mich. 2014), ("Supp Op"). As Judge Rhodes noted, the pension classes voted to accept the POA by 82% in class 10 (PFRS) and 73% in class 11(GRS). Supp Op, at 180.
9. The Opinion explains:
- “Because of the outside money committed as part of the Grand Bargain, the City will have little responsibility for funding the GRS [General Retirement System] and the PFRS [Police/Fire Retirement System] through June 2023. During that time period, the PFRS will be funded exclusively from contributions from the DIA, the DIA Funders,

the Foundation Funders and the State under the Grand Bargain, as described previously.” Supp Op, at 179-80.

Judge Rhodes concluded that the pension settlement was “fair and equitable” and stated as follows:

“It is therefore a vast understatement to say that the pension settlement is reasonable. It borders on the miraculous. No one could have foreseen this result for the pension creditors when the City filed this case. Without the outside funding from the Grand Bargain, the City anticipated having to reduce pensions by as much as 27%. The pension reductions in the pension settlement are minor compared to any reasonably foreseeable outcome for these creditors without the pension settlement and the Grand Bargain.” Supp Op, at 181 (citation omitted).

10. At the time of the bankruptcy, both the public safety (PFRS) and general retirement (GRS) legacy (Component II) plans were underfunded. Under financial projections prepared for the POA, the plans were likewise projected to be underfunded at the end of the 10-year pension holiday. Actuaries identify the amount of such underfunding as the plan’s unfunded actuarial accrued liability, or “UAAL.”

11. In examining the feasibility of the POA, experts addressed how the Component II plans’ UAAL would be amortized after the end of the 10-year pension holiday. Those projections showed that after the 10-year holiday, the then existing UAAL would be amortized over the following 30 years. Judge Rhode’s Opinion approving the POA confirmed that the Component II Plans’ UAAL at the end of the pension holiday were to be amortized over a thirty-year period:

“However, at the end of FY2023, the GRS and PFRS will remain significantly underfunded. Using the assumptions from the global pension settlement, including the 6.75% discount rate, the City projects that the PFRS will only achieve 78% funding, leaving a UAAL of \$681 million. Ex. 793 at 2. For the GRS, the City projects a 70% funded status by the end of FY2023, leaving a UAAL of \$695 million. *Id.* **The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%.** *Id.* Between FY2024 and FY2033, the City will receive an additional \$68 million in Grand Bargain proceeds to pay toward the UAAL amortization for PFRS, and \$188 million for GRS. The balance of the amortized UAAL will come from the City. *Id.* at 5.

“The plan greatly reduces the City’s pension obligations, thanks to the State Contribution Agreement, the Grand Bargain funding, and the modification of the City’s obligations to its current retirees.” Supp Op, at 231-32 (emphasis added).

12. Despite the funding provided by the Grand Bargain, Judge Rhodes was extremely concerned about the feasibility of the POA. His opinion stated:

“In this case, examining the feasibility of the plan is difficult for a number of reasons. The City's debt is enormous and the City proposes to pay most of its creditors over a long period of time. As the Court discusses below, the City’s revenue and expense projections extend forty years into the future.

“Second, the feasibility of the plan depends upon the City’s ability to fix and maintain its broken governmental operations. This is significant because the chapter 9 feasibility inquiry requires an analysis of whether the City can reasonably provide sustainable municipal services, as the court found in *In re Mount Carbon*. It is also significant because the City’s ability to repay its creditors pursuant to the plan depends upon the City’s ability to increase its revenues from taxes and fees by improving the efficiency of City operations and by identifying and accessing untapped sources of revenue.

“The feasibility analysis is yet more complex because several key parts of the plan depend upon performance by parties who are

completely beyond the City's control. For example, because the City's contributions to the retirement systems are fixed through FY2023, a risk remains that the pension plans will be significantly more underfunded than anticipated if one of the many organizations participating in the Grand Bargain fails to perform in the time or manner promised.

“As the City itself succinctly states in its pretrial brief in support of plan confirmation, “[T]he City was—and remains today—enmeshed in a financial crisis of unsurpassed proportions and complexity.” Despite efforts from both the City and the State of Michigan, “the City is trapped in a vicious circle of cash crises, general fund deficits, crushing long-term liabilities and tumbling credit ratings exacerbated by the City’s bureaucratic structure and frequent deviations from established budgets.”” Supp Op, at 220-21 (citations omitted).

13. Martha Kopacz, the Court’s appointed feasibility expert, was likewise extremely concerned about the feasibility of the POA:

“I want to emphasize, however, that there is little space remaining on the continuum of [feasibility]. The recent settlements and corresponding amendments to the Plan of Adjustment have served the laudable goals of efficiently resolving disputes and garnering additional support for the Plan of Adjustment. Conversely, they have imposed additional financial obligations on the City. I have already expressed concerns regarding the level of contingency provided for in the Plan of Adjustment. The financial obligations associated with the recent settlements only intensify this concern.” Supp Op, at p. 219 (Court’s quotation of expert, alterations in original).

14. I worked closely with Ms. Kopacz and her staff, and major City departments, in examining the POA’s feasibility. Ultimately, Ms. Kopacz and I came to the same conclusion – that the POA was feasible but enormous work would be required and financially there was no room to spare. Critical to my support for the POA was that the City’s legacy pension liabilities would be minimized for the

initial ten years and then amortized over a 30-year period - providing the City as much funding as reasonably possible to address the City's problems by investing in what were called "RRIs," or recovery and reinvestment initiatives. As of the time of the confirmation hearing, I believed the City was perhaps 10% of the way toward providing proper City services, and that many years of implementing major service improvements and job creation initiatives would be needed to successfully carry out the POA.

15. In considering the feasibility of the POA, I was aware that the POA provided an assumed rate of return of 6.75% for the legacy pension plans. During my due diligence I learned that a proposal had been made to raise the assumed rate of return to 7%. That would have allowed the actuaries to more easily "make the numbers work" for the feasibility analysis but would have put more funding stress on the City when it came time to resume funding the plans. I advised the participants that if they raised the assumed rate of return to 7%, I would testify against the feasibility of the POA.

16. The POA was approved and then became effective in December 2014. Sometime in 2015 I learned that the actuarial assumptions for the legacy pension plans were seriously flawed. Specifically, the plans' projected unfunded liabilities had been understated by roughly \$500 million. That information was provided by Gabriel Roeder Smith & Company, the actuary for both legacy plans. Neither

Gabriel Roeder, nor any of the other actuaries or experts who worked on the POA, ever explained how the error occurred.

17. The City considered bringing a lawsuit. The City's investigation revealed serious concerns about the way in which the retirement liability issues were handled by the attorneys and actuaries in the bankruptcy process. Those included use of outdated mortality tables. I also learned that the "experts" were seemingly more concerned about the making the numbers work, i.e., minimizing retiree pension cuts, than with the City's ability to successfully carry out the POA.. I spoke with Ms. Kopacz who advised she likewise had no idea that the retirement plan projections were materially incorrect, and that information would likely have changed her view on the feasibility of the POA. I ultimately decided not to bring a lawsuit because the POA had broad exculpatory provisions protecting the attorneys and experts from liability.

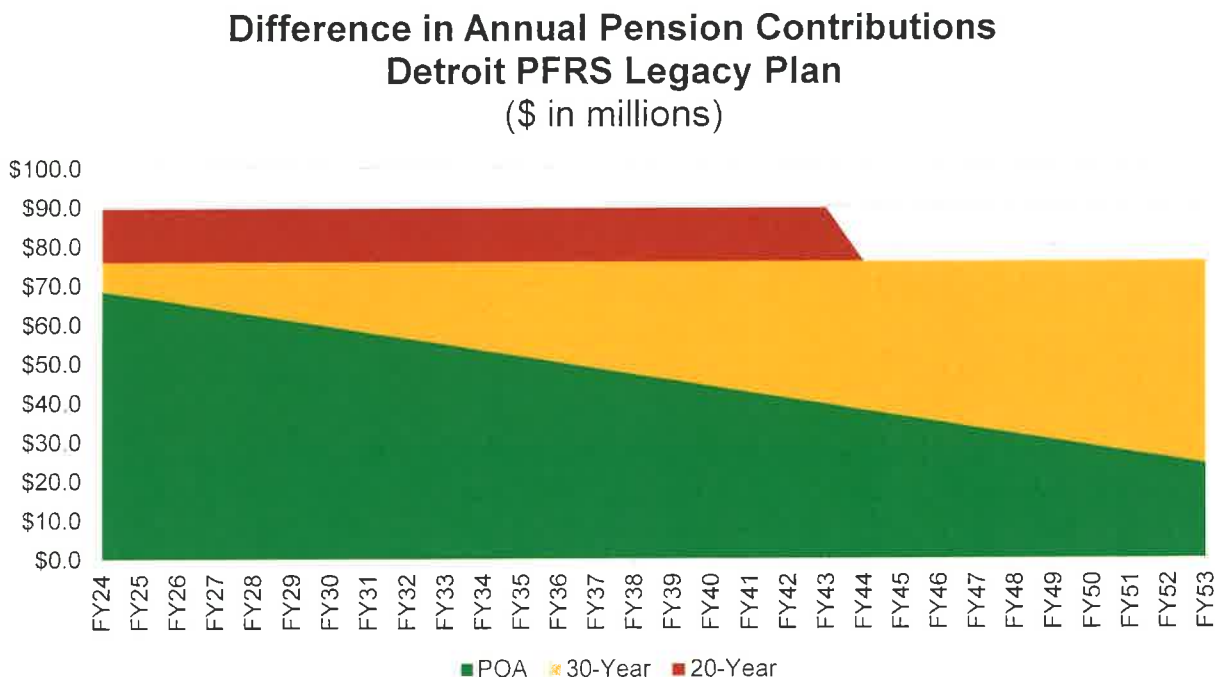
18. Thereafter, to further ensure proper funding of legacy pensions, my administration voluntarily put in place an irrevocable Retiree Protection Trust Fund to provide additional funding for the legacy plans after the end of the 10-year pension "holiday." To date the City has deposited \$355 million, and will be adding \$90 million later this year. Accordingly, by the time City funding of the PFRS plan is to begin (FY 2024), the City will have funded the Retiree Protection Trust Fund with \$445 million of general fund money.

19. Under the POA, that \$445 million should have been available for recovery and reinvestment initiatives such as blight remediation, public safety, job creation initiatives etc. It has instead irrevocably been set aside for the retirees' pension security.

20. The PFRS' Investment Committee and Board, on the recommendation of their actuary Gabriel Roeder, recently adopted a funding policy for amortizing the UAAL that will exist after the expiration of the pension "holiday." As confirmed by the above quotation from Judge Rhodes opinion confirming the POA, it provided for amortizing that liability over 30 years. The PFRS' Investment Committee and Board nevertheless adopted Gabriel Roeder's recommendation that the liability be amortized over 20 years – which would require enormous additional up-front funding by the City. The City has filed this legal action to reverse that action and require compliance with the POA's 30-year amortization schedule.

21. The critical importance of this issue to the City is illustrated by the following diagram. This shows (i) the City's funding obligation as originally estimated under the (POA) (in green), (ii) the City's increased funding obligation over the POA estimates, using 30-year amortization (green and yellow), and (iii) the City's increased funding obligation over the POA estimates, using 20-year (green, yellow and red). The 20-year and 30-year amortization projections (yellow and red) are

based on the most recently available data from PRFS's actuaries, which is as of June 30, 2021.



22. The additional hundreds of millions of dollars of front-loaded payments under 20-year amortization would be devastating to the City's ability to fund critical programs needed to improve City services, attract employment opportunities, and otherwise continue to successfully implement the POA.

23. To my knowledge, neither the PFRS Board nor its Investment Committee has ever explained why they believed they could violate the 30-year amortization schedule provided by the POA. I understand that Gabriel Roeder's recommendation for 20-year amortization was in reaction to pressure by the public safety unions' representatives on the PFRS board who wanted faster amortization to "better protect" their retirement benefits. But all such concerns – as well as countervailing concerns as to the POA's feasibility - were fully vetted in the development of the POA. The same public safety unions who, together with Gabriel Roeder, successfully argued for minimal pension cuts under the POA, also agreed to the POA's 30-year amortization schedule. Having locked in the minimal pension cuts, the unions and Gabriel Roeder now want to drastically increase the City's funding obligations. And Gabriel Roeder was responsible in whole or part for "underestimating" the legacy plans' liabilities – necessitating the City's use of \$445 million for the Retiree Protection Trust Fund.

24. My administration would never take any action to jeopardize pension benefits. That is exactly why my administration voluntarily created the Retiree Protection Trust Fund and will soon have funded it with \$445 million in general fund money.

25. I am aware that Gabriel Roeder, in recommending 20-year amortization, prepared a report that showed projections of the future funding level percentage of the plan assuming (i) City contributions using 20- or 25-year amortization and (ii)

different investment return scenarios including several in which future investment returns were significantly below the POA assumed rate of 6.5%. The report does not state or suggest that there is any foreseeable risk that the plan would be unable to pay the legacy retirement benefits. None of those projections resulted in the plan ever being less than 40% funded.

26. In this regard, the City has also received advice from Cheiron, a premier actuarial firm having extensive experience with governmental pension plans. Cheiron's report explains that "The differences between a 20-year and 30-year year amortization as of June 30, 2022 are negligible in terms of ensuring sufficient assets will be available to pay all future benefits under the Plan." The report provides extensive data supporting that conclusion. Gabriel Roeder's report recommending 20-year amortization provided nothing to suggest otherwise.

27. Cheiron's report likewise advises that front-loading the funding via 20-year amortization unnecessarily increases investment risk. If the City is compelled to front load the funding, and the stock market falls, the losses will impose even more funding stress on the City.

28. Moreover, to alleviate any possible concerns, I would support, in connection with 30-year amortization, adoption of a "trigger" such that if the funded percentage of the plan fell below a certain agreed upon threshold, the City would be required to

provide additional funding. But there is nothing to currently suggest that will ever be an issue.

29. I am aware that the Investment Committee engaged Raymond Roth of the Stout firm to prepare a report “regarding the capability of Detroit to make specified levels of pension contributions [using 20-year amortization] beginning in 2024.” The report concludes “Thus, it is my opinion that Detroit will have the ability to pay the additional amounts of PFRS Legacy Plan contributions under the scenarios projected by its actuaries.” I have carefully reviewed that report and conclude it is meaningless to the amortization dispute for reasons including the following.

30. The report purports to compare Detroit to four allegedly “comparable” cities, namely, Indianapolis, Cleveland, Columbus and Minneapolis. That is absurd on its face. Stout’s own report shows (page 9) that in 2015, the year after Detroit exited from bankruptcy, Detroit’s median income was roughly \$25,000 per year, versus \$43,000 for Indianapolis, \$45,000 for Columbus and \$51,000 for Minneapolis. None of those cities are remotely “comparable” to Detroit. Although Cleveland’s median income was similar to Detroit’s, in 2015 some 40% of Detroit residents were below the poverty line versus 35% for Cleveland. Stout report, p. 11. And, of course, Cleveland never declared bankruptcy. For example, Judge Rhodes’ supplemental Opinion described his tour of the City as follows:

“The primary impression that remains with the Court following the tour is that blight in Detroit is extensive. The statistics do not fully convey its extent or impact. In neighborhood after neighborhood, short and long stretches of streets have abandoned structures—they can no longer be called homes—that are intimidating hulks. Some are partially or mostly burned out. Some have gaping holes in their roofs or collapsed garages. Many have missing doors and windows, and broken front steps and porches. Some are strewn with illegal dumping. All are vivid statements of their former owners' emotional and financial struggles, and of community loss.

“These streets also have vacant lots, or collections of vacant lots, on which unmanaged and unsightly vegetation has taken over from the structures after their removal. On the commercial streets, block after block of abandoned, boarded up and graffiti-littered strip shopping centers far outnumbered the occasional small businesses that have survived.

“It is heartbreaking, maddening and sad. No one should have to endure, day in and day out, the damage to the human spirit that can result from living in those surroundings. City residents who live, work and play in these neighborhoods deserve better. Detroit deserves better.” Supp. Op. at 167.

31. The Stout report (§17) acknowledges the following:

“Detroit has experienced a remarkable transformation since its emergence from bankruptcy. The median income of its residents has risen, while the number of families living below poverty, unemployment, and crime has declined. In addition, blight has been reduced, street lighting improved, emergency medical services (“EMS”) response times are down, and credit ratings have stabilized. However, Detroit’s population remains at lower income levels, including higher concentrations of poverty and crime rates, than the Comparable Midwestern Cities.”

32. Nevertheless, Mr. Roth “concludes” that Detroit could “afford” the dramatically increased funding payments under 20-year amortization because

Detroit allegedly is spending too much of its budget on “central government.” Stout report, ¶¶54 – 67.

33. The City’s review of Mr. Roth’s report raises substantial questions whether the “central government” comparison properly analyzes each City’s unique accounting policies and practices. But even if it does, Mr. Roth’s “opinion” completely ignores the fact that the City’s “remarkable transformation” was precisely the result of my administration’s spending priorities including “central government.” The “central government” spending was critical to the City’s job creation, housing initiatives, blight removal, neighborhood revitalization, revamping of City departments, and myriad other activities that produced the “remarkable transformation.” Mr. Roth never asked to speak to me about this or any other aspect of his report. Nor did the PFRS Board of Trustees or its Investment Committee request my input on the report or on the impact the 20-year amortization would have on the City.

34. The Stout report (¶¶54 – 55) notes that Detroit has lower levels of public safety spending as a percentage of general fund revenue than the “comparable cities.” I did not need Mr. Roth’s report to tell me that Detroit needs additional resources for public safety and many other priorities. The City’s financial crisis and bankruptcy devastated all City departments and employee morale, and none more than public safety. Improving public safety recruiting, pay, benefits and performance has been

a top priority to which my administration and I have devoted enormous time and effort. Mr. Roth also ignores the fact that the City would have been able to spend more on public safety had it not been required to fund the \$445 million Retiree Protection Trust Fund.

35. It is extremely disturbing that Mr. Roth, after acknowledging the City's need for additional resources for public safety, would nevertheless conclude that the City can "afford" sharp increases in pension funding payments under 20-year amortization. It is quite evident that Mr. Roth has no understanding of the realities and complexities of managing the City of Detroit. Nor does his resume list anything that would qualify him to opine on these subjects.

36. The Stout report also speculates that the City may in the future gain additional revenues via internet gaming. What we know for certain is that the pandemic wreaked havoc on the City's finances including income tax which is the City's largest revenue source. As a result of the pandemic, many thousands of employees who formerly worked in City offices are working from their homes in the suburbs. As a result, they are not paying City income tax. City restaurants, businesses, etc. are adversely affected.

37. To the extent the City does realize additional gaming tax from internet gaming, those have already been considered in the City's spending projections, so that would not be "additional revenues" available for pension funding.

38. Wholly apart from the fact that Mr. Roth has no crystal ball to see into the future, the Bankruptcy Court, the Court appointed mediators, Ms. Kopacz, the parties and their attorneys and advisors, spent thousands of hours working out the POA. The POA provided for a 30-year amortization period for the legacy plans' unfunded liabilities beginning with the 2024 fiscal year. It seems to me that if PFRS had identified some compelling need to change the POA, PFRS should have petitioned the Court for relief. But PFRS has never identified any such need and there is no reason for violating the POA with a 20-year amortization schedule.

39. Finally, as mentioned, in addition to the PFRS legacy plan, there is a legacy pension plan for non-public safety employees known as the General Retirement System ("GRS") plan. The Investment Committee for that Plan has advised that it is carefully following this funding dispute. In the event this Court allows PFRS to violate the POA, the City is justly apprehensive that GRS will feel compelled to do likewise. That would roughly double the additional upfront pension funding payments for the City.

I declare under the penalty of perjury that the foregoing is true and correct.



Michael Duggan

Dated: 6/15/22

EXHIBIT 2

Police and Fire Retirement System of the City of Detroit Actuarial Funding Policy



Introduction

The purpose of this Actuarial Funding Policy is to record the funding objectives and policy set by the Board of Trustees (Board) for the Police and Fire Retirement System of the City of Detroit (the System). The Board establishes this Actuarial Funding Policy to help ensure the systematic funding of future benefit payments for members of the Plan.

In 2014, the Plan for the System was written and approved by the bankruptcy court as part of the City's Plan of Adjustment (POA). At that time, the original retirement plan was split into two Retirement Plans: Component I (Hybrid) and Component II (Legacy). In accordance with the POA, employer contributions and certain assumptions cannot be changed until fiscal year 2024. This Policy is intended to recognize those items as fixed until 2024 and establish a funding policy for the period beginning in fiscal year 2024, when employer contributions must be determined on an actuarial basis. Nothing in this Policy is intended to prevent the Board from altering the Policy prior to fiscal year 2024 as conditions change or additional information becomes available to the Board.

This Policy shall be regularly reviewed by the Board.

Funding Objectives

1. Provide benefit security to members of the System:
 - a. For purposes of this policy, benefit security means having adequate liquidity to pay benefits when due.
2. Establish an appropriate employer contribution based on the following objectives:
 - a. Fully funding the Legacy Plan liability no later than 2054;
 - b. Keeping the Hybrid Plan fully funded; and
 - c. Managing employer contribution volatility.
3. Provide a reasonable margin for adverse experience to help offset risks.
4. Measure and monitor funding status, post-2024 contribution estimates and risk.
 - a. Perform annual valuations; and
 - b. Include post-2024 contribution estimates (based on this Policy) in annual actuarial valuations.

Elements of Actuarial Funding Policy

The Plans will have annual actuarial valuations each June 30. Employer contributions will be determined for the fiscal year ending two years after the valuation date. For example, the actuarially determined employer contribution for the fiscal year ending June 30, 2024 will be determined by the June 30, 2022 annual actuarial valuation.

Annual actuarial valuations may or may not also serve other purposes such as Legacy Plan restoration, Hybrid plan Section 9.5 fiscal responsibility calculations, and/or Annuity Savings Fund excess interest transfers between components. Unless otherwise stated, those purposes are not subject to this Policy.

For all other funding purposes, annual actuarial valuations will include the following elements of the Actuarial Funding Policy:

1. Actuarial Cost Method

- a. Hybrid Plan: The Entry Age actuarial cost method shall be used in determining the Actuarial Accrued Liability (AAL) and Normal Cost with the entry age based on date of hire. Since this component was created in July 2014 and granted eligibility and vesting service prior to July 2014 (for members hired before that date), this Plan had an unfunded actuarial accrued liability on the effective date, known as the transition cost. As of June 30, 2017, the AAL (including the transition cost) in the Hybrid Plan was fully funded. This Plan could become less than fully funded in the future if experience is less favorable than assumed or there are changes in assumptions or Plan provisions.
- b. Legacy Plan: The Unit Credit Normal actuarial cost method shall be used in determining Actuarial Accrued Liability (AAL) and Normal Cost. Since this component is closed and accrued benefits are frozen as of June 30, 2014, this method results in no normal costs and an AAL that equals the Present Value of Accrued Benefits (PVAB) of each member.

2. Asset Smoothing Method

- a. For estimating contributions prior to June 30, 2023, the Funding Value of Assets (or actuarial value of assets) will be equal to the Market Value of Assets, as mandated by the Plan of Adjustment. For determining (or estimating) employer contributions on or after fiscal year 2024, the Funding Value of Assets will be based on a method that employs smoothing of market gains and losses over a closed period. The smoothing period for recognized market gains and losses (above or below the assumed rate of return) will be a 3-year period.
- b. The Funding Value of Assets shall not diverge from the Market Value of Assets by more than 15%.
- c. The annual actuarial valuation will calculate results on both the smoothed value of assets and the (non-smoothed) Market Value of Assets beginning with the June 30, 2019 valuation (the Funding Value of Assets will initially be set to the Market Value of Assets as of June 30, 2018 with smoothing beginning prospectively). The post-2024 contribution estimate will always be based on the smoothed value of assets. Other results (UAAL, Funded Status, etc.) will be based on the Market Value of Assets prior to 2024 and the smoothed value of assets after 2023.



3. Amortization Method

a. Hybrid Plan

- a) A Level Percent of Payroll amortization method shall be used to systematically eliminate (pay off) the Unfunded Actuarial Accrued Liability (UAAL) over a closed 15-year period from the later of July 1, 2023 or the applicable fiscal year after the funded status falls below 100%.
- b) If funded status is above 100%, the contribution requirements for the UAAL will be \$0 (thereby creating a minimum employer contribution of employer normal cost).
- c) Layered amortizations will be considered by the Board post-2024.

b. Legacy Plan

- a) The Level Dollar amortization method shall be used to systematically eliminate (pay off) the Unfunded Actuarial Accrued Liability (UAAL) over a closed period of 20 years from July 1, 2023 for the UAAL as of July 30, 2022 (projected to July 1, 2023), and
- b) Layered amortizations that use 20-year closed periods for gains and losses occurring after June 30, 2022 (each 20-year period starts with the first payment after the applicable gain or loss occurs).

4. Funding Target and Cash Flow Projections

- a. The targeted funded ratio shall be 100%.
- b. The Legacy Plan annual actuarial valuation shall include projections of estimated employer contributions, expected benefit payments and estimated funded status to the later of fiscal year 2054 or 30 years after the applicable employer contribution fiscal year.
- c. Section 9.5 of the Plan details the actions to be taken if the 5-year projected funded status falls below 90% (Hybrid Plan, only).

5. Risk Management

a. Assumption Changes

- a) The actuarial assumptions used shall be those last adopted by the Board based on the most recent experience study and upon the advice and recommendation of the actuary. In accordance with the City Ordinance, the actuary shall conduct an experience study at least every five years. The results of the study shall be the basis for the actuarial assumption changes recommended to the Board. However, the assumed rate of return and the actuarial value of assets are mandated by the City's POA and cannot be changed prior to June 30, 2023.
- b) The actuarial assumptions may be updated at any time, as advised by the actuary, if significant Plan design changes or other significant events occur.
- c) The next experience study will be performed after the 2020 actuarial valuation and will include both economic (investment return, inflation, etc.) and demographic (mortality, retirement, disability, etc.) assumptions. Even though the investment rate of return may not be changed for determining employer contributions until after June 30, 2023, the Board may elect to show valuation results under an alternative reasonable assumed rate of investment return prior to 2023.



b. Risk Measures

a) Risk measures will be included in the annual actuarial valuations. Below is a list of potential measures to be included. The measures may be changed over time as deemed appropriate.

(i) Classic measures currently determined

- Funded ratio (assets / liability) on both a market value and funding value (if funding value is not equal to market).
- UAAL amortization period (years required to pay down the UAAL based on current funding rates).
- Portfolio rate of return for the year on both the market value and funding value of assets.
- 5- and 10-year geometric average portfolio rate of return on both the market value and funding value of assets (developed prospectively beginning with the 2019 valuation).
- 5- and 10-year standard deviation of return on both the market value and funding value of assets (developed prospectively beginning with the 2019 valuation).

(ii) Duration of the Actuarial Accrued Liability

- Measures the sensitivity of the liability to a 1% change in assumed rate of return. A decrease in this measure indicates a decrease in assumed rate sensitivity and vice versa.

(iii) Total UAAL / Covered Payroll

- Measures the risk associated with contribution rates relative to the impact on the ability to fund the UAAL. A decrease in this measure indicates a decrease in UAAL contribution risk and vice versa.
- Consideration will be given to using total payroll or revenue source, if available.

(iv) Total Assets / Covered Payroll

- Measures the risk associated with the potential impact of asset experience on contributions. A decrease in this measure indicates a decrease in asset risk and vice versa.
- Consideration will be given to using total payroll or revenue source, if available.

(v) Total AAL / Covered Payroll

- Measures the risk associated with the potential impact of liability experience on contributions. A decrease in this measure indicates a decrease in experience risk and vice versa. This also provides a long-term measure of the asset risk where the System has a target funded ratio of 100%.
- Consideration will be given to using total payroll or revenue source, if available.

(vi) Non-Investment Cash flow / Beginning of year assets

- Measures depletion risk, sensitivity to annual investment gains and losses risk and the maturity of the plan. For a mature open plan, this may converged to the negative of the real rate of return assumption (investment return less wage inflation). A less negative number (or a positive number) indicates a less mature plan and/or a plan that is at lower risk of fund depletion and less sensitive to annual gains and losses. A more negative number indicates a more mature plan and/or a plan that is more at risk of fund depletion and more sensitive to annual gains and losses. For a super-mature closed plan such as the Legacy plan, this may become more negative over time as liquidity needs increase.



(vii) Market Value of Assets / Benefit Payments

- Measure depletion risk. A low value estimates the number of years to depletion disregarding future contributions and investment return.

(viii) Solvency Liability

- Measures the estimated cost of accrued benefits as a result of minimizing investment risk in the portfolio.

b) Risk Control: The Board shall carefully monitor the risk measures above and shall consider steps to mitigate risk, particularly as the Legacy Plan funded ratio increases. Examples of risk mitigating techniques include, but are not limited to:

- (i) Reviewing investment risk in accordance with the Board's Investment Policy
- (ii) Adding provisions for adverse deviation in the actuarial assumptions
- (iii) Increasing employer contributions (through a change in methods, assumptions, or amortization period)
- (iv) Other



Glossary

1. **Actuarial Accrued Liability (AAL):** The difference between (i) the actuarial present value of future plan benefits; and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”
2. **Actuarial Assumptions:** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
3. **Actuarial Cost Method:** A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”
4. **Actuarial Gain (Loss):** A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used. For example, if during a given year the assets earn more than the investment return assumption, the amount of earnings above the assumption will cause an unexpected reduction in UAAL, or “actuarial gain” as of the next valuation. These include contribution gains and losses that result from actual contributions made being greater or less than the level determined under the policy.
5. **Actuary:** A person who is trained in the applications of probability and compound interest to problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events. Most actuaries in the United States are Members of the American Academy of Actuaries (MAAA). The Society of Actuaries is an international research, education and membership organization for actuaries in the life and health insurance, employee benefits, and pension fields. It administers a series of examinations leading initially to Associateship and the designation ASA and ultimately to Fellowship with the designation FSA.
6. **Amortization:** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.
7. **Unit Credit Normal Actuarial Cost Method:** A funding method that calculates the Normal Cost as the present value of the change in accrued benefits for active members.
8. **Experience Study:** An actuarial investigation of demographic and economic experiences of the system during the period studied. The investigation was made for the purpose of updating the actuarial assumptions used in valuing the actuarial liabilities.
9. **Funding Value of Assets:** The value of current plan assets recognized for valuation purposes. Generally based on a phased-in recognition of all or a portion of market related investment return. Sometimes referred to as Actuarial Value of Assets or Smoothed value of Assets.
10. **Market Value of Assets:** The fair value of plan assets as reported in the plan’s audited financial statements.
11. **Normal Cost (NC):** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.
12. **Unfunded Actuarial Accrued Liability (UAAL):** The positive difference, if any, between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”



EXHIBIT 3

MEETING NO. 3279
JOURNAL OF PROCEEDINGS
BOARD OF TRUSTEES OF THE POLICE AND FIRE RETIREMENT SYSTEM
OF THE CITY OF DETROIT
HELD THURSDAY, MARCH 04, 2021

9:00 A.M.
RETIREMENT SYSTEMS' CONFERENCE ROOM
ALLY DETROIT CENTER, 500 WOODWARD AVENUE; SUITE 3000
DETROIT, MICHIGAN 48226

TRUSTEES PRESENT

Douglas Baker	Ex/Officio Trustee/Corporation Counsel Alternate/Vice-Chairperson
Shawn Battle	Ex/Officio Trustee/Fire Prevention Chief/Mayoral Designee
Michael F. Berent	Elected Trustee/Fire/Chairperson
Matthew Gnatek	Elected Trustee/Police
Brenda Jones	Ex/Officio Trustee/City Council President
Angela R. James	Ex/Officio Retiree Trustee/Police/Mayoral Designee
Christa McLellan	Ex/Officio Trustee/Treasurer
John Naglick Jr.	Ex/Officio Trustee/Finance Director
George Orzech	Elected Retiree Trustee/Fire
Jeffrey Pegg	Elected Trustee/Fire
Dean Pincheck	Elected Trustee/Fire
John Serda	Elected Trustee/Police
Ronald Thomas	Elected Trustee/Police/Vice-Chairperson
Gregory Trozak	Elected Retiree Trustee/Police
Steven Watson	Ex/Officio Trustee/Budget Director

TRUSTEES EXCUSED

Portia Roberson	Ex/Officio Mayor's Designee
-----------------	-----------------------------

ALSO PRESENT

David Cetlinski	Executive Director
Kelly Tapper	Assistant Executive Director
Ryan Bigelow	Chief Investment Officer
Marcella Brewer	Recording Secretary
Ronald King	General Counsel
Bruce Babiarz	Public Relations Advisor
Dr. Oscar King III	Board Lobbyist

STAFF EXCUSED

None

PUBLIC COMMENT

- **Trustee Jones joined the meeting at 9:40 am (Detroit, MI)**

The following persons spoke on behalf of the sale of Baldwin Hills Crenshaw Mall:

Veronica
Amber High
Donald Beyers
Elaine
Harold Huggins
Patrice Fisher

PUBLIC RELATIONS REPORT

- WXYZ TV Inquiry
- Draft Medicare Letter

Trustee Pegg asked that letters be sent. Trustee James asked that some details on how many members would be affected be added to the letter if possible.

Trustee Pegg also noted that Bruce Babiarz of our Public Relations team did a great job with the draft Medicare Letter.

LOBBYIST'S REPORT

- Medicare Act of 50
- Legislative Log

Trustee Naglick moved to table any decisions on adopting a Funding Policy. Trustee McLellan supported. A roll call vote was taken. The motion did not pass.

Yeas: Baker, James, Jones, McLellan, Naglick, Watson - 6

Nays: Battle, Gnatek, Orzech, Pegg, Pincheck, Serda, Thomas, Trozak and Chairperson Berent - 9

Re: Gabriel Roeder Smith & Co., Presentation

Representatives Judith Kermans and David Kausch discussed the following with the Board of Trustees:

- Funding Policy Projection

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT
MEETING NO. 3279– THURSDAY – MARCH 04, 2021

The system’s actuary, GRS Consulting, presented information and scenarios with respect to the adoption of various actuarial assumptions for purposes of developing and finalizing a funding policy for PFRS. Following a detailed discussion related to this matter,

Trustee Pegg moved that the Board approve a funding policy which adopts layered amortization of any unfunded accrued liability using a 20-year amortization period and that the Funding Policy contained in Appendix II of the GRS March 3, 2020 Funding Policy Report presented to the Board be amended such that under Elements of Actuarial Funding Policy:

3. Amortization Method

b.
a) delete “to 25” and add at the end of the sentence, “using layered amortizations.”

(i) delete

b) delete

Trustee Gnatek supported. A roll call vote was taken. The motion passed.

Yeas: Gnatek, Orzech, Pegg, Pincheck, Serda, Thomas, Trozak and Chairperson Berent – 8

Nays: Baker, James, Jones, McLellan, Naglick, Watson – 6

Abstain: Battle

Re: Wilshire Presentation

Representatives David Lindberg and Calvin Born discussed the following with the Board of Trustees:

- Asset Class Performance
- Actual Allocation v Policy Allocation
- Composite Performance Summary
- Plan Sponsor Peer Group Analysis – Multi Statistics
- Diversification Challenges
- Looking Forward
- Illustration of Risk – Examples
- Economic Factor Exposures
- Distribution of Returns (One Year)
- Drawdown Potential and Liquidity Considerations

Presentation materials provided.

EXHIBIT 4



**OFFICE OF THE
CHIEF FINANCIAL OFFICER**

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, Michigan 48226

Phone 313-628-2535
Fax 313-224-2135
OCFO@detroitmi.gov
www.detroitmi.gov

Sent July 21, 2021

City of Detroit – PFRS Ability to Pay Analysis

Introduction

In response to the list of questions and request for information to evaluate what is characterized as an “Ability to Pay Analysis” for the Police and Fire Retirement System, please find the following responses and attached information.

These responses must be considered in context of the City’s recent financial history and the constraints, and requirements, of the Plan of Adjustment supervised by the Federal Bankruptcy Court and the Financial Review Commission.

Questions asked, such as what are “mandated” or “essential” departments or budget items, may have one definition in accounting or statutory terms, but have a much different meaning in the context of the service levels required and the \$1.7 billion Plan of Adjustment (“POA”) obligation upon the City to reduce blight, improve technology, reduce crime and recreate the City as a vibrant, solvent and sustainable community. These were essential factors assumed by the Court in determining the feasibility of the POA.

In the bankruptcy proceeding, Jones Day, its many attorneys and experts, and a laundry list of actuaries and other experts, spent thousands of hours and many millions of dollars devising the Plan of Adjustment. The POA made 40-year projections which included, after FYE June 30, 2023, a 30-year amortization of the frozen GRS and PFRS UAAL. In conjunction with those efforts, enormous time and money was spent on the question whether the POA was feasible.

Judge Rhoades found the POA “feasible,” but just barely. That finding was based in part on the assumption that the City, based on the “Grand Bargain,” would not have to make any meaningful contributions to the frozen pension plans until after FY 2023. Also on that basis, public safety retirees were relieved of any pension cuts other than a 55% reduction to scheduled cost of living increases. Even then the Court appointed independent expert, Martha Kopacz, expressed grave concerns about the POA’s feasibility:

“I want to emphasize, however, that there is little space remaining on the continuum of [feasibility]. The recent settlements and corresponding amendments to the Plan of Adjustment have served the laudable goals of efficiently resolving disputes and garnering additional support for the Plan of Adjustment. Conversely, they have imposed additional financial obligations on the City. I have already expressed concerns regarding the level of contingency provided for in the Plan of Adjustment. The financial obligations associated with the recent settlements only intensify this concern.” *In re City of Detroit*, 524 B.R. 147, 219 (2014).

Your inquiry also seeks to determine, and presumably evaluate, the basis for revenue estimates for the City’s Four-Year Financial Plan. It is important to understand that a Four-Year forecast, which is annually revised, is substantively different in both purpose and concept from the forecast used by the Court in reviewing the feasibility of the Plan of Adjustment. Revenue variances and pressures, and budgetary needs, can change dramatically on an annual basis, let alone on a 4 year or 30 year basis.



The City submits that there is no basis on which Stout, the Board or the Investment Committee (IC), could possibly make a better forecast or create a better plan than the POA. There, despite a 30-year amortization schedule, both the Court and its feasibility expert recognized the serious risks that the City would end up in bankruptcy again. It is inconceivable that conclusion be second-guessed now for shortening the POA's 30-year amortization schedule.

We ask you to consider just two of the major events that have happened in only 7+ years since the approval of the POA.

- It was only one year after the POA that PFRS' actuaries – who were intimately involved with the POA – “discovered” that due to a dreadful actuarial mistake, the frozen plans were underfunded by many more hundreds of millions of dollars than believed when the POA was devised.
- No one could have foreseen, at the time of the POA that a worldwide pandemic would hit in 2020. That pandemic, among other things, threatens all of the POA's assumptions about City revenues, particularly the income tax revenue.

In the relatively short time since the POA there have been two major disruptions to the assumptions underlying the POA, both of which are significantly detrimental to the City. Likewise, it is impossible to foresee the future including how the City's economy and tax base may change due to the pandemic and whether and when future recessions and other events may occur.

While the City has made significant progress since the bankruptcy, it is useful to remember what Judge Rhoades wrote in his Opinion after taking a tour of the City:

“The primary impression that remains with the Court following the tour is that blight in Detroit is extensive. The statistics do not fully convey its extent or impact. In neighborhood after neighborhood, short and long stretches of streets have abandoned structures—they can no longer be called homes—that are intimidating hulks. Some are partially or mostly burned out. Some have gaping holes in their roofs or collapsed garages. Many have missing doors and windows, and broken front steps and porches. Some are strewn with illegal dumping. All are vivid statements of their former owners' emotional and financial struggles, and of community loss.

“These streets also have vacant lots, or collections of vacant lots, on which unmanaged and unsightly vegetation has taken over from the structures after their removal. On the commercial streets, block after block of abandoned, boarded up and graffiti-littered strip shopping centers far outnumbered the occasional small businesses that have survived.

“It is heartbreaking, maddening and sad. No one should have to endure, day in and day out, the damage to the human spirit that can result from living in those surroundings. City residents who live, work and play in these neighborhoods deserve better. Detroit deserves better.”

The City, through extraordinary efforts, has thus far demolished some 21,000 blighted homes. However, approximately 17,500 remain standing. This is only the residential blight. Commercial and industrial blight continues to pervade the community. We suggest the IC take a similar tour of the City. Immense challenges remain as to blight, public safety, and endemic poverty.

Finally, before the IC and PFRS Board make any decisions on the amortization issue, the City believes it is critically important to hear from Mayor Mike Duggan and a representative of the City's expert actuarial firm, Cheiron. Certainly, in making a decision this important, the IC and Board should want to be fully informed to the extent possible. Mayor Duggan's knowledge and expertise about the City is unique, and has views that should be heard.

The City's expert has views that conflict with the actuaries advising the Board and IC. The City's expert believes that the fact this is a closed and frozen plan should be an important factor in the amortization discussion. The expert's opinion would mitigate market risk. These are views that should be heard.

The possibility of another City bankruptcy was a real concern when the POA was devised. Again, while progress has been made in mitigating that risk, enormous challenges remain. We look forward to a meaningful dialogue with you.

Questions & Responses

1. In the FY2022 to FY2025 Four-Year Financial Plan, what departments or budget items are considered to be "mandated" or "essential"?¹
 - a. How are "mandated and other essential programs and activities" determined?
 - b. Are any different processes used to forecast "mandated and other essential programs and activities" from items that do not have this designation?

Response: The cited provision of the Home Rule City Act relates to our General Fund budget reserve (or "Rainy Day Fund"). The Home Rule City Act further requires the City maintain this reserve equal to at least 5% of all projected General Fund expenditures. As such, all approved budget expenditures are considered mandated or other essential programs to deliver City services to Detroiters.

The Adopted FY22-FY25 Four-Year Financial Plan restores the Rainy Day Fund to about 10% after the City utilized \$50 million during FY21 due to pandemic-induced revenue losses. According to the Government Finance Officers Association's best practices, the City should be maintaining two months' worth of expenditures (17%). While our Rainy Day Fund exceeds the bare minimum today, we will need to add another \$72 million to reach this best practice standard of 17%.

2. The February 2021 Revenue Estimating Conference Report includes an estimation for reduced levels of income tax due to remote work (see p. 13-14).
 - a. How were these estimates developed?
 - b. What data was used?
 - c. Were any formal studies used in creating this forecast?

Response:

- a. Estimates were developed by applying 3 year moving averages of employment and wage data to resident and non-resident income derived from total withholding in the most recently completed

¹ Section 4t(1)(b)(vi) of the Home Rule City Act includes states that the City's financial plan must include "measures to assure adequate reserves for mandated and other essential programs and activities in the event of an overestimation of revenue, an underestimation of expenditures, or both".

EXHIBIT 5

Aug 2, 2021 Gabriel report to PFRS



800.521.0498 | P: 248.799.9000 | www.grsconsulting.com

August 2, 2021

CONFIDENTIAL

Police and Fire Retirement System
of the City of Detroit
One Detroit Center
500 Woodward Ave., Suite 3000
Detroit, Michigan 48226



Attention: Mr. David Cetlinski, Executive Director

Re: Alternate Funding Policy Projections for the Police and Fire Retirement System of the City of Detroit

Dear Mr. Cetlinski:

At the request of the Investment Committee (IC) of the Police and Fire Retirement System of the City of Detroit, we have prepared this supplemental report of alternate funding policy projections. The underlying projection tool that is used to develop this report has been updated to reflect June 30, 2020 valuation results. At the request of the IC, this report shows two funding policies: (1) initial 20-year period with separate 20-year amortization of each gain/loss; and (2) a single closed 25-year amortization period. We have been asked to show both policies under three possible investment return scenarios. We look forward to presenting this report. We will also have the tool available during that presentation, if additional scenarios are needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Jamal Adora".

Jamal Adora, ASA, EA, MAAA

JJA:sc

Enclosure

cc: Ryan Bigelow, City of Detroit Retirement Systems
Kelly Tapper, City of Detroit Retirement Systems
Gail Oxendine, City of Detroit Retirement Systems
Judith A. Kermans, GRS
David T. Kausch, GRS

One Towne Square | Suite 800 | Southfield, Michigan 48076-3723

Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Requested By: Police and Fire Retirement System of the City of Detroit (PFRS)
Date: August 2, 2021
Submitted By: Jamal Adora, ASA, EA, MAAA
David T. Kausch, FSA, EA, FCA, MAAA, PhD
Judith A. Kermans, EA, FCA, MAAA
Gabriel, Roeder, Smith & Company

This report contains:

- Results of actuarial projections and cash flow modeling under alternate scenarios requested by the Investment Committee;
- A discussion of considerations related to establishing a funding policy; and
- The current funding policy adopted by the PFRS Board (adopted on March 4, 2021).

The purpose of this report is to model how different post-2023 employer contribution determinations might affect projected cash flow and projected funded status under various possible scenarios.

David T. Kausch, Judith A. Kermans, and Jamal Adora are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This report may be shared with other parties, but only in its entirety and only with the permission of the PFRS. Gabriel, Roeder, Smith & Company is not responsible for unauthorized use of this report. This report should not be used for any purpose other than the purpose stated above. The actuaries issuing this report are independent of the Plan and the Plan Sponsor.

The initial date of the projection was June 30, 2020. This means that the membership census was as of June 30, 2020 and the projected benefits came from an actuarial valuation as of June 30, 2020. All actuarial assumptions and methods are the same as those used in the June 30, 2020 actuarial valuation, except as described in the various scenarios. It is important to note that projections do **not** predict the result of future actuarial valuations. Rather, they indicate the relative changes or sensitivity to certain changes in parameters such as investment return and patterns of employer contributions.



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

For additional information on actuarial assumptions, please see the June 30, 2020 actuarial valuation of Component II. Actuarial assumptions are adopted by the Board and the Investment Committee (unless mandated by the Plan). Please note the following:

- The assumed rate of interest was 6.75% (as mandated by the Plan);
- Component II benefits were frozen as of June 30, 2014; and
- Employer contributions through 2023 are fixed by the Plan and/or the Plan of Adjustment (POA) approved by the Bankruptcy Court. The Board has not yet established a funding policy for post-2023 contributions.

As part of the City's Bankruptcy, the Courts approved the City's Plan of Adjustment (POA), which included a re-writing of the Plan document and certain mandated employer contributions. Our understanding is that while the Board is charged with setting actuarial assumptions for use in the valuation, the assumed rate of return used in the annual valuation cannot be changed until FY 2024. In addition, employer contributions are set forth in the POA. While the City has some discretion to accelerate the Component II (Legacy) Plan contributions, the Board has no discretion to adopt contribution requirements beyond what is provided for in the POA until FY 2024. On and after July 1, 2023 (FY 2024) the Board will establish the methods and assumptions to be used for computing the employer contributions to the Plan (See Article 9 of the Component I Plan and Article G of the Component II Plan). The FY 2024 contribution will be determined by the June 30, 2022 actuarial valuation.

Background

Gabriel, Roeder, Smith & Company has been working with the Trustees to assist them with the development of a funding policy over the last several years. On March 4, 2021, the PFRS Board adopted the Funding Policy shown in the Appendix of this report.

Since the adoption of a Funding Policy by the PFRS Board, we have been working with Retirement System staff to assist the IC with Funding Policy scenarios. We met with the IC Board on April 12, 2021 and again on June 14, 2021. During that meeting we were asked to update the funding policy tool and this report.



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Discussion

In developing their funding policy, the Trustees were concerned with the following :

- The adequacy of the contributions coming into the fund; and
- The affordability of the computed employer contributions determined under the policy.

Taking the second issue first, GRS does not have the data nor the expertise to determine the employer's ability to pay any specific level of contributions. The employer does, however, have representation on the Board and IC. We defer this question to those representatives.

The first issue (the adequacy of the contributions) can be considered in more than one way. The adequacy of a funding policy (and the contributions produced by it) can certainly be confirmed if all of the promised benefits are able to be paid. However, waiting until that determination can be made is too late. Instead, a reasonable approach is to estimate the adequacy of the contributions by looking at the projected funded status of the Plan and whether or not the fund is projected to run out of money before all future estimated benefits are paid. In addition, by varying parameters that model future plan experience we can estimate how the funding policy reacts to different future potential experience. In general, the policy should not only work under the baseline (when all future experience is exactly as assumed under current valuation assumptions) but also under pessimistic scenarios (when future experience is less favorable than current valuation assumptions). The policy should "react" to future System losses to ensure continued funding progress as well as maintaining contribution levels that comply with Michigan State laws. If certain scenarios indicate that projected future funding status is likely to fall below a level that the Board views as reasonable or even result in a depletion of all plan assets, then a more aggressive policy should be considered.

The scenarios shown herein were requested by the IC. However, the illustrations come from our funding policy utility tool which we have modeled in live presentations many times for the Board and IC. If the IC members believe they need to see additional scenarios in order to evaluate a specific policy, we are happy to model those scenarios as well.



Police and Fire Retirement System of the City of Detroit

Supplemental Actuarial Report as of June 30, 2020

The Component II (Legacy Plan) illustrations we have included illustrate two funding methods (Method 1 and Method 2) under three investment return scenarios (Scenario A, Scenario B, and Scenario C):

Funding Method Description:

Method 1: 20-Year Level Dollar with 20-Year Layered Amortization

- 20-year level dollar financing beginning with the FY 2024 Employer Contribution. Gains and losses occurring after 2024 are amortized over separate 20-year closed layers. This is the amortization policy adopted by the PFRS Board.

Method 2: 25-Year Level Dollar

- 25-year level dollar financing beginning with the FY 2024 Employer Contribution. For purposes of these illustrations there is a single, closed 25-year amortization period throughout the projection for all gains and losses.

Investment Return Scenario:

Scenario A: Baseline (slightly different than the 6.75% valuation assumption)

- Fiscal Year 2021: 23.50% investment return based on the market return reported near the end of the fiscal year
- Fiscal Year 2022 to 2031: 6.00%
- Fiscal Year 2032 to 2041: 7.00%
- Fiscal Year 2042+: 6.75%
- No asset smoothing

Scenario B: Downside Level 1

- Fiscal Year 2021: 23.50% investment return based on market return reported near the end of the fiscal year
- Fiscal Year 2022 to 2031: 4.50%
- Fiscal Year 2032 to 2041: 6.00%
- Fiscal Year 2042+: 6.75%
- No asset smoothing

Scenario C: Downside Level 2

- Fiscal Year 2021: 23.50% investment return based on market return reported near the end of the fiscal year
- Fiscal Year 2022 to 2031: 3.50%
- Fiscal Year 2032 to 2041: 5.50%
- Fiscal Year 2042+: 6.75%
- No asset smoothing



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

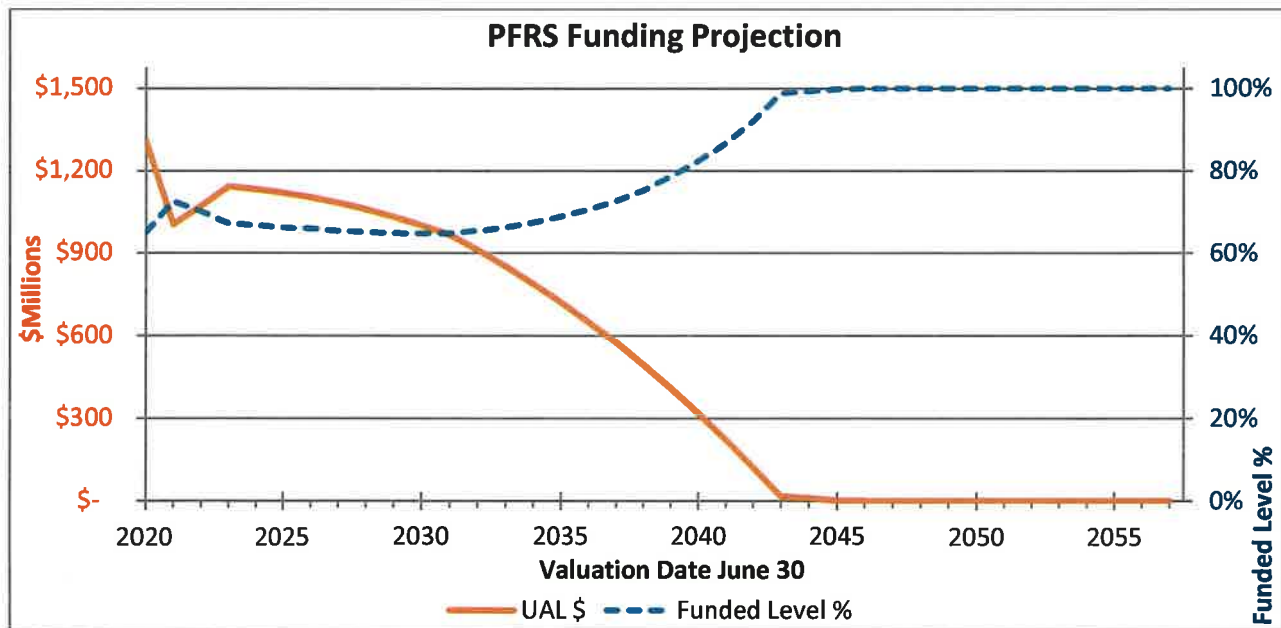
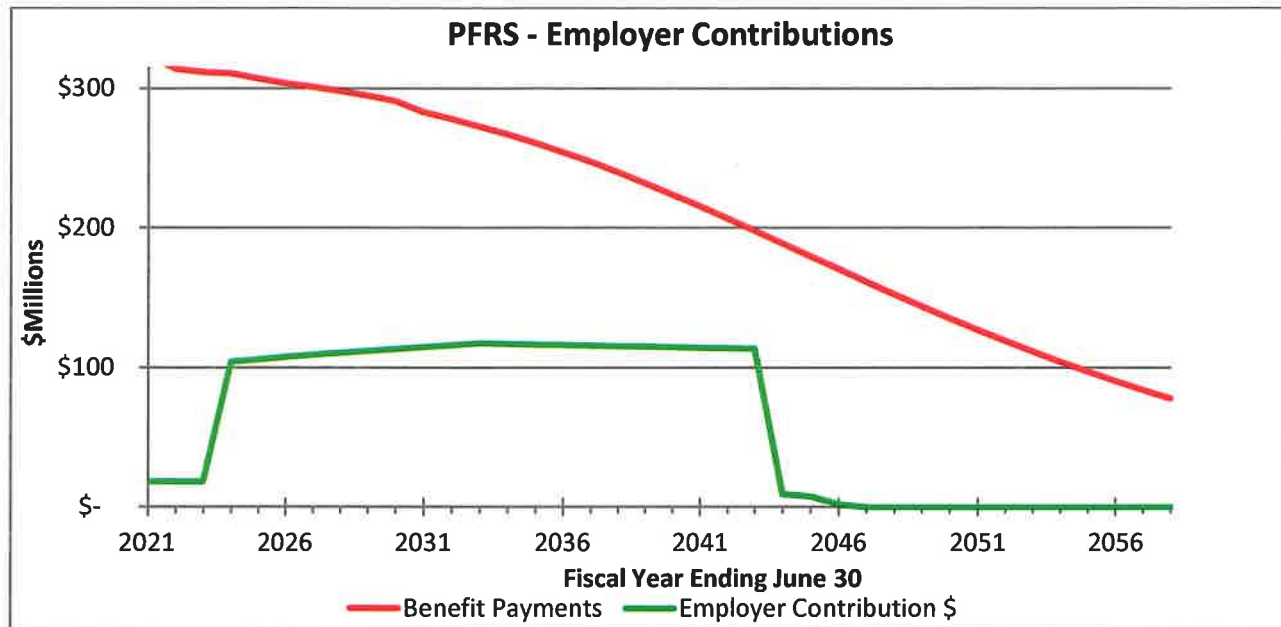
We have parameters in the tool that also model:

- Rate of investment earned in each future year
 - Input in each future year
 - Randomly generated based on a lognormal distribution with entered mean and standard deviation
- Asset Smoothing of 1 to 5 years on and after the June 30, 2023 actuarial valuation
- Layered closed amortizations for future gains and losses based on an initial period parameter
- Adding/Simplifying the displays of different possible results

The Appendix includes the current Funding Policy approved by the PFRS Board on March 4, 2021.

Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Funding Method 1: 20-Year Level Dollar with 20-Year Layered Amortization Investment Return Scenario A: Baseline



Employer Contributions for FYE June 30, (\$ Millions)

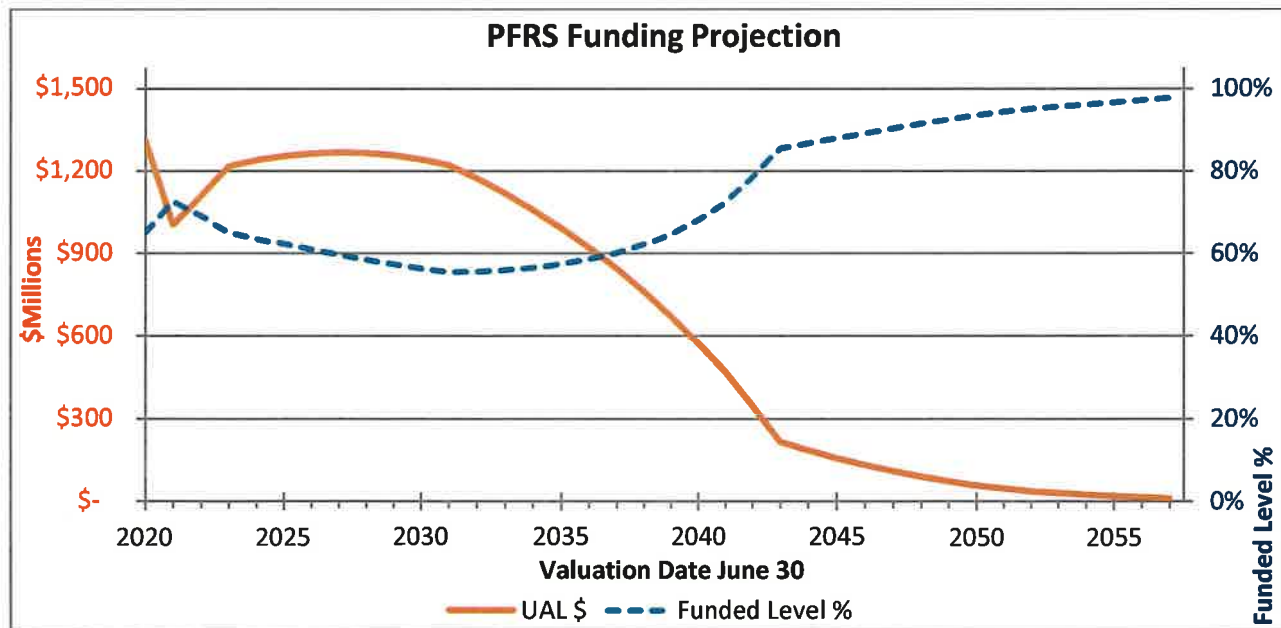
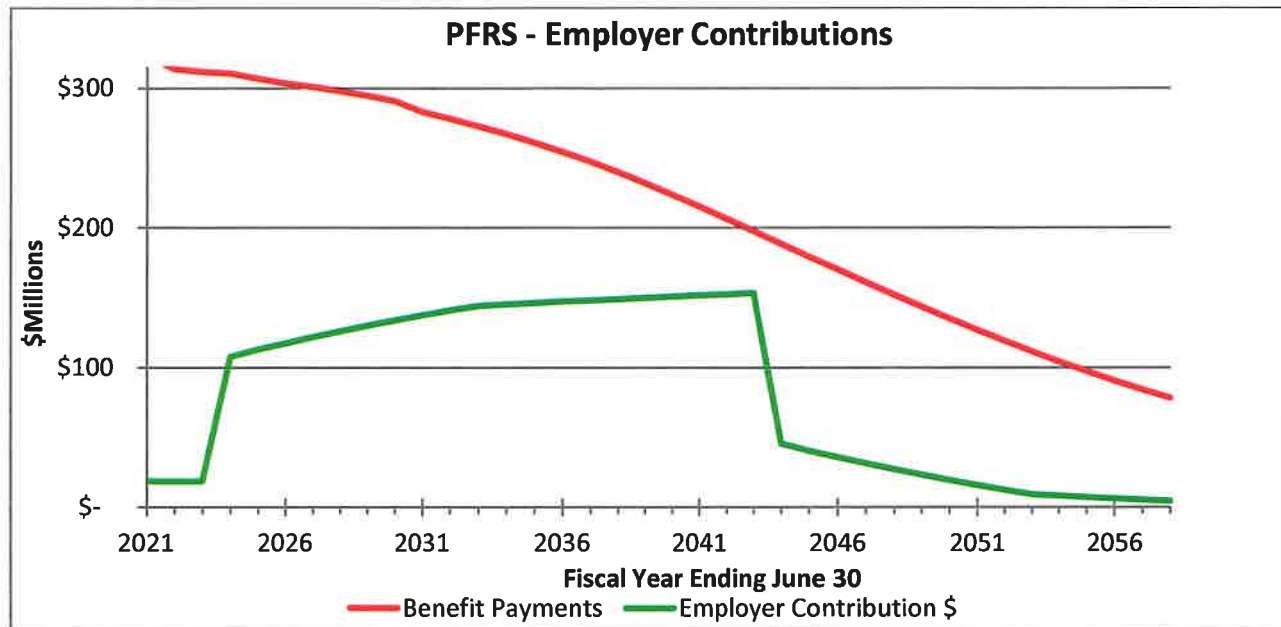
2021	2024	2026	2031	2036	2041	2043	2044	2046	2048	2049	2051	2056	2057
18.3	104.1	107.4	114.7	116.1	114.3	113.6	9.5	2.2	0.0	0.0	0.0	0.0	0.0

Note: Contributions remain relatively stable and the funded status remains above 64%.



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Funding Method 1: 20-Year Level Dollar with 20-Year Layered Amortization Investment Return Scenario B: Downside Level 1



Employer Contributions for FYE June 30, (\$ Millions)

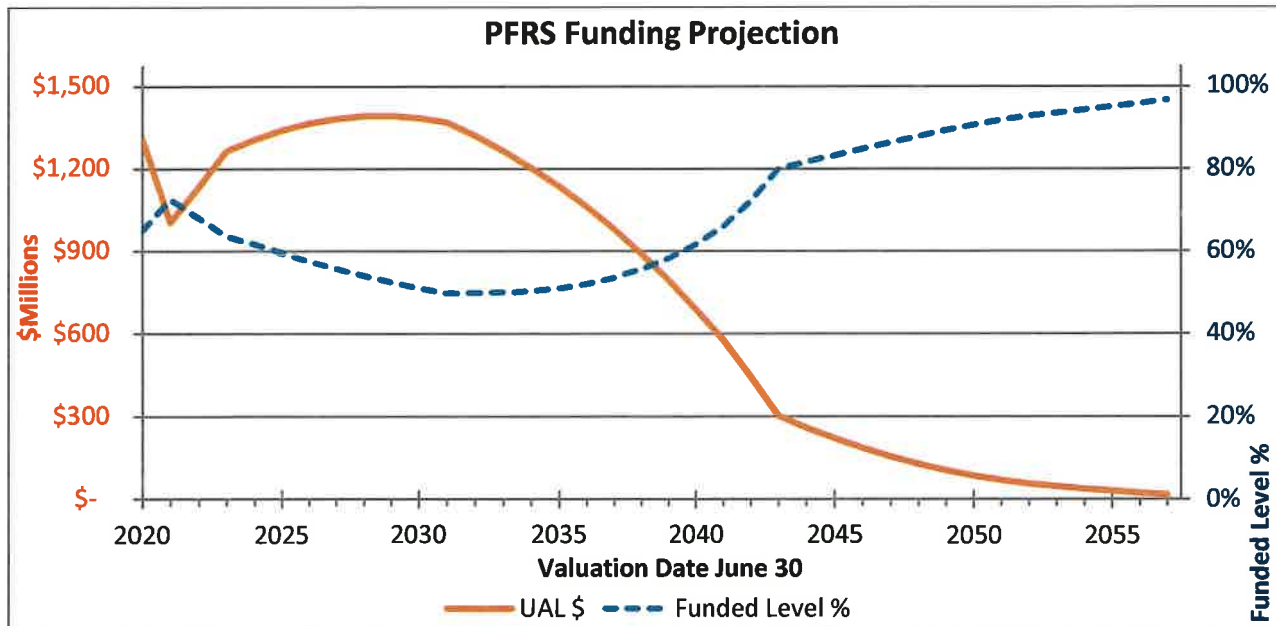
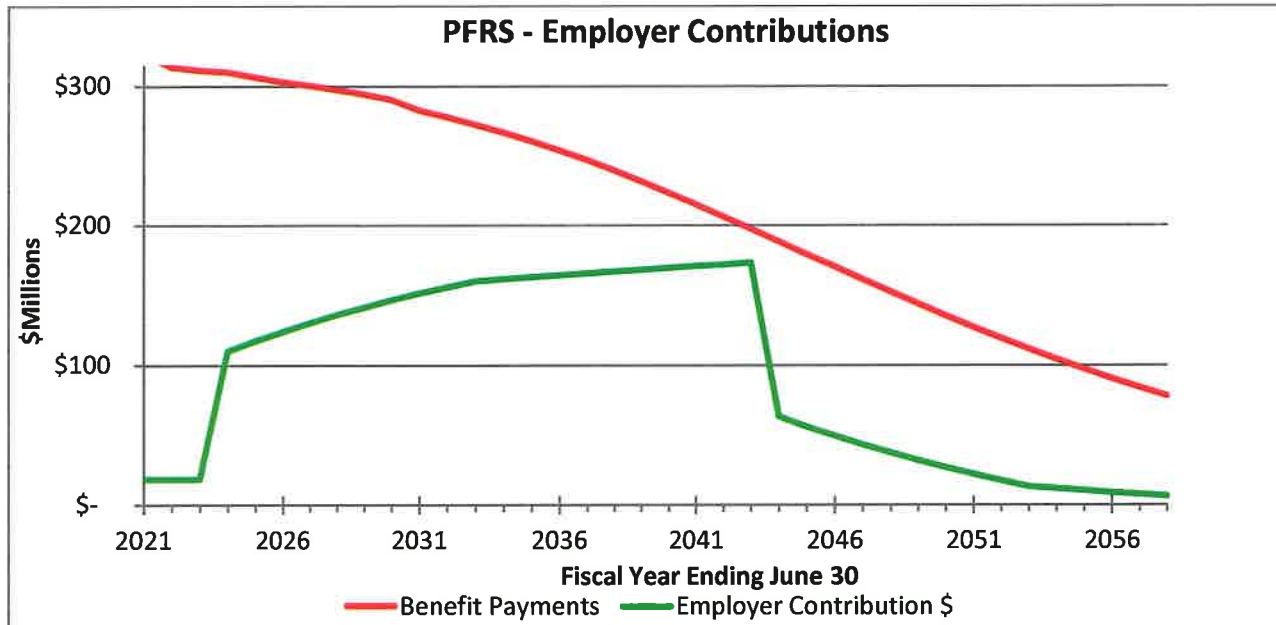
2021	2024	2026	2031	2036	2041	2043	2044	2046	2048	2049	2051	2056	2057
18.3	107.7	117.5	137.6	147.2	151.6	153.3	45.6	35.8	27.1	23.1	15.7	6.0	5.1

Note: Contributions increase each year until 2044 when the initial 20-year amortization period ends. After 2044, amortization layers resulting from investment losses begin to expire and the contribution requirement continues to go down. The funded level stays above 55% and becomes 100% funded in 2062.



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Funding Method 1: 20-Year Level Dollar with 20-Year Layered Amortization Investment Return Scenario C: Downside Level 2



Employer Contributions for FYE June 30, (\$ Millions)

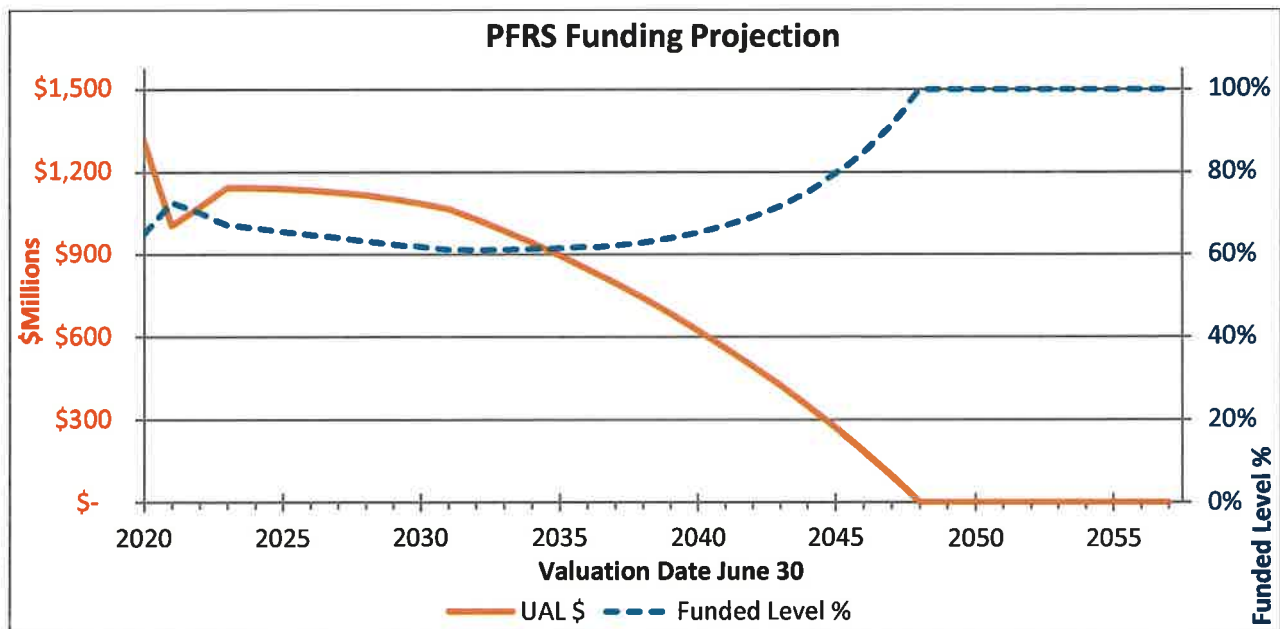
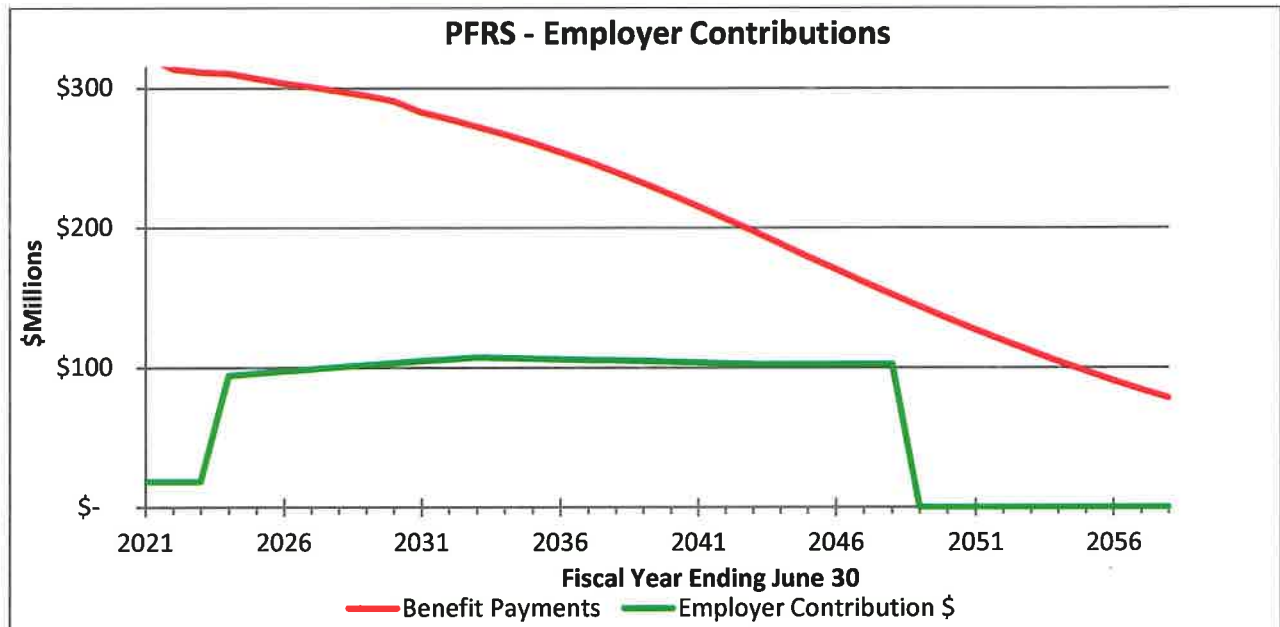
2021	2024	2026	2031	2036	2041	2043	2044	2046	2048	2049	2051	2056	2057
18.3	110.2	124.0	151.5	164.6	171.0	173.5	63.4	49.5	37.5	32.0	22.0	8.9	7.6

Note: Contributions increase each year until 2044 when the initial 20-year amortization period ends. After 2044, amortization layers resulting from investment losses begin to expire and the contribution requirement continues to go down. The funded level stays above 49% and becomes 100% funded in 2062.



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Funding Method 2: 25-Year Level Dollar Contribution Investment Return Scenario A: Baseline



Employer Contributions for FYE June 30, (\$ Millions)

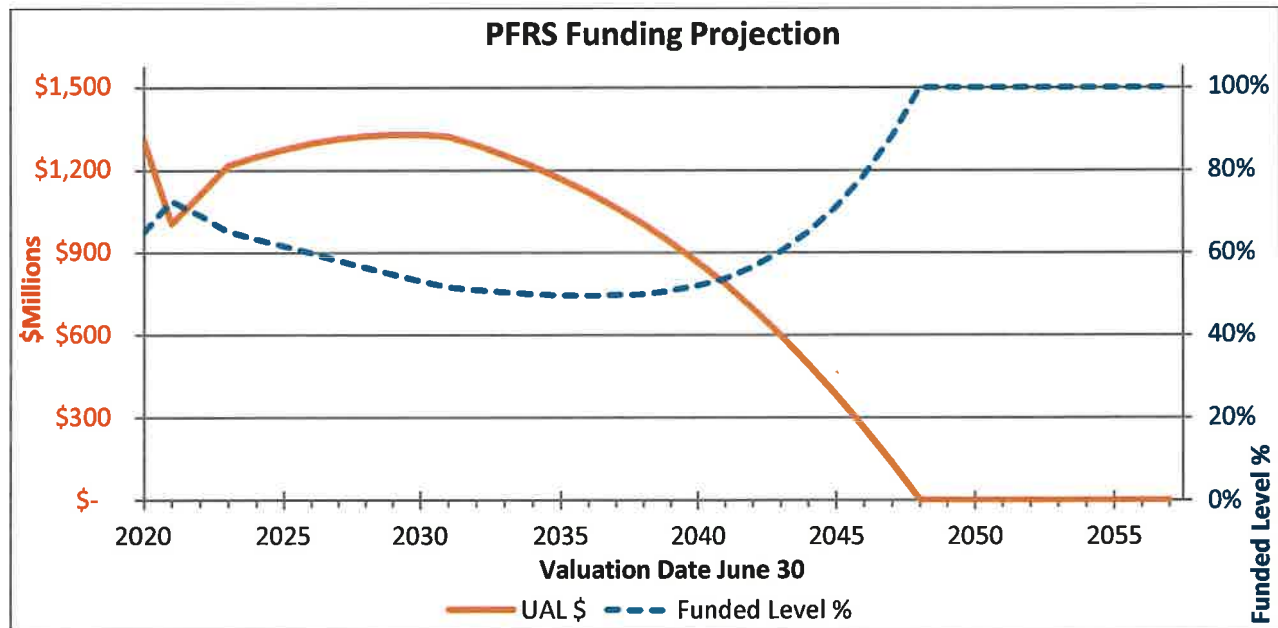
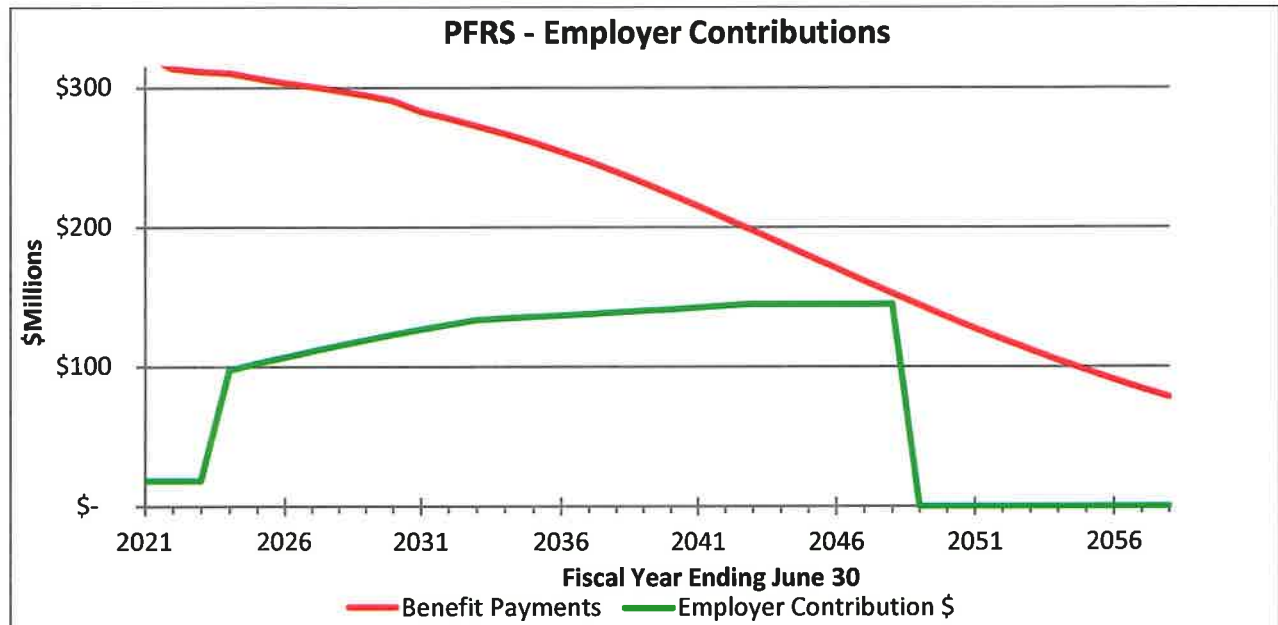
2021	2024	2026	2031	2036	2041	2043	2044	2046	2048	2049	2051	2056	2057
18.3	94.3	97.4	104.6	106.0	103.6	102.5	102.5	102.5	102.5	0.0	0.0	0.0	0.0

Note: Contributions are generally stable, funded level stabilizes around 60% for several year before increasing to 100% in 2048.



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Funding Method 2: 25-Year Level Dollar Contribution Investment Return Scenario B: Downside Level 1



Employer Contributions for FYE June 30, (\$ Millions)

2021	2024	2026	2031	2036	2041	2043	2044	2046	2048	2049	2051	2056	2057
18.3	97.6	106.7	126.4	136.7	142.3	144.9	144.9	144.9	144.9	0.0	0.0	0.0	0.0

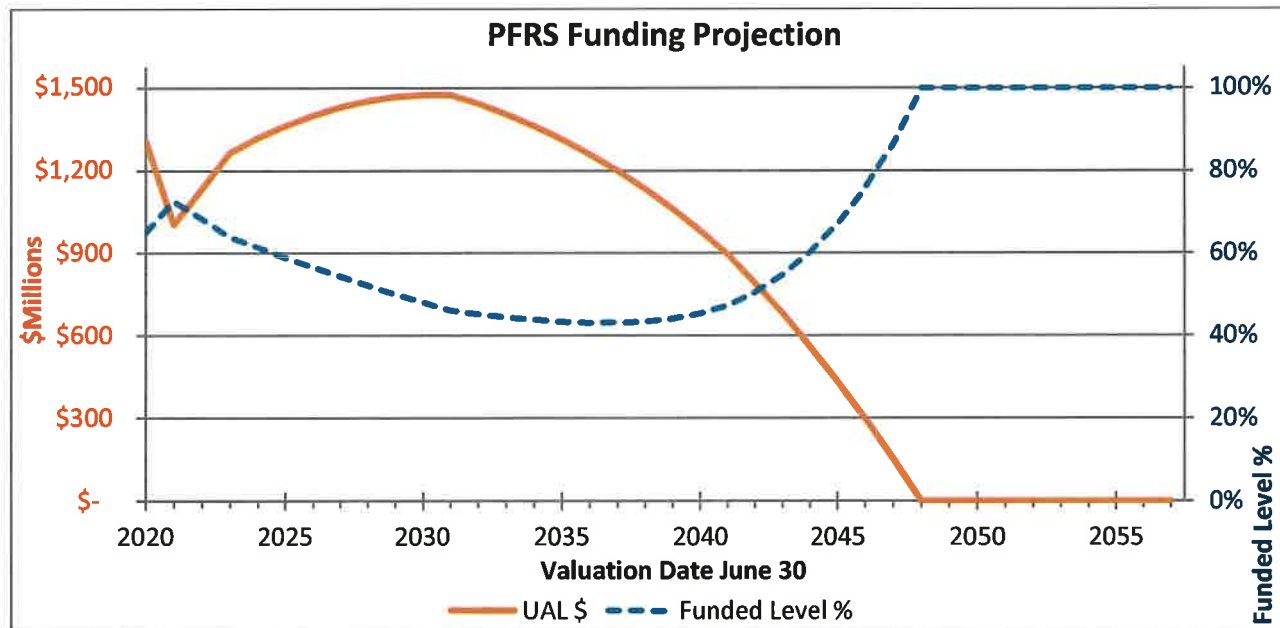
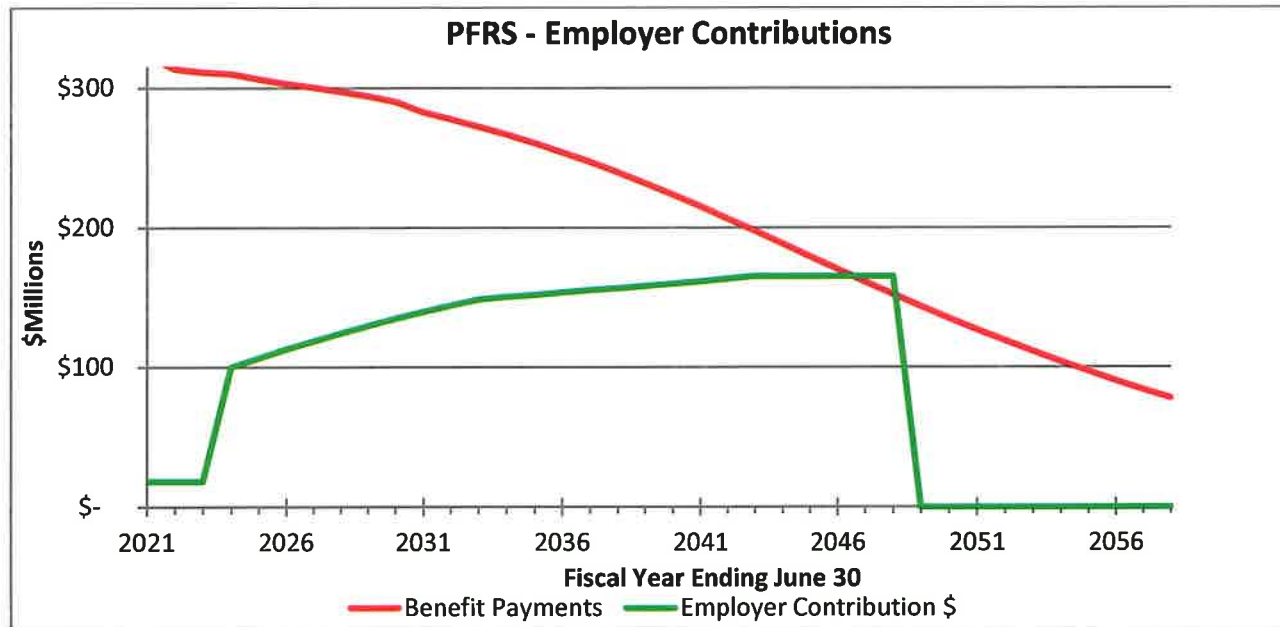
Note: Contributions increase each year in reaction to asset losses, funded level bottoms out near 50% in 2036 then increases to 100% in 2048.



8/2/2021 -10-

Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Funding Method 2: 25-Year Level Dollar Contribution Investment Return Scenario C: Downside Level 2



Employer Contributions for FYE June 30, (\$ Millions)

2021	2024	2026	2031	2036	2041	2043	2044	2046	2048	2049	2051	2056	2057
18.3	99.8	112.7	139.6	153.5	161.4	165.2	165.2	165.2	165.2	0.0	0.0	0.0	0.0

Note: Contributions increase each year in reaction to asset losses, funded level bottoms out near 43% around 2036 then increases to 100% in 2048.



8/2/2021 -11-

Police and Fire Retirement System of the City of Detroit

Supplemental Actuarial Report as of June 30, 2020

Comments

Comment 1 — It is our understanding that the first actuarially determined employer contribution for Fiscal Year 2024 will be determined by the June 30, 2022 actuarial valuation.

Comment 2 — The projections included herein are provided at the Investment Committee's request and are intended to illustrate possible future trends in funding, given the specific input parameters. These results are not intended to detail the full range of results. This report is designed to be used in connection with a projection tool to allow for the varying of certain parameters in order to assist the IC in the evaluation of various funding scenarios. The projection tool used for this report has been modified from the version presented on June 14, 2021 to adjust for expected contributions between the valuation date and applicable fiscal year for determining the employer contribution. Results may differ from those shown in the presentation on June 14th.

Comment 3 — For the purposes of these illustrations, the prescribed economic assumptions of modeled future investment return for the three scenarios are reasonable to use for testing the downside investment risk of different funding policies. However, other alternatives exist and can be modeled with this tool. Assessing the reasonableness of the assumed rate of return for discounting plan liabilities in future valuations is a separate project independent of this report.

Comment 4 — This report was prepared using our proprietary valuation model, funding policy tool and related software which, in our professional judgment, have the capability to provide results that are consistent with the purposes of the request and have no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Comment 5 — We believe the amortization period used for financing unfunded liabilities must be at or below 30 years. A maximum 30-year period is set by Michigan Public Act 314 of 1965, as amended. New reporting requirements as detailed in Michigan Public Act 202 of 2017 and may result in the additional reporting of computed contributions based on a 20-year or shorter period if a longer period is used in the funding policy.

Comment 6 — These projections do not reflect any potential benefit changes under restoration or asset transfers to the Component I (Hybrid Plan). In particular if the FY 2021 returns equal 23.50% (as modeled), then the Legacy Plan will actually see a smaller investment return in that year due to the excess investment return transfer to the Hybrid Plan that is called for under the Plan provisions.

Comment 7 — Once an initial funding policy is developed, it should be monitored, reviewed and updated as needed.

Comment 8 — The calculations are based upon assumptions regarding future events, which may or may not materialize. If you have reason to believe that the assumptions that were used are unreasonable, that the Plan provisions are incorrectly described, that important Plan aspects relevant to the projections are not included, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report.



Police and Fire Retirement System of the City of Detroit Supplemental Actuarial Report as of June 30, 2020

Comments

Comment 9 — If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the authors of the report prior to making such decision.

Comment 10 — Projections are not predictions. The reader of this report should keep in mind that actuarial calculations are mathematical estimates based on current data and assumptions about future events (which may or may not materialize). Please note that actuarial calculations can and do vary from one valuation year to the next.

Comment 11 — A determination of the plan sponsor's ability to make contributions when due (before and/or after the illustrated funding policies modeled) was outside our scope of expertise and was not performed.



APPENDIX

FUNDING POLICY

Police and Fire Retirement System of the City of Detroit

Actuarial Funding Policy

Introduction

The purpose of this Actuarial Funding Policy is to record the funding objectives and policy set by the Board of Trustees (Board) for the Police and Fire Retirement System of the City of Detroit (the System). The Board establishes this Actuarial Funding Policy to help ensure the systematic funding of future benefit payments for members of the Plan.

In 2014, the Plan for the System was written and approved by the bankruptcy court as part of the City's Plan of Adjustment (POA). At that time, the original retirement plan was split into two Retirement Plans: Component I (Hybrid) and Component II (Legacy). In accordance with the POA, employer contributions and certain assumptions cannot be changed until fiscal year 2024. This Policy is intended to recognize those items as fixed until 2024 and establish a funding policy for the period beginning in fiscal year 2024, when employer contributions must be determined on an actuarial basis. Nothing in this Policy is intended to prevent the Board from altering the Policy prior to fiscal year 2024 as conditions change or additional information becomes available to the Board.

This Policy shall be regularly reviewed by the Board.

Funding Objectives

1. Provide benefit security to members of the System:
 - a. For purposes of this policy, benefit security means having adequate liquidity to pay benefits when due.
2. Establish an appropriate employer contribution based on the following objectives:
 - a. Fully funding the Legacy Plan liability no later than 2054;
 - b. Keeping the Hybrid Plan fully funded; and
 - c. Managing employer contribution volatility.
3. Provide a reasonable margin for adverse experience to help offset risks.
4. Measure and monitor funding status, post-2024 contribution estimates and risk.
 - a. Perform annual valuations; and
 - b. Include post-2024 contribution estimates (based on this Policy) in annual actuarial valuations.



Elements of Actuarial Funding Policy

The Plans will have annual actuarial valuations each June 30. Employer contributions will be determined for the fiscal year ending two years after the valuation date. For example, the actuarially determined employer contribution for the fiscal year ending June 30, 2024 will be determined by the June 30, 2022 annual actuarial valuation.

Annual actuarial valuations may or may not also serve other purposes such as Legacy Plan restoration, Hybrid plan Section 9.5 fiscal responsibility calculations, and/or Annuity Savings Fund excess interest transfers between components. Unless otherwise stated, those purposes are not subject to this Policy.

For all other funding purposes, annual actuarial valuations will include the following elements of the Actuarial Funding Policy:

1. Actuarial Cost Method

- a. Hybrid Plan: The Entry Age actuarial cost method shall be used in determining the Actuarial Accrued Liability (AAL) and Normal Cost with the entry age based on date of hire. Since this component was created in July 2014 and granted eligibility and vesting service prior to July 2014 (for members hired before that date), this Plan had an unfunded actuarial accrued liability on the effective date, known as the transition cost. As of June 30, 2017, the AAL (including the transition cost) in the Hybrid Plan was fully funded. This Plan could become less than fully funded in the future if experience is less favorable than assumed or there are changes in assumptions or Plan provisions.
- b. Legacy Plan: The Unit Credit Normal actuarial cost method shall be used in determining Actuarial Accrued Liability (AAL) and Normal Cost. Since this component is closed and accrued benefits are frozen as of June 30, 2014, this method results in no normal costs and an AAL that equals the Present Value of Accrued Benefits (PVAB) of each member.

2. Asset Smoothing Method

- a. For estimating contributions prior to June 30, 2023, the Funding Value of Assets (or actuarial value of assets) will be equal to the Market Value of Assets, as mandated by the Plan of Adjustment. For determining (or estimating) employer contributions on or after fiscal year 2024, the Funding Value of Assets will be based on a method that employs smoothing of market gains and losses over a closed period. The smoothing period for recognize market gains and losses (above or below the assumed rate of return) will be a 3-year period.
- b. The Funding Value of Assets shall not diverge from the Market Value of Assets by more than 15%.
- c. The annual actuarial valuation will calculate results on both the smoothed value of assets and the (non-smoothed) Market Value of Assets beginning with the June 30, 2019 valuation (the Funding Value of Assets will initially be set to the Market Value of Assets as of June 30, 2018 with smoothing beginning prospectively). The post-2024 contribution estimate will always be based on the smoothed value of assets. Other results (UAAL, Funded Status, etc.) will be based on the Market Value of Assets prior to 2024 and the smoothed value of assets after 2023.



3. Amortization Method

a. Hybrid Plan

- a) A Level Percent of Payroll amortization method shall be used to systematically eliminate (pay off) the Unfunded Actuarial Accrued Liability (UAAL) over a closed 15-year period from the later of July 1, 2023 or the applicable fiscal year after the funded status falls below 100%.
- b) If funded status is above 100%, the contribution requirements for the UAAL will be \$0 (thereby creating a minimum employer contribution of employer normal cost).
- c) Layered amortizations will be considered by the Board post-2024.

b. Legacy Plan

- a) The Level Dollar amortization method shall be used to systematically eliminate (pay off) the Unfunded Actuarial Accrued Liability (UAAL) over a closed period of 20 years from July 1, 2023 for the UAAL as of July 30, 2022 (projected to July 1, 2023), and
- b) Layered amortizations that use 20-year closed periods for gains and losses occurring after June 30, 2022 (each 20-year period starts with the first payment after the applicable gain or loss occurs).

4. Funding Target and Cash Flow Projections

- a. The targeted funded ratio shall be 100%.
- b. The Legacy Plan annual actuarial valuation shall include projections of estimated employer contributions, expected benefit payments and estimated funded status to the later of fiscal year 2054 or 30 years after the applicable employer contribution fiscal year.
- c. Section 9.5 of the Plan details the actions to be taken if the 5-year projected funded status falls below 90% (Hybrid Plan, only).

5. Risk Management

a. Assumption Changes

- a) The actuarial assumptions used shall be those last adopted by the Board based on the most recent experience study and upon the advice and recommendation of the actuary. In accordance with the City Ordinance, the actuary shall conduct an experience study at least every five years. The results of the study shall be the basis for the actuarial assumption changes recommended to the Board. However, the assumed rate of return and the actuarial value of assets are mandated by the City's POA and cannot be changed prior to June 30, 2023.
- b) The actuarial assumptions may be updated at any time, as advised by the actuary, if significant Plan design changes or other significant events occur.
- c) The next experience study will be performed after the 2020 actuarial valuation and will include both economic (investment return, inflation, etc.) and demographic (mortality, retirement, disability, etc.) assumptions. Even though the investment rate of return may not be changed for determining employer contributions until after June 30, 2023, the Board may elect to show valuation results under an alternative reasonable assumed rate of investment return prior to 2023.

b. Risk Measures

a) Risk measures will be included in the annual actuarial valuations. Below is a list of potential measures to be included. The measures may be changed over time as deemed appropriate.

(i) Classic measures currently determined

- Funded ratio (assets / liability) on both a market value and funding value (if funding value is not equal to market).
- UAAL amortization period (years required to pay down the UAAL based on current funding rates).
- Portfolio rate of return for the year on both the market value and funding value of assets.
- 5- and 10-year geometric average portfolio rate of return on both the market value and funding value of assets (developed prospectively beginning with the 2019 valuation).
- 5- and 10-year standard deviation of return on both the market value and funding value of assets (developed prospectively beginning with the 2019 valuation).

(ii) Duration of the Actuarial Accrued Liability

- Measures the sensitivity of the liability to a 1% change in assumed rate of return. A decrease in this measure indicates a decrease in assumed rate sensitivity and vice versa.

(iii) Total UAAL / Covered Payroll

- Measures the risk associated with contribution rates relative to the impact on the ability to fund the UAAL. A decrease in this measure indicates a decrease in UAAL contribution risk and vice versa.
- Consideration will be given to using total payroll or revenue source, if available.

(iv) Total Assets / Covered Payroll

- Measures the risk associated with the potential impact of asset experience on contributions. A decrease in this measure indicates a decrease in asset risk and vice versa.
- Consideration will be given to using total payroll or revenue source, if available.

(v) Total AAL / Covered Payroll

- Measures the risk associated with the potential impact of liability experience on contributions. A decrease in this measure indicates a decrease in experience risk and vice versa. This also provides a long-term measure of the asset risk where the System has a target funded ratio of 100%.
- Consideration will be given to using total payroll or revenue source, if available.

(vi) Non-Investment Cash flow / Beginning of year assets

- Measures depletion risk, sensitivity to annual investment gains and losses risk and the maturity of the plan. For a mature open plan, this may converged to the negative of the real rate of return assumption (investment return less wage inflation). A less negative number (or a positive number) indicates a less mature plan and/or a plan that is at lower risk of fund depletion and less sensitive to annual gains and losses. A more negative number indicates a more mature plan and/or a plan that is more at risk of fund depletion and more sensitive to annual gains and losses. For a super-mature closed plan such as the Legacy plan, this may become more negative over time as liquidity needs increase.

(vii) Market Value of Assets / Benefit Payments

- Measure depletion risk. A low value estimates the number of years to depletion disregarding future contributions and investment return.

(viii) Solvency Liability

- Measures the estimated cost of accrued benefits as a result of minimizing investment risk in the portfolio.

b) Risk Control: The Board shall carefully monitor the risk measures above and shall consider steps to mitigate risk, particularly as the Legacy Plan funded ratio increases. Examples of risk mitigating techniques include, but are not limited to:

- (i) Reviewing investment risk in accordance with the Board's Investment Policy
- (ii) Adding provisions for adverse deviation in the actuarial assumptions
- (iii) Increasing employer contributions (through a change in methods, assumptions, or amortization period)
- (iv) Other

Glossary

1. **Actuarial Accrued Liability (AAL):** The difference between (i) the actuarial present value of future plan benefits; and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”
2. **Actuarial Assumptions:** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
3. **Actuarial Cost Method:** A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”
4. **Actuarial Gain (Loss):** A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used. For example, if during a given year the assets earn more than the investment return assumption, the amount of earnings above the assumption will cause an unexpected reduction in UAAL, or “actuarial gain” as of the next valuation. These include contribution gains and losses that result from actual contributions made being greater or less than the level determined under the policy.
5. **Actuary:** A person who is trained in the applications of probability and compound interest to problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events. Most actuaries in the United States are Members of the American Academy of Actuaries (MAAA). The Society of Actuaries is an international research, education and membership organization for actuaries in the life and health insurance, employee benefits, and pension fields. It administers a series of examinations leading initially to Associateship and the designation ASA and ultimately to Fellowship with the designation FSA.
6. **Amortization:** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.
7. **Unit Credit Normal Actuarial Cost Method:** A funding method that calculates the Normal Cost as the present value of the change in accrued benefits for active members.
8. **Experience Study:** An actuarial investigation of demographic and economic experiences of the system during the period studied. The investigation was made for the purpose of updating the actuarial assumptions used in valuing the actuarial liabilities.
9. **Funding Value of Assets:** The value of current plan assets recognized for valuation purposes. Generally based on a phased-in recognition of all or a portion of market related investment return. Sometimes referred to as Actuarial Value of Assets or Smoothed value of Assets.
10. **Market Value of Assets:** The fair value of plan assets as reported in the plan’s audited financial statements.
11. **Normal Cost (NC):** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.
12. **Unfunded Actuarial Accrued Liability (UAAL):** The positive difference, if any, between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

EXHIBIT 6

Oct 1-14, 2021
email V. Brader + C. Raimi

Charles Raimi

From: Valerie Brader <valerie@rivenoaklaw.com>
Sent: Thursday, October 14, 2021 5:46 PM
To: Charles Raimi
Cc: Jeanet Kulcsar; Steven Watson; Tanya Stoudemire; Jay Rising; John Naglick
Subject: [EXTERNAL]Re: PFRS - Stout report and funding issue

Hi Chuck,

I think our committee has shown a consistent willingness to have the City's input. The schedule we have is in line with what we were asked to do by the City when we began looking at this issue in the spring, and is intended to allow the budget forecasts (the 3 year look) done this year could be more clear regarding the policy. As you note, any contributions that are required by the policy would not begin until the middle of 2024, and as I noted in my prior e-mail, nothing that is adopted now could not be changed, especially if new information is received. But in order to allow a funding policy to guide the City's three-year budget, the Committee would need to act at this meeting.

I will also note that under my reading of the Plan of Adjustment, all these discussions must begin at the IC level, then go to the Board, and then if there is a disagreement come back to the IC (See Section 16.1). Thus, whatever the IC's action tomorrow, it would not result in the PFRS policy being formally adopted until the Board acts on any recommendation the Committee may make.

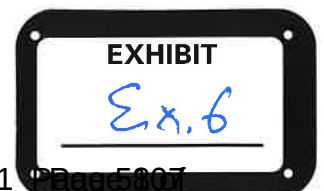
Best,
Valerie

On Thu, Oct 14, 2021 at 5:32 PM Charles Raimi <raimic@detroitmi.gov> wrote:

Thanks Valerie.

My understanding is that from the City's perspective, the funding policy need not be adopted until October of next year, which coincides with the timeframe that the City will begin work on the FY 2024 budget. So, we are surprised at the rush to adopt something given that the City has only received the Stout report today and before the PFRS Investment Committee can hear from the Mayor and our expert. It suggests your client is not interested in receiving meaningful input from the City on an issue that is of critical importance to it. While we understand any funding policy can be changed next year, hasty adoption of a policy now significantly changes the dynamics.

1



Further, under Jay Rising's leadership we have asked the City's expert, Cheiron to prepare a report that we believe will be extremely important for your client to consider. It will provide a different and more focused perspective than Dave Massaron's presentation.

Chuck Raimi

Deputy corporation counsel

313 237 5037

From: Valerie Brader <valerie@rivenoaklaw.com>
Sent: Tuesday, October 12, 2021 1:20 PM
To: Charles Raimi <raimic@detroitmi.gov>
Cc: John Naglick <naglickj@detroitmi.gov>; Jay Rising <Jay.Rising@detroitmi.gov>; Jeanet Kulcsar <kulcsarj@detroitmi.gov>; Steven Watson <WatsonSt@detroitmi.gov>; Tanya Stoudemire <tanya@detroitmi.gov>; David Cetlinski <dcetlinski@rscd.org>; Ryan Bigelow <rbigelow@rscd.org>
Subject: [EXTERNAL]Re: [EXTERNAL]Re: [EXTERNAL]Re: PFRS - Stout report and funding issue

Chuck -- Understood re the Mayor's schedule. This is the last scheduled meeting prior to the next budgeting cycle, which the prior input from the City had stressed for us was very important to meet. I expect the Committee will take up the funding policy at the upcoming meeting. (The next scheduled meeting is Dec. 13.) Obviously, the funding policy is not engraved in stone for all time upon adoption, so we can certainly continue the dialogue regardless.

Best,

Valerie

On Tue, Oct 12, 2021 at 12:29 PM Charles Raimi <raimic@detroitmi.gov> wrote:

Thanks Valerie - Given the Mayor's extremely busy schedule, we will need his appearance to be several weeks after receiving the report.

(2)

We will be talking with our expert this week and I will get back with you after that discussion.

Chuck Raimi

Deputy corporation counsel

313 237 5037

From: Valerie Brader <valerie@rivenoaklaw.com>

Sent: Tuesday, October 12, 2021 11:35 AM

To: Charles Raimi <raimic@detroitmi.gov>

Cc: John Naglick <naglickj@detroitmi.gov>; Jay Rising <Jay.Rising@detroitmi.gov>; Jeanet Kulcsar <kulcsarj@detroitmi.gov>; Steven Watson <WatsonSt@detroitmi.gov>; Tanya Stoudemire <tanya@detroitmi.gov>; David Cetlinski <dcetlinski@rscd.org>; Ryan Bigelow <rbigelow@rscd.org>

Subject: [EXTERNAL]Re: [EXTERNAL]Re: PFRS - Stout report and funding issue

Hi Chuck -- I don't have the final report yet, but expect to in the next day. It will be supplied to you this week. As you know we had several data delays that have pushed this later than planned and that I would have liked. Please let me know if you would still like the Mayor to address the Committee on Monday given that timing.

Regarding the City's actuary, I renew my query as to whether they would simply be re-presenting the material Mr. Massaron ably shared with the IC earlier this year and which the Committee has previously discussed or have a new proposal/information they would like to give. If the latter, it would help to know so we can adjust the presentation time.

Best,

Valerie

On Tue, Oct 12, 2021 at 11:16 AM Charles Raimi <raimic@detroitmi.gov> wrote:

3

Valerie – You have not responded to my request for a copy of the Stout report. We will need the report, and reasonable time, before the Mayor can address the Committee.

Also, we are in touch with the City's expert and would like them to have reasonable time to prepare and then address the Committee on this issue that is of critical importance to the City.

Chuck Raimi

Deputy corporation counsel

313 237 5037

From: Valerie Brader <valerie@rivenoaklaw.com>

Sent: Tuesday, October 12, 2021 10:56 AM

To: Charles Raimi <raimic@detroitmi.gov>

Cc: John Naglick <naglickj@detroitmi.gov>; Jay Rising <Jay.Rising@detroitmi.gov>; Jeanet Kulcsar <kulcsarj@detroitmi.gov>; Steven Watson <WatsonSt@detroitmi.gov>; Tanya Stoudemire <tanya@detroitmi.gov>; David Cetlinski <dcetlinski@rscd.org>; Ryan Bigelow <rbigelow@rscd.org>

Subject: [EXTERNAL]Re: PFRS - Stout report and funding issue

Dear Chuck,

I was able to confirm we will be taking up the Stout report and the funding policy at the meeting on Monday. We would be happy to have the Mayor present at the committee, if he would still like to do so. The meeting is scheduled from 10-noon, and will be virtual in conformance with the health orders. We would be happy to shift this item to accommodate his schedule. Please feel free to call me if you have any questions, if something just before or just after our window would work better, or just let me know what time during the meeting would be preferred for his schedule.

41

Best,

Valerie

On Fri, Oct 1, 2021 at 2:49 PM Valerie Brader <valerie@rivenoaklaw.com> wrote:

Thanks for reaching out. I do recall the request, and it has been on my mind, so thanks for this opportunity to quickly touch base on this. I expect to be able to confer with folks on the request very soon and be back on that. I did want to confirm whether you are requesting a meeting with Stout, or more to confer with the IC. I was taking it as the latter, and assuming therefore that we would need to look at having this at a public meeting, but if I am missing something I am happy to discuss further. I also wanted to touch base on the request-- is the idea to have the actuary present the same analysis/approach as the City's CFO presented to the IC previously? Or if it would be a new analysis? Just wanting to understand how much time such a presentation would be likely to take so I can bring that to folks as we do hone in on the agenda.

Also, as I know I shared with you by phone, I have significant concerns with the legality of the approach the City previously presented, as I believe state law is pretty much designed to prevent pension funds from deliberately getting into a pay-as-you-go situation. It also sounds like the examples that were presented of folks who have used this were all of entities that are prevented by federal law from going bankrupt (i.e. states, territories), thus eliminating any risk to pensioners of not having their pensions paid in such a situation. I know at the time you said you didn't have a formal memo or any materials beyond the powerpoint on the legality of the approach the City is advocating. If you have any legal memoranda or other materials that have been developed since this was first presented, I would be very happy to review them.

As you are probably aware the next meeting of the IC is on October 18 but the agenda has not been set yet; it would certainly be my hope and expectation that the Stout report would be on the agenda but I can't say for sure yet. I still don't have a draft of the report, which was postponed based on certain information the CFO's office was providing recently; I learned yesterday the CFO's office was likely sending additional information to Stout even today. I am hoping to see a draft very shortly so I can look at where we are heading into the October meeting.

Thanks for all the work on the City's side to get us the requested information.

Best,

Valerie

On Fri, Oct 1, 2021 at 2:32 PM Charles Raimi <raimic@detroitmi.gov> wrote:

EXHIBIT 7



POLICE AND FIRE
INVESTMENT COMMITTEE
OF THE
CITY OF DETROIT

Oct. 18, 2021
PFRS IC
minutes

500 WOODWARD AVE STE 3000
DETROIT, MICHIGAN 48226
PHONE 313 • 224 • 3362
TOLL FREE 800 • 339 • 8344
FAX 313 • 224 • 3522

MINUTES

Meeting No. 062

Police and Fire Retirement System Investment Committee October 18, 2021

A meeting of the Investment Committee of the Police and Fire Retirement System of the City of Detroit was held on **Monday, October 18, 2021**. In conformance with public health orders from the Director of the Michigan Department of Health and Human Services, the meeting was held electronically, and members of the Committee and the public participated by telephonic and electronic means. Joseph Bogdahn, Chairperson, called the meeting to order at 10:01 a.m.

A quorum was present.

ROLL CALL:

Attendance was taken by the Committee's Administrative Assistant with the following Committee Members present Joseph Bogdahn (*Chairperson*) (*Winter Haven, Polk County, FL*), Matthew Gnatek (*Detroit, Wayne County, MI*) Orim Graves (*Philadelphia, Philadelphia County, PA*), Jerry Mingione (*Detroit, Wayne County, MI*), George Orzech (*West Bloomfield, Oakland County, MI*), Jeff Pegg (*Denver, Denver County, CO*), Robert Skandalaris (*Bloomfield Hills, Oakland County, MI*), Gregory Trozak (*Macomb Township, Macomb County, MI*), and Woodrow Tyler (*Dexter Township, Washtenaw County, MI*).

Staff Present: David Cetlinski (*Executive Director*), Kelly Tapper (*Assistant Executive Director*), Ryan Bigelow (*Chief Investment Officer*), and Valerie Brader (*General Counsel – Rivenoak Law Group, P.C.*).

Committee Members Excused: None

Staff Excused: Ryan Bigelow (*Note, Mr. Bigelow was able to join for a portion of the meeting*)

EXHIBIT

Ex. 7

Approval of Agenda

Motion #01: Woodrow Tyler moved to approve the agenda dated **Monday, October 18, 2021**. Matthew Gnatek supported. The motion passed unanimously.

Approval of Minutes

Motion #02: Orim Graves moved to approve the Minutes of Meetings No. **059**, held on **Monday, June 14, 2021**, No. **060**, held on **Monday, August 9, 2021**, and No. **061**, held on **Wednesday, September 1, 2021**. Woodrow Tyler supported. The motion passed unanimously, with Matthew Gnatek abstaining as to the Minutes of Meeting No. 060.

Funding Policy – Stout Risius Ross

Representative Raymond Roth discussed the following with the Committee:

- Ability to Pay
- Public Protection
- Lower Spending
- Central Government Spending
- Detroit Employee Headcount

Ryan Bigelow joined the meeting at 10:11 am

- Salaries, Wages and Benefits
- 2022 Municipal Income Tax Revenue
- Payroll Jobs
- Municipal Income Tax
- Summary of Opportunities for Cost Savings

Presentation materials provided.

The System Actuary also made a presentation regarding the funding policy.

Motion #03: Jeff Pegg moved to approve a resolution setting a 20-year amortization funding policy. Matthew Gnatek supported. The motion passed unanimously.

- **Joseph Bogdahn left the meeting at 10:52 am. Robert Skandalaris assumed the Chair.**

Consultant RFP – Status Update/Timeline – North Pier

Representatives Gregory Metzger and Jim Scheinberg discussed the following with the Committee:

- Investment Program Review
- Organizations Bidding
- Proposal Options
 - Public Markets Only
 - All Asset Classes
- Fee Ranges
- Next Steps
- Finalist Interviews

Presentation materials provided.

- **Joseph Bogdahn rejoined the meeting at 11:20 am and resumed as Chair.**

Investment Committee Topics - Investment Consultant – Wilshire

Representatives David Lindberg, Calvin Born and Joanna Bewick discussed the following with the Committee:

- **Capital Market Return**
 - Summary Changes
 - Fixed Income
 - Equity Markets
 - Real Assets
- **Capital Market Assumptions**
 - Current Policy
 - Real Assets
- **Monthly Performance Summary – 8/2021**
 - Monthly Dashboard
 - Market Yields & Breakeven Inflation
 - Actual Allocations vs Policy
 - Total Fund Attribution
 - Asset Allocation and Performance
 - Background and Overview
- **Risk Assessment Framework**
 - Why should I care about Inflation
 - Catalysts of Inflation
 - Rationale for Real Assets
 - Correlation to Inflation
 - Midstream Energy Infrastructure
 - Midstream Energy – Merits and Challenges
 - Real Asset Investments

Presentation materials were provided

- **Ryan Bigelow left the meeting at 11:59 am**
- **Valerie Brader left the meeting at 12:05 pm**

General Counsel – Engagement/Review Invoice

Motion #04: Robert Skandalaris moved to extend the contract of Rivenoak Law Group (Valerie Brader) as general counsel for an additional 12 months. Orim Graves supported. The motion passed.

Yeas – Gnatek, Graves, Mingione, Orzech, Skandalaris, Trozak, Tyler, and Chairperson Bogdahn – 6 ½

Nays – Pegg – ½

- **Valerie Brader rejoined the meeting at 12:15 pm**

Ethics Policy

The Committee requested that adjustments be made and sent to the Committee and bring back policy at the next meeting.

Legal Report

Robert Skandalaris term will be ending early in 2022. He stated he will not be seeking reappointment. The replacement will have to be a resident of the State of Michigan. Committee members were encouraged to offer names of individuals to contact regarding their interest.

Public/Member Comments

None

IC Member Comments

None

ADJOURNMENT

Woodrow Tyler moved to adjourn Meeting #062. Orim Graves supported.

There being no further business before the Investment Committee, the meeting was adjourned at 12:23 p.m. The Investment Committee's next meeting is scheduled for **Monday, December 13, 2021**, at 10:00 a.m.

Minutes – PFRS IC Mtg.
Meeting No. 062
October 18, 2021

RESPECTFULLY SUBMITTED,

**VALERIE BRADER
GENERAL COUNSEL**

Administrative Assistant: Marcella Brewer

EXHIBIT 6

Exhibits to Brief

Part 2

Ex. 8 — October 18, 2021, PFRS IC resolution approving 20-year amortization

Ex. 9 — November 18, 2021, PFRS Board minutes ratifying 20-year amortization

Ex. 10 — Stout report dated October 13, 2021

Ex. 11 — Michigan Tax Tribunal Order dated June 11, 2021

Ex. 12 — Cheiron report dated June 6, 2022

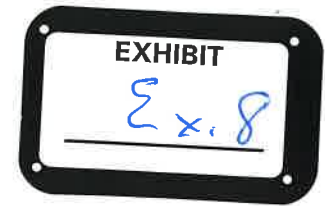
Ex. 13 — Gabriel Roeder's June 17, 2022, letter re Restoration Reserve Account

Ex. 14 — Excerpt from 40-year projection

EXHIBIT 8

PFRS IC Reso October 18, 2021

**Resolution Regarding the Adoption of a Funding Policy for the
Police and Fire Retirement System of the City of Detroit
For Contributions Beginning in 2024**



October 18, 2021

WHEREAS, the Investment Committee members are fiduciaries for the Police and Fire Retirement System of the City of Detroit ("PFRS") and have a duty to take action on certain investment decisions including actuarial assumptions affecting the large sponsored system's funding levels, including its funding policy; and

WHEREAS, under the Plan of Adjustment, beginning in 2024 the City of Detroit is required to resume making contributions to PFRS, and the Investment Committee has certain duties regarding the actuarial assumptions that underlie the determination of those required contributions;

WHEREAS, the Investment Committee has considered a report from the System actuary, Gabriel Roeder Smith ("GRS"), that evaluates certain funding policies based on assumptions including the expected investment returns and system liabilities to project the required contributions of the City under such policies; and

WHEREAS, the Investment Committee has considered information from GRS estimating payments that might be required under 20 and 25 year layered amortization policies in scenarios that assume lower-than-anticipated investment returns over the 2022-2041 period (essentially testing the policies in more challenging economic conditions); and

WHEREAS, the Investment Committee has considered a report from Stout Risius Ross regarding the ability of the City to afford contributions in the scenarios that involve higher contribution levels due to lower-than-anticipated investment returns; and

WHEREAS, the Investment Committee has considered presentations from GRS and Stout Risius Ross, as well as from the Chief Financial Officer of the City of Detroit regarding the funding policy; and

WHEREAS, the Board of Trustees has also communicated with the Investment Committee regarding the funding policy; and

THEREFORE, the Investment Committee of the PFRS recommends that:

- 1. The reports of the System actuary regarding the funding policy, including the calculations, actuarial assumptions, and assessments underlying the annual funding levels and amortization of funding levels, and recommended**

contributions to the large sponsored system under the potential funding policies, are accepted.

- 2. The IC recommends a funding policy, as approved by the PFRS Board, which includes the following:**
 - a. For the unfunded accrued liability measured in 2024, a 20-year, level dollar, layered amortization period.**
 - b. The gains or losses of the system shall be re-amortized yearly.**

EXHIBIT 9

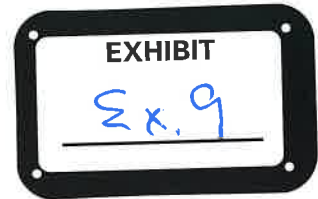
November 18, 2021
PFRS Board
Minutes

MEETING NO. 3296
JOURNAL OF PROCEEDINGS
BOARD OF TRUSTEES OF THE POLICE AND FIRE RETIREMENT SYSTEM
OF THE CITY OF DETROIT
HELD THURSDAY, NOVEMBER 18, 2021

9:00 A.M.
RETIREMENT SYSTEMS' CONFERENCE ROOM
ALLY DETROIT CENTER, 500 WOODWARD AVENUE; SUITE 3000
DETROIT, MICHIGAN 48226

TRUSTEES PRESENT

Douglas Baker	Ex/Officio Trustee/Corporation Counsel Alternate
Shawn Battle	Ex/Officio Trustee/Fire Prevention Chief/Mayoral Designee
Michael F. Berent	Elected Trustee/Fire
Matthew Gnatek	Elected Trustee/Police
Angela R. James	Ex/Officio Retiree Trustee/Police/Mayoral Designee
Brenda Jones	Ex/Officio Trustee/City Council President
Conrad Mallett	Ex/Officio/Mayor's Designee
Christa McLellan	Ex/Officio Trustee/Treasurer
John Naglick Jr.	Ex/Officio Trustee/Finance Director
George Orzech	Elected Retiree Trustee/Fire
Jeffrey Pegg	Elected Trustee/Fire
Dean Pincheck	Elected Trustee/Fire/Vice-Chairperson
John Serda	Elected Trustee/Police
Ronald Thomas	Elected Trustee/Police/Chairperson
Gregory Trozak	Elected Retiree Trustee/Police
Steven Watson	Ex/Officio Trustee/Budget Director



TRUSTEES EXCUSED

None

ALSO PRESENT

David Cetlinski	Executive Director
Kelly Tapper	Assistant Executive Director
Ryan Bigelow	Chief Investment Officer
Ronald King	General Counsel
Marcella Brewer	Recording Secretary
Dr. Oscar King III	Board Lobbyist
Bruce Babiarz	Public Relations Advisor

STAFF EXCUSED

None

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT
MEETING NUMBER 3296 – THURSDAY – NOVEMBER 18, 2021

“Declaration of Continued Emergency Due to Covid-19 To Allow Public Meetings of Governmental Bodies To Be Held Remotely Under Public Act 228 of 2020 Extended From September 1, 2021 to December 31, 2021.”- Detroit, MI.

CHAIRPERSON

Ronald Thomas

A verbal Roll Call commenced at 9:08 a.m. and Chairperson Thomas called the meeting to order.

Present at Roll Call: Baker (Detroit, MI), Battle (Detroit, MI), Berent (Detroit, MI), Gnatek (Detroit, MI), James (Detroit, MI), Jones (Detroit, MI), McLellan (Livonia, MI), Naglick (Detroit, MI), Orzech (Clarkston, MI), Pegg (Detroit, MI), Pincheck (Northville, MI), Serda (Detroit, MI), Trozak (Macomb County, MI), Watson (Detroit, MI) and Thomas – Chairperson (Detroit, MI)

Re: Approval of November 18, 2021 Agenda

Trustee Berent moved to approve the agenda dated Thursday, November 18, 2021. Trustee Gnatek supported. The motion passed unanimously.

Re: Approval of RETIREMENT Applications

Trustee Berent moved to approve the RETIREMENT applications as listed below. Trustee Gnatek supported. The motion passed unanimously.

NAME, TITLE, DEPARTMENT	Roland C. Brown – Police Detective - Police
RETIREMENT TYPE-PLAN	Hybrid - Vested
SERVICE CREDIT-EFFECTIVE DATE	06 10 00 – 09 20 21

NAME, TITLE, DEPARTMENT	Kerry R. Byars – Police Lieutenant -Police
RETIREMENT TYPE-PLAN	Hybrid – Drop
SERVICE CREDIT-EFFECTIVE DATE	07 05 00 – 10 15 21

NAME, TITLE, DEPARTMENT	Terrence D. Childress – Fire Engine Operator - Fire
RETIREMENT TYPE-PLAN	Service - New
SERVICE CREDIT-EFFECTIVE DATE	14 11 09 – 11 15 21

PRESENTATION – Deputy Mayor Conrad Mallett

Trustee Mallett made a presentation to the Board regarding the PFRS Funding Policy and the recommendation from the PFRS IC with respect to adoption of the Funding Policy. Trustee Mallett provided a resolution for consideration by the Board. At the conclusion of his presentation a motion was made to adopt the proposed resolution.

Motion By: Trustee Mallett – Supported By: Trustee Naglick

WHEREAS, the Police and Fire Retirement System Investment Committee (PFRS IC) on October 18, 2021 recommended a funding policy, as previously approved by the PFRS Board, which includes the following:

1. For the unfunded accrued liability measured in FY 2024, a 20-year, level dollar, layered amortization period.
2. The gains and losses of the system shall be re-amortized yearly.

WHEREAS, Sec 16.1 of the Combined Plan for the Police and Fire Retirement System contained in the City's Bankruptcy Plan of Adjustment (POA) provides that all actions and recommendations of the Investment Committee shall be forwarded to the Board for consideration and are subject to Board approval.

WHEREAS, Sec 16.1 of the Combined Plan further provides that if the Board fails to approve or disapprove an investment management decision that has been recommended by an affirmative vote of the Investment Committee, and such failure continues for forty-five days after the date that the recommendation was made to the Board, or the Board disapproves an investment management decision within such forty-five day period but fails to provide to the Investment Committee within such forty-five day period a detailed written response outlining the reasons for such disapproval, then the Investment Committee and the chief investment officer are authorized to implement the decision.

WHEREAS, the POA used a 30-year amortization period for amortization of the Unfunded Actuarial Accrued Liability from the Component II plan beginning in Fiscal Year 2024 and the resulting City contributions using the 30-year amortization period were used in establishing the feasibility of the POA.

WHEREAS, on July 21, 2021, the City's Office of the Chief Financial Officer (OCFO) sent to legal counsel for the PFRS IC a memo explaining the fundamental reasons why it would be improper for the PFRS IC to approve a shorter funding plan than the POA's 30-year plan and asked that the PFRS IC hear from both Mayor Duggan and the City's actuarial expert before the PFRS IC and PFRS Board made any decisions on the funding policy.

THEREFORE, the PFRS Board disaffirms the action taken by the PFRS IC at its October 18, 2021 meeting because the PFRS IC acted without first hearing from Mayor Duggan and the City's OCFO actuarial expert. The PFRS Board of Trustees recognizing the fundamental

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT
MEETING NUMBER 3296 – THURSDAY – NOVEMBER 18, 2021

difference between the PFRS IC and the City of Detroit's OCFO and rather than spend hundreds of thousands of dollars on legal fees the PFRS Board of Trustees directs its legal counsel to contact the City of Detroit's OCFO and agree to participate in non-binding mediation to develop a funding policy upon which both parties can agree. It is expected both parties will have available to them necessary experts. Mediation shall commence the second Monday in January 2022. The parties shall agree to complete their work and present back to the Board the final work product no later than third Thursday in April 2022.

Yeas: Baker, James, Jones, Mallett, McLellan, Naglick, Serda, Watson – 8

Nays: Battle, Berent, Gnatek, Orzech, Pegg, Pincheck, Trozak, and Chairperson Thomas – 8

The motion failed.

➤ **Trustee Mallett left the meeting at 10:56 am**

After discussion, Trustee Pegg moved to un-table the motion by Trustee Berent from October 21, 2021 acknowledging and affirming the recommendation of the PFRS IC of adopting the Funding Policy including the 20-year amortization of the unfunded accrued liability. Trustee Berent supported.

Yeas: Battle, Berent, Gnatek, Orzech, Pegg, Pincheck, Trozak, Chairperson Thomas – 8

Nays: Baker, James, Jones, McLellan, Naglick, Serda, Watson – 7

The motion passed.

Trustee Pegg moved to affirm the resolution from the PFRS Investment Committee regarding the adoption of the 20-year Funding Policy dated October 18, 2021. Trustee Berent supported.

Yeas: Battle, Berent, Gnatek, Orzech, Pegg, Pincheck, Trozak, Chairperson Thomas – 8

Nays: Baker, James, Jones, McLellan, Naglick, Serda, Watson – 7

The motion passed.

ADJOURNMENT

Trustee Gnatek moved to adjourn meeting #3296. Trustee Pegg supported.

Chairperson Thomas adjourned the meeting at 11:05 AM. The Board's next meeting is scheduled for Thursday, December 2, 2021 at 9:00 a.m. via Go to Meeting. Please see the news tab on our website for meeting login instructions.

POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT
MEETING NUMBER 3296 – THURSDAY – NOVEMBER 18, 2021

RESPECTFULLY SUBMITTED,

A handwritten signature in cursive script, appearing to read "Kelly Tapper".

Kelly Tapper, Assistant Executive Director

EXHIBIT 10

**EXPERT REPORT OF
Raymond A. Roth III, CPA, CFE**

October 13, 2021

Presented in:

**The Investment Committee of the Detroit Police & Fire
Retirement System v. City of Detroit**



– This Page Intentionally Left Blank –



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

Table of Contents

I.	Scope of Opinion and Disclosures	3
II.	Qualifications	4
III.	Background	5
IV.	Use of Benchmarks.....	7
V.	Demographic Analysis.....	8
VI.	Financial Analysis	16
VII.	Detroit's Ability to Pay PFRS Legacy Pension Contributions.....	29
VIII.	Conclusion.....	35
IX.	Assumptions and Limiting Conditions.....	37



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

Exhibits

Exhibit A.....	List of Documents Considered
Exhibit B.....	Curriculum Vitae
Exhibit C.....	Comparable Midwestern Cities General Fund Benchmarking
Exhibit D.....	Sub-Accounts to Detroit Public Protection Expenditures
Exhibit E.....	Cost Centers to Detroit Public Protection Expenditures
Exhibit F...	Sub-Accounts to Central Government (Development and Management) Expenditures
Exhibit G...	Cost Centers to Central Government (Development and Management) Expenditures
Exhibit H...	Alternative Contribution Scenarios to PFRS Component II Legacy Plan
Exhibit I.....	Detroit Cost Savings from Central Government Efficiencies
Exhibit J.....	Detroit Cost Savings from Salaries, Wages, and Benefits
Exhibit K.....	Additional Detroit Municipal Income Tax Above Projected Amount
Exhibit L.....	Summary of Cost Savings and Additional Revenue for Detroit



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

I. Scope of Analysis and Disclosures

1. This report presents my opinions regarding the ability of the City of Detroit ("Detroit") to make annual pension contributions to the Detroit Police & Fire Retirement System ("PFRS") beginning in 2024 under the funding scenarios provided by PFRS actuaries. In addition, this report contains a summary of the information I considered in the development of my opinions and a statement of my qualifications. My opinions, detailed herein, are based on the data available to me as summarized in this report.
2. Detroit has represented it will fund the General Retirement System of Detroit ("GRS") Legacy plan at \$102.4 million per annum. In preparing my analyses included in this report, I did not consider any additional funding requests or scenarios related to the ("GRS").
3. A detailed list of the sources of information considered is presented in ***Exhibit A***.
4. My curriculum vitae, which includes lists of publications and relevant presentations, is presented in ***Exhibit B***.
5. Stout Risius Ross, LLC ("Stout") was compensated at a fixed fee of \$100,000 for the preparation of this report.



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

II. Qualifications

6. I am a Director in the Disputes, Compliance & Investigations Group at Stout. Stout is a financial and operational advisory services firm serving a variety of businesses in numerous industries and countries. Stout focuses its services in the areas of Investment Banking; Valuation Advisory; Transaction Advisory; and Dispute Consulting. Stout has over 500 professionals located in offices worldwide.
7. I am a licensed Certified Public Accountant ("CPA") in the State of Michigan and a Certified Fraud Examiner ("CFE"), with 15 years of experience providing a wide range of professional consulting services.
8. I have consulted with lawyers and their clients, boards of directors, and municipalities regarding business, economic, and financial issues related to litigation, business disputes, and financial investigations. These assignments have been across a wide array of industries.
9. I received a Bachelor of Business Administration, with a focus in Accounting, degree from Cleveland State University in 2005.
10. I am a member of the American Institute of Certified Public Accountants ("AICPA"), Association of Certified Fraud Examiners ("ACFE"), and the immediate past Chairman of the Michigan Association of Certified Public Accountants ("MICPA") Fraud Task Force.
11. With the aforementioned education, training, and experience, I am well qualified to present the information contained herein.

III. Background

12. I was engaged by legal counsel of the Investment Committee to PFRS to evaluate financial data of Detroit and prepare a report regarding the capability of Detroit to make specified levels of pension contributions beginning in 2024.
13. The Investment Committee provided me with two potential contribution scenarios that simulated the required contribution by Detroit to PFRS Component Two Plan ("Legacy Plan") required if an economic downturn were to result in lower investment returns from 2024-2034. These scenarios assumed the following contribution schedules:

Fiscal Year	Scenario C: Downside Level 2		20-Year Level Dollar With 20- Year Layers		25-Year Level Dollar With 25- Year Layers	
	Investment Return		Year Layers (\$ Millions)		Year Layers (\$ Millions)	
1 2020	1.00%	\$	18.3	\$	18.3	
2 2021	19.00%		18.3		18.3	
3 2022	3.50%		18.3		18.3	
4 2023	3.50%		18.3		18.3	
5 2024	3.50%		134.8		122.1	
6 2025	3.50%		140.5		127.4	
7 2026	3.50%		146.0		132.3	
8 2027	3.50%		151.1		136.8	
9 2028	3.50%		155.9		141.1	
10 2029	3.50%		160.5		145.1	
11 2030	3.50%		164.7		148.7	
12 2031	3.50%		168.7		152.1	
13 2032	5.50%		172.5		155.2	
14 2033	5.50%		173.9		156.3	
15 2034	5.50%		175.2		157.4	
16 2035	5.50%		176.5		158.3	
17 2036	5.50%		177.7		159.2	
18 2037	5.50%		179.0		160.1	
19 2038	5.50%		180.2		160.9	
20 2039	5.50%		181.3		161.6	
21 2040	5.50%		182.5		162.4	
22 2041	5.50%		183.7		163.0	
23 2042	6.75%		184.9		163.7	
24 2043	6.75%		184.9		163.7	
25 2044	6.75%		50.1		163.7	
26 2045	6.75%		44.4		163.7	
27 2046	6.75%		38.9		163.7	
28 2047	6.75%		33.8		163.7	
29 2048	6.75%		29.0		163.7	
30 2049	6.75%		24.5		41.6	
31 2050	6.75%		20.2		36.3	
32 2051	6.75%		16.2		31.4	
33 2052	6.75%		12.4		26.9	
34 2053	6.75%		11.0		22.6	
35 2054	6.75%		9.7		18.6	
36 2055	6.75%		8.4		15.0	
37 2056	6.75%		7.2		11.6	
38 2057	6.75%		2.6		8.5	
39 2058	6.75%		-		7.4	
Total		\$	3,756	\$	4,139	



**The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit**

**Expert Report of
Raymond A. Roth, III,
CPA, CFE**

October 13, 2021

14. It should also be noted that if Detroit cannot make the pension contributions detailed above, and it were to exhaust the Legacy Plan funding prior to expiration of its obligations, the contributions required by Detroit to the Legacy Plan may greatly exceed the amounts projected in the above funding policies. Therefore, these scenarios carry less than the funding policy budgeted by Detroit as the funding ratio will never fall below 60%.

IV. Use of Benchmarks

15. In analyzing Detroit's finances and other relevant metrics, I identified other Midwestern cities ("Comparable Midwestern Cities") to use as comparable benchmarks throughout my analysis. The use of financial and other benchmarks provides for a means of comparison to objectively assess the populations that comprise the cities, the level of revenue collected, and how that revenue is used.
16. Comparable cities identified included Cleveland, Columbus, Minneapolis, and Indianapolis. These cities were chosen based on characteristics such as population size, square mileage, and cost of living index. These metrics are presented in Figure 1 below.

Figure 1

City	Total Population	Square Mileage	Cost of Living Index [3]
	[1]	[2]	
1 Detroit	674,841	138.8	87.6
2 Indianapolis	864,447	361.4	83.5
3 Cleveland	385,282	77.7	72.6
4 Columbus	878,553	217.2	85.5
5 Minneapolis	420,324	53.9	106.5

[1] Source: 2015-2019 ACS 5-year estimates.
 [2] Source: Census QuickFacts
 [3] Source: bestplaces.net. Indexed against national average (National Average = 100).

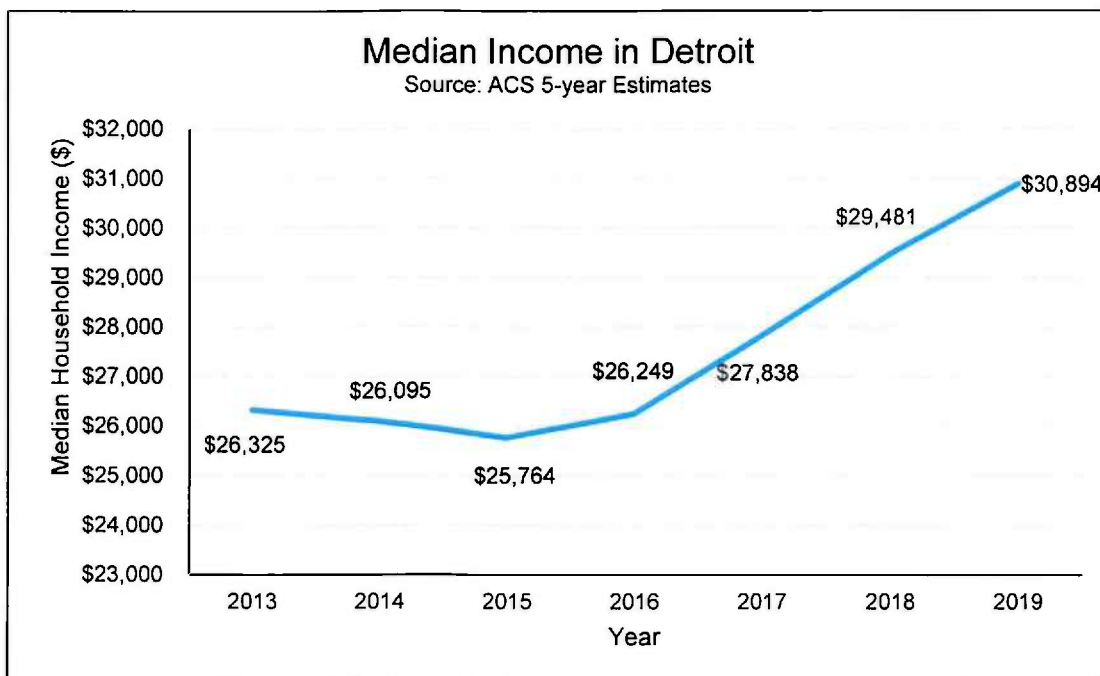
V. Demographic Analysis

17. Detroit has experienced a remarkable transformation since its emergence from bankruptcy. The median income of its residents has risen, while the number of families living below poverty, unemployment, and crime has declined. In addition, blight has been reduced, street lighting improved, emergency medical services ("EMS") response times are down, and credit ratings have stabilized. However, Detroit's population remains at lower income levels, including higher concentrations of poverty and crime rates, than the Comparable Midwestern Cities.

Median Income

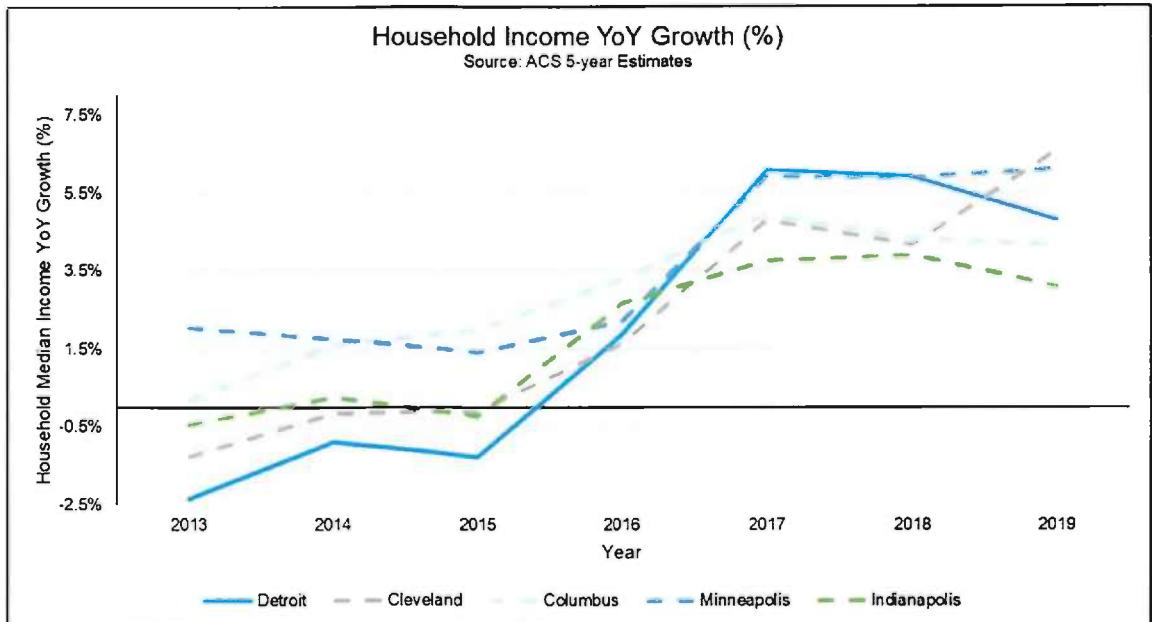
18. Figure 2 below shows the increase in median income in Detroit from approximately \$26,000 in 2014 per household to nearly \$31,000 in 2019, a 17% increase.

Figure 2



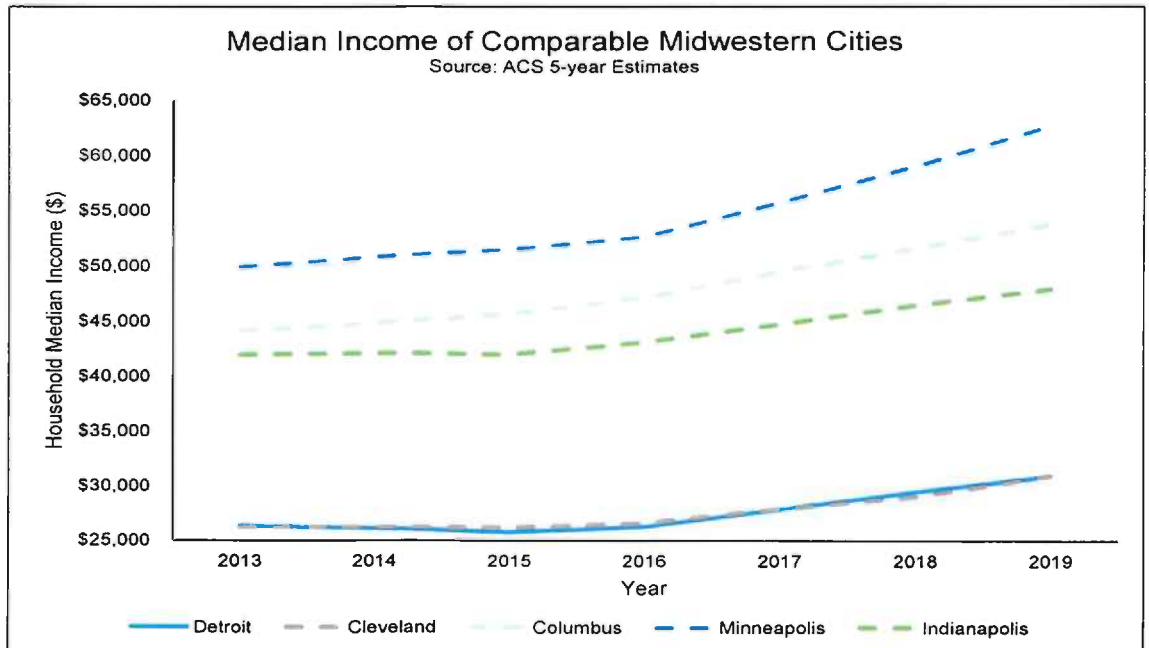
19. Figure 3 below shows that the annual percentage growth in median income of Detroit residents has generally outpaced that of the Comparable Midwestern Cities. Detroit is represented by the solid blue line at the bottom of Figure 3 and had a median income decline of more than 2% in 2013, which improved to 6% annual growth in 2017 and 2018 surpassing all other Comparable Midwestern Cities before falling to 4.8% growth in 2019.

Figure 3



20. Figure 4 below shows that despite the growth in Detroit residents' median income since 2013, the median household income in Detroit remains lower than most of the Comparable Midwestern Cities.

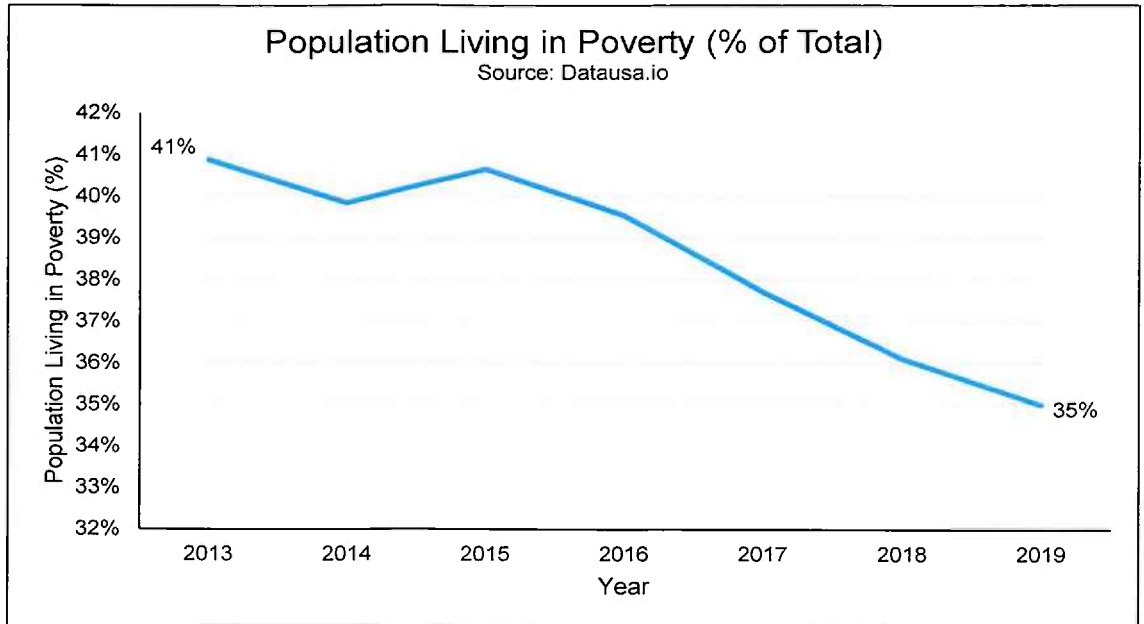
Figure 4



Poverty Rate

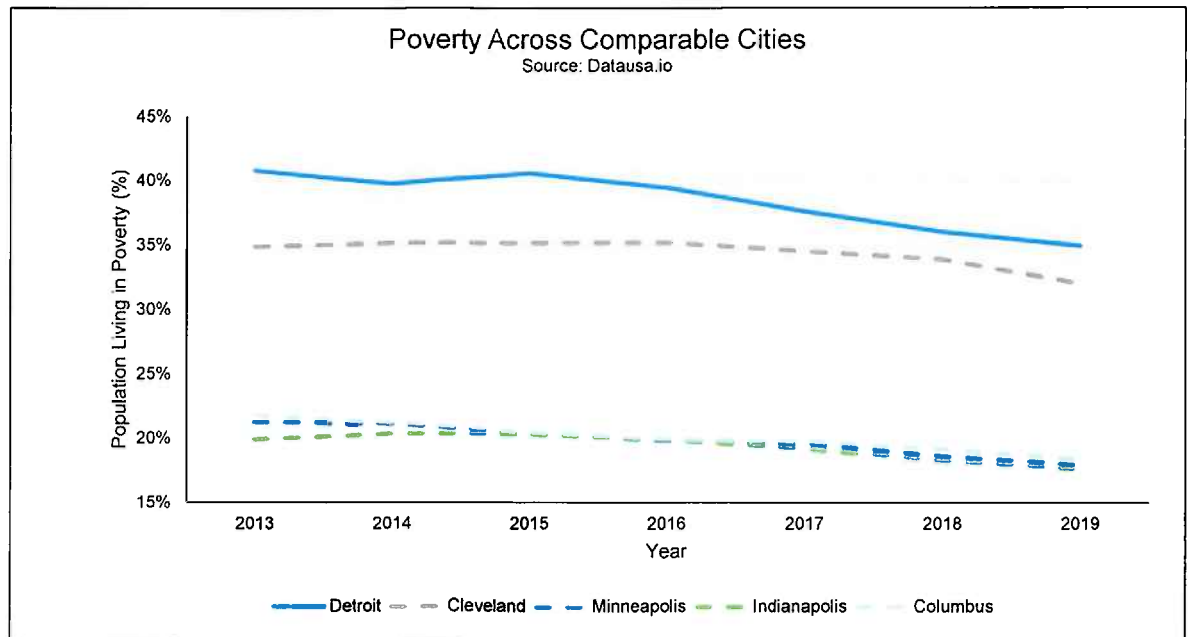
21. Figure 5 below shows that Detroit's poverty rate has declined from 41% in 2013 to 35% in 2019, representing a 15% improvement over the illustrated period.

Figure 5



22. Despite the reduction in poverty in Detroit, Figure 6 below shows that the poverty rate in Detroit remains higher than the Comparable Midwestern Cities.

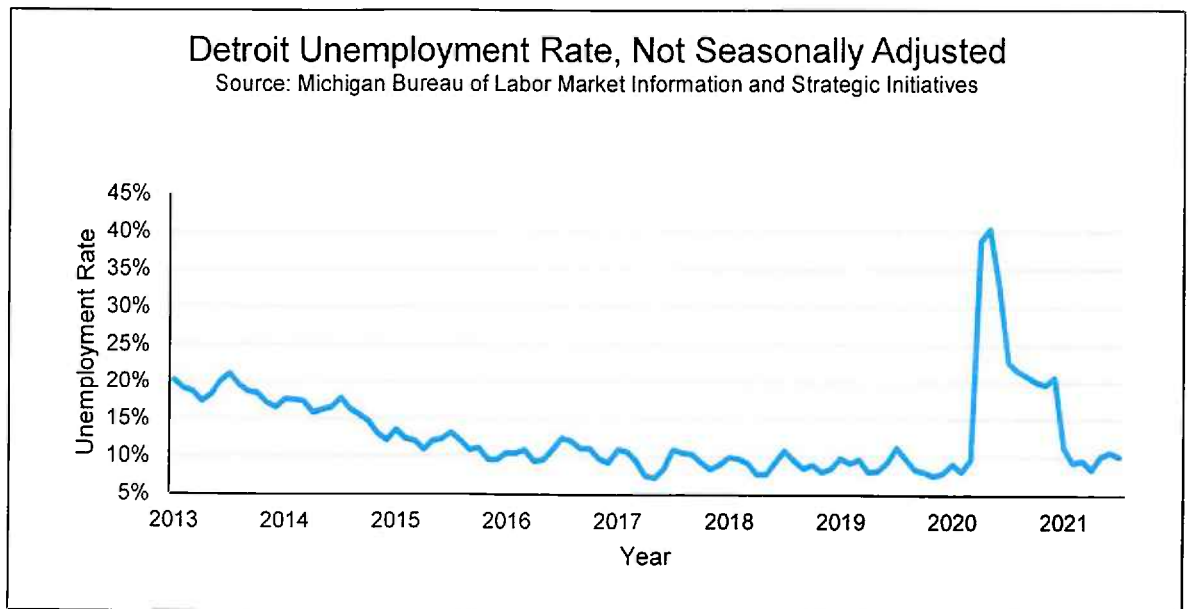
Figure 6



Unemployment

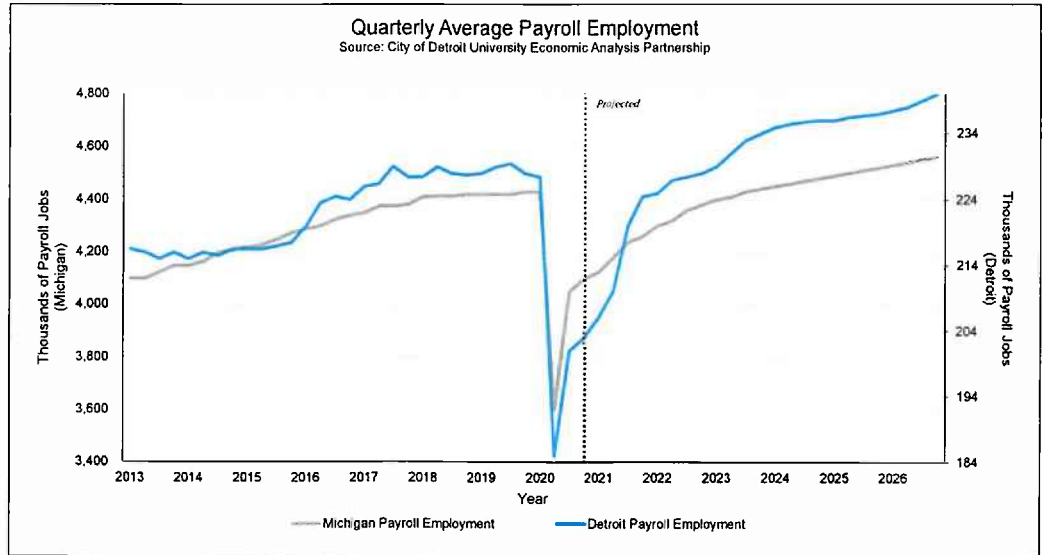
23. Figure 7 below shows a decline in the unemployment rate in Detroit of 50% since 2013 from over 20% to approximately 10% in 2021 and has nearly returned to pre-pandemic levels.

Figure 7



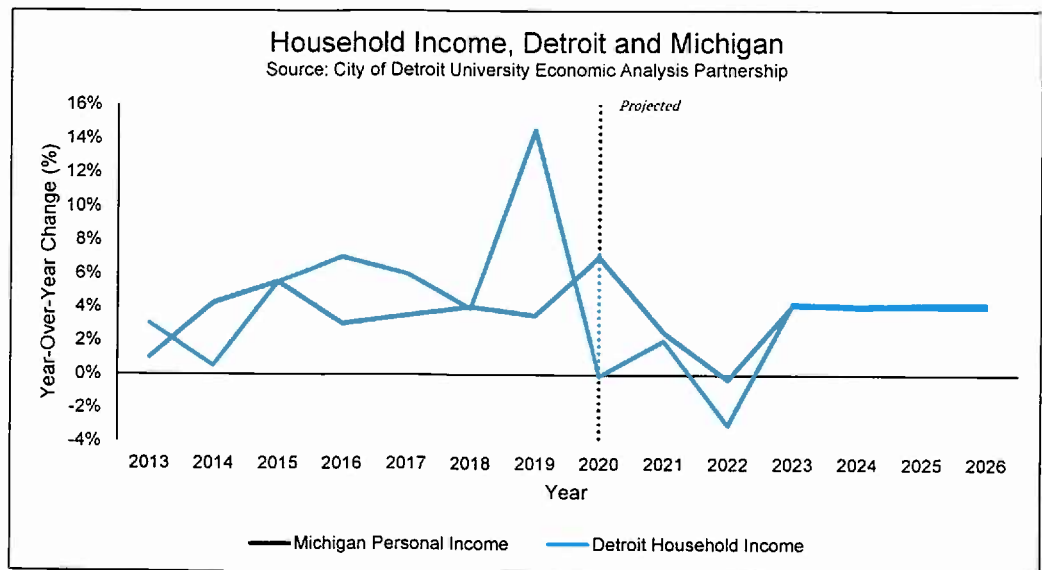
24. Figure 8 below shows that the expected growth in Detroit's payroll jobs is expected to increase faster than that of the State of Michigan. This is represented by the separation between the blue and gray lines in Figure 8. Figure 8 also projects payroll employment in Detroit to return to pre-pandemic levels by 2022.

Figure 8



25. Figure 9 below shows that Detroit household income is to return to levels commensurate with the rest of the State of Michigan by 2023.

Figure 9





The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

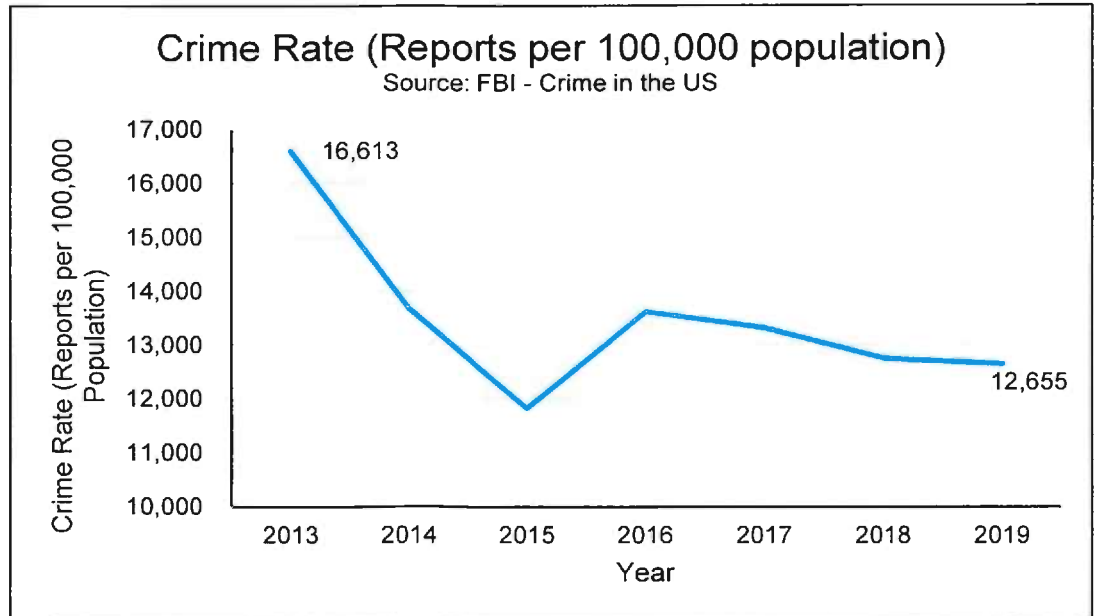
26. The growth in payroll jobs and increase in income can be directly attributed to major job creation investments in Detroit. The opening of Stellantis' Mack Avenue assembly complex this year and additional projects under construction or planned for the near future including the Gordie Howe International Bridge, Ford's conversion of Michigan Central Station, Bedrock's Hudson's site, General Motors' Factory Zero, and a new Amazon distribution center at the old Michigan State Fairgrounds.¹

¹ City of Detroit Economic Outlook: 2020 – 2026. August 2021.

Crime Rate

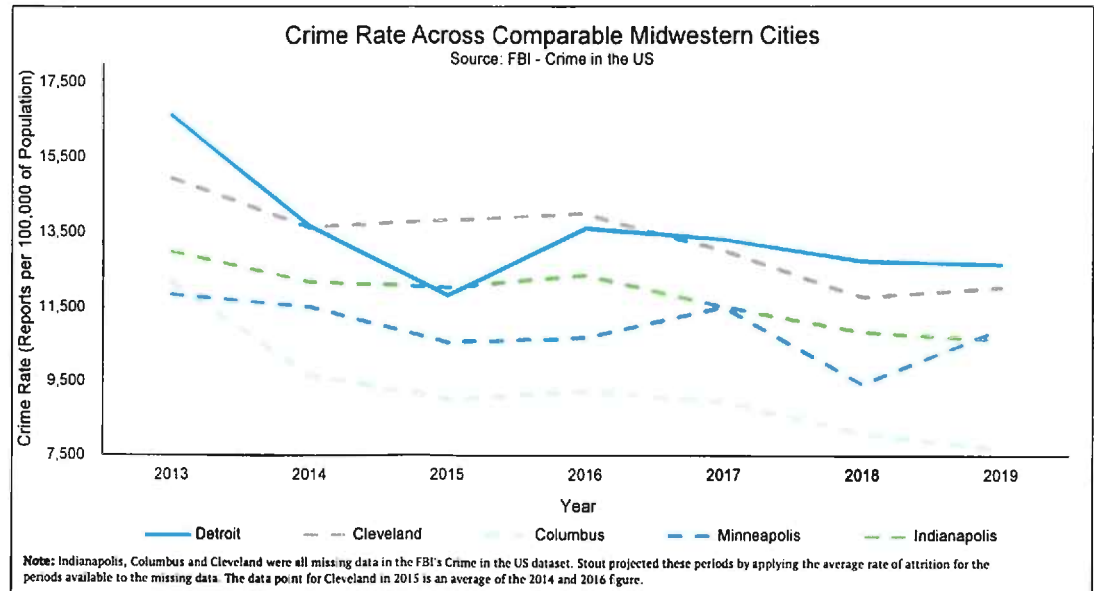
27. Figure 10 below shows a decline in the crime rate by almost 24% between 2013 at 16,613 reports per 100,000 of population to 2019 at 12,655 reports per 100,000 of population.

Figure 10



28. Figure 11 below shows that the crime rate in Detroit remains higher than in the other Comparable Midwestern Cities.

Figure 11





The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

Other

29. In addition to the aforementioned metrics, Detroit has made concerted efforts to reduce blight, increase street lighting, and decrease EMS response times.
30. Since 2014, Detroit has demolished over 21,000 unoccupiable homes, rehabbed approximately 8,200 homes, and sold over 15,000 side lots.² Detroit has added 65,000 street lights since 2013 when it was estimated that 40% of City street lights were not working.³
31. In 2014, the average EMS response time was 18 minutes,⁴ which was reduced to eight minutes and 30 seconds by 2016⁵ through the addition of 31 new emergency medical technicians and the acquisition of 15 new ambulances.⁶

Conclusion

32. Since its emergence from bankruptcy, Detroit has become a cleaner, safer, and more vibrant place to live, which is reflected in the aforementioned facts and figures. In addition, the Detroit Riverwalk was rated the best river walk in the U.S. in 2021⁷ exemplifying the transformation experienced by Detroit.
33. Detroit has attracted major investment from large employers that has, and is expected to continue the, increased level of employment in Detroit.
34. Detroit, however, remains behind Comparable Midwestern Cities in terms of income earned by its residents and the crime rate experienced. Detroit's ability to grow future revenues will be largely predicated on its ability to increase employment, attract higher income residents, and increase City-wide property values.

² "Detroit Demolition Department." The City of Detroit.

³ "Construction Schedule." Public Lighting Authority. August 28, 2015.

⁴ "In Detroit, EMS response times must improve." The Detroit News. September 25, 2014.

⁵ Neavling, Steve "How Detroit's EMS response times went from miserable to above average." Motor City Muckraker. April 3, 2017.

⁶ "New paramedics to help Detroit improve 911 response time." Detroit Free Press. January 23, 2015.

⁷ "Best Riverwalk (2021)." USA TODAY – 10Best.

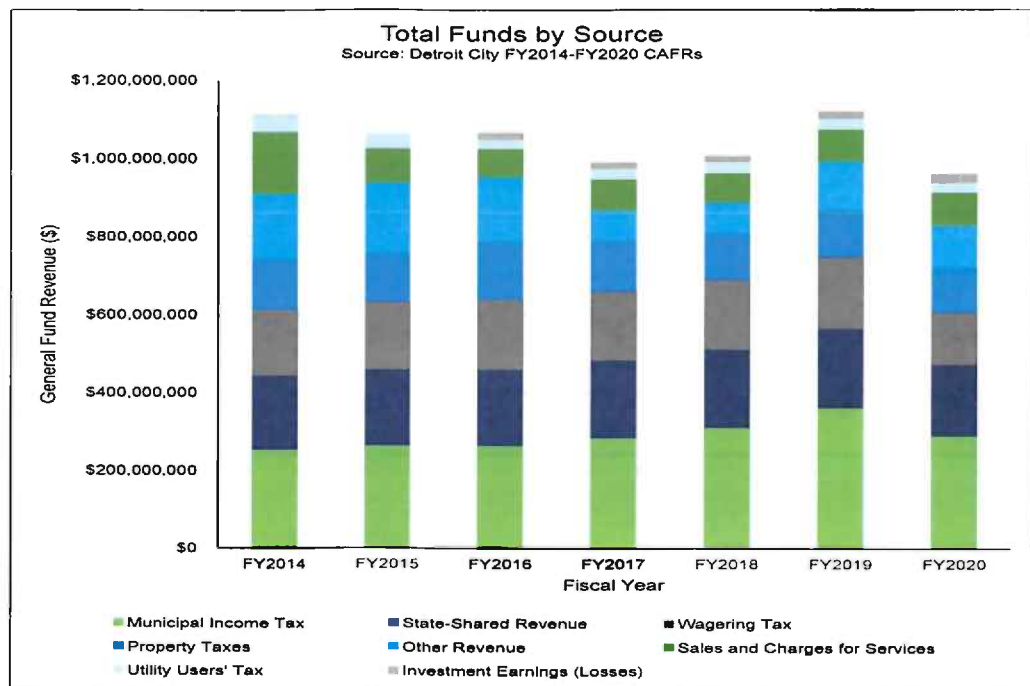
VI. Financial Analysis

35. I focused my financial analysis on Detroit's General Fund where retirement contributions have been made. In addition, I consider fiscal year 2020 to be an outlier year because of the Covid-19 pandemic ("Pandemic") and did not incorporate that year into my review and analysis.⁸ Review of Detroit's audited financial statements found that both General Fund Revenues and Expenditures have been generally consistent year-over-year with few exceptions. I also identified concentrations in certain categories in Detroit's General Fund Revenues and Expenditures.
36. In benchmarking Detroit's historical General Fund financial activity to other Comparable Midwestern Cities, I identified deviations in the amount of normalized General Fund Revenue collected and how those revenues are spent. A more detailed overview of my financial analysis is presented below.

Revenue Analysis

37. Figure 12 below shows that Detroit generates most of its General Fund Revenue from four main sources: Municipal Income Tax, State-Shared Revenue, Wagering Taxes, and Property Taxes. In 2019, these four items combined for more than 75% of General Fund Revenues.

Figure 12



⁸ Detroit's Office of the Chief Financial Officer also cautioned me that 2020 was unrepresentative of other years and certain financial activity normally accounted for in the General Fund was accounted in other funds.

38. The components of each of these revenue sources are further explained below.
- a. **Municipal Income Taxes** are collected from both residents (2.4% of income), non-residents (1.2% of income) and corporations (2% of income).⁹
 - b. **State-Shared Revenue** is based on the sharing by the State of Michigan of 15% of state sales tax collected.¹⁰ Michigan shares this revenue with each of its municipalities based on census determined population.¹¹
 - c. **Wagering Taxes** are collected at 11.9% of the adjusted gross receipts of the three casinos operating within Detroit.¹² In addition, these casinos pay a supplemental 1% tax if their gross receipts exceed \$400 million and a municipal service fee also based upon adjusted gross receipts, assessed at the greater of 1.25% or \$4 million.¹³ Beginning in 2021, casinos will remit an effective tax of 4.62% related to retail sports betting to Detroit.¹⁴
 - d. **Property taxes** are levied each year on July 1 to non-exempt properties based on the taxable value of each property multiplied by the applicable millage rate.¹⁵ The City currently levies 19.952 mills for general operating purposes.¹⁶
39. Figure 13 below shows that between 2014 and 2019, State Shared Revenue and Wagering Taxes have been consistent year-over-year and Property Taxes have fluctuated but are generally decreasing. Municipal Income Tax on the other hand experienced a 42% revenue increase over this time period.

⁹ City of Detroit, February 2021 Revenue Estimating Conference Report, p. 13.

¹⁰ Ibid p. 14.

¹¹ Ibid.

¹² Ibid p. 15.

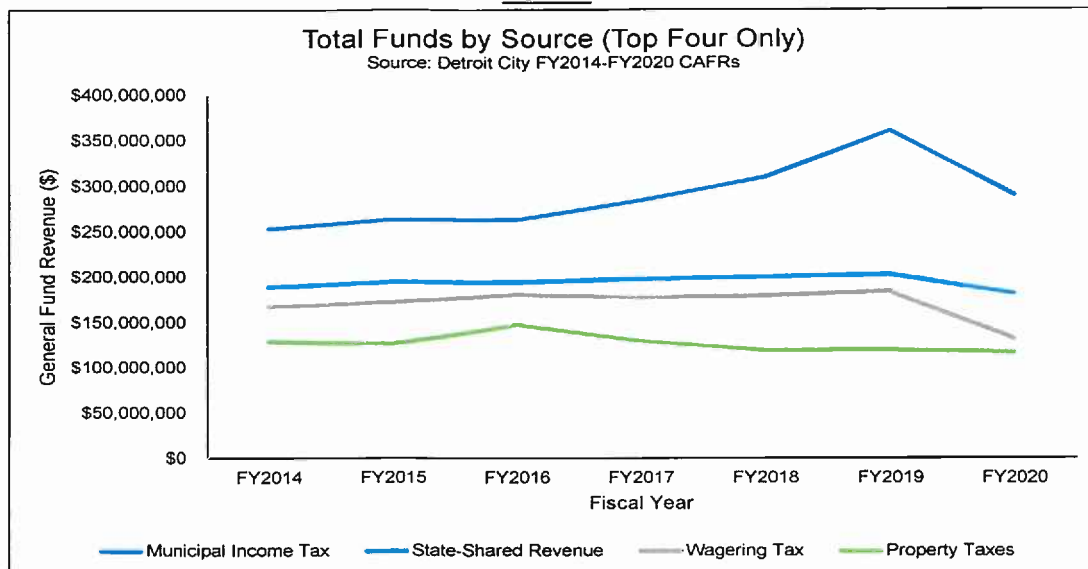
¹³ Ibid.

¹⁴ City of Detroit, Wagering and Tax Information,
https://www.michigan.gov/mgcb/0,4620,7-351-79127_82898-244408--,00.html

¹⁵ City of Detroit, February 2021 Revenue Estimating Conference Report, p. 16

¹⁶ Ibid.

Figure 13



40. The revenue growth in Municipal Income Tax prior to the Pandemic is reflective of the positive demographic shifts Detroit has experienced post-bankruptcy. Detroit has attributed this growth to a four-prong approach: (1) the creation of jobs through business attraction and expansion; (2) leading land development efforts that unlock economic growth City-wide; (3) supporting small and large businesses to locate and grow in Detroit; and (4) activating industrial and commercial spaces that support neighborhood employment growth.¹⁷ Detroit identified the growth of Rock Ventures, which includes Rocket Mortgage, the new headquarters of TCF Bank, the opening of regional offices by major technology companies such as Google, Microsoft, and LinkedIn, and other organizations such as the DIA, Wayne State University, Detroit Medical Center, and the Henry Ford Health System as contributing to the growth in employment.¹⁸ Between 2018 and 2019 alone, \$4.6 billion worth of private investment was recently completed or under construction leading to the announcement of 13,425 new jobs.¹⁹
41. In addition, the opening of Stellantis' Mack Avenue assembly complex this year and additional projects planned for the near future including the Gordie Howe International Bridge, Ford's conversion of Michigan Central Station, Bedrock's Hudson's site, General Motors' Factory Zero, and a new Amazon distribution center at the old Michigan State Fairgrounds are also expected to have positive effects on Detroit area employment, which will lead to increased income tax opportunities for Detroit.²⁰ However, the Pandemic and the shift to remote work has significantly impacted this revenue stream as many employees that work in Detroit do not live in Detroit. As a result, Detroit realized a decline in Municipal Income Tax in 2020 from both the

¹⁷ City of Detroit Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

¹⁸ Ibid.

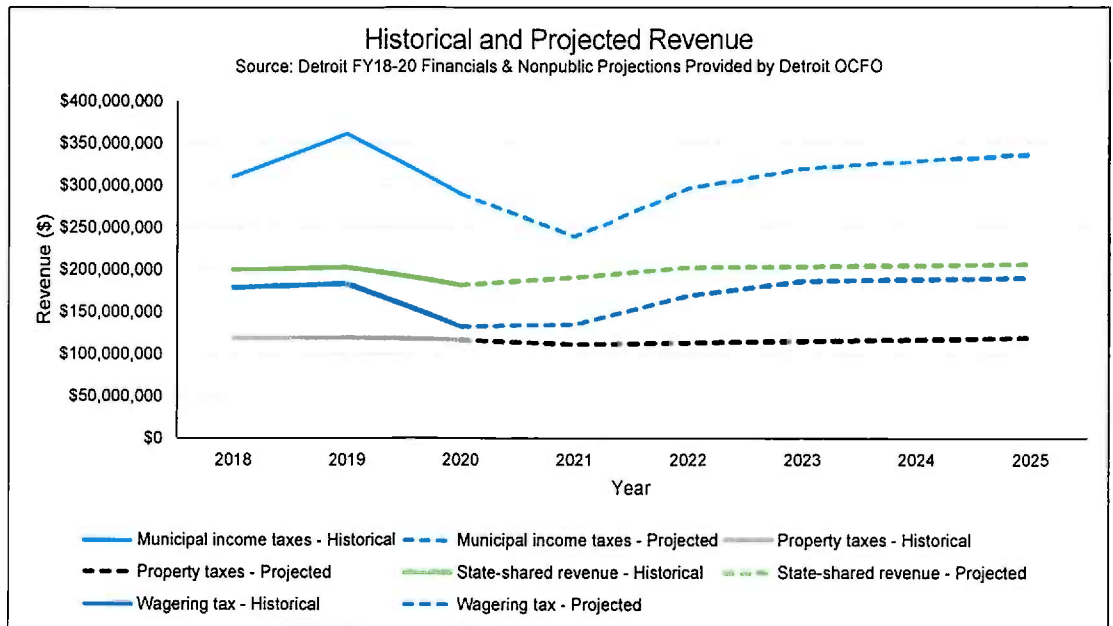
¹⁹ Ibid.

²⁰ City of Detroit Economic Outlook: 2020 – 2026. August 2021.

loss of employment caused by the Pandemic as well as from employees who had previously commuted into Detroit but have since been working remotely.

42. Figure 14 below shows Detroit's past experience and future expectations of its four major General Fund Revenue sources. Detroit's projections show all but its largest revenue source, Municipal Income Tax, returning to pre-Pandemic levels by 2022.

Figure 14

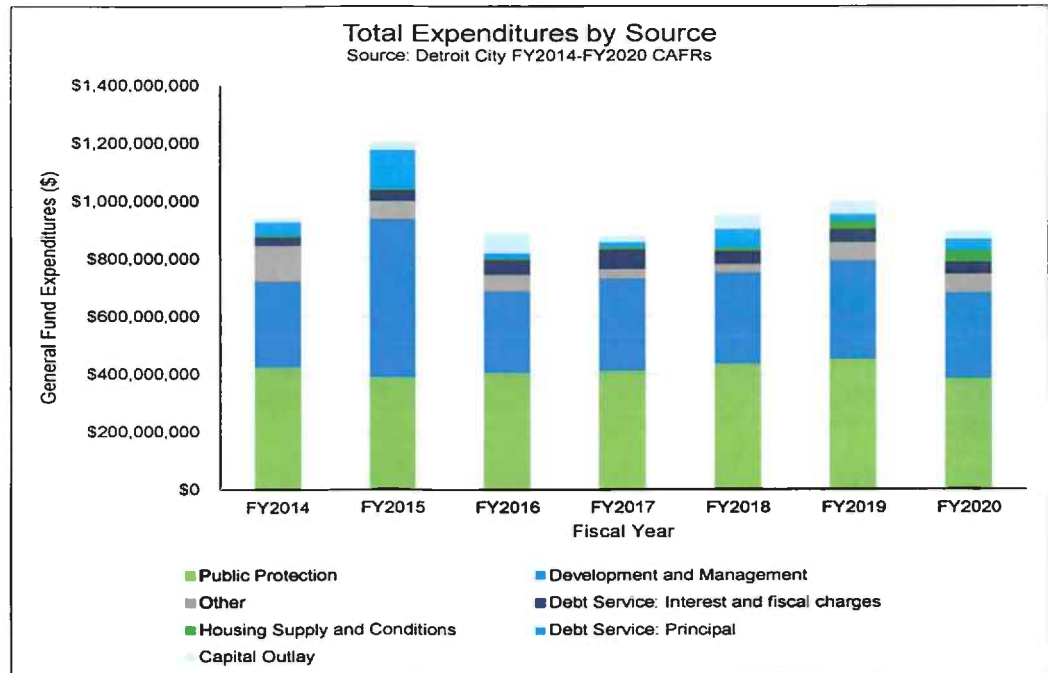


Expense Analysis

43. Figure 15 below shows that most of Detroit's expenses are concentrated in Public Protection and Development and Management whereby these two

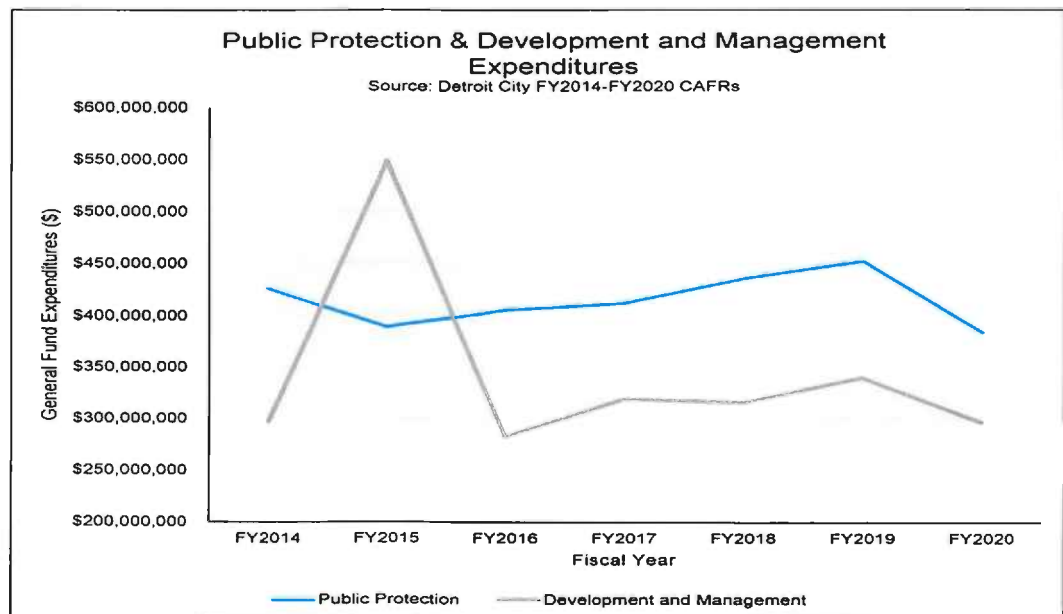
expense categories combined for approximately 80% of all General Fund Expenditures in 2019.

Figure 15



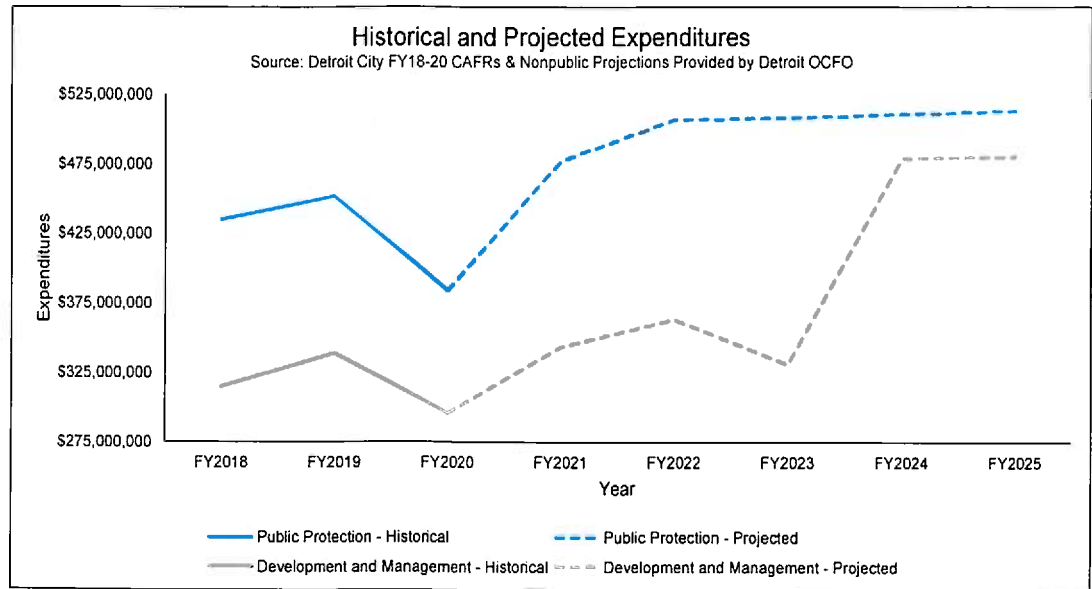
44. Figure 16 below shows that Public Protection spending increased 6% and Development and Management spending increased 14% between 2014 and 2019.

Figure 16



45. Figure 17 below shows Detroit's past experience and future expectations of its two major General Fund Expenditures. Public Protection costs are expected to increase to over \$477 million from approximately \$452 million in 2019 and grow modestly thereafter. Development and Management expenses are also expected to grow in future periods with the increase in 2024 and 2025 related to the planned retirement contributions.

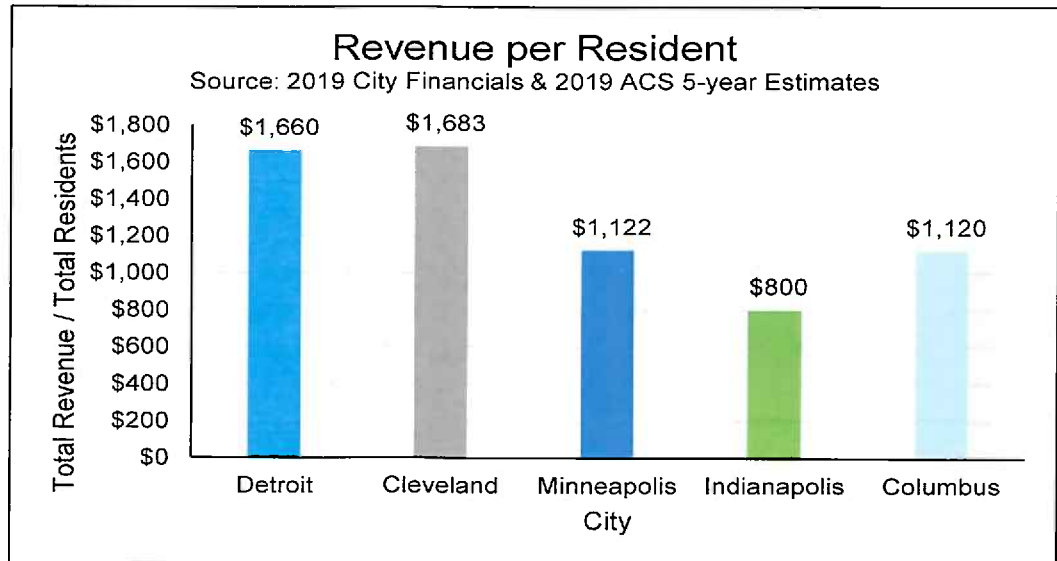
Figure 17



Financial Benchmarks

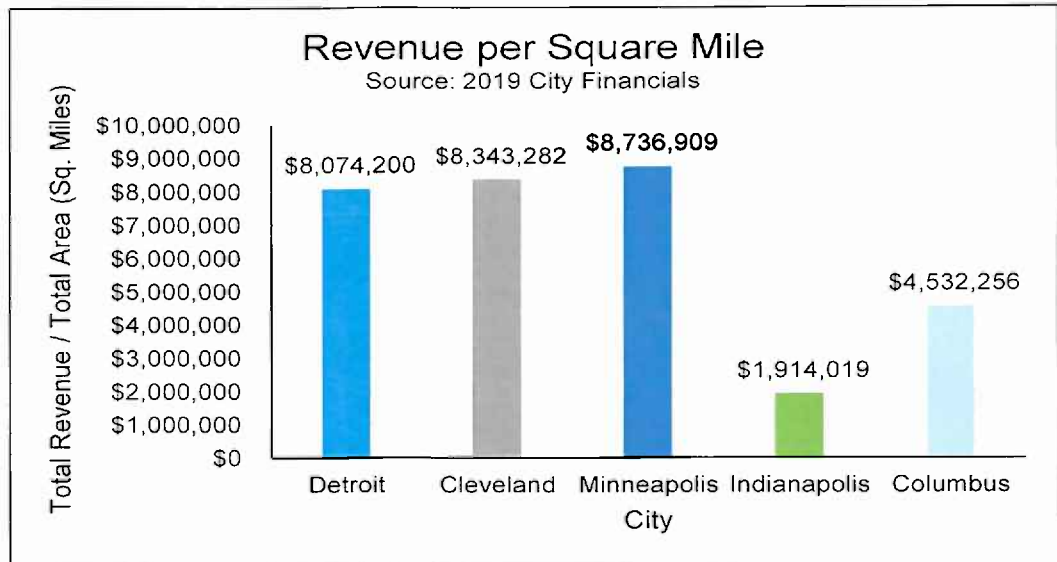
46. I benchmarked financial metrics of Detroit to those of the Comparable Midwestern Cities. To make valid comparisons, I normalized revenues by population and square miles and expenditures as a percentage of revenue. I also made adjustments to certain items within Detroit's Development and Management expense category for greater comparability to the Comparable Midwestern Cities, which will be further explained in the following paragraphs. Expenditures were grouped into five basic categories: Public Protection, Central Government, Health, Economic Development, and Other. See **Exhibit C** for a financial benchmark analysis between Detroit and the Comparable Midwestern Cities.
47. Figure 18 below shows that Detroit's General Fund Revenue per capita is more than that of Minneapolis, Indianapolis, and Columbus, and slightly below that of Cleveland.

Figure 18



48. Figure 19 below shows that Detroit's General Fund Revenue per square mile are commensurate with that of Cleveland, slightly below Minneapolis, and higher than that of Indianapolis, and Columbus.

Figure 19



49. These comparisons demonstrate that Detroit reports generally as much, or more than, General Fund Revenues of the Comparable Midwestern Cities on a relative basis. However, Detroit spends this collected revenue differently than the Comparable Midwestern Cities. I focused expenditure benchmarking on Public Protection and Development and Management spending in making these comparisons. I renamed what Detroit refers to as Development and Management to Central Government for purposes of comparison to similar expenditures of the Comparable Midwestern Cities. The expense categories reported by each city that combine into these categories are presented in **Exhibit C**.
50. I also reviewed additional detailed financial information from Detroit regarding the sub-accounts and cost centers that comprised the line items presented on its audited financial statements. I reviewed this financial detail to identify any expense line items that might be unique to Detroit or where other adjustments might be relevant for an applicable comparison.
51. In 2019, I identified 149 separate accounts, across 124 cost centers for Public Protection and 194 sub-accounts across 182 cost centers for Central Government. See **Exhibits D** and **E** for sub-accounts and cost-centers related to Public Protection and **Exhibits F** and **G** for the sub-accounts and cost-centers related to Central Government. From this review, I identified certain expenditures classified as Central Government activities that might not be relevant to the Comparable Midwestern Cities and made adjustments to the analysis to account for these items.
52. Within the expenses recorded as Central Government in 2019, I identified several items related to demolition, Police and Fire, and pension related payments where further consideration is warranted.



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

Demolition / Blight Related Expenses

- a. I identified \$14 million under cost center 350014 – Detroit Land Bank Authority.
- b. I identified \$12,945,934 in Demolition and Excavation Expenses under cost centers 350310 Detroit Building Authority and 350011 – Blight Remediation.
- c. I identified \$103,352 in cost center 160020 – Residential Demolition.

Police and Fire Related Expenses

- d. I identified \$21,360,133 in litigation, workers compensation, and miscellaneous claims related to police and fire under cost center 350890 – Risk Management.
- e. I identified \$2,677,820 under cost center 310220 – Public Safety.
- f. I identified \$1,209,462 under cost center 230201 – ODFS – Public Safety – Police.
- g. I identified \$899,821 under cost center 230211 – ODFS – Public Safety – Fire.
- h. I identified \$467,406 under cost center 310210 – DoIT Public Safety and Cyber Security.
- i. I identified \$152,566 under cost center 370020 – Office of the Chief.
- j. I identified \$60,246 for contract services – Fire Department under cost center 470115 – 36th District Court Madison Center, 230070 – Treasury, 330010 – Office of the Mayor, 450010 – DAH Administration, and 710010 – Elections Administration.

Pension Related Expense

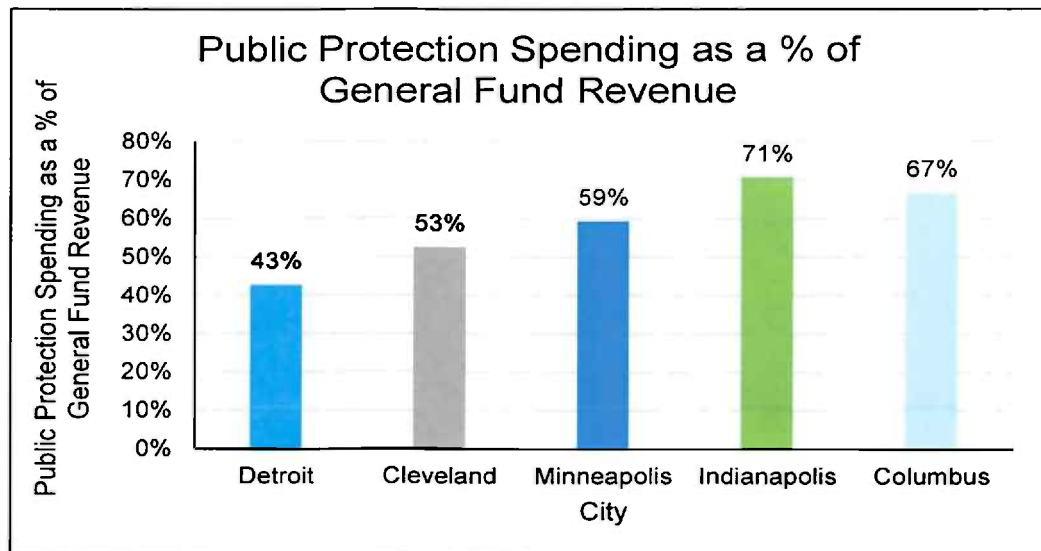
k. I identified \$20,000,000 in Non-Actuarial Pension expenses under cost center 351026 – Retirement Systems.

l. I identified \$18,582,863 in Non-Actuarial Pension expenses under cost center 351020 – Retirement Systems.

53. Of the aforementioned expense items classified as Central Government expenses, I removed the Demolition / Blight Related Expenses from the analysis as other cities are not likely to incur similar costs as Detroit. The Police and Fire Related Expenses have been reclassified from Central Government expenses to Public Protection expenses to ensure that all Police and Fire expenses are included within the Public Protection categorization. I also removed Pension Related Expenses of Detroit from the analysis.²¹

54. Figure 20 below shows that in 2019, Detroit spent considerably less of its revenue on Public Protection than the Comparable Midwestern Cities. Detroit's 2019 reported Public Protection spending was 40% of General Fund Revenue, compared to 53% for Cleveland, 59% for Minneapolis, 71% for Indianapolis, and 67% for Columbus.

Figure 20

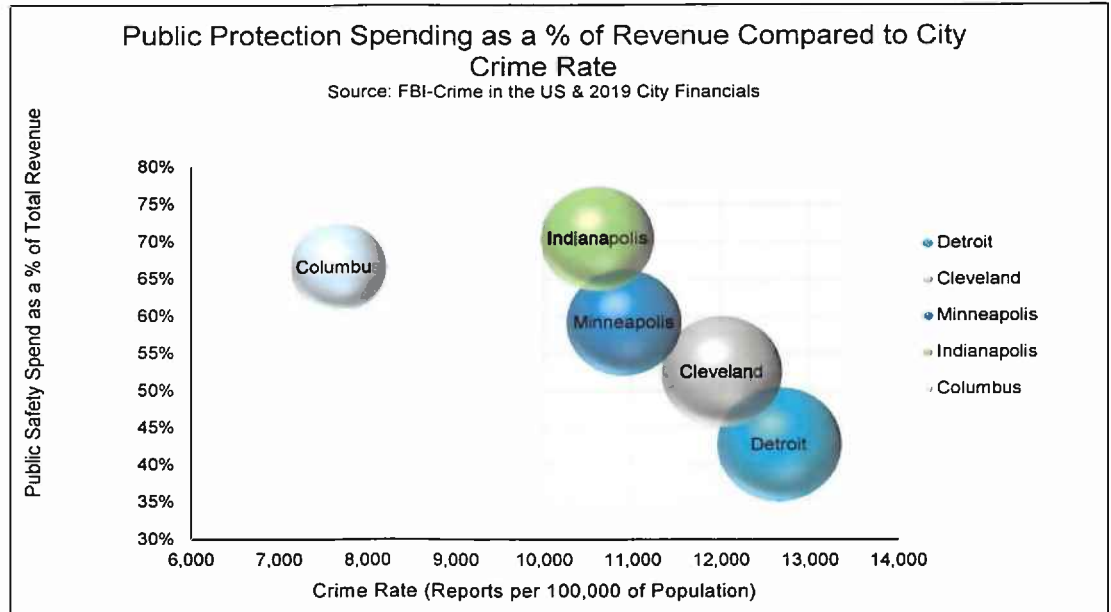


55. Figure 21 below shows that the amount of Public Protection spending is generally inversely related to each city's crime rate in 2019. The cities that

²¹ I identified the amount of pension contributions from the Comparable Midwestern Cities but it is unclear from which funds these contributions are made and the financial statement line items. Because Detroit's pension expenditures have been removed from my analysis, Detroit's costs may be understated in comparison to Comparable Midwestern Cities, which has a conservative effect in this analysis.

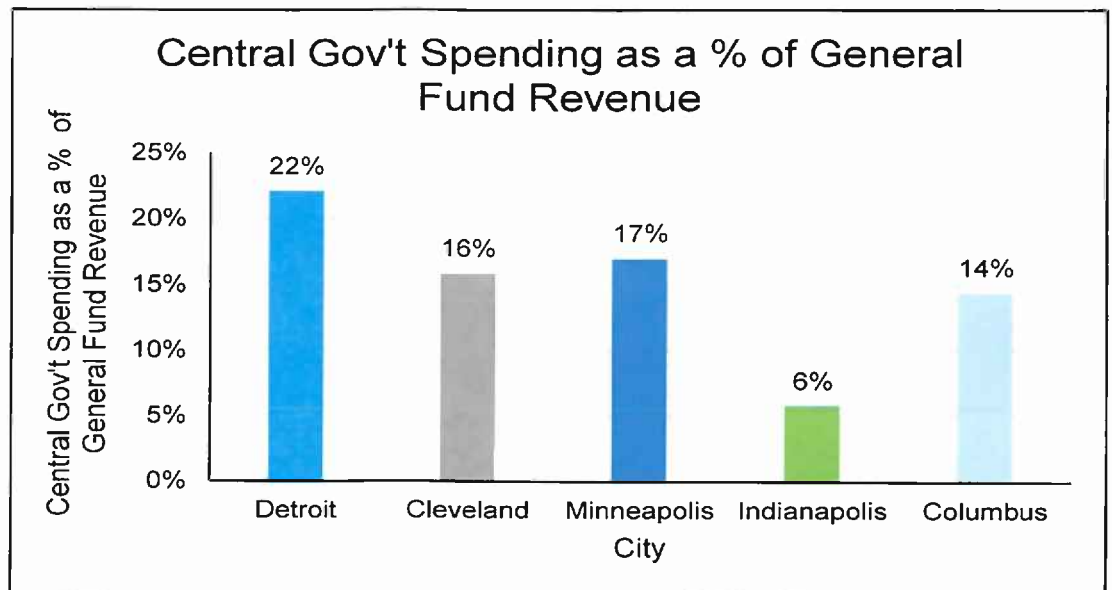
spent more on Public Protection generally have lower crime rates than the cities that spent less.

Figure 21



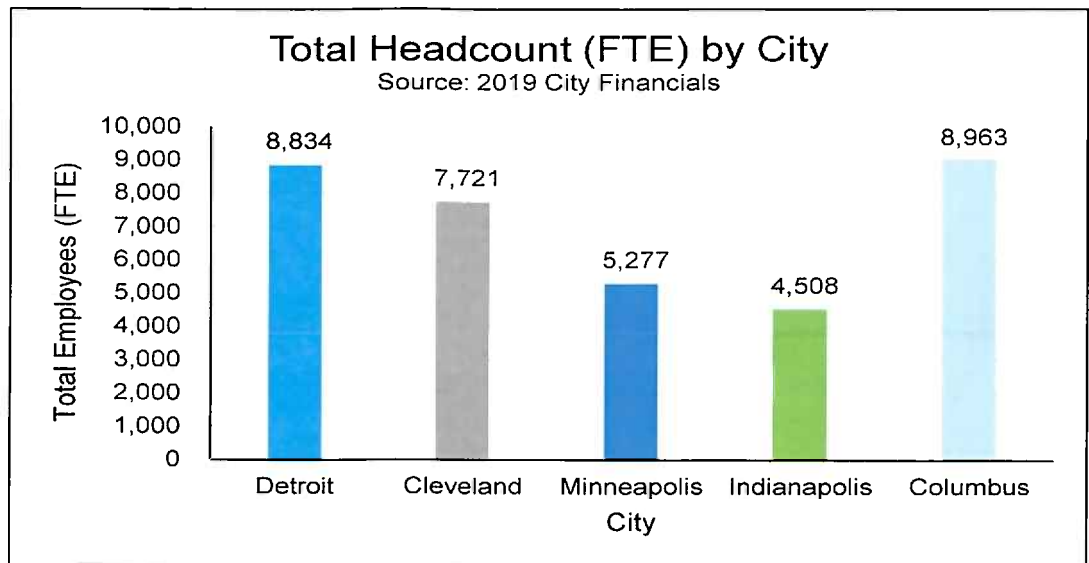
56. Figure 22 below shows that Detroit spent a larger proportion of its General Fund Revenues on Central Government, after adjustments, than all of the Comparable Midwestern Cities in 2019. Detroit's adjusted Central Government spending comprised 22% of General Fund Revenue in 2019, after the aforementioned expense adjustments, while Cleveland spent 16%, Minneapolis 17%, Indianapolis 6%, and Columbus 15%.

Figure 22



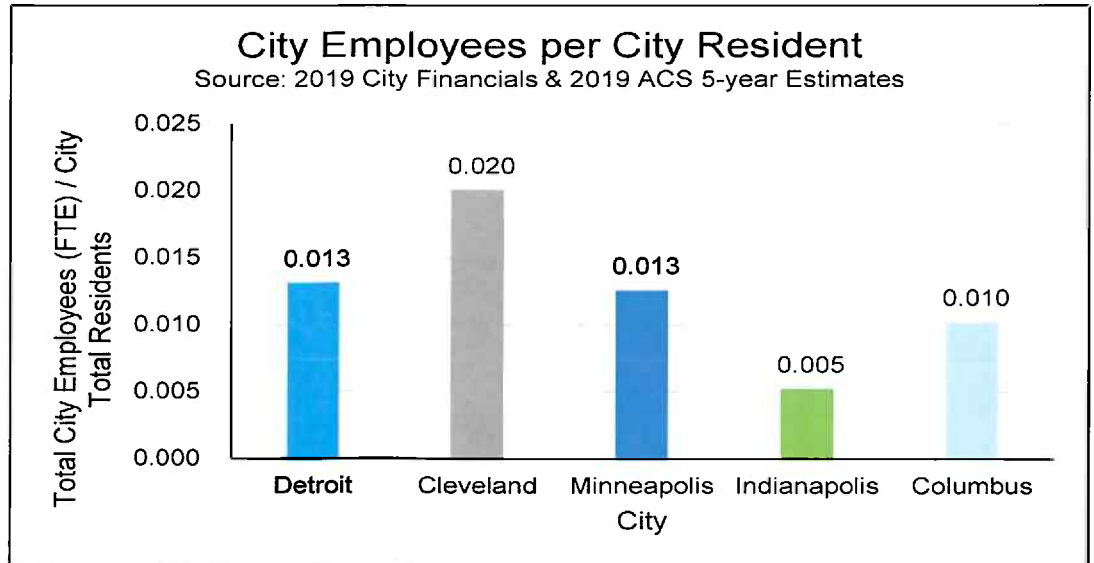
57. Figure 23 below shows that Detroit's total employee headcount in 2019, measured on a full-time equivalent ("FTE") basis, is higher than Cleveland, Minneapolis, and Indianapolis, and slightly lower than Columbus. Employee compensation and benefit costs represent the highest categories of spending in both Public Protection and Central Government for Detroit. Detroit's lower Public Protection spending than the Comparable Midwestern Cities and higher spending in Central Government suggests that the additional FTEs employed by Detroit are Central Government employees.

Figure 23



58. Figure 24 below compares the total headcount of Detroit and the Comparable Midwestern Cities normalized on a per capita basis. This normalization reflects a metric of how many employees are available per city resident. Based on this metric, Detroit has a lower city employment rate than Cleveland, but higher than Minneapolis, Indianapolis, and Columbus.

Figure 24



VII. Detroit's Ability to Pay PFRS Legacy Pension Contributions

59. Detroit anticipates making annual contributions to the PFRS Legacy Plan of \$130 million annually beginning in 2024 which represents approximately 13% of its general fund budget.²² The scenarios specified for my evaluation by the Investment Committee involved different levels of funding needs based on two separate analyses.
- a. Under a 20-Year Level Dollar with 20-Year Layers ("20 Year Scenario") and investment returns between 3.5% and 6.75% between 2024 and 2043, (with the lower returns assumed in the earlier years and a return to 6.75% in later years) PFRS actuaries project that contributions between \$135 and \$185 million per annum are needed to fund the PFRS Legacy Plan. The average annual contribution of the 20 Year Scenario is \$169 million over the 20-year time period and is at \$156 million after year 2028, five years after contributions will have begun. Under this scenario, PFRS's actuarially developed contributions are between \$5 million and \$55 million higher than Detroit's anticipated contribution with an average annual contribution \$39 million higher than Detroit's anticipated contribution and \$26 million higher after five years of funding.
 - b. PFRS actuaries prepared an additional scenario where a 25-Year Level Dollar with 25-Year Layers ("25 Year Scenario") is used to project required PFRS Legacy Plan contributions. This scenario projects PFRS Legacy Plan contributions between \$122 million and \$164 million per annum using the same investment return assumptions as the 20 Year Scenario. The average annual contribution of the 25 Year plan is \$154 million over the 25 year time period and is at \$141 million after year 2028, five years after contributions will have begun. Under the 25 Year Scenario, PFRS's actuarially developed contributions are between \$8 million under Detroit's planned contribution and \$34 million higher than Detroit's anticipated contribution with an average annual contribution \$24 million higher than Detroit's anticipated contribution and \$11 million higher after five years of funding.
 - c. See *Exhibit H* for PFRS actuarially computed amounts to its Legacy Plans.
60. Based on the aforementioned average differences of \$39 million and \$24 million, the difference in contribution amounts represent between approximately 2.4% and 3.9% of Detroit's annual average General Fund Revenues from 2014 to 2025. With these additional amounts, the PFRS Legacy Plan would account for between 15.4% to 16.9% of General Fund Revenue on average and 14.1% to 15.6% after five years of funding.²³

²² OCFO Document Response to PFRS 7.22.2021.

²³ When adding an additional \$71.2 million, net of DIA, Library and DWSD/GLWA contributions, for the General Retirement System Legacy Plan the combined Legacy Plan



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

61. Detroit's current General Fund Four-Year Financial Plan for 2022 through 2025 currently projects expenditures at the same level of revenue. Thus, for Detroit to increase its PFRS Legacy Plan contribution amounts, it will need to cut its anticipated levels of spending or realize revenue in addition to its current projections.

Expense Reductions

62. In order for Detroit to realize the savings needed to fund additional PFRS Legacy Plan contributions, it would most likely need to reduce its spending in either Public Protection or Central Government. All other expenditure line items in 2019 were between .24% and 3.92% of General Fund Revenue. Incorporating spending reductions from these categories, while not impossible, would necessitate essentially eliminating spending in some categories. Other amounts such as debt service, which represented a combined 5.97% of 2019 General Fund Revenues, have little flexibility for cost reduction.
63. Public Protection represents the largest category of Detroit General Fund Expenditures. However, Detroit's Public Protection spending is already lower than that of Comparable Midwestern Cities in proportion to revenue and its crime rate is higher. Further cuts in this expenditure might dissuade further investment in Detroit and compromise future revenues.
64. Central Government expenditures however represent an area where Detroit has historically spent proportionately more than Comparable Midwestern Cities, even after Demolition, Police and Fire, and Pension Related Expenses have been removed for comparative purposes.
65. In 2019, Detroit spent 22% of its General Fund Revenue on Central Government expenditures, after my adjustments, compared to 6% to 17% for the Comparable Midwestern Cities. However, it is not just one single comparison alone that suggests Detroit's Central Government spending is relatively higher than the Comparable Midwestern Cities. Instead, it is a confluence of factors, taken in totality, that triangulate this conclusion.
- a. First, Detroit is generally collecting as much, or more, revenue than the Comparable Midwestern Cities on a relative basis. Therefore, the difference in Central Government spending cannot be explained by a lack of revenue.
 - b. Second, Detroit spends less on Public Protection than the Comparable Midwestern Cities. The lower amount of Public Protection spending allows for higher spending in other expenditure categories.
 - c. Third, Detroit generally has a larger workforce than the Comparable Midwestern Cities. The biggest costs in both Public Protection and Central Government are employment related costs. With

Contributions would represent between 22.8% of General Fund Revenues after five years of funding and 24.1% on average under the more costly 20 Year Scenario.

proportionately lower spending in Public Protection and higher spending in Central Government suggests the excess employees reside in Central Government roles.

66. Looking ahead to 2024 and 2025, Detroit is budgeting approximately 23% of its General Fund Revenues to Central Government after making adjustments for Demolition/Blight, Police and Fire, and Pension Related Expenses. If this amount is reduced to the 17% of revenue spent by the next highest of the Comparable Midwestern Cities on Central Government, then Detroit would realize approximately \$65 million and \$64 million in cost savings for 2024 and 2025, respectively. See *Exhibit I* for the cost savings available to Detroit if it realized Central Government efficiencies reported by the Comparable Midwestern Cities.
67. The higher Central Government spending by Detroit is highlighted in its own projections of Salaries, Wages, and Benefits amounts compared to its own historical costs. In 2019, Detroit spent 50% of its General Fund Revenues on Salaries, Wages, and Benefits after removal of payments related to the Retiree Protection Fund ("RPF"). In 2022 and 2023, these expenditures increase to 63% and 58% of General Fund Revenues, respectively, after removal of RPF payments. If Detroit were to maintain its Salary, Wages, and Benefits amounts at 50% of its General Fund Revenue in 2022 and 2023, it would realize savings of \$128 million and \$82 million, respectively, which could be used for future pension contributions. Similarly, in 2024 and 2025, Salaries, Wages, and Benefits are projected to be approximately 57% of General Fund Revenues, after removal of \$220 million in pension contributions. If these amounts are reduced to the 50% of General Fund Revenues spent in 2019, then \$80 million and \$77 million, respectively, could be available for PFRS Legacy Plan contributions.²⁴ These changes in the proportion of employment related costs identify that Detroit is not managing its employment related costs with changes in revenues. See *Exhibit J* for the cost savings available to Detroit if it maintained the same proportion of Salaries, Wages, and Benefits expenditures in 2022 through 2025 that it had achieved in 2019.

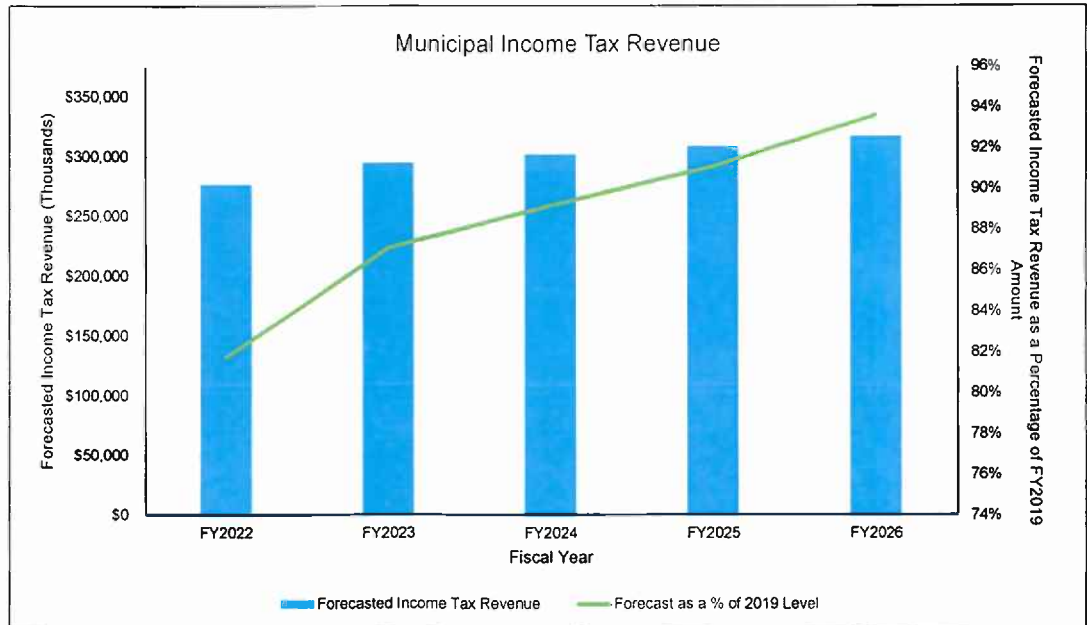
Additional Sources of Revenue

68. My analysis of Detroit's historical revenues found that Municipal Income Tax Revenue increased by 42% between 2014 and 2019. However, the Pandemic and the resulting trend of remote work has significantly impacted this revenue source as remote work outside of Detroit is currently not taxable by Detroit even if the employer is domiciled in Detroit.
69. As such, Municipal Income Tax is the only major revenue category that Detroit does not project to return to pre-Pandemic levels. Figure 25 below shows the projected levels of Municipal Income Tax Revenue Detroit is expecting for years 2021 through 2026, as developed in the September

²⁴ It is important to note that cost savings from Salaries, Wages, and Benefits are not additive to the aforementioned Central Government savings as Salaries, Wages, and Benefit amounts are partially included in Central Government expenditures.

2021 Revenue Estimating Conference, in the blue bars and the percent of 2019 revenue this represents in the green line.²⁵

Figure 25



70. In preparing its projections for years 2022 and thereafter, Detroit assumed a loss in Municipal Income Tax Revenue because of remote work between 13.8% and 15.9%.²⁶ However, if the gross Municipal Income Tax Revenue is reviewed, prior to a remote work loss discount, its 2022 Municipal Income Tax Revenue remains below the Municipal Income Tax Revenue reported in 2019. With all of the aforementioned past and future investment in projects that have been made in Detroit, the assumption that Municipal Income Tax Revenue would decline absent any remote work considerations is conservative (i.e., a low estimation of future revenue). All of the aforementioned investments related to workforce and employment opportunities within Detroit support a higher estimation of revenue projected by Detroit prior to the consideration of any discounts for remote work. A joint study conducted by the University of Michigan and Michigan State and Wayne State Universities project the total number of payroll jobs in Detroit to return to pre-Pandemic levels by 2022.²⁷

²⁵ It is my understanding that the revenue forecast developed at the September 2021 Revenue Estimating Conference now represents Detroit's official economic forecast of anticipated City revenues. Stout did not update other sections based on this revenue as expenditures around these anticipated revenues has not yet been determined.

²⁶ Office of the Chief Financial Officer. Revenue Estimating Conference. 2021 September 15. P8.

²⁷ City of Detroit Economic Outlook: 2020 – 2026. August 2021.



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

71. If Detroit were to use the same level of Municipal Income Tax Revenue reported in 2019, discounted for remote work, as the projection for Municipal Income Tax Revenue in 2022, it could expect an additional \$8 million in revenue. If the same growth rates are assumed that are used for Detroit's current projection, combined with the remote work discount, an additional \$8.5 million, \$8.8 million, \$9 million and \$9 million would be expected in years 2023 through 2026, respectively. If the remote work loss is removed from the projections and the 2019 Municipal Income Tax Revenue is substituted for 2022 and grown at the rates within the current projection, then Detroit could expect an additional \$61.6 million in Municipal Income Tax Revenue in 2022 increasing to \$62.8 million by 2026. See **Exhibit K** for a comparison of Detroit's Municipal Income Tax Revenue projections.
72. The uncertainty in Municipal Income Tax Revenue caused by the Pandemic presents a material challenge in determining the amount of revenue lost due to remote work. With rapid changes in both employee and employer preferences it is impossible to predict the level of remote work that will occur in 2024 and beyond. However, available data and information related to employment in Detroit, regardless of whether it is performed remotely or physically within a Detroit workplace, suggests a return to 2019 levels by 2022.²⁸
73. On January 22, 2021, the State of Michigan legalized online sports betting.²⁹ However, Detroit did not forecast this revenue in its Four-Year Financial Plan for fiscal years 2022-2025.³⁰ In the September 2021 Revenue Estimating Conference, Detroit now estimates iGaming/Sports Betting in excess of \$75 million annually in fiscal years 2024 – 2026.³¹
74. My review and analysis of Detroit's other major revenue sources: State-Shared Revenue and Property Taxes found that Detroit has not had significant increases to these revenues despite the growth and investments being made in Detroit. I therefore find Detroit's projections of these amounts as generally returning to 2019 levels to be reasonable.

Economic Downturns

75. The Legacy Plan funding scenarios developed by the PFRS actuaries intentionally use lower investment returns in their analysis to identify contributions necessary if investment returns are not met. Future economic downturns can be one reason why investment returns are not met. As such, I considered how such downturns might affect Detroit's ability to fund contributions to the Legacy Plan.

²⁸ City of Detroit Economic Outlook: 2020 – 2026. August 2021.

²⁹ Haddad, Ken "Online sports betting to begin in Michigan on Jan. 22." Click on Detroit. January 19, 2021.

³⁰ City of Detroit Four-Year Financial Plan: FY 2022 – 2025, A16.

³¹ Office of the Chief Financial Officer. Revenue Estimating Conference. 2021 September 15. P10.



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

76. In the event of an economic downturn, then Detroit will have more control in managing its expenses than protecting certain revenue streams. If Detroit's forecasted revenue declined by 10%, then it would have \$59.5 million and \$58.7 million in fiscal years 2024 and 2024, respectively, available for Legacy Plan contributions from reducing its Central Government spending to 17% of General Fund Revenue. Similarly, cost savings from managing its employee compensation related expenses at 50% of General Fund Revenue would make available \$80 million and \$77 million in fiscal years 2024 and 2025, respectively, for Legacy Plan contributions.³²
77. However, in the event of a future economic downturn that results in a loss of employment, a decline in employee compensation or other events related to Detroit's ability tax the earnings of its residents and/or workers that commute into the city then the additional revenue identified from Municipal Income tax might not be available.
78. The additional revenue identified by Detroit from iGaming / Sports Betting may also be at risk during an economic downturn, however, studies have mixed opinions. For example, in the last recession beginning in 2007, the Detroit casinos did not experience revenue declines.³³ However, other studies have found casino revenues to be negatively affected during economic downturns.³⁴

³² Cost savings from Central Government efficiencies and employee compensation are not additive.

³³ "Bottom Line: Are Casinos Recession Proof?" NPR. 2008 May 5.

³⁴ Duggan, Wayne. "Casinos Among the Hardest-Hit Businesses During Economic Downturns." Yahoo. 2019 January 12.

VIII. Conclusion

79. Detroit has experienced growth and prosperity since its bankruptcy, which is apparent in many quantifiable measures. The median income of its residents has increased and the number of residents living in poverty, unemployment, and crime has decreased. Problems such as blight, street lighting, and EMS response times have all significantly improved. Significant investments by major employers such as Stellantis, Ford, GM, Google, Microsoft, LinkedIn and Waymo have or are committed to be made in Detroit.
80. When benchmarking the historical levels of General Fund Revenue reported by Detroit to the Comparable Midwestern Cities, Detroit generally collects as much or more revenue on a normalized basis. Therefore, any budgetary constraints realized by Detroit is not because of a lack of revenue, but rather how it uses that revenue for the benefit of its residents. When benchmarking Detroit's Central Government expenditures to those of Comparable Midwestern Cities, I identified significant opportunity for continued improvements for efficiency in service delivery.
81. When comparing Detroit only to itself for past employee compensation amounts and future projections of those same amounts, Detroit's projections do not manage this expense in relation to its anticipated revenues. This results in fluctuations in the proportion of these costs between its past and anticipated revenues.
82. It is my opinion that Detroit is taking a conservative approach to forecasting Municipal Income Tax Revenue, notwithstanding its discount for remote work loss. Certain data suggests that Detroit could expect more revenue from this source than it is currently projecting that could be used for additional contributions to the Plan. Detroit also now anticipates significant revenue from iGaming and Sports Betting that it was not projecting earlier this year.
83. The cost savings and additional revenues identified in this report are summarized in **Exhibit L**, as well as presented below. When preparing this combined summary, care was taken to not double count the effects of the different scenarios previously discussed. First, it is important to separate the cost savings from Central Government efficiencies from more effectively managing employee compensation expenses which forms the basis for two separate scenarios. When projecting cost savings available, I also considered the effects of the increased revenue on these calculations. In the first scenario, it is reasonable that Detroit could expect an additional \$148 million by 2025 above its current projections, which already includes \$130 million in PFRS Legacy Plan contributions, to fund extra Legacy Plan Contributions. In the second scenario, Detroit could expect an additional \$119 million by 2025 above its current projections, which already includes \$130 million in PFRS Legacy Plan contributions, to fund extra Legacy Plan Contributions.



**The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit**

**Expert Report of
Raymond A. Roth, III,
CPA, CFE**

October 13, 2021

	FY2022	FY2023	FY2024	FY2025
Scenario 1:				
1 Detroit Cost Savings From Central Government Efficiencies	\$ 69,260,228	\$ 61,527,717	\$ 64,974,392	\$ 63,929,739
2 Additional Detroit Municipal Income Tax Above Projected Amount	8,026,446	8,549,152	8,755,331	8,941,182
3 Additional Revenue from Retail Sports Betting	66,400,000	73,800,000	75,400,000	75,400,000
4 Total Scenario 1 Savings	<u>\$ 143,686,674</u>	<u>\$ 143,876,869</u>	<u>\$ 149,129,723</u>	<u>\$ 148,270,921</u>
Scenario 2:				
5 Detroit Cost Savings From Salaries, Wages, and Benefits with Additional Revenue Projections	91,453,667	41,328,062	38,110,439	34,961,676
6 Additional Detroit Municipal Income Tax Above Projected Amount	8,026,446	8,549,152	8,755,331	8,941,182
7 Additional Revenue from Retail Sports Betting	66,400,000	73,800,000	75,400,000	75,400,000
8 Total Scenario 2 Savings	<u>\$ 165,880,112</u>	<u>\$ 123,677,214</u>	<u>\$ 122,265,769</u>	<u>\$ 119,302,858</u>

84. Detroit's current projections of \$130 million for PFRS Legacy Plan contributions are between \$11 million and \$26 million lower than the funding scenarios projected by PFRS actuaries after five years of funding by 2028. On average, Detroit's PFRS Legacy Plan projected contributions are between \$24 million and \$39 million lower than the PFRS actuary projections. The combined cost savings and additional revenue of \$119 - \$148 million, as presented in this report and the table above, exceed the projected shortfalls in PFRS Legacy Plan contributions. Thus, it is my opinion that Detroit will have the ability to pay the additional amounts of PFRS Legacy Plan contributions under the scenarios projected by its actuaries.



The Investment
Committee of the
Detroit Police & Fire
Retirement System v.
City of Detroit

Expert Report of
Raymond A. Roth, III,
CPA, CFE

October 13, 2021

IX. Assumptions and Limiting Conditions

85. My conclusions are based on the information received to date. I reserve the right to change those conclusions should additional information be provided.
86. No one that worked on this engagement has any known financial interest in the Defendant or the Plaintiff or the outcome of the analysis. Further, Stout Risius Ross, LLC's compensation is neither based nor contingent on the results of the analysis.
87. My conclusions are applicable for the stated date and purpose only and may not be appropriate for any other date or purpose. This report is solely for use in the cited dispute, for the purpose stated herein, and is not to be referred to or distributed, in whole or in part, without prior written consent.

Raymond A. Roth, III, CPA, CFE
Director
Stout Risius Ross, LLC

EXHIBIT 11

Excerpts of June 11, 2021
Tex Tribunal Order



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

ORLENE HAWKS
DIRECTOR

MGM Grand Detroit LLC,
Petitioner,

MICHIGAN TAX TRIBUNAL

v

MOAHR Docket No. 15-002842

City of Detroit,
Respondent, and
Michigan Department of Treasury,
Intervenor-Respondent.

Presiding Judge
Preeti P. Gadola

ORDER DENYING PETITIONER'S MOTION FOR PARTIAL SUMMARY DISPOSITION

ORDER GRANTING RESPONDENT'S MOTION FOR SUMMARY DISPOSITION
WITH RESPECT TO PETITIONER'S UNIFORMITY CLAIMS AS SET FORTH IN
THE STOUT "UNIFORMITY REPORT"

ORDER PARTIALLY GRANTING INTERVENOR-RESPONDENT'S MOTION FOR
SUMMARY DISPOSITION AS TO UNIFORMITY AND RELATED CONSTITUTIONAL
CLAIMS

ORDER OF PARTIAL DISMISSAL

INTRODUCTION

This case commenced on May 28, 2015, for tax year 2015 and now includes tax years 2016, 2017, and 2018.¹ A deadline for dispositive motions was set and revised at several points but ultimately was established for July 20, 2020. A deadline for responses to dispositive motions was also modified and ultimately was set for September 18, 2020. Oral arguments on the motions and responses occurred on November 17, 2020.



¹ Subsequent tax years were severed by order of the Tribunal on August 21, 2019.

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
MICHIGAN TAX TRIBUNAL
611 W. OTTAWA ST • P.O. BOX 30232 • LANSING, MICHIGAN 48909-8195 • 517-335-9760

with the question to be determined, "[w]hat is the average level of assessment of all real and personal property within the City of Livonia?" ³⁶⁴ The Court found,

The Michigan Constitution of 1908, controlling here, provided:

"The legislature shall provide by law a uniform rule of taxation, except on property paying specific taxes, and taxes shall be levied on such property as shall be prescribed by law." Article X, §3.

"All assessments hereafter authorized shall be on property at its cash value." Article X, § 7.

The constitutional mandates were implemented by the General Property Tax Act (PA 1893, No 206, as amended [C.L. 1948 and C.L.S 1961, § 211.1 et seq., as amended by PA 1963, No 66, (Stat. Ann. 1960 Rev. and Stat. Ann. 1963 Cum. Supp. § 7.1 et seq.)]). *The Act provides for the uniform assessment and taxation of all taxable property, both real and personal other than intangibles, at the standard of true cash value* (C.L. 1948, § 211.1, C.L.S. 1961, § 211.24, as amended by PA 1963, No 66, § 211.27 [Stat. Ann. 1960 *378 Rev. § 7.1, Stat. Ann. 1963 Cum. Supp. § 7.24, Stat. Ann. 1960 Rev. § 7.27]).³⁶⁵

The matter before us has little to do with the average level of assessment determined by the State Tax Commission with regard to all real and personal property, included in one category, in the city of Detroit.³⁶⁶ Here, Petitioner is requesting the Tribunal consider the uniformity in assessment of three Casino Facilities. However, the Tribunal, again, has no jurisdiction over the assessments of Greektown and MotorCity and it cannot draw a "uniform assessment" from Mr. Kernen's Report which relies on inaccurate information and frankly, makes little sense. The methodology in the Report is not found in any appraisal textbook, treatise, scholarly article, case law or statute and appears to have been presented to Kernen by counsel for its client's own self-interest,

³⁶⁴ *Appeal of General Motors*, *supra* at 381.

³⁶⁵ *Appeal of General Motors*, *supra* at 377-378 (emphasis supplied and added).

³⁶⁶ *Appeal of General Motors* predates the current statutory formula of true cash value equalized by class. See MCL 211.34 and 211.34c

not from any independent thought. When an “appraisal” is performed for the Tax Tribunal by a qualified appraiser, the Tribunal confirms its purpose is to independently determine the true cash value of the property, not based on any client coercion, instruction, or self-interest.³⁶⁷ Further, Mr. Kernan attempts to manipulate assessments on the tax roll, without any assessor qualifications. Finally, as noted above, the Court in *General Motors* found, “[t]he act provides for the uniform assessment and taxation of all taxable property, both real and personal other than intangibles, *at the standard of true cash value.*”³⁶⁸

Petitioner also cites *Edward Rose Building Co. v Independence Township*,³⁶⁹ to support its contention that uniformity in the mode and method of assessment is still required, twenty-five years after the holding in *Titus*. In *Rose Building Co*, the property consisted of 100 residential lots. Petitioner only sold single lots developed with houses, it did not sell multiple lots to other developers or builders. Lot sales slumped and the valuation experts valued the lots as if each were of equal value. However, Petitioner’s appraiser concluded that no market for individual lots existed so it based its valuation on multi-lot sales to builders. The Tribunal rejected Petitioner’s multi-lot sales comparables and accepted Respondent’s value per lot; however, the Tribunal discounted the value per lot, “to allow an 18% mark up for the influence of development costs during the holding period of liquidation.’ Thus the Tribunal essentially took the ‘wholesale’

³⁶⁷ Uniform Standards of Professional Appraisal Practice, Ethics Rules state, “An appraiser:” “must not perform an assignment with bias;” “must not advocate the cause or interest of any party or issue.” Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice* (Appraisal Foundation, 2020- 2021 ed, 2020) p. 7. Mr. Kernan, to his credit, he does fully disclose that he created the Uniformity Report, per specific client instruction.

³⁶⁸ *Appeal of General Motors*, *supra* at 377. (emphasis supplied and added).

³⁶⁹ *Rose Bldg. Co.*, *supra* at 639–40.

EXHIBIT 12

June 6, 2022

Mr. Charles Raimi
Deputy Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue
Detroit, Michigan 48226

Re: Police and Fire Retirement System of the City of Detroit – Recommended Amortization Period

Dear Mr. Raimi:

The purpose of this letter is to provide Cheiron's independent assessment of 20 versus 30 year funding periods for amortizing the unfunded actuarial liability of the Police and Fire Retirement System of the City of Detroit (PFRS).

Summary

The most recent actuarial valuation report for PFRS was prepared as of June 30, 2021 by Gabriel, Roeder, Smith & Company (GRS). As recommended by GRS, the PFRS Board and Investment Committee adopted a funding policy that amortizes the initial unfunded actuarial liability (UAL) over 20 years, determined as of June 30, 2022 with payments commencing in fiscal year 2024.

Based on our analysis which is detailed in this report, Cheiron's primary conclusions are as follows;

1. The differences between a 20-year and 30-year amortization as of June 30, 2022 are negligible in terms of ensuring sufficient assets will be available to pay all future benefits under the Plan.
2. The increase in annual City contributions to the Plan under a 20-year amortization period are significantly greater than those determined under a 30-year amortization period.
3. Because a 20-year amortization results in increased assets when compared to a 30-year amortization, this level of assets increases the exposure the City has to investment risk, without any offsetting benefit to taking such risk due to conclusion number 1.

Detailed Analysis

An amortization policy is a part of the overall pension plan funding policy. There are three primary principles to be followed in selection of a contribution policy:

1. The primary principle for funding is that the contribution policy should result in the plan accumulating assets adequate to make all future benefit payments when due.
2. The contribution policy should result in contributions which are affordable for the plan sponsor, i.e., the City of Detroit.
3. Under any contribution policy that results in sufficient assets to pay future benefits when due, the level of investment risk should be minimized.

The amortization policy recommended by GRS would meet the first principle above.

Whether it meets the second principle is an important consideration for all stakeholders. The Bankruptcy Plan of Adjustment provided for a 10-year “pension holiday” for City contributions to the PFRS plan. It also provided that the resulting UAL would be amortized over the subsequent 30 years. Cheiron understands that those provisions of the POA were integral to the Court’s feasibility analysis of the POA, which recognized the City’s need to minimize pension contributions while the City used general fund dollars to address critical needs in other areas. To the extent the POA provides guidance on what is “affordable,” the contribution policy should be consistent with the POA.

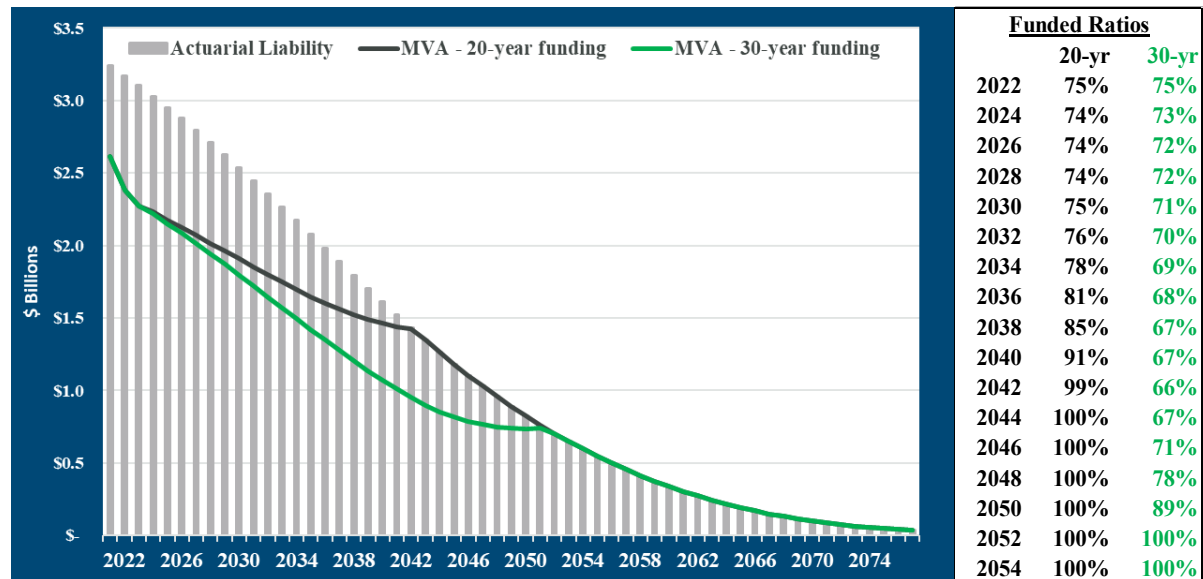
To the extent contributions are front-loaded, the investment risk is increased for the system. The 20-year amortization policy requires increased contributions in the early years. In the event of a market downturn, because assets are higher, the losses will be more significant and the requirement for contributions would increase.

It is our opinion that a longer initial amortization period of 30 years would still meet the first principle of accumulating adequate assets, and also result in contributions which are more affordable for the City. Finally, given that both a 20-year and 30-year amortization period meet the first principle, and that a 20-year amortization results in a greater asset build-up, a 20-year amortization period has increased investment risk and therefore does not meet principle three.

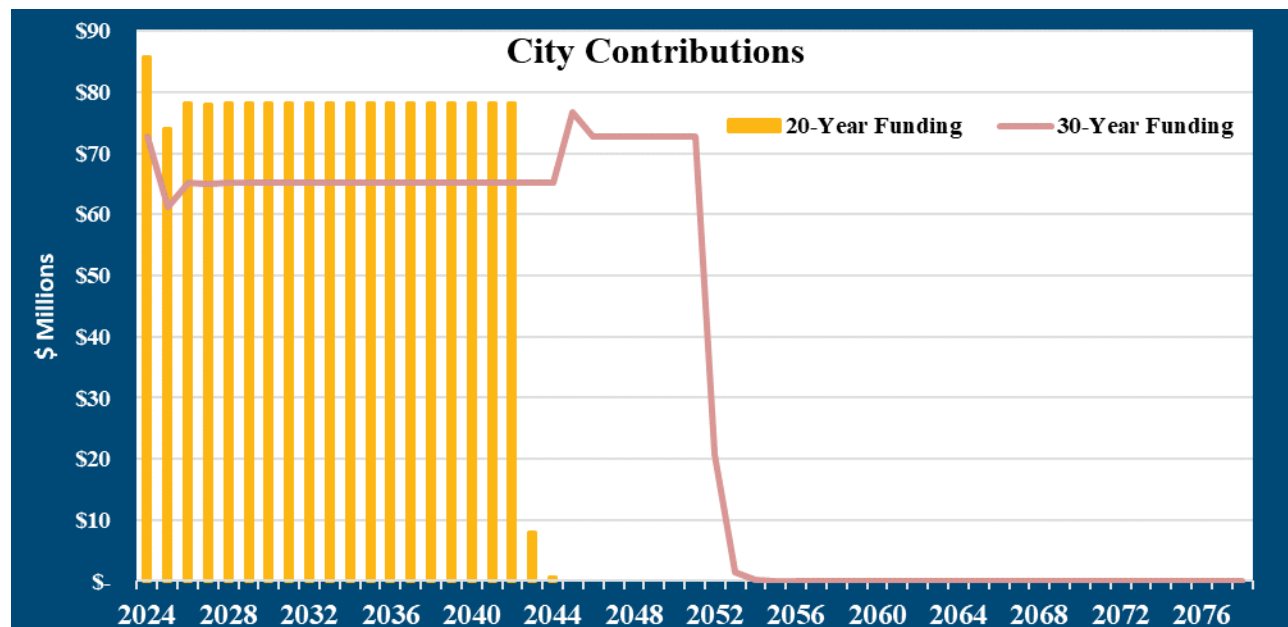
In arriving at our conclusions, we relied on the most recent information available, including the June 30, 2021 GRS actuarial valuation of the PFRS supplemented by GRS cash flow projections provided in the June 30, 2021 GASB 67/68 report.

In the graph shown below is a projection of the actuarial liability and plan assets through 2077. Plan assets are represented by the lines in the chart and are shown assuming 20-year (grey line) and 30-year (green line) funding of the June 30, 2022 unfunded actuarial liability. These projections assume that the fund earns 1% for the plan year ending June 30, 2022 and then the assumed rate of return of 6.75% each year thereafter with no further actuarial gains or losses. The grey bars represent the actuarial liability as of each actuarial valuation date.

As can be seen in the chart, both the 20-year and 30-year funding ultimately reach 100% funding. Also, under 30-year funding the plan is never less than 66% funded.



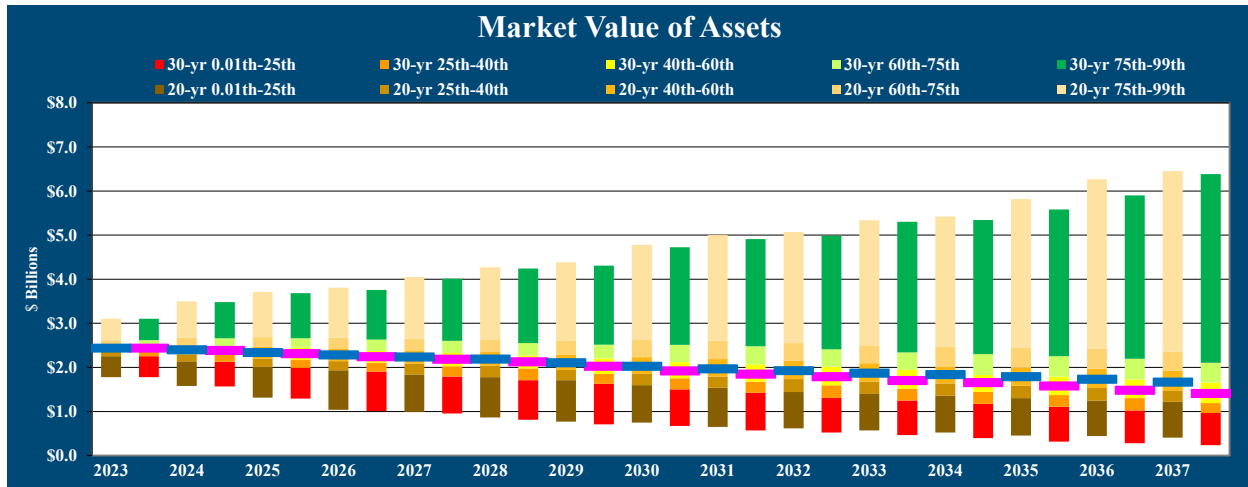
The next graph shows the projections of the City's contributions to the plan starting in 2024 under both 20-year and 30-year funding of the June 30, 2022 unfunded actuarial liability. This graph shows that the City contribution for the first 20 years are 20% greater under 20-year funding than under 30-year funding. Under the 30-year funding, even though the City contributions are much greater in years 21 through 30 (i.e. 2043-2052), those additional contributions are all less than the contribution levels for the first twenty years under 20-year funding, and are much more affordable at that time than having to pay 20% higher contributions in the first twenty years.



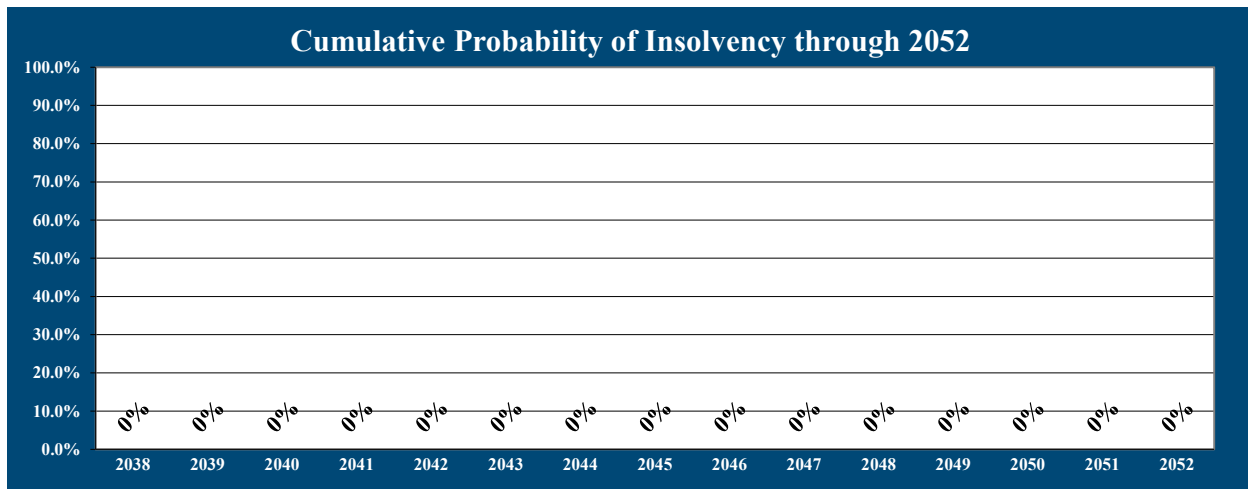
These projections are helpful to see the expected funding results when all actuarial assumptions are met each year into the future. However, there is a significant level of uncertainty in any projections into the future. The largest source of uncertainty is the projection of investment returns. In order to reflect this uncertainty, we have also included a stochastic projection of plan assets. The stochastic projections, based on assumptions provided by PFRS's investment consultant Wilshire, assume a geometric return of 6.88% and a standard deviation of 10.8%. The stochastic projection contains 1,000 trials over the projection period.

The first stochastic graph below shows projections of the market value of assets from 2023 to 2037. The results are shown within percentiles, with the least favorable in the 0.01 percentile at the bottom of the red bars for the 30-year funding scenario, and the bottom of the dark brown for the 20-year funding scenario. The bottom of both bars are never less than \$200 million meaning there is a 0% probability of insolvency during these years, which assures all benefits can be paid.

Just for informational purposes, the top of the bright green bars (for 30-year funding), and light brown bars (for 20-year funding) represent the most favorable results at the 99th percentile. Finally, the pink (30-year funding) and blue (20-year funding) dashes represent the 50th percentile result in each scenario. In both the most favorable results and the expected results for each year, the difference between 20-year and 30-year funding is, in our opinion, negligible.



The next stochastic chart shows the cumulative probability of plan insolvency through 2052 under 30-year funding, based on the 6.88% expected return and 10.8% standard deviation described earlier. It shows again, a 0% chance of insolvency.



GRS has stated that the current asset allocation may have to be de-risked over time in order to pay benefits and as such, the expected return can't be assumed to be the same over the long-term projection. To acknowledge and address this concern, we ran the same scenario as above, but assuming a 0% expected return over the projection period. Even under this scenario, our stochastic results produced a 0% chance of insolvency. This result addresses and eliminates this concern expressed by GRS. **Because of the 20-year amortization of future gains and losses, any de-risking of the portfolio would result in the plan being able to pay all benefits under a 30-year amortization funding policy.**

Mr. Charles Raimi

June 6, 2022

Page 6

Finally, given that under a 30-year funding policy, the plan is not expected to become insolvent, there is no need for the City to absorb the additional investment risk that arises under the 20-year funding policy due to more assets in the trust over a longer period.

Disclosures

The calculations in this letter are based upon the data, assumptions, methods, and plan provisions as outlined in the June 30, 2021 Actuarial Valuation Report prepared by Gabriel, Roeder, Smith & Company (GRS). We have accepted these assumptions for purposes this letter.

The results of this letter rely on future plan experience conforming to the underlying assumptions and methods outlined in the June 30, 2021 Actuarial Valuation Report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly.

This letter includes projections of future contributions, assets, and funded status for the purpose of assisting the City and PFRS with the management of the Fund. We have used Cheiron's R-Scan model to develop these projections. The R-Scan projection uses projected benefit payments for current members based upon information included in the June 30, 2021 GASB 67/68 report produced by GRS. The stochastic projections of investment returns are based on the assumption that each future year's investment return is independent from all other years and is identically distributed according to a lognormal distribution. This assumption may result in an unrealistically wide range of compound investment returns over longer periods of time. The standard deviation used in the stochastic projection of investment returns was provided by Wilshire Associates.

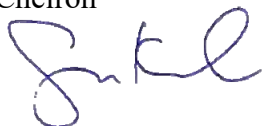
This letter has been prepared exclusively for the City of Detroit for the purpose described herein. This analysis is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Finally, this letter has been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report.

If you have any questions or need additional information, please let us know.

Sincerely,

Cheiron



Gene Kalwarski

Principal Consulting Actuary, FSA, MAAA, EA

Gene Kalwarski, FSA, MAAA, EA
Chief Executive Officer / Principal Consulting Actuary

Gene Kalwarski is CEO and co-founder of Cheiron Inc., and one of the most well regarded pension actuaries in the nation.

For nearly four decades he has advised many of the nation's largest public pension funds. He is often hired as an expert to help financially troubled funds. He popularized the use of interactive projection modeling, and was one of the first actuaries to encourage plans to conduct stress testing to manage risk. He also designed Cheiron's proprietary interactive pension projection tool, *P-Scan*. He has testified before Congress, and often addresses state legislatures and Boards of Trustees on behalf of state pension funds.

His roster of clients has included:

- California State Teachers Retirement System
- New York State Teachers' Retirement System
- State Teachers Retirement System of Ohio
- Maine Public Employees Retirement System
- Connecticut State Employees Retirement System
- Delaware Public Employees Retirement System
- Maryland State Retirement and Pension System
- Florida Retirement System
- Kansas Public Employees Retirement System
- Vermont Municipal Employees' Retirement System
- Arlington County Employees Retirement System
- Fairfax County Employees Retirement System
- Montgomery Employees Retirement System
- San Diego City Employees' Retirement System
- San José Federated and Police and Fire Department Retirement Plans

Before co-founding Cheiron, he worked for more than two decades at Milliman Inc., where he established the firm's Washington office. In 1984 he became the firm's youngest Equity Principal and by 1990 he was the youngest Equity Principal to serve on the firm's Board of Directors. He is a Fellow in the Society of Actuaries, an Enrolled Actuary under ERISA, and a Member of the American Academy of Actuaries.

EXHIBIT 13



June 17, 2022



CONFIDENTIAL

The Police and Fire Retirement System
of the City of Detroit
One Detroit Center
500 Woodward Ave., Suite 3000
Detroit, Michigan 48226

Attention: Mr. David Cetlinski, Executive Director

**Re: June 30, 2021 Restoration Reserve Account for Component II of the Police and Fire Retirement System
of the City of Detroit**

Dear Mr. Cetlinski:

In accordance with Section K-3(2)a, of Exhibit E (see excerpt below) of the City of Detroit's Plan of Adjustment:

"For purposes of restoration of benefits through June 30, 2023, the Funding Target will be a 75% funded ratio, and the Restoration Target will be a 78% funded ratio, both projected to June 30, 2023. For purposes of calculating the funded ratio, the assets in the Restoration Reserve Account will be excluded. Each year, if the Plan Actuary projects that the Funded Level as of 2023 (excluding Restoration Reserve Account assets to avoid double counting) exceeds the Restoration Target (i.e., exceeds 78%), a credit of assets for bookkeeping purposes will be made into a new notional Restoration Reserve Account. The notional credit will be an amount equal to the excess of assets above the amount projected to be needed to satisfy the Restoration Target."

You have requested that we calculate a potential credit of assets to be made into the Restoration Reserve Account as of June 30, 2021.

Our calculations are based on the results of the June 30, 2021 valuation, using the assumptions outlined in Section K-3(2)a, including use of the market value of assets and a 6.75% assumed rate of investment return net of administrative and investment expenses, and assuming no future ASF transfers due to future investment gains. The assumptions and methods to be used were agreed upon by the legal counsels of the Police and Fire Retirement Board and the Investment Committee.

Please note that we are not attorneys and nothing in this letter is intended to provide legal advice. We suggest that your attorney and/or the IC's legal counsel review this letter to ensure that we have correctly interpreted Section K-3.

In accordance with Section K-3(2)a, the Actuarial Accrued Liability (AAL) and the Market Value of Assets (MVA) are projected to June 30, 2023. The projection is based on estimates of benefit payments and refunds of member contributions. **The projection is illustrated below:**

	(\$ Millions)	
	Actuarial Accrued Liability (AAL) (A)	Market Value of Assets (MVA) (B)
(1) Value on June 30, 2021	\$ 3,374.9	\$ 2,749.1
(2) Contributions - Fiscal Year (FY) 2022	N/A	18.3
(3) Expected Benefit Payments and Refunds - FY 2022	(299.3)	(299.3)
(4) Interest - FY 2022*	217.9	175.6
(5) Value on June 30, 2022 (1)+(2)+(3)+(4)	\$ 3,293.5	\$ 2,643.7
(6) Contributions - FY 2023	N/A	18.3
(7) Expected Benefit Payments and Refunds - FY 2023	(298.5)	(298.5)
(8) Interest - FY 2023*	212.4	168.5
(9) Value on June 30, 2023 (5)+(6)+(7)+(8)	<u>\$ 3,207.3</u>	<u>\$ 2,531.9</u>

* Employer contributions are assumed to occur at the end of the year. Expected benefit payments and refunds are assumed to occur mid-year.

The 78% Restoration Target is applied to the projected June 30, 2023 AAL in order to determine whether the projected June 30, 2023 MVA exceeds that amount. Since the credit of assets to be made into the Restoration Reserve Account is as of June 30, 2021, the excess of the June 30, 2023 MVA over the target is discounted back to June 30, 2021 using an annual discount rate of 6.75%.

Calculation of notional credit needed to satisfy the Restoration Target

	(\$ Millions)
(1) June 30, 2023 Restoration Target	78%
(2) June 30, 2023 AAL	<u>\$ 3,207.3</u>
(3) June 30, 2023 Projected Target MVA (1)x(2)	\$ 2,501.7
(4) June 30, 2023 Projected MVA	<u>2,531.9</u>
(5) Projected MVA excess over target (4)-(1)	\$ 30.2
(6) Discount factor to June 30, 2021	<u>0.8775</u>
(7) June 30, 2021 value of excess (5)x(6)	<u>\$ 26.5</u>



The end result is an amount of **\$26,526,870** as a credit of assets to be made into the Restoration Reserve Account as of June 30, 2021.

Additional Notes:

- This information should be considered in conjunction with the June 30, 2021 actuarial valuation of the Police and Fire Retirement System of the City of Detroit of Component II, which we issued on March 16, 2022 (the 2021 valuation report).
- Future valuations will likely be affected by the Restoration Reserve Account. We expect to issue a memo with additional requests for guidance from the legal counsels (Board and Investment Committee) on the appropriate treatment.
- Upon request, we are prepared to provide an estimate as to whether there are sufficient funds in the newly established Restoration Reserve Account to restore any COLA benefits under the POA as of June 30, 2021. The calculation of the COLA will likely depend on the answers to some of the questions in the memo described above.
- We recommend the System adopt administrative procedures for this account (crediting of interest, treatment of gains/losses, and credits and debits to the reserve as called for in the plan document).


If you have any questions regarding this information, please call. We would be happy to meet with the Board or Investment Committee to discuss this information.

David T. Kausch, Judith A. Kermans, and Jamal Adora are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,
Gabriel, Roeder, Smith & Company



David T. Kausch, FSA, EA, FCA, MAAA, PhD



Judith A. Kermans, EA, FCA, MAAA



Jamal Adora, ASA, EA, MAAA

JA:ah



Valerie – I am attaching the OCFO's response to Stout's information requests that was provided to you and Stout some time ago. The response (page 3) asks that the IC hear from Mayor Duggan and the City's actuarial expert in conjunction with its consideration of the funding issue.

We would be grateful if you would confirm that will be arranged before the IC begins deliberations on the funding issue.

Also, we would be grateful if you would send us a copy of the Stout report.

Thanks.

Chuck Raimi

Deputy corporation counsel

313 237 5037

--

Valerie Brader

Rivenoak Law Group

valerie@rivenoaklaw.com

Cell: 734-478-0165

6

EXHIBIT 14

City of Detroit
Plan of Adjustment - 40 year projections

The attached Plan of Adjustment preliminary forecast (the “POA Financial Projections”), its assumptions and underlying data are the product of the Client and its management (“Management”) and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP (“EY”) did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client’s responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client’s POA Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

Plan of Adjustment - 40 year projections

Assumptions
(\$ in millions)

Plan of Adjustment - 40 year projections

General Fund Cash Flows	GF 40yr cash flows	\$4.3b funds available for unsecured claims
	DIP financing	Quality of Life (\$120m @ 3.5% assumed to be refinanced as part of exit facility)
	Exit financing	\$300m note @ 6.0% maturing in FY26
	Swap treatment	\$85m settlement
	Contingency	Reflects 1.0% of total revenues
Revenue stream from DWSD	Pension	\$429m for pension in the first 10 years
	OPEB	12.1% of OPEB - current retirees payments
	POC	11.5% of total POC payments
Reimbursement from other funds	Reimbursements from Parking (non GF) and Library	
Hypothetical art proceeds (a)	Foundations	\$366m over 20 years
	DIA	\$100m over 20 years
Hypothetical State settlement (a)	Contributions to pension	\$195m in FY15
Hypothetical claims treatment PFRS		
	Pension	
	Contributions (years 1-10)	Estimated to be \$261m from foundations / State settlement
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$681m (b) amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
GRS		
	Pension	
	Contributions (years 1-10)	Estimated to be \$99m from State settlement; \$429m from DWSD; \$45m from DIA; \$146m from GF & other funds
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$695m (b) amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
UTGO		
	Hypothetical Note A1	\$287.5m note funded with pass-through UTGO millage
	Hypothetical Note A2	\$55m settlement note
LTGO		
Other unsecured		
	Hypothetical Notes B	\$632m note paid over 30 years - \$450m OPEB, \$162m POC, \$4m notes/loans and \$16m other

Footnotes:

- (a) Hypothetical art and State settlement proceeds are subject to a consensual agreement with respect to the treatment of pension-related claims.
- (b) Estimated pension contributions to retirement systems and unfunded pension liabilities as of June 30, 2023 are subject to change.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**RESPONSE TO CITY OF DETROIT’S MOTION TO ENFORCE PLAN OF
ADJUSTMENT AND REQUIRE 30-YEAR AMORTIZATION OF THE
UAAL IN THE POLICE AND FIRE RETIREMENT SYSTEM PENSION
PLAN [ECF NO. 13602]**

The Police and Fire Retirement System of the City of Detroit, Michigan (the “PFRS”), through its counsel, hereby responds in opposition to the City of Detroit’s *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan*. In support of its Response, the PFRS relies on the Brief and exhibits attached herein.

Respectfully submitted,

By: /s/ Jennifer K. Green

Jennifer K. Green

Clark Hill PLC

151 S. Old Woodward, Ste 200

Birmingham, MI 48009

(248) 988-2315

jgreen@clarkhill.com

Attorney for Creditor – PFRS

Date: September 9, 2022

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re: City of Detroit, Michigan, Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

EXHIBIT LIST

- Exhibit 1 None
- Exhibit 2 None
- Exhibit 3 Brief
- Exhibit 4 Certificate of Service
- Exhibit 5 None
- Exhibit 6 Documentary Exhibits to Brief (summarized below):
- Exhibit A: Emergency Manager Order No. 44 and PFRS Report
 - Exhibit B: Bowen Dep Transcript – July 1, 2014
 - Exhibit C: Kermans Dep Transcript - August 8, 2014
 - Exhibit D: Thomas Dep Transcript - July 15, 2014
 - Exhibit E: Hearing Transcript – September 15, 2014
 - Exhibit F: M. Kopacz Supplemental Report
 - Exhibit G: Hearing Transcript – September 29, 2014
 - Exhibit H: Moore Dep Transcript – July 24, 2014
 - Exhibit I: City of Detroit Legacy Report
 - Exhibit J: Gabriel Roeder Report – September 28, 2020
 - Exhibit K: Crain’s Article dated March 7, 2022, “Duggan Budget Plan
Includes Putting More Money in Retiree Protection Fund as
Pension Cliff Nears”

EXHIBIT 3 – BRIEF

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**BRIEF IN SUPPORT OF RESPONSE TO CITY OF DETROIT'S MOTION
TO ENFORCE PLAN OF ADJUSTMENT AND REQUIRE 30-YEAR
AMORTIZATION OF THE UAAL IN THE POLICE AND FIRE
RETIREMENT SYSTEM PENSION PLAN [ECF NO. 13602]**

TABLE OF CONTENTS

I. INTRODUCTION	1
II. FACTUAL BACKGROUND.....	5
A. The Plan—as Part of the Grand Bargain—Required Formation of an Investment Committee With Authority to Determine Amortization	5
(1) The Plan’s Treatment of the PFRS Claim Lacks an Amortization Term.....	6
(2) The State Contribution Agreement.....	8
(3) Composition and Authority of the Investment Committee	9
(4) The Investment Committee’s Authority to Select Amortization Periods Under the Plan Documents.....	9
(5) The Investment Committee’s Authority to Select Amortization Periods Under Michigan Law	11
(6) The DIA Settlement Terms Also Required Governance Changes	13
(7) The Amended PFRS Plan Documents Under the Plan of Adjustment.....	14
B. The Larger Extrinsic Records Reveals Why a 30-Year Amortization Period Is Absent from the Plan.....	16
(1) The City’s Plan Always Envisioned That the Economic Terms for the 2023 Payment—Even the Amount—Were Subject to Change	16
(2) The City’s Expert Admits an Amortization Schedule Was Not Yet Set.....	19
(3) The City’s Plan Is Bereft of a 30-Year Amortization Term Because Its Own Experts Did Not Support It	21
C. The PFRS, In Consultation With Advisors, Selects a 20-Year Amortization..	26
D. The City Admits That It Lacks Control Over the Amortization Decision	29
III. LAW & ARGUMENT	31
A. The Plan Does Not Require a 30-Year Amortization and Instead Gives the PFRS Unfettered Discretion to Determine the Applicable Period	31
(1) The Plan Documents Unambiguously Grant the PFRS the Power to Decide Amortization So Extrinsic Evidence Cannot Be Considered.....	31

(2) Even If Considered, the Extrinsic Evidence Is Unavailing.....	33
B. Any Request to Modify the Plan Fails Because the Plan Has Already Been Substantially Consummated.	36
C. The City Should be Estopped from Arguing Against Its Prior Positions	37
D. The City’s Motion Is Procedurally Improper.....	39

I. INTRODUCTION

In the supreme irony for a so-called motion to “enforce a plan,” the City cites no actual text—not one sentence—from the Plan of Adjustment (the “Plan”) to support its claim that the Plan “requires” a 30-year amortization period for the upcoming payment to the PFRS. Because it cannot rely on the Plan to support its position, the City instead resorts to extrinsic evidence—a financial projection from the confirmation trial—which is also unavailing, as it (i) states on its face that it was merely a “hypothetical” scenario for payment of the PFRS claim that was “subject to change,” (ii) was one of 2,300 exhibits introduced at trial and was never incorporated into the Plan, (iii) was cited by the Court in its Confirmation Opinion only in passing, and (iv) whose author admitted at trial that the parties would have to “decide what the amortization methodology is of the UAAL at the year 10.” It is as though it was the City’s “plan” in the colloquial sense—as in, its subjective intent—to use a 30-year amortization period, but it is confusing that with “the Plan”—as in, the formal legal document governing its exit from bankruptcy. The City’s unilateral intent, no matter how sincerely held, does not trump the four corners of the Plan.

Under the four corners of the Plan, the PFRS was granted exclusive authority to decide its own funding policies, specifically including “amortization periods” for any unfunded liability that the is the City’s responsibility to pay. The State Contribution Agreement entered into as part of Grand Bargain—which, unlike the financial

projection the City hangs its hat upon, *is* attached to the Plan and expressly incorporated into it—required that the Retirement Systems appoint an independent Investment Committee to make decisions precisely like the one at issue here. The Investment Committee’s authority to select applicable amortization periods was not only part and parcel to the overall Plan, it was even codified into Michigan law in conjunction with the Plan. In fact, the City, as the plan sponsor and payor source for the pension funds—is *prohibited* by state law from steering the Investment Committee’s decision because the City is deemed a “party in interest.” In other words, the City is presumed biased and not an “independent fiduciary” to the PFRS, and therefore, it is forbidden from controlling this decision.

These governance changes were specifically negotiated during the bankruptcy, and for good reason—the parties to the Grand Bargain were seeking to avoid the prior turbulent history between the City and the two Retirement Systems, which included numerous lawsuits for nonpayment, the disastrous Certificates of Participation (“COPs”) transaction, a takeover by an Emergency Manager, and ultimately, this bankruptcy in which the City threatened to force a drastic reduction in thousands of retirees’ pension payment via cramdown. Accordingly, in exchange for its contribution of nearly \$200 million to the City’s coffers—the State demanded that the City not be permitted to steer the funding policy for the PFRS in the future. The State was prescient in this regard, as that is precisely what the City is attempting to do now

in this Motion: forcing the PFRS to accept a risky repayment schedule over three decades so the City can avoid its pension obligations and divert funds earmarked for the pensions to pay for other initiatives. The PFRS Investment Committee, though, exercising its fiduciary duties (and in complete lockstep with the PFRS Board of Trustees, who passed a resolution recommending adoption of the 20-year amortization period), determined it was more prudent for the PFRS to receive its money sooner than 30 years to shore up underfunding more quickly. The City's refusal to comply is proving the point—this Motion is a glaring example as to *why* the City is boxed out of this decision-making process.

While the Plan is silent as to the specific length of the applicable amortization period, it is not silent as to which party (the City versus the PFRS) gets to decide that issue. It is undisputedly the PFRS. In fact, Mayor Duggan's own statements to the media admit precisely this—he has openly complained about the “lack of control” the City has over this decision. But that is the deal the City struck. The City may now regret the deal it struck—but that was the deal. It is enshrined in the Plan of Adjustment, approved by this Court nearly a decade ago, long since substantially consummated under Section 1127 of the Bankruptcy Code, codified in Michigan law under Public Act 314—and enforceable by the PFRS. By asking this Court to enjoin the PFRS from setting its own funding policy, the City is not seeking “enforcement” of the Plan, it is actually seeking a wholesale modification of the Plan. And a tardy

one at that, as the Sixth Circuit already held years ago that the Plan was substantially consummated and also specifically ruled that the Grand Bargain cannot be unwound.

While the Plan is abundantly clear that the PFRS is entitled to make the call regarding its amortization policy—and therefore, evidence extrinsic should not be consulted—if the Court does consider evidence outside the four corners of the Plan, then *all* the extrinsic evidence needs to be weighed, not just one financial projection out of 2,300 documents at trial. When the larger record is reviewed, the reason that a 30-year amortization period is absent from actual text of the Plan is clear: because the City’s own experts on its “Pension Task Force” testified that no amortization period decision had been made and that a shorter period is the better practice. Those experts actually agree with the PFRS actuary, the Investment Committee and the PFRS Board’s position—a shorter amortization period is the more prudent funding policy.

Moreover, raising the specter of “feasibility” now gets the City nowhere. It is undisputed that the City *has* the money. To its credit, the City has set aside hundreds of millions of dollars in trust to fund the 2023 Payment. The issue is not whether the City can afford a shorter 20-year amortization—it admits it can—the issue is that the City would rather spend that money on other things. The PFRS Board has diligently implemented the Plan and complied with it to a tee, and its Investment Committee is functioning precisely how it was intended under the Plan. Unfortunately, as was all too common pre-petition, the City wants to ignore its pension obligations and divert the

cash to meet other needs—which was a recipe for disaster pre-bankruptcy. This is exactly what the Court-appointed feasibility expert, Martha Kopacz, warned against: “The City must be continually mindful that a root cause of the financial troubles it now experiences is the failure to properly address future pension obligations... if the City does not monitor the obligation that is going to be there in 2023... they could wake up with a bad nightmare, not unlike what they’ve been through with the pension systems to get to this point.” The City’s habit of reverting to the all-too-familiar routine of not paying its pension obligations as they become due should not be countenanced, and more importantly, the clear language of the Plan should not be ignored. The City’s Motion should be roundly denied.

II. FACTUAL BACKGROUND

A. The Plan—as Part of the Grand Bargain—Required Formation of an Investment Committee With Authority to Determine Amortization

This Court, in confirming the City’s Plan, emphasized that the “Grand Bargain” was the “cornerstone” of the entire Plan:

[T]he Grand Bargain, which includes the State Contribution Agreement and the DIA settlement, is the cornerstone of the City’s plan... Without these settlements, several other creditor settlements would also collapse. In addition, the approximately \$816 million in outside funding provided as part of the Grand Bargain would not be available.

In re City of Detroit, 524 B.R. 147, 174-75 (2014). The Grand Bargain was a complex negotiated settlement involving at least twenty-seven different constituents, including the City, the State of Michigan (the “State”), the Official Committee of Retirees, the

GRS, the PFRS, the Detroit Institute of Arts (the “DIA”), two unions, seven employee and retiree associations, and fifteen charitable foundations (the “Foundations”). *Id.* at 169-70. It disposed of the City’s largest creditor—the Retirement Systems—who had asserted a roughly \$3 billion claim—and resolved two classes of creditor claims (Classes 10 and 11). *Id.* at 172-174. In exchange for funding from the State, the DIA, and the Foundations, extensive governance changes were required for both the GRS and PFRS. As will be set forth below, these governance changes divested the City of any ability to control the PFRS’s funding policies (including any applicable amortization period) and granted that power exclusively to the Investment Committee and the Board within the PFRS.

(1) The Plan’s Treatment of the PFRS Claim Lacks an Amortization Term

While the City claims the Plan “requires” a 30-year amortization period, the Plan’s treatment for Class 10 claimants (the PFRS Pension Claim) makes no mention of any amortization period—let alone a 30-year one. Instead, the Plan only states:

A. Contribution to PFRS... *After June 30, 2023*, (1) PFRS will receive certain additional DIA Proceeds and (2) *the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto.*

(Plan, Art. II(B)(3)(q)(ii)(A)) (emphasis added). At bottom, the only express economic term in the Plan regarding the lump sum payment owed by the City in 2023 was that the City would pay it. No other economic terms were included in the Plan for this

payment (hereafter, the “2023 Payment”), and there is no mention of a 30-year amortization.¹ The City *did* expressly include amortization periods for other transactions contemplated in the Plan (*e.g.*, the New LTGO Bonds, the New B Notes, and the New C Notes)—but not for the PFRS Claim. *Id.* at 282, 315, 348.

The Plan also required key changes to the PFRS “governance,” including the advent of an Investment Committee:

F. Governance. On or as soon as reasonably practicable after the Effective Date, *an Investment Committee shall be established under PFRS in accordance with the State Contribution Agreement. The Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement...* [.]

Id. at Art. II.B.3.q.ii.F (emphasis added). The State Contribution Agreement referenced in Paragraphs (A) and (F) was attached as an exhibit to the Plan and is therefore part of the Plan itself. (Plan, Art. 1(283), pg. 23) (defining the “Plan” as “this plan of adjustment and All Exhibits attached hereto or referenced herein, as the same may amended, restated, supplemented, or otherwise modified”).²

¹ The only substantive term on a go forward basis for the PFRS under the Plan was a mandatory investment return assumption of 6.75% and that term was expressly stated in the Plan. *Id.* at Art. II.B.3.q.ii.B.

² The Confirmation Order—which the City repeatedly argues throughout its Motion is the “Plan”—is not part of the Plan. In fact, the “Confirmation Order” is a separately defined term in the Plan. (Plan, Art. 1(72), pg. 7) (defining the “Confirmation Order” as the order of the Bankruptcy Court confirming the Plan pursuant to section 943 of the Bankruptcy Code, as it may be subsequently amended, supplemented, or otherwise modified”).

(2) The State Contribution Agreement

The funding contribution from the State under the Plan—which was the net present value of \$350 million payable over 20 years (or \$194.8 million)—was expressly contingent upon “the governance terms and conditions set forth in the State Contribution Agreement” being adopted by both the PFRS and GRS. (Plan, Art. IV.D(1), (3); see also Plan, Exhibit I.A.332 - State Contribution Agreement, Recital F, pg. 1) (“the State has agreed, subject to the satisfaction of the terms and conditions set forth herein and in the Plan, to make a contribution to the GRS and PFRS...”).

The most critical governance change under the State Contribution Agreement was the implementation of an Investment Committee:

2. Governance Requirements of the GRS and PFRS. At all times during the 20 year period following the disbursement of the State Contribution to the GRS and PFRS, the GRS and PFRS each must establish an investment committee (the “Investment Committee”) for the purpose of making recommendations to, and approving certain actions by, the respective System’s board of trustees and/or making determinations and taking action under and with respect to Investment Management, as set forth in the terms and conditions enumerated on Exhibit A and Exhibit B, respectively... [.]

(Plan, Ex. B thereto, State Contribution Agreement, ¶ 1, pg. 716 of 809). In the list of specifically identified “Conditions Precedent,” the State once again reiterated that it was not obligated to contribute funds unless “the Court enters a final, non-appealable order confirming the Plan, that includes... [a] requirement that the governing documents of the GRS and the governing documents of the PFRS be amended to

include... the governance terms and conditions set forth in Paragraph 2, Exhibit A and B of this Agreement... [.]” *Id.* at ¶ 4(f)(ii)(a). The referenced “Exhibit B” is the “Investment Committee Governance” term sheet for the PFRS (the “Governance Term Sheet”). *Id.* at pg. 733 of 809.

(3) Composition and Authority of the Investment Committee

Before the State would agree to contribute its nearly \$200 million cash infusion to the Retirement Systems, it required that an Investment Committee be formed, comprised of five independent members, two active employee members, and two retirees—but no City representatives. The State Contribution Agreement required a truly independent board; one insulated from interference by the City as the plan sponsor. It explicitly forbid any of the “independents” from being a City appointee: “None of the Independent Members shall be a party in interest as defined by MCL 38.1132d(4).” *Id.* That statute, in turn, defines a “party in interest” as: “The political subdivision sponsoring the [pension] system.” MCL 38.1132d(4)(c) (emphasis added).

Due to these governance changes, the City was unable to obtain majority control and was stripped of any power to “control” any particular vote of the Investment Committee.

(4) The Investment Committee’s Authority to Select Amortization Periods Under the Plan Documents

The Governance Term Sheet expressly granted the Investment Committee (via recommendations by the Investment Committee to the PFRS Board of Trustees) the

power to decide a proper amortization period, not the City:

“Investment management” with respect to plan assets shall mean:

4. **Reviewing and affirming or rejecting the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Plan Actuary**, including, but not limited to: (i) those underlying the restoration of pension benefits, **funding levels and amortization thereof**, all in accordance with the Pension Restoration Program... (ii) **those underlying the determination of annual funding levels and amortization thereof** . . . [.]

8. Any interpretation of Plan documents, existing law, **the POA, or other financial determination that could affect funding or benefit levels**.

Id. at pg. 737 of 809 (emphasis added). Thus, while the Plan is silent as to the specific length of the applicable amortization period, it is not silent as to which party (the City versus the PFRS) gets to decide the proper amortization period.

These governance changes are key to this Motion for three reasons. First, the Governance Term Sheet was expressly incorporated into the Plan and is enforceable as part of the Plan. Second, the State’s funding obligation was contingent upon the Investment Committee being given authority to make “investment management decisions” so without these governance changes, the State would not have contributed its \$194.8 million. Lastly, as set forth above, the Plan expressly states that the City’s 2023 Payment must be made “in accordance” with these governance changes—which means that if the Investment Committee selects a 20-year amortization period for the

2023 Payment, the City must comply.³ If the PFRS Investment Committee and the PFRS Board (which are in complete agreement that a shorter amortization period is necessary) had capitulated to the City’s recent demand for a longer 30-year amortization period, the PFRS would be in breach of the Plan.

(5) The Investment Committee’s Authority to Select Amortization Periods Under Michigan Law

The State Contribution also required the Investment Committee to comply with Michigan’s Public Employee Retirement Act (“PERA” or “Public Act 314”):

The IC [Investment Committee] shall be an investment fiduciary to the PFRS. An IC Member or other fiduciary under the PFRS shall discharge his or her duties with respect to the PFRS in compliance with the provisions of Public Act 314 of 1965, *as amended*.

Id. at 735 of 809 (emphasis added). To implement the Governance Term Sheet, Michigan law itself was amended to clarify that the Investment Committee was bestowed with the authority to make *all* investment management decisions, including amortization. Public Act 314, as amended to carry out the Plan, provides:

(1) Subject to a plan for adjustment,^[4] each large sponsored system shall establish an investment committee.

(2) **The investment committee shall recommend to the governing board of the large sponsored system investment management decisions, including, but not limited to, all of the following:**

³ As noted above, the Plan treatment for the Class 10 PFRS Pension claim states: “[a]fter June 30, 2023... the City will contribute sufficient funds ... in accordance with the State Contribution Agreement and exhibits thereto.”

⁴ A “Plan for adjustment” means “a plan for the adjustment of debts entered and approved by a federal bankruptcy court for a city that has established a large sponsored system.” MCL 38.1133g(d). This statute was amended in 2014 in connection with the City’s bankruptcy.

(d) Subject to a plan for adjustment,^[5] all calculations, actuarial assumptions, or assessments used by an actuary, including, but not limited to, those underlying the restoration of pension benefits, *funding levels, and amortization of the restoration of pension benefits*, and those underlying the determination of annual funding levels and *amortization of annual funding levels*, and recommended contributions to the large sponsored system in accordance with applicable law.

(g) Interpretation of the large sponsored system's governing documents, applicable laws, *plans of adjustment approved by United States bankruptcy courts, and other financial determinations affecting the large sponsored system's funding or benefit levels*.

MCL 38.1133g (emphasis added). Thus, the State Contribution Agreement and the accompanying Governance Term Sheet—which included the PFRS's right to control amortization decisions—was not only expressly incorporated into the Plan, it was codified into Michigan law. The Plan states that the parties' rights and obligations under the Plan must be performed in accordance with Michigan law: "the laws of the State of Michigan... shall govern the rights, obligations, construction and implementation of the Plan and any contract... instrument, release or other agreement or document entered into or delivered in connection with the Plan." (Plan, Article VIII(I), pg. 72). Both the City and the PFRS are bound by MCL 38.1133g and must act in accordance with its mandate that the Investment Committee (in consultation with the PFRS Board) choose the amortization period. For this separate and independent

⁵ As noted previously, the only term the PFRS could not change under the Plan of Adjustment was the assumed investment rate of return 6.75%.

reason, the PFRS—not the City—undisputedly has exclusive authority for this decision.

The wisdom of removing the employer who pays into the retirement system from pulling the proverbial purse strings and deciding the amount of its annual contribution or repayment terms is obvious—the fiduciary responsibility of each Investment Committee member and the PFRS Board of Trustees is to the PFRS, not to the City. One way of ensuring the members are not “serving two masters” with potentially conflicting interests is to structure the Investment Committee in a way that would minimize the City’s influence. Insulating the Investment Committee from these pressures was not only a requirement under the Plan, it became a requirement under Michigan law.

(6) The DIA Settlement Terms Also Required Governance Changes

The governance changes were echoed in the DIA Settlement, too, as part of the larger Grand Bargain. An express requirement of the DIA Settlement was that the City shall “adopt and maintain pension governance mechanisms that meet or exceed commonly accepted best practices reasonably satisfactory to the [DIA] Funders and the State to ensure acceptable fiscal practices and procedures for management and investment of pensions and selection of acceptable pension boards to ensure the foregoing.” (Plan, Exhibit I.A.126 – Principal Terms of DIA

Settlement, pg. 67 of 809).⁶

Without these governance changes, the funding from both the State and the DIA would not have materialized, and the “cornerstone” of the City’s entire Plan would have crumbled.

(7) The Amended PFRS Plan Documents Under the Plan of Adjustment

As part of the extensive changes to the PFRS under the Plan of Adjustment, new plan documents for the pension fund were drafted by the City’s bankruptcy attorneys at Jones Day and ratified via Emergency Manager Order No. 44. (Ex. A, EM Order No. 44, ¶ 13, Ex. E thereto, “PFRS Plan”). Consistent with the State Contribution Agreement, the new PFRS Plan documents also expressly confer the amortization decision upon the Investment Committee. Under the new PFRS Plan:

As of the effective date of the Plan of Adjustment, but subject to consummation of the State Contribution Agreement, an Investment Committee is hereby created for the purpose of making recommendations to the Board of Trustees and *taking action under and with respect to certain investment management matters relating to the Retirement System.* The creation and operation of the Investment Committee *is controlled by the Governance Term Sheet* . . . The Investment Committee shall serve in a fiduciary capacity with respect to the investment management of Retirement System assets, determination of investment return assumptions, and Board compliance with provisions of the governing documents[.]

(Ex. A, PFRS Plan, Art. I, Sec. 1.21). The “Governance Term Sheet” referenced in

⁶ All governance terms were required for a period of twenty (20) years after the Plan of Adjustment. (Plan, Exhibit I.A.126 – Omnibus Transaction Agreement, Art. V, Section 5.2(a), pg. 104 of 809).

this paragraph, as set forth above, explicitly gave the Investment Committee the right to decide amortization, and this was repeated in Article 16.2 of the PFRS Plan:

For purposes of this Combined Plan, “investment management decisions” and “investment management matters” shall include:

(d) review and affirmation or rejection of the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Actuary including, but not limited to (i) those underlying the restoration of the pension benefits, funding levels and amortization thereof, all in accordance with the pension restoration program attached to the Plan of Adjustment (as more fully described in Article K of Component II of this Combined Plan Document), (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after Fiscal Year 2024, the recommended annual contributions to the Retirement System in accordance with applicable law;

Interpretation of Retirement System governing documents, existing law, the Plan of Adjustment or other financial determination that could affect funding or benefit levels[.]

Id. at Art. 16.2(1), pg. 62-63 (emphasis added).⁷ In fulfilling its duties, the Investment Committee is also expressly required to “give appropriate consideration” to the “liquidity needs of the Retirement System.” *Id.* at Art. 16.3(3). Thus, the Plan could

⁷ The power to decide any applicable amortization periods was also repeated in Section 9.3 as it relates to Component I (the hybrid plan). It states: “For plan years commencing July 1, 2023 and later, the accrued pension liabilities for Members shall be determined by the Actuary using reasonable and appropriate actuarial assumptions approved by the Board and the Investment Committee. The City’s annual contributions to finance the normal cost of benefits and any such unfunded accrued pension liabilities shall be determined by the Actuary amortizing such unfunded accrued pension liabilities over a period or period of future years as established by the Board and approved by the Investment Committee.” *Id.* at Art. 9.3(2), pg. 39-40 (emphasis added).

not be more clear—the decision as to which amortization period to select is within the sole discretion of the Investment Committee and the Board of the PFRS.

B. The Larger Extrinsic Records Reveals Why a 30-Year Amortization Period Is Absent from the Plan

The Plan unambiguously grants the PFRS the right to set its own funding policy and the Court need look no further than the Plan document. But if the Court finds an ambiguity in the Plan and deems it appropriate to consult extrinsic evidence, then the entirety of the record needs to be examined—not just one financial projection out of a multi-week trial with dozens of witnesses.

(1) The City’s Plan Always Envisioned That the Economic Terms for the 2023 Payment—Even the Amount—Were Subject to Change

In its Motion, the City pretends as if the amount and the repayment terms of its lump sum payment at the end of its ten-year hiatus was set in stone back in 2014 when the City exited from bankruptcy.⁸ Neither term (either the amount or amortization

⁸ While not central to resolution of the City’s Motion, the City improperly blames the PFRS and its actuaries for the City’s own failure to properly calculate the underfunding amounts. [ECF No. 13602, pg. 30]. A brief historical recounting will clarify the record in this regard for the Court. In April of 2013, the City set up a “pension task force” comprised of multiple lawyers from Jones Day and at least three different experts – Charles Moore formerly of Conway Mackenzie, Glenn Bowen from Milliman and Gaurav Malhotra from Ernst & Young. (Ex. B, Bowen 7/1/2014 Dep at 304). The calculations and financial projections presented at the Confirmation Trial by the City were performed by Malhotra and Bowen. The Retirement Systems’ actuary, Gabriel Roeder, did not testify or contribute to these calculations, and no one from either of the Retirement Systems—the GRS or the PFRS—were asked to participate on the pension task force. (Ex. C, Kermans Dep at 22, 133, 136; Ex. D, C. Thomas Dep at 135-140). The Retirement Systems’ actuary, Gabriel Roeder, who has now been the actuary for nearly 80 years and

methodology) was set in stone. Far from it—the amount of the future payment was merely a reasoned “guess” but was ultimately dependent on how well the PFRS’s investment portfolio performed over that ten-year period when all the parties knew the PFRS would be defunded. In fact, various scenarios were run by the City’s actuary (Milliman) that analyzed what the effect of the PFRS’s investment portfolio returns would be on the size of the City’s payment at the end of the ten-year hiatus, and Milliman concluded the amount could fluctuate wildly—by over a *billion* dollars if the PFRS investments performed poorly.⁹ This was always a “risk” inherent in the City’s

knows the systems more intimately than any third party—was not asked to join the Pension Task Force. Neither was the former Director of the Retirement Systems, Cynthia Thomas. *Id.* In September of 2014, at the Confirmation Trial, Glenn Bowen testified that he used the Gabriel Roeder 2013 Valuation Report to conduct his analysis and he adopted all of the assumptions for his go forward model—including the mortality table assumptions regarding life expectancy. (Ex. E, 9/15/2014 Hrg. Tr., pg. 53-60). Milliman also ran the projections to determine the funding levels for 2023 both pension plans—not the GRS, PFRS, or its actuaries. *Id.* at 75. Thus, any accusation that the PFRS “failed” to do proper calculations is an outright falsehood.

⁹ The City’s scenarios for the 2023 Payment amounts were set out in the table below in the Court-appointed expert’s Supplemental Report (Ex. F), and despite these wild fluctuations, Kopacz still found the Plan “feasible” as did the Court.

PFRS Average Rate of Return Scenario Analysis⁷

Average Rates of Return July 2014 - June 2023	Estimated Funding Status June 2023	Estimated Projected Unfunded Liability June 2023	Estimated Projected Unfunded Liability Variance
3.00%	43%	\$ 1,717	\$ 1,036
5.00%	60%	\$ 1,208	\$ 527
6.00%	70%	\$ 917	\$ 236
6.75%	78%	\$ 681	\$ -
8.00%	92%	\$ 252	\$ (429)
0% - 1st 5 years; 10% - 2nd five years	53%	\$ 1,439	\$ 758
10% - 1st 5 years; 0% - 2nd five years	64%	\$ 1,097	\$ 416

Plan. Further, the City’s financial expert, Malhotra, admitted to the Court that unlike the other creditor settlements—which were locked in, both in terms of amount and other economic terms—the pension liability at the end of the ten-year hiatus was not:

THE COURT: Okay. I want to ask you, what are the two or three most critical assumptions in the City's 10-year forecast or projections that concern you the most?

A. The first one, Your Honor, would be the unfunded pension liability of the City at the end of the 10 years because in a lot of this in terms of the settlement to the creditors, we have boxed in what the City's liability will be. On the side of the pensions, we are still using calculations to estimate what that 10-year unfunded liability will be. So that will be my first one as a concern because it's an unknown, it's an estimate, but it's still not boxed in in terms of how we have boxed in our best ability of the other claims.

(Ex. G, Malhotra Conf. Tr. Hrg. Tr. 9/29/2014, pg. 272).

To account for this uncertainty, the financial projections prepared by Malhotra—and cited by the City as support for this Motion—were replete with cautions and caveats to make clear that the projections were merely a “best guess”:

The attached Plan of Adjustment preliminary forecast... its assumptions and underlying data... consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young ... *expresses no assurance of any kind on the information presented ... There will usually be differences between forecasted and actual results* because events and circumstances frequently do not occur as expected and those differences can be material... reliance on this report is prohibited by any third party as the projected financial information contained herein *is subject to material change and may not reflect actual results*.

(ECF No. 13606-2, pg. 69-70, the “Financial Projection”) (emphasis added). In addition to this general caveat, the specific language the City cites in support of its claim that a 30-year amortization was “required” actually cautions that the entire exercise

was a “hypothetical” treatment of the PFRS claim that was “subject to change.”

Hypothetical claims treatment

PFRS Pension

Contribution (years 1-10) Estimated to be \$261m from foundations/State settlement

Contributions (years 11-40) UAAL as of June 30, 2023 *estimated* to be ~\$681m^(b) amortized over 30yr, including contributions in second decade from DIA and foundations

Footnotes:

- (a) Hypothetical art and State settlement proceeds are subject to a consensual agreement with respect to the treatment of pension-related claims
- (b) *Estimated* pension contributions to retirement systems and unfunded pension liabilities as of June 30, 2023 are subject to change

Id. (emphasis added).

(2) The City’s Expert Admits an Amortization Schedule Was Not Yet Set

With respect to the amortization issue, Malhotra—the author of the very Financial Projection the City pins its entire Motion on—outright admitted that the amortization period was not yet determined for the pension liability that would be paid at end of the ten-year payment hiatus and would have to be decided later:

THE COURT: Does the plan commit the City, legally commit the City to make those payments?

THE WITNESS: My understanding is the City is committed to fund the unfunded liability. I just don't know -- the City and the Retirement Systems have to decide what the amortization methodology is of the UAAL at the year 10. And the City is committed to fund that underfunded liability. Depending on what amortization schedule gets picked, the payments can change slightly because of the interest rate. But my understanding is the City is committed to make the payments beyond 2024 into those pension systems.

Q. Let me ask this: How would the change in amortization after 2024 affect the contribution level?

A. It depends on the amortization methodology. What we have used

in the projections is a straight line principal in which the City is making higher payments in the first decade and over the course of the 30 years makes lower payments going forward. You can change the amortization methodology to make it like a level payment over 30 years in which the City will have lower payments in the first say 10 years, but over the course of the 30 years the City will end up paying more because it has to pay more interest. *So it's more on the methodology aspect as to how that liability gets serviced.*

(Ex. G, Malholtra Conf. Tr. Hrg. Tr. 9/29/2014, pg. 183-84) (emphasis added). Even without either (i) the amount of the unfunded pension liability in 2023 (which could swing by \$100 million or even \$1 billion), or (ii) the amortization schedule solidified, the Court still found the Plan feasible.

In addition to the Financial Projection admittedly being just a “best guess,” it was not expressly incorporated into the Plan. At best, it was one piece of evidence *out of 2,300* that were admitted at the Confirmation Trial.¹⁰ In fact, there were at least ten different versions of the City’s financial projections admitted into evidence a trial. (Conf. Order at pg. 37). The sum total the Court commented about this particular Financial Projection—and the other ten iterations of it—was that the “City’s revenue and expense projections... are reasonable, made in good faith, accurate, consistent with other financial projections made by the City and based upon assumptions that are reasonable when considered individually or collectively.” *Id.* at 37-38. The Court *summarized* this “hypothetical” payment scenario for the 2023 Payment in the

¹⁰ See Conf. Order, pg. 1-2 (noting the Court conducted a 24-day evidentiary hearing that entailed 41 witnesses and 2,300 exhibits).

Confirmation Opinion, but it did not expressly incorporate the Financial Projection into the Plan, nor did the Court find that any other (shorter) amortization period would impact the feasibility of the Plan. *In re City of Detroit*, 524 B.R. 147, 231-32 (Bankr. E.D. Mich. 2014). Thus, while the Financial Projection cited by the City may have been evidence to support the Plan’s feasibility, that is a far cry from transforming a single line item within that projection into an express “requirement” of the Plan.

(3) The City’s Plan Is Bereft of a 30-Year Amortization Term Because Its Own Experts Did Not Support It

As noted, Malhotra modeled a “hypothetical” scenario where the 2023 Payment was paid over 30 years, but he also admitted the amortization decision would not be made until the end of the ten years. The record is otherwise bereft of any mention of a 30-year amortization period—likely because the other two of the City’s Pension Task Force experts, Glenn Bowen and Charles Moore—admitted at their depositions that the trend was toward shorter amortization periods.¹¹ And none of the City’s experts (including Malhotra) testified that a 30-year amortization was (i) required under the Plan, or (ii) a requirement for the Plan’s “feasibility.” Even the Court-appointed feasibility expert, Martha Kopacz, took no position on amortization.¹² Again, while the Plan is clear, if the Court is going to look outside

¹¹ A 30-year amortization is the longest period allowable under Michigan law.

¹² Kopacz, offered no opinion on the topic of amortization and did *not* testify that the Plan would be unfeasible with a shorter amortization period. (Ex. E, M. Kopacz 9/15/14 Hrg. Tr. at 188 – 190) (“Q. And you were not retained to opine on

of it, then it should consider the more fulsome evidentiary record as to precisely *why* this term is found nowhere in the Plan.

In connection with modeling performed throughout the Bankruptcy process, the City's own actuary, Bowen, admitted that he at times recommended shorter amortization periods to the City, and regardless, ultimately noted that this would be an issue for the Retirement System's actuaries to determine:

Q. Okay. Scenario three, if you look at it, changes to a closed 30-year amortization. Do you see that?

A. I do...

Q. And you say... that the change from open to closed amortization and level percent of payroll to level dollar payroll for this scenario is based on our expectation of changes that the system actuary might make in response to the closing of the plan to new hires. . . Can you explain what you meant by that?

A. The level percent of payroll amortization develops a payment pattern in dollars, where the dollars are smaller today than they are in the future, and basically increase geometrically over time as payroll increases. So it's a significantly backloaded way to pay off a debt...

Q. Okay. And why are you trying to project what the system actuary might do?

A. We were asked to value the particular scenario which was closing the plan to new hires. So with a finite future, given our expectation of what the system actuary would do, this represents the -- these results represent the information that we would expect that the system and the plan sponsor would see if the actuary took those steps.

Q. And it's also a reflection, isn't it, **that ultimately the decision is going to be made by the system actuary about how to deal with these things?**

the appropriateness of any smoothing method or amortization period used by the Detroit Retirement Systems; correct? A. Correct.") When asked specifically about an "appropriate amortization period," she stated she would "have to study that" in order to be able to offer an opinion and agreed that she would "have no basis to know whether a five- or a ten- or a twenty- or a thirty-year amortization period would appropriate[.]" *Id.* at 190.

A. Yes.

Q. And, in fact, you say in the next sentence, they might choose not to make any change or could make a different change. Do you see that?

A. Yes, I do.

Q. And so ultimately how... this will actually work out will depend on what the system actuary decides, correct? Or they decide in, the [pension] plan decides in consultation with the system actuary?

A. That is exactly what I was going to say.

Q. Okay. And then you go on and say: Milliman's recommendation in this instance would be to make both changes and also to decrease the term of the amortization period. Do you see that?

A. I do.

Q. Okay. And so, first, you are recommending here that there be a less than 30-year amortization period in the event that the plan is closed, correct?

A. Yes, we are.

(Ex. B, Bowen 7/1/2014 Dep Tr. at 297-300) (emphasis added). Consistent with Bowen's testimony that the Retirement System's actuary would determine amortization, he explained that he did not ultimately make a recommendation to the City as to amortization with respect to either (i) the Plan design, generally or (ii) the 2023 Payment, specifically:

Q. Okay. And what I'm trying to understand is whether, because of your role on the pension task force, you did more than simply receive instructions, but provide input to the pension task force about what your instructions should be, what scenario should be chosen, what parameters, what assumptions you made, any of those things?

A. I don't believe that we played that role. We received, as you mentioned, many different plan design scenarios to model. We received many different investment returns to run those scenarios at. And we performed the modeling as requested...

Q. So there's no circumstance where you ever recommended an amortization period, for example, other than what we've just seen?

A. To the best of my recollection, no.

Q. Is there any analysis here -- and *I believe the answer is no, but I just want to make sure I'm not missing something -- of what the amortization period will be for the remainder of the UAAL after 2023?*

Anything to show how the remaining 30 percent is going to be amortized?

A. I'll check just to make sure. *I don't see any mention in this letter.*

Id. at 304-95, 354 (emphasis added). When asked about multiple scenarios he ran regarding amortization periods for closed (“frozen”) plans, Bowen admitted that while there was no “rule” forbidding 30 years, his general stance as an actuary is to prefer something shorter. “[I]f a plan sponsor were to conclude that we are closing our plan but we’re going to fund over 30 years because that’s what our budget permits, I can’t tell them not to do it” but as an actuary, *“I would wish they would do something shorter[.]”* *Id.* at 331 (emphasis added). Lastly, when asked about a 20-year amortization period used in modeling certain scenarios for the City, he reiterated:

Q. Did you tell the city at any point that use of a 20-year amortization period would be contrary to best practices?

A. I don’t recall using those words, no... I'm more inclined to make statements that a shorter amortization period will cost more but will secure pension benefits sooner and will set the plan in a better position. If you choose to use a longer period, you'll have more, more risk of downside experience, to the extent you don’t have the money in the plan to support the benefits[.]

Id. at 329-332 (emphasis added). Not surprisingly, when Bowen testified at the Confirmation Trial on September 15, 2014, he offered no testimony that a 30-year amortization period should be adopted.

Similarly, the City’s other pension task force expert, Moore, testified that a 30-year amortization period would *not* be in line with what most public pension systems

were adopting and noted the “trend” was toward a shorter period:

Q. And, generally speaking, UAAL is amortized over a 30-year period; correct?

A. No. That’s incorrect. We’re talking about two different things here. First of all, I’ve been -- I’ve attempted to be very careful to say that \$292 million is an unfunded amount. UAAL stands for unfunded actuarial accrued liability... In addition to that, this is a closed and frozen plan. There’s no new accrual of benefits. So what you were referring to with an amortization of a UAAL, that’s the amortization of an unfunded actuarial amount and in the context of a plan that is still accruing benefits. *The last point is there’s no set standard in terms of 30 years. As a matter of fact, most plans are moving towards a shorter period of amortization, plus you have to get into whether it’s an open 30-year or closed 30-year period.* So there are a variety of factors that go into amortizing UAAL, but regardless, that’s a completely separate topic than what we have here, which is an unfunded liability associated with a closed frozen plan.

Q. What’s the basis for your statement that most plans are moving towards a shorter period?

A. *I have reviewed many municipal plans and that is a trend that I have seen.*

(Ex. H, Moore 7/24/2014 Dep. Tr. at 333-334).¹³ Against this backdrop, it is no surprise the Plan did not contain a requirement that the 2023 Payment must be amortized over 30 years—the City’s own Pension Task Force was not supportive.

Mayor Duggan—setting aside for the moment that he openly threatened to *sue* these advisors for their alleged incompetence—now lauds the work done by the “parties and their attorneys and their advisors, as well as Kopacz” during the Bankruptcy and argues that the “thousands of hours” spent “working out the POA”

¹³ The trend toward a shorter period as identified by Moore continued in the years since he testified—according to the Public Plans Database, in 2012, approximately 40% of plans used a 30-year amortization period but as of 2019, it had declined to only 24%. (See <https://publicplansdata.org/>, last visited September 6, 2022).

must be considered and given deference. (ECF No. 13602, Duggan Dec. at ¶ 38). Giving deference to the “experts,” however—Bowen, Moore, and now Gabriel Roeder, the PFRS Board, and the PFRS Investment Committee (which is comprised of independent financial experts who unanimously voted in favor of the 20-year period)—dictates the same result the PFRS already arrived at: it is exceedingly more prudent from a funding policy perspective to seek payment in a shorter time frame.

C. The PFRS, In Consultation With Advisors, Selects a 20-Year Amortization

The PFRS Board and the Investment Committee studied the amortization issue thoroughly for years and views it as an essential piece of its funding policy. Although it had absolutely no obligation to do so, the PFRS permitted the City to present its position multiple times prior to making its decision. The first presentation occurred in August of 2020, and was set forth in a report entitled “Legacy Pension Obligations.” (Ex. I, Legacy Report, ECF No. 13478, Exhibit 2). In that presentation, the City warned that the City’s financial situation had deteriorated during the pandemic. The Retirement Systems’ long-time actuaries, Gabriel Roeder, analyzed the situation and cautioned the PFRS against a risky 30-year funding policy:

[A]ssuming those comments to be accurate, the Retirement Systems face significant risk that the City will default on any funding policy, even the absolute minimum 30-year amortization... The City is proposing a benefit plan that allows for the Retirement Systems to run out of money.

(Ex. J, Report from Gabriel Roeder dated Sep. 28, 2020, pg. 2) (emphasis in original).

Gabriel Roeder reminded PFRS of the potential for a payment default, as the City

leaders admitted that as a result of “significant lost tax revenue due to the [pandemic] shutdowns,” the City had only closed “budget gaps” by “taking advantage of funds available through the CARES act.” *Id.* at 1. Gabriel Roeder offered detailed analysis, including the City’s candid admission that its finances had deteriorated, and advised that “[i]n mature Legacy plans, the risk of plan insolvency is increased when amortization periods are longer than 10 or 15 years.” *Id.* at 2.

Following that presentation, the City commissioned a report from Gene Klowarski of the Cheiron firm in which he opined that a 20-year amortization period would significantly increase the size of the City’s payment but that in his opinion, the decrease in risk by front-loading the payments was “negligible.” (ECF No. 13602-2, Ex. 12). With all due respect to Mr. Klowarski, his report is largely irrelevant, as the Investment Committee is entitled to rely on its own actuarial expert’s opinions over the City’s viewpoint. Plus, it undisputed that the City can “afford” a shorter amortization; it simply does not want to.

While the City (to its deserved credit) has diligently set aside funds in a trust to pay the 2023 Payment, in exercising their fiduciary duties, the Investment Committee and the PFRS Board are also entitled to consider the current financial condition of the City, as well as the long history of payment defaults that nearly bankrupted the Retirement Systems. The PFRS had to sue the City each and every year leading up to

the Bankruptcy for failing to make its pension contributions.¹⁴ In addition to lawsuits, the PFRS had to deal with a takeover of the City by an emergency manager, oversight by a state financial review commission, an arguably illegal transaction used to fund the City's pension obligations (*i.e.*, the COPs) that risked bankrupting the Systems altogether,¹⁵ and then the ultimate payment default—the largest municipal bankruptcy in history—in which the City threw the Retirement Systems into the most serious funding crisis to date, refused to abide by the Michigan Constitution's prohibition against to not “impairing” pension obligations, and threatened to drastically cut retirees' pension payments via a cramdown, if necessary. Finally, after over a year of complex negotiations, the Grand Bargain was crafted and the Plan confirmed, but consistent with past practices, the City once again wants to avoid its pension

¹⁴ See e.g., Wayne County Circuit Court Case Nos. 12-009119-AW, 11-008267-AW, 10-007555-AW and 09-017512-AW.

¹⁵ As the Court described this history in the Confirmation Opinion: “By 2005, the City had fallen behind in its constitutional and statutory requirements to make contributions to the PFRS and GRS. At the time, the City did not have sufficient resources to fully fund its pension plans, and the amounts it needed to borrow would have exceeded the debt limits under the Home Rule City Act (“HRCA”)... In an attempt to meet its funding obligations without violating the HRCA, the City entered into a series of complex financial transactions.” (Conf. Order, p. 192-193). These “complex financial transactions” included the certificates of participation (the “COPS”), which the City later argued were illegal and unenforceable transactions in violation of Michigan law and admitted that the City had created “sham entities” for the “sole purpose of making a one-time payment to the PFRS and GRS.” *Id.* In short, the City openly admitted that it funded the pension systems in a highly questionable financial transaction that, if unwound, could have resulted in bankrupting the Systems if the COPs funds had to be disgorged.

obligations and spend the money elsewhere, jeopardizing PFRS's funding with a longer amortization period. The Investment Committee and the PFRS Board would not be exercising prudent fiduciary judgment if they failed to take the City's historical default risk into account when setting its funding policy—and they have.

When it came time to vote on the issue, the entire Investment Committee unanimously voted in favor of the shorter 20-year amortization period, and the Board agreed and also voted in favor of it. (ECF 13602, Exhibits 7-8, PFRS Mtg. Minutes).

D. The City Admits That It Lacks Control Over the Amortization Decision

The PFRS is fully within its rights to rely upon its own advisors and ignore the City's request for a longer amortization period. And the City knows this—Mayor Duggan has publicly admitted as much. The Mayor has expressed to the media that his frustration lies in the fact that his administration lacks control over the decision because the amortization payment schedule is determined by the PFRS Board and Investment Committee, stating:

My bigger question is, why does the City of Detroit have no role in picking the investment committee that's making the decision on our retirees' pensions? ... Now we've got an investment committee that was essentially appointed by [former Gov. Snyder] that doesn't report to anybody, that has voted to shorten the amortization to 20 years.

(Ex. K, Crain's Article 3/17/2022, "Duggan Budget Plan Includes Putting More Money in Retiree Protection Fund as Pension Cliff Nears"). The answer to this question is simple: the reason the City has no role in the Investment Committee is

because (a) the State Contribution Agreement—and hence, the City’s own bankruptcy plan—required this governance change in exchange for the nearly \$200 million in funding donated by the State,¹⁶ and (b) Michigan law forbids City officials, since they are representatives of the plan sponsor and the funding source for the PFRS, from comprising a majority of the Investment Committee and dictating the PFRS’s funding policies. This Motion illustrates exactly *why* the City was required to give up its influence on these issues.

The admissions by Mayor Duggan undermine the entire premise of the City’s Motion—the real complaint is that in hindsight, the Mayor is frustrated that he does not hold sway over the PFRS to force it to adopt a funding policy with a longer amortization period that is friendlier to the City’s budget. As set forth above, the actual Plan is bereft of *any* mention of an amortization period, let alone a 30-year one. The City’s anger or disappointment does not change the outcome. The City may now regret the deal it struck—but that was the deal. Any other outcome is actually a “modification” of the Plan, not “enforcement” of it.

¹⁶ The Mayor’s criticism is also not factually accurate. The State did not “appoint” the individual members of the Investment Committee, nor does the Investment Committee have unfettered discretion with no oversight (it reports to the PFRS Board of Trustees).

III. LAW & ARGUMENT

A. The Plan Does Not Require a 30-Year Amortization and Instead Gives the PFRS Unfettered Discretion to Determine the Applicable Period

“In interpreting a confirmed plan, courts use contract principles, since the plan is effectively a new contract between the debtor and its creditors.” *In re Conco, Inc.*, 855 F.3d 703, 711 (6th Cir. 2017) (citation omitted). “State law governs those interpretations, and under long-settled contract law principles, if a plan term is unambiguous, it is to be enforced as written, regardless of whether it is in line with parties’ prior obligations.” *In re Dow Corning*, 456 F.3d 668, 676 (6th Cir. 2006) (citation omitted). Accordingly, “[a]bsent an ambiguity in the contract, the parties’ intentions must be discerned from the four corners of the instrument without resort to extrinsic evidence.” *In re Conco*, 855 F.3d at 711 (citation omitted); accord *In re Settlement Facility Dow Corning Trust*, 628 F.3d 769, 772 (6th Cir. 2010) (noting the Court may only “open the cleanroom of textual interpretation to whatever extrinsic evidence awaits outside” after the court has found a provision in the plan is “ambiguous”). “The fact that one party may have intended different results, however, is insufficient to construe a contract at variance with its plain and unambiguous terms.” *In re Conco*, 855 F.3d at 712 (citation omitted).

(1) The Plan Documents Unambiguously Grant the PFRS the Power to Decide Amortization So Extrinsic Evidence Cannot Be Considered

Here, there is no ambiguity in the Plan—the documents clearly divest the City

of any ability to unilaterally force the PFRS to accept a 30-year amortization and instead expressly give the Investment Committee (and the PFRS Board) the discretion to make this decision. The Governance Term Sheet and the new PFRS Plan documents are both expressly incorporated into the Plan itself and are directly enforceable as “the Plan.” This Court already held that the amended PFRS Plan documents are part of the Plan of Adjustment and enforceable on their own accord. *In re City of Detroit*, 614 B.R. 255, 266-67 (E.D. Mich. Bkr. Ct., 2020). In fact, the City even went so far as to seek sanctions against certain retired firefighters that it claimed were acting in violation of the new PFRS Plan (in particular, the Deferred Retirement Option Plan or “DROP Program”). In that case, the City argued that the new PFRS Plan took effect on December 10, 2014, and that any actions taken by retirees in violation of the new PFRS Plan were a violation of the broad discharge injunction in the Plan of Adjustment. *Id.* at 266. The Court agreed that the new PFRS Plan was part of the Plan of Adjustment, reasoning:

The Plan is defined the ‘Plan’ to mean ‘this plan of adjustment and all Exhibit attached hereto or referenced herein, as the same may be amended, restated, supplemented, or otherwise modified.’ The word ‘Exhibits,’ in turn, is defined to mean ‘the documents listed on the ‘Table of Exhibits’ included herein...’ and that the Table of Exhibits includes Exhibit I.A.254.a, entitled ‘Form of New PFRS Active Pension Plan’ and Exhibit I.A.254.b, entitled ‘Principal Terms of New PFRS Active Pension Plan.’ These two exhibits were attached to the Plan when it was filed on October 22, 2014. The first of these exhibits, Exhibit A.A.254.a, is entitled ‘Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan[,] Amendment and Restatement Effective July 1, 2014.’ ... Based on the foregoing, it is clear that the City’s POA

includes the provisions of the New PFRS Plan[.]

Id. at 266-267. Just as the DROP program terms were enforceable against the retired firefighters, so too are the governance terms in the PFRS Plan enforceable here. The only difference is that in this case, the PFRS Plan terms do not aid the City—as they explicitly direct the PFRS to select the applicable amortization period—so the City seeks to ignore them. When it was to its benefit, the PFRS Plan documents were enforceable—even *sanctionable* if not followed. When it is now to the City’s detriment, the City ignores the PFRS Plan documents altogether. As set forth above in painstaking detail, amortization is clearly for the PFRS to decide, and the City should be held to that. As the Court in *In re Conco* noted: “[t]he fact that one party may have intended different results... is insufficient to construe a contract at variance with its plain and unambiguous terms.” The same is true here—while the City apparently “intended different results” with respect to the 30-year amortization period—that is no reason to ignore the Plan’s plain and unambiguous terms.

(2) Even If Considered, the Extrinsic Evidence Is Unavailing

Despite there being no ambiguity in the Plan, the City attempts to rely on a piece of extrinsic evidence—its Financial Projection. While numerous projections were entered into evidence at the Confirmation Trial in support of “feasibility” of the Plan, there were nearly a dozen iterations of those projections and none of them were expressly incorporated into the Plan. Moreover, there were 2,300 exhibits entered into

the evidentiary record at the Confirmation Trial, and under the City’s argument, this entire evidentiary record would be part of the City’s “Plan of Adjustment”—including multiple iterations of the same financial projections. There were literally *thousands* of exhibits introduced at trial to support plan confirmation. All 2,300 exhibits are not a “finding of fact” or “conclusion of law” as urged by the City.

Because there is no ambiguity, the Court can look no further than the Plan itself and resorting to extrinsic evidence is not permitted. Even if the Court did look to the extrinsic evidence the City relies on, it does not aid the City’s case. On its face, the line item on the Financial Projection touted by the City as a “requirement” that the 2023 Payment be amortized over thirty years is replete with caveats and warnings that it was merely a “hypothetical” scenario that was “subject to change.” In fact, the author of the Financial Projection, Malhotra, outright admitted that the details surrounding the “amortization schedule” and “amortization methodology” would be decided later. (Ex. G, Malhotra Conf. Hrg. Tr. at 183-84). The City’s other two pension experts admitted that a shorter period than a 30-year amortization schedule would be preferable from an actuarial and funding policy perspective.

Moreover, the City *knows* that extrinsic documents not expressly incorporated into the Plan are irrelevant. In fact, the City successfully argued this position to defeat a similar claim by certain retirees who sought to enforce a Term Sheet executed between the Retired Detroit Police and Fire Fighters Association (“RDPFFA”) prior

to the Plan. When the RDPFFA attempted to enforce the Term Sheet post-confirmation, the City objected, and argued:

The RDPFFA’s position is palpably meritless. As a bankruptcy law *and* contractual matter... reliance on the Term Sheet itself is inappropriate because the Plan superseded the Term Sheet, and the Term Sheet is not enforceable independently from the Plan. . . The Plan is a new and binding contract between the City and the RDPFFA covering these topics . . . As a matter of law, the Term Sheet, as a stand-alone document, no longer binds the parties and is superseded by the Plan. See Official Comm. of Unsecured Creditors v. Dow Corning Corp. (In re Dow Corning Corp.), 456 F.3d 668, 676 (6th Cir. 2006), cert denied, 549 U.S. 1317 (2007) (“In interpreting a confirmed plan, courts use contract principles, since the plan is effectively a new contract between the debtor and creditors.”) . . . Notably, paragraph 8 of the Term Sheet – the only provision at issue here—specifically states that it relates to the treatment of claims in Classes 10 and 12 under the Plan. **Plan treatment is governed only by the confirmed Plan, not by other documents extrinsic to—and whose substantive provisions are incorporated into—the Plan.** In re A.P. Liquidating Co., 283 B.R. 456, 459 (Bankr. E.D. Mich. 2002)... the Plan incorporated all the applicable terms set out in the Term Sheet, and the RDPFFA never objected to the omission of any terms from the Plan. **As such, the Plan replaced the Term Sheet and relevant rights of RDPFFA retirees are governed by the Plan.**

[ECF No. 9571, ¶¶ 24-26] (bold and italics emphasis original, bold and underlined emphasis added). This Court agreed, finding that the term sheet was not “incorporated into or made part of the Plan” and thus the term sheet “did not survive confirmation of the Plan.” *In re City of Detroit*, 538 B.R. 314, 320 (E.D. Mich. Bkr. 2015). Further, the Court held that “only the Plan, and not the Term Sheet, governed the treatment of Classes 10 and 12.” *Id.*

In a complete about face, the City is arguing the opposite here. As the City

itself previously argued, the RDPFFA did not object when one of the salient terms from its Term Sheet was not expressly incorporated into the Plan, and therefore, the forfeited the right to object after confirmation. Here, the City *itself* wrote the Plan. It is the City's own Plan. If the City needed a 30-year amortization in order to make the Plan feasible, it should have insisted on making that an express term in the Plan. It did not. Moreover, unlike the RDPFFA Term Sheet, the Governance Term Sheet at issue here *was* expressly incorporated into the Plan, as were the new PFRS Plan documents—both of which expressly grant the PFRS with the decision-making authority on the amortization issue. Thus, the City's own prior interpretation and enforcement of the Plan undermines its current Motion, and the Court should not deviate from its prior holding.

B. Any Request to Modify the Plan Fails Because the Plan Has Already Been Substantially Consummated.

The Plan does not permit the City to unilaterally impose a 30-year amortization period on the System. Instead, as established above, the Plan unequivocally requires that decision be made by the PFRS itself—in particular, the Board and the Investment Committee. What the City is the *really* asking the Court for is a modification to the Plan—and a tardy modification, at that.

The Bankruptcy Code provides that a debtor may modify a plan “at any time after confirmation of such plan and before substantial consummation of such plan[.]”

11 U.S.C. § 1127(b); see also Plan, Art. VIII(B) (“the City may alter, amend, or modify

the Plan or the Exhibits at any time prior to or after the Confirmation Date but prior to the substantial consummation of the Plan”). Here, it is undisputed that the Plan has already been substantially consummated. In prior appeals brought by aggrieved retirees, the City argued that it had already “substantially consummated the Plan” and therefore, it was too late to make any modifications to its terms, and the Sixth Circuit agreed:

We measure “substantial consummation” by the Bankruptcy Code definition, which considers the extent of the debtor’s transfer of property, assumption of responsibilities, and distribution of assets as prescribed by the plan. . . In this case. . . *the Plan has been substantially consummated, inasmuch as numerous significant—even colossal—actions have been undertaken or completed, many irreversible*; and the requested relief of omitting the bargained-for (and by majority vote agreed-upon) pension reduction would necessarily rescind the Grand Bargain, its \$816 million in outside funding, and the series of other settlements and agreements contingent upon the Global Retiree Settlement, thereby unravelling the entire Plan and adversely affecting countless third parties, including, among others, the entire City population... This is not a close call. In fact, the doctrine of equitable mootness was created and intended for exactly this type of scenario, to “prevent[] a court from unscrambling complex bankruptcy reorganizations” after “the plan [has become] extremely difficult to retract.”

In re City of Detroit, Michigan, 838 F.3d 792, 799 (6th Cir. 2016) (citations omitted) (emphasis added). Thus, the City cannot modify the Plan now, particularly as it relates to the pensions or the Grand Bargain.

C. The City Should be Estopped from Arguing Against Its Prior Positions

The City has argued the *opposite* of what it is currently arguing in no less than three prior cases post-confirmation (each cited above) and should be estopped from its current arguments under the doctrine of judicial estoppel. In its prior dispute with

retirees, the City argued the Plan was already substantially consummated and could not be modified, particularly as it relates to the pension settlement, since the Grand Bargain was the cornerstone for the rest of the Plan. In its dispute with the RDPFFA, the City successfully argued that the Court cannot look to extrinsic documents to modify the express terms of the Plan. Lastly, in a dispute with retired firefighters over the DROP Program, the City argued the PFRS Plan documents are enforceable as part of the Plan. The City won each of these cases and yet is disingenuously now attempting to argue the exact opposite: (i) that it can modify the Plan’s governance terms, which expressly state that the PFRS gets to set the amortization period; (ii) that extrinsic documents—the Financial Projection—should supersede the Plan’s express terms; and (iii) that the PFRS Plan documents are somehow not an enforceable part of the Plan. This is a violation of the doctrine of judicial estoppel and should not be countenanced.¹⁷

¹⁷ Judicial estoppel is meant to preserve “the integrity of the courts by preventing a party from abusing the judicial process through cynical gamesmanship, achieving success on one position, then arguing the opposite to suit an exigency of the moment.” *In re B & P Baird Holdings, Inc.*, 759 Fed.Appx. 468, 483 (6th Cir. 2019) (citation omitted). It is intended to prevent a party from “playing fast and loose with the courts,” or “blowing hot and cold as the occasion demands,” or “hav[ing] [one’s] cake and eat[ing] it too.” *Browning v. Levy*, 283 F.3d 761, 776 (6th Cir. 2002). Judicial estoppel is an “equitable doctrine that is ‘not reducible to any general formulation of principle’ and for which ‘there are no inflexible or exhaustive prerequisites for determining [its] applicability.’” *In re B & P*, 759 Fed. Appx. at 482. While it is often limited to positions taken “under oath,” this element does not mean in a strictly “testimonial sense” and includes the submissions of arguments, pleadings and papers to a court. *Id.*; *Valentine*, 386 F.3d at 812.

D. The City's Motion Is Procedurally Improper

While the Court should deny the City's Motion outright for all of the reasons cited above, the Motion (as currently postured) seeks entry of an Order that provides "the PFRS and the Investment Committee are enjoined and barred from shortening the 30-year amortization period." (Motion, Exhibit 1 – Proposed Order at ¶ 2). The core of the City's relief request in conjunction with the Motion is injunctive relief. Such requested relief is procedurally inappropriate pursuant to the Federal Rules of Bankruptcy Procedure, which provide, in relevant part: "An adversary proceeding is governed by the rules of this Part VII. The following are adversary proceedings: ... (7) a proceeding to obtain an injunction or other equitable relief, except when a chapter 9, chapter 11, chapter 12, or chapter 13 plan provides for the relief[.]" F.R.B.P. 7001(7). Here, the City seeks relief from this Court enjoining the PFRS from carrying out the very functions and duties set forth in the Plan. Further, the factual and legal issues related to the 2023 Payment and the Plan are complex matters. The City should be required to initiate any request akin to the relief request in the Motion via an adversary proceeding, which, in turn, provides the PFRS with full due process rights vis-à-vis an injunction request, as contemplated in F.R.B.P. 7001(7), as the Motion is a contested matter with significant factual and legal issues that more appropriately requires an adversary proceeding with full discovery, dispositive motions, if necessary, a trial, and the complete landscape of due process for the PFRS. To the extent this Court determines the City is permitted to

advance the Motion, as opposed to filing an adversary proceeding, the Motion is, at the very least, contested matter pursuant to F.R.B.P. 9014. In such event, the PFRS requests this Court direct the parties to proceed with discovery in accordance with F.R.B.P. 9014(c). The PFRS reserves all rights to discovery and/or evidentiary hearing with respect to the Motion.

Respectfully submitted,

Date: September 9, 2022

By: /s/ Jennifer K. Green
Jennifer K. Green
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
Attorney for Creditor – PFRS

EXHIBIT 4 – CERTIFICATE OF SERVICE

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

CERTIFICATE OF SERVICE

I hereby certify that on September 9, 2022, I electronically filed with the Clerk of Court the foregoing document using the CM/ECF system which will send notification of such filing(s) to all counsel of record.

Respectfully submitted,

Date: September 9, 2022

By: /s/ Jennifer K. Green
Jennifer K. Green
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
Attorney for Creditor – PFRS

EXHIBIT 5 – NONE

EXHIBIT 6 – EXHIBITS TO BRIEF

EXHIBIT A (PART 1)

**EMERGENCY MANAGER
CITY OF DETROIT**

ORDER No. 44

FINAL EMERGENCY MANAGER ORDER

**BY THE AUTHORITY VESTED IN THE EMERGENCY MANAGER
FOR THE CITY OF DETROIT
PURSUANT TO MICHIGAN'S PUBLIC ACT 436 OF 2012,
KEVYN D. ORR, THE EMERGENCY MANAGER,
ISSUES THE FOLLOWING ORDER:**

Whereas, on March 28, 2013, Michigan Public Act 436 of 2012 ("PA 436") became effective and Kevyn D. Orr became the Emergency Manager (the "EM") for the City of Detroit (the "City") with all of the authority, powers and duties provided under PA 436; and

Pursuant to Section 9(2) of PA 436, the EM "shall act for and in the place and stead of" the City's Mayor (the "Mayor") and the Detroit City Council (the "Council"); and

Section 9(2) of PA 436 also grants the EM "broad powers in receivership to rectify the financial emergency and assure the fiscal accountability of the [City] and the [City's] capacity to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare;" and

Section 10(1) of PA 436 provides, in part, that "[a]n emergency manager shall issue to the appropriate local elected and appointed officials and employees, agents, and contractors of the local government the orders the emergency manager considers necessary to accomplish the purposes of this act, including, but not limited to, orders for the timely implementation of a financial and operating plan..., or to take actions or refrain from taking actions, to enable the orderly accomplishment of the financial and operating plan. An order issued under this section is binding on the local elected and appointed officials and employees, agents, and contractors of the local government to whom it is issued. Local elected and appointed officials and employees, agents, and contractors of the local government shall take and direct those actions that are necessary and advisable to maintain compliance with the financial and operating plan;" and

The EM has developed and implemented a written financial and operating plan for the City consistent with the requirements of Section 11 of PA 436, the objective of which has been to enable City officials to provide, or cause to be provided, governmental services essential to the public health, safety and welfare of residents of the City, and assure the fiscal accountability of the City; and

Section 12 of PA 436 authorizes the EM, “notwithstanding any charter provision to the contrary,” to exercise certain rights and powers, along with the other rights, duties and powers set forth in PA 436; and

Section 21 of PA 436 states, “[b]efore the termination of receivership and the completion of the emergency manager’s term, or if a transition advisory board is appointed under section 23, then before the transition advisory board is appointed, the emergency manager shall adopt and implement a 2-year budget, including all contractual and employment agreements, for the local government commencing with the termination of receivership;” and

On July 18, 2013, consistent with the authorization of the Governor of the State of Michigan (the “Governor”) provided under Section 18(1) of PA 436, the City filed a petition for relief pursuant to chapter 9 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as it may be amended, the “Bankruptcy Code”) in the United States Bankruptcy Court for the Eastern District of Michigan (the “Bankruptcy Court”); and

By an order dated December 5, 2013 (Docket No. 1945) (the “Eligibility Order”), the Bankruptcy Court determined that the City is eligible for relief under chapter 9 of the Bankruptcy Code; and

On October 22, 2014, the City filed the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit in the Bankruptcy Court (Docket No. 8045) (as it may be further amended, modified or supplemented, the “Plan of Adjustment”);¹ and

By an order dated November 12, 2014 (the “Confirmation Order”) (Docket No. 8272), the Bankruptcy Court confirmed the Plan of Adjustment pursuant to the Bankruptcy Code; and

In connection with the Plan of Adjustment, the City, Title Source, Inc. (the “Title Company”), The Detroit Institute of Arts (the “DIA”) and the Foundation for Detroit’s Future (“FDF”) have entered into that certain Deposit Escrow Agreement dated September 19, 2014 (the “Deposit Escrow Agreement”), whereby the parties thereto have agreed to deposit certain agreements relating to the conveyance of the assets of the Detroit Institute of Arts to the DIA to be held in perpetual charitable trust, including, but not limited to, the Omnibus Transaction Agreement by and among the City, the DIA and the FDF (the “Omnibus Agreement”); the Settlement Conveyance and Charitable Trust Agreement by and between the City and the DIA (the “Conveyance Agreement”); the Quit Claim Deed from the City to the DIA granting the DIA the City’s interest in the cultural center garage (the “Garage Deed”); the Quit Claim Deed from the City to the DIA granting the DIA the City’s interest in the real property of the Detroit

¹ Capitalized terms not otherwise defined herein have the meanings given to them in the Plan of Adjustment.

Institute of Arts (the "DIA Deed"); the Bill of Sale by and between the City and the DIA (the "Bill of Sale"); and the Intellectual Property Transfer Agreement by and between the City and the DIA (together with the Omnibus Agreement, the Conveyance Agreement, the Garage Deed, the DIA Deed, the Bill of Sale and any other document referenced in Schedule 1 of the Deposit Escrow Agreement, the "DIA Transfer Documents"); and

The City also is entering into various settlement agreements and other resolutions as set forth in the Plan of Adjustment and the exhibits thereto (collectively, the "Plan Settlements"), which will be effective upon effective date of the Plan of Adjustment (the "Effective Date"), including, without limitation, the following (as further defined or described in the Plan of Adjustment): (a) the UTGO Settlement Agreement, in substantially the form as Exhibit I.A.360 to the Plan of Adjustment, (b) the LTGO Settlement Agreement, in substantially the form as Exhibit I.A.237 of the Plan of Adjustment, (c) the 36th District Court Settlement, as outlined in Exhibit I.A.9 to the Plan of Adjustment; (d) the settlement of OPEB Benefits, as set forth in Section IV.G of the Plan of Adjustment and the Retiree Health Care Settlement Agreement attached as Exhibit I.A.298 to the Plan of Adjustment; (e) the DIA Settlement, as outlined in Exhibit I.A.126 of the Plan of Adjustment and pursuant to the DIA Settlement Documents substantially in the form as Exhibit I.A.127 of the Plan of Adjustment; (f) the State Contribution Agreement in substantially the form as Exhibit I.A.332 of the Plan of Adjustment (the "State Contribution Agreement"); (g) matters relating to the DWSD Authority; (h) the Syncora Settlement, including the Syncora Development Agreement in substantially the form as Exhibit I.A.340 of the Plan of Adjustment and the other Syncora Settlement Documents in substantially the forms as Exhibit I.A.344 of the Plan of Adjustment; (i) the FGIC/COP Settlement, including the FGIC Development Agreement in substantially the form as Exhibit I.A.198 to the Plan of Adjustment and the other FGIC/COP Settlement Documents in substantially the forms as Exhibit I.A.197; and (j) all other compromises and settlements included in, incorporated into or related to the Plan of Adjustment; and

On September 25, 2014, in accordance with Section 9(6)(c) of PA 436, the Council voted unanimously to remove the EM as of the Effective Date (the period from the appointment of the EM through such removal, the "EM Tenure"). By a letter to the Governor, the Mayor approved of the Council's vote on the same day; and

On September 25, 2014, in connection with the vote of Council to, and the Mayor's approval of, the removal of the EM as of the Effective Date, the EM adopted and issued his Order No. 42. By Order No. 42, the EM, among other things, (a) restored the authority of the Mayor and the Council over day-to-day operations and activities effective immediately as permitted by PA 436, (b) agreed not to exercise his powers under PA 436 to interfere with the powers restored to the Mayor and the Council and (c) agreed that he will exercise his powers through the conclusion of the EM Tenure only with respect to any action (or the prevention of any action) that is necessary or convenient for (i) the management of the case captioned "*In re City of Detroit, Michigan*, Case No 1353846" (the "Bankruptcy Case") and related bankruptcy proceedings and (ii) the implementation of the Plan of Adjustment; and

The EM has concluded that, as of and conditioned on the occurrence of the Effective Date, the financial conditions of the City will have been corrected in a sustainable fashion consistent with the requirements of Section 9(7) of PA 436; and

Section 22(1) of PA 436 provides that “[i]f an emergency manager determines that the financial emergency that he or she was appointed to manage has been rectified, the emergency manager shall inform the governor and the state treasurer;” and

By letter dated December 8, 2014, the EM will notify the Governor and the Treasurer of the State of Michigan (the “State Treasurer”) of the EM’s determination that the financial emergency he was appointed to manage within the City will have been rectified as of, and conditioned on the occurrence of, the Effective Date; and

As the EM Tenure approaches its conclusion and in anticipation of the Effective Date, the EM has determined that this Order is appropriate to: (a) promote the successful conclusion of the City’s restructuring efforts and its capacity to provide or cause to be provided necessary governmental services essential to the public health, safety and welfare; and (b) otherwise fulfill the intents and purposes of PA 436 and chapter 9 of the Bankruptcy Code; and

As part of this Order, the EM has determined, among other things, that the terms hereof are appropriate to provide for a smooth transition at the conclusion of the EM Tenure and to promote the long-term financial recovery of the City and the health, safety and welfare of the public; and

Pursuant to Order No. 42, the EM has consulted with the Mayor and the Council regarding the terms of this Order.

It is hereby ordered that:

Restoration of City Governance

1. To the extent not already restored pursuant to the EM’s Order No. 42, and except as provided by this Order or other or applicable Michigan or Federal statute, the powers and authority of the Mayor and the Council previously exercised by the EM shall be restored as of, and conditioned upon the occurrence of, the Effective Date.

Cooperation and Compliance by City Officials

2. The Mayor, Council members, department heads and other employees, agents and contractors of the City shall promptly and fully do all of the following:
 - a. Cooperate with the EM through the end of the EM Tenure to the extent necessary to effectuate the implementation of a Plan of Adjustment, the Confirmation Order or other orders entered or that may be entered in connection therewith by

the Bankruptcy Court in the Bankruptcy Case or in any related proceeding or appeal from any order entered or that may be entered by the Bankruptcy Court.

- b. Comply with requests from the Michigan Financial Review Commission (the "Commission") created by Michigan Public Act 181 of 2014 ("PA 181"), known as the Michigan Financial Review Commission Act, to the extent necessary or appropriate to effectuate the purposes of PA 181. Such compliance shall include, at a minimum and without limitation, all of the following:
 - i. Providing to the Commission any documents, records or other information requested of City officials by the Commission or its staff, including any documents, records or other information specifically required by PA 181.
 - ii. Appearing before the Commission to provide testimony, documents, records or other information as and when requested by the Commission or its staff.
 - iii. Providing to the Commission upon its request verification of compliance by the City with all of the following consistent with the requirements of Section 6(3) of PA 181:
 - A. Section 8 of Michigan Public Act 152 of 2011, the Publicly Funded Health Insurance Contribution Act;
 - B. Sections 4i, 4p, 4s and 4t of Michigan Public Act 279 of 1909, the Home Rule City Act;
 - C. Michigan Public Act 34 of 2001, the Revised Municipal Finance Act; and
 - D. Michigan Public Act 2 of 1968, the Uniform Budgeting and Accounting Act;

provided that nothing herein shall limit, modify or excuse the City's obligation to comply with the applicable law, whether or not listed herein.

Plan of Adjustment Matters

- 3. Without limiting the terms of paragraph 2 above, the Mayor, the Council and all City officers, department heads and other employees, agents and contractors shall take such steps as are necessary or appropriate from and after the Effective Date to pursue the prompt implementation of the Plan of Adjustment, the Confirmation Order and all agreements necessary thereto, including the Plan Settlements. For the avoidance of doubt, such steps include, without limitation, the following:

- a. The City shall defend any appeals of the Confirmation Order and any appeals of the Eligibility Order or other orders of the Bankruptcy Court necessary for the success of the Plan of Adjustment.
 - b. On or promptly after the Effective Date and provided that the conditions set forth in the Deposit Escrow Agreement and the DIA Transfer Documents have been otherwise satisfied, the City shall provide the certification described in Schedule 2 of the Deposit Escrow Agreement to the Title Company, and, upon release of the DIA Transfer Documents in accordance with the Deposit Escrow Agreement, the City shall cause the transfer of the assets of the Detroit Institute of Art described in the DIA Transfer Documents and the governance thereof to The Detroit Institute of Arts in accordance with the DIA Transfer Documents.
 - c. The City shall comply with all covenants set forth in Sections 5.2 and 5.3 of the Omnibus Agreement.
 - d. Without limiting any other provision hereof, the City shall make such distributions and take such actions as are contemplated in the Plan of Adjustment for the establishment of and distribution to the Detroit General VEBA and Detroit Police and Fire VEBA (as such terms are defined in the Plan of Adjustment), in substantially the form provided in the Plan of Adjustment, and consistent with the measures set forth in the letter agreement filed at Docket No. 8183, all of which are hereby specifically adopted, approved and ratified in all respects.
 - e. Upon the negotiation of documentation mutually acceptable to the parties, the City shall be authorized and is directed to take such actions and sign such documents as are necessary or appropriate to establish the DWSD Authority (i.e., the Great Lakes Water Authority) and implement the DWSD Authority Transaction consistent with the Memorandum of Understanding (as defined in the Confirmation Order).
 - f. The City is authorized to enter into and implement, and the EM hereby approves, the *Memorandum of Understanding Between the City of Detroit and Wayne County Community College* in the form approved by the Council on December 8, 2014.
4. All Plan Settlements and related agreements (including, without limitation, the DIA Transfer Documents), to the extent not previously approved by an order of the EM, are hereby expressly adopted, approved and ratified in all respects.

Restructuring Advisors

5. The Mayor or his designee may determine whether to retain the restructuring advisors listed on the attached Exhibit A (collectively, the "Restructuring Advisors") for such period as is necessary or appropriate to complete their work to implement the Plan of Adjustment and defend the appeals thereof (the "Restructuring Period"), subject to the terms of the Restructuring Advisors' contracts with the City, *provided that* the Mayor shall consult with the Commission with respect to any decision not to retain a Restructuring Advisor through the conclusion of the Restructuring Period.

6. The Emergency Manager, on behalf of the City, hereby restates and ratifies his approval of all fees and expenses for the City's restructuring professionals that have been subject to the Fee Examiner review process in the City's bankruptcy case (including the Restructuring Advisors) for services rendered through the Effective Date, subject to the Bankruptcy Court's independent review of reasonableness. The City is directed to continue to process and pay invoices of the City's restructuring professionals (including the Restructuring Advisors) for their work through the Effective Date based on the invoices presented, subject only to the Bankruptcy Court's independent review of reasonableness. For the avoidance of doubt, the City also shall pay any creditor advisors or court-appointed professionals and experts consistent with orders of the Bankruptcy Court. The City's Chief Financial Officer ("CFO") shall be responsible for the foregoing on behalf of the City, under the supervision of the Mayor.
7. Consistent with the foregoing, the City shall: (a) set aside a reserve account solely for the payment of restructuring fees consistent with full funding of the amounts identified for "Restructuring Professional Fees" in the City of Detroit Ten-Year Financial Projections; and (b) otherwise implement the fee provisions of the Plan of Adjustment, the Confirmation Order and any further orders of the Bankruptcy Court. The CFO shall be responsible for the foregoing on behalf of the City, under the supervision of the Mayor.

Two-Year Budget

8. Attached hereto as Exhibit B is the City's two-year budget consistent with the requirements of Section 21(1) of PA 436 (the "Two-Year Budget").
9. Consistent with the requirements of Section 21(2) of PA 436, the City shall not amend the Two-Year Budget without the written approval of the State Treasurer. In addition to approval by the State Treasurer, an amendment by the City to the Two-Year Budget shall not take effect unless approved by the Commission consistent with Section 7(c) of PA 181.

Labor Matters

10. All Collective Bargaining Agreements ("CBAs") set forth on Exhibit II.D.5 of the Plan of Adjustment and all CBAs identified on the attached Exhibit C (including CBAs relating to the Detroit Water and Sewerage Department), and any addenda, exhibits, schedules, appendices, supplements or related agreements though the date of this Order, are hereby adopted, approved and ratified in all respects. In addition to the foregoing, all City Employment Terms ("CETs") and other labor-related agreements approved or authorized by the EM are hereby adopted, ratified and approved in all respects, including, without limitation, the CETs and other agreements identified on the attached Exhibit C. The EM also ratifies and approves the CETs that were implemented prior to the EM Tenure and that remain in effect as of the date of this Order, including the CETs identified on the attached Exhibit C.

Pension Plan Matters

11. For the avoidance of doubt, and without limiting anything herein, the EM hereby expressly reaffirms his Order Nos. 25, 26, 29, 30 and 43 with respect to the changes to the City's pension plans and related ordinances, subject to the additional provisions below.
12. Pursuant to Section 16.4 of Component I of the Combined Plan for the General Retirement System of the City of Detroit, Michigan (the "Combined GRS Plan"), the EM, on behalf of the City, adopts the Combined GRS Plan, as amended and restated, in the form attached hereto as Exhibit D, which document (a) conforms the Combined GRS Plan to the terms of the confirmed Plan of Adjustment and (b) makes other clarifying modifications.
13. Pursuant to Section 17.5 of Component I of the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan (the "Combined PFRS Plan"), the EM, on behalf of the City, adopts the Combined PFRS Plan, as amended and restated, in the form attached hereto as Exhibit E, which document: (a) reflects changes in the terms and conditions of retirement benefits as provided in the CBAs and memoranda of understanding negotiated with certain of the employee representatives; (b) conforms the Combined PFRS Plan to the terms of the confirmed Plan of Adjustment; and (c) makes other clarifying modifications.
14. Copies of the Combined GRS Plan, as amended and restated, and the Combined PFRS Plan, as amended and restated, will be kept in the Office of the City Clerk for the City of Detroit and shall be available for public inspection.
15. The appropriate City officers, department heads and other employees shall cause the Boards of Trustees of the General Retirement System of the City of Detroit ("GRS") and the Police and Fire Retirement System of the City of Detroit ("PFRS") to timely file or cause to be filed on behalf of GRS and PFRS applications for Favorable Determination Letters with the Internal Revenue Service pursuant to Revenue Procedure 2014-6 (or any successor procedure) to obtain rulings that the Combined GRS Plan and the Combined PFRS Plan satisfy the requirements for favorable tax treatment under Sections 401(a) and 501(a) of the Internal Revenue Code. City officers, department heads and other employees, agents and contractors shall cooperate with and provide such information as the Boards of Trustees and their legal counsel may require in connection with such Favorable Determination Letter applications.
16. The Mayor, Council members and appropriate City officers, department heads and other employees shall cause the Boards of Trustees of the GRS and the PFRS to: (a) comply with the governance requirements set forth in Section 2 of the State Contribution Agreement (including, with respect to the GRS, the requirements of Exhibit A and, with respect to the PFRS, the requirements of Exhibit B) at all times during the 20-year period

following the disbursement to the GRS and the PFRS of the State Contribution (as defined in the State Contribution Agreement); and (b) establish and implement an income stabilization program that complies in all respects with Section 3 of the State Contribution Agreement.

Other EM Orders and Bond Orders

17. All prior Orders of the EM, to the extent that they are not otherwise inconsistent with this Order and have not previously been modified or rescinded (the "Prior Orders"), shall be incorporated by reference into this Order.
18. The reaffirmation herein of specific Orders of the EM shall not render the Orders not explicitly mentioned herein revoked, rescinded or altered in any way unless such Orders are otherwise inconsistent with this Order.
19. The bond orders issued by the EM, including the bond orders identified on the attached Exhibit F (collectively, the "Bond Orders"), are hereby ratified and affirmed.

Administrative Matters

20. The City shall maintain access to the EM page via the City's website for a period of at least one year following the end of the EM Tenure.
21. Nothing in this Order shall be construed as contrary to applicable law.
22. Nothing in this Order shall be construed to restrict or impair the authority of the Governor, in the Governor's sole discretion, to determine that the financial conditions of the City have not been corrected in a sustainable fashion as required by Section 9(7) of PA 436 and appoint a new emergency manager pursuant to Section 24 of PA 436.
23. If any provision of this Order is declared by a court of competent jurisdiction to be illegal, unenforceable or ineffective, such provision shall be deemed severable to the extent necessary so that all other provisions contained in this Order shall remain valid, enforceable and effective.
24. The City shall, and is directed to, maintain all insurance called for by Article 8 of the EM's Contract for Emergency Manager Services dated March 27, 2013 between Mr. Orr and the State of Michigan (the "EM Contract"), including, without limitation, any general liability, professional liability or errors and omissions policy under Sections 8.1 and 8.3 of the EM Contract, and any tail coverage for such insurance.
25. The City shall, and is directed to, fulfill its obligations under Section 8.2 of the EM Contract after the end of the EM Tenure, including, without limitation, by paying the costs of any judgment, settlement or attorneys' fees relating to any uninsured claim,

demand or lawsuit against the EM or any employee, agent, appointee or contractor of the EM for actions taken during the EM Tenure. If Mr. Orr is sued personally for any action performed within the scope of his official capacity as the EM, Mr. Orr shall have the right to direct the defense of any such action, and the Mayor, the Council, the Corporation Counsel and the other employees, officers, department heads and agents of the City shall not take any action contrary to, or to interfere with, Mr. Orr's right to direct such defense.

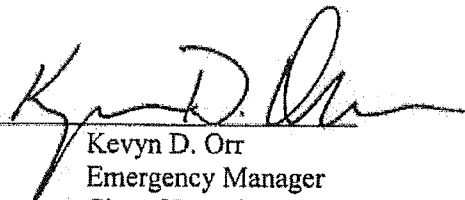
26. Prior to the Effective Date, and pursuant to Section 5.1 of the Financial Stability Agreement, as Amended and Restated on November 7, 2013 (the "FSA"), the EM hereby consents, with the mutual consent of the State Treasurer, to amend Section 6.1(c) of the FSA for the purpose of terminating the FSA as of the Effective Date. To that end, the *Addendum to the Financial Stability Agreement* in the form attached hereto as Exhibit G (the "FSA Amendment") is approved and ratified in all respects. For the avoidance of doubt, the mutual execution of the FSA Amendment by the EM and the State Treasurer shall not preclude the Council from voting to ratify execution of the FSA Amendment prior to the Effective Date.
27. This Order shall be distributed to the Governor, the State Treasurer, the Mayor, Council members, the CFO and all department heads.
28. This Order is effective immediately.

Modification of This Order and Prior EM Orders

29. Prior to the Effective Date, the EM may modify, amend, rescind, replace, supplement or otherwise revise this Order at any time. Further, nothing herein shall preclude the EM from issuing any other appropriate Orders, consistent with EM Order No. 42, prior to the Effective Date.
30. Pursuant to Section 21(2) of PA 436, the Council shall not revise this Order or any other Orders or ordinances implemented by the EM during his term, and that remain in effect, prior to one year after the termination of receivership. In addition, after the Effective Date, this Order, or any other Order issued by the EM that remains in effect, may be amended, modified or rescinded only by the following methods:
 - a. By a subsequent Order issued by an emergency manager appointed by the Governor under Section 9 of PA 436, including:
 - i. After a selection by the Council pursuant to Section 7(1)(b) of PA 436; or
 - ii. Pursuant to Section 24 of PA 436; or
 - b. By the City by resolution of the Council, approved by the Mayor and ratified by the Commission pursuant to Section 7(n) or 7(o) of PA 181.

Dated: December 8, 2014

By:


Kevyn D. Orr
Emergency Manager
City of Detroit

cc: Governor of the State of Michigan
State Treasurer
Mayor Michael Duggan
Members of Detroit City Council
Chief Financial Officer
City Department Heads

EXHIBIT E
Combined PFRS Plan

**COMBINED PLAN
FOR THE
POLICE AND FIRE
RETIREMENT SYSTEM OF
THE CITY OF DETROIT, MICHIGAN**

Amendment and Restatement Effective July 1, 2014

TABLE OF CONTENTS

	Page
COMPONENT I	1
ARTICLE 1. GENERAL PROVISIONS.....	1
Sec 1.1. Police and Fire Retirement System Established; Adoption of 2014 Plan Document	1
Sec 1.2. Retirement System Intended to be Tax-Qualified; Governmental Plan.....	1
Sec 1.3. Compliance With Plan of Adjustment.....	1
Sec 1.4. Board of Trustees	2
Sec 1.5. Board of Trustees – Membership; Appointment.....	2
Sec 1.6. Board of Trustees; Scheduling of Elections for Active and Retiree Trustees	3
Sec 1.7. Procedures for election of Retiree Trustees	3
Sec 1.8. Board of Trustees; Oath; Term; Vacancies	4
Sec 1.9. Board of Trustees; Officers and Employees.....	4
Sec 1.10. Board of Trustees; Meetings; Rules of Procedure; Votes; Quorum.....	4
Sec 1.11. Board of Trustees; Compensation; Expenses.....	5
Sec 1.12. Rules for Administration of Funds.....	5
Sec 1.13. Board of Trustees; Certain Data to be Kept	5
Sec 1.14. Board of Trustees; Annual Audit Report	5
Sec 1.15. Board of Trustees; Legal Advisors.....	5
Sec 1.16. Board of Trustees; Medical Director	6
Sec 1.17. Designation of Actuary; Authority to Engage Additional Actuaries	6
Sec 1.18. Board of Trustees; Adoption of Mortality and Other Tables of Experience and Rates of Interest; Limitations on Payments by the Retirement System	7
Sec 1.19. Board of Trustees; Annual Actuarial Valuation of Assets and Liabilities.....	7
Sec 1.20. Board of Trustees; Powers and Duties; Fiduciary Status; Fiduciary Duties.....	7
Sec 1.21. Investment Committee; Establishment; Purpose; Fiduciary Status; Fiduciary Duties	8
Sec 1.22. Investment Committee; Membership; Appointment.....	8

TABLE OF CONTENTS

(continued)

	Page
Sec 1.23. Investment Committee; Term; Resignation and Removal; Vacancies.....	9
Sec 1.24 Investment Committee; Operation; Meetings; Quorum; Voting.....	10
Sec 1.25 Investment Committee; Compensation; Expenses; Employment of Advisors.....	11
Sec 1.26. Investment Committee; Special Reporting Obligation	11
ARTICLE 2. DEFINITIONS	14
Sec 2.1. Definitions	14
ARTICLE 3. MEMBERSHIP	22
Sec 3.1. Eligible Employees.....	22
Sec 3.2. Cessation of Membership; Re-Employment	22
Sec 3.3. Report From City.....	23
ARTICLE 4. SERVICE CREDIT	24
Sec 4.1. Credited Service	24
Sec 4.2. Vesting Service.....	24
Sec 4.3. Service Credit; Military Service.....	24
Sec 4.4. Service Credit; Qualified Military Service.....	25
ARTICLE 5. ELIGIBILITY FOR RETIREMENT	26
Sec 5.1. Eligibility for Unreduced Normal Retirement Benefit.....	26
Sec 5.2. Eligibility for Deferred Vested Retirement Benefit	26
Sec 5.3. Eligibility for Disability Retirement Benefit – Duty Disability	26
Sec 5.4. Eligibility for Disability Retirement Benefit – Non-Duty Disability	28
Sec 5.5. Disability Retirees; Reexamination.....	29
Sec 5.6. Disability Benefits; Procedures for Determination of Disability	30
Sec 5.7. Return of Accumulated Mandatory Contributions to Non-Vested Member	32
Sec 5.8. Benefits Offset by Workers’ Compensation and Benefits; Subrogation	32
ARTICLE 6 RETIREMENT ALLOWANCE; VARIABLE PENSION IMPROVEMENT FACTOR (ESCALATOR).....	33
Sec 6.1 Retirement Allowance	33
Sec 6.2 Variable Pension Improvement Factor (Escalator)	33

TABLE OF CONTENTS (continued)

	Page
ARTICLE 7. DEATH BENEFITS	34
Sec 7.1. Accidental Death Benefit; Performance of Duty	34
Sec 7.2. Non-Duty Death Benefits	35
Sec 7.3. Refund of Accumulated Mandatory Contributions Upon Death of Member	35
ARTICLE 8. FORMS OF PAYMENT	36
Sec 8.1. Retirement Allowance Options	36
Sec 8.2. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary	37
ARTICLE 9. FUNDING AND RESERVES	38
Sec 9.1. Funding Objective of the Retirement System	38
Sec 9.2. Funds	38
Sec 9.3. Method of Financing Retirement System Benefits	39
Sec 9.4. Member Contributions Picked-Up	40
Sec 9.5. Fiscal Responsibility: Benefit Reductions and Increased Funding Obligations	40
ARTICLE 10. VOLUNTARY EMPLOYEE CONTRIBUTIONS	43
Sec 10.1. Voluntary Employee Contributions; Amount; Vesting	43
Sec 10.2. Changing an Election to Contribute	43
Sec 10.3. Individual Member Accounting; Crediting of Earnings	43
Sec 10.4. Distribution of Accumulated Voluntary Employee Contributions	43
ARTICLE 11. LOAN PROGRAM FOR VOLUNTARY EMPLOYEE CONTRIBUTIONS	45
Sec 11.1. The Loan Program	45
Sec 11.2. Eligibility for Loan	45
Sec 11.3. Amount of Loan	45
Sec 11.4. Terms and Conditions	45
Sec 11.5. Loan Balance	46
Sec 11.6. Default	46
Sec 11.7. Distribution	47
Sec 11.8. Annual Report	47

TABLE OF CONTENTS

(continued)

	Page
ARTICLE 12. DEFERRED RETIREMENT OPTION PLAN (“DROP”) PROGRAM	48
Sec 12.1. General Provisions	48
Sec 12.2. Conversion to Retirement Allowance	48
Sec 12.3. Investment of DROP Assets.....	48
Sec 12.4. Distribution of Amounts Credited to DROP Account.....	49
Sec 12.5. Death of Member While Participating in the DROP Program.....	49
Sec 12.6. Disability of Member While Participating in the DROP Program.....	50
Sec 12.7. Cost Neutrality	50
ARTICLE 13. LIMITATION ON BENEFITS AND CONTRIBUTIONS	51
Sec 13.1. Compliance With Code Section 415(b) And Regulations.....	51
Sec 13.2. Compliance with Code Section 415(c) and Regulations.....	54
ARTICLE 14. RETIREMENT SYSTEM ADMINISTRATION	55
Sec 14.1. Board of Trustees as Retirement System Administrator	55
Sec 14.2. Powers and Duties of Board.....	55
Sec 14.3. Executive Director; Employees.....	57
Sec 14.4. Discretionary Authority.....	57
Sec 14.5. Administrator’s Decision Binding.....	58
ARTICLE 15. MANAGEMENT OF FUNDS	59
Sec 15.1. Board as Trustee of Retirement System Assets.....	59
Sec 15.2. Maintenance of Segregated Funds	59
Sec 15.3. Custodian of Funds.....	59
Sec 15.4. Exclusive Purpose	59
Sec 15.5. Prohibited Conduct.....	59
ARTICLE 16. INVESTMENT OF RETIREMENT SYSTEM ASSETS.....	61
Sec 16.1. Investment Powers of the Board and the Investment Committee	61
Sec 16.2. Investment Management	62
Sec 16.3. Best Practices	63
Sec 16.4. Chief Investment Officer.....	63
Sec 16.5. Investment Consultants	64
ARTICLE 17. RETIREE MEDICAL ACCOUNT	66

TABLE OF CONTENTS (continued)

	Page
Sec 17.1. Establishment of Account	66
Sec 17.2. Effective Date	66
Sec 17.3. Funding of Benefits	66
Sec 17.4. Limitation on Contributions	66
Sec 17.5. Impossibility of Diversion.....	67
Sec 17.6. Administration.....	67
Sec 17.7. Right to Amend or Terminate Medical Plans.....	67
Sec 17.8. Reversion.....	67
Sec 17.9. Limitation of Rights	67
ARTICLE 18. MISCELLANEOUS.....	68
Sec 18.1. Nonduplication of Benefits	68
Sec 18.2. Assignments Prohibited.....	68
Sec 18.3. Protection Against Fraud.....	68
Sec 18.4. Errors.....	68
Sec 18.5. Conviction of Felony; Forfeiture of Rights.....	68
Sec 18.6. Amendment; Termination; Exclusive Benefit.....	69
Sec 18.7. Expenses of Administration; Forfeitures Not to Increase Benefits.....	69
Sec 18.8. Required Distributions - Compliance with Code Section 401(a)(9) and Regulations	69
Sec 18.9. Direct Rollovers	70
Sec 18.10. Construction	71
Sec 18.11. Severability.....	71
COMPONENT II	72
ARTICLE A. COMMON PROVISIONS OF THE POLICE AND FIRE RETIREMENT SYSTEM.....	73
Sec. A-1. Common Provisions	73
ARTICLE B. FREEZE OF POLICE AND FIRE RETIREMENT SYSTEM AS OF JUNE 30, 2014	75
Sec. B-1 Freeze of Police and Fire Retirement System as of June 30, 2014	75
ARTICLE C. DEFINITIONS	78
Sec. C-1 Definitions.....	78

TABLE OF CONTENTS (continued)

	Page
ARTICLE D. MEMBERSHIP	85
Sec. D-1. Generally	85
Sec. D-2. Membership election option prior to July 1, 2014	86
Sec. D-3. Cessation of membership	87
ARTICLE E. SERVICE CREDITABLE	88
Sec. E-1. Members to file statement of service, etc	88
Sec. E-2. Credit for service	88
Sec. E-3. Employees in military service commencing prior to July 1, 2014	88
Sec. E-4. Verification of service claimed	91
Sec. E-5. Prior Service certificates	91
Sec. E-6. Creditable service at retirement	91
ARTICLE F. BENEFITS PROVIDED TO MEMBERS	92
Sec. F-1. Petition for retirement, mandatory age	92
Sec. F-2. Old Plan/New Plan	94
Sec. F-3. Pension Multiplier	95
Sec. F-4. Disposition of surplus benefits upon death of retired member	96
Sec. F-5. Retirement allowance for certain persons leaving City employment after eight years service (40 & 8)	96
Sec. F-6. Reduced Early Pension Benefits (40 & 8 Vesting Retirees)	97
Sec. F-7. Duty disability	98
Sec. F-8. Duty disability benefits; Members in service on or after July 1, 1941 but prior to January 1, 1969	98
Sec. F-9. Duty disability benefits; Members beginning service on or after January 1, 1969 and becoming disabled prior to the dates set forth in Section F-10	100
Sec. F-10. Duty Disability benefits; DFFA, DPOA and DPLSA members beginning service on or after January 1, 1969 and becoming disabled on or after the dates set forth below	101
Sec. F-11. Non-duty disability	103
Sec. F-12. Disability retirement procedures	105
Sec. F-13. Generally	107
Sec. F-14. Increase of Benefits; Pension Improvement Factor (Escalator) ..	107

TABLE OF CONTENTS (continued)

	Page
Sec. F-15. Payment	108
Sec. F-16. Generally	108
Sec. F-17. Payment of Accumulated Contributions	110
Sec. F-18. Allowances to surviving spouses	110
Sec. F-19. Payment of benefits to employees who became Members before January 1, 1969.....	112
Sec. F-20. Payment of benefits to employees who became Members on or after January 1, 1969	113
Sec. F-21. Deferred vested benefits	113
Sec. F-22. Forfeiture of rights.....	113
Sec. F-23. Generally	114
Sec. F-24. Disposition of surplus benefits upon death of Member and Beneficiary	116
Sec. F-25. Generally	116
Sec. F-26. Generally	116
Sec. F-27. Authority of Board	116
Sec. F-28. Member With Twenty or Twenty-Five Years of Service.....	117
Sec. F-29. Disabled Member	118
Sec. F-30. Optional Annuity Withdrawal	118
ARTICLE G. METHOD OF FINANCING.....	121
Sec. G-1. General	121
Sec. G-2. Annuity Savings Fund	121
Sec. G-3. Annuity Reserve Fund.....	122
Sec. G-4. Alternative Financing Method.....	122
Sec. G-5. Contributions to and payments from Pension Accumulation Fund	123
Sec. G-6. Retiree payments from Pension Reserve Fund; reinstatement of disability Retirees to active service	124
Sec. G-7. Expense Fund	124
Sec. G-8. Deferred Retirement Option Plan Fund	124
Sec. G-9. Appropriations prior to July 1, 2014 and after June 30, 2023	124
Sec. G-10. Maintenance of reserves	124

TABLE OF CONTENTS (continued)

	Page
Sec. G-11. Survivors Benefit Fund	125
Sec. G-12. Computation of Annuity and Pension Reserve liabilities for Members, Retirees and Beneficiaries	126
Sec. G-13. Determination of City's annual contribution — Disability Pension liabilities	129
Sec. G-14. Determination of City's annual contribution — Death Pension liabilities	129
Sec. G-15. Determination of City's annual contribution — Actuarial evaluation of annuity and Pension Reserve liabilities	130
Sec. G-16. Determination of City's annual contribution — Service Pension liabilities for Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023	130
Sec. G-17. Board of trustees to compute City's annual contribution	130
Sec. G-18. Employer Contribution	131
ARTICLE H. MISCELLANEOUS	132
Sec. H-1. Recall of Retirees during emergencies	132
ARTICLE I. DEFERRED RETIREMENT OPTION PLAN	133
Sec. I-1. General provisions	133
Sec. I-2. Conversion to Retirement Allowance	133
Sec. I-3. Investment of DROP assets	133
Sec. I-4. Distribution of amounts credited to DROP Account	134
Sec. I-5. Death of Member while participating in the DROP program	134
Sec. I-6. Disability of Member While Participating in the DROP Program	135
Sec. I-7. Cost Neutrality	135
ARTICLE J. PARTICIPANT ANNUITY SAVINGS FUND LOAN PROGRAM	137
Sec. J-1. Participant Annuity Savings Fund Loan Program	137
ARTICLE K. SPECIAL PLAN OF ADJUSTMENT PROVISIONS	140
Sec. K-1. Benefit Changes implemented in accordance with the terms of the Plan Of Adjustment	140
Sec. K-2. Income Stabilization Benefits	140
Sec. K-3. Restoration of Pension Benefits	143
APPENDIX A	152

TABLE OF CONTENTS
(continued)

	Page
ARTICLE IX, SECTION 24 OF STATE OF MICHIGAN CONSTITUTION.....	152
CITY OF DETROIT CHARTER.....	153
DETROIT CITY CODE.....	154
COLLECTIVE BARGAINING AGREEMENTS	155

COMPONENT I

ARTICLE 1. GENERAL PROVISIONS

Sec 1.1. Police and Fire Retirement System Established; Adoption of 2014 Plan Document

Effective July 1, 1941, a Pension System for Policemen and Firemen of the City of Detroit was established for the purpose of providing retirement allowances and death benefits for Policemen and Firemen and their beneficiaries by amendment to the Charter of the City of Detroit. That Pension System was amended on numerous occasions after July 1, 1941, including an amendment renaming the Retirement System as the "Police and Fire Retirement System of the City of Detroit." The provisions of the Police and Fire Retirement System of the City of Detroit, as in effect July 1, 2014, were set forth in a Combined Plan Document (including Appendix A attached thereto). As provided in Ordinance 15-14 and Ordinance 16-14 and Section 47-1-2 of the Detroit City Code, the Combined Plan Document replaced the provisions of the Police and Fire Retirement System of the City of Detroit as set forth in the City of Detroit Charter, the Detroit City Code and any conflicting provisions in any collective bargaining agreements, rulings or opinions covering Members (including, without limitation, City Employment Terms). All resolutions and policies of the Board previously enacted which were inconsistent with the provisions of the Combined Plan Document were also repealed to the extent of such inconsistency.

This Combined Plan Document is hereby amended and restated effective July 1, 2014, in the form of this instrument. Component I of the Plan Document applies to benefits accrued by Members on and after July 1, 2014 and to operation of the Police and Fire Retirement System of the City of Detroit on and after July 1, 2014. Component II of the Plan Document generally applies to benefits accrued by Members prior to July 1, 2014. Except as specifically provided in Component II, benefits provided under Component II of the Plan Document are frozen effective June 30, 2014.

Sec 1.2. Retirement System Intended to be Tax-Qualified; Governmental Plan

The Retirement System is a governmental plan under Section 414(d) of the Internal Revenue Code which is intended to be a qualified plan and trust pursuant to applicable provisions of the Internal Revenue Code. The Board shall construe and administer the provisions of the Retirement System in a manner that gives effect to the tax-qualified status of the Retirement System.

Sec 1.3. Compliance With Plan of Adjustment

The Retirement System is intended to comply with all relevant provisions (including Exhibits) of the Plan for the Adjustment of Debts of the City of Detroit, as approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan, Case No. 13-53846* ("Plan of Adjustment"). Component I and Component II of the Combined Plan shall be interpreted and construed by the City, the Board of Trustees and the Retirement System to give full effect to the Plan of Adjustment. To the extent that a conflict arises between the Combined Plan Document and the Plan of Adjustment, the City, the Board of Trustees, the Investment Committee and the

Retirement System are directed to interpret any inconsistency or ambiguity to give full effect to the Plan of Adjustment.

Sec 1.4. Board of Trustees

Effective July 1, 1941, a Board of Trustees of the Police and Fire Retirement System of the City of Detroit was created. The Board is vested with responsibility for the general administration, management and operation of the Police and Fire Retirement System of the City of Detroit and with the trust and investment powers conferred in this Combined Plan Document.

Sec 1.5. Board of Trustees – Membership; Appointment

The Board of Trustees of the Police and Fire Retirement System of the City of Detroit shall consist of seventeen Trustees, as follows:

- (1) The Mayor, *ex-officio*, or the Mayor's designee;
- (2) The President of City Council or a member thereof elected by the City Council, *ex-officio*;
- (3) The City Treasurer or Deputy City Treasurer, *ex-officio*;
- (4) The City Finance Director, or a designated representative, *ex-officio*;
- (5) The City Budget Director, or a designated representative, *ex-officio*;
- (6) The Corporation Counsel of the City, or a designated representative, *ex-officio*;
- (7) Three Fire Members of the Retirement System to be elected by the Fire Members under such rules and regulations as may be established by the Board of Fire Commissioners to govern such elections, as follows:
 - (a) Two to be elected by and from Members holding the rank of lieutenant (or its equivalent) and lower ranks; and
 - (b) One to be elected by and from Members holding ranks above the rank of lieutenant (or its equivalent);
- (8) Three Police Members of the Retirement System to be elected by the Police Members under the rules and regulations as may be established by the Commissioner of Police to govern such elections, as follows:
 - (a) Two to be elected by and from Members holding the rank of lieutenant (or its equivalent) and lower ranks; and
 - (b) One to be elected by and from Members holding a rank above lieutenant (or its equivalent); and

- (9) One individual who neither is a Member of the Retirement System nor an employee of the City in any capacity to be selected by the Board;
- (10) Two Retirees receiving benefits under the Retirement System, one of whom shall be elected by Retired Police Members and one of whom will be elected by Retired Fire Members pursuant to Sections 1.6 and 1.7 below;
- (11) One Trustee appointed by the Mayor upon election of a Retiree Police Trustee; and
- (12) One Trustee appointed by the Mayor upon election of a Retiree Fire Trustee.

Sec 1.6. Board of Trustees; Scheduling of Elections for Active and Retiree Trustees

- (1) Annual elections for active Police Officers and Fire Fighters shall be held in the Police and Fire Departments during the month of May to elect a trustee to fill the vacancy created by the expiration of a term.
- (2) Elections to fill vacancies created by the expiration of a term for a Retiree Trustee shall be held every three years during the month of May.
- (3) A special election for Retiree Trustees shall be held as soon as practicable after the Plan of Adjustment is confirmed. Unless a Retiree Trustee elected by reason of this special election resigns or is removed from the position of Trustee in accordance with the terms of the Combined Plan Document, a Retiree elected to the office of Trustee in the special election shall be eligible to serve a full term of three (3) years from the date of the special election, plus such period of time until the last day of June that follows the third anniversary of the special election, at which time an election for Retiree Trustees shall be held in accordance with Section 1.7.

Sec 1.7. Procedures for election of Retiree Trustees

The procedures for the election of the Retiree Trustees shall be as follows:

- (1) *Notice.* Notice of a primary election shall be sent to each Retiree by United States Mail.
- (2) *Notice of Candidacy.* A proposed candidate shall submit a notarized letter to the executive director notifying the Retirement System of his or her candidacy.
- (3) *Ballot.* Each candidate whose name appears on the ballot at any election held for the office of Retiree Trustee shall be identified by the title of the position the Retiree held at the time of retirement and by the word "incumbent" if the candidate is a current trustee seeking re-election. No ballot shall contain any organizational or political designation or mark. Rotation and arrangement of names on the ballot shall be in accordance with the rules and regulations of the Board.
- (4) *Voting.* Procedures regarding mailing of ballots, poll lists, custody of ballots, marking of ballots, return of ballots, handling of return envelopes received, and sealed ballot boxes

shall be the same as those adopted and followed by the Board in the immediately preceding election of an active employee Trustee.

- (5) *Procedures.* Procedures regarding the selection and certification of successful candidates for nomination, the selection of Trustees from nominees, tie votes, and the destruction of ballots shall be the same as those adopted and followed by the Board in the immediately preceding election of an active employee Trustee.
- (6) *Board Rules.* Any matters relative to the election of the Retiree member of the Board not covered by this Section 1.7 shall be handled in accordance with such rules and regulations as the Board may adopt and Michigan law.

Sec 1.8. Board of Trustees; Oath; Term; Vacancies

Within ten days after appointment or election, each Trustee shall take an oath of office to be administered by the City Clerk.

The term of office for each elected Trustee under Sections 1.5(7), (8) and (10) shall be three years. The term of office for the Trustee who is selected by the Board under Section 1.5(9) shall be two years. The term of office for the Trustees appointed by the Mayor under Sections 1.5(11) and (12) shall be three years. Except as provided in Section 1.6(3), elected Trustees holding office on June 30, 2014 shall serve the remainder of their terms.

If a Trustee resigns or is removed by the other Trustees for cause, or if an elected or appointed Trustee fails to attend three consecutive scheduled Board meetings without being excused for cause by the Trustees attending such meetings, the Trustee shall be considered to have resigned from the Board. If a vacancy occurs in the office of Trustee from any cause other than expiration of a term, the vacancy for the unexpired term shall be filled within sixty days of the date of said vacancy in the same manner as the office was previously filled. No vacancy shall result by reason of a change in the rank or grade of a Trustee during the term of office.

Sec 1.9. Board of Trustees; Officers and Employees

The Board shall elect from its membership a chairman and a vice chairman. The executive director of the Retirement System or his or her representative shall serve as secretary of the Board. The Board may employ such special actuarial, medical and other contractors and employees as shall be required, subject to the powers and authority reserved to the Investment Committee and subject to the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*

Sec 1.10. Board of Trustees; Meetings; Rules of Procedure; Votes; Quorum

- (1) The Board shall hold regular meetings, at least one in each month, and shall hold special meetings as necessary. The Board shall designate the time and place thereof in advance. The Board shall adopt its own rules of procedure, including provisions for special meetings and notice thereof, and shall keep a record of proceedings. All meetings of the Board shall be public and are subject to the *Michigan Open Meetings Act, MCL 15.261 et seq.* All Board meetings shall be held within the City of Detroit.

- (2) Each Trustee shall be entitled to one vote on each question before the Board. A majority vote of the Trustees present shall be necessary for a decision by the Trustees at any meeting of the Board.
- (3) Eight members of the Board, four of whom must be elected members, shall constitute a quorum.

Sec 1.11. Board of Trustees; Compensation; Expenses

All members of the Board of Trustees shall serve without additional compensation from the City or the Retirement System; however Retiree Trustees shall receive a hourly stipend from the Retirement System equal to the lowest rate of pay received by an active employee Trustee for attending Board meetings, educational time and travel out of the City on official business of the Retirement System. All Trustees shall be reimbursed from the Expense Fund for all actual, reasonable and necessary expenses incurred in the performance of their duties as Trustees.

Sec 1.12. Rules for Administration of Funds.

Subject to the limitations contained in this Combined Plan Document, the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this Combined Plan Document and for the transaction of its business.

Sec 1.13. Board of Trustees; Certain Data to be Kept

The Board of Trustees shall keep, or cause to be kept, in convenient form, such data as shall be necessary for the actuarial valuation of the various funds of the Retirement System and for checking and compiling the experience of the Retirement System. The ordinary actuarial, accounting and clerical services for the operation of the Retirement System shall be performed by the employees of the Retirement System.

Sec 1.14. Board of Trustees; Annual Audit Report

The Board shall render a report to the Mayor, the City Council and the Investment Committee on or before the fifteenth day of January, showing the fiscal transactions of the Retirement System for the year ending on the preceding thirtieth day of June, the amounts of accumulated cash and securities in the various funds of the System, and the last balance sheet showing the financial condition of the Retirement System by means of an actuarial valuation of the assets and liabilities of the Retirement System.

Sec 1.15. Board of Trustees; Legal Advisors

- (1) The Board shall appoint legal advisors (including a general counsel) who shall be directly responsible to and shall hold office at the pleasure of the Board of Trustees. Any legal advisor to the Board of Trustees shall be an attorney licensed to practice law in the State of Michigan and shall be experienced in matters relating to pension systems. The qualifications of legal counsel shall be approved by the Board of Trustees.

- (2) Legal advisors to the Board of Trustees shall have such duties relative to pension matters as shall be assigned by the Board of Trustees.
- (3) Costs and expenses relative to the position of legal advisors to the Board shall be payable out of the assets of the Retirement System, subject to the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*

Sec 1.16. Board of Trustees; Medical Director

- (1) The Board shall appoint a Medical Director who is directly responsible to and shall hold office at the pleasure of the Board. The Medical Director shall be a physician who has not at any time been regularly or permanently employed by any department, board, or commission of the City, county, or state, has not held an elective, appointive, or salaried office in any city, county, or state government at any time, and is not eligible to participate in a retirement system maintained by the City. However, service as an intern in any city, county, or state hospital or sanitarium and service in any state military body shall not disqualify a physician for appointment as Medical Director.
- (2) The Medical Director shall arrange for and pass upon all medical examinations required under the provisions of the Combined Plan, and shall report in writing to the Board of Trustees his or her conclusions and recommendations on medical matters referred to it.

Sec 1.17. Designation of Actuary; Authority to Engage Additional Actuaries

The Retirement System actuary as of July 1, 2014 shall continue to serve as such until resignation or removal by the Board. In the event the Board desires to retain a new actuary, the Board and the Investment Committee shall collectively participate in the evaluation and selection of a qualified actuary. The Retirement System actuary shall be responsible for assisting the Board and the Investment Committee in performing its actuarial duties and shall comply with all requests for information or modeling requested by the Board and the Investment Committee, and shall attend meetings of the Board and Investment Committee as requested, so as to allow the Board and the Investment Committee to perform satisfactorily the rights and duties set forth in the Combined Plan, the term sheet regarding Investment Committee Governance for Police and Fire Retirement System, attached to that certain agreement by and between the Michigan Settlement Administration Authority, a Michigan body public corporation (the "Authority"), the Retirement System, the General Retirement system for the City of Detroit, Michigan ("GRS"), and the City (the "State Contribution Agreement") as Exhibit B (the "Governance Term Sheet"), and the Plan of Adjustment. Furthermore, the Board shall not act on any recommendation made by the Retirement System's actuary based on any calculation, assumption or assessment rejected by the Investment Committee.

Nothing herein shall be interpreted as limiting the Investment Committee's authority to engage an actuarial consulting firm other than the Retirement System's actuary to perform actuarial services deemed necessary to fulfill its fiduciary and other duties to the Retirement System as set forth in the Governance Term Sheet and the Plan of Adjustment.

Sec 1.18. Board of Trustees; Adoption of Mortality and Other Tables of Experience and Rates of Interest; Limitations on Payments by the Retirement System

- (1) Subject to Section 16.1, the Board shall adopt such mortality and other tables of experience, and a rate or rates of interest, as shall be necessary for the operation of the System on an actuarial basis, provided, that the authority granted by this Section shall not permit or be used to provide for an interest rate which would violate the prohibitions of Subsection (2) or (3) of this Section.
- (2) The Retirement System and the Trustees charged with management of the System shall not make any payment to active or retired Members other than payments that are required by the governing documents of the Retirement System. This prohibition applies to all payments that are not authorized by this Combined Plan, whether such payments are those commonly referred to as a "thirteenth check" or by any other name.
- (3) Anything in this Combined Plan Document or any other document to the contrary notwithstanding, the annual actuarial interest rate assumption for the period commencing July 1, 2014 and ending June 30, 2023 shall be six and three-quarters percent (6.75%).

Sec 1.19. Board of Trustees; Annual Actuarial Valuation of Assets and Liabilities

Subject to Section 16.1, each year, on the basis of such mortality and other tables of experience, and such rate or rates of regular interest as the Board shall adopt pursuant to Section 1.18, the Board shall cause to be made an actuarial valuation of the assets and liabilities of the Retirement System.

Sec 1.20. Board of Trustees; Powers and Duties; Fiduciary Status; Fiduciary Duties

The Board of Trustees shall have such powers and duties as are necessary for the proper administration of the Retirement System and the custody and investment of Retirement System assets, other than those powers and duties reserved to the Investment Committee. To the extent the Board exercises discretion with respect to investment of Retirement System assets, each member of the Board of Trustees shall be an investment fiduciary as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*, and shall discharge his or her duties with respect to the Retirement System in compliance with the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* A member of the Board of Trustees shall discharge his or her duties with the care, skill and caution under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an activity of like character and purpose. Board members shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance would violate the member's fiduciary duties or conflicts with the provisions set forth in this Combined Plan Document.

Sec 1.21. Investment Committee; Establishment; Purpose; Fiduciary Status; Fiduciary Duties

As of the effective date of the Plan of Adjustment, but subject to consummation of the State Contribution Agreement, an Investment Committee is hereby created for the purpose of making recommendations to the Board of Trustees and taking action under and with respect to certain investment management matters relating to the Retirement System. The creation and operation of the Investment Committee is controlled by the Governance Term Sheet. The Investment Committee shall remain in effect for a period of not less than twenty years following the date of confirmation of the Plan of Adjustment. The Investment Committee shall be an investment fiduciary as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* and shall have all powers granted fiduciaries under the first sentence of *MCL 38.1133(5) and (6)*. The Investment Committee shall serve in a fiduciary capacity with respect to the investment management of Retirement System assets, determination of the investment return assumptions, and Board compliance with provisions of the governing documents of the Retirement System. An Investment Committee member shall discharge his or her duties with respect to the Retirement System in compliance with the provisions of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* An Investment Committee member shall discharge his or her duties with the care, skill and caution under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an activity of like character and purpose. Investment Committee members shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance would violate the member's fiduciary duties or conflict with the provisions set forth in the Governance Term Sheet.

Sec 1.22. Investment Committee; Membership; Appointment

The Investment Committee shall consist of nine (9) members, determined as follows:

- (1) Five independent members, at least two of whom must be residents of the State of Michigan, and none of whom may be a party in interest with respect to the Retirement System, as defined in as defined in Section 38.1132d(4) of the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* Each independent Investment Committee member shall have expert knowledge or extensive experience with respect to either (a) economics, finance, or institutional investments, or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one of the independent Investment Committee members shall satisfy the requirements of (a) above and at least one of the independent Investment Committee members shall satisfy the requirements of (b) above. The initial independent Investment Committee members shall be selected by mutual agreement of the appropriate representatives of the State of Michigan, the City and the Board, in consultation with the Foundation for Detroit's Future (the "Foundation"), and shall be named in the Plan of Adjustment. If one or more of the five initial independent Investment Committee members are not selected by mutual agreement prior to confirmation of the Plan of Adjustment, then the United States Bankruptcy Court, Eastern District of Michigan shall designate such number of independent Investment Committee

members as necessary to bring the number of independent Investment Committee members to five (5);

- (2) Two Retirees who shall be appointed by the Board consisting of one elected retired Police Member and one elected retired Fire Member who are serving on the Board and who are receiving benefit payments under the Retirement System; and
- (3) Two Employee members who shall be appointed by the Board consisting of one Fire Department Employee and one Police Department Employee who are active members of the Board.

Sec 1.23. Investment Committee; Term; Resignation and Removal; Vacancies

The term of office for the independent members of the Investment Committee shall be six years; provided, however, that the initial term for the independent Investment Committee members shall be determined as follows:

<u>Independent Member</u>	<u>Term of Office</u>
(1)	2 years
(2)	3 years
(3)	4 years
(4)	5 years
(5)	6 years

The term of office for a Retiree or Employee Investment Committee member shall be the number of years remaining on such individual's term of office as a member of the Board of Trustees. Each Investment Committee member shall serve until his or her successor is appointed at the expiration of his or her term of office, or until his or her death, incapacity, resignation or removal, if earlier. Notwithstanding any provision of this Combined Plan Document, an initial independent Investment Committee member shall not be prohibited from becoming a successor independent Investment Committee member after expiration of his or her initial term.

An Investment Committee member may resign at any time by giving ninety days' prior written notice to the Investment Committee, the City and the Board, which notice or time period may be waived by the Investment Committee. An Investment Committee member may be removed from office by majority vote of the remaining Investment Committee members for any of the following reasons: (a) the member is legally incapacitated from executing his or her duties as a member of the Investment Committee and neglects to perform those duties; (b) the member has committed a material breach of the provisions of the Retirement System or the policies or procedures of the Retirement System and the removal of the member is in the interests of the Retirement System or its Members and Beneficiaries; (c) the member is convicted of a violation of law and the removal is accomplished by a vote of the members of the Investment Committee in accordance with the voting procedure set forth in Section 1.24; or (d) if the member holds a license to practice and such license is revoked for misconduct by any State or federal government. A member who fails to attend four (4) consecutive scheduled meetings of the Investment Committee shall be deemed to have resigned, unless in each case his or her absence is excused for cause by the remaining members attending such meetings. In the event of any

removal or resignation, the Investment Committee shall by resolution declare the office of the member vacated as of the date such resolution is adopted.

Any vacancy occurring on the Investment Committee shall be filled within sixty (60) days following the date of the vacancy for the unexpired portion of the term, in the same manner in which the office was previously filled.

Successor independent Investment Committee members shall be recommended by a majority of the remaining independent Investment Committee members and shall be confirmed by the Board and the Treasurer of the State of Michigan ("State Treasurer"), in consultation with the Foundation, in accordance with such rules and regulations as may be adopted by the Investment Committee (provided that such rules are not inconsistent with the Governance Term Sheet or the Plan of Adjustment). In the event the Board and the State Treasurer cannot agree on a successor independent Investment Committee member within thirty (30) days of the receipt of the recommendation of the Investment Committee, the remaining independent Investment Committee members shall appoint the successor independent Investment Committee member.

In the event the United States Bankruptcy Court, Eastern District of Michigan appoints one or more of the initial independent Investment Committee members, a successor to any such independent Investment Committee member shall be appointed in the same manner as provided in the preceding paragraph following three (3) weeks' notice to the Board of the individuals appointed, in accordance with such rules and regulations as may be adopted by the Investment Committee (provided that such rules are not inconsistent with either the Governance Term Sheet or the Plan of Adjustment).

Successor Investment Committee members shall have the powers and duties conferred on Investment Committee members herein.

Sec 1.24. Investment Committee; Operation; Meetings; Quorum; Voting

The Investment Committee members shall select from among the independent members a chair and a vice chair. The Investment Committee members shall select from among themselves a secretary. The Investment Committee shall hold regular meetings, not less frequently than once every other month, and shall hold special meetings as necessary. The Investment Committee shall designate the time and place thereof in advance. The secretary or his or her designee shall be responsible for providing meeting notices to the other Investment Committee members. The Investment Committee shall adopt its own rules of procedure and shall keep a record of proceedings. Notice and conduct of all Investment Committee meetings, both regular and special, shall be subject to the *Michigan Open Meetings Act, MCL 15.261 et seq.* All Investment Committee meetings shall be held within the City of Detroit.

Five Investment Committee members shall constitute a quorum at any meeting, as long as at least three of the independent Investment Committee members are in attendance. Each independent Investment Committee member shall be entitled to one vote on each question before the Investment Committee. Each Retiree and Employee member shall be entitled to one-half vote on each question before the Investment Committee. Except as otherwise provided in the Governance Term Sheet, at least four concurring votes shall be necessary for a decision by the

Investment Committee and each Investment Committee member shall be entitled to one vote on each question before the Investment Committee.

An Investment Committee member may have his or her voting privileges temporarily suspended by a 70% or higher vote of the other members if the member is indicted or sued by a state or federal government for an alleged violation of the law that relates to his or her service on the Investment Committee, or for other alleged financial crimes, including fraud.

Sec 1.25. Investment Committee; Compensation; Expenses; Employment of Advisors

Investment Committee members shall not receive any compensation from the Retirement System for their services; Investment Committee members shall, however, be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the Investment Committee, including but not limited to the purchase of insurance, shall be payable out of the assets of the Retirement System. The Investment Committee may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the Investment Committee as it deems reasonably necessary to perform its functions, and such parties or persons may be reasonably compensated from the assets of the Retirement System. Such engagements shall not be subject to approval of the Board.

Sec 1.26. Investment Committee; Special Reporting Obligation

- (1) Beginning in calendar year 2015, pursuant to Section 6 of the State Contribution Agreement, the Investment Committee shall provide compliance reports to the State Treasurer on a semi-annual basis and at such other times as the State Treasurer reasonably may request (each, a "Compliance Report") that certifies that the Investment Committee is not aware of any defaults under the State Contribution Agreement, or, if the Investment Committee is aware of a default under the State Contribution Agreement, specifically identifying the facts of such default.
- (2) In the event the Retirement System receives a written notice from the State Treasurer declaring and specifically identifying the facts of an alleged default under the State Contribution Agreement ("Default Notice"), and such default is cured as provided in the State Contribution Agreement, the Investment Committee must provide to the State Treasurer a written certification that (i) the default has been cured, and (ii) no material damages have been caused by the default that have not otherwise been remedied (the "Cure Certification").
- (3) Beginning in calendar year 2015, the Investment Committee shall provide to the City not later than December 31 of each year evidence reasonably necessary to show that the internal controls governing the investment of Retirement System assets are in compliance with the applicable provisions of the Plan of Adjustment.
- (4) Beginning in calendar year 2015 and for each calendar year thereafter, as of a date which is not later than December 31 of each such calendar year the Investment Committee shall provide to the Foundation the following information:

- (a) a copy of the audited annual financial statement and the corresponding management letter for the Retirement System for the Fiscal Year ending June 30 of such calendar year, containing a non-qualified opinion of an independent external auditor to the Retirement System;
- (b) a certification from the Chair of the Investment Committee on behalf of the Investment Committee ("Pension Certificate") in a form reasonably acceptable to the Foundation that, as of the date of the annual report required to be provided by the City to the Foundation under the Omnibus Transaction Agreement by and among the City, The Detroit Institute of Arts and Foundation For Detroit's Future ("Annual Report"):
 - (i) the City is current in its obligation to contribute to Component II of the Combined Plan determined in accordance with the Plan of Adjustment;
 - (ii) the Investment Committee has been operated in accordance with the terms set forth in this Component I of the Combined Plan Document; and
 - (iii) the City continues to maintain the pension governance terms reflected in this Component I of the Combined Plan as of the effective date of the Plan of Adjustment, without modification or amendment during the twenty (20) year period following the effective date of the Plan of Adjustment, except as required to comply with applicable federal law, including without limitation to maintain the tax qualified status of the Retirement System under the Internal Revenue Code, or to comply with the Plan of Adjustment;
- (c) a copy of (i) the Compliance Report covering the calendar year for which the Annual Report is made; (ii) any additional Compliance Reports provided during the calendar year for which the Annual Report is made as requested by the State Treasurer; (iii) either the certificate of compliance or the Default Notice, within the meaning of Section 6 of the State Contribution Agreement, as applicable, that was provided to the Investment Committee by the State Treasurer; and (iv) in the event that the State Treasurer issued a Default Notice, the Cure Certification, within the meaning of Section 6 of the State Contribution Agreement, provided by the Investment Committee. Notwithstanding anything in this paragraph (c) to the contrary, if the parties to the State Contribution Agreement agree to revise the requirements of Section 6 of the State Contribution Agreement or the information required in the Compliance Report, in order to meet the obligations of this paragraph (c), the Investment Committee shall be required only to provide documentation to the Foundation that meets such revised requirements; and
- (d) any additional information that may be reasonably requested by the Foundation from time to time.
- (e) Beginning in calendar year 2016, before May 15th of each calendar year, the Investment Committee shall provide to the Chief Financial Officer of the City

confirmation that, as of the date of the City's report to the Foundation, there has been no impairment or modification of the information contained in the most recent Pension Certificate since the date of such Pension Certificate.

ARTICLE 2. DEFINITIONS

Sec 2.1. Definitions

Unless a different definition is contained within this Combined Plan Document, or a different meaning is plainly required by context, for purposes of this Combined Plan Document the following words and phrases have the meanings respectively ascribed to them by this section:

- (1) *Accumulated Mandatory Employee Contributions* means the sum of all amounts deducted from the Compensation of a Member and credited to the Accumulated Mandatory Employee Contribution Fund for periods on and after July 1, 2014.
- (2) *Accumulated Voluntary Employee Contributions* means the total balance in a Member's individual account under Component I of the Retirement System representing after-tax amounts deducted from the Compensation of the Member, together with earnings on such contributions.
- (3) *Actuarial Equivalent or Actuarially Equivalent* means a Retirement Allowance or benefit amount having the same Actuarial Equivalent Value as another applicable benefit.
- (4) *Actuarial Equivalent Value* means the value of an applicable Retirement Allowance or benefit amount, where values are calculated under generally accepted actuarial methods and using the applicable tables, interest rates and other factors established by the Board upon recommendation of the Investment Committee. The rates of interest, tables and factors adopted by the Board from time to time to determine Actuarial Equivalence shall not violate the terms of the Plan of Adjustment.
- (5) *Administrative Rules and Regulations* means rules and regulations promulgated by the Board of Trustees for the administration of the Retirement System and for the transaction of its business.
- (6) *Age, Attainment of* means the age an individual reaches on the day of his or her birthday.
- (7) *Average Final Compensation* means the average Compensation received by a Member during the five consecutive years of Credited Service which immediately precede the date of the Member's last termination of City employment as an employee of the Police Department or the Fire Department. If a Member has less than five years of Credited Service, the Average Final Compensation shall be the average of the annual Compensation received by the Member during the Member's total years of Credited Service.
- (8) *Beneficiary* means any person or persons (designated by a Member pursuant to procedures established by the Board) who are entitled to receive a Retirement Allowance or Pension payable from funds of the Retirement System due to the participation of a Member.
- (9) *Board of Trustees or Board or Retirement Board* means the Board of Trustees of the Police and Fire Retirement System of the City of Detroit.

- (10) *City* means the City of Detroit, Michigan, a municipal corporation.
- (11) *City Council or Council* means the legislative body of the City.
- (12) *Combined Plan* means the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan, effective July 1, 2014, and as amended thereafter.
- (13) *Compensation* means a Member's base salary or wages actually paid to the Member for personal services rendered to the Employer, excluding bonuses, overtime pay, payment of unused accrued sick leave, longevity pay, payment for unused accrued vacation, the cost or value of fringe benefits provided to the Member, termination or severance pay, reimbursement of expenses, or other extra payment of any kind. Compensation will include any amount which is contributed by the City to a plan or program pursuant to a salary reduction agreement and which is not includable in the taxable income of the Member under Sections 125, 402(e)(3), 402(h) or 403(b) of the Internal Revenue Code or which is contributed by the City on behalf of a Member as provided in Section 9.3(3) and 9.5 pursuant to a qualified "pick-up program".

For periods of time prior to July 1, 2014, the City shall provide to the Retirement System actual base salary or wages paid to Members using the best and most reliable sources of information available to the City. In the event the City is unable to provide actual base wages to the Retirement System, the City shall make reasonable estimates of each Member's base salary or wages for purposes of determining a Member's Compensation for periods prior to July 1, 2014.

Notwithstanding the foregoing, solely for purposes of determining a Member's Voluntary Employee Contributions, Compensation shall mean the gross salary or wages paid to the Member for personal services rendered to the City.

The annual Compensation of each Member taken into account for the purposes of determining all benefits provided under the Retirement System for any determination period shall not exceed the limitation set forth in Code Section 401(a)(17) (\$260,000 for the Plan Year commencing July 1, 2014). Such limitation shall be adjusted for the cost-of-living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any determination period beginning in such calendar year. If Compensation for any prior determination period is taken into account in determining a Member's benefits for the current determination period, the Compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that determination period. If a determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12.

- (14) *Component I* means the portion of the Retirement System described in this Combined Plan and which consists of:

- (a) the 2014 Defined Benefit Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code; and
 - (b) the 2014 Defined Contribution Plan which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code.
- (15) *Component II* means the portion of the Retirement System described in this Combined Plan and which consists of:
- (a) the Frozen Defined Benefit Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code; and
 - (b) the Frozen Defined Contribution Plan, which is a qualified plan and trust pursuant to applicable sections of the Internal Revenue Code.
- (16) *Credited Service* means service credited to a Member to the extent provided in Article 4 of Component I of this Combined Plan Document.
- (17) *Disability or Disabled*: see Total Disability or Totally Disabled.
- (18) *DFFA* means the Detroit Fire Fighters Association.
- (19) *DPCOA* means the Detroit Police Command Officers Association.
- (20) *DPLSA* means the Detroit Police Lieutenants and Sergeants Association.
- (21) *DPOA* means the Detroit Police Officers Association.
- (22) *DROP Account* means the account established by the Board for a Member who is eligible for and who elects to participate in the DROP Program.
- (23) *DROP Program* means a program established for eligible Members pursuant to Article 12.
- (24) *Employee* means an employee of the City's Police Department who has taken an oath of office or a Fire Fighter providing services to the City, but does not include:
- (a) individuals whose City services are compensated on a contractual or fee basis;
 - (b) any person during any period when such person is classified by the City as a non-common-law employee or an independent contractor for federal income tax and withholding purposes whose compensation for services is reported on a form other than Form W-2 or any successor form for reporting wages paid to and taxes withheld from employees, even if a court or administrative agency determines that such person is a common-law employee of the City;
 - (c) the Medical Director of the Retirement System.

If a person described in (b) above is reclassified by the City as a common-law employee of the City and otherwise meets the definition of an Employee, the person will be eligible to participate in the Retirement System prospectively as of the actual date of such reclassification only (and only to the extent such individual otherwise qualifies as an Employee).

- (25) *Employer* means the City.
- (26) *Final Compensation* means the annual compensation of a Member at the time of his or her termination of employment.
- (27) *Fire Fighter* means the rank in the Fire Department currently or formerly classified by the civil service commission as Fire Fighter.
- (28) *Fire Member* means an employee of the Fire Department of the City of Detroit who is a participant in the Retirement System.
- (29) *Fiscal Year* means the twelve month period commencing each July 1 and ending on the following June 30.
- (30) *Hour of Service* means (i) each hour for which a Member is paid or entitled to payment by the City for the performance of duties, and (ii) each hour for which a Member is directly paid or entitled to payment by the City for reasons other than the performance of duties (such as vacation, holiday, illness or approved leave of absence).
- (31) *Internal Revenue Code or Code* means the United States Internal Revenue Code of 1986, as amended.
- (32) *Investment Committee* means the committee established pursuant to Section 1.22 which shall have the powers and duties described herein.
- (33) *Mandatory Employee Contributions* mean the contributions made by a Member to the Retirement System pursuant to Section 9.3(3).
- (34) *Medical Beneficiary* means a Member who has retired from employment with the City and the Spouses and dependents of such Member who are receiving post-retirement benefits in accordance with the terms of a retiree medical plan sponsored or maintained by the City.
- (35) *Medical Benefits* mean the provision of payments for certain sickness, accident, hospitalization and medical benefits within the meaning of Treasury Regulation section 1.401-14(a), including dental, vision and mental health benefits, as designated by the City.
- (36) *Medical Benefits Account* means the bookkeeping account established under Section 17.1 to provide for the payment of Medical Benefits on behalf of Medical Beneficiaries.
- (37) *Medical Director* means the physician appointed by the Board pursuant to Section 1.16.

- (38) *Member* means any Police Member or Fire Member who has not retired or died.
- (39) *Normal Retirement Age* means for any Member Age fifty with twenty-five years of Credited Service, with the following transition period for a Member who is an active employee on June 30, 2014 regarding payment of Component I benefits only:

<u>Fiscal Year</u>	<u>Age and Credited Service</u>
2015	Age 43 and 20 years
2016	Age 43 and 20 years
2017	Age 44 and 21 years
2018	Age 45 and 22 years
2019	Age 46 and 23 years
2020	Age 47 and 24 years
2021 and thereafter	Age 50 and 25 years

Pursuant to Code Section 411(e), as in effect in 1974, a Member shall be 100% vested in his or her accrued benefit under the Retirement System upon Attainment of Normal Retirement Age while in Service.

- (40) *Notice to Members, Beneficiaries, and Retirees* means a mailing using First Class United States Mail to the Members, Beneficiaries, and Retirees at their last known addresses.
- (41) *Patrolman* means the rank in the Police Department currently or formerly known as patrolman.
- (42) *Pension Reserve* means the present value of all payments to be made on account of any Retirement Allowance payable under Component I of the Combined Plan. Such Pension Reserve shall be computed upon the basis of such mortality and other tables of experience, and interest, as provided herein until June 30, 2023 and, thereafter, as shall be adopted by the Board upon the recommendation of the Investment Committee.
- (43) *Plan Actuary or Actuary* means the enrolled actuary or actuarial firm appointed as provided in Section 1.17 to serve as technical advisor to the Investment Committee and the Board on matters regarding the funding and operation of the Retirement System and to perform such other duties as the Investment Committee or the Board may direct.
- (44) *Plan Document or Combined Plan Document* means this instrument, effective as of July 1, 2014, with all amendments hereafter adopted.
- (45) *Plan of Adjustment* means the Plan for the Adjustment of Debts of the City of Detroit, which has been approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan*, Case No. 13-53846.
- (46) *Plan Year* means the twelve month period commencing on July 1 and ending on June 30.
- (47) *Police and Fire Retirement System of the City of Detroit or Retirement System* means the Police and Fire Retirement System of the City of Detroit created and, prior to July 1, 2014, memorialized in Title IX, Chapter VI, of the 1918 Detroit City Charter, as

amended, continued in effect through the 1974, 1997 and 2012 Detroit City Charters, Article 47 of the Detroit City Code, Article 54 of the Detroit City Code of 1964, and collective bargaining agreements and, on and after July 1, 2014, pursuant to Section 47-1-2 of the Detroit City Code, memorialized in this Combined Plan Document, as amended from time to time.

The Retirement System consists of:

- (a) The 2014 Defined Benefit Plan, which is described in Component I hereof;
- (b) the 2014 Defined Contribution Plan, consisting of the Voluntary Employee Contribution Account, which is described in Component I hereof;
- (c) the Frozen Defined Benefit Plan, which is described in Component II hereof; and
- (d) the Frozen Defined Contribution Plan, which is described in Component II hereof.

References to the words Retirement System in Component I of the Plan Document shall mean the provisions of the 2014 Defined Benefit Plan and/or the 2014 Defined Contribution Plan described in Component I, unless a different meaning is plainly required by context.

- (48) *Police Member* means a Police Officer who has taken the oath of office as prescribed in the Detroit City Charter, excluding patrolmen of other City departments, privately employed patrolmen and special patrolmen, who is a participant in the Retirement System.
- (49) *Police Officer* means the rank in the Police Department currently or formerly known as Police Officer.
- (50) *Prior Service* means the service credit awarded to a Member before July 1, 2014 under the terms of the Retirement System as in effect on June 30, 2014, as certified by the Board of Trustees.
- (51) *Retiree* means a former Member who is receiving a Retirement Allowance from the Retirement System.
- (52) *Retirement* means a Member's withdrawal from the employ of the City with a Retirement Allowance paid by the Retirement System.
- (53) *Retirement Allowance* means an annual amount payable in monthly installments by the Retirement System, whether payable for a temporary period or throughout the future life of a Retiree or Beneficiary.
- (54) *Service* means personal services rendered to the City by an employee of the Police Department or Fire Department, provided such person is compensated by the City for such personal services.

- (55) *Spouse* means the person to whom a Member is legally married under applicable law at the time a determination is made.
- (56) *Straight Life Retirement Allowance* means payment of a Member's Retirement Allowance over the Member's lifetime.
- (57) *Total Disability or Totally Disabled* means:
- (a) during the first twenty-four (24) months that a Member receives benefits from the Retirement System due to injury, illness or disease, that the Member is unable to perform, for wage or profit, the material and substantial duties of the Member's occupation; and
 - (b) during all subsequent months that a Member receives benefits from the Retirement System due to illness, injury or disease, that the Member is unable to perform, for wage or profit, the material and substantial duties of any occupation for which the Member is suited, based on education, training and experience.
- (58) *Vesting Service* means service credited to a Member to the extent provided in Article 4 of Component I of this Combined Plan Document.
- (59) *Voluntary Employee Contributions* mean the after-tax contributions made by a Member to the Retirement System pursuant to Section 10.1.
- (60) *Voluntary Employee Contributions Account* means the account established pursuant to Section 10.3 for a Member who elects to make Voluntary Employee Contributions.

The following terms shall have the meanings given to them in the Sections of this Combined Plan Document set forth opposite such term:

Accumulated Mandatory Employee Contribution Fund	Section 9.2(1)
Accumulated Voluntary Employee Contribution Fund	Section 9.2(2)
Annual Addition	Section 13.2(1)
Annual Report	Section 1.26(4)(b)
Authority	Section 1.17
cash refund annuity	Section 5.4(1)(a)
compensation	Section 13.1(12)
Compliance Report	Section 1.26(1)
Cure Certification	Section 1.26(2)
current active	Section 9.3(3)
Default Notice	Section 1.26(2)
Deferred Retirement Option Plan Fund	Section 9.2(5)
Deferred Retirement Option Plan Program (DROP)	Section 12.1
Differential Wage Payment	Section 4.4
Direct rollover	Section 18.9(1)(b)
Distributee	Section 18.9(1)(c)
Dollar Limit	Section 13.1(3)(b)
Disability Retirement Review Board/DRRB	Section 5.6(2)

Eligible retirement plan	Section 18.9(1)(d)
Eligible rollover distribution	Section 18.9(1)(e)
Expense Fund	Section 9.2(7)
Foundation	Section 1.22(1)
funding level	Section 9.5(3)
Governance Term Sheet	Section 1.17
Income Fund	Section 9.2(8)
ING	Section 12.3(1)
investment management decisions/investment management matters	Section 16.2
limitation year	Section 13.1(2)
Medical Benefits Account Fund	Section 9.2(6)
Medical Plans	Section 17.1
new employee	Section 9.3(3)
Option "A". Joint and Seventy-Five Percent Survivor Allowance	Section 8.1(1)(c)
Option "B". Joint and Twenty-Five Percent Survivor Allowance	Section 8.1(1)(e)
Option One. Modified Cash Refund Annuity	Section 8.1(1)(a)
Option Three. Joint and Fifty Percent Survivor Allowance	Section 8.1(1)(d)
Option Two. Joint and One Hundred Percent Survivor Allowance	Section 8.1(1)(b)
Pension Accumulation Fund	Section 9.2(3)
Pension Certificate	Section 1.26(4)(b)
Pension Improvement Factor (Escalator)	Section 6.2
Plan of Adjustment	Section 1.3
Police and Fire Retirement System of the City of Detroit	Section 1.1
Pop-up Form	Section 8.1(2)(b)
Rate Stabilization Fund	Section 9.2(4)
Standard Form	Section 8.1(2)(a)
State Contribution Agreement	Section 1.17
State Treasurer	Section 1.23
Straight Life Retirement Allowance	Section 8.1(1)

ARTICLE 3. MEMBERSHIP

Sec 3.1. Eligible Employees

- (1) Except as provided in Section 3.2, the membership of the Retirement System shall consist of all persons who are employed with the Police and Fire Departments of the City and who are employed as Police Officers or Fire Fighters according to the rules and regulations of the respective Departments. An eligible Employee's membership in the Retirement System shall be automatic; no eligible Employee shall have the option to elect to become a Member of the Retirement System.
- (2) Any appointive official of the Police Department or Fire Department appointed from the membership thereof shall be permitted to remain a Member, paying contributions and entitled to benefits as though he or she had remained in the rank, grade or position held at the date of his or her appointment.
- (3) Any Police Officer or Fire Fighter who, prior to being confirmed, shall be killed or Totally Disabled as the result of the performance of active duty, shall be deemed to have been a Member as of his or her date of death.
- (4) Any Member who shall be transferred to a civilian position in his or her Department shall continue as a Member, subject to all the obligations of a Member.

Sec 3.2. Cessation of Membership; Re-Employment

- (1) If a Member dies, or is separated from service with the City by resignation, dismissal, retirement or Disability, he or she shall cease to be a Member. A Member who elects to participate in the DROP Program under Component I, Component II or both shall be considered to have separated from service with the City by reason of retirement and shall not accrue a benefit under the Retirement System, be required to make Mandatory Employee Contributions to the Retirement System pursuant to Section 9.3(3) or 9.5, or be permitted to make Voluntary Employee Contributions pursuant to Section 10.1.
- (2) If a vested Member ceases to be a Member under paragraph (1) other than by reason of participation in the DROP Program and later becomes a Police Officer or Fire Fighter other than in the position of Police Assistant, he or she shall again become a Member, subject to the obligations of a Member. The benefit payable to the Member upon a subsequent termination shall be based upon his or her total Credited Service earned on and after July 1, 2014, provided that, if the Member received a distribution of his or her Accumulated Mandatory Contributions following termination, the Member recontributes the Accumulated Mandatory Contributions to the Retirement System within two years of his or her re-employment date. If a Member who receives a distribution of his or her Accumulated Mandatory Contributions fails to recontribute such amount to the Retirement System within two years of re-employment, only the Credited Service earned on and after the Member's re-employment date shall be taken into consideration in determining his or her Retirement Allowance.

- (3) If a Member ceases to be a Member under paragraph (1) and later becomes employed as a Police Assistant, such Member shall not become a Member upon re-employment. If such Member was receiving a Retirement Allowance from the Retirement System prior to his or her date of rehire, such Retirement Allowance shall not be suspended during the period of the Member's reemployment as a Police Assistant.
- (4) Retirement benefits for a Retiree who returns to active full time employment other than as a Police Assistant shall be subject to the following:
 - (a) A Retiree who returns to work will have his or her Retirement Allowance suspended upon re-employment. The variable Pension Improvement Factor (Escalator) shall not be added to the amount of the original Retirement Allowance during the Retiree's re-employment period.
 - (b) A Retiree who returns to work will be entitled to receive a second Retirement Allowance in accordance with the provisions of the Retirement System in effect during his or her re-employment period.
 - (c) A Retiree's Average Final Compensation and Credited Service for purposes of determining the Retiree's second Retirement Allowance will be based upon the Compensation and Credited Service earned by the Retiree after he or she returns to work.
 - (d) An individual who retires for a second time will not be allowed to change the payment option selected by the Member with respect to the original Retirement Allowance. However, the individual may select a separate payment option with respect to his or her second Retirement Allowance.

Sec 3.3. Report From City

It shall be the duty of the City to submit to the Board of Trustees a statement showing the name, title, compensation, duties, date of birth, date of hire, and length of service of each Member, and such other information as the Board of Trustees may require or reasonably request for proper administration of the Retirement System.

ARTICLE 4. SERVICE CREDIT

Sec 4.1. Credited Service

- (1) The Board shall keep an accurate record of each Member's accumulated Credited Service from the date of commencement of employment with the City to the date of termination of employment with the City.
- (2) A Member shall be credited with one month of Credited Service for each calendar month during which he or she performs one hundred forty (140) or more Hours of Service for the City as a Member beginning on the later of (i) July 1, 2014 or (ii) his or her date of hire with the City as a Police Officer or Fire Fighter and ending on the date his or her employment with the City as a Police Officer or Fire Fighter is terminated. Service shall be credited in years and twelfths ($1/12^{\text{th}}$) of a year. Not more than one-twelfth ($1/12^{\text{th}}$) of a year of Credited Service shall be credited to a Member on account of all service rendered to the City in a calendar month. Not more than one year of Credited Service shall be credited to a Member on account of all service rendered to the City in any period of 12 consecutive months.
- (3) Not more than one month of Credited Service shall be granted for any period of more than one month during which the Member is absent without pay; notwithstanding the foregoing, any Member who shall be suspended from duty and subsequently reinstated to duty without further disciplinary action shall receive credit for the time of such period of suspension.
- (4) Solely for purposes of determining eligibility for a retirement benefit under Sections 5.1 and 5.4, a Member shall be credited with the sum of his or her Prior Service as determined by the Board and his or her Credited Service on and after July 1, 2014 determined under Section 4.1(2). The period of time during which a Member is on layoff from the service of the City shall be included in the Member's Credited Service solely for the purposes of determining whether the Member has attained his or her Normal Retirement Age for purposes of Section 5.1.

Sec 4.2. Vesting Service

- (1) A Member shall be credited with a year of Vesting Service for each Plan Year commencing on or after July 1, 2014 during which the Member performs 1,000 or more Hours of Service for the City.
- (2) A Member's total Vesting Service shall be the sum of his or her Prior Service and his or her Vesting Service determined under Section 4.2(1).

Sec 4.3. Service Credit; Military Service

A Member who enters the military service of the United States while employed with the City shall have the period of such military service credited as Credited Service and Vesting Service in the same manner as if the Member had served the City without interruption, provided that (1) the Member's entry into such military service and re-employment thereafter shall be in

accordance with applicable laws, ordinances, and regulations of the State of Michigan and the City, (2) he or she is re-employed by the City upon completion of such military service, and (3) the Member contributes to the Retirement System the Mandatory Employee Contributions that would have been made by the Member but for the Member's military service. The Member shall be permitted to make such contributions in accordance with Code Section 414(u) and regulations thereunder. During the period of military service and until return to City employment, the Member's Mandatory Employee Contributions to the Retirement System shall be suspended.

Sec 4.4. Service Credit; Qualified Military Service

Notwithstanding any provision of this Combined Plan Document to the contrary, contributions, benefits, and service credit with respect to qualified military service under Component I, shall be provided in accordance with Code Section 414(u). Notwithstanding anything to the contrary herein, if a Member dies while performing qualified military service (as defined in Code Section 414(u)), to the extent required by Code Section 401(a)(37), the survivors of the Member are entitled to any additional benefits (if any, and other than benefit accruals relating to the period of qualified military service) provided under the Retirement System as if the Member had resumed and then terminated employment on account of death.

Notwithstanding anything to the contrary herein, if the City decides to provide Differential Wage Payments to individuals who are performing service in the uniformed services (as defined in Chapter 43 of Title 238, United States Code) while on active duty for a period of more than thirty days, such Differential Wage Payment will be treated as compensation under the Code Section 415(c)(3) limits, but not for purposes of benefit accruals under the Retirement System. For these purposes the term "Differential Wage Payment" means a payment defined in Code Section 3401(h)(2) that is made by the City to an individual who is performing service in the uniformed services while on active duty for a period of more than thirty days.

ARTICLE 5. ELIGIBILITY FOR RETIREMENT

Sec 5.1. Eligibility for Unreduced Normal Retirement Benefit

Any Member who attains his or her Normal Retirement Age while employed by the City may retire upon written application filed with the Board setting forth the date on which the Member desires to be retired. The date of retirement shall be effective as of the first day following the later of (i) the Member's last day on the City payroll, or (ii) the date the Member executes and files an application for retirement, notwithstanding that the Member may have separated from service during the notification period. Such a Member shall be entitled to receive an unreduced Retirement Allowance calculated as provided in Section 6.1 and payable in a form of payment selected by the Member pursuant to Section 8.1.

Sec 5.2. Eligibility for Deferred Vested Retirement Benefit

Any Member who terminates employment with the City prior to satisfying the requirements for receipt of a retirement benefit under Section 5.1 and who is credited with ten (10) or more years of Vesting Service upon his or her termination of employment (regardless of Age) shall be entitled to receive an unreduced Retirement Allowance calculated pursuant to Section 6.1 commencing at any time following his or her Attainment of Age sixty-two; provided that any member of DPLSA or DPCOA who is credited with ten (10) or more years of Vesting Service upon his or her termination of employment (regardless of Age) shall be entitled to receive an unreduced Retirement Allowance commencing at any time following his or her Attainment of Age fifty-five. Any Member (other than a member of DPLSA or DPCOA), may elect to begin receiving a Retirement Allowance following his or her Attainment of Age fifty-five, actuarially reduced for commencement prior to age sixty-two, in lieu of an unreduced Retirement Allowance beginning at age sixty-two. The Retirement Allowance payable to a Member who makes such an election shall be the Actuarial Equivalent of the deferred Retirement Allowance that would be payable to the Member at his Normal Retirement Date pursuant to Section 6.1, assuming the Member terminated employment on the early retirement date, as determined by the Plan Actuary based upon factors, assumptions and methods adopted by the Board upon recommendation of the Investment Committee. Deferred vested retirement benefits shall be payable in accordance with a form of payment selected by the Member pursuant to Section 8.1.

Sec 5.3. Eligibility for Disability Retirement Benefit – Duty Disability

- (1) If, prior to attainment of his or her Normal Retirement Date, a Member shall become Totally Disabled for duty by reason of injury, illness or disease resulting from performance of duty and if, pursuant to Section 5.6, the Board shall find such injury, illness or disease to have resulted from the performance of duty, on written application to the Board by or on behalf of such Member or by the head of his or her Department such Member shall be retired, notwithstanding that during such period of notification he or she may have separated from service and provided further that the Medical Director, after examination of such Member shall certify to the Board the Member's Total Disability. A Member who retires as a result of duty disability shall receive for a period of twenty-four months the sum of:

- (a) a basic benefit equal to fifty percent (50%) of his or her Final Compensation at the time his or her duty disability retirement begins, and
- (b) a supplemental benefit equal to sixteen and two-thirds percent (16-2/3%) of his or her Final Compensation at the time his or her duty disability retirement begins.

Subject to Section 9.5, on the first day of each Plan Year, a Member's duty disability benefit will be increased as provided in Section 6.2.

- (2) After a Member receives benefits hereunder for a period of twenty-four months, the Board will determine whether the Member is disabled from any occupation. If the Member is disabled from any occupation, the Member shall continue to receive the benefit provided in paragraphs (1)(a) and (1)(b) until such time as the Member would have attained twenty-five years of Credited Service had he or she continued in active service with the City. At that time, the Member shall continue to receive the benefit described in paragraph 1(a) above; however, benefits described in paragraph (1)(b) above will cease. If the Member is not disabled from any occupation, he or she shall continue to receive the benefit described in paragraph (1)(a) above; benefits described in paragraph (1)(b) will cease.
- (3) Duty disability benefits shall continue to be paid to a Member on duty disability retirement after the Member has attained twenty-five years of Credited Service to the earlier of (i) the Member's Attainment of Age sixty-five, or (ii) the date the Member ceases to be Totally Disabled as determined by the Board. Upon termination of disability or Attainment of Age sixty-five, a Member with twenty-five years of Credited Service shall be eligible to receive a Retirement Allowance as provided in Section 6.1. The amount of such Retirement Allowance shall be equal to the amount which would have been payable to the Member if the Member's conversion from duty disability retirement to a Retirement Allowance had occurred on the date the Member attained twenty-five years of Credited Service.
- (4) If a Member on duty disability retirement returns to active service with the City and shall re-qualify for duty disability retirement for the same or related reasons within twenty-four months of his or her return to active service, then the disability shall be deemed a continuation of the prior Total Disability and the period of the Member's active service following the return to work will not qualify the Member to be entitled to a new initial determination of disability for purposes of determining the benefit payable to the Member. Instead, such Member will return to duty disability retirement benefits based on the number of months of disability with which the Member was credited at the time of his or her return to active service, as if there had not been a break in his or her period of duty disability retirement.
- (5) During the period a Member is eligible to receive duty disability benefits under this Section 5.3, the Member shall continue to be credited with Credited Service until the Member accrues twenty-five years of Credited Service, at which time accrual of Credited Service shall cease.

- (6) In the event that a recipient of a duty disability retirement benefit receives earned income from gainful employment during a calendar year, the amount of the Member's disability benefit payable during the next subsequent Plan Year will be adjusted so it does not exceed the difference between (i) the Member's Compensation at the date of duty disability, increased by the Pension Improvement Factor (Escalator) (if any) applicable to such benefit pursuant to Section 6.2 during the period of duty disability, and (ii) the amount of the Member's remuneration from gainful employment during the prior calendar year. The amount of income received by a Member shall be determined by the Board based upon information received from the Member or based upon information secured from other reliable sources. Furnishing such information to the Board at such times as the Board shall require shall be a condition for the Member's continued eligibility for duty disability benefits. In the event a Member's Retirement Allowance was not appropriately reduced for any period in which he or she is engaged in a gainful occupation, the Board shall adjust future benefit payments to such Member until the amount of the overpayment is recouped by the Retirement System.

Sec 5.4. Eligibility for Disability Retirement Benefit – Non-Duty Disability

- (1) Upon the application of a Member or the Member's Department head, a Member who becomes totally and permanently disabled prior to his or her Normal Retirement Age in the employ of the City not resulting from the performance of duty shall be retired by the Board; provided that the Medical Director shall certify to the Board after a medical examination, that such Member is Totally Disabled. Such a Member shall receive the following applicable benefits:
- (a) If such Member has less than five years of Credited Service at the time of his or her disability retirement, his or her Accumulated Mandatory Employee Contributions standing to his or her credit in the Accumulated Mandatory Employee Contributions Fund shall be returned to him or her, or at his or her option he or she shall receive a cash refund annuity which shall have the Actuarial Equivalent Value of his or her Accumulated Mandatory Employee Contributions. For purposes of this Section 5.4(1)(a), a "cash refund annuity" is an annuity that provides a death benefit equal to the positive difference, if any, between the original cost of the annuity and the sum of annuity payments received by the Member prior to his or her death.
- (b) If such Member has five or more years of Credited Service at the time of his or her disability retirement, he or she shall receive a disability Retirement Allowance commencing as of the date of disability computed in accordance with the provisions of Section 6.1 and payable in any of the optional forms provided in Section 8.1 hereof. His or her annual Straight Life Retirement Allowance shall not be less than twenty per cent (20%) of his or her Average Final Compensation.
- (2) If a Member receiving non-duty disability retirement benefits is or becomes engaged in a gainful occupation, business, or employment paying more than the difference between the disabled Member's Retirement Allowance increased by the Pension Improvement Factor (Escalator) (if any) applicable to such benefit pursuant to Section 6.2, and his or

her Average Final Compensation determined as of the date of non-duty disability, the Member's Retirement Allowance shall be reduced by the amount of such difference. If the amount of the Member's earnings changes, the Retirement Allowance may be adjusted accordingly. The amount of income received by a Member shall be determined by the Board based upon information received from the Member or based upon information secured from other reliable sources. Furnishing such information to the Board at such times as the Board shall require shall be a condition for the Member's continued eligibility for non-duty disability benefits. In the event a Member's Retirement Allowance was not appropriately reduced for any period in which he or she is engaged in a gainful occupation, the Board shall adjust future benefit payments to such Member until the amount of the overpayment is recouped by the Retirement System.

Sec 5.5. Disability Retirees; Reexamination

- (1) At least once each year following the retirement of a Member under Section 5.3 or Section 5.4, the Board shall require that such disabled Member who has not attained his or her Normal Retirement Age undergo a medical examination, to be made by, or under the direction of the Medical Director; provided, however, that medical examinations shall not be required if the Medical Director determines that the Member's condition is permanent and there is no need for further reexamination. Members shall be reimbursed for reasonable costs actually incurred by the Members in connection with such examinations. Should any such Retiree who has not attained Normal Retirement Age fail to submit to a required medical examination, the Member's Retirement Allowance may be suspended by the Board until the examination is completed. Should such failure continue for one year, all of the disabled Member's rights in and to the duty or non-duty disability Retirement Allowance may be revoked by the Board. If upon such examination of a Member, the examiner reports that the Member is no longer Totally Disabled, and such report is concurred in by the Board, the Member shall be restored to active service with the City and the Retirement Allowance paid pursuant to Section 5.3 or Section 5.4 shall be suspended until the Member terminates active service with the City.
- (2) A disabled Member who has been, or shall be, reinstated to active service in the employ of the City shall again become an active Member. All Credited Service at the time of reinstatement, in the case of a duty disabled Member, or at the time of the disability retirement, for a non-duty disabled Member, shall be restored to the Member; provided that, if a non-duty disabled Member received a distribution of his or her Accumulated Mandatory Contributions following the disability retirement pursuant to Section 5.4(1)(a), the Member recontributes the Accumulated Mandatory Contributions to the Retirement System within two years of his or her re-employment date. If a Member who receives a distribution of his or her Accumulated Mandatory Contributions fails to recontribute such amount to the Retirement System within two years of re-employment, only the Credited Service earned on and after the Member's re-employment date shall be taken into consideration in determining his or her Retirement Allowance.

Sec 5.6. Disability Benefits; Procedures for Determination of Disability

- (1) The Board shall establish procedures for determining whether a Member is Totally Disabled. Such procedures shall be consistent with any collective bargaining agreements between the City and the unions covering Police Employees and Fire Employees.
- (2) If a Member is determined to be Totally Disabled under Section 5.3(1) or 5.4(1), the Board or its designee will examine the pension file, including the submissions of the Member and the Police or Fire Department, to determine if there is any dispute as to whether the disability "resulted from the performance of duty" within the meaning of the Combined Plan. If it is undisputed that the disability did result from the performance of duty, the Board will grant duty disability retirement benefits. If it is undisputed that the disability did not result from the performance of duty, the Board will grant non-duty disability retirement benefits, provided the Member meets the other conditions of eligibility. If the performance of duty issue is in dispute, the Board will refer the matter to arbitration by a member of the Disability Retirement Review Board ("DRRB"). The decision of the DRRB member as to whether the disability resulted from the performance of duty shall be final and binding upon the Member, the Department and the Board. The DRRB shall consist of three qualified arbitrators who will be individually assigned in rotating order to decide the matters referred to arbitration by the Board. The three members of the DRRB shall be disinterested persons qualified as labor arbitrators and shall be selected in accordance with agreements between the City and the unions representing Members. The procedure for the termination of DRRB members and the selection of new DRRB members also shall be carried out in accordance with the agreements between the City and the unions representing Members.
- (3) The hearing before a member of the DRRB will be conducted in accordance with the following procedures:
 - (a) The Member and the City will have the right to appear in person or otherwise may be represented by counsel if they wish and will be afforded an equal opportunity to present evidence relevant to the issues;
 - (b) A court reporter will be present and make a stenographic record of the proceedings;
 - (c) The hearing will be closed to the public, except that the Member may select one person to be with him or her in the hearing room; provided, however, that person may not testify;
 - (d) The witnesses will be sequestered;
 - (e) The witnesses will be sworn by the court reporter and testify under oath;
 - (f) The Member may not be called by the City as an adverse witness;
 - (g) The DRRB member will apply the rules of evidence and follow the procedures which are customarily applied and followed in labor arbitration cases;

- (h) If the Member wishes to have an employee of the City released from duty to appear as a witness on his or her behalf, the Member may so inform the Board in writing which, in turn, will submit a written request to the appropriate Department executive for the release of the employee for the purpose of so testifying;
 - (i) The DRRB member will afford the parties an opportunity for the presentation of oral argument and/or the submission of briefs;
 - (j) The DRRB member will issue a written decision containing credibility resolutions as necessary, findings of fact and conclusions with respect to all relevant issues in dispute;
 - (k) The authority of the DRRB member is limited to deciding whether or not the Member's disability "resulted from the performance of duty" within the meaning of the Combined Plan. The DRRB member shall have no authority to add to, subtract from, modify or disregard the terms of the Combined Plan; and
 - (l) The costs associated with the hearing, including the arbitrator's fees and expenses and the court reporter's fees and expenses, will be paid by the Retirement System.
- (4) If a disabled Member is determined by the Board to no longer be Totally Disabled, he or she may appeal that determination within seven (7) days thereof by filing a written request with the Board for a re-examination. The Board shall promptly arrange for such re-examination. The Member's disability benefits will be continued pending that final and binding medical finding, and if the finding is that the Member is no longer Totally Disabled, his or her disability benefits will be further continued while the Police or Fire Department conducts such examinations and/or investigations as necessary to determine whether the Member is qualified for reappointment to active duty. In the event that the examinations and/or investigations conducted by the Police Department result in a determination that a Member is not qualified, for medical reasons, for reappointment to active duty, disability benefits will be continued.
- (5) The Board shall not act upon or grant the application filed by a Member who, although he or she is not capable of performing the full duties of a Police Employee or Fire Employee, has not suffered any diminishment of his or her base wages or benefits because he or she is either:
- (a) regularly assigned to a position, the full duties of which he or she is capable of performing; or
 - (b) assigned to a restricted duty position, unless the Member's Department advises that it intends to seek a disability retirement for the Member in the foreseeable future.
- (6) The provisions in paragraph (5) above are not intended to and will not:
- (a) affect the right of a Member to seek a disability retirement when no restricted duty position is available; or

- (b) restrict in any way the existing authority of the Chief of Police or the Fire Commissioner to seek a duty or non-duty disability retirement for a Member or for that Member, at that time, to request a duty or non-duty disability retirement.

Sec 5.7. Return of Accumulated Mandatory Contributions to Non-Vested Member

If a Member ceases employment with the City other than by reason of retirement, death or Disability, the Member may elect to receive distribution of the Accumulated Mandatory Employee Contributions made to the Retirement System by such Member. If a Member elects to receive his or her Accumulated Mandatory Employee Contributions, such amounts shall be paid to the Member in a lump sum payment or in equal monthly installments for a period not to exceed three years, according to such rules and regulations as the Board may adopt from time to time. Other than as provided in Section 3.2(2), a Member who receives a refund of his or her Accumulated Mandatory Employee Contributions shall not receive a Retirement Allowance from Component I of the Retirement System.

Sec 5.8. Benefits Offset by Workers' Compensation and Benefits; Subrogation

- (1) Any amounts which may be paid or payable to a Member, Retiree, or Beneficiary on account of disability or death under the provisions of any Workers' Compensation, pension, or similar law, except federal Social Security old-age and survivors' and disability insurance benefits, shall be an offset against any amounts payable from funds of the Retirement System (Component I and Component II combined) on account of the same disability or death. If the present value of the benefits payable under said Workers' Compensation, pension, or similar law, is less than the Retirement Allowance payable by the Retirement System (under both Component I and Component II), the present value of the said Workers' Compensation, pension, or similar legal benefit shall be deducted from the amounts payable by the Retirement System (under both Component I and Component II), and such amounts as may be provided by the Retirement System, so reduced, shall be payable as provided in this Combined Plan Document.
- (2) In the event a person becomes entitled to a pension payable by the Retirement System because of an accident or injury caused by the act of a third party, the Retirement System shall be subrogated to the rights of said person against such third party to the extent of the benefit which the Retirement System pays or becomes liable to pay.

ARTICLE 6. RETIREMENT ALLOWANCE; VARIABLE PENSION IMPROVEMENT FACTOR (ESCALATOR)

Sec 6.1. Retirement Allowance

The Retirement Allowance payable to a Member commencing at the later of his or her Normal Retirement Age or his or her actual retirement from employment with the City in the form of a Straight Life Retirement Allowance shall be equal to two percent (2%) of the Member's Average Final Compensation multiplied by the Member's years (computed to the nearest one-twelfth ($1/12^{\text{th}}$) year) of Credited Service earned after June 30, 2014.

Sec 6.2. Variable Pension Improvement Factor (Escalator)

Except as provided in Section 9.5, beginning July 1, 2015 and effective the first day of each Plan Year thereafter, the Board may determine that the annual Retirement Allowance of a Member payable under this Component I shall be increased by a factor of one percent (1.0%), compounded ("Pension Improvement Factor (Escalator)"); provided, that the recipient of said Retirement Allowance shall have been receiving a Retirement Allowance for a period of not less than twelve months prior to the first day of such Plan Year.

ARTICLE 7. DEATH BENEFITS

Sec 7.1. Accidental Death Benefit; Performance of Duty

- (1) If a Member is killed in the performance of duty in the service of the City, or dies as the result of illness contracted or injuries received while in the performance of duty in the service of the City, and such death, illness, or injury resulting in death, is found by the Board to have resulted from the actual performance of duty in the service of the City, the following benefits shall be paid:
 - (a) the Accumulated Mandatory Employee Contributions standing to his or her credit in the Accumulated Mandatory Employee Contributions Fund at the time of his or her death shall be paid to such person or persons as the Member shall have nominated by written designation duly executed and filed with the Board. If no such designated person survives the Member, the said Accumulated Mandatory Employee Contributions shall be paid to the Member's legal representative, subject to paragraph (e) of this Section 7.1(1).
 - (b) the Member's surviving Spouse shall receive a pension of five-elevenths of the Member's Final Compensation payable for the Spouse's lifetime. If the Member's child or children under age eighteen years also survive the deceased Member, each such child shall receive a pension of one-tenth of such Final Compensation; provided, that if there are more than two such surviving children under age eighteen years, each such child's pension shall be an equal share of seven thirty-thirds of such Final Compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child, his or her pension shall terminate and there shall be a redistribution of the benefit by the Board to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's pension exceed one-tenth of the Member's Final Compensation. In no case shall the total of the benefits provided for in this paragraph (b), payable on account of the death of a Member exceed two-thirds of the Member's Final Compensation.
 - (c) if no surviving Spouse survives the deceased Member or if the Member's surviving Spouse dies before his or her youngest unmarried surviving child attains Age eighteen years, his or her unmarried child or children under Age eighteen years shall each receive a pension of one-fourth of the Member's Final Compensation; provided that if there are more than two such surviving children under Age eighteen years, each such child's pension shall be an equal share of one-half of such Final Compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child, his or her pension shall terminate and there shall be a redistribution by the Board to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's pension exceed one-fourth of the Member's Final Compensation.
 - (d) if the Member has no surviving Spouse or surviving children under Age eighteen years and if the Member leaves surviving either a father or mother or both, whom

the Board shall find to be actually dependent upon such Member for financial support, such dependent father and mother shall each receive a pension of one-sixth of the Member's Final Compensation.

- (e) If a Member dies intestate, without having designated a person or persons, as provided in paragraph (a) of this Section 7.1(1), and without heirs, the amount of his or her Accumulated Mandatory Employee Contributions in the Accumulated Mandatory Employee Contribution Fund, not to exceed a reasonable sum, to be determined by the Board, shall be used to pay his or her burial expenses, provided the Member leaves no other estate sufficient for such purpose. Any balance credited to such Member in the Accumulated Mandatory Employee Contribution Fund which is not used for burial expenses shall remain a part of the funds of the Retirement System and shall be transferred to the Pension Accumulation Fund.

Sec 7.2. Non-Duty Death Benefits

The surviving Spouse of any Member who dies while in the employ of the City (other than in the performance of duty) after the date such Member has earned ten or more years of Vesting Service, shall receive a Retirement Allowance computed in the same manner in all respects as if said Member had (i) retired effective on the day preceding the Member's death, notwithstanding that the Member had not attained Normal Retirement Age, (ii) elected a Joint and One Hundred Percent Survivor Allowance as described in Section 8.1, and (iii) nominated the surviving Spouse as Beneficiary.

Sec 7.3. Refund of Accumulated Mandatory Contributions Upon Death of Member

If a Member who is not covered by Section 7.1 or 7.2 dies while employed by the City or following termination of employment but prior to commencement of a Retirement Allowance, the Member's Accumulated Mandatory Employee Contributions to the Retirement System at the time of death shall be paid to the Beneficiary nominated in a written designation duly executed by the Member and filed with the Board. In the event there is no such designated Beneficiary surviving, the Member's Accumulated Mandatory Employee Contributions shall be paid to the Member's estate. If a Member who dies without a legal will has not nominated a Beneficiary, the Member's Accumulated Mandatory Employee Contributions at the time of death may be used to pay burial expenses if the Member leaves no other estate sufficient for such purpose. Such expenses shall not exceed a reasonable amount as determined by the Board. Any balance credited to such Member in the Accumulated Mandatory Employee Contribution Fund which is not used for burial expenses shall remain a part of the funds of the Retirement System and shall be transferred to the Pension Accumulation Fund.

ARTICLE 8. FORMS OF PAYMENT

Sec 8.1. Retirement Allowance Options

- (1) Until the date the first Retirement Allowance payment check is issued, any Member may elect to receive a Straight Life Retirement Allowance payable throughout life, or the Member may elect to receive the Actuarial Equivalent of the Straight Life Retirement Allowance computed as of the effective date of retirement, in a reduced Retirement Allowance payable throughout life, and nominate a Beneficiary, in accordance with the options set forth below:
 - (a) *Option One. Modified Cash Refund Annuity.* A Retiree will receive a reduced Retirement Allowance for as long as he or she lives, provided that if the Retiree dies before payment of the Accumulated Mandatory Employee Contributions made to the Retirement System on and after July 1, 2014 has been received in an aggregate amount equal to, but not exceeding the Retiree's Accumulated Mandatory Employee Contributions at the time of retirement, the difference between said Accumulated Mandatory Employee Contributions and the aggregate amount of annuity payments already received, shall be paid in a single lump sum to a Beneficiary nominated by written designation duly executed by the Member and filed with the Board. If there is no such designated Beneficiary surviving said Retiree, any such difference shall be paid to the Retiree's estate.
 - (b) *Option Two. Joint and One Hundred Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and One Hundred Percent Survivor Allowance, one hundred percent of the Member's reduced Retirement Allowance shall be paid to and continued throughout the life of the Beneficiary nominated by written designation duly executed and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (c) *Option "A". Joint and Seventy-Five Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Seventy-Five Percent Survivor Allowance, seventy-five percent of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (d) *Option Three. Joint and Fifty Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Fifty Percent Survivor Allowance, fifty percent of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.
 - (e) *Option "B". Joint and Twenty-Five Percent Survivor Allowance.* Upon the death of a Retiree who elected a Joint and Twenty-Five Percent Survivor Allowance, twenty-five percent of the Member's reduced Retirement Allowance shall be

continued throughout the life of and paid to the Beneficiary nominated by written designation duly executed by the Member and filed with the Board prior to the date the first payment of the Retirement Allowance becomes due.

- (2) *Joint and Survivor Optional Forms of Payment.* The Joint and Survivor Optional Forms of Payment provided under the Retirement System shall be made available in either the standard form or the pop-up form, as follows:
- (a) *Standard Form.* Under the Standard Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree.
 - (b) *Pop-up Form.* Under the Pop-up Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree and the designated Beneficiary. In the event of the death of the designated Beneficiary during the lifetime of the Retiree, the amount of the Retirement Allowance payable to the Retiree shall be changed to the amount that would have been payable had the Retiree elected the Straight Life Retirement Allowance Form of Payment.

Sec 8.2. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary

If under a Joint and One Hundred Percent Survivor allowance, a Joint and Seventy-Five Percent Survivor allowance, a Joint and Fifty Percent Survivor allowance or a Joint and Twenty-Five Percent Survivor allowance as provided for under Section 8.1, both a Retiree and Beneficiary die before they have received in Retirement Allowance payments an aggregate amount equal to the Retiree's Accumulated Mandatory Employee Contributions (and if the Retiree makes an election pursuant to Section 10.4(2), his or her Accumulated Voluntary Employee Contributions) at the time of retirement, the difference between the said Accumulated Mandatory Employee Contributions (and Accumulated Voluntary Employee Contributions, if applicable) and the aggregate amount of Retirement Allowances paid to the Retiree and Beneficiary, shall be paid in a single lump sum to such person or persons nominated by written designation of the Retiree duly executed and filed with the Board. If there is no such person or persons surviving the Retiree and the Beneficiary, any such difference shall be paid to the estate of the Retiree or the Beneficiary, whichever of them is the last to die.

ARTICLE 9. FUNDING AND RESERVES

Sec 9.1. Funding Objective of the Retirement System

The funding objective of Component I of the Retirement System is to establish and receive City and Member contributions during each Plan Year that are sufficient to fully cover the actuarial cost of benefits anticipated to be paid on account of Credited Service rendered by Members during the Plan Year (the normal cost requirements of the Retirement System), and to amortize the unfunded actuarial costs of benefits likely to be paid on account of Credited Service rendered on or after July 1, 2014 and before the first day of the Plan Year (the unfunded actuarial accrued liability of Component I of the Retirement System).

Sec 9.2. Funds

Component I of the Retirement System shall consist of the Accumulated Mandatory Employee Contribution Fund, the Accumulated Voluntary Contribution Fund, the Pension Accumulation Fund, the Rate Stabilization Fund, the Deferred Retirement Option Program Fund (if applicable), the Medical Benefits Account Fund, the Expense Fund and the Income Fund, as follows:

- (1) The Accumulated Mandatory Employee Contribution Fund shall be the Fund in which shall be accumulated the contributions of Members to provide their Retirement Allowances. Upon the retirement, termination, disability or death of a Member with a Retirement Allowance, the Member's Accumulated Mandatory Employee Contributions shall be deemed to be part of the Pension Reserve which shall be used to pay the Member's or Beneficiary's Retirement Allowance.
- (2) The Accumulated Voluntary Employee Contribution Fund shall be the Fund in which shall be accumulated the voluntary after-tax contributions of Members, together with earnings thereon.
- (3) The Pension Accumulation Fund shall be the fund in which shall be accumulated reserves for the Retirement Allowances and other benefits payable from that portion of the City's annual contribution as is designated by the City to be utilized for payment of Retirement Allowances, and amounts transferred to Component I as provided in Section G-2(f) of Component II to finance Transition Cost (as defined in Section G-2(f) of Component II), together with earnings thereon, and from which shall be paid Retirement Allowances and other benefits on account of Members.
- (4) The Rate Stabilization Fund shall be the Fund to which shall be credited the City's contributions in excess of the amount of the City's contribution which is credited to the Pension Accumulation Fund, together with earnings thereon, and amounts transferred to Component I as provided in Section G-2(f) of Component II.
- (5) The Deferred Retirement Option Plan Fund shall be the fund in which shall be accumulated the amounts credited to the DROP Accounts of Members who have elected to participate in the DROP Program pursuant to Article 12, together with earnings

thereon, provided that the DROP Accounts are held and invested within the Retirement System.

- (6) The Medical Benefits Account Fund shall be the fund in which shall be accumulated the amounts contributed to the Retirement System for the purposes of funding Medical Benefits, together with earnings thereon.
- (7) The Expense Fund shall be the fund to which shall be credited funds, if any, provided to the Retirement System by the City to pay the administrative expenses of the Retirement System, and from which shall be paid certain expenses incurred in connection with the administration and operation of the Retirement System.
- (8) The Income Fund shall be the Fund to which shall be credited all interest, dividends, and other income derived from the investments of the assets of Component I of the Retirement System and earnings thereon, all gifts and bequests received by Component I of the Retirement System, and all other moneys credited to Component I of the Retirement System, the disposition of which is not specifically provided for in this Article 9. There shall be paid or transferred from the Income Fund, all amounts required to credit earnings and losses to the various Funds of the Retirement System in accordance with the provisions of Component I of this Combined Plan Document. Amounts credited to the Income Fund in excess of amounts needed to credit earnings and losses of the Retirement System as provided in this Component I for any Plan Year shall be used in the following manner in the following order: (i) to pay administrative expenses of Component I (to the extent there are insufficient funds for this purpose credited to the Expense Fund), and/or (ii) transferred to the Pension Accumulation Fund and used to pay Retirement Allowances and other benefits on account of Members.

Sec 9.3. Method of Financing Retirement System Benefits

- (1) The pension liabilities for Members under this Component I shall be determined by the Plan's Actuary using the Entry Age Actuarial Cost Method of actuarial valuation.
- (2) The City's annual contribution to finance the prospective pension liabilities during the nine Plan Year period commencing July 1, 2014 and ending June 30, 2023 shall be (a) eleven and two-tenths percent (11.2%) of the Compensation of active employees who are members of the DFFA (for pay periods ending on or before November 6, 2014) and members of DPOA (for pay periods ending on or before October 3, 2014) and (b) twelve and one-quarter percent (12.25%) of the Compensation of active employees who are members of the DPCOA, the DPLSA, the DPOA (for pay periods beginning on or after October 3, 2014) and the DFFA (for pay periods beginning on or after November 6, 2014). A portion of the City's annual contribution for each Plan Year shall be credited to the Pension Accumulation Fund and a portion shall be credited to the Rate Stabilization Fund, each amount as determined by the City in its sole discretion. For plan years commencing July 1, 2023 and later, the accrued pension liabilities for Members shall be determined by the Actuary using reasonable and appropriate actuarial assumptions approved by the Board and the Investment Committee. The City's annual contributions to finance the normal cost of benefits and any such unfunded accrued pension liabilities

shall be determined by the Actuary amortizing such unfunded accrued pension liabilities over a period or periods of future years as established by the Board and approved by the Investment Committee.

- (3) Except as provided in Section 9.5, for each Plan Year, a Member who was an active employee as of June 30, 2014 ("current active") shall contribute to the Retirement System an amount equal to six percent (6%) of his or her Compensation for such Plan Year and a Member who is hired or rehired by the City on or after July 1, 2014 ("new employee") shall contribute to the Retirement System an amount equal to eight percent (8%) of his or her Compensation for such Plan Year. A Member's Mandatory Employee Contributions for the Plan Year beginning July 1, 2014 and ending June 30, 2015 shall commence as of the Member's first payroll date occurring in August 2014. The officer or officers responsible for processing the payroll shall cause a Member's Mandatory Employee Contributions to be deducted from the Member's Compensation on each and every payroll, for each and every payroll period, from the later of (i) the Member's first payroll date occurring in August 2014 and (ii) the Member's date of hire, to the date he or she ceases to be an active Member. The contribution shall be deducted from a Member's Compensation, notwithstanding that the minimum compensation provided by law for any Member shall be reduced thereby. Payment of compensation, less said Mandatory Employee Contributions, shall be a complete discharge of all claims and demands whatsoever for the services rendered by the said Member during the period covered by such payment. Member Mandatory Employee Contributions will be used for the purpose of funding the normal cost of the Retirement System.

Sec 9.4. Member Contributions Picked-Up

- (1) The City shall pick up Member Mandatory Employee Contributions required pursuant to Sections 9.3(3) and 9.5 in accordance with Code Section 414(h).
- (2) The picked-up contributions, although designated as employee contributions shall be treated as City contributions for the purpose of determining a Member's tax treatment under the Internal Revenue Code. The City shall pay the contributions picked-up on behalf of a Member from the same source of funds that are used for paying compensation to the Member.
- (3) The City shall pick up Member Mandatory Employee Contributions by a reduction in the Member's cash salary or an offset against a future salary increase, or both. The City shall designate the Mandatory Employee Contributions that are picked-up and paid to the Retirement System as employer contributions and not as employee contributions. No Member who participates in the Retirement System shall have the option of choosing to receive the contributed amounts directly instead of having those amounts paid by the City to the Retirement System.

Sec 9.5. Fiscal Responsibility: Benefit Reductions and Increased Funding Obligations

- (1) To safeguard the long-term actuarial and financial integrity of the Retirement System, in the event the funding level of Component I of the Retirement System projected over a

five year period falls below ninety percent (90%), the Trustee may not award the variable Pension Improvement Factor (Escalator) described in Section 6.2 to any individual beginning with the Plan Year following the Plan Year in which such determination is made and continuing until the funding level is restored to not less than ninety percent (90%).

- (2) In the event the funding level of the Retirement System projected over a five year period falls below ninety percent (90%), the following remedial action shall be required in the order set forth below, beginning with the Plan Year following the Plan Year in which such determination is made and continuing until the funding level is projected to be not less than one hundred percent (100%) on a market value basis within the next five years:
- (a) the remedial action required in Section 9.5(1) shall be implemented or continued;
 - (b) all amounts credited to the Rate Stabilization Fund shall be transferred to the Pension Accumulation Fund for the purposes of funding benefits payable under the Retirement System;
 - (c) Mandatory Employee Contributions for active and new employees shall be increased by one percent (1%) per year for up to the next following five Plan Years;
 - (d) Mandatory Employee Contributions for active and new employees shall be increased by an additional one percent (1%) per year for up to the next following five Plan Years;
 - (e) Mandatory Employee Contributions for active and new employees shall be increased by an additional one percent (1%) per year for up to the next following five Plan Years;
 - (f) the Retirement Allowance payable to a Retiree shall not include the variable Pension Improvement Factor (Escalator) that was most recently paid to the Retiree on the date the funding level is projected to fall below ninety percent (90%);
 - (g) the Retirement Allowance payable to a Retiree shall not include the variable Pension Improvement Factor (Escalator) that was most recently added to the Member's Retirement Allowance for the Plan Year preceding the Plan Year referenced in paragraph (f) above;
 - (h) Mandatory Employee Contributions for active and new employees shall be increased by an additional one percent (1%) per year for up to the next following five Plan Years; and
 - (i) contributions made to the Retirement System by the City shall be increased, consistent with applicable actuarial principles and the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.*

- (3) For purposes of this Section 9.5, the “funding level” of Component I of the Retirement System shall mean the ratio of the market value of the assets of Component I of the Retirement System to the actuarial accrued liability of Component I of the Retirement System. The actuarial accrued liability shall be calculated by the Plan’s Actuary utilizing an interest rate assumption of six and three-quarters percent (6.75%) and other reasonable assumptions as directed by the Board upon the recommendation of the Investment Committee. The market value of assets shall be determined on the basis of a three-year look back period of smoothed investment returns.

ARTICLE 10. VOLUNTARY EMPLOYEE CONTRIBUTIONS

Sec 10.1. Voluntary Employee Contributions; Amount; Vesting

Subject to procedures established by the Board, a Member who is covered by a collective bargaining agreement with the City that permits the Member to make Voluntary Employee Contributions to Component I of the Retirement System may elect to contribute a whole percentage not less than one percent (1%) nor more than ten percent (10%) of his or her Compensation for a Plan Year to a Voluntary Employee Contribution Account maintained on his or her behalf under Component I of the Retirement System. A Member represented by the DPOA may elect to reduce the amount paid to him or her by the City for accumulated sick leave in excess of 400 hours by a whole percentage not less than one percent (1%) nor more than one hundred percent (100%) of such amount and have such amount contributed by the City to a Voluntary Employee Contribution Account maintained on his or her behalf under Component I of the Retirement System. Voluntary Employee Contributions shall be made to the Retirement System on an after-tax basis. Amounts credited to a Member's Voluntary Employee Contribution Account shall be one hundred percent (100%) vested at all times.

Sec 10.2. Changing an Election to Contribute

A Member may change or revoke an election to make Voluntary Employee Contributions to the Retirement System pursuant to this Article 10 in such manner and with such advance notice as the City shall determine. Notwithstanding the foregoing, a Member shall be permitted to change such election not less frequently than annually.

Sec 10.3. Individual Member Accounting; Crediting of Earnings

The Board shall maintain a Voluntary Employee Contribution Account on behalf of each Member who elects to make Voluntary Employee Contributions to the Retirement System. Each Plan Year, a Member's Voluntary Employee Contribution Account shall be credited with earnings at a rate equal to the actual net investment rate of return on the assets of the Retirement System for the second Fiscal Year immediately preceding the Fiscal Year in which the earnings are credited; in no event, however, shall the earnings rate credited to a Member's Voluntary Employee Contribution Account for any Plan Year be less than zero percent (0%) nor greater than five and one-quarter percent (5.25%).

Sec 10.4. Distribution of Accumulated Voluntary Employee Contributions

- (1) If a Member ceases employment with the City other than by reason of death, the Member may elect to receive distribution of the Accumulated Voluntary Employee Contributions credited to his or her Voluntary Employee Contribution Account. If a Member elects to receive his or her Accumulated Voluntary Employee Contributions, such amounts shall be paid to the Member in a lump sum payment or in equal monthly installments for a period not to exceed three years, according to such rules and regulations as the Board may adopt from time to time.
- (2) In lieu of receiving distribution of his or her Accumulated Voluntary Employee Contributions as provided in Section 10.4(1), a Member may elect to have the Actuarial

Equivalent Value of his or her Accumulated Voluntary Employee Contributions added to his or her Retirement Allowance and paid in the form of an annuity described in Section 8.1. Any such annuity shall be subject to market rates of investment return and other market-related assumptions, as adopted by the Board upon recommendation of the Investment Committee.

- (3) If a Member dies while employed by the City or following termination of employment but prior to receiving distribution of the Member's Accumulated Voluntary Employee Contributions, the amounts credited to the Member's Voluntary Employee Contribution Account at the time of death shall be paid to the Beneficiary nominated in a written designation duly executed by the Member and filed with the Board. In the event there is no such designated Beneficiary surviving, the Member's Accumulated Voluntary Employee Contributions shall be paid to the Member's estate. If a Member who dies without a legal will has not nominated a Beneficiary, the Member's Accumulated Voluntary Employee Contributions at the time of death may be used to pay burial expenses if the Member leaves no other estate sufficient for such purpose. Such expenses shall not exceed a reasonable amount as determined by the Board.

ARTICLE 11. LOAN PROGRAM FOR VOLUNTARY EMPLOYEE CONTRIBUTIONS

Sec 11.1. The Loan Program

A loan program shall be available to Members who have amounts credited to a Voluntary Employee Contributions Account under Component I of the Retirement System. The Board is authorized to adopt rules and regulations, from time to time, to govern the administration and the operation of the loan program. Copies of the rules shall be made available to eligible Members in the offices of the Retirement System. Any loans granted or renewed under the Retirement System shall be made and administered pursuant to and in compliance with Section 72(p) of the Internal Revenue Code and regulations thereunder.

Sec 11.2. Eligibility for Loan

Subject to the rules and procedures established by the Board, loans may be made to eligible Members from such Member's Voluntary Employee Contribution Account. An eligible Member is any Member who has participated in the Retirement System for twelve months or more. Former Members, Spouses and Beneficiaries are not eligible to receive any loans from the Retirement System. No Member shall have more than two outstanding loans from the Retirement System (Component I and/or Component II) at any time. A Member who has previously defaulted on a loan under either Component I or Component II shall not be eligible for a loan from the Retirement System.

Sec 11.3. Amount of Loan

An eligible Member who has satisfied applicable rules and procedures established by the Board may borrow from his or her Voluntary Employee Contribution Account an amount which does not exceed the lesser of (i) fifty percent (50%) of the Member's Voluntary Employee Contribution Account balance, and (ii) Fifteen Thousand Dollars (\$15,000.00), in each case reduced by: (1) the Member's highest outstanding loan balance under the Retirement System (both Component I and Component II) during the one year period ending on the day before the date on which the loan is made, or (2) the outstanding loan balance under the Retirement System (both Component I and Component II) on the date on which the loan is made, whichever is less. The minimum loan amount shall be One Thousand Dollars (\$1,000.00).

Sec 11.4. Terms and Conditions

In addition to such rules and procedures that are established by the Board, all loans shall comply with the following terms and conditions:

- (a) Each loan application shall be made in writing.
- (b) All loans shall be memorialized by a collateral promissory note for the amount of the loan, including interest, payable to the order of the Retirement System and properly executed by the Member.
- (c) Each loan shall be repaid by substantially equal payroll deductions over a period not to exceed five years, or, where the loan is for the purpose of buying a

principal residence, a period not to exceed fifteen years. In no case shall the amount of the payroll deduction be less than Twenty Dollars (\$20.00) for any two-week pay period. A Member receiving a loan will be required to authorize payroll deductions from his or her compensation in an amount sufficient to repay the loan over its term.

- (d) An amount equal to the principal amount of the loan to a Member (but not more than one half of the Member's vested interest in the Defined Contribution Plans of the Retirement System) will be designated as collateral for guaranteeing the loan.
- (e) Each loan shall bear interest at a rate determined by the Board. The Board shall not discriminate among Members in its determination of interest rates on loans. However, loans initiated at different times may bear different interest rates, where, in the opinion of the Board, the difference in rates is supported by a change in market interest rates or a change in the Retirement System's current assumed rate of return. The loan interest rate shall bear a reasonable relationship to market rates for secured loans of a similar duration and shall bear a reasonable relationship to the costs to the Retirement System of administering the loan. The loan interest rate shall be calculated in a manner that will not negatively affect either the City's costs with respect to the Retirement System or the investment return allocated to Members.
- (f) Loan repayments shall be suspended during a period of military service, as permitted by Section 414(u)(4) of the Internal Revenue Code. A Member who has an outstanding loan balance from the Retirement System who is absent from employment with the City, and who has satisfied the requirements of Section 414(u) of the Internal Revenue Code shall not be required to make loan repayments to the Retirement System during said periods of absence.

Sec 11.5. Loan Balance

A Member's outstanding loan balance shall be considered a directed investment by the Member and interest payments shall be credited to the Member's Voluntary Employee Contribution Account (provided that the interest credited to the Member's Voluntary Employee Contribution Account shall be reduced appropriately to cover the administrative costs of the loan program and avoid negatively affecting the City's costs or the Retirement System's investment returns), and shall not be part of the Retirement System's net investment income or part of the Member's Voluntary Employee Contribution Account balance for the purpose of allocation of net investment income under the Retirement System.

Sec 11.6. Default

In the event a Member defaults on a loan before the loan is repaid in full, the unpaid balance thereof will become due and payable and, to the extent that the outstanding amount is not repaid by the end of the calendar quarter which follows the calendar quarter in which the last payment was received, such amount shall be deemed to have been distributed to the Member for tax purposes, consistent with Section 72(p) of the Internal Revenue Code.

Sec 11.7. Distribution

No distribution shall be made to a Member, former Member, Spouse or Beneficiary from the Retirement System until all outstanding loan balances and applicable accrued interest have been repaid or offset against amounts distributable to the Member from the Retirement System.

Sec 11.8. Annual Report

The Retirement System shall include, in its annual report to all Members, an accounting of the loan program established by this Component I, which contains the number and amount of loans made, the costs of administering the program, the amount of payments made including interest received by the Retirement System, the amount of loans outstanding, including any defaults or delinquencies, and an evaluation as to whether the interest charged in the Fiscal Year covered the costs of administering the loan program.

ARTICLE 12. DEFERRED RETIREMENT OPTION PLAN ("DROP") PROGRAM

Sec 12.1. General Provisions

The following provisions are hereby established as the Deferred Retirement Option Plan ("DROP") Program under Component I, which shall be available to Members who are covered by collective bargaining agreements with the City that permit such Members to participate in the DROP program and those non-union executives of the Police Department and the Fire Department.

- (1) In lieu of terminating employment and accepting a Retirement Allowance under the Component I, any Member of the Retirement System who is eligible for the DROP program and who is eligible to immediately retire and receive an unreduced Retirement Allowance under Section 5.1 may elect to participate in the DROP program and defer the receipt of his or her Retirement Allowance in accordance with the provisions of this Article 12. Any such election shall be irrevocable.
- (2) A Member shall be entitled to participate in the DROP program under Component I for a maximum of five years. At the end of such five year period of participation in the DROP program, the Member shall be retired from employment.

Sec 12.2. Conversion to Retirement Allowance

Upon the effective date of a Member's participation in the DROP program, the Member shall cease to accrue a Retirement Allowance pursuant to Section 6.1 and shall elect a form of payment for his or her Retirement Allowance pursuant to Section 8.1. Seventy-five percent (75%) of the monthly Retirement Allowance (including applicable variable Pension Improvement Factor (Escalator) increases) that would have been payable, had the Member elected to terminate employment with the City on the effective date of his or her DROP election and receive an immediate Retirement Allowance, shall be paid into a DROP Account established on behalf of the Member under the Retirement System or in an entity selected by the Board.

Sec 12.3. Investment of DROP Assets

- (1) ING was previously selected by the Board as the DROP administration and investment entity for Members who elect to participate in the DROP program. ING shall continue to be the DROP administration and investment entity, unless and until such time as the Board terminates the agreement with ING as provided in paragraph (4) or determines that it is administratively feasible for the DROP program to be administered and invested under the Retirement System.
- (2) As soon as possible after July 1, 2014, the Board shall determine whether it is administratively feasible for the DROP program to be administered and the assets in DROP accounts invested under the Retirement System. If the Board determines that it is feasible to administer the DROP program under the Retirement System, the Board shall promptly take appropriate steps to implement such decision.

- (3) If amounts credited to a DROP Account are invested under the Retirement System, such amounts shall be comingled with the assets of the Retirement System for investment purposes and shall be invested by the Trustees. A Member's DROP Account shall be credited with annual earnings at a rate equal to seventy-five percent (75%) of the actual net earnings rate of the assets of the Retirement System; however, in no event shall the earnings rate applied to a Member's DROP Account for any Plan Year be less than zero percent (0%) nor greater than seven and three-quarters percent (7.75%).
- (4) The Board of Trustees previously entered into an administrative services agreement with ING. Such agreement shall remain in effect until such time as it is terminated by the Board as provided therein.
- (5) The Board of Trustees may replace ING with a trust-type vehicle or the Board may determine that amounts subject to a DROP election will be invested with Retirement System assets as provided above.
- (6) Any fees associated with the maintenance of DROP Accounts outside of the Retirement System shall be paid by the Members by means of deduction from their DROP Accounts.

Sec 12.4. Distribution of Amounts Credited to DROP Account

A Member shall not receive a distribution of amounts credited to his or her DROP Account prior to his or her termination of employment with the City. Upon termination of employment, a Member who is a participant in the DROP program shall receive, at his or her option either a lump sum payment from the DROP Account equal to the amount then credited to the DROP Account or an annuity based upon the amount credited to his or her DROP Account. Any such annuity shall be subject to market rates of interest return and other market-related assumptions as adopted by the Board upon recommendation of the Investment Committee. In addition, one hundred percent (100%) of the Member's monthly Retirement Allowance that otherwise would have been paid as of the date the Member's participation in the DROP program commenced (together with any applicable variable Pension Improvement Factor (Escalator) increases) shall commence to the Member in accordance with the form of payment selected by the Member at the commencement of his or her participation in the DROP program. Termination of employment includes termination of any kind, such as resignation, retirement, discharge or disability.

Sec 12.5. Death of Member While Participating in the DROP Program

If a Member dies while participating in the DROP program, a lump sum payment equal to the Member's DROP Account balance shall be paid to the Beneficiary named by the Member, or if no Beneficiary has been designated, to the Member's estate. In addition, one hundred percent (100%) of the Member's Retirement Allowance (together with any applicable variable Pension Improvement Factor (Escalator) increases) that would have been paid to the Member but for the Member's decision to participate in the DROP program will be restored. Survivor benefits, if any, shall be paid in accordance with the payment option elected by the deceased Member at the time the Member elected to participate in the DROP program.

Sec 12.6. Disability of Member While Participating in the DROP Program

If a Member becomes Totally Disabled while participating in the DROP program and while still an Employee and his or her employment with the City is terminated because he or she is Totally Disabled, such Member (a) shall be immediately retired and one hundred percent (100%) of the Retirement Allowance that would have been paid to the Member as of the date the Member's participation in the DROP program commenced (together with any applicable variable Pension Improvement Factor (Escalator) increases) will commence in accordance with the payment option selected by the Member at the commencement of the Member's participation in the DROP program as provided in Section 12.1(2), and (b) shall be entitled to receive payment of the funds in his or her DROP Account (in the form of a lump sum or other Actuarially Equivalent form of payment described in Section 8.1). Such Member shall not be entitled to disability retirement benefits under Section 5.3 or Section 5.4 hereof.

Sec 12.7. Cost Neutrality

- (1) The DROP program shall be effective only for as long as it is cost-neutral to the City, provided however, that the DROP program shall continue during the pendency of proceedings, described in paragraph (2) below, designed to restore the Retirement System to cost neutrality.
- (2) If the City contends that the DROP program is not cost-neutral, including, but not limited to, making the City's annual contribution to the Retirement System higher than it would be if the DROP program was not in effect, the Board and the City, along with the Plan Actuary and an actuary appointed by the City (who will be an associate or a fellow of the Society of Actuaries and a member of the American Academy of Actuaries) shall meet and confer in good faith regarding the cost. If the Board and the City are unable to reach an agreement as to cost, the matter shall be submitted to a third, independent, actuary chosen or agreed upon by the Plan Actuary and the City's actuary. This actuary, when rendering a decision, will be limited to ordering implementation of changes necessary to make the DROP program cost-neutral. Upon the implementation of changes necessary to make the DROP program cost-neutral, Members shall have thirty days to elect to either (a) retire from active employment with the City, or (b) withdraw from the DROP program and resume active participation in Component I of the Retirement System. The Board shall notify DROP participants of these changes prior to implementation. Those DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for any time that they were participating in the DROP program (under either Component I or Component II). Those not making either election shall continue to participate in the DROP program.
- (3) In the event the DROP program cannot be changed to restore cost neutrality, it shall be discontinued and Members participating in the DROP program at that time shall have the option to either (i) retire, or (ii) continue active employment with the City and resume active participation in Component I of the Retirement System. DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for the time during which such DROP participants participated in the DROP program (under either Component I or Component II).

ARTICLE 13. LIMITATION ON BENEFITS AND CONTRIBUTIONS

Sec 13.1. Compliance With Code Section 415(b) And Regulations

- (1) Notwithstanding any other provision of this Combined Plan Document, the defined benefit component of the Retirement System shall be administered in compliance with the provisions of Code Section 415(b) and regulations thereunder that are applicable to governmental plans.
- (2) The maximum annual benefit accrued by a Member during a "limitation year" (which shall be the Plan Year) and the maximum annual benefit payable under the Retirement System to a Member at any time within a Plan Year, when expressed as an annual benefit in the form of a straight life annuity (with no ancillary benefits), shall be equal to \$160,000 (as such amount is adjusted pursuant to Code Section 415(d) for such Plan Year).
- (3) Notwithstanding the foregoing:
 - (a) if the benefit under the Retirement System is payable in any form other than a straight life annuity, the determination as to whether the limitation described in Section 13.1(2) has been satisfied shall be made, in accordance with the regulations prescribed by the Secretary of the Treasury, by adjusting such benefit to the Actuarially Equivalent straight life annuity beginning at the same time, in accordance with Section 13.1(9) or (10);
 - (b) if the benefit under the Retirement System commences before Age sixty-two, the determination of whether the limitation set forth in Section 13.1(2) (the "Dollar Limit") has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury, by reducing the Dollar Limit so that the Dollar Limit (as so reduced) is equal to an annual benefit payable in the form of a straight life annuity, commencing when such benefit under the Retirement System commences, which is Actuarially Equivalent to a benefit in the amount of the Dollar Limit commencing at Age sixty-two (adjusted for participation of fewer than 10 years, if applicable); provided, however, if the Retirement System has an immediately commencing straight life annuity commencing both at Age sixty-two and the age of benefit commencement, then the Dollar Limit (as so reduced) shall equal the lesser of (i) the amount determined under this Section 13.1(3)(b) without regard to this proviso, or (ii) the Dollar Limit multiplied by a fraction the numerator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System and the denominator of which is the annual amount of the straight life annuity under the Retirement System, commencing at Age sixty-two; and
 - (c) if the benefit under the Retirement System commences after Age sixty-five, the determination of whether the Dollar Limit has been satisfied shall be made, in accordance with regulations prescribed by the Secretary of the Treasury, by increasing the Dollar Limit so that the Dollar Limit (as so increased) is equal to an

annual benefit payable in the form of a straight life annuity, commencing when the benefit under the Retirement System commences, which is Actuarially Equivalent to a benefit in the amount of the Dollar Limit commencing at Age sixty-five; provided, however, if the Retirement System has an immediately commencing straight life annuity commencing both at Age sixty-five and the Age of benefit commencement, the Dollar Limit (as so increased) shall equal the lesser of (i) the amount determined under this Section 13.1(3)(c) without regard to this proviso, or (ii) the Dollar Limit multiplied by a fraction the numerator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System and the denominator of which is the annual amount of the immediately commencing straight life annuity under the Retirement System, commencing at Age sixty-five.

- (4) The adjustments in Sections 13.1(3)(b) shall not apply to a Member with at least 15 years of Credited Service as a Police Member or a Fire Member within the meaning of Code Section 415(b)(2)(H). In addition, the adjustments in Sections 13.1(3)(b) and 13.1(6) shall not apply to benefits payable on account of the disability or the death of a Member.
- (5) Notwithstanding the foregoing provisions of this Section 13.1, except as provided in Section 13.1(6), the maximum annual benefit specified in Section 13.1(2) above shall not apply to a particular Retirement System benefit if (a) the annual amount of such Retirement System benefit, together with the aggregate annual amount of any other pensions payable with respect to such Member under all other defined benefit plans maintained by the City, does not exceed \$10,000 for the Plan Year or any prior Plan Year, and (b) the Member was not at any time a participant in a Defined Contribution Plan maintained by the City.
- (6) In the case of a Member who has less than ten years of participation in the Retirement System, the limitation set forth in Section 13.1(2) shall be such limitation (without regard to this Section 13.1(6)), multiplied by a fraction, the numerator of which is the number of years of participation in the Retirement System (or parts thereof) credited to the Member and the denominator of which is ten. In the case of a Member who has less than ten years of Vesting Service, the limitations set forth in Section 13.1(2) and in Section 13.1(5) shall be such limitations (determined without regard to this Section 13.1(6)) multiplied by a fraction, the numerator of which is the number of years of Vesting Service, or parts thereof, credited to the Member and the denominator of which is ten. The adjustment in this Section 13.1(6) shall not apply to benefits paid on account of the disability or death of a Member.
- (7) Notwithstanding anything in this Section 13.1 to the contrary, if the annual benefit of a Member who has terminated employment with the City is limited pursuant to the limitations set forth in Section 13.1(2), such annual benefit shall be increased in accordance with the cost-of-living adjustments of Code Section 415(d).
- (8) For purposes of determining actuarial equivalence under Paragraph (b) or (c) of Section 13.1(3), the interest rate assumption shall be five percent (5%) and the mortality table used shall be the applicable mortality table specified by the Board.

- (9) The Actuarially Equivalent straight life annuity for purposes of adjusting any benefit payable in a form to which Code Section 417(e)(3) does not apply, as required by Paragraph (a) of Section 13.1(3), is equal to the greater of (a) the annual amount of the straight life annuity payable under the Retirement System commencing at the same annuity starting date as the form of benefit payable to the Member, or (b) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using the interest rate and mortality assumptions set forth in Section 13.1(8).
- (10) The Actuarially Equivalent straight life annuity for purposes of adjusting any benefit payable in a form to which Code Section 417(e)(3) applies, as required by Paragraph (a) of Section 13.1(3), is equal to the greatest of (a) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same Actuarial Equivalent present value as the form of benefit payable to the Member, (b) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using a five and one-half percent (5.5%) interest rate assumption and the applicable mortality table specified by the Board, or (c) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member, computed using the applicable interest rate and the applicable mortality table, both as specified by the Board, divided by 1.05.
- (11) For purposes of applying the limitations set forth in this Section 13.1, all qualified defined benefit plans (whether or not terminated) ever maintained by the City shall be treated as one defined benefit plan.
- (12) For purposes of this Section 13.1, the term "compensation" shall include those items of remuneration specified in Treasury Regulation § 1.415(c)-2(b) and shall exclude those items of remuneration specified in Treasury Regulation § 1.415(c)-2(c), taking into account the timing rules specified in Treasury Regulation § 1.415(c)-2(e), but shall not include any amount in excess of the limitation under Code Section 401(a)(17) in effect for the year. The term "compensation" as defined in the preceding sentence shall include any payments made to a Member by the later of (a) two and one-half months after the date of the Member's severance from employment with the City or (b) the end of the limitation year that includes the date of the Member's severance from employment with the City, provided that, absent a severance from employment, such payments would have been paid to the Member while the Member continued in employment with the City and are regular compensation for services performed during the Member's regular working hours, compensation for services outside the Member's regular working hours (such as overtime or shift differential pay), commissions, bonuses or other similar compensation.
- (13) This Section 13.1 shall be administered in conformity with the regulations issued by the Secretary of the Treasury interpreting Code Section 415 including, but not limited to those interpreting Section 415(b)(2)(H), and any regulation providing for the "grandfathering" of any benefit accrued prior to the effective date of such regulations or statutory provision.

Sec 13.2. Compliance with Code Section 415(c) and Regulations

- (1) The "Annual Addition" with respect to a Member for a limitation year shall in no event exceed the lesser of:
 - (a) \$40,000 (adjusted as provided in Code Section 415(d)); or
 - (b) One hundred percent (100%) of the Member's compensation, as defined in Code Section 415(c)(3) and regulations issued thereunder, for the limitation year.
- (2) The Annual Addition with respect to a Member for a limitation year means the sum of his or her Voluntary Employee Contributions made to the Retirement System, and the employer contributions, employee contributions and forfeitures allocated to his or her accounts under any other qualified Defined Contribution Plan (whether or not terminated) maintained by the City, and the amounts described in Code Sections 415(l)(2) and 419A(d)(2) allocated to his or her account.
- (3) In the event the Annual Addition to the Retirement System on behalf of a Member would otherwise exceed the amount that may be applied for his or her benefit under the limitation contained in this Section 13.2, the limitation shall be satisfied by reducing the Member's Voluntary Employee Contributions to the extent necessary and distributing such amounts to the Member.

ARTICLE 14. RETIREMENT SYSTEM ADMINISTRATION

Sec 14.1. Board of Trustees as Retirement System Administrator

- (1) The Retirement Board shall have the power and authority to manage and administer the Retirement System in accordance with the provisions of this Combined Plan Document.
- (2) The Retirement Board shall provide procedures for the processing and review of benefit claims, corrections of errors, and similar matters, as further described in Section 14.2.
- (3) The Retirement Board and the Retirement System shall not make any payment to active or retired Members or Beneficiaries other than payments that are required by the Retirement System as established by this Combined Plan Document. This prohibition applies to all payments that are not authorized by this Combined Plan Document, whether such payments are those commonly referred to as a "thirteenth check" or payments by any other name.

Sec 14.2. Powers and Duties of Board

- (1) The Board shall have the following powers and duties:
 - (a) exclusive authority regarding the administration, management and operation of the Retirement System, including, but not limited to, the right to contract for office space, computer hardware and software, and human resource services (any or all of which may be obtained from the City), and to make rules and regulations with respect to the operation of the Retirement System not inconsistent with the terms of the Combined Plan Document and applicable law, and to amend or rescind such rules and regulations;
 - (b) to determine questions of law or fact that may arise as to the rights of any person claiming rights under the Retirement System;
 - (c) to determine the contributions to the Retirement System required of the City and Members pursuant to the documents governing operation of the Retirement System, including the Plan of Adjustment;
 - (d) to construe and interpret the provisions of the Retirement System and to reconcile any inconsistencies;
 - (e) to perform ministerial functions, whether or not expressly authorized, which the Board may deem necessary or desirable in carrying out its duties under the Retirement System;
 - (f) except to the extent authority is vested in the Investment Committee, authority to employ, contract and pay for professional services including, but not limited to, actuarial, investment, legal, accounting, medical, and any other services that the Board considers necessary for the proper operation of the Retirement System;

- (g) except to the extent authority or responsibility is vested in the Investment Committee, to arrange for annual audits of the records and accounts of the Retirement System by a certified public accountant or by a firm of certified public accountants pursuant to generally accepted auditing standards;
- (h) to prepare an annual report for the Retirement System for each Fiscal Year in compliance with generally accepted accounting principles. The report shall contain information regarding the financial, actuarial, and other activities of the Retirement System during the Fiscal Year. The Board shall furnish a copy of the annual report to the Mayor and finance director of the City, to the chair of the City Council and the Investment Committee. The report shall also contain a review of the latest actuarial valuation of the Retirement System;
- (i) to maintain or cause to be maintained such separate funds and accounts as are required to be maintained under the provisions of Components I and II of the Combined Plan Document and such additional accounts as the Board deems necessary or expedient for the proper administration of the Retirement System and the administration and investment of the assets of the Retirement System. The Board shall maintain suitable records, data and information in connection with the performance of its functions, including, but not limited to, accurate and detailed accounts of all investments, receipts, disbursements, and other actions, including the proportionate interest therein and contributions of each Member who has made contributions to the Retirement System;
- (j) to correct any error in the records of the Retirement System that results in overpayment or underpayment of contributions to the Retirement System by the City or a Member, or overpayment or underpayment of benefits to a Member, former Member, or Beneficiary by the Retirement System. In the event of overpayment to a Member, former Member or Beneficiary, the Board may, as far as practicable, adjust future payments to such individual in such a manner that the Actuarial Equivalent of the benefit to which such individual was entitled shall be paid;
- (k) to the extent permissible under Michigan law (and consistent with the Retirement System's favorable tax qualified status under Code Section 401(a)), purchase one or more insurance policies to indemnify any person and such person's heirs and legal representatives who is made a party to (or threatened to be made a party to) any action, suit or proceeding whether brought by or in the right of the Board, the Investment Committee or the Retirement System or otherwise, by reason of the fact that such person is or was a Board member, Investment Committee member, director, officer, employee or agent of the Board (or an advisory body or committee of the Board) or the Retirement System. The insurance policies purchased by the Board shall not indemnify any person who is judicially determined to have incurred liability due to fraud, gross negligence or malfeasance in the performance of his or her duties; and

- (l) except to the extent authority or responsibility is vested in the Investment Committee, to perform any other function that is required for the proper administration of the Retirement System.

Sec 14.3. Executive Director; Employees

The Board shall employ on behalf of the Retirement System an executive director and any other employees for which the Board establishes positions. The executive director shall do all of the following:

- (a) manage and administer the Retirement System under the supervision and direction of the Board;
- (b) annually prepare and submit to the Board for review, amendment, and adoption an itemized budget projecting the amount required to pay the Retirement System's expenses for the following Fiscal Year; and
- (c) perform such other duties as the Board shall delegate to the executive director.

The executive director, unless such power is retained by the Board, shall determine the compensation of all employees of the Retirement System (except the executive director, whose compensation shall be determined by the Board and the chief investment officer, whose compensation shall be determined by the Investment Committee) and such compensation shall be payable from the Retirement System. Any person employed by the Retirement System may but need not be an employee of the City.

Sec 14.4. Discretionary Authority

The Board shall have sole and absolute discretion to:

- (a) interpret the provisions of the Retirement System;
- (b) make factual findings with respect to any and all issues arising under the Retirement System;
- (c) determine the rights and status of Members, Retirees, Beneficiaries and other persons under the Retirement System;
- (d) decide benefit claims and disputes arising under the Retirement System pursuant to such procedures as the Board shall adopt; and
- (e) make determinations and findings (including factual findings) with respect to the benefits payable hereunder and the persons entitled thereto as may be required for the purposes of the Retirement System.

Sec 14.5. Administrator's Decision Binding

The Board's decision on any matter arising in connection with administration and interpretation of the Retirement System shall be final and binding on Members, Retirees and Beneficiaries.

ARTICLE 15. MANAGEMENT OF FUNDS

Sec 15.1. Board as Trustee of Retirement System Assets

The Board of Trustees shall be the trustee of the funds held under the Retirement System, shall receive and accept all sums of money and other property paid or transferred to it by or at the direction of the City, and subject to the terms of Article 16, shall have the power to hold, invest, reinvest, manage, administer and distribute such money and other property subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by *Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws*, as amended.

Sec 15.2. Maintenance of Segregated Funds

The Board of Trustees shall maintain separate funds as required for the proper administration of the Retirement System and shall not commingle the assets held under the Retirement System for the purpose of funding benefits accrued by Members prior to July 1, 2014, together with earnings and losses on such assets (or replacement assets), as more fully described in Component II of this Combined Plan Document, with the assets of the Retirement System held for the purpose of paying benefits accrued by Members on and after July 1, 2014 as described in this Component I of the Combined Plan Document. Notwithstanding the foregoing, the assets held under Components I and II of this Combined Plan Document may be commingled for investment purposes, and transferred as provided in Section G-2(f) of Component II.

Sec 15.3. Custodian of Funds

The Board of Trustees shall appoint or employ custodians of the assets of the Retirement System. The custodians shall perform all duties necessary and incidental to the custodial responsibility and shall make disbursements as authorized by the Board.

Sec 15.4. Exclusive Purpose

All money and other assets of the Retirement System shall be held by the Trustees and invested for the sole purpose of paying benefits to Members and Beneficiaries and shall be used for no other purpose other than payment of the reasonable expenses of maintaining the Retirement System. In exercising its discretionary authority with respect to the management of the money and other assets of the Retirement System, the Trustees shall exercise the care, skill, prudence and diligence under the circumstances then prevailing, that a person acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims.

Sec 15.5. Prohibited Conduct

Members of the Board and employees of the Retirement System are prohibited from:

- (1) Having any beneficial interest, direct or indirect, in any investment of the Retirement System;

- (2) Being an obligor or providing surety for any money loaned to or borrowed from the Retirement System;
- (3) Except as provided in Article 11, borrowing any money or other assets of the Retirement System; and
- (4) Receiving any pay or other compensation from any person, other than compensation paid by the Retirement System, with respect to investments of the Retirement System.

ARTICLE 16. INVESTMENT OF RETIREMENT SYSTEM ASSETS

Sec 16.1. Investment Powers of the Board and the Investment Committee

Subject to the requirements set forth in this Article 16, the Board shall have the power and authority to manage, control, invest and reinvest money and other assets of the Retirement System subject to all terms, conditions, limitations, and restrictions imposed on the investment of assets of public employee retirement systems or plans by *Act No. 314 of the Public Acts of 1965, being sections 38.1132 et seq. of the Michigan Compiled Laws*, as amended. Notwithstanding anything in this Combined Plan Document to the contrary, for the twenty year period following the effective date of the Plan of Adjustment, the Investment Committee shall make recommendations to the Board with respect to investment management matters as provided in this Article 16.

All investment management decisions made by the Board, as more fully described in Section 16.2, shall require a recommendation by an affirmative vote of the Investment Committee as provided in this Combined Plan Document. The Board shall take no action with respect to any matter for which the Investment Committee has responsibility and authority, including the investment management matters described in Section 16.2, unless and until such action has been approved by affirmative vote of the Investment Committee. All actions and recommendations of the Investment Committee shall be forwarded to the Board for consideration and are subject to Board approval. If (a) the Board fails to approve or disapprove an investment management decision that has been recommended by an affirmative vote of the Investment Committee, and such failure continues for forty-five days after the date that the recommendation was made to the Board, or (b) the Board disapproves an investment management decision within such forty-five day period but fails to provide to the Investment Committee within such forty-five day period a detailed written response outlining the reasons for such disapproval, then the Investment Committee and the chief investment officer are authorized to implement the decision.

If the Board disapproves an investment management decision within such forty-five day period and provides to the Investment Committee within such forty-five day period a detailed written response outlining the reasons for such disapproval, then the Investment Committee shall have forty-five days after the receipt of the Board response to either (a) withdraw the recommended investment management decision, or (b) request, in writing, a conference with the Board to be held within ten days, but not less than five business days, of the request by the Investment Committee to discuss the disapproval by the Board described in the written response. Any such conference shall be conducted with at least three independent Investment Committee members present in person or by phone. Within ten days of the commencement of the conference or twenty days following the Investment Committee's request for a conference if no conference is held, the Investment Committee shall either withdraw the recommended investment management decision or provide the Board with a written explanation of the Investment Committee's decision to proceed with the recommended investment management decision. After delivery of such written explanation by the Investment Committee, the Investment Committee and the chief investment officer are authorized to implement the decision. Any action taken by the Board or the Investment Committee in violation of the terms of this Article 16 shall constitute an *ultra vires* act and the Investment Committee or the Board is

granted the express right to seek to preliminarily enjoin such action without the need to show irreparable harm.

Sec 16.2. Investment Management

- (1) For purposes of this Combined Plan, “investment management decisions” and “investment management matters” shall include:
 - (a) development of an investment policy statement with sound and consistent investment goals, objectives, and performance measurement standards which are consistent with the needs of the Retirement System;
 - (b) within 120 days after the effective date of the Plan of Adjustment, placement of all of the assets of the Retirement System not already under qualified management with qualified investment managers selected by the Investment Committee;
 - (c) evaluation, retention, termination and selection of qualified managers to invest and manage the Retirement System’s assets;
 - (d) review and affirmation or rejection of the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Actuary including, but not limited to (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the pension restoration program attached to the Plan of Adjustment (as more fully described in Article K of Component II of this Combined Plan Document), (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after Fiscal Year 2024, the recommended annual contributions to the Retirement System in accordance with applicable law;
 - (e) in accordance with approved actuarial work as provided in paragraph (d) above and based on the annual actuarial valuation reports and any other projections or reports as applicable from the Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of all or a portion of the lost COLA payments, all in conformance with the pension restoration program attached to the Plan of Adjustment;
 - (f) communication of the Retirement System’s investment goals, objectives, and standards to the investment managers, including any material changes that may subsequently occur;
 - (g) determination and approval of the Retirement System’s investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Retirement System;
 - (h) the taking of corrective action deemed prudent and appropriate when an investment manager fails to perform as expected;

- (i) interpretation of Retirement System governing documents, existing law, the Plan of Adjustment or other financial determination that could affect funding or benefit levels;
- (j) review and approval, prior to final issuance, of the annual audit and all financial reports prepared on behalf of the Retirement System and meet and confer with the Auditor or other professional advisors as necessary prior to approval of the annual audit or other financial reports;
- (k) determination of the funding status of the Retirement System and any remedial action to be taken pursuant to Section 9.5; and
- (l) performance of an asset/liability valuation study for the Retirement System every three years, or more often as requested by the Investment Committee or the Board.

All actions of the Investment Committee shall comply with the provisions of pertinent federal, state, and local laws and regulations, specifically *Public Act 314* and *Plan Investment Guidelines*.

Sec 16.3. Best Practices

Prior to adopting investment guidelines and asset allocation policies, selecting investment managers or adopting investment return assumptions, the Investment Committee shall have an understanding of and shall give appropriate consideration to the following:

- (a) the fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets;
- (b) the objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the pension restoration program described in the Plan of Adjustment and Component II of this Combined Plan Document, to the extent that it is prudent and consistent with the overall funding, liquidity needs and actuarial assumptions governing the Retirement System; and
- (c) the liquidity needs of the Retirement System.

Sec 16.4. Chief Investment Officer

The Investment Committee shall have the exclusive power to select, retain and terminate the services of a chief investment officer for the Retirement System. The Investment Committee shall determine any and all compensation and other terms of employment of any chief investment officer hired by it. The chief investment officer shall report directly to the Investment Committee and the Executive Director of the Board. The chief investment officer shall be responsible for assisting the Investment Committee and the Board with respect to oversight of the Retirement System's investment portfolio. The chief investment officer shall

provide such periodic reports relating to the Retirement System's assets to the Investment Committee and the Board as it or they shall request.

Sec 16.5. Investment Consultants

The Board and/or Investment Committee may retain the services of one or more investment consultants who shall be responsible for assisting the Board and the Investment Committee with oversight of the Retirement System's investment portfolio. Any such investment consultant shall be a registered advisor with the United States Securities and Exchange Commission and shall be a nationally recognized institutional investment consultant with expertise in the investment of public pension plan assets. Any such investment consultant shall acknowledge in writing its role as investment fiduciary with respect to the Retirement System as defined in the *Public Employee Retirement System Investment Act, as amended, MCL 38.1132 et seq.* The Board or the Investment Committee, as appropriate, shall determine the compensation and other terms of employment of any investment consultant hired by it. The duties of an investment consultant may include, but shall not be limited to:

- (a) providing an asset/liability valuation study for the Retirement System;
- (b) reviewing the Retirement System's asset allocation based on current market assumptions;
- (c) identifying and recommending to the Investment Committee and the Board appropriate investment strategies based on the financial condition of the Retirement System;
- (d) implementing the approved investment strategies, such as recommending to the Investment Committee, for Board approval, an asset allocation strategy, building an investment structure for the Retirement System, and identifying qualified investment managers (through an organized search process) to execute and implement investment strategies;
- (e) monitoring and evaluating the ongoing progress of the investment managers toward stated investment goals and objectives;
- (f) recommending to the Investment Committee and the Board any necessary corrective actions, including adjustments to the investment structure or investment management organizations in the event of a deviation from expectations;
- (g) communicating the investment policies of the Retirement System to the investment managers;
- (h) reviewing the investment policies with the appropriate employees of the Retirement System;
- (i) aiding the Investment Committee in providing recommendations on issues relating to rebalancing and cash flow management, securities lending, transition management, cash equalization and other investment related topics;

- (j) attending Investment Committee and Board meetings in person, or telephonically, as needed or as requested;
- (k) meeting with the Investment Committee and the Board to provide detailed quarterly performance reports and executive summaries of performance;
- (l) meeting with the Investment Committee and the Board to review capital markets and inform the Board and Retirement System employees on the current investment environment; and
- (m) meeting with the Investment Committee and the Board to provide recommendations on asset allocation, investment structure, and manager selections.

ARTICLE 17. RETIREE MEDICAL ACCOUNT

Sec 17.1. Establishment of Account

A Medical Benefits Account shall be established and maintained under the Retirement System out of which the Board shall pay the cost, which would otherwise be borne by the City, for certain medical and related benefits provided under the plans or programs maintained by the City to provide Medical Benefits (the "Medical Plans") for the benefit of the Medical Beneficiaries. The provisions of this Article 17 are intended to comply with Section 401(h) of the Code and shall be construed to comply therewith.

Sec 17.2. Effective Date

Medical Benefits shall be paid from the Medical Benefits Account beginning October 19, 2014 or such other date recommended by an enrolled actuary (within the meaning of Section 7701(a)(35) of the Code) and approved by the Board and Investment Committee.

Sec 17.3. Funding of Benefits

Subject to the Plan of Adjustment and the right reserved to the City to amend or terminate the provision of Medical Benefits under its general power to amend the Combined Plan Document under Section 18.6, the City expects and intends to make actuarially determined contributions under the Retirement System from time to time to fund the Medical Benefits Account. The assets of the Medical Benefits Account may be invested together with the other assets of the Retirement System, in which case earnings of the Retirement System shall be allocated to the Medical Benefits Account on a reasonable basis or such assets may be invested separately. In any event, no part of the Retirement System, other than the assets of the Medical Benefits Account, shall be available to pay for any part of the cost of Medical Benefits.

The amount determined by the City to be contributed for any Plan Year pursuant to the paragraph above shall be reasonable and ascertainable and shall not exceed the total cost for such Plan Year of providing Medical Benefits to the Medical Beneficiaries, determined in accordance with generally accepted actuarial methods and assumptions that are reasonable in view of the provisions and coverage of the medical and other welfare plans providing such benefits, the funding medium and any other applicable considerations. At the time the City makes a contribution to the Trustee, the City shall designate the portion thereof that is allocable to the Medical Benefits Account.

Sec 17.4. Limitation on Contributions

At all times the aggregate of the contributions made by the City to provide Medical Benefits shall not exceed twenty-five percent (25%) of the sum of the aggregate contributions made by the City to the Plan under Sections 9.3, 9.4 and 9.5, other than the contributions to fund past service credits, plus the aggregate contributions to the Medical Benefits Account. In the event that a contribution under Section 17.3 shall exceed the amount described in the preceding sentence, such contribution shall be reduced by the excess amount.

Sec 17.5. Impossibility of Diversion

In no event, prior to the satisfaction of all liabilities to provide Medical Benefits shall the Medical Benefits Account be used for, or diverted to, any purpose other than the payment of such benefits and any necessary or appropriate expenses of administration associated therewith. Any amounts credited to the Medical Benefits Account following the satisfaction of all such liabilities shall be returned to the City.

Sec 17.6. Administration

The Medical Plans shall continue to be administered, and claims processed, under their respective terms. The interpretation and administration of the terms of this Article 17 shall be as provided in the provisions of the Combined Plan Document.

Sec 17.7. Right to Amend or Terminate Medical Plans

The City expressly reserves the exclusive right, retroactively to the extent permitted by law, to amend, modify, change, terminate or revoke any medical or other welfare plan or policy maintained by the City that provides medical or other welfare benefits, including but not limited to Medical Benefits, and to require Members, former Members, their eligible Spouses and dependents to pay all or any portion of the cost of such medical benefits.

Sec 17.8. Reversion

At no time prior to the satisfaction of all liabilities under the Retirement System to provide Medical Benefits, shall any part of the Medical Benefits Account be used for any purpose other than providing Medical Benefits, and any necessary or appropriate expenses attributable to the administration of the Medical Benefits Account. If any residual assets remain in the Medical Benefits Account after the satisfaction of all obligations of the City to provide Medical Benefits to the Medical Beneficiaries, such assets shall be returned to the City. In the event a Medical Beneficiary's interest in the Medical Benefits Account is forfeited prior to the termination of the Retirement System, an amount equal to such forfeiture shall be applied as soon as possible to reduce the City's contributions to the Medical Benefits Account.

Sec 17.9. Limitation of Rights

A Medical Beneficiary shall have no right, title or claim in any specific asset of the Medical Benefits Account, but shall have the right only to the Medical Benefits provided from time to time under the Medical Benefits Account.

ARTICLE 18. MISCELLANEOUS

Sec 18.1. Nonduplication of Benefits

If any Member is a participant in another defined benefit pension plan, retirement system or annuity plan sponsored by the City (including Component II of this Retirement System) and the Member is or becomes entitled to accrue pension benefits under such plan or retirement system (including Component II of this Retirement System) with respect to any period of service for which he or she is entitled to accrue a benefit under Component I of this Retirement System, such Member shall not be eligible to accrue or receive payment of a benefit under Component I with respect to such period of service.

Sec 18.2. Assignments Prohibited

The right of a person to a pension, annuity, the return of Accumulated Voluntary Employee Contributions and/or the return of Accumulated Mandatory Employee Contributions, the Retirement Allowance itself, to any optional form of benefit, to any other right accrued or accruing to any person under the provisions of this Retirement System, and the monies in the various funds of the Retirement System shall not be assignable and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, except as specifically provided in this Combined Plan Document or by an eligible domestic relations order of a lawful court.

Sec 18.3. Protection Against Fraud

A person who, with intent to deceive, makes any statements or reports required under this Retirement System that are untrue, or who falsifies or permits to be falsified any record or records of this Retirement System, or who otherwise violates, with intent to deceive, any terms or provisions of the Retirement System, shall be subject to prosecution under applicable law.

Sec 18.4. Errors

If any change or error in the records results in any person receiving from the Retirement System more or less than the person would have been entitled to receive from the Retirement System had the records been correct, the Board shall correct such error and, as far as practicable, shall adjust the payment in such a manner that the Actuarially Equivalent benefit of the benefit to which such person was correctly entitled shall be paid.

Sec 18.5. Conviction of Felony; Forfeiture of Rights

If a Member or Retiree shall be convicted of by a court of competent jurisdiction or enters a nolo contendere plea accepted by a court for a felony against the City arising out of his or her service as an employee of the City and while a Member of the Retirement System, the court may order the forfeiture of all or a portion of the rights of the Member to benefits hereunder, except the return of his or her Accumulated Contributions, as provided in the *Public Employee Retirement Benefits Forfeiture Act, MCL 38.2701, et. seq.* In such case, the Retirement System shall pay to an individual, if any, who would otherwise be a Beneficiary of the Member or Retiree whose retirement benefit is being forfeited under this Section 18.5 an

Actuarially Equivalent monthly retirement allowance at the Age that the Member or Retiree would have become eligible for unreduced retirement benefits under the Retirement System.

Sec 18.6. Amendment; Termination; Exclusive Benefit

The City reserves the right to amend the Combined Plan Document created hereunder at any time; such amendments may include termination of the Retirement System; provided, however, that following the effective date of the Plan of Adjustment, no amendment other than amendments permitted under the terms of the Plan of Adjustment (including amendments contemplated in Section K-3(5) of Component II) may be made to the terms, conditions and rules of operation of the Retirement System, the Combined Plan Document or any successors plan or trust that govern the calculation of pension benefits during the period ending June 30, 2023, nor may any amendment or termination deprive any Member, former Member or Beneficiary of any then vested benefit under the Retirement System, except as provided in the Plan of Adjustment. Notwithstanding the foregoing, the City and the Board have the authority to amend the Combined Plan Document as necessary to retain the tax qualified status of the Retirement System under the Internal Revenue Code. The City shall make no amendment or amendments to the Retirement System which causes any part of the assets of the Retirement System to be used for, or diverted to, any purpose other than the exclusive benefit of Members, former Members or their Beneficiaries; provided, that the City may make any amendment necessary, with or without retroactive effect, to comply with applicable federal law. Any amendment of the Retirement System by the City must be approved by the Council or a person standing in the stead of the Council.

Upon termination of the Retirement System or upon complete discontinuance of contributions to the Retirement System, the rights of all Members to benefits accrued to the date of such termination or discontinuance, to the extent then funded, shall be nonforfeitable.

Sec 18.7. Expenses of Administration; Forfeitures Not to Increase Benefits

All expenses relating to administration of Component I of the Retirement System shall be paid from the assets maintained under this Component I and all expenses relating to administration of Component II of the Retirement System shall be paid from the assets maintained under Component II. Any forfeitures arising under the Retirement System due to a Member's termination of employment or death, or for any other reason, shall be used to pay expenses of the appropriate Component of the Retirement System and shall not be applied to increase the benefits any Member would otherwise receive under the Retirement System at any time prior to termination of the Retirement System.

Sec 18.8. Required Distributions - Compliance with Code Section 401(a)(9) and Regulations

The Retirement System will apply the minimum distribution requirements of Code Section 401(a)(9) in accordance with the final regulations issued thereunder, notwithstanding any provision in the Combined Plan Document to the contrary. Pursuant to Code Section 401(a)(9)(A)(ii), a Member's interest must begin to be distributed by the later of (i) the April 1 of the calendar year following the calendar year that he or she attains the Age of seventy and one-

half (70-1/2), or (ii) April 1 of the calendar year following the year in which he or she retires. Distributions will be made in accordance with Regulations Sections 1.401(a)(9)-2 through 1.401(a)(9)-9. The provisions of this Section 18.8 and the regulations cited herein and incorporated by reference override any inconsistent plan distribution options.

Sec 18.9. Direct Rollovers

- (1) For purposes of compliance with Code Section 401(a)(31), a distributee may elect, at the time and in the manner prescribed by the Board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.
 - (a) For purposes of this Section 18.9, the following terms shall have the following meanings:
 - (b) "Direct rollover" means a payment by the Retirement System to an eligible retirement plan specified by a distributee.
 - (c) "Distributee" means a Member or former Member. It also includes the Member's or former Member's surviving Spouse, a Spouse or former spouse who is the alternate payee under an eligible domestic relations order, or a nonspouse Beneficiary who is a designated beneficiary as defined by Code Section 401(a)(9)(E). However, a nonspouse Beneficiary may only make a direct rollover to an individual retirement account or individual retirement annuity established for the purpose of receiving the distribution, and the account or annuity will be treated as an "inherited" individual retirement account or annuity.
 - (d) "Eligible retirement plan" means any of the following that accepts a distributee's eligible rollover distribution:
 - (i) a qualified trust described in Code Section 401(a);
 - (ii) an annuity plan described in Code Section 403(a);
 - (iii) an annuity contract described in Code Section 403(b);
 - (iv) an individual retirement account described in Code Section 408(a);
 - (v) an individual retirement annuity described in Code Section 408(b);
 - (vi) a Roth IRA described in Code Section 408A; or
 - (vii) a plan eligible under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or a political subdivision of a state that agrees to separately account for amounts transferred into that plan from the Retirement System.

- (e) “Eligible rollover distribution” means any distribution of all or any portion of the balance to the credit of a distributee under the Retirement System, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or the life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee’s designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); the portion of any distribution that is not includible in gross income; and any other distribution which the Internal Revenue Service does not consider eligible for rollover treatment, such as any distribution that is reasonably expected to total less than \$200 during the year. Notwithstanding the foregoing, a portion of a distribution will not fail to be an “eligible rollover distribution” merely because the portion consists of after-tax contributions that are not includible in Member’s gross income upon distribution from the Retirement System. However, such portion may be transferred only (i) to an individual retirement account or annuity described in Code Section 408(a) or (b) or to a qualified defined contribution plan described in Code Section 401(a) that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible; (ii) to a qualified defined benefit plan described in Code Section 401(a) or to an annuity contract described in Code Section 403(b) that agrees to separately account for amounts so transferred (and earnings thereon), including separately accounting for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible; or (iii) to a Roth IRA described in Code Section 408A.

Sec 18.10. Construction

Words in the singular should be read and construed as though used in the plural, and words in the plural should be read and construed as though used in the singular, where appropriate. The words “hereof”, “herein”, and “hereunder” and other similar compounds of the word “here”, shall mean and refer to Component I and/or Component II of this Combined Plan Document or to the Combined Plan Document in its entirety, as the context may require, and not to any particular provision or section thereof. The table of contents, article and section headings are included for convenience of reference, and are not intended to add to, or subtract from, the terms of the Combined Plan Document or the Retirement System created hereunder.

Sec 18.11. Severability

If any section or part of a section of this Combined Plan Document or provision relating to the Retirement System is for any reason held to be invalid or unconstitutional, such holding shall not be construed as affecting the validity of the remaining sections of the Combined Plan Document or Retirement System or of the Combined Plan Document or Retirement System in its entirety.

COMPONENT II

ARTICLE A. COMMON PROVISIONS OF THE POLICE AND FIRE RETIREMENT SYSTEM

Sec. A-1. Common Provisions

Certain provisions of the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan described below are common to both Component I and this Component II as in effect July 1, 2014. Those provisions are set forth in the following Articles and

Sections of Component I:

- (a) Article I (General Provisions);
- (b) Article II (Definitions):

Actuarial Equivalent or Actuarially Equivalent

Actuarially Equivalent Value

Administrative Board of Trustees

Administrative Rules and Regulations

Age; Attainment of

Board of Trustees or Board or Retirement Board

City

City Council or Council

Combined Plan

Component I

Component II

DFFA

DPLSA

DPCOA

DPOA

Detroit Police and Fire Retirement System or Retirement System

Fiscal Year

Internal Revenue Code or Code

Investment Committee

Medical Director

Notice to Members, Beneficiaries and Retirees;

Plan Actuary or Actuary;

Plan Document or Combined Plan Document;

Plan of Adjustment;

Plan Year;

Spouse;

Straight Life Retirement Allowance; and

Total Disability or Totally Disabled;

(c) Article 13 (Limitation on Benefits and Contributions);

(d) Article 14 (Retirement System Administration);

(e) Article 15 (Management of Funds);

(f) Article 16 (Investment of Retirement System Assets); and

(g) Article 18 (Miscellaneous).

**ARTICLE B. FREEZE OF POLICE AND FIRE RETIREMENT SYSTEM
AS OF JUNE 30, 2014**

Sec. B-1. Freeze of Police and Fire Retirement System as of June 30, 2014.

Notwithstanding anything in Chapter 47 of the 1984 Detroit City Code, or in Chapter 54, Article II of the 1964 Detroit City Code, or any ordinances, resolutions, or orders, or parts thereof, whether codified or not codified, or any collective bargaining agreement or other documents governing terms of employment to the contrary, effective as of June 30, 2014 (the "Freeze Date"):

- (a) No new employee hired by the City on or after July 1, 2014 shall become a Member who is eligible to accrue a benefit under the terms of the Police and Fire Retirement System in effect as of the Freeze Date;
- (b) No employee who is rehired by the City on or after July 1, 2014 and who received a distribution of his or her accumulated employee contributions prior to July 1, 2014, shall become a Member who is eligible to accrue a benefit under the terms of the Police and Fire Retirement System in effect as of the Freeze Date; provided, however, that if a Member who is entitled to a Frozen Accrued Benefit as defined in subsection (d) of this Section B-1 and who is rehired by the City on or after July 1, 2014 repays to the Police and Fire Retirement System in accordance with a payment schedule approved by the Board of Trustees the amount of accumulated employee contributions that he or she withdrew, then such Member shall be eligible to accrue service credit under this Component II following rehire solely for the purpose of determining the Member's eligibility for payment of his or her Frozen Accrued Benefit;
- (c) No Member shall make contributions to the Annuity Savings Fund under the Police and Fire Retirement System in effect as of June 30, 2014 with respect to payroll dates occurring on or after August 1, 2014 and all Member contributions made with respect to payroll dates occurring on or after August 1, 2014 shall be made to and in accordance with the terms of Component I of the Combined Plan;
- (d) Benefit accruals for Members with respect to service rendered prior to July 1, 2014 will be frozen based on a Member's years of service and Average Final Compensation and the pension multiplier formulae as of such Freeze Date ("Frozen Accrued Benefit");
- (e) Except as otherwise provided in this Section B-1, compensation of a Member shall be frozen effective as of the Freeze Date for purposes of determining the Member's Frozen Accrued Benefit. No compensation of any type earned by a Member after the Freeze Date shall be taken into consideration for purposes of determining the Member's Frozen Accrued Benefit under the Police and Fire Retirement System;
- (f) Any Member who, as of June 30, 2014, would have been eligible to elect to use a portion of the unused accrued sick leave that he or she could have received in cash upon retirement ("Cashable Sick Leave") to increase his or her Average Final

Compensation if the Member had been eligible to retire and had elected to retire as of June 30, 2014, shall have a one-time election to have the value of twenty-five percent (25%) of the Member's Cashable Sick Leave as of June 30, 2014 included in the computation of the Member's Average Final Compensation for purposes of determining the Member's Frozen Accrued Benefit ("Sick Leave Election"); provided, however, that the amount of the member's Cashable Sick Leave at the time the completed election form is received by the Retirement System is at least equal to the value of twenty-five percent (25%) of the Member's Cashable Sick Leave as of June 30, 2014 and, provided further that the completed election form is received by the Retirement System no later than the dates established by the City. A Member's Sick Leave Election shall be made in the manner set forth by the Board of Trustees and the Police and Fire Retirement System. Notwithstanding anything in this subsection (f) to the contrary, a Member's Sick Leave Election will be void and the determination of the Member's Average Final Compensation for purposes of calculating the Member's Frozen Accrued Benefit will not take into account any of the Member's Cashable Sick Leave, if (i) the electing Member would not have been eligible to receive an immediate service retirement benefit if he or she retired as of June 30, 2014, and (ii) the electing Member's employment with the City is terminated before the electing Member becomes eligible for an immediate service retirement benefit under the Police and Fire Retirement System. In any such case, the value of twenty-five percent (25%) of the Member's Cashable Sick Leave shall be restored to such Member;

- (g) Service earned after the Freeze Date shall be credited to a Member under this Component II solely for purposes of determining a Member's vesting in and eligibility for payment of his or her Frozen Accrued Benefit and to a rehired Member solely for purposes of determining the Member's eligibility for payment of his or her Frozen Accrued Benefit. Service credit for all Members for benefit accrual purposes under the terms of the Police and Fire Retirement System in effect as of the Freeze Date shall be frozen effective as of the Freeze Date and no Member shall earn service credit with respect to benefits payable under the terms of the Police and Fire Retirement System in effect as of the Freeze Date (except for vesting and benefit payment eligibility purposes) after the Freeze Date; and
- (h) The Deferred Retirement Option Plan ("DROP") program shall remain in effect for all Members who have either enrolled in or elected to participate in the DROP program as of June 30, 2014. Members also may elect to participate in the DROP program after June 30, 2014 with respect to their Frozen Accrued Benefits; however, a Member's participation in the DROP program with respect to such Frozen Accrued Benefits shall be limited to five years.

The foregoing terms of Section B-1 shall be referred to as the "Freeze" of the provisions of the Police and Fire Retirement System as in effect on the Freeze Date and the provisions of Component II of the Police and Fire Retirement System shall be interpreted and construed by the Board of Trustees and the Police and Fire Retirement System to give full effect to the Freeze. To the extent that a conflict arises between this Section B-1 and the provisions of Chapter 54 of the 1964 Detroit City Code, or any Charter, ordinances, resolutions, or orders, or parts thereof,

whether codified or not codified, or any collective bargaining agreement or other document governing terms of employment of an employee, the Board of Trustees and the Police and Fire Retirement System are directed to interpret any inconsistency or ambiguity to give full effect to the Freeze.

EXHIBIT A (PART 2)

ARTICLE C. DEFINITIONS

Sec. C-1. Definitions.

Unless a different meaning is plainly required by context, for purposes of this Component II the following words and phrases have the meanings respectively ascribed to them by this Section C-1:

- (1) *Accrued Service* shall mean a Member's credited service for employment rendered before the date of an actuarial valuation of the Retirement System and before July 1, 2014.
- (2) *Accumulated Contributions* shall mean the sum of all amounts deducted from the compensation of a Member and credited to his or her individual account in the Annuity Savings Fund, together with Regular Interest, as provided in this Component II of the Combined Plan.
- (3) *Annuity* shall mean payments derived from the Accumulated Contributions of a Member.
- (4) *Annuity Reserve* shall mean the present value of all payments to be made on account of any Annuity, or benefits in lieu of any Annuity, computed on the basis of such mortality tables and Regular Interest as shall be adopted by the Board of Trustees.
- (5) *Average Final Compensation* shall mean:
 - a. With respect to an "Old Plan Member" (an employee described in Section F-2(a)) the current maximum salary for the rank(s), grade(s) or position(s) held by the Member over the sixty (60) months immediately preceding the earlier of: (i) the date his or her employment with the City last terminated and (ii) June 30, 2014. The salary shall be obtained from the official compensation schedule for the Fiscal Year in which the earlier of the dates described in (i) or (ii) occurs and an average shall be determined. A Member who retires on or after July 1, 2000 (for DPCOA and DFFA members) or July 1, 1998 (for all other Members) and in each case prior to July 1, 2014 shall have the Member's most recent full longevity payment included in his or her Average Final Compensation.
 - b. With respect to a "New Plan Member" (an employee described in Section F-2(b)) the current maximum salary for the rank(s), grade(s) or position(s) held by the Member over the sixty (60) months immediately preceding the earlier of: (i) the date his or her employment with the City last terminated and (ii) June 30, 2014. The salary shall be obtained from the official compensation schedule for the Fiscal Year in which the earlier of the dates described in (i) or (ii) occurs and an average shall be determined. If more than one (1) rank, grade or position has been held over the sixty (60)

month period, a weighted average is determined based on time spent in each rank, grade or position during this sixty (60) month period.

- (i) A Member who retires on or after July 1, 2000 (for DPCOA and fire equivalents) or July 1, 1998 (for all other Members) and in each case prior to July 1, 2014 shall have the Member's most recent full longevity payment included in his or her Average Final Compensation.
 - (ii) Effective July 1, 2000, Average Final Compensation shall be calculated for members of the DPCOA, executive members and their fire equivalents by using the current maximum salary for the rank(s), grade(s) or position(s) held by the Member over the thirty-six (36) months immediately preceding the earlier of: (i) the date his or her employment with the City last terminated and (ii) June 30, 2014.
- c. With respect to reduced duty disability retirements occurring on or after July 1, 1992, notwithstanding the provisions of Article F, Part B, Section F-8, for those Members who receive benefits under Article F, Part B, Section F-9(a), the Average Final Compensation used in the computation of the reduced duty disability allowance shall mean the maximum salary at the earlier of (i) the date of conversion to reduced duty disability retirement for the rank(s), grade(s), or positions(s) which were held by the Member over the sixty (60) months prior to his or her duty disability retirement and (ii) June 30, 2014.
- d. Subject to Section B-1(f), for purposes of computing the Average Final Compensation received by a Member who retires on or after July 1, 2008 and prior to July 1, 2014, the Member shall have the option of adding the value of the three year average of twenty-five percent (25%) of the Member's unused accrued sick leave at the time of retirement to the earnings used in computing the Average Final Compensation.
- e. The Average Final Compensation for "Old Plan" and "New Plan" Members represented by DFFA retiring on or after July 1, 1992 or on or after July 1, 2000 for Members represented by DPOA is calculated pursuant to paragraph (b) above. The salary is obtained from the Official Compensation Schedule for the Fiscal Year prior to the earlier of (i) the Member's elective date of retirement and (ii) June 30, 2014 and an average shall be determined.
- f. Effective July 1, 2000, for Members represented by DFFA with a parity relationship with the DPCOA Inspector, Average Final Compensation shall be calculated pursuant to paragraph (b)(ii) above. The salary is obtained from the Official Compensation Schedule for the Fiscal Year

prior to the earlier of (i) the Member's elective date of retirement and (ii) June 30, 2014 and an average shall be determined.

- g. For Members represented by DFFA who have a parity relationship with the DPLSA and the DPCOA Inspector, who retire on or after July 1, 1998 and for those having a parity relationship with the DPOA who retire on or after July 1, 2000 and in each case prior to July 1, 2014, the amount of the Member's most recent full longevity payment shall be included in the definition of Average Final Compensation.
 - h. Subject to Section B-1(f), all Members represented by DFFA who retire on or after July 1, 2008 and prior to July 1, 2014, may choose to receive the 3-year average of twenty-five percent (25%) of the unused accrued sick leave bank and have that sum included in the average compensation used to compute the Members' service Pension portion of their Retirement Allowance.
 - i. Subject to Section B-1(f), non-union uniformed Police and Fire executives represented by DPCOA who retire on or after January 15, 2010 and prior to July 1, 2014 may choose to receive the 3-year average of twenty-five percent (25%) of the unused accrued sick leave bank, and have that sum included in the Average Final Compensation used to compute the Members' service Pension portion of their Retirement Allowance.
 - j. Subject to Section B-1(f), a Member represented by DPLSA who retires on or after July 1, 2008 and prior to July 1, 2014 may choose to receive the 3-year average of twenty-five percent (25%) of eighty-five percent (85%) of his or her unused accrued sick leave bank, and have that sum included in the Average Final Compensation used to compute the Member's service Pension of their Retirement Allowance.
- (6) *Beneficiary* shall mean any person or persons (designated by a Member pursuant to procedures established by the Board) who are in receipt of a Retirement Allowance or Pension payable from funds of the Retirement System due to the participation of a Member.
- (7) *Decrement Probabilities* shall mean the probabilities of a Member's withdrawal from City employment, death while in the employ of the City, retirement from City employment with a Pension payable from funds of the Retirement System, and death after retirement.
- (8) *Final Compensation* shall mean the annual rate of earnable compensation of a Member at the earlier of (i) the time of termination of employment or (ii) June 30, 2014. Effective July 1, 1992 and prior to July 1, 2014, compensation shall also include the value of the percentage reduction in compensation for non-union employees, pursuant to ordinance, resolution or executive order. In cases of any doubt regarding these values, the decisions of the Board of Trustees shall be

controlling to implement the intention that no non-union employee will suffer a diminution of Pension benefits computation due to reduction in compensation because of fiscal emergency and that Pension benefits with respect to Fiscal Years beginning July 1, 1992 and ending June 30, 2014 should always be computed as if no reduction in compensation occurred due to ordinance, resolution or executive order or directive.

- (9) *Fire Employees* (formerly referred to as "Firemen") shall mean all employees of the Fire Department who have taken the oath of office as prescribed in Section 12 of Chapter XXI of Title IV of the 1918 Detroit City Charter employed therein prior to November 10, 1937, and who shall be in the employ of the Fire Department of the City of Detroit prior to the effective date of this amendment and restatement and, where the context requires, all persons who shall take the said oath of office and become members of the Fire Department thereafter.
- (10) *Fire Fighter* shall mean the rank in the Fire Department currently or previously classified by the civil service commission as Fire Fighter.
- (11) *Member* shall mean any member of the Retirement System who has not retired.
- (12) *Membership Service* shall mean the total service rendered as a Police Employee or Fire Employee prior to July 1, 2014.
- (13) *New Plan* shall mean the plan originally created by Title IX, Chapter VII, Article IV, Section 1(D) of the 1918 City of Detroit Charter as amended through June 30, 1974 and continued in effect through June 30, 2014 by Article 11, Section 102 of the City of Detroit Charter.
- (14) *Old Plan* shall mean the plan originally created by Title IX, Chapter VII, Article IV, Section 1(A) and (B) of the 1918 City of Detroit Charter as amended through June 30, 1974 and continued in effect through June 30, 2014 by Article 11, Section 102 of the City of Detroit Charter.
- (15) *Patrolman* shall mean the rank in the Police Department currently or previously known as patrolman.
- (16) *Pension* shall mean the portion of a Retirement Allowance which is paid for by appropriations made by the City and contributions made by any other entity.
- (17) *Pension Reserve* shall mean the present value of all payments to be made on account of any Pension, or benefit in lieu of any Pension, computed upon the basis of such mortality tables and Regular Interest as shall be adopted by the Board of Trustees.
- (18) *Police Employees* (formerly referred to as "Policemen") shall mean all employees of the Police Department who have taken the oath of office as prescribed in Section 12 of Chapter XXI of Title IV of the 1918 Detroit City Charter, and who shall be in the employ of the Police Department of the City of Detroit prior to the

effective date of this amendment and restatement and, where the context requires, all persons who shall take the said oath of office and become members of the Police Department thereafter.

- (19) *Prior Service* shall mean service in the military rendered prior to July 1, 2014 as provided in Section E-3.
- (20) *Regular Interest* shall mean, for a period of five years from the effective date of the Retirement System interest at four per centum per annum, compounded annually. For the subsequent five year period, and each five year period beginning thereafter but prior to July 1, 2013, Regular Interest shall be such rate of interest as the Board of Trustees, in its discretion, may determine and adopt. For Fiscal Years beginning on and after July 1, 2013:
 - a. the annual rate of return for purposes of determining the Regular Interest to be credited to a Member's account in the Annuity Savings Fund shall not be less than zero and shall not be greater than the lesser of (i) 5.25% or (ii) the actual investment return net of expenses of the Retirement System's invested reserves for the second Fiscal Year immediately preceding the Fiscal Year in which the Regular Interest is credited; and
 - b. the rate(s) of Regular Interest adopted by the Board from time to time as necessary for the operation of the Retirement System on an actuarial basis shall not violate the Plan of Adjustment.
- (21) *Retiree* shall mean any Member who has retired with a Pension payable from funds of the Retirement System.
- (22) *Retirement* shall mean for any Member that such Member has retired, with a Pension payable from the funds of the Retirement System.
- (23) *Retirement Allowance* shall mean the sum of the Annuity and the Pension.
- (24) *Retirement System or System* shall mean the Police and Fire Retirement System of the City of Detroit created and established by Title IX, Chapter VII of the 1918 Charter of the City as amended through June 30, 1974 and continued in effect by the provisions of the July 1, 1974 City Charter, and as set forth in the Combined Plan effective as of July 1, 2014 and this amendment and restatement of the Combined Plan.
- (25) *Salary Factors* shall mean the ratio between a Member's rate of compensation as of the date of an actuarial valuation of the Retirement System and his or her rate of compensation as of the earlier of (i) the date of his or her Retirement and (ii) June 30, 2014.
- (26) *Service* shall mean service with the City as a Police Employee or Fire Employee.

The following terms shall have the meanings given to them in the Sections of this Combined Plan Document set forth opposite such term:

2023 UAAL Amortization	Section K-3(3)b
Accrued Liability Fund	Section G-4(a)
additional years	Section F-9(a)(3)
Adjusted Pension Benefit	Section K-1(1)
Annuity Reserve Fund	Section G-3
Annuity Savings Fund	Section G-2(a)
ASF Return Excess	Section G-2(f)
Authority	Section K-2(1)
cash refund annuity	Section F-11(b)(1)
Cashable Sick Leave	Section B-1(f)
Certificate of Default	Section K-2(7)
COLA	Section K-1(1)
Deferred Retirement Option Plan (DROP)	Section B-1(h), Article I
Disability Retirement Review Board/DRRB	Section F-12(b)
Eligible Pensioner	Section K-2(5)
Estimated Adjusted Annual Household Income	Section K-2(3)b
Expense Fund	Section G-7
Federal Poverty Level	Section K-2(6)
Freeze	Section B-1
Freeze Date	Section B-1
Frozen Accrued Benefit	Section B-1(d)
Funding Conditions	Section K-1(1)
Funded Level	Section K-3(2)a
Funding Proceeds	Section G-4(a)
Funding Target	Section K-3(2)a, K-3(3)a, K-3(4)a
Governor	Section K-3(5)
Income Stabilization Benefit	Section K-2(2)
Income Stabilization Benefit Plus	Section K-2(3)
Income Stabilization Fund	Section K-2(4)
New Plan Member	Section F-2(b)
Old Plan Member	Section F-2(a)
Optional Forms	Section F-23
Option 1. Modified Cash Refund Annuity	Section F-23(a)(1)
Option 2. Joint and Last Survivorship Retirement Allowance	Section F-23(a)(2)
Option 3. Joint and Seventy-Five Percent Survivor Allowance	Section F-23(a)(3)
Option 3(A). Modified Joint and Last Survivorship Allowance	Section F-23(a)(4)
Option 3(B). Joint and Twenty-Five Percent Survivor Allowance	Section F-23(a)(5)
Participant Loan Program	Section J-1
Pension Accumulation Fund	Section G-5
Pension Funding Transaction	Section G-4(a)

Pension Improvement Factor (Escalator)
Pension Reserve Fund
Pension Restoration Agreement
Pop-up Form
Restoration Reserve Account
Restoration Reserve Suspension Trigger
Restoration Target
Sick Leave Election
Standard Form
State Treasurer
Straight Life Retirement Allowance
Survivors Benefit Fund
Transition Cost
UAAL
Waterfall Classes

Section F-14, K-1(1)
Section G-6
Section K-3
Section F-23(b)(ii)
Section K-3(2)a
Section K-3(2)d, K-3(3)a, K-3(4)a
Section K-3(2)a, K-3(3)a, K-3(4)a
Section B-1(f)
Section F-23(b)(i)
Section K-2(1)
Section F-23(a)
Section G-11
Section G-2(f)
Section G-4(a)
Section K-3(1)

ARTICLE D. MEMBERSHIP

Sec. D-1. Generally.

Subject to Section B-1, the membership of Component II of the Retirement System shall consist of the following:

- (a) All Police Employees and Fire Employees who were in service on or after July 1, 1941, but prior to January 1, 1969; provided, however, that any Police Employee or Fire Employee who, on or before July 1, 1941, shall have been in the employ of the Police or Fire Department for a period of twenty years, or who shall have a total of twenty years of creditable service, shall be excluded from the provisions hereof and shall retain for himself or herself, his or her wife, children, dependent mother and dependent sister all rights and privileges provided by Chapters XV and XXI of title IV of the 1918 Detroit City Charter, unless any such Police Employee or Fire Employee, on or before June 1, 1941, shall file with the City Controller his or her written election to become a Member of the Retirement System, in which event he or she shall be a Member; such excluded Police Employee not electing to become a Member, from and after July 1, 1941, while he or she remains an active member of the Police Department, shall pay five per cent of each salary payment into the fund for retired Police Employees, and any such excluded Fire Employee not electing to become a Member, from and after July 1, 1941, while he or she remains an active member of the Fire Department, shall pay five per cent of each salary payment into the Fire Department Pension and Retirement Fund, and such salary contributions shall hereafter be used toward the payments of Retirement Allowances provided for under Chapter XV, Section 14, subsections (1), (2), and (3) thereof. On retirement, the contributions of such excluded members shall cease.
- (b) All persons who became Police Employees or Fire Employees on or after July 1, 1941, but prior to January 1, 1969, and who are confirmed as Police Employees or Fire Employees according to the rules and regulations of the respective Departments shall thereupon become Members of the Retirement System, subject, however, to the following provisions:
 - (i) Any person who shall become a Police Employee or Fire Employee at an attained Age of thirty-one years or more may become a Member of the Retirement System only by vote of the Board of Trustees who shall fix the rate of contribution of such Member on a basis recommended by the Actuary for the attained Age of such Member.
 - (ii) Any appointive official of the Police Department or Fire Department appointed from the membership thereof shall be permitted to remain a Member of the Retirement System, paying contributions and entitled to benefits as though he or she had remained in the rank, grade or position held at the date of his or her appointment.

- (iii) Any Police Employee or Fire Employee who, prior to being confirmed, shall be killed or Totally Disabled as the result of the performance of active duty, shall be deemed to have been a Member of the Retirement System.
- (c) Any Member as defined in paragraph (a) or (b) of this Section D-1 who shall be transferred to a civilian position in his or her Department shall continue as a Member, subject to all the obligations of a Member.
- (d) All persons who became Police Employees or Fire Employees on or after January 1, 1969 and prior to July 1, 2014 and who are not individuals re-employed with the Police and Fire Departments on or after January 1, 1969 and prior to July 1, 2014, and who are confirmed as Police Employees or Fire Employees according to the rules and regulations of the respective Departments shall thereupon become Members of Component II of the Retirement System subject, however, to the following provisions:
 - (i) Any person who shall become a Police Employee or Fire Employee at an attained Age of thirty-one years or more may become a Member of the Retirement System only by vote of the Board of Trustees who shall fix the rate of contribution of such Member on a basis recommended by the actuary for the attained Age of such Member.
 - (ii) Any appointive official of the Police Department or Fire Department appointed from the membership thereof shall be permitted to remain a Member of the Retirement System, paying contributions and entitled to benefits as though he or she had remained in the rank, grade or position held at the date of his or her appointment.
 - (iii) Any Police Employee or Fire Employee who, prior to being confirmed, shall be killed or Totally Disabled as the result of the performance of active duty, shall be deemed to have been a Member of Component II of the Retirement System.
 - (iv) Any Member as defined in Section D-1(a), (b), or (c) who was separated from service by resignation or dismissal or discharge who subsequently again becomes a Member prior to July 1, 2014 shall be considered a Member for all purposes under this Component II under Section D-1(a), (b), or (c) and shall not be considered a Member under Section D-1(d).
 - (v) Any Member as defined in Section D-1(d) who shall be transferred to a civilian position in his or her Department shall continue as a Member, subject to all the obligations of a Member.

Sec. D-2. Membership election option prior to July 1, 2014.

Any person who is a Member as defined in Section D-1(a), (b), or (c) who was in active service on January 1, 1969, shall have had the option to elect to become a Member of the Retirement System as defined in Section D-1(d) by filing his or her written election with the Board of Trustees on or before January 31, 1969, or any Retiree who retired on or before

December 31, 1968, under the provisions of Article F, Part B, Section F-8, who returns to active service prior to July 1, 2014 shall have the option to elect to become a Member of Component II of this Retirement System as defined in Section D-1(d), by filing his or her written election with the Board of Trustees on or before the earlier of (i) thirty days after his or her return to active service and (ii) June 30, 2014. The election shall be effective on the date that it is filed with the Board of Trustees.

Sec. D-3. Cessation of membership.

- (a) Should a Member die or become a Retiree or be separated from service by resignation, dismissal, or disability, he or she shall thereupon cease to be a Member.
- (b) Any person who became a Member under Section D-1(a), (b), or (c) and ceases to be a Member, as provided in Section D-3(a), and who becomes a Police Employee or Fire Employee prior to July 1, 2014, shall again become a Member of Component II of the Retirement System, under section D-1(a), (b), or (c) subject to the provisions of Article G, Section G-2(d).
- (c) Any person who became a Member under Section D-1(d) and ceases to be a Member, as provided in Section D-3(a), and who becomes a Police Employee or Fire Employee prior to July 1, 2014, shall again become a Member of Component II of the Retirement System under Section D-1(d), subject to the provisions of Article G, Section G-2(d).
- (d) Any Member of the Retirement System from the Fire Department who retires as a Member of the Retirement System and who is rehired prior to July 1, 2014 as a civilian Member of the Fire Department may elect on or before June 30, 2014 to again become a Member of Component II of the Retirement System, subject to the provisions of Article G, Section G-2(d).

ARTICLE E. SERVICE CREDITABLE.

Sec. E-1. Members to file statement of service, etc.

Under such rules and regulations as the Board of Trustees shall adopt, each Police Employee and Fire Employee who shall become a Member prior to July 1, 2014 shall file a detailed statement of all prior service rendered by him or her as an employee of the Police Department or Fire Department, for which he or she claims credit, and of such other facts as the Board of Trustees may require, for the proper operation of the Retirement System.

Sec. E-2. Credit for service.

The Board of Trustees shall fix and determine by appropriate rules and regulations how much service in any year is equivalent to a year of service, but in no case shall less than six months' service constitute one year, nor shall more than one year of service be creditable for all service in one calendar year. The Board of Trustees shall not allow credit as service for any period of more than one month during which the Member was or shall be absent without pay provided that if a Member shall be transferred prior to July 1, 2014 from his or her Department payroll to the payroll of any city, county or state government or the federal government by his or her Department head during peace times, then such Member shall continue to be a Member of the System and shall be required to make regular contributions into the Annuity Savings Fund; and provided further, that if a Member, so transferred, shall fail to make such contributions for three consecutive months, he or she shall cease to be a Member of the Retirement System four months (of 31 days each) after the due date of his or her first defaulted Annuity contribution; and provided further, that any Member who was or shall be suspended from duty and subsequently reinstated to duty without further disciplinary action, shall receive total credit for the time of such period or periods of suspension, but in no case shall credit be granted for any period after June 30, 2014.

Sec. E-3. Employees in military service commencing prior to July 1, 2014.

- (a) If a Member of the Retirement System was drafted, or enlisted into military, naval, marine, or other service of the United States government during time of war, or if a Member was drafted into such service during time of peace, and prior to the earlier of (i) ninety days from the date of his or her separation from such government service or from the date peace was or shall be established by treaty, whichever date was or shall be earlier, and (ii) June 30, 2014 resumed or shall resume employment as a Police Employee or Fire Employee, then such government service rendered prior to July 1, 2014 shall be credited to him or her as a Member of the Retirement System. During the period of such government service of a Member, his or her contributions to the Annuity Savings Fund shall be suspended and the balance in the Annuity Savings Fund, standing to his or her credit as of the last payroll date preceding his or her leave of absence from the service of his or her Department shall be accumulated at Regular Interest. Prior to July 1, 2014, even though the applicant may have been unable to satisfy all the foregoing requirements, the Board of Trustees had the power to grant the privileges provided for by this section in exceptional or extraordinary cases.

(b) A Member on the City payroll on or after January 1, 1979 and prior to July 1, 2014 who, prior to employment in the City service, was called to or entered any full time military service of the United States during time of war, period of compulsory military service, or period of unusual emergency as defined in an ordinance of the City, shall have the required period of active duty which occurs prior to July 1, 2014 credited him or her as Membership Service, subject to the following conditions and limitations:

- (1) The Member files a written election with the Board of Trustees, before the earlier of (i) 180 days following the effective date of this provision or 180 days from the date of his or her first employment in the City service, whichever is most recent, and (ii) June 30, 2014, to claim military service credit under the provisions of this section. A Member who is included in a collective bargaining unit shall file a written election to claim military service credit with the Board of Trustees within 180 days following the date of a negotiated approval and acceptance of this section by his or her duly authorized bargaining agent as transmitted to the Board of Trustees by the Labor Relations Director or, in the case of Members hired subsequent to the transmittal of approval and acceptance by his or her duly authorized bargaining agent, within 180 days from the date of his or her first employment in the City service; provided that any such election is required to be filed prior to July 1, 2014.
- (2) The Member furnishes the Board of Trustees such information as the Board of Trustees determines necessary to verify the amount of military service claimed.
- (3) The Member pays to the Pension Accumulation Fund of the Retirement System an amount equal to five percent (5%) of the Member's annual rate of compensation at the time of payment multiplied by the years or parts of years of military service claimed.
- (4) The required payment shall be made under one of the following options:
 - a. Payment in full within 30 days of the election to claim military service.
 - b. Payment in equal bi-weekly installments by payroll deduction over a 36 month period starting 30 days following the election to claim military service. Interest shall accrue during the period of installment payments at the compound rate of 5 percent per annum. Payments must be completed prior to application for retirement.
 - c. If a Member has sufficient funds in the principal portion of his or her Annuity, he or she may authorize the Board to transfer such funds to the Pension Accumulation Fund to meet the required payment.
- (5) In the event a Member who has filed the required election of this benefit, and who would be eligible for a Pension in all respects except for paying the full

amount, dies prior to completion of the payment required in paragraph (4) preceding, the person otherwise entitled to a Retirement Allowance may pay the full amount due within 30 days of the Member's death to become eligible for an additional Pension credit under this section.

- (6) Military service credited under the provisions of Section 54-30-3(c) of the 1964 Detroit City Code shall not be claimed or credited under the provisions of this section.
- (7) Military service which is or will be the basis of service credit under any other public employee retirement program shall not be claimed or credited under the provisions of this section.
- (8) In no case shall more than 3 years of pre-employment military service be credited a Member on account of military service. For the purpose of this limitation, military service credited pursuant to Section 54-30-3(a) of the 1964 Detroit City Code shall be combined with military service created pursuant to this section.
- (9) The required payments made to the Pension Accumulation Fund for military service credit pursuant to this section shall, upon application by the Member or his or her estate, be returned without interest to any Member who dies or leaves City employment prior to being eligible for a Pension.
- (10) Only honorable military service during the following periods shall be covered by this Section E-3(b):

World War II — December 8, 1941 to July 1, 1946.

Korean Conflict — June 27, 1950 to December 31, 1953.

Vietnam Conflict — August 5, 1964 to May 7, 1975.
- (11) The military service credit pursuant to this section shall not apply toward meeting the minimum service and age requirements for vesting, for a non-duty disability Pension or for a service Pension. Such service credit may be used in meeting the minimum time needed for an automatic Option Two Pension in case of death of a Member.
- (12) In no case shall benefits be based on the military service credit provided by this section unless the Member shall have been credited a minimum of eight years of service credit not including military service credit.
- (13) Special service, contractual, part time, seasonal and summer camp employees are not eligible for the military service credit.

- (14) In cases of doubt, the Board of Trustees will determine whether a Member is entitled to the benefits of this section consistent with the requirements and limitations herein.
- (15) Any member of DFFA, DPCOA or DPLSA who performed military service prior to employment by the City and membership in the Retirement System may, prior to July 1 2014, claim service credit as a Member of the Retirement System for time spent in the military service.
- (16) Effective December 15, 2008, any member of DFFA, DPCOA or DPLSA who has performed any honorable military service prior to July 1, 2014 may, prior to July 1, 2014, claim up to thirty-six (36) months service in Pension time for time spent in the military. However, the Member will be required to purchase this military service credit as provided above.
- (17) Effective March 8, 2007, all DPOA bargaining unit members who have served in the military prior to July 1, 2014 may, prior to July 1, 2014, purchase a maximum of three (3) years Pension time.

Sec. E-4. Verification of service claimed.

Subject to the above restrictions and to such other rules and regulations as the Board of Trustees may adopt, the Board of Trustees shall verify, as soon as practicable after the filing of such statements of service, the service therein claimed.

Sec. E-5. Prior Service certificates.

Upon verification of the statements of service, the Board of Trustees shall issue Prior Service certificates, certifying to each Member the length of Prior Service rendered, with which he or she is credited. A Prior Service certificate shall be final and conclusive for retirement purposes as to such service; provided, however, that within one year from the date of issuance or modification of such certificate the Board of Trustees on its own motion or on the request of a Member may modify or correct the Prior Service certificate.

Sec. E-6. Creditable service at retirement.

Creditable service at retirement, on which the Retirement Allowance of a Member shall consist of the Membership Service rendered by him or her prior to July 1, 2014 and, if he or she has a Prior Service certificate in full force and effect as of July 1, 2014, the amount of service certified thereon.

ARTICLE F. BENEFITS PROVIDED TO MEMBERS

Part A - Service Retirement Allowance

Sec. F-1. Petition for retirement, mandatory age.

- (a) Any Member as defined in Article D, Section D-1 (a), (b), or (c) in service may file with the Board of Trustees his or her written application for retirement setting forth the date not less than fifteen days nor more than ninety days subsequent to the filing thereof, on which he or she desires to be retired; and provided the Board of Trustees shall determine that the Member, at the date so specified for his or her retirement will have a total of twenty-five years or more of creditable service he or she shall on the date specified be retired, notwithstanding that during such period of notification he or she may have separated from service.

Provided, further, that in the case of any Fire Fighter as defined in Article D, Section D-1 (a), (b) or (c) having served twenty-five years or more of creditable service, upon recommendation of the Board of Fire Commissioners, the Fire Fighter shall be retired forthwith, by the Board of Trustees.

- (b) Any Member as defined in Article D, Section D-1 (d) in service may file with the Board of Trustees his or her written application for retirement setting forth the date not less than fifteen days nor more than ninety days subsequent to the filing thereof, on which he or she desires to be retired; and provided the Board of Trustees shall determine that the Member, at the date so specified for his or her retirement, will have a total of twenty-five years (effective as of March 8, 2007, twenty years for members of DPOA and their fire equivalents) or more of creditable service and has attained Age fifty-five, he or she shall on the date specified be retired, notwithstanding that during such period of notification he or she may have separated from service.

Provided, further, that, effective July 1, 1983 for members of DPOA and fire equivalents and June 30, 1986 for DPLSA and fire equivalents and new Members, a Member described in Article D, Section D-1(d) shall be eligible to retire upon attainment of twenty-five years (effective as of March 8, 2007, twenty years for members of DPOA and their fire equivalents) or more of creditable service, regardless of Age. Effective July 1, 1998 (June 30, 2001 for DPOA members and their fire equivalents), the time on or before June 30, 2014 a Member is on layoff from service of the City shall be included in actual service rendered to the City for purposes of determining whether a Member has twenty-five years or twenty years of creditable service prior to July 1, 2014. The Pension benefit to which such Member is entitled shall be based only on his or her actual years of creditable service. Effective July 1, 1989, the minimum Age requirement for deferred Pensions payable for post 1969 Members represented by DPOA and hired before June 30, 1985 shall be eliminated.

Notwithstanding the foregoing provisions, effective October 15, 2014, a DPLSA member shall be eligible to terminate employment with the City and commence

receipt of a Retirement Allowance (or make an election to participate in the DROP program as provided in Article I) under this Component II provided the Member satisfies the following requirements:

<u>Fiscal Year</u>	<u>Age and Service</u>
2015	Age 45 and 24 years
2016	Age 46 and 23 years
2017	Age 47 and 23 years
2018	Age 48 and 22 years
2019	Age 49 and 23 years
2020 and thereafter	25 years of service

- (c) Effective June 30, 2001, any Member represented by DPOA and fire equivalents who has been laid off shall be eligible to retire at what would have been the Member's 25th anniversary. To determine eligibility for retirement, the Member's actual service time and time on lay off up to and including June 30, 2014 shall be combined. To calculate the Member's Retirement Allowance for members of DFFA, however, only actual service time through June 30, 2014 shall be used. For DFFA members having a parity relationship with the DPLSA and the DPCOA Inspector, only lay off time which occurred between July 1, 1973 and July 1, 1998 will be credited. Effective in accordance with the specific date and terms of the DPLSA award in Act 312 No. D98 F-0944, Members represented by DPCOA shall have the right to retire on their 25th anniversary date, notwithstanding any service time prior to July 1, 2014 they may have lost due to any layoffs, as provided in such award.
- (d) Any Member represented by DPOA who was hired on or after July 1, 1985 and who leaves City employment after being vested shall not be eligible for Pension benefits until said individual reaches his or her sixty-second birthday.
- (e) Any Member of the Retirement System as defined in Article D, Section D-1(a), (b), (c), and (d) who shall reach the Age of sixty years shall be retired forthwith, or on the first day of the calendar month next succeeding that in which the Member shall have reached Age sixty. On the written request of the Member and of the Commissioner of Police or the Board of Fire Commissioners, as the case may be, the Board of Trustees may continue such Member in active service for a period of two years beyond his or her sixtieth birthday, and on the expiration of such period, on like request, may continue such Member in active service for a further period of two years.
- (f) Any Member of the Retirement System who satisfies the requirements for a Pension as defined in Article F, Section F-5 shall be eligible upon ninety days notice to make an irrevocable election to receive an immediate Retirement Allowance, actuarially reduced for early commencement, in lieu of a deferred Retirement Allowance.
- (g) Any Member of the Retirement System who was in the service of the City on or after July 1, 1941 but prior to January 1, 1969 and who was still an active Member on July 1, 1983 for DPLSA and fire equivalents and July 1, 1986 for DPOA members and fire equivalents shall have the option of retiring under the Old Plan or the New Plan.

- (h) Pursuant to Section 411(e) of the Internal Revenue Code, as in effect in 1974, an employee shall be 100 percent vested in his or her Retirement System accrued benefit upon attaining normal retirement hereunder while in service.

Sec. F-2. Old Plan/New Plan

Effective July 1, 1986, Members of the Retirement System as defined under the terms of the Retirement System in effect on July 1, 1977, who were in service on or after July 1, 1941 but prior to January 1, 1969, and are active Members on July 1, 1986 shall have the option of retiring under the Old Plan or the New Plan.

- (a) *Amount of allowance – Old Plan Members.* Upon his or her retirement from service, a Member as defined in Article D, Section D-1(a), (b), or (c) (“Old Plan Member”) shall receive a straight life Retirement Allowance which shall consist of the benefits provided in paragraphs (1) and (2) below; and he or she shall have the right to elect an option provided for in Part H of this Article F:
- (1) An Annuity which shall be the Actuarial Equivalent of the Member’s Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her retirement; and
 - (2) A Pension which, when added to the Member’s Annuity, will provide a straight life Retirement Allowance equal to two percent (2.0%) of his or her Average Final Compensation, multiplied by the number of years, and fraction of a year, of his or her creditable service through the earlier of (i) the date of retirement and (ii) June 30, 2014, not to exceed twenty-five years; provided, that the Retirement Allowance of a Police Employee shall in no case exceed fifteen twenty-seconds of the maximum earnable compensation of a Patrolman and the Retirement Allowance of a Fire Fighter shall not exceed fifteen twenty-seconds of the maximum earnable compensation of a Fire Fighter (and if either or both of the said ranks shall be hereafter abolished, the equivalent thereof), each as of the earlier of (i) the date of retirement and (ii) June 30, 2014. The foregoing Pension limitation shall not apply to any Police Employee or Fire Employee who on July 1, 1941, shall be entitled to a certificate for twenty years or more of prior service and who remains under the provisions of Chapter XV or Chapter XXI of Title IV of the 1918 Detroit City Charter.
- (b) *Amount of allowance – New Plan Members.* Upon his or her retirement from service, a Member as defined in Article D, Section D-1(d) (“New Plan Member”) shall receive a straight life Retirement Allowance which shall consist of the benefits provided in paragraphs (1) and (2) below; and he or she shall have the right to elect an option provided for in Part H of this Article F:
- (1) An Annuity which shall be the Actuarial Equivalent of the Member’s Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her retirement; and

- (2) A Pension which, when added to his or her Annuity, will provide a straight life Retirement Allowance equal to:
- a. two and one-half percent (2.5%) of the Member's Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service each as of the earlier of (i) the date of retirement and (ii) June 30, 2014, for the first twenty-five (25) years of such service; and
 - b. two and one-tenths percent (2.1%) of the Member's Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service each as of the earlier of (i) the date of retirement and (ii) June 30, 2014 in excess of twenty-five (25) years, subject to a maximum of thirty-five (35) years.

Sec. F-3. Pension Multiplier

- (a) Notwithstanding Section F-2(a)(2) and F-2(b)(2), effective July 1, 1992 each Member who retires on or after that date shall be entitled to a Pension which, when added to the Annuity, will provide a straight life Retirement Allowance equal to 2.1% of his or her Average Final Compensation, multiplied by the number of years and fraction of a year, of his or her creditable service each as of the earlier of (i) the date of retirement and (ii) June 30, 2014, not to exceed thirty-five (35) years of service for New Plan Members and twenty-five (25) years of service for Old Plan Members.
- (b) Effective July 1, 1997 or for DPCOA members the effective date of the CET-DPCOA, each Member who retires shall be entitled to a Pension which when added to the Annuity will provide a straight life Retirement Allowance equal to 2.5% (or 2.1% for DPCOA members) of his or her Average Final Compensation multiplied by the number of years and fraction of year of his or her creditable service each as of the earlier of (i) the date of retirement and (ii) June 30, 2014 for the first twenty-five (25) years or, in the case of a DPCOA member of his or her creditable service earned or accrued on or after the effective date of the CET-DPCOA and prior to July 1, 2014. For Members represented by DFFA, DPCOA and DPLSA, the multiplier shall be 2.1% for each year of service through June 30, 2014 over twenty-five (25) years. Maximum years of service for Pension credit shall be thirty-five (35) years for New Plan Members and twenty-five (25) years for Old Plan Members.
- (c) Effective September 1, 2011, each Member represented by DPOA who retires shall only be entitled to a Pension which, when added to the Annuity, will provide a straight life Retirement Allowance equal to 2.1% of his or her Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service earned or accrued on or after September 1, 2011 and prior to July 1, 2014. Hence, for the first twenty-five (25) years of service accrued on or after September 1, 2011 and prior to July 1, 2014, the multiplier shall no longer be 2.5%; rather, 2.1%. Maximum years of service for Pension credit shall be thirty-five (35) years for New Plan Members and twenty-five (25) years for Old Plan Members.

Service credit accrued prior to September 1, 2011 will be unaffected by this Section F-3(c).

- (d) Each DPLSA member who retires shall only be entitled to a Pension which, when added to the Annuity, will provide a straight life Retirement Allowance equal to 2.1% of his or her Average Final Compensation multiplied by the number of years and fraction of a year of his or her creditable service earned or accrued following the date of the Act 312 Award in D09 G-0786 and prior to July 1, 2014. Hence, for the first twenty-five (25) years of service accrued after the date of the Act 312 Award and prior to July 1, 2014, the multiplier shall no longer be 2.5% as stated in paragraph (b) above. Maximum years of service for Pension credit shall be thirty-five (35) years for New Plan Members and twenty-five (25) years for Old Plan Members.

Sec. F-4. Disposition of surplus benefits upon death of retired member.

In the event a retired Member dies before he or she has received in straight life Retirement Allowance payments an aggregate amount equal to his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her retirement, the difference between his or her said Accumulated Contributions and the said aggregate amount of straight life Retirement Allowance payments received by him or her shall be paid to such person or persons as he or she shall have nominated by written designation duly executed and filed with the Board of Trustees. If there is no such designated person or persons surviving the said deceased Retiree such difference, if any, shall be paid to his or her legal representative. No benefits shall be paid under this Section F-4 on account of the death of such a retired Member if he or she had elected Option 1, 2, 3, 3A or 3B provided for in Part H of this Article F.

Sec. F-5. Retirement allowance for certain persons leaving City employment after eight years service (40 & 8).

- (a) Should any DPLSA member or any fire equivalent who (1) has attained age forty years of Age, and (2) has acquired eight or more years of credited service, or any Member who terminates employment with the City on or after August 29, 2003 with ten or more years of credited service leave the employ of the Police Department or Fire Department prior to the date he or she would have first become eligible to retire as provided in this Part A, for any reason except his or her retirement or death, he or she shall be entitled to a Retirement Allowance computed according to Section F-2 (a) or (b) of this Article F, whichever is applicable, as said Section was in force as of the earlier of (i) the date his or her employment with the City last terminated or (ii) June 30, 2014; provided, that he or she does not withdraw his or her Accumulated Contributions from the Annuity Savings Fund. The Member's Retirement Allowance shall begin the first day of the calendar month next following the month in which his or her application for benefits is filed with the Board of Trustees, on or after the date he or she would have been eligible to retire had he or she continued in City employment. Notwithstanding the foregoing, prior to March 3, 2008 the Retirement Allowance of a DPOA member or a fire equivalent hired on or after July 1, 1985 shall not begin prior to the date on which the Member reaches his or her sixty-second

birthday. Unless otherwise provided in this Component II, such person shall not receive service credit for the period of his or her absence from the City Police Department and/or Fire Department employ prior to July 1, 2014, nor shall his or her Beneficiary be entitled to any other benefit afforded in this Component II, except the benefits provided in Part A, Section F-2(a) or (b) or Part F of this Article F, whichever is applicable, subject to the above provisions, notwithstanding, his or her membership has terminated.

- (b) Effective August 28, 2003, DPOA members and fire equivalents who terminate employment after ten (10) years of service shall be vested and shall have all options afforded to 40 & 8 Retirees.

Sec. F-6. Reduced Early Pension Benefits (40 & 8 Vesting Retirees)

- (a) Members who terminate employment and who are eligible for a Pension pursuant to Article F, Part A, Section F-5 of Component II (40 & 8) shall have the option of receiving an immediate, but reduced early Pension benefit in lieu of a deferred Pension.
- (b) This reduced early Pension benefit shall not result in an increase in City contribution rates; therefore, the value of the Reduced Early Pension Benefit shall be the Actuarial Equivalent of the 40 & 8 Pension.
- (c) For employees represented by DFFA in ranks or classifications with a parity relationship to employees represented by the DPLSA and employees in higher ranks or classifications, upon termination, a vested employee must within 90 calendar days make an irrevocable election as to whether or not to take this option.
- (d) Individuals represented by DFFA, DPOA or DPLSA, who terminated employment prior to July 1, 1986, are not eligible for this option.
- (e) An employee who receives a lump sum payment for accumulated time upon termination is not allowed to have that time count towards his or her retirement service.
- (f) Since Members (other than DPOA and fire equivalents) are eligible to begin collecting their vested Pension as soon as they would have been eligible to retire had they continued their City employment, minimum retirement age (i.e., Age 55) shall not be a factor in computing the actuarially reduced Pension benefit.
- (g) All DFFA members, except those members in ranks or classifications with a parity relationship to employees represented by the DPOA, electing to receive the reduced early Pension benefits shall receive from the City upon separation full pay for fifty percent (50%) of the unused sick bank amounts. This provision shall have no effect on a Member electing to receive the deferred 40 & 8 vested Pension who shall continue to be reimbursed for unused sick time in accordance with an applicable collective bargaining agreement.

Part B — Total Disability Pension and Retirement Allowances

Sec. F-7. Duty disability.

If a Member shall become Totally Disabled for duty by reason of injury, illness or disease resulting from performance of duty and if the Board of Trustees shall find such injury, illness or disease to have resulted from the performance of duty, on written application to the Board of Trustees by or on behalf of such Member or by the head of his or her Department such Member shall be retired, notwithstanding that during such period of notification he or she may have separated from service; provided, the Medical Director, after examination of such Member shall certify to the Board of Trustees his or her Total Disability. If said Member was separated from service after filing of the written application, and he or she had attained twenty-five years or more of service prior to the date of separation, the Board of Trustees, shall retire said Member, under this Part B.

Sec. F-8. Duty disability benefits; Members in service on or after July 1, 1941 but prior to January 1, 1969.

- (a) A Member, as defined under Article D, Section D-1(a), (b), or (c), shall receive the following benefits:
 - (1) Each such Member shall receive a disability Pension of fifty percent (50%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation at the earlier of (i) the time of disability retirement and (ii) June 30, 2014. On the date that a Member, who retired under Section F-7 and who receives benefits under this Section F-8, would have accrued twenty-five years of creditable service had the Member continued in active service, or on the date that the Member reaches age sixty, whichever comes first, the Member shall be eligible for optional benefits as provided Part H of this Article F.
 - (2) In addition to the disability Pension provided for in Section F-8(a)(1), any Member who receives a disability Pension pursuant to Section F-8(a)(1) and has not accrued a total of twenty-five (25) years of creditable service as of the earlier of (i) the date of the Member's disability retirement and (ii) June 30, 2014 shall receive a supplemental disability payment in the amount of sixteen and two-thirds percent (16-2/3%) of the Member's Average Final Compensation at the earlier of (i) the time of disability retirement or (ii) June 30, 2014. This supplemental payment shall terminate upon the expiration of the period when a Member who retired under Section F-7 of this Part B and who receives benefits under Section F-8(a)(1) would have accrued twenty-five years of creditable service had the Member continued in active service, or on the date that the Member reaches Age sixty, whichever comes first.

Effective July 1, 1992 for DPLSA members, the Average Final Compensation used in this computation shall mean the current maximum salary for the rank(s), grade(s) or position(s) which would have been held by the Member over the sixty

months prior to the earlier of (i) the date of retirement (reduced disability/service retirement when the Member would have attained a total of twenty-five years of credited service) had he or she continued working in that classification which he or she held at the time of his or her disability or (ii) June 30, 2014. For Members who begin receiving such benefits on or after July 1, 1998 and before July 1, 2014, the amount of the Member's most recent full longevity payment shall be included in the definition of Average Final Compensation.

Effective July 1, 1992 for DFFA and DPOA members, the Average Final Compensation used in this computation shall be the highest average annual compensation that would have been received by such a Member had he or she continued working in the classification he or she held at the time of his or her disability, during any period of five consecutive years, selected by the Member, contained within the last ten years immediately preceding the earlier of (i) expiration of the period when the Member would have attained a total twenty-five years of creditable service and (ii) June 30, 2014.

Effective July 1, 2000, the Average Final Compensation used in this computation shall mean the current maximum salary, including the annual longevity payment provided above, for the rank(s), grade(s) or position(s) which would have been held by the Member over the thirty-six (36) months prior to the earlier of (i) the date of disability retirement or (ii) June 30, 2014.

- (3) In the case of a Member retired under Section F-8 who receives benefits under F-8(a)(1) and F-8(a)(2), the Accumulated Contributions standing to the Member's credit at the date of retirement shall continue to be held in the Annuity Savings Fund and Regular Interest shall be credited thereto. If such Member dies before the date upon which the Member would have achieved a total of twenty-five years of creditable service had the Member continued in active service and before such Member reaches Age sixty, the balance of the member's Annuity Savings Account including interest thereon shall be paid as provided in Part D and Part E of this Article F.
- (b) This Section shall be applicable only to those Members receiving benefits on the date of adoption of this Section who are not covered by the arbitration decision regarding the DPOA which became effective July 1, 1995, or the arbitration decision regarding the DPLSA which became effective June 30, 1998.
- (c) This Section does not rescind any substantive rights of disability Retirees from the Retirement System who retired prior to the July 1, 1995 arbitration award, or the substantive rights of disability Retirees from the DPLSA who retired prior to the June 30, 1998 arbitration award.
- (d) This Section does not amend any computations used to determine disability benefits payable under this Section F-8, or result in an increase or decrease in such disability benefits.

Sec. F-9. Duty disability benefits; Members beginning service on or after January 1, 1969 and becoming disabled prior to the dates set forth in Section F-10.

- (a) A Member, as defined under Article D, Section D-1(d), who retired under Section F-7, shall receive the following benefits:
- (1) Each such Member shall receive a disability Pension of fifty percent (50%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation at the earlier of (i) the time of disability retirement or (ii) June 30, 2014. On the date that a Member who retired under Section F-7 of this Part B and who receives benefits under this Section would have accrued twenty-five years of creditable service had the Member continued in active service, or on the date that the Member reaches Age sixty, whichever comes first, the Member shall be eligible for optional benefits as provided Part H of this Article F.
 - (2) In addition to the disability Pension provided for in Section F-8(a)(1) of this Part B, any Member who receives a disability Pension pursuant to Section F-9(a)(1) of this Part B and who has not accrued a total of twenty-five years or more of creditable service as of the date of the Member's disability retirement shall receive a supplemental disability payment in the amount of sixteen and two-thirds percent (16-2/3%) of the Member's Average Final Compensation at the time of the Member's disability retirement. This supplemental payment shall terminate when a Member who retires under Section F-7 and who receives benefits under Section F-9(a)(1) would have accrued twenty-five years of creditable service had he or she continued in active service or on the date that the Member reaches Age sixty, whichever comes first.
 - (3) In addition to the disability Pension provided for in Section F-9, any Member who receives a disability Pension pursuant to Section F-9(a)(1) and who has accrued more than twenty-five years ("additional years") of creditable service as of the earlier of (i) the date of the Member's disability retirement and (ii) June 30, 2014 shall receive another supplemental disability payment equal to two percent (2%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation as of the earlier of such dates, multiplied by the number of additional years of creditable service the Member has accrued; provided, however, that such supplemental disability payment shall not exceed twenty percent (20%), or such other higher percentage that is in effect and applies to such Member, of the Member's Average Final Compensation as of the earlier of (i) the date of the Member's disability retirement and (ii) June 30, 2014.
 - (4) In the case of a Member who retires under Section F-7 and who receives benefits described under Section F-9(a)(1) through (3), the Accumulated Contributions standing to the Member's credit at the date of disability retirement shall continue to be held in a separate fund in the Annuity Savings Fund and Regular Interest shall be credited thereto. If such Member dies prior

to the time when the Member would have achieved a total of twenty-five years of creditable service had the Member continued in active service and before such Member reaches Age sixty, the amount of the Member's Accumulated Contributions so set aside and interest thereon shall be paid as provided in Part D and Part E of this Article. F

- (5) The amendment of Section F-9(a)(1) shall not result in an increase or decrease in the amount of disability benefits payable to Members.
- (b) This Section shall be applicable to those Members receiving benefits on the effective date of this Section F who are not covered by the arbitration decision regarding the DPOA which became effective July 1, 1995, or the arbitration decision regarding the DPLSA which became effective June 30, 1998. This Section does not rescind any substantive rights of disability Retirees from the Retirement System who retired prior to the July 1, 1995 arbitration award, or the substantive rights of disability Retirees from DPLSA who retired prior to the June 30, 1998 arbitration award.
- (c) This Section does not amend any computations used to determine benefits under Section F-9 of this Part, or result in an increase or decrease in such benefits.

Sec. F-10. Duty Disability benefits; DFFA, DPOA and DPLSA members beginning service on or after January 1, 1969 and becoming disabled on or after the dates set forth below.

- (a) This Section F-10 shall be applicable to:
 - (1) DFFA employees who file applications for disability retirement on or after July 1, 1995 and who have a parity relationship with the DPOA and on or after June 30, 1998, for DFFA employees with a parity relationship with the DPLSA and the DPCOA Inspector;
 - (2) all DPLSA employees who file applications for disability retirement on or after June 30, 1998; and
 - (3) all DPOA members who file applications for disability retirement on or after July 1, 1995.
- (b) A Member who retires as a result of duty disability shall receive for a period of twenty-four months the sum of:
 - (i) a basic benefit equal to 50% of the Member's Final Compensation at the earlier of (i) the time his or her duty disability retirement begins or (ii) June 30, 2014; and
 - (ii) a supplemental benefit equal to 16-2/3% of the Member's Final Compensation at the earlier of (i) the time his or her duty disability retirement begins or (ii) June 30, 2014.

Subject to Sections K-1 and K-3, on July 1st of each year, the benefits determined under paragraphs (i) and (ii) above then payable will each be increased by adding to said amounts the product of the initial amount of said benefit which was computed at the time the duty disability retirement began and the applicable Pension Improvement Factor (Escalator).

- (c) After a Member receives benefits hereunder for a period of twenty-four months, the Board will determine whether the Member is disabled from any occupation. If the Member is disabled from any occupation, the Member shall continue to receive the benefit provided in paragraphs (b)(i) and (b)(ii) until such time as the Member would have attained twenty-five years of creditable service had he or she continued in active service with the City. At that time, the Member shall continue to receive the benefit described in paragraph (b)(i) above; however, benefits described in paragraph (b)(ii) above will cease. If the Member is not disabled from any occupation, he or she shall continue to receive the benefit described in paragraph (b)(i) above; benefits described in paragraph (b)(ii) will cease.
- (d) Duty disability retirement benefits shall continue to be paid to a Member on duty disability retirement after the Member has attained twenty-five years of creditable service, to the earlier of (i) the Member's attainment of Age sixty-five, or (ii) termination of disability as determined by the Board. Upon termination of disability or attainment of Age sixty-five, a Member with twenty-five years of creditable service shall be eligible to receive a service Retirement Allowance. The amount of such service Retirement Allowance shall be the same amount which would have been payable if the conversion from duty disability retirement to service retirement had occurred at the date of attaining twenty-five years of creditable service. In the event that the examinations and/or investigations conducted by the Police Department result in a determination that a DPOA Member is not qualified for reappointment as a Police Employee for medical reasons, disability benefits will be continued.
- (e) If a Member on duty disability retirement returns to active service and within a twenty-four month period re-qualifies for duty disability retirement for the same or related reasons he or she had been retired, then the disability shall be deemed a continuation of the prior disabling condition and the period of the return to work will not have caused the Member to be entitled to a new initial determination of benefit amounts as set forth in paragraph (b) above. Instead, such Member will return to retirement at the point he or she had reached in sub-paragraphs (b), (c) or (d) above as if there had not been a break in his or her period of placement on duty disability retirement.
- (f) Disability retirement benefits shall continue to be considered benefits provided by the City pursuant to the 1918 Detroit City Charter, as amended, which are paid instead of and not in addition to any benefits under the State Workers' Disability Compensation Act.
- (g) Survivor benefit coverage applicable to active Members shall be continued during the period a Member is eligible for a duty disability benefit. Upon conversion to a

service Retirement Allowance as provided in paragraph (d), automatic survivor benefit coverage shall terminate. At that time, the Member shall have the right to elect an optional form of payment in the same manner as if he or she had retired from active membership on the conversion date.

(h) Pension Credit While on Duty Disability Status

- (1) While a Member is eligible to receive duty disability benefits, the Member shall continue to accrue Pension service credit.
- (2) The accrual of Pension service credit under paragraph (h)(1) will cease on the earlier of (i) the date the Member has twenty-five years of creditable service, or (ii) June 30, 2014.

(i) Earnings Offset

- (1) In the event that a recipient of a duty disability retirement benefit receives earned income from gainful employment during a calendar year, the amount of the Member's disability benefit payable during the next subsequent Fiscal Year will be adjusted so it does not exceed the difference between (i) the Member's base salary at the date of disability, increased by 2.25% times the number of full years from the date of disability to the year in which the earnings offset is applied, and (ii) the amount of remuneration from gainful employment during the prior calendar year.
- (2) The earnings test shall be based on information the Board may periodically require from a duty disability benefit recipient or has secured from other reliable sources. Furnishing such information shall be a condition for a Member's continued eligibility for a duty disability benefit. In the event a Member's Retirement Allowance was not appropriately reduced for any period in which he or she is engaged in a gainful occupation, the Board shall adjust future benefit payments to such Member until the amount of the overpayment is recouped by the Retirement System.

- (j) The Annuity withdrawal provision of the Retirement System will continue to apply to Members on duty disability. If a duty disability recipient elects Annuity withdrawal after attaining twenty-five years of creditable service, the applicable benefit reduction will offset the duty disability benefit until the conversion date, after which it will offset the converted service Retirement Allowance.

Sec. F-11. Non-duty disability.

- (a) On written application to the Board by or on behalf of a Member or by the head of his or her Department, a Member, who becomes Totally Disabled for duty by reason of injury, illness or disease not resulting from the performance of duty as determined by the Board of Trustees, shall be retired by the Board of Trustees. If said Member was separated from service after the filing of the written application and had attained

twenty-five years or more of creditable service prior to the date of separation, the Board shall retire said Member, under this Part B.

(b) A Member retired under paragraph (a) above shall receive the following applicable benefits:

- (1) If such Member has less than five years of creditable service at the time of his or her disability retirement, his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund shall be returned to the Member, or at his or her option, he or she shall receive a cash refund annuity which shall be the Actuarial Equivalent of his or her Accumulated Contributions. For purposes of this Section F-11(b)(1), a "cash refund annuity" is an annuity that provides a death benefit equal to the positive difference, if any, between the original cost of the annuity and the sum of annuity payments received by the Member prior to his or her death.
- (2) If such Member has five or more years of creditable service at the time of his or her disability retirement, he or she shall receive a disability Retirement Allowance computed in accordance with the provisions of this Article F, Part A, Section F-2(a) or (b), whichever is applicable, and he or she shall have the right to elect an Option provided for in Part H of this Article F. The Member's Straight Life Retirement Allowance shall not be less than twenty per cent of his or her Average Final Compensation as of the earlier of (i) the date of his or her disability retirement and (ii) June 30, 2014. Such Retirement Allowance shall be subject to Parts I and K of this Article F.
- (3) If a Member receiving non-duty disability benefits has any Accumulated Contributions standing to his or her credit in the Annuity Savings Fund when the Member would have attained twenty-five years (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) of creditable service, such Member may withdraw the balance of such Accumulated Contributions at that time.
- (4) If a Member receiving non-duty disability retirement benefits is or becomes engaged in a gainful occupation, business, or employment paying more than the difference between the disabled Member's Retirement Allowance and Average Final Compensation, the Member's Retirement Allowance shall be reduced by the amount of such difference. If the amount of the Member's earnings changes, the Retirement Allowance may be adjusted accordingly. The amount of income received by a Member shall be determined by the Board based upon information received from the Member or based upon information secured from other reliable sources. Furnishing such information to the Board at such times as the Board shall require shall be a condition for the Member's continued eligibility for non-duty disability benefits. In the event a Member's Retirement Allowance was not appropriately reduced for any period in which he or she is engaged in a gainful occupation, the Board

shall adjust future benefit payments to such Member until the amount of the overpayment is recouped by the Retirement System.

Sec. F-12. Disability retirement procedures.

- (a) The Board shall establish procedures for determining whether a Member is disabled. Such procedures shall be consistent with any collective bargaining agreements between the City and the unions covering Police Employees and Fire Employees.
- (b) If a Member is determined to be disabled, the Board or its designee will examine the pension file, including the submissions of the Member and the Police or Fire Department, to determine if there is any dispute as to whether the disability "resulted from the performance of duty" within the meaning of the Combined Plan. If it is undisputed that the disability did result from the performance of duty, the Board will grant duty disability retirement benefits. If it is undisputed that the disability did not result from the performance of duty, the Board will grant non-duty disability retirement benefits, provided the Member meets the other conditions of eligibility. If the performance of duty issue is in dispute, the Board will refer the matter to arbitration by a member of the Disability Retirement Review Board ("DRRB"). The decision of the DRRB member as to whether the disability resulted from the performance of duty shall be final and binding upon the Member, the Department and the Board. The DRRB shall consist of three qualified arbitrators who will be individually assigned in rotating order to decide the matters referred to arbitration by the Board. The three members of the DRRB shall be disinterested persons qualified as labor arbitrators and shall be selected in accordance with agreements between the City and the unions representing Members. The procedure for the termination of DRRB members and the selection of new DRRB members also shall be carried out in accordance with the agreements between the City and the unions representing Members.
- (c) The hearing before a member of the DRRB will be conducted in accordance with the following procedures:
 - (1) The Member and the City will have the right to appear in person or otherwise may be represented by counsel if they wish and will be afforded an equal opportunity to present evidence relevant to the issues;
 - (2) A court reporter will be present and make a stenographic record of the proceedings;
 - (3) The hearing will be closed to the public, except that the Member may select one person to be with him or her in the hearing room; provided, however, that person may not testify;
 - (4) The witnesses will be sequestered;
 - (5) The witnesses will be sworn by the court reporter and testify under oath;

- (6) The Member may not be called by the City as an adverse witness;
 - (7) The DRRB member will apply the rules of evidence and follow the procedures which are customarily applied and followed in labor arbitration cases;
 - (8) If the Member wishes to have an employee of the City released from duty to appear as a witness on his or her behalf, the Member may so inform the Board in writing which, in turn, will submit a written request to the appropriate Department for the release of the employee for the purpose of so testifying;
 - (9) The DRRB member will afford the parties an opportunity for the presentation of oral argument and/or the submission of briefs;
 - (10) The DRRB member will issue a written decision containing credibility resolutions as necessary, findings of fact and conclusions with respect to all relevant issues in dispute;
 - (11) The authority of the DRRB member is limited to deciding whether or not the Member's disability "resulted from the performance of duty" within the meaning of the Combined Plan. The DRRB member shall have no authority to add to, subtract from, modify or disregard the terms of the Combined Plan; and
 - (12) The costs associated with the hearing, including the arbitrator's fees and expenses and the court reporter's fees and expenses, will be paid by the Retirement System.
- (d) If a disabled Member is determined by the Board or its delegate to no longer be disabled, he or she may appeal that determination within seven (7) days thereof by filing a written request with the Board for a re-examination. The Board shall promptly arrange for such re-examination. The Member's disability benefits will be continued pending that final and binding medical finding, and if the finding is that the Member is no longer disabled, his or her disability benefits will be further continued while the Police or Fire Department conducts such examinations and/or investigations as necessary to determine whether the Member is qualified for reappointment to active duty. In the event that the examinations and/or investigations conducted by the Police Department result in a determination that a Member represented by DPLSA is not qualified, for medical reasons, for reappointment to active duty, disability benefits will be continued.
- (e) The Board shall not act upon or grant the application filed by a Member who, although he or she is not capable of performing the full duties of a Police Employee or Fire Employee, has not suffered any diminishment of his or her base wages or benefits because he or she is either:

- (1) regularly assigned to a position, the full duties of which he or she is capable of performing; or
 - (2) assigned to a restricted duty position, unless the Member's Department advises that it intends to seek a disability retirement for the Member in the foreseeable future.
- (f) The provisions in paragraph (e) above are not intended to and will not:
- (1) affect the right of a Member to seek a disability retirement when no restricted duty position is available; or
 - (2) restrict in any way the existing authority of the Chief of Police or the Fire Commissioner to seek a duty or non-duty disability retirement for a Member or for that Member, at that time, to request a duty or non-duty disability retirement.
- (g) DPCOA and DPLSA members who are retired on disability Pensions pursuant to this Part B prior to July 1, 2014 shall be entitled to lump sum payments of all accumulated time from the date that the Board of Trustees determines that they are entitled to such a Pension but not later than June 30, 2014. These members shall not be required to utilize such time delaying their retirement dates.

Part C — Escalation and Change in Compensation, Rank

Sec. F-13. Generally.

Subject to Sections K-1(1) and K-3, if hereafter the rate of compensation of the rank, grade or position on which the service Retirement Allowance, disability Pension or disability Retirement Allowance of a Member who was hired prior to July 1, 1969 or is a Beneficiary of such a Member as defined in Article D, Section D-1(a), (b), or (c) is based shall be changed, his or her service Retirement Allowance, disability Pension, or disability Retirement Allowance shall be changed proportionately, and if such rank, grade, or position shall have been abolished, his or her service Retirement Allowance, disability Pension, or disability Retirement Allowance shall be changed in proportion to the change made in the compensation of the existing rank, grade, or position most nearly approximating the rank, grade, or position so abolished.

Sec. F-14. Increase of Benefits; Pension Improvement Factor (Escalator).

On and after July 1, 1969, and the first of July of each year thereafter until July 1, 1992, the Pension portion of any Retirement Allowance or death benefit of a Member or Beneficiary of a Member as defined in Article D, Section D-1(d), which is paid or payable under this Component II shall be increased at the rate of two per cent (2.0%) per annum computed on the basis of the amount of the Pension received at the time of retirement.

Subject to Sections K-1(1) and K-3, on or after July 1, 1992 and the first of July each year thereafter, the Pension portion of any Retirement Allowance or death benefit of a Member or Beneficiary of a Member as defined in Article D, Section D-1(d), (including those Members

who opt to retire under the New Plan provisions) shall be increased at the rate of two and twenty-five one-hundredths per cent (2.25%) per annum computed on the basis of the amount of the Pension received at the time of retirement.

Subject to Sections K-1(1) and K-3, effective for Members who retire on or after July 1, 1997 (July 1, 1998 for DPCOA members, DPLSA members and DFFA members with a parity relationship with DPCOA and July 1, 2001 for DPOA members and their fire equivalents), the Pension Improvement Factor (Escalator) described in this Section shall be re-computed each Fiscal Year on the basis of the amount of Pension received in the previous Fiscal Year (i.e., the 2.25% per annum escalation amount shall be compounded).

Pension benefits for DPCOA members under Component II based on service rendered after November 30, 2012 shall not be subject to any escalation amounts.

The Pension portion of any Retirement Allowance or death benefit of a Member, or Beneficiary of a Member as defined in Article D, Section D-1(d) of the Combined Plan provisions, and Article 51.G. of the DPLSA collective bargaining agreement or Article 3.K. of the DPOA collective bargaining agreement (to include those Members who opt out to retire under the New Plan provisions) earned after April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members), shall not be increased whatsoever, per annum or otherwise. Subject to Sections K-1(1) and K-3, the Pension portion of any Retirement Allowance or death benefit of a Member, or Beneficiary of a Member as defined herein, accrued prior to April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members), shall still be increased as provided herein. Hence, Pension benefits earned based on service rendered after April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members) will no longer receive the 2.25% per annum escalation amount. Subject to the Plan of Adjustment, the 2.25% per annum escalation amount shall continue to apply to Pension benefits earned based on service rendered before April 1, 2011 (for DPLSA members) or September 1, 2011 (for DPOA members).

Sec. F-15. Payment.

Subject to Sections K-1(1) and K-3, the escalation factor contained in Section F-14 above shall be payable to the Member or Beneficiary of a Member as defined in Article D, Section D-1(d), notwithstanding any Retirement Allowance or Pension amount limitation provisions in this Component II to the contrary.

Part D — Death Benefits.

Sec. F-16. Generally.

If a Member, or a Retiree who was a Member, is killed in the performance of his or her duty or dies as the result of illness contracted or injuries received while in the performance of his or her duty and such death, illness or injuries resulting in death, is found by the Board of Trustees to have resulted from the performance of his or her duty, the following applicable benefits shall be paid, subject to Part I, Section F-25, of this Article F.

- (a) The Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her death shall be paid to such person or persons as he or

she shall have nominated by written designation duly executed and filed with the Board of Trustees. If there is no such designated person surviving, his or her said Accumulated Contributions shall be paid to his or her legal representative, subject to paragraph (e) of this Section F-16.

- (b) A Member's surviving Spouse shall receive a Pension of five-elevenths of the maximum earnable compensation for the rank of Patrolman or Fire Fighter as the case may be determined as of the earlier of (i) the date of death or (ii) June 30, 2014. If his or her child or children under Age eighteen years also survive the deceased Member each such child shall receive a Pension of one-tenth of such maximum earnable compensation as of the earlier of (i) the date of death or (ii) June 30, 2014; provided, that if there are more than two such surviving children under Age eighteen years, each such child's Pension shall be an equal share of seven thirty-thirds of such maximum earnable compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child his or her Pension shall terminate and there shall be a redistribution by the Board of Trustees to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's Pension exceed one-tenth of such maximum earnable compensation. In no case shall the total of the Pensions, provided for in this paragraph (b), payable on account of the death of a Member exceed two-thirds of the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, determined as of the earlier of (i) the date of the Member's death or (ii) June 30, 2014.

Effective July 1, 1986, widows of Police Department or Fire Department employees who have been receiving a flat monthly benefit of \$300.00 should receive an increase of \$500.00 per month thereby making the flat monthly benefit \$800.00.

- (c) If no Spouse survives the deceased Member or if his or her surviving Spouse dies or remarries before his or her youngest unmarried surviving child attains Age eighteen years, his or her unmarried child or children under age eighteen years shall each receive a Pension of one-fourth of the maximum earnable compensation for the rank of Police Employee or Fire Employee, as the case may be, as of the earlier of (i) the date of the Member's death or (ii) June 30, 2014; provided that if there are more than two such surviving children under Age eighteen years, each such child's Pension shall be an equal share of one-half of such maximum earnable compensation. Upon the death, marriage, adoption, or Attainment of Age eighteen years of any such child his or her Pension shall terminate and there shall be a redistribution by the Board of Trustees to the deceased Member's remaining eligible children, if any; provided, that in no case shall any such child's Pension exceed one-fourth of the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, determined as of the earlier of (i) the date of the Member's death, and (ii) June 30, 2014.
- (d) If there is no surviving Spouse and if there are no children under Age eighteen years surviving such deceased Member and if he or she leaves surviving either a father or mother or both, whom the Board of Trustees shall find to be actually dependent upon such Member for financial support, such dependent father and mother shall each

receive a Pension of one-sixth of the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, determined as of the earlier of (i) the date of the Member's death, and (ii) June 30, 2014.

- (e) If a Member dies intestate, without having designated a person or persons, as provided in sub-section (a) of this Section F-16, and without heirs, the amount of his or her Accumulated Contributions in the Annuity Savings Fund, not to exceed a reasonable sum, to be determined by the Board of Trustees, shall be used to pay his or her burial expenses, provided he or she leave no other estate sufficient for such purpose; any balance credited to such Member in the Annuity Savings Fund, and not used for burial expenses shall remain a part of the funds of the Retirement System and shall be credited to the Pension Accumulation Fund.
- (f) If the maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, is subsequently changed, the Pensions provided in this Section F-16 for Beneficiaries of Members as defined in Article D, Section D-1(a), (b), or (c) shall be proportionately changed; provided, however, that no increases shall be made after June 30, 2014.
- (g) The maximum earnable compensation for the rank of Patrolman or Fire Fighter, as the case may be, to be used in computing the Pensions provided in this Section for Beneficiaries of Members as defined in Article D, Section D-1(d) shall be the maximum earnable compensation of the rank of Patrolman or Fire Fighter as established by the City's budget for the Fiscal Year in which occurs the earlier of (i) the date of the Member's death, and (ii) June 30, 2014.

Part E — Nonduty Death.

Sec. F-17. Payment of Accumulated Contributions.

If a Member, or a Member who retires after June 30, 1965 under Part B, Section F-7 of this Article F, dies and no Pension or Pensions become payable under this Component II on account of his or her death, the Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of death shall be paid to such person or persons as he or she shall have nominated by written designation duly executed and filed with the Board of Trustees. If there is no such designated person or persons surviving the said Member, his or her said Accumulated Contributions shall be paid to his or her legal representative. If such Member dies intestate, without having designated a person as above provided, and without heirs, his or her said Accumulated Contributions not to exceed a reasonable sum to be determined by the Board of Trustees, shall be used to pay his or her burial expenses, provided he or she leaves no other estate sufficient for such purpose; and any balance credited to such Member in the Annuity Savings Fund not so used for burial expenses shall be transferred to the Survivors Benefit Fund.

Sec. F-18. Allowances to surviving spouses.

Upon the death of a Member, or a Member who retires after June 30, 1965 under Part B, Section F-7 of this Article F, and such death is found by the Board of Trustees not to have resulted from the performance of his or her duty, the applicable Retirement Allowances provided

in paragraphs (a), (b), (c) and (d) of Section F-1 shall be paid from the Survivors Benefit Fund, to the extent of available funding, and shall be subject to paragraphs (e), (f) and (g) of Section F-1.

- (a) His or her surviving Spouse shall receive a Retirement Allowance computed in the same manner in all respects as if the said Member had (1) regularly retired on the earlier of (i) the day preceding the date of his or her death, or (ii) June 30, 2014, notwithstanding that he or she might not have acquired twenty-five years of creditable service, in the case of a Member as defined in Article D, Section D-1(a), (b), or (c), or notwithstanding that he or she might not have acquired twenty-five years of service or more and had not attained age fifty-five, in the case of a Member as defined in Article D, Section D-1(d); (2) elected Option 2 provided for in Part H of this Article F; and (3) nominated his or her surviving Spouse as joint Beneficiary; provided, that in no case shall the Retirement Allowance payable to such joint Beneficiary be less than twenty per cent of said Member's Average Final Compensation as of the earlier of (i) the Member's date of death, and (ii) June 30, 2014. If a Member who had less than twenty-five years of creditable service dies prior to July 1, 2001, the Retirement Allowance payable to the surviving Spouse shall be terminated in the event the surviving Spouse remarries.
- (b) His or her unmarried child or children under Age eighteen years shall each receive a Retirement Allowance of one-seventh of the annual maximum earnable compensation of the rank of a Patrolman or a Fire Fighter, as the case may be determined as of the earlier of (i) the Member's date of death, and (ii) June 30, 2014; provided, that if there are more than two such children, each child shall receive a Retirement Allowance of an equal share of two-sevenths of said annual maximum earnable compensation. Upon any such child's adoption, marriage, death or Attainment of Age eighteen years, whichever occurs first, his or her Retirement Allowance shall terminate, and there shall be a redistribution by the Board of Trustees to the deceased Member's remaining eligible children under Age eighteen years; provided, that in no case shall the Retirement Allowance payable to any such child exceed one-seventh of the said annual maximum earnable compensation.
- (c) If, at the time of the said Member's death, there shall be neither a surviving Spouse nor children eligible for a Retirement Allowance provided for in this Section F-18, each of his or her parents shall receive a Retirement Allowance of one-seventh of the annual maximum earnable compensation of a Patrolman, or a Fire Fighter, as the case may be determined as of the earlier of (i) the Member's date of death, and (ii) June 30, 2014; provided, that the Board of Trustees finds that such parent was dependent upon the said Member for at least fifty per cent of his or her financial support. Upon the remarriage of any such parent, his or her Retirement Allowance shall thereupon terminate.
- (d) In the event all the Retirement Allowances provided for in this Section F-18, payable on account of the death of a Member terminate before there has been paid an aggregate amount equal to the said Member's Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of death, the difference

between his or her said Accumulated Contributions and the said aggregate amount of Retirement Allowances shall be paid to such persons as the said Member shall have nominated by written designation duly executed and filed with the Board of Trustees. If there are no such designated person or persons surviving the said Member such difference, if any, shall be paid to his or her legal representative.

- (e) In no case shall any Retirement Allowance be paid under this Section F-18 on account of the death of a Member if any benefits are paid under Part D of this Article F on account of his or her death. The Retirement Allowance provided for in this Section F-18 shall be subject to Part I of this Article F.
- (f) All benefits provided in this Part E for Beneficiaries of Members as defined in Article D, Section D-1(a), (b), or (c) shall be based on the maximum earnable compensation of the rank of Patrolman or Fire Fighter, as the case may be determined as of the earlier of (i) the Member's date of death, or (ii) June 30, 2014. Subject to the Plan of Adjustment, if a Member died before July 1, 2014 and the compensation of such rank shall be changed prior to July 1, 2014, the benefits provided shall be changed proportionately. All benefits provided in this Part E for Beneficiaries of Members as defined in Article D, Section D-1(d) shall be based on the maximum earnable compensation of the rank of Patrolman or Fire Fighter as established in the City's budget for the year of the earlier of (i) the Member's death or (ii) June 30, 2014.
- (g) In the event a Member has withdrawn his or her Accumulated Contributions from the Annuity Savings Fund and has not returned in full all amounts due the fund by him or her, the survivors benefits provided in paragraphs (a), (b), (c) and (d) of this Section F-18 shall be reduced to the proportion that the Member's Accumulated Contributions standing to his or her credit in the Annuity Savings Fund, at the time of his or her death bears to the amount his or her Accumulated Contributions would have been had he or she not made a withdrawal from the Annuity Savings Fund.

**Part F — Termination of Membership Otherwise than
by Retirement, Death or Becoming a Beneficiary.**

Sec. F-19. Payment of benefits to employees who became Members before January 1, 1969.

If the membership of a Member as defined in Article D, Section D-1(a), (b), or (c) shall terminate for any reason other than retirement, his or her becoming a Beneficiary, or death, the Member shall be paid the Accumulated Contributions standing to the credit of his or her individual account in the Annuity Savings Fund, such payment to be made within ninety days after such termination of membership; provided, however, that if a Member eligible for retirement shall resign or be dismissed from service, the Board of Trustees, on the written petition of such Member filed within one year from his or her separation from service and prior to the withdrawal of his or her Accumulated Contributions in the Annuity Savings Fund, shall grant such Member a service Retirement Allowance computed in accordance with Article F, Part A, Section F-2(a), subject to the provisions of Part G of this Article F.

Sec. F-20. Payment of benefits to employees who became Members on or after January 1, 1969.

If the membership of a Member as defined in Article D, Section D-1(d) shall terminate for any reason other than retirement, his or her becoming a Beneficiary or death, he or she shall be paid the Accumulated Contributions standing to the credit of his or her individual account in the Annuity Savings Fund, such payment to be made within ninety days after such termination of membership; provided, however, that if a Member having twenty-five or more years of service and having attained age fifty-five shall resign or be dismissed from service, the Board of Trustees, on the written petition of such Member filed within one year from his or her separation from service and prior to the withdrawal of his or her Accumulated Contributions in the Annuity Savings Fund, shall grant such Member a service Retirement Allowance computed in accordance with Article F, Part A, Section F-2(b), subject to the provisions of Part G of this Article F.

Sec. F-21. Deferred vested benefits.

A Member (i) whose employment is terminated before August 28, 2003 and who is credited with eight or more years of creditable service and has attained Age forty, or (ii) whose employment is terminated after August 27, 2003 and who is credited with ten or more years of creditable service, but in each case less than twenty-five years (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) of creditable service shall be eligible to receive a full Retirement Allowance under Component II beginning on the date upon which the Member would have been eligible to commence a full Retirement Allowance had he or she continued in the service of the City until such date. Alternatively, such Member may elect to receive an actuarially reduced early Retirement Allowance at any time following his or her termination of employment with the City.

Part G — Conviction of Felony.

Sec. F-22. Forfeiture of rights.

If a Member or Retiree as defined in Article D, Section D-1(a), (b), (c) or (d) shall be convicted of by a court of competent jurisdiction or enters a nolo contendere plea accepted by a court for a felony against the City arising out of his or her service as an employee of the City and while a Member of the Retirement System, the court may order the forfeiture of all or a portion of the rights of the Member to benefits hereunder, except the return of his or her Accumulated Contributions, as provided in the *Public Employee Retirement Benefits Forfeiture Act, MCL 38.2701, et. seq.* In such case, the Retirement System shall pay to an individual, if any, who would otherwise be a Beneficiary of the Member or Retiree whose retirement benefit is being forfeited under this Section F-22 an Actuarially Equivalent monthly Retirement Allowance at the Age that the Member or Retiree would have become eligible for unreduced retirement benefits under the Retirement System.

Part H — Option Elections.

Sec. F-23. Generally.

- (a) Prior to the first payment of any Retirement Allowance normally due, except a disability Pension payable under Part B, Sections F-8 and F-11 of this article, a Member may elect to receive his or her Retirement Allowance as a Straight Life Retirement Allowance payable throughout the Member's life, or the Member may elect to receive the Actuarial Equivalent, as of the date of the Member's retirement, of his or her Straight Life Retirement Allowance in a reduced Retirement Allowance payable throughout the Member's life and nominate a joint Beneficiary, in accordance with the provisions of Options 1, 2, 3, 3(A) or 3(B) as follows:
- (1) **OPTION 1. *Modified Cash Refund Annuity.*** Under Option 1, a Member will receive a reduced Retirement Allowance. If a Member who selected Option 1 dies before full payment of the Annuity has been received, the person or persons nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees shall receive in a single payment the difference between the present value of the Member's Annuity on the date the Member retired, minus the amount of Annuity payments already paid to the Member. If there is no such designated person(s) surviving the retired deceased Member, such difference, if any, shall be paid to the Member's legal representative.
 - (2) **OPTION 2. *Joint and Last Survivorship Retirement Allowance.*** Under Option 2, upon a Member's death, payment of a reduced Retirement Allowance shall be continued through the life of and paid to the person having an insurable interest in the Member's life and nominated by written designation duly executed by the Member and filed with the Board of Trustees prior to the first payment of the Member's Retirement Allowance is due.
 - (3) **OPTION 3. *Joint and Seventy-Five Percent Survivor Allowance.*** Under Option 3, upon a Member's death, payment of seventy-five percent (75%) of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the person having an insurable interest in the Member's life and nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees prior to the date the first payment of the Retirement Allowance is due.
 - (4) **OPTION 3(A). *Modified Joint and Last Survivorship Allowance.*** Under Option 3(A), upon a Member's death, payment of one-half (50%) of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the person having an insurable interest in the Member's life and nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees prior to the date the first payment of the Retirement Allowance is due.

- (5) *OPTION 3(B). Joint and Twenty-Five Percent Survivor Allowance.* Under Option 3(B), upon a Member's death, payment of twenty-five percent (25%) of the Member's reduced Retirement Allowance shall be continued throughout the life of and paid to the person having an insurable interest in the Member's life and nominated by that Member's written designation duly executed by the Member and filed with the Board of Trustees prior to the date the first payment of the Retirement Allowance is due.
- (b) The Joint and Survivor Optional Forms of Payment provided under Options 2, 3, 3(A) and 3(B) shall be made available in either the standard form or the pop-up form, as follows:
 - (i) *Standard Form.* Under the Standard Form, the reduced Retirement Allowance shall be paid throughout the lifetime of the Retiree.
 - (ii) *Pop-up Form.* Under the Pop-up Form, the reduced allowance shall be paid throughout the lifetime of the Retiree and the designated Beneficiary. In the event of the death of the designated Beneficiary during the lifetime of the Retiree, the amount of the allowance shall be changed to the amount that would have been payable had the Retiree elected the Straight Life Form of Payment. The actuarial cost of the change in benefit shall be borne by the Member who seeks change in his or her election.

In addition, a Member may elect to have all or part of his or her Accumulated Contributions paid to the Member in a single sum or used to purchase an annuity contract from an insurance company of his or her choice in which case, any annuity payments attributable to such amount under the Retirement System shall not be payable from the Annuity Reserve fund but shall be the responsibility of the insurance company. A Member's Retirement Allowance shall be reduced by the Actuarial Equivalent of the amount so paid or used.

- (c) This Section does not rescind any substantive rights of disability Retirees from the Retirement System who retired prior to the arbitration decision regarding DPOA members that became effective on July 1, 1995, or the arbitration decision regarding DPLSA members that became effective on June 30, 1998.
- (d) This Section does not amend any computations used to determine benefits under Part B, Sections F-8 and F-11 of this Component II, or result in an increase or decrease in such benefits.
- (e) Retirees of the Retirement System shall be entitled to change their Pension option from either Option 2, Option 3, Option 3(A) or Option 3(B) to a Straight Life Retirement Allowance after they have commenced collection of the Pension if the Member's Beneficiary predeceases the Member. The actuarial cost of the change in benefit shall be borne by the Member who seeks change in his or her option election. The pop-up option shall be based upon the investment return assumption as recommended by the Plan Actuary and adopted by the Board of Trustees.

Sec. F-24. Disposition of surplus benefits upon death of Member and Beneficiary.

In the event a Member elected Option 2, 3, 3(A) or 3(B) provided for in Section F-23 of this Part H and both the Member and his or her designated joint Beneficiary die before there has been paid in Retirement Allowances an aggregate amount equal to his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her retirement, the difference between his or her said Accumulated Contributions and the said aggregate amount of Retirement Allowances paid shall be paid to the said retired Member's Beneficiary or legal representative.

Part I — Pension Offset by Compensation Benefits.

Sec. F-25. Generally.

Any amounts which may be paid under the provisions of any workmen's compensation, or pension, or similar law to a Member, or to the dependents of a Member on account of any disability or death, shall be offset against and payable out of funds provided by the City under the provisions of the Retirement System on account of the same disability or death. In case the present value of the total commuted benefits under said workmen's compensation, pension, or similar law, is less than the Pension Reserve or benefits otherwise payable from the funds provided by the City under this Retirement System, then the present value of the commuted payments shall be deducted from the Pension Reserve, and such benefits as may be provided by the Pension Reserve, so reduced, shall be payable under the provisions of the Retirement System.

Part J — Monthly Payments.

Sec. F-26. Generally.

Unless otherwise herein provided, all benefits payable under this Retirement System shall be paid in equal monthly installments.

Part K — Re-Examination of Beneficiaries.

Sec. F-27. Authority of Board.

- (a) Once each year during the retirement of a Member on a disability Pension or a disability Retirement Allowance and at least once in every three year period thereafter the Board of Trustees shall require any disability Retiree, if he or she would not then be eligible for a service Retirement Allowance had he or she remained in active service, to undergo a medical examination at a place to be fixed by the Board of Trustees. If the Retiree shall be required to travel more than twenty miles to reach such place, the Board of Trustees shall pay his or her reasonable traveling expenses. Should such disability Retiree refuse to submit to such examination, his or her disability Pension or disability Retirement Allowance may be discontinued until he or she shall submit to such examination and should such refusal continue for one year, all of the Member's rights in and to a Pension may be revoked by the Board of Trustees. If, on medical examination of a Beneficiary, the Board of Trustees determines that the Retiree is physically able and capable of resuming active duty, he

or she shall be restored to such duty and his or her other disability Pension or disability Retirement Allowance shall cease. Such Member so restored to active duty shall be returned to duty in a rank or grade equivalent to or higher than the rank or grade in which he or she was serving at the time of his or her last retirement and his or her compensation shall be that provided for the rank or grade in which he or she is restored to service. It shall be the duty of the Commissioner of Police or the Board of Fire Commissioners to restore such Member to duty forthwith.

- (b) If the Board of Trustees determines that a disabled Old Plan Member is engaged in a gainful occupation, paying more than the difference between his or her Final Compensation as of the earlier of (i) the date of disability or (ii) June 30, 2014 and his or her disability Pension, or disability Retirement Allowance, the amount of his or her Pension or Retirement Allowance shall be reduced to an amount, which together with the amount earned by the Member, shall equal the amount of such Final Compensation. If the Board of Trustees determines that a disabled New Plan Member is engaged in a gainful occupation, paying more than the difference between his or her base salary at the earlier of (i) the date of disability or (ii) June 30, 2014, increased by two and twenty-five one hundredths percent (2.25%) for each full year from the date of disability and prior to July 1, 2014 and his or her disability Pension, or disability Retirement Allowance, the amount of his or her Pension or Retirement Allowance shall be reduced to an amount, which together with the amount earned by him or her, shall equal the amount of such base salary. Should his or her earnings be later changed, the amount of his or her Pension or Retirement Allowance may be further modified in like manner.
- (c) A disability Retiree who shall be reinstated to active service prior to July 1, 2014 as provided in this Section, shall from the date of such restoration again become a Member of the Retirement System, and he or she shall contribute to the Retirement System thereafter in the same manner and at the same rate as he or she paid prior to his or her disability retirement. A disability Retiree who shall be reinstated to active service after June 30, 2014, shall from the date of such restoration become an active Member of the Retirement System and shall accrue future benefits pursuant to Component I. He or she shall contribute to the Retirement System at the rate required of active Members pursuant to Component I. Any Prior Service and Membership Service on the basis of which his or her service was computed at the time of his or her disability retirement shall be restored to full force and effect, and he or she shall be given service credit under Component I or Component II, as applicable, for the period of time he or she was in retirement due to such disability, except in the case of non-duty disability.

Part L — Withdrawal of Accumulated Contributions

Sec. F-28. Member With Twenty or Twenty-Five Years of Service.

Effective July 1, 1982, a Member with twenty-five years or more of creditable service (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) shall be allowed to withdraw either a portion or the full amount of his or her Accumulated Contributions,

one time only, whether or not the Member retires. A Member shall make such election prior to the receipt of his or her first retirement benefit check.

Sec. F-29. Disabled Member

A Member who is receiving disability benefits (duty or non-duty) from the Retirement System and who has twenty-five years (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) or more of creditable service shall have the right to withdraw the full amount of his or her Accumulated Contributions. If such Member withdraws his or her Accumulated Contributions, his or her Retirement Allowance shall be actuarially reduced to reflect such withdrawal.

Sec. F-30. Optional Annuity Withdrawal

- (a) A Member shall have the right to elect to receive on the effective date of his or her service retirement a partial or total refund of his or her Accumulated Contributions. If a Member makes such an election, an Annuity payable under any Retirement Allowance or reduced Retirement Allowance shall be reduced proportionally. If the total Accumulated Contributions are withdrawn, no Annuity shall be payable.

The limitation of fifteen twenty-seconds of the maximum earnable compensation of a Police Employee and Fire Employee continues in effect. For purposes of determining the fifteen twenty-seconds limitation, a computation based on the Annuity which is an Actuarial Equivalent of the Accumulated Contributions standing to a Member's credit in the Annuity Savings Fund prior to any partial or total refund will be used.

On or after July 1, 1974, Members or former Members who are entitled to begin to receive the 40 & 8 benefit provided under Section F-6 will be entitled to the Annuity refund withdrawal option.

On or after July 1, 1974, non-duty disability Retirees represented by DFFA, DPCOA and DPLSA who retired pursuant to Article D, Section D-1(a), (b) or (c) prior to having twenty-five years of service credit, shall be entitled to the Annuity refund withdrawal option on the date he or she would have had twenty-five years of service credit had he or she continued as an active employee. Said option shall only apply to the balance of Accumulated Contributions, if any, remaining to such Retiree's credit in accordance with the existing Annuity refund provisions.

Survivor benefit beneficiaries as defined in Title IX, Chapter VII, Article VI, Part E, Section 2, parts (a), (b) and (c) of the 1918 City Charter in effect as of June 30, 1974, and continued in effect by Section 11-102 of the City Charter shall be entitled to the Annuity withdrawal refund option subject to the same rules that would have been applicable to the deceased Member had he or she not died. Said option shall only apply to the balance of Accumulated Contributions, if any, remaining to the applicable Member's credit.

In any case of doubt, the Board of Trustees shall decide whether a Member or Beneficiary is entitled to an Annuity refund withdrawal option.

- (b) A Member shall have the right on or after the effective date of his or her becoming eligible for a full service Retirement Allowance (Members who have either twenty or twenty-five years of creditable service depending upon the applicable bargaining unit) to elect to receive a partial or total refund of his or her Accumulated Contributions to the Annuity Savings Fund. If a Member makes such an election, an Annuity payable under any Retirement Allowance or reduced Retirement Allowance shall be reduced proportionally. If the total Accumulated Contributions are withdrawn, no Annuity shall be payable.

If a Member makes such an election, the Retirement Allowance shall be reduced to reflect the value of the Annuity withdrawn. The amount of the Annuity at the time of such election shall be the amount used at the time of retirement for purposes of computing the Retirement Allowance.

All members (except DPOA members retiring prior to July 1, 1982) who complete their required years of service, shall have the right to withdraw all or part of their Accumulated Contributions whether they choose to retire or not.

Effective July 21, 2000 for DFFA members having a parity relationship with the DPOA and for the DPCOA Inspector, and effective July 1, 2003 for DPLSA members, and effective July 21, 2000 for DPOA members, a Member who has elected to retire and elected to withdraw his or her Annuity for the purposes of calculating his or her Retirement Allowance (thereby lowering the Retirement Allowance), may nevertheless choose to leave the Annuity in the Retirement System collecting Regular Interest with the option of a one-time withdrawal of the Annuity funds at a later date.

For a DPCOA, DPLSA or DFFA member or an employee with a parity relationship with the DPLSA and for the DPCOA Inspector who retires on or after July 1, 1990, and who has made or makes an election to receive a total or partial refund of his or her Accumulated Contribution to the Annuity Savings Fund, there shall be no reduction of Retirement Allowances due to the portion of withdrawal representing interest credits. For members of DFFA and DPLSA, this subsection shall be controlled by the requirements of the Act 312 arbitration award issued June 25, 1990 (MERC Case No. B89 C-0622, page numbers 22 and 23).

Effective January 15, 2010 for members of DPCOA and fire equivalents, or December 15, 2008 for DPLSA and fire equivalents, or March 8, 2007 for DPOA members and fire equivalents, a Member who retires and elects to leave a balance in the Annuity Savings Fund shall have the option of receiving a quarterly payment of interest earnings only or to take periodic withdrawals of principal, in addition to a one time complete withdrawal. Members of DPCOA and DPLSA and their fire equivalents must make their elections a minimum of thirty days before the beginning of a quarter; the beginning of a quarter is defined as March 1, June 1, September 1, and December 1.

An employee represented by DFFA, DPCOA or DPLSA who is entitled to a Retirement Allowance under Article F, Part A, Section F-5 of the Retirement System and who leaves the employ of the Police or Fire Department of the City on or after July 1, 1982 shall have the right to elect to receive on the effective date of termination a partial or total refund of his or her Accumulated Contributions. The Pension portion of his or her Retirement Allowance shall be computed as if the Member had not withdrawn his or her Accumulated Contributions from the Annuity Savings Fund until the date he or she was eligible to retire had he or she continued in City employment.

- (c) Effective in accordance with the specific date and terms of the DPOA award in Act 312 No. D98 E-0840 (Chairman Donald F. Sugerman, dated July 21, 2000), a DPOA member shall have the right to leave his or her withdrawn Annuity in the Retirement System and accumulating Regular Interest, as provided herein.
- (d) Effective July 1, 1974, a Member who holds the rank of police inspector and above and who is not covered by a collective bargaining agreement shall, notwithstanding any other provisions of Component II to the contrary, have the right to elect to receive on the effective date of his or her service retirement a partial or total refund of his or her Accumulated Contributions. Effective as of March 8, 2007, a DPOA and fire equivalent Retiree who elects not to withdraw his or her Accumulated Contributions as of the effective date of his or her service retirement shall have the option of receiving a quarterly payment of interest credited to his or her Accumulated Contributions or to receive periodic withdrawals of the contributions such Retiree made to Component II of the Retirement System. If a Member makes such an election, an Annuity payable under any Retirement Allowance or reduced Retirement Allowance shall be reduced proportionately. If the total Accumulated Contributions are withdrawn no Annuity shall be payable with respect to such withdrawn amounts.

ARTICLE G. METHOD OF FINANCING.

Sec. G-1. General.

The funds of Component II of the Retirement System shall be the Annuity Savings Fund, Annuity Reserve Fund, Pension Accumulation Fund, Pension Reserve Fund, Deferred Retirement Option Plan Fund, Expense Fund and the Survivors Benefit Fund.

Sec. G-2. Annuity Savings Fund.

- (a) The Annuity Savings Fund shall be the fund in which shall be accumulated at Regular Interest, in accordance with the limitations that are contained in Section C-1(20) of this Component II, the contributions deducted from the compensation of Members prior to the first payroll date occurring in August 2014 to provide for their Annuities. Subject to Section B-1(c), the contributions of a Member as defined in Article D, Section D-1(a), (b) or (c) shall be five percent of a Member's compensation until the Member has acquired twenty-five years of creditable service. Subject to Section B-1(c), the contribution of a Member as defined in Article D, Section D-1(d) shall be five percent of his or her compensation until he or she has acquired at least twenty-five years of creditable service (effective as of March 8, 2007, twenty years for DPOA members and fire equivalents) and attained age fifty-five. No Member shall have the option of choosing to receive the compensation required to be contributed hereunder directly instead of having such amounts paid by the City to the Annuity Savings Fund.
- (b) The City shall cause the contributions provided for in paragraph (a) above to be deducted from the compensation of each Member on each and every payroll, for each and every payroll period, from the date of his or her entrance in the System to the earlier of (i) the date he or she ceases to be a Member or (ii) the last payroll date occurring in July 2014.
- (c) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided by law for any Member shall be reduced thereby. Every Member shall be deemed to consent and agree to the deductions made and provided for herein, and payment of his or her salary or compensation, less said deduction, shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such person during the period covered by such payments, except as to the benefits provided under this Retirement System. The amounts to be deducted shall be deducted by the City Treasurer and when deducted shall be paid into the Annuity Savings Fund and shall be credited to the individual account of the Member from whose compensation said deduction was made.
- (d) If, under the provisions of this Component II, any person shall withdraw or be paid any part or all of his or her Accumulated Contributions and shall thereafter again become a Member on or before June 30, 2014, he or she shall, in addition to the contributions provided for in paragraph (a) above, redeposit in the Annuity Savings Fund, by an increased rate of contribution to be determined by the Board of Trustees,

or by a single payment, such amount that his or her Accumulated Contributions at the date of his or her eligibility for retirement will be the same amount it would have been had no withdrawal or payment been made therefrom.

- (e) Except as is otherwise provided in this Component II, upon the death or retirement of a Member, his or her Accumulated Contributions shall be transferred from the Annuity Savings Fund to the Annuity Reserve Fund.
- (f) In any Plan Year during the period beginning on or after July 1, 2014 and ending June 30, 2023 in which the annual rate of return credited to the accounts of Members investing in the Annuity Savings Fund as provided in paragraph (a) is less than the actual rate of return net of expenses of the Retirement System's invested assets for the second Plan Year immediately preceding the Plan Year in which the annual rate of return is credited ("ASF Return Excess"), an amount equal to the value of the ASF Return Excess shall be transferred to the Pension Accumulation Fund maintained under Component I of the Combined Plan and shall be used to fund the Transition Cost relating to Component I. The Transition Cost is a measure of the liability that Component I of the Retirement System has at its inception; due to the fact that, at its inception, Members in Component I of the Retirement System receive vesting and eligibility credit under Component I for service that was earned prior to July 1, 2014 and is otherwise credited to Members under Component II of the Retirement System, as such Transition Cost is calculated by the Plan Actuary. In the event there is an ASF Return Excess for a Plan Year following the Plan Year in which such transfers have fully funded the Transition Cost relating to Component I, fifty percent (50%) of such ASF Return Excess shall be transferred to the Pension Accumulation Fund maintained under Component II and the remaining fifty percent (50%) of such ASF Return Excess shall be transferred to Component I and credited to the Rate Stabilization Fund maintained under Component I. "Transition Cost" shall be determined by the Plan Actuary.

Sec. G-3. Annuity Reserve Fund.

The Annuity Reserve Fund shall be the fund from which shall be paid all Annuities payable as provided in this Component II, except Annuities which are payable from the Survivors Benefit Fund. Should a disability Retiree be restored to active service, his or her Annuity Reserve at the time shall be transferred from the Annuity Reserve Fund to the Annuity Savings Fund and credited to his or her individual account therein.

Sec. G-4. Alternative Financing Method.

Except as provided regarding the Survivors Benefit Fund, the Pension Accumulation Fund shall be the fund in which shall be accumulated reserves for the Pensions and other benefits payable from contributions made by the City and other third-party entities, and from which transfers shall be made as provided in this section.

- (a) *Accrued Liability Fund.* Pursuant to Ordinance No. 05-05, which authorized the creation of the Detroit Police and Fire Retirement System Service Corporation, the

City entered into a transaction ("the Pension Funding Transaction") to obtain funds as an alternative to those available through the traditional funding mechanism described in Section G-5. The proceeds generated by the Pension Funding Transaction (or any Additional Pension Funding Transaction) that were deposited into the Retirement System will be termed the "Funding Proceeds." The Funding Proceeds were deposited into a new Fund in the Retirement System called the Accrued Liability Fund. The purpose of the Funding Proceeds is to fund all or part of the theretofore unfunded accrued liabilities ("UAAL") of the Retirement System. The Funding Proceeds are assets of the Retirement System and will be applied, together with all other assets of the Retirement System, to fund the Retirement System's obligation to pay accrued benefits, as adjusted in the Plan of Adjustment.

This Accrued Liability Fund shall contain only the Funding Proceeds of the Pension Funding Transaction, the Additional Pension Funding Transaction and any earnings thereon. Prior to Fiscal Year 2013, funds were transferred each Fiscal Year (or monthly portion thereof) from the Accrued Liability Fund to the Pension Accumulation Fund as provided in the documents governing the Retirement System, including *Ordinance No. 5-05*.

- (b) As soon as practicable following the effective date of the Plan of Adjustment, any amounts remaining credited to the Accrued Liability Fund shall be transferred to the Pension Accumulation Fund and the Accrued Liability Fund shall cease to exist.

Sec. G-5. Contributions to and payments from Pension Accumulation Fund.

Contributions to and payments from the Pension Accumulation Fund shall be made as follows:

- (a) For Fiscal Years commencing prior to July 1, 2014, upon the basis of such assumptions as to future financial experiences as the Board of Trustees shall from time to time adopt, the Actuary annually computed the City's contribution, expressed as a percent of active Member contributions, to provide the Pension Reserves covering the Pensions or other City-financed benefits to which Members might be entitled or which might be payable at the time of their discontinuances of City employment under this Component II; provided, such contribution percents shall not be less than amounts which, expressed as percents of active Member compensation, will remain level from generation to generation of Detroit citizens. Upon the retirement or death of a Member, the Pension Reserve for any benefits payable on his or her behalf shall be transferred from the Pension Accumulation Fund to the Pension Reserve Fund, to the extent of there being assets in the Pension Accumulation Fund.
- (b) Subject to the Plan of Adjustment, for Fiscal Years commencing prior to July 1, 2014 and on and after July 1, 2023, the Board of Trustees annually ascertained and reported to the Mayor and the Council the amount of contributions due the Retirement System by the City, and the Council shall appropriate and the City shall pay such contributions to the Retirement System during the ensuing Fiscal Year. When paid, such contributions shall be credited to the Pension Accumulation Fund.

- (c) For Fiscal Years commencing after June 30, 2014 and prior to July 1, 2023, the City shall make contributions to the Pension Accumulation Fund only as provided in the Plan of Adjustment.

Sec. G-6. Retiree payments from Pension Reserve Fund; reinstatement of disability Retirees to active service.

Except as to the Survivor's Benefit Fund, the Pension Reserve Fund shall be the fund from which shall be paid Pensions on account of Members. Should a disability Retiree be reinstated to active service, the Member's Pension Reserve, at that time, shall be transferred from the Pension Reserve Fund to the Pension Accumulation Fund.

Sec. G-7. Expense Fund.

The Expense Fund shall be the fund to which shall be credited all money provided by the City, if any, to pay the administration expenses of Component II, and from which shall be paid the expenses necessary in connection with the administration and operation of Component II.

Sec. G-8. Deferred Retirement Option Plan Fund.

The Deferred Retirement Option Plan Fund shall be the fund in which shall be accumulated the amounts credited to the DROP Accounts of Members who have elected to participate in the DROP Program pursuant to Article I, together with earnings thereon, provided that the DROP Accounts are held and invested within the Retirement System.

Sec. G-9. Appropriations prior to July 1, 2014 and after June 30, 2023.

- (a) The Board of Trustees shall certify to the City Council the amount of the appropriation necessary to pay to the various funds of Component II of the Retirement System the amounts payable by the City as enumerated in this Component II, according to legal budget procedure.
- (b) To cover the requirements of Component II prior to July 1, 2014 and after June 30, 2023, such amounts as shall be necessary to cover the needs of Component II shall be paid into the Pension Accumulation Fund and the Expense Fund by special appropriations or transfers to the Retirement System; provided, however that no transfers can be made from the Accrued Liability Fund other than the annual transfer of the scheduled amortizing amount, or transfers under special circumstances pursuant to Section G-4 (as in effect prior to July 1, 2014).

Sec. G-10. Maintenance of reserves.

The maintenance of the Annuity Reserves in the Annuity Reserve Fund and the Pension Reserves in the Pension Reserve Fund are hereby made obligations of the Pension Accumulation Fund. Except as provided in Section G-2(f), all income, interest, and dividends derived from deposits and investments authorized by this Component II, which are not required for the allowance of interest to the funds of the Retirement System as provided herein, shall be credited to the Pension Accumulation Fund. Prior to July 1, 2014, the moneys credited to the Accrued

Liability Fund were credited to the Pension Accumulation Fund only to the extent authorized pursuant to the terms of the Retirement System as in effect prior to July 1, 2014. Any contributions by the City to the Retirement System from any fund impressed by law with a certain and definite purpose shall be accounted for separately.

Sec. G-11. Survivors Benefit Fund.

- (a) The Survivors Benefit Fund shall be the fund in which shall be accumulated, at Regular Interest, the reserves for survivors benefits provided for in Article F, Part E, Section F-18, hereof, and from which such benefits shall be paid, but only to the extent sufficient assets are credited to the fund at the time a claim for benefits is made. In the event there are insufficient assets credited to the Survivor's Benefit Fund to pay the benefits provided under this Section G-10, such benefits thereafter shall be payable from the Pension Reserve Fund.
- (b) After June 30, 1965 and prior to July 1, 1986, each Member shall contribute to the Survivors Benefit Fund one per cent of his or her compensation paid by the City until he or she has acquired twenty-five years of creditable service. The City shall cause the said contributions to be deducted from the Member's compensation, on each and every payroll, for each and every payroll period so long as he or she remains a Member and has not acquired twenty-five years of creditable service. Each and every Member shall be deemed to consent and agree to the said deductions. Said contributions, when deducted, shall be credited to the Survivors Benefit Fund and shall in no case become a part of the said Member's Accumulated Contributions, nor be subject to refund.
- (c) Each Member who retires after June 30, 1965, under Part B, Section F-7 of Article F shall, prior to July 1, 1986, contribute to the Survivors Benefit Fund one per cent of his or her final compensation as defined until he or she would have had a total of twenty-five years of creditable service had he or she continued in active service. The Retirement System shall cause the said contribution to be deducted from the Pension of each such retired Member on each and every retirement roll, for each and every retirement roll period, so long as he or she is receiving a Pension under Part B, Section F-8(a) of Article F. Each and every such retired Member who is receiving a Pension under Part B, Section F-8(a) of Article F shall be deemed to consent and agree to said deductions. Said contributions, when deducted, shall be credited to the Survivors Benefit Fund and shall in no case become a part of said Member's Accumulated Contributions, nor be subject to refund.
- (d) Effective July 1, 1986, the contributions, required by Article G, Section G-10(b) and G-10(c), to the Survivors Benefit Fund were eliminated for union members. For Fiscal Years ending prior to July 1, 2014, the City shall make the contributions necessary to maintain the benefit level by contributing that amount necessary to replace the contributions of members of DFFA and DPOA to the Survivor's Benefit Fund.

- (e) For Fiscal Years ending prior to July 1, 2014, upon the basis of such mortality and other tables of experience, and Regular Interest, as the Board of Trustees shall from time to time adopt, the Actuary shall annually compute the liabilities for benefits being paid from the Survivors Benefit Fund. The Board of Trustees shall report to the Mayor and the City Council the amount of contributions to be made by the City to the Survivors Benefit Fund, and the City Council shall appropriate and the City shall pay such amount to the Retirement System during the ensuing Fiscal Year. When paid, such appropriations shall be credited to the Survivors Benefit Fund. For Fiscal Years commencing prior to July 1, 2014, if the balance in the fund is not sufficient to fully cover the liabilities so computed, the City shall appropriate and pay, in the ensuing Fiscal Year, the amount of such insufficiency. For Fiscal Years commencing on and after July 1, 2014, the City shall not make any contributions to the Survivor's Benefit Fund.
- (f) Upon the death of a Member on whose account survivors benefits become payable as provided in Article F, Part B, Section F-8, hereof, his or her Accumulated Contributions standing to his or her credit in the Annuity Savings Fund at the time of his or her death shall be transferred from the Annuity Savings Fund to, and shall become a part of, the Survivors Benefit Fund, notwithstanding any provisions in this Component II to the contrary.

Sec. G-12. Computation of Annuity and Pension Reserve liabilities for Members, Retirees and Beneficiaries.

In computing the Annuity and Pension Reserve liabilities for Members, Retirees and Beneficiaries, the Board of Trustees shall cause the following annual Decrement Probabilities, Salary Factors and interest assumption to be used.

- (a) The annual Decrement Probabilities and Salary Factors to be used in evaluating the Annuity and Pension liabilities for Members shall be as shown in Tables 1 and 2 hereinafter set forth.
- (b) The total of active Member annual compensation shall be assumed to increase three percent per annum, compounded annually.
- (c) The mortality assumption for Retirees and Beneficiaries shall be the mortality rates contained in the 1971 group annuity male mortality table, without setback for men and set back five years for women.
- (d) The investment return assumption shall be five percent per annum, compounded annually, for Fiscal Years commencing prior to July 1, 2014.
- (e) For Fiscal Years commencing on or after July 1, 2014, the Annuity and Pension Reserve liabilities shall be calculated in a manner which is consistent with the Plan of Adjustment.

TABLE 1.

**City of Detroit Policemen and Firemen
Retirement System
Active Member Annual**

**Probabilities
and Salary Factors**

Age	Withdrawal from Service	Death in Service	Salary Factors
18	.04120	.00098	.10561
19	.04090	.04099	.11327
20	.04030	.00100	.12126
21	.04000	.00101	.12988
22	.03960	.00102	.13913
23	.03910	.00103	.14913
24	.03890	.00104	.15971
25	.03840	.00105	.17068
26	.03800	.00107	.18204
27	.03700	.00108	.19347
28	.03600	.00111	.20527
29	.03480	.00113	.21712
30	.03340	.00117	.22916
31	.03200	.00121	.24124
32	.03000	.00126	.25321
33	.02730	.00133	.26522
34	.02370	.00143	.27753
35	.01990	.00154	.29015
36	.01500	.00168	.30306
37	.01160	.00184	.31637
38	.00850	.00204	.32995
39	.00600	.00227	.34405
40	.00390	.00252	.35851
41	.00210	.00281	.37333
42	.00090	.00313	.38861
43	.00000	.00348	.40435
44	.00000	.00387	.42051
45	.00000	.00429	.43709
46	.00000	.00475	.45395
47	.00000	.00526	.47144
48	.00000	.00582	.48929
49	.00000	.00643	.50750
50	.00000	.00710	.52639
51	.00000	.00783	.54560
52	.00000	.00864	.56535

Age	Withdrawal from Service	Death in Service	Salary Factors
53	.00000	.00953	.58548
54	.00000	.01051	.60612
55	.00000	.01157	.62711
56	.00000	.01270	.64867
57	.00000	.01392	.67066
58	.00000	.01520	.69319
59	.00000	.01656	.71610
60	.00000	.01802	.73939
61	.00000	.01959	.76316
62	.00000	.02133	.78747
63	.00000	.02322	.81211
64	.00000	.02526	.83715
65	.00000	.02750	.86258
66	.00000	.03000	.88848
67	.00000	.03277	.91514
68	.00000	.03584	.94264
69	.00000	.03919	.97094
70	.00000	.04278	1.00000

TABLE 2.

**City of Detroit Policemen and Firemen
Retirement System
Annual Probabilities of Age and Service
Retirement Applicable to Members
Who Are Eligible to Retire**

Age	Probabilities of Retirement
45	25%
46	25
47	25
48	25
49	25
50	25
51	25
52	25
53	25
54	20
55	20
56	15
57	10
58	15
59	30
60	100

Sec. G-13. Determination of City's annual contribution — Disability Pension liabilities.

For Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023, the City's annual contribution, expressed as a percent of active Member compensation, to finance disability Pensions shall be determined by dividing the average of the Pension Reserve liabilities for disability retirements incurred during the three Fiscal Years ending with the date of the valuation by one percent of the active Members' annual compensation used in the valuation.

Sec. G-14. Determination of City's annual contribution — Death Pension liabilities.

For Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023, the City's annual contribution, expressed as a percent of active Member compensation, to finance death-in-service Pensions shall be determined by dividing the average of the Pension reserve liabilities for death-in-service claims incurred during the three Fiscal Years ending with the date of the valuation by one percent of the active Member's annual compensation used in the valuation.

Sec. G-15. Determination of City's annual contribution — Actuarial evaluation of annuity and Pension Reserve liabilities.

The Annuity and Pension Reserve liabilities for Members, Retirees and Beneficiaries shall be actuarially evaluated as set forth in this Article G and the Plan of Adjustment.

Sec. G-16. Determination of City's annual contribution — Service Pension liabilities for Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023.

- (a) The service Pension liabilities for Members shall be determined using the entry age-normal cost method of actuarial valuation.
- (b) The City's annual contribution, expressed as a percent of active Member compensation, to finance the prospective service Pension liabilities shall be determined by dividing the total of the individual annual normal costs of the active Members by one percent (1%) of the active Members' annual compensation used in the valuation.
- (c) The City's annual contribution, expressed as a percent of active Member compensation, to finance any unfunded Accrued Service Pension liabilities, including instances in which assets exceed liabilities, shall be determined by dividing such unfunded Accrued Service Pension liabilities by one percent (1%) of the present value of future compensation payable during a period of future years. Such period of future years shall be thirty years for the actuarial valuation as of June 30, 1974, decreasing one (1) year at each subsequent June 30th until a twenty year period is reached, which twenty year period shall be used in each subsequent actuarial valuation until June 30th, 2004 when the period shall again be thirty years.

Sec. G-17. Board of trustees to compute City's annual contribution.

Based upon the provisions of this Article, including any amendments, the Board of Trustees shall compute the City's annual contributions for Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023, expressed as a percent of active Member compensation, to the Retirement System for the Fiscal Year beginning July 1, 1975, using actuarial valuation data as of June 30, 1974, and for each subsequent Fiscal Year prior to July 1, 2014 and after June 30, 2023 using actuarial valuation data as of the June 30th date which date is a year and a day before the first day of such Fiscal Year. The Board shall report to the Mayor and to the City Council the contribution percents so computed, and such contribution percents shall be used in determining the contribution dollars to be appropriated by the City Council and paid to the Retirement System. For each Fiscal Year beginning July 1, 1975 and each Fiscal Year thereafter ending prior to July 1, 2014 and for each Fiscal Year beginning after June 30, 2023, such contribution dollars shall be determined by multiplying the applicable contribution percent for such Fiscal Year by the Member compensation paid for such Fiscal Year; provided that for the one Fiscal Year beginning July 1, 1975 and ending June 30, 1976, such Member compensation so used shall not exceed 106.09 percent of the active Members' annual compensation used in the actuarial valuation determining such contribution percent.

Sec. G-18. Employer Contribution

Effective January 1, 1987 for members of DFFA and DPLSA or upon issuance of the 1986-89 Act 312 Award for members of DPOA, the employee contributions to the Annuity Fund, although designated as employee contributions, shall be paid by the City in lieu of contributions by the employee. The employee shall not have the option of choosing to receive the contributed amount directly instead of having them paid by the City to the Annuity Fund. There shall be no additional contribution expense to the City, and the amounts so contributed by the City on behalf of the employee shall be treated, for tax purposes, as employer contributions and thus shall not be taxable to the employee until these amounts are distributed or made available to the employee.

This provision shall not affect the amount or benefit level of the Retirement Allowance, or the City's obligation with respect thereto.

ARTICLE H. MISCELLANEOUS.

Sec. H-1. Recall of Retirees during emergencies.

During an emergency declared by the Commissioner of Police or the Board of Fire Commissioners, the Commissioner or the Board of Fire Commissioners, as the case may be, shall have power, with the consent of a Retiree, to recall to active duty a Retiree for such period of service as the commissioner or the Board of Fire Commissioners shall deem advisable; provided, however, that the foregoing power shall not apply in the case of a Retiree who has reached the age of sixty-four years, and provided further, that any Retiree so recalled may, at any time, separate from active duty on his or her own application or by order of the Commissioner or the Board of Fire Commissioners. A Retiree so recalled shall serve in the rank at which he or she retired, or a higher rank, and shall receive the pay of such rank without deduction. On subsequent separation from active duty, such Retiree shall resume the Retiree status held by him or her prior to such recall.

ARTICLE I. DEFERRED RETIREMENT OPTION PLAN.

Sec. I-1. General provisions.

For periods on and after July 1, 2014, the Deferred Retirement Option Plan ("DROP") Program under Component II shall be available to Members who are covered by collective bargaining agreements with the City that permit such Members to participate in the DROP program and non-union executives of the Police Department and the Fire Department.

- (a) In lieu of terminating employment and accepting a Retirement Allowance under the Component II, any Member of the Retirement System who is eligible for the DROP program and who is eligible to immediately receive an unreduced Retirement Allowance may elect to participate in the DROP program and defer the receipt of his or her Retirement Allowance in accordance with the provisions of this Article I. Any such election shall be irrevocable.
- (b) Participation in the DROP program for Members for who elected to participate in the DROP program prior to July 1, 2014 shall be limited to ten years. Participation for Members who elect to participate in DROP program after June 30, 2014 shall be limited to five years. At the end of such five (or ten) year period of participation in the DROP program, the Member shall be retired from employment with the City.

Sec. I-2. Conversion to Retirement Allowance

Upon the effective date of a Member's participation in the DROP program, the Member shall cease to accrue a Retirement Allowance under Component I and shall elect a form of payment for his or her Retirement Allowance pursuant to Part H of Article F. Seventy-five percent (75%) of the monthly Retirement Allowance (including applicable variable Pension Improvement Factor (Escalator) increases) that would have been payable, had the Member elected to terminate employment with the City on the effective date of his or her DROP election and receive an immediate Retirement Allowance, shall be paid into a DROP Account established on behalf of the Member under the Retirement System or in an entity selected by the Board.

Sec. I-3. Investment of DROP assets

- (a) ING was previously selected by the Board as the DROP administration and investment entity for Members who elect to participate in the DROP program. ING shall continue to be the DROP administration and investment entity, unless and until such time as the Board terminates the agreement with ING as provided in paragraph (d) or determines that it is administratively feasible for the DROP program to be administered and invested under the Retirement System.
- (b) As soon as possible after July 1, 2014, the Board shall determine whether it is administratively feasible for the DROP program to be administered and the assets in DROP accounts to be invested under the Retirement System. If the Board determines that it is feasible to administer the DROP program under the Retirement System, the Board shall promptly take appropriate steps to implement such decision.

- (c) If amounts credited to DROP accounts are invested under the Retirement System, such amounts shall be comingled with the assets of the Retirement System for investment purposes and shall be invested by the Trustees. A Member's DROP account shall be credited with annual earnings at a rate equal to seventy-five percent (75%) of the actual net earnings rate of the assets of the Retirement System; however, in no event shall the earnings rate applied to a Member's DROP account for any Plan Year be less than zero percent (0%) nor greater than seven and three-quarters percent (7.75%).
- (d) The Board of Trustees previously entered into an administrative services agreement with ING. Such agreement shall remain in effect until such time as it is terminated by the Board as provided therein.
- (e) The Board of Trustees may replace ING with a trust-type vehicle or the Board may determine that amounts subject to a DROP election will be invested with Retirement System assets as provided above.
- (f) Any fees associated with the maintenance of DROP Accounts outside of the Retirement System shall be paid by the Members by means of deduction from their DROP Accounts.

Sec. I-4. Distribution of amounts credited to DROP Account

A Member shall not receive a distribution of amounts credited to his or her DROP Account prior to his or her termination of employment with the City. Upon termination of employment, a Member who is a participant in the DROP program shall receive, at his or her option either a lump sum payment from the DROP Account equal to the amount then credited to the DROP Account or an annuity based upon the amount credited to his or her DROP Account. Any such annuity shall be subject to market rates of interest return and other market-related assumptions as adopted by the Board upon recommendation of the Investment Committee. In addition, one hundred percent (100%) of the Member's monthly Retirement Allowance that otherwise would have been paid as of the date the Member's participation in the DROP program commenced (together with any applicable variable Pension Improvement Factor (Escalator) increases) shall commence to the Member in accordance with the form of payment selected by the Member at the commencement of his or her participation in the DROP program. Termination of employment includes termination of any kind, such as resignation, retirement, discharge or disability.

Sec. I-5. Death of Member while participating in the DROP program

If a Member dies while participating in the DROP program, a lump sum payment equal to the Member's DROP Account balance shall be paid to the Beneficiary named by the Member, or if no Beneficiary has been designated, to the Member's estate; provided, notwithstanding anything to the contrary herein, the Member's adjusted DROP Account balance under Component II upon the Member's death while participating in the DROP program shall not be less than total system DROP payments into his or her account (not including earnings and losses). In addition, one hundred percent (100%) of the Member's Retirement Allowance

(together with any applicable variable Pension Improvement Factor (Escalator) increases) that would have been paid to the Member but for the Member's decision to participate in the DROP program will be restored. Survivor benefits, if any, shall be paid in accordance with the payment option elected by the deceased Member at the time the Member elected to participate in the DROP program.

Sec. I-6. Disability of Member While Participating in the DROP Program

If a Member becomes Totally Disabled while participating in the DROP program and while still an Employee and his or her employment with the City is terminated because he or she is Totally Disabled, such Member (a) shall be immediately retired and one hundred percent (100%) of the Retirement Allowance that would have been paid to the Member as of the date the Member's participation in the DROP program commenced (together with any applicable variable Pension Improvement Factor (Escalator) increases) will commence in accordance with the payment option selected by the Member at the commencement of the Member's participation in the DROP program as provided in Section I-2, and (b) shall be entitled to receive payment of the funds in his or her DROP Account (in the form of a lump sum or other Actuarially Equivalent form of payment described in Part H of Article F). Such Member shall not be entitled to disability retirement benefits under Article F hereof.

Sec. I-7. Cost Neutrality

- (a) The DROP program shall be effective only for as long as it is cost-neutral to the City, provided however, that the DROP program shall continue during the pendency of proceedings, described in paragraph (2) below, designed to restore the Retirement System to cost neutrality.
- (b) If the City contends that the DROP program is not cost-neutral, including, but not limited to, making the City's annual contribution to the Retirement System higher than it would be if the DROP program was not in effect, the Board and the City, along with the Plan Actuary and an actuary appointed by the City (who will be an associate or a fellow of the Society of Actuaries and a member of the American Academy of Actuaries) shall meet and confer in good faith regarding the cost. If the Board and the City are unable to reach an agreement as to cost, the matter shall be submitted to a third, independent, actuary, chosen or agreed upon by the Plan Actuary and the City's actuary. This actuary, when rendering a decision, will be limited to ordering implementation of changes necessary to make the DROP program cost-neutral. Upon the implementation of changes necessary to make the DROP program cost-neutral, Members shall have thirty days to elect to either (a) retire from active employment with the City, or (b) withdraw from the DROP program and resume active participation in Component I of the Retirement System. The Board shall notify DROP participants of these changes prior to implementation. Those DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for any time that they were participating in the DROP program (under either Component I or Component II). Those not making either election shall continue to participate in the DROP program.

- (c) In the event the DROP program cannot be changed to restore cost neutrality, it shall be discontinued and Members participating in the DROP program at that time shall have the option to either (i) retire, or (ii) continue active employment with the City and resume active participation in Component I of the Retirement System. DROP participants resuming participation in Component I of the Retirement System shall not accumulate Credited Service for the time during which such DROP participants participated in the DROP program (under either Component I or Component II).

ARTICLE J. PARTICIPANT ANNUITY SAVINGS FUND LOAN PROGRAM

Sec. J-1. Participant Annuity Savings Fund Loan Program

A Participant Annuity Savings Fund Loan Program (Participant Loan Program) will be established and available to bargaining unit Members. Its terms will be as follows:

- (a) Any loans granted or renewed shall conform to the requirements of Section 72(p) of the Internal Revenue Code and the regulations thereunder. Such loan program shall be established in writing by the Board of Trustees in conformity with the terms of the Combined Plan Document and applicable collective bargaining agreements, and must include, but need not be limited to the following:
 - (1) The identity of the administrator of the Participant Loan Program;
 - (2) A procedure to apply for loans, the amount of loan that will be approved or denied, and limitations, if any, on the types and amount of loans offered;
 - (3) The procedure under the program for determining a reasonable rate of interest;
 - (4) The events constituting default and the steps that will be taken to preserve plan assets.
- (b) The Participant Loan Program shall be contained in a separate written document copies of which shall be made available in the offices of the Retirement System for Members. The Board of Trustees is authorized to adopt rules and regulations, from time to time, to govern the administration and the operation of this program. Copies of the rules shall also be made available to prospective participating Members of the Retirement System in the offices of the Retirement System.
- (c) Subject to the rules and procedures established by the Board, loans may be made to Members from such Member's contributions to the Annuity Savings Fund. Former Members, Spouses of Members, and Beneficiaries are not eligible to receive any loans from the Retirement System. Subject to rules and procedures established by the Board, a Member who has been in the Retirement System for twelve months or more is eligible to apply for a loan. No Member shall have more than two outstanding loans from the Retirement System (Component I and/or Component II) at any time. A Member who has previously defaulted on a loan under either Component I or Component II of the Combined Plan shall not be eligible for a loan from the Retirement System.
- (d) A Member who has satisfied applicable rules and procedures may borrow from his or her Annuity Savings Fund account an amount, which does not exceed fifty percent (50%) of the Member's vested accumulated balance, up to fifteen thousand dollars (\$15,000.00) reduced by: (1) the highest outstanding balance of loans from the Retirement System during the one year period ending on the day before the date on which the loan is made (under both Component I and Component II), or (2) the outstanding balance of loans from the Retirement System on the date on which the

loan is made (under both Component I and Component II), whichever is less. The minimum loan amount shall be one thousand dollars (\$1,000.00).

- (e) In addition to such rules and procedures that are established by the Board, all loans shall comply with the following terms and conditions:
- (1) Loan applications shall be in writing.
 - (2) All loans shall be memorialized by a promissory note made to the Retirement System and properly executed by the Member.
 - (3) Loan shall be repaid by equal payroll deductions over a period not to exceed five years, or, where the loan is for the purpose of buying a principal residence, a period not to exceed fifteen years. In no case shall the amount of the payroll deduction be less than twenty dollars (\$20.00) for any two-week period.
 - (4) Each loan granted under Component II shall be made against the assignment of the Member's entire right, title, and interest in and to the Annuity Savings Fund supported by the Member's collateral promissory note for the amount of the loan, including interest payable to the order of the Board of Trustees.
 - (5) Each loan shall bear interest at a rate determined by the Board. The Board shall not discriminate among Members in its determination of interest rates on loans. Loans initiated at different times may bear different interest rates, where, in the opinion of the Board, the difference in rates is supported by a change in market interest rates or a change in the Retirement System's current assumed rate of return. The loan interest rate shall bear a reasonable relationship to market rates for secured loans of a similar duration and shall bear a reasonable relationship to the costs to the Retirement System of administering the Retirement System. The loan interest rate shall be calculated in a manner that will not negatively affect the City's costs relating to the Retirement System or the return to Members.
 - (6) Loan repayments shall be suspended under this Retirement System as permitted by Section 414(u)(4) of the Internal Revenue Code. A Member who has an outstanding loan balance from the Retirement System who is absent from employment with the City, and who has satisfied the requirements of Section 414(u) of the Internal Revenue Code shall not be required to make loan repayments to the Retirement System during said periods of absence.
- (f) A Member's outstanding loan balance shall be considered a directed investment by the Member and interest payments shall be credited to the Member's account balance (provided that the interest credited shall be reduced appropriately to cover the administrative cost of the loan program and avoid negatively affecting the City's costs or the Retirement System's investment returns), and shall not be part of net investment income or part of the Member's account balance for the purpose of allocation of net investment income under Article G.

- (g) No distributions shall be made to a Member, former Member, or Beneficiary until all loan balances drawn on the applicable vested accumulated balance and applicable accrued interest have been repaid or offset against the distributable Annuity Savings Fund account balance.
- (h) The Retirement System shall include, in its annual report to all Members, an accounting of the loan program established by this Component II, which contains the number and amount of loans made, the costs of administering the program, the amount of payments made including interest received by the Retirement System, the amount of loans outstanding, including any defaults or delinquencies, and an evaluation as to whether the interest charged in the Fiscal Year covered the costs of administering the loan program.

ARTICLE K. SPECIAL PLAN OF ADJUSTMENT PROVISIONS

Sec. K-1. Benefit Changes implemented in accordance with the terms of the Plan Of Adjustment

Notwithstanding anything in Articles A, C, D or E to the contrary, as of the effective dates set forth below and during the period that ends no earlier than June 30, 2023, the following changes in benefits provided under Component II of the Combined Plan shall be implemented:

- (1) Reduction in Escalation. With respect to all Pension benefits payable on or after July 1, 2014, the Escalation or Pension Improvement Factor (for purposes of this Section K-1(1) each a "COLA") provided in Part C of Article F of this Component II that will be applied to the monthly Pension benefit of a Member, Retiree, surviving Beneficiary or vested former employee will be 45% of the COLA provided for in Part C of Article F of this Component II, any collective bargaining agreement applicable to Members, other contracts or ordinances; provided, however, that the Board and the Investment Committee shall determine on the effective date of the Plan of Adjustment and not less frequently than annually thereafter that the "Funding Conditions" as defined herein have been satisfied, and in the event that such Funding Conditions have not been satisfied then the COLA that will be applied to the monthly Pension benefit of a Member, Retiree, surviving Beneficiary or vested former employee will be reduced in proportion to the funding which is not received by the Retirement System ("Adjusted Pension Benefit").

For purposes of this Section K-1, the term "Funding Conditions" shall mean that (i) Class 10 and Class 11 voted in favor of the Plan of Adjustment in accordance with the procedures for such vote under the Plan of Adjustment, (ii) the Plan of Adjustment is confirmed by the U.S. Bankruptcy Court, and (iii) the funds that are pledged to be contributed to the Retirement System pursuant to the terms of the State Contribution Agreement and the DIA Settlement Documents have been received.

- (2) Effect of Payment Default. In the event that all or a portion of the funds pledged to be contributed to the Retirement System pursuant to the terms of the DIA Settlement Agreement are not received by the Retirement System, the Board shall proportionately reduce the COLA to be applied to the monthly Pension benefit of any Member, Retiree, surviving Beneficiary, employee and former employee to the extent of such default.

Sec. K-2. Income Stabilization Benefits

- (1) The provisions of this Section K-2 shall become effective only if each of the Conditions Precedent (as that term is defined in the State Contribution Agreement) have been met to the satisfaction of the Authority and the State Treasurer (each as defined in the State Contribution Agreement), unless any one

or more of such conditions are waived in writing executed by the Authority and the State Treasurer.

- (2) Beginning not later than 120 days after the effective date of the Plan of Adjustment, Component II of the Combined Plan shall pay, in accordance with this Section K-2, an annual supplemental pension income stabilization benefit ("Income Stabilization Benefit") to each Eligible Pensioner (as defined in Section K-2(5)) equal to the lesser of either (i) the amount needed to restore an Eligible Pensioner's reduced annual pension benefit to 100% of the amount of the annual pension benefit that the Eligible Pensioner received from the Retirement System in 2013; or (ii) the amount needed to bring the total annual 2013 household income of the Eligible Pensioner up to 130% of the Federal Poverty Level for 2013. The Income Stabilization Benefit as determined under this Section K-2(2) will not increase after the date on which the Income Stabilization Benefit is determined. The Income Stabilization Benefit payable to an Eligible Pensioner will terminate immediately at such time as the Eligible Pensioner ceases to qualify as an Eligible Pensioner.
- (3) To the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income (as defined in this Section K-2) in any calendar year after the first year that the Eligible Pensioner receives a benefit under this Section K-2 is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional "Income Stabilization Benefit Plus" benefit commencing as of the next following July 1.
 - a. The Income Stabilization Benefit Plus benefit for a calendar year will be equal to the lesser of either (i) the amount needed to restore 100% of the Eligible Pensioner's Pension benefit, as increased by any Pension Improvement Factor (Escalator), under Component II of the Combined Plan; or (ii) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.
 - b. An Eligible Pensioner's "Estimated Adjusted Annual Household Income" for any year will be the sum of (i) the Eligible Pensioner's 2013 total household income (per his or her (or in the case of a minor child, his or her legal guardian's) 2013 income tax return or equivalent documentation), less the Pension benefit paid to the Eligible Pensioner by the Retirement System in 2013, as adjusted for inflation or Social Security COLA increases; (ii) the Adjusted Pension Benefit that is payable to the Eligible Pensioner for that year as determined under Section K-1, (iii) any pension restoration payment to the Eligible Pensioner as determined under Section K-3; and (iv) the Eligible Pensioner's Income Stabilization Benefit.
- (4) A separate recordkeeping fund called the "Income Stabilization Fund" shall be established by the Board for the sole purpose of paying the Income Stabilization

Benefits and Income Stabilization Benefits Plus to Eligible Pensioners. Any funds received by the Retirement System that is designated by the City as UTGO Bond Tax Proceeds or a contribution to the Income Stabilization Fund shall be credited by the Board to the Income Stabilization Fund. The assets credited to the Income Stabilization Fund will be invested on a commingled basis with assets of the Retirement System and will be credited with a pro-rata portion of the earnings and losses of the Retirement System. Amounts credited to the Income Stabilization Fund may not be used for any purpose other than the payment of Income Stabilization Benefits and Income Stabilization Benefit Plus benefits to Eligible Pensioners, except as expressly provided in Section K-2(7).

- (5) For purposes of this Section K-2, an "Eligible Pensioner" is a Retiree or surviving Spouse who is at least 60 years of age or a minor child receiving survivor benefits, each as of the effective date of the Plan of Adjustment, whose benefit will be reduced as provided in Section K-1, and who is eligible to receive Income Stabilization Benefits because (i) such individual is receiving monthly pension benefits from the Retirement System as of the effective date of the Plan of Adjustment, and (ii) such individual has a total annual household income equal to or less than 140% of the federal poverty level in 2013 (per his or her (or in the case of a minor child, his or her legal guardian's) 2013 income tax return or equivalent documentation).
- a. An eligible individual must apply for an Income Stabilization Benefit in accordance with procedures established by the Authority and provide such substantiation of the individual's aggregate annual household income as is required by the State in its sole discretion.
 - b. The initial determination of Eligible Pensioners, and amount of the Income Stabilization Benefit payable to each Eligible Pensioner shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board. The Board, with the assistance of the Investment Committee shall be responsible for administering the Income Stabilization Fund and annually certifying to the State Treasurer that it has administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners in accordance with the terms of the State Contribution Agreement.
 - c. After the initial determination of Eligible Pensioners is made, no new individuals will be eligible to receive an Income Stabilization Benefit or an Income Stabilization Benefits Plus benefit at any time in the future.
 - d. An Eligible Pensioner will cease to be an Eligible Pensioner as of the earlier of (i) the Eligible Pensioner's death or (ii) with respect to any minor child receiving survivor benefits, the date the minor child reaches the Age of 18 years.

- (6) For purposes of this Section K-2, the "Federal Poverty Level" means the poverty guidelines published each year in the Federal Register by the United States Department of Health and Human Resources.
- (7) In the event that, in 2022 (provided that the State has not issued a Certificate of Default (as defined in the State Contribution Agreement) with respect to the Retirement System at any time prior to 2022), it is the opinion of at least 75% of the independent members of the Investment Committee that the assets of the Income Stabilization Fund exceed the Income Stabilization Benefits and Income Stabilization Benefits Plus benefits anticipated to be made to Eligible Pensioners by the Retirement System in the future ("Excess Assets"), the Investment Committee may, in its sole discretion, recommend to the Board that all or a portion of the Excess Assets, in an amount not to exceed \$35 million, be used to fund the Adjusted Benefits payable by the Retirement System. The Investment Committee shall have the right to engage professional advisers to assist in making this determination and such expenses shall be paid by the Retirement System.
- (8) In the event that any funds remain in the Income Stabilization Fund on the date upon which there are no Eligible Pensioners under the Retirement System, such funds shall be used to fund the Adjusted Benefits payable by the Retirement System.

Sec. K-3. Restoration of Pension Benefits

The following rules shall govern how COLA benefits (as described in Section K-1(1)), that are reduced as part of the Plan of Adjustment, shall be restored during the thirty year period following the confirmation order issued by the Bankruptcy court in *In Re City of Detroit, Michigan*, Case No. 13-53846. The pension restoration process shall be supervised, and restoration decisions undertaken by the Investment Committee and in accordance with the pension governance provisions set forth in the State Contribution Agreement and exhibits thereto. The pension restoration program shall be deemed a part of this Component II, but in the event of any conflict between the language set forth herein and the pension restoration agreement attached to and made a part of the Plan of Adjustment ("Pension Restoration Agreement"), the terms of the Pension Restoration Agreement will govern.

(1) Waterfall Classes.

There will be three Waterfall Classes:

- a. Waterfall Class 1 – Retirees, in retirement benefit pay status as of June 30, 2014, and their surviving Spouses and Beneficiaries.
- b. Waterfall Class 2 – Retirees, who entered into retirement benefit pay status after June 30, 2014, and their surviving Spouses and Beneficiaries, and who are in pay status as of the end of the Fiscal Year prior to the year in which the restoration decision is made.

- c. Waterfall Class 3 – All Retirees, surviving Spouses, and Beneficiaries in pay status and all other Members who as of June 30, 2014 are not in retirement benefit pay status.

(2) *Restoration of Benefits Through June 30, 2023.*

- a. Each year in conjunction with the annual actuarial valuation report, the Plan Actuary will project the funded ratio of the Retirement System as of 2023 based upon the market value of plan assets relative to the actuarial accrued liabilities (the “Funded Level”). This projection will be further based upon a 6.75% assumed rate of investment return which is net of expenses (administrative and investment), future employer contributions as set forth in the Plan of Adjustment (subject to conditions in the Plan of Adjustment), and such other actuarial assumptions as utilized by the Plan Actuary. For purposes of restoration of benefits through June 30, 2023, the Funding Target will be a 75% funded ratio, and the Restoration Target will be a 78% funded ratio, both projected to June 30, 2023. For purposes of calculating the funded ratio, the assets in the Restoration Reserve Account will be excluded. Each year, if the Plan Actuary projects that the Funded Level as of 2023 (excluding Restoration Reserve Account assets to avoid double counting) exceeds the Restoration Target (i.e., exceeds 78%), a credit of assets for bookkeeping purposes will be made into a new notional Restoration Reserve Account. The notional credit will be an amount equal to the excess of assets above the amount projected to be needed to satisfy the Restoration Target. Once the Restoration Reserve Account is established, each year thereafter, Restoration Account assets will be credited with interest in an amount equal to the net return on Retirement System investments but capped at the actuarially assumed rate of investment return (i.e., 6.75% for the period through June 30, 2023). In the event of net losses, the credited asset value of the Restoration Reserve Account will be diminished to reflect such losses and any required transfer to the PFRS Pension Reserve Fund as provided herein.
- b. Actual restoration payments and restoration credits will work as follows: each year, in conjunction with the preparation of the annual actuarial valuation report and following establishment of the Restoration Reserve Account, the Plan Actuary will determine whether there are sufficient funds in such account to restore COLA benefits in a minimum incremental amount of 10% or more. For example: if a Retiree’s then current COLA benefit is a 1.0% annual compounded COLA, the minimum incremental restoration would increase the COLA benefit to 1.225%. COLA restoration only will occur if the funding level in the Restoration Reserve Account can fund 100% of the COLA increase over the actuarially-projected lives of the eligible recipient Waterfall Class. If the Plan Actuary certifies that the Restoration Reserve Account as of the end of the prior Fiscal Year satisfies the required funding level for one or more increments of restoration, then in the next immediate Fiscal Year actual

COLA restoration payments will be made to PFRS Waterfall Class 1 members in such increments until an amount sufficient to fund 66% of the value of their future COLA payments (e.g., a 1.5% compound COLA, or as otherwise applicable) has been funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account would fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), Waterfall Class 2 members will receive COLA restoration, until an amount sufficient to fund 66% of the value of their future COLA payments has been funded. At that juncture, and to the extent that additional assets in the Restoration Reserve Account would fully fund COLA restoration in at least one minimum 10% increment (i.e., amounts equal to 10% of the value of future COLA payments), Waterfall Class 3 members will receive COLA restoration on a pro-rata basis. For Waterfall Class 3 members who are in pay status at that time of restoration, they will receive COLA payments; for active employees at the time of restoration, they will receive credits granting them a right upon retirement to receive COLA restoration equal to the 10% increments that are fully funded to Waterfall Class 3 members. For example: assume there are sufficient assets credited to the Restoration Reserve Account as of the end of a Fiscal Year to fully fund 66% of the value of the COLA for all Waterfall Class 1 and Class 2 members for their actuarially projected lives. To the extent additional assets remain in the Restoration Reserve Account to fully fund at least a 10% COLA increment for Waterfall Class 3 members for their actuarially projected lives, then (i) all Retirees would receive a restoration payment of 76% of the value of their COLAs (their having already received by virtue of their membership in Waterfall Classes 1 and 2 an increase to 66% of the value of their COLAs) and also a 10% COLA increment would be credited to eligible active employees which would be included in their benefit payments upon retirement (thus causing their COLAs to increase in value from 45% to 55%). Restoration amounts actually paid from the Restoration Reserve Account will be debited from such account. Restoration payments will be calculated and paid on a prospective basis only.

- c. Once restoration payments and credits begin, as long as the Restoration Reserve Account continues to have assets to fund 100% of an incremental COLA restoration amount for such Waterfall Class for their actuarially projected lives, the restoration payments and credits will continue; provided, however, that in the event the Restoration Reserve Account, after having sufficient assets to fund 100% of two or more increments, falls below 100% for the second or greater increment, the annual amounts to pay such second or greater increment can continue until the Restoration Reserve Account lacks any assets to fund such additional increment. For example, assume a 10% increment in Waterfall Class 1 requires \$10 million in assets to be fully funded for the Waterfall Class members' actuarially projected lives, and that based on Fiscal Year 2018 results the

Restoration Reserve Account has assets of \$22 million so as to fund two increments of restoration in Fiscal Year 2019. Assume further that in the following year the Restoration Reserve Account drops in value to \$17 million; in such event two increments could still be paid, and the second increment would cease being paid only if the value of assets in the Restoration Reserve Account dropped to or below \$10 million (in the event they dropped below \$10 million, the first increment also would cease being paid). For purposes of restoration reduction, restoration increments will be taken away in reverse order in which they were granted (i.e. last in, first out).

- d. If the Funded Level (excluding Restoration Reserve Assets) projected to 2023 falls below 76% (hereinafter, "Restoration Reserve Suspension Trigger"), then, until such time as the projected Funded Level in 2023 is 76% or above, further interest credits to the notional Restoration Reserve Account will cease notwithstanding the actual net Retirement System investment returns for the Fiscal Year in question. Furthermore, if the Funded Level projected to 2023 falls below the Funding Target (i.e., 75%) then restoration payments to Retirees and credits to active employees in the following year will be modified in the following manner: (1) funds previously credited to the Restoration Reserve Account will be notionally transferred and credited to the Pension Reserve Fund in sufficient amounts to restore the projected Funded Level in 2023 to 75%; (2) following such transfer, the remaining assets in the Restoration Reserve Account shall be applied to make restoration payments in accordance with and pursuant to the same mechanism described in paragraph c.
- e. In connection with preparation of the actuarial report for Fiscal Year 2023, the Plan Actuary will determine whether the Retirement System has satisfied the Permanent Restoration Target, which shall be 78%. Transfers from the Restoration Reserve Account for credit to the Pension Reserve Fund may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers, the Funded Level as of June 30, 2023 has satisfied the Permanent Restoration Target (i.e., 78%), then the residual amounts, if any, in the Restoration Reserve Account (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of COLA restoration payments for one or more Waterfall Classes for their actuarially projected lives, shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Fund and the applicable incremental COLA payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year.
- f. Following receipt of the actuarial reports for 2019, and in the event that the projected Funded Level of the Retirement System as of 2023 is less than 76%, the Plan Actuary shall revisit the restoration calculations that it

made during each of the prior four (4) years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2023, or (ii) an amount of annual administrative expenses until 2023 equal to the average annual normal course administrative expenses in the prior four (4) years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the Restoration Reserve Account than actually were transferred during such look back period, then the Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the look-back period); or (iii) the amount required to increase the projected 2023 Funded Level to 76%.

(3) *Restoration of Benefits from July 1, 2023 to June 30, 2033.*

- a. If and to the extent that all COLA payments have not been restored as of June 30, 2023 pursuant to Section (2)(e), then during this period and for purposes of variable restoration, the Funding Target, the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth below, all projected as of June 30, 2033:

<u>2023 Funded Level</u>	<u>2023 Funding Target/Restoration Target</u>
78%	81%/84%
77%	80%/83%
76%	79%/82%
75%	78%/81%
74% or lower	3% >than 2023 Funded Level %/81%

2033 Permanent Restoration Target - Same as 2033 Restoration Target

2033 Restoration Reserve Suspension Trigger - 1% higher than the projected Funding Target for all time periods

- b. The same rules for restoration payments that applied during the period ending June 30, 2023 shall apply (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and making Restoration Account asset transfers to the Pension Reserve Fund in the event the 2033 Funded Level falls below the 2033 Funding Target), except as follows. For purposes of determining whether the 2033 Restoration Target has been satisfied, the Plan Actuary shall project investment returns through June 30, 2033 using the then current investment return assumption

which is assumed to be net of expenses (administrative and investment), and the then applicable actuarial assumptions as utilized in the annual actuarial valuation. Further, the Plan Actuary shall assume, merely for purposes of determining whether the Restoration Target is satisfied, that the annual City contribution amount shall be the annual amount necessary to fund the Retirement System based upon an amortization of the actual 2023 UAAL (using the market value of assets) over 30 years (hereinafter, the "2023 UAAL Amortization") and in such manner that the resulting annual contributions would achieve the applicable Funding Target (pursuant to paragraph b) as of 2033. Such projected, hypothetical contributions shall be for purposes only of making restoration determinations, and shall not necessarily be the actual contributions made or required to be made by the City or recommended during such period; all of which shall be determined independent of the restoration calculation process. For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded.

- c. To the extent that the City's actual contributions to the Retirement System in any of the Fiscal Years 2024 (i.e., the year ending June 30, 2024) through 2033 are greater than the projected annual contribution under the 2023 UAAL Amortization, such amounts, and any investment earnings thereon, shall be notionally credited to a new bookkeeping account in the Retirement System called the Extra Contribution Account. In determining pension restoration during the period from Fiscal Year 2024 through 2033, none of the amounts in the Extra Contribution Account shall be considered for purposes of determining the projected Funded Level for purposes of determining whether the Retirement System has attained the Restoration Target or the Permanent Restoration Target. To the extent that the City's actual contributions in any of the Fiscal Years 2024 through 2033 are less than the City's projected annual contribution under the 2023 UAAL Amortization, such difference and any investment earnings thereon shall be notionally allocated to the Pension Reserve Fund.
- d. Each year, in addition to the notional credit of amounts that exceed the amount necessary to satisfy the Restoration Target, existing notional Restoration Account assets will be credited with interest equal to the net return on Retirement System investments; however, such interest shall not exceed the then investment return assumption. In the event of net losses on the Retirement System's investments, the notional assets credited to the Restoration Reserve Account will be reduced to reflect such losses.
- e. In connection with preparation of the actuarial report for Fiscal Year 2033, the Plan Actuary will determine whether the Retirement System has satisfied the applicable Permanent Restoration Target (i.e., the 2033 Restoration Target). Transfers from the Restoration Reserve Account for credit to the Pension Reserve Fund may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such

transfers the funding level as of June 30, 2033 has satisfied the applicable Permanent Restoration Target, then the residual amounts in the Restoration Reserve Account, if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), and which fully fund one or more increments of COLA restoration payments for one or more Waterfall Classes, shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Fund and the applicable incremental COLA payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year.

- f. Following receipt of the actuarial report for 2028, and in the event that the projected Funded Level as of 2033 is less than 79%, the Plan Actuary shall revisit the restoration calculations that it made during each of the prior four (4) years. It shall recalculate each such prior year's Funded Level projection, this time by assuming the lesser of (i) \$4.5 million in annual administrative expenses until 2033, or (ii) an amount of annual administrative expenses until 2033 equal to the average annual normal course administrative expenses in the prior four (4) years applicable to Component II, in addition to a net 6.75% annual investment return. If such retrospective recalculation indicates that fewer amounts would have transferred to the Restoration Reserve Account than actually were transferred during such look back period, then the Restoration Reserve Account shall be debited by the lesser of (i) this difference (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the applicable look-back period) or (ii) the dollars that were actually paid out in restoration payments during such look-back period (plus interest at a rate equal to the rate that was credited to the Restoration Reserve Account during the applicable look-back period); or (iii) the amount required to increase the projected 2033 Funded Level to 79%.

(4) *Restoration of Benefits from July 1, 2033 to June 30, 2043.*

- a. If and to the extent that all COLA payments have not been restored pursuant to Section (3)(f) as of June 30, 2033, then during the period ending June 30, 2043 and for purposes of variable restoration, the Funding Target, the Restoration Target, the Permanent Restoration Target and the Restoration Reserve Suspension Trigger shall be as set forth below, all projected as of June 30, 2043.

<u>2023 Funded Level</u>	<u>2043 Funding Target/Restoration Target</u>
78%	84%/87%
77%	83%/86%
76%	82%/85%
75%	81%/84%
74% or lower	3% > than 2023 Funded Level %/84%

2043 Permanent Restoration Target - Same as 2043 Restoration Target

2043 Restoration Reserve Suspension Trigger – 1% higher than the projected Funding Target for all time periods

- b. The same rules for restoration that applied during the period ending June 30, 2033 shall otherwise apply (including ceasing interest credits in the event of a Restoration Reserve Suspension Trigger, and the making of notional asset transfers from the Restoration Reserve Account to the Pension Reserve Fund in the event the 2043 Funded Level falls below the 2043 Funding Target) and shall be rolled forward. For example, for purposes of determining whether the 2043 Restoration Target has been satisfied, the Plan Actuary shall project annual contributions using the same 2023 UAAL Amortization. For purposes of calculating the funded ratio, the assets in the Restoration Reserve account will be excluded, and no Extra Contribution Account assets shall be included for purposes of determining whether the Funded Level meets the Restoration Target or Permanent Restoration Target, including any additions to such account after 2033.
- c. In connection with preparation of the annual actuarial valuation report for Fiscal Year 2043, the Plan Actuary will determine whether the Retirement System has satisfied the applicable Permanent Restoration Target, as set forth in paragraph a above. Transfers from the Restoration Reserve Account for credit to the Pension Reserve Fund may be made in such amounts as are necessary to satisfy the Permanent Restoration Target. If following such transfers the Funded Level as of June 30, 2043 is equal to or greater than the applicable Permanent Restoration Target, then the residual amounts in the Restoration Reserve Account, if any (which will necessarily represent excess not necessary to satisfy the Permanent Restoration Target), shall be transferred from the Restoration Reserve Account and credited to the Pension Reserve Fund and the applicable incremental COLA payments shall be permanently restored for the applicable Waterfall Class and shall no longer be variable from year to year.

(5) *Modification of the Pension Restoration Program.*

If at any time after July 1, 2026, the Investment Committee by vote of five of its seven Members, or the Board of Trustees by a greater than 66% vote, determines that a change in relevant circumstances has occurred, or there was a mutual mistake of fact in developing the Pension Restoration Agreement attached to and made a part of the Plan of Adjustment, such that the continued operation of the Pension Restoration Agreement and this Section K-3 without amendment will: (a) materially harm the long-term economic interests of the City or Retirement System; (b) materially impair the City's ability to fully fund over a reasonable period the then existing frozen benefit liabilities; or (c) materially hinder the Restoration Program, if as of that juncture (and for purposes of applying this

subsection K-3(5) annual funding levels (excluding the Extra Contribution Account) had materially exceeded the applicable Restoration Targets for a substantial period yet without any material actual restoration of benefits as contemplated herein having been made, the Investment Committee or the Board, as the case may be, shall provide written notice to the other entity of such a determination and of the need to amend the Pension Restoration Agreement and this Section K-3 (it being understood that the post-Chapter 9, 40-year amortization period (to 2053) to fully fund frozen liabilities is, unless the relevant facts demonstrate otherwise, presumptively reasonable). The Investment Committee and the Board shall then meet to negotiate amendments to the Pension Restoration Agreement that address the identified risk of harm or impairment, but which also considers the Agreement's objective of providing pension restoration. Such negotiations shall take into account reasonable actions the City has pursued or could pursue to mitigate such harm or impairment. Any such amendments shall require the approval of a majority vote of the combined members of the Investment Committee and Board (persons who sit on both the Board and Investment Committee shall have one vote). Such parties shall consult with the Mayor, City Council and the Governor in connection with such negotiation.

If the Board, acting through a majority, and the Investment Committee, acting through a majority, cannot agree to such amendments with the 90-day period following the provision of such notice by the determining party, then the Board and Investment Committee shall proceed to mediation upon demand from either the Board or the Investment Committee. In this regard, within 30-days following expiration of the 90-day period the Board and the Investment Committee shall each select a mediator from the list of approved mediators for the United States District Court for the Eastern District of Michigan. The two selected mediators shall appoint a third neutral mediator from the approved list. Each party shall furnish a written statement to the mediators within 30 days of selection of the neutral mediator. Representatives of the Mayor and the Governor shall be consulted in connection with such mediations. If following a 90-day mediation period following submission of the written statements the matter is not settled, then either the Investment Committee or the Board can file an action in the United States District Court for the Eastern District of Michigan asking it to declare, *inter alia*, whether or in what manner to amend the Pension Restoration Agreement and this Section K-3.

APPENDIX A

The following provisions shall also have general applicability to the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan:

MCLS Const. Art. IX, § 24 (2003)

§ 24. Public pension plans and retirement systems, obligation.

Sec. 24. The accrued financial benefits of each pension plan and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby.

Financial benefits arising on account of service rendered in each Fiscal Year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.

**Relevant Provisions of
January 1, 2012
City of Detroit Charter**

**ARTICLE 11.
RETIREMENT PLANS**

Sec. 11-101. City's Duties.

1. The City shall provide, by ordinance, for the establishment and maintenance of retirement plan coverage for city employees.
2. Financial benefits arising on account of service rendered in each Fiscal Year shall be funded during that year and that funding shall not be used for financing unfunded accrued liabilities.
3. The accrued financial benefits of active and retired city employees, being contractual obligations of the city, shall in no event be diminished or impaired.

Sec. 11-102. Continuation of Existing Plans.

The retirement plans of the city existing when this Charter takes effect, including the existing governing bodies for administering those plans, the benefit schedules for those plans and the terms for accruing rights to and receiving benefits under those plans shall, in all respects, continue in existence exactly as before unless changed by this Charter or an ordinance adopted in accordance with this article.

**Relevant Provisions of the
Detroit City Code**

Sec. 47-1-2. Detroit Police and Fire Retirement System.

Notwithstanding any collective bargaining agreement or other documents governing terms of employment to the contrary, effective as of July 1, 2014, the Detroit Police and Fire Retirement System shall hereinafter be memorialized in a separate written document entitled "Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan," which shall comprise the exclusive terms of the Detroit Police and Fire Retirement System and be kept in the Office of the City Clerk for the City of Detroit.

Collective Bargaining Agreements.

Except to the extent otherwise provided in the Plan of Adjustment, under Michigan Law if there is any conflict between the Retirement System provisions and collective bargaining agreement provisions, the terms of the collective bargaining agreement control.

- (a) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Police Officers Association with respect to police officers covered by said collective bargaining agreement.
- (b) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Police Lieutenants and Sergeants Association.
- (c) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Police Command Officers Association.
- (d) The Board of Trustees shall administer the Retirement System consistent with the pension provisions of the 2014-2019 collective bargaining agreement between the City of Detroit and the Detroit Fire Fighters Association.

CLI-202268614v2

EXHIBIT B

<p style="text-align: right;">Page 237</p> <p style="text-align: center;">GLENN BOWEN IN THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF MICHIGAN</p> <p>In re) Chapter 9 CITY OF DETROIT, MICHIGAN,) Case No. 13-53846 Debtor.) Hon. Steven W. Rhodes</p> <hr/> <p>The Videotaped Deposition of GLENN BOWEN, VOLUME II, Taken at 1114 Washington Boulevard, Detroit, Michigan, Commencing at 9:00 a.m., Tuesday, July 1, 2014, Before Rebecca L. Russo, CSR-2759, RMR, CRR.</p>	<p style="text-align: right;">Page 239</p> <p>1 GLENN BOWEN 2 JENNIFER K. GREEN, ESQ. 3 Clark Hill, PLC 4 500 Woodward venue 5 Suite 3500 6 Detroit, Michigan 248226 7 Appearing on behalf of the Retirement Systems for the 8 City of Detroit. 9 10 11 12 MARK R. JAMES, ESQ., 13 MAY A. SAAD, ESQ. 14 Williams, Williams, Rattner & Plunkett, P.C. 15 380 North Old Woodward Avenue 16 Suite 300 17 Birmingham, Michigan 48009 18 Appearing on behalf of the Financial Guaranty 19 Insurance Company. 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 238</p> <p>1 GLENN BOWEN 2 APPEARANCES: 3 4 EVAN MILLER, ESQ., 5 MIGUEL F. EATON, ESQ. 6 Jones Day 7 51 Louisiana Avenue, N.W. 8 Washington, D.C. 20001 9 Appearing on behalf of the Debtor. 10 11 12 13 14 CLAUDE D. MONTGOMERY, ESQ. 15 Dentons US LLP 16 1221 Avenue of the Americas 17 New York, New York 10020-1089 18 Appearing on behalf of the Retiree Committee. 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 240</p> <p>1 GLENN BOWEN 2 DAWN R. COPLEY, ESQ. 3 Dickinson Wright, PLLC 4 500 Woodward Avenue 5 Suite 4000 6 Detroit, Michigan 48226 7 Appearing on behalf of the State of Michigan. 8 9 10 11 PAUL S. DAVIDSON, ESQ. 12 Waller Lansden Dortch & Davis, LLP 13 511 Union Street 14 Suite 2700 15 Nashville, Tennessee 37219 16 Appearing on behalf of U.S. Bank National Association, 17 as Trustee for the Water and Sewer Bonds. 18 19 20 21 22 23 24 25</p>

1 (Pages 237 to 240)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

13-53846-jlt Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:45:23 Page 25 of 65

<p style="text-align: right;">Page 241</p> <p>1 GLENN BOWEN 2 ROBERT A. WEISBERG, ESQ. 3 Carson Fischer, PLC 4 4111 Andover Road West 5 Second Floor 6 Bloomfield Hills, Michigan 48302 7 Appearing on behalf of Oakland County. 8 9 10 11 ROBIN D. BALL, ESQ. 12 Chadbourne & Parke, LLP 13 350 South Grand Avenue 14 32nd Floor 15 Los Angeles, California 90071 16 Appearing on behalf of Assured Guaranty Municipal 17 Corp. 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 243</p> <p>1 GLENN BOWEN 2 ALLAN S. BRILLIANT, ESQ. (Via Telephone) 3 Dechert, LLP 4 1095 Avenue of the Americas 5 New York, New York 10036 6 Appearing on behalf of Macomb County. 7 8 9 10 PAUL J. KOOB, ESQ. (Via Telephone) 11 Ballard Spahr LLP 12 1735 Market Street 13 51st Floor 14 Philadelphia, Pennsylvania 19103 15 Appearing on behalf of Hypothekenbank Frankfurt AG; 16 Hypothekenbank Frankfurt International S.A.; and Erste 17 Europäische Pfandbriefund Kommunalkreditbank 18 Aktiengesellschaft in Luxemburg S.A. 19 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 242</p> <p>1 GLENN BOWEN 2 GUY S. NEAL, ESQ. 3 Sidley Austin, LLP 4 1501 K Street, N.W. 5 Washington, D.C. 20005 6 Appearing on behalf of National Public Finance 7 Guarantee Corporation. 8 9 10 11 CHARLES D. BULLOCK, ESQ. 12 Stevenson & Bullock, PLC 13 26100 American Drive 14 Suite 500 15 Southfield, Michigan 48034 16 Appearing on behalf of Gabriel Roeder Smith. 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 244</p> <p>1 GLENN BOWEN 2 R. TIMOTHY MUTH, ESQ. 3 Reinhart Boerner Van Deuren, S.C. 4 1000 North Water Street 5 Suite 1700 6 Milwaukee, Wisconsin 53202 7 Appearing on behalf of the Witness. 8 9 10 11 ALSO PRESENT: 12 Liaw Huang - Terry Consulting, LLC 13 Joseph Esuchanko - Actuarial Service Co. 14 Rob Girkin - Video Technician 15 16 17 18 19 20 21 22 23 24 25</p>

2 (Pages 241 to 244)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

13-53846-jlt Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:45:23 Page 51 of 65

<p style="text-align: right;">Page 245</p> <p>1 TABLE OF CONTENTS</p> <p>2</p> <p>3 WITNESS PAGE</p> <p>4 GLENN BOWEN</p> <p>5</p> <p>6 EXAMINATION BY MR. BALL 250</p> <p>7</p> <p>8 EXHIBITS</p> <p>9</p> <p>10 EXHIBIT PAGE</p> <p>11</p> <p>12</p> <p>13 DEPOSITION EXHIBIT 25 273</p> <p>14 DEPOSITION EXHIBIT 26 276</p> <p>15 DEPOSITION EXHIBIT 27 289</p> <p>16 DEPOSITION EXHIBIT 28 295</p> <p>17 DEPOSITION EXHIBIT 29 302</p> <p>18 DEPOSITION EXHIBIT 30 313</p> <p>19 DEPOSITION EXHIBIT 31 320</p> <p>20 DEPOSITION EXHIBIT 32 326</p> <p>21 DEPOSITION EXHIBIT 33 341</p> <p>22 DEPOSITION EXHIBIT 34 345</p> <p>23 DEPOSITION EXHIBIT 35 349</p> <p>24 DEPOSITION EXHIBIT 36 357</p> <p>25 DEPOSITION EXHIBIT 37 360</p>	<p style="text-align: right;">Page 247</p> <p>1 GLENN BOWEN</p> <p>2 Detroit, Michigan</p> <p>3 Tuesday, July 1, 2014</p> <p>4 9:00 a.m.</p> <p>5</p> <p>6 VIDEO TECHNICIAN: We are now on the</p> <p>7 record. This is the continuation of the videotaped</p> <p>8 deposition of Glenn Bowen, being taken on Tuesday,</p> <p>9 July 1st, 2014. The time is now 9:00 a.m.</p> <p>10 Counsel may proceed.</p> <p>11 MR. BALL: Okay.</p> <p>12 MR. MONTGOMERY: Before we get started,</p> <p>13 Counsel, I would just like the transcript record to</p> <p>14 reflect that yesterday we sent an email to counsel</p> <p>15 involved in yesterday's deposition regarding Bowen</p> <p>16 Exhibit 10 as having been produced erroneously by the</p> <p>17 city.</p> <p>18 It was delivered to the mediators on</p> <p>19 April 9th, the date that's on the letter, and we would</p> <p>20 request that the parties agree not to engage in any</p> <p>21 further questioning with respect to that document, and</p> <p>22 we'd further ask yesterday's counsel to agree to</p> <p>23 remove references from the record with respect to that</p> <p>24 letter.</p> <p>25 MR. MILLER: And Evan Miller, for the City</p>
<p style="text-align: right;">Page 246</p> <p>1 DEPOSITION EXHIBIT 38 362</p> <p>2 DEPOSITION EXHIBIT 39 363</p> <p>3 DEPOSITION EXHIBIT 40 374</p> <p>4 DEPOSITION EXHIBIT 41 377</p> <p>5 DEPOSITION EXHIBIT 42 383</p> <p>6 DEPOSITION EXHIBIT 43 393</p> <p>7 DEPOSITION EXHIBIT 44 398</p> <p>8 DEPOSITION EXHIBIT 45 404</p> <p>9 DEPOSITION EXHIBIT 46 404</p> <p>10 DEPOSITION EXHIBIT 47 407</p> <p>11 DEPOSITION EXHIBIT 48 407</p> <p>12 DEPOSITION EXHIBIT 49 409</p> <p>13 DEPOSITION EXHIBIT 50 416</p> <p>14 DEPOSITION EXHIBIT 51 439</p> <p>15 DEPOSITION EXHIBIT 52 464</p> <p>16 DEPOSITION EXHIBIT 53 477</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 248</p> <p>1 GLENN BOWEN</p> <p>2 of Detroit.</p> <p>3 I concur that the document in question,</p> <p>4 which is POA98715 through 98718, was indeed provided</p> <p>5 to the city by Mr. Montgomery, pursuant to a mediation</p> <p>6 order, and consequently, it falls within the</p> <p>7 confidentiality protection set forth in Judge Rhodes'</p> <p>8 mediation order of August 2013.</p> <p>9 The city supports the request of the</p> <p>10 Retiree Committee that the document be withdrawn and</p> <p>11 the questions of Mr. Bowen in connection with the</p> <p>12 document be stricken from the record.</p> <p>13 MR. BALL: Let's start by taking a roll</p> <p>14 call of who's in attendance.</p> <p>15 This is Robin Ball, from Chadbourne & Park,</p> <p>16 representing Assured.</p> <p>17 If I could ask the others present to</p> <p>18 identify themselves for the record.</p> <p>19 MR. HUANG: Liaw Huang, from the Terry</p> <p>20 Group, with Mr. Ball.</p> <p>21 MR. NEAL: Guy Neal, Sidley Austin, for</p> <p>22 National Public Finance Guarantee Corporation.</p> <p>23 MR. WEISBERG: Bob Weisberg, for Oakland</p> <p>24 County.</p> <p>25 MR. ESUCHANKO: Joe Esuchanko, for Oakland</p>

3 (Pages 245 to 248)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

13-53846-jjt Doc 13634-20 Filed 09/22/23 Entered 09/22/23 18:45:23 Page 52 of 65

<p style="text-align: right;">Page 249</p> <p>1 GLENN BOWEN</p> <p>2 County.</p> <p>3 MS. GREEN: Jennifer Green, on behalf of</p> <p>4 the General Retirement System for the City of Detroit</p> <p>5 and the Police and Fire Retirement System for the City</p> <p>6 of Detroit.</p> <p>7 MS. SAAD: May Saad, on behalf of Financial</p> <p>8 Guaranty Insurance Company.</p> <p>9 MS. COPLEY: Dawn Copley, for the State of</p> <p>10 Michigan.</p> <p>11 MR. MONTGOMERY: Claude Montgomery, Dentons</p> <p>12 US, for the Retiree Committee.</p> <p>13 MR. DAVIDSON: Paul Davidson, Waller</p> <p>14 Lansden, for U.S. Bank.</p> <p>15 MR. EATON: Miguel Eaton, from Jones Day,</p> <p>16 on behalf of the city.</p> <p>17 MR. MILLER: Evan Miller, Jones Day, on</p> <p>18 behalf of the City of Detroit.</p> <p>19 MR. MUTH: Tim Muth, Reinhart Boerner</p> <p>20 Van Deuren, on behalf of Mr. Bowen.</p> <p>21 GLENN BOWEN,</p> <p>22 was thereupon called as a witness herein, and after</p> <p>23 having first been previously duly sworn to testify to</p> <p>24 the truth, the whole truth and nothing but the truth,</p> <p>25 was examined and testified as follows:</p>	<p style="text-align: right;">Page 251</p> <p>1 GLENN BOWEN</p> <p>2 Q. All right. Mr. Bowen, you discussed yesterday that</p> <p>3 you have served, or serve as the system actuary for</p> <p>4 several pension systems?</p> <p>5 A. Yes.</p> <p>6 Q. Okay. And those include the Puerto Rico Government</p> <p>7 Employees Pension System, Puerto Rico Teachers Pension</p> <p>8 System, and the Puerto Rico Judiciary Pension System?</p> <p>9 A. Those are three of the biggest, yes.</p> <p>10 Q. Okay. And are there other pension systems for which</p> <p>11 you serve as the system actuary?</p> <p>12 A. Not at the -- not at the moment that I'm a lead</p> <p>13 actuary on another system.</p> <p>14 Q. What's the lead actuary, what's that mean?</p> <p>15 A. Lead consultant, as opposed to being a member of the</p> <p>16 project team.</p> <p>17 Q. And what system is that?</p> <p>18 A. The Social Insurance Scheme of the Kingdom of Saudi</p> <p>19 Arabia.</p> <p>20 Q. And what's the difference between being -- well,</p> <p>21 first, what's the difference between being a system</p> <p>22 actuary and serving in a consultant role as you've</p> <p>23 served here?</p> <p>24 A. The distinction I'm drawing is, if you will, for</p> <p>25 Puerto Rico, I'm the first point of contact and work</p>
<p style="text-align: right;">Page 250</p> <p>1 GLENN BOWEN</p> <p>2 EXAMINATION</p> <p>3 BY MR. BALL:</p> <p>4 Q. Good morning, Mr. Bowen.</p> <p>5 A. Good morning.</p> <p>6 Q. Welcome back.</p> <p>7 A. Thank you.</p> <p>8 Q. You understand that you're still under oath?</p> <p>9 A. Correct.</p> <p>10 Q. Today we'll observe the same ground rules that you</p> <p>11 went through with counsel yesterday, in regards to</p> <p>12 breaks, and if I ask a question that you don't</p> <p>13 understand, you'll let me know; all of those same</p> <p>14 ground rules, are those acceptable to you?</p> <p>15 A. Yes.</p> <p>16 MR. MILLER: Robin, excuse me, before you</p> <p>17 begin, I'm sorry to interrupt, can we have</p> <p>18 identification of the individuals who are listening</p> <p>19 and participating by telephone?</p> <p>20 MR. BALL: Yeah, if I could ask those on</p> <p>21 the line to identify themselves, please.</p> <p>22 MR. KOOB: Paul Koob, from Ballard Spahr.</p> <p>23 MR. BALL: And I believe we have at least</p> <p>24 one other party on the line.</p> <p>25 BY MR. BALL:</p>	<p style="text-align: right;">Page 252</p> <p>1 GLENN BOWEN</p> <p>2 with the client to set the scope of the engagement,</p> <p>3 and I'm responsible for every single aspect of the</p> <p>4 engagement, attending meetings.</p> <p>5 My work on the Kingdom of Saudi Arabia</p> <p>6 differs, in that I'm on the project team.</p> <p>7 Q. And I asked you a slightly different question, I</p> <p>8 apologize. It was a little confusing because I</p> <p>9 shifted from Kingdom of Saudi Arabia to what you're</p> <p>10 doing here.</p> <p>11 What's the difference between being a</p> <p>12 system actuary and playing the role of a consultant to</p> <p>13 the city, as you've played here?</p> <p>14 A. Absolutely. A system actuary is a retained actuary</p> <p>15 who will perform valuations; for instance, every year</p> <p>16 we perform valuations for the three Puerto Rico</p> <p>17 retirement systems that you mentioned. We do other</p> <p>18 work where we are retained by sometimes a retirement</p> <p>19 system and/or sometimes a legislative oversight body.</p> <p>20 For instance, we do work for the state of Pennsylvania</p> <p>21 and we do actuarial valuations of the systems, not for</p> <p>22 purposes of producing the valuation report but for</p> <p>23 purposes of advising the state, in much the same way</p> <p>24 we've performed valuations of the City of Detroit's</p> <p>25 retirement systems for the purpose of further advising</p>

4 (Pages 249 to 252)

Elisa Dreier Reporting Corp. (212) 557-5558

950 Third Avenue, New York, NY 10022

13-53846-jjt Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 53 of 65

<p style="text-align: right;">Page 253</p> <p>1 GLENN BOWEN</p> <p>2 the City of Detroit.</p> <p>3 Q. Okay. And in terms of the role with respect to the</p> <p>4 system itself, if you're a consultant, as you are</p> <p>5 here, do you have any role with respect to the system</p> <p>6 itself?</p> <p>7 A. No, we don't have a relationship with the system</p> <p>8 itself.</p> <p>9 Q. Okay. And in making actuarial recommendations --</p> <p>10 strike that.</p> <p>11 Do you have -- in addition to your work on</p> <p>12 the public pensions that you've talked about, do you</p> <p>13 have experience with working on transactional matters?</p> <p>14 MR. BALL: Could we ask whoever just joined</p> <p>15 to identify themselves for the record, please?</p> <p>16 MR. BRILLIANT: Allan Brilliant.</p> <p>17 MR. BALL: Thank you.</p> <p>18 BY MR. BALL:</p> <p>19 Q. I'm sorry, let me -- I'll start that question over.</p> <p>20 Do you have experience working on</p> <p>21 transactional matters as an actuary?</p> <p>22 A. Could you describe more specifically what you mean by</p> <p>23 transactional matters?</p> <p>24 Q. Something involving the purchase or sale or</p> <p>25 acquisition of either an entity or a book of business</p>	<p style="text-align: right;">Page 255</p> <p>1 GLENN BOWEN</p> <p>2 level of rigor that attaches to your work.</p> <p>3 A. I can give you one example, which may or may not</p> <p>4 answer your question, but I was involved in the merger</p> <p>5 of two pension plans within one plan sponsor several</p> <p>6 years ago, and there was a requirement that the data</p> <p>7 be retained for either a five or seven-year period, so</p> <p>8 that the starting position of each entity could be</p> <p>9 recreated if it was needed.</p> <p>10 Q. There was some discussion yesterday of a disparity of</p> <p>11 300 members in the, in the -- among the beneficiaries</p> <p>12 or potential beneficiaries of the GRS retirement</p> <p>13 system. Do you recall that?</p> <p>14 A. I do.</p> <p>15 Q. Do you know whether, in a transactional matter -- you</p> <p>16 said that you didn't believe that that 300-member</p> <p>17 difference would end up being material, essentially,</p> <p>18 do you recall that?</p> <p>19 A. I do.</p> <p>20 Q. Do you know whether the same conclusion would apply if</p> <p>21 you were looking at that analysis in the context of a</p> <p>22 transaction?</p> <p>23 A. My role as an actuary would be to bring it to the</p> <p>24 attention of our client, as we did, setting forth our</p> <p>25 results in the letter at the request of the retirement</p>
<p style="text-align: right;">Page 254</p> <p>1 GLENN BOWEN</p> <p>2 or liabilities, anything involving the purchase or</p> <p>3 sale of a business or a part of a business.</p> <p>4 A. I can't say I've been involved in any M and A.</p> <p>5 Q. Is there any part of your business that you would</p> <p>6 describe as transactional?</p> <p>7 A. Within Milliman, potentially; within my practice, we</p> <p>8 may have worked on M and A engagements, but it's not a</p> <p>9 standard -- you know, it would be if it arose based on</p> <p>10 a client being acquired. I know that has happened in</p> <p>11 the past. I'm not sure to what extent we've been</p> <p>12 involved in the transactional aspects of it.</p> <p>13 Q. But you personally haven't been involved in any</p> <p>14 transactional matters?</p> <p>15 A. I don't recall.</p> <p>16 Q. Do you have an understanding as to whether there is a</p> <p>17 difference in the nature or level of rigor involved in</p> <p>18 transactional matters as opposed to the kind of</p> <p>19 consulting matters that you're involved in?</p> <p>20 A. Well, within the actuarial aspect of it, there are</p> <p>21 certain different accounting rules for purchases.</p> <p>22 Q. And I'm not trying to ask about the governing</p> <p>23 accounting rules, but the level of rigor required in</p> <p>24 either the kind of data you use to make decisions, or</p> <p>25 the examination of the data, anything involving the</p>	<p style="text-align: right;">Page 256</p> <p>1 GLENN BOWEN</p> <p>2 system. We laid out our complete analysis of their</p> <p>3 data. Since we were not able to use the same data as</p> <p>4 was prepared by Gabriel Roeder Smith for their</p> <p>5 evaluation, we had to do our own work. At the end of</p> <p>6 the day, our replication of Gabriel Roeder Smith's</p> <p>7 valuation was within five to ten million dollars out</p> <p>8 of 3.6 billion.</p> <p>9 So given that result, I'll say I imputed</p> <p>10 the difference in head count was based on records,</p> <p>11 which would have had a very minor impact.</p> <p>12 Q. 300 employees out of how many people? What was the</p> <p>13 workforce?</p> <p>14 A. I don't have that number, off the top of my head. It</p> <p>15 would be in our letter.</p> <p>16 Q. All right. And would you -- or if your reviving</p> <p>17 transactional client had recommended that that</p> <p>18 difference be reconciled?</p> <p>19 A. My original recommendation was that all three</p> <p>20 actuarial firms that were doing the work start from</p> <p>21 the same edited census data, and as an actuary, I was</p> <p>22 not able to force that to happen.</p> <p>23 Q. So, optimally, you would have been working with the</p> <p>24 same set of data, all three firms that were involved?</p> <p>25 A. That was my view as to what would have been optimal.</p>

5 (Pages 253 to 256)

Elisa Dreier Reporting Corp. (212) 557-5558

950 Third Avenue, New York, NY 10022

13-53846-jlt Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:45:23 Page 54 of 65

<p style="text-align: right;">Page 257</p> <p>1 GLENN BOWEN</p> <p>2 Q. Has your entire tenure at Milliman been in</p> <p>3 Philadelphia?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. And is there a particular focus or expertise of</p> <p>6 the Philadelphia office of Milliman?</p> <p>7 A. Well, the Philadelphia office of Milliman has four</p> <p>8 divisions: Health actuarial consulting, life</p> <p>9 insurance and financial services, property and</p> <p>10 casualty, and the employee benefits discipline, where</p> <p>11 I work.</p> <p>12 Q. Okay. Yesterday you identified several other Milliman</p> <p>13 actuaries who had been involved, or their names came</p> <p>14 up during the course of the day. Suzanne Taranto, who</p> <p>15 did health work. You also -- there was also mention</p> <p>16 of Ms. Warren? Can you tell me what -- who she is and</p> <p>17 what her role is?</p> <p>18 A. Yes, she's an employee benefits consultant, as well.</p> <p>19 Q. And is she a principal, does she work under you?</p> <p>20 What's the relationship?</p> <p>21 A. She's a principal.</p> <p>22 Q. Okay. And does she report to you?</p> <p>23 A. She does report to me, yes.</p> <p>24 Q. Okay. And you mentioned Allen Perry, I believe?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 259</p> <p>1 GLENN BOWEN</p> <p>2 A. I know that he put together an analysis of ASF</p> <p>3 accounts with projection. Mr. Perry has come to me</p> <p>4 over the course of time, where, you know, he'd say, "I</p> <p>5 have an assignment to do, you know, and help me</p> <p>6 understand the larger context of what we're working</p> <p>7 within." And, to my knowledge, there has been stops</p> <p>8 and starts. So I don't know all of his projects off</p> <p>9 the top of my head.</p> <p>10 Q. What projects do you know, besides the analysis of ASF</p> <p>11 accounts, that he has undertaken?</p> <p>12 A. He's been working with investment consultants in our</p> <p>13 San Francisco office. I'm trying to think of what the</p> <p>14 original assignment was. I guess it was developing</p> <p>15 what less-risky portfolios would look like.</p> <p>16 Q. Okay. Do you know when that project began?</p> <p>17 A. General impression is around the turn of this year,</p> <p>18 early 2014.</p> <p>19 Q. Do you know whether they generated any written work</p> <p>20 product as part of that project?</p> <p>21 A. I don't know.</p> <p>22 Q. Were you involved in collecting documents for</p> <p>23 responses to the parties' discovery in this case?</p> <p>24 A. When you say collecting, in terms of -- we received a</p> <p>25 request for documents, and our IT department handled</p>
<p style="text-align: right;">Page 258</p> <p>1 GLENN BOWEN</p> <p>2 Q. And what is Mr. Perry's position, what is his role?</p> <p>3 A. He's a principal. I'm not sure of his exact title,</p> <p>4 but he is the head of our asset liability management</p> <p>5 practice.</p> <p>6 Q. Okay. Were there any other -- other than those four</p> <p>7 that we've mentioned, were there any other Milliman</p> <p>8 principals or consulting actuaries who worked on --</p> <p>9 who have worked on City of Detroit projects, to your</p> <p>10 knowledge?</p> <p>11 A. I mean, we certainly have a staff that has been</p> <p>12 assigned to prepare various analyses and run</p> <p>13 valuations, et cetera. I couldn't name, over the past</p> <p>14 two years with certainty, who has worked on various</p> <p>15 assignments. The simple characterization is that</p> <p>16 Kathy and I are the two who are ultimately responsible</p> <p>17 for every assignment.</p> <p>18 Q. Including those done by Mr. Perry?</p> <p>19 A. Well, for every pension assignment. Mr. Perry has</p> <p>20 been working with the city on investment consulting</p> <p>21 issues over time.</p> <p>22 Q. He worked with you on the November 4th letter?</p> <p>23 A. He did.</p> <p>24 Q. And apart from that, what other projects has Mr. Perry</p> <p>25 undertaken on behalf of the city?</p>	<p style="text-align: right;">Page 260</p> <p>1 GLENN BOWEN</p> <p>2 the moving documents off of our network and presenting</p> <p>3 them to whoever they were to be presented to, so...</p> <p>4 Q. Okay. Were you involved in any other way in</p> <p>5 retrieving documents from Milliman in response to the</p> <p>6 parties' discovery in this case?</p> <p>7 A. I did have a conversation with Jones Day to let them</p> <p>8 know which documents would have personally</p> <p>9 identifiable information for plan participants in</p> <p>10 them.</p> <p>11 Q. Okay. Did you conduct any search of your own files,</p> <p>12 not IT, not electronic files, but of your own files</p> <p>13 for documents in this case?</p> <p>14 A. That wasn't necessary, because they were all filed</p> <p>15 where the IT department could lift them simply.</p> <p>16 Q. So you're saying you have no hard copy files related</p> <p>17 to this case?</p> <p>18 A. We have hard copy files.</p> <p>19 Q. Okay. And did you search those documents for</p> <p>20 production of materials responsive to the parties'</p> <p>21 discovery requests in this case?</p> <p>22 A. I did not.</p> <p>23 Q. Did anybody?</p> <p>24 A. I'm not aware.</p> <p>25 Q. So far as you're aware, nobody did that?</p>

6 (Pages 257 to 260)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

13-53846-jjt Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:45:20 Page 55 of 65

<p style="text-align: right;">Page 261</p> <p>1 GLENN BOWEN</p> <p>2 A. Yeah, so far as I'm aware, nobody did that.</p> <p>3 Q. Do you know whether anybody searched for hard copy</p> <p>4 files of any Milliman personnel in connection with the</p> <p>5 parties' discovery request in this case?</p> <p>6 A. I don't know.</p> <p>7 MR. BALL: We'd ask that Mr. Bowen's and</p> <p>8 the rest of the Milliman personnel's hard copy files</p> <p>9 be searched. We've made a previous request in</p> <p>10 response to a disclosure that Mr. Buckfire's hard copy</p> <p>11 files had not been searched, and that your experts and</p> <p>12 your consultants -- not experts, your consultants'</p> <p>13 hard copy files be searched. It sounds as if that has</p> <p>14 not happened. We'd ask that that occur.</p> <p>15 MR. EATON: This is Miguel Eaton, for the</p> <p>16 city. We should probably talk outside of the presence</p> <p>17 of the witness, but --</p> <p>18 MR. BALL: I understand. I'm just making,</p> <p>19 for the record, my request, and I understand you'll</p> <p>20 respond.</p> <p>21 MR. EATON: Understood.</p> <p>22 MR. MILLER: And to clarify, I think the</p> <p>23 witness' testimony was he is not aware, one way or the</p> <p>24 other.</p> <p>25 BY MR. BALL:</p>	<p style="text-align: right;">Page 263</p> <p>1 GLENN BOWEN</p> <p>2 production in this case. Do you have any</p> <p>3 understanding of why they were produced in several</p> <p>4 different ways?</p> <p>5 A. No.</p> <p>6 Q. Who at Milliman would know that?</p> <p>7 A. I don't know.</p> <p>8 Q. Let's go to what was marked as Exhibit 1 yesterday.</p> <p>9 And you testified about this a bit. I have a couple</p> <p>10 of questions about it. Exhibit 1, for the record, is</p> <p>11 the July 6th, 2012, letter from you and Ms. Taranto to</p> <p>12 Chris Brown of the city.</p> <p>13 And this overlaps with some testimony</p> <p>14 you've given in a prior deposition, and I just want to</p> <p>15 confirm that your position has not changed.</p> <p>16 First, there's a discussion here of an</p> <p>17 asset smoothing methodology that was employed by</p> <p>18 Gabriel Roeder. Do you recall that being the case?</p> <p>19 And you're welcome to look at the letter to refresh</p> <p>20 yourself if you need to.</p> <p>21 A. I see the section on asset smoothing.</p> <p>22 Q. Okay. And my understanding from your prior deposition</p> <p>23 testimony is that you have not opined or are not</p> <p>24 opining that Gabriel Roeder's use of asset smoothing,</p> <p>25 in the fashion that they implemented it, was improper</p>
<p style="text-align: right;">Page 262</p> <p>1 GLENN BOWEN</p> <p>2 Q. Mr. Bowen, has anybody come to you and asked to search</p> <p>3 your hard copy files?</p> <p>4 A. No.</p> <p>5 Q. And where are they located?</p> <p>6 A. They would be in the office.</p> <p>7 Q. In your office?</p> <p>8 A. Yes.</p> <p>9 Q. And would you -- and in order for somebody to search</p> <p>10 them -- do you know whether anybody has searched</p> <p>11 them -- strike that.</p> <p>12 So they're physically located in your</p> <p>13 office. Does anybody have access other than you?</p> <p>14 A. When I say the office, the Philadelphia office, not my</p> <p>15 personal space.</p> <p>16 Q. All right. So they're maintained in files in the</p> <p>17 Philadelphia office?</p> <p>18 A. Yes.</p> <p>19 Q. And to the best of your knowledge -- did you tell</p> <p>20 anybody where your files related to this matter are</p> <p>21 located so that they could be searched?</p> <p>22 A. I wasn't asked to point out which file cabinet they're</p> <p>23 in.</p> <p>24 Q. Milliman documents have been produced in several</p> <p>25 different tranches over the course of document</p>	<p style="text-align: right;">Page 264</p> <p>1 GLENN BOWEN</p> <p>2 or in some way not within actuarial standards, is that</p> <p>3 correct?</p> <p>4 A. I was not asked to make that opinion.</p> <p>5 Q. All right. Have you ever rendered that opinion?</p> <p>6 A. I have not.</p> <p>7 Q. And has -- and have you ever formed that opinion?</p> <p>8 A. I have not.</p> <p>9 Q. There's also a discussion here in connection with</p> <p>10 asset smoothing of a corridor being used in connection</p> <p>11 with the asset smoothing. Do you recall that?</p> <p>12 A. I do.</p> <p>13 Q. Okay. And you note that a 20 percent corridor is a</p> <p>14 very common corridor. Do you see that?</p> <p>15 A. I do.</p> <p>16 Q. And do you recall -- I mean, what's the basis for your</p> <p>17 conclusion that 20 percent is a commonly used</p> <p>18 corridor?</p> <p>19 A. Experience.</p> <p>20 Q. Okay. And what experience are you talking about?</p> <p>21 A. Working with various systems over time.</p> <p>22 Q. Have you seen higher corridors used than 20 percent?</p> <p>23 A. I have.</p> <p>24 Q. And are there other corridors that are commonly used</p> <p>25 besides 20 percent?</p>

7 (Pages 261 to 264)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

13-53846-jjt Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 56 of 65

<p style="text-align: right;">Page 265</p> <p>1 GLENN BOWEN</p> <p>2 A. I noted 20 because in my experience it was the most</p> <p>3 common that I've seen.</p> <p>4 Q. Okay. And I understand it may be the most common.</p> <p>5 I'm just asking whether there are other corridors</p> <p>6 besides 20 percent that are commonly used.</p> <p>7 A. I'm not sure if there's one that's in second place.</p> <p>8 Q. What's the range of what you've seen, in terms of</p> <p>9 corridors that have been used?</p> <p>10 A. I think the highest I've seen has been maybe 40</p> <p>11 percent.</p> <p>12 Q. And again, the corridor application is part of the</p> <p>13 smoothing methodology that Gabriel Roeder employed,</p> <p>14 correct?</p> <p>15 A. I'd have to take a minute to read this to see exactly</p> <p>16 what they were employing.</p> <p>17 Q. The point of my question is just to make sure that</p> <p>18 that is encompassed within your testimony, that you're</p> <p>19 not offering an opinion that Gabriel Roeder's</p> <p>20 smooth -- application or implementation of smoothing</p> <p>21 methodology was improper or contrary to actuarial</p> <p>22 standards. I want to make the sure that that includes</p> <p>23 the corridor that they employed.</p> <p>24 A. That was -- that's not the purpose of this, these</p> <p>25 three paragraphs.</p>	<p style="text-align: right;">Page 267</p> <p>1 GLENN BOWEN</p> <p>2 change in GASB rules concerning amortization</p> <p>3 methodologies?</p> <p>4 A. There is.</p> <p>5 Q. Okay. Can you tell me what that is, what the change</p> <p>6 is that's occurring?</p> <p>7 A. In one sense -- and I'll preface this by saying this</p> <p>8 is accounting. GASB handles accounting, not funding.</p> <p>9 The new GASB standard, GASB 67/68, removes everything</p> <p>10 that existed under 25 and 27 in terms of quantities</p> <p>11 that are calculated, sets up an entire new matrix of</p> <p>12 rules, and is a significant shift towards a</p> <p>13 corporate-style accounting, a more market-based</p> <p>14 accounting, significantly shorter amortization rules</p> <p>15 and significantly more constrained liability reporting</p> <p>16 rules.</p> <p>17 Q. Are there rules under the new -- first of all, when</p> <p>18 did those rules become effective?</p> <p>19 A. Fiscal year '14.</p> <p>20 Q. So they would be becoming effective now for the GRS</p> <p>21 and the PFRS, correct?</p> <p>22 A. It phases in over two years for the plans and the plan</p> <p>23 sponsors. So, yes, basically now.</p> <p>24 Q. And how do the new rules, in lieu of the 30-year max</p> <p>25 that existed previously, how do the new rules address</p>
<p style="text-align: right;">Page 266</p> <p>1 GLENN BOWEN</p> <p>2 Q. I understand that. But I'm asking a further question,</p> <p>3 which is -- confirmed that your testimony about not</p> <p>4 having an opinion that what Gabriel Roeder did was</p> <p>5 inconsistent with actuarial standards or improper in</p> <p>6 some way, that that encompasses their implementation</p> <p>7 of the corridor.</p> <p>8 A. I was not asked to perform a review to make opinions</p> <p>9 on that issue.</p> <p>10 Q. And you have not formed an opinion on that issue?</p> <p>11 A. I have not.</p> <p>12 Q. There's also a discussion in this letter of the</p> <p>13 amortization methodology that Gabriel Roeder employed.</p> <p>14 Do you recall that?</p> <p>15 A. I do.</p> <p>16 Q. And you, again, are not offering an opinion and have</p> <p>17 not formed an opinion that the amortization</p> <p>18 methodology that Gabriel Roeder employed was improper</p> <p>19 or inconsistent with actuarial standards, correct?</p> <p>20 A. Correct.</p> <p>21 Q. Okay. And there's a reference here to 30-year maximal</p> <p>22 amortization periods under then governing GASB rules;</p> <p>23 do you see that?</p> <p>24 A. I do.</p> <p>25 Q. Has there been a change or is there about to be a</p>	<p style="text-align: right;">Page 268</p> <p>1 GLENN BOWEN</p> <p>2 amortization for UAAL?</p> <p>3 A. The period is significantly shorter in terms of the</p> <p>4 expense calculation, and I just don't know the numbers</p> <p>5 off the top of my head.</p> <p>6 Q. Do you know if there are rules about how you should</p> <p>7 determine the appropriate amortization period for UAAL</p> <p>8 under the new GASB rules?</p> <p>9 A. As I said, it's very constrained. There are rules for</p> <p>10 everything.</p> <p>11 Q. I understand that. I'm asking you if you know what</p> <p>12 the rule is and what is -- what the rule specifies</p> <p>13 about how to determine amortization periods for UAAL</p> <p>14 under the new GASB rules.</p> <p>15 A. Yeah, as I mentioned, I don't know the number off the</p> <p>16 top of my head.</p> <p>17 Q. All right. And do you know what the methodology is</p> <p>18 for determining, as opposed to the number? Is it your</p> <p>19 understanding there's a specific number that's the</p> <p>20 cap, or is it that there's a methodology? Explain to</p> <p>21 me what your understanding of it is.</p> <p>22 A. There are very low numbers, I mean, in five, seven,</p> <p>23 ten-year time frame, and amortization is a net present</p> <p>24 value, mortgage-style calculation.</p> <p>25 Q. Do you know what the rules are for determining how the</p>

8 (Pages 265 to 268)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

13-53846-jjt Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 57 of 65

GLENN BOWEN

amortization period is selected?

A. I don't think there's any flexibility in selecting the amortization period for financial reporting purposes.

Q. I understand that. I'm just asking you if you understand what the methodology is for determining what the rule is, what the amortization period is.

A. Other than it's mandated, and I don't recall off the top of my head what the number is.

Q. Is there anything more that you can recall, as you sit here, about how the new GASB rules work, in terms of determining amortization periods for UAAL?

A. No.

Q. Okay. You did not make particular recommendations in this letter about -- and I'm referring to the July 6th letter that is Exhibit 1 -- about the applicable amortization period or the appropriate amortization period, is that right?

A. I'd have to read to see, but I doubt that we did.

Q. You have made recommendations about amortization periods to other clients, haven't you?

A. To answer your first question, I do not see a recommendation in this letter. This is informational in nature.

Q. Yeah, I don't think there's controversy about that,

GLENN BOWEN

A. I would characterize my work as I just did, in that when we're consulting on the issue of amortization periods, we'll prepare amortization schedules and explain the impact of the various types of amortizations. The plan sponsor can choose how they wish to fund the plan.

Q. What amortization period is used by the Puerto Rico Government Employees Pension Plan?

A. That is a closed 30-year level dollar amortization for accounting purposes.

Q. And for funding purposes, you're drawing that distinction?

A. They have a statutory contribution rate.

Q. What about the Puerto Rico teachers?

A. That is a shorter period, to my recollection, and is a level percent of payroll as opposed to level dollar.

Q. And by shorter period, what do you mean?

A. In the range of 20 years.

Q. And the Puerto Rico judiciary system?

A. I believe that is the same as the employees retirement system.

Q. So, closed 30-year?

MR. MUTH: You need to answer audibly.

A. Yes.

GLENN BOWEN

I'm just trying to get to where we are.

A. Sure.

Q. But you have made recommendations to other clients about amortization periods, is that right?

A. Recommendations I would say is a little strong. When we have worked with clients on this issue, there are different ways to prepare an amortization, and our job, in my mind, has been to illustrate the options and allow a plan sponsor to be cognizant of the impact of making a selection.

Q. Have you made recommendations about changes in amortization periods to clients?

A. Again, the word recommendations is strong. Take, for example, this letter. This was pointing out that the payments going towards the unfunded were less than the interest on the unfunded, and the unfunded liability could grow unbounded. It's an important piece of information. I don't know that -- that's not a recommendation for a change necessarily, but it's an important piece of information that I might expect a plan sponsor to ask further questions about.

Q. I understand that. I'm asking a more particular question. Have you made recommendations to any of your clients about amortization periods?

GLENN BOWEN

Q. Sorry, I should have repeated that one.

A. Fair enough.

Q. And I saw you shaking your head and didn't say anything.

Thank you, Counsel.

And the Texas County District Retirement System?

A. That has a varied amortization period. When systems have losses, they're recognized over a faster pattern than when they have gains.

Q. And what are the alternatives in that varied system?

A. Again, going off the top of my head, I believe losses are recognized over a 15-year period and gains are recognized over a 20 or 30-year period.

Q. And for the New Jersey state teachers system that your office serves as the system actuary for, what's the amortization period for that?

A. I don't know the amortization period for accounting.

Q. If you look at Exhibit 13 that was marked yesterday, if you look at the third page of that document, which is POA -- I'm sorry, let me know when you have it and I'll tell you where to go.

A. I have the document.

Q. Okay. If you go to the third page of it, at the very

GLENN BOWEN

bottom, so that's at POA6 -- 00600121, there's a reference there in an email from Ms. Warren to Mr. Porter about a 30-year amortization period for New Jersey. Do you see that?

A. Yes.

Q. Does that refresh your recollection as to whether the amortization period employed for the New Jersey plan is 30 years?

A. Well, I don't work on that client's valuation, so rather than refreshing my recollection, it provides me the piece of information that I assume the way the question is phrased, they're using a 30-year amortization period.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 25

9:36 a.m.

BY MR. BALL:

Q. Mr. Bowen, I'm showing you what has been marked as Exhibit 25, which is a letter dated July 18th, 2012, Bates number is POA00261017. And my first question is, do you recognize that letter?

A. I do.

Q. Okay. And that's a letter you signed?

A. It is.

GLENN BOWEN

Q. There's also a discussion in that paragraph about the kind of estimate you're going to be able to do in the phase two discussion -- in the phase two that you're discussing here. Do you see that?

A. I do.

Q. And that kind of discussion says, it says that you'll be based -- it will be based on the annual valuation reports, actuarial techniques and rules of thumb that won't involve full valuations using actual census data. Do you see that?

A. I do.

Q. Did you ultimately obtain -- did you ultimately perform a full valuation using actual census data?

A. We did.

Q. All right. And when did you do that?

A. That was this year, 2014.

Q. And is that in the April 2014 time frame?

A. I believe that was when the letters were issued. It was -- there was a runup to that, but, yes, in the 2014 time frame.

Q. So you'd gotten the census data at some point before that, but the actual letters issued containing the results of your analysis were issued in the April 2014 time frame, or the initial ones, is that right?

GLENN BOWEN

Q. And it makes a proposal under pension on page -- on the second page of the letter, that there be a DGRS five-year projection. Do you see that?

A. I do.

Q. Why are you proposing a five-year projection there?

A. Well, I would say this entire proposal was in response to questions that were asked of us by the city at the time.

Q. So the city requested a five-year projection?

A. Yes.

Q. Okay. And there is, on the third page of the letter, a discussion of a potential phase three, end of the first full paragraph. Do you see that?

A. I do.

Q. Can you -- and there's a reference there to phase three addressing changes in pension accounting will occur under the new GASB standards. Do you see that?

A. I do.

Q. Did you ever do that?

A. No.

Q. Why not?

A. We were never asked to.

Q. But that's something that Milliman could have done?

A. Had we been asked, we could have.

GLENN BOWEN

A. Yes.

Q. And so all of the analyses that you did until that time all have -- are all based on the information available in the Gabriel Roeder reports and your application of actuarial techniques and rules of thumb?

A. Correct.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 26

9:40 a.m.

BY MR. BALL:

Q. Having marked Exhibit 26, which is a November 16th, 2012, letter with Bates number POA00260237, is this the -- first, Mr. Bowen, do you recognize this document?

A. I do.

Q. And it's a letter that you authored?

A. Yes.

Q. And you signed it?

A. Yes, I signed it.

Q. Okay. Is this the five-year projection that was the subject of the July proposal we just looked at?

A. It seems to follow that it is, yes.

Q. Okay. And can you explain the timing of it, why it

GLENN BOWEN

took from July until November for you to perform this valuation? And maybe it didn't take you the entire time. I just want to understand the timing of the response.

A. Certainly. The project was not that time intensive, given the time period you mentioned. I don't recall when we were hired to perform phase two.

Q. Okay. And so as I understand that, you don't know when you actually got retained. You don't think the project took you that long. Is that -- am I understanding your answer correctly?

A. I know the project didn't take that long, yes.

Q. Okay. There is a reference in the first paragraph of the letter, first you say your modeling is based on valuation results, actuarial assumptions and methods as set forth in the preliminary June 30th, 2011 DGRS actuarial valuation prepared by Gabriel Roeder Smith & Company.

And so that's the latest version of the Gabriel Roeder report that you had available to you at that point, is that right?

A. We would have used the most recently available report to conduct the study.

Q. All right. And then the next sentence says:

GLENN BOWEN

A. I do.

Q. And can you explain what that means?

A. What that means is that we were using recursive formulas where a significant amount of judgment was needed in each quantity, as opposed to a valuation where we would have collected census data and been able to do individual projections and capture the full demographic spectrum of the population.

Q. In the last sentence that begins at the end of the page, there's a reference to the market value of assets and the actuarial value of assets, under two, at the bottom of the first page. Do you see that?

A. I see it.

Q. How did you obtain information about the market value of assets that were, that were in the plan? And I'm focusing specifically on DGRS.

A. My supposition is that we would have taken the, both quantities from the 2011 preliminary valuation report.

Q. Okay. So you took the numbers that were reflected in the Gabriel Roeder report?

A. To the best of my recollection, that would have been what we did.

Q. And that's true for both the market value and the actuarial value?

GLENN BOWEN

Recursive formulas in actuarial judgment and rules of thumb were applied to project current results to future years.

Can you explain what you mean by recursive formulas?

A. Sure. A recursive formula, for instance, is you have a liability at one date, recursive formula is used to project liability to future dates, and estimates are needed in terms of demographic movements, benefit payments, benefit accruals, in order to move the liability from one date to the next date.

Q. Okay. So, essentially, it's the methodology you use to project from one -- the status at one date to a future date?

A. Yes.

Q. Okay. And you still did not have the actual census data at this point?

A. We did not.

Q. Okay. There's a discussion, the last sentence of that paragraph says: Our projection is suitable for explaining emerging trends and cost in liabilities but is significantly less robust than a projection based on full valuation.

Do you see that?

GLENN BOWEN

A. Yes.

Q. And later you did further analyses when you had later versions of the Gabriel Roeder report. My general question is, did you ever change how you derived the market value of assets or the actuarial value of assets? In other words, did you ever do anything other than taking them from the most current version of the Gabriel Roeder report?

A. I can't definitively say that we did or didn't. If we had been provided at some point in time with an asset statement from the city which was more recent than what the valuation reflected, we would have incorporated that information into our models and it would be noted in the letter that we provided the analysis for.

Q. Okay. So either you took the value from Gabriel Roeder reports, or in some circumstances a value may have been provided to you by the city directly, as opposed to you using the Gabriel Roeder reports. But you did one of those two things in every case?

A. Those are the, those are the two things I can think of that we would have done.

Q. Okay. Do you recall ever doing anything other than that?

GLENN BOWEN

A. I do not.

Q. Okay. Do you know how Gabriel Roeder derived the information in its reports about the market value of the assets involved?

A. I cannot say this with one hundred percent certainty, but typically the system actuary is provided an asset statement by the plan sponsor and accepts the numbers as presented.

Q. And you don't recall one way or the other how it happened here?

A. I never had occasion to ask that question.

Q. Okay. At various points you did analyses that focused specifically on the DWSD, do you recall that?

A. Yes.

Q. And in those circumstances, your analysis looked at a market value and maybe an actuarial value, but at least a market value for assets for the DWSD, specifically. Do you recall that?

A. I do.

Q. And how did you derive those values, the ones that you used for the DWSD, specifically?

A. The inputs that we had were the overall actuarial value of assets for the entire system, the overall market value of assets for the entire system, and a

GLENN BOWEN

components, yes.

Q. Okay. And you used the actuarial value split to derive a market value split?

A. Yes.

Q. Okay. In the same ratios as the actuarial value split?

A. Yes.

Q. And then -- but you do not know how the actuarial value split that Gabriel Roeder provided was derived?

A. I do not.

Q. Okay. Did you ever discuss that issue with anyone from Gabriel Roeder or anyone from the city?

A. I don't recall a discussion with Gabriel Roeder. Discussions with the city were basically along the lines of what was presented in our letter.

Q. Meaning along the lines of deriving a market value split that was in the same ratios as the actuarial value split between the different city divisions?

A. Correct.

Q. Okay. Did the city ever provide you with -- you said in some circumstances that you were provided asset -- market value asset values from the city to perform your analysis. Do you recall that?

A. I said it's potential that that happened.

GLENN BOWEN

ratioed actuarial value of assets for each component employer that had its own separate contribution calculation. And as set forth in our various letters, we ratioed the overall actuarial value -- we used the overall actuarial value and overall market value to ratio the reported component actuarial values to the component market values.

Q. Okay. Do you know how the reported actuarial values were derived? And by that -- let me back up. The reported actuarial values that you used, where did you get them?

A. The valuation report.

Q. From Gabriel Roeder?

A. Yes.

Q. Okay. And do you know how those values were derived?

A. I do not know exactly how the historical valuations have been done on the assets.

Q. And I just want to make sure I understand. In the -- there is in the Gabriel Roeder reports an actuarial valuation for each of the city divisions, or at least several city divisions, including DWSD, broken up -- the entire actuarial values broken into those components, correct?

A. The actuarial value of assets is split across the

GLENN BOWEN

Q. Okay. All right, fair enough, and we'll get into some individual letters.

A. Okay.

Q. But do you recall whether the city ever provided a market value split for DWSD? In other words, they may have provided an overall value, market value for the assets in the system. Did they ever provide you information that split the DWSD assets from the remaining assets of the system, other than giving you copies of the Gabriel Roeder report?

A. I don't recall ever receiving a market value split.

Q. Okay. There are in the November 16th letter that we were looking at several different scenarios that you examined. And the first one, I take it, the amortization period that you're employing is the same as the Gabriel Roeder amortization period. Would I be correct in assuming that?

A. I can review it to confirm --

Q. Sure.

A. -- but given that it's baseline, that's my supposition, so a moment, please.

Q. Take a minute, because I have a few questions about it.

A. Yes, that appears to be the case.

<p style="text-align: right;">Page 285</p> <p>1 GLENN BOWEN</p> <p>2 Q. Okay. And then the second scenario applies an 18-year</p> <p>3 amortization period. Do you see that?</p> <p>4 A. I do.</p> <p>5 Q. And how did you come to apply an 18-year closed</p> <p>6 amortization period in scenario two?</p> <p>7 A. A moment, please.</p> <p>8 Okay. The request was to take the 30-year</p> <p>9 level percent of pay amortization which was used in</p> <p>10 determining the employer contributions, and develop a</p> <p>11 lower amortization period where the contribution</p> <p>12 toward the unfunded liability at least covered the</p> <p>13 interest on the unfunded liability in the initial year</p> <p>14 and grew from there.</p> <p>15 The period that was necessary to do that in</p> <p>16 this case was 18 years.</p> <p>17 Q. So Milliman calculated the 18 years on, on -- using</p> <p>18 those parameters to calculate an amortization period?</p> <p>19 A. Yes.</p> <p>20 Q. Okay. And in the third scenario -- well, first, let</p> <p>21 me ask, the parameters that were provided, did you</p> <p>22 discuss those with the city in advance of determining</p> <p>23 those would be the parameters used?</p> <p>24 A. To my recollection, the discussion would have been:</p> <p>25 In your July letter you stated that the contribution</p>	<p style="text-align: right;">Page 287</p> <p>1 GLENN BOWEN</p> <p>2 Q. Well, that's one --</p> <p>3 A. -- and did a calculation. Well, the additional</p> <p>4 parameters were that it was a level percentage of</p> <p>5 payroll amortization method which was in existence.</p> <p>6 We were asked to tweak one parameter.</p> <p>7 Q. In the third scenario, there's an adjustment to the</p> <p>8 expected investment return, do you see that?</p> <p>9 A. Yes.</p> <p>10 Q. And you -- this is where you tell them that your</p> <p>11 expected rate of return, or it's a discussion of your</p> <p>12 expected rate of return at that point being 6.3</p> <p>13 percent. Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. It's actually 6.8 percent, but 6.3 percent net of</p> <p>16 admin and interest expense, correct?</p> <p>17 A. Correct.</p> <p>18 Q. So the 6.3 percent rate that you use here is net of</p> <p>19 admin and interest, just to be clear?</p> <p>20 A. Yes, it is.</p> <p>21 Q. And you note at the end of the second paragraph under</p> <p>22 scenario three that a decrease in the investment</p> <p>23 return assumption causes an increase in the plan's</p> <p>24 liability and annual accruals.</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 286</p> <p>1 GLENN BOWEN</p> <p>2 doesn't cover the unfunded liability interest; please</p> <p>3 find us one that does.</p> <p>4 Q. So they asked you to come up with a methodology to</p> <p>5 find one that met that requirement?</p> <p>6 A. The same methodology as shorter amortization period</p> <p>7 with the same methodology.</p> <p>8 Q. And so the particular parameters were ones that</p> <p>9 Milliman chose to reach that result, is that right?</p> <p>10 A. I wouldn't say Milliman chose the parameters.</p> <p>11 Milliman used the parameters that were given and did a</p> <p>12 calculation.</p> <p>13 Q. Well, the parameter that was actually given to you was</p> <p>14 give us an amortization that does cover the unfunded</p> <p>15 liability, right, the unfunded liability interest?</p> <p>16 A. We were given that parameter, to the best of my</p> <p>17 recollection, to produce this result.</p> <p>18 Q. Okay. So using that overarching parameter of giving</p> <p>19 them something that produced the result of an</p> <p>20 amortization period that covered the unfunded</p> <p>21 liability interest, you developed further parameters</p> <p>22 that resulted in the 18-year amortization period,</p> <p>23 correct?</p> <p>24 A. I wouldn't say we developed further parameters. We</p> <p>25 used the parameters you mentioned --</p>	<p style="text-align: right;">Page 288</p> <p>1 GLENN BOWEN</p> <p>2 A. Yes.</p> <p>3 Q. And there was some discussion of that yesterday, but</p> <p>4 basically the relationship is that if you decrease the</p> <p>5 investment return rate, the unfunded liability goes</p> <p>6 up. Is that right?</p> <p>7 A. True.</p> <p>8 Q. All right. On page 4 of the letter, in the second</p> <p>9 paragraph under Basis For Analysis, your first</p> <p>10 sentence says: A projection model can be used to</p> <p>11 understand the pattern of emerging costs and</p> <p>12 liabilities of a retirement system -- I think it says</p> <p>13 systems but should be system -- but should not be</p> <p>14 relied upon as a guarantee of actual costs being</p> <p>15 incurred by the city.</p> <p>16 And that's similar to the discussion we saw</p> <p>17 earlier about the kind of analysis that you were doing</p> <p>18 here and the limitations there are, correct?</p> <p>19 A. I view this as actually different.</p> <p>20 Q. Okay. In what way?</p> <p>21 A. This sentence that you read to me recently is used in</p> <p>22 the context of regardless of the inputs and the</p> <p>23 robustness of the inputs to the projection model, this</p> <p>24 sentence still holds true. It's not a guarantee of</p> <p>25 actual costs, it's a projection into the future to</p>

13 (Pages 285 to 288)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-11 Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 162 of 162

<p style="text-align: right;">Page 289</p> <p>1 GLENN BOWEN</p> <p>2 show emerging trends.</p> <p>3 Q. All right, fair enough. I understand your point.</p> <p>4 Future fund -- the second sentence says: Future</p> <p>5 funding and accounting obligations will be determined</p> <p>6 by an actuarial valuation of the systems as of each</p> <p>7 future valuation date, to be prepared by the systems</p> <p>8 actuary.</p> <p>9 And can you explain to me what you mean by</p> <p>10 that?</p> <p>11 A. In this situation, we are serving as a consultant to</p> <p>12 the city, providing them with responses to the</p> <p>13 questions that they've asked. Milliman will not be</p> <p>14 preparing the future valuation reports that determine</p> <p>15 the city's contributions. The system actuary will be</p> <p>16 doing that.</p> <p>17 Q. And that's part of the difference between the role of</p> <p>18 a consultant to a sponsor as opposed to the system</p> <p>19 actuary for the system itself, correct?</p> <p>20 A. Exactly.</p> <p>21 Q. Okay. And so, ultimately, those judgments are left to</p> <p>22 the system's actuary, correct?</p> <p>23 A. Yes.</p> <p>24 Q. All right.</p> <p>25 MARKED FOR IDENTIFICATION:</p>	<p style="text-align: right;">Page 291</p> <p>1 GLENN BOWEN</p> <p>2 15-year closed amortization period and analyze a</p> <p>3 15-year closed amortization period for the PFRS plan,</p> <p>4 correct?</p> <p>5 A. We do discuss that.</p> <p>6 Q. All right. And that proposal, or that amortization</p> <p>7 period has been proposed and has been recommended by</p> <p>8 the system actuary, because the PFRS plan is a closed</p> <p>9 plan, is that right?</p> <p>10 A. That is what is stated in the paragraph here, yes.</p> <p>11 Q. All right. And in the last -- in particular, that</p> <p>12 amortization period has been recommended because it is</p> <p>13 in line with the, quote, the expected future working</p> <p>14 lifetime of the remaining active members.</p> <p>15 Do you see that?</p> <p>16 A. I do.</p> <p>17 Q. And can you explain what that means?</p> <p>18 A. That recommendation by the system actuary means that</p> <p>19 the concept is to fund the liability over the lifetime</p> <p>20 of the remaining active working members to match the</p> <p>21 allocation of costs to the period where the service is</p> <p>22 being rendered by those members to the city.</p> <p>23 Q. Okay. And is that a concept that is important in</p> <p>24 determining the period over which funding will take</p> <p>25 place for a closed plan?</p>
<p style="text-align: right;">Page 290</p> <p>1 GLENN BOWEN</p> <p>2 DEPOSITION EXHIBIT 27</p> <p>3 9:59 a.m.</p> <p>4 MR. BALL: This is 27.</p> <p>5 BY MR. BALL:</p> <p>6 Q. Mr. Bowen, for the record, I've asked you to look at a</p> <p>7 document that's been marked as Exhibit 27, which is a</p> <p>8 November 16th, 2012, letter, Bates-stamped</p> <p>9 POA00260318, and it's of the same date as the prior</p> <p>10 letter, but the prior letter we were looking at is a</p> <p>11 DGRS letter and this letter is about the PFRS. Do you</p> <p>12 see that?</p> <p>13 A. I do.</p> <p>14 Q. And this is another letter that you authored and</p> <p>15 signed?</p> <p>16 A. Yes.</p> <p>17 Q. And to the extent it's about pension matters, that's</p> <p>18 within your bailiwick, correct, between you and</p> <p>19 Ms. Taranto?</p> <p>20 A. Correct.</p> <p>21 Q. And in this letter, in scenario two -- so take a</p> <p>22 minute and look at it. I want to talk to you about</p> <p>23 scenario two.</p> <p>24 A. Okay. I've read scenario two.</p> <p>25 Q. And in scenario two, you propose a -- or you discuss a</p>	<p style="text-align: right;">Page 292</p> <p>1 GLENN BOWEN</p> <p>2 A. In my mind, yes, it is an important concept.</p> <p>3 Q. Okay. And there's a reference here to promoting</p> <p>4 intergenerational equity. Can you explain what that</p> <p>5 means?</p> <p>6 A. To repeat my last answer, that is the, the taxpayers</p> <p>7 who are funding the plan sponsor, who make</p> <p>8 contributions to the pension plan, are the ones who</p> <p>9 are receiving the services for the participants who</p> <p>10 are benefitting under the plan accruing benefits.</p> <p>11 Q. So the concept is, in general, that you're matching</p> <p>12 the amortization period, and the funding in</p> <p>13 particular, to the people who have received the</p> <p>14 benefit of the services that are -- that the pension</p> <p>15 benefits relate to, is that right?</p> <p>16 A. Yes.</p> <p>17 Q. And why is that important, or is that -- strike that.</p> <p>18 Is that an important concept in looking at</p> <p>19 funding periods in your work as an actuary?</p> <p>20 A. It's an important concept.</p> <p>21 Q. Is it one you agree with?</p> <p>22 A. It is one that I agree with, yes.</p> <p>23 Q. And the basic idea is that the burden associated with</p> <p>24 the pension benefits should be borne by those who have</p> <p>25 benefitted from the services provided by the employees</p>

14 (Pages 289 to 292)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-23 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 153 of 153

GLENN BOWEN

who are receiving the pension benefit, is that right?

A. That is.

Q. And so does that same issue -- so we've been talking about the funding period. Does that same issue apply in consideration of whether you're choosing an appropriate investment return rate? And to be more particular, what I mean is if you choose a rate that is too high, then the period -- then the payment of the liabilities will be over one period of time. If you choose a rate that's too low, it will be over another period of time, the impact of the payments.

So does the investment return rate raise the same sort of intergenerational equity issue?

A. One could argue that it does, but mechanically I don't understand your question about the, how the investment rate of return stretches or shrinks the amortization period.

Q. Not the amortization period, but the timing at which the costs are borne or who bears the costs.

MR. MILLER: Object to form.

A. I will attempt to answer your question as follows: The higher the assumed rate of return, the less likely the rate of return is met, the more likely losses will emerge over time and have to be funded, as opposed to

GLENN BOWEN

projections, and I understand that, but if you set a rate that is overly conservative, it could have that impact, correct?

A. If the rate that you set is less than what is achieved, it will have that impact.

Q. And if the rate you set is unduly conservative, it will have that impact. In other words, if you know, going in, that you've set a rate that by your prior description is less than the 50 percentile, for example, it will have that impact, right?

A. Not necessarily.

Q. It depends on what actually happens --

A. Correct.

Q. -- but your projection would be that it would have that impact, right?

A. If you set a rate below your expected 50th percentile return, you would expect that somewhat more than half the time it would be met.

Q. And by "be met," you mean have the impact that we talked about of shifting the burden to people in early years instead of in later years?

A. Yes.

MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 28

GLENN BOWEN

being recognized up front.

Q. All right. So people in later years wind up paying for it instead of people in early years, correct?

A. If experience does not bear out to the assumed rate of return.

Q. And if the rate is too low, what happens? If you set a rate that's too low, what happens?

A. If the rate is set lower than what experience turns out to be, the plan sponsor benefits from additional investment return beyond that expected, which would lower future cash and employer contributions into the plan.

Q. And result in greater contribution -- in early years, what happened to the people in early years?

A. They would have paid more than had they known that there would be returns in excess of what was anticipated.

Q. So it shifts the burden from people in later years to people in early years, if the rate is set too low?

A. Once you know what happens in the future, you can determine --

Q. Right.

A. -- who paid more or less than what was expected.

Q. Of course, all investment return projections are

GLENN BOWEN

10:09 a.m.

BY MR. BALL:

Q. Mr. Bowen, for the record, I'm showing you what has been marked as Exhibit 28, which is a letter dated January 28th, 2013, Bates-stamped POA00258685, and this is again a letter about DGRS, or the GRS. First it is -- do you recognize this letter?

A. I do.

Q. And it's a letter that you authored and signed?

A. It is.

Q. And I have particular questions about a couple of the scenarios, particularly scenario two and scenario three.

So the first question is, does your reference in scenario two to the multiplier, can you explain what that means?

A. In a final average salary pension plan, the benefit will be determined by using the final average salary of the participant, the length of their service, and a multiplier, some percentage of that amount.

Q. And how does the multiplier work, can you explain to me how that works?

A. Sure. If you have -- if the plan were to be two percent times service times final average pay, and you

GLENN BOWEN

had 25 years of service, your benefit would be two percent times 25 years times your final average salary.

Q. And so scenario two looks at an open 30-year amortization as a level percent of payroll, do you see that? It's in the next-to-the-last paragraph under two.

A. I do.

Q. Okay. Scenario three, if you look at it, changes to a closed 30-year amortization. Do you see that?

A. I do.

Q. All right. And it also goes from a level percent of payroll to a level dollar contribution funding plan, do you see that?

A. I do.

Q. And you say, in the second full paragraph on page 3, that the change from open to closed amortization and level percent of payroll to level dollar payroll for this scenario is based on our expectation of changes that the system actuary might make in response to the closing of the plan to new hires.

Do you see that?

A. I do.

Q. Can you explain what you meant by that?

GLENN BOWEN

Q. Okay.

A. -- that's explanatory.

Q. What you were attempting to do is project what the system actuary might do, correct?

A. Yes.

Q. Okay. And why are you trying to project what the system actuary might do?

A. We were asked to value the particular scenario which was closing the plan to new hires. So with a finite future, given our expectation of what the system actuary would do, this represents the -- these results represent the information that we would expect that the system and the plan sponsor would see if the actuary took those steps.

Q. And it's also a reflection, isn't it, that ultimately the decision is going to be made by the system actuary about how to deal with these things?

A. Yes.

Q. And, in fact, you say in the next sentence, they might choose not to make any change or could make a different change.

Do you see that?

A. Yes, I do.

Q. And so ultimately how -- you're giving them your best

GLENN BOWEN

A. The level percent of payroll amortization develops a payment pattern in dollars, where the dollars are smaller today than they are in the future, and basically increase geometrically over time as payroll increases. So it's a significantly backloaded way to pay off a debt. In the existing case, the debt actually grows for a number of years before any principal is retired.

The level dollar payment is akin to your mortgage, if you will, if you have a traditional mortgage where you have a level dollar payment and you're writing down principal immediately.

Q. Okay. So you say going from open to closed -- you talked about level percent to level dollar, and you're also going from open to closed, correct?

A. Yes.

Q. Okay. So those are two changes that this scenario discusses?

A. Yes.

Q. Okay. And you say it's based on your expectation of changes that the system actuary might make in response to the closing of the plan to new hires. Can you explain what you meant by that?

A. Other than the words that were used there, that's --

GLENN BOWEN

estimate here, but how this will actually work out will depend on what the system actuary decides, correct? Or they decide in, the plan decides in consultation with the system actuary?

A. That is exactly what I was going to say.

Q. Okay. And then you go on and say: Milliman's recommendation in this instance would be to make both changes and also to decrease the term of the amortization period.

Do you see that?

A. I do.

Q. Okay. And so, first, you are recommending here that there be a less than 30-year amortization period in the event that the plan is closed, correct?

A. Yes, we are.

Q. Okay. But you're not saying particularly what it is, what amortization period you recommend?

A. We don't say in this letter.

Q. All right. But you do, then, it appears, sometimes make recommendations to your clients about the appropriate amortization period, don't you?

A. In the event of this discrete change, yes, we made a recommendation.

Q. Okay. Have you made other similar recommendations --

GLENN BOWEN

I'll go back to my question from earlier.

A. Sure.

Q. Have you made other -- are there other scenarios where you have made recommendations to clients about amortization periods? Is this the only time you've ever done it?

A. I appear to be tripped up on the word recommendation here. Had I written this knowing we'd have this discussion, I might have written: Milliman recommends you consider.

We've been asked by clients when they do -- when they have a discrete event. That's where I would say this arises. As an example, a client puts in an early retirement incentive, and the impact of that early retirement incentive is a very short-term impact, we'll be asked by the client and/or their auditor, what should we use as an amortization period. And 30 may be inappropriate, five or ten may be more appropriate.

Q. Okay. So in those circumstances, where you're asked, and you have a view about whether an amortization period is appropriate or inappropriate, you make a recommendation, don't you?

A. Yes.

GLENN BOWEN

opposed to you and an employee or representative of the -- an employee of the city. And you spoke yesterday about at some point beginning work with the pension task force.

Can you tell me when you began work with the pension task force as opposed to directly with the city?

A. It was early in 2013.

Q. Okay. And so even -- do you recall how far before April of that year you began work with the pension task force?

A. I don't recall exactly how far before.

Q. All right. Can you explain how the change came about that you were working with the pension task force and not directly with the city? From your perspective, at least, how did that happen?

A. From my simplistic perspective, we were told to be on the pension task force.

Q. So you're actually on the pension task force?

A. Yes.

Q. And did Milliman -- so what role did Milliman play on the pension task force?

A. Milliman would join conference calls on a weekly basis and we would prepare measurements that were requested

GLENN BOWEN

Q. Now, I take it here, however, you were trying to project what you thought the system actuary would do, and so notwithstanding your recommendation that there might be a lower amortization period, your expectation would have been that the system actuary would maintain a 30-year amortization period, is that right?

A. That's what we've written here.

Q. Okay. And that's what you thought at the time?

A. We thought that at the time.

MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 29
10:20 a.m.

BY MR. BALL:

Q. Mr. Bowen, I don't think you'll wind up needing to spend a lot of time on this because I'm not going to ask a lot of detailed questions, but this Exhibit 29 is a letter dated April 18th, 2013, with Bates stamp POA00221957. Do you see that?

A. I do.

Q. And this is a letter, again, that you authored and signed?

A. Yes.

Q. And this is the first correspondence, at least that I was able to find, between you and Jones Day, as

GLENN BOWEN

of us.

Q. Okay. In participating in the pension task force, did Milliman make recommendations to the pension task force about what tasks Milliman should undertake?

A. No, Milliman did not.

Q. Okay. Did Milliman make recommendations about investment rate as part of the pension task force?

A. We were asked to prepare an investment rate analysis, which is somewhere in this pile which we --

Q. Would be in the November 4th letter, but I'm not asking about the various analyses that wind up being embodied in the letter. Your general testimony is that you got instructions from the pension task force about scenarios to run or the ways to -- you know, what scenario to look at, what assumptions to make and what scenario to look at. Is that basically right, that that's the way it worked?

A. Yes.

Q. Okay. And what I'm trying to understand is whether, because of your role on the pension task force, you did more than simply receive instructions, but provide input to the pension task force about what your instructions should be, what scenario should be chosen, what parameters, what assumptions you made,

GLENN BOWEN

any of those things?

A. I don't believe that we played that role. We received, as you mentioned, many different plan design scenarios to model. We received many different investment returns to run those scenarios at. And we performed the modeling as requested.

Q. Okay. So your participation on the task force was one of receiving assignments, not designing the assignments, but receiving assignments and then executing the assignments, and those were reflected in your letters to the -- to Jones Day in connection with your work on the project?

A. Yes.

Q. So there's no circumstance where you ever recommended an amortization period, for example, other than what we've just seen?

A. To the best of my recollection, no.

Q. Okay. And apart from the November 4th letter that we looked at yesterday that analyzed an appropriate rate of return, did you make any recommendations about the investment rate that should be used in your analyses?

A. Apart from that letter, no. And to put a fine point on it, we didn't recommend the rates that should be used in our analyses. We were provided with a range

GLENN BOWEN

you got the instructions, say, to perform a valuation of the DWSD as a spinoff, for example, that happened several times, right?

A. We performed some analysis of DWSD, yes.

Q. And did you have an understanding, when you got those assignments, about what purposes those assignments were going to be used for, those analyses were going to be used for?

A. Other than the fact it seemed self-evident that it would be used in conjunction with negotiations regarding DWSD, I didn't ask for or receive any other information.

Q. And just to be clear, that was your assumption based on the nature of the project, or were you told that that's what it was going to be used for? I'm trying to understand generally how it works, and this is a particular example.

A. I'm not sure that once given an assignment regarding DWSD I would have asked the question, are you going to use this in negotiations regarding DWSD. I don't think any further conversation occurred after I was asked to perform a certain project.

Q. So when you got projects, you weren't told specifically what the purpose for the project was, you

GLENN BOWEN

of rates. That letter was a different request.

Q. You analyzed an appropriate investment return assumption based on a set of asset mandates in the investment policy, is that fair?

A. For the purposes of that letter.

Q. And in the various analyses that you ran for the pension task force, did you have an understanding about how or for what purpose the numbers and the analyses Milliman was providing were going to be used?

A. My understanding is that we were asked for a vast array of scenarios to model over time, and that the analyses were reviewed by the city so they could understand the sensitivity of the results to the various inputs they provided and would further be used in their negotiation.

Q. All right. So I guess I'm asking -- you understood that the city would be using the analyses you provided for purposes of negotiation with various parties?

A. I understood that.

Q. All right. And did you understand which negotiations particular scenarios were going to be used for?

A. Not in any -- there wasn't a standard thing that I was informed of.

Q. All right. So I'm just trying to understand. When

GLENN BOWEN

were just given the project and you might have been able to estimate or make an informed guess about what the purpose was, but you weren't specifically told what the purpose was?

A. That's a fair characterization.

Q. All right. Did it matter, for purposes of your analyses, to know what the purpose of the analysis was, to know what use it was going to be put to?

A. I can't recall any projects where I was confused as to what the project description was and asked questions, other than here is how we interpret your request, so that we could prepare the analysis, as opposed to what are you guys going to do with this once we give it to you, who are you going to talk to.

That would have been necessary to prepare the analysis.

Q. So it did not matter to you what the purpose was, all you needed to know was what the parameters were that were being assigned?

A. Well, I mean, I'll just take objection to the first part when you say it did not matter, it makes it sound as if we were blast and didn't think about what we were doing, and I don't think that's a fair characterization.

<p style="text-align: right;">Page 309</p> <p>1 GLENN BOWEN</p> <p>2 Q. And that's not what I'm trying to suggest. What I am</p> <p>3 trying to ask about is not whether you cared about</p> <p>4 your work, and I do not mean that at all. I'm sure</p> <p>5 you care very deeply about it. I'm trying more to</p> <p>6 understand whether it was important for purposes of</p> <p>7 your analysis to know with any particularity what use</p> <p>8 was actually going to be made of the analysis?</p> <p>9 A. To the extent that we had questions or were unclear on</p> <p>10 developing the assignment, we asked the city questions</p> <p>11 and may have given examples and said, do you mean A,</p> <p>12 B, or C by this.</p> <p>13 We asked questions necessary to complete</p> <p>14 our work and respond to the city's questions, and</p> <p>15 that's how we conducted our projects.</p> <p>16 Q. Okay. But my question is not what did you ask</p> <p>17 questions, my question is, was it significant or</p> <p>18 important, for purposes of your analysis, to</p> <p>19 understand what the purpose was that the analysis was</p> <p>20 being undertaken for? Not do we need to know, do we</p> <p>21 have questions about what amortization period you use</p> <p>22 or anything like that, I'm not asking about the</p> <p>23 assumptions you're being assigned or the parameters</p> <p>24 you're being assigned.</p> <p>25 I'm asking, is it significant, or was it</p>	<p style="text-align: right;">Page 311</p> <p>1 GLENN BOWEN</p> <p>2 parties. When we were provided the number as an</p> <p>3 input, to put into our model, the financial situation</p> <p>4 of the system does not change whether the dollar came</p> <p>5 from the institute or whether it came from the state.</p> <p>6 So while we would have looked at that and</p> <p>7 been aware that this was what was being discussed, we</p> <p>8 did not feel the need to say, are you sure these</p> <p>9 dollars are from the state or are you sure these</p> <p>10 dollars are from some other funding source.</p> <p>11 To our work, it was important to know that</p> <p>12 the dollars were coming in.</p> <p>13 Q. Okay. Again, that's, I think, not responsive to the</p> <p>14 question.</p> <p>15 A. Okay.</p> <p>16 Q. And the question is just was it significant or</p> <p>17 important to you to know the use that was going to be</p> <p>18 made of the analysis that you were undertaking, on any</p> <p>19 of the analyses that you were undertaking?</p> <p>20 A. To reduce it to its simplest form and combine all of</p> <p>21 those answers, yes.</p> <p>22 Q. Okay. And did you ever ask the city specifically what</p> <p>23 use it was going to make of any of the analyses that</p> <p>24 you were undertaking?</p> <p>25 A. We never felt the need to ask the specific question</p>
<p style="text-align: right;">Page 310</p> <p>1 GLENN BOWEN</p> <p>2 significant to you, to understand the use that was</p> <p>3 going to be made, the specific use that was going to</p> <p>4 be made of a particular analysis that you were being</p> <p>5 assigned?</p> <p>6 A. I'm having trouble with the question, just because</p> <p>7 there's not a clear-cut yes or no. When it was</p> <p>8 important for us to have more understanding in terms</p> <p>9 of doing our project, that was conveyed to the city</p> <p>10 with the questions that we asked them.</p> <p>11 Q. Okay. Did you ever go back to the city and say, what</p> <p>12 are you going to do with this analysis, what is the</p> <p>13 purpose for which you're having us prepare it?</p> <p>14 A. I never asked that particular question.</p> <p>15 Q. Okay. Was it significant to you to know what the</p> <p>16 purpose was or what the use was that the city was</p> <p>17 planning to make of any of the particular assignments</p> <p>18 that you were given?</p> <p>19 A. Yes, it's significant in the fact that we had to make</p> <p>20 sure we understood the request and respond to the</p> <p>21 city, and perhaps I can give you one example.</p> <p>22 We discussed yesterday various cash inputs</p> <p>23 from foundations from the state, et cetera. It was</p> <p>24 self-evident to me that those matters were being</p> <p>25 discussed via pension task force, city, all the</p>	<p style="text-align: right;">Page 312</p> <p>1 GLENN BOWEN</p> <p>2 that you used a few moments ago, as to what are you</p> <p>3 going to do with this.</p> <p>4 Q. Why not?</p> <p>5 A. Because it was either rather self-evident, or the</p> <p>6 particulars, as in the example I gave you, were</p> <p>7 sufficient for us to prepare our analysis, and the</p> <p>8 city could use that to further their negotiations</p> <p>9 without us asking which day are you going to talk to</p> <p>10 the institute, which day are you going to talk to the</p> <p>11 foundations, which day are you going to talk to the</p> <p>12 state. We knew -- we assumed they would have taken</p> <p>13 that information and gone forth with it.</p> <p>14 Q. So you assumed you understood the purposes for which</p> <p>15 your analyses were going to be used, without being</p> <p>16 told and without asking?</p> <p>17 A. To go back to my earlier point, I think you're asking</p> <p>18 me if we had some very explicit conversations, which I</p> <p>19 think would have been gratuitous. We did not receive</p> <p>20 an assignment regarding DWSD and receive an extra</p> <p>21 statement from the city: This regards DWSD, we're</p> <p>22 going to use it to discuss with DWSD.</p> <p>23 So there is some difficulty I have with</p> <p>24 answering your question the way it's posed, because,</p> <p>25 as I said, we didn't feel the need to ask if a DWSD</p>

19 (Pages 309 to 312)

Elisa Dreier Reporting Corp. (212) 557-5558

950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 208 of 268

754

<p style="text-align: right;">Page 313</p> <p>1 GLENN BOWEN</p> <p>2 assignment was regarding DWSD.</p> <p>3 MR. MUTH: We've been going an</p> <p>4 hour-and-a-half, so ...</p> <p>5 MR. BALL: Sure. We can take a break.</p> <p>6 MR. MUTH: Okay, great.</p> <p>7 VIDEO TECHNICIAN: The time is 10:34 a.m.</p> <p>8 We are off the record.</p> <p>9 (Off the record at 10:34 a.m.)</p> <p>10 (Back on the record at 10:53 a.m.)</p> <p>11 MARKED FOR IDENTIFICATION:</p> <p>12 DEPOSITION EXHIBIT 30</p> <p>13 10:53 a.m.</p> <p>14 VIDEO TECHNICIAN: We're back on the</p> <p>15 record. The time is 10:53 a.m.</p> <p>16 BY MR. BALL:</p> <p>17 Q. Okay. Welcome back, Mr. Bowen.</p> <p>18 A. Thank you.</p> <p>19 Q. And you should have in front of you what has been</p> <p>20 marked as Exhibit 30, which is a letter dated</p> <p>21 May 20th, 2013, Bates-numbered POA0022046. Do you see</p> <p>22 that?</p> <p>23 A. I do.</p> <p>24 Q. And that, again, is a letter that you authored and</p> <p>25 signed?</p>	<p style="text-align: right;">Page 315</p> <p>1 GLENN BOWEN</p> <p>2 amortization period.</p> <p>3 A. Absolutely, yes, the projection period is the amount</p> <p>4 of time that results were calculated for, given all of</p> <p>5 the underlying parameters.</p> <p>6 Q. So you looked at what was going to happen over ten</p> <p>7 years, but you used different scenarios involving</p> <p>8 amortization periods that were longer than ten years?</p> <p>9 A. Correct.</p> <p>10 Q. Okay. And there are -- in the first scenario, you</p> <p>11 apply an 18-year amortization period. Was that based</p> <p>12 on a recommendation by Milliman?</p> <p>13 A. This would seem to follow from a letter we looked at</p> <p>14 recently where we were asked to determine what</p> <p>15 amortization period would be needed, such that the</p> <p>16 amortization payments would cover interest on the</p> <p>17 unfunded liability in the very first year.</p> <p>18 Q. Okay. And so over the life of the project, you</p> <p>19 perform a number of analyses that use an 18-year</p> <p>20 amortization period, which we saw calculated in the</p> <p>21 letter that we looked at earlier. Was that always</p> <p>22 based, to your understanding, on your initial</p> <p>23 calculation of that 18-year amortization period?</p> <p>24 Did the reasons for the use of an 18-year</p> <p>25 amortization period change? I'm just trying to</p>
<p style="text-align: right;">Page 314</p> <p>1 GLENN BOWEN</p> <p>2 A. Correct.</p> <p>3 Q. And it's a -- in it you are analyzing a scenario</p> <p>4 involving you're providing a DGRS simple ten-year</p> <p>5 projection of plan freeze and a future COLA, is that</p> <p>6 right?</p> <p>7 A. Correct.</p> <p>8 Q. And the ten-year projection, why are you performing a</p> <p>9 ten-year projection here?</p> <p>10 A. We were requested to perform a ten-year projection.</p> <p>11 Q. Did you have any understanding of why ten years, as</p> <p>12 opposed to five years, which we saw previously, or 20</p> <p>13 years or 30 years, why you were requested in</p> <p>14 particular to provide a ten-year projection?</p> <p>15 A. I don't remember the specific reason why ten.</p> <p>16 Q. Okay. And it's not the amortization period that's</p> <p>17 used here, right?</p> <p>18 A. This is a ten-year projection.</p> <p>19 Q. Right. But you're looking at -- but the amortization</p> <p>20 period that you're looking at, in looking at a</p> <p>21 ten-year projection, is not a ten-year amortization</p> <p>22 period, correct?</p> <p>23 It's, for example, the first scenario is an</p> <p>24 18-year amortization. I'm just trying to draw a</p> <p>25 distinction between the projection and the</p>	<p style="text-align: right;">Page 316</p> <p>1 GLENN BOWEN</p> <p>2 understand, because it reappears numerous times, I'm</p> <p>3 trying to understand if anything changed to prompt it.</p> <p>4 A. Understood. I would say that in the particular letter</p> <p>5 you're asking me about right now, it seems logical</p> <p>6 that the 18 would have been reused for the exact</p> <p>7 purpose that we just described it, and I have done</p> <p>8 enough scenarios that I can't recall. We may have</p> <p>9 been asked at some point in time to do a scenario</p> <p>10 where the result was also 18 given a different set of</p> <p>11 parameters. I can't rule that out, but this</p> <p>12 particular analysis appears to be following directly</p> <p>13 from the previous one we reviewed.</p> <p>14 Q. Okay. So your best recollection -- do you recall</p> <p>15 specifically, or you're just assuming, based on what</p> <p>16 you're seeing and the timing in this letter, that it's</p> <p>17 based on the prior analysis?</p> <p>18 A. Yes, based on the prior, based on the prior analysis,</p> <p>19 yes.</p> <p>20 Q. Okay. And so you're assuming, you're assuming that</p> <p>21 that's the reason for it?</p> <p>22 A. Without reading the entire letter, yes.</p> <p>23 Q. Okay. Well, you're welcome to read it. I just want</p> <p>24 to understand what's going -- I'm trying to understand</p> <p>25 what's going on and what the history of the use of the</p>

20 (Pages 313 to 316)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-23 Filed 09/09/23 Entered 09/09/23 18:52:31 Page 29 of 754

<p style="text-align: right;">Page 317</p> <p>1 GLENN BOWEN</p> <p>2 18-year amortization period is and why it gets used.</p> <p>3 A. Yeah, for the purpose of this letter, that appears to</p> <p>4 be the case. It's based on the prior letter.</p> <p>5 Q. And is there something in particular you're seeing</p> <p>6 here that makes you think that, or is it just the</p> <p>7 context in which this is -- the circumstances?</p> <p>8 A. It's the context.</p> <p>9 Q. Okay. And you don't have a specific recollection</p> <p>10 about it, but it's from the context you're concluding</p> <p>11 that must be the case?</p> <p>12 A. Yes.</p> <p>13 Q. In the second scenario, you change from an 18-year</p> <p>14 level percent of payroll to a 15-year level dollar</p> <p>15 payment beginning with the June 30th, 2013, valuation.</p> <p>16 Do you see that?</p> <p>17 A. I do.</p> <p>18 Q. It's in the second paragraph.</p> <p>19 A. I do.</p> <p>20 Q. Okay. And so the 18-year amortization period you</p> <p>21 believe was wrong from your prior letter?</p> <p>22 A. Yes.</p> <p>23 Q. Why are you looking at a 15-year amortization period</p> <p>24 in this scenario?</p> <p>25 A. I don't specifically state why in this letter, other</p>	<p style="text-align: right;">Page 319</p> <p>1 GLENN BOWEN</p> <p>2 A. That is my recollection.</p> <p>3 Q. And so here, the choice to use a 15-year level dollar</p> <p>4 amortization for a closed plan would have been</p> <p>5 prompted by the same sort of considerations, is that</p> <p>6 fair?</p> <p>7 A. The same sort of considerations, yes.</p> <p>8 Q. Okay. And had you actually undertaken an analysis of</p> <p>9 the average working lifetime of the DGRS employees at</p> <p>10 this point?</p> <p>11 A. At this point, we would not have done that.</p> <p>12 Q. Did you do it eventually?</p> <p>13 A. I don't recall if we did or not.</p> <p>14 Q. So, sitting here today, you don't recall whether you</p> <p>15 ever analyzed the average working lifetime of the</p> <p>16 beneficiaries under the DGRS plan. Eventually, it's</p> <p>17 proposed to be a closed plan, you didn't, you didn't</p> <p>18 analyze what the average working lifetime of the</p> <p>19 remaining beneficiaries in the plan was, the actives?</p> <p>20 A. I'll state it this way. When we did our replication</p> <p>21 valuation, that would have been an output. I don't</p> <p>22 recall that we were ever asked to do any analysis</p> <p>23 where we had to use that output to prepare any further</p> <p>24 results.</p> <p>25 Q. Okay. So it may be in your work papers, and it may</p>
<p style="text-align: right;">Page 318</p> <p>1 GLENN BOWEN</p> <p>2 than the difference between scenario one and scenario</p> <p>3 two is the plan being frozen.</p> <p>4 Q. Okay. And we looked earlier at the analysis for a</p> <p>5 PFRS amortization, where the PFRS had been closed and</p> <p>6 a 15-year amortization period was closed -- was chosen</p> <p>7 for the closed PFRS plan. Is a similar thought</p> <p>8 process producing the 15-year proposal here, where the</p> <p>9 assumption is the plan's closed for DGRS?</p> <p>10 A. It's logical to assume that's where this 15-year level</p> <p>11 dollar arose from.</p> <p>12 Q. Okay. And in the PFRS circumstance, that was based on</p> <p>13 consideration of the average working lifetime of the</p> <p>14 workforce, and the concerns about intergenerational</p> <p>15 equity that we talked about, is that right?</p> <p>16 A. The average working lifetime, I believe, was stated as</p> <p>17 the reason by the system actuary in their valuation</p> <p>18 report, and then we would have added the comment, I</p> <p>19 believe, about the intergenerational equity to further</p> <p>20 explain that to our client.</p> <p>21 Q. Okay. So just to make sure I understand that, there</p> <p>22 was -- the comment about intergenerational equity is</p> <p>23 not something you took from the Gabriel Roeder report,</p> <p>24 but something that you added by way of explanation to</p> <p>25 your client about why that made sense?</p>	<p style="text-align: right;">Page 320</p> <p>1 GLENN BOWEN</p> <p>2 even be in one of your letters, but it's not something</p> <p>3 you ever did anything with?</p> <p>4 A. That's, that's my recollection.</p> <p>5 Q. In both of these scenarios that you're running here,</p> <p>6 you look at alternate investment return rates, a 6.3</p> <p>7 rate and a seven percent rate, do you see that?</p> <p>8 A. I do.</p> <p>9 Q. And those are both net investment and admin expense,</p> <p>10 correct?</p> <p>11 A. The 6.3 was developed as net of admin and investment.</p> <p>12 The seven was requested by the city. I believe we</p> <p>13 would have treated it the same way.</p> <p>14 Q. Okay. So both, in both cases, your analysis treated</p> <p>15 it as net of investment and admin expense?</p> <p>16 A. That's what I believe from reading this letter, yes.</p> <p>17 Q. You can put that one aside.</p> <p>18 MARKED FOR IDENTIFICATION:</p> <p>19 DEPOSITION EXHIBIT 31</p> <p>20 11:04 a.m.</p> <p>21 BY MR. BALL:</p> <p>22 Q. Okay, Mr. Bowen -- and I actually only have a couple</p> <p>23 of questions about this, but this is a letter that is</p> <p>24 dated June 3rd, 2013. So a few weeks after the letter</p> <p>25 we just looked at. And it's Bates-stamped</p>

21 (Pages 317 to 320)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-tjt Doc 13634-20 Filed 09/09/23 Entered 09/09/23 18:52:31 Page 220 of 754

<p style="text-align: right;">Page 321</p> <p>1 GLENN BOWEN</p> <p>2 POA00260055. So my first question about this is if it</p> <p>3 is a letter that you authored and signed?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. And I was trying to figure out, and I'm not</p> <p>6 sure I ever did figure out, what the difference is</p> <p>7 between the analysis that you're doing here and the</p> <p>8 one that you did in the letter we just looked at, both</p> <p>9 DGRS simple ten-year projections of plan freeze and no</p> <p>10 future COLA.</p> <p>11 Do you have an understanding about what the</p> <p>12 difference was between these two analyses, why you're</p> <p>13 doing them separate?</p> <p>14 A. I do.</p> <p>15 Q. Okay. Can you tell me what that is?</p> <p>16 A. In the prior letter, Exhibit 30, the benefit payment</p> <p>17 projection which we used in the course of our</p> <p>18 recursive formulas was based upon Milliman judgment</p> <p>19 and noted under the rule of thumb adjustments.</p> <p>20 In the interim, we received a valuation</p> <p>21 report, whether preliminary or final, that Gabriel</p> <p>22 Roeder had prepared for the system as of 2012. In</p> <p>23 that valuation report, they had several projections</p> <p>24 based upon 2011 valuation results, and based upon the</p> <p>25 quantities they showed in those projections, we were</p>	<p style="text-align: right;">Page 323</p> <p>1 GLENN BOWEN</p> <p>2 reporting it here.</p> <p>3 Q. Okay. And so did you assume that the higher Gabriel</p> <p>4 Roeder -- I mean, the Gabriel Roeder number was</p> <p>5 correct, as opposed to the higher number -- I mean,</p> <p>6 how did you, what did you use, what numbers did you</p> <p>7 use to determine your analysis of the benefits or</p> <p>8 projections?</p> <p>9 A. Our projections would have started at 2012's. We</p> <p>10 wouldn't have used the trailing number.</p> <p>11 Q. Can you explain what you mean by that? When you say</p> <p>12 they would not have used the trailing number, what do</p> <p>13 you mean?</p> <p>14 A. We started -- we seeded our model with 2012</p> <p>15 liabilities and projected forward from there, to the</p> <p>16 best of my recollection. Just give me a moment to</p> <p>17 confirm that, make sure we're looking at that letter.</p> <p>18 So when we started, as noted in the first</p> <p>19 paragraph, with June 30, 2012, liabilities, we moved</p> <p>20 forward from June 30, 2012, based upon the assets and</p> <p>21 liabilities as reported for that date, and the note</p> <p>22 here was our -- basically, the purpose of the table</p> <p>23 was to show that we looked at the 2011 projections</p> <p>24 that were included in the 2012 valuation report and</p> <p>25 prepared these benefit payments.</p>
<p style="text-align: right;">Page 322</p> <p>1 GLENN BOWEN</p> <p>2 able to impute the benefit payments that they were</p> <p>3 projecting.</p> <p>4 Q. Okay. So you had more up-to-date Gabriel Roeder</p> <p>5 information that allowed you to look again at the</p> <p>6 benefit analysis?</p> <p>7 A. Correct.</p> <p>8 Q. And if you look on page, pages 4 to 5, there's a</p> <p>9 discussion there about expected benefit payments. Do</p> <p>10 you see that?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And in the first full paragraph on page 5,</p> <p>13 there's a discussion there about the anticipated</p> <p>14 benefit payments developed by Gabriel Roeder Smith &</p> <p>15 Company in projections for the 2011-2012 fiscal year,</p> <p>16 or 225.5 million; however, the actual benefit payments</p> <p>17 for the 2011-2012 fiscal year 394.2 million, a</p> <p>18 difference of 168.7 million.</p> <p>19 Did you ever learn what the reason for that</p> <p>20 disparity was?</p> <p>21 A. We never learned specifically the reason.</p> <p>22 Q. Okay. And in undertaking your analysis, did -- at</p> <p>23 least at this point, how did you deal with that</p> <p>24 disparity, what did you do?</p> <p>25 A. We did not specifically deal with the disparity beyond</p>	<p style="text-align: right;">Page 324</p> <p>1 GLENN BOWEN</p> <p>2 And the reason why we put this table in is</p> <p>3 because while several quantities were shown in the</p> <p>4 projection in the valuation report, the benefit</p> <p>5 payments were not. However, they were a solve-for</p> <p>6 item. The projections started at 2011 forward. We</p> <p>7 had to solve each year to be able to impute the</p> <p>8 benefit payments.</p> <p>9 However, in our projection, we started at</p> <p>10 June 30, 2012, and moved forward. So trailing numbers</p> <p>11 from 2011-12 did not directly make it into our model.</p> <p>12 Q. I'm trying to figure out why, then, you have the</p> <p>13 numbers listed for 2011-12 in your table and why you</p> <p>14 have the discussion about the disparity here. Can you</p> <p>15 explain that? If we're doing this starting with the</p> <p>16 next and using that as the jumping-off point for your</p> <p>17 analysis, why do you have listed the 2011-2012 number?</p> <p>18 A. We're starting with 2011-12 in this table because</p> <p>19 that's what we had to do to impute the numbers to draw</p> <p>20 out the benefit payments from the projections in the</p> <p>21 Gabriel Roeder valuation report which started with</p> <p>22 2011. So this was informational.</p> <p>23 Q. So did you use the 225.5 million in your analysis in</p> <p>24 any way?</p> <p>25 A. We would have started with the assets as of 2012 that</p>

22 (Pages 321 to 324)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-11 Doc 113-53846-20 Filed 09/09/23 Entered 09/09/23 18:52:31 Page 23 of 754

GLENN BOWEN

were reported in the valuation report.

Q. Okay. So I think you just said assets, and I'm not sure that's what you meant. Did you mean to say assets there?

A. Yeah.

Q. As opposed to the payments?

A. We would have seeded our projection system with the assets and liabilities that were stated as of June 30, 2012, in the valuation report.

Q. So in projecting the benefit, how does that -- I'm trying to understand how that connects to the benefit payments piece.

A. In our earlier letter, we would have estimated benefits prospectively based upon Milliman's rule of thumb adjustment that was stated in the letter. In this letter, prospective to 2012, we used the benefit payments that were imputed and are listed in this table prospective to 2012.

Q. One last question about this. Did you ever discuss with Gabriel Roeder what the reason was for the disparity?

A. Did not discuss that with Gabriel Roeder.

Q. Is there a reason why you didn't?

A. Did not feel it was necessary to discuss it with them

GLENN BOWEN

A. In a letter that we reviewed recently, seven percent was noted as the city's request. So I will assume that, in addition to the rest of the parameters, were all provided to us as inputs for our modeling in the June 14th and June 4th letter.

Q. Okay. So are you assuming it, or do you know that that was what happened here?

A. I know that that's what happened here.

Q. Okay. And how do you know it?

A. Because I remember running multiple scenarios, as is evidenced in the July, or June 4th letter, and I didn't go asking the city, let me run 20 scenarios for you. But it was defined for me and we prepared those results.

Q. Okay. And if you look -- is this a plan-freeze scenario? It's a follow onto the June 4th letter, which appears to be a plan-freeze scenario. I'm just trying to understand if this is a plan-freeze scenario, as well.

A. Sure. And I haven't reviewed every scenario here yet. If you are referring to Exhibit 2D on Bates 222001, that is not a plan-freeze scenario.

Q. Okay. So is that the analysis that you're performing in the June 14th letter, is for an open plan, I mean,

GLENN BOWEN

to complete the assignment that we were given.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 32

11:12 a.m.

BY MR. BALL:

Q. This is 32. Mr. Bowen, I'm showing you what's been marked as Exhibit 32, which is a letter dated June 14th, 2013, Bates number is POA00221998. And my first question -- and it's got an attachment, which is another letter dated June 4th, so those are both included in the package.

First, is the June 14th letter a letter you authored and signed?

A. Yes, it is.

Q. All right. And is the June 4th letter a letter you authored and signed? It starts at POA00222002.

A. Yes, it is.

Q. Okay. And this -- the June 14th letter uses a seven percent investment return assumption and a closed 30-year level dollar amortization period. Do you see that?

A. I do.

Q. And the decision to use those parameters for the analysis, whose decision was that?

GLENN BOWEN

a -- without a plan freeze?

A. Correct.

Q. In the June 4th letter, the analysis is of a plan freeze, correct?

A. There are ten or 12 scenarios in that letter and there are some of each. There are 14 scenarios in the letter, there are some of each.

Q. Okay. Fair enough. There are -- in scenario two, does scenario two assume a plan freeze, in the June 4th letter?

A. There are seven scenario ones and seven scenario twos. Each scenario two is labeled as plan freeze.

Q. Okay. And the -- in scenario two, you looked at multiple amortization periods, correct?

A. In the various scenario twos, there appear to be different amortization periods.

Q. Okay. And that includes a 15-year scenario, a 20-year scenario, and a 30-year scenario, correct?

A. I didn't actually see the 20, but that does sound familiar. I'm going to check.

Q. I'm looking at 222005.

A. Okay. The table. I'm with you, yes, 15, 20 and 30, and 18.

Q. And so we've talked about a 15-year amortization

GLENN BOWEN

scenario previously for a frozen plan?

A. Mmm-hmm.

Q. Here you are advising -- I mean, analyzing not only that, but a 20 and 30-year amortization period. Do you see that?

A. Yes.

Q. And did you advise the city that the use of a 20 or 30-year plan -- amortization period in connection with a frozen plan would be inappropriate or advisable in any way?

A. In the context of this letter, I don't recall we made those -- that type of analysis, other than doing the mechanical analysis.

Q. Is there -- you said in the context of this letter, so I'd like to understand whether you told the city that a 30-year amortization period for a closed plan, with a closed, 30-year closed amortization period, would be inappropriate?

A. I never recall using the word inappropriate, but you did point out a letter earlier where we said we would recommend some changes in the event of a freeze or close.

Q. Okay.

A. That's what I was referring to.

GLENN BOWEN

do something shorter, but that's not my decision to make.

In terms of actuarial standards of practice, I know of nothing that says 30 years is an unreasonable amortization period.

Q. So I assume that what you just said about 30 years, and having not told the city that it was contrary to good practice or contrary to actuarial standards would apply equally to the use of a 20-year amortization period?

A. I'm not -- sorry, I'm missing --

Q. It's a complicated way to ask the question. I apologize. Did you tell the city at any point that use of a 20-year amortization period would be contrary to best practices?

A. I don't recall using those words, no.

Q. In sum or substance?

A. I'm not sure exactly what that means, but in general, the reason why I say I don't recall doing that is because I'm more inclined to make statements that a shorter amortization period will cost more but will secure pension benefits sooner and will set the plan in a better position. If you choose to use a longer period, you'll have more, more risk of downside

GLENN BOWEN

Q. And I think that's a fair point. I'm just -- you recommended a lesser period than 30 years. My question is, did you tell them that it was inappropriate or improper in any way?

A. I don't recall using those words.

Q. All right. Other than what we saw in the earlier letter where you recommended a shorter period, did you tell them, did you ever tell the city that a 30-year period for amortization for a closed plan would be contrary to good practice or contrary to actuarial standards?

A. Well, there are two separate questions there.

Q. Okay. Let's start with good practice and then we'll do actuarial.

A. Okay. Good practice is a significantly broad topic, funding a pension plan. It can be done in many, many different ways. As an actuary, my -- I'm generally happy when plan sponsor say, we'd like to contribute to the pension plan. I also realize there are other uses for plan sponsors' money.

So if a plan sponsor were to conclude that we are closing our plan but we're going to fund over 30 years because that's what our budget permits, I can't tell them not to do it. I would wish they would

GLENN BOWEN

experience, to the extent you don't have the money in the plan to support the benefits. That's the way that I would typically address that type of situation.

I would find it odd if I had typed a letter that said this is inappropriate.

Q. Okay. And the point of my question was just to see, even though you hadn't used those words, whether you were going to say that you had said something to similar effect, right, as opposed to inconsistent with best practices. That means the same thing even if not phrased the same way.

MR. MONTGOMERY: Objection to form.

BY MR. BALL:

Q. So, with that understanding, do you have any different answer?

A. No, I do not.

Q. In the summer of 2013, did you have meetings with Gabriel Roeder?

A. In the summer of 2013, I attended a meeting in the city of Detroit, Gabriel Roeder attended, Jones Day, Conway MacKenzie, various other parties. I don't recall the date of the meeting.

Q. Okay. Sometime in the summer of 2013?

A. Sometime in the summer.

GLENN BOWEN

Q. Okay. And apart from that meeting, have you attended other meetings with Gabriel Roeder?

A. There was a subsequent meeting, and let me characterize that first meeting. That was not a meeting between Milliman and Gabriel Roeder. It was a large, large meeting. There was a meeting of the actuaries that was mandated by the Court, and I cannot recall whether that was summer or fall of 2013.

Q. So that was in connection with the mediation, correct?

A. Correct.

Q. Okay. So leaving aside the meeting in connection with the mediation, you have attended a single meeting with Gabriel Roeder that was not -- at which other people were present, is that right?

A. In the summer of 2013, I attended a meeting as described. Do you have further questions?

Q. Yeah. I think I asked, but maybe I didn't.

A. Okay.

Q. Other than that meeting and the mediation --

A. Mmm-hmm.

Q. -- and a related meeting, have you attended other meetings with Gabriel Roeder?

A. I've not attended meetings with Gabriel Roeder that were not connected to mediation, other than the

GLENN BOWEN

Q. And so attendance at your deposition I would exclude.

A. Okay.

Q. The others -- have you ever had -- so you said you. Are you aware of whether other Milliman personnel have had communications with Gabriel Roeder, excluding the introductions at the first meeting, mediation, and the, you know, saying hello or shaking hands at your deposition? Excluding those things, any communications by any Milliman personnel with Gabriel Roeder that you're aware of?

A. Not that I'm aware of.

Q. So far as you're aware, Ms. Warren had no communications with Gabriel Roeder, excluding the ones we've --

A. The ones that we have discussed?

Q. Excluding the ones we've discussed.

A. Excluding the ones we've discussed, I don't believe she has.

Q. Okay. And at the meeting that you attended with Gabriel Roeder in the summer of 2013, what was discussed?

A. To the best of my recollection, there was no presentation by Gabriel Roeder and no presentation by Milliman, and I don't recall the rest, other than the

GLENN BOWEN

meeting in the summer of 2013.

Q. Okay. Have you had calls with Gabriel Roeder, conference calls or telephone calls with Gabriel Roeder or representatives of Gabriel Roeder, other than the meeting from the summer of 2013 or calls in the context of the mediation?

A. The calls we had were in the context of mediation.

Q. Okay. So are the only direct communications you've had with -- first of all, did you have any communications at that first meeting with Gabriel Roeder?

A. I don't believe we had -- hello, how are you, nice to meet you. Beyond that, I don't -- it was not a meeting where the actuaries were presenting.

Q. Okay. Other than in the mediation, then, and the introductions at that first meeting, have you had any direct communications with Gabriel Roeder?

A. Not that I recall, no.

Q. All right. Have you, with the exception of those introductions at the first meeting and the mediation, have you had any direct communications with representatives of Gabriel Roeder, including counsel?

A. I don't recall that I have, other than the gentleman is here today and I spoke to him in the hallway.

GLENN BOWEN

other pension task force experts and other attorneys speaking about whatever they spoke about.

Q. So what was discussed at the meeting by the people who did speak?

A. I don't recall.

Q. Do you recall anything anybody said at that meeting?

A. My recollection is I walked out and said there was no need for me to be there. And so I did not -- I did not recollect, I did not put into my long-term memory anything that was discussed at the meeting.

Q. Okay. And do you recall who spoke at all or what the topics were that you were not really on point for?

A. It would have been non-actuarial issues that did not concern any projects that we were working on.

Q. So when you have obtained materials from Gabriel Roeder -- well, first of all, have you at various points obtained materials that came from Gabriel Roeder, and if so, how did you get them?

A. The valuation reports are -- one's complete publicly available on the websites of the retirement systems. We have been provided with draft valuation reports at points in time that are mentioned in our letters, and they, I believe, would have come to us via Jones Day. I'm not sure that Gabriel Roeder -- when we

GLENN BOWEN

received our census data, it was directly from the system. I'm not sure Gabriel Roeder provided us directly any materials.

Q. Okay. My next set of questions is about the system. What meetings -- how many meetings, if any, have you attended with representatives of the retirement system?

MR. MILLER: Outside of mediation?

MR. BALL: Outside of mediation.

A. Outside of mediation, no meetings.

BY MR. BALL:

Q. Okay. What communications have you had with representatives of the systems, the retirement systems, other than any communications in mediation?

A. Well, the retirement systems provided us census data, so I'm not sure if that's considered inside or outside of mediation.

Q. Did you use it for non-mediation purposes? You used it in some of the analyses here which have been provided to us, so I assume you used it.

A. We used it to prepare replication valuations that were discussed yesterday in this, in this room. So I don't know if that's inside or outside of mediation, but we certainly had conversations with the retirement system

GLENN BOWEN

position, then, that his use of the census data and the things that are said about the census data in all his various letters to you in which he performs analyses are covered by the mediation? Because you've produced a ton of documents that have discussion about the census data, communications with Clark Hill, and other communications related to issues with the census data that are in the analyses, including the April 10th analysis and the April 25th analysis, and I believe the April 17th analysis he's done.

Are you taking the position that all of those things are covered by the mediation privilege?

MR. MILLER: No, we are not.

MR. BALL: Okay. So can you explain to me how he can disclose those communications, or you can disclose to them -- them in the context of producing those documents and using those documents, but still claim that any communications he had about -- with Clark Hill about them are subject to the mediation?

MR. MILLER: If he had communications with Clark Hill, and those communications were in the presence of a mediator or ordered by a mediator, those are protected.

MR. BALL: But you've waived it by

GLENN BOWEN

during the process of collecting the census data and understanding it.

Q. Okay. And apart from collecting the communications in the context of collecting the census data and mediation, have you had any other communications with, directly with the retirement system or its representatives?

A. Not that I can recall.

Q. Okay. And did you have discussions with representatives -- or communications with representatives of the retirement system about issues related to the census data?

MR. MILLER: Outside of mediation?

MR. BALL: Outside of mediation.

THE WITNESS: So I'll ask, is our collection of census data considered to be outside of mediation?

MR. MILLER: The position of the city is, no, it is not outside of mediation.

MR. MONTGOMERY: The position of the Retiree Committee is also, at least as far as we are concerned, the only information came via mediation directions of Eugene --

MR. BALL: Right, and so are you taking the

GLENN BOWEN

producing -- at a minimum, you've waived it by producing them and using them in the analyses that are a part of -- significant part of the -- what you rely on in the report and you've produced in this case.

MR. MILLER: And I believe the Court made quite clear just last week that the confidentiality that attaches to mediation is not waivable.

MR. BALL: So you're using it -- just to be clear, you want to use it for some purposes and disclose it there, but if I have further questions about anything concerning those communications beyond what is actually in the documents, you will object based on mediation --

MR. MILLER: I think we've made our position quite clear. We're trying to be very forthcoming, and we are not drawing an unnecessarily broad cloak for this confidentiality.

What we have said is that in connection with communications that were made in the course of mediation or ordered by a mediator, those communications are confidential and will not be disclosed.

To the extent that there were communications between Milliman and the city, that

GLENN BOWEN

were outside of mediation, those we have, we have disclosed.

MR. BALL: All right. There are -- but you're taking the same position -- you're saying the position that communications with Clark Hill about the census data are subject to the mediation privilege?

MR. MILLER: If those communications occurred either in the presence of a mediator or directly pursuant to an order of a mediator that said communications take place.

MR. BALL: There are -- well, it will be simpler when I get to the documents, so I'll wait and get to that. But I think the -- I'll just do it then.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 33

11:37 a.m.

BY MR. BALL:

Q. I'm back, Mr. Bowen. I'm asking you to look at what has been marked as Exhibit 33, which is a letter dated October 3rd, 2013, Bates-stamped POA260193.

And first, is this a letter that you authored and signed?

A. Yes.

Q. And if you look at the discussion on page 2 --

GLENN BOWEN

So you'll have a whole series of amortizations, as opposed to one overall amortization of the existing unfunded.

Q. And why would you approach it that way? Why would you use layering as opposed to not using layering? What's the rationale for doing it one way or the other?

A. Well, the rationale for a plan sponsor using it would be to say that we are going to, over a finite period, pay down the debt of each -- and we're dealing with that so much, there are surpluses, so you can take credits if you have better experience. But over a finite period of time, the experience that emerges each year, which is different from what is expected, is set on its own schedule and recognized, and the process is repeated and you're not at the risk of, under a closed scenario, say, moving from 30, and by the time you're down to five you have a huge gain or loss which you're amortizing over five.

So it's a way of developing an amortization schedule which in the aggregate can be smoother and easier to budget than using a closed amortization schedule, where you're at risk of having a significant deviation when you have a short term left in your amortization schedule.

GLENN BOWEN

actually, page 3, about the requested baseline, there's a discussion toward the end of the page about the amortization period being reduced to 18 years. And then in the last bullet on the page, there's a discussion about the UAAL being -- amortizations being layered. Do you see that?

A. I do.

Q. Can you explain to me what that means?

A. Sure. The word amortization, just in general, has the overall connotation of paying down debt and the myriad ways to accomplish that. The existing method that was being used was an open amortization period, which meant that every year, the debt was effectively refinanced, not exactly at all, but akin to refinancing a mortgage every year. That's one way to perform an amortization.

Earlier we discussed closed amortization, where the unfunded liability was written down over a schedule that was not re-amortized every year. Layers is each year you write down the unfunded liability on schedule, but any new, newly emerging gains or losses from experience which deviates from assumptions are set up in their own layer as opposed to being rolled into the existing amortization.

GLENN BOWEN

Q. And did you use layered amortization in your analysis, all of your analyses after this, or some or none? How did, how did things develop after this?

A. Well, in this particular letter, as I was reviewing it, there's over 20 scenarios. I stopped counting. So each scenario, we should be able to find the description in the letter as to what methods and parameters were based on that scenario.

I don't believe that level amortization was used in every single case in this letter, but I'd have to read the letter to confirm.

Q. There are three different investment return rates referenced on page 4. 6.3, 7, and 7.5, do you see that?

A. I do.

Q. And those, I take it, again, are all net of admin and investment expense?

A. I assumed that to be the case here, yes.

Q. And back on page 2, there was a discussion yesterday about the caveats in your reports about the use that could be made of them and who could rely on them. Do you recall that?

A. I do.

Q. Okay. And the general intent is that the city be able

<p style="text-align: right;">Page 345</p> <p>1 GLENN BOWEN</p> <p>2 to rely on them, but that third parties not be able to</p> <p>3 rely on them. Is that fair?</p> <p>4 A. That's a fair characterization.</p> <p>5 Q. And just to be clear, do you have an intent or an</p> <p>6 understanding about whether that means that the Court</p> <p>7 should be able to rely on them, as opposed to the city</p> <p>8 and various objecters and other parties?</p> <p>9 A. I don't know the law around the Court relying on</p> <p>10 product we prepared for our client.</p> <p>11 Q. Okay. But the directive here is that -- not to be</p> <p>12 relied upon by any third parties other than the city,</p> <p>13 is that fair?</p> <p>14 A. That is what is written here.</p> <p>15 Q. And that was Milliman's intent, as you understand it?</p> <p>16 A. Yes.</p> <p>17 MARKED FOR IDENTIFICATION:</p> <p>18 DEPOSITION EXHIBIT 34</p> <p>19 11:45 a.m.</p> <p>20 BY MR. BALL:</p> <p>21 Q. Mr. Bowen, I'm asking you to look at what has been</p> <p>22 marked as Exhibit 34, and my first question to you</p> <p>23 about this again is whether it is a letter that you</p> <p>24 authored and signed?</p> <p>25 A. Yes, it is.</p>	<p style="text-align: right;">Page 347</p> <p>1 GLENN BOWEN</p> <p>2 a liability for such a termination.</p> <p>3 Q. And how's that determined?</p> <p>4 A. General knowledge of what insurance carriers are using</p> <p>5 to cost out group annuities.</p> <p>6 Q. So other, other companies in the industry, what</p> <p>7 insurance carriers would use in the industry?</p> <p>8 A. Yeah, not actuarial companies.</p> <p>9 Q. And is there an amortization period imbedded in this</p> <p>10 analysis in any way?</p> <p>11 A. There is not.</p> <p>12 Q. Okay. And did you have an understanding of what the</p> <p>13 purpose was for undertaking this analysis?</p> <p>14 A. The purpose was to answer the question of what would a</p> <p>15 market based price be to terminate these pension</p> <p>16 plans, retirement systems.</p> <p>17 Q. And did you have any further understanding besides</p> <p>18 that?</p> <p>19 A. None that was needed to conduct this project.</p> <p>20 Q. Okay. That's not my question. My question was, did</p> <p>21 you have any understanding besides that?</p> <p>22 A. I did not feel I had the need to ask any additional</p> <p>23 questions to respond to this, so I had no</p> <p>24 understanding other than I was answering the question</p> <p>25 of what is a market based price for plan termination.</p>
<p style="text-align: right;">Page 346</p> <p>1 GLENN BOWEN</p> <p>2 Q. And for the record, it's a letter dated November 19th,</p> <p>3 2013, and Bates page is POA00260270. And the "re"</p> <p>4 line on this says that it is a DGRS rough plan</p> <p>5 termination estimate. Can you explain to me what that</p> <p>6 is?</p> <p>7 A. Well, it's a rough estimate of the cost of plan</p> <p>8 termination, and I'd have to read further to see</p> <p>9 exactly the parameters of the termination.</p> <p>10 I mean, as stated, it's a rough estimate of</p> <p>11 the cost of plan termination.</p> <p>12 Q. And can you tell me what that means, what you mean by</p> <p>13 the cost of plan termination?</p> <p>14 A. Sure. Plan termination is, in concept here, the city,</p> <p>15 or the system's, or whoever, purchasing annuities from</p> <p>16 a private carrier paying a market based annuity rate.</p> <p>17 Q. Okay. And in the project description, there's a</p> <p>18 reference to being directed to use a 3.5 and five</p> <p>19 percent interest rate scenario. Do you understand</p> <p>20 what the basis for those directions were?</p> <p>21 A. I understand the 3.5. I don't necessarily recall the</p> <p>22 reason for the five.</p> <p>23 Q. Okay. What do you recall about the 3.5?</p> <p>24 A. It's in the, it's in the area of an interest rate that</p> <p>25 we would expect an insurance carrier to use in valuing</p>	<p style="text-align: right;">Page 348</p> <p>1 GLENN BOWEN</p> <p>2 Q. And that may all be fair, but my question is, did you</p> <p>3 have any understanding of what the purpose was, beyond</p> <p>4 the one that you stated?</p> <p>5 A. I have a broad understanding, as we note in the</p> <p>6 beginning of all of our letters, of our service to the</p> <p>7 city being in conjunction with the proposed</p> <p>8 restructuring and negotiations that they're entering</p> <p>9 in. I did not on any individual letter necessarily</p> <p>10 need to have a more detailed understanding.</p> <p>11 Q. Again, that's not my question. My question is, did</p> <p>12 you have any understanding about the purpose, other</p> <p>13 than the one you've stated, for this letter, for this</p> <p>14 analysis?</p> <p>15 A. The purpose being that we were answering a question</p> <p>16 that could potentially be used in mediation at the</p> <p>17 city's discretion was my understanding.</p> <p>18 Q. Okay. And how did you have that understanding?</p> <p>19 A. They asked me in this particular engagement to value</p> <p>20 the cost of the plan termination, and our broad</p> <p>21 service to the city was based upon providing them</p> <p>22 information that they could potentially use in</p> <p>23 mediation at their discretion.</p> <p>24 Q. Okay. So your analyses at this point are all being</p> <p>25 performed for mediation purposes?</p>

28 (Pages 345 to 348)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 29 of 754

<p style="text-align: right;">Page 349</p> <p>1 GLENN BOWEN</p> <p>2 A. I did not say that.</p> <p>3 Q. Okay. So what you said was: Our broad service to the</p> <p>4 city was based upon providing them information that</p> <p>5 they could potentially use in mediation at their</p> <p>6 discretion.</p> <p>7 A. That is accurate.</p> <p>8 Q. Okay. And were you providing them analyses for</p> <p>9 purposes other than use in mediation?</p> <p>10 A. No.</p> <p>11 Q. Did that change at any point?</p> <p>12 A. Not to my recollection.</p> <p>13 MARKED FOR IDENTIFICATION:</p> <p>14 DEPOSITION EXHIBIT 35</p> <p>15 11:52 a.m.</p> <p>16 BY MR. BALL:</p> <p>17 Q. Mr. Bowen, I'm asking you to look at what's been</p> <p>18 marked as Exhibit 35, which is a letter dated</p> <p>19 November 26, 2013, Bates-stamped POA26047.</p> <p>20 My first question is, is this a letter that</p> <p>21 you authored and signed?</p> <p>22 A. Yes.</p> <p>23 Q. And the "re" line here says that this is about the</p> <p>24 DGRS estimated liability reduction in 2013 to have 70</p> <p>25 percent funded status in 2023 under various scenarios.</p>	<p style="text-align: right;">Page 351</p> <p>1 GLENN BOWEN</p> <p>2 Q. All right. So the use of 2023 as a date for achieving</p> <p>3 that status is not a product of any analysis or any</p> <p>4 recommendation by you or by Milliman, is that fair?</p> <p>5 A. Correct.</p> <p>6 Q. Do you know what mediation those numbers, 70 percent</p> <p>7 and 2023, are the result of?</p> <p>8 A. No, I do not know what particular mediation.</p> <p>9 Q. And I take it that so far as you are aware, that those</p> <p>10 numbers, 70 percent, or the 2023 target date, those</p> <p>11 are not the product of -- they're not based on any</p> <p>12 accounting standards you're aware of, is that fair?</p> <p>13 A. Yeah, I have no awareness of that.</p> <p>14 Q. And if you look at Exhibit 1 to the letter, which is</p> <p>15 on page 260253, you analyze a variety of investment</p> <p>16 return rate assumptions, do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. And they range from 5.75 up to a high of the level</p> <p>19 Milliman had originally recommended of 6.3. Do you</p> <p>20 see that?</p> <p>21 A. I do.</p> <p>22 Q. Okay. How were those numbers derived or determined?</p> <p>23 A. They were requests made by the city.</p> <p>24 Q. Okay. Other than the fact that the city asked for</p> <p>25 them, do you have any basis, I mean, any understanding</p>
<p style="text-align: right;">Page 350</p> <p>1 GLENN BOWEN</p> <p>2 Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. And so the -- so the various scenarios that you're</p> <p>5 looking at here, you're looking at having a result of</p> <p>6 having the GRS 70 percent funded in 2023, is that</p> <p>7 fair?</p> <p>8 A. That is the target of the projections, yes.</p> <p>9 Q. The idea of the DGRS having 70 percent funded status,</p> <p>10 the use of the 70 percent threshold, where did that</p> <p>11 come from?</p> <p>12 A. It was provided to us by the city.</p> <p>13 Q. Did you have any understanding of what the basis for</p> <p>14 choosing 70 percent as opposed to another threshold</p> <p>15 was?</p> <p>16 A. My understanding is that it was as a result of</p> <p>17 mediation.</p> <p>18 Q. So it's a result of mediation the city is in, it's not</p> <p>19 a result of any analysis performed by you or by</p> <p>20 Milliman, is that right?</p> <p>21 A. Correct.</p> <p>22 Q. All right. And the choice of 2023 as a date to</p> <p>23 achieve that status, do you have an understanding</p> <p>24 about what that's based on?</p> <p>25 A. The same thing.</p>	<p style="text-align: right;">Page 352</p> <p>1 GLENN BOWEN</p> <p>2 about how those numbers were -- what the basis is for</p> <p>3 those numbers, where they came from?</p> <p>4 A. Not the particular numbers.</p> <p>5 Q. Okay. And you had -- this is November 26, 2013. You</p> <p>6 had, in the letter we saw yesterday, dated</p> <p>7 November 4th, provided Milliman's analysis of what the</p> <p>8 expected investment return would be, the 50th</p> <p>9 percentile and the range up to -- from 25 up to 75, as</p> <p>10 well, were the asset allocation that existed at that</p> <p>11 point in the GRS, right?</p> <p>12 A. The November 4th sounds like the right date.</p> <p>13 Q. Okay. You've only done one such analysis. We can</p> <p>14 pull it back out, but it's the -- I believe it's in</p> <p>15 the fourth letter. Is there a reason why -- do you</p> <p>16 have an understanding about why the analysis that</p> <p>17 Milliman performed three weeks before this is not used</p> <p>18 as the basis for the interest rate, I mean, the</p> <p>19 investment rate assumption here?</p> <p>20 A. Other than the fact that various interest rates were</p> <p>21 requested, which is very common to prepare</p> <p>22 sensitivities, I don't have a reason why the city did</p> <p>23 not request an additional rate.</p> <p>24 Q. All right. Fair enough. I was just trying -- I</p> <p>25 understand the city requested these particular rates.</p>

29 (Pages 349 to 352)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:03 Page 308 of 754

GLENN BOWEN

You had provided an analysis that would support a different rate. I'm just trying to understand if you know anything about why they chose rates other than one that was contained in your -- that was provided through the analysis conducted in your November 4th letter.

A. The context I just mentioned, sensitivity analysis shows results under different rates.

Q. But not including the rate that you had suggested, right?

A. That is not included in this exhibit.

Q. Okay. And again, I'm just trying to make sure that I know what you know. Do you know why the rate that you had proposed or had -- that was the product of your analysis in the November 4th letter was not used as one of the rates here?

A. It wasn't used because it wasn't requested.

Q. Okay. I know why you didn't do it. Do you know why the city didn't request it? Do you have any understanding of why it wasn't requested?

A. I do not.

Q. And, in fact, in all the analyses you performed after this, that rate is never used in any of those analyses, is that right?

GLENN BOWEN

Q. All right. Is that -- that was in the fall of 2013, is that what you're answering?

A. That's based on my recollection of the 2013 valuation results, which we didn't have done by the fall of 2013, but would have been the funded status had we been able to measure it sooner.

Q. I was just trying to understand the timing of it. So have those numbers changed substantially since that time?

A. Valuations are conducted once a year, so we don't do interim measurements of funded status, but I would expect they would be constantly changing if we measured more often.

Q. Okay. And so the most recent data you have, that's the most recent data you have?

A. Yes.

Q. And do you have an understanding, under the current parameters that have been set for the plan, what the current plan is for those plans, what you anticipate the funding level for those plans will be in 2023?

A. We have not projected future funding levels for those systems.

Q. Okay. So you don't know what the level will be for those plans in 2023, if your current projections and

GLENN BOWEN

A. To the best of my recollection, that is right.

Q. There is no analysis here about funding levels after 2023, is that right?

A. In this letter, the target was 2023.

Q. For 70 percent funding?

A. Yes.

Q. Is there any analysis here -- and I believe the answer is no, but I just want to make sure I'm not missing something -- of what the amortization period will be for the remainder of the UAAL after 2023? Anything to show how the remaining 30 percent is going to be amortized?

A. I'll check just to make sure. I don't see any mention in this letter.

Q. And can you tell me what the funding level is currently -- well, strike that.

In the fall of 2013, what was the funding level for the Puerto Rico Employees Retirement System, the various Puerto Rico systems for which you are the system actuary?

A. Off the top of my head, I will say the employees retirement system was five percent funded. The other two systems are probably in the 20s. I don't recall the exact numbers.

GLENN BOWEN

analyses and the plans that are in place hold form?

A. As I said, we did not project funded status in future years for those plans.

Q. What about the New Jersey State Teachers Fund. Do you know what the current funding level is for that?

A. Not off the top of my head.

Q. Any idea what the, what the ballpark is?

A. I wouldn't want to venture a guess and be incorrect, so, no, I don't really know the ballpark.

Q. Do you know whether it's more or less than 70 percent? I'm just trying to get -- if you know, you know, and if you don't, you don't. I'm just trying to find out what you know.

A. I don't know the specific number.

Q. Okay. And I'm not asking a specific number, I'm asking do you know if it's more or less than 70 percent?

A. I believe it is less than 70 percent.

Q. Okay. Is it less than 50 percent?

A. I don't believe that.

Q. Okay. So your best understanding is it's somewhere between 50 and 70 percent currently?

A. With not a tremendous amount of certainty, that's my best understanding.

GLENN BOWEN

Q. Okay. What about the Texas County -- I'm going to not remember what the full name of the plan is, but the Texas County District Retirement System?

A. It is in the high eighties, to my recollection.

Q. And the Saudi system that you're involved with, do you know what the funding level is for that?

A. I do not.

Q. And I can't remember what the name of it was, it was quite interesting, but can you tell me what was the name of it again?

A. General Organization For Social Insurance.

Q. Okay. Do you know whether it's over 50 percent?

A. I believe it's fairly well, I just, again, don't have the funded status number off the top of my head.

Q. Do you know if it's over 70 percent?

A. I have less certainty about that than the New Jersey system.

Q. Okay.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 36

12:06 p.m.

BY MR. BALL:

Q. Mr. Bowen, I'm showing you what's been marked as Exhibit 36, which for the record is a document

GLENN BOWEN

sure you knew what was going on in the discipline in the industry?

A. Yes.

Q. And you don't recall using it for any particular purposes in connection with your work for the City of Detroit?

A. I do not.

Q. Any idea why it would have been produced in response to our document requests that related to your work for the City of Detroit?

A. I do not.

MR. BALL: We're at like 12:10. I'm happy to keep going, but if people would like, I'm also completely flexible about lunch break. So you guys tell me.

MR. MONTGOMERY: Keep our eye on the ball game?

MR. BALL: I'm deferential to those things, as well.

MR. MILLER: Take a 35-minute break, begin at 12:45?

MR. BALL: Good with everybody else?

VIDEO TECHNICIAN: The time is 12:10 p.m. We are off the record.

GLENN BOWEN

Bates-stamped POA00604157. It is -- the date is updated December 2013, and you were shown yesterday a NASRA issue brief public pension plan investment return assumptions document that was updated as of March 2013. I only have a few questions about this.

This was identified in the document production set we saw as having you -- with you being the custodian of this document. And so my question to you is, what you were doing with it? Why did you have this document?

A. NASRA is the industry trade group for state retirement systems, and in my business I read their issue briefs.

Q. Okay. And it was in among the files that were produced to us as being responsive to our document request about this case. Was there a use you were making of this document that was related to your work for the City of Detroit?

A. I don't recall specific use for this document.

Q. Okay. Do you recall any context in which you reviewed it?

A. As I mentioned, I review NASRA issue briefs just in the normal course of staying abreast of the discipline.

Q. So it would be part of your ordinary reading to make

GLENN BOWEN

(Off the record at 12:10 p.m.)

(Back on the record at 12:53 p.m.)

VIDEO TECHNICIAN: We're back on the record. The time is 12:53 p.m.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 37

12:53 p.m.

BY MR. BALL:

Q. Mr. Bowen, welcome back.

A. Thank you.

Q. So you have been handed what has been marked as Exhibit 37, which is a letter dated December 7th, 2013, and its Bates stamp is POA00260356, and I have just a couple of questions about this before we look at the next document.

If you look on the second page, within the project description, there's a -- the project looks at whether the -- asks you to look both at whether it would be necessary -- strike that.

What the estimated additional reduction in liability would be that would be necessary to achieve a 70 percent funded ratio and an 80 percent funded ratio on -- in 2023.

Do you see that?

<p style="text-align: right;">Page 361</p> <p>1 GLENN BOWEN</p> <p>2 A. I do.</p> <p>3 Q. Okay. And this is the only analysis I've seen</p> <p>4 anywhere that asks for an 80 percent funded ratio as</p> <p>5 opposed to a 70 percent funded ratio, and my question</p> <p>6 is, do you have an understanding about why this letter</p> <p>7 asks for 70 and 80 percent? Do you have any knowledge</p> <p>8 about what the origin of that request is or the basis</p> <p>9 for it is?</p> <p>10 A. The origin of the request is that it came from the</p> <p>11 city.</p> <p>12 Q. Fair enough. But the basis for it. Before we talked</p> <p>13 about what your understanding was for the basis for</p> <p>14 the 70 percent request, and now this one asks for both</p> <p>15 70 and 80. I'm just trying to understand if there's</p> <p>16 anything else to be said about what the basis for the</p> <p>17 80 percent request is in addition to the 70 percent.</p> <p>18 A. Well, the basis is that it's tougher to get to 80 than</p> <p>19 70, and this calculation shows how much so.</p> <p>20 Q. Okay. So is it a sensitivity analysis, comparing 80</p> <p>21 to 70, is that what you understood the purpose to be?</p> <p>22 A. That's my understanding of this assignment, yes.</p> <p>23 Q. Okay. And the 70 percent was still a number derived</p> <p>24 from the results of a mediation, from what you said</p> <p>25 earlier, right?</p>	<p style="text-align: right;">Page 363</p> <p>1 GLENN BOWEN</p> <p>2 Exhibit 38, which is a letter dated December 18th,</p> <p>3 which is Bates-stamped POA0 -- strike that.</p> <p>4 December 18th, 2013, it is Bates-stamped</p> <p>5 POA00260345, and --</p> <p>6 A. Excuse me, that's not the letter I've been handed.</p> <p>7 Q. Sorry. Got ahead of myself, I apologize. Leave it</p> <p>8 marked, I'll come back to it. We'll ask about this</p> <p>9 one first. I pulled the wrong folder, so I apologize</p> <p>10 for that.</p> <p>11 MARKED FOR IDENTIFICATION:</p> <p>12 DEPOSITION EXHIBIT 39</p> <p>13 12:58 p.m.</p> <p>14 BY MR. BALL:</p> <p>15 Q. So sorry about that, Mr. Bowen. You've now been</p> <p>16 handed an exhibit that's marked Exhibit Number 39,</p> <p>17 which is a letter dated December 18th, 2013, and the</p> <p>18 Bates stamp is POA00260345. Are we on the same page</p> <p>19 now?</p> <p>20 A. Yes.</p> <p>21 Q. Okay. And this again is a letter that you authored</p> <p>22 and signed?</p> <p>23 A. Yes.</p> <p>24 Q. And this letter uses, again uses a 5.5 percentage -- a</p> <p>25 5.5 percent investment return assumption, if you look</p>
<p style="text-align: right;">Page 362</p> <p>1 GLENN BOWEN</p> <p>2 A. Yes.</p> <p>3 Q. And this looks at a five percent, 5.5 percent city</p> <p>4 specified investment return assumption. Do you see</p> <p>5 that?</p> <p>6 A. Yes.</p> <p>7 Q. And I assume that is net of admin and investment</p> <p>8 expense, correct?</p> <p>9 A. I would assume at this point that that is the case,</p> <p>10 but I don't definitively see it written in the letter.</p> <p>11 Q. Okay. Well, over the course of the letters we've</p> <p>12 looked at so far, you've employed a variety of</p> <p>13 investment return assumptions, and my understanding of</p> <p>14 each of them so far has been that it has been net of</p> <p>15 investment and admin expense, and I just want to</p> <p>16 confirm the same, to the best of your understanding,</p> <p>17 is true here?</p> <p>18 A. That's correct so far, and thus I assume here, as</p> <p>19 well.</p> <p>20 Q. Okay. Don't let that one stray too far.</p> <p>21 MARKED FOR IDENTIFICATION:</p> <p>22 DEPOSITION EXHIBIT 38</p> <p>23 12:57 p.m.</p> <p>24 BY MR. BALL:</p> <p>25 Q. Mr. Bowen, you've been handed what's been marked as</p>	<p style="text-align: right;">Page 364</p> <p>1 GLENN BOWEN</p> <p>2 at page 3?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. And it adds language in this letter, which I</p> <p>5 think is the first time it appears, and correct me if</p> <p>6 you believe otherwise, but it says: Our understanding</p> <p>7 is that the city specified investment return</p> <p>8 assumption of 5.5 percent is not reflective of</p> <p>9 expected returns for the current portfolio, but rather</p> <p>10 is due to the city's plan to reduce risk by investing</p> <p>11 more conservatively.</p> <p>12 Do you see that?</p> <p>13 A. I do.</p> <p>14 Q. Now, if you'll look at the letter preceding this, that</p> <p>15 is Exhibit 37, on December 7th, it doesn't contain</p> <p>16 that language, although it's talking about the same</p> <p>17 investment return rate.</p> <p>18 Am I right about that?</p> <p>19 A. I don't see it in the December 7th letter.</p> <p>20 Q. Okay. When and how did you learn that the basis for</p> <p>21 the 5.5 percent rate that was being proposed here was</p> <p>22 a city plan to reduce risk by investing more</p> <p>23 conservatively?</p> <p>24 A. I would not say that we learned that fact definitively</p> <p>25 with this letter, as you've seen the variety of</p>

32 (Pages 361 to 364)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-553846-111 Doc 138634-20 Filed 09/29/23 Entered 09/29/23 18:52:23 Page 331 of 754

GLENN BOWEN

letters which are all variations on a theme of different discount rates. My best recollection is that sometime in between December 17th and December 18th we thought that would be a good phrase to put into our letter to make clear what the interest rate assumption is and what it is not.

Q. And so you were trying to reflect accurately that the 5.5 percent rate was not a rate that you believe reflected the expected rate of return on the existing portfolio, is that fair?

A. It would be fairer to say that the city was not telling us to use that rate because that was what they believed the city was telling us that, for the specific reason that they were looking at investing more conservatively, thus a lower rate be used in the analysis.

Q. Okay. So when did you -- when were you told that the reason for the lower rates that were being evaluated was the city had a plan to reduce risk by investing more conservatively? When and how?

A. Prior to December 18th, 2013.

Q. Okay. Do you recall anything more about when it was you learned that?

A. It was obviously prior to this letter, and I can't

GLENN BOWEN

Q. Okay. And those discussions would have been with the pension benefit task force, pension plan task force?

A. Yes.

Q. Okay. And do you recall any discussion in the pension plan task force prior to receiving the assignment where that -- where you were told that that was the basis for lowering the interest rate about why or what the basis was for the plan to reduce risk by investing more conservatively?

A. I have to apologize, I didn't follow the arc of that question.

Q. Okay. It may not have been a felicitously phrased one, so I will rephrase.

My question is just, before they -- at the time or before you were told that that was the basis for the reduced interest rate, were you privy to any discussions of the pension plan task force or any discussions with any other representative of the city that explained what the basis was or the rationale was for the plan's reduced risk by investing more conservatively?

A. Again, I'll have to state that the reason the rationale is as expressed here, so I'm not sure what else you may be asking me to state.

GLENN BOWEN

recall specifically how much prior to this letter.

Q. Do you recall how you learned it?

A. It would have been in discussions with the city.

Q. Okay. And what discussions with the city?

A. In the context of receiving the assignments to model these various scenarios.

Q. Okay. So are you saying that when you got an assignment, the assignments to model scenarios, that's something they told you?

A. Yes.

Q. Okay. And when they told you that, was it in the context of this assignment or in the context of earlier assignments?

A. Well, what I was saying earlier is it potentially could have been in the context of earlier assignments and we did not think to add the phrase to the letter to provide additional description. It's also possible it happened between December 17th and December -- or December 7th and December 18th. I don't know exactly what phone call.

Q. Fair enough. So you don't know if it was before the December 7th letter or after the December 7th letter, but at least by the time of the December 18th letter?

A. Correct.

GLENN BOWEN

Q. I'm not asking about the reason for the 5.5 percent, I understand that you're saying you've been told that the city plans to reduce risk by investing more conservatively, right --

A. Yes.

Q. -- I understand that. What I'm asking is, do you have any understanding about what the rationale or the basis was for the city's reported decision to reduce risk by investing more conservatively? Do you know why they had decided to do that?

A. A desire to reduce a volatility.

Q. And where did you have those discussions?

A. Within the pension task force.

Q. Okay. And who said that?

A. It could have been several parties on the pension task force. I'm not sure who stated it, exactly.

Q. And what was said about a desire to reduce volatility?

A. The city has no ability within the next ten years to have contributions respond to investment experience, thus we wish to investigate lower volatility.

Q. All right. And did you undertake any measurement of the comparative volatility of the existing investment portfolio or investment and the city's proposed investment portfolio?

GLENN BOWEN

A. No, that was not this assignment.

Q. All right. And has Milliman done that?

A. I know it's been discussed. I can't say for sure whether it was completed or was a project that was stopped and started.

Q. What do you mean by a project that was stopped and started?

A. In the course of, you know, an engagement such as this, not every project that is requested sees its way through to fruition, because the changes are so frequent, and the project that you're discussing would have been handled by our investment consultants, so...

Q. By Mr. Perry?

A. He would have been involved in that project.

Q. All right. And when you say stopped and started, do you know whether it has been restarted if it was stopped?

A. As I said, I don't know conclusively whether it was completed or what the status of it is.

Q. Okay. Now let's go to what was marked previously as Exhibit 38, and that should be a letter dated December 19th, 2013, Bates page POA00260371. Is that right?

A. Correct.

GLENN BOWEN

Q. Okay. And the first statement, can you explain what it means, the assumption forms the basis? How does that -- can you explain what it means and how it affects the projected funded status?

A. Certainly. We start with a July 1, 2013, asset value, and through the projection period the asset value will change as contributions are made, benefits are paid, and investment income is realized.

Q. Okay. And so if you use a higher rate of return, the UAAL will go up as a result of this, correct? I mean, the UAAL will go down as a result of this -- sorry, strike that. Start that one over again.

If you use a higher rate of return as your assumption, then the asset returns will increase and the unfunded status of the plan will decrease, correct, the UAAL will decrease?

A. You will have more money by using a higher rate of return.

Q. All right. And that affects the projected funded status by reducing the amount, the unfunded liabilities if the plan is not fully funded, correct?

A. The funded status is assets in the numerator and liabilities in the denominator. So if the investment term is higher and the numerator grows, the funded

GLENN BOWEN

Q. Okay. And so, again, is that a letter that you authored and signed, Mr. Bowen?

A. Yes.

Q. Okay. And I want to look at a couple of things in this letter. First, on page 4, there was some discussion yesterday about what the impact of the investment rate, or higher or lower investment rate, was on and how it affects the projected funded status of a plan, and I think maybe this is a more crisp way of putting it, but I just want to make sure that I have it right. But there's a paragraph about a third of the way down the page that begins: Note that the investment return assumption. Do you see that?

A. Yes.

Q. Okay. And it says: Note that the investment return assumption impacts the projected funded status for two reasons. One, the assumption forms the basis for the assumed asset returns for the ten-year period from July 1 through June 20 -- June 30, 2023. And, two, the assumption is used for measuring the liabilities by discounting future benefit payments at the rate of the assumed investment return.

Are those statements accurate?

A. Yes.

GLENN BOWEN

status of the plan will increase.

Q. Okay. And the second part, the assumption is used for measuring liabilities by discounting future benefit payments, can you explain now that affects the funded status of the plan?

A. Certainly. Once the actuarial valuation has produced a stream of future benefit payments, a present value is determined by discounting at a certain rate, and the higher the investment return used to discount those benefit payments, the lower the current measure of liability; vice versa, the lower the discount rate used to discount those payments, the higher the current measure of liability, and the resulting liability goes into the denominator of the funded status equation.

Q. Okay. On the next page, under baseline expected benefit payments, do you see the chart similar to the one we looked at earlier today?

A. Yes.

Q. Okay. And there's a discussion there about the disparity again between the Gabriel Roeder projection for 2011 and 2012, to 2012, and the actual benefit payments during that time period? Do you see that?

A. I'm sorry --

GLENN BOWEN

Q. The sentence is just under the chart.

A. Okay, yes.

Q. The anticipated benefit payments developed by Gabriel Roeder -- and we discussed this issue earlier today. Gabriel Roeder had projected benefit payments of 225 million, and actual payments were over 394 million, and there's a difference between the projected and the actual of 168.7 million. Do you see that?

A. Mmm-hmm. Yes, I do.

Q. Okay. And there's a sentence that follows this that says: This is potentially due to lump sum distributions of annuities savings fund balances to members who retired during 2011 and 2012.

Do you see that?

A. I do.

Q. What's the basis for that statement?

A. I believe that would be due to an observation that the active population was decreasing rapidly year over year.

Q. Okay. So, based on that, you thought this was a possible explanation for the disparity?

A. Yes, it's a possible explanation.

Q. Okay. And did you do anything to verify whether or not it was in fact the explanation for what had

GLENN BOWEN

A. That's what it says here, yes.

Q. Okay. Do you have an understanding of why -- well, first of all, all three of these rates are net of investment and admin expense, correct?

A. I would believe that to be the case here.

Q. Okay. And do you have an understanding of why those three different rates were being evaluated at this point?

A. To repeat myself, sensitivity analysis to review the results under varying rates.

Q. Okay. Had the city, to your knowledge, at this point determined what rate was commensurate with -- was the rate that it wanted to develop any offset portfolio to provide a reduced level of risk for?

A. I cannot tell you which date the city settled on the rate in the plan of adjustment.

Q. Had it happened at this point?

A. I cannot tell you what they, the city settled on the rate they used in the plan of adjustment.

Q. All right. I know you may not be able to tell me a precise date. I'm asking if you know whether it occurred before January 8th, 2014.

A. I don't know the date that the city settled on the rate in the plan of adjustment, and I thus don't know

GLENN BOWEN

happened?

A. We did not.

Q. Okay. You can put that one aside.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 40

1:14 p.m.

BY MR. BALL:

Q. Mr. Bowen, you've been handed what has been marked Exhibit 40, which is a letter dated January 8th, 2014, and Bates-stamped POA00258717. And my first question to you, is this a letter that you authored and signed?

A. Yes, it is.

Q. Okay. And I only have a couple of questions about this. This letter asks you to evaluate three different investment return assumptions, 5.75, 6.25 and 6.75 percent, under various other parameters.

Do you see that?

A. I do.

Q. Okay. And all three rates are listed as reflecting the city's plan to reduce risk.

Do you see that? It's on the second page.

A. Yes.

Q. Okay. And not being reflective of current expected returns, right?

GLENN BOWEN

whether it was prior or after January 8th of 2014.

Q. So you not only don't know the specific date, but you can't tell me whether it had already occurred by January 8th, 2014. Is that fair?

A. That is fair.

Q. Or after that date? You just don't know with any specificity when the city decided?

A. I do not know with specificity when the city decided.

Q. Do you recall being told at some point that the city had decided on the rate?

A. I'm not certain that I received a phone call that said we've decided on the rate.

Q. Okay.

A. I don't recall that communication.

Q. Do you recall any communication in which you were told the city had settled on a rate for the plan of adjustment?

A. Potentially in context with the preparation of ballot data when we were told the rate to use, it became evident that the rate had been settled on.

Q. Okay. So maybe when you were told, maybe at that point, but you're not entirely sure. Is that fair?

A. That is fair. It runs together.

Q. And do you know when you were told to prepare data for

GLENN BOWEN

the ballot?

A. The letters are dated. I believe it was the April and May time frame that we were working on that analysis.

Q. Okay. And do you know whether Milliman -- strike that.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 41

1:19 p.m.

BY MR. BALL:

Q. Mr. Bowen, you've been handed what has been marked as Exhibit 41, and I will tell you that it consists of two documents, two copies of the same letter, separated by a four-inch separator page. It's a letter dated January 9th, 2014. The Bates page is on the first letter, first version of POA00258696, and on the second letter it's Bates-stamped MCOPW021051. And there's a redaction out of the first letter, but otherwise I believe they are the same letter.

And so my first question to you about it is, is this a letter you authored and signed?

MR. MUTH: Which one?

MR. BALL: Both of them. It's the same

letter.

A. I signed both of them.

GLENN BOWEN

Q. Okay. And did you have an understanding of what the purpose of conducting an analysis that was specific to the DWSD was?

A. I was at a mediation session in New York, at the Jones Day office, for the majority of a week in early January, and it came to my attention.

MR. MILLER: Glenn, let's stop you right there. Do not reveal anything that occurred during the course of that mediation session.

BY MR. BALL:

Q. Apart from any communications to you in the context of mediation, do you have any understanding of why you were being asked to provide an analysis that was specific to the DWSD?

MR. MILLER: Can you repeat the question? (The following portion of the record was read by the reporter at 1:23 p.m.:

Q. "Apart from any communications to you in the context of mediation, do you have any understanding of why you were being asked to provide an analysis that was specifically to the DWSD?"

MR. BALL: Specifically about the DWSD, or specific to the DWSD.

GLENN BOWEN

BY MR. BALL:

Q. One of them has -- one version has Ms. Warren's signature, as well. Do you see that?

A. I would say for some reason Ms. Warren's signature is not appearing in several of the documents, neither is the Milliman logo. So I'm not sure if there's some issue with the copying or printing.

Q. Okay. So it's your understanding that she would have signed at the same time as you, and it may just be some production problem that's resulting in her signature not appearing on the various letters where she's listed as a signatory?

A. That is my guess, sitting here these past two days.

Q. Okay. So let's just focus on the first one, the first version of it. This version, this letter asks you to -- or it says it's Re: DGRS unfunded liability for DWSD members in June 30, 2012, actuarial valuation report prepared by Gabriel Roeder Smith & Company.

As I understand it, this is the first analysis we've seen prepared by you that specifically focuses on the DWSD. Is that right, or do you recall whether there were any prior analyses that focused specifically on the DWSD?

A. This time frame seems right on to me.

GLENN BOWEN

A. Not apart from the mediation.

BY MR. BALL:

Q. Did you have any understanding, leaving aside anything you were told in mediation -- and for the next several questions, just assume that you're not going to tell me anything about communications in the course of mediation -- did you -- did anyone tell you why this was being requested?

A. Not outside of mediation.

Q. Okay. Did you have any understanding of what purpose this document was going to be used for, or this analysis was going to be used for?

A. Based upon what I was told in mediation.

Q. Okay. So you had an understanding, but it was based on what you learned in mediation?

A. Yes.

Q. Did you understand that the information you were generating was going to be shared with the counties? And by that I mean Oakland, Macomb, and potentially Wayne?

MR. MONTGOMERY: Again I'd ask you to make sure his understanding is outside of the mediation.

MR. BALL: I will accept that as a predicate for all these questions about what the

<p style="text-align: right;">Page 381</p> <p>1 GLENN BOWEN</p> <p>2 purpose of this letter is, so that you know.</p> <p>3 A. Not outside of mediation.</p> <p>4 BY MR. BALL:</p> <p>5 Q. Okay. This letter asks for an analysis about</p> <p>6 amortization over 40 years. Do you see that on page</p> <p>7 3?</p> <p>8 A. I'm on page 2 under project description.</p> <p>9 Q. It's also there, too.</p> <p>10 A. Okay. So are you in a different place?</p> <p>11 Q. But I'll take it from whichever -- I was just trying</p> <p>12 to help you with a location, but 2 is as good as 3.</p> <p>13 Do you see that it asks for amortization on the level</p> <p>14 annual basis over 40 years?</p> <p>15 A. Yes.</p> <p>16 Q. Did you have an understanding about why you were</p> <p>17 looking at it over a 40-year period?</p> <p>18 A. The understanding was gained during mediation.</p> <p>19 Q. Okay. Was that 40-year amortization period consistent</p> <p>20 with GASB rules applicable at the time?</p> <p>21 A. The 40-year period for amortization is not applicable</p> <p>22 to GASB funding rules at that time, or, I'm sorry,</p> <p>23 GASB accounting rules.</p> <p>24 Q. GASB accounting -- I'm sorry.</p> <p>25 A. GASB accounting standard.</p>	<p style="text-align: right;">Page 383</p> <p>1 GLENN BOWEN</p> <p>2 of the assets that were attributed to the system and</p> <p>3 to the DWSD, in particular?</p> <p>4 A. Yes.</p> <p>5 Q. And that you took that information from the Gabriel</p> <p>6 Roeder reports?</p> <p>7 A. The actuarial smooth value of assets was taken from</p> <p>8 the reports, yes.</p> <p>9 Q. And then you develop the market value based on the</p> <p>10 actuarial value?</p> <p>11 A. Correct.</p> <p>12 MARKED FOR IDENTIFICATION:</p> <p>13 DEPOSITION EXHIBIT 42</p> <p>14 1:30 p.m.</p> <p>15 BY MR. BALL:</p> <p>16 Q. In the letter we were just looking at, your reference</p> <p>17 of the June 30th, 2012, Gabriel Roeder reports, do you</p> <p>18 see that, the as-of date for the Gabriel Roeder</p> <p>19 reports?</p> <p>20 A. I do.</p> <p>21 Q. Okay. So is what has been marked as Exhibit 42 the</p> <p>22 June 30th, 2012, Gabriel Roeder valuation report,</p> <p>23 annual actual -- strike that.</p> <p>24 The June 30th, 2012, Gabriel Roeder report</p> <p>25 you're referring to?</p>
<p style="text-align: right;">Page 382</p> <p>1 GLENN BOWEN</p> <p>2 Q. I'll ask it again.</p> <p>3 A. Yes.</p> <p>4 Q. Was a 40-year amortization period consistent with GASB</p> <p>5 accounting rules in place at the time?</p> <p>6 A. No, it was not.</p> <p>7 Q. Okay. And I think we've seen earlier that the</p> <p>8 maximum, maximum amortization period permissible under</p> <p>9 GASB rules at the time was 30 years?</p> <p>10 A. That is correct.</p> <p>11 Q. Okay. Did you advise the city or any other recipient</p> <p>12 of this information that the 40-year period being</p> <p>13 requested was inconsistent with GASB rules?</p> <p>14 A. It would have been a discussion in mediation, so I</p> <p>15 will say if I did, it was within mediation.</p> <p>16 Q. Apart from communications in mediation, in this letter</p> <p>17 itself you do not say that, is that correct?</p> <p>18 A. Right.</p> <p>19 Q. And did you -- did you advise the city that the</p> <p>20 40-year period discussed in this letter was</p> <p>21 inconsistent with GASB rules?</p> <p>22 A. I did not advise them in this letter.</p> <p>23 Q. Did you advise them of that fact?</p> <p>24 A. I do not recollect doing so.</p> <p>25 Q. Mr. Bowen, you recall we discussed earlier the value</p>	<p style="text-align: right;">Page 384</p> <p>1 GLENN BOWEN</p> <p>2 A. Yes.</p> <p>3 Q. Okay. And in analyzing the allocation of accrued</p> <p>4 liabilities between the DWSD, analyzing what share of</p> <p>5 the accrued liabilities are allocable to the DWSD, how</p> <p>6 did you do that?</p> <p>7 A. One moment, please. On page 2 of Milliman's letter</p> <p>8 under results, it refers to page B3 of the valuation</p> <p>9 report where the actuarial accrued liabilities are</p> <p>10 broken out for four different groups within the DGRS.</p> <p>11 Q. Okay. So let's look at that page, B3.</p> <p>12 MR. MONTGOMERY: Do you have a Bates</p> <p>13 number?</p> <p>14 MR. BALL: I do. There are multiple</p> <p>15 versions of it, but the Bates page for the Gabriel</p> <p>16 Roeder report, the version I'm looking at is</p> <p>17 MCOPW018381, and if you could go to page B3, which I</p> <p>18 have as Bates page MCOPW018411.</p> <p>19 So is the information that appears there</p> <p>20 allocating the accrued liabilities, is that the</p> <p>21 information you used?</p> <p>22 A. Yes.</p> <p>23 Q. Okay. And did you ever do Milliman's own calculation</p> <p>24 of how the accrued liabilities should be allocated</p> <p>25 among different parts of the city?</p>

37 (Pages 381 to 384)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-11 Doc 113-5384-23 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 38 of 754

GLENN BOWEN

A. We did.

Q. Okay. And how did you do that?

A. We received census data from the retirement systems and performed a valuation of DGRS.

Q. Okay. So that would be in the April time frame when you had the census data?

A. That was when the results were issued, yes.

Q. Okay. You got the census data you discussed previously, and then you -- and is there also information here -- so for this analysis you accepted what Gabriel Roeder had done, for the later analysis you did your own, your own analysis based on the census data?

A. Correct.

Q. Okay. On the asset side, did you ever do your own analysis of the allocation?

A. When you say our own --

Q. I mean, in each case did you take the smooth value of the assets from the Gabriel Roeder report, and the allocation that the Gabriel Roeder report reflected, and over to then analyze the market value attributable to DWSD, or did you ever do your own analysis or own calculation of the asset value, smooth or -- the smooth asset value attributable to the DWSD?

GLENN BOWEN

been, for some historical period of time, receiving separate rollups of asset value to attribute assets and incorporate cash flows for each of the various systems so that they can have their own unfunded liability and contribution rates developed.

Q. Okay. And how do you know that?

A. This exhibit has appeared in several valuation reports.

Q. Okay. But the exhibit doesn't say what you just said, right? It just provides a breakdown, correct?

A. This exhibit provides a breakdown of one point in time.

Q. If you -- all right. Would you look at page B2 with me, which is MCOPW018410? And you see that this is an exhibit reflecting the allocation of assets between the different -- totaling them up for different components of the city?

A. Yes.

Q. Okay. And if you look at the totals for the sewage component, do you see that if you add each of those up, and in particular the pension accumulation fund is a significant negative number, that the total for the sewage side is negative? Do you see that?

A. It would be negative or close to being so.

GLENN BOWEN

A. I don't recall doing anything other than the former.

Q. Okay. So in every case you took the smooth value of the asset -- the smooth value asset allocation from the Gabriel Roeder report and then used that to calculate a market value allocable to the DWSD?

A. That's my recollection.

Q. But the basis was always the Gabriel Roeder report's allocation of the assets under the smoothing methodology?

A. That's my recollection.

Q. Okay. And do you know how Gabriel Roeder calculated or how anybody calculated the allocation of the assets for the smooth asset valuation that they undertook?

A. I do not know with specificity.

Q. Okay. What do you know about it?

A. I know what is presented in the valuation report, and as indicated in our letters, we used that ratio consistent.

Q. All right. And I'm trying to make sure I understand what you know about how the numbers in the Gabriel Roeder report were derived. Do you know anything about how they were derived?

A. I'm not sure how to respond to your question, what do I know. I'll say my understanding is that they have

GLENN BOWEN

Q. Okay. Well, it's 14 -- as of June 30, 2012, it's 14 million plus 2.6 million, minus 112 million, plus 74, plus 13. Looks to me like it's substantially negative if you add those numbers up.

A. It is negative, yes.

Q. Okay. Do you have an understanding of why that's case?

A. I don't have an understanding of this exhibit.

Q. Okay. And so the water/sewer numbers that are provided later are a combination of the water and sewer components of this, is that your understanding?

A. They're a combination of the smooth value of assets reported for the water and sewer departments.

Q. Okay. If you look with me at page A5, and there's a discussion there, the funding value of assets. Do you see that?

A. I do.

Q. And is it -- my understanding, and I just want to know if it's your understanding, is that the funds here -- in fact, there's a single fund, and they are -- they're not segregated, the funds themselves are not actually segregated by division and it's all in one trust. Is that consistent with your understanding?

MR. MILLER: Can you repeat the question?

<p style="text-align: right;">Page 389</p> <p>1 GLENN BOWEN</p> <p>2 There was a lot of --</p> <p>3 MR. BALL: There were some interruptions.</p> <p>4 MR. MILLER: -- interruptions.</p> <p>5 BY MR. BALL:</p> <p>6 Q. My understanding of the GRS system is that the funds</p> <p>7 are held in a single trust, is that right?</p> <p>8 A. I have not been informed otherwise.</p> <p>9 Q. All right. And it's not, the funds themselves are not</p> <p>10 actually segregated by division, is that right?</p> <p>11 A. I've not been informed otherwise, yes.</p> <p>12 Q. That's your best understanding, right?</p> <p>13 A. That's my best understanding.</p> <p>14 Q. And the last paragraph here says: The current method</p> <p>15 of allocation of investment income between divisions,</p> <p>16 and it's provided by retirement system staff, results</p> <p>17 in each division recognizing a rate of return that may</p> <p>18 differ from the fund in total.</p> <p>19 Do you see that?</p> <p>20 A. I do.</p> <p>21 Q. Do you have an understanding of how it is that there</p> <p>22 is a disparate rate of return applied to different</p> <p>23 divisions for the funds held by the system which are</p> <p>24 held in a single fund?</p> <p>25 A. I don't have specific knowledge of the allocation</p>	<p style="text-align: right;">Page 391</p> <p>1 GLENN BOWEN</p> <p>2 Q. When you did it, when you did an analysis, did you</p> <p>3 understand -- did you do an analysis of whether, for</p> <p>4 example, the unfunded liabilities associated with</p> <p>5 particular employees were predicated on portions of</p> <p>6 their careers spent in other divisions besides, for</p> <p>7 example, in the case of the DWSD, from employees who</p> <p>8 spent time in other portions of the city besides the</p> <p>9 DWSD?</p> <p>10 A. I'm sorry, could you repeat that?</p> <p>11 Q. Yeah, it got long.</p> <p>12 You did an analysis, as you said earlier,</p> <p>13 of the allocation of assets among the different</p> <p>14 divisions of the city when you had the census data,</p> <p>15 right?</p> <p>16 A. You just asked about assets and liabilities.</p> <p>17 Q. I'm sorry, you're right. It's the afternoon. I'll</p> <p>18 try this one over again.</p> <p>19 You did an analysis, as you testified a few</p> <p>20 minutes ago, once you had the census data, about</p> <p>21 attribution of unfunded liabilities between different</p> <p>22 components of the city, including the DWSD versus</p> <p>23 other components of the city, correct?</p> <p>24 A. To be precise, I would say we allocated liabilities in</p> <p>25 that analysis you're referring to.</p>
<p style="text-align: right;">Page 390</p> <p>1 GLENN BOWEN</p> <p>2 methodology.</p> <p>3 Q. Okay. Do you know why it would be the case, do you</p> <p>4 have any understanding why it would be the case that</p> <p>5 different rates of return would be applied to</p> <p>6 different divisions of the city?</p> <p>7 A. As I said, I don't know the specific policy of the</p> <p>8 city, but depending upon how interest is credited</p> <p>9 throughout a year to a system where allocations are</p> <p>10 made to different divisions with different cash</p> <p>11 flows, I could understand different investment returns</p> <p>12 resulting for different divisions.</p> <p>13 Q. All right. So you could conceive of that scenario,</p> <p>14 but you don't know how the city actually did it here,</p> <p>15 is that fair?</p> <p>16 A. Yes.</p> <p>17 Q. Okay. Do you know whether the city -- I'll ask first</p> <p>18 about the city, and GRS -- strike that -- whether the</p> <p>19 GRS or Gabriel Roeder, in their allocation of assets</p> <p>20 between the divisions, looked solely to the current</p> <p>21 employment status of a particular employee in the</p> <p>22 census rolls or whether they took a count of what</p> <p>23 portion of the employee's career had been spent in</p> <p>24 other portions of the city?</p> <p>25 A. I never asked Gabriel Roeder that specific question.</p>	<p style="text-align: right;">Page 392</p> <p>1 GLENN BOWEN</p> <p>2 Q. Okay. And in allocating liabilities, did you</p> <p>3 predicate the allocation purely on the current</p> <p>4 employment status of active employees, for active</p> <p>5 employees, did you do it purely on their current</p> <p>6 employment status or did you look and see what portion</p> <p>7 of their career had been spent in other portions of</p> <p>8 the city?</p> <p>9 A. We valued active employees based upon the department</p> <p>10 code, if you will, that came to us in the census data.</p> <p>11 Q. Okay. And your best understanding is that the</p> <p>12 department code that came to you in the census data</p> <p>13 was the code for their current employer. Is that</p> <p>14 fair?</p> <p>15 A. That is our best understanding.</p> <p>16 Q. And for retired employees, did you do it based purely</p> <p>17 on the department they were in when they retired?</p> <p>18 A. We based our analysis on the department code that was</p> <p>19 in the census data.</p> <p>20 Q. Okay. And your best understanding of the department</p> <p>21 code in the census data was that the department code</p> <p>22 of the department that employed them when they</p> <p>23 retired?</p> <p>24 A. That's our best understanding.</p> <p>25 Q. All right. And so did you -- you did not, as I</p>

39 (Pages 389 to 392)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-11 Doc 113-53846-23 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 43 of 754

GLENN BOWEN

understand it, undertake any analysis to see whether any portion of the unfunded liabilities associated with those employees arose at a time when they were not -- arose in connection with service they provided when they were not employees of the DWSD, is that fair?

A. We did not.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 43

1:47 p.m.

BY MR. BALL:

Q. Okay. Mr. Bowen, let me ask you to look at what has been marked as Exhibit 43, which is a letter dated January 16th, 2014. And it is Bates-stamped POA00258700. And my first question to you is whether it is a letter that you authored and signed?

A. Yes.

Q. Okay. And this again looks at DWSD as a -- on a stand-alone basis, right?

A. Yes.

Q. Okay. And it looks at potentially being spun off DWSD, do you see that?

A. I see that on page 2, yes.

Q. And did you have any understanding about what the

GLENN BOWEN

A. That's fair.

Q. Okay. And this is still looking at a 70 percent -- this is, for DWSD, is looking at a 70 percent funded level as of January 2023, right?

A. Yes.

Q. It's not a hundred percent funded level, correct?

A. This analysis is 70 percent.

Q. And, in fact, you also provide an analysis for what would happen after those ten years, correct? If you look on page 4.

A. Yes.

Q. All right. And, in fact, you looked at potential amortization of the remaining unfunded liability over an additional ten years, an additional 20 years, and an additional 30 years after June 30th, 2023, correct?

A. Yes.

Q. And did you have an understanding of why you were looking at those additional amortization periods for the DWSD liability?

A. My answer is exactly the same as I gave a moment ago. Should I try to repeat it in its entirety, or is it --

Q. Well, are you saying that that request about those amortization periods was specifically requested by the city?

GLENN BOWEN

purpose was for providing this analysis?

A. To answer the question of the DWSD employer contributions during the ten-year period to reach a 70 percent funded status under the specified scenarios and the specified investment return assumption.

Q. Right. That's the analysis they're asking you for, correct?

A. Yes.

Q. Okay. And my question is, did you have an understanding of what purpose or use was going to be made, what use was going to be made of this analysis?

A. Again, I'll reply as I did earlier. We had a broad understanding that the work we were doing for the pension task force would potentially be used in mediation at their discretion. I did not have a specific understanding of each and every letter to know if it was informational or if it was something that they were specifically negotiating. So I can't answer specifically the genesis of the request for this particular letter.

Q. Okay. So you had the general understanding you testified about earlier, but you don't have a specific understanding of what the purpose of this particular analysis was, is that fair?

GLENN BOWEN

A. Yes.

Q. Okay. Can you show me where that request is in the project description?

A. That was not typed in the project description --

Q. Okay.

A. -- in this letter.

Q. Do you have a specific recollection that the city actually asked you to perform that analysis in connection with this letter?

A. No, I do not.

Q. Okay. And so my question again is what's the basis on which you decided to look at the period of amortization reflected on page 4?

A. The basis would be a city request. I have no recollection of inventing an additional assignment.

Q. Okay. So you don't actually recall the city requesting it, but your assumption is they must have, even though you don't say it in the letter?

A. I would characterize this as an oversight for not including further description of this in the project description section of the letter.

Q. But you don't actually recall getting the request, you're just assuming that that's the case, is that fair?

GLENN BOWEN

A. I am, because I cannot imagine another scenario where this would have occurred.

Q. Do you have an understanding of why it was -- I just want to -- and the answer may be no, and that's fine, but I want to understand if you know why you're looking at those specific periods, other than it came from, you know, a city request. If it came from a city request, do you have an understanding of why those periods or what's being looked at?

A. Well, my understanding, not based on just this letter, but on other letters I remember authoring, was that if there's an unfunded liability existing in 2023, it needs to be paid off, what options exist for us to pay that off over various periods of time.

Q. Okay. So you would be looking at an option of a full amortization ending 20 years, 30 years, and 40 years out, is that fair?

A. That is this particular letter, yes.

Q. And this again is 70 percent in 2023. I take it your answers to me previously about what the origin of the 70 percent level and the 2023 date would apply equally to this letter?

A. Yes.

Q. That is, if they were -- stemmed from mediation?

GLENN BOWEN

retirement system looks like with a spunoff DWSD under certain scenarios?

A. It appears to be the case.

Q. Okay. In fact, you did a number of such letters over the time where you would -- over time where you would look at a separate DWSD and the city without the DWSD, is that right?

A. We did a number of letters, I absolutely agree with.

Q. If nothing else today?

A. I'm not sure how many times we did a companion piece as such here, I don't recollect that. I'm sure, you know, you have them.

Q. I was trying to short-circuit some of it, but it happened several times, is that fair?

A. I recall doing a significant number of letters in the January time frame. So I believe that's probably true.

Q. And this -- well, I have sort of a basic question. At the end of the day, this uses a, this uses a 6.25 percent investment rate, as does the letter we just looked at. At the end of the day, one should use, when you're looking at the DWSD by itself, presumably, the same investment return rate as for the system as a whole. If you're going to calculate the overall

GLENN BOWEN

A. They would.

Q. And just to be clear, they were not the product of a Milliman analysis, correct?

A. They were not.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 44

1:56 p.m.

BY MR. BALL:

Q. Mr. Bowen, you've been handed another letter that is like the one we just looked at, dated January 16th, 2014. This one has Bates numbers POA00258748, but it's a different analysis. And in this case, the "re" line says: DGRS ten-year level dollar payments to have 70 percent funded status in 2023 subsequent to a spunoff of DWSD under two specific additional reduction scenarios with 6.25 percent investment return assumption.

So, first question is, is this likewise a letter that you authored and signed?

A. Yes, it is.

Q. Okay. And is this essentially a companion piece with the letter that we just looked at? One shows the DWSD on a stand-alone basis with a spunoff, and this shows -- this addresses what the remainder of the

GLENN BOWEN

unfunded liability, and DWSD shared that unfunded liability, you should be using the same investment return rate to calculate those two things, is that fair?

A. That was rather long, if you could please --

Q. Okay. I assume that in calculating the overall UAAL, and the investment rate you used to calculate the overall UAAL, you should use, as you've done in these two letters, the same investment rate for the overall UAAL and for the DWSD, unless somebody tells you there's going to be a different asset allocation, that you would use the same investment rate to calculate those two things?

A. I'm not clear whether you're talking about a -- when you said different asset allocation, I'm not sure whether you're asking about a spunoff or not with two separate plans.

Q. Okay. Let's do it -- assume they're not spun off, because at the end of the day that's probably what we care about the most. But if you're going to look at the DWSD's share of unfunded liability in a scenario where they're not spun off, and so we're still talking about the same asset pool with the same investment policy governing it, presumably, you would use the

GLENN BOWEN

same investment return rate to calculate DWSD's share of the unfunded liability as you would to calculate the unfunded liability itself, correct, the overall unfunded liability?

A. That would be a logical starting point.

Q. Okay. And so one would assume that -- well, fair enough.

And if, in a scenario where the DWSD hasn't been spun off and is still part of the system, you would, if you used a different rate to calculate the total unfunded liability for the system as a whole, and used a lower rate to calculate the DWSD's share of the -- in a calculation -- the DWSD's share of the unfunded liability, that would result in a higher assessment of the DWSD's share than if you used the same rate for both. Is that right?

A. I tried to follow all the pieces, and if what you're saying is if you valued the entire system at X, including DWSD, and then went back and valued DWSD at Y --

Q. Y is --

A. -- the pieces wouldn't add up, if Y differed from X.

Q. That's I think right, and if you used a lower investment rate of return for -- in the Y calculation

GLENN BOWEN

That is true.

Q. And if you use the measurement at the higher rate, to the system as a whole, and then go back and do a calculation using a lower rate, and then out of that derive DWSD's liability, you'd wind up with a higher share for DWSD than you would if you'd used the higher rate scenario throughout. Does that make sense?

A. I'm having trouble figuring out the basis for the question, but you've measured DWSD two different ways and got two different liabilities.

Q. Right. Let's say you use seven percent to calculate the overall UAAL, and you do that set of calculations, and that's -- that will result in an overall UAAL that's smaller than if you used 6.75, correct?

A. Yes, I agree, all else equal.

Q. Okay. And so if you use the seven percent to determine what the total unfunded liability is, but you go back and do a separate set of calculations at 6.75 percent when you said about determining what the DWSD's share is, that will result in the DWSD's share being stated as being higher than it would have been if you'd used seven percent, correct?

A. I would say that, again, the premise is difficult to comprehend. If you're going and measuring DWSD under

GLENN BOWEN

of DWSD alone, that would result in a statement of its share of the liabilities, or the liabilities attributable to it that's bigger, because you've used a lower investment rate than for your analysis of the system as a whole, is that right?

A. If you used X as the system as a whole and didn't use Y to develop DWSD's portion for some reason.

Q. All right. So I'm just trying to make sure that if you use a -- in general, if you use a higher rate, you wind up with lower UAAL, right?

A. For a given asset amount, yes.

Q. Okay. And if you -- say if you used a higher rate in calculating the overall UAAL, and a lower rate when you went back and tried to calculate DWSD's share of the UAAL, that would result in DWSD's share of the UAAL being higher than if you'd used the same rate as the original analysis of the whole system?

A. Again, I'm having trouble with your concept of --

Q. Using different rates?

A. -- why you would measure twice under the same rate in that question. So I could state, you know, if you use a different -- if you measure, if you measure a plan at one rate and measure a plan at a different rate, you'll have a different liability, all else equal.

GLENN BOWEN

a different rate, you would get a different answer. I wouldn't characterize that as their share on the seven percent basis.

Q. Right. It would be incompatible, because you should be using the same rate for both the overall and the DWSD share, correct? You shouldn't use two different sets of calculations?

A. I don't see the relation. I think you're trying to get at some relation which I'm just not grasping, but you would get a different number if you used a different rate.

Q. And I assume that the 6.25 rate that we saw in those two letters is net of admin and administrative -- of administrative expense and investment expense, is that right?

A. I believe that is correct.

MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 45

2:07 p.m.

BY MR. BALL:

Q. I'm just going to give you two to look at together.

MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 46

2:07 p.m.

<p style="text-align: right;">Page 405</p> <p>1 GLENN BOWEN</p> <p>2 BY MR. BALL:</p> <p>3 Q. All right. Mr. Bowen, I've asked you to look at what</p> <p>4 have been marked as Exhibits 45 and 46. Exhibit 45</p> <p>5 is -- they're both letters dated February 28th, 2014.</p> <p>6 Exhibit 45 is POA00258956, and Exhibit 46 is</p> <p>7 POA00259001. And my first question is, for</p> <p>8 Exhibit 45, is this a letter that you authored and</p> <p>9 signed?</p> <p>10 A. Yes.</p> <p>11 Q. And for Exhibit 46, is the same true?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. And I asked you a few minutes ago about whether</p> <p>14 you'd done additional analyses that were DWSD spinoffs</p> <p>15 and looking at a DWSD spinoff under a set of</p> <p>16 circumstances, and using the same set of circumstances</p> <p>17 analyzed DGRS absent -- or in connection with the DWSD</p> <p>18 spinoff. And is this another example of your doing</p> <p>19 that kind of analysis?</p> <p>20 A. Based on the titles on the various letters, that</p> <p>21 certainly seems to be the case.</p> <p>22 Q. Okay. And did you have an understanding of why you</p> <p>23 were doing these analyses?</p> <p>24 A. As specific as my understanding is, that there was</p> <p>25 ongoing DGRS mediation occurring during this time</p>	<p style="text-align: right;">Page 407</p> <p>1 GLENN BOWEN</p> <p>2 A. I do not know that they, that the city settled on the</p> <p>3 rate in the plan of adjustment.</p> <p>4 Q. All right. And I understand that that was your answer</p> <p>5 previously, I'm just -- having shown you these, does</p> <p>6 this refresh your recollection in any way about when</p> <p>7 you learned that, that information?</p> <p>8 A. No.</p> <p>9 MR. MILLER: Can we take a ten-minute</p> <p>10 break?</p> <p>11 MR. BALL: Sure. I'm trying to condense</p> <p>12 the number that I'm using so I don't belabor the point</p> <p>13 unnecessarily.</p> <p>14 VIDEO TECHNICIAN: The time is 2:11 p.m.</p> <p>15 We are off the record.</p> <p>16 (Off the record at 2:11 p.m.)</p> <p>17 MARKED FOR IDENTIFICATION:</p> <p>18 DEPOSITION EXHIBITS 47 and 48</p> <p>19 2:18 p.m.</p> <p>20 (Back on the record at 2:25 p.m.)</p> <p>21 VIDEO TECHNICIAN: We are back on the</p> <p>22 record. The time is 2:25 p.m.</p> <p>23 BY MR. BALL:</p> <p>24 Q. Mr. Bowen, you've been handed what have been marked as</p> <p>25 Exhibits 47 and 48, both of which are letters dated</p>
<p style="text-align: right;">Page 406</p> <p>1 GLENN BOWEN</p> <p>2 period --</p> <p>3 Q. Okay. And I'm not asking you about what you learned</p> <p>4 in mediation. You can say, "I have knowledge from</p> <p>5 mediation," and I don't want to know the details. But</p> <p>6 apart from knowledge you have from mediation, is there</p> <p>7 anything else you know, know about, besides mediation,</p> <p>8 about why you were doing these analyses?</p> <p>9 A. No.</p> <p>10 Q. Okay. And were you aware that at some point there</p> <p>11 were discussions between the DWSD and the counties</p> <p>12 about the creation of a regional authority, sometimes</p> <p>13 called the GLWA, or Great Lakes Water Authority? Were</p> <p>14 you aware of that, separate from anything you know</p> <p>15 about mediation?</p> <p>16 A. No.</p> <p>17 Q. Okay. So, all right, then. The only other questions</p> <p>18 I have here is, these letters reflect a 6.75 percent</p> <p>19 investment return. I take it that, again, is net</p> <p>20 admin and investment expense, is that fair?</p> <p>21 A. I believe in that case, yes.</p> <p>22 Q. And this is late February. Do you know whether you</p> <p>23 had learned by that point that the city had settled on</p> <p>24 an investment rate that was a more conservative --</p> <p>25 reflecting a more conservative portfolio?</p>	<p style="text-align: right;">Page 408</p> <p>1 GLENN BOWEN</p> <p>2 March 28th, 2014. And the first is -- Exhibit 47 is</p> <p>3 Bates-stamped POA00259255 and Exhibit 48 is</p> <p>4 Bates-stamped POA00259277.</p> <p>5 So my first question is, are both of these</p> <p>6 letters that you authored and signed?</p> <p>7 A. Yes, I did.</p> <p>8 Q. Okay. And they're both on the same date, right?</p> <p>9 A. They are.</p> <p>10 Q. And they're another set of companion letters looking</p> <p>11 at a spunoff DWSD and a DGRS with a spunoff DWSD,</p> <p>12 correct?</p> <p>13 A. Yes.</p> <p>14 Q. Okay. And this is about a month later than the last</p> <p>15 set of letters we looked at, and I'm not saying there</p> <p>16 aren't others in the interim, but are you still</p> <p>17 looking at that -- strike that.</p> <p>18 Do you have any different understanding of</p> <p>19 the purpose of these letters or analyses than you've</p> <p>20 answered with respect to the prior letters in this</p> <p>21 series?</p> <p>22 A. No different understanding.</p> <p>23 Q. Okay. And there is a 6.75 percent investment rate</p> <p>24 assumption in these letters, as well, right?</p> <p>25 A. There is.</p>

43 (Pages 405 to 408)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-11 Doc 13634-23 Filed 09/09/23 Entered 09/09/23 18:52:31 Page 42 of 754

GLENN BOWEN

Q. Okay. And does this refresh your recollection as to when you learned that the city intended to use a 6.75 percent investment rate assumption to derive a set of assets, an asset allocation that was more conservative for use in the plan?

A. No, it does not.

Q. Okay. And do you know whether you had learned it by this time, on March 28th, 2014?

A. I do not know anything beyond what I've said already.

Q. Okay. Fair enough. I just want to make sure that if something prompts your recollection, because you see a later letter that gives you some greater certainty about when you understood that, that I get it, so ...

A. Understood.

Q. Okay.

MARKED FOR IDENTIFICATION:

DEPOSITION EXHIBIT 49

2:29 p.m.

BY MR. BALL:

Q. Mr. Bowen, you've been handed what's been marked as Exhibit 49, which is a letter dated March 31, 2014. So three days later than the letters we just looked at. The Bates stamp is POA00259245. My first question is, is this a letter you

GLENN BOWEN

A. No.

Q. Okay. What's your best understanding of why the request was made, or what prompted the request that you look at a hundred percent funded status?

A. What prompted my request to look at a hundred percent funded status is that we were asked to look at a hundred percent funded status.

Q. No-no, I'm asking not what prompted your request. I'm asking if you have an understanding of what prompted the request to you. Why was the request made to you, to your understanding, that you look at a hundred percent funded status?

A. I don't have particular understanding of that.

Q. Okay. Do you have any information about why that request was made?

A. I don't have any information.

Q. Okay. And so no explanation was given to you, at the time the request was made, about why you were being asked to look at a hundred percent funded status?

A. Not to my recollection.

Q. This hundred percent funded status in 2023 is effectively, given this is written in March of 2014, effectively a nine-year amortization period for the DWSD liabilities, is that fair?

GLENN BOWEN

drafted and signed?

A. Yes, it is.

Q. Okay. And this letter -- prior letters we looked at about a spunoff DWSD have all looked at a 70 percent funded DWSD as of 2023, correct?

A. I believe that's the case, yes.

Q. All right. So I believe this is the first letter that looks at a hundred percent funded status for DWSD in 2023. Is that correct, your understanding?

A. I'll say it's correct based upon the letters you've shown me. I can't definitively state there aren't interim letters.

Q. At least of the ones we've looked at, this is the first, and I'll tell you, I've looked, and it looks to me like it's the first, but I understand you may not recall that.

What prompted -- first, I assume, did the city give you, or the pension plan task force give you the instruction to do an analysis that used -- that looked at a hundred percent funded status in 2023?

A. Yes.

Q. Okay. And was the decision to use a hundred percent funded status in your analysis based on any Milliman recommendation or analysis?

GLENN BOWEN

A. This letter, in the title, says July 1, 2013, to June 30, 2023. So this was based upon a ten-year period.

Q. All right. Although the July 1, 2013, period had already begun and you were near the end of the fiscal year for 2013 at the time this was written, right?

A. That is correct.

Q. Okay. So you're doing some retrospective analysis here in assuming contributions for the 2013-2014 fiscal year?

A. In this analysis, that period is included.

Q. Okay. So, effectively, it would be a ten-year amortization period under this analysis?

A. Yes.

Q. Okay. But if you shifted the date to July 1, 2014, and did the same analysis, that would make it a nine-year amortization period?

A. If you kept the end date the same --

Q. Right.

A. -- yes.

Q. And I take it Milliman had never recommended a nine or ten-year amortization period for either the plan as a whole or for the DWSD assets, is that fair?

A. Yes.

GLENN BOWEN

Q. And I think I've asked this, but just to make sure, that nine or ten-year amortization period, to your knowledge, is not based on any Milliman analysis or recommendation, is that right?

A. That is correct.

Q. And are you aware of any actuarial or accounting basis for the nine or ten-year amortization period employed here?

A. No specific actuarial or accounting basis.

Q. Did you ever make a determination that a nine or ten-year amortization period for either the DWSD liabilities or liabilities of the -- for the plan as a whole, that a nine or ten-year amortization period was more appropriate or desirable in any way than a 15-year period?

A. I did not make a specific determination on that in this case.

Q. Did you make a general determination on that in this case?

A. As a pension actuary, I'm happy to have more money come into the pension plan, always, other than I recognize that plan sponsors have competing uses for their funds.

Q. So other than that generalized desire, nothing, is

GLENN BOWEN

standards?

A. There is no standard that states it in that fashion.

Q. And under -- let's talk about current GASB rules as opposed to those that are about to phase in. There's no reason why a nine or ten-year period for amortization is more appropriate under those GASB rules than the 30-year period that those rules permitted, correct?

A. GASB provides a range up to 30, as we've discussed, and I do not know anything in the standard which recommends a specific interim period as the most appropriate.

Q. Okay. And you haven't conducted an analysis of what the application of the new GASB rules would be to the amortization period here, correct?

A. Well, we mentioned earlier today that -- can I say strike that?

Q. Yes. You can say. It doesn't happen. It doesn't happen when I say it, either, but ...

A. We've not performed a GASB 67/68 valuation for the Detroit retirement systems.

Q. Okay. And just to ask again, the 6.75 investment return rate in this letter is net of administrative and investment expense, correct?

GLENN BOWEN

that fair?

A. Yes.

Q. Had Milliman undertaken any research or analysis about whether a nine or ten-year amortization period is employed by any other public pension plans?

A. We did not research other public pension plans in conducting this assignment.

Q. Okay. So under prior GASB rules, assuming the ones that are currently in effect, as opposed to the ones that are about to phase in, there's no reason why a nine or a ten-year period is more appropriate under applicable actuarial or accounting standards than the 30-year period that Milliman had employed, correct?

A. You said the 30-year period that Milliman had employed.

Q. I'm sorry. Getting my actuarial firms confused. All right. Let's just talk about actuarial standards and accounting standards, I'll try not combine in it one question, make it a little simpler and get the right names.

There's no matter -- no actuarial standard that would dictate that nine or ten years is more appropriate than a 30-year closed amortization period, is there, under current actuary -- under actuarial

GLENN BOWEN

A. I believe that to be the case here.

MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 50
2:40 p.m.

BY MR. BALL:

Q. Mr. Bowen, you've been shown what is marked as Exhibit 50, which is a letter dated April 10th, 2014, which has Bates numbers POA00259558. And again, my first question about this letter is whether it's a letter that you authored and signed?

A. Yes.

Q. Okay. And if you look at pages 3 to 5, we'll start with page 3, there's a discussion there about actuarial assumptions and methods?

A. Yes.

Q. All right. So let me ask, back up and ask a first question. At this point had you received the census data?

A. Yes.

Q. Okay. And is the analysis here based on your -- is it an actuarial valuation based on the census data you were provided?

A. Yes.

Q. Okay. And in -- on page 3, there's a discussion of

<p style="text-align: right;">Page 417</p> <p>1 GLENN BOWEN</p> <p>2 post-retirement mortality. Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. All right. And there's a discussion there about</p> <p>5 Gabriel Roeder Smith & Company. In the second</p> <p>6 sentence it says: Gabriel Roeder Smith & Company, the</p> <p>7 actuary for DGRS, has indicated that there is</p> <p>8 uncertainty surrounding the extent, if any, of</p> <p>9 allowance for future mortality improvement in this</p> <p>10 assumption.</p> <p>11 MR. MONTGOMERY: Excuse me. Do you have a</p> <p>12 copy of that letter? I'd like to know if that's a</p> <p>13 document that was shared with the GRS and the</p> <p>14 retirement committee as part of the mediation process.</p> <p>15 MR. BALL: Maybe counsel can pass one down.</p> <p>16 It's not addressed to you. It does, however, and it</p> <p>17 is going to get to the census data, because it does</p> <p>18 have a discussion of exchanges with Clark Hill. And</p> <p>19 this is the letter I was referencing earlier when I --</p> <p>20 MR. MILLER: Well, it exchanges with</p> <p>21 Gabriel Roeder.</p> <p>22 MR. BALL: Actually with Clark Hill, I</p> <p>23 think, if you look at Exhibit 3.</p> <p>24 MR. MILLER: It's dated April 10th.</p> <p>25 MR. BALL: Let me know when you're ready,</p>	<p style="text-align: right;">Page 419</p> <p>1 GLENN BOWEN</p> <p>2 are confidential. Documents that were prepared and</p> <p>3 exclusively used in mediation would be confidential,</p> <p>4 and documents that were prepared and distributed to</p> <p>5 mediation parties as a consequence of the mediation</p> <p>6 order, and in the absence of such order would not have</p> <p>7 been communicated, also fall within the</p> <p>8 confidentiality protection.</p> <p>9 Let me make this suggestion to the parties</p> <p>10 on the record. I think the way we can solve this</p> <p>11 problem is if the parties were willing to destroy the</p> <p>12 copies of this April 10th, 2014, letter that they</p> <p>13 have, and the city would be prepared to provide a</p> <p>14 version of this April 10th letter that redacts, I</p> <p>15 believe, one sentence that is the offending sentence</p> <p>16 and discusses --</p> <p>17 MR. BALL: Which sentence?</p> <p>18 MR. MILLER: The sentence that begins,</p> <p>19 Gabriel Roeder Smith & Company has indicated.</p> <p>20 That is the sentence that reflects and</p> <p>21 memorializes a conversation and a communication that</p> <p>22 was made in mediation.</p> <p>23 I think the remainder, from the standpoint</p> <p>24 of the city, the remainder of that paragraph does not</p> <p>25 reveal what went on in mediation and would therefore</p>
<p style="text-align: right;">Page 418</p> <p>1 GLENN BOWEN</p> <p>2 Counsel.</p> <p>3 MR. MONTGOMERY: I've handed the document</p> <p>4 to counsel for the retirement system.</p> <p>5 MS. GREEN: I don't know by looking at it</p> <p>6 if it was part of the mediation clause or--</p> <p>7 MR. MONTGOMERY: Okay, then I will say that</p> <p>8 it is not, because it was quite -- the date is quite</p> <p>9 similar, but I think this may actually be a different</p> <p>10 document, so ...</p> <p>11 MR. BALL: Okay. I'll ask some questions</p> <p>12 and we'll see if we can figure it out.</p> <p>13 MR. MILLER: Not quite yet.</p> <p>14 MR. BALL: You're still looking, okay.</p> <p>15 MR. MILLER: No. This document was not</p> <p>16 prepared in -- it was not a document that was ordered</p> <p>17 by the mediator to be distributed to other parties,</p> <p>18 and in the absence of such order would not have been.</p> <p>19 However, page 3, and the particular</p> <p>20 paragraph that I believe you're about to question the</p> <p>21 witness on, memorializes certain conversations that</p> <p>22 occurred in mediation. And as I indicated earlier,</p> <p>23 the city's position as it relates to the scope of the</p> <p>24 mediation confidentiality is essentially as follows:</p> <p>25 Conversations that occurred in mediation</p>	<p style="text-align: right;">Page 420</p> <p>1 GLENN BOWEN</p> <p>2 not be subject to redaction.</p> <p>3 Does the retirement system or Retirees</p> <p>4 Committee have any additional observations to make on</p> <p>5 the subject?</p> <p>6 MR. MONTGOMERY: For the record,</p> <p>7 co-counsel, after examination of the letter, I don't</p> <p>8 believe it's something the Retiree Committee received</p> <p>9 in the context of mediation, and we have no difficulty</p> <p>10 with an exclusion or redaction of that sentence.</p> <p>11 MS. GREEN: The retirement systems do</p> <p>12 concur with the city that the portion of the letter</p> <p>13 that was quoted by Mr. Miller was indeed the subject</p> <p>14 of some mediation discussions, and counsel for Gabriel</p> <p>15 Roeder is also present here today and concurs that</p> <p>16 this is indeed something that arose out of mediation.</p> <p>17 We have no objection to redacting the</p> <p>18 letter as Mr. Miller has set forth.</p> <p>19 MR. BULLOCK: Whether it was stated or not,</p> <p>20 the context was mediation. So that's to be clear.</p> <p>21 MR. BALL: Are there any other -- I want to</p> <p>22 consider that and let me talk with co-counsel about</p> <p>23 it, but are there any other portions of this letter,</p> <p>24 because there are certainly other portions I intend to</p> <p>25 ask about, because it is the assumptions here, the</p>

46 (Pages 417 to 420)

Elisa Dreier Reporting Corp. (212) 557-5558

950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 47 of 754

<p style="text-align: right;">Page 421</p> <p>1 GLENN BOWEN</p> <p>2 analysis here, used in several succeeding analyses and</p> <p>3 are specifically referenced there, and so I would like</p> <p>4 to know in advance whether there's anything else in</p> <p>5 this letter that you guys looking at it believe are</p> <p>6 subject to a mediation privilege. And we can take a</p> <p>7 few minutes --</p> <p>8 MR. MUTH: Fairly asked, and so I suggest</p> <p>9 in the interest of time, let's take a five, ten-minute</p> <p>10 break. Each of the mediation parties that have an</p> <p>11 interest in this letter will look at it more</p> <p>12 carefully, and then when we can get back on the</p> <p>13 record, we'll identify if there are any other language</p> <p>14 elements that memorialize confidential statements in</p> <p>15 the mediation, and, concurrently, you can mull over</p> <p>16 the suggestion that I made in terms of how to handle</p> <p>17 the letter going forward for questioning. Great.</p> <p>18 MR. BALL: Okay. Let's go off the record.</p> <p>19 VIDEO TECHNICIAN: The time is 2:48 p.m.</p> <p>20 We are off the record.</p> <p>21 (Off the record at 2:49 p.m.)</p> <p>22 (Back on the record at 3:15 p.m.)</p> <p>23 VIDEO TECHNICIAN: The time is 3:15 p.m.</p> <p>24 We're back on the record.</p> <p>25 MR. MILLER: Okay. During the course of</p>	<p style="text-align: right;">Page 423</p> <p>1 GLENN BOWEN</p> <p>2 In connection with the exhibits, however, I</p> <p>3 have been advised that Exhibit 2 was information that</p> <p>4 was expressly ordered by one of the mediators,</p> <p>5 Mediator Dryker, to be provided by the general</p> <p>6 retirement system to Milliman in a mediation session.</p> <p>7 And so we're going to take the position that Exhibit 2</p> <p>8 is -- falls within the mediation order.</p> <p>9 And in connection with Exhibit 3,</p> <p>10 similarly, that was the subject of discussion among</p> <p>11 actuaries at a mediation session, and the explanation</p> <p>12 and the description that is set forth in Exhibit 3</p> <p>13 also is material that was ordered by the mediators to</p> <p>14 be provided to, to Milliman, and it was provided</p> <p>15 through Clark Hill.</p> <p>16 And so we will also take the position that</p> <p>17 Exhibit 3 is mediation protected.</p> <p>18 So the request of the city, to sum up, is</p> <p>19 that Exhibit 50 be destroyed, and the city is willing</p> <p>20 to provide a new redacted version of Exhibit 50</p> <p>21 consistent with my remarks.</p> <p>22 MR. BALL: Okay. So -- and I guess I</p> <p>23 should let the others involved in the mediation say</p> <p>24 what they have to say.</p> <p>25 MR. BULLOCK: Speaking on behalf of Gabriel</p>
<p style="text-align: right;">Page 422</p> <p>1 GLENN BOWEN</p> <p>2 the break, I had an opportunity to speak with counsel</p> <p>3 for the Retiree Committee and the retirement systems,</p> <p>4 as well as counsel for Gabriel Roeder, and our</p> <p>5 collective judgment is that in connection with the</p> <p>6 letter that's been tabbed as Exhibit 50 in the</p> <p>7 exhibits, the only language in the body of the letter</p> <p>8 that reveals communications that occurred in mediation</p> <p>9 is the one sentence on page 3 that I previously</p> <p>10 mentioned. And so the city would be desirous of</p> <p>11 redacting that sentence.</p> <p>12 MR. BULLOCK: It was the paragraph.</p> <p>13 MS. GREEN: The whole paragraph.</p> <p>14 MR. BALL: The whole paragraph?</p> <p>15 MR. MILLER: No, that's not the judgment of</p> <p>16 the city.</p> <p>17 MS. GREEN: Oh.</p> <p>18 MR. MILLER: It is not the judgment -- let</p> <p>19 me finish and then you can go on the record.</p> <p>20 The judgment of the city is that there is</p> <p>21 one sentence, the sentence that begins "Gabriel Roeder</p> <p>22 Smith & Company, comma, the actuary for DGRS," that</p> <p>23 reveals mediation communications, and the rest of that</p> <p>24 paragraph is not in conflict with the mediation order</p> <p>25 by the Court.</p>	<p style="text-align: right;">Page 424</p> <p>1 GLENN BOWEN</p> <p>2 Roeder, I stand corrected with respect to the single</p> <p>3 sentence. That is subject to the confidentiality</p> <p>4 order. In the event, however, because of the</p> <p>5 expeditious nature of this review process where we</p> <p>6 stepped out into the hallway, if there is anything</p> <p>7 else within the body of the document that is subject</p> <p>8 to confidentiality order, we are not waiving the right</p> <p>9 to claim confidentiality protection or mediation</p> <p>10 protection.</p> <p>11 MR. BALL: Okay. So the difficulty that</p> <p>12 that poses is that, as I understand it from reviewing</p> <p>13 each of Mr. Bowen's subsequent analyses, including</p> <p>14 those that are used to generate the numbers that</p> <p>15 appear in the plan for the UAAL payments to be made by</p> <p>16 the DWSD, they are derived from analyses using this</p> <p>17 data, and subject to the descriptions he provides in</p> <p>18 this letter. And so it's the position here that the</p> <p>19 information contained in those exhibits, which among</p> <p>20 other things discuss problems with the data and</p> <p>21 limitations with the data, and the extent to which it</p> <p>22 is reliable for the purposes for which it is being</p> <p>23 used are not to be subject to question or examination</p> <p>24 here today.</p> <p>25 I would take it that the answer to that is</p>

47 (Pages 421 to 424)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-20 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 48 of 754

<p style="text-align: right;">Page 425</p> <p>1 GLENN BOWEN</p> <p>2 you're going to object if I have questions, for</p> <p>3 example, about Exhibit 3.</p> <p>4 MR. MILLER: That's right. We will, we</p> <p>5 will object.</p> <p>6 MR. BALL: So I will say, for the record,</p> <p>7 that that's completely unacceptable, and to the extent</p> <p>8 that the -- I don't see how you can rely on the</p> <p>9 analyses he's performed and use them in the plan if</p> <p>10 they are dependent, as it appears they are, on</p> <p>11 information he's obtained purely in mediation and</p> <p>12 which we do not have the ability to cross-exam him</p> <p>13 about.</p> <p>14 So I will talk to Mr. Neal for a few</p> <p>15 minutes about how best to proceed here today, but I</p> <p>16 don't understand how we can fairly examine the</p> <p>17 analyses that he has done without being able to</p> <p>18 question him about the limitations in the data that</p> <p>19 are recited in this letter.</p> <p>20 MR. MILLER: Let's do the following. Why</p> <p>21 don't you speak with Mr. Neal, and I will also speak</p> <p>22 with the retirement systems and the Retiree Committee.</p> <p>23 MR. JAMES: This is Mark James, on behalf</p> <p>24 of Financial Guaranty. At the last hearing on</p> <p>25 June 26, Judge Rhodes invited any issues arising</p>	<p style="text-align: right;">Page 427</p> <p>1 GLENN BOWEN</p> <p>2 letter, which is Exhibit 50, and the issues related to</p> <p>3 the mediation privilege and have reached this</p> <p>4 arrangement, and I'll state it for the record. If I</p> <p>5 get anything wrong, you'll correct me.</p> <p>6 With respect to the single sentence in --</p> <p>7 on page 3, under post retirement mortality, it has</p> <p>8 been objected to as revealing mediation discussions.</p> <p>9 I will not ask questions today about that</p> <p>10 particular sentence. The rest of the paragraph is</p> <p>11 fair game, but I will not ask questions about that</p> <p>12 particular sentence.</p> <p>13 With respect to Exhibits 2 and 3, we will</p> <p>14 ask the reporter to separate and seal the portion of</p> <p>15 the transcript that involves any questions I may ask</p> <p>16 about those portions of the letter, and we will</p> <p>17 attempt in the fashion we've discussed off the record</p> <p>18 to present the issue for resolution. If we can't work</p> <p>19 it out among ourselves, present that issue for</p> <p>20 resolution by the Court at an appropriate time, I</p> <p>21 assume as reasonably possible, and the exact timing</p> <p>22 is -- we haven't settled on, because we're going to</p> <p>23 try to see if there is something additional we can do</p> <p>24 to reach an informal resolution, but if we can't, it</p> <p>25 will be presented to the judge.</p>
<p style="text-align: right;">Page 426</p> <p>1 GLENN BOWEN</p> <p>2 during discovery to call his chambers. In the name of</p> <p>3 expediency, may I suggest that a call be made to Judge</p> <p>4 Rhodes' chambers? It's only 3:20.</p> <p>5 MR. MILLER: I'm fine with that. The city</p> <p>6 does not want to unfairly impede this, this</p> <p>7 deposition. But -- and so I think that getting</p> <p>8 guidance from the Court is the right way to proceed,</p> <p>9 and I'd be -- I'd welcome that guidance. These are</p> <p>10 not easy issues. It's not easy to draw the line here.</p> <p>11 So let's see if we can ring up the judge</p> <p>12 and get a quick ruling, and obviously the city will</p> <p>13 abide by it.</p> <p>14 MR. BALL: Give us a couple minutes to</p> <p>15 consult.</p> <p>16 MR. MUTH: Yeah, sure.</p> <p>17 VIDEO TECHNICIAN: Off the record at</p> <p>18 3:22 p.m.</p> <p>19 (Off the record at 3:22 p.m.)</p> <p>20 (Back on the record at 3:38 p.m.)</p> <p>21 VIDEO TECHNICIAN: We're back on the</p> <p>22 record. The time is 3:37 p.m.</p> <p>23 MR. BALL: The concert of Vienna has</p> <p>24 completed its negotiations.</p> <p>25 Counsel off the record have discussed the</p>	<p style="text-align: right;">Page 428</p> <p>1 GLENN BOWEN</p> <p>2 The sealed portion of the transcript will</p> <p>3 be made available only to counsel who are present --</p> <p>4 for the parties who are present at this deposition</p> <p>5 until the issue is further resolved, and I will say on</p> <p>6 the record when I'm about to ask questions about those</p> <p>7 portions of the exhibit and let you know when I'm done</p> <p>8 with those portions so it will be clearly demarcated.</p> <p>9 Is that fair?</p> <p>10 MR. MILLER: Yeah, that's a fair</p> <p>11 description of what the lawyers agreed to off the</p> <p>12 record, and indeed, as soon as practicable following</p> <p>13 the deposition, there will be a formal meet and</p> <p>14 confer, and the parties will work in good faith to try</p> <p>15 to reach a resolution on the subject without the</p> <p>16 necessity of judicial intervention.</p> <p>17 MR. BALL: And we are, there's a</p> <p>18 possibility that other sources of evidence may moot</p> <p>19 some or all of the issue, and we'll see how that pans</p> <p>20 out, as well.</p> <p>21 MR. MONTGOMERY: Counsel for the Retiree</p> <p>22 Committee agrees with the description.</p> <p>23 MS. GREEN: Counsel for the Retirement</p> <p>24 Systems also agrees with the description.</p> <p>25 MR. BULLOCK: So, too, does counsel for</p>

<p style="text-align: right;">Page 429</p> <p>1 GLENN BOWEN</p> <p>2 Gabriel Roeder.</p> <p>3 BY MR. BALL:</p> <p>4 Q. Okay. So let's go back to the letter, Mr. Bowen. Do</p> <p>5 you recall that we were discussing a letter dated</p> <p>6 April 10th, 2014, which is marked as Exhibit 50?</p> <p>7 A. I do.</p> <p>8 Q. Okay. And we had gotten to page 3, to the section</p> <p>9 that's headed post-retirement mortality. Do you see</p> <p>10 that?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And the results you prepared in this valuation</p> <p>13 were based -- prepared based on the post retirement</p> <p>14 mortality assumption used in Gabriel Roeder's June 30,</p> <p>15 2012, actuarial valuation of DGRS, is that right?</p> <p>16 It's the first sentence, I believe.</p> <p>17 A. Yes.</p> <p>18 Q. Okay. And, however, Milliman had not been provided</p> <p>19 with historical data necessary to conduct an</p> <p>20 experience study in order to opine on the</p> <p>21 applicability of that mortality assumption for use in</p> <p>22 these analyses, is that right?</p> <p>23 A. That is true.</p> <p>24 Q. And, in fact, you recommend at the end of the last</p> <p>25 sentence that an updated experience study be conducted</p>	<p style="text-align: right;">Page 431</p> <p>1 GLENN BOWEN</p> <p>2 benefit restoration in the event of a significantly</p> <p>3 positive experience, better than expected.</p> <p>4 Q. Okay. And had you seen the plan of adjustment -- at</p> <p>5 the time that you wrote this letter, had you seen</p> <p>6 versions of the plan of adjustment or the disclosure</p> <p>7 statement at this point?</p> <p>8 A. I cannot recall at this point in time if it was verbal</p> <p>9 or an email direction in this assignment, but we had</p> <p>10 prepared letters. I don't know which came first.</p> <p>11 Q. Okay. Was Milliman involved in any way in designing</p> <p>12 the provisions for benefit restoration that wound up</p> <p>13 appearing in the plan?</p> <p>14 A. No.</p> <p>15 Q. Okay. Did you have any involvement in developing the</p> <p>16 proposals that resulted in the benefit restoration</p> <p>17 provisions?</p> <p>18 A. No.</p> <p>19 Q. Okay. Do you know who developed those provisions?</p> <p>20 A. I don't know specifically who developed them.</p> <p>21 Q. Do you know generally who developed them?</p> <p>22 A. Other than I imagine it was a group of people that I</p> <p>23 could not name all of in a negotiation process.</p> <p>24 Q. Okay. Is there anybody in particular whom you know</p> <p>25 was involved in designing those provisions on behalf</p>
<p style="text-align: right;">Page 430</p> <p>1 GLENN BOWEN</p> <p>2 to develop a current best estimate of the expected</p> <p>3 future mortality experience of DGRS members. Is that</p> <p>4 right?</p> <p>5 A. That is true.</p> <p>6 Q. Okay. Did Milliman ever get the historical census</p> <p>7 data necessary to conduct the experience study you</p> <p>8 mention in this paragraph?</p> <p>9 A. We did not.</p> <p>10 Q. Okay. And did you ever perform or were you ever</p> <p>11 provided an updated experience study such as that you</p> <p>12 recommend in the last sentence of the paragraph?</p> <p>13 A. We were not.</p> <p>14 Q. Okay. And there's a reference in the next-to-the-last</p> <p>15 sentence, it says:</p> <p>16 To the extent that members live longer than</p> <p>17 what is anticipated in the valuation mortality</p> <p>18 assumption, there will be a downward pressure on the</p> <p>19 future funded status of the system and a decreased</p> <p>20 likelihood of any benefit restoration to members.</p> <p>21 Do you see that?</p> <p>22 A. I do.</p> <p>23 Q. What is the reference to benefit restoration to</p> <p>24 members about?</p> <p>25 A. In the plan of adjustment, there is some provision for</p>	<p style="text-align: right;">Page 432</p> <p>1 GLENN BOWEN</p> <p>2 of the city?</p> <p>3 A. I know that Mr. Miller was involved in that process.</p> <p>4 Q. Okay. Anybody else?</p> <p>5 A. With certainty, no.</p> <p>6 Q. Okay. And was Milliman ever asked for input on the</p> <p>7 design -- were you ever requested to provide any input</p> <p>8 on the design of those provisions?</p> <p>9 A. Not input on the design, no.</p> <p>10 Q. What were you -- were you requested to provide input</p> <p>11 on something else related to those provisions?</p> <p>12 A. We were requested to make measurements regarding how</p> <p>13 the design -- how things may occur.</p> <p>14 Q. So the design was presented to you, and then you were</p> <p>15 asked for evaluations of what results would obtain</p> <p>16 with that design in place?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. So it was provided to you as a parameter, is</p> <p>19 that --</p> <p>20 A. Yes.</p> <p>21 Q. -- what you're saying?</p> <p>22 A. Yes.</p> <p>23 Q. This letter is dated April the 10th. A Gabriel</p> <p>24 Roeder's June 30th, 2013, valuation was issued --</p> <p>25 strike that.</p>

49 (Pages 429 to 432)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-23 Filed 09/29/23 Entered 09/29/23 18:52:31 Page 508 of 754

<p style="text-align: right;">Page 433</p> <p>1 GLENN BOWEN</p> <p>2 Gabriel Roeder's 75th annual actuarial</p> <p>3 valuation of the GRS as of June 30th, 2013, was issued</p> <p>4 on April the 4th, about a week earlier. Had you seen</p> <p>5 Gabriel Roeder's latest report at the time you</p> <p>6 prepared this letter?</p> <p>7 A. I do not, I do not believe -- at the time I prepared</p> <p>8 this letter, I'm not certain, but I don't recollect</p> <p>9 whether I had or hadn't.</p> <p>10 Q. Okay. The reason I ask, of course, is it says in this</p> <p>11 letter that you're relying on the June 30th, 2012,</p> <p>12 actuarial valuation. And so I was trying to figure</p> <p>13 out whether if at this point you already had the 2013</p> <p>14 in hand or not.</p> <p>15 Does that refresh your recollection in any</p> <p>16 way?</p> <p>17 A. Yeah, to the extent that it's possible we received a</p> <p>18 draft copy, that's a possibility. I can't place all</p> <p>19 the dates exactly in sequence.</p> <p>20 Q. Did you go back and modify your analysis in any way --</p> <p>21 well, let's start with the post-retirement mortality</p> <p>22 point. Did you modify your analysis in any way after</p> <p>23 receipt of the June 30th of 2013 actuarial valuation?</p> <p>24 In other words, you're relying here on this</p> <p>25 version. Did you perform an analysis that updated</p>	<p style="text-align: right;">Page 435</p> <p>1 GLENN BOWEN</p> <p>2 data provided by the valuation system and an</p> <p>3 independent valuation by Milliman. These pieces that</p> <p>4 are listed in the letter are pieces that we have taken</p> <p>5 from the Gabriel Roeder valuation.</p> <p>6 Q. All right, fair enough. So I was imprecise in the</p> <p>7 question, and I apologize for that. My question is,</p> <p>8 here you used a particular assumption from the</p> <p>9 June 30th, 2012, version of the Gabriel Roeder report,</p> <p>10 correct?</p> <p>11 A. That is correct.</p> <p>12 Q. Okay. And I'm asking whether you looked at the</p> <p>13 subsequent version to see if that warranted any change</p> <p>14 in the assumption that you used when you did this</p> <p>15 analysis using the 2012 version of the report.</p> <p>16 A. I reviewed the 2013 valuation report for DGRS,</p> <p>17 prepared by Gabriel Roeder.</p> <p>18 Q. Okay. I know you reviewed the report. I'm asking</p> <p>19 whether you analyzed whether the June 30th, 2013,</p> <p>20 report, and the assumptions it used about</p> <p>21 post-retirement mortality, whether those warranted any</p> <p>22 change in the assumption you used in relying on the</p> <p>23 June 30th, 2012, version of the report.</p> <p>24 A. My review of 2013 did not indicate any change was</p> <p>25 warranted.</p>
<p style="text-align: right;">Page 434</p> <p>1 GLENN BOWEN</p> <p>2 this post -- this portion of your analysis on</p> <p>3 post-retirement mortality based on the June 30th,</p> <p>4 2013, actuarial data?</p> <p>5 A. I do not remember doing that.</p> <p>6 Q. Okay. And so there are a number of subsequent</p> <p>7 analyses that you performed that incorporated the</p> <p>8 analysis of the data that's presented in this April</p> <p>9 10th letter. Do you recall that? I mean, I can show</p> <p>10 them to you, but there are a number of --</p> <p>11 A. Yes, I do recall.</p> <p>12 Q. Okay. And so when you did those subsequent analyses,</p> <p>13 your recollection is that you did not go back and</p> <p>14 update this portion of the analysis to reflect the</p> <p>15 2013 Gabriel Roeder report, is that fair?</p> <p>16 A. That's correct.</p> <p>17 Q. Have you ever looked at whether any modification of</p> <p>18 your analysis would be warranted if you used the</p> <p>19 June 30th, 2013, valuation instead of the June 30th,</p> <p>20 2012, valuation? In other words, would it make a</p> <p>21 difference if you had used the later report or not, do</p> <p>22 you know?</p> <p>23 A. I think in terms of this overall analysis, the phrase</p> <p>24 "used the valuation" is not an appropriate</p> <p>25 characterization. This analysis is based upon census</p>	<p style="text-align: right;">Page 436</p> <p>1 GLENN BOWEN</p> <p>2 Q. Okay. So did you look at it specifically to see</p> <p>3 whether a change was warranted based on the 2013</p> <p>4 report or -- I'm just asking whether you looked at</p> <p>5 that issue, specifically.</p> <p>6 A. The review of the report was many fold, and that issue</p> <p>7 was looked at as a portion of the review of the</p> <p>8 report.</p> <p>9 Q. Okay. So you looked at it, and you concluded after</p> <p>10 review of the June 30th, 2013, report that it did not</p> <p>11 warrant that you revise the post-retirement mortality</p> <p>12 assumption that you used in this April 10th analysis?</p> <p>13 A. That's correct.</p> <p>14 Q. Okay. If you look at compensation, it also says that</p> <p>15 you -- which is at the bottom of page 3 and on to</p> <p>16 page 4, it also says that you used the June 30th,</p> <p>17 2012, actuarial valuation, and then you estimated</p> <p>18 compensation for the 2013-2014 year, fiscal year using</p> <p>19 the June 30th, 2012, actuarial valuation.</p> <p>20 Did you go back and look at that set of</p> <p>21 assumptions in light of the June 30th, 2013, actuarial</p> <p>22 report issued by Gabriel Roeder to see whether there</p> <p>23 was -- that report, for example, provided you --</p> <p>24 provided information that warranted a change in your</p> <p>25 assumptions?</p>

50 (Pages 433 to 436)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

113-53846-111 Doc 13634-20 Filed 09/09/23 Entered 09/09/23 18:52:31 Page 59 of 754

<p style="text-align: right;">Page 437</p> <p>1 GLENN BOWEN</p> <p>2 A. The development of this methodology, assumption set,</p> <p>3 was a result of mediation discussions between the</p> <p>4 actuarial firms.</p> <p>5 Q. Okay. What I see it saying here is that you used the</p> <p>6 June 30th actuarial valuation and that you estimated</p> <p>7 it, the 2013-2014, based on the June 30th, 2012,</p> <p>8 actuarial valuation. Is that what you did, or did you</p> <p>9 do something else based on mediation?</p> <p>10 A. We did what is stated here as a result of mediation</p> <p>11 discussions between the actuarial firms.</p> <p>12 Q. All right. So does that mean you did not go back and</p> <p>13 look at those assumptions in light of the June 30th,</p> <p>14 2013, Gabriel Roeder report to determine whether any</p> <p>15 alteration in your assumptions was warranted?</p> <p>16 A. This analysis we're looking at is not a 2013 valuation</p> <p>17 by Milliman, to the best of my recollection. And so,</p> <p>18 to that extent, there was no reason to go back and</p> <p>19 look at that for this analysis.</p> <p>20 Q. Okay. It does say, does it not, at the top of page 4</p> <p>21 that you're estimating compensation for the 2013-2014</p> <p>22 fiscal year, doesn't it?</p> <p>23 A. Yes, it does.</p> <p>24 Q. Okay. And that you did that using the 2012 actuarial</p> <p>25 valuation?</p>	<p style="text-align: right;">Page 439</p> <p>1 GLENN BOWEN</p> <p>2 report, right, saw the 2013 report?</p> <p>3 A. We had census data as of June 30, 2013, from the</p> <p>4 system, which we relied on in our analysis.</p> <p>5 Q. Then why are you saying that you relied on -- you</p> <p>6 used -- compensation for the 2013-14 fiscal year was</p> <p>7 estimated, using the merit and seniority salary</p> <p>8 increase, if you actually had that data?</p> <p>9 A. I'm guessing that we did not have 2013-14 compensation</p> <p>10 in the 2013 data and had to estimate it for this</p> <p>11 purpose.</p> <p>12 Q. I'll see if there are other questions I want before I</p> <p>13 get to the --</p> <p>14 Okay, the next question will relate to</p> <p>15 Exhibit 2, at least the portion of the tax reference</p> <p>16 in Exhibit 2, so I would ask that we start the sealed</p> <p>17 portion of the transcript here.</p> <p>18 (At this point in the proceedings a portion</p> <p>19 of the record was excised, made a separate record, and</p> <p>20 put under seal)</p> <p>21 MARKED FOR IDENTIFICATION:</p> <p>22 DEPOSITION EXHIBIT 51</p> <p>23 4:27 p.m.</p> <p>24 BY MR. BALL:</p> <p>25 Q. Okay, Mr. Bowen, you're being shown what has been</p>
<p style="text-align: right;">Page 438</p> <p>1 GLENN BOWEN</p> <p>2 A. Using the merit and seniority salary increase</p> <p>3 assumption in the 2012 valuation, not using the 2012</p> <p>4 valuation.</p> <p>5 Q. All right, so using the assumptions. Again, I</p> <p>6 apologize for saying valuation instead of the</p> <p>7 assumptions from the valuation. I'm just asking, did</p> <p>8 you look at the 2013 report to see whether your</p> <p>9 reliance upon the assumptions used in the 2012 report</p> <p>10 were still warranted?</p> <p>11 A. I did not, because those are apples and oranges.</p> <p>12 Q. Okay. And you are looking for estimated liabilities</p> <p>13 as of June 30th, 2014, correct?</p> <p>14 A. In this analysis, yes, 2014.</p> <p>15 Q. And did you look at -- when you received the 2013</p> <p>16 valuation, did you look at what the actual salary</p> <p>17 increases had been in the additional year of</p> <p>18 experience that you had?</p> <p>19 A. The 2013 valuation would not have provided</p> <p>20 compensation for 2013-2014.</p> <p>21 Q. Right. It would have provided it for the year</p> <p>22 preceding that, right?</p> <p>23 A. It would have provided the change from '11-'12 to</p> <p>24 '12-'13.</p> <p>25 Q. Right, which you did not have until you saw that</p>	<p style="text-align: right;">Page 440</p> <p>1 GLENN BOWEN</p> <p>2 marked as Exhibit 51, which is a letter dated</p> <p>3 April 14th, 2014, and is Bates-stamped POA00259476.</p> <p>4 And so my first question to you is, is this a letter</p> <p>5 that you authored and signed?</p> <p>6 A. Yes.</p> <p>7 Q. And it is an analysis for the DGRS, and for what it</p> <p>8 would take in certain parameters for the DGRS to have</p> <p>9 70 percent funded status in 2023, do you see that?</p> <p>10 A. I do.</p> <p>11 Q. And it asks you to assume that the DWSD will not be</p> <p>12 spun off, but will reach -- but will make</p> <p>13 contributions sufficient to reach a hundred percent</p> <p>14 funded status for the DWSD as of 2023. Do you see</p> <p>15 that?</p> <p>16 A. If you could point me to it, I ...</p> <p>17 Q. Sure. In the project description and -- on page 2,</p> <p>18 and then DWSD contribution projection on page 3.</p> <p>19 A. Okay. It says DWSD contribution projection is</p> <p>20 discussed in more detail below, so page 3.</p> <p>21 Q. Right.</p> <p>22 A. Okay, I see that on the top of page 3.</p> <p>23 Q. All right. And so the concept is that the DWSD will</p> <p>24 contribute the full amount of its allocated unfunded</p> <p>25 liability on the market value assets basis over a</p>

51 (Pages 437 to 440)

<p style="text-align: right;">Page 441</p> <p>1 GLENN BOWEN</p> <p>2 nine-year period, right?</p> <p>3 A. That is correct.</p> <p>4 Q. And that would be through June 30 of 2023 under this</p> <p>5 analysis, right?</p> <p>6 A. Yes.</p> <p>7 Q. So -- and there are other specified contributions here</p> <p>8 from other sources, from non-DWSD sources. Do you see</p> <p>9 that?</p> <p>10 A. Contributions from non-DWSD, I do see that.</p> <p>11 Q. Okay. This is the first analysis that I've seen, or</p> <p>12 the earliest analysis I've seen in which there's a</p> <p>13 concept of DWSD not being spun off but DWSD,</p> <p>14 separately from the rest of the city, making</p> <p>15 contributions that fund its entire UAAL, allocated</p> <p>16 UAAL by 2023. Is that consistent with your</p> <p>17 recollection?</p> <p>18 A. I can't guarantee you this is the first, but there was</p> <p>19 a first.</p> <p>20 Q. Okay. Can you explain whose idea it was to have -- or</p> <p>21 do you know whose idea it was to have DWSD make</p> <p>22 contributions over a nine-year period without the</p> <p>23 rest -- and reach a hundred percent funded basis over</p> <p>24 a nine-year period without the rest of the city and</p> <p>25 the remainder of the contributors to the GRS make</p>	<p style="text-align: right;">Page 443</p> <p>1 GLENN BOWEN</p> <p>2 model DWSD paying their full unfunded liability over</p> <p>3 nine years, and my response was, okay, I understand</p> <p>4 the request.</p> <p>5 Q. Okay. And I understand that you understood what</p> <p>6 parameters were being provided to you. I'm asking if</p> <p>7 you understood the purpose for which those parameters</p> <p>8 were being requested.</p> <p>9 A. It's very difficult to answer yes or no. Obviously,</p> <p>10 the description of the project request itself</p> <p>11 indicates what's under consideration. In terms of any</p> <p>12 particular mediation or negotiation session that may</p> <p>13 have arisen from, I was not involved.</p> <p>14 Q. And were there any commune -- apart from just telling</p> <p>15 you what the parameters are, and I understand that</p> <p>16 carries a certain amount of information with it, did</p> <p>17 you get any other communication about what the purpose</p> <p>18 of the analysis was?</p> <p>19 A. Not that I recall.</p> <p>20 Q. And we've talked before about the market value of the</p> <p>21 assets and how you used Gabriel Roeder information to</p> <p>22 analyze the share of the assets that were attributed</p> <p>23 to the DWSD. Do you recall that?</p> <p>24 A. I do.</p> <p>25 Q. Okay. And in this analysis, did you take the same</p>
<p style="text-align: right;">Page 442</p> <p>1 GLENN BOWEN</p> <p>2 similar funding, so that there is a disparate</p> <p>3 amortization period for DWSD and the rest of the city?</p> <p>4 A. I do not know the individual who had the original</p> <p>5 idea.</p> <p>6 Q. Okay. How did you learn about it?</p> <p>7 A. Upon the request to complete this project.</p> <p>8 Q. Okay. And do you have any understanding about why you</p> <p>9 were being asked to analyze a scenario in which there</p> <p>10 would be that kind of disparate amortization period</p> <p>11 between the DWSD and the rest of the city?</p> <p>12 A. I can't say that I had specific information as to why</p> <p>13 this request was initiated.</p> <p>14 Q. Okay. Did you have an understanding at the time?</p> <p>15 A. I find it difficult to answer that question, which is</p> <p>16 in the style of similar questions. The assignment was</p> <p>17 provided to us and the assignment was self-evident, if</p> <p>18 you will, and, beyond that, had an understanding as</p> <p>19 needed to complete the assignment and completed the</p> <p>20 assignment as requested.</p> <p>21 Q. Were there any specific communications to you about</p> <p>22 the purpose of the structure such as that and why you</p> <p>23 were being asked to analyze a structure such as that?</p> <p>24 A. Again, when I say it's self-evident, I mean that we</p> <p>25 were told -- or, you know, the request is that you</p>	<p style="text-align: right;">Page 444</p> <p>1 GLENN BOWEN</p> <p>2 approach as you've discussed previously in earlier</p> <p>3 analyses?</p> <p>4 A. I think it was one step more complex. It was based on</p> <p>5 the same approach, but then we had to project forward</p> <p>6 to 2014.</p> <p>7 Q. 2023?</p> <p>8 A. No, 2014.</p> <p>9 Q. 2014?</p> <p>10 A. Yes.</p> <p>11 Q. And so the numbers you were using at this point were</p> <p>12 Gabriel Roeder numbers in the June 30th, 2013, report?</p> <p>13 A. That was the initial numbers used in the first part of</p> <p>14 the analysis.</p> <p>15 Q. Okay. And how did you roll those forward to 2014?</p> <p>16 A. The bottom of page 3, the second, second-to-the-last</p> <p>17 sentence in the big paragraph discusses the estimated</p> <p>18 market value of assets as of June 30, 2014,</p> <p>19 attributable to DWSD was 477 million. This amount was</p> <p>20 estimated in the same manner as the estimated market</p> <p>21 value of assets for the entire system.</p> <p>22 So we were provided with an estimate of</p> <p>23 actual market returns during 2013-14 used to roll the</p> <p>24 entire system's asset forward, and then an allocation</p> <p>25 was done to DWSD to get a 2014 estimated starting</p>

52 (Pages 441 to 444)

<p style="text-align: right;">Page 445</p> <p>1 GLENN BOWEN</p> <p>2 point.</p> <p>3 Q. Okay. Do you know whether that method of rolling</p> <p>4 forward and the resulting allocation to DWSD is</p> <p>5 consistent with the allocation methodology that had</p> <p>6 been used by Gabriel Roeder and/or the city to</p> <p>7 allocate assets between DWSD and other components of</p> <p>8 the city that you had relied on in your prior</p> <p>9 analyses?</p> <p>10 A. I don't know.</p> <p>11 Q. Okay. And did you ever discuss with anyone from</p> <p>12 Gabriel Roeder or from the retirement system or anyone</p> <p>13 else whether that, that roll forward of the analysis</p> <p>14 and the method that you used was consistent with</p> <p>15 what -- the historically-used methodology for</p> <p>16 allocating assets between divisions in the city?</p> <p>17 A. I don't recall those conversations.</p> <p>18 Q. Okay. So the best of your recollection is you did not</p> <p>19 have such conversations, is that fair?</p> <p>20 A. That is fair.</p> <p>21 Q. All right. Did you attempt to undertake any analysis</p> <p>22 of whether or not the methodology you're using here is</p> <p>23 consistent with the methodology that had been used</p> <p>24 historically to allocate assets between different</p> <p>25 divisions of the city?</p>	<p style="text-align: right;">Page 447</p> <p>1 GLENN BOWEN</p> <p>2 not a interim letter out of a whole series of letters.</p> <p>3 Q. And I will say to you that --</p> <p>4 A. This is the first one you found.</p> <p>5 Q. This is the first one I've seen, and we've looked at a</p> <p>6 number, including the April 10th letter, which was</p> <p>7 four days before this, that still specifies a rate</p> <p>8 that is net of admin and investment expenses, and</p> <p>9 everyone we've looked at so far has involved that. If</p> <p>10 there's an earlier one, I'm happy to see it.</p> <p>11 But my, my question to you is, what has</p> <p>12 prompted the change? Why is it now that the 6.75</p> <p>13 percent rate that you've looked at repeatedly, in a</p> <p>14 way that was net of both admin and investment expense,</p> <p>15 is now being presented as net only of investment</p> <p>16 expense and not admin?</p> <p>17 A. This was a request from the city that came along with</p> <p>18 this project.</p> <p>19 Q. And so other than knowing that that's what the city</p> <p>20 requested, do you have any understanding of why it is</p> <p>21 that a shift has occurred so that the investment</p> <p>22 return assumption is to be net only of investment and</p> <p>23 not admin expense?</p> <p>24 A. No particular reason for any of the shifts, including</p> <p>25 this one.</p>
<p style="text-align: right;">Page 446</p> <p>1 GLENN BOWEN</p> <p>2 A. I did not.</p> <p>3 Q. If you look at the first couple of pages, it</p> <p>4 references that you're applying a 6.75 percent</p> <p>5 investment return assumption. Am I correct that that</p> <p>6 is net of admin and investment expenses?</p> <p>7 A. In this letter, it appears it is net of investment</p> <p>8 expenses.</p> <p>9 Q. And admin expenses?</p> <p>10 A. Not net of admin expenses.</p> <p>11 Q. Okay. And can you show me where in the letter it</p> <p>12 reflects that the 6.75 is net only of investment and</p> <p>13 not admin expenses?</p> <p>14 A. The bottom of page 2 states the amount of</p> <p>15 administrative expenses that were applied, and,</p> <p>16 actually, the sentence prior to that states that it is</p> <p>17 net of investment expenses.</p> <p>18 Q. Okay. Until this point, every iteration of the</p> <p>19 investment return assumption has provided or as you've</p> <p>20 understood to be net of both admin and investment</p> <p>21 expenses, is that fair?</p> <p>22 A. That is fair.</p> <p>23 Q. Okay. What prompted --</p> <p>24 A. I'm sorry, this letter states what's done in this</p> <p>25 letter. I cannot specifically guarantee that there's</p>	<p style="text-align: right;">Page 448</p> <p>1 GLENN BOWEN</p> <p>2 Q. All right. I assumed that's the case, but I have to</p> <p>3 ask the question.</p> <p>4 A. Understood.</p> <p>5 Q. Okay. And in the result section, can you show me</p> <p>6 where it reflects the addition of admin expenses?</p> <p>7 A. If you look at the exhibit, which is Bates 259485, at</p> <p>8 the bottom of the exhibit there is a vector of</p> <p>9 expected benefit payments, and they're indicated as a</p> <p>10 negative because they're a cash outflow, and a vector</p> <p>11 of expected administrative expenses by fiscal year.</p> <p>12 Q. Okay. So those are all in parentheses, indicating</p> <p>13 that there's been a -- there's an outflow for admin</p> <p>14 expense in addition to the, so that you're actually</p> <p>15 subtracting it from the results here?</p> <p>16 A. Correct.</p> <p>17 Q. Okay. And so if I wanted to see whether any of the</p> <p>18 earlier analyses involved a rate that was net of admin</p> <p>19 expense or in addition to, would I see a similar kind</p> <p>20 of entry in the charts for prior letters?</p> <p>21 A. I'm sorry, you'll have to take that from the top</p> <p>22 again, please.</p> <p>23 Q. In other words, you have charts like this in most of</p> <p>24 the letters. I assume if I wanted to know whether the</p> <p>25 rate that you proposed -- that you analyzed was</p>

53 (Pages 445 to 448)

<p style="text-align: right;">Page 449</p> <p>1 GLENN BOWEN</p> <p>2 intended to be net of admin expense or to not be net</p> <p>3 of admin expense, a way of checking that would be to</p> <p>4 look at any such chart and see whether it reflects a</p> <p>5 charge for admin this way?</p> <p>6 A. I believe that's reasonable to assume, yes.</p> <p>7 Q. All right, and -- and so the admin expense would be</p> <p>8 part of the contribution from DWSD in this scenario,</p> <p>9 where the investment rate is not net of admin expense?</p> <p>10 A. I'm sorry, could you repeat that again?</p> <p>11 Q. Sure. When you were analyzing DWSD's contributions</p> <p>12 here, is the result of excluding admin expense from --</p> <p>13 providing an investment return assumption that is not</p> <p>14 net of admin expense, that DWSD would wind up paying a</p> <p>15 component of admin expense as part of its</p> <p>16 contributions, separate from -- as a separate part of</p> <p>17 its contributions?</p> <p>18 A. It doesn't note in this letter, unless I'm missing it,</p> <p>19 that DWSD was assigned a portion of administrative</p> <p>20 expenses.</p> <p>21 Q. Okay. So in this letter, the investment return</p> <p>22 assumption is not net of the admin expenses, but</p> <p>23 there's no reference here to the funding that DWSD is</p> <p>24 required to make, including an additional component</p> <p>25 for admin, is that fair?</p>	<p style="text-align: right;">Page 451</p> <p>1 GLENN BOWEN</p> <p>2 Then the process would be run again, and</p> <p>3 again, and again, and again, until DWSD was -- reached</p> <p>4 their, reached the limit which was their unfunded</p> <p>5 liability, and that was the way the project was</p> <p>6 described to us. The result of that is, is there is</p> <p>7 no iteration. We figured DWSD's entire unfunded</p> <p>8 liability, and it was amortized over a nine-year</p> <p>9 period. And in the very first step they were at their</p> <p>10 limit, and there was no further iterations needed.</p> <p>11 Q. Okay. The nine-year period here, we've discussed an</p> <p>12 earlier version of a review of DWSD as a spinoff, in</p> <p>13 which we talked about the nine year, the nine or</p> <p>14 ten-year amortization period.</p> <p>15 I take it the same answers would hold here</p> <p>16 as did in our prior discussion, that the nine-year</p> <p>17 period is not a product of a Milliman analysis or an</p> <p>18 actuarial analysis, is that fair?</p> <p>19 A. That is fair.</p> <p>20 Q. And it is not the product of a Milliman</p> <p>21 recommendation, is that fair?</p> <p>22 A. That is fair, as well.</p> <p>23 Q. And you just mentioned in -- can you tell me what the</p> <p>24 amortization period is for the city under this</p> <p>25 analysis -- for the rest of the city, other than DWSD?</p>
<p style="text-align: right;">Page 450</p> <p>1 GLENN BOWEN</p> <p>2 A. Just give me one second to confirm that, please.</p> <p>3 I don't see any specific reference in this</p> <p>4 letter to assigning a portion of administrative</p> <p>5 expenses to DWSD.</p> <p>6 Q. There is a results section on page 6. It says it's</p> <p>7 based on a city-specified iteration methodology. Do</p> <p>8 you see that?</p> <p>9 A. Yes.</p> <p>10 Q. Can you explain what that means?</p> <p>11 A. I cans. I'll need to refresh my memory, momentarily.</p> <p>12 At the top of page 3 describes the iteration process.</p> <p>13 Q. Okay. Can you explain what you mean by "iteration"?</p> <p>14 A. Sure, and I will. Just let me finish the paragraph,</p> <p>15 please.</p> <p>16 Q. Sure, go ahead.</p> <p>17 A. The -- to get to the end -- the iteration is moot, but</p> <p>18 I'll describe the process to you. The concept as</p> <p>19 stated in the initial paragraph on page 2 was that</p> <p>20 DWSD would be charged the full amount of their</p> <p>21 unfunded liability over the nine-year period, and an</p> <p>22 iterative process would be set up such that we would</p> <p>23 run that analysis, but those assets would be available</p> <p>24 to all members to support benefit payments for all</p> <p>25 members.</p>	<p style="text-align: right;">Page 452</p> <p>1 GLENN BOWEN</p> <p>2 A. I'm not sure that that's included in this analysis,</p> <p>3 but I'll take a look and see if it happens to be.</p> <p>4 Q. I think it may not be, but that's --</p> <p>5 A. Okay. I see nothing in here that indicates that the</p> <p>6 rest of the city was subject to any particular</p> <p>7 amortization period in this analysis.</p> <p>8 Q. And, in fact, the concept is that the city, other than</p> <p>9 DWSD, is not going to be contributing towards paydown</p> <p>10 of the UAAL during this nine-year period at this</p> <p>11 point, right?</p> <p>12 A. There is -- there's a contribution in the first year</p> <p>13 which is larger than the subsequent eight, and I'd</p> <p>14 have to check and see if we have indicated in the</p> <p>15 letter what that contribution represents.</p> <p>16 Q. Is it consistent with your understanding that that was</p> <p>17 coming from other sources besides the DWSD?</p> <p>18 A. I'll just -- if you give me a moment, I'll check and</p> <p>19 see if I can find where we would have mentioned that.</p> <p>20 Yeah, there is a contribution labeled as</p> <p>21 non-DWSD, but I don't see anywhere in this letter</p> <p>22 where we specifically stated what the source of that</p> <p>23 non-DWSD contribution was, unless I'm missing it</p> <p>24 still.</p> <p>25 Q. Okay. You eventually did another -- other analyses</p>

54 (Pages 449 to 452)

<p style="text-align: right;">Page 453</p> <p>1 GLENN BOWEN</p> <p>2 that involved DWSD's hundred percent amortization by</p> <p>3 2023, correct?</p> <p>4 A. We did additional analyses, yes.</p> <p>5 Q. And those -- and is it your understanding under the</p> <p>6 plan that ultimately gets proposed as to whether --</p> <p>7 that that involves a contribution by DWSD,</p> <p>8 contributions which result in amortization of its</p> <p>9 entire unfunded liability over nine years, correct?</p> <p>10 A. I do recall doing subsequent letters with that</p> <p>11 parameter for DWSD.</p> <p>12 Q. And do you have an understanding that under the plan</p> <p>13 as proposed by the city, that the city itself, the</p> <p>14 rest of the city, as opposed to private sources and</p> <p>15 the state, and other sources besides the city would</p> <p>16 not contribute towards UAAL during the first nine</p> <p>17 years?</p> <p>18 A. You may be putting them front of me soon, but I do</p> <p>19 recall letters where we listed by bullet point the</p> <p>20 source of the contributions, and there were some</p> <p>21 acronyms that I recall that I'm not sure who they</p> <p>22 were, and we listed them -- we used the dollar</p> <p>23 amounts. We ran the analysis.</p> <p>24 Q. Okay. But, in general, the effect of what's being</p> <p>25 proposed here is that contributions by the DWSD and</p>	<p style="text-align: right;">Page 455</p> <p>1 GLENN BOWEN</p> <p>2 Q. The system as a whole would only be at a 70 percent</p> <p>3 funded level.</p> <p>4 A. We did letters of that variety.</p> <p>5 Q. Well, in fact, this one says that DGRS estimated</p> <p>6 liability reduction -- you were analyzing the</p> <p>7 liability reduction they would need in order for the</p> <p>8 system as a whole to have 70 percent funded status in</p> <p>9 2023, and the contemplation is that DWSD will be a</p> <p>10 hundred percent funded at that point, right?</p> <p>11 A. Yes.</p> <p>12 Q. Okay, and so -- and that the funds contributed by DWSD</p> <p>13 are going to be available not just to satisfy</p> <p>14 obligations with respect to DWSD retirees or actives,</p> <p>15 but with respect to anybody in the system, correct?</p> <p>16 A. That was the origin of the iterative methodology</p> <p>17 requested in this letter.</p> <p>18 Q. Right. And was there any justification provided to</p> <p>19 you for treating DWSD and the rest of the city</p> <p>20 differently?</p> <p>21 A. There was no justification provided to me for that.</p> <p>22 Q. All right. Did you ever analyze whether it was</p> <p>23 appropriate to treat the DWSD differently from the</p> <p>24 balance of the city in terms of amortization period or</p> <p>25 the point at which it reached a hundred percent funded</p>
<p style="text-align: right;">Page 454</p> <p>1 GLENN BOWEN</p> <p>2 some private sources, principally, and perhaps state</p> <p>3 sources, will fund the entire UAAL for the first nine</p> <p>4 years and have the system as a whole reach 70 percent</p> <p>5 funded without equal contributions on a similar</p> <p>6 amortization period by the balances, is that fair?</p> <p>7 A. As I said, we have letters where we have illustrated a</p> <p>8 variety of sources of non-DWSD contributions. I can't</p> <p>9 exclusively say that none of them were a city source.</p> <p>10 Q. All right. Until this, until this period -- until</p> <p>11 this letter, in general, your analyses had assumed the</p> <p>12 same amortization period for the city as a whole and</p> <p>13 for the DWSD, is that fair?</p> <p>14 A. If you could refer me to a particular letter or a</p> <p>15 particular subset of letters ...</p> <p>16 Q. We've seen a number of them earlier today, where we</p> <p>17 looked at -- those companion letters we looked at,</p> <p>18 which looked at getting both the DWSD and the GRS to a</p> <p>19 70 percent funded level in 2023. Do you recall that?</p> <p>20 A. Yes.</p> <p>21 Q. Okay. And here what's being proposed is that the DWSD</p> <p>22 would be at a hundred percent funded level and that</p> <p>23 the remainder of the city, the fund as a whole, will</p> <p>24 only be at a 70 percent funded level. Is that right?</p> <p>25 A. You've got --</p>	<p style="text-align: right;">Page 456</p> <p>1 GLENN BOWEN</p> <p>2 level or 70 percent funded level? Did you ever</p> <p>3 analyze that?</p> <p>4 MR. MILLER: Object to form.</p> <p>5 A. I don't deem that analysis as within the actuarial</p> <p>6 sphere.</p> <p>7 BY MR. BALL:</p> <p>8 Q. Okay. Isn't the result of this that, that disparity</p> <p>9 in amortization period between DWSD and the city, at</p> <p>10 the point at which they reach a hundred percent funded</p> <p>11 status, that DWSD rate payers in early years will be</p> <p>12 responsible for funding the liabilities associated</p> <p>13 with non-DWSD personnel, because those funds are going</p> <p>14 to be available to satisfy claims for anybody?</p> <p>15 MR. MILLER: Object to form.</p> <p>16 A. I have a couple issues that I'll say are unclear from</p> <p>17 your question. In this analysis, there is no</p> <p>18 amortization mentioned for the rest of the city, and</p> <p>19 beyond the first year I'm -- beyond the first year it</p> <p>20 appears there's no city contribution; what, if</p> <p>21 anything, is represented by the contribution in the</p> <p>22 first year is not listed in this letter and may not</p> <p>23 have been provided to us in any bullet point detail.</p> <p>24 Your question about rate payers is, in my</p> <p>25 mind, beyond the actuarial analysis of developing a</p>

55 (Pages 453 to 456)

<p style="text-align: right;">Page 457</p> <p>1 GLENN BOWEN</p> <p>2 contribution stream and saying that it is on behalf of</p> <p>3 a liability in a subgroup of the system.</p> <p>4 Q. Okay. Let me ask about that. We discussed earlier</p> <p>5 the notion of intergenerational equity, right?</p> <p>6 A. Mmm-hmm.</p> <p>7 Q. And we discussed the idea -- what is an important</p> <p>8 actuarial concept, right?</p> <p>9 A. I agree.</p> <p>10 Q. Okay. And part of the derivation of that is the</p> <p>11 concern that those who have benefitted from the</p> <p>12 services should -- provided by the people whose</p> <p>13 retirement benefits in question should fund those</p> <p>14 services, those benefits, correct?</p> <p>15 A. That is the concept.</p> <p>16 Q. Okay. And so in a scenario where DWSD is -- so let's</p> <p>17 back up to the amortization period.</p> <p>18 In this scenario, DWSD is going to be a</p> <p>19 hundred percent funded in 2023, correct?</p> <p>20 A. Given future experience matching the assumptions used</p> <p>21 in the scenario, yes.</p> <p>22 Q. But that's what you're projecting here?</p> <p>23 A. That is the target of the ...</p> <p>24 Q. And the target here is that the system, as a whole, is</p> <p>25 only going to be 70 percent funded, right?</p>	<p style="text-align: right;">Page 459</p> <p>1 GLENN BOWEN</p> <p>2 system, that it is funding liabilities that are</p> <p>3 associated with services provided by other parts of</p> <p>4 the -- by employees of other parts of the city under</p> <p>5 this contract?</p> <p>6 MR. MILLER: Object to the form.</p> <p>7 MR. MUTH: Object to the form.</p> <p>8 A. I think it's important to parse that. DWSD is</p> <p>9 contributing on behalf of liabilities that arose due</p> <p>10 to past service of DWSD members. The statement in the</p> <p>11 letter would have been based upon conversations or</p> <p>12 emails that developed in the project description that</p> <p>13 the money is going in and is not going to be</p> <p>14 segregated in a DWSD account. That's my understanding</p> <p>15 of this letter.</p> <p>16 Further, my understanding, which I did not</p> <p>17 have to generate in terms of this analysis, is that</p> <p>18 the DWSD would be assigned their employer</p> <p>19 contributions in their asset roll forward in the four</p> <p>20 subcomponent breakout, and that would be, that would</p> <p>21 be what it is.</p> <p>22 BY MR. BALL:</p> <p>23 Q. I agree with that, and I believe I understand that,</p> <p>24 but, in the meanwhile, in fact, the assets that are in</p> <p>25 the system that would have been contributed by DWSD</p>
<p style="text-align: right;">Page 458</p> <p>1 GLENN BOWEN</p> <p>2 A. That is correct.</p> <p>3 Q. Okay. So for the balance of the city, it is obviously</p> <p>4 the case that the amortization period is going to be</p> <p>5 longer than nine years, would you agree with me about</p> <p>6 that? Since they're only going to be 70 percent</p> <p>7 funded in 2023, presumably they're not going to reach</p> <p>8 a hundred percent funded status until sometime after</p> <p>9 that, if ever?</p> <p>10 A. Then just to put a fine point on it, so I can let you</p> <p>11 know where some of my confusion is, I'm not sure the</p> <p>12 city has an amortization period that I would recognize</p> <p>13 as such during this nine-year period if they're not</p> <p>14 making payments, so ...</p> <p>15 Q. Right, that's fair. But, at a minimum, they will not</p> <p>16 have reached -- while the DWSD will have paid out over</p> <p>17 a nine-year amortization period, the city, if it's</p> <p>18 paying at all, is going to reach a hundred percent</p> <p>19 funded status, at a minimum, at some point later, at a</p> <p>20 minimum at some later date, right?</p> <p>21 A. That is this analysis, yes.</p> <p>22 Q. Okay. And so isn't it true, in that analysis, that</p> <p>23 the DWSD is funding liabilities, effectively funding</p> <p>24 liabilities, because the amounts it's contributing are</p> <p>25 going to be available to pay claims for the entire</p>	<p style="text-align: right;">Page 460</p> <p>1 GLENN BOWEN</p> <p>2 would be available for and be used for liabilities</p> <p>3 associated with employees of the other divisions of</p> <p>4 the city, correct? That's part of the assumption</p> <p>5 here.</p> <p>6 A. That is stated in the letter, yes.</p> <p>7 Q. Okay. And so in 2023, in a scenario in which the city</p> <p>8 is unable to contribute further because it has further</p> <p>9 financial difficulties, DWSD would be left having</p> <p>10 funded the benefits associated with services provided</p> <p>11 by employees in the other parts of the city, and the</p> <p>12 remaining funds to pay benefits for DWSD employees</p> <p>13 would be impaired, right? It would be less than the</p> <p>14 full contribution available to fund DWSD's own</p> <p>15 employees, right?</p> <p>16 MR. MILLER: Object to form.</p> <p>17 A. I do not know what the resolution would be in the</p> <p>18 scenario that you describe.</p> <p>19 BY MR. BALL:</p> <p>20 Q. All right.</p> <p>21 MR. MUTH: Counsel, do you know how much</p> <p>22 more you have? Because if it's not going to be, you</p> <p>23 know, five or ten minutes, I'd like to take a break.</p> <p>24 MR. BALL: It is probably about fifteen or</p> <p>25 twenty minutes.</p>

56 (Pages 457 to 460)

<p style="text-align: right;">Page 461</p> <p>1 GLENN BOWEN</p> <p>2 MR. MILLER: Yeah, can we take a quick</p> <p>3 break?</p> <p>4 VIDEO TECHNICIAN: The time is 5:02 p.m.</p> <p>5 We are off the record.</p> <p>6 (Off the record at 5:02 p.m.)</p> <p>7 (Back on the record at 5:13 p.m.)</p> <p>8 VIDEO TECHNICIAN: We are back on the</p> <p>9 record. The time is 5:13 p.m.</p> <p>10 BY MR. BALL:</p> <p>11 Q. Mr. Bowen, have you undertaken any analysis of whether</p> <p>12 it's appropriate as an actuarial matter to apply</p> <p>13 different amortization periods to DWSD than to the</p> <p>14 balance of the participants under the GRS plan?</p> <p>15 A. No.</p> <p>16 Q. Okay. And are you aware of any actuarial basis for</p> <p>17 applying different amortization periods to the DWSD</p> <p>18 than to other portions of the -- other participants in</p> <p>19 the GRS plan?</p> <p>20 A. No.</p> <p>21 Q. Okay. And if you were advising an employer who's</p> <p>22 participating in a multi-employer benefit plan, where</p> <p>23 the other employers involved in the plan were not</p> <p>24 economically or financially stable, and the fund</p> <p>25 assets were not segregated by employer, and there was</p>	<p style="text-align: right;">Page 463</p> <p>1 GLENN BOWEN</p> <p>2 Q. And without the limitation from an actuarial</p> <p>3 perspective, would you have advice to provide?</p> <p>4 MR. MUTH: Same objection.</p> <p>5 THE WITNESS: And that means I ...</p> <p>6 MR. MUTH: You may answer if you've got an</p> <p>7 opinion. You respond to his hypothetical.</p> <p>8 BY MR. BALL:</p> <p>9 Q. You gave the qualification from an actuarial</p> <p>10 perspective, and I just want to know if you eliminated</p> <p>11 anything from your answer as a result of that</p> <p>12 qualification.</p> <p>13 A. No, I'm trying to just make sure I understand what I</p> <p>14 can and cannot answer. If I am hired as an actuary, I</p> <p>15 would provide advice from my perspective as a pension</p> <p>16 actuary. If the matter moved into a legal realm, I</p> <p>17 would advise that my client seek the advice of their</p> <p>18 counsel.</p> <p>19 Q. Okay. Other than that, any other advice that you</p> <p>20 would provide?</p> <p>21 A. I think the advice beyond the actuarial advice all</p> <p>22 falls outside of an area that I could practice in.</p> <p>23 Q. In the exhibit we've been looking at, which is</p> <p>24 Exhibit 51, the April 14th letter, if you would look</p> <p>25 with me at page 8, is the analysis here based on the</p>
<p style="text-align: right;">Page 462</p> <p>1 GLENN BOWEN</p> <p>2 a proposal made that your client assume all funding</p> <p>3 obligations for the first nine years for an</p> <p>4 outstanding UAAL balance, with the other employers</p> <p>5 deferring any contributions towards the UAAL until</p> <p>6 after that, what would you advise your client?</p> <p>7 MR. MUTH: Object to the form. You're</p> <p>8 asking an opinion question of a lay witness.</p> <p>9 MR. BALL: Okay.</p> <p>10 BY MR. BALL:</p> <p>11 Q. You can answer.</p> <p>12 A. I don't consult on multi-employer plans, so that's the</p> <p>13 first piece of your question. And you asked what --</p> <p>14 your question was what would my advice be?</p> <p>15 Q. To the employer that you represent in those</p> <p>16 circumstances.</p> <p>17 A. Beyond providing the calculation, if that was my task</p> <p>18 in such a construct as you have set forth, I'm not</p> <p>19 sure whether there's any further actuarial advice to</p> <p>20 that employer.</p> <p>21 Q. Okay. So you wouldn't provide any advice about that</p> <p>22 topic to the employer in that scenario, other than</p> <p>23 just running the calculation?</p> <p>24 A. From an actuarial perspective, I don't know that I</p> <p>25 would have additional advice to provide beyond.</p>	<p style="text-align: right;">Page 464</p> <p>1 GLENN BOWEN</p> <p>2 actuarial valuation that is reflected in your April</p> <p>3 10th letter?</p> <p>4 A. Well, it says under basis for analysis: Except as</p> <p>5 indicated above, this analysis is based upon the plan</p> <p>6 provisions, actuarial assumptions, methods, and census</p> <p>7 data set forth in the April 10th letter.</p> <p>8 Q. Okay. And there's a copy of the April 10th letter</p> <p>9 attached?</p> <p>10 A. Yes, it is attached.</p> <p>11 Q. And so there are places in this letter where it</p> <p>12 specifically says you're not doing what you did or</p> <p>13 relying on the April 10th letter, but with that</p> <p>14 exception, your actuarial assumptions, methods, and</p> <p>15 census data and plan provisions that you're relying on</p> <p>16 are set forth in the April 10th letter?</p> <p>17 A. That's the construct, yes.</p> <p>18 Q. Okay.</p> <p>19 MARKED FOR IDENTIFICATION:</p> <p>20 DEPOSITION EXHIBIT 52</p> <p>21 5:19 p.m.</p> <p>22 BY MR. BALL:</p> <p>23 Q. Mr. Bowen, you've been provided what has been marked</p> <p>24 as Exhibit 52, which is a letter dated April 25, 2014,</p> <p>25 and the Bates number is POA00259371, and my first</p>

57 (Pages 461 to 464)

<p style="text-align: right;">Page 465</p> <p>1 GLENN BOWEN</p> <p>2 question to you is, is this a letter you drafted and</p> <p>3 signed?</p> <p>4 A. Yes.</p> <p>5 Q. And if you look at page 8, do you see the similar</p> <p>6 incorporation of your analysis from April 10th that we</p> <p>7 just discussed from -- that was reflected in your</p> <p>8 April 14th letter, this letter, too, relies on the</p> <p>9 April 10th letter in the same fashion, is that right?</p> <p>10 A. Yes, except for as indicated.</p> <p>11 Q. Okay. And in this letter, you again are analyzing</p> <p>12 getting -- how the DGRS, as a whole, can get to a 70</p> <p>13 percent funded level from 2014 to 2023, is that right,</p> <p>14 over that period?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. And there are various other parameters</p> <p>17 specified, but one of them is a 6.75 investment</p> <p>18 return. Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. And the 6.75 percent investment return here is, again,</p> <p>21 net of investment expenses but not admin expenses?</p> <p>22 And if you look at pages 2 to 3, I think you'll see</p> <p>23 that.</p> <p>24 A. I see that.</p> <p>25 Q. Okay. And in this letter there's still an analysis --</p>	<p style="text-align: right;">Page 467</p> <p>1 GLENN BOWEN</p> <p>2 A. That is at the top of page 3.</p> <p>3 Q. Okay. What is the additional 2.5 million per year in</p> <p>4 administrative expenses? What is that?</p> <p>5 A. That is a rough proxy of the DWSD portion of the</p> <p>6 overall system administrative expenses.</p> <p>7 Q. Okay. And is that -- had there been any charge before</p> <p>8 this letter to DWSD for those expenses contemplated in</p> <p>9 the prior letters?</p> <p>10 A. Again, we wrote letters very frequently, so on</p> <p>11 April 14th there was not that explicit charge to DWSD.</p> <p>12 In the April 25th letter, there was.</p> <p>13 Q. Okay. Can you explain how it came to be that you</p> <p>14 included that expense in the April 25th letter as an</p> <p>15 item to be charged to the DWSD?</p> <p>16 A. We were requested to include an allocation of the</p> <p>17 expenses to DWSD.</p> <p>18 Q. And had you done any analysis or made any</p> <p>19 recommendation that prompted the use of the 2.5</p> <p>20 million dollar figure for administrative expenses</p> <p>21 here?</p> <p>22 A. We were requested to allocate expenses to DWSD. It</p> <p>23 was not Milliman's suggestion to do so.</p> <p>24 Q. Okay. And were you directed specifically to use the</p> <p>25 2.5 million dollar figure for those expenses?</p>
<p style="text-align: right;">Page 466</p> <p>1 GLENN BOWEN</p> <p>2 there's still the concept here is that the DWSD is</p> <p>3 going to contribute to reach a hundred percent funded</p> <p>4 status on the DWSD share of unfunded liability over a</p> <p>5 nine-year period, so by 2023, correct?</p> <p>6 A. I mean, yes, but that's not the entire picture.</p> <p>7 Q. Okay. What's not the entire picture about it?</p> <p>8 A. In this April 25th letter there are additional benefit</p> <p>9 changes made that were not included in the April 14th</p> <p>10 letter.</p> <p>11 Q. Fair enough, and there -- each of these letters had</p> <p>12 some different analyses about benefit reductions or</p> <p>13 treatment of recoupment of the ASF funds, and things</p> <p>14 like that, other things that are going on on the</p> <p>15 liability side besides the DWSD's contribution. Is</p> <p>16 that fair?</p> <p>17 A. That is fair.</p> <p>18 Q. Okay. But the idea is still that the DWSD is going to</p> <p>19 contribute and going to pay a full amount of its</p> <p>20 allocated unfunded liability on a market-value basis</p> <p>21 over nine years, correct?</p> <p>22 A. That is correct.</p> <p>23 Q. And that in addition to that, it's going to pay</p> <p>24 another 2.5 in administrative, 2.5 million per year in</p> <p>25 administrative expenses, correct?</p>	<p style="text-align: right;">Page 468</p> <p>1 GLENN BOWEN</p> <p>2 A. To the best of my recollection, we were requested to</p> <p>3 do some fractional allocation, and upon looking at the</p> <p>4 fractional allocation, we said let's use a flat 2.5</p> <p>5 for simplicity instead of trying to use numbers that</p> <p>6 vary very little over the nine-year period.</p> <p>7 Q. Okay. Is there anything in this letter that reflects</p> <p>8 you're doing that calculation as opposed to being</p> <p>9 directed by the city to use that contribution schedule</p> <p>10 that specified a 2.5 million figure? And the reason</p> <p>11 I'm asking is, as I read the first sentence under DWSD</p> <p>12 contribution projection, it says the city's specified</p> <p>13 contribution schedule is based on a concept of, and</p> <p>14 then it says plus 2.5 million.</p> <p>15 So I'm just trying to figure out if that's</p> <p>16 something you derived or something you were told to</p> <p>17 do.</p> <p>18 A. Well, let me address what I believe may have been the</p> <p>19 scenario. As I probably mentioned over the course of</p> <p>20 the past two days, projects don't come in complete</p> <p>21 and/or clear. So we'll have a back and forth with the</p> <p>22 pension task force to define and/or ask for</p> <p>23 clarification as to what we propose to do, and the way</p> <p>24 this may have arisen was assign some percentage of the</p> <p>25 overall administrative expenses to DWSD, and in the</p>

58 (Pages 465 to 468)

<p style="text-align: right;">Page 469</p> <p>1 GLENN BOWEN</p> <p>2 process of developing the project scope, we noted</p> <p>3 you're going to have a large DWSD contribution on</p> <p>4 behalf of the unfunded liability and a relatively much</p> <p>5 smaller contribution on behalf of their administrative</p> <p>6 expense.</p> <p>7 And we can parse -- or we can try to</p> <p>8 fine-tune what might be 2.45 million, 2.47, 2.49,</p> <p>9 2.51, 2.53, something of that nature, or for</p> <p>10 simplicity, how about we just use 2.5. And if I had</p> <p>11 asked that and the city said yes, I don't know that we</p> <p>12 can specifically say it's a Milliman recommendation to</p> <p>13 assign 2.5 million in expenses, but in the</p> <p>14 back-and-forth of the defining the project</p> <p>15 description, we may have said we have a simpler way of</p> <p>16 accomplishing the same goal.</p> <p>17 Q. All right. My only question about that is, are you</p> <p>18 assuming that that's what may have happened, or do you</p> <p>19 recall that's what happened?</p> <p>20 A. I do recall that that, that type of conversation is</p> <p>21 something that I had. I cannot specifically say this</p> <p>22 particular letter, but when the numbers are for</p> <p>23 administrative expense small relative to the</p> <p>24 contributions and the liability, it didn't seem to</p> <p>25 make sense to say let's go to another decimal place.</p>	<p style="text-align: right;">Page 471</p> <p>1 GLENN BOWEN</p> <p>2 letter.</p> <p>3 Q. Okay. And that's the letter that analyzes the</p> <p>4 investment return?</p> <p>5 A. Yes, that's the one I'm thinking of.</p> <p>6 Q. All right, let me ask you to looking at what was</p> <p>7 marked as Exhibit 2, and look at page 3, in</p> <p>8 particular -- actually, page 5 of the letter.</p> <p>9 A. Okay.</p> <p>10 Q. All right. In this letter there is an assumption that</p> <p>11 administrative expenses would be added to the normal</p> <p>12 cost for the fiscal year. Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. Okay. And do you know whether administrative expenses</p> <p>15 were contemplated in subsequent analyses to be</p> <p>16 included in the normal cost for the year as opposed to</p> <p>17 payment for UAAL?</p> <p>18 A. We looked at -- in the progression of the last several</p> <p>19 letters you've shown me, at one point in time they</p> <p>20 weren't and then at one point in time they were.</p> <p>21 Q. Okay. There's been two letters, I think, the last,</p> <p>22 this one and the one before it --</p> <p>23 A. Okay.</p> <p>24 Q. -- that, that were -- where admin expense was -- the</p> <p>25 interest was not net of the admin expense. So the</p>
<p style="text-align: right;">Page 470</p> <p>1 GLENN BOWEN</p> <p>2 Q. Okay. Now, are these administrative expenses that are</p> <p>3 being covered here things that would have been</p> <p>4 embraced with the investment return assumption, when</p> <p>5 the investment return assumption that was being</p> <p>6 provided was net of investment and admin expense?</p> <p>7 A. Yes.</p> <p>8 Q. Okay, so -- and did you do any comparison of what --</p> <p>9 there was a specified level of assumed administrative</p> <p>10 expenses, a percentage of assumed investment return,</p> <p>11 do you recall that? In the November 4th letter, for</p> <p>12 example, you adjusted down from an expected rate based</p> <p>13 on a presumed level of administrative expense.</p> <p>14 A. Yeah, I'm mixed up --</p> <p>15 Q. It was a number of basis points that --</p> <p>16 A. For -- I'm sorry, please continue and then I'll</p> <p>17 respond.</p> <p>18 Q. I'm sorry. I didn't mean to interrupt you, and it's</p> <p>19 getting late in the day, so I apologize. But do you</p> <p>20 recall that in your November 4 letter, there was a</p> <p>21 specific basis point load for administrative expense</p> <p>22 that was deducted from a gross investment return to</p> <p>23 reach the net investment return, along with several</p> <p>24 other items that were deducted?</p> <p>25 A. I don't recall that being the case in the November 4th</p>	<p style="text-align: right;">Page 472</p> <p>1 GLENN BOWEN</p> <p>2 assumption at least until the last couple of letters</p> <p>3 that we've looked at was that admin expense would</p> <p>4 actually be included in the normal cost, is that</p> <p>5 right?</p> <p>6 A. I'm, I'm very sorry, that was -- I wasn't able to</p> <p>7 follow it. Between the November 4th letter -- could</p> <p>8 you just please repeat?</p> <p>9 Q. It's fine. I think we've got it, anyway. But at this</p> <p>10 point you are adding in as a part of UAAL an</p> <p>11 additional payment for admin expense that hadn't been</p> <p>12 reflected until the last -- until this letter, in</p> <p>13 fact. This is the first letter we've seen where you</p> <p>14 were adding in an additional payment for admin expense</p> <p>15 as part of UAAL, is that fair?</p> <p>16 A. It's not added in as part of UAAL, and it effectively</p> <p>17 is a re-characterization of what the numerical, the</p> <p>18 denominal numerical amount of the investment</p> <p>19 assumption means.</p> <p>20 Q. Fair enough. You are specifying an amount in this</p> <p>21 letter as an amount to be paid for UAAL amortized over</p> <p>22 nine years for the DWSD, is that fair? Among other</p> <p>23 things, you analyzed that, right?</p> <p>24 If you look at results on page 6, there's a</p> <p>25 42.9 million per year that you analyze being the</p>

59 (Pages 469 to 472)

<p style="text-align: right;">Page 473</p> <p>1 GLENN BOWEN</p> <p>2 annual contribution for DWSD using the nine-year</p> <p>3 amortization period, is that right?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. And that's a payment on behalf of -- in respect</p> <p>6 of UAAL, is that fair?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. And then the 2.5 million you add in here, but</p> <p>9 you're saying it's for admin expenses, not actually</p> <p>10 part of the UAAL, is that fair?</p> <p>11 A. That is.</p> <p>12 Q. Okay. And so the result is 45.4 million added to -- I</p> <p>13 mean per year, inclusive of the UAAL payment, and 2.5</p> <p>14 million of admin expense?</p> <p>15 A. Correct.</p> <p>16 Q. And the total payment that the DWSD winds up making</p> <p>17 under this analysis is 408.6 million for the nine-year</p> <p>18 period?</p> <p>19 A. That's what's stated, yes.</p> <p>20 Q. Okay. We have discussed the market value of assets</p> <p>21 previously, and there's a -- I just want to understand</p> <p>22 how you derive the market value of assets you used for</p> <p>23 the purposes of this analysis, and I believe that's</p> <p>24 set forth on page 7?</p> <p>25 A. I'm not sure if I can ask you questions, but I'll say</p>	<p style="text-align: right;">Page 475</p> <p>1 GLENN BOWEN</p> <p>2 assets, is that fair?</p> <p>3 A. That is correct.</p> <p>4 Q. Okay. Have you done -- since the time of this</p> <p>5 April 25th letter, have you done any further analyses</p> <p>6 of the amount that DWSD would be required to</p> <p>7 contribute over a nine-year period to reach a hundred</p> <p>8 percent funded status?</p> <p>9 A. I'm not sure.</p> <p>10 Q. Okay. These, as I understand it, are the numbers that</p> <p>11 actually appear in the plan, and so my question is</p> <p>12 whether you've revisited this analysis since.</p> <p>13 MR. MUTH: By "these," you're referring to</p> <p>14 Exhibit 52?</p> <p>15 MR. BALL: I'm referring to Exhibit 52,</p> <p>16 and, in particular, the numbers that are shown on</p> <p>17 page 6 under the results with respect to the DWSD</p> <p>18 contributions.</p> <p>19 A. I'm sorry, I mean, I don't know if I answered your</p> <p>20 question, if you want to ask it again.</p> <p>21 Q. I'm just trying to make sure, have you done any</p> <p>22 further analyses beyond those in this letter of the</p> <p>23 annual contributions that DWSD would be required to</p> <p>24 make to reach a hundred percent funded status in 2023?</p> <p>25 A. I cannot definitively state that we did not do any</p>
<p style="text-align: right;">Page 474</p> <p>1 GLENN BOWEN</p> <p>2 the 2014 assets?</p> <p>3 Q. Right. So you do an analysis that assumes the market</p> <p>4 value of the assets has increased by 11.3 percent in</p> <p>5 the 2013-14 fiscal year?</p> <p>6 A. Yes.</p> <p>7 Q. And then you apply 6.75 percent as an investment</p> <p>8 return rate thereafter?</p> <p>9 A. Yes.</p> <p>10 Q. Okay. And in terms of the allocation between DWSD and</p> <p>11 other components of the city, did you do the same sort</p> <p>12 of analysis here that we discussed you having done in</p> <p>13 prior letters?</p> <p>14 A. Yes, as on page 3.</p> <p>15 Q. Okay, and the difference -- in this case you used the</p> <p>16 June 30th, 2013, Gabriel Roeder report, is that fair?</p> <p>17 A. Yes, we did, the June 30, 2013, report.</p> <p>18 Q. And you got to the numbers for 2014, the roll forward</p> <p>19 that you did here, in the same way as in the letter we</p> <p>20 looked at earlier, is that fair?</p> <p>21 A. Yes.</p> <p>22 Q. And you again have not done any analysis of whether</p> <p>23 that methodology squares with the asset allocation</p> <p>24 methodology that was used by Gabriel Roeder or the</p> <p>25 retirement systems to develop their allocation of</p>	<p style="text-align: right;">Page 476</p> <p>1 GLENN BOWEN</p> <p>2 further analyses.</p> <p>3 Q. Okay. You don't know, one way or the other?</p> <p>4 A. I don't have a demarcation line in my mind as to when</p> <p>5 the last letter was.</p> <p>6 Q. I want to probe that just a little bit, just to make</p> <p>7 sure. Were you aware that numbers you were providing</p> <p>8 for contributions by DWSD were going to be</p> <p>9 incorporated in the plan?</p> <p>10 A. I'll say I was aware that there was a possibility that</p> <p>11 that could happen.</p> <p>12 Q. Okay. And did you at some point learn that it had</p> <p>13 happened?</p> <p>14 A. The plan adjustment was discussed with me last week.</p> <p>15 Q. Okay. And was there any discussion -- okay, is that</p> <p>16 the first time it was discussed with you?</p> <p>17 A. I'm sorry, the plan document was set in front of me,</p> <p>18 if you will, during that period of time. I have not</p> <p>19 read the entire plan document, or much of any of it.</p> <p>20 Q. Okay. Do you know whether you've done any analysis --</p> <p>21 here's all I'm trying to figure out, is whether you</p> <p>22 know whether you've done any analysis of the DWSD</p> <p>23 contribution subsequent to the analysis that is</p> <p>24 reflected in the plan.</p> <p>25 And maybe you don't know enough facts to</p>

60 (Pages 473 to 476)

<p style="text-align: right;">Page 477</p> <p>1 GLENN BOWEN</p> <p>2 know that. I'm just asking whether or not -- whether</p> <p>3 you have any understanding about that.</p> <p>4 A. Well, saying understanding is, I'll say, a word I</p> <p>5 would object to. You're asking me if I remember out</p> <p>6 of a series of a dozen letters or so that I wrote over</p> <p>7 the course of a short period of time which one was the</p> <p>8 final one. I cannot definitively say that this one</p> <p>9 was the final one, just because this one happened to</p> <p>10 appear in the plan.</p> <p>11 It is entirely possible that a subsequent</p> <p>12 analysis could have been done, and along with all</p> <p>13 prior analysis was discarded by the city, and this one</p> <p>14 was selected and reached in mediation. I cannot</p> <p>15 answer the particular question you're asking more</p> <p>16 specifically than that.</p> <p>17 Q. Okay, fair enough. I'm just trying to make sure</p> <p>18 there's not something there that if I help you with</p> <p>19 the knowledge that this is what -- these are the</p> <p>20 numbers that appear in the plan, whether that gives</p> <p>21 you anything further to go on whether you've done any</p> <p>22 later analysis. And I'm hearing the answer is no, so</p> <p>23 I'll move on to the next question.</p> <p>24 If you would --</p> <p>25 MARKED FOR IDENTIFICATION:</p>	<p style="text-align: right;">Page 479</p> <p>1 GLENN BOWEN</p> <p>2 DGRS liabilities, dated April 10th, 2014. Do you see</p> <p>3 that?</p> <p>4 A. I do.</p> <p>5 Q. Okay. And so those are all matters incorporated by</p> <p>6 reference from the 2014 letter, is that fair?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. And this letter provides an estimate of the</p> <p>9 funded status for the system as a whole in 2033 and</p> <p>10 2043, right?</p> <p>11 A. It does.</p> <p>12 Q. And it assumes the DWSD contributions that were</p> <p>13 anticipated in the April 25th letter, is that fair?</p> <p>14 A. I can take a few minutes to compare, but I don't see</p> <p>15 anything here that says we have made a revision to</p> <p>16 DWSD from the prior attached letter.</p> <p>17 Q. And my understanding is that it incorporates that</p> <p>18 scenario, but I want you to be --</p> <p>19 A. Sure, okay. Bottom of page 2, please refer to</p> <p>20 attached letter, the DWSD contribution projection. So</p> <p>21 I'll believe that not seeing else regarding change in</p> <p>22 DWSD, this would directly follow on from the attached</p> <p>23 April 25th letter for that parameter.</p> <p>24 Q. All right. And so, first, as I understand it, this</p> <p>25 letter reflects that under the scenario that's being</p>
<p style="text-align: right;">Page 478</p> <p>1 GLENN BOWEN</p> <p>2 DEPOSITION EXHIBIT 53</p> <p>3 5:39 p.m.</p> <p>4 BY MR. BALL:</p> <p>5 Q. Mr. Bowen, you've been provided what's been marked as</p> <p>6 Exhibit 53, which is a letter dated May 7th, 2014,</p> <p>7 with Bates number POA00259896.</p> <p>8 My first question to you is whether this is</p> <p>9 a letter that you authored and signed?</p> <p>10 A. Yes, it is.</p> <p>11 Q. Okay. And you'll see that it attaches copies of both</p> <p>12 the April 25th letter that we were just reviewing and</p> <p>13 the April 10th letter that we looked at earlier. And</p> <p>14 if I ask you to look at page 2, is it fair to say that</p> <p>15 this letter incorporates by reference the scenario</p> <p>16 analyzed in the April 25th, 2014, letter?</p> <p>17 A. Given the phrase as a follow-up to our April 25th,</p> <p>18 2014, letter, it would appear to be a follow-on</p> <p>19 letter.</p> <p>20 Q. All right. And if you look on the next page, on</p> <p>21 page 3, you see that it says that the investment</p> <p>22 return assumption -- except for the investment return</p> <p>23 assumption mentioned above, plan provisions, actuarial</p> <p>24 assumptions and methods, and census data used in this</p> <p>25 analysis are all as set forth in our letter regarding</p>	<p style="text-align: right;">Page 480</p> <p>1 GLENN BOWEN</p> <p>2 analyzed, that as of June 2033, the plan as a whole</p> <p>3 still will not be fully funded, is that fair?</p> <p>4 A. That is.</p> <p>5 Q. And as of 2043, it still will not be fully funded?</p> <p>6 A. Correct.</p> <p>7 Q. Okay, and so -- and as of 2053, is it fully funded?</p> <p>8 A. Yes.</p> <p>9 Q. Okay. So it is -- and in what year does it become</p> <p>10 fully funded?</p> <p>11 A. Best of my recollection, slightly before 2053.</p> <p>12 Q. All right. So that would be a period of amortization</p> <p>13 of almost 40 years for the city as a -- for the DGRS</p> <p>14 as a whole, is that right?</p> <p>15 A. Yes, it would be a period -- yes.</p> <p>16 Q. Okay. And, in fact, the funding level reaches 70</p> <p>17 percent in June 2023, right? That's at the bottom of</p> <p>18 page 3.</p> <p>19 A. Excuse me one moment. Can you continue with the</p> <p>20 question, please?</p> <p>21 Q. My question was the -- I was going to ask about the</p> <p>22 funding levels at various points under the scenario,</p> <p>23 but in 2023 it would be 70 percent, which was the</p> <p>24 target of the original analysis, correct?</p> <p>25 A. At 2023, it will be 70 percent under this scenario.</p>

61 (Pages 477 to 480)

<p style="text-align: right;">Page 481</p> <p>1 GLENN BOWEN</p> <p>2 Q. All right. And then the funding level actually</p> <p>3 declines after that, right?</p> <p>4 A. Just as it had declined prior to that, yes.</p> <p>5 Q. Okay. And so it declines to 64 percent as of June</p> <p>6 2040, is that right? I'm looking, in particular, at</p> <p>7 the bottom of page 3.</p> <p>8 A. Yes.</p> <p>9 Q. And it remains 64 percent for several years after</p> <p>10 that?</p> <p>11 A. It bottoms out at 64 percent.</p> <p>12 Q. And so during the period where the city is making</p> <p>13 contributions and after DWSD has reached a hundred</p> <p>14 percent analysis, under the scenario provided here,</p> <p>15 it's not going to be maintained, the funding is not</p> <p>16 going to be maintained at a 70 percent level, is that</p> <p>17 right?</p> <p>18 A. It will go below 70 percent.</p> <p>19 Q. Okay. In the paragraph, second paragraph at the top</p> <p>20 on page 3, the last sentence says: Beginning with the</p> <p>21 2023 fiscal year, administrative expenses were limited</p> <p>22 to no more than five percent of the estimated benefit</p> <p>23 payments for the respective fiscal year.</p> <p>24 So that is an assumption about admin</p> <p>25 expenses that is imposed for the year, first year when</p>	<p style="text-align: right;">Page 483</p> <p>1 GLENN BOWEN</p> <p>2 to by the city, but not because it was a</p> <p>3 recommendation by Milliman. Is that fair?</p> <p>4 A. Again, I'll say this falls into the gray area that I</p> <p>5 had discussed earlier where there was a limit on</p> <p>6 administrative expenses that was desired because of</p> <p>7 the knowledge that the plan would be winding down and</p> <p>8 administrative expenses would not continue, or not be</p> <p>9 expected to continue to grow on the current basis for</p> <p>10 a frozen, winding-down plan.</p> <p>11 I believe the way that this arose was we</p> <p>12 said, currently, administrative expenses are a certain</p> <p>13 percentage of benefit payments, and it may have been</p> <p>14 two-and-a-half or three or four, some number less than</p> <p>15 five, and in the context of setting the project scope,</p> <p>16 there was an agreement upon five percent.</p> <p>17 Q. Okay. And the timing of the five percent?</p> <p>18 A. Well, the timing of the five percent is twofold, as we</p> <p>19 just discussed. There was a, a period of when the</p> <p>20 test would first be implemented whether or not it</p> <p>21 applies in a given year is then -- depends upon the</p> <p>22 results of the particular test as described here.</p> <p>23 Q. Okay. Back to the questions about the funding level</p> <p>24 and the funding level declines from 70 percent after</p> <p>25 2023, is there a reason, a principal reason that</p>
<p style="text-align: right;">Page 482</p> <p>1 GLENN BOWEN</p> <p>2 the city becomes -- when the DWSD has completed its</p> <p>3 contributions and the city begins to make</p> <p>4 contributions. Is that right?</p> <p>5 A. It is imposed but not -- does not necessarily apply.</p> <p>6 Q. Okay, explain what you mean by that.</p> <p>7 A. The administrative expenses, as noted in the middle of</p> <p>8 that paragraph, are assumed to increase 2.5 percent</p> <p>9 per year beginning with the current dollar amount, and</p> <p>10 ultimately there is an annual test. When the prior</p> <p>11 year administrative expenses are increased 2.5 percent</p> <p>12 per year, that dollar amount is compared to five</p> <p>13 percent of the estimated benefit payments for that</p> <p>14 year, and if that dollar amount exceeds five percent,</p> <p>15 the five percent of the estimated benefit payments is</p> <p>16 used as the administrative expense assumption that</p> <p>17 year.</p> <p>18 Q. Okay. And is there a reason why you imposed that cap</p> <p>19 as of 2023 as opposed to some earlier or later period?</p> <p>20 A. Beyond the request to limit the growth in</p> <p>21 administrative expenses at the far-out year, when the</p> <p>22 system is shrinking, there was no particular specific</p> <p>23 reason that said 2023, 2024, is the best year to begin</p> <p>24 applying that test.</p> <p>25 Q. Okay. And so you did that because you were directed</p>	<p style="text-align: right;">Page 484</p> <p>1 GLENN BOWEN</p> <p>2 you're aware of for setting a funding level at 70</p> <p>3 percent as opposed to 65 percent or 62 percent or 78</p> <p>4 percent in 2023?</p> <p>5 A. My understanding of the 70 percent was that it arose</p> <p>6 out of mediation. I believe that's the same question</p> <p>7 as previously.</p> <p>8 Q. Okay.</p> <p>9 MR. BALL: All right, I may be done. Give</p> <p>10 me a few minutes.</p> <p>11 VIDEO TECHNICIAN: The time is 5:50 p.m.</p> <p>12 we are off the record.</p> <p>13 (Off the record at 5:50 p.m.)</p> <p>14 (Back on the record at 5:51 p.m.)</p> <p>15 VIDEO TECHNICIAN: The time is 5:51. We</p> <p>16 are back on the record.</p> <p>17 BY MR. BALL:</p> <p>18 Q. Mr. Bowen, do you know whether you have undertaken any</p> <p>19 further analyses with respect to the DWSD since</p> <p>20 May 7th, 2014? And again, I understand you may not.</p> <p>21 I just want to make sure that having seen this</p> <p>22 document, whether that jars your recollection one way</p> <p>23 or the other.</p> <p>24 A. Let me say this, just out of some way to hopefully</p> <p>25 give you a better answer than I have previously. I</p>

62 (Pages 481 to 484)

<p style="text-align: right;">Page 485</p> <p>1 GLENN BOWEN</p> <p>2 don't have my computer here with access to all of my</p> <p>3 letters arranged in numerical order, so -- and any</p> <p>4 question of that variety as to is this the last or</p> <p>5 first or middle letter is not something that I have</p> <p>6 sufficient recollection to provide you an absolute</p> <p>7 answer to.</p> <p>8 So I apologize for not being able to do so,</p> <p>9 but I cannot say definitively whether there were</p> <p>10 letters of this variety subsequent to May 7th, and</p> <p>11 that's not meant to imply that there were and I'm</p> <p>12 forgetting them or that there weren't. I just simply</p> <p>13 do not remember that level of chronological detail.</p> <p>14 Q. And I asked the question only because this looks to us</p> <p>15 to be essentially the last letter from you that has</p> <p>16 analysis with respect to these issues, at least.</p> <p>17 If there were such a letter, would it have</p> <p>18 been produced to us as a result of the document</p> <p>19 searches that have been undertaken by Milliman?</p> <p>20 A. Yes, our IT department just went on to our network and</p> <p>21 lifted all the letters.</p> <p>22 Q. Okay. And since that happened, since the IT</p> <p>23 department went on the network and lifted all the</p> <p>24 letters, have you generated any additional letters</p> <p>25 reflecting your work on behalf of the city? In other</p>	<p style="text-align: right;">Page 487</p> <p>1 GLENN BOWEN</p> <p>2 In re) Chapter 9</p> <p>3 CITY OF DETROIT, MICHIGAN,) Case No. 13-53846</p> <p>4 Debtor.) Hon. Steven W. Rhodes</p> <p>5</p> <p>6 _____</p> <p>7</p> <p>8</p> <p>9 VERIFICATION OF DEPONENT</p> <p>10</p> <p>11 I, having read the foregoing deposition</p> <p>12 consisting of my testimony at the aforementioned time</p> <p>13 and place, do hereby attest to the correctness and</p> <p>14 truthfulness of the transcript.</p> <p>15</p> <p>16</p> <p>17 _____</p> <p>18 GLENN BOWEN</p> <p>19 Dated:</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 486</p> <p>1 GLENN BOWEN</p> <p>2 words, they did it at some point in time. Since that</p> <p>3 point in time, have you done anything else?</p> <p>4 A. Again, I mean, it's possible. That happened two,</p> <p>5 three weeks ago. We could have issued another letter</p> <p>6 or two.</p> <p>7 Q. All right. Can I ask that you look to see whether you</p> <p>8 have issued any further letters to the city or in</p> <p>9 connection with your work for the city since that</p> <p>10 search was performed, and that those be provided to</p> <p>11 us?</p> <p>12 MR. MILLER: Yes, we will provide them.</p> <p>13 MR. BALL: Okay, I don't have further</p> <p>14 questions. Anyone else?</p> <p>15 MR. WEISBERG: I know you're disappointed.</p> <p>16 MR. BALL: Thank you very much, Mr. Bowen.</p> <p>17 THE WITNESS: You're welcome.</p> <p>18 VIDEO TECHNICIAN: The time is 5:53 p.m.</p> <p>19 We are off the record.</p> <p>20 (Deposition concluded at 5:53 p.m.</p> <p>21 Signature of the witness was requested.)</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 488</p> <p>1 GLENN BOWEN</p> <p>2 ERRATA SHEET</p> <p>3 PAGE LINE READS PAGE LINE SHOULD READ</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>_____</p> <p>GLENN BOWEN</p> <p>Dated:</p>

63 (Pages 485 to 488)

GLENN BOWEN
 CERTIFICATE OF NOTARY
 STATE OF MICHIGAN)
) SS
 COUNTY OF KENT)

I, REBECCA L. RUSSO, certify that this deposition was taken before me on the date hereinbefore set forth; that the foregoing questions and answers were recorded by me stenographically and reduced to computer transcription; that this is a true, full and correct transcript of my stenographic notes so taken; and that I am not related to, nor of counsel to, either party nor interested in the event of this cause.

REBECCA L. RUSSO, CSR-2759
 Notary Public,
 Kent County, Michigan.
 My Commission expires: 6-3-2017

EXHIBIT C

<p style="text-align: right;">Page 1</p> <p style="text-align: center;">JUDITH KERMANS IN THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF MICHIGAN</p> <p>In re) Chapter 9 CITY OF DETROIT, MICHIGAN,) Case No. 13-53846 Debtor.) Hon. Steven W. Rhodes</p> <hr/> <p>The Videotaped Deposition of JUDITH KERMANS, a 30 (b)(6) witness, Taken at 500 Woodward Avenue, Suite 3500, Detroit, Michigan, Commencing at 9:06 a.m., Friday, August 8, 2014, Before Rebecca L. Russo, CSR-2759, RMR, CRR.</p>	<p style="text-align: right;">Page 3</p> <p style="text-align: center;">JUDITH KERMANS</p> <p>SAM J. ALBERTS, ESQ. (Via Telephone) Dentons US LLP 1301 K Street, N.W. Suite 600, East Tower Washington, D.C. 20005</p> <p>Appearing on behalf of the Retiree Committee</p> <p>GREGORY G. PLOTKO, ESQ. (Via Telephone) Kramer Levin Naftalis & Frankel, LLP 1177 Avenue of the Americas New York, New York 10036</p> <p>Appearing on behalf of Certificates of Participation Holders</p>
<p style="text-align: right;">Page 2</p> <p>JUDITH KERMANS</p> <p>APPEARANCES:</p> <p>RICHARD U.S.HOWELL, ESQ. Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654</p> <p>Appearing on behalf of Syncora Guarantee, Inc., and Syncora Capital Assurance, Inc.</p> <p>CHARLES D. BULLOCK, ESQ. ELLIOT G. CROWDER, ESQ. (Via Telephone) Stevenson & Bullock PLC 26100 American Drive Suite 500 Southfield, Michigan 48034</p> <p>Appearing on behalf of Gabriel Roeder Smith & Company</p>	<p style="text-align: right;">Page 4</p> <p style="text-align: center;">JUDITH KERMANS</p> <p>CHRISTOPHER A. GROSMAN, ESQ. (Via Telephone) Carson Fischer PLC 4111 Andover Road West - Second Floor Bloomfield Hills, Michigan 48302</p> <p>Appearing on behalf of Oakland County</p> <p>MICHAEL BHARGAVA, ESQ. Chadbourn & Parke LLP 1200 New Hampshire Avenue, N.W. Washington, DC 20036</p> <p>Appearing on behalf of Assured Guaranty Municipal Corporation</p>

1 (Pages 1 to 4)

<p style="text-align: right;">Page 5</p> <p>1 JUDITH KERMANS 2 JENNIFER K. GREEN, ESQ. 3 RONALD A. KING, ESQ. 4 Clark Hill PLC 5 500 Woodward Avenue 6 Suite 3500 7 Detroit, Michigan 48226 8 9 Appearing on behalf of the Retirement Systems 10 for the City of Detroit. 11 12 13 14 ROBERT D. GORDON, ESQ. 15 Clark Hill PLC 16 151 South Old Woodward Avenue 17 Suite 200 18 Birmingham, Michigan 48009 19 20 Appearing on behalf of the Retirement Systems 21 for the City of Detroit 22 23 24 25</p>	<p style="text-align: right;">Page 7</p> <p>1 JUDITH KERMANS 2 MIGUEL F. EATON, ESQ. 3 EVAN MILLER, ESQ. (Via Telephone) 4 Jones Day 5 51 Louisiana Avenue, N.W. 6 Washington, D.C. 20001 7 8 Appearing on behalf of the City of Detroit 9 10 11 12 13 ALSO PRESENT: 14 Ben Solorzano - Video Technician 15 16 17 18 19 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 6</p> <p>1 JUDITH KERMANS 2 SEAN P. GALLAGHER, ESQ. (Via Telephone) 3 Clark Hill PLC 4 212 East Grand River Avenue 5 Lansing, Michigan 48906 6 7 Appearing on behalf of the Retirement 8 Systems for the City of Detroit 9 10 11 MARK R. JAMES, ESQ. 12 Williams, Williams, Rattner & Plunkett PC 13 380 North Old Woodward Avenue 14 Suite 300 15 Birmingham, Michigan 48009 16 17 Appearing on behalf of the Financial 18 Guaranty Insurance Company 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 8</p> <p>1 TABLE OF CONTENTS 2 3 WITNESS PAGE 4 JUDITH KERMANS 5 6 EXAMINATION BY MR. HOWELL 11 7 EXAMINATION BY MR. BHARGAVA 156 8 9 EXHIBITS 10 11 EXHIBIT PAGE 12 (Exhibits attached to transcript.) 13 14 DEPOSITION EXHIBIT 1 15 15 DEPOSITION EXHIBIT 2 30 16 DEPOSITION EXHIBIT 3 100 17 DEPOSITION EXHIBIT 4 110 18 DEPOSITION EXHIBIT 5 126 19 DEPOSITION EXHIBIT 6 135 20 21 22 23 24 25</p>

2 (Pages 5 to 8)

<p style="text-align: right;">Page 9</p> <p>1 JUDITH KERMANS</p> <p>2 Detroit, Michigan</p> <p>3 Friday, August 8, 2014</p> <p>4 9:06 a.m.</p> <p>5</p> <p>6</p> <p>7 VIDEO TECHNICIAN: We are now on the</p> <p>8 record. This is the videotaped deposition of Judith</p> <p>9 Kermans, being taken on Friday, August 8th, 2014. The</p> <p>10 time is now 9:06 a.m.</p> <p>11 We are located at 500 Woodward Avenue,</p> <p>12 Detroit, Michigan.</p> <p>13 We are here in the matter of the City of</p> <p>14 Detroit bankruptcy case. This is Case Number</p> <p>15 13-53846. This matter is being held in the United</p> <p>16 States Bankruptcy Court for the Eastern District of</p> <p>17 Michigan.</p> <p>18 My name is Ben Solorzano, video technician.</p> <p>19 Will the court reporter swear in the</p> <p>20 witness and the attorneys briefly identify themselves,</p> <p>21 for the record, please.</p> <p>22 JUDITH KERMANS,</p> <p>23 was thereupon called as a witness herein, and after</p> <p>24 having first been duly sworn to testify to the truth,</p> <p>25 the whole truth and nothing but the truth, was</p>	<p style="text-align: right;">Page 11</p> <p>1 JUDITH KERMANS</p> <p>2 the phone. So if the people on the phone could please</p> <p>3 put in their appearance, for the record.</p> <p>4 MR. ALBERTS: Sam Alberts, from Dentons, on</p> <p>5 behalf of the Official Committee of Retirees.</p> <p>6 MR. PLOTKO: Gregory Plotko, Kramer Levin,</p> <p>7 on behalf of COPs holders.</p> <p>8 MR. CROWDER: Elliot Crowder, from the law</p> <p>9 firm of Stevenson & Bullock, PLC, also appearing on</p> <p>10 behalf of Gabriel Roder Smith & Company.</p> <p>11 MR. GALLAGHER: Sean Gallagher, from Clark</p> <p>12 Hill, on behalf of the Detroit Retirement Systems.</p> <p>13 MR. HOWELL: Evan, I think that was perfect</p> <p>14 timing. We were in the middle of having people put</p> <p>15 appearances on. Would you mind putting your</p> <p>16 appearance on, for the record?</p> <p>17 MR. MILLER: Thanks so much, yes, Evan</p> <p>18 Miller, Jones Day, on behalf of the City of Detroit.</p> <p>19 EXAMINATION</p> <p>20 BY MR. HOWELL:</p> <p>21 Q. Good morning, Ms. Kermans.</p> <p>22 A. Good morning.</p> <p>23 Q. Could you please state your full name, for the record?</p> <p>24 A. Judith Ann Kermans.</p> <p>25 Q. My name is Rush Howell. We met very briefly before we</p>
<p style="text-align: right;">Page 10</p> <p>1 JUDITH KERMANS</p> <p>2 examined and testified as follows:</p> <p>3 MR. BULLOCK: My name is Charles Bullock,</p> <p>4 of the firm Stevenson & Bullock, PLC, on behalf of</p> <p>5 Gabriel Roeder Smith & Company.</p> <p>6 MS. GREEN: Jennifer Green, Clark Hill, on</p> <p>7 behalf of the General Retirement System for the City</p> <p>8 of Detroit and the Police and Fire Retirement System</p> <p>9 for the City of Detroit.</p> <p>10 MR. KING: Ron King, with Clark Hill, on</p> <p>11 behalf of the Detroit Retirement Systems.</p> <p>12 MR. GORDON: Robert Gordon, Clark Hill, on</p> <p>13 behalf of the Detroit Retirement Systems.</p> <p>14 MR. BHARGAVA: Mark Bhargava, Chadbourne &</p> <p>15 Parke, on behalf of Assured Guaranty Municipal</p> <p>16 Corporation.</p> <p>17 MR. EATON: Miguel Eaton, from Jones Day,</p> <p>18 on behalf of the City of Detroit.</p> <p>19 MR. JAMES: Mark James, Williams, Williams,</p> <p>20 Rattner & Plunkett, on behalf of Financial Guaranty</p> <p>21 Insurance Company.</p> <p>22 MR. HOWELL: Rush Howell, with Kirkland &</p> <p>23 Ellis, on behalf of Syncora Guarantee, Inc., and</p> <p>24 Syncora Capital Assurance, Inc.</p> <p>25 I believe there are also several people on</p>	<p style="text-align: right;">Page 12</p> <p>1 JUDITH KERMANS</p> <p>2 went on the record, but I represent Syncora Guarantee</p> <p>3 and Syncora Capital Assurance, and I may refer to them</p> <p>4 collectively as Syncora, okay?</p> <p>5 A. Yes.</p> <p>6 Q. Have you ever been deposed before?</p> <p>7 A. Yes.</p> <p>8 Q. So I know that you know kind of the ground rules, but</p> <p>9 I'm still going to go over a few, just to make sure</p> <p>10 for the ease of our conversation that we're on the</p> <p>11 same page, okay?</p> <p>12 A. Okay.</p> <p>13 Q. First, I want to talk about a couple of acronyms that</p> <p>14 can get confusing. Specifically, when I use the term</p> <p>15 GRS today, I'm referring to the General Retirement</p> <p>16 System of Detroit, okay?</p> <p>17 A. Yes.</p> <p>18 Q. And I'll try to say Gabriel Roeder or Gabriel Roeder</p> <p>19 Smith rather than GRS for Gabriel Roeder, okay?</p> <p>20 A. Yes.</p> <p>21 Q. If I use the term PFRS, I'm referring to the Police</p> <p>22 and Fire Retirement Systems of the City of Detroit,</p> <p>23 okay?</p> <p>24 A. Okay.</p> <p>25 Q. If I use the term OPEB, I'm referring to other post</p>

3 (Pages 9 to 12)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

<p style="text-align: right;">Page 13</p> <p>1 JUDITH KERMANS</p> <p>2 employment benefits, okay?</p> <p>3 A. Okay.</p> <p>4 Q. Now, Ms. Kermans, a couple of other things that I</p> <p>5 think will help us out. The first is, both for the</p> <p>6 ease of our conversation and because we have a court</p> <p>7 reporter taking down the record, I would ask that you</p> <p>8 let me finish my question before you begin your answer</p> <p>9 even if you think you know where I'm going with the</p> <p>10 question, okay?</p> <p>11 A. Okay.</p> <p>12 Q. And I'll try to do you the same courtesy and not</p> <p>13 interrupt your answer with my next question, and if I</p> <p>14 do, you know, please let me know and I'll make sure</p> <p>15 that you're able to give a complete answer, okay?</p> <p>16 A. Okay.</p> <p>17 MR. ALBERTS: Just as an FYI for the folks</p> <p>18 there, the witness's statements are not really</p> <p>19 audible, so you may want to, you know, hop on the</p> <p>20 mikes for people on the phone.</p> <p>21 MR. BULLOCK: She is miked, but let's do</p> <p>22 this, let's move that over.</p> <p>23 THE WITNESS: I can speak more loudly if</p> <p>24 that's helpful.</p> <p>25 MS. GREEN: Well, and I think to your</p>	<p style="text-align: right;">Page 15</p> <p>1 JUDITH KERMANS</p> <p>2 going to assume that you did understand the question.</p> <p>3 Fair enough?</p> <p>4 A. Yes.</p> <p>5 Q. I understand that you are testifying here today in</p> <p>6 your capacity as a 30(b)(6) representative for Gabriel</p> <p>7 Roeder Smith, is that correct?</p> <p>8 A. Yes.</p> <p>9 Q. Ms. Kermans, are you on any medication this morning</p> <p>10 that would prevent you from being able to testify</p> <p>11 truthfully and accurately today?</p> <p>12 A. No.</p> <p>13 Q. Any other reason that you can think of that you would</p> <p>14 be unable to testify truthfully and accurately today?</p> <p>15 A. No.</p> <p>16 Q. If you want to take a break at any time, just let me</p> <p>17 know. The only thing that I would ask is that if</p> <p>18 there's a question pending, you answer that question</p> <p>19 before taking a break, okay?</p> <p>20 A. Okay.</p> <p>21 Q. Okay. I'm going to hand you what I've premarked as</p> <p>22 Kermans Exhibit 1.</p> <p>23 MARKED FOR IDENTIFICATION:</p> <p>24 DEPOSITION EXHIBIT 1</p> <p>25 9:16 a.m.</p>
<p style="text-align: right;">Page 14</p> <p>1 JUDITH KERMANS</p> <p>2 questions she was just kind of saying yes and nodding</p> <p>3 in agreement with you, so ...</p> <p>4 MR. BULLOCK: Just speak up. If there's</p> <p>5 still a problem, anyone on the phone, obviously, can</p> <p>6 interject and we'll try to take some remedial or</p> <p>7 corrective measures.</p> <p>8 BY MR. HOWELL:</p> <p>9 Q. In fact, you anticipated the next point I was going</p> <p>10 to, which is, you need to make sure that you give a</p> <p>11 verbal answer to any question. If you nod or shake</p> <p>12 your head or give kind of an uh-huh or nuh-uh, that</p> <p>13 can be hard for the court reporter and for everyone to</p> <p>14 pick up, okay?</p> <p>15 A. Okay.</p> <p>16 Q. And I'm naturally pretty loud, but I'll ask you, as</p> <p>17 was just requested on the phone, to try to keep your</p> <p>18 voice up, just because we do have several people</p> <p>19 listening on the phone, as well, okay?</p> <p>20 A. Okay.</p> <p>21 Q. If you don't understand the question that I've asked,</p> <p>22 I would ask you to let me know that and ask me to</p> <p>23 restate or rephrase the question, okay?</p> <p>24 A. Okay.</p> <p>25 Q. And if you do go ahead and answer a question, I'm</p>	<p style="text-align: right;">Page 16</p> <p>1 JUDITH KERMANS</p> <p>2 MR. HOWELL: For identification purposes,</p> <p>3 Kermans Exhibit 1 is the notice of 30(b)(6) deposition</p> <p>4 of Gabriel Roder Smith & Company, Docket Number 5786,</p> <p>5 filed July 7, 2014.</p> <p>6 BY MR. HOWELL:</p> <p>7 Q. Ms. Kermans, do you recognize this document?</p> <p>8 A. Yes.</p> <p>9 Q. And did you review this document in advance of your</p> <p>10 deposition?</p> <p>11 A. Yes.</p> <p>12 Q. And did you understand that pursuant to this 30(b)(6)</p> <p>13 request, Gabriel Roeder Smith was to designate someone</p> <p>14 who had knowledge of and was adequately prepared to</p> <p>15 testify concerning the topics listed in the deposition</p> <p>16 topic section of this 30(b)(6) notice?</p> <p>17 A. Yes.</p> <p>18 Q. And I just want to briefly go through the topics,</p> <p>19 which we'll cover in more detail later, just to make</p> <p>20 sure that you either have knowledge or are adequately</p> <p>21 prepared to testify on those topics.</p> <p>22 So beginning with topic one, actuarial</p> <p>23 valuations performed by Gabriel Roeder of the DGRS and</p> <p>24 DPFRS, first of all, you were involved in the</p> <p>25 actuarial valuations performed by Gabriel Roeder for</p>

4 (Pages 13 to 16)

<p style="text-align: right;">Page 17</p> <p>1 JUDITH KERMANS</p> <p>2 GRS and PFRS for the period ending June 30, 2013,</p> <p>3 correct?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. And you have knowledge regarding the actuarial</p> <p>6 valuations performed by Gabriel Roeder of the GRS and</p> <p>7 PFRS over the last several years, correct?</p> <p>8 A. Yes.</p> <p>9 Q. And turning to topic three: Analysis performed by</p> <p>10 Gabriel Roeder relating to projections of investment</p> <p>11 rates of return of the GRS and PFRS.</p> <p>12 Have you had an opportunity to prepare on</p> <p>13 that topic, as well?</p> <p>14 A. I don't know of any particular such assignments.</p> <p>15 Q. You don't know of any analysis done by Gabriel Roeder</p> <p>16 relating to projections of investment rates of return</p> <p>17 for the GRS or PFRS?</p> <p>18 A. No.</p> <p>19 Q. And did you take the opportunity to inquire of others</p> <p>20 at Gabriel Roeder as to whether anyone at Gabriel</p> <p>21 Roeder had performed an analysis relating to</p> <p>22 projection of investment rates of return for the GRS</p> <p>23 or PFRS?</p> <p>24 A. I don't understand what this topic is asking for.</p> <p>25 Q. Okay. Let me ask you, did you, did you review the</p>	<p style="text-align: right;">Page 19</p> <p>1 JUDITH KERMANS</p> <p>2 been used by GRS or -- excuse me, that have been used</p> <p>3 by Gabriel Roeder Smith in connection with actuarial</p> <p>4 valuations of GRS or PFRS?</p> <p>5 A. No.</p> <p>6 Q. The fourth topic is analyses and reviews performed by</p> <p>7 Milliman with respect to GRS and PFRS, as well as any</p> <p>8 review by Gabriel Roeder of such analyses or reviews</p> <p>9 and any communications concerning such analyses or</p> <p>10 reviews.</p> <p>11 So let me start by asking, have you</p> <p>12 yourself prior to preparation for this deposition</p> <p>13 analyzed -- or reviewed -- excuse me, reviewed any</p> <p>14 analyses or reviews performed by Milliman of the work</p> <p>15 that Gabriel Roeder Smith has done for either the GRS</p> <p>16 or the PFRS?</p> <p>17 MR. BULLOCK: Rush, objection, to the</p> <p>18 extent that it violates the mediation confidentiality</p> <p>19 order.</p> <p>20 MR. HOWELL: Okay.</p> <p>21 BY MR. HOWELL:</p> <p>22 Q. I think it may be helpful, your counsel can tell me if</p> <p>23 he disagrees, but I think it may be helpful to just</p> <p>24 put on the record early on, for the ease of our</p> <p>25 conversation for the rest of the day, that I'm not</p>
<p style="text-align: right;">Page 18</p> <p>1 JUDITH KERMANS</p> <p>2 target investment rates used by Gabriel Roeder to</p> <p>3 discount actuarial liability for the GRS and PFRS in</p> <p>4 the most recent actuarial valuation?</p> <p>5 A. I don't understand the question.</p> <p>6 Q. You understand that as part of the actuarial</p> <p>7 valuations performed by Gabriel Roeder Smith for the</p> <p>8 GRS and PFRS, there's an investment return assumption</p> <p>9 included?</p> <p>10 A. Yes.</p> <p>11 Q. And did you review the particular investment return</p> <p>12 assumptions included in the recent actuarial</p> <p>13 valuations for GRS and PFRS?</p> <p>14 A. Yes.</p> <p>15 Q. And are you aware of the fact that Gabriel Roeder</p> <p>16 Smith has on occasion conducted experience studies</p> <p>17 that relate to assumptions used in the actuarial</p> <p>18 valuations for GRS and PFRS?</p> <p>19 A. Yes.</p> <p>20 Q. And did you have occasion in preparation for this</p> <p>21 deposition to review any of those experience studies?</p> <p>22 A. Yes.</p> <p>23 Q. And is there anything else that you can think of that</p> <p>24 you did in preparation for this deposition that</p> <p>25 related to investment return assumptions that have</p>	<p style="text-align: right;">Page 20</p> <p>1 JUDITH KERMANS</p> <p>2 going to be asking you to divulge material that is</p> <p>3 subject to any mediation privilege in this case.</p> <p>4 If there are questions that you cannot</p> <p>5 answer due to mediation privilege, I would like you to</p> <p>6 make that clear. However, it should be understood</p> <p>7 that I'm not asking you to provide any information</p> <p>8 that you believe to be subject to the mediation</p> <p>9 privilege. I'm sure your counsel will step in</p> <p>10 throughout the day when he believes that may be a</p> <p>11 concern, but I think we should make that clear.</p> <p>12 Is that fair enough?</p> <p>13 A. Yes.</p> <p>14 Q. So let me go back and subject to your counsel's</p> <p>15 instruction ask, prior to your preparation for this</p> <p>16 deposition, had you ever reviewed any analysis or</p> <p>17 reviews performed by Milliman that related to work</p> <p>18 that Gabriel Roeder Smith had done for the GRS or</p> <p>19 PFRS?</p> <p>20 A. We did not, outside of mediation, do any of that type</p> <p>21 of work.</p> <p>22 Q. And in preparation for this deposition, did you review</p> <p>23 any analysis or review of Gabriel Roeder Smith's work</p> <p>24 for the GRS or PFRS that had been performed by</p> <p>25 Milliman?</p>

5 (Pages 17 to 20)

Elisa Dreier Reporting Corp. (212) 557-5558

950 Third Avenue, New York, NY 10022

<p style="text-align: right;">Page 21</p> <p>1 JUDITH KERMANS</p> <p>2 A. I don't understand the question.</p> <p>3 Q. Did you look at any Milliman documents in which anyone</p> <p>4 at Milliman reviewed work done by Gabriel Roeder Smith</p> <p>5 in its capacity as system actuary for the PFRS or GRS?</p> <p>6 A. Could you repeat the question, please?</p> <p>7 Q. Sure.</p> <p>8 MR. HOWELL: Would you mind reading that</p> <p>9 back?</p> <p>10 (The following portion of the record was</p> <p>11 read by the reporter at 9:24 a.m.:</p> <p>12 Q. "Did you look at any Milliman documents</p> <p>13 in which anyone at Milliman reviewed work</p> <p>14 done by Gabriel Roeder Smith in its</p> <p>15 capacity as system actuary for the PFRS or</p> <p>16 GRS?"</p> <p>17 MR. BULLOCK: Mr. Howell, I think it's</p> <p>18 simply the form of the question, and rather than</p> <p>19 lodging a formal objection, I think she's struggling</p> <p>20 with analysis and review, because you said looked at</p> <p>21 anything, and I think that there's a distinction</p> <p>22 between the two, and I'm happy to work our way through</p> <p>23 the question.</p> <p>24 MR. HOWELL: Okay. Well, let me try to</p> <p>25 address the form objection.</p>	<p style="text-align: right;">Page 23</p> <p>1 JUDITH KERMANS</p> <p>2 Milliman documents without performing any sort of</p> <p>3 formal analysis or review, correct?</p> <p>4 A. Yes.</p> <p>5 Q. With respect to topic number five, assumptions</p> <p>6 underlying Gabriel Roeder's actuarial valuations,</p> <p>7 including information provided to Gabriel Roeder by</p> <p>8 the DGRS, DPFRS, or the City, is that a topic that you</p> <p>9 have knowledge of?</p> <p>10 A. Yes.</p> <p>11 Q. With respect to topic number six, information provided</p> <p>12 to Gabriel Roeder regarding the DGRS and DPFRS</p> <p>13 investment policies, is that a topic which you have</p> <p>14 knowledge of?</p> <p>15 A. I have knowledge of the DGRS policy.</p> <p>16 Q. So I take it from your answer, you do not have, you do</p> <p>17 not have -- well, let me strike and go back.</p> <p>18 So I take it from your answer that you do</p> <p>19 not have knowledge of the PFRS investment policy?</p> <p>20 A. Correct.</p> <p>21 Q. And were you able to speak with others at Gabriel</p> <p>22 Roeder Smith to confirm that Gabriel Roeder Smith does</p> <p>23 not have access to the PFRS investment policy?</p> <p>24 A. No.</p> <p>25 Q. In topic number seven, any work done by Gabriel Roeder</p>
<p style="text-align: right;">Page 22</p> <p>1 JUDITH KERMANS</p> <p>2 BY MR. HOWELL:</p> <p>3 Q. All I'm trying to figure out is, are you aware that</p> <p>4 there came a time where Milliman began to do work for</p> <p>5 the City of Detroit in which Milliman provided</p> <p>6 opinions/comments on the work that Gabriel Roeder</p> <p>7 Smith had done as system actuary?</p> <p>8 A. Yes.</p> <p>9 Q. And have you had occasion to review any documents from</p> <p>10 Milliman reflecting that work that Milliman did</p> <p>11 regarding the work that Gabriel Roeder Smith had done?</p> <p>12 A. We have not been asked to perform any professional</p> <p>13 reviews or analysis of the Milliman work outside of</p> <p>14 mediation.</p> <p>15 Q. And I am not -- so here's maybe where we're talking</p> <p>16 past each other. I'm not asking whether Gabriel</p> <p>17 Roeder Smith has done any kind of formal review or</p> <p>18 formal analysis. I'm asking whether you have had the</p> <p>19 opportunity to review analysis or review done by</p> <p>20 Milliman that related to work that Gabriel Roeder</p> <p>21 Smith had done.</p> <p>22 A. We have not done any professional reviews or analysis</p> <p>23 of any of the Milliman work.</p> <p>24 Q. Okay. But you have in preparation for this deposition</p> <p>25 at least been able to review -- to look at those</p>	<p style="text-align: right;">Page 24</p> <p>1 JUDITH KERMANS</p> <p>2 relating to health care benefits provided to retiree</p> <p>3 participants of GRS and PFRS, do you have knowledge</p> <p>4 regarding that topic?</p> <p>5 A. Yes.</p> <p>6 Q. And, finally, any analysis performed by Gabriel Roeder</p> <p>7 relating to the City's plan of adjustment, do you have</p> <p>8 knowledge regarding that topic?</p> <p>9 A. We've not been asked to do a formal evaluation or</p> <p>10 review of the plan of adjustment.</p> <p>11 Q. Okay, thanks. So you kind of anticipated my next</p> <p>12 question there, but in addition to not having reviewed</p> <p>13 the City's plan of adjustment, is it also fair to say</p> <p>14 that Gabriel Roeder Smith was not involved in the</p> <p>15 drafting or creation of the City's plan of adjustment?</p> <p>16 A. We have not done any work on the plan of adjustment</p> <p>17 outside of mediation.</p> <p>18 Q. Have you ever been asked by the City -- and when I say</p> <p>19 you, I mean Gabriel Roeder Smith -- has Gabriel Roeder</p> <p>20 Smith ever been asked by the City to assist with the</p> <p>21 drafting or creation of any of the various amended</p> <p>22 plans of adjustment in this case?</p> <p>23 A. We have not done any analysis or drafting, or</p> <p>24 otherwise, outside of the mediation process.</p> <p>25 Q. I understand that you haven't done any analysis or</p>

6 (Pages 21 to 24)

Elisa Dreier Reporting Corp. (212) 557-5558

950 Third Avenue, New York, NY 10022

<p style="text-align: right;">Page 25</p> <p>1 JUDITH KERMANS</p> <p>2 done any drafting outside of the mediation process,</p> <p>3 but outside of the mediation process, have you been</p> <p>4 asked by the City to do any analysis or any drafting</p> <p>5 or any assistance with the creation of any of the</p> <p>6 plans of adjustment?</p> <p>7 A. No.</p> <p>8 Q. And is that something that Gabriel Roeder Smith would</p> <p>9 have been able to do if, if requested, specifically,</p> <p>10 to assist with work regarding the claim for the GRS or</p> <p>11 PFRS retirement systems as listed under the plan of</p> <p>12 adjustment?</p> <p>13 MR. BULLOCK: I'm going to object to the</p> <p>14 form of the question. There's an awful lot, I</p> <p>15 believe, in the plan of adjustment. So for purposes</p> <p>16 of Gabriel Roder Smith & Company, I don't believe my</p> <p>17 witness is able to respond to that question unless</p> <p>18 it's asked more specifically.</p> <p>19 MR. HOWELL: Well, let me --</p> <p>20 BY MR. HOWELL:</p> <p>21 Q. Did you understand the question?</p> <p>22 A. No.</p> <p>23 Q. Okay. Gabriel Roeder Smith has conducted multiple</p> <p>24 actuarial -- Gabriel Roeder Smith has conducted</p> <p>25 multiple actuarial valuations for the GRS and PFRS,</p>	<p style="text-align: right;">Page 27</p> <p>1 JUDITH KERMANS</p> <p>2 A. No.</p> <p>3 Q. But it was not Gabriel Roeder Smith, correct?</p> <p>4 A. It was not.</p> <p>5 Q. How long has Gabriel Roeder Smith worked with the</p> <p>6 PFRS?</p> <p>7 A. For over 70 years.</p> <p>8 Q. How long has Gabriel Roeder Smith worked with the GRS?</p> <p>9 A. For over 70 years.</p> <p>10 Q. And it's fair to say that Gabriel Roeder Smith has a</p> <p>11 long history of a working relationship with both PFRS</p> <p>12 and GRS, correct?</p> <p>13 A. Yes.</p> <p>14 Q. And, to your knowledge, have there been any complaints</p> <p>15 from the PFRS or GRS related to the actuarial</p> <p>16 valuation performed by Gabriel Roeder Smith for the</p> <p>17 PFRS and for the GRS as of June 30, 2013?</p> <p>18 A. Could you repeat the question?</p> <p>19 Q. Sure. So -- let me ask it a little bit better.</p> <p>20 So Gabriel Roeder Smith performed an</p> <p>21 actuarial valuation for the PFRS as of June 30, 2013,</p> <p>22 correct?</p> <p>23 A. Yes.</p> <p>24 Q. And that was completed in around April of 2014, is</p> <p>25 that correct?</p>
<p style="text-align: right;">Page 26</p> <p>1 JUDITH KERMANS</p> <p>2 correct?</p> <p>3 A. Yes.</p> <p>4 Q. And as part of those actuarial valuations, GRS -- or</p> <p>5 excuse me, Gabriel Roeder Smith has calculated a UAAL</p> <p>6 for the GRS and PFRS for many years, correct?</p> <p>7 A. Yes.</p> <p>8 Q. And are you aware that as part of the plan of</p> <p>9 adjustment, a UAAL was calculated for both the PFRS</p> <p>10 and GRS?</p> <p>11 A. We've not been asked to do a formal analysis or review</p> <p>12 of the plan of adjustment.</p> <p>13 Q. I think my question was a little bit different, which</p> <p>14 is, are you aware that in the plan of adjustment,</p> <p>15 there has been a calculation done for the UAAL for the</p> <p>16 PFRS and GRS as of June 30, 2013?</p> <p>17 A. I can't tell you whether it's a UAAL that's in the</p> <p>18 plan of adjustment.</p> <p>19 Q. But you understand that there has been a calculation</p> <p>20 of a claim amount for the PFRS and GRS retirement</p> <p>21 systems that's included in the various versions of the</p> <p>22 plan of adjustment, correct?</p> <p>23 A. Yes.</p> <p>24 Q. And do you have an understanding as to which actuarial</p> <p>25 firm provided those calculations?</p>	<p style="text-align: right;">Page 28</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. And since submitting that actuarial valuation of the</p> <p>4 PFRS, has Gabriel Roeder Smith received any complaints</p> <p>5 from the PFRS regarding the accuracy of the work done</p> <p>6 by Gabriel Roeder Smith in its annual actuarial</p> <p>7 valuation for the PFRS as of June 30, 2013?</p> <p>8 A. No.</p> <p>9 Q. Gabriel Roeder Smith also conducted a June 30, 2013,</p> <p>10 actuarial valuation for the GRS, correct?</p> <p>11 A. Yes.</p> <p>12 Q. Gabriel Roeder Smith also submitted that actuarial</p> <p>13 valuation for the GRS around April of 2014, correct?</p> <p>14 A. Yes.</p> <p>15 Q. Have there been any complaints from the GRS regarding</p> <p>16 the accuracy of the actuarial valuation for the GRS</p> <p>17 performed as of June 30, 2013?</p> <p>18 A. No.</p> <p>19 Q. Any other complaints that you are aware of that the</p> <p>20 GRS has made regarding the annual actuarial valuation</p> <p>21 as of June 30, 2013, for the GRS?</p> <p>22 A. No.</p> <p>23 Q. Any other complaints that you're aware of -- or any</p> <p>24 complaints that you're aware of from the PFRS</p> <p>25 regarding Gabriel Roeder Smith's June 30, 2013, annual</p>

7 (Pages 25 to 28)

<p style="text-align: right;">Page 29</p> <p>1 JUDITH KERMANS</p> <p>2 actuarial valuation for the PFRS?</p> <p>3 A. No.</p> <p>4 Q. Would you say that Gabriel Roeder Smith or Milliman</p> <p>5 has more knowledge of the history of the PFRS and GRS</p> <p>6 systems?</p> <p>7 A. Gabriel Roeder Smith.</p> <p>8 Q. Would you say that Gabriel Roeder Smith or Milliman</p> <p>9 has more extensive history of work with the PFRS?</p> <p>10 A. Gabriel Roeder Smith.</p> <p>11 Q. The same for the GRS?</p> <p>12 A. Yes.</p> <p>13 MR. BULLOCK: Right, I'd like to make sure</p> <p>14 our record is accurate. If you're moving off the</p> <p>15 notice now, I suspect, where you've referenced the</p> <p>16 notice of the 30(b)(6) deposition of Gabriel Roder</p> <p>17 Smith & Company, found at Docket 5786, filed on 7-7 of</p> <p>18 2014, we're actually here on the second amended</p> <p>19 notice, found at Docket 6439.</p> <p>20 And although Ms. Kermans has, I think,</p> <p>21 adequately and accurately recited the breadth of her</p> <p>22 knowledge and will continue to testify, the second</p> <p>23 amended notice, which provided at exhibit, or</p> <p>24 schedule A the subject matter --</p> <p>25 MR. HOWELL: Yes.</p>	<p style="text-align: right;">Page 31</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Now, if you turn to page 2 of an April 4 -- well, I</p> <p>3 guess if you turn to the third page of this document,</p> <p>4 do you see a letter from April 4, 2014, to the board</p> <p>5 of trustees of the Police and Fire Retirement Systems</p> <p>6 that's from Gabriel Roeder Smith?</p> <p>7 A. Yes.</p> <p>8 Q. And if you turn to the second page of this letter, you</p> <p>9 were one of the signatories to this letter, correct?</p> <p>10 A. Yes.</p> <p>11 Q. Now, kind of in general terms, can you tell me what</p> <p>12 the purpose of performing an annual actuarial</p> <p>13 valuation for a pension system is?</p> <p>14 A. The purpose is to determine the contribution rate for</p> <p>15 the fiscal year that is lined up with the valuation.</p> <p>16 Q. Could you also walk me through the process that</p> <p>17 generally would go into the creation of an annual</p> <p>18 actuarial valuation for a pension system?</p> <p>19 A. The general process would be that we would request</p> <p>20 information from the retirement system, and then we</p> <p>21 would receive that information, including census data,</p> <p>22 financial information, and plan provisions.</p> <p>23 Then we would review that information, ask</p> <p>24 any questions, receive responses to the questions,</p> <p>25 process the data, and calculate the contribution rate,</p>
<p style="text-align: right;">Page 30</p> <p>1 JUDITH KERMANS</p> <p>2 MR. BULLOCK: -- there is no schedule A and</p> <p>3 no subject matter on the second amended notice.</p> <p>4 You may continue.</p> <p>5 MARKED FOR IDENTIFICATION:</p> <p>6 DEPOSITION EXHIBIT 2</p> <p>7 9:38 a.m.</p> <p>8 BY MR. HOWELL:</p> <p>9 Q. I'm going to hand you what I've marked as Kermans</p> <p>10 Exhibit 2.</p> <p>11 MR. HOWELL: For identification purposes,</p> <p>12 Kermans Exhibit 2 does not have a Bates range, however</p> <p>13 is labeled Gabriel Roder Smith & Company, a document</p> <p>14 entitled the Police and Fire Retirement System of the</p> <p>15 City of Detroit, 72nd Annual Actuarial Valuation,</p> <p>16 June 30, 2013, and was produced in this case.</p> <p>17 I'm not sure of the entity due to the lack</p> <p>18 of a Bates number.</p> <p>19 BY MR. HOWELL:</p> <p>20 Q. Ms. Kermans, do you recognize this document?</p> <p>21 A. Yes.</p> <p>22 Q. And is this document the annual actuarial valuation as</p> <p>23 of June 30, 2013, for the PFRS that we've referenced a</p> <p>24 couple of times?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 32</p> <p>1 JUDITH KERMANS</p> <p>2 draft a report, meet with the retirement system</p> <p>3 trustees. That would be it.</p> <p>4 Q. Would you typically meet with the retirement system</p> <p>5 trustees before or after issuing a draft report?</p> <p>6 A. I don't understand the question.</p> <p>7 Q. Well, two of the steps that you laid out, one was</p> <p>8 Gabriel Roeder Smith will typically draft a report,</p> <p>9 correct?</p> <p>10 A. Yes.</p> <p>11 Q. And another step you said was that Gabriel Roeder</p> <p>12 Smith will typically meet with retirement system</p> <p>13 trustees, correct?</p> <p>14 A. Yes.</p> <p>15 Q. Is the meeting -- in kind of a general sense, is the</p> <p>16 meeting with retirement system trustees typically</p> <p>17 before or after Gabriel Roeder Smith has issued a --</p> <p>18 its report to the retirement systems?</p> <p>19 A. We issue a draft report to the retirement systems.</p> <p>20 Then we meet with the retirement systems to review the</p> <p>21 report with them, and then afterwards we issue a final</p> <p>22 report.</p> <p>23 Q. And what is the purpose of the meeting with the</p> <p>24 retirement system trustees after you've submitted a</p> <p>25 draft report but before you have submitted the final</p>

8 (Pages 29 to 32)

<p style="text-align: right;">Page 33</p> <p>1 JUDITH KERMANS</p> <p>2 report?</p> <p>3 A. To go through the results of the valuation.</p> <p>4 Q. And if the retirement system trustees have issues that</p> <p>5 they see with the draft report, is that an opportunity</p> <p>6 for them to raise those issues with Gabriel Roeder</p> <p>7 Smith?</p> <p>8 A. Yes.</p> <p>9 Q. And from time to time will Gabriel Roeder Smith make</p> <p>10 adjustments to its draft report that will be reflected</p> <p>11 in the final report based on the conversation, the</p> <p>12 meeting with a pension plan's board of trustees?</p> <p>13 A. Rarely, but yes.</p> <p>14 Q. Can you recall whether there was a meeting with the</p> <p>15 PFRS retirement system trustees between issuing a</p> <p>16 draft report and the final report of this 72nd annual</p> <p>17 actuarial valuation for the period ending June 30,</p> <p>18 2013?</p> <p>19 A. I believe there was a meeting.</p> <p>20 Q. And do you recall whether as a result of that meeting</p> <p>21 there were any changes between the draft report</p> <p>22 submitted to the PFRS and the final report submitted</p> <p>23 to the PFRS?</p> <p>24 A. Well, the draft report is actually only a portion of</p> <p>25 the final report.</p>	<p style="text-align: right;">Page 35</p> <p>1 JUDITH KERMANS</p> <p>2 pages that would include the -- that would be included</p> <p>3 in the draft report?</p> <p>4 A. Pages 13 and 14.</p> <p>5 Q. Pages 13 and 14 are the comments and conclusion pages?</p> <p>6 A. Yes.</p> <p>7 Q. And, typically, would the comments and conclusion</p> <p>8 pages undergo any changes between draft and final</p> <p>9 absent any comments from the trustees during a review?</p> <p>10 A. No.</p> <p>11 Q. So you've help me out by pointing out pages 3, pages</p> <p>12 13 and 14 and 20 as key pages. Any others that you've</p> <p>13 noted?</p> <p>14 A. I can't recall.</p> <p>15 Q. Now, turning back to the April 4, 2014, letter that is</p> <p>16 pages, the pages marked 1 and 2 in this Kermans</p> <p>17 Exhibit 2, what is the purpose of this letter that is</p> <p>18 at the front of the annual actuarial valuation?</p> <p>19 A. The purpose of the letter is to indicate what the</p> <p>20 purpose of the report is for.</p> <p>21 Q. And that purpose of the report is the same that you've</p> <p>22 described to me a few minutes ago regarding why</p> <p>23 Gabriel Roeder Smith typically issues annual actuarial</p> <p>24 valuations?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 34</p> <p>1 JUDITH KERMANS</p> <p>2 Q. What, typically, would be added between the draft</p> <p>3 stage and the final stage to this sort of annual</p> <p>4 actuarial valuation?</p> <p>5 A. The draft report only has three or four key pages from</p> <p>6 the full report.</p> <p>7 Q. And which are the key pages from a draft -- or from</p> <p>8 what will become a final report that are usually</p> <p>9 included in the draft report?</p> <p>10 A. I don't recall all of the pages, but the -- page 3</p> <p>11 would have been included in the draft.</p> <p>12 Q. And when you say page 3, you're referring to the page</p> <p>13 marked 3 of Kermans Exhibit 2 that says Employer</p> <p>14 Contribution Rates Computed Payable Last Day of Fiscal</p> <p>15 Year at the top?</p> <p>16 A. Yes.</p> <p>17 Q. Other than that page 3, are there any other pages here</p> <p>18 that you would recognize as being part of the key</p> <p>19 pages that would be included in a draft?</p> <p>20 A. Page 20.</p> <p>21 Q. And page 20 is the one with funding value of assets at</p> <p>22 the top, correct?</p> <p>23 A. Yes.</p> <p>24 Q. Okay. Other than page 3 and page 20, do you recognize</p> <p>25 any additional pages that would be part of the key</p>	<p style="text-align: right;">Page 36</p> <p>1 JUDITH KERMANS</p> <p>2 Q. And this particular annual actuarial valuation, I take</p> <p>3 it, is the final, not a draft report, correct?</p> <p>4 A. Yes.</p> <p>5 Q. And it was issued in April of 2014, correct?</p> <p>6 A. Yes.</p> <p>7 Q. And the PFRS was already in -- or, excuse me, the --</p> <p>8 as of April 4, 2014, the City of Detroit was already</p> <p>9 in bankruptcy, correct?</p> <p>10 A. Yes.</p> <p>11 Q. Now, the date of the valuation was June 30, 2013. Is</p> <p>12 the time period between June 30, 2013, and the</p> <p>13 issuance of this annual actuarial valuation on</p> <p>14 April 4, 2014, typical for around the amount of time</p> <p>15 that usually takes place between a valuation date and</p> <p>16 the issuance of a valuation report?</p> <p>17 A. It varies.</p> <p>18 Q. And if you had to kind of ballpark the general range,</p> <p>19 around how long would you say that variance is, from</p> <p>20 how long to how long?</p> <p>21 A. Could you repeat the question?</p> <p>22 Q. Sure. In your typical experience, what would you say</p> <p>23 is the range of time between the measurement date for</p> <p>24 a valuation report and the date of issuance of that</p> <p>25 valuation report?</p>

9 (Pages 33 to 36)

<p style="text-align: right;">Page 37</p> <p>JUDITH KERMANS</p> <p>A. Six months to a year.</p> <p>Q. So the time between the valuation date here and the issuance of this final report would fit, you know, well within that kind of typical range, fair to say?</p> <p>A. Yes.</p> <p>Q. There's an appendix to, to the annual actuarial valuation that lists the actuarial assumptions used in the valuation, correct?</p> <p>A. I would not call it an appendix.</p> <p>Q. Okay. Well, I'm specifically referring to the section -- well, first of all, let's look at page 1 of the April 4 letter. About two-thirds of the way down the page there's a paragraph beginning the actuarial assumptions. Do you see that?</p> <p>A. Yes, it's called an appendix.</p> <p>Q. Okay. Well, just to be clear for the record, so the actuarial assumptions used in the valuation are, are what I'll find in the section that's marked appendix in this report, correct?</p> <p>A. Yes.</p> <p>Q. And are these assumptions that are included in the appendix in whole or in part provided to the, the retirement system in advance of issuance of the final report?</p>	<p style="text-align: right;">Page 39</p> <p>JUDITH KERMANS</p> <p>conclusion section?</p> <p>A. Yes.</p> <p>Q. And you see that kind of the first section on that page is experience during the past year?</p> <p>A. Yes.</p> <p>Q. And you see that it says: Investment experience for the year ended June 30, 2013, was favorable, with a market rate of return of 14.4 percent, which is 6.4 percent above the assumed 8 percent investment rate of return. Do you see that?</p> <p>A. Yes.</p> <p>Q. So that would be an example of one of the actuarial assumptions that was included, the eight percent investment rate of return assumption that was included in the draft report, correct?</p> <p>A. Yes.</p> <p>Q. Now, I'll turn your attention to page 2 of the April 4 letter that's at the, kind of the front of Kermans Exhibit 2, and let me know when you're with me there.</p> <p>A. I'm there.</p> <p>Q. Okay, and the second -- well, actually, let me start with -- at the bottom there are three different people who have signed this letter, correct?</p> <p>A. Yes.</p>
<p style="text-align: right;">Page 38</p> <p>JUDITH KERMANS</p> <p>A. I don't recall whether they are part of the draft report.</p> <p>Q. And you don't recall whether they typically are or whether they specifically were in this case, is that fair?</p> <p>A. Either.</p> <p>Q. Now, some of the assumptions would be included in the comments and conclusion section that you said was included in the draft report that's on pages 13 and 14, correct?</p> <p>A. Yes.</p> <p>Q. For instance, under experience during the past year on page 13, we can see that there is an assumed eight percent --</p> <p>MR. BULLOCK: Just hold on a minute.</p> <p>MR. HOWELL: Certainly, sorry.</p> <p>MR. BULLOCK: Thank you. Okay, go ahead.</p> <p>MR. HOWELL: I'm sorry about that.</p> <p>MR. BULLOCK: And I apologize for interrupting you. I just think it's important --</p> <p>MR. HOWELL: No problem.</p> <p>MR. BULLOCK: -- that she sees that, so ...</p> <p>BY MR. HOWELL:</p> <p>Q. So are you with me on page 13, the comments and</p>	<p style="text-align: right;">Page 40</p> <p>JUDITH KERMANS</p> <p>Q. Can you describe what your role -- you were one of the three signatories, correct?</p> <p>A. Yes.</p> <p>Q. Can you describe what your role was in putting together the 72nd annual actuarial valuation, dated June -- for the period ending June 30, 2013, for the PFRS?</p> <p>A. I'm one of the signing actuaries.</p> <p>Q. And as a signing actuary, what are your kind of roles and responsibilities with respect to an actuarial valuation?</p> <p>A. A signing actuary has responsibility for the report and the contents of it.</p> <p>Q. Now, earlier you described several steps that go into the creation of one of these annual actuarial valuation reports, including requesting information from the system, review of that information, requesting the data, et cetera, et cetera.</p> <p>As a signing actuary, kind of what steps are you involved in in the process, other than kind of ultimate signoff on the material that's contained within the report?</p> <p>A. I would review the analysis that was done by one of the team members of the data that was received, I</p>

10 (Pages 37 to 40)

<p style="text-align: right;">Page 41</p> <p>JUDITH KERMANS</p> <p>would review any calculations, and I would compare our four-person peer review and analysis procedures with what was done, and I would perhaps draft some of the comments or review comments that were drafted by others, and I would be responsible for the presentation to the board of trustees.</p> <p>Q. One of the things that you said you would be involved with was to review the analysis done by team members for the project, is that correct?</p> <p>A. Yes.</p> <p>Q. Do you recall how many people were on the team for putting together the June 30, 2013, annual actuarial valuation for the PFRS?</p> <p>A. Yes.</p> <p>Q. How many people were on the team?</p> <p>A. The three folks listed here; plus, there would be one or two analysts involved, as well.</p> <p>Q. Is it the same team for the PFRS and the GRS actuarial valuation reports?</p> <p>A. These three folks are involved in both. The analysts might not be the same.</p> <p>Q. And can you recall how many analysts you used for the June 30, 2013, actuarial valuation for the GRS?</p> <p>A. Two.</p>	<p style="text-align: right;">Page 43</p> <p>JUDITH KERMANS</p> <p>Q. Now, what was the role of Kenneth Alberts with respect to putting together this valuation?</p> <p>A. Kenneth is the project coordinator.</p> <p>Q. And, in general, what are the roles and responsibilities of a project coordinator at Gabriel Roeder Smith working on a valuation report?</p> <p>A. Kenneth would supervise the analysts that are doing the initial work and make sure that information is received and analyzed from the client. Kenneth also would be one of the individuals that would go to the meeting with the board of trustees.</p> <p>Q. Would you have the role as sort of the lead presenter of -- to the board of trustees of the report?</p> <p>A. It would be a shared responsibility with either David or Kenneth --</p> <p>Q. Okay.</p> <p>A. -- and myself.</p> <p>Q. So let's speak about David. How do you pronounce this is last name?</p> <p>A. Kausch.</p> <p>Q. Okay. So what were David Kausch's responsibilities with respect to this PFRS valuation report that's Exhibit 2?</p> <p>A. Similar to my responsibilities, he's the other signing</p>
<p style="text-align: right;">Page 42</p> <p>JUDITH KERMANS</p> <p>Q. And I think you said it was one or two for the PFRS. Do you remember, specifically?</p> <p>A. It's two for the PFRS, as well.</p> <p>Q. And I take it that you work as signing actuary for multiple projects, not just for the PFRS and GRS, correct?</p> <p>A. Correct.</p> <p>Q. And you work with different analysts when you work on different projects, is that correct?</p> <p>A. Yes.</p> <p>Q. And have you had an opportunity to work with the analysts who you worked with on the PFRS valuation for June 30, 2013, on other projects, as well?</p> <p>A. Yes.</p> <p>Q. And are you -- do you have a favorable opinion of the work done by those analysts?</p> <p>A. Yes.</p> <p>Q. Do you also have experience outside of the GRS valuation in working with the analysts who assisted with the GRS valuation?</p> <p>A. Yes.</p> <p>Q. And do you have a favorable opinion of the work done by those analysts?</p> <p>A. Yes.</p>	<p style="text-align: right;">Page 44</p> <p>JUDITH KERMANS</p> <p>actuary.</p> <p>Q. Does Gabriel Roeder Smith typically have two signing actuaries for valuation reports they provide?</p> <p>A. Yes.</p> <p>Q. Have you had an opportunity to work with Mr. Kausch on other assignments during your time at Gabriel Roeder Smith?</p> <p>A. Yes.</p> <p>Q. And what's your opinion of the work done by Mr. Kausch?</p> <p>A. It's excellent.</p> <p>Q. And the same question for the work generally done by Mr. Alberts?</p> <p>A. Same opinion.</p> <p>Q. So it's fair to say that you feel that the team that worked on this, these June 30, 2013, actuarial valuations for both PFRS and GRS is a competent valuation report team?</p> <p>A. Yes.</p> <p>Q. And you would consider your co-workers to be a team that you're excited and happy to work with, correct?</p> <p>A. Yes.</p> <p>Q. To the extent that any of us can be excited and happy to work with on any project.</p>

11 (Pages 41 to 44)

<p style="text-align: right;">Page 45</p> <p>1 JUDITH KERMANS</p> <p>2 Now, in, in the list of kind of roles and</p> <p>3 responsibilities that you provided for the signing</p> <p>4 actuary on a valuation report, one thing that you said</p> <p>5 was prepare for peer review. Can you describe what</p> <p>6 the process is for having an actuarial valuation peer</p> <p>7 review at Gabriel Roeder Smith?</p> <p>8 A. We have a four-person process at Gabriel Roder Smith &</p> <p>9 Company that involves a doer, a checker, a reviewer,</p> <p>10 and a peer reviewer.</p> <p>11 Q. Okay. What does the doer do?</p> <p>12 A. The doer is the individual that takes the data and</p> <p>13 pushes it through the Gabriel Roder Smith & Company</p> <p>14 proprietary software, does the initial calculations</p> <p>15 and spreadsheet work.</p> <p>16 Q. So here that would have been one of the two analysts</p> <p>17 on the team for either PFRS or GRS?</p> <p>18 A. Yes.</p> <p>19 Q. What does the checker do?</p> <p>20 A. The checker reviews all of the calculations and</p> <p>21 decisions of the doer.</p> <p>22 Q. I'm going to guess, I could be wrong here, but would</p> <p>23 Mr. Alberts be in the role of the checker here or is</p> <p>24 it someone else that's one of the analysts?</p> <p>25 A. The analysts.</p>	<p style="text-align: right;">Page 47</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Would anyone else besides the three people listed here</p> <p>3 be involved in the peer review process in looking over</p> <p>4 this valuation report?</p> <p>5 A. Not officially.</p> <p>6 Q. How about unofficially?</p> <p>7 A. Any number of people may have looked at this report.</p> <p>8 Q. So from time to time when working on a report at</p> <p>9 Gabriel Roeder Smith you may ask some of your other</p> <p>10 certified colleagues to take a look at a report and</p> <p>11 give their thoughts or comments?</p> <p>12 A. Correct.</p> <p>13 Q. And do you remember whether that was specifically done</p> <p>14 with respect to this report or not?</p> <p>15 A. I don't.</p> <p>16 Q. Okay. In the second paragraph on page 2, it begins:</p> <p>17 This report has been prepared by actuaries. Do you</p> <p>18 see that --</p> <p>19 A. Yes.</p> <p>20 Q. -- paragraph? Okay. So that sentence says: This</p> <p>21 report has been prepared by actuaries who have</p> <p>22 substantial experience valuing public sector</p> <p>23 retirement systems.</p> <p>24 You stand behind that statement, right?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 46</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Okay. Who, then, serves as the reviewer for this</p> <p>3 project?</p> <p>4 A. It depends. We do occasionally switch those roles. I</p> <p>5 believe that Mr. Alberts was the reviewer on this</p> <p>6 particular report.</p> <p>7 Q. And the role of a reviewer, then, I take it is just</p> <p>8 what you laid out earlier when you spoke about</p> <p>9 Mr. Alberts' kind of roles and responsibilities on</p> <p>10 this project, is that accurate?</p> <p>11 A. Yes.</p> <p>12 Q. And then the peer reviewer, what does the peer</p> <p>13 reviewer do?</p> <p>14 A. The two peer reviewers in this case look everything</p> <p>15 over, check for reasonableness, compare the decisions</p> <p>16 made with actuarial standards of practice, and see if</p> <p>17 the results seem reasonable, make sure all of the work</p> <p>18 was done in a proper fashion.</p> <p>19 Q. Are the peer reviewers typically other signing</p> <p>20 actuaries that work on other projects, or is there</p> <p>21 another group of people who typically do peer review?</p> <p>22 A. We all do peer review if we are credentialed.</p> <p>23 Q. And do you recall who did the peer review for the</p> <p>24 June 30, 2013, valuations for PFRS and GRS?</p> <p>25 A. Both David Kausch and myself.</p>	<p style="text-align: right;">Page 48</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Do you personally have substantial experience valuing</p> <p>3 public sector retirement systems?</p> <p>4 A. Yes.</p> <p>5 Q. Around how many different public sector retirement</p> <p>6 systems have you had the opportunity to work in</p> <p>7 valuing?</p> <p>8 MR. BULLOCK: Counsel, are you looking for</p> <p>9 simply an estimate?</p> <p>10 MR. HOWELL: Yes, just an estimate.</p> <p>11 A. Fifty.</p> <p>12 BY MR. HOWELL:</p> <p>13 Q. Do you have an understanding as to around the number</p> <p>14 of public sector retirement systems that Mr. Kausch</p> <p>15 would have valued in the past, just -- again, just an</p> <p>16 estimate?</p> <p>17 A. Twenty-five.</p> <p>18 Q. Same question for Mr. Alberts.</p> <p>19 A. Fifty.</p> <p>20 Q. The next sentence says: To the best of our knowledge,</p> <p>21 this report is complete and accurate and was made in</p> <p>22 accordance with standards of practice promulgated by</p> <p>23 the Actuarial Standards Board of the American Academy</p> <p>24 of Actuaries.</p> <p>25 You stand behind that statement, correct?</p>

12 (Pages 45 to 48)

<p style="text-align: right;">Page 49</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. Since issuing this report, have you become aware of</p> <p>4 any inaccuracies within this report?</p> <p>5 A. No.</p> <p>6 Q. Since issuing the report dated -- well, issued in</p> <p>7 April of 2014 but that was for the period ending</p> <p>8 June 30, 2013, for the GRS, are you aware of any</p> <p>9 inaccuracies in that report?</p> <p>10 A. No.</p> <p>11 Q. Do you still today believe this report to be complete</p> <p>12 as it was at the time that you issued it?</p> <p>13 A. Yes.</p> <p>14 Q. The next sentence says: The actuarial assumptions</p> <p>15 used for the valuation produce reports which,</p> <p>16 individually and in the aggregate, are reasonable.</p> <p>17 Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. And you stand by that statement, correct?</p> <p>20 A. Yes.</p> <p>21 Q. And so if I understand that statement correctly, it</p> <p>22 means that the, the individual actuarial assumptions,</p> <p>23 they are each, in the view of Gabriel Roeder Smith,</p> <p>24 reasonable actuarial assumptions, correct?</p> <p>25 A. For this purpose of this report, yes.</p>	<p style="text-align: right;">Page 51</p> <p>1 JUDITH KERMANS</p> <p>2 on how to do our work.</p> <p>3 Q. Do you have any other -- are you a member of any other</p> <p>4 actuarial associations besides the American Academy of</p> <p>5 Actuaries?</p> <p>6 A. I am a member of the Conference of Consulting</p> <p>7 Actuaries. I'm a fellow of the Conference of</p> <p>8 Consulting Actuaries.</p> <p>9 Q. Are you aware of whether or not Mr. Kausch is a member</p> <p>10 of any other actuarial associations besides the</p> <p>11 American Academy of Actuaries?</p> <p>12 A. He's a fellow of the Society of Actuaries. I also</p> <p>13 believe that he is a fellow of the Conference of</p> <p>14 Actuaries.</p> <p>15 MR. GALLAGHER: Mr. Howell, Sean Gallagher</p> <p>16 here. It sounds to me like we've had someone else</p> <p>17 join the conference on the telephone, but we didn't</p> <p>18 get a name of that person.</p> <p>19 Could that person please announce their</p> <p>20 presence on the phone?</p> <p>21 MR. GROSMAN: Yes, it's Chris Grosman, from</p> <p>22 the Carson Fischer firm, on behalf of Oakland County.</p> <p>23 MR. GALLAGHER: Thank you, Mr. Grosman.</p> <p>24 Sorry, Rush.</p> <p>25 MR. HOWELL: No, thanks for pointing that</p>
<p style="text-align: right;">Page 50</p> <p>1 JUDITH KERMANS</p> <p>2 Q. And apologies if I've asked this already, but could</p> <p>3 you elaborate what you mean by for the purpose of this</p> <p>4 report?</p> <p>5 A. This report is a specific measurement, the calculation</p> <p>6 of a contribution rate for a fiscal year. For that</p> <p>7 purpose, the assumptions are, individually and in the</p> <p>8 aggregate, reasonable.</p> <p>9 Q. Now, in order to get to that contribution rate,</p> <p>10 another calculation that goes into this report is the</p> <p>11 calculation of the UAAL as of June 30, 2013, for the</p> <p>12 PFRS, correct?</p> <p>13 A. Yes.</p> <p>14 Q. And in order for the calculation for the contribution</p> <p>15 rate to be complete and accurate, the calculation for</p> <p>16 the UAAL as of June 30, 2013, also needs to be</p> <p>17 complete and accurate, correct?</p> <p>18 A. Yes.</p> <p>19 Q. In the fourth paragraph it says: David Kausch and</p> <p>20 Judith Kermans are members of the American Academy of</p> <p>21 Actuaries (MAAA).</p> <p>22 Could you just briefly describe for me what</p> <p>23 the American Academy of Actuaries is?</p> <p>24 A. It's one of the professional organizations that</p> <p>25 actuaries typically belong to. It provides guidance</p>	<p style="text-align: right;">Page 52</p> <p>1 JUDITH KERMANS</p> <p>2 out.</p> <p>3 BY MR. HOWELL:</p> <p>4 Q. What are the qualification standards of the American</p> <p>5 Academy of Actuaries to render actuarial opinions?</p> <p>6 A. We have actuarial standards of practice that we have</p> <p>7 to follow when we do our work, and the American</p> <p>8 Academy of Actuaries provides those standards for us.</p> <p>9 There are 48 of them.</p> <p>10 Q. Do you have to take any sort of test or is it -- or is</p> <p>11 there a different process by which you meet the</p> <p>12 qualification standards?</p> <p>13 A. You meet the qualifications through exam, examinations</p> <p>14 and also through experience.</p> <p>15 Q. In the bottom full paragraph on this page it says:</p> <p>16 The plan sponsor (City of Detroit) is currently in</p> <p>17 Chapter 9 bankruptcy. Due to this situation, there is</p> <p>18 a great deal of uncertainty regarding the structure of</p> <p>19 the plan. If the plan structure changes as a result</p> <p>20 of the bankruptcy, the board should consider having</p> <p>21 this report reissued to account for those changes.</p> <p>22 Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. And you believe that was a prudent recommendation at</p> <p>25 the time?</p>

13 (Pages 49 to 52)

<p style="text-align: right;">Page 53</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. Has the board for the PFRS reached out to Gabriel</p> <p>4 Roeder Smith regarding having this report reissued?</p> <p>5 A. No.</p> <p>6 Q. Has the board of the GRS reached out to Gabriel Roeder</p> <p>7 Smith about having the GRS June 30, 2013, valuation</p> <p>8 report reissued?</p> <p>9 A. No.</p> <p>10 Q. If you'll turn with me to page 4 of Kermans Exhibit 2,</p> <p>11 at the top it says Actuarial Accrued Liabilities as of</p> <p>12 June 30, 2013. Are you -- tell me when you're with me</p> <p>13 there.</p> <p>14 A. I'm there.</p> <p>15 MR. BULLOCK: Counsel, we've been at this</p> <p>16 for about an hour. When you find a reasonable place</p> <p>17 to break, can we take a minute or two break?</p> <p>18 MR. HOWELL: I'm perfectly happy to break</p> <p>19 now if we'd like to take a five or ten-minute break.</p> <p>20 MR. BULLOCK: This would be a good point.</p> <p>21 MR. HOWELL: Okay, great.</p> <p>22 MR. BULLOCK: Thank you.</p> <p>23 VIDEO TECHNICIAN: The time is 10:09 a.m.</p> <p>24 We are now off the record.</p> <p>25 (Off the record at 10:09 a.m.)</p>	<p style="text-align: right;">Page 55</p> <p>1 JUDITH KERMANS</p> <p>2 page 3, you can match it.</p> <p>3 Q. And where on page 3 will I match that \$71 million in</p> <p>4 prior-year contributions that were not made?</p> <p>5 A. Under the row titled past-due payments for fiscal year</p> <p>6 2013.</p> <p>7 Q. And do you have an understanding as to whether those</p> <p>8 past-due payments of fiscal year 2013 were entirely</p> <p>9 past-due payments during that year or whether that</p> <p>10 included the roll forward of other past-due payments</p> <p>11 from prior years besides fiscal year 2013?</p> <p>12 A. I don't understand the question.</p> <p>13 Q. Well, I guess my question is, do you have an</p> <p>14 understanding as to whether there were past-due</p> <p>15 payments for fiscal year 2012 at the time of the</p> <p>16 June 30, 2012, valuation report?</p> <p>17 A. I don't have an understanding.</p> <p>18 Q. And so you don't know whether that \$71 million of</p> <p>19 past-due payments from fiscal year 2013 all related to</p> <p>20 payments that originated in fiscal year 2013?</p> <p>21 A. The 71 million is entirely related to past-due</p> <p>22 payments from fiscal year 2013. I don't know if there</p> <p>23 were additional payments that were outstanding at the</p> <p>24 time from '12.</p> <p>25 Q. If you turn with me to page 5, with Valuation Results</p>
<p style="text-align: right;">Page 54</p> <p>1 JUDITH KERMANS</p> <p>2 (Back on the record at 10:22 a.m.)</p> <p>3 VIDEO TECHNICIAN: The time is 10:22 a.m.</p> <p>4 We are now on the record.</p> <p>5 BY MR. HOWELL:</p> <p>6 Q. Ms. Kermans, before we went off the record, we were</p> <p>7 looking at page 4, or the page marked 4 in Kermans</p> <p>8 Exhibit 2, the June 20 -- June 30, 2013, valuation for</p> <p>9 PFRS. Are you with me on page 4 there?</p> <p>10 A. Yes.</p> <p>11 Q. And this page is entitled Actuarial Accrued</p> <p>12 Liabilities as of June 30, 2013, correct?</p> <p>13 A. Correct.</p> <p>14 Q. And the unfunded actuarial accrued liability,</p> <p>15 otherwise known as UAAL, at the bottom of the page is</p> <p>16 listed at a little over \$415,600,000 right?</p> <p>17 A. Correct.</p> <p>18 Q. Now, there's a pound signal that, if we follow to the</p> <p>19 bottom of the page shows that that number assumes that</p> <p>20 past-due contributions of \$71 million are not made.</p> <p>21 Do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. Do you have an understanding as to what those \$71</p> <p>24 million of past-due contributions refer to?</p> <p>25 A. Contributions for prior fiscal years. If you look at</p>	<p style="text-align: right;">Page 56</p> <p>1 JUDITH KERMANS</p> <p>2 Comparative Statement at the top?</p> <p>3 A. Yes.</p> <p>4 Q. We see that the computed total in the second-to-bottom</p> <p>5 row, the 2013(c) for the actuarial accrued liability,</p> <p>6 or the AAL, is \$3,890,000 and change, correct?</p> <p>7 A. Yes.</p> <p>8 Q. And then the unfunded amount in 2013(c) is that 415</p> <p>9 million amount that we just saw, correct?</p> <p>10 A. Yes.</p> <p>11 Q. And if you subtract out the 71 million in past</p> <p>12 contributions or you assume that those contributions</p> <p>13 will be made, that's what would take you to row</p> <p>14 2013(d), correct?</p> <p>15 A. Yes.</p> <p>16 Q. Now, if I want to get an unfunded percentage, I could</p> <p>17 just take the unfunded number there of 415 million and</p> <p>18 change and divide that by the AAL computed total of</p> <p>19 3.89 million and change, correct -- 3.89 billion and</p> <p>20 change, correct?</p> <p>21 A. I don't understand the purpose of that calculation.</p> <p>22 Q. Well, that's okay, I'm just asking -- I mean, you do</p> <p>23 calculate -- in fact, in this report you list a funded</p> <p>24 percentage, correct?</p> <p>25 A. Correct.</p>

14 (Pages 53 to 56)

JUDITH KERMANS

Q. And it may take me a couple questions that don't make sense to get to that, but if I wanted to know the unfunded percentage, it would be one minus the funded percentage, correct?

A. Correct.

Q. Okay. So if you have a 90 percent funded percentage, you have a 10 percent unfunded percentage, fair enough?

A. Yes.

Q. So if I wanted to know what the unfunded percentage was here, I could take the 415 million and divide that by the AAL number of 3.89 billion, correct?

A. Yes.

Q. And so if I wanted the funded percentage, it would be one minus the result of 415 million and change divided by 3.89 billion and change, right?

A. Yes.

Q. And now that funded percentage, if you turn with me to page 13, the comments and conclusion section, under the section that's employer contribution rate, are you with me in that section?

A. Yes.

Q. About halfway down the paragraph there's a sentence that says: As of June 30, 2013, the system is 89.3

JUDITH KERMANS

That 89.3 funded percentage is not done on a market value basis, correct?

A. Correct.

Q. Now, could you describe for me the difference between that funded percentage calculation and a funded percentage calculation done on a market value basis?

A. In this plan, if that calculation were done on a market value basis, the number would be 78 percent rather than 89.3 percent.

Q. Okay, and I may not have asked the question very clearly. I understand that that's the result. I'm asking, in kind of a more general sense, what's the difference between a market value funding percentage calculation and the calculation that led to the 89.3 percent, not the actual numerical difference but kind of the methodological difference?

A. The numerator is a different number.

Q. And why is that?

A. One uses the funding value as the numerator and the other uses the market value as the numerator.

Q. And that's the funding value of unfunded assets?

A. It's the funding value of assets.

Q. Okay. So would the assets, in performing that calculation, be in the numerator or the denominator?

JUDITH KERMANS

percent funded, so the computed employer contribution is above the employer normal cost.

Do you see that?

A. Yes.

Q. And that 89.3 funded percentage is, subject to, you know, rounding, is the same amount that we would get if we did that calculation I just talked about a moment ago, where we take 415 million, divided by 3.89 billion, and then subtract that result from one, correct?

A. Yes.

Q. Now, that 89.3 percent funded percentage is a calculation that you reviewed, right, as the signing actuary?

A. Yes.

Q. And it's a calculation that you believe was correct at the time the report was issued, correct?

A. Yes.

Q. And you have no reason between the time the report was issued on April 4, 2014, and today to think that number's incorrect, right?

A. I don't think the number is incorrect.

Q. Now, that number is not done with the unfunded -- or, excuse me, let me strike that.

JUDITH KERMANS

A. In the numerator.

Q. And how does the -- how does Gabriel Roeder Smith arrive at a funding value of assets as opposed to a market value of assets, in particular for the PFRS?

MR. BULLOCK: Counsel, while she's flipping pages, there was a request a few minutes ago that we move some microphones around and she speak up. Does anyone know if we're having some success here in terms of reception?

Can everyone hear us on line?

MR. CROWDER: Yes.

MR. BULLOCK: Can you hear the witness?

MR. CROWDER: Yes, we can.

MR. BULLOCK: Good. Thank you, counsel.

BY MR. HOWELL:

Q. So my question was, how does Gabriel Roeder Smith, specifically for the PFRS, arrive at a funding value of assets versus a market value of assets?

A. That calculation is illustrated on page 20 of this report.

Q. And can you just walk me through on page 20 how Gabriel Roeder Smith does a calculation that leads to a funding value of assets?

A. The funding value of assets and the parameters used

<p style="text-align: right;">Page 61</p> <p>JUDITH KERMANS</p> <p>here are adopted by the board of trustees. They involve a seven-year smoothing period for gains and losses above and below market rates of return, and the smoothing process is illustrated in this section here that goes to the right.</p> <p>Q. So section G of the -- on page 20?</p> <p>A. Yes.</p> <p>Q. And the impact of a smoothing process is that the particular -- or one impact of a smoothing process is that the particular gains or losses for a particular year will be spread out over a number of years rather than being entirely allocated to the year when they actually occurred, correct?</p> <p>A. Correct.</p> <p>Q. So, for instance, the year 2008, which we all know to be a very poor year for investment returns worldwide, really, if you have a smoothing process, then those -- that poor year will be reflected, kind of divided out over a period of seven years rather than the entire impact being felt in one year, correct?</p> <p>A. Correct.</p> <p>Q. Now, you said that the board of trustees for the PFRS was the one that had adopted the seven-year smoothing method, correct?</p>	<p style="text-align: right;">Page 63</p> <p>JUDITH KERMANS</p> <p>reasonable actuarial method to use in putting together the June 30, 2013, actuarial valuation, correct?</p> <p>A. Yes. This method has something called a corridor, and we feel that it is reasonable.</p> <p>Q. When you refer to a corridor, the corridor specifically is designed to make sure that the difference between the funding value of assets and the market value of assets does not go outside of a predetermined range, correct?</p> <p>A. Correct.</p> <p>Q. And the corridor here was that the funding value of assets should not be less than 80 percent of the market value of assets, nor more than 120 percent of the market value of assets, is that correct?</p> <p>A. No.</p> <p>Q. Okay, I'm sorry, what is the range here?</p> <p>A. 30 percent.</p> <p>Q. Okay, my mistake. So the corridor here is that the funding value of assets shall not be less than 70 percent of the market value of assets, nor more than 130 percent of the market value of assets, correct?</p> <p>A. Correct.</p> <p>Q. And that must be the case for each year in the analysis?</p>
<p style="text-align: right;">Page 62</p> <p>JUDITH KERMANS</p> <p>A. Yes.</p> <p>Q. Was Gabriel Roeder Smith involved in conversations relating to the decision to apply a seven-year smoothing period?</p> <p>A. Yes.</p> <p>Q. And do you know whether that was a recommendation from Gabriel Roeder Smith or a recommendation from somewhere else, or a collaborative effort to reach that assumption?</p> <p>A. It was not a recommendation from Gabriel Roeder Smith.</p> <p>Q. Do you know where the recommendation came from?</p> <p>A. One of the trustees.</p> <p>Q. Now, adopting a seven-year smoothing period would be considered an actuarial assumption that went into this calculation, correct?</p> <p>A. I would call this an actuarial method.</p> <p>Q. And when Gabriel Roeder Smith performs analysis using actuarial methods, Gabriel Roeder Smith has to be comfortable that those methods are reasonable, correct?</p> <p>A. Yes.</p> <p>Q. So even though it wasn't a recommendation from Gabriel Roeder Smith, you nonetheless were able to gain comfort that a seven-year smoothing period was a</p>	<p style="text-align: right;">Page 64</p> <p>JUDITH KERMANS</p> <p>A. Yes.</p> <p>Q. Do you know whether Gabriel Roeder Smith will be performing an annual actuarial valuation for the PFRS for the period ending June 30, 2014?</p> <p>A. I do not.</p> <p>Q. Have there been any discussions between the PFRS and Gabriel Roeder Smith regarding an annual actuarial valuation for the period ending June 30, 2014?</p> <p>A. No.</p> <p>Q. Typically, when would the process begin for working on an annual actuarial valuation for the prior fiscal year?</p> <p>A. Once the census data was received.</p> <p>Q. Do you know when the census data was received for the period ending June 30, 2013, for the PFRS?</p> <p>A. No.</p> <p>Q. Do you have an estimate as to when work began on this 72nd annual actuarial valuation for the PFRS?</p> <p>A. My estimate would be at the beginning of the year.</p> <p>Q. And beginning of the year meaning beginning of --</p> <p>A. Calendar year.</p> <p>Q. -- calendar year 2014?</p> <p>A. Correct.</p> <p>Q. Do you have any reason to believe that Gabriel Roeder</p>

16 (Pages 61 to 64)

<p style="text-align: right;">Page 65</p> <p>1 JUDITH KERMANS</p> <p>2 Smith will not be the system actuary performing the</p> <p>3 73rd annual actuarial valuation for the PFRS?</p> <p>4 A. No.</p> <p>5 Q. And you would expect, then, to begin that process</p> <p>6 sometime maybe early calendar year 2015, correct?</p> <p>7 A. Yes.</p> <p>8 Q. And so you haven't -- fair to say Gabriel Roeder Smith</p> <p>9 hasn't arrived at any actuarial assumptions that it</p> <p>10 will use for the 73rd annual actuarial valuation for</p> <p>11 the PFRS for the period ending June 30, 2014?</p> <p>12 A. That's correct.</p> <p>13 Q. Now, earlier you testified, you pointed me to the fact</p> <p>14 that on a market value basis -- and this was on page</p> <p>15 13 in the employer contribution rate section. Let me</p> <p>16 know when you're there.</p> <p>17 A. Okay.</p> <p>18 Q. And so you testified that on a market value basis, the</p> <p>19 fund is approximately 78 percent funded, correct?</p> <p>20 A. Yes.</p> <p>21 Q. So that would mean it was around 22 percent unfunded,</p> <p>22 correct?</p> <p>23 A. Correct.</p> <p>24 Q. So on a market value basis, the UAAL calculation would</p> <p>25 be a little more than -- well, right around double</p>	<p style="text-align: right;">Page 67</p> <p>1 JUDITH KERMANS</p> <p>2 78 percent.</p> <p>3 Q. Right. So my question, though, and I apologize, I got</p> <p>4 myself turned around, how would you do the calculation</p> <p>5 to determine what the unfunded actuarial accrued</p> <p>6 liability would be on a market value basis?</p> <p>7 A. As mentioned, I would take the accrued liability, and</p> <p>8 I would subtract the market value of assets.</p> <p>9 Q. And how would you calculate the market value of assets</p> <p>10 for purposes of that calculation?</p> <p>11 A. The market value of assets is a reported number. It's</p> <p>12 not a calculated number. It's also contained on</p> <p>13 page 20 and other places in the report.</p> <p>14 Q. Okay. So where would we find the market value of</p> <p>15 assets on page 20 of the report?</p> <p>16 A. Row B.</p> <p>17 Q. And, specifically, we would take the 2013 number in</p> <p>18 row B, the \$3.034 billion?</p> <p>19 A. That is the market value of assets at the end of the</p> <p>20 year.</p> <p>21 Q. And so to calculate the unfunded actuarial accrued</p> <p>22 liability on a market value basis, you would take the</p> <p>23 computed total of actuarial accrued liabilities of</p> <p>24 3.89 billion and subtract the market value of assets</p> <p>25 of, roughly, 3.034 billion, correct?</p>
<p style="text-align: right;">Page 66</p> <p>1 JUDITH KERMANS</p> <p>2 what it was on page 4 of this report, correct?</p> <p>3 A. I would have to -- I would have to do that</p> <p>4 calculation.</p> <p>5 Q. Okay. Well, let me just ask you, if you were going to</p> <p>6 do that calculation -- so we know it to be 78 percent</p> <p>7 funded on a market value basis, correct?</p> <p>8 A. Yes.</p> <p>9 Q. So if you were going to do the funding calculation,</p> <p>10 you would take the computed total of actuarial accrued</p> <p>11 liabilities that we looked at earlier is about \$3.89</p> <p>12 billion and take 70 -- take 78 percent of that,</p> <p>13 correct?</p> <p>14 A. That's not the way I would do the calculation.</p> <p>15 Q. Okay. Why don't you tell me how you would do the</p> <p>16 calculation.</p> <p>17 A. I would take the accrued liability and I would</p> <p>18 subtract the market value of assets.</p> <p>19 Q. And then the resulting number would be the unfunded</p> <p>20 liability on a market value basis, correct?</p> <p>21 A. Yes.</p> <p>22 Q. And then if you wanted the funding percentage, it</p> <p>23 would be one minus that divided by the actuarial</p> <p>24 liability, correct?</p> <p>25 A. The funded percent is actually shown on this page, the</p>	<p style="text-align: right;">Page 68</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. So that number would be somewhere, roughly, in the</p> <p>4 \$850 million range, correct?</p> <p>5 A. Correct.</p> <p>6 Q. If you could turn with me to page 7, the assets and</p> <p>7 accrued liabilities graph, and let me know when you're</p> <p>8 there?</p> <p>9 A. Okay.</p> <p>10 Q. I had a little difficulty -- the asset section is</p> <p>11 quite clear and is marked with the darker shade of</p> <p>12 gray and has the black line showing the top -- showing</p> <p>13 the assets amount, correct?</p> <p>14 A. Correct.</p> <p>15 Q. I had a little difficulty distinguishing between the</p> <p>16 UAAL shading and the assets over accrued liability</p> <p>17 shading. First of all, can you describe for me what</p> <p>18 the assets over accrued liabilities represents?</p> <p>19 A. This graph is supposed to be in color. That would be</p> <p>20 very helpful to you.</p> <p>21 Q. Okay. Well, since I don't have it in color, can you</p> <p>22 tell me what the assets over accrued liabilities</p> <p>23 refers to?</p> <p>24 A. This graph is intended to indicate how much of the</p> <p>25 accrued liability is covered by the assets in a</p>

17 (Pages 65 to 68)

<p style="text-align: right;">Page 69</p> <p>JUDITH KERMANS</p> <p>graphical presentation. So the largest part of the graph is the actuarial accrued liability, as indicated by the arrow here, and then the assets are also indicated by the arrow which portion covers the actuarial accrued liability.</p> <p>Q. And so if I'm following this correctly, from 1972 up through, you know, roughly 1996, there was an AAL that was in excess of the amount of assets in the PFRS system?</p> <p>A. Yes.</p> <p>Q. And then what I can't tell on the shading is going forward from 1996 until around 2002, there is a, what appears to me to be a different color shading, and I'm trying to figure out whether the AAL was above or not above assets during that time.</p> <p>A. As I said, this chart should be in color.</p> <p>Q. So are you unable to tell, then, as well, by looking at the chart?</p> <p>A. I cannot tell for sure, but I suspect that is the area when the plan was fully funded.</p> <p>Q. And so then we also see that the plan was fully funded as recently as, say, around 2010-2011, and then I think there's a little bit of additional shading that represents AAL going back above assets at the end of</p>	<p style="text-align: right;">Page 71</p> <p>JUDITH KERMANS</p> <p>Q. What is -- what period is that for?</p> <p>A. It's for the period ending June, the one-year period ending June 30, 2013.</p> <p>Q. I'm sorry, I asked the wrong question. That 4.1 percent reflects the seven, seven prior years of smoothed assets in order to arrive at the one-year investment return ending on June 30, 2013, correct?</p> <p>A. Correct.</p> <p>Q. So it would include one-seventh of each of the seven prior years' investment return in order to -- and then that's aggregated to determine an average to determine the one-year investment return, correct?</p> <p>A. Close enough, correct.</p> <p>Q. So it will include, for instance, the, you know, negative 20 percent return, or in excess of negative 20 percent return of 2008, one-seventh of that, right?</p> <p>A. No.</p> <p>Q. And so can you explain to me why that is not the case?</p> <p>A. That period is so far in the past that that gain or loss, likely loss, has been fully recognized by 2013.</p> <p>Q. The 2008 loss has?</p> <p>A. I believe so. It doesn't show on this page, anyway, on page 20.</p> <p>On page 20, what happened was, there was a</p>
<p style="text-align: right;">Page 70</p> <p>JUDITH KERMANS</p> <p>this graph. I'm just making sure that I'm reading that correctly. Is that right?</p> <p>A. I think that's correct. The graph is -- I'm not able to tell without the color.</p> <p>Q. Turning to page 13, the comments and conclusion section that we've talked about a little bit, investment -- this is an experience during the past year. It says: Investment experience for the year ended June 30, 2013, was favorable, with a market rate of return of 14.4 percent.</p> <p>Do you see that?</p> <p>A. Yes.</p> <p>Q. Now, due to the asset smoothing, the entirety of that 14.4 percent would not be allocated to the fiscal year 2013, correct?</p> <p>A. Correct.</p> <p>Q. And so, in fact, the recognized rate of return over the seven-year funding period was only 4.1 percent, correct?</p> <p>A. The recognized rate of return as of June 30, 2013, was 4.1 percent.</p> <p>Q. And that's for the seven-year period ending June 30, 2013, correct?</p> <p>A. No.</p>	<p style="text-align: right;">Page 72</p> <p>JUDITH KERMANS</p> <p>restatement of assets at some point in the past, and that was rolled all together. So you cannot determine whether or not a 2008 loss is in here. There are three bases in 2013.</p> <p>Q. Okay. And can you point me to where I'd find that on page 20?</p> <p>A. It is in section G.</p> <p>Q. And you said there's three bases for the year 2013?</p> <p>A. Three bases are being recognized in 2013, and there are portions of loss and a gain from prior years, but if you go down to G4, you see a larger number. The assets were restated at some point in the past.</p> <p>Q. Okay, thanks. I think I'm with you now.</p> <p>So when we look at that number, the negative 139 million number that's in the 2013 column, in row G4, that's the number that's a restatement of some prior years, and it's impossible just by looking at this to ascertain which years are included or not included in that number?</p> <p>A. Correct.</p> <p>Q. So you don't know one way or another whether 2008 is still showing up in this number, correct?</p> <p>A. That's correct.</p> <p>Q. Now, there's a section entitled data furnished for</p>

18 (Pages 69 to 72)

JUDITH KERMANS

valuation, and you testified earlier that one of the early parts of the process is receiving data from a system that you will then use in performing the calculations that go into a valuation report, correct?

A. Correct.

Q. Are you aware of any problems or inconsistencies in any of the data provided by PFRS that was used in the June 30, 2013, valuation?

A. The data that was used in the June 30, 2013, data valuation report was reasonable by the time the report was completed.

Q. Subsequent to this report being completed, are you aware of anything that would make the data that was included in this report unreasonable?

A. No.

Q. And that's also true for the GRS, correct; you're not aware of anything that would, subsequent to the issuance of the June 30, 2013, GRS report that makes you believe that the data used therein was unreasonable, correct?

A. Correct.

Q. Turn your attention to the appendix at page 30, and then we'll move to the first page of the appendix, at 31. Are you with me there? We're still on Kermans

JUDITH KERMANS

valuation report?

A. Annually.

Q. And, in fact, every time you issue a report, you have to make sure that you're comfortable with the assumptions that -- the actuarial assumptions used therein, correct?

A. Correct.

Q. And you do in fact do that; you make sure that you believe that the actuarial assumptions contained in a valuation report that you issue and that you're the signing actuary for are reasonable, correct?

A. Correct.

Q. And you did that for all valuation reports you've provided for the PFRS, correct?

A. Correct.

Q. And you've also made sure that all of the assumptions used in valuation reports for the GRS are, in your opinion, reasonable, correct?

A. Correct.

Q. One of the -- I guess there's two economic assumption paragraphs, and I'll turn your attention to the first economic assumption paragraph. Are you with me there?

A. Yes.

Q. There it says: The investment return rate used in the

JUDITH KERMANS

Exhibit 2.

A. Yes.

Q. Under assumption review at the top of the page, it says: As required by City ordinance, assumptions are formally reviewed every five years and changes are recommended as experience emerges.

Do you see that?

A. Yes.

Q. Gabriel Roeder Smith will do a formal review every five years of the assumption, is that correct?

A. That is what the City ordinances states.

Q. And do you know whether Gabriel Roeder Smith in fact does a formal review every five years or more frequently of the assumptions used for the valuation reports?

A. I know that we've done such studies in the past.

Q. Now, is a formal review of that sort sometimes referred to as an experience study?

A. Yes.

Q. Does Gabriel Roeder Smith also do informal reviews of the assumptions used in its valuation reports?

A. Yes.

Q. How often would you say the informal reviews are done of the assumptions used in a Gabriel Roeder Smith

JUDITH KERMANS

valuation was eight percent per year compounded annually (net after investment expenses).

Do you know what the process was for selecting an eight percent investment return rate assumption for use in the 72nd annual actuarial valuation report for the PFRS?

A. Yes.

Q. What was that process?

A. Well, that board -- that particular assumption is adopted by the board of trustees, and that assumption was changed in between the last experience study and what we would call the next experience study, which is underway now.

Q. So there's an experience study underway now for the PFRS?

A. Yes.

Q. There's an experience study underway now for the GRS?

A. Yes.

Q. Do you know whether those experience studies began before or after the City of Detroit declared bankruptcy?

A. No.

Q. Do you have a general understanding for roughly when those experience studies began?

<p style="text-align: right;">Page 77</p> <p>1 JUDITH KERMANS</p> <p>2 A. Around the same time as the bankruptcy.</p> <p>3 Q. So sometime in kind of mid-2013?</p> <p>4 A. The summer of 2013, yeah.</p> <p>5 Q. Now, the PFRS had an investment assumption -- well,</p> <p>6 let me ask you, first of all, just you personally, how</p> <p>7 long have you worked on the valuation reports for the</p> <p>8 PFRS and GRS?</p> <p>9 A. Approximately fifteen years.</p> <p>10 Q. So you're aware that in 2011 the PFRS changed its</p> <p>11 investment return assumption from 7.5 percent to 8</p> <p>12 percent, correct?</p> <p>13 A. Correct.</p> <p>14 Q. And you're also aware that -- let me get the exact</p> <p>15 date.</p> <p>16 You're also aware that the -- that Gabriel</p> <p>17 Roeder Smith issued an experience study for the PFRS</p> <p>18 and GRS in kind of early 2009, correct?</p> <p>19 A. Correct.</p> <p>20 Q. And at that time, in 2009, GRS had an investment</p> <p>21 return assumption of 7.9 percent, correct?</p> <p>22 A. I think that's correct.</p> <p>23 Q. And in early 2009, when Gabriel Roeder Smith issued</p> <p>24 its experience study, the PFRS had an investment</p> <p>25 return assumption of 7.8 percent, correct?</p>	<p style="text-align: right;">Page 79</p> <p>1 JUDITH KERMANS</p> <p>2 Q. And is that sometimes also called an</p> <p>3 actuarially-assumed rate of return?</p> <p>4 A. Yes.</p> <p>5 Q. Okay. So my apologies that I may sometimes use those</p> <p>6 terms, you know -- I may not use the same term every</p> <p>7 time, but you'll understand if I use any of those</p> <p>8 three terms, I'm talking about the same thing, okay?</p> <p>9 A. Okay.</p> <p>10 Q. So for each report, for each actuarial valuation</p> <p>11 report that Gabriel Roeder Smith issues to the PFRS,</p> <p>12 there is an investment return rate assumption,</p> <p>13 correct?</p> <p>14 A. Correct.</p> <p>15 Q. And for each such report, Gabriel Roeder Smith,</p> <p>16 regardless of who initially chooses or arrives at the</p> <p>17 investment rate assumption, Gabriel Roeder Smith has</p> <p>18 to become comfortable that that is a reasonable</p> <p>19 assumption, correct?</p> <p>20 A. Correct.</p> <p>21 Q. And for every year that Gabriel Roeder Smith has</p> <p>22 issued a valuation report for the actuarial valuation,</p> <p>23 actuarial liability valuation for PFRS, Gabriel Roeder</p> <p>24 Smith has deemed the investment return assumption to</p> <p>25 be reasonable, correct?</p>
<p style="text-align: right;">Page 78</p> <p>1 JUDITH KERMANS</p> <p>2 A. I think that's correct, as well.</p> <p>3 Q. And subsequent to the issuance of the experience study</p> <p>4 in 2009, the PFRS changed its investment return</p> <p>5 assumption for 2009 and 2010 to 7.5 percent, correct?</p> <p>6 A. Correct.</p> <p>7 Q. And then there was a change made that we just</p> <p>8 discussed in 2011 for the PFRS from 7.5 percent to 8</p> <p>9 percent, correct?</p> <p>10 A. Correct.</p> <p>11 Q. Now, when -- for each of these assumed actuarial rates</p> <p>12 of return or target investment rate -- you understand</p> <p>13 those are synonymous, basically, right?</p> <p>14 MS. GREEN: Object to the form of the</p> <p>15 question.</p> <p>16 MR. HOWELL: Fair enough.</p> <p>17 BY MR. HOWELL:</p> <p>18 Q. So let me try to fix that question. I am going to</p> <p>19 refer to, as I already have, to the concept of an</p> <p>20 investment return rate. You understand what that</p> <p>21 means, right?</p> <p>22 A. Yes.</p> <p>23 Q. All right. And then sometimes that's also called an</p> <p>24 investment return assumption, right?</p> <p>25 A. Correct.</p>	<p style="text-align: right;">Page 80</p> <p>1 JUDITH KERMANS</p> <p>2 A. Correct.</p> <p>3 Q. And if Gabriel Roeder Smith believed the investment</p> <p>4 rate assumption to be unreasonable, that's something</p> <p>5 that you would raise with the plans, correct?</p> <p>6 A. Yes, and we would disclose that in the valuation</p> <p>7 report.</p> <p>8 Q. And there's no disclosure that -- in any valuation</p> <p>9 report from Gabriel Roeder Smith for the PFRS that the</p> <p>10 investment return assumption was deemed unreasonable</p> <p>11 by Gabriel Roeder Smith, correct?</p> <p>12 A. Correct.</p> <p>13 Q. Now, do you recall having any conversations in</p> <p>14 association with the 2013 fiscal year actuarial</p> <p>15 valuation report for PFRS in which you discussed</p> <p>16 whether or not eight percent was a reasonable</p> <p>17 investment return rate?</p> <p>18 A. I don't recall one way or the other.</p> <p>19 Q. Can you recall any time where the PFRS, in association</p> <p>20 with the preparation of this Exhibit 2, the 2013</p> <p>21 fiscal year valuation report, where the PFRS came to</p> <p>22 Gabriel Roeder Smith and said, "I think the investment</p> <p>23 return assumption is too high"?</p> <p>24 A. I don't recall that.</p> <p>25 Q. Now, you said that the eight percent investment return</p>

20 (Pages 77 to 80)

<p style="text-align: right;">Page 81</p> <p>1 JUDITH KERMANS</p> <p>2 assumption was something initially provided by the</p> <p>3 board of trustees for the PFRS to Gabriel Roeder</p> <p>4 Smith, is that a fair characterization?</p> <p>5 A. No.</p> <p>6 Q. So how, then, was the 8.0 percent investment return</p> <p>7 assumption arrived at for use as the investment return</p> <p>8 rate in this report?</p> <p>9 A. The board of trustees adopted an eight percent assumed</p> <p>10 rate of return.</p> <p>11 Q. So then what does Gabriel Roeder Smith do to make sure</p> <p>12 it's comfortable with that assumption?</p> <p>13 A. We, we, we look at the assumption, we consider</p> <p>14 something called a best estimate range, and we</p> <p>15 determine whether or not this falls within that, and</p> <p>16 whether we feel this is likely to occur at least 50</p> <p>17 percent of the time.</p> <p>18 Q. And if you feel that it's likely to occur at least 50</p> <p>19 percent of the time, you deem it to be within the best</p> <p>20 estimate range and a reasonable assumption, correct?</p> <p>21 A. Correct.</p> <p>22 Q. And if you feel that it's not likely to occur 50</p> <p>23 percent of the time, then you may have to raise that</p> <p>24 issue with the plan, correct?</p> <p>25 A. Correct.</p>	<p style="text-align: right;">Page 83</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. That's another thing that could be a helpful data</p> <p>4 point in getting comfortable with an investment rate</p> <p>5 assumption, correct?</p> <p>6 A. Correct.</p> <p>7 Q. So you look at kind of a variety of data points, and</p> <p>8 then based on all of that, you determine whether or</p> <p>9 not you think it fits within your best estimate range,</p> <p>10 right?</p> <p>11 A. Yes. A couple of other things that would be</p> <p>12 considered is the purpose of the measurement that</p> <p>13 you're taking, the materiality of the assumption that</p> <p>14 you're making, relevant data, as you mentioned.</p> <p>15 Q. When you say the materiality of the assumption, you</p> <p>16 would agree that the investment return rate is always</p> <p>17 a material assumption, correct?</p> <p>18 A. Yes.</p> <p>19 Q. Now, with respect to the pay increase assumptions that</p> <p>20 are the second paragraph of the economic assumptions</p> <p>21 on page 31 of Kermans Exhibit 2, those pay increase</p> <p>22 assumptions assume that the PFRS plan would be an</p> <p>23 ongoing plan, correct?</p> <p>24 A. Yes.</p> <p>25 Q. And they include both increases in salary and</p>
<p style="text-align: right;">Page 82</p> <p>1 JUDITH KERMANS</p> <p>2 Q. And you didn't raise that issue with the plan in this</p> <p>3 case, correct?</p> <p>4 A. Correct.</p> <p>5 Q. When looking at the investment return assumption, do</p> <p>6 you ever also consider the investment return</p> <p>7 assumption of other large public pension plans?</p> <p>8 A. That can be one of the decision points, but not, not a</p> <p>9 major one.</p> <p>10 Q. So that could be a data point. It wouldn't be, it</p> <p>11 wouldn't be a sole data point that you would rely on?</p> <p>12 A. No.</p> <p>13 Q. Do you ever look at the investment policy of a</p> <p>14 retirement system when kind of testing the investment</p> <p>15 return assumption of that system?</p> <p>16 A. Yes.</p> <p>17 Q. So that's another thing that could be a helpful data</p> <p>18 point?</p> <p>19 A. Correct.</p> <p>20 Q. But not necessarily the only thing you would rely on,</p> <p>21 correct?</p> <p>22 A. Correct.</p> <p>23 Q. Do you ever look at the historical returns for a</p> <p>24 particular system when testing an assumption regarding</p> <p>25 the investment return rate for that system?</p>	<p style="text-align: right;">Page 84</p> <p>1 JUDITH KERMANS</p> <p>2 increases in salary that are tied to service-related</p> <p>3 benefits, correct?</p> <p>4 A. They do, although for the very next year we have a</p> <p>5 zero percent assumption for wage increase.</p> <p>6 Q. Thank you for that clarification. So with respect to</p> <p>7 salary increase -- first of all, you incorporate</p> <p>8 tables where you make assumptions regarding salary</p> <p>9 increases for different ages and different years of</p> <p>10 service with the PFRS, correct?</p> <p>11 A. Yes.</p> <p>12 Q. Now, moving back up to the previous paragraph, about</p> <p>13 halfway through the paragraph you say: Considering</p> <p>14 other financial assumptions, the eight percent total</p> <p>15 investment return rate translates to an assumed real</p> <p>16 rate of return of four percent over wage inflation.</p> <p>17 Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. And you still agree with that statement today,</p> <p>20 correct?</p> <p>21 A. I agree with -- that that statement is appropriate for</p> <p>22 this report and the calculations done in the report.</p> <p>23 Q. And wage inflation is typically about a half percent</p> <p>24 to a percent higher than price inflation, is that</p> <p>25 correct?</p>

21 (Pages 81 to 84)

<p style="text-align: right;">Page 85</p> <p>1 JUDITH KERMANS</p> <p>2 A. According to the Social Security Administration, yes.</p> <p>3 Q. So you say considering other financial assumptions.</p> <p>4 Do you have an understanding as to what those other</p> <p>5 financial assumptions are?</p> <p>6 A. I think that is referring to the Consumer Price Index</p> <p>7 and the wage inflation.</p> <p>8 Q. How does Gabriel Roeder Smith go about deriving its</p> <p>9 inflation assumption, inflation rate assumption for</p> <p>10 use in an actuarial valuation?</p> <p>11 A. The wage inflation assumption is part of the</p> <p>12 experience study process. We have numerous things</p> <p>13 that we look at, involving starting with the Consumer</p> <p>14 Price Index and then looking at, as you mentioned, the</p> <p>15 differential between that and potential wage</p> <p>16 inflation.</p> <p>17 Q. Now, when Gabriel Roeder Smith performs the informal</p> <p>18 review, the annual informal review when preparing a</p> <p>19 valuation report for a system, if you believe that</p> <p>20 there is an unreasonable assumption in the most recent</p> <p>21 experience study, you would adjust that assumption to</p> <p>22 make it reasonable going forward, correct?</p> <p>23 A. Yes.</p> <p>24 Q. You also have several noneconomic assumptions listed</p> <p>25 on page 31, continuing through page 33. One relates</p>	<p style="text-align: right;">Page 87</p> <p>1 JUDITH KERMANS</p> <p>2 MS. GREEN: I'll object to form and</p> <p>3 foundation.</p> <p>4 Rush, I think you're assuming that there</p> <p>5 are certain assumptions that she has the ability to</p> <p>6 change, and I think she already testified there are</p> <p>7 certain assumptions the board has to authorize</p> <p>8 previously. So if we could just clarify which</p> <p>9 assumptions you're -- I don't know if that makes sense</p> <p>10 to you or not, but ...</p> <p>11 MR. HOWELL: Well, for one thing, and I</p> <p>12 don't mean to -- I mean, I appreciate the</p> <p>13 clarification, but I would prefer that we not have</p> <p>14 speaking objections, if possible, and object to the</p> <p>15 form, and then I'll ask her if she understands the</p> <p>16 question and do my best to clarify it.</p> <p>17 But, you know, I'll take this form</p> <p>18 objection and just -- I'll strike that question.</p> <p>19 BY MR. HOWELL:</p> <p>20 Q. On page 32 there's something called miscellaneous</p> <p>21 loads, and I want to focus on the second sentence</p> <p>22 there that says: Active accrued liability (excluding</p> <p>23 DROP members) was increased by one percent to</p> <p>24 approximate the effect of missing or incomplete data.</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 86</p> <p>1 JUDITH KERMANS</p> <p>2 to a mortality table.</p> <p>3 Where does Gabriel Roeder Smith obtain the</p> <p>4 mortality information that it uses in coming up with a</p> <p>5 mortality assumption for a valuation report?</p> <p>6 A. That analysis is part of the five-year experience</p> <p>7 study.</p> <p>8 Q. So do you know whether there were any changes to the</p> <p>9 mortality assumptions used in this 2013 valuation</p> <p>10 report versus the mortality assumptions listed in the</p> <p>11 most recent experience study?</p> <p>12 A. I believe this is the same table. I would have to</p> <p>13 confirm that, though.</p> <p>14 Q. And while I understand you said you're not a hundred</p> <p>15 percent sure on that, if you felt that the mortality</p> <p>16 table included in the prior experience study was no</p> <p>17 longer reasonable, you wouldn't continue to use it,</p> <p>18 waiting until the next experience study came out,</p> <p>19 right?</p> <p>20 A. Correct.</p> <p>21 Q. And that's true for any assumption that would be no</p> <p>22 longer valid in the experience study. You would, you</p> <p>23 would change that during your review of the valuation</p> <p>24 report rather than wait for the next experience study</p> <p>25 to come out, right?</p>	<p style="text-align: right;">Page 88</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. And can you explain for me -- well, if I'm</p> <p>4 understanding this correctly, this is just kind of a</p> <p>5 one percent that's added to the AAL to deal with the</p> <p>6 fact that there might be some problems with the data?</p> <p>7 A. Correct.</p> <p>8 Q. And how does Gabriel Roeder Smith determine that one</p> <p>9 percent is the, is the best number to use for this</p> <p>10 miscellaneous load?</p> <p>11 A. Each year we analyze the data and we try to determine</p> <p>12 whether or not we think it's a reasonable data set to</p> <p>13 use in the valuation, and one of the things that we</p> <p>14 can do, if we think it is reasonable to use in the</p> <p>15 valuation but we think that it may be missing certain</p> <p>16 data elements, is we can make what we view in our</p> <p>17 judgment to be an appropriate load to the liabilities</p> <p>18 to reflect that.</p> <p>19 Q. So Gabriel Roeder Smith will from time to time apply a</p> <p>20 miscellaneous load to -- in this same circumstance for</p> <p>21 other retirement systems, as well?</p> <p>22 A. Yes.</p> <p>23 Q. Do you know whether it's typical to include a</p> <p>24 miscellaneous load or typical not to include a</p> <p>25 miscellaneous load?</p>

22 (Pages 85 to 88)

<p style="text-align: right;">Page 89</p> <p>1 JUDITH KERMANS</p> <p>2 A. I think it is typical to include a miscellaneous load</p> <p>3 for data.</p> <p>4 Q. And is one percent the typical number used by Gabriel</p> <p>5 Roeder Smith, or does that vary?</p> <p>6 A. It varies.</p> <p>7 Q. And what would you say, in your experience, is the</p> <p>8 range that you would use for a miscellaneous load for</p> <p>9 purposes of approximating the effect of missing or</p> <p>10 incomplete data?</p> <p>11 A. One to three percent.</p> <p>12 Q. There's also in -- the first sentence says: Normal</p> <p>13 retirement accrued liability (excluding DROP members)</p> <p>14 was increased by three percent for service purchases.</p> <p>15 Can you just explain to me what that is</p> <p>16 referring to?</p> <p>17 A. Individuals, active individuals when they're working</p> <p>18 will sometimes purchase service that they've earned in</p> <p>19 other municipalities or military service, and this is</p> <p>20 a load to reflect that there may be a cost to that</p> <p>21 that is not already reflected in the accrued liability</p> <p>22 numbers.</p> <p>23 Q. Can you describe for me what the DROP program is for</p> <p>24 PFRS?</p> <p>25 A. The DROP program is detailed in this report on</p>	<p style="text-align: right;">Page 91</p> <p>1 JUDITH KERMANS</p> <p>2 correct?</p> <p>3 A. Yes.</p> <p>4 Q. Do you know how long the -- how long Gabriel Roeder</p> <p>5 Smith has been using the entry age normal cost method</p> <p>6 in performing valuations of the actuarial liability</p> <p>7 for PFRS?</p> <p>8 A. No.</p> <p>9 Q. Has that been the case for as long as you can</p> <p>10 remember?</p> <p>11 A. Yes.</p> <p>12 Q. Would you agree that entry age normal is an</p> <p>13 appropriate cost funding methodology for an ongoing</p> <p>14 plan?</p> <p>15 MS. GREEN: Object to form, foundation.</p> <p>16 BY MR. HOWELL:</p> <p>17 Q. You can answer if you understood the question.</p> <p>18 A. No, I don't.</p> <p>19 Q. You do not. And why is that?</p> <p>20 A. I think your question was too broad for me to answer</p> <p>21 it.</p> <p>22 Q. Oh, I'm sorry. So you did not understand the</p> <p>23 question?</p> <p>24 A. Correct.</p> <p>25 Q. Okay. I think we just need to make sure the record's</p>
<p style="text-align: right;">Page 90</p> <p>1 JUDITH KERMANS</p> <p>2 page 17.</p> <p>3 Q. And do you know whether Gabriel Roeder Smith has ever</p> <p>4 undertaken an effort to analyze the effect on the UAAL</p> <p>5 for the PFRS as a result of the implementation of the</p> <p>6 DROP plan?</p> <p>7 A. Michigan State law, I believe, requires that an</p> <p>8 analysis be done for every single change in benefit</p> <p>9 provisions, and I would assume that it was done for</p> <p>10 this one, as well.</p> <p>11 Q. And do you, as you sit here, do you have any</p> <p>12 understanding of the impact on the UAAL for the PFRS</p> <p>13 as a result of the implementation of the DROP plan?</p> <p>14 A. No.</p> <p>15 Q. On page 34 of Exhibit 2 to the Kermans deposition is a</p> <p>16 page entitled Funding Methods. Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. And the first sentence there says: The entry age</p> <p>19 actuarial cost method was used in determining age and</p> <p>20 service liabilities and normal cost, vesting</p> <p>21 liabilities and normal cost, and casual liabilities</p> <p>22 and normal cost.</p> <p>23 Do you see that?</p> <p>24 A. Yes.</p> <p>25 Q. And that's the entry age normal actuarial cost method,</p>	<p style="text-align: right;">Page 92</p> <p>1 JUDITH KERMANS</p> <p>2 clear there so it doesn't sound like --</p> <p>3 MS. GREEN: I was confused, too, so let's</p> <p>4 maybe re-ask that or restate it.</p> <p>5 MR. HOWELL: I mean, I think the record's</p> <p>6 clear, but I just -- I want to make sure we don't have</p> <p>7 something that's on there that looks goofy.</p> <p>8 BY MR. HOWELL:</p> <p>9 Q. So I asked you, would you agree that entry age normal</p> <p>10 is an appropriate cost funding methodology for an</p> <p>11 ongoing plan, and your answer to that question was you</p> <p>12 don't understand the question, right?</p> <p>13 A. Correct.</p> <p>14 Q. For purposes of the work Gabriel Roeder Smith did</p> <p>15 here, it assumed that the PFRS plan was an ongoing</p> <p>16 plan, correct?</p> <p>17 A. Yes.</p> <p>18 Q. And it assumed that there would be future salary and</p> <p>19 service benefits, correct?</p> <p>20 A. Yes.</p> <p>21 Q. Now, you're aware that there can be circumstances in</p> <p>22 which a plan is frozen, correct?</p> <p>23 A. Correct.</p> <p>24 Q. And in some frozen plans there will be no future</p> <p>25 increases in salary or service increases, correct?</p>

23 (Pages 89 to 92)

<p style="text-align: right;">Page 93</p> <p>1 JUDITH KERMANS</p> <p>2 A. Correct.</p> <p>3 Q. In that situation, a frozen plan in which there's no</p> <p>4 future salary increases nor will there be future</p> <p>5 service-based increases, do you think using the entry</p> <p>6 age normal funding method can overstate the UAAL of</p> <p>7 that plan?</p> <p>8 A. I would have to do an analysis for that.</p> <p>9 MS. GREEN: I wanted to place an objection</p> <p>10 on the record before you answer.</p> <p>11 Rush, to the extent these are outside of</p> <p>12 the scope of the 30(b)(6) topics and seem to be</p> <p>13 hypotheticals may be more appropriate for an expert</p> <p>14 witness. I'll place the objection, but obviously her</p> <p>15 answer is already on the record.</p> <p>16 BY MR. HOWELL:</p> <p>17 Q. And I think your answer was that you'd have to do an</p> <p>18 analysis of that, is that correct?</p> <p>19 A. My answer is that it would depend.</p> <p>20 Q. What would it depend on?</p> <p>21 A. The purpose of the measurement, the plan involved, and</p> <p>22 other factors.</p> <p>23 Q. Could you give me an example of a set of factors in</p> <p>24 which using the entry age normal cost funding</p> <p>25 methodology for a frozen -- plan that's frozen for</p>	<p style="text-align: right;">Page 95</p> <p>1 JUDITH KERMANS</p> <p>2 somewhat outside the scope of the 30(b)(6) topics, and</p> <p>3 I do think you're sort of getting close to the line of</p> <p>4 an expert witness hypothetical sort of question.</p> <p>5 But if we can just make that agreement, I</p> <p>6 won't re-lodge the objection every time.</p> <p>7 MR. HOWELL: Sure, we can stipulate to a</p> <p>8 standing objection on this line of question.</p> <p>9 MR. BULLOCK: With that being said, are you</p> <p>10 planning on asking the same question again?</p> <p>11 MR. HOWELL: Yes. I think the question's</p> <p>12 still pending, but I can ask it again.</p> <p>13 BY MR. HOWELL:</p> <p>14 Q. So my question is, can you provide for me any of the</p> <p>15 factors that you referenced that might indicate that</p> <p>16 the use of an entry age normal cost funding</p> <p>17 methodology for a frozen plan would lead to an</p> <p>18 overstated UAAL?</p> <p>19 A. Not without a lot more consideration.</p> <p>20 Q. Have you ever worked on a plan that was frozen before?</p> <p>21 A. Yes.</p> <p>22 Q. Have you ever changed your cost funding methodology</p> <p>23 for a frozen plan?</p> <p>24 A. That's a complex question. Can you please restate it?</p> <p>25 Q. Well, so you use a particular cost funding methodology</p>
<p style="text-align: right;">Page 94</p> <p>1 JUDITH KERMANS</p> <p>2 salary and service increases could lead to an</p> <p>3 overstated UAAL?</p> <p>4 MR. BULLOCK: I'm going to object to the</p> <p>5 form of the question. You're asking for her to render</p> <p>6 some form of an expert opinion. She's here as a lay</p> <p>7 witness.</p> <p>8 BY MR. HOWELL:</p> <p>9 Q. You can, you can answer the question if you understood</p> <p>10 it.</p> <p>11 A. I don't understand it.</p> <p>12 Q. Well, you told me that in order to determine whether</p> <p>13 or not the entry age normal cost method, cost funding</p> <p>14 method would -- in a frozen plan, with frozen salary</p> <p>15 and frozen service, would lead to an overstated UAAL</p> <p>16 would depend on an analysis of a variety of factors,</p> <p>17 correct?</p> <p>18 A. Yes.</p> <p>19 Q. And I am trying to figure out what factors you were</p> <p>20 referring to that could result in the -- use of entry</p> <p>21 age normal cost funding methodology in a frozen plan</p> <p>22 lead to an overstated UAAL.</p> <p>23 MS. GREEN: I'm going to lodge the same</p> <p>24 objection. Maybe we can just do a standing objection.</p> <p>25 I don't want to slow you down, but I do think it's</p>	<p style="text-align: right;">Page 96</p> <p>1 JUDITH KERMANS</p> <p>2 when you're performing actuarial -- performing any</p> <p>3 actuarial valuation, right?</p> <p>4 A. Yes.</p> <p>5 Q. And you testified that you have worked on plans before</p> <p>6 that were ongoing at one point and then became frozen,</p> <p>7 is that correct?</p> <p>8 A. Yes.</p> <p>9 Q. And I'm just asking, on those, with respect to those</p> <p>10 specific plans, at the time the plan was frozen, did</p> <p>11 you change the cost funding methodology that you used</p> <p>12 in performing actuarial valuations for that plan?</p> <p>13 A. Typically, if a plan becomes frozen, although "frozen"</p> <p>14 is not a technical term, you would consider cash flow</p> <p>15 needs and other such things that would lead you to</p> <p>16 possibly changing a method or two in the process; not</p> <p>17 necessarily the cost method, though.</p> <p>18 Q. So it might lead to an adjustment of the, of the cost</p> <p>19 funding methodology, though not necessarily a complete</p> <p>20 change to which cost funding methodology is used?</p> <p>21 A. Correct.</p> <p>22 Q. The entry age normal cost funding method for an</p> <p>23 ongoing plan assumes future salary and service</p> <p>24 increases, correct?</p> <p>25 A. Yes.</p>

24 (Pages 93 to 96)

<p style="text-align: right;">Page 97</p> <p>JUDITH KERMANS</p> <p>Q. If a plan was frozen and wasn't going to have future salary and service increases, would you agree that you should not include accruals for future salary and service increases in the cost funding methodology you use to value that plan?</p> <p>A. It depends on the measurement that you're taking.</p> <p>Q. What if you're -- the measurement that you're taking is a valuation of the UAAL?</p> <p>A. I don't understand the question.</p> <p>Q. So it's your testimony that there would be certain purposes, certain measurements that you would be taking, where even though a plan had been frozen as to future salary and service increases, that you would still want to accrue for future salary and service increases as part of the cost funding methodology?</p> <p>A. I don't understand that question.</p> <p>Q. Well, let me try to make it more simple. If you have a situation in which there aren't going to be future service and future salary increases, should you include future service and future salary increases when calculating a UAAL for that plan?</p> <p>MS. GREEN: I'm going to object. I still want to be clear for the record that we have a standing objection to all of these hypothetical</p>	<p style="text-align: right;">Page 99</p> <p>JUDITH KERMANS</p> <p>A. Yes.</p> <p>Q. My question to you is, in a situation in which a plan is frozen and there is no future salary increase contemplated and no future service increase contemplated, in your experience as an actuary, do you believe that those -- the cost funding methodology can still include accruals for future salary and future service increases?</p> <p>A. If you are working on an actuarial valuation for the purpose of measuring the employer contribution rate, then you would want your funding method to line up with what's actually going to happen.</p> <p>Q. On page 35 of sample salary adjustment rates, is this an example of a table, the top table on page 35 that was derived from the prior experience study?</p> <p>A. Yes.</p> <p>Q. And the base (economic) there is -- that, that refers to wage inflation, correct?</p> <p>A. Correct.</p> <p>Q. Do you have an understanding as to what Gabriel Roeder Smith viewed to be price inflation in putting together this valuation report? I know the range is between a half and one percent lower. Do you know whether one-half or one percent lower was applied?</p>
<p style="text-align: right;">Page 98</p> <p>JUDITH KERMANS</p> <p>questions to a 30(b)(6) witness who's not here in an expert capacity, and I don't want there to be a misunderstanding that you had a certain line of questions and now you're in a different line of questions.</p> <p>Throughout the record there have been several hypothetical questions lodged to this witness. I just want to restate and clarify for the record that it's well beyond the scope of the eight topics listed on the 30(b)(6) notice. But you may proceed.</p> <p>MR. HOWELL: Okay, and I will state for the record that I disagree. Part of the topics here were the actuarial valuations performed by Gabriel Roeder that includes the actuarial cost method used, and I believe that I've established foundation with this witness that she's worked on multiple plans and used different cost funding methodologies, but I understand the objection, and if you want -- I think we're close to the end of this line of questions, but if you want to just object each time to make sure that it's clear, I don't have a problem with that.</p> <p>BY MR. HOWELL:</p> <p>Q. So, all right, we were talking about cost funding methodologies, right?</p>	<p style="text-align: right;">Page 100</p> <p>JUDITH KERMANS</p> <p>A. I do not.</p> <p>MR. HOWELL: I don't know how long we're going. I'm getting ready to go to a new exhibit, if we want to take a break.</p> <p>MS. GREEN: I think lunch is going to be here at 11:45 or noon. Do you want me to see if it's here and we can break, or do you want to just muddle along for another fifteen minutes and then we'll do lunch?</p> <p>MR. HOWELL: If it's okay -- whatever you guys want to do.</p> <p>THE WITNESS: I'm okay with fifteen more minutes, yeah.</p> <p>MR. BULLOCK: Are we within that time frame?</p> <p>MR. HOWELL: Sure.</p> <p>MARKED FOR IDENTIFICATION: DEPOSITION EXHIBIT 3 11:37 a.m.</p> <p>BY MR. HOWELL:</p> <p>Q. Ms. Kermans, I'm going to hand you what I am marking as Kermans Exhibit 3.</p> <p>MR. HOWELL: And for identification purposes, Kermans Exhibit 3 also doesn't have a Bates</p>

25 (Pages 97 to 100)

<p style="text-align: right;">Page 101</p> <p>1 JUDITH KERMANS</p> <p>2 number but is the Gabriel Roeder Smith & Company 75th</p> <p>3 Annual Actuarial Valuation for the General Retirement</p> <p>4 System of the City of Detroit.</p> <p>5 BY MR. HOWELL:</p> <p>6 Q. And, Ms. Kermans, do you recognize this document?</p> <p>7 A. Yes.</p> <p>8 Q. And this is a document we've referred to several</p> <p>9 times, but this is the final actuarial valuation as of</p> <p>10 June 30, 2013, for the GRS, correct?</p> <p>11 A. Yes.</p> <p>12 Q. And if you turn to the third page within here,</p> <p>13 which -- it's another letter on April 4, 2014, do you</p> <p>14 see that?</p> <p>15 A. Yes.</p> <p>16 Q. So this is a similar letter from Mr. Kausch, yourself,</p> <p>17 and Mr. Alberts that kind of lays out the purpose of</p> <p>18 the actuarial valuation, correct?</p> <p>19 A. Yes.</p> <p>20 Q. And in the second sentence on the first paragraph of</p> <p>21 the letter it says: This report was prepared at the</p> <p>22 request of the board and is intended for use by the</p> <p>23 retirement system and those designated or approved by</p> <p>24 the board.</p> <p>25 Is it the board of trustees of the GRS that</p>	<p style="text-align: right;">Page 103</p> <p>1 JUDITH KERMANS</p> <p>2 Q. In the past have you, have you ever attended a board</p> <p>3 meeting of the GRS?</p> <p>4 A. Yes.</p> <p>5 Q. And I know you can't say specifically on this one, but</p> <p>6 from time to time you will be involved in the</p> <p>7 presentation of the report to the board of trustees of</p> <p>8 the GRS and PFRS, correct?</p> <p>9 A. Correct.</p> <p>10 Q. And these board meetings are open to members of the</p> <p>11 GRS and PFRS, as well, correct?</p> <p>12 A. I don't understand the question.</p> <p>13 Q. Okay. Who -- in your experience, who has been at</p> <p>14 these board meetings when you present this report?</p> <p>15 A. The board of trustees, not necessarily all of the</p> <p>16 members, but some of them. Retirement system staff.</p> <p>17 Occasionally reporters. Attorneys.</p> <p>18 Q. And how does the process go? Do you kind of walk</p> <p>19 through the report and then open it up for questions,</p> <p>20 or is there a different process?</p> <p>21 A. We go through the report. We have questions</p> <p>22 throughout the report and sometimes at the end.</p> <p>23 Q. And can you recall making any significant changes</p> <p>24 between the presentation of the draft valuation report</p> <p>25 in March and the submission of the final version in</p>
<p style="text-align: right;">Page 102</p> <p>1 JUDITH KERMANS</p> <p>2 typically comes to Gabriel Roeder Smith and says, "We</p> <p>3 want to go ahead and do the actuarial valuation for</p> <p>4 the next year"?</p> <p>5 A. The typical process starts with us requesting the</p> <p>6 data, assuming that we have an ongoing relationship</p> <p>7 with them.</p> <p>8 Q. Do you know who your engagement is with? Is it with</p> <p>9 the plan system itself or the board of trustees?</p> <p>10 A. It's with the system, represented by the board of</p> <p>11 trustees.</p> <p>12 Q. In the bottom paragraph, the one that's bolded, the</p> <p>13 first line is: We presented preliminary valuation</p> <p>14 reports at the March 9, 2014, board meeting.</p> <p>15 Do you see that?</p> <p>16 A. March 19th.</p> <p>17 Q. Oh, I'm sorry.</p> <p>18 A. Yes.</p> <p>19 Q. Thanks for that clarification. So it says: We</p> <p>20 presented preliminary valuation results at the</p> <p>21 March 19, 2014, board meeting. Correct?</p> <p>22 A. Correct.</p> <p>23 Q. And you attended that board meeting, correct?</p> <p>24 A. I don't recall whether I attended or David Kausch,</p> <p>25 along with Kenneth Alberts.</p>	<p style="text-align: right;">Page 104</p> <p>1 JUDITH KERMANS</p> <p>2 April for this GRS 75th annual actuarial valuation?</p> <p>3 A. No.</p> <p>4 Q. And this bolded paragraph explains that after that</p> <p>5 meeting, you received some additional information or</p> <p>6 additional data, but based on your analysis, the</p> <p>7 addition of that data wasn't material enough to make</p> <p>8 any changes, basically, right?</p> <p>9 A. The addition of that data, with the result of</p> <p>10 incorporating that data, ended up being less than our</p> <p>11 one percent load that we have in the valuation process</p> <p>12 already, and so we did not suggest a redo of the</p> <p>13 valuation.</p> <p>14 Q. Okay. You anticipated my next question, which was</p> <p>15 whether that adjustment was the load, so thank you.</p> <p>16 Turning to the second page, second</p> <p>17 paragraph, second sentence, it says: To the best of</p> <p>18 our knowledge, this report is complete and accurate</p> <p>19 and was made in accordance with actuarial standards of</p> <p>20 practice promulgated by the Actuarial Standards Board.</p> <p>21 You stand by that statement, correct?</p> <p>22 A. Yes.</p> <p>23 Q. Then you say: The actuarial assumptions used for the</p> <p>24 valuation are set by the board. Different assumptions</p> <p>25 would produce different results. The actuarial</p>

26 (Pages 101 to 104)

<p style="text-align: right;">Page 105</p> <p>1 JUDITH KERMANS</p> <p>2 assumptions are reasonable.</p> <p>3 You stand by that statement, correct?</p> <p>4 A. Yes.</p> <p>5 Q. Turning to page A4, which is the actuarial accrued</p> <p>6 liabilities as of June 30, 2013, retirement system</p> <p>7 totals, are you with me on that page?</p> <p>8 A. Yes.</p> <p>9 Q. There is an unfunded accrued pension liability of</p> <p>10 \$1,084,210,716, correct?</p> <p>11 A. Yes.</p> <p>12 Q. And that includes \$36 million of past-due</p> <p>13 contributions, an assumption that those would not be</p> <p>14 made, correct?</p> <p>15 A. Correct.</p> <p>16 Q. And like the past-due contributions we looked at for</p> <p>17 PFRS, were those entirely fiscal year 2013 past-due</p> <p>18 contributions?</p> <p>19 A. Correct.</p> <p>20 Q. Turning to page A8, the conclusion section of the</p> <p>21 comments, it says: The retirement system is 70</p> <p>22 percent funded as of June 30, 2013, based on the</p> <p>23 funding value of assets.</p> <p>24 Do you see that?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 107</p> <p>1 JUDITH KERMANS</p> <p>2 VIDEO TECHNICIAN: The time is 11:44 a.m.</p> <p>3 We are now off the record.</p> <p>4 (Off the record at 11:44 a.m.)</p> <p>5 (Back on the record at 12:37 a.m.)</p> <p>6 VIDEO TECHNICIAN: The time is 12:37 p.m.</p> <p>7 We are now on the record.</p> <p>8 BY MR. HOWELL:</p> <p>9 Q. Ms. Kermans, this morning we spent a great deal of</p> <p>10 time going through the actuarial valuations for both</p> <p>11 the PFRS and GRS, and I was hoping you could have both</p> <p>12 Exhibit 2 and Exhibit 3, which are those two</p> <p>13 valuations, for your reference. I just want to ask a</p> <p>14 few final questions on these documents.</p> <p>15 Now, the unfunded actuarial accrued</p> <p>16 liability, or the UAAL, that you had listed for the</p> <p>17 PFRS was about \$415 million, correct, and that's as of</p> <p>18 June 30, 2013?</p> <p>19 A. Correct.</p> <p>20 Q. And the UAAL as of June 30, 2013, that you had for the</p> <p>21 GRS was about \$1.084 billion, correct?</p> <p>22 A. Correct.</p> <p>23 Q. And so if we add those two together, the 415 million,</p> <p>24 roughly, and the 1.084 billion, roughly, we get a</p> <p>25 combined UAAL for the two retirement systems of almost</p>
<p style="text-align: right;">Page 106</p> <p>1 JUDITH KERMANS</p> <p>2 Q. And again, it's a 58 percent on market value of</p> <p>3 assets, is that right?</p> <p>4 A. Correct.</p> <p>5 Q. So if I wanted to determine the UAAL on a market value</p> <p>6 basis, I would take the actuarial accrued liabilities</p> <p>7 of 3.6 billion and change -- as listed, for instance,</p> <p>8 on page A4, and subtract from that the market value</p> <p>9 end of year on page A13 for 2013 of just about \$2.1</p> <p>10 billion, correct?</p> <p>11 A. Correct.</p> <p>12 Q. So that would lead to a UAAL on a market value basis</p> <p>13 of just a little bit over \$1.5 billion, correct?</p> <p>14 A. Correct.</p> <p>15 MS. GREEN: Rush, I got an email from my</p> <p>16 assistant that lunch is here and ready, so whenever</p> <p>17 you are ready to take a break.</p> <p>18 MR. HOWELL: This is a decent spot, if you</p> <p>19 want to take a break now.</p> <p>20 MS. GREEN: How much time do we think we</p> <p>21 need? It's just across the hall, but ...</p> <p>22 MR. HOWELL: Well, I'm sure everyone --</p> <p>23 MS. GREEN: 12:30?</p> <p>24 MR. HOWELL: However long you guys would</p> <p>25 like to take.</p>	<p style="text-align: right;">Page 108</p> <p>1 JUDITH KERMANS</p> <p>2 exactly \$1.5 billion, correct?</p> <p>3 A. Well, those are not two numbers that I would add</p> <p>4 together, because they're created on different bases,</p> <p>5 but, yes, mathematically, that's the answer.</p> <p>6 Q. And what do you mean when you say they're created on</p> <p>7 different bases?</p> <p>8 A. They have two different assumed rates of return, for</p> <p>9 example.</p> <p>10 Q. So, for example, the GRS has a 7.9 percent assumed</p> <p>11 rate of return, whereas the PFRS has an 8 percent rate</p> <p>12 of return?</p> <p>13 A. Correct.</p> <p>14 Q. But if I simply wanted to say what is the combined</p> <p>15 UAAL of the PFRS and GRS pursuant to the Gabriel</p> <p>16 Roeder June 30, 2013, valuations, it would be about</p> <p>17 \$1.5 billion between the two just added together,</p> <p>18 right?</p> <p>19 A. Yes.</p> <p>20 Q. And we went through the calculations, and do you</p> <p>21 recall that if you were to do the UAAL on a market</p> <p>22 value basis for the GRS, it was a little, just a</p> <p>23 little above \$1.5 billion?</p> <p>24 A. Yes.</p> <p>25 Q. And do you recall that when we looked at the UAAL for</p>

27 (Pages 105 to 108)

<p style="text-align: right;">Page 109</p> <p>1 JUDITH KERMANS</p> <p>2 the PFRS on a market value basis that -- going through</p> <p>3 the calculation you explained, we got about \$850</p> <p>4 million, or right around there, for the UAAL for the</p> <p>5 PFRS on a market value basis?</p> <p>6 A. Correct.</p> <p>7 Q. And again, understanding that there are differences in</p> <p>8 how those two calculations occurred, but if you were</p> <p>9 to add the UAAL of the PFRS and the UAAL of the GRS on</p> <p>10 a market value basis, you would add the roughly 1.5</p> <p>11 billion to the roughly 850 million, for something</p> <p>12 around 2.35 billion or so, is that about right?</p> <p>13 A. Correct.</p> <p>14 Q. And those numbers, the UAAL, first on a funding value</p> <p>15 basis, the 415 million for PFRS and the 1.084 for the</p> <p>16 GRS, you believe those to be accurate at the time you</p> <p>17 issued this report, correct?</p> <p>18 A. Yes.</p> <p>19 Q. And subsequent to issuing the report, you have not</p> <p>20 determined that those were inaccurate at the time they</p> <p>21 were issued, right?</p> <p>22 A. Correct.</p> <p>23 Q. And with respect to the calculations that we did for</p> <p>24 the UAAL on a market value basis for PFRS, you believe</p> <p>25 those are also correct at the time the report was</p>	<p style="text-align: right;">Page 111</p> <p>1 JUDITH KERMANS</p> <p>2 Retirement System for the City of Detroit Five-Year</p> <p>3 Experience Study, July 1, 2002, through June 30, 2007.</p> <p>4 And I will note and apologize that we have</p> <p>5 this large kind of water mark on the top of each page.</p> <p>6 The reason for that is that this exhibit was listed in</p> <p>7 the expert report of William Fornia. We then</p> <p>8 requested a copy of it from Mr. Fornia after reviewing</p> <p>9 his expert report, and he provided it, unfortunately,</p> <p>10 with this stamp across the top.</p> <p>11 BY MR. HOWELL:</p> <p>12 Q. So that's why it's there, and I'll ask you to try your</p> <p>13 best to ignore it as we flip through the pages.</p> <p>14 A. I will try my best.</p> <p>15 Q. Yeah. Ms. Kermans, do you recognize this document?</p> <p>16 A. Yes.</p> <p>17 Q. And this is, in fact, the 2009 five-year experience</p> <p>18 study for the PFRS that we've discussed a few times,</p> <p>19 right?</p> <p>20 A. Yes.</p> <p>21 Q. And so I'm going to refer to this to try to save a</p> <p>22 little time going forward as the PFRS experience</p> <p>23 study, okay?</p> <p>24 A. Okay.</p> <p>25 Q. What is the purpose of an experience study as done by</p>
<p style="text-align: right;">Page 110</p> <p>1 JUDITH KERMANS</p> <p>2 issued, correct?</p> <p>3 A. I didn't do those calculations at the time the report</p> <p>4 was done, but I see no reason to -- why they wouldn't</p> <p>5 be still correct.</p> <p>6 Q. And the same is true for the GRS market value</p> <p>7 calculations; you didn't do them at the time, but you</p> <p>8 see no reason why they wouldn't be correct, right?</p> <p>9 A. Remain correct.</p> <p>10 Q. Did you review the report of the Court's feasibility</p> <p>11 expert, Martha Kopacz, as part of your preparation?</p> <p>12 A. I did not review the report. I was not asked to</p> <p>13 review the report.</p> <p>14 Q. Now, we've talked a bit about the experience studies</p> <p>15 that were done and completed in early 2009 for GRS and</p> <p>16 PFRS. Do you recall discussing those?</p> <p>17 A. Yes.</p> <p>18 Q. I'm going to hand you what I will mark as Kermans</p> <p>19 Exhibit 4.</p> <p>20 MARKED FOR IDENTIFICATION:</p> <p>21 DEPOSITION EXHIBIT 4</p> <p>22 12:46 p.m.</p> <p>23 MR. HOWELL: And for identification</p> <p>24 purposes, Kermans Exhibit 4 does not have a Bates</p> <p>25 stamp but is the Gabriel Roeder Smith Police and Fire</p>	<p style="text-align: right;">Page 112</p> <p>1 JUDITH KERMANS</p> <p>2 Gabriel Roeder Smith for a system?</p> <p>3 A. That information is outlined on page A2 of the report.</p> <p>4 Q. And where, specifically, is the purpose of the report</p> <p>5 laid out?</p> <p>6 A. Underneath the flick@trusteepensionadvisers.com,</p> <p>7 primarily, some information indicating that the</p> <p>8 purpose of the study is to review experience related</p> <p>9 to withdrawal of active members, rates of disability,</p> <p>10 et cetera.</p> <p>11 Q. So you're referring to those six or so bullet points</p> <p>12 kind of near the top of page A2?</p> <p>13 A. Yes.</p> <p>14 Q. And is it fair to say that one of the purposes of an</p> <p>15 experience study is to look at past experience to</p> <p>16 evaluate assumptions that have been used in actuarial</p> <p>17 calculations for a particular system?</p> <p>18 A. Could you repeat that?</p> <p>19 Q. Yes. Is one of the purposes of an experience study to</p> <p>20 go back and look at past history to assess the quality</p> <p>21 of actuarial assumptions that are used in performing</p> <p>22 actuarial calculations for the system in question?</p> <p>23 A. I can't really answer yes or no to that question.</p> <p>24 Q. Part of the reason that you do an experience study is</p> <p>25 to gain additional comfort with actuarial assumptions,</p>

28 (Pages 109 to 112)

JUDITH KERMANS

right?

A. Okay, yes.

Q. And one reason you do an experience study is to determine whether or not you need to update actuarial assumptions that are used in valuing the actuarial liabilities, right?

A. Yes.

Q. Now, you also have an informal review that takes place, as well, and this experience study is a formal review that supplements that process, correct?

A. Yes.

Q. This experience study for the PFRS related to the five-year period from 2000 -- July 1, 2002, to June 30, 2007, correct?

A. Can I ask what you're looking at?

Q. Sure, I'm happy to refer you to page 1, and it's a January 29, 2009, letter from you and from Norman Jones to the board of trustees for the PFRS --

A. Okay.

Q. -- and about halfway down it says the investigation covered the five-year period from July 1, 2002, to June 30, 2007.

And is that consistent with your understanding of when the -- this experience study

JUDITH KERMANS

Q. That study, the signing actuaries were Mr. Jones and Mr. Alberts, correct?

A. Mr. Alberts and Mr. Jones were the individuals that signed that study, yes.

Q. But you had some involvement in working on the GRS experience study, as well?

A. Yes.

Q. Do you recall what that involvement was?

A. It would be in a peer review role and really not much different than my role here, to be honest, so ...

Q. So in a general sense, reviewing analyses done by the team of analysts, and looking at probabilities, and just generally the same things you laid out regarding the PFRS?

A. Correct.

Q. Okay. In the first paragraph -- I'm sorry, strike that.

In the fourth paragraph, the bolded paragraph, it says: We believe that the actuarial assumptions recommended in this experience study report represent, individually and in the aggregate, reasonable estimates of future experience of the Police and Fire Retirement System of the City of Detroit.

JUDITH KERMANS

covers?

A. Yes.

Q. What is your role in performing this -- or what was your role in performing this experience study?

A. The role would typically be that I would review analyses done by analysts regarding experience that happened during the five-year period and to work with the other signing actuary in developing probabilities of events going forward for the next five-year period.

Q. Norman Jones was the other signing actuary here?

A. Yes.

Q. Have you worked with Mr. Jones on other experience studies besides this one?

A. Yes.

Q. And in your experience with Mr. Jones, have you found him to be competent in his role as a signing actuary?

A. Yes.

Q. How would you characterize the work that Mr. Jones does?

A. It's excellent.

Q. Did Mr. Jones work with you on the GRS experience study, as well?

A. I worked on the GRS experience study, but I was not one of the signing actuaries on that study.

JUDITH KERMANS

You stand by that statement, correct?

A. I stand by that statement when -- in 2009, yes.

Q. Subsequent to 2009, have you come to believe that certain actuarial assumptions in this experience study needed to be changed?

A. We have not completed our analysis of the subsequent experience study.

Q. I understand that the next experience study is ongoing. However, I also understand that you do an informal review with each valuation in which you look at the actuarial assumptions used for that valuation, correct?

A. Correct.

Q. And you have not found, since issuing this report January 29 of 2009, that any of the actuarial assumptions in this experience study that are used in the valuation reports that you do for PFRS or GRS need to be changed, correct?

MS. GREEN: Asked and answered.

A. We are still in the midst of the next experience study. It's a different process than what's done annually.

BY MR. HOWELL:

Q. I understand that, and apologies if this is asked and

<p style="text-align: right;">Page 117</p> <p>1 JUDITH KERMANS</p> <p>2 answered. I just want to make clear, you have not in</p> <p>3 the year-over-year actuarial valuations that you've</p> <p>4 done since January 29, 2009, including, for instance,</p> <p>5 the June 30, 2013, valuation, you've not seen</p> <p>6 actuarial assumptions that are included in this</p> <p>7 experience study that needed to be changed for use in</p> <p>8 one of the valuation reports, correct?</p> <p>9 A. Correct.</p> <p>10 Q. Now, on page A1 of this report, in the first bullet it</p> <p>11 says: A spread for funding purposes between three and</p> <p>12 four percent, with the wage inflation assumption</p> <p>13 between 4.8 percent and 3.5 percent, resulting in</p> <p>14 overall investment return assumption of between 7.5</p> <p>15 percent and 7.8 percent.</p> <p>16 Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. And that is the recommended actuarial assumption</p> <p>19 regarding the investment return assumption that</p> <p>20 resulted from this experience study, correct?</p> <p>21 A. There are two numbers there that are investment return</p> <p>22 assumptions. So I can't answer the question that</p> <p>23 you're asking.</p> <p>24 Q. Fair enough. There's a 7.5 percent investment return</p> <p>25 assumption and a 7.8 investment return assumption</p>	<p style="text-align: right;">Page 119</p> <p>1 JUDITH KERMANS</p> <p>2 the following pages.</p> <p>3 And, in fact, this experience study</p> <p>4 reflects certain recommendations by Gabriel Roeder for</p> <p>5 changes of actuarial assumptions for the PFRS,</p> <p>6 correct?</p> <p>7 A. Correct.</p> <p>8 Q. And can you describe the process for me of how -- not</p> <p>9 specifically, but generally a recommendation from GRS</p> <p>10 would go to a system and then how a determination</p> <p>11 would be made whether to adopt or not adopt that</p> <p>12 recommendation?</p> <p>13 A. It would depend on the recommendation.</p> <p>14 Q. So let's talk about an investment return assumption</p> <p>15 recommendation.</p> <p>16 A. As part of this process, we would provide an analysis</p> <p>17 that included a range of results that we felt were</p> <p>18 reasonable, and then the board of trustees would</p> <p>19 select from those, from those alternates.</p> <p>20 Q. So you would only put forward investment return</p> <p>21 assumptions that you believed to be reasonable, and</p> <p>22 then after discussion with the board, they could</p> <p>23 choose from that menu of reasonable assumptions, and</p> <p>24 you would know that that was okay with you because</p> <p>25 you'd already said these are a reasonable set of</p>
<p style="text-align: right;">Page 118</p> <p>1 JUDITH KERMANS</p> <p>2 there, correct?</p> <p>3 A. Correct.</p> <p>4 Q. And there's a statement that the investment return</p> <p>5 assumption is between 7.5 percent and 7.8 percent. Do</p> <p>6 you see that?</p> <p>7 A. Yes.</p> <p>8 Q. So would it be fair to say that the 7.5 percent to 7.8</p> <p>9 percent reflected the recommended actuarial</p> <p>10 assumption -- that the recommended actuarial</p> <p>11 assumption should be between those two numbers</p> <p>12 following this experience study?</p> <p>13 MS. GREEN: Object to form.</p> <p>14 MR. BULLOCK: Object to form.</p> <p>15 BY MR. HOWELL:</p> <p>16 Q. You can answer if you understood the question.</p> <p>17 A. No.</p> <p>18 Q. Well, maybe I can ask it in an easier way. If we look</p> <p>19 at page A2, go towards the bottom, the short paragraph</p> <p>20 about three from the bottom, it starts, "We are</p> <p>21 recommending." Are you there with me?</p> <p>22 A. Yes.</p> <p>23 Q. It says: We are recommending certain changes and</p> <p>24 assumptions. The various assumption changes and their</p> <p>25 impact on the required contribution are described on</p>	<p style="text-align: right;">Page 120</p> <p>1 JUDITH KERMANS</p> <p>2 assumptions?</p> <p>3 A. Correct.</p> <p>4 Q. So looking at page A9, this is -- at the top of this</p> <p>5 page it says Economic Assumptions. Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. And then below it says: In summary, our recommended</p> <p>8 range of economic assumptions for the system -- system</p> <p>9 are as follows.</p> <p>10 And the current investment return and wage</p> <p>11 inflation assumptions are listed, and then several</p> <p>12 alternates are also included, correct?</p> <p>13 A. Correct.</p> <p>14 Q. And that's just an example of what you just described,</p> <p>15 which is you may provide a few different reasonable</p> <p>16 options to the system and then they can choose?</p> <p>17 A. Correct.</p> <p>18 Q. So in January of 2009, you provided three</p> <p>19 alternatives, and of those three alternatives, there</p> <p>20 were two investment return assumptions recommended by</p> <p>21 Gabriel Roeder Smith to the PFRS, correct?</p> <p>22 A. I see three alternates.</p> <p>23 Q. I agree that there are three alternates, but of the</p> <p>24 three alternates, there are only two different</p> <p>25 investment return assumptions, correct?</p>

30 (Pages 117 to 120)

<p style="text-align: right;">Page 121</p> <p>1 JUDITH KERMANS</p> <p>2 A. Correct.</p> <p>3 Q. So Gabriel Roeder Smith recommended in January of 2009</p> <p>4 that the PFRS could use an investment return</p> <p>5 assumption of 7.5 percent or of 7.8 percent, correct?</p> <p>6 A. If you read the last paragraph from the bottom, it</p> <p>7 says: We would recommend considering a three basis</p> <p>8 point reduction in the assumed rate of return to 7.5</p> <p>9 percent.</p> <p>10 Q. So one of the recommendations was to consider going</p> <p>11 from 7.8 percent, which had been the investment return</p> <p>12 rate, to 7.5 percent, correct?</p> <p>13 A. Correct.</p> <p>14 Q. Now, you also say that continuation of a 7.8 percent</p> <p>15 investment return assumption would be reasonable in</p> <p>16 your view at that time, correct?</p> <p>17 A. Correct.</p> <p>18 Q. However, you also provide a recommendation that it</p> <p>19 would be worth considering going down to 7.5 percent?</p> <p>20 A. Correct.</p> <p>21 Q. Now, ultimately, after providing this menu of options</p> <p>22 to the PFRS board, PFRS did in fact adjust their</p> <p>23 return assumption from 7.8 percent to 7.5 percent in</p> <p>24 2009, correct?</p> <p>25 A. Correct.</p>	<p style="text-align: right;">Page 123</p> <p>1 JUDITH KERMANS</p> <p>2 seniority portion.</p> <p>3 Part of the analysis is on page A11, and</p> <p>4 then the remaining part is on page C1.</p> <p>5 Q. And can you describe for me -- let's start with page</p> <p>6 A11. Can you describe for me the methodology that</p> <p>7 Gabriel Roeder Smith used, including page A11, to</p> <p>8 arrive at a recommended inflation assumption?</p> <p>9 A. What typically happens is we start with an inflation</p> <p>10 rate, and we use a building-block method to determine</p> <p>11 all of the other assumptions, including the wage</p> <p>12 inflation and the assumed rate of return.</p> <p>13 This page just outlines some of the</p> <p>14 historical data that was used as part of the</p> <p>15 decision-making process and shows what types of yields</p> <p>16 and national average earnings have indicated over the</p> <p>17 last 50-some years.</p> <p>18 Q. So, in your view, one of the helpful data points in</p> <p>19 arriving at an inflation rate assumption would be</p> <p>20 historical rates of inflation, right?</p> <p>21 A. Correct.</p> <p>22 Q. And here you look at 58 years of history of price</p> <p>23 inflation and other data points to help arrive at an</p> <p>24 inflation assumption recommendation, correct?</p> <p>25 A. Correct.</p>
<p style="text-align: right;">Page 122</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Now, later in 2011 the PFRS again adjusted its</p> <p>3 investment return assumption from 8 -- from 7.5</p> <p>4 percent to 8 percent, correct?</p> <p>5 A. Correct.</p> <p>6 Q. Do you recall whether Gabriel Roeder Smith was</p> <p>7 involved in discussions around that adjustment from</p> <p>8 7.5 percent to 8 percent?</p> <p>9 A. I don't recall.</p> <p>10 Q. And -- strike that.</p> <p>11 On page A9 there's also a couple of</p> <p>12 different wage inflation recommendations, depending on</p> <p>13 which alternate to use, either 3.5 percent or 4</p> <p>14 percent for wage inflation, correct?</p> <p>15 A. Or 4.8.</p> <p>16 Q. The current is 4.8, and then the suggested alternates</p> <p>17 are 4 percent or 3.5 percent, correct?</p> <p>18 A. Correct.</p> <p>19 Q. Do you know what Gabriel Roeder Smith did to arrive at</p> <p>20 the wage inflation numbers that were presented as</p> <p>21 alternates to the PFRS?</p> <p>22 A. I believe that's detailed in the report, as well. If</p> <p>23 you'll give me a moment, I'll try to find it.</p> <p>24 Q. Sure.</p> <p>25 A. It's on page C1 -- actually, that's a merit and</p>	<p style="text-align: right;">Page 124</p> <p>1 JUDITH KERMANS</p> <p>2 Q. If we turn back to page A7, there's some description</p> <p>3 of the process used to arrive at the inflation</p> <p>4 assumption, is that correct?</p> <p>5 A. Yes.</p> <p>6 Q. And subsequent to the issuance of this experience</p> <p>7 study, setting aside the fact that I know you have not</p> <p>8 completed the next experience study, have you ever</p> <p>9 made any adjustments to the inflation rate assumption</p> <p>10 when performing an annual actuarial valuation for PFRS</p> <p>11 and GRS, different than what's in this experience</p> <p>12 study?</p> <p>13 MS. GREEN: Object to form.</p> <p>14 A. Could you repeat the question?</p> <p>15 BY MR. HOWELL:</p> <p>16 Q. Sure. So again, I'll just preface this by saying I</p> <p>17 know that the next experience study is not completed.</p> <p>18 A. Okay.</p> <p>19 Q. Subsequent to the issuance of this experience study,</p> <p>20 in preparing any of the annual actuarial valuations</p> <p>21 that you've done for PFRS and GRS, have you used any</p> <p>22 inflation assumptions that are different than what is</p> <p>23 laid out in the experience study?</p> <p>24 A. In the 2013 valuation and at least one or two before,</p> <p>25 we had a zero percent wage inflation assumption for</p>

31 (Pages 121 to 124)

<p style="text-align: right;">Page 125</p> <p>1 JUDITH KERMANS</p> <p>2 one or two years, which was not discussed in this</p> <p>3 valuation -- in this experience study.</p> <p>4 Q. Other than the use of a zero percent wage inflation</p> <p>5 for a period of one or two years in some of the annual</p> <p>6 actuarial valuations, are there any other changes that</p> <p>7 you have made in issuing an annual actuarial valuation</p> <p>8 for the PFRS or GRS to the inflation assumptions</p> <p>9 listed in this experience study?</p> <p>10 A. Not that I'm aware.</p> <p>11 Q. Okay. Do you recall why zero percent wage inflation</p> <p>12 was used for a period of one or two years in certain</p> <p>13 of the annual actuarial valuations?</p> <p>14 A. Our understanding was that there was a pay freeze for</p> <p>15 those individuals.</p> <p>16 Q. So that assumption changed due to a particular set of</p> <p>17 circumstances in which there was a, a specific reason</p> <p>18 not to include the inflation assumption in the</p> <p>19 experience study?</p> <p>20 A. Could you rephrase the question, please?</p> <p>21 Q. I think I've asked and answered it. We'll move on.</p> <p>22 A. Okay.</p> <p>23 Q. I'll ask you to keep that Kermans Exhibit 4 in front</p> <p>24 of you, but I'm going to hand you what we'll mark as</p> <p>25 Kermans Exhibit 5.</p>	<p style="text-align: right;">Page 127</p> <p>1 JUDITH KERMANS</p> <p>2 assumption of 7.9 percent, correct?</p> <p>3 A. Correct.</p> <p>4 Q. And it's your understanding that the GRS has used a</p> <p>5 7.9 percent investment return assumption for more than</p> <p>6 a decade, correct?</p> <p>7 A. Correct.</p> <p>8 Q. Now, the alternates that you provide here both have a</p> <p>9 7.5 percent investment return assumption, correct?</p> <p>10 A. Yes.</p> <p>11 Q. And in the text below the menu of options, the first</p> <p>12 sentence says: Funding value rates of return for the</p> <p>13 ten-year period ending June 30, 2007, averaged 7.8</p> <p>14 percent for the plan in total, close to the currently</p> <p>15 assumed 7.9 percent.</p> <p>16 Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. And you understood that that was accurate at least at</p> <p>19 the time that you reviewed this document, correct?</p> <p>20 A. Yes.</p> <p>21 Q. You go on to say -- or Gabriel Roeder goes on to say:</p> <p>22 However, due to the board's gainsharing program, the</p> <p>23 funding value rates of return credited to the pension</p> <p>24 funds have averaged only 5.9 percent.</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 126</p> <p>1 JUDITH KERMANS</p> <p>2 MARKED FOR IDENTIFICATION:</p> <p>3 DEPOSITION EXHIBIT 5</p> <p>4 1:10 p.m.</p> <p>5 MR. HOWELL: For identification purposes,</p> <p>6 Kermans Exhibit 5 doesn't have a Bates range but is</p> <p>7 the City of Detroit General Retirement System</p> <p>8 Five-Year Experience Study for the period July 1,</p> <p>9 2002, through June 30, 2007, issued February 17, 2009.</p> <p>10 BY MR. HOWELL:</p> <p>11 Q. Ms. Kermans, do you recognize this document?</p> <p>12 A. Yes.</p> <p>13 Q. And this is just the five-year experience study for</p> <p>14 the GRS that's analogous to the one we were just</p> <p>15 looking at for the PFRS, right?</p> <p>16 A. Correct.</p> <p>17 Q. Now here if you'll turn with me to page A10, again,</p> <p>18 the title of the page is Economic Assumptions, and</p> <p>19 again, there are certain recommended ranges of</p> <p>20 economic assumptions for the GRS, where you provide</p> <p>21 the current and two alternates at the top of the page.</p> <p>22 Do you see that?</p> <p>23 A. Yes.</p> <p>24 Q. And at the time that this report was issued in</p> <p>25 February of 2009, the GRS had an investment return of,</p>	<p style="text-align: right;">Page 128</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. Do you have an understanding of what is meant by the</p> <p>4 board's gainsharing program?</p> <p>5 A. Yes.</p> <p>6 Q. What is the board's gainsharing program?</p> <p>7 A. One of the benefit provisions that the plan has is an</p> <p>8 annuity savings fund, and interest is credited to the</p> <p>9 annuity savings fund, and that is a type of</p> <p>10 gainsharing program.</p> <p>11 Q. You go on to say: A continuation of a 7.9 percent</p> <p>12 investment return assumption would be reasonable if,</p> <p>13 going forward, investment returns are credited</p> <p>14 proportionately to all reserve funds.</p> <p>15 Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. Can you explain to me the difference between what is</p> <p>18 described in that sentence and what was done under the</p> <p>19 gainsharing or ASF program?</p> <p>20 A. I believe that's illustrated in the funding value</p> <p>21 rates of return shown below.</p> <p>22 Q. And can you explain to me how I would see from the</p> <p>23 funding value rates of return chart the difference</p> <p>24 between a proportional credit of investment returns to</p> <p>25 all reserve funds versus the gainsharing program?</p>

32 (Pages 125 to 128)

<p style="text-align: right;">Page 129</p> <p>1 JUDITH KERMANS</p> <p>2 A. The pension funds have averaged a 5.9 percent rate of</p> <p>3 return, but the funds in total have averaged 7.8</p> <p>4 percent.</p> <p>5 Q. And what is represented in addition to pension funds</p> <p>6 in the fund total?</p> <p>7 A. The annuity savings fund.</p> <p>8 Q. And so without the gainsharing but instead a</p> <p>9 proportional credit, the fund total would be the</p> <p>10 column to look at rather than the pension fund column?</p> <p>11 A. Correct.</p> <p>12 Q. Gabriel Roeder goes on to say: If the current</p> <p>13 gainsharing practice is to be continued, we would then</p> <p>14 recommend a reduction in the investment return</p> <p>15 assumption to -- excuse me, at least to 7.5 percent</p> <p>16 and eventually to an even lower rate.</p> <p>17 Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. Do you have an understanding as to whether the</p> <p>20 gainsharing practice continued subsequent to this</p> <p>21 report, and if so for how long?</p> <p>22 A. My understanding is that it continued until 2011.</p> <p>23 Q. It is also your understanding that the GRS did not</p> <p>24 adopt a change from 7.9 percent for a target</p> <p>25 investment return to 7.5 percent, correct?</p>	<p style="text-align: right;">Page 131</p> <p>1 JUDITH KERMANS</p> <p>2 Q. And nor have you, whether, you know -- from an</p> <p>3 experience study or otherwise, you haven't provided</p> <p>4 any additional recommendation for a change to the</p> <p>5 investment return assumption for the GRS, correct?</p> <p>6 A. We would not provide an official recommendation until</p> <p>7 such time as we completed the experience study.</p> <p>8 Q. So you haven't done it, right?</p> <p>9 A. We would not do it until we completed the experience</p> <p>10 study.</p> <p>11 Q. I understand your point. I just want to make sure</p> <p>12 that you're not going to tell me that you have done</p> <p>13 it. So the answer is that you haven't provided an</p> <p>14 official recommendation to the GRS to change their</p> <p>15 investment return assumptions since 2009's experience</p> <p>16 study, correct?</p> <p>17 A. I don't recall having done that.</p> <p>18 Q. Do you recall making any informal recommendations, not</p> <p>19 official, but unofficial recommendations to change the</p> <p>20 investment return assumption for GRS subsequent to</p> <p>21 February of 2009?</p> <p>22 A. I don't recall. It is possible.</p> <p>23 Q. In preparation for your deposition, did you ask anyone</p> <p>24 else at Gabriel Roeder Smith whether there had been</p> <p>25 any informal or unofficial recommendations to the GRS</p>
<p style="text-align: right;">Page 130</p> <p>1 JUDITH KERMANS</p> <p>2 A. Correct.</p> <p>3 Q. Did you nonetheless still view the 7.9 percent target</p> <p>4 investment return as a reasonable target -- as a</p> <p>5 reasonable investment return assumption while</p> <p>6 performing the actuarial valuations for GRS in 2009</p> <p>7 and 2010?</p> <p>8 A. Yes.</p> <p>9 Q. And you did that because you still believed that it</p> <p>10 was more likely than not that the GRS would return</p> <p>11 investment returns of 7.9 percent or higher, correct?</p> <p>12 A. Correct.</p> <p>13 Q. Since February of 2009, has Gabriel Roeder issued any</p> <p>14 recommendations to the GRS for the GRS to change its</p> <p>15 investment return assumption?</p> <p>16 A. There would be no official recommendations until such</p> <p>17 time as the experience study's completed.</p> <p>18 Q. Well, if you while performing an actuarial valuation</p> <p>19 believed the investment return assumption to be</p> <p>20 unreasonable, you would have to disclose that, right?</p> <p>21 A. Yes.</p> <p>22 Q. And you haven't done that between 2009 and today,</p> <p>23 correct?</p> <p>24 A. We have not declared the investment return assumption</p> <p>25 used in the valuation as being unreasonable.</p>	<p style="text-align: right;">Page 132</p> <p>1 JUDITH KERMANS</p> <p>2 to change the investment return assumption since 2009?</p> <p>3 A. I did not ask that question.</p> <p>4 Q. And, to your knowledge, as you're sitting here now,</p> <p>5 you can't refer me to any informal or unofficial</p> <p>6 recommendation by Gabriel Roeder to GRS to change its</p> <p>7 investment return assumption since 2009, correct?</p> <p>8 A. Correct.</p> <p>9 Q. Sitting here today, you cannot point me to any</p> <p>10 official or unofficial recommendation from Gabriel</p> <p>11 Roeder Smith to the PFRS to change its investment</p> <p>12 policy assumption, return assumption since 2009,</p> <p>13 correct?</p> <p>14 A. Correct.</p> <p>15 Q. Turning back to, I believe it was Kermans Exhibit 4,</p> <p>16 the PFRS experience study, if we look at A2 and those</p> <p>17 six bullets that you talked about, which were the</p> <p>18 different areas of assumptions that were kind of</p> <p>19 analyzed in this experience study?</p> <p>20 A. Correct.</p> <p>21 Q. I don't want to belabor the point by walking through</p> <p>22 each of them, although I'm happy to do so if we need</p> <p>23 to, but just the same question for these different</p> <p>24 assumptions, the retirement assumptions, the salary</p> <p>25 increase assumptions, mortality assumptions.</p>

33 (Pages 129 to 132)

<p style="text-align: right;">Page 133</p> <p>1 JUDITH KERMANS</p> <p>2 In looking at these, are there any changes</p> <p>3 to any of these assumptions, any of these categories</p> <p>4 of assumptions, that you can recall making for any of</p> <p>5 the annual actuarial valuations for PFRS or GRS</p> <p>6 between the time of this experience study and today,</p> <p>7 other than the change for the first two years of</p> <p>8 inflation that you already, that you already</p> <p>9 mentioned?</p> <p>10 A. I cannot recall any other changes.</p> <p>11 Q. I don't want to misstate your prior testimony, but I</p> <p>12 believe that you said subject to a privilege around</p> <p>13 mediation discussions, that prior to preparing for</p> <p>14 this deposition you had not reviewed any documents</p> <p>15 prepared by Milliman in which Milliman provided</p> <p>16 comments related to the actuarial work done by Gabriel</p> <p>17 Roeder Smith for the GRS and PFRS, correct?</p> <p>18 A. I believe that we were not asked to do any formal</p> <p>19 reviews of any Milliman work.</p> <p>20 Q. When did you first become aware that Milliman was</p> <p>21 working with the City of Detroit with regard to</p> <p>22 actuarial work associated with review of the actuarial</p> <p>23 work for the PFRS and GRS?</p> <p>24 A. I believe that would be about a year ago.</p> <p>25 Q. Have you ever had any conversations, you know,</p>	<p style="text-align: right;">Page 135</p> <p>1 JUDITH KERMANS</p> <p>2 A. Same answer.</p> <p>3 Q. What about Allen Perry?</p> <p>4 A. I've never met Allen Perry.</p> <p>5 Q. What about Suzanne Taranto?</p> <p>6 A. I've never met Suzanne Taranto.</p> <p>7 Q. I'm going hand you what I will mark as Kermans</p> <p>8 Exhibit 6.</p> <p>9 MARKED FOR IDENTIFICATION:</p> <p>10 DEPOSITION EXHIBIT 6</p> <p>11 1:26 p.m.</p> <p>12 MR. HOWELL: For identification purposes,</p> <p>13 Kermans Exhibit 6 has the Bates range POA00260505</p> <p>14 through 522.</p> <p>15 BY MR. HOWELL:</p> <p>16 Q. Ms. Kermans, do you recognize this document?</p> <p>17 A. I don't believe that I do.</p> <p>18 Q. At the -- this document is a July 6th, 2012, letter</p> <p>19 from Glenn Bowen and Suzanne Taranto of Milliman to</p> <p>20 the chief operating officer of the City of Detroit,</p> <p>21 and in the first paragraph it says: As you have</p> <p>22 requested, Milliman has begun an analysis of the City</p> <p>23 of Detroit's actuarial liabilities in support of the</p> <p>24 City and Financial Advisory Board ("FAB"). This</p> <p>25 letter summarizes Milliman's assessment of the current</p>
<p style="text-align: right;">Page 134</p> <p>1 JUDITH KERMANS</p> <p>2 separate and apart from any mediation privilege here,</p> <p>3 any conversations with Milliman about the work that</p> <p>4 Gabriel Roeder Smith has done for the PFRS or GRS?</p> <p>5 A. I have not.</p> <p>6 Q. Anyone from Milliman ever reach out to anyone at</p> <p>7 Gabriel Roeder Smith to discuss any of the actuarial</p> <p>8 assumptions or actuarial valuations done by Gabriel</p> <p>9 Roeder Smith for PFRS or GRS?</p> <p>10 A. I believe that there was some discussion</p> <p>11 pre-bankruptcy with someone at our office and the</p> <p>12 Milliman company.</p> <p>13 Q. And do you have any understanding of the subject of</p> <p>14 those discussions?</p> <p>15 A. I believe they were trying to either do a retiree</p> <p>16 health valuation or do some kind of an analysis for</p> <p>17 the City.</p> <p>18 Q. Do you know what kind of analysis?</p> <p>19 A. As I mentioned, it's either a health valuation or some</p> <p>20 other kind of pension analysis.</p> <p>21 Q. You don't know the specific type of pension analysis?</p> <p>22 A. No.</p> <p>23 Q. Do you know Glenn Bowen at Milliman?</p> <p>24 A. Outside of mediation, no.</p> <p>25 Q. What about Kathryn Warren?</p>	<p style="text-align: right;">Page 136</p> <p>1 JUDITH KERMANS</p> <p>2 actuarial and financial status of the pension and</p> <p>3 post-retirement health programs.</p> <p>4 Do you see that?</p> <p>5 A. Yes.</p> <p>6 Q. Now, in July of 2012, Gabriel Roeder Smith had</p> <p>7 conducted assessments annually for years of the</p> <p>8 current actuarial and financial status of the GRS and</p> <p>9 PFRS pension programs, correct?</p> <p>10 A. Could you repeat the question?</p> <p>11 Q. Certainly. In July of 2012, Gabriel Roeder Smith had</p> <p>12 at that point in time been assessing the current</p> <p>13 actuarial and financial status of the GRS and PFRS</p> <p>14 pension systems in yearly valuations for decades,</p> <p>15 right?</p> <p>16 A. Correct.</p> <p>17 Q. Do you know whether the City reached out to Gabriel</p> <p>18 Roeder Smith in 2012 to perform assessments of the</p> <p>19 current actuarial and financial status of the PFRS and</p> <p>20 GRS pension systems?</p> <p>21 A. Please repeat the question?</p> <p>22 Q. Do you know if the City reached out to Gabriel Roeder</p> <p>23 Smith in 2012 to assess the current actuarial and</p> <p>24 financial status of the PFRS and GRS pension systems?</p> <p>25 A. I don't recall that happening.</p>

34 (Pages 133 to 136)

<p style="text-align: right;">Page 137</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Do you believe that Gabriel Roeder Smith would have</p> <p>3 been in a better position than Milliman in July of</p> <p>4 2012 to provide an assessment of the current actuarial</p> <p>5 and financial status of the GRS and PFRS pension</p> <p>6 systems?</p> <p>7 MS. GREEN: Object to form.</p> <p>8 A. I believe we did assess the financial position of both</p> <p>9 pension plans in our actuarial valuation.</p> <p>10 BY MR. HOWELL:</p> <p>11 Q. I understand that. My question is a little different.</p> <p>12 It's do you believe that Gabriel Roeder Smith was in a</p> <p>13 better position in July of 2012 to assess the current</p> <p>14 actuarial and financial status of the GRS and PFRS</p> <p>15 pensions than was Milliman?</p> <p>16 A. You're asking me if the analysis done by Milliman was</p> <p>17 better done by Milliman than by Gabriel Roeder Smith,</p> <p>18 and I cannot answer that question because I don't know</p> <p>19 what this analysis was about.</p> <p>20 Q. Apologies. That is not the question I was trying to</p> <p>21 ask. What I'm trying to ask is whether you believe</p> <p>22 that in July of 2012, Milliman or Gabriel Roeder Smith</p> <p>23 would have been better situated to assess the current</p> <p>24 actuarial and financial status of the PFRS and GRS</p> <p>25 pension systems.</p>	<p style="text-align: right;">Page 139</p> <p>1 JUDITH KERMANS</p> <p>2 to remeasure assets and liabilities using unbiased</p> <p>3 assumptions.</p> <p>4 Do you have an opinion as to whether</p> <p>5 Gabriel Roeder Smith had used biased assumptions in</p> <p>6 its June 30, 2010, actuarial valuation reports --</p> <p>7 A. Yes.</p> <p>8 Q. -- for the GRS and PFRS?</p> <p>9 A. Yes, I have an opinion.</p> <p>10 Q. What is your opinion?</p> <p>11 A. Our assumptions were unbiased.</p> <p>12 Q. Now, if you look on the second page, ending in Bates</p> <p>13 number 506, it says: The following table provides our</p> <p>14 very rough preliminary guesstimates ("VRPG") of the</p> <p>15 potential actual state of the systems.</p> <p>16 Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. And you wouldn't use, just generally, very rough</p> <p>19 preliminary guesstimates in putting together an annual</p> <p>20 actuarial valuation, correct?</p> <p>21 A. It is not an actuarially-defined term.</p> <p>22 Q. Safe to say that the material that is in your annual</p> <p>23 actuarial valuations are not very rough preliminary</p> <p>24 guesstimates, in your opinion, right?</p> <p>25 A. You are correct.</p>
<p style="text-align: right;">Page 138</p> <p>1 JUDITH KERMANS</p> <p>2 A. It is common for other actuaries to audit the work of</p> <p>3 each other, and Gabriel Roeder Smith would not have</p> <p>4 been in a position to audit their own work. So the</p> <p>5 question that you asked cannot really be answered the</p> <p>6 way you're expecting.</p> <p>7 Q. So it's your testimony that it can't be answered as to</p> <p>8 whether Milliman or Gabriel Roeder Smith was in a</p> <p>9 better position to assess the current actuarial and</p> <p>10 financial status of the GRS and PFRS pension systems</p> <p>11 in July of 2012?</p> <p>12 A. I'm saying it depends on the project.</p> <p>13 Q. The next paragraph says: Based on a preliminary</p> <p>14 review of the June 30, 2010, actuarial valuation</p> <p>15 reports for the General Retirement System for the City</p> <p>16 of Detroit and the Police and Fire Retirement System</p> <p>17 of the City of Detroit, we have the following high</p> <p>18 level recommendations.</p> <p>19 Do you see that?</p> <p>20 A. Yes.</p> <p>21 Q. Are you aware of any June 30, 2010, actuarial</p> <p>22 valuations performed for the GRS and PFRS other than</p> <p>23 those done by Gabriel Roeder Smith?</p> <p>24 A. No.</p> <p>25 Q. They go on to say that one of the recommendations is</p>	<p style="text-align: right;">Page 140</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Okay. Now, if you see, there's a chart right below</p> <p>3 that and there are a series of items listed. Do you</p> <p>4 see that?</p> <p>5 A. Yes.</p> <p>6 Q. And below is a, there's kind of a section over the</p> <p>7 next couple of pages that relate to several of these</p> <p>8 items in the chart, and I just want to walk through a</p> <p>9 few of those with you, but I want to make sure I give</p> <p>10 you an opportunity to review these sections before I</p> <p>11 do, but we're going to hop around a little bit in this</p> <p>12 document so that we don't have to go through the whole</p> <p>13 thing, okay?</p> <p>14 MS. GREEN: Rush, if I could interject, she</p> <p>15 has not seen this document, and you want her to read</p> <p>16 it? Can we take a ten-minute break, anyway, because</p> <p>17 we've been going a little over an hour, just to take a</p> <p>18 restroom break?</p> <p>19 MR. HOWELL: Yeah, absolutely, we can take</p> <p>20 a break.</p> <p>21 VIDEO TECHNICIAN: The time is 1:32 p.m.</p> <p>22 We are now off the record.</p> <p>23 (Off the record at 1:32 p.m.)</p> <p>24 (Back on the record at 1:51 p.m.)</p> <p>25 VIDEO TECHNICIAN: The time is 1:51 p.m.</p>

35 (Pages 137 to 140)

<p style="text-align: right;">Page 141</p> <p>1 JUDITH KERMANS</p> <p>2 We are now on the record.</p> <p>3 BY MR. HOWELL:</p> <p>4 Q. Ms. Kermans, we were discussing Kermans Exhibit 6,</p> <p>5 which is the July 6, 2012, Milliman letter to the</p> <p>6 chief operating officer of Detroit, and we were</p> <p>7 looking at a chart that's labeled the VRPG of</p> <p>8 Potential Actual State of Systems as of June 30, 2010.</p> <p>9 Do you see that?</p> <p>10 A. Yes.</p> <p>11 Q. And I don't want to take too much time going through</p> <p>12 this, I understand you haven't reviewed the document,</p> <p>13 but I just want to ask you to look at a couple</p> <p>14 sections that relate to two of these items that are</p> <p>15 listed in the chart, because you can see in the chart</p> <p>16 that with each item, either assets go down or</p> <p>17 liability goes up, leading to a reduction in</p> <p>18 Milliman's VRPG of the funded status of the GRS and</p> <p>19 PFRS. Do you see that?</p> <p>20 A. Yes.</p> <p>21 Q. So directly below the chart there's something that</p> <p>22 says optimism of demographic assumptions, and it was</p> <p>23 your testimony earlier that demographic assumptions</p> <p>24 that you use in performing your actuarial valuations</p> <p>25 are in the view of Gabriel Roeder Smith neither</p>	<p style="text-align: right;">Page 143</p> <p>1 JUDITH KERMANS</p> <p>2 for future mortality improvements.</p> <p>3 When we do the experience study, chances</p> <p>4 are we will update the assumptions to include a margin</p> <p>5 for future improvements.</p> <p>6 Q. So you can't say for sure, one way or another, what</p> <p>7 you're going to have in the updated experience study,</p> <p>8 correct?</p> <p>9 A. Correct.</p> <p>10 Q. And in 2013 you wouldn't have used a set of</p> <p>11 assumptions, mortality assumptions that you didn't</p> <p>12 think were reasonable, correct?</p> <p>13 A. Correct.</p> <p>14 Q. So you believe that the 2013 assumptions that you used</p> <p>15 did not explicitly provide for -- projection of</p> <p>16 mortality improvements were reasonable at the time you</p> <p>17 used them, correct?</p> <p>18 A. They were reasonable for the purpose of that</p> <p>19 measurement.</p> <p>20 Q. And the purpose of that measurement was to determine</p> <p>21 contribution rate necessary for those -- PFRS and GRS,</p> <p>22 correct?</p> <p>23 A. Correct.</p> <p>24 Q. Do you see in item E it says adjust out pension</p> <p>25 obligation certificates in the VRPG chart in the</p>
<p style="text-align: right;">Page 142</p> <p>1 JUDITH KERMANS</p> <p>2 optimistic nor pessimistic, but are best estimate</p> <p>3 assumptions, correct?</p> <p>4 A. They are the best estimate assumptions until the</p> <p>5 experience study is completed.</p> <p>6 Q. And it says: For both DGRS and PFRS, the valuation</p> <p>7 reports indicate the use of a mortality assumption</p> <p>8 that does not explicitly provide for the projection of</p> <p>9 mortality improvements.</p> <p>10 Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. Do you know whether the valuation reports and the</p> <p>13 mortality assumptions in the Gabriel Roeder Smith</p> <p>14 valuation reports provide for projection of mortality</p> <p>15 improvements?</p> <p>16 A. The 2013 reports for both police and fire and the DGRS</p> <p>17 do not provide for expected mortality improvements.</p> <p>18 Q. That's also true for the 2010 report, to your</p> <p>19 knowledge?</p> <p>20 A. I don't recall.</p> <p>21 Q. Why not include explicit provisions for projection of</p> <p>22 mortality improvements in the 2013 reports?</p> <p>23 A. It's the same mortality table that we were using from</p> <p>24 the 2009 study. It's just that we've now determined</p> <p>25 that we can no longer say that it provides a margin</p>	<p style="text-align: right;">Page 144</p> <p>1 JUDITH KERMANS</p> <p>2 center of page 2 of this July 6th letter?</p> <p>3 A. Yes.</p> <p>4 Q. And I can turn your attention to page 4, which lists</p> <p>5 the bottom section as impact on the City of past</p> <p>6 pension obligation certificates -- and you're familiar</p> <p>7 with what the pension obligation certificates are,</p> <p>8 correct?</p> <p>9 A. Yes.</p> <p>10 Q. And you'll see in the middle of that section it says:</p> <p>11 In item E of the table above, we have adjusted out the</p> <p>12 pension obligation certificate value to present the</p> <p>13 big picture view.</p> <p>14 Do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. Now, in the actuarial valuations performed by Gabriel</p> <p>17 Roeder Smith, you do not remove the pension obligation</p> <p>18 certificates from the assets of the DGRS and -- or the</p> <p>19 GRS and PFRS, correct?</p> <p>20 A. The assets as reported include the pension obligation</p> <p>21 certificate money.</p> <p>22 Q. And why do you include them rather than adjust them</p> <p>23 out when you are performing the valuations for the GRS</p> <p>24 and PFRS?</p> <p>25 A. It is our understanding that they are included in the</p>

36 (Pages 141 to 144)

<p style="text-align: right;">Page 145</p> <p>1 JUDITH KERMANS</p> <p>2 trust fund money.</p> <p>3 Q. And so in the opinion of Gabriel Roeder Smith, it's</p> <p>4 correct to assume that those are included in the</p> <p>5 assets?</p> <p>6 A. They're included in the assets when they're reported</p> <p>7 to us.</p> <p>8 Q. And you have no reason to doubt that that's correct,</p> <p>9 right?</p> <p>10 MR. BULLOCK: Object to form.</p> <p>11 MS. GREEN: Same objection.</p> <p>12 BY MR. HOWELL:</p> <p>13 Q. You can answer if you understood the question.</p> <p>14 A. Sounds like a legal issue rather than an actuarial</p> <p>15 one.</p> <p>16 Q. Well, I'm not asking you a legal issue, I'm asking</p> <p>17 you -- you have to make a determination as an actuary</p> <p>18 whether or not to accept data that's provided to you,</p> <p>19 correct?</p> <p>20 A. We are not -- under no obligation to audit data or to</p> <p>21 assume that it's deceitful in any way.</p> <p>22 Q. If you thought that there was over a billion dollars</p> <p>23 incorrectly included in assets, based on your review,</p> <p>24 is that the sort of thing you would maybe bring up to</p> <p>25 a system?</p>	<p style="text-align: right;">Page 147</p> <p>1 JUDITH KERMANS</p> <p>2 liabilities and costs, causing current taxpayers to be</p> <p>3 overcharged and future taxpayers to be undercharged?</p> <p>4 MS. GREEN: Object to form and foundation.</p> <p>5 A. Could you repeat the question, please?</p> <p>6 BY MR. HOWELL:</p> <p>7 Q. Do you agree with the statement that an investment</p> <p>8 return assumption that is set too low will overstate</p> <p>9 liabilities and costs, causing current taxpayers to be</p> <p>10 overcharged and future taxpayers to be undercharged?</p> <p>11 MS. GREEN: Same objection, but go ahead</p> <p>12 and answer.</p> <p>13 A. Can you tell me what you're looking at, please?</p> <p>14 BY MR. HOWELL:</p> <p>15 Q. I'm just asking you --</p> <p>16 A. Questions?</p> <p>17 Q. -- if you agree with that statement.</p> <p>18 A. I think it's more complicated than that.</p> <p>19 Q. And how so?</p> <p>20 A. I think there are other parties that would be affected</p> <p>21 by that decision than just the taxpayers, but ...</p> <p>22 Q. Setting aside other parties for a moment, just</p> <p>23 focusing on the taxpayers, the current and future</p> <p>24 taxpayers, would you agree that if you set an</p> <p>25 investment return assumption too low, you could</p>
<p style="text-align: right;">Page 146</p> <p>1 JUDITH KERMANS</p> <p>2 A. Yes.</p> <p>3 Q. And you didn't, you didn't think that was the case</p> <p>4 here, right?</p> <p>5 MR. BULLOCK: Object to form.</p> <p>6 BY MR. HOWELL:</p> <p>7 Q. You can answer.</p> <p>8 A. We had no reason to bring it up.</p> <p>9 Q. Ms. Kermans, you would agree that it's important to</p> <p>10 choose a reasonable investment return assumption when</p> <p>11 preparing an actuarial valuation of a crude actuarial</p> <p>12 liability, correct?</p> <p>13 A. We don't choose the valuation assumption. I would</p> <p>14 agree that it's important to use a reasonable assumed</p> <p>15 rate of return when completing the actuarial</p> <p>16 valuation.</p> <p>17 Q. Thanks for that clarification. And, in fact, if you</p> <p>18 believed that the investment return assumption that</p> <p>19 you were using was not reasonable, you would have to</p> <p>20 either not go forward with the analysis or disclose</p> <p>21 that you believed that investment return assumption</p> <p>22 was unreasonable, correct?</p> <p>23 A. Correct.</p> <p>24 Q. Would you agree with the statement that an investment</p> <p>25 return assumption that is set too low will overstate</p>	<p style="text-align: right;">Page 148</p> <p>1 JUDITH KERMANS</p> <p>2 overstate liabilities and costs, hurting the current</p> <p>3 taxpayers and benefitting the future taxpayers,</p> <p>4 whereas if you set it, an investment return assumption</p> <p>5 too high, you could hurt the future taxpayers at</p> <p>6 the -- to the benefit of current taxpayers?</p> <p>7 MS. GREEN: I'm going to object again or</p> <p>8 reiterate my prior objection. That just seems to be</p> <p>9 sort of an expert witness type of question, a</p> <p>10 hypothetical, and outside of the scope of the 30(b)(6)</p> <p>11 notice under which Ms. Kermans is being presented as a</p> <p>12 witness.</p> <p>13 BY MR. HOWELL:</p> <p>14 Q. You can answer.</p> <p>15 A. I will say that if you set your assumed rate of return</p> <p>16 too low, you can increase liabilities and create a</p> <p>17 contribution rate that is too high for the intended</p> <p>18 measurement.</p> <p>19 Q. And your belief is that could, that could affect</p> <p>20 multiple parties, one of which could be taxpayers?</p> <p>21 MR. BULLOCK: Object to form, Counsel. I</p> <p>22 think, in fairness, because you've moved outside of</p> <p>23 her role as a lay witness, she needs some context for</p> <p>24 your question.</p> <p>25 BY MR. HOWELL:</p>

37 (Pages 145 to 148)

<p style="text-align: right;">Page 149</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Well, did you understand the question?</p> <p>3 A. I heard the question.</p> <p>4 Q. Okay. I mean, I'm not asking you for an expert</p> <p>5 opinion here. You perform actuarial valuations,</p> <p>6 right? We've discussed that at length.</p> <p>7 A. Yeah.</p> <p>8 Q. And one of the things you have to do is get</p> <p>9 comfortable with investment return assumptions,</p> <p>10 because if they're not reasonable, you can't use them,</p> <p>11 right?</p> <p>12 A. Correct.</p> <p>13 Q. So do you in that position, including the work that</p> <p>14 you've done for PFRS and GRS, do you have an</p> <p>15 understanding as to why an investment return</p> <p>16 assumption needs to be reasonable?</p> <p>17 A. Yes.</p> <p>18 Q. And explain for me why it is that you view it</p> <p>19 important that an investment return assumption be</p> <p>20 reasonable.</p> <p>21 A. A number of reasons, but it depends on the measurement</p> <p>22 and for the actuarial valuation so that the</p> <p>23 contribution rate is calculated properly.</p> <p>24 Q. What would some other reasons be, in addition to the</p> <p>25 one that you just listed?</p>	<p style="text-align: right;">Page 151</p> <p>1 JUDITH KERMANS</p> <p>2 systems?</p> <p>3 A. No, not a review.</p> <p>4 Q. Do you look at the asset allocations for those</p> <p>5 systems? And I'm not asking if you, you know, provide</p> <p>6 recommendations or do an analysis of them, but do you</p> <p>7 at least observe what they are?</p> <p>8 A. We use the asset allocations provided to us as part of</p> <p>9 the valuation process for the DGRS. There is no</p> <p>10 allocation in the PFRS.</p> <p>11 Q. So you're not aware of the asset allocation of the</p> <p>12 PFRS?</p> <p>13 A. PFRS has one contribution rate and one group</p> <p>14 contribution rate calculated.</p> <p>15 Q. I may be asking -- I should be more clear. I'm</p> <p>16 talking about the allocation of investments across</p> <p>17 different asset classes for the GRS and PFRS.</p> <p>18 A. Okay.</p> <p>19 Q. That information is provided to Gabriel Roeder Smith,</p> <p>20 as well, correct?</p> <p>21 A. We receive assets by class, yes.</p> <p>22 Q. And is that something that you look at, as well, as</p> <p>23 part of your actuarial analysis?</p> <p>24 A. We would look at that as part of the experience study</p> <p>25 process.</p>
<p style="text-align: right;">Page 150</p> <p>1 JUDITH KERMANS</p> <p>2 A. So the generations of citizens are treated fairly.</p> <p>3 Q. What do you mean by that?</p> <p>4 A. Taxpayers.</p> <p>5 Q. And what do you mean when you say so the generations</p> <p>6 of taxpayers would be treated fairly?</p> <p>7 MS. GREEN: Object to form and foundation</p> <p>8 again.</p> <p>9 A. I think some of that information is listed in our</p> <p>10 report.</p> <p>11 BY MR. HOWELL:</p> <p>12 Q. Fair enough. You're welcome to point me to where in</p> <p>13 your report you think that that's listed, but it would</p> <p>14 be helpful for me if you could explain why it is that</p> <p>15 you think it's important to set a reasonable</p> <p>16 investment return assumption so that generations of</p> <p>17 citizens would be treated fairly.</p> <p>18 A. So that, in line with the goals and objectives of the</p> <p>19 retirement system, that generations of citizens would</p> <p>20 have equitable contribution rates, and, as you</p> <p>21 mentioned, that we wouldn't charge too much to this</p> <p>22 generation and less to the other.</p> <p>23 Q. As part of the work that you do in putting together</p> <p>24 annual actuarial valuations for GRS and PFRS, do you</p> <p>25 undertake a review of the asset allocations for those</p>	<p style="text-align: right;">Page 152</p> <p>1 JUDITH KERMANS</p> <p>2 Q. And that could be helpful in determining the</p> <p>3 appropriate investment return assumption, correct?</p> <p>4 A. Correct.</p> <p>5 Q. In fact, an investment return assumption is largely</p> <p>6 tied to a particular asset allocation, correct?</p> <p>7 MS. GREEN: Object to foundation.</p> <p>8 A. Could you repeat the question?</p> <p>9 BY MR. HOWELL:</p> <p>10 Q. An investment return assumption is largely a function</p> <p>11 of the asset allocation for the system in question,</p> <p>12 correct?</p> <p>13 A. I would say that the asset allocation of a system's</p> <p>14 money is one of the decision-making points in</p> <p>15 selecting the assumed rate of return.</p> <p>16 Q. In general, if you have a more aggressive asset</p> <p>17 allocation, you would generally expect higher returns</p> <p>18 but also more risk, correct?</p> <p>19 MS. GREEN: Object to foundation again.</p> <p>20 A. I'm not an investment adviser. What you're saying</p> <p>21 makes common sense.</p> <p>22 BY MR. HOWELL:</p> <p>23 Q. Well, if a, if a system wants to adjust -- make a</p> <p>24 significant adjustment to its investment return</p> <p>25 assumption, that new return assumption has to be tied</p>

38 (Pages 149 to 152)

<p style="text-align: right;">Page 153</p> <p>1 JUDITH KERMANS</p> <p>2 to some sort of asset allocation, correct?</p> <p>3 MS. GREEN: Object to form.</p> <p>4 A. I would say that the asset allocation would help you</p> <p>5 decide what the assumed rate of return should be.</p> <p>6 BY MR. HOWELL:</p> <p>7 Q. And other things being equal, if I have the same asset</p> <p>8 allocation, I can't just say I'm going to have a</p> <p>9 significantly different investment return assumption,</p> <p>10 correct?</p> <p>11 MS. GREEN: Objection.</p> <p>12 A. I can't answer that question in the form that you've</p> <p>13 asked it.</p> <p>14 BY MR. HOWELL:</p> <p>15 Q. Well, you review investment return assumptions as part</p> <p>16 of your job, correct?</p> <p>17 A. As part of the experience study process, we will</p> <p>18 evaluate and make recommendations for a reasonable</p> <p>19 range of investment return assumptions for the</p> <p>20 five-year period going forward.</p> <p>21 Q. And a plan -- a system, rather, can't just come to you</p> <p>22 and say, "We're going to set our investment return</p> <p>23 assumption five hundred basis points higher and we're</p> <p>24 not going to make any changes to our asset</p> <p>25 allocation," right? That wouldn't make any sense,</p>	<p style="text-align: right;">Page 155</p> <p>1 JUDITH KERMANS</p> <p>2 discount rate that you use in calculating a UAAL is</p> <p>3 typically the same as the investment return assumption</p> <p>4 for that plan, correct?</p> <p>5 A. The discount rate used to calculate the present value</p> <p>6 of future benefits is generally the same in public</p> <p>7 sector plans as the assumed rate of return on assets.</p> <p>8 Q. And when you say "generally the same," have you ever</p> <p>9 seen an example where it wasn't?</p> <p>10 A. I have not.</p> <p>11 Q. Is there anything in either of the 2013 annual</p> <p>12 actuarial valuations, either the one for the PFRS or</p> <p>13 the GRS, that you would like to change as you sit here</p> <p>14 today?</p> <p>15 A. Could you be more specific?</p> <p>16 Q. Just anything that comes to mind that you think you</p> <p>17 would want to change.</p> <p>18 A. No.</p> <p>19 Q. I don't think I have anything further. Thanks for</p> <p>20 your patience today. I believe we may have --</p> <p>21 MR. HOWELL: Does anyone on the phone,</p> <p>22 before we move on, have any questions they're going to</p> <p>23 ask today?</p> <p>24 MR. PLOTKO: I don't. This is Greg Plotko.</p> <p>25 MR. HOWELL: Okay. I think we just have</p>
<p style="text-align: right;">Page 154</p> <p>1 JUDITH KERMANS</p> <p>2 would it?</p> <p>3 A. We have plans that we work with that have prescribed</p> <p>4 assumptions that are set by the State. So there is a</p> <p>5 situation where they would tell us what the assumed</p> <p>6 rate of return would be.</p> <p>7 Q. And in that circumstance, you would still have to</p> <p>8 justify the reasonableness of that assumption by</p> <p>9 making sure that it's something you believe would</p> <p>10 occur more often than not, correct?</p> <p>11 A. Not exactly.</p> <p>12 Q. In a situation where you have a prescribed return</p> <p>13 assumption, in order for that return assumption to be</p> <p>14 reasonable, you would still need it to -- you would</p> <p>15 still need to believe that it would be reached more</p> <p>16 often than not, correct?</p> <p>17 MS. GREEN: Object to the form of the</p> <p>18 question.</p> <p>19 A. We would determine what a reasonable range of results</p> <p>20 would be, and what we would generally do is we would</p> <p>21 choose a number within that range, primarily</p> <p>22 recommending something that's in the 50th percentile</p> <p>23 of likely occurrences.</p> <p>24 BY MR. HOWELL:</p> <p>25 Q. When you're performing actuarial valuations, the</p>	<p style="text-align: right;">Page 156</p> <p>1 JUDITH KERMANS</p> <p>2 one other set, then.</p> <p>3 Would you like to take a break or ...</p> <p>4 MR. BHARGAVA: We can go off the record for</p> <p>5 a couple minutes while we transition.</p> <p>6 VIDEO TECHNICIAN: The time is 2:12 p.m.</p> <p>7 We are now off the record.</p> <p>8 (Off the record at 2:12 p.m.)</p> <p>9 (Back on the record at 2:21 p.m.)</p> <p>10 VIDEO TECHNICIAN: The time is 2:21 p.m.</p> <p>11 We are now on the record.</p> <p>12 EXAMINATION</p> <p>13 BY MR. BHARGAVA:</p> <p>14 Q. Good afternoon, Ms. Kermans.</p> <p>15 A. Hi.</p> <p>16 Q. As I said before, my name is Mike Bhargava, and I'm</p> <p>17 representing Assured Guaranty Municipal Corporation.</p> <p>18 A. Okay.</p> <p>19 Q. I just have a few hopefully very quick questions for</p> <p>20 you. Have you, have you had the opportunity to review</p> <p>21 any of the various iterations of the City's plan of</p> <p>22 adjustment?</p> <p>23 A. I have not done a formal review of the plan of</p> <p>24 adjustment.</p> <p>25 Q. Okay. Have you seen parts of the plan?</p>

39 (Pages 153 to 156)

<p style="text-align: right;">Page 157</p> <p>1 JUDITH KERMANS</p> <p>2 A. I have briefly read parts that would pertain to the</p> <p>3 pension system.</p> <p>4 Q. Okay. So are you generally familiar with what the</p> <p>5 plan proposes in terms of the pension systems?</p> <p>6 A. I am somewhat familiar with the cuts that are being</p> <p>7 proposed.</p> <p>8 Q. Are you, are you aware that the plan allocates a</p> <p>9 portion of the UAAL that it attributes specifically to</p> <p>10 DWSD?</p> <p>11 A. I have not been asked to perform an analysis --</p> <p>12 Gabriel Roeder has not been asked to perform an</p> <p>13 analysis of the numbers that appear in the plan of</p> <p>14 adjustment to even determine whether or not they're,</p> <p>15 in fact, an unfunded accrued liability.</p> <p>16 Q. Okay. So are you aware -- but you're aware that there</p> <p>17 is a portion of the UAAL that is attributed to DWSD,</p> <p>18 is that right?</p> <p>19 A. I am aware that a certain portion of the claim is</p> <p>20 attributed to the DWSD.</p> <p>21 Q. Okay. And are you aware that this amount is amortized</p> <p>22 over nine years?</p> <p>23 A. Yes.</p> <p>24 Q. Okay. Was the decision to amortize the UAAL over nine</p> <p>25 years, was that the result of any actuarial</p>	<p style="text-align: right;">Page 159</p> <p>1 JUDITH KERMANS</p> <p>2 A. Outside of the mediation process, we were not asked to</p> <p>3 perform any analysis of any of the assumptions or</p> <p>4 numbers in the plan of adjustment.</p> <p>5 Q. Okay. Was Gabriel Roeder asked to analyze in any way</p> <p>6 the -- well, let me back up.</p> <p>7 Are you aware that there -- the plan</p> <p>8 proposes that DWSD contribute money to the UAAL in a</p> <p>9 way that other divisions of the City are not asked to</p> <p>10 contribute?</p> <p>11 A. I'm aware that the DWSD is making some type of a</p> <p>12 contribution based on the nine-year amortization</p> <p>13 period -- actually, that's not right.</p> <p>14 I'm aware that DWSD is being asked to make</p> <p>15 contributions during the nine-year period between now</p> <p>16 and the 2023 year.</p> <p>17 Q. Okay. And are you aware that other City divisions are</p> <p>18 not being asked to make a similar contribution?</p> <p>19 A. That's my understanding.</p> <p>20 Q. Okay. Did Gabriel Roeder perform any actuarial</p> <p>21 analysis in support of the plan's deferential</p> <p>22 treatment of DWSD versus other City divisions?</p> <p>23 A. We did not perform any analysis of anything regarding</p> <p>24 the plan of adjustment outside of the mediation</p> <p>25 process.</p>
<p style="text-align: right;">Page 158</p> <p>1 JUDITH KERMANS</p> <p>2 recommendation by Gabriel Roeder?</p> <p>3 MR. BULLOCK: Objection to the extent that</p> <p>4 it calls for a violation of the mediation</p> <p>5 confidentiality provision.</p> <p>6 BY MR. BHARGAVA:</p> <p>7 Q. Okay, and let me -- again, as the previous counsel</p> <p>8 did, I want to make it clear that I'm not asking for</p> <p>9 anything that happened during mediation.</p> <p>10 A. We made no recommendations regarding the plan of</p> <p>11 adjustment outside of mediation.</p> <p>12 Q. Okay. And again, outside of mediation, did Gabriel</p> <p>13 Roeder perform any actuarial analysis in support of</p> <p>14 the nine-year amortization period?</p> <p>15 A. We did not.</p> <p>16 Q. Okay. Were you asked to review the nine-year</p> <p>17 amortization period before it was included in the plan</p> <p>18 of adjustment?</p> <p>19 A. Outside of mediation, we weren't asked to do any</p> <p>20 analysis regarding the plan of adjustment.</p> <p>21 Q. Okay, and is -- do these answers also hold in terms of</p> <p>22 the proposed 6.75 percent investment return</p> <p>23 assumption? In other words, were you -- was Gabriel</p> <p>24 Roeder asked to perform any analysis with regard to</p> <p>25 the 6.75 percent investment return assumption?</p>	<p style="text-align: right;">Page 160</p> <p>1 JUDITH KERMANS</p> <p>2 Q. Okay. And, similarly, you didn't provide any</p> <p>3 recommendations regarding the differential treatment</p> <p>4 of different City divisions, is that right?</p> <p>5 A. Outside of mediation, that is correct.</p> <p>6 Q. Okay, that's all I have.</p> <p>7 MR. BHARGAVA: Anyone else on the phone</p> <p>8 have any questions?</p> <p>9 All right, I think we are concluded.</p> <p>10 VIDEO TECHNICIAN: The time is 2:27 p.m.</p> <p>11 We are now off the record.</p> <p>12 (The deposition was concluded at 2:27 p.m.</p> <p>13 Signature of the witness was not requested by</p> <p>14 counsel for the respective parties hereto.)</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

40 (Pages 157 to 160)

JUDITH KERMANS
 CERTIFICATE OF NOTARY
 STATE OF MICHIGAN)
) SS
 COUNTY OF KENT)

I, REBECCA L. RUSSO, certify that this
 deposition was taken before me on the date
 hereinbefore set forth; that the foregoing questions
 and answers were recorded by me stenographically and
 reduced to computer transcription; that this is a
 true, full and correct transcript of my stenographic
 notes so taken; and that I am not related to, nor of
 counsel to, either party nor interested in the event
 of this cause.

REBECCA L. RUSSO, CSR-2759
 Notary Public,
 Kent County, Michigan.
 My Commission expires: 6-3-2017

EXHIBIT D

1 UNITED STATES BANKRUPTCY COURT
2 EASTERN DISTRICT OF MICHIGAN
3 SOUTHERN DIVISION
4
5 IN RE:
6
7 CITY OF DETROIT, MICHIGAN, Chapter 9
8 Debtor. Case No. 13-53846
9 Hon. Steven W. Rhodes
10
11 _____/
12
13
14
15
16 DEPONENT: GRS 30(b)(6) WITNESS (CYNTHIA THOMAS)
17 DATE: Tuesday, July 15, 2014
18 TIME: 10:05 a.m.
19 LOCATION: CLARK HILL, PLC
20 500 Woodward Avenue, Suite 3500
21 Detroit, Michigan
22 REPORTER: Karen Fortna, CRR/RMR/RPR/CSR-5067
23 JOB NO: 212649-A
24
25

1 APPEARANCES:

2 PEPPER HAMILTON, LLP

3 By: Ms. Deborah Kovsky-Apap

4 4000 Town Center, Suite 1800

5 Southfield, Michigan 48075

6 248.359.7300

7 Appearing on behalf of City of Detroit

8

9 CLARK HILL, PLC

10 By: Mr. Sean P. Gallagher

11 500 Woodward Avenue, Suite 3500

12 Detroit, Michigan 48226

13 313.965.8300

14 Appearing on behalf of Creditor

15

16 DENTONS

17 By: Mr. Daniel Morris

18 1301 K Street, NW, Suite 600, East Tower

19 Washington, DC 20005-3364

20 202.408.6381

21 Appearing on behalf of Official Committee of

22 Retirees

23

24

25

1 APPEARANCES: (Continued)

2 COHEN, WEISS & SIMON, LLP

3 By: Mr. Peter D. DeChiara

4 330 West 42nd Street

5 New York, New York 10036-6979

6 212.356.0216

7 Appearing on behalf of UAW International Union

8

9 GOLD, LANGE & MAJOROS, PC

10 By: Mr. Stuart A. Gold

11 24901 Northwestern Highway, Suite 444

12 Southfield, Michigan 48075

13 248.350.8220

14 Appearing on behalf of Detroit Library

15 Commission

16

17 KIENBAUM, OPPERWALL, HARDY & PELTON, PLC

18 By: Mr. William B. Forrest, III

19 280 North Old Woodward, Suite 400

20 Birmingham, Michigan 48009

21 248.645.0000

22 Appearing on behalf of Detroit Library

23 Commission

24

25 ALSO PRESENT: Ms. Trinee Moore, Detroit Public Library

1	I N D E X	Page 4
2		
3	W I T N E S S	
4		
5	CYNTHIA THOMAS	PAGE
6		
7	Examination by Mr. DeChiara	7
8		
9		
10	REDACTIONS PURSUANT TO AGREEMENT OF COUNSEL	
11	Page 23, line 13, through page 25, line 15	
12	Page 26, lines 12-18	
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1	E X H I B I T S	
2		
3	EXHIBIT	DESCRIPTION PAGE
4		
5	Ex. No. 1	Amended Notice of Deposition . . .10
6	Ex. No. 2	The General Retirement System of .17
7		the City of Detroit, 75th Annual
8		Actuarial Valuation, June 30, 2013
9	Ex. No. 3	7-9-14 Lennox email23
10	Ex. No. 4	GRS' Responses and Objections to .26
11		Interrogatories of International
12		Union, UAW, Regarding Plan
13		Confirmation
14		
15		(GRS Ex. No. 3 clawed back.)
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 Tuesday, July 15, 2014

2 Detroit, Michigan

3 10:05 a.m.

4 * * * *

5 CYNTHIA THOMAS,

6 having first been duly sworn, was examined and

7 testified as follows:

8 MR. DeCHIARA: Good morning, Ms. Thomas.

9 THE WITNESS: Good morning.

10 MR. DeCHIARA: My name is Peter DeChiara
11 from the law firm of Cohen, Weiss & Simon, LLP.

12 We represent the UAW International Union in the
13 Chapter 9 bankruptcy of the City of Detroit.

14 Have you ever had your deposition taken?

15 THE WITNESS: Yes.

16 MR. DeCHIARA: Okay. So let me go over a
17 few ground rules, although you're probably familiar
18 with them.

19 We have a court reporter here who is
20 going to take down my questions and your answers to
21 my questions. So that the court reporter can get a
22 clear transcript, I would ask that you answer my
23 questions with words as opposed to gestures or
24 shrugs.

25 Also, please wait until I finish my

1 question and I'll also wait to finish -- wait until
2 you finish your answers. If I cut you off
3 inadvertently, let me know and I'll let you finish.

4 If you don't understand my questions or
5 you don't hear my questions, let me know and I'll
6 repeat them or try to clarify them. If you answer
7 a question, I'll assume you heard it and understood
8 it. Is that fair?

9 THE WITNESS: That's fair.

10 MR. DeCHIARA: If you need a break at any
11 time for any reason, just let me know and we can
12 take a break.

13 THE WITNESS: Okay.

14 EXAMINATION

15 BY MR. DeCHIARA:

16 Q. By whom are you employed?

17 A. The Retirement Systems of the City of Detroit.

18 Q. And what's your position there?

19 A. Executive director.

20 Q. And how long have you been the executive
21 director?

22 A. Since August of 2012.

23 Q. Were you employed at the GRS prior to August of
24 2012?

25 A. Yes.

1 Q. And what position did you hold prior to that?

2 A. I was assistant director of the Police & Fire
3 Retirement System of the City of Detroit.

4 Q. And how long did you hold that position?

5 A. Since 2004.

6 MR. GALLAGHER: Peter, just for the sake
7 of clarity, because we've learned of this because
8 of the GRS/Gabriel Roeder acronym, maybe we'll just
9 make sure that when you refer to GRS, you are
10 referring to the General Retirement Systems of the
11 City of Detroit as opposed to Gabriel Roder Smith,
12 right?

13 MR. DeCHIARA: I was unaware of that.
14 Okay.

15 MR. GALLAGHER: Based on the documents,
16 the actuarial reports --

17 MR. DeCHIARA: Yeah, I know.

18 MR. GALLAGHER: -- we may get there, and
19 I just want to make sure that's --

20 MR. DeCHIARA: Thank you for that
21 clarification.

22 So Ms. Thomas, when I refer to the
23 acronym "GRS," I'm referring to the General
24 Retirement Systems of the City of Detroit.

25 THE WITNESS: Okay.

1 BY MR. DeCHIARA:

2 Q. Did you prepare in any way for this deposition?

3 A. Yes.

4 Q. Other than speaking to counsel for the GRS, did
5 you -- well, let me ask you, did you prepare in any
6 way other than speaking to counsel for the GRS?

7 A. I did not.

8 Q. Did you review any documents?

9 A. I did.

10 Q. What documents did you review?

11 A. A few older actuarial statements and audited
12 financials.

13 Q. Anything else that you recall?

14 A. Yeah, maybe a spreadsheet or two, work-type
15 spreadsheet that was prepared in my office by the
16 accounting section.

17 Q. Who do you report to in your position?

18 A. Oh, boy. You ready for this? And then you guys
19 will all feel sorry for me. So I report to the
20 board of trustees on the General Retirement System,
21 I report to the board of trustees on the Police &
22 Fire Retirement System, and then I'm also
23 underneath the finance director and the mayor.
24 That's a lot of bosses.

25 MR. GALLAGHER: Peter, I'm sorry to

1 interrupt again. Forgive me. Maybe this is a good
2 point to clarify that Ms. Thomas is here in a
3 representative capacity based on the 30(b)(6)
4 deposition notice that you issued.

5 MR. DeCHIARA: Yes. Let me put in the
6 amended notice. Let me mark the amended notice.
7 So why don't we mark it as GRS 1.

8 (Marked for identification:
9 GRS Exhibit No. 1.)

10 BY MR. DeCHIARA:

11 Q. Ms. Thomas, I've marked as GRS 1 the amended notice
12 of deposition of the International Union, UAW, to
13 General Retirement System of the City of Detroit.

14 Is it your understanding that you're here
15 testifying today pursuant to this amended notice of
16 deposition?

17 A. It is.

18 Q. Did you review this document?

19 A. I did.

20 Q. Okay. Let me refer you to -- you see that there's
21 a list of -- starting in the middle of the first
22 page, there's a list of topics?

23 A. Yes.

24 Q. Okay. Let me begin with the first one. "The
25 status of the Detroit Library Commission as an

1 entity separate from the City of Detroit."

2 In preparing for today's deposition, did
3 you look into the question of whether -- look into
4 the question of whether the Detroit Library
5 Commission is an entity separate from the City of
6 Detroit? And before you answer, let me just say,
7 I'm not looking for any legal conclusions and I'm
8 also not looking for anything that you might have
9 discussed with counsel.

10 A. No.

11 Q. Okay. Do you have a view or an understanding of
12 whether or not the Detroit library Commission is a
13 separate entity from the City of Detroit?

14 A. I do.

15 Q. And what's your view?

16 A. And my view is, I guess, based on my 26 years
17 working at the Retirement System, just various
18 conversations working as an accountant prior to
19 being in management, but also on a managerial level
20 and working with the boards of trustees, it's -- it
21 was always our belief that the library was -- it
22 was separate, but still with the City.

23 And what I mean by that is they could --
24 they had their own little HR and payroll unit, they
25 could hire their own employees, but the employees

1 were still civil servants and members of the
2 system.

3 And there was a lot of discussion about
4 this because, at times, the Retirement Systems'
5 trustees looked to the library as wanting to have
6 that type of status, being separate, having more
7 authority as far as running the Retirement Systems
8 and having authority over the employees and
9 operations, but still -- still retain that civil
10 servant -- civil servancy for the staff and
11 membership into the system.

12 **Q. I probably should have asked this earlier. What is**
13 **your professional training? Are you an accountant?**

14 A. Yes. Well, that's -- my degree was in accounting.

15 **Q. Okay.**

16 A. I haven't been an accountant in a long time.

17 **Q. Do you have any professional training in any other**
18 **fields other than accounting?**

19 A. Other than training at -- an executive training at
20 Wharton's School of Business, I do not.

21 **Q. So you said that it's your understanding that the**
22 **library has its own human resources department; is**
23 **that correct?**

24 A. Not necessarily human resources department, but a
25 unit that was responsible for human resource

1 activities.

2 Q. So would that be, for example, hiring and firing
3 and promoting functions?

4 A. Yes, yes.

5 Q. So the library does that independently, according
6 to your understanding?

7 A. Yes.

8 Q. And is it your understanding that the library
9 maintains its own payroll function?

10 A. Yes.

11 Q. You testified when you answered my question that
12 there's been lots of discussion about the status of
13 the library over the years?

14 A. Yes.

15 Q. Can you remember any discussions in particular,
16 whether recent or in the past?

17 A. A little bit. I can remember a little bit of a
18 discussion with James Edwards, who works -- used to
19 work in the law department. I believe he's retired
20 now. And Mr. Edwards asked me to check our files
21 for any -- any correspondence or documents we had
22 pertaining to the library. And then also over
23 the -- I think probably in 2013, there was also
24 some up-to-date discussion of the library and the
25 Retirement Systems possibly becoming its own

1 department.

2 Q. Okay. Let me ask you about the discussion you had
3 with Mr. Edwards. He used to work with the law
4 department of the City of Detroit?

5 A. Correct.

6 Q. Okay. And he asked you to check for -- check your
7 files for correspondence pertaining to the library.
8 When was that conversation?

9 A. I believe it was this year, maybe February.

10 Q. Okay. And do you know why -- did he tell you why
11 he made that request of you?

12 A. He did not.

13 Q. Did you have an understanding of why he made that
14 request?

15 A. Ultimately, yes.

16 Q. And what was your understanding?

17 A. That the library -- that the City -- that the City
18 of Detroit and Jones Day team needed to understand
19 the structure of the library and how it became a
20 separate entity.

21 Q. Did you ever speak to Mr. Edwards subsequently
22 about that issue?

23 A. I did not.

24 Q. Did you ever speak to anyone from Jones Day about
25 that issue?

1 A. I didn't.

2 Q. Did you ever speak to anyone else who represented
3 the City or represents the City about that issue,
4 meaning the status of the library?

5 A. No, I didn't.

6 Q. Then you testified that in 2013, there have been
7 discussions about the status of the library.
8 Who -- did you participate in those discussions?

9 A. I did.

10 Q. Who did you have those discussions with?

11 A. Clark Hill attorneys.

12 Q. And Clark Hill is counsel for the GRS?

13 A. For the Police & Fire -- well, as it pertains to
14 bankruptcy, for both systems, but general counsel
15 to the Police & Fire System.

16 Q. Okay. So I'm not going to ask you about those
17 conversations you had with counsel for the GRS.

18 Now you testified to something earlier,
19 something about the -- I'm not quite sure I
20 followed what you were saying, but something about
21 someone was looking for more authority, maybe the
22 library was looking for more authority over the
23 years. Could you explain what that testimony was?

24 A. Actually, what I was referring to was the
25 Retirement Systems were looking for more authority

1 over their staff and operations.

2 **Q. What do you mean by looking for more authority?**

3 A. As I testified to a little earlier, all of the
4 bosses that I have, there's a conflict of interest
5 because the boards of trustees are equally my boss,
6 as the finance director and the mayor, yet they can
7 definitely have different goals and motivations and
8 directives, and that's -- it's a common problem.
9 And so the boards of trustees were looking for a
10 way to resolve that or lessen it, and in doing so,
11 the discussion was they felt that the Library
12 Commission had that authority over their staff and
13 operations.

14 **Q. So am I understanding this correctly, that the**
15 **board of trustees of the GRS was looking to the**
16 **library as a model of an organization that has**
17 **authority over its own workforce in a way that the**
18 **GRS did not?**

19 A. Absolutely.

20 **Q. Do you have any understanding or knowledge of what**
21 **entities select the governing board of the Detroit**
22 **Library Commission?**

23 MR. GALLAGHER: Objection to foundation.

24 THE WITNESS: I do not.

25 MR. DeCHIARA: Okay. I would like to

1 mark as GRS 2 a document that is entitled, "The
2 General Retirement System of the City of Detroit,
3 75th Annual Actuarial Valuation, June 30, 2013."

4 (Marked for identification:
5 GRS Exhibit No. 2.)

6 BY MR. DeCHIARA:

7 Q. Are you familiar with this document?

8 A. I am.

9 Q. Okay. And it says GRS in the upper right-hand
10 corner of the cover page. That's the other GRS in
11 this case, right? That's --

12 A. Correct. Gabriel Roeder Smith & Company.

13 Q. Who is that company?

14 A. That is the actuarial firm for the Retirement
15 Systems.

16 Q. Okay. And they prepared this document that's
17 marked as Exhibit 2?

18 A. They did.

19 Q. Let me ask you to turn to page B-3. Actually, B-4.
20 And this page is entitled, "Active and Retired
21 Members Included in Valuation, Historic
22 Comparisons."

23 And there are two charts on the page. And
24 the top chart has the heading, "Active Members by
25 Valuation Division."

1 What is a valuation division, do you
2 know?

3 A. Yes. Basically it is different departments or
4 divisions that are split that are shown separately
5 for the purposes of this valuation.

6 Q. So does the GRS, in general, keep separate records
7 or accounts for these different valuation
8 divisions?

9 A. When you say accounts, can you explain that?

10 Q. Well, let me ask you because you're more
11 knowledgeable about this than I am, so rather than
12 my trying to guess how it's done, let me ask you.

13 Is there any way in which the GRS
14 maintains separate -- maintains separate records
15 for these different divisions?

16 A. We don't necessarily maintain separate records, but
17 at -- upon request and for various reasons, we
18 may -- we may do some type of accounting to
19 separate by division or we may -- we may instruct
20 our IT section to prepare reports that are
21 separated by these divisions.

22 Q. So would the separation of the divisions just be
23 for purposes of a report or are records maintained
24 separately on an ongoing basis for these different
25 divisions?

1 A. As it pertains to contributions, then you will find
2 historically the information is maintained
3 separately.

4 Q. Okay. So is it correct that in the GRS files --
5 and by "files," I mean computer or paper files --
6 that when contributions come in, they are recorded
7 according to which division they came in for; is
8 that correct?

9 A. That -- that would be a correct statement, yes.

10 Q. Okay. And what about liabilities, does -- in the
11 same way that the GRS maintains records separately
12 for the divisions by -- of contributions, does it
13 also maintain records separately of the valuation
14 divisions for purposes of liability?

15 A. For reporting purposes -- and by that, I mean to
16 prepare reports that would be used by the actuary,
17 and I can't think at this moment if that's
18 something that our auditor looks at as well -- but
19 for contributions, it's we maintain the records
20 separately on an ongoing basis because we're
21 billing the different revenue groups here, the
22 different divisions, we're billing them and then
23 recording the contributions received, whereas with
24 the liabilities, there's really nothing that the
25 Retirement Systems does with that other than report

1 the information as requested.

2 Q. Okay. But the GRS has the capability, if it wants
3 to, to break out by division what liabilities are
4 allocable to the participants in which division?

5 A. We do.

6 Q. You testified a second ago that the GRS bills a
7 separate division, so does that mean, for example,
8 that the GRS sends out bills to the library for
9 contributions?

10 A. We do. We send -- yeah, I guess we call them
11 invoices.

12 Q. How often?

13 A. Generally monthly.

14 Q. So the GRS, on a monthly basis, sends invoices to
15 the library?

16 A. Correct.

17 Q. And do you know, is the invoice sent by hard copy,
18 is it a piece of paper that goes out?

19 A. Usually it's by email.

20 Q. Okay. And to whom is it emailed?

21 A. I don't know the person's name. I'm going to
22 assume it's their accountant, whoever the main
23 accountant is there, and it's the head accountant
24 of the Retirement Systems that notifies the
25 accountant at the library.

1 Q. So there's an email that goes from the accounting
2 department of the GRS directly to the accounting
3 department of the library?

4 A. Yes.

5 Q. I assume you're familiar with the fact that the
6 City of Detroit is in Chapter 9 bankruptcy?

7 A. Yes.

8 Q. Okay. And are you aware that the City has a
9 proposed plan of adjustment?

10 A. Yes.

11 Q. Do you have an understanding of whether the
12 proposed -- let me back up.

13 Do you have an understanding that the
14 City's plan of adjustment proposes certain cuts to
15 pension benefits of GRS participants?

16 A. Yes.

17 Q. Do you have an understanding of whether the
18 proposed cuts to pensions in the City's plan of
19 adjustment would apply to cuts in the pensions of
20 GRS participants who are employees or retirees of
21 the library?

22 MR. GALLAGHER: Objection. Foundation.

23 Peter, you know this is the case, but we
24 are straying a little bit from the four corners of
25 the notice and Nos. 1, 4 and 6, and I just want to

1 make sure we stay there.

2 MR. DeCHIARA: You know, I think it's not
3 expressly covered, but I think it goes to the
4 separateness of the two entities, so I would ask
5 the question.

6 (Whereupon the question was read
7 back by the court reporter.)

8 THE WITNESS: That's my understanding.

9 BY MR. DeCHIARA:

10 **Q. That it would?**

11 A. That they are included.

12 **Q. And what's the basis of your understanding?**

13 MR. GALLAGHER: I think, Ms. Thomas, you
14 don't need to answer to the extent that the basis
15 of your understanding is communications with
16 counsel.

17 MR. DeCHIARA: Correct.

18 THE WITNESS: I don't recall ever -- any
19 request for information to omit library.

20 BY MR. DeCHIARA:

21 **Q. Have you ever spoken to anyone from the City -- and**
22 **by that I mean any City official or any lawyer for**
23 **the City, including anyone at Jones Day -- about**
24 **this issue that I just asked you about, namely,**
25 **whether or not GRS participants who are retirees or**

1 employees of the library would be -- would have
2 their pensions cut under the proposed plan of
3 adjustment?

4 A. No.

5 Q. Have you ever spoken to anyone from the library
6 about that question?

7 A. No.

8 Q. Do you have any knowledge about who may have made
9 the decision that library employees and retirees'
10 pensions would be included in the proposed cuts?

11 MR. GALLAGHER: Objection. Foundation.

12 THE WITNESS: No, I do not.

13

14 REDACTED

15

16

17 REDACTED

18

19

20 REDACTED

21

22

23 REDACTED

24

25

1 REDACTED
2
3
4 REDACTED
5
6
7 REDACTED
8
9
10 REDACTED
11
12
13 REDACTED
14
15
16 REDACTED
17
18
19 REDACTED
20
21
22 REDACTED
23
24
25 REDACTED

1

2

REDACTED

3

4

5

REDACTED

6

7

8

REDACTED

9

10

11

REDACTED

12

13

14

REDACTED

15

16 BY MR. DeCHIARA:

17 Q. Ms. Thomas, are you aware of what ASF recoupment
18 is?

19 A. I am.

20 Q. Can you explain briefly, if you're able, what ASF
21 recoupment is?

22 A. I can. ASF is the annuity savings bond and the
23 recoupment is where the City/Jones Day team have
24 come to the conclusion that excess interest was
25 given on the Annuity Savings Fund without proper

1 authority, and as such, they are seeking to recoup
2 the excess interest from a particular timeframe
3 that's included in the POA.

4 Q. And by "POA," you are referring to the plan of
5 adjustment?

6 A. That's correct, the plan of adjustment.

7 Q. And do you have any understanding about whether the
8 ASF recoupment would seek also to include
9 recoupment from GRS participants who are employees
10 or retirees of the library?

11 A. That's my understanding.

12

13 REDACTED

14

15 REDACTED

16

17 REDACTED

18

19 MR. DeCHIARA: Let me now move on to
20 topic No. 2 in the amended notice, which concerns
21 the number of GRS participants who are library
22 employees or retired -- retirees. And let me begin
23 by showing you what I'll mark as GRS 4.

24 (Marked for identification:

25 GRS Exhibit No. 4.)

1 BY MR. DeCHIARA:

2 Q. And I will represent to you that GRS 4 are
3 interrogatory responses that the GRS provided to
4 the UAW in this case. Have you ever seen GRS 4
5 before?

6 A. I can't be sure.

7 Q. All right. Well, let me turn your attention to
8 response No. 2 -- I'm sorry, response No. 1, the
9 response to interrogatory No. 1, which is at the
10 bottom of page 5 and continues up to the top of
11 page 6. Do you see that?

12 A. I do.

13 Q. Okay. And you see it provides numbers for GRS
14 participants who are active DLC employees, deferred
15 vested former DLC employees and retired former DLC
16 employees. Do you have any knowledge about whether
17 those numbers are accurate or not?

18 A. I'm willing to say that they are pretty accurate.

19 Q. Okay. Do you have any reason to question the
20 accuracy of these numbers?

21 A. No.

22 Q. What's your understanding of deferred vested
23 employee? Do you have an understanding of what
24 that means?

25 A. Deferred vested employee is an employee who has a

1 vested interest in the system and they have --
2 deferred refers to the fact that they are eligible
3 to receive benefits at a point in the future.

4 Q. Okay. So how are they different from active DLC
5 employees?

6 A. Active DLC employees have not reached a point of
7 eligibility.

8 Q. Let me turn your attention back to GRS 2, which is
9 the June 30, 2013 valuation report, and in
10 particular, page B-2 -- I'm sorry, strike that.
11 B-1. Are you at that page?

12 A. I am.

13 Q. Okay. And it says, "Summary of Member Data,
14 June 30, 2013." What's your understanding of --
15 you see there's a chart that has the heading,
16 "Active Members," at the top, and then at the
17 bottom, a chart that says, "Inactive Vested
18 Members." What's your understanding of the
19 difference between those two categories?

20 A. So the inactive vested members are members who are
21 no longer active City employees, but they have a
22 vested interest. They are eligible to receive
23 benefits in a future point.

24 Q. Okay. And among the active members, does that
25 include both employees who have already accrued

1 benefits and those who have not yet accrued
2 benefits?
3 A. In the active members?
4 Q. Yes.
5 A. Those who have accrued and those who have not.
6 Q. And -- go ahead. Finish.
7 A. Those who have accrued benefits to make them
8 eligible and then those who have accrued benefits,
9 but not yet eligible. Is that the question?
10 Q. Right. Let me try to clarify.
11 A. Okay.
12 Q. Does the category, "Active Members," include active
13 employees who have a vested right to pension
14 benefits as well as active employees who do not
15 have a vested right to pension benefits?
16 A. Yes.
17 Q. So going back to the interrogatory response, GRS
18 No. 4, the figure that's -- there's a figure there
19 for active DLC employees. Would that category as
20 well include both active employees who have vested
21 right to pension benefits as well as those who do
22 not?
23 A. Yes.
24 Q. I'm -- if you compare the number for active
25 employees under the interrogatory response to

1 the number for active members for the library on
2 page B-1 of the valuation report, the number is
3 slightly different. The interrogatory response
4 gives the number 328 and the valuation report gives
5 a number as 332. Do you know why -- do you know
6 why there's a difference?

7 A. The 332 is as of June 30, 2013, and between that
8 time and May 1st of 2014, there are less active
9 employees.

10 Q. Let's move on now to topic No. 3, which concerns
11 contributions made to the GRS on -- for library
12 employees and retirees. Am I correct that the GRS
13 has a defined benefit plan as well as a defined
14 contribution plan?

15 A. That's correct.

16 Q. And are all the contributions to the defined
17 benefit plan made by employers as opposed to by
18 employees?

19 MR. GALLAGHER: Objection. Foundation.
20 Form.

21 THE WITNESS: I'm sorry, can you repeat
22 that, please?

23 BY MR. DeCHIARA:

24 Q. Are the contributions that are made to the DB plan
25 exclusively made by employers as opposed to by

1 employees?

2 MR. GALLAGHER: Objection to foundation.

3 THE WITNESS: It's my understanding it's
4 employer contributions.

5 BY MR. DeCHIARA:

6 Q. Let me now turn your attention to response -- the
7 interrogatory response to interrogatory No. 2 on
8 GRS 4, which is at the bottom of page 6 onto the
9 top of page 7. And let me focus your attention on
10 the chart that's at the bottom of page 6, going
11 onto the top of page 7. And do you see there's a
12 column to the chart that says, "Employer
13 Contributions to Defined Benefit"?

14 A. I do.

15 Q. Okay. And these are -- am I correct that these
16 dollar figures given in this chart under that
17 column refer to the employer contributions made on
18 behalf of the GRS participants who are library
19 employees or retirees for the years that are
20 indicated?

21 A. That's my understanding.

22 Q. And the employer that was making those
23 contributions was the library; is that correct?

24 A. Yes, that's my understanding.

25 Q. And these contributions that are referenced on this

1 chart under the column, "Employer Contributions to
2 Defined Benefit," those would be the monthly
3 contributions that the library makes in response to
4 the invoices that you testified about earlier?

5 A. That's correct.

6 Q. How does the GRS determine how much to charge the
7 library in those monthly invoices?

8 A. Every year the actuaries determine a factor that is
9 used and we take the factor for each division and
10 apply it to the last payroll of the fiscal year.

11 Q. What do you mean by a factor?

12 A. A percentage.

13 Q. So is it correct that each year the actuaries for
14 the GRS determine what percentage of payroll needs
15 to be paid as contributions to the defined benefit
16 plan?

17 A. That's a fair statement.

18 Q. Okay. Let me refer you to GRS Exhibit 2, the
19 valuation -- the June 2013 valuation report,
20 page A-1. Do you see that page?

21 A. I do.

22 Q. And the page heading says, "Summary of Computed
23 Employer Contribution Rates, 2014-2015 Fiscal
24 Year." And then it says, "Contributions Expressed
25 as a Percent of Payroll," and then it has separate

1 columns for the various valuation divisions,
2 including one for the library. I just want to try
3 to understand this chart. Are you -- do you have
4 an understanding of this chart?

5 A. I do.

6 Q. Okay. So does the factor that you -- or percentage
7 you were referring to a minute ago appear somewhere
8 in this chart?

9 A. The estimated employer contribution rates.

10 Q. Where --

11 A. Towards the bottom. The third column from the
12 bottom.

13 Q. Oh, estimated -- I see. So for the library, for
14 this period, the 2014-2015 fiscal year, the factor
15 or percentage that the actuaries came up with for
16 the library is 32.98 percent?

17 A. That's correct.

18 Q. Okay. And I notice that that percentage for the
19 library differs from the percentages for the other
20 valuation divisions; is that correct?

21 A. That is correct.

22 Q. Okay. And then under the 32.98 percent, there's a
23 dollar figure for FY 2015 for estimated employer
24 contributions for the library, it says 4.6 dollars.
25 I assume that's -- is that million?

1 A. Millions.

2 Q. Okay. Does the GRS have the payroll amount for the
3 library to be able to come up with the \$4.6 million
4 number?

5 A. Can you clarify, when you -- are you asking if the
6 General Retirement System has the payroll amount?

7 Q. Well, let me back up. So I assume you have a
8 percentage -- strike that.

9 You have a percentage and then you
10 multiply it by something and you get \$4.6 million.
11 So what is the something that you're multiplying it
12 by?

13 A. The final -- the total of the final payroll for the
14 fiscal year.

15 Q. Okay. And that's -- in the case of the library,
16 that's the library's payroll, correct?

17 A. No, it's the total payroll for the City of Detroit
18 for the end of the fiscal year.

19 Q. I see. So -- and where does the GRS get that
20 number from?

21 A. From the City.

22 Q. Okay. And then the GRS then multiplies that number
23 by the various factors for each division to get
24 each division's contribution, is that how it works?

25 A. That's correct.

1 Q. Going towards the top of the chart under -- you see
2 it says, "Normal Cost," in the upper left-hand
3 corner?

4 A. Yes.

5 Q. And then there are -- under that, there's a series
6 of categories such as the first one is, "Age &
7 Service Pensions," and if you look over to under
8 the library column, it says 8.35 percent. What
9 does that number mean, the 8. -- let me back up.

10 What is the Age & Service Pensions?

11 A. That's pensions -- pensions that were -- the
12 eligibility for those pensions were either service
13 or age.

14 Q. Okay. And then what does the 8.35 percent number
15 represent?

16 A. I'm hesitant to answer that question because it's
17 an actuarial question and I don't want to give --
18 if I'm mistaken with my assumptions, then I don't
19 want to give you the wrong answer.

20 Q. I'm not asking you -- you're not an actuary, are
21 you?

22 A. Not at all.

23 Q. Okay. I'm not either, so we're both working at a
24 disadvantage here.

25 I'm not asking you for your professional

1 view -- or professional actuarial view, I'm just
2 asking you in your capacity as the executive
3 director of the GRS whether you have a working
4 knowledge of what this percentage means.

5 A. My understanding is the 8.35 would represent those
6 pensions that were eligible for service and age as
7 a percentage of that total payroll that we
8 discussed earlier.

9 Q. Let me go back to what you testified about earlier.
10 When I asked you -- going back to that
11 32.98 percent, when I asked you earlier what number
12 that number was multiplied against to get to
13 \$4.6 million, you testified that it was the overall
14 payroll for the entire City, and I'm just
15 questioning the accuracy of that by looking at this
16 chart, which indicates for the library that when
17 you multiply that number by 32.98 percent, you get
18 4.6 million, but if, for example, you move to the
19 column to the left, water and sewage, the factor is
20 46.47 percent, which is somewhat higher, a somewhat
21 higher percentage, but if you look at the
22 contribution for FY 2015 for water and sewage, you
23 get 31.3 million, which is a multiple times the
24 library's contribution. So I'm wondering, in light
25 of that, whether it's correct that those

1 percentages are multiplied against the same
2 number.

3 MR. GALLAGHER: Objection to form.

4 THE WITNESS: And also -- so when you
5 first started the question or comment, you stated
6 that I said that multiplying the 32.98 times the
7 total payroll would come to the 4.6, but I don't
8 believe that I said that it would come to the 4.6.
9 I believe I said that this is what was used to
10 determine the contributions owed, and what you --
11 which is a little bit different. Because what they
12 did in this particular book, you see you've got the
13 4.6, and that's for fiscal year 2015, and 3.6 for
14 2014, and when you look on -- see, this is -- if
15 you look on this chart, this is as if every
16 division contributed the way they should have, but
17 if you look on A-2, this is showing the actual,
18 what actually occurred, the contributions actually
19 received. So you see it shows the past due for
20 2013 for a couple of those, but the chart is a
21 little different.

22 BY MR. DeCHIARA:

23 Q. Okay. So let me just focus on the chart on A-1,
24 which is the amounts -- the amounts that were
25 owing; is that correct?

1 A. Yes, but the more accurate chart is A-1 because A-2
2 is -- I mean, A-1 is making an assumption, but A-2
3 is what occurred, the actual, what actually
4 occurred in that year.

5 Q. Okay. That's fine.

6 A. Okay.

7 Q. I'm just trying to understand how the chart on A-1
8 works.

9 A. Okay.

10 Q. And in particular, I'm trying to focus on how
11 you get to the \$4.6 million for the library for FY
12 2015. And I believe you testified, and if I'm
13 getting this wrong, let me know, but I believe you
14 testified that the way you get to that number is
15 you take the 32.98 percent and you multiply it by
16 some number.

17 A. Yes.

18 Q. Okay. So my question is, is that number that you
19 multiply the 32.98 percent the same number -- and
20 let me back up.

21 And I believe you testified that the
22 number that you multiply the 32.98 percent against
23 is the total payroll of the City. Was that your
24 prior testimony?

25 A. Yes.

1 Q. Okay. And so would -- so let's now move to water
2 and sewage. To get to the 31.3 million for water
3 and sewage, estimated employer contribution for
4 FY 2015, do you multiply the 46.47 percent by some
5 number?

6 MR. GALLAGHER: Objection to form.
7 Foundation.

8 THE WITNESS: Okay. No, you -- so it's
9 incorrect. That's incorrect what I told you. If
10 you look at the UAAL above --

11 MR. DeCHIARA: Where is that?

12 THE WITNESS: It's not bolded. Unfunded
13 Actuary Accrued Liabilities.

14 MR. DeCHIARA: Okay.

15 THE WITNESS: Okay. That's what you
16 multiply times -- we use the UAAL for the last
17 payroll of the fiscal year and that gives you the
18 rate that's used for each division.

19 BY MR. DeCHIARA:

20 Q. Okay. But my question is, so you're telling me
21 that the factor, the percentage, is not the
22 32.98 percent?

23 A. No.

24 Q. It's the 8.09 [sic]?

25 A. It's the 18.09.

1 Q. Okay. That's fine, but that doesn't answer my
2 question. What I'm trying to get at is, what
3 number is that multiplied against to get, in the
4 case of the library, to the 4.6 million, or in the
5 case of water and sewage, to get to the
6 31.3 million, and is it your testimony that the
7 number that the factor is multiplied against in the
8 case of the library is the same number that it's
9 multiplied against -- that the water and sewage
10 factor is multiplied against to get the water and
11 sewage figure?

12 MR. GALLAGHER: Objection to foundation.

13 THE WITNESS: Okay. So at this point I'm
14 sitting here very confused. And I apologize. And
15 I don't -- because I don't actually bill the
16 agencies, I haven't done this calculation.

17 MR. DeCHIARA: Okay.

18 THE WITNESS: I am familiar with it and
19 we go through it on an annual basis, so I'm sitting
20 here very confused, but it's -- your question
21 sounds -- it sounds to me as if you're asking me if
22 the percentage that we use for library, if we use
23 the applicable percentage for water and sewage, if
24 we're multiplying it times the same data to reach
25 the rate, and that answer, if I'm understanding you

1 correctly, then the answer is yes.

2 MR. DeCHIARA: Okay. And I'm not trying
3 to confuse you.

4 THE WITNESS: I know you're not.

5 MR. DeCHIARA: I'm just trying to
6 understand the chart.

7 BY MR. DeCHIARA:

8 Q. And the water and sewage percentages under the UAAL
9 is about, you know, just eyeballing it, it's
10 slightly less than twice the library percentage,
11 but the estimated employer contribution for the
12 water and sewage is, again, eyeballing it, looks
13 like it's about six times. So it just seems as a
14 matter of math you can't use the same number to --
15 you can't multiply those percentages against the
16 same number and get those results. Do you see what
17 I'm saying?

18 A. I see absolutely what you're saying. Now I'm not
19 certain, once we do that, if there's some other
20 type of calculation that occurs; I'm not certain
21 about that.

22 Q. Well, could it be that the number is not the --
23 that's used -- that the percentage is multiplied
24 against is not the overall City number in the case
25 of each of these divisions, but rather that

1 **division's own payroll?**

2 A. I doubt it. I've seen the calculation and I also
3 know that by matter of procedure, we actually have
4 to wait until mid July to get the final figure from
5 payroll, and we are waiting for the total payroll,
6 the conclusive of the whole fiscal year, we're
7 waiting for that total payroll figure.

8 Q. **When you get -- when the GRS gets the total payroll**
9 **figure, is it broken out by division?**

10 A. It is not.

11 Q. **Do you know how the library pays the GRS its**
12 **contribution? Does it send a check, does it wire**
13 **the money, do you know how it comes in?**

14 A. It comes in by wire.

15 Q. **Has the library ever not paid the full amount it**
16 **was invoiced by the GRS?**

17 A. The full amount in the fiscal year?

18 Q. **Well, you invoice monthly. Does it pay monthly?**

19 A. Generally, yes.

20 Q. **Sometimes it doesn't?**

21 A. Correct.

22 Q. **When it doesn't, how often does it pay?**

23 A. Generally, we receive some type of payment every
24 month from library. There may be an occasion where
25 they have paid less and then maybe caught up on the

1 next month, or if there's some type of discrepancy
2 or some issue that causes a delay in the
3 communication for the invoicing.

4 Q. Has it ever been by the end of a fiscal year, the
5 library has not paid everything it was invoiced for
6 that fiscal year?

7 A. By July of the next -- in the next month, the
8 library generally has paid completely.

9 Q. The fiscal year ends -- the fiscal year of the GRS
10 ends in what month?

11 A. June.

12 Q. At the end of June?

13 A. Yes.

14 Q. Are you aware of the library ever having not paid
15 everything it was invoiced for the fiscal year by
16 the end of the fiscal year?

17 MR. GALLAGHER: Objection. Foundation.
18 Form.

19 THE WITNESS: Yes, by the end of the
20 fiscal year; however, by July, they will catch up.

21 BY MR. DeCHIARA:

22 Q. So there may have been occasions where, by
23 June 30th, the library had not paid everything it
24 had been invoiced for that fiscal year, but you're
25 not aware of any occasion on which the library, by

1 the following July, had not fully paid for that
2 fiscal year that had just ended; is that correct?

3 A. That is correct.

4 Q. Are you aware of the City ever having used its own
5 monies to pay employer contributions for the
6 library retirees or employees who were participants
7 in the GRS?

8 A. I wouldn't have knowledge of that.

9 Q. You're not aware of any occasion on which that's
10 occurred?

11 A. I wouldn't have knowledge of that. The wire we
12 receive is from the library and we don't know if
13 those are library funds or if they've received the
14 funds from the general fund, we just -- we receive
15 our wire from the library and that's generally all
16 we're concerned with.

17 Q. Have you ever received a wire from the City as
18 payment towards employer contributions for the
19 library employees or retirees?

20 A. No.

21 Q. Let me now refer you back to GRS 4, the
22 interrogatory responses, and in particular the
23 response to No. 2. In addition to the column that
24 says, "Employer Contributions to Defined Benefit,"
25 there's a column to the right of that that says,

1 "Employee Contributions to ASF," and that gives a
2 series of dollar figures for various fiscal years.

3 Is it your understanding that those dollar
4 figures represent the amounts that were contributed
5 to the annuity -- is it Annuity Security Fund, is
6 that what ASF stands for?

7 A. Savings fund.

8 Q. Savings fund. I'm sorry.

9 Is it your understanding that those dollar
10 figures represent contributions to the Annuity
11 Savings Fund for the GRS participants who are
12 library employees and retirees?

13 A. That's my understanding.

14 Q. And the contributions to the ASF are exclusively
15 employee contributions?

16 A. That's correct.

17 Q. And the ASF is a defined contribution plan?

18 A. It is.

19 Q. Okay. Let me now move on to topic No. 4, which
20 concerns the amount of accrued liabilities
21 attributable to the GRS participants who are
22 library employees and retirees.

23 And let me turn your attention to the
24 valuation report that's marked as GRS No. 2,
25 and actually, let me refer you to page B-2 in GRS

1 **No. 2.**

2 **And this page is entitled, "Allocation of**
3 **Assets Used for Valuation Reserve Accounts." And**
4 **there are five separate funds listed on this page.**
5 **Do you have an understanding of what these various**
6 **funds are?**

7 A. For the most part, yes, I do.

8 Q. **Okay. And you've explained to me what the Annuity**
9 **Savings Fund is so you don't need to do that again.**

10 **What's the Annuity Reserve Fund?**

11 A. The reserve fund is -- those are -- that's where
12 employees who have not -- who are not actively
13 participating in the Annuity Savings Fund; however,
14 the dollars are still with the system.

15 You want me to further?

16 Q. **Yeah, if you could. I'm not sure I understood**
17 **that.**

18 A. Okay. So we talked about deferred vested
19 employees --

20 Q. **Right.**

21 A. -- or members.

22 So if someone is vested, they can leave
23 and choose to leave their savings in the fund, and
24 if they're vested, it will continue to earn
25 interest, but because they aren't active, it's

1 placed in the reserve fund.

2 Q. So are the -- are there a separate pool of
3 participants, some of whom are in the ASF and some
4 of whom are in the ARF?

5 A. You can -- it would be acceptable to say it that
6 way, but generally, the Annuity Savings Fund is for
7 active participants, those are what you -- I guess
8 you can refer to as active accounts, active
9 employees contributing and it's earning interest.
10 We -- you know, for accounting purposes, we would
11 show the reserve fund as those annuity dollars for
12 non-active members for whatever reason they left
13 the money in the system.

14 Q. But they are participants in the plan who are no
15 longer contributing?

16 A. Correct.

17 Q. Is that the distinction, whether they're
18 contributing or not?

19 A. Active and contributing.

20 Q. So if you're active and contributing, your money
21 goes into the ASF, and if you're no longer
22 contributing --

23 A. Or active.

24 Q. When you say active, do you mean active employee or
25 active participant in the plan?

1 A. I mean an active employee. Because you can be in
2 the Annuity Savings Fund, you can be active and not
3 contributing; it's optional.

4 Q. I see. So is the distinction that the annuity
5 savings -- the people who have accounts in the
6 Annuity Savings Fund are active employees and those
7 who have accounts in the Annuity Reserve Fund are
8 not active employees?

9 A. That's a better description.

10 Q. So if I'm an active employee, let's say I'm an
11 active library employee and I have contributed to
12 the ASF, can I go somewhere and see the amount of
13 money in my ASF account?

14 A. Yes.

15 Q. How would I do that?

16 A. The Retirement Systems. You can request a summary
17 and we can produce a summary for you, we can
18 produce your -- you know, a history of your
19 contributions.

20 Q. So the GRS maintains individualized accounts for
21 every participant in the ASF?

22 A. The money is combined, it's commingled, but we have
23 the ability to give you an accounting individually.

24 Q. Okay. And is that individual accounting, is that
25 something that exists on an ongoing basis for each

1 participant in the ASF in the GRS files or computer
2 system?

3 A. Yes.

4 Q. When you say the money is combined, do you mean the
5 assets of the GRS?

6 A. Correct.

7 Q. And is -- are the assets of the DB and the DC plan
8 combined?

9 A. Correct.

10 Q. Okay. Well, what is the Pension Accumulation Fund?

11 A. That's the -- that's an accounting term, too.

12 That's the fund that's used to -- the accumulation
13 of pension earned, I guess you could say. Earned
14 pension benefits.

15 Q. Now those numbers appear for each division on
16 page B-2 in parentheses, which I understand to be
17 negative numbers. Are those negative numbers?

18 A. Yes.

19 Q. Can you explain why those are all negative?

20 A. It's -- it's a liability to the system. It's --
21 this is an accumulation of benefits that must be
22 paid.

23 Q. And what's the Pension Reserve Fund?

24 A. So the reserve is -- that's the reserve of funds
25 that will go towards the accumulation of what's

1 earned.

2 Q. So am I reading it correct, this chart correctly,
3 if I conclude that as of June 30, 2013, for the
4 library, for the DB plan, there was approximately
5 \$66 million in assets attributable to the library
6 and roughly \$23 million in liabilities?

7 A. That's a good understanding, yes.

8 Q. All right. And finally, what's the Accrued
9 Liability Fund?

10 A. So the liability fund is for this -- there are a
11 couple different types -- well, that was no longer
12 there -- but there are other liabilities of the
13 fund that the fund must pay out for the different
14 divisions here and that's in addition to -- that's
15 in addition to -- that's taking into consideration
16 in addition to the reserve fund.

17 So actually, for the 23 -- if you look at
18 library for -- there's an accumulation, you can
19 say, of benefits already earned of 23 -- 23, what
20 is it, million there? And so the 66 of the pension
21 reserve and 24 of accrued liability would go
22 towards that 23.

23 So -- and if you kind of go back through
24 and you look at that -- well, I'm getting mixed up
25 in my explanation, but if you look at it as an

1 overall fund, then it kind of lends to where you
2 get your funding status from, if that makes sense.
3 I can't explain it well, I'm sorry.

4 Q. Okay. Is the Accrued Liability Fund, are they
5 additional assets that the GRS has to pay out
6 pension liabilities?

7 A. Yes.

8 Q. Are they -- so they're in addition to the assets
9 that are in the Pension Reserve Fund?

10 A. Yes.

11 Q. All right. Let me turn your attention to the next
12 page, page B-3. And this page is entitled,
13 "Actuarial Accrued Liabilities as of June 30, 2013,
14 by Division."

15 Am I reading this chart correctly that
16 as of June 30, 2013, for the retirees and
17 beneficiaries of the library division, there was
18 approximately \$66 million of liability under the
19 defined benefit plan?

20 A. Repeat that question.

21 Q. Am I reading this chart correctly that for retirees
22 and beneficiaries, for the library division, there
23 was approximately \$66 million in liabilities?

24 A. Yes.

25 Q. And then if you add in the inactive members' future

1 deferred pensions and also active members, you get
2 to a total of approximately \$109 million in defined
3 benefit plan liabilities for the library division?

4 A. That's correct.

5 Q. Okay. And then I'm just a little confused. You
6 testified earlier when we're talking about chart
7 B-2 that when we talked about the Pension Reserve
8 Fund, I believe you testified that the 66,020,254
9 number was a liability -- I'm sorry, you testified
10 that it was assets.

11 A. The reserve fund to pay for the pension
12 accumulation.

13 Q. Right. So the Pension Reserve Fund is a statement
14 of assets available as opposed to liabilities?

15 A. Yes.

16 Q. And the reason -- I'm not trying to trip you up,
17 I'm trying to understand.

18 A. Right.

19 Q. Because I'm looking now at -- if the Pension
20 Reserve Fund, the 66,020,254, is a statement of
21 assets, then why does that number appear on page
22 B-3 at the very top under the library column as
23 part of the liabilities owed to retirees and
24 beneficiaries?

25 MR. GALLAGHER: Objection to form.

1 THE WITNESS: Okay. So with the --
2 with the actuarial statement, you're also looking
3 at a snapshot in time, so you have -- if you're
4 looking at B-3 and you look at retirees and
5 beneficiaries -- so as of this date, we have these
6 liabilities that are owed. We have a reserve that
7 was set up for those liabilities that were owed.
8 So the reserve -- we have these funds in a reserve
9 to pay for this liability. That's the way we --
10 that's the accounting methodology for it.

11 BY MR. DeCHIARA:

12 Q. Okay. So as -- looking on B-3, under the column,
13 "Library," where it says, "Pension Fund Balances,"
14 do you see that line?

15 A. I do.

16 Q. Okay. And then if you look at it across the page,
17 under the library column, the pension fund balance
18 is 66,173. Do you see that?

19 A. I do.

20 Q. Okay. And that's a statement of assets that are
21 available to pay the amount that's set forth on the
22 line above, the 109,192; is that correct?

23 A. Yes.

24 Q. Okay. And then the balance is the unfunded accrued
25 pension liabilities of 43,019, correct?

1 A. Yes.

2 Q. Okay. So does the pension fund balances, the
3 66,173, does that appear anywhere on page B-2?

4 A. Say that again. I'm sorry.

5 Q. Yeah. You see the pension fund balances, it says
6 66,173 on page B-3?

7 A. Uh-hum.

8 Q. Okay. Does that -- is that number, does it appear
9 or is it somehow represented or taken into account
10 on page B-2?

11 A. I'm not sure if it does.

12 Q. Okay. Let me now move to topic 6 on the deposition
13 notice.

14 Do you have any view or understanding
15 about whether or not there could be circumstances
16 where the City of Detroit would be liable for
17 contributions that the library owes to the GRS?

18 MR. GALLAGHER: Objection to foundation
19 to the extent it calls for a legal conclusion, to
20 the extent that it is not based in conversations
21 with counsel.

22 MR. DeCHIARA: Yeah, I'm not asking you
23 to testify about any knowledge you gained through
24 or about any conversations you had with counsel
25 for the GRS, but without limitation, I would ask

1 you that question.

2 Do you want me to repeat it?

3 THE WITNESS: Please.

4 MR. DeCHIARA: Actually, can you read it
5 back?

6 (Whereupon the question was read
7 back by the court reporter.)

8 THE WITNESS: I can't say I'm aware of
9 any.

10 BY MR. DeCHIARA:

11 Q. Well, my question is just, do you have any
12 knowledge or understanding about that issue at all?

13 A. That the City of Detroit would be liable for
14 contributions for library employees?

15 Q. Right. Do you have any knowledge or understanding
16 about that question?

17 A. No, I don't have any knowledge about that.

18 Q. Okay. Did you ever discuss -- apart from with
19 counsel for the GRS, did you ever discuss that
20 issue with anyone?

21 A. No.

22 Q. Did you ever read anything anywhere about that
23 issue?

24 A. I don't think so.

25 Q. Did you ever hear anyone say that the City could be

1 liable for contributions that the library owes
2 because the City is the plan sponsor?

3 MR. GALLAGHER: Objection. Form and
4 foundation.

5 THE WITNESS: I don't think I've heard it
6 referred to that way. If you want my assumption, I
7 don't know if you want that --

8 BY MR. DeCHIARA:

9 Q. Well, I'm not asking you for your assumption, I'm
10 just asking you, have you ever heard anyone say
11 that or anything like that?

12 A. Not specifically in regards to the library, no.

13 Q. Have you heard -- have you heard something like
14 that said not in regards specifically to the
15 library, but in regard to some other entity?

16 A. Yes.

17 MR. GALLAGHER: Objection to the extent
18 that it goes beyond this deposition notice.

19 BY MR. DeCHIARA:

20 Q. Did you ever read in any document anywhere that the
21 City could be liable for contributions of the
22 library because of it, meaning the City, being the
23 plan sponsor? Did you ever read that anywhere?

24 A. I don't think so, not specifying library.

25 Q. Are you aware of any discussions about whether the

1 library would get what's been referred to as a
2 contribution holiday; in other words, a period of
3 time where its obligation to contribute would be
4 suspended?

5 A. No, I'm not aware of that.

6 MR. DeCHIARA: Off the record.

7 (Whereupon a break was taken
8 from 11:39 a.m. to 11:52 a.m.)

9 MR. DeCHIARA: I have no further
10 questions. Thank you, Ms. Thomas.

11 THE WITNESS: Thank you.

12 (Discussion off the record.)

13 MR. DeCHIARA: In light of the objection
14 by counsel for the GRS to GRS Exhibit 3, which was
15 an email from counsel for the City concerning the
16 AFS recoupment, I have agreed that that document
17 should not become part of the record of this
18 deposition. I will ask that any physical copies of
19 that exhibit be returned to me.

20 And also, counsel for the GRS and I will
21 review the rough version of the transcript and
22 redact any testimony bearing on that exhibit. Is
23 that acceptable?

24 MR. GALLAGHER: I think that's consistent
25 with our agreement.

1 MR. DeCHIARA: Any other objections from
2 the attorneys?

3 MR. GALLAGHER: Comments, objections?

4 MR. DeCHIARA: Okay. I think that's --

5 MS. KOVSKY-APAP: Just that I would like
6 to also have an opportunity to review the rough
7 with you.

8 MR. DeCHIARA: Yeah, we can do all of
9 that together and counsel for the City can
10 participate in that process.

11 MS. KOVSKY-APAP: Okay.

12 (Whereupon a break was taken
13 from 11:53 a.m. to 12:13 p.m.)

14 MR. DeCHIARA: I have marked two areas
15 in the rough transcript where the redactions
16 should be to eliminate any testimony references to
17 GRS Exhibit 3, and both counsel for the City and
18 counsel for the GRS have had an opportunity to
19 review the redactions and have agreed that the
20 redacted areas are the appropriate redactions.

21 Is that in agreement?

22 MR. GALLAGHER: Yeah. So it was Exhibit
23 No. 3, GRS Exhibit 3 is stricken, redacted, clawed
24 back?

25 MR. DeCHIARA: Right. The hard copies of

1 GRS Exhibit 3 have now been physically clawed back.

2 And you've had an opportunity to review the
3 redacted portions of the transcript. And do you
4 agree those are the appropriate redactions.

5 MR. GALLAGHER: I do. They begin, at
6 least, with you asking to mark the new document as
7 GRS 3, and a couple of pages later, it stops with
8 me saying "Fair," F-A-I-R, and then they begin
9 again about a page later with you asking, "If you
10 turn GRS 3 over," et cetera, and then end with the
11 next answer, "I do not." Is that correct?

12 MR. DeCHIARA: Those are the correct
13 redactions.

14 MR. GALLAGHER: Great.

15 MR. DeCHIARA: And counsel for the City,
16 are you in concurrence that those are the
17 appropriate redactions?

18 MS. KOVSKY-APAP: I am.

19

20 (Deposition concluded at 12:14 p.m.)

21

22

23

24

25

1 STATE OF MICHIGAN)

2 COUNTY OF OAKLAND)

3

4 Certificate of Notary Public

5 I do hereby certify the witness, whose attached
6 testimony was taken in the above matter, was first duly
7 sworn to tell the truth; the testimony contained herein
8 was reduced to writing in the presence of the witness, by
9 means of stenography; afterwards transcribed; and is a
10 true and complete transcript of the testimony given. I
11 further certify that I am not connected by blood or
12 marriage with any of the parties, their attorneys or
13 agents, and that I am not interested directly, indirectly
14 or financially in the matter of controversy.

15 In witness whereof, I have hereunto set my hand
16 this day at Royal Oak, Michigan, State of Michigan.

17 I hereby set my hand this day, July 15, 2014.

18

19

20

21



22

Karen Fortna, CRR/RMR/RPR/CSR-5067

23

Notary Public, Oakland County, Michigan

24

My Commission expires 4/30/2019

25

EXHIBIT E

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846
MICHIGAN, .
 . Detroit, Michigan
 . September 15, 2014
Debtor. . 8:30 a.m.

CONTINUED TRIAL RE. OBJECTIONS TO CONFIRMATION OF
CHAPTER 9 PLAN; (#7061) MOTION/THE DETROIT
RETIREMENT SYSTEMS' MOTION TO EXCLUDE PORTIONS OF
MARTHA KOPACZ'S TESTIMONY FILED BY CREDITORS
GENERAL RETIREMENT SYSTEM OF THE CITY OF DETROIT,
POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT;
(#7003) CONCURRENCE/FINANCIAL GUARANTY INSURANCE COMPANY'S
JOINDER IN SYNCORA'S MOTION TO EXCLUDE CERTAIN OF THE
EXPERT OPINIONS OF MARTHA KOPACZ UNDER FEDERAL RULE
OF EVIDENCE 702 FILED BY CREDITOR FINANCIAL GUARANTY
INSURANCE COMPANY; (#6999) MOTION TO EXCLUDE CERTAIN OF
THE EXPERT OPINIONS OF MARTHA KOPACZ UNDER FEDERAL
RULE OF EVIDENCE 702 FILED BY INTERESTED PARTIES SYNCORA
CAPITAL ASSURANCE, INC., SYNCORA GUARANTEE, INC.
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Debtor: Jones Day
By: EVAN MILLER
THOMAS CULLEN, JR.
GEOFFREY STEWART
51 Louisiana Avenue, N.W.
Washington, DC 20001
(202) 879-3939

Jones Day
By: HEATHER LENNOX
CORINNE BALL
222 East 41st Street
New York, NY 10017
(212) 326-3837

Jones Day
By: DAVID G. HEIMAN
North Point
901 Lakeside Avenue
Cleveland, OH 44114
(216) 586-7175

APPEARANCES (continued):

For Syncora Holdings, Ltd., Syncora Guarantee Inc., and Syncora Capital Assurance Inc.:	Kirkland & Ellis, LLP By: RYAN BENNETT 300 North LaSalle Chicago, IL 60654 (312) 862-2000
For County of Macomb, Michigan:	Dechert, LLP By: DEBRA O'GORMAN ALLAN BRILLIANT 1095 Avenue of the Americas New York, NY 10036 (212) 698-3600
For Financial Guaranty Insurance Company:	Weil, Gotshal & Manges, LLP By: EDWARD SOTO 1395 Bricknell Avenue, Suite 1200 Miami, FL 33131 (305) 577-3177
	Weil, Gotshal & Manges, LLP By: ALFREDO PEREZ 700 Louisiana, Suite 1600 Houston, TX 77002 (713) 546-5040
For Official Committee of Retirees:	Dentons, US, LLP By: CLAUDE D. MONTGOMERY 670 Fifth Avenue New York, NY 10020 (212) 632-8390
For Ad Hoc Water and Sewer Bondholders:	Kramer Levin Naftalis & Frankel, LLP By: JONATHAN M. WAGNER 1177 Avenue of the Americas New York, NY 10036 (212) 715-9393
For the State of Michigan:	Dickinson Wright By: STEVEN HOWELL 500 Woodward Avenue, Suite 4000 Detroit, MI 48226-3245 (313) 223-3033
For the Detroit Retirement Systems:	Clark Hill, PLC By: JENNIFER GREEN 500 Woodward Avenue, Suite 3500 Detroit, MI 48226 (313) 965-8274

Court Recorder: LaShonda Moss
United States Bankruptcy Court
211 West Fort Street, 21st Floor
Detroit, MI 48226-3211
(313) 234-0068

Transcribed By: Lois Garrett
1290 West Barnes Road
Leslie, MI 49251
(517) 676-5092

Proceedings recorded by electronic sound recording,
transcript produced by transcription service.

1 THE CLERK: Calling the matter of 13-53846, City of
2 Detroit, Michigan.

3 THE COURT: Good morning. Looks like everyone is
4 here. Go ahead, sir.

5 MR. HEIMAN: Good morning, your Honor. David
6 Heiman, Jones Day, on behalf of the city, and I'm very
7 pleased this morning. Once again, I've said this, but to do
8 something -- to announce a development that we probably had
9 concluded would not happen has happened today. I'm pleased
10 and privileged to report that more than a year of litigation
11 between the city and Syncora has now come to an end, and we
12 have settled our dispute. I want to make it clear that the
13 settlement does not resolve the Class 9 treatment. FGIC will
14 continue to object, as far as we understand it. They can
15 speak for themselves today, but efforts to reach a settlement
16 with them at least thus far have not been successful.
17 However, the settlement, in our minds, a very favorable one
18 to the city, is a very significant step in the city's efforts
19 to move swiftly through this confirmation process and to exit
20 Chapter 9 as soon as possible and to return the city to its
21 citizens.

22 With that in mind and maybe a little bit out of
23 order, I'd like to thank some people here if I may because
24 this is the reflection, manifestation of a huge amount of
25 work by a lot of people, so I'd like to first thank the

1 Court, who has been encouraging of settlement and also
2 provided the time for the parties to actually work together
3 to settle. And as your Honor knows, the mediators have been
4 incredibly instrumental in helping the parties find common
5 ground, the mediators in this particular instance being
6 Judges Rosen and Perris and Eugene Driker. So I want to
7 thank them for just another example of persistence and
8 tireless efforts on their part, and I think, as your Honor
9 knows, I think it's hard to know where we'd be in this case
10 without the support of the mediators throughout this process.

11 I'd like to thank the parties themselves, both the
12 city and Syncora, who have laid down their swords after much
13 fighting. It takes a lot of emotional and, you know, mature
14 effort to do that. In particular, I'd like to thank the
15 advisors, professionals on both sides. Again, after being
16 passionate adversaries for more than a year in litigation,
17 today those professionals are now acting in concert in
18 support of the city.

19 Just a word or two about the plan -- I'm sorry --
20 the settlement, which will become part of the plan -- Ms.
21 Ball will be more specific in a moment, but I'd like to do
22 just a little bit of an overview. First, and of great value
23 to the city, is that Syncora will be withdrawing all
24 objections across the board in connection with the plan or
25 other aspects and appeals that may be outside of the plan,

1 and they will become a supporter of the plan as well as a
2 supporter of continuing litigation relating to the COPs
3 causes of action that are existing today in front of the
4 Court. The plan itself provides for a 13.7-percent recovery
5 on the Syncora-related claims both to be paid by virtue of a
6 portion of the B notes -- 60 percent of the reserve on the B
7 notes will go to Syncora -- and other consideration that Ms.
8 Ball will detail.

9 The other part of the settlement is to establish a
10 commercial relationship between Syncora and the city for the
11 long term regarding development of certain assets that the
12 city owns or will transfer to a Syncora subsidiary, and the
13 city and Syncora will work together in the development of
14 those properties. So that part of the settlement will be
15 reflected in the implementation section of the plan, and
16 Ms. Lennox can address more specifics on that if you want, so
17 we have two parts to the settlement. One part is claim
18 treatment, and the other is related to the new commercial
19 relationship.

20 What I'd like to do today is have various of our
21 lawyers plus Ryan Bennett speak to specifics of the
22 settlement or procedures, so -- and in this case, it does
23 take a village to get this done, so I would have Ms. Ball
24 address the specifics of the settlement, Mr. Bennett comment
25 to the extent he feels necessary, Ms. Lennox report to the

1 Court on where we stand on the documentation that reflects
2 the settlement and the filing of that, Mr. Miller on certain
3 commitments to the Retirees' Committee, and Mr. Cullen on
4 what the city sees as an appropriate procedure for continuing
5 the confirmation trial. I apologize for all of that, but
6 it's -- as I say, it was a complicated settlement and
7 requires a lot of thought and presentation to the Court.

8 As to the status of the agreement, I want to make it
9 clear we have an agreement. The last time we saw you, it was
10 an agreement in principle, and everybody went to work until
11 the wee hours this morning to come up with what is an
12 agreement. There are aspects of the agreement that we still
13 need to work on, but we're agreed on how to do that. So not
14 surprisingly, when there are transfers of properties and
15 diligence required and planning for development of those
16 properties, there is -- there are a little bit of moving
17 targets on which properties and so forth, so the one tag area
18 of the settlement that we need to continue to work on but is
19 not going to come back before the Court is with respect to
20 two properties, so late last night the city discovered
21 certain parcels previously included in the development
22 agreement that could not be conveyed to Syncora. As a
23 result, the city agrees that by the close of business on
24 Tuesday, September 16, 2014, the city will provide Syncora
25 with properties that represent reasonably equivalent value

1 consistent with that development scheme or their development
2 scheme that are reasonably accepted to Syncora. They may
3 actually conceivably be the same properties or replacement
4 properties. The parties have agreed that we can fix this one
5 tag issue hopefully with relative ease within the next 48
6 hours and probably sooner.

7 As to the documentation that is necessary for this,
8 Ms. Lennox will report to you on it, but as far as we're
9 concerned and I think as far as Kirkland & Ellis is
10 concerned, we're pretty much done with that, still, you know,
11 some wordsmithing, I suppose.

12 One last point. We have been working -- well, since
13 last Thursday with the Retirees' Committee and the holders of
14 the LTGOs to discuss how they view the impact of this
15 settlement on them, and we have made a lot of progress in
16 those discussions and expect to continue those discussions
17 this morning and are confident that we can conclude those
18 discussions, so we will need to do that before we file the
19 documents. Thank you, your Honor.

20 MS. BALL: Good morning, your Honor. Corinne Ball
21 of Jones Day for the city. Perhaps we should start with just
22 a review of the context that brings us here. As your Honor
23 is aware, there are many relationships between Syncora and
24 the city other than Syncora's role as COP -- an insurer of
25 the certificates of participation. Syncora is a swap

1 insurer. Syncora has insured the unlimited tax general
2 obligation bonds. Syncora is an insurer of the certificates
3 of participation. Syncora is a holder of the certificates of
4 participation. And in addition to that, Syncora, through its
5 subsidiary, American Roads and Pike Pointe, is a lessee of
6 the city on the Windsor Tunnel and, as a consequence of that,
7 is also present in surrounding buildings as a lessee at the
8 terminus of the tunnel on the Detroit side. In fact, it has
9 some hundred employees in Detroit in its headquarters in that
10 location.

11 Your Honor, with that, perhaps I'd like to walk you
12 through, with your permission, the elements of the
13 settlement, and we have -- if your Honor would like one, I
14 have a PowerPoint, if I may approach.

15 THE COURT: Yes.

16 MS. BALL: Perhaps we can walk through it. Your
17 Honor, this is a global settlement and a global resolution of
18 the multiple roles and relationships that Syncora has with
19 the city and has had over the past year in this courtroom.
20 If we could go through it, it is a -- we are entering into a
21 development agreement, which Mr. Heiman described, which
22 relates to properties, in essence, near the terminus of the
23 Windsor Tunnel. We are amending the lease for the Windsor
24 Tunnel and assuming it under the plan. Your Honor may or may
25 not be aware, but the lessee of that tunnel went through its

1 own bankruptcy in parallel with the city's bankruptcy, and
2 Syncora has, in fact, taken over that role as of September
3 2013, so they're new to the city, and we needed a new and
4 better relationship. We're also settling Syncora's COPs
5 situation, and we're resolving all litigation related to the
6 Chapter 9 whether in this court, your Honor, or on the
7 appellate levels. And that, of course, your Honor, will also
8 resolve their secured claims -- their asserted secured
9 claims, which your Honor may recall were one of the very
10 first disagreements that the city and Syncora had.

11 On the development agreement, the city and a
12 subsidiary of Syncora called Pike Pointe will enter into a
13 development agreement. Under the agreement, the developer is
14 granted an option to acquire certain specified properties
15 that will last five years from the effective date subject to
16 extension in certain instances. Prior to the exercise of the
17 option, the developer may undertake due diligence of the
18 properties. Once the option is exercised, the developer must
19 develop the applicable property into parking facilities,
20 residential housing, commercial retail space, and any other
21 use suitable for location consistent with the city's urban
22 planning policies and the city's comprehensive development
23 plan. The developer will have 15 months to begin developing
24 the property or else it will revert to the city. The
25 developer must also complete construction within three years

1 and three months of exercising its option. The city and the
2 Syncora subsidiary will also enter into an option to enter
3 into a 30-year concession with respect to the Grand Circus
4 garage including an obligation to invest 13.5 million in
5 capital expenditures during the first five years of that
6 long-term leasing arrangement for that parking garage.

7 With respect to the tunnel lease, the city will
8 extend and assume the lease as amended of the Detroit-Windsor
9 Tunnel and the related properties which I mentioned earlier,
10 your Honor, surrounding the terminus of the tunnel. The
11 amended lease will extend the term from November 2020 to
12 December 2040. The amended lease will contain additional
13 reporting requirements on the part of the tunnel company, and
14 the city will only be limited in its ability to disclose that
15 information in very certain specific circumstances, which
16 compares to today, which it is a fairly opaque relationship
17 from the city's point of view. The tunnel company will
18 maintain the city portion of the tunnel to the same standard
19 as the Windsor side. The amended lease will also allow the
20 tunnel company to offset certain capital expenditures made to
21 improve the tunnel against the tunnel's rent obligations.
22 During the initial term of the lease, your Honor, which is
23 the current lease, which runs through 2020, the tunnel may
24 credit capital expenditures against its rent up to the full
25 amount of the rent due during this period. During the

1 extension term, your Honor, they may credit capital
2 expenditures against 75 percent of the annual rent subject to
3 certain limitations. In all, the tunnel company may not
4 credit more than eight million of capital expenditures
5 against rent during the extension term, but in all, your
6 Honor, it represents a substantial commitment to improve the
7 condition and safety of the tunnel. The amendment
8 anticipates and does not preclude a new joint operating
9 agreement with respect to the Windsor portion of the tunnel
10 and a new -- potentially new intergovernmental authority
11 between Detroit and Windsor to allow the tunnel to be
12 operated in an integrated manner. Your Honor, that's
13 providing for the future.

14 With respect to the settlement of the COPs held and
15 insured by Syncora, your Honor, the plan provides for the
16 creation of a litigation trust, and the remaining interest in
17 that trust I may remind your Honor belongs to other creditors
18 of the city, does not revert to the city. The litigation
19 trust established under the plan will purchase Syncora's COPs
20 and COPs claims in exchange for new B notes. Your Honor,
21 that's the nomenclature that has been in the plan to describe
22 the notes issued to the various unsecured classes under the
23 plan, the OPEB class, Class 12, general unsecured class,
24 Class 14, and the COPs class, Class 19. It also provides for
25 an enhancement for Class 9 consisting of new C notes and

1 something that we call settlement credits. That, your Honor,
2 is what, in essence, leads us to describe the Class 9
3 treatment as being enhanced to provide 13.9 percent as
4 opposed to the original estimates of 10 percent on account of
5 Class 9. As a settling party, Syncora will be included as an
6 exculpated party under the plan of adjustment subject to
7 certain agreed carveouts. Importantly, your Honor, this
8 settlement offer with the enhanced portion of the C notes and
9 the settlement credits will be made available to any COP
10 claimant that opts into the settlement prior to the effective
11 date on the plan of adjustment. The COP claimants that do
12 not participate in the settlement will receive the treatment
13 previously set forth in the sixth amended plan. Notably,
14 your Honor, no enhancement with the C notes and the
15 settlement credits unless the COP claimants opt in.

16 Your Honor, if we move ahead, on the effective date,
17 Syncora will receive 23.5 million in new B notes. Your
18 Honor, that number refers to the face amount, and that number
19 represents 60.358 percent of the total COP claims asserted by
20 Syncora. If we move ahead, the enhancement on the settlement
21 of the COPs is on the effective date Syncora will receive
22 approximately 21.3 million in new unsecured five-percent C
23 notes due in 2026. These new 12-year C notes bear interest
24 at the rate of five percent. Through the operation of the
25 parking system in the city, the city will segregate certain

1 parking revenues each year until monies sufficient to meet
2 the annual debt service on these new C notes is set aside.
3 The notes are unsecured, and, though due in 2026, they must
4 be prepaid in the event of certain parking asset disposition
5 should the city decide to sell or outsource its parking, and
6 they may be prepaid at the city's option at any time without
7 premium or penalty.

8 I think, your Honor, if we move ahead to the
9 settlement credits, alternately called vouchers, and to some
10 others almost green stamps, I think was the phrase that we
11 used -- on the effective date, Syncora will receive 6.25
12 million in Class 9 settlement credits. What are they?
13 Settlement credits may be applied towards the purchase of
14 eligible city assets. Eligible city assets include the Joe
15 Louis Arena post-demolition in 2017 when it's available.
16 Should the city pursue a proposal for its parking assets,
17 that's an eligible asset. And real property located -- your
18 Honor, it's real property within three miles of the tunnel
19 terminus, again, back to their current presence. To apply
20 the credits, the owner must participate in the normal
21 procurement or auction process run by the city. It has to be
22 the final party selected in that procurement or auction
23 process and otherwise satisfy all the requirements.
24 Settlement credits can only be used for 50 percent of the
25 purchase price of an eligible asset. Importantly, your

1 Honor, these settlement credits can be freely assigned or
2 transferred. We thought that was an important feature
3 particularly for those COPs holders who may not have a
4 relationship with the City of Detroit on an ongoing basis.

5 Your Honor, if we move to the litigation front,
6 whether it's the swaps, the COPs, the UTGOs, or the appeals,
7 the many appeals, Syncora will now support the plan, and I
8 think it has already filed some withdrawal of its objections,
9 but it will promptly withdraw all objections to confirmation
10 of the city's plan of adjustment, which will be, your Honor,
11 at this time without prejudice but obviously will mature as
12 we move forward through confirmation. Subject to definitive
13 documentation on the confirmation date of the plan, Syncora
14 will withdraw all plan objections with prejudice. Syncora's
15 appeals will be held in abeyance, your Honor, as we plan to
16 file a joint motion to stay them until the process is
17 complete and the plan becomes effective at which point such
18 appeals will be withdrawn with prejudice. And, your Honor,
19 among others, it includes the public lighting authority
20 appeal, the post-petition financing appeal, the automatic
21 stay appeal, the swaps settlement appeal, the mediation
22 appeal, and I think there may be a few I've missed. In
23 satisfaction of its asserted secured claims relating to the
24 collateral account, your Honor may recall, that was
25 associated with the casino revenues and other litigation

1 claims, Syncora will receive \$5 million. I think Mr. Cullen
2 will assist the Court, but we anticipate there will be
3 further trial process motions and exhibits which will accord
4 and reinforce Syncora's agreement to support the plan. With
5 that, your Honor, I'm happy to answer any questions you may
6 have.

7 THE COURT: Can we go back to Slide 5, please?

8 MS. BALL: Yes, sir.

9 THE COURT: For other COP claimants who opt in, what
10 do they give up by opting in, and what does the city get?

11 MS. BALL: Your Honor, they will be selling their
12 COPs claims to the litigation trust, and the city would be
13 distributing not only the B notes, which were described in
14 the existing sixth amended plan, they will also be getting
15 their share of the enhancement, the new C notes and the
16 settlement credits.

17 THE COURT: Thank you.

18 MS. BALL: Anything else, your Honor?

19 THE COURT: No.

20 MS. BALL: Thank you. With that I would defer to
21 Ms. Lennox as to how we're working this through the plan.

22 MR. BENNETT: Good morning, your Honor. Ryan
23 Bennett of Kirkland & Ellis on behalf of Syncora. I'm very
24 glad to be standing here before you today, your Honor. This
25 is a big day for Syncora and a big day for the City of

1 Detroit. We'd like to thank the Court, the Court's staff for
2 the time and patience over the past many months and thank the
3 mediators for their assistance, particularly over the past
4 three weeks as we've worked through what has been a very
5 complicated and creative resolution to Syncora's unique
6 relationship with the City of Detroit. Ms. Ball and Mr.
7 Heiman captured the settlement accurately. Syncora will
8 shortly be withdrawing its objections to the plan, its
9 various motions that are pending before the Court without
10 prejudice to our ability to renew our litigation should the
11 definitive documentation not be reasonably acceptable to the
12 city and Syncora and the plan not be confirmed, but we
13 expect, as Mr. Heiman highlighted, that we are substantially
14 done. We know we are substantially done and that that will
15 be coming shortly. Our appeals, likewise, will be held in
16 abeyance, as Ms. Ball pointed out, and dismissed with
17 prejudice upon the effective date. Your Honor, that's all I
18 have, fortunately. Thank you very much.

19 THE COURT: Thank you.

20 MS. LENNOX: Good morning, your Honor. With respect
21 to the plan process, as these developments with respect to
22 the settlement that Ms. Ball outlined have progressed, the
23 draft of the seventh amended plan has kept pace, so that is
24 in fairly good shape. We have, I think, a couple of things
25 that we're hoping to iron out with some other parties today.

1 Our goal is to file that plan today, you know, subject to
2 ironing out the differences, but we are in good shape on
3 that, your Honor.

4 MR. HEIMAN: Your Honor, before we call on Mr.
5 Cullen, I did mention that we would be hearing from Evan
6 Miller today, and -- oh, he was hiding, and I don't blame him
7 because he's a target for a lot of people.

8 MR. MILLER: Thank you for those kind words. Good
9 morning, your Honor. Evan Miller, Jones Day, for the City of
10 Detroit. I wanted to briefly talk about an issue in
11 connection with the Class 12, the so-called OPEB settlement.
12 Certain issues have arisen in connection with the -- excuse
13 me -- implementation and start-up of the so-called VEBA
14 trusts. Those would be the trusts that pursuant to the
15 settlement would be providing and paying for retiree health
16 insurance. And I want to advise the Court that the City of
17 Detroit commits to negotiate in good faith a resolution of
18 all of those issues relating to the start-up of the VEBAs.
19 We will do so as soon as practicable with the mediators, and
20 I can personally advise the Court that I'm confident that it
21 will be done in relatively short order. Thank you.

22 THE COURT: Thank you.

23 MR. CULLEN: Good morning, your Honor. Thomas
24 Cullen of Jones Day on behalf of the city. In light of these
25 developments, the city does propose to move forward with its

1 order of witnesses this week. We have -- that order,
2 serendipitously enough, really addresses issues at the front
3 end which are unconnected with the Syncora settlement,
4 principally the actuarial issues, art, and we have attempted
5 to move certain DWSD witnesses in front of any dealings with
6 the implications of the Syncora settlement. The first
7 witness to deal with those issues will be Mr. Malhotra, who
8 we believe comes up at the end -- on Friday, if at all, this
9 week. He's covering a great deal of ground, of course, and
10 there will be -- if not this week, there will be time over
11 the weekend to prepare any additional cross with respect to
12 the settlement for Mr. Malhotra. We believe that the -- that
13 that will allow the parties the ability to address the well-
14 trodden issues of art, DWSD, and actuaries this week and then
15 address the settlement-related issues either at the very end
16 of the week or early next.

17 THE COURT: Before you go, let's review your witness
18 order.

19 MR. CULLEN: Yes.

20 THE COURT: And can you describe in a sentence or
21 two what each will cover?

22 MR. CULLEN: Yes. This is what we have, your Honor.
23 Mr. Bowen is an actuary for Milliman. He worked on the
24 derivation and the implementation of the 6.75 revenue
25 assessment. He is a percipient witness, not an expert in

1 this case. He's going to testify about what actually
2 happened. Mr. Perry is an expert witness who will testify as
3 to the reasonableness of the 6.5. Ms. Fusco is the
4 representative of --

5 THE COURT: When you say 6.5 --

6 MR. CULLEN: 6.75.

7 THE COURT: 75, yeah.

8 MR. CULLEN: 6.75. I apologize, your Honor.

9 THE COURT: Let's not confuse the world on this.

10 MR. CULLEN: Yeah. I'm sorry. Thank you, your
11 Honor. Ms. Fusco is the representative of Christie's who
12 will testify as to their work. Ms. Nichol is an expert
13 witness who's going to be --

14 THE COURT: Well, stop there because we also have a
15 hearing today regarding Ms. Kopacz.

16 MR. CULLEN: Yes, your Honor. I was only addressing
17 the order of witnesses.

18 THE COURT: Okay.

19 MR. CULLEN: And this is all subject to the movement
20 of the Court, subject to the length of the cross-examination.
21 Ms. Nichol is going to be dealing with the issues of what is
22 the appropriate baseline to measure discrimination in the
23 plan. It's a witness of the Retirement Committee and
24 presented by them. Ms. Taranto is another actuarial witness.
25 We're hoping to get Mr. Bloom, who is the investment banker

1 on behalf of the Retirement Committees, who will testify as
2 to the arm's length nature of the negotiations and the result
3 of those negotiations with respect to pension issues.
4 Erickson and Plummer are both art -- are art valuation and
5 sale of the art issues. Mr. Satter has to do with the value
6 of the DWSD assets. Mr. Penske is a local notable developer
7 and a citizen of the city who will testify as to grand
8 bargain issues and investment in the city. Mr. Buckfire's
9 issues have been made available to the Court in his report.
10 He is not expected to testify with respect to the Syncora
11 settlement. Ms. McCormick will deal with -- McCormick will
12 deal with the DWSD issues and the operation of DWSD and
13 concerns which have been raised in this proceeding about the
14 capital expenditure budget and its sufficiency. Mr. Malhotra
15 is the E&Y witness with whom the Court is familiar, who will
16 testify as to the projections which will underlie the plan
17 and the baseline projections for the city. Mr. Orr then
18 comes up to testify with respect to the broad range of issues
19 relating to the plan and the settlements and feasibility and
20 other issues. Mr. Kaunelis is another DWSD witness with
21 respect to certain assumptions with respect to investment
22 principally. And Mr. Gilbert is, again, a citizen of Detroit
23 who will testify with respect to the grand bargain impact on
24 Detroit, et cetera. That is how we see it as of now, your
25 Honor.

1 THE COURT: And this is your projection for this
2 week and next?

3 MR. CULLEN: Yes, yes.

4 THE COURT: All right. Thank you. Let's leave that
5 up for a bit, if you don't mind. Okay. Thank you. I want
6 to add one other point here in relation to Syncora, which is
7 related only because it deals with Syncora. It has nothing
8 to do with the settlement, per se. The Court had entered an
9 order to show cause directed to Syncora and its attorneys why
10 they should not be sanctioned for the scandalous and
11 defamatory aspects of their second supplemental objection to
12 the plan. In the meantime, Kirkland & Ellis, on behalf of
13 itself and Syncora, has apologized to Judge Rosen and to Mr.
14 and Mrs. Drinker for its conduct. The Court concludes that
15 those apologies, in the interest of justice, resolve any
16 issue of sanctions, and, accordingly, the Court here today
17 will be entering an order that vacates the order to show
18 cause and disposes of that issue. All right. Who wants to
19 be heard now?

20 MR. PEREZ: Good morning, your Honor. Alfredo Perez
21 on behalf of FGIC. Your Honor, we've listened to everything
22 that was said this morning, and I think I'm kind of standing
23 here in the same place I was a week ago or so last Tuesday.
24 We're going to need some time to prepare, and the issue is
25 when can we schedule that time. And so if the Court wants to

1 proceed with the actuaries and the art and then give us an
2 opportunity to prepare, I think that's perfectly appropriate,
3 but we're going to need a continuance for the two reasons
4 that we set forth in our papers. One, the additional time to
5 prepare, and, two, the additional time to prepare to the new
6 plan, which I'm glad we are going to get it today, and that
7 will give us -- but likely, your Honor, we're going to have
8 to have additional expert report. Likely, your Honor, we're
9 going to need to take one or two depositions, and we're going
10 to have to be able to be in a position to put on our case in
11 response to this new plan. So if the Court wants to proceed
12 with the actuaries and the, you know, several art witnesses
13 this week and then continue us until the 29th, I think we're
14 perfectly happy to do that, and I think that would allow
15 us -- although I really -- we really wanted to ask for two
16 weeks in our motion last night, but we decided that probably
17 wasn't doable and it wasn't as credible, but we are going to
18 need some time as set forth.

19 And we have this issue with the expert. There's no
20 reason why the city couldn't have agreed to let us use that
21 expert. They knew about it. They had the report. In the
22 interim, we're going to go and have to find our own expert.
23 So, your Honor, we're happy to proceed this week with those
24 sets of witnesses and then whenever Mr. Satter ends, take
25 that time off to prepare and come back on the -- and come

1 back on the 29th, and that's what we would propose.

2 MR. CULLEN: Thomas Cullen again, your Honor, for
3 the city. I would only say this, that distinctions must be
4 made here between the various interests we are working with
5 in dealing with the continuance of this proceeding. There is
6 the interest of the city itself in resolution of the
7 proceeding. There is the integrity of the proceeding. There
8 is the convenience of the witnesses to this proceeding, and,
9 finally, there is convenience of counsel. There's no doubt
10 about the interests of the city. The interests of the city
11 are to move forward as quickly as possible. The Court is
12 aware of the tremendous run rate of expense of this
13 proceeding. A week off from presenting evidence is not a
14 week off from the run rate of those expenses for the city.
15 The transition of the city to the post-emergency manager
16 world is proceeding apace as we speak. The sooner we get out
17 of this proceeding, the better it is for the city, the better
18 it is for that transition. The resolution of all of these
19 issues is critical to how the city moves forward.

20 With respect to the witnesses, it's no doubt that
21 they've rearranged their life to do this. You look at where
22 we are with Mr. Penske and Mr. Gilbert. As you might
23 imagine, they are very difficult people to schedule for
24 various good and sufficient reasons. I believe that the
25 sooner we get Mr. Malhotra on and all of his testimony in the

1 better that the opponents of the city will know how -- what
2 they need in terms of experts or not. The sooner we get
3 Mr. Orr in front of the Court, the better that they will know
4 going into those -- the gap between the 25th and the 26th in
5 the proceeding. So they've made significant adjustments in
6 their lives. Now, in these circumstances, the convenience of
7 the lawyers is only important to the extent that it threatens
8 or undermines the integrity of the proceeding, and I think
9 that that is a difficult case to make here. There are no
10 surprises certainly in the testimony of any of the witnesses
11 for this week. There are no surprises in the broader issues
12 that affect and surround the Syncora settlement in this. The
13 cone that Ms. Ball talked about has been there all along of
14 considerations and otherwise.

15 With respect to all of these witnesses, there has
16 been -- there have been depositions. There's been a very
17 thorough opening. The witnesses are no surprise, and it's
18 certainly no surprise that an ally in one of these
19 proceedings might follow its self-interest out of the case.
20 There's been something of an Agatha Christie mystery vibe
21 about this as parties disappear one by one all throughout
22 this case. And mediation is confidential, but the bodies of
23 Mr. Sprayregen and Mr. LeBlanc are not, and they've been
24 through this building continuously over the past few weeks.
25 So we have pulled this together. We pulled it together under

1 some time pressure, but in order for the city to move
2 forward, we think that people have and have -- have enough
3 preparation, have seen enough, can plead only attenuated
4 surprise with respect to the recent turns of events, and have
5 the materials in order to represent their client fairly as we
6 move forward. That's all I have, your Honor.

7 MR. PEREZ: May I respond, your Honor?

8 THE COURT: Yes, but let me just ask if anyone else
9 wants to be heard first.

10 MR. BRILLIANT: Your Honor, Allan Brilliant on
11 behalf of Macomb Interceptor Drain Drainage District, a Class
12 14 claimant, and I would have gotten up before Mr. Cullen,
13 but he beat me to the podium after Mr. Perez had spoken. We
14 join in Mr. Perez's argument with respect to requesting, you
15 know, a continuance. There's really two issues here, your
16 Honor. Mr. Cullen focuses really just solely on the Syncora
17 withdrawal aspect of the issue, which obviously makes things
18 a little bit more difficult for the various parties since
19 there had been an agreement and allocation of who was going
20 to deal with what witnesses, which all needs to be changed
21 now, but the more fundamental issue we have here, your Honor,
22 is there's a new very complicated deal that Syncora has
23 entered into, which needs to be analyzed by all the parties
24 to determine what additional objections they may have. And
25 as Mr. Perez said, it's likely, you know, to lead to

1 additional discovery, and obviously we're going to need to
2 put on additional testimony with respect to the issues. It's
3 not as if Syncora was just being given a certain amount of --

4 THE COURT: Assuming you object to it.

5 MR. BRILLIANT: Assuming we object to it, but we
6 need to have some opportunity to determine --

7 THE COURT: I just found it interesting your
8 presumption that you would object.

9 MR. BRILLIANT: Well, your Honor, at a minimum,
10 they're saying that Syncora is getting 13.9 --

11 THE COURT: On behalf of your \$25 million claim.

12 MR. BRILLIANT: Twenty-six, your Honor, but the --

13 THE COURT: Forgive me.

14 MR. BRILLIANT: But at a minimum, your Honor, it
15 would appear they're getting, you know, a 40-percent, you
16 know, larger distribution, you know, at face value if one
17 believes that all of these other issues that are here are
18 not, you know, on account of their COPs claims. But, your
19 Honor, the problem that we have, you know, in going forward
20 and doing the investigation as to the, you know -- you know,
21 the fairness and whether or not it unfairly -- the new
22 settlement unfairly discriminates against, you know, Class 14
23 is that we have to -- if you agree with the city, is we have
24 to file the objection, do that analysis, discovery, retain
25 witnesses, while we're reorganizing our workload, you know,

1 among all the objectors in light of Syncora's withdrawal from
2 the plan, and that just -- your Honor, is just, you know, too
3 much, you know, to expect from all the objectors at this
4 point in time. And really, your Honor, it's just in the
5 interest of justice at some point, you know -- doesn't
6 necessarily have to be today, although we would prefer that
7 it be sooner rather than later, but at some point the parties
8 have to be given an opportunity to do that analysis. And
9 given all the -- if all the resources are being used here in
10 preparing for the cross-examination of the witnesses, it's
11 just not going to be able to -- you know, to be accomplished
12 in a fair way.

13 THE COURT: Thank you. Would anyone else like to be
14 heard?

15 MR. HOWELL: Yes, your Honor. Steven G. Howell,
16 Dickinson Wright, special assistant attorney general,
17 appearing on behalf of the state. Your Honor, the State of
18 Michigan also opposes an adjournment in this matter and
19 supports the city's objection to it and believes that for all
20 the parties that are involved with the exception of a couple,
21 this has been a long process, and we would like to see this
22 continue. We believe that this is not that big a surprise
23 that this came along, and we would like to see the Court
24 continue to move forward with this on the schedule we have
25 set. Thank you, your Honor.

1 THE COURT: Thank you. Would anyone else like to be
2 heard? Mr. Perez.

3 MR. PEREZ: Your Honor, three points. What you
4 didn't hear from Mr. Cullen was due process, and that's,
5 frankly, the only issue that we have before the Court. Are
6 we receiving due process? Furthermore, your Honor, to some
7 extent this is a situation where if we're not granted a
8 continuance, no good deed goes unpunished because the
9 objectors collectively determined we had to allocate our
10 time. We had to allocate our resources. We didn't want to
11 be duplicative. And now as a result -- and we're not asking
12 for a long continuance, your Honor, and the fact that the
13 schedule is how it is really shortens the time that we would
14 be asking for a continuance. But, your Honor, to say that we
15 do not need additional time to prepare based on the record,
16 the fact that we were all sharing time, the fact that the
17 Court encouraged us to have a lead questioner for the
18 witnesses, just is -- just doesn't comport with due process.

19 Furthermore, your Honor, I would -- I only hearken
20 back to the time when the Court asked somebody whether, you
21 know, being here and supporting Detroit wasn't the most
22 important thing they were doing. I'm sure that the witnesses
23 are important people who need to be -- you know, need to be
24 doing important things, but this is actually more important.
25 Your Honor, I commit to you that we will work as diligently

1 as possible, but, for instance, this whole situation with the
2 one expert witness, it's a total self-inflicted wound by the
3 city. There's no reason for them to have done that other
4 than to be vindictive.

5 THE COURT: What witness are you talking about, sir?

6 MR. PEREZ: Murphy, your Honor. Thank you.

7 THE COURT: Anything further on this issue? All
8 right. The Court will take it under advisement.

9 MR. CULLEN: One moment.

10 THE COURT: Sir.

11 MR. CULLEN: Thank you.

12 THE COURT: Yes.

13 MR. CULLEN: I do think that we were addressing the
14 due process issue when I talked about the integrity of the
15 process versus the convenience of counsel. These are all
16 well-represented parties. They've had notice of these issues
17 for some time. And I'm sure that this is hard, and if this
18 were a mere game, we would grant this courtesy as a courtesy,
19 but it is not. It is a proceeding about the fate of Detroit.
20 Time is very important to us. The expense of it is very
21 important to us. The transition is very important to us.
22 And we think that there is sufficient opportunity for very
23 talented counsel to make a record on the issues about which
24 they care about. That's all, your Honor.

25 THE COURT: All right.

1 MR. PEREZ: May I respond, your Honor?

2 THE COURT: If you have anything new to add,
3 absolutely.

4 MR. PEREZ: Your Honor, the only question I have is
5 I wonder what they would be saying if the shoe was on the
6 other foot. Thank you.

7 THE COURT: Okay. I'm going to take this under
8 advisement and take a recess now, and we'll reconvene at
9 9:30, please.

10 THE CLERK: All rise. Court is in recess.

11 (Recess at 9:20 a.m., until 9:39 a.m.)

12 THE CLERK: All rise. Court is in session. You may
13 be seated.

14 THE COURT: It appears everyone is present.

15 MR. STEWART: Your Honor, Geoffrey Stewart, Jones
16 Day, for the city. The city calls its next witness, Glenn
17 Bowen.

18 THE COURT: Well, hang on. I've got to give a
19 ruling on --

20 MR. STEWART: Oh, I'm sorry.

21 THE COURT: -- the matter I took under advisement.

22 MR. STEWART: I better sit down.

23 THE COURT: Good idea. As the Court discerns the
24 motion for adjournment here, there are three relatively
25 distinct grounds for it, and the issue before the Court is

1 whether these grounds constitute extraordinary cause for the
2 delay or continuance that is sought here. The three are that
3 Syncora's withdrawal from the defense of the city's case
4 causes FGIC and the other objecting parties, which at this
5 point are mainly the Macomb Drainage District, to take over
6 those parts of the defense that FGIC had taken responsibility
7 for in their division of labor. The second is the strong
8 potential for FGIC to need to retain experts that Syncora had
9 retained or maybe it's only one -- excuse me -- so that it
10 can properly pursue its defense of the city's case in the
11 absence of Syncora and its experts. And the third is the
12 potential need to file supplemental objections to the -- what
13 will be, I guess, the seventh amended plan to be filed here
14 promptly along with any potential need for additional
15 discovery relating to those supplemental objections to the
16 amendments in the plan.

17 The Court must conclude that the first two of those
18 asserted grounds do not constitute extraordinary cause for
19 any adjournment, and to the extent the motion is based on
20 those two grounds, it is denied. There is merit in the
21 city's position that Syncora's negotiations with the city
22 over the past several weeks have been well-known, and in
23 those circumstances it seems to the Court that it was
24 incumbent upon all objecting parties, consistent with their
25 obligations to their clients, to prepare for the contingency

1 that, in fact, Syncora might settle at some point, and that
2 preparation would have included necessarily preparation to
3 take over for the examination of the witnesses that Syncora
4 was going to cover and, in the absence of an agreement
5 regarding experts, locating experts. In this regard, the
6 Court will also note parenthetically but importantly that
7 nothing in FGIC's motion or its presentation today identified
8 any steps that FGIC took in regard to cross-examination
9 preparation or locating and preparing an expert since the
10 agreement in principle was announced last Tuesday night or
11 addressed how those five days was insufficient to meet its
12 preparation needs.

13 On the other hand, the Court must conclude that the
14 city's filing of an amended plan incorporating its settlement
15 with Syncora does require the Court to accommodate the
16 interests of FGIC and the Macomb Drainage District and other
17 objecting parties to have an opportunity to examine that plan
18 or the amendments to it and to file supplemental objections
19 to that plan as they deem appropriate, to take discovery as
20 necessary in relation to that, and to prepare to address the
21 Syncora settlement as part of this confirmation hearing.

22 Having said that, however, it's less clear to the
23 Court how the details of that should play out, and so,
24 accordingly, I'm going to ask counsel for FGIC and Macomb and
25 any other objecting creditors to meet and confer with counsel

1 for the city to see if you can come to some agreed upon
2 schedule or plan that will -- excuse me -- accommodate the
3 interests of the city in the promptest possible resolution
4 here and in the objecting parties' interests in an adequate
5 opportunity to address the new plan, and perhaps you can do
6 that over the lunch hour and then let the Court know where
7 you stand at that time. I think that's as much as we can do
8 on this now, and I will ask the city to proceed with its
9 case.

10 MR. SOTO: Your Honor, one -- if I can just sit --

11 THE COURT: Yeah.

12 MR. SOTO: FGIC will be asking the Court for an
13 accommodation with respect to the adding or replacing of the
14 one expert witness. We've located another witness, had
15 initial conversations with him. I've had some initial
16 conversations with Mr. Cullen, and he will be replacing Dr.
17 Murphy. It's a fellow named Dr. Jonathan Guryan is who we
18 are working with, so --

19 THE COURT: What's the name, sir?

20 MR. SOTO: Dr. Jonathan Guryan, who's at
21 Northwestern.

22 THE COURT: Okay.

23 MR. SOTO: I guess the other guy was in Chicago. So
24 we'll be coming to the Court for that accommodation with
25 respect to this.

1 THE COURT: Well, I urge you to discuss that
2 accommodation, whatever it is you will be seeking, with the
3 city and see what you can work out.

4 MR. SOTO: Thank you, your Honor.

5 THE COURT: If I have to decide something, I will,
6 but I think it is appropriate to ask you all to try to figure
7 out how to deal with this in the meantime. Mr. Stewart.

8 MR. STEWART: And I apologize for jumping the gun
9 earlier.

10 THE COURT: Okay.

11 MR. STEWART: Geoffrey Stewart, Jones Day, for the
12 city. The city calls its next witness, Glenn Bowen. Your
13 Honor, if I may have leave to approach, I have five sets of
14 the exhibits we would use with Mr. Bowen.

15 THE COURT: Yes, sir. Step forward, please, sir,
16 and raise your right hand.

17 GLENN BOWEN, CITY'S WITNESS, SWORN

18 THE COURT: All right. You may sit down in the
19 witness box. Thank you.

20 MR. STEWART: May I proceed, your Honor?

21 THE COURT: One second. Seems like we're still
22 getting organized here. Okay. You may proceed.

23 MR. STEWART: Thank you, your Honor.

24 DIRECT EXAMINATION

25 BY MR. STEWART:

1 Q Good morning, Mr. Bowen.

2 A Good morning.

3 Q Could you please give us your full name and address?

4 A Glenn David Bowen, Wayne, Pennsylvania.

5 Q Okay. Are you employed?

6 A Yes.

7 Q And by whom are you employed?

8 A Milliman, Incorporated.

9 Q And what is Milliman, Incorporated?

10 A An actuarial consulting firm.

11 Q Okay. And where are the offices of Milliman in which you

12 work?

13 A I work in the Wayne, Pennsylvania, office.

14 Q And Wayne is a suburb of Philadelphia?

15 A Correct.

16 Q Okay. Tell us, if you could, of your college education?

17 A I have a bachelor's degree and a master's degree in civil

18 engineering from the University of Delaware.

19 Q And what year did you receive those -- what years did you

20 receive those degrees?

21 A The bachelor's degree in 1989, master's degree in 1994.

22 Q Did there come a time when you became an actuary?

23 A Yes.

24 Q When was that?

25 A I was hired in 1996 by Towers Perrin Company, now called

1 Towers Watson.

2 Q Okay. And you were hired by them as an actuary?

3 A An actuarial analyst, yes.

4 Q And how long did you remain at Towers Perrin?

5 A Roughly five years.

6 Q And what was your job after that?

7 A I was hired by Milliman in 2001.

8 Q Okay. And tell us, if you could, what -- in brief what
9 your career at Milliman has been.

10 A I am a pension actuary, so I consult to pension plan
11 sponsors and legislative bodies that have interests in the
12 pensions that are sponsored in their jurisdictions.

13 Q Okay. You just used a term "pension plan sponsors."
14 What is a pension plan sponsor?

15 A There can really be I'll say two broad kinds. In the
16 corporate sector, you would typically think of it as the
17 employer who sponsors the pension plan, and in the
18 governmental sector, it would be the local government or
19 other governmental authority.

20 Q Okay. And in your practice as an actuary, what
21 percentage of your time have you spent working with
22 government sponsored pension plans?

23 A I would say it's certainly morphed over my career from a
24 focus on corporate to a focus on public, and public is now 90
25 percent or more of what I do.

1 Q And how many different public pension plans have you
2 worked with over the course of your career?

3 A I'll say dozens, and I've also worked with retiree
4 healthcare plans in the public sector as well, about a
5 hundred of them.

6 Q Are you qualified as an actuary?

7 A I'm a fellow of the Society of Actuaries, also an
8 enrolled actuary under ERISA and a member of the American
9 Academy of Actuaries.

10 Q Are those the credentialing bodies for actuaries in the
11 U.S.?

12 A Yes.

13 Q Have you published any papers or other articles in the
14 field of being an actuary?

15 A About a half dozen.

16 Q Okay. Now, let's -- I'd like to just make sure we have
17 our definitions nailed down before we go further. The city,
18 of course, has two Retirement Systems, does it not?

19 A Yes.

20 Q Are they sometimes also called pension plans?

21 A Yes.

22 Q What are the city's two Retirement Systems?

23 A There's the General Retirement System and the Police and
24 Fire Retirement System.

25 Q And are they sometimes known by their initials, the GRS

1 and the PFRS respectively?

2 A Yes.

3 Q And just a minor point, is it the case that Milliman
4 refers to them as the DGRS and the DPFRS?

5 A That is correct.

6 Q But the terms are interchangeable. We don't need the D?

7 A We do not.

8 Q We all know we're talking about Detroit here?

9 A Yes.

10 Q Okay.

11 A I speak for myself only saying that.

12 Q And you're aware of something called a -- called the
13 DWSD?

14 A Yes, I am.

15 Q What is the DWSD?

16 A The Detroit Water and Sewer Department.

17 Q Do the employees of the DWSD -- are they members of
18 any -- either of the city's Retirement Systems?

19 A Yes, they are.

20 Q Which system?

21 A The General Retirement System.

22 Q And, by the way, am I correct that one refers to the
23 employees as members?

24 A In a public pension plan, yes.

25 Q Now, you're aware of something called a defined benefit

1 plan?

2 A Yes.

3 Q What is a defined benefit plan?

4 A A defined benefit plan is a retirement plan where, as
5 it's titled, the benefit is defined. There will be a formula
6 that will determine the amount of the pension that you
7 receive.

8 Q And who makes contributions to a defined benefit plan?

9 A The plan sponsor will make contributions. In some
10 instances, the employees will be required to make a
11 contribution as well.

12 Q Okay. So did there come a time when you began working on
13 matters relating to the City of Detroit's two pension plans?

14 A Yes.

15 Q When was that?

16 A It was in the middle of 2012.

17 Q And what were you asked to do in the middle of 2012?

18 A Our very first assignment was a request that we review
19 the annual actuarial valuation reports that had been prepared
20 by the Systems' retained actuary and provide us, as much as
21 possible, a description of the status of the plans in
22 laymen's terms.

23 Q Okay. And let me direct your attention to the exhibits
24 before you. They may be at the bottom of your pile, but
25 they're two.

1 MR. STEWART: And let's put them up in order, if we
2 could, Syncora Exhibit 4054 and Syncora Exhibit 4776. And,
3 your Honor, I believe these have been stipulated into
4 evidence.

5 MR. WAGNER: We have no objection, your Honor.

6 BY MR. STEWART:

7 Q Mr. Bowen, do you have these two exhibits before you?

8 A I do.

9 Q Tell me, if you --

10 THE COURT: Let me just say for the record that in
11 case they are not already in evidence, Exhibits 4054 and 4776
12 are admitted.

13 (Syncora Exhibits 4054 and 4776 received at 9:56 a.m.)

14 BY MR. STEWART:

15 Q Mr. Bowen, could you tell us what these two exhibits are?

16 A These exhibits are the annual actuarial valuation reports
17 prepared by the Systems' retained actuary. One report is for
18 the General Retirement System and one is for the Police and
19 Fire Retirement System.

20 Q Now, you just used the phrase "Systems actuary." What is
21 the Systems actuary?

22 A Excuse me. I use that phrase to define the actuary who
23 has the responsibility for conducting the annual valuation.

24 Q And that's the actuary hired by the Retirement System
25 itself?

1 A Yes.

2 Q Who is the actuary for these two Retirement Systems?

3 A Gabriel, Roeder, Smith & Company.

4 Q And their name appears in the upper right-hand corner of
5 each of these two exhibits?

6 A Yes.

7 Q Okay. And so I believe you were telling us that your
8 first assignment had to do with looking at these two, and, by
9 the way, these are, once again, called annual valuation
10 reports?

11 A Yes.

12 Q Do you sometimes call them AVR's?

13 A I do not, but I can if you would like.

14 Q I won't either then. I'll call them annual valuation
15 reports. So what was it you were asked to do in particular
16 with respect to these annual valuation reports?

17 A As I mentioned, we were asked to review them, and we were
18 asked to explain them to city personnel who did not have
19 extensive pension background.

20 Q Now, I think you testified this engagement came to you in
21 the middle of 2012?

22 A Yes.

23 Q These are the reports, however, for the year ended 2011,
24 are they not?

25 A That's correct.

1 Q Why was it you were dealing with 2011 reports when you
2 were doing your work in 2012?

3 A These were the most recently published reports that
4 existed at that time.

5 Q Okay. And so as a result of looking at these reports,
6 what did you do next?

7 A We documented our results in a letter and met with the
8 city personnel.

9 Q Now, you just used the term "letter." Does the term
10 "letter" in the way -- in your work for the city have any
11 particular meaning?

12 A Our relationship with the city over time has been ad hoc
13 consulting, you know, ad hoc requests, and in those cases we
14 will typically write a letter because a template does not
15 exist to respond to such a request.

16 Q Fair to say that the deliverable that Milliman has in its
17 work for the city has been letters?

18 A Yes.

19 Q How many letters over the course of Milliman's engagement
20 by the city has Milliman delivered to the city?

21 A Speaking for the pension side, it has been over a
22 hundred.

23 Q Okay. Now, was one of the things you were asked to do
24 here in 2012 to look at the city's contribution?

25 A Later in 2012, yes.

1 Q Okay. Let's move on then, but before I do that, let me
2 just ask you about something else.

3 MR. STEWART: Can we please put up on the screen
4 Exhibit 633, which is a demonstrative exhibit?

5 BY MR. STEWART:

6 Q Mr. Bowen, is Exhibit 633 in front of you?

7 A Yes.

8 Q Have you seen this before?

9 A I have.

10 Q What is Exhibit 633?

11 A It is -- it contains an equation and a pictorial diagram,
12 which is a very high-level description of how a pension plan
13 needs to stay in balance over time.

14 MR. STEWART: Your Honor, I would move into evidence
15 only for purposes of being a demonstrative Exhibit 633.

16 THE COURT: Any objections?

17 MR. WAGNER: No objection, your Honor. And just for
18 the record, Jonathan Wagner from Kramer Levin Naftalis &
19 Frankel on behalf of the COPs.

20 THE COURT: Thank you, sir.

21 MR. STEWART: And I think --

22 THE COURT: 633 is admitted.

23 (City Exhibit 633 received at 10:00 a.m.)

24 MR. STEWART: Sorry, your Honor.

25 MR. WAGNER: For demonstrative purposes.

1 BY MR. STEWART:

2 Q And Exhibit 633 sets forth an equation?

3 A Yes.

4 Q What is the purpose -- what is the explanatory purpose of
5 this equation?

6 A Over the long term, the inflows and the outflows of the
7 pension plan must be in balance in order for the plan to pay
8 the promised benefits.

9 Q Okay. Let's go through each of the letters here. What
10 does the letter "C" stand for?

11 A "C" stands for contributions.

12 Q And would that be the city contribution we talked about
13 earlier?

14 A Yes.

15 Q What does "I" stand for?

16 A "I" is investments.

17 Q And when you say "investments," what's being invested?

18 A There is a current pool of assets and an expectation of
19 future income over time.

20 Q Okay. Is the round blue figure -- is that -- does that
21 represent the current assets?

22 A That represents a tank, if you will, and if you think of
23 the assets as water, the tank is the trust. It holds the
24 assets.

25 Q Okay. And then what is "B"?

1 A "B" is benefits.

2 Q And when you say "benefits," what are you referring to?

3 A In this case, this is a -- we don't actually use this
4 equation, per se. It's not that simple. But that's a
5 measure of the liability for the benefits that have been
6 promised.

7 Q These are the benefits to be paid to retirees?

8 A Yes.

9 Q Okay. And how do you know what those benefits are?

10 A That's the -- one of the main purposes of conducting the
11 annual valuation.

12 Q Okay. And then "E" is our final letter. What is "E"?

13 A That is expenses.

14 Q Okay. And so tell us now that we've walked through this
15 how this model works.

16 A Okay. It's I'll say easy to conceptualize on a single
17 person. If there was one person in a pension plan, you would
18 effectively spend their career putting money in on the left
19 and earning a return on it, and then the pool would be
20 effectively full at the time of retirement, and during the
21 time of retirement the benefits would flow out.

22 Q And at various times in your work for the city, were you
23 asked to determine individual values for either "C" or "B" or
24 "I" or even "E"?

25 A We've worked with all of them over time.

1 Q Okay. And now let me ask you about the next assignment.
2 Later in 2012, were you asked to do something new by the
3 city?

4 A I believe the next assignment in late 2012 was to do a
5 simple forecast of employer contributions.

6 Q Of "C"?

7 A Correct.

8 Q And, once again, did you work with an actuarial valuation
9 report?

10 A Yes.

11 Q Do you know whether it was the ones we've already seen,
12 or was it a new report?

13 A I believe at the time our initial assignment, the 2011
14 was still the most recently published report.

15 Q So what did you do vis-a-vis the 2011 report?

16 A We looked at the report, and there are various I'll say
17 facts and figures in there of an actuarial nature. Using
18 those facts and figures and some extrapolation techniques, we
19 projected forward five years and used the methodology that
20 was in use to produce contributions in order to demonstrate
21 what the expected pattern of contributions was going to be.

22 Q Now, let me direct your attention now to 2013. Have you
23 heard of something called a pension task force?

24 A Yes.

25 Q What is or was the pension task force?

1 A The pension task force was a group of advisors that had
2 been retained by the city that was responsible for pension
3 matters.

4 Q Okay. And what sort of things, in a very general matter,
5 did the pension task force look at?

6 A The pension task force looked at a lot of things. On
7 this diagram, most of the focus was on -- most of the focus
8 of the tasks that came to Milliman was on benefits.

9 Q Okay. And I apologize if I've asked you already. Who
10 are the -- who are the members of the task force?

11 A The two members that interfaced with the most were Evan
12 Miller from Jones Day and Chuck Moore from Conway MacKenzie.

13 Q Was this before or was it after the city filed its
14 bankruptcy petition?

15 A The pension task force was formed in early 2013, so it
16 would have been before.

17 Q Okay. Now, let me ask you some definitions before we
18 move forward. Have you heard of something called an accrued
19 actuarial liability?

20 A Yes.

21 Q And that is sometimes called AAL, is it not?

22 A Yes, it is.

23 Q Okay. What is it?

24 A It is the measure that the actuary will determine in the
25 annual valuation report that represents the liability that is

1 categorized under "B" in this long-term equation.

2 Q Okay. So is it a present value or is it calculated in
3 some different way?

4 A It is a present value.

5 Q So the AAL is the present value of "B"?

6 A Correct.

7 Q Okay. Have you heard of something called an unfunded
8 accrued actuarial liability?

9 A Yes.

10 Q What is that?

11 A That is the difference between the present value of the
12 liability we were just discussing and the assets that are
13 currently on hand.

14 Q So if we look at our diagram here, that would have some
15 bearing on the level of the water in this blue tank we have?

16 A If there was a UAAL, unfunded actuarial liability, that
17 would be like saying the tank is not quite as full as we'd
18 like it to be today.

19 Q Okay. So just to summarize, the AAL is the "B" in our
20 diagram; correct?

21 A Correct.

22 Q And the UAAL would be if the tank wasn't as high up as it
23 ought to be?

24 A Correct.

25 Q Okay. Let me ask you about a couple of other terms.

1 Have you heard of something called an investment return
2 assumption?

3 A Yes.

4 Q What is that?

5 A That is the rate of return that, on average, you are
6 expected to earn on your invested assets in the future.

7 Q And how does it figure into the calculation we see in
8 Exhibit 633?

9 A In the first step and where the actuary spends most of
10 their time is in the determination of the "B," benefits, the
11 accrued liability. We calculate those on a nominal basis in
12 all future years, and to develop a present value, we will
13 discount them based on the expected investment return.

14 Q Okay. What is the relationship between the investment
15 return assumption and the level of the city's contributions?

16 A The higher the investment return assumption, you're
17 assuming that more of the ultimate benefits will be paid by
18 investment return, and in the short term, that depresses the
19 contribution level.

20 Q Okay. And the lower the investment return assumption,
21 what effect does that have?

22 A That's the opposite. That assumes that since you're
23 going to earn less on your investments, more contributions
24 would be needed over time, and it raises the short-term
25 contributions.

1 Q Okay. Have you heard of the term used "funding status"?

2 A Yes.

3 Q What is funding status as that term is used with respect
4 to public pension plans?

5 A Funding status is the assets divided by the liabilities.

6 Q Okay. And what does it -- what does it tell us?

7 A Higher funded status is better.

8 Q You have more funds?

9 A Yes.

10 Q Okay. Did there come a time in 2014 you were asked to do
11 something called a replication or a replication audit?

12 A Yes.

13 Q What is a replication?

14 A A replication is when an outside actuary, not the system
15 actuary, is asked to effectively take all of the inputs used
16 by the system actuary, program their own valuation system or
17 their own software, and attempt to reproduce similar results.

18 Q And when were you asked to do a replication audit?

19 A We were actually asked at some point in 2013.

20 Q Okay. And which systems were you asked to -- were you
21 asked to do one for both of the systems?

22 A Yes.

23 Q Okay. Now, I think you said that a purpose of this was
24 to check the work or duplicate the work of the system
25 actuary?

1 A That was part of it, yes.

2 Q Okay. And what role in that assignment did Gabriel,
3 Roeder's annual valuation reports play?

4 A That was really the fundamental document we looked to to
5 learn about the plan.

6 Q Okay. So look, if you could, at the following documents
7 which are before you.

8 MR. STEWART: And these, I believe, have been, once
9 again, stipulated into evidence, but let's put them up. It's
10 1001, 1004, 1023, and 1024. And, your Honor, as I said, I
11 think these came in under the operation of the pretrial
12 order, but for avoidance of data, I will move them into
13 evidence if there's no objection.

14 MR. WAGNER: That's fine. They were actually on our
15 exhibit list, so we -- no problem.

16 THE COURT: All right. All right. If they were not
17 previously admitted, they are now.

18 (COPs Exhibits 1001, 1004, 1023, and 1024 received at
19 10:09 a.m.)

20 BY MR. STEWART:

21 Q Okay. Now, in your replication audit, to spend a minute
22 on these, tell us, if you could, what these four exhibits
23 are.

24 A Well, I only see one on my screen, but I assume you have
25 two valuation reports or four valuation reports.

1 Q Yeah. You actually have them in your packet there.
2 There's a mound of paper. But let me ask you this. In your
3 replication that you did in 2014, which of these valuation
4 reports did you work with?

5 A Well, our task was to replicate the 2013 valuations.

6 Q And so would that be Exhibit 1023 and 1024?

7 A Yes. They are the 2013 valuations.

8 Q And which one is for the GRS?

9 A 1023 is GRS.

10 Q Okay. And the PFRS is 1024?

11 A Correct.

12 Q Okay.

13 A Yes.

14 Q Let's go through these reports so we have an
15 understanding of how they work, and let's do it with 1024, if
16 we could. Do you have that before you?

17 A You said 1024?

18 Q I did.

19 A Okay.

20 Q Yeah. And the cover, of course, is the cover, and the
21 second page is the table of contents; correct?

22 A Yes.

23 Q And the third and fourth page are the cover letter from
24 Gabriel, Roeder to the trustees of the system?

25 A Correct.

1 Q Okay. Let's now go, if we could, to page 4. And I
2 think -- is that 4? Yeah, there we go. Page 4. What is
3 page 4 of Exhibit 1024?

4 A Page 4 is a summary. You could best describe it as "B"
5 in our earlier equation, benefits, the present value of the
6 benefits payable by the system.

7 Q Okay. At the top it says "actuarial accrued liabilities
8 as of June 30th, 2013"?

9 A Correct.

10 Q And that's the term we talked about earlier?

11 A Yes.

12 Q And then we have a series of calculations here on the
13 table?

14 A Yes, yes.

15 Q Okay. Now, at the bottom -- at the very bottom of it, is
16 there a place where this report sets forth the actuarial
17 accrued liabilities for the System?

18 A Yes.

19 Q And where is that?

20 A That is the first line in the third box under "System
21 Totals."

22 Q Okay. And that number is \$3.89 billion?

23 A Correct.

24 Q Below that there's something called accrued assets.

25 A Yes.

1 Q What does "accrued assets" mean?

2 A In this case, I believe it is the smoothed value of
3 assets that is used in the contribution calculation.

4 Q Okay. And then at the bottom we have -- is that the
5 UAAL?

6 A Yes.

7 Q Okay. Let's keep going through the report. If we could,
8 let's turn to page 15. I think it's -- there we go. Do you
9 have page 15 before you?

10 A Yes.

11 Q What is page 15 and the pages following it?

12 A It's labeled "Summary of Benefit Provisions," and this is
13 where the actuary sets forth eligibility conditions and
14 resulting benefits that define what the members will receive.

15 Q Okay. And do you know where this information comes from?

16 A My understanding is that some of it may be set in
17 statute, and some of it is in collective bargaining
18 agreements.

19 Q Now, in your replication audit, your replication
20 procedure, what use did you make of this part of the exhibit
21 that summarized benefit provisions?

22 A One of the requirements of performing a valuation is that
23 we in our system code the benefits that members are eligible
24 for, so we started with this document.

25 Q Okay. Let's go, if we could, to page 21. What is page

1 21 and the pages after it? What do they set forth?

2 A These are summaries of what I call census data. It is
3 data regarding the members of the system.

4 Q Okay. And what does it say? What does it tell us about
5 the members of the system?

6 A These are summary tables that summarize the data which is
7 on each individual member's record of quantities that are
8 important for the pension valuation.

9 Q And what relevance does this have to your work in a
10 replication procedure?

11 A We need to know the membership of the system to be able
12 to value to perform the replication.

13 Q Let's go, if we could, now to page 31. 31 and the pages
14 after it, what do they set forth?

15 A These are assumptions, which is I'll say the third
16 component of running a valuation or doing a replication.

17 Q And what's the relevance of assumptions in this exercise?

18 A What we are trying to model in the determination of "B"
19 is the expected future cash flows that the system will
20 disgorge over time, and they are all contingent upon what the
21 members do, how long they work, how long they live, et
22 cetera.

23 Q Now, I've been asking you about Exhibit 1024, which is
24 the actuarial valuation report for the PFRS. Is the
25 structure of the report for the GRS similar?

1 A Yes.

2 Q Okay. So before I go further, let me ask you this. Does
3 Milliman have a calculation engine known as VAL 2000?

4 A Yes.

5 Q Who or what is VAL 2000?

6 A VAL 2000 is a software system developed and maintained by
7 Milliman for use in preparing valuations of pensions and
8 retiree healthcare systems.

9 Q Have you used VAL 2000 in your career at Milliman?

10 A Yes.

11 Q How often have you used it?

12 A Continuously.

13 Q How long since you joined Milliman have you worked with
14 VAL 2000?

15 A It was there when I joined, so continuously since 2001.

16 Q How well do you know the operation and features of this
17 software?

18 A Very well.

19 Q Okay. Now, what role did VAL -- did this software play
20 in the replication procedure you've described to us?

21 A I think you used the phrase "calculation engine."

22 Q I did.

23 A So VAL 2000 you can think of as a template that is
24 designed to accept inputs and then do the resulting
25 calculations.

1 Q Okay. And what inputs -- in this replication procedure
2 were inputs loaded into the software?

3 A That would be the three we just mentioned. The census
4 data is loaded into the software, the actuarial assumption
5 tables are loaded into the software, and we code the benefit
6 provisions.

7 Q Okay. From the report that we looked at?

8 A Correct.

9 Q Okay. And who did the loading of this information?

10 A Various members on staff.

11 Q And what was your role in terms of that part of the work?

12 A I guess the best way to characterize it is the analysts
13 on staff work under the direction of the consultants, so in
14 terms of some of the mechanical loading procedures, we set
15 forth what I call a job description.

16 Q Okay. And what role did you have in assuring that the
17 job description was adhered to?

18 A We have a series of peer review or checking that gets
19 done after those procedures are completed.

20 Q Okay. And once the data was loaded, it was then recited
21 in the software; correct?

22 A I'm not sure I understand the meaning of "recited."

23 Q The data was loaded into VAL 2000 --

24 A Yes.

25 Q -- is that right?

1 A Yes.

2 Q Was it at that point then saved and archived in the
3 system?

4 A Yes.

5 Q Is it still there?

6 A Yes.

7 Q Okay. Now, let's, if we could -- and did there come a
8 time when you, in fact, performed the replication procedure?

9 A Yes.

10 Q Okay. And what -- and did you report to the city what
11 you found?

12 A Yes.

13 Q What form was your report?

14 A That was a letter for each of the systems.

15 Q Okay. Let's, if we could, look at Exhibits 1008 and 491.
16 Mr. Bowen, do you have Exhibits 1008 and 491 before you?

17 A I'm working on it.

18 Q Okay.

19 MR. STEWART: Can you put up 491? Ah, there we go.

20 MR. WAGNER: I'm sorry. Can I get a copy of 491? I
21 don't see it in the book.

22 MR. STEWART: Is it not in the book?

23 THE WITNESS: Yes, I have them.

24 BY MR. STEWART:

25 Q Okay. All right. Before we go further, tell us what

1 these two exhibits are.

2 A 491 is our report on the replication of DGRS, and 1008 is
3 our report on the replication of DPFRS.

4 Q Who wrote these two letters?

5 A Myself and a colleague of mine.

6 Q And is your -- does your signature appear at the back of
7 each letter?

8 A Yes.

9 Q Okay. And before these letters went out, what did you do
10 to assure the accuracy of the contents of the letters?

11 A I was involved in the process all the way through,
12 drafting the letter, reviewing the results that are in the
13 letter.

14 MR. STEWART: Your Honor, I move admission of both
15 exhibits.

16 MR. WAGNER: No objection.

17 THE COURT: They are admitted.

18 (City Exhibit 491 and COPs Exhibit 1008 received at 10:19
19 a.m.)

20 BY MR. STEWART:

21 Q Okay. Let us, once again, deal with just the PFRS side
22 of this. That's Exhibit 1008. Do you have that before you?

23 A I do.

24 Q Okay. Let's go through it, if we could. We have a -- we
25 have the first page, and then on the second is something

1 called project description.

2 A Yes.

3 Q And just as a general matter, what is the project
4 description?

5 A The project description is to determine the June 30,
6 2013, actuarial liability for the PFRS.

7 Q Okay. And it refers, does it not, to the actuarial
8 valuation report we've been talking about?

9 A The 2012 report of DPFRS, yes.

10 Q And has the link to where it could be found on the
11 Internet?

12 A Correct.

13 Q Okay. Now, further down there's a paragraph entitled
14 "Investment Return."

15 A Yes.

16 Q Do you see that?

17 A I do.

18 Q Now, does this indicate that you ran this replication
19 using two different investment return assumptions?

20 A Yes.

21 Q One was eight percent, and one was 6.75 percent?

22 A Correct.

23 Q Where did the eight-percent assumption come from?

24 A That is the rate that is used in the valuation report.

25 Q And where did the 6.75-percent assumption come from?

1 A That was a request from the city.

2 Q Okay. As a result of this replication procedure, were
3 you able to determine the AAL for the system under these two
4 different investment return assumptions?

5 A Yes.

6 Q And let's look, if we could, at page 6 of the exhibit.
7 Do you see the table on page 6?

8 A Yes.

9 Q And what does the table on page 6 set forth for us?

10 A That is the results of our replication based on an eight-
11 percent investment return rate and a 6.75-percent investment
12 return rate.

13 Q Okay. Just for the record, what was the determination
14 you made when you applied the eight-percent investment return
15 assumption?

16 A 3.794 billion.

17 Q And when you applied the 6.75-percent investment return
18 assumption?

19 A 4.285 billion.

20 Q Okay. And I think earlier we talked about the actuarial
21 valuation report you were working with, and do I remember
22 correctly you were still working with the 2012 report or was
23 it the 2013?

24 A At this point in time, the 2012 was the most recent that
25 we had access to.

1 Q So let's look at Exhibit 1004 and, in particular, page 3
2 of our exhibit -- of that exhibit, I should say. What was
3 the AAL calculated by Gabriel, Roeder for this system for
4 that period of time?

5 A As of 2012, the AAL was 3.823 billion.

6 Q And how did it compare to what your replication procedure
7 determined?

8 A Well, actually that is a different date, so we did not
9 compare those two numbers.

10 Q I'm sorry. I had misunderstood. Let's look then at the
11 2013 actuarial valuation report. Do you have Exhibit 1024 in
12 front of you?

13 A I do.

14 Q Okay. Let's look, if we could, at the comparable table
15 in Exhibit 1024. That's on page 4 of the exhibit. Now, how
16 does the -- what did Gabriel, Roeder determine as of June
17 30th, 2013, was the AAL for the PFRS?

18 A 3.890 billion.

19 Q And how does that compare with the value you came up with
20 in your replication?

21 A It's in between two and three percent different.

22 Q Okay. Now let's go, if we could, to Exhibit 491. Do you
23 have Exhibit 491 before you?

24 A I do.

25 Q And Exhibit 491 is what?

1 A The report of our replication audit of DGRS.

2 Q Okay. And I think you described already the procedure.
3 Was anything done differently with GRS than you had done with
4 PFRS?

5 A No. The procedures were similar.

6 Q Let's look, if we could, at page 6 of Exhibit 491 and at
7 the table there.

8 MR. STEWART: If we could blow the table up, please.

9 BY MR. STEWART:

10 Q Now, the table has results under two different investment
11 return assumptions; correct?

12 A Yes.

13 Q One is 7.9 percent?

14 A Correct.

15 Q Where did that come from?

16 A That is the rate that is used in the annual actuarial
17 valuation.

18 Q Okay. And the other column has the investment return
19 assumption of 6.75 percent?

20 A Yes.

21 Q Where did that come from?

22 A That was requested by the city.

23 Q And so what did your procedure determine with respect to
24 the AAL for the GRS as of June 30th, 2013?

25 A Under the basis used in the valuation report, 3.601

1 billion and under the 6.75-percent return 3.978 billion.

2 Q Okay. Let's go, if we could, to Exhibit 1023, which is
3 in evidence, and let's go to page 4, please, A-4. It's the
4 one that in the lower right-hand corner has a control number
5 2982. There we go. This is the Gabriel, Roeder actuarial
6 valuation report for the GRS as of June 30th, 2013?

7 A Correct.

8 Q What had Gabriel, Roeder determined was the AAL for that
9 system on that date?

10 A 3.609 billion.

11 Q And how did that compare with the value you determined
12 using their investment return assumption?

13 A That was -- that differed by roughly \$8 million.

14 Q Out of a total of how much?

15 A 3.6 billion.

16 Q Okay. Now, after you had finished the replication audit,
17 did you -- did Milliman remain involved in the city's
18 matters?

19 A Yes.

20 Q And in the months following it, what -- without getting
21 into what you did, what generally was your role?

22 A We were asked to prepare various analyses using our
23 replication as a baseline in making adjustments.

24 Q Okay. And there was a mediation process going forward,
25 was there not?

1 A There was.

2 Q Okay. And without saying what you did, just tell us what
3 was your role in the mediation?

4 A We were --

5 MR. PEREZ: Your Honor, excuse me. I'm going to
6 object. If he's not going to say what his role is, then --

7 THE COURT: You can stay seated. You don't have
8 to --

9 MR. PEREZ: Yeah.

10 THE COURT: -- injure your back making objections to
11 evidence.

12 MR. PEREZ: Your Honor, to the extent that he's
13 going to go into the mediation, we're obviously not going to
14 be -- not going to be able to ask him any questions, so I'm
15 not sure what the intent of the question is.

16 MR. STEWART: I'm not sure what the intent of the
17 question was either actually, Judge. I'm going to ask the
18 witness this.

19 BY MR. STEWART:

20 Q After that, did you --

21 THE COURT: That is a withdrawal of the question,
22 yes.

23 MR. STEWART: Withdrawal.

24 BY MR. STEWART:

25 Q After that, did you remain involved in supporting the

1 mediation process?

2 A Yes.

3 Q Thank you. Now, by now, by the time we get to 2014,
4 you've been working with the city's two pension plans for how
5 long?

6 A We started in the middle of 2012.

7 Q About two years?

8 A With some gaps, but, yes, two years.

9 Q How well would you say you knew the plans by then?

10 A We had to know them very well to be able to perform the
11 replication.

12 Q Now, have you heard the term before a frozen plan?

13 A Yes.

14 Q What is a frozen plan?

15 A There's more than one variety of frozen plans, but the
16 most common definition would be where there is a freeze date.
17 Employees who were hired after the freeze date do not become
18 members of the plan, so they will not accrue benefits under
19 the plan. And employees who are working as of the freeze
20 date will cease accruing any benefits in the future.

21 Q Okay. Who makes the decision to freeze a plan?

22 A In my experience, in a corporate sector plan the plan
23 sponsor sometimes has the unilateral right to do so.
24 Sometimes it is subject to collective bargaining.

25 Q Let me direct your attention, if I could, to the date of

1 July 18, 2013. Do you understand that was the date --

2 THE COURT: Excuse me one second.

3 MR. STEWART: Yes.

4 THE COURT: The answer you just gave, you said that
5 was in the corporate setting?

6 THE WITNESS: Yes.

7 THE COURT: Is there another answer for the public
8 setting -- sector setting?

9 THE WITNESS: Well, the plan freezes are very common
10 in the corporate sector, very uncommon in the public sector,
11 and I think that's really a legal matter as to who gets to
12 freeze the plan that I can't answer to.

13 THE COURT: Thank you, sir.

14 BY MR. STEWART:

15 Q So let me direct your attention, if I could, to July 18,
16 2013. Do you understand that was the date upon which the
17 city filed its petition in bankruptcy?

18 A Yes.

19 Q As of that date, do you know whether or not the GRS plan
20 was frozen?

21 A It was not.

22 Q How do you know that?

23 A There was no piece of information that we provided, were
24 provided or found that said the plan was frozen.

25 Q And in your dealings with the city and with the plan, who

1 said anything to you about it being frozen?

2 A Nobody said anything to us about it being frozen.

3 Q And as of that date, can you tell us whether or not the
4 PFRS plan was frozen?

5 A It was not.

6 Q Subsequent to that time, have there been proposals that
7 the plan should be frozen?

8 A Yes.

9 Q Do you know whether that has happened yet?

10 A I do not.

11 Q Now, let me ask you a couple of --

12 MR. STEWART: Let's put up, if we could, Exhibit
13 632.

14 BY MR. STEWART:

15 Q Mr. Bowen, do you see Exhibit 632 on the screen in front
16 of you?

17 A Yes.

18 Q What is Exhibit 632?

19 A There is a formula at the top which is a -- I'll say the
20 generic template of how a final average pay pension plan
21 calculates a benefit, and there is a diagram below that which
22 is illustrative of a member moving through their working
23 career and their retirement years.

24 Q Okay. So the formula -- and who prepared this?

25 A Jones Day.

1 Q And have you looked at it?

2 A Yes, I have.

3 Q Is it accurate?

4 A It's a very high-level representation, so, yes, it's
5 accurate.

6 MR. STEWART: Your Honor, I would move 632 into
7 evidence as a demonstrative exhibit only.

8 MR. WAGNER: That's fine, your Honor.

9 THE COURT: All right. For that purpose, it is
10 admitted.

11 (City Exhibit 632 received at 10:31 a.m.)

12 BY MR. STEWART:

13 Q So, if we could, Mr. Bowen, let's look at the top.

14 There's a formula. Could you tell us, first of all, what the
15 formula says and, second, what it is?

16 A Okay. It says pension equals "X" percent times service
17 times final average pay, and this formula is used to
18 determine the pension that a member will receive based upon
19 the service they have rendered and their final average pay
20 and the "X" percent multiplier, which is part of the pension
21 plan design.

22 Q So where does the "X" percent come from?

23 A The "X" percent is -- I believe that's a statutory
24 figure, but it is set at the -- it is set as part of the
25 benefit design to determine the overall level of the benefit.

1 Q What does "service" mean?

2 A Service is basically the amount of time that the member
3 works for the city.

4 Q Okay. And what is final average pay?

5 A Final average pay is in most cases for the city's plans
6 three highest years of pay at the end of the period of
7 service.

8 Q Okay. So let's look at our chart. On the far left
9 corner we have DOH. What does that stand for?

10 A The date of hire.

11 Q Okay. Now, have you heard the term "accrual" as that
12 term is used in pension plans?

13 A Yes.

14 Q What does "accrual" mean?

15 A As a synonym, you could use the word "earned." You
16 accrue your benefits over your career. You're earning your
17 benefits as you're working.

18 Q So if I worked for the city, and after one year when do I
19 start accruing my benefits?

20 A You start accruing them upon hire.

21 Q The day I started?

22 A Yes.

23 Q Okay. Now, have you -- when do my benefits stop
24 accruing?

25 A When you separate from service.

1 Q Okay. Now, is there a term called "vesting"? And there
2 is vesting on our exhibit as well.

3 A Yes, there is.

4 Q What does "vesting" mean?

5 A If you discontinue your service with the plan sponsor
6 prior to reaching the vesting date, in this example, ten
7 years, you forfeit your right to receive a pension.

8 Q And what is the vesting period for the GRS and the PFRS?

9 A With some exceptions, it's ten years.

10 Q Okay. So back to me again. Let's assume I work for the
11 city and quit in year nine. What are my vested benefits?

12 A None.

13 Q Why?

14 A Because you have not rendered the requisite period of
15 service.

16 Q How many years have I accrued?

17 A Nine.

18 Q But I still get no benefits?

19 A Correct.

20 Q If I work to 11 years, then quit, how many years have I
21 accrued?

22 A Eleven.

23 Q And how many have I vested?

24 A Eleven.

25 Q So what benefits do I get under the formula here, and

1 what's the service -- the value of the service variable in
2 our equation?

3 A At that -- in that example, it would be 11.

4 Q Okay. Now, up here we have something called final
5 average pay. Let me ask this. What do the words "final pay"
6 mean in the phrase "final average pay"?

7 A They're meant to denote the pay near the end of your
8 period of service, end of your career.

9 Q And average is the three years you told us about?

10 A Yes, for these systems.

11 Q Now, in calculating the AAL for a system, is one of the
12 benefits a system takes into account the future cost it's
13 going to have for people who have not retired yet?

14 A Yes.

15 Q How does the system know what their final average pay is?

16 A One of the actuarial assumptions used in the valuation is
17 a projection of salaries over time.

18 Q So the system projects the final average pay of people
19 who have not yet reached that segment of their career where
20 they measure the final average pay; is that correct?

21 A Everything is projected, so, yes.

22 Q Okay. Now, what assumptions does -- do these two plans
23 use to project that final average pay?

24 A Well, there -- I mean there is a salary assumption that's
25 the baseline for projecting what the salary would be, and

1 there are additional assumptions that determine the
2 probability of separating from service in each future year,
3 termination if you're not retirement eligible and then
4 ultimately retirement.

5 Q And then are there assumptions about wage increases and
6 inflation?

7 A I kind of consider them all baked into the salary
8 assumption scale, yes.

9 Q But they're part of the salary assumption?

10 A Yes.

11 Q Where do we find that?

12 A They can be listed in the valuation report.

13 Q So the actuarial valuation reports that are already in
14 evidence set those forth?

15 A Yes.

16 Q And by the way, are both GRS and PFRS final average pay
17 plans?

18 A Yes.

19 Q Now, let's move on. Did there come a time more recently
20 in April when you were asked to perform other calculations
21 from the information stored in the VAL 2000 system?

22 A Yes.

23 MR. STEWART: And let's put up, if we could --
24 pardon me -- Exhibits 473 -- pardon me -- and 474. And, your
25 Honor, both of these are also exhibits that the COPs parties

1 have put on their list as 1011 and 1012 respectively.

2 BY MR. STEWART:

3 Q Before we go further, Mr. Bowen, could you just tell us
4 what these two letters are?

5 A Okay. Exhibit 1011 is regarding DPFERS, and we were asked
6 to calculate the funded status in 2023 under a variety of a
7 specified scenarios.

8 Q And what is the other letter?

9 A That concerns DGRS, and we were asked -- we were given a
10 desired target to be hit in terms of funded status in 2023
11 and were asked to calculate the employer contributions that
12 would be required to do so.

13 Q And who prepared these two letters?

14 A They were both prepared by Milliman.

15 Q Okay. And did you -- pardon me. What was your role in
16 the letters?

17 A I was involved in the process from beginning to end.

18 Q And did you sign both?

19 A Yes.

20 Q And what did you do before signing to assure yourself of
21 the accuracy of the matters set forth in the two letters?

22 A As I mentioned before, we have a series of peer review
23 checks, and they apply to the various portions of the overall
24 procedure.

25 MR. STEWART: Your Honor, I'd move into evidence

1 both exhibits.

2 MR. WAGNER: No objection.

3 THE COURT: Thank you. They are admitted.

4 (City Exhibits 473 and 474 received at 10:37 a.m.)

5 BY MR. STEWART:

6 Q Let's start, if we could, with Exhibit 473, and I notice
7 I'm using the city's exhibit number, and you used the COPs
8 exhibit number. Why don't we use the city's exhibit number
9 for sake of simplicity, and that is 473?

10 A Okay.

11 Q And if we could, let's spend a minute on the structure of
12 the letter here. Once again, the first page sets forth some
13 background of the scope and intent of the exercise; is that
14 correct?

15 A Yes.

16 Q And then on page 2 we have the paragraph entitled
17 "Project Description"?

18 A Correct.

19 Q What is the project description of this project?

20 A There are several bullet points of inputs that were
21 provided to us, and we were asked to use all of those and
22 project the funded status -- excuse me -- and also the
23 unfunded liability of DPFERS in 2023.

24 Q Okay. So at the very first lines -- pardon me -- speaks
25 of estimating the funded status and unfunded liability for

1 that Retirement System; correct?

2 A Yes.

3 Q And then what are the bullet points again?

4 A These are the series of inputs that were provided to us
5 by the city to be used in this exercise.

6 Q And what role did you have in choosing those inputs?

7 A We did not choose them. They were provided to us.

8 Q In other words, they were givens in this work?

9 A Correct.

10 Q All right. What did you do then with these assumptions?

11 A I'll take the second bullet point to start with, a 55-
12 percent reduction to future COLAs moving from two and a
13 quarter percent to one percent. That is a change to "B," so
14 we took our baseline valuation and made that adjustment as
15 we're going to be determining a different value of "B."

16 Q Okay. Once again, were you using the VAL 2000 software
17 that you've described to us?

18 A Yes.

19 Q And that had the other values in it from your previous
20 work. Am I right?

21 A Yes.

22 Q Okay. Now, after putting these assumptions into the
23 calculation engine, did you get results? Did the results
24 come out?

25 A Yes.

1 Q And let's look at the next page, the table in the next
2 page. What does that table set forth?

3 A We were asked to value two separate employer contribution
4 streams and two separate market value rates of return for
5 2013-14, which led us to four scenarios, and the results are
6 in the two right-hand columns. The third column is the
7 projected funded status under each scenario, and the final
8 column is the estimated dollar amount of the unfunded
9 liability in 2023.

10 Q So if we take the first row, that has an assumption of
11 employer contributions of \$260.7 million and a market rate of
12 return of 11.9 -- 59 percent; correct?

13 A Yes.

14 Q And those are the assumptions you were given?

15 A Yes.

16 Q And then the next two columns show us what?

17 A The projected results in 2023 under those assumptions.

18 Q Okay. And you were being asked to forecast what the
19 situation would be in 2023; correct?

20 A Yes.

21 Q Okay. Now, if we go to the very end, just a few pages
22 back there are a series of tables. Just generally can you
23 tell us what these are?

24 A Yes. We were asked -- in addition to providing the
25 results on page 3, we were asked to provide year-by-year

1 information on various items, assets, liabilities, cash
2 flows, from the period 2014-15 up through 2023.

3 Q I see an abbreviation BOY here. What does BOY stand for?

4 A Beginning of year.

5 Q Okay. And if we look at this particular page -- I guess
6 it's Exhibit 1 -- and the table, we have the actuarial
7 accrued liability at BOY. Do you see that?

8 A I do.

9 Q Okay. And then below that unfunded liability at BOY;
10 correct?

11 A Yes.

12 Q Okay. And if you go all the way over to the right, does
13 that -- do those numbers sum up the year-by-year values in
14 those rows?

15 A Yes. Those are the year-by-year values.

16 Q Okay. Let's now, if we could, look at Exhibit 474. And
17 this is the letter you wrote with respect to the GRS. Am I
18 right?

19 A Correct.

20 Q So let's start again with page 2 in the project
21 description.

22 MR. STEWART: And let's blow up that first
23 paragraph.

24 BY MR. STEWART:

25 Q And what was the project that you were asked to do that

1 is recounted here in Exhibit 474?

2 A In this situation, the target was set as having a 70-
3 percent funded ratio, and that's the funded status we
4 referred to earlier, in 2023. We were given a variety of
5 input parameters and asked to solve for the amount of
6 employer contributions that would be needed based on those
7 parameters to hit the goal.

8 Q Okay. What assumption were you given by the city in
9 terms of the investment return assumption?

10 A This was 6.75 percent.

11 Q Okay. And then am I correct that in addition to that,
12 there were city-specified annual contributions to the DWSD?

13 A The city specified the methodology, yes.

14 Q Okay. And then there was going to be a recoupment from
15 the annuity savings fund?

16 A Yes.

17 Q Did both of those require you to have the system do some
18 calculations before you could come up with a final answer?

19 A Yes.

20 Q Okay. So let's, if we could, go to the next page. And
21 by the way, let's just frame this a little bit. One of the
22 things you had to do was to determine the DWSD contribution
23 projection?

24 A Yes.

25 Q And the other was the ASF recoupment?

1 A Yes.

2 Q So let's go through those in that order. The top of the
3 next page, page 3, is that the section where you deal with
4 the contribution projection?

5 A That's the beginning of the section, yes.

6 Q Okay. And, once again, we have bullet points. What are
7 those bullet points?

8 A Those are the parameters that were used in the DWSD
9 contribution projection.

10 Q Okay. Now, if we look at the main body of that
11 paragraph, it -- oops -- refers to a city-specified
12 contribution schedule. Do you see that?

13 A Yes.

14 Q And what was that contribution schedule that the city
15 specified?

16 A I'll say to be maybe more precise, the city specified
17 that we should do a valuation of DWSD effectively only, a
18 mini valuation, their portion of the overall system, and once
19 that unfunded liability is known to develop a nine-year
20 contribution.

21 Q Okay. And did you do that?

22 A Yes.

23 Q Let's look, if we could, at page 6 of our exhibit. And
24 do you see the header that says "results"? Okay.

25 A Yes.

1 Q Does that first paragraph set forth what you determined
2 when it came to the DWSD contribution?

3 A Yes.

4 Q And what did you -- what did you determine?

5 A It's in the last sentence, annual contribution of 45.4
6 million per year.

7 Q Okay. And as part of this, did the system also determine
8 the unfunded liability for DWSD as of July 1, 2014?

9 A Yes.

10 Q And what was that number?

11 A That is the 292.1 million in the second line.

12 Q Okay. Now, I think we were talking about the recoupment
13 from the annuity savings funds, and let's go, if we could,
14 now to page 3, to the very bottom of page 3.

15 MR. STEWART: Let's blow that up, if we could.

16 BY MR. STEWART:

17 Q Under ASF recoupment, it talks about the city providing
18 census data file. Do you see that?

19 A Yes.

20 Q Who provided the census data file to you?

21 A It was actually provided to us by Conway MacKenzie.

22 Q And who from Conway MacKenzie?

23 A Chuck Moore.

24 Q Okay. And what was this data file?

25 A This was a data file, as it mentions here, 13,650

1 members, so that's not everybody, but that is the subset of
2 members that the city deemed to have received excess interest
3 credits in their accounts.

4 Q Okay. Let's go to the next page, please. Let's look at
5 the top carryover paragraph. That's all we need to see.
6 Just reading, it says the interest credits were 387.4 million
7 as of June 30th, 2013; is that correct?

8 A Yes.

9 Q Now, then you did procedures against that data file;
10 correct?

11 A Yes.

12 Q Fair to say you were not able to match all the census
13 data?

14 A Yes.

15 Q Let's look at the table, the line that says "total."
16 What does that represent?

17 A Well, we received this census data file separate from the
18 census data that we already had in VAL 2000 in our
19 replication, so the first task was to match these excess
20 interest credit amounts by individual member into our
21 valuation system, and they did not all match.

22 Q So in your table you have numbers of people. You also
23 have dollar numbers.

24 A Yes.

25 Q What do those two numbers add up to?

1 A The count of people adds up to the 13,000-some-odd that
2 was on the last page, and the excess interest amounts add up
3 to the 387.4 million at the top of this page.

4 Q Okay.

5 MR. STEWART: Now, let's, if we could, scroll down
6 to the next table. Blow that up.

7 BY MR. STEWART:

8 Q And at the top the language says, "For this analysis, the
9 maximum recoupment amount for an individual member was capped
10 at 20 percent of the highest ASF balance during the excess
11 interest determination period." Who capped it at 20 percent?

12 A That was a decision made by the city.

13 Q Not you?

14 A No.

15 Q Okay. So what does this table show us?

16 A This table shows that once the -- I'll say the original
17 excess interest amount that was calculated was subjected to
18 the cap, the total possible recoupment amount, which is in
19 the third column, was reduced.

20 Q To what number?

21 A 226.5 million.

22 Q Okay. And was that the number you took into account when
23 you went back to the beginning to determine the contribution
24 level the city would have in the coming years?

25 A Yes. This was worked into this valuation pass.

1 Q Now, before I --

2 MR. STEWART: Let's go to the next page, if we
3 could, and before we leave this subject, could you blow up
4 the top three bullet points?

5 BY MR. STEWART:

6 Q Was there a methodology that the city was going to use to
7 recoup these excess payments from the ASF?

8 A Yes.

9 Q And fair to say there were three categories of people
10 that had to be recouped from?

11 A Yes.

12 Q And tell us, if you could, generally what the recoupment
13 method was.

14 A Okay. What's highlighted on the screen now is for active
15 members and deferred vesteds, deferred vesteds being members
16 who have ceased working for the city but are not yet in pace;
17 that is, receiving a benefit. So, quite simply, the approach
18 in our valuation procedure was that if a member's excess
19 interest amount was lower than the current value of their
20 account, it would be subtracted, and that was it.

21 Q Just offset?

22 A Just offset directly, yes.

23 Q Second category?

24 A There are members who have a larger excess interest
25 amount than their current account because there is the

1 ability to withdraw some funds while in service, so for those
2 members it was a two-part test subtracting the ASF account to
3 the extent possible and then for the remainder of the amount
4 to be recouped projecting an offsetting against the ultimate
5 expected pension.

6 Q Okay. And how did you determine how to -- what the
7 amount of the offset should be?

8 A The amount of the offset was -- as summarized in the
9 chart on the preceding page, it was the excess interest
10 amount provided by the city ultimately subjected to the 20-
11 percent cap.

12 Q Okay. And was this done in a sense with a reverse
13 annuity; in other words, a certain amount would be deducted
14 from the benefit check?

15 A Yes.

16 Q And how was that calculated?

17 A To convert a lump sum to an annuity, we have an interest
18 and a mortality assumption.

19 Q Okay. Is that something you came up with?

20 A It was provided to us by the city.

21 Q Okay. And the last category? Who were they?

22 A The third bullet point here is really a subset of the
23 second, and these are -- this is the specific class of
24 members who have no account, so there is no subtraction
25 possible, and the entire recoupment amount is then projected

1 and offset against the pension.

2 Q Okay. Now, lets go, if we could, to page 6 and to the
3 last paragraph on the page. Now, by the time -- this is the
4 results paragraph for your letter; is that correct?

5 A Yes.

6 Q Okay. Now, by the time you've gotten here, you've done
7 the DWSD calculation; correct?

8 A Correct.

9 Q The ASF calculation; correct?

10 A Correct.

11 Q And you're now able to finish the calculation you were
12 asked to do?

13 A Yes.

14 Q What did you determine?

15 A Well, we were provided with certain specified inputs, so
16 we used those, and that's the 150.8 million from non-DWSD
17 sources. We calculated the DWSD based upon the methodology,
18 and that became an input. In total what we did is we
19 calculated the total amount of employer contributions needed
20 during this time period, and since there were certain -- you
21 know, those two streams of specified employer -- two streams
22 of specified contributions, we then determined the residual
23 employer contribution that would be needed to hit the 70-
24 percent funded target.

25 Q Okay. So the bullet points, once again, are either

1 assumptions given to you or the results of your previous
2 calculations you just told us about; correct?

3 A Yes.

4 Q So let's look at the main paragraph. What is it you
5 estimated would be the additional contribution per year from
6 the employer from 2015-16 to 2022-23 to have a 70-percent
7 funded status as of the end of fiscal year 2023?

8 A \$19.9 million per year.

9 Q Okay. Based on all the assumptions that you see here?

10 A Yes.

11 Q And based on the other calculations in your work;
12 correct?

13 A Yes.

14 MR. STEWART: Okay. Thank you, Mr. Bowen. That's
15 all I have.

16 THE COURT: All right. Let's take a brief recess
17 now, reconvene at 11:10, please, for cross-examination.

18 THE CLERK: All rise. Court is in recess.

19 (Recess at 10:54 a.m., until 11:12 a.m.)

20 THE CLERK: All rise. Court is back in session.

21 You may be seated.

22 MR. WAGNER: Your Honor, again, Jonathan Wagner on
23 behalf of the COPs. I have binders -- may I pass them out --
24 that have the exhibits?

25 THE COURT: Yes, please.

1 MR. WAGNER: May I proceed?

2 THE COURT: Yes, sir.

3 CROSS-EXAMINATION

4 BY MR. WAGNER:

5 Q Mr. Bowen, nice to see you again. You're dressed a
6 little bit better than last time I saw you last night in the
7 elevator.

8 A Thank you.

9 Q Mr. Stewart took you through some of the work that you
10 did or Milliman did in connection with this matter; correct?

11 A Yes, he did.

12 Q But he didn't take you through all the work, did he?

13 A He did not.

14 Q And you gave some testimony about the 6.75 rate of
15 return. Do you recall that?

16 A Yes.

17 Q And Mr. Stewart showed you several letters that Milliman
18 prepared in connection with this matter?

19 A Yes.

20 Q But he didn't show you your November 4, 2013, letters,
21 did he?

22 A He did not.

23 Q And in those letters Milliman concluded that a return
24 assumption of 7.2 percent would better reflect the expected
25 investment returns for both plans net of expenses without any

1 bias; correct?

2 A You used the phrase "better reflect." I would say that
3 was the calculation of median expected return.

4 THE COURT: Is the letter you're referring to in
5 evidence?

6 MR. WAGNER: Yes, it is, but we'll put them up on
7 the screen. Can you put up COPs Exhibit 1028, which is City
8 Exhibit 495? There's been no objection.

9 BY MR. WAGNER:

10 Q Can you turn to page 4 of the letter in your book or you
11 can look at it on the screen?

12 A It's rather tight up here for the book.

13 Q Okay. If you look at it on the screen, the paragraph
14 beginning "Based on the above results," do you see that?

15 A I do.

16 Q Can you read that, sir?

17 A "Based on the above results, we believe that an
18 assumption of 7.2 percent would better reflect expected
19 investment returns net of plan investment expenses and
20 provide an unbiased expectation of future results."

21 Q And that's with respect to GRS; correct?

22 A I can't tell from looking at this page.

23 Q Well, if you look at the first page of the document,
24 you'll see that it pertains to GRS. Can you turn to page 1?
25 Do you see that?

1 A Yes. This says DGRS.

2 MR. WAGNER: And can you put up Exhibit 1029, City
3 Exhibit 496?

4 BY MR. WAGNER:

5 Q That's your letter with respect to PFRS; correct?

6 A Yes, it is.

7 Q And can you turn to page 4? Same paragraph, "Based on,"
8 can you read that, sir?

9 A "Based on the above results, we believe that an
10 assumption of 7.2 percent would better reflect expected
11 investment returns net of plan investment expenses and
12 provide an unbiased expectation of future results."

13 Q And that's important information, isn't it?

14 A I believe that it is.

15 Q And at the time you wrote these letters, you believe the
16 recommended investment rate assumptions you presented were
17 the best recommendations based on the data available to you;
18 correct?

19 A At the time, yes.

20 Q And you don't have any concerns or issues with respect to
21 the investment returns that you recommended in those letters;
22 correct?

23 A No, I do not.

24 Q And Milliman did the best job it could coming up with the
25 7.2 percent; correct?

1 A Yes, we did.

2 Q And you did the best job you could; right?

3 A Yes, I did.

4 Q And there are no mistakes in those letters, are there?

5 A They've been through our peer review process. I will
6 assume there are no mistakes.

7 Q Very heavily vetted; correct?

8 A Correct.

9 Q The letters were cc'd to people from the city; right?

10 A They were.

11 Q The letters went to Evan Miller of Jones Day. You know
12 who he is?

13 A They were addressed to him, yes.

14 Q And you have confidence in those numbers, don't you?

15 A Yes.

16 Q And you stand by those letters?

17 A Yes.

18 Q And, by the way, the period in those letters, if I'm
19 right, is you did a 30-year analysis and a 75-year analysis;
20 correct?

21 A I would need to see the chart put in front of me, but we
22 look at several different time durations in our capital
23 market assumptions model.

24 Q Well, can you look at page 4, sir, and confirm to me on
25 either of those documents that you did a 30-year analysis and

1 75-year analysis?

2 A Yes. The table shows one year, thirty years and seventy-
3 five years.

4 Q And of those, you believe the 75-year was the best
5 analysis to use; correct?

6 A Yes, for an ongoing pension plan, absolutely.

7 Q Now, Mr. Stewart also showed you numbers concerning
8 actuarial accrued liability; right? Do you recall that?

9 A Yes, he did.

10 Q He didn't show you the unfunded actuarial accrued
11 liability numbers, did he?

12 A For DWSD, I believe we discussed that, not for the
13 systems in total.

14 Q But he didn't put that up on the screen. He just went
15 through the liabilities; right?

16 A Yes.

17 Q And you have to subtract the assets from the liabilities
18 to determine the unfunded portion; correct?

19 A That is true.

20 Q Okay. Now, let's go back to the beginning. Would you
21 believe -- would you agree with me, sir, that it's important
22 for an actuary to get -- to use the right input?

23 A It's very difficult to answer that question the way it's
24 asked because I'm not aware of a definition of the right
25 inputs.

1 Q Let me rephrase it. It's important for an actuary to use
2 accurate inputs?

3 A I would give you the same response.

4 Q You have your deposition transcript at the front of the
5 binder. Can you look at it, sir?

6 MR. STEWART: Page and line?

7 MR. WAGNER: 157, line 10.

8 BY MR. WAGNER:

9 Q Do you have it there, sir?

10 A I do.

11 Q Were you asked the following question, and did you give
12 the following response at your deposition?

13 "Question: Well, with respect to the inputs you
14 just mentioned, am I right that it's important to
15 use accurate inputs?

16 Answer: Generally speaking, it's important to
17 use accurate inputs."

18 Did you give that answer?

19 A That is reflected in the transcript.

20 Q And would you agree with me that it's important for an
21 actuary to use reasonable assumptions?

22 A I would agree with that.

23 Q And that's something you strive to do; correct?

24 A Yes.

25 Q And would you agree with me that Detroit is a very

1 important assignment?

2 A Yes, I would.

3 Q That's why we're all sitting here; right?

4 A Yes, it is.

5 Q Okay. Let me switch gears for a second and ask you about
6 Mr. Fornia, who's been retained as an expert for the COPs.

7 You know Mr. Fornia; right?

8 A I do.

9 Q And you've worked with him?

10 A Yes, I have.

11 Q And you've invited him to speak at at least one Milliman
12 event?

13 A Yes.

14 Q Presentation was well-received by Milliman?

15 MR. STEWART: Objection, your Honor. What's the
16 relevance of this? And I don't think vouching or reverse
17 vouching for experts is appropriate.

18 MR. WAGNER: It's a point that Mr. Hackney raised.
19 I could call him as part of our direct case, but --

20 THE COURT: I'm not sure you could actually.

21 MR. WAGNER: Okay.

22 THE COURT: The objection is sustained.

23 BY MR. WAGNER:

24 Q Now, I'm right that Milliman performed an actuarial
25 exercise to calculate the size of the pension claims; right?

1 A No.

2 Q I'm sorry?

3 A No. I would not say that's correct.

4 Q Okay. Well, can you look at your April 17 letter?
5 That's Exhibit 1033.

6 A I have a May 5th letter, 1033.

7 Q Okay. And if you look at page 2, this is a letter
8 concerning GRS; correct?

9 A Yes. I apologize. I thought you were talking about did
10 Milliman determine the claim. Milliman did allocate the
11 claim for --

12 MR. STEWART: Object. This could be fixed, but the
13 letter is not properly redacted to eliminate mediation
14 privileged material.

15 MR. WAGNER: I'm not -- I don't know what they're
16 referencing, but I'm obviously not going to go into any
17 material that may be in here that should be redacted.

18 MR. STEWART: Well, I'm not suggesting you are.

19 THE COURT: Well, hold on one second. What exhibit
20 number are we on here?

21 MR. WAGNER: This is Exhibit 1033 for which there
22 was no objection posed by the city in the pretrial order.

23 THE COURT: Is it in evidence?

24 MR. STEWART: I don't believe it is, Judge.

25 MR. WAGNER: Well, it's technically in evidence

1 based on your Honor's ruling that unobjected to documents are
2 in evidence, but we can -- we will fix whatever needs to be
3 fixed if there is something that needs to be fixed.

4 MR. STEWART: I have no objection to fixing it. I
5 just wanted to make sure before it goes into a public record
6 that it is -- that the redaction issue is fixed.

7 THE COURT: Okay. Let me ask the two of you to just
8 work that out and --

9 MR. WAGNER: That's fine.

10 THE COURT: -- let me know.

11 MR. WAGNER: That's fine. And let me just go back
12 and make clear that I move Exhibits 495, which is our Exhibit
13 1028, and 496, which is 1029, into evidence.

14 MR. STEWART: No objection.

15 MR. WAGNER: Okay.

16 THE COURT: All right. They are admitted.

17 (City Exhibits 495 and 496, COPS Exhibits 1028 and 1029
18 received at 11:23 a.m.)

19 BY MR. WAGNER:

20 Q Okay. Now, sir, do you see under aggregate claim the
21 paragraph lists assets for GRS as about 2.099 billion;
22 correct?

23 A I see that.

24 Q Okay. And if you turn a few pages -- it's actually a
25 page that Mr. Stewart showed you. If you turn to the April

1 17 letter, which is attached to this letter, and that's how
2 it was produced to us, if you turn to page 6 of the April 17
3 letter, do you see that there are assets -- I'm sorry -- that
4 there are liabilities of 3978 with a 6.75 return rate? Do
5 you see that?

6 A Yes.

7 Q So 3978 in liabilities minus 2.099 in assets is about
8 1.879 billion; correct?

9 A I didn't follow the math that fast, but that's in the
10 right neighborhood.

11 Q Okay. And can we agree that that's the number in the
12 disclosure statement that sets out the size of the GRS claim,
13 or should I -- do I have to show you the disclosure
14 statement?

15 A No. I can agree that that's the number.

16 Q Okay.

17 MR. WAGNER: That's, your Honor, page 38 of the
18 disclosure statement.

19 BY MR. WAGNER:

20 Q Now, let's go through the exercise with respect to PFRS.
21 Can you turn to Exhibit 1034 in the book, page 2 of that
22 document?

23 MR. STEWART: Objection. Your Honor, we have the
24 same redaction issue with this exhibit, although I assume we
25 can work it out.

1 MR. WAGNER: That's fine.

2 THE COURT: Thank you.

3 BY MR. WAGNER:

4 Q Do you see under aggregate claim you list overall
5 liabilities of 4.825 billion? Do you see that?

6 A Yes.

7 Q And you see assets of 3.035 billion? Do you see that?

8 A Yes.

9 Q And that's a net of about 1285 -- 1.25 billion?

10 A Yes, it is.

11 Q And would you take my word for it that that's the amount
12 in the disclosure statement for the PFRS claim?

13 A I will.

14 Q So if I'm right, it's fair to say that the figures for
15 the amount of the claim came from these letters; correct?

16 A That's fair.

17 Q Okay. And, again, you use a 6.75 rate here; right?

18 A Yes.

19 Q Didn't use the risk-free rate?

20 A We did not use a risk-free rate.

21 Q Okay. Now, let's get into what's part of the claim. For
22 both GRS and PFRS in these letters, you use something called
23 the entry age normal method; right?

24 A Yes.

25 Q Okay. And the assumption underlying those letters was

1 that the plans would be ongoing; correct?

2 A This was a replication of the valuation of an ongoing
3 plan.

4 Q Okay. And when one uses the entry age normal method for
5 an ongoing plan, one is going to include liabilities that
6 haven't vested yet; correct?

7 A That is true.

8 Q And as Mr. Stewart elicited from you, when you do that
9 calculation, you're also going to include benefits with
10 future salary increases included; right?

11 A That is correct.

12 Q And you're going to include calculation that includes
13 future wage benefits; right?

14 A That's a function of the future salary, yes.

15 Q And it's going to include an element of inflation; right?

16 A That underlies salary increases, yes.

17 Q Now, sir, a frozen plan is a different ball game with
18 respect to treatment of future salary increases and future
19 services, is it not?

20 A It can be.

21 Q And when you do the calculation for a plan freeze, you
22 eliminate future service and future salary; right?

23 A To the extent it has been seized for the participants in
24 the plan, the members in the plan.

25 Q So one would see no future salary increases once a plan

1 is frozen; right?

2 A Under a hard freeze scenario, that's correct.

3 Q And the liability would drop; correct?

4 A That is correct.

5 Q And if a plan were frozen, you wouldn't include future
6 wage inflation; right?

7 A Since that is a subset of the salary increase, that's
8 correct.

9 Q Okay. And just to finish up this --

10 THE COURT: I'm a little confused about your
11 questions here.

12 MR. WAGNER: Okay.

13 THE COURT: Are you asking about some hypothetical
14 freeze or the Detroit freeze?

15 MR. WAGNER: I'm asking about -- well, my questions
16 are general questions. I believe -- we believe that --

17 THE COURT: Okay. Then they're irrelevant to me.

18 MR. WAGNER: Well, they -- we believe they apply to
19 the Detroit freeze, and I'm laying the groundwork for future
20 testimony on this issue.

21 THE COURT: Ask the witness about the Detroit
22 freeze.

23 BY MR. WAGNER:

24 Q Does the Detroit freeze include -- the Detroit plan is
25 frozen; correct?

1 A To my knowledge. I'm not sure of the legal status today.

2 Q Okay. And do you know whether if you -- when you freeze
3 those plans, whether future inflation should be included? Do
4 you know one way or the other?

5 A The proposal is a hard freeze.

6 Q Okay. And would you give the same answer with respect to
7 vested benefits?

8 A I'm not sure.

9 THE COURT: What's the question as to vested
10 benefits?

11 BY MR. WAGNER:

12 Q The question is with the hard freeze, you wouldn't
13 include benefits -- when you did your calculation of the
14 liability, you wouldn't include benefits that haven't vested;
15 right?

16 A In my experience, I've seen that done in the corporate
17 sector. I'm not sure of the legal status of vested benefits
18 in the governmental sector.

19 Q Okay. And with a frozen plan like Detroit's, you would
20 not include in calculating the size of the claim, the amount
21 of unfunded liability, you wouldn't include the calculation
22 that takes into account wage inflation, would you?

23 A For a frozen plan, there would be no future wage
24 inflation in the calculation.

25 Q And let me just finish up this --

1 THE COURT: I'm sorry. Does that answer apply to
2 the Detroit plan or just some generalized frozen plan?

3 THE WITNESS: The proposal for the Detroit plan is
4 that the plan would be frozen and future wages past the
5 freeze date would not ultimately impact the member's
6 calculations.

7 THE COURT: Thank you.

8 BY MR. WAGNER:

9 Q Okay. By the way, just to finish up this topic, do you
10 know what the unit cost method is? Ever hear of that term?

11 A If you mean the unit credit cost method, yes.

12 Q Yes. And that's a method that looks at past service and
13 past salary; right?

14 A That is correct.

15 Q Okay. Now, let's talk about investment rates. Am I
16 right that the discount rate assumption is arguably the most
17 critical assumption in determining pension obligation?

18 A Arguably, yes.

19 Q And the investment return assumption forms the basis for
20 the assumed asset returns of investments within a pension
21 system; correct?

22 A As far as it goes, yes.

23 Q And the investment rate -- the investment return
24 assumption for public -- for a public plan is also used to
25 measure the liabilities by discounting future payment

1 benefits at the assumed rate of return?

2 A That is the common practice.

3 Q And that's the way you've always seen it done; right?

4 A For purposes of funding, yes.

5 Q I'm also right that the funded status of a plan would
6 decrease if you used a lower investment rate?

7 A That is correct.

8 Q And the higher the investment rate assumption, the better
9 the funding status of the plan; correct?

10 A In both cases, the current measure of the funded status,
11 yes.

12 Q Okay. And now just a couple more questions about risk-
13 free rate. You're not aware of any public pension funds that
14 have measured liabilities discounting future benefit at any
15 rate other than the assumed investment return; correct?

16 A No. I am.

17 Q Well, you weren't aware at your deposition; correct?

18 A I don't -- I can say I am. I was deposed for three days.
19 If we have a question which is slightly different that I
20 answered, that's possible.

21 Q Okay. But Milliman doesn't use the risk-free rate in
22 calculating a valuation rate or return rate; correct?

23 A That's a very broad question, so I would have to say it's
24 not correct in all cases.

25 Q Can you turn to your deposition, page 237, line 25?

1 MR. STEWART: I don't have --

2 MR. WAGNER: I'm sorry. We'll come back to that,
3 your Honor.

4 THE COURT: Okay.

5 BY MR. WAGNER:

6 Q Now, let's get back to your November letters. There came
7 a time when you were asked to present an analysis for
8 recommended return on investment for PFRS and GRS; correct?

9 A True, yes.

10 Q And those are the -- your work is set out in the November
11 4 letters; correct?

12 A Yes.

13 Q And the assumptions in your analysis were based on the
14 asset allocations for GRS and PFRS at the time; correct?

15 A The most recent asset allocations that were made
16 available to us; correct.

17 Q And you've not seen any different asset allocations for
18 those two funds since then; correct?

19 A I have not been involved in the --

20 Q You've not seen any change in the asset allocation
21 between November 4 and today; correct?

22 A I have not looked at new allocations or have not, yeah.

23 Q Now, there is -- the plan doesn't use your 7.2-percent
24 rate, does it?

25 A Neither rate does now. Neither plan uses that rate.

1 Q It uses 6.75; right?

2 A Oh, the plan of adjustment. The system actuary does not
3 use it nor does the plan of adjustment.

4 Q Okay. I'm sorry. I should identify which plan, but,
5 yes, the plan of adjustment uses 6.75 percent; right?

6 A That is correct.

7 Q Okay. And that 6.75 did not result -- was not anything
8 that resulted from Milliman's work, was it?

9 A It was not.

10 Q And it didn't reflect any asset allocation of which you
11 were aware; correct?

12 A That is correct.

13 Q And you've not been provided with any asset allocation
14 that produces a 6.75-percent investment return; right?

15 A The 6.75 percent was -- we call it a prescribed
16 assumption.

17 Q And you've not been asked to revisit your analysis;
18 correct?

19 A I have not been asked to revisit that November 2013
20 analysis.

21 Q And you have not revisited that analysis, have you?

22 A I have not.

23 Q Now, I'm right that you don't know the asset allocation
24 that pertains to the 6.75 percent; right?

25 A The 6.75 was not based on a particular asset allocation.

1 Q Okay.

2 A It was --

3 Q I'm right that one of the things an actuary does is look
4 at an asset allocation and come up with an investment rate;
5 right?

6 A That's the usual practice.

7 Q And here what's going on is you've been given 6.75, and
8 now someone is trying to come up with an investment rate.
9 Isn't that what's going on here?

10 A That was the nature of this assignment, yes.

11 Q Okay. Now, I think you testified that you've been the --
12 you've served as an actuary for dozens of plans; right?

13 A Yes.

14 Q Okay. And am I right that industry surveys could be a
15 useful data point when determining a projected rate of return
16 for a pension system investment?

17 A I don't hold that view.

18 Q Can you turn to your deposition, page 83, line 7? 83,
19 line 7. "Fair enough."

20 "Question: Fair enough. In your view then,
21 could industry surveys be a useful data point when
22 determining projected rate of return for a pension
23 system's investment?

24 Answer: If you're using the phrase 'industry
25 surveys' in terms of surveys of prospective returns,

1 yes."

2 Do you see -- did you give -- were you asked that
3 question, and did you give that answer?

4 A That response is different than the question that I
5 understood that you just asked.

6 Q My only question is did the court reporter transcribe the
7 question correctly?

8 MR. STEWART: Objection, your Honor. I think he
9 said this is not proper impeachment because the questions do
10 not match. Makes no difference what the court reporter did.

11 THE COURT: Okay.

12 MR. STEWART: The question is Mr. Wagner's question
13 that he claims is inconsistent. That, I believe, is the
14 issue here.

15 THE COURT: Okay. Well, it's not for the witness to
16 claim improper impeachment. That's for you to claim. The
17 only issue -- or question before him was whether he gave that
18 question -- whether he heard that question and gave that
19 answer. Is that right?

20 THE WITNESS: I have no reason to believe that this
21 is improperly typed if that is your question.

22 THE COURT: All right. To the extent the city is
23 objecting on the grounds of improper impeachment, the Court
24 will overrule the objection.

25 BY MR. WAGNER:

1 Q Now, sir, can you turn to Exhibit 1036 in the book? This
2 is the public fund survey; right?

3 A It's labeled "Public Fund Survey."

4 Q And this is put out by NASRA?

5 A I'm not sure if this is the NASRA survey or --

6 THE COURT: Have you seen this before, sir?

7 THE WITNESS: I believe I saw this in deposition.

8 MR. WAGNER: Your Honor, there's been no objection
9 to this exhibit. I move it into evidence. There's been no
10 objection by the city.

11 MR. STEWART: That's fine.

12 THE COURT: Is it in evidence?

13 MR. STEWART: No objection, your Honor.

14 MR. WAGNER: Okay.

15 BY MR. WAGNER:

16 Q Sir, you've heard of the term NASRA; correct?

17 A Yes, I have.

18 Q And what is NASRA?

19 A National Association of State Retirement Administrators.

20 Q And are you aware that Ms. Kopacz cited NASRA report in
21 her report?

22 A I reviewed her report briefly. I can't say whether she
23 did or not.

24 Q Are you aware that Ms. Nichol cited it?

25 A Same answer.

1 Q Okay. If you look at the first page, have you -- you've
2 seen the public fund survey before; right?

3 A As I mentioned, I believe I saw this document in
4 deposition.

5 Q Okay. And do you see at the top it says "Median" --
6 first of all, look at the top left, the date of 6-25, 2014.

7 A I see that.

8 Q Okay. And do you see it says "Median for the 126 plans
9 shown here, investment return 7.9 percent." Do you see that?

10 A I see that.

11 Q And you see it has an inflation assumption of three
12 percent. Do you see that?

13 A Yes, I do.

14 Q Okay.

15 MR. WAGNER: And, your Honor, we have another
16 version of this exhibit, again, not objected to by the city,
17 1040. I move both of them into evidence.

18 MR. STEWART: No objection, your Honor.

19 BY MR. WAGNER:

20 Q Now --

21 THE COURT: All right. It's admitted.

22 (COPs Exhibits 1036 and 1040 received at 11:38 a.m.)

23 BY MR. WAGNER:

24 Q Can you turn to Exhibit 10164 in the book? Now, NASRA is
25 a well-known organization in the field, is it not?

1 A In the state pension plan field, yes.

2 MR. WAGNER: Your Honor, I move this document --

3 BY MR. WAGNER:

4 Q And generally the information from NASRA is considered
5 reliable?

6 A I have no reason to doubt its reliableness.

7 MR. WAGNER: Your Honor, I move this exhibit into
8 evidence.

9 MR. STEWART: Let me check our objections.

10 MR. WAGNER: I believe it's admissible whether they
11 object or not. It's admissible under 803 --

12 THE COURT: Well, I have to give them a chance --

13 MR. WAGNER: Sorry.

14 THE COURT: -- regardless.

15 MR. WAGNER: Sorry. Just trying to speed it up.

16 MR. STEWART: Whose exhibit is it? Whose exhibit?
17 Whose exhibit is this? I mean --

18 THE COURT: What's the number again, sir?

19 MR. WAGNER: It's 101 -- 10164 happens to have
20 been -- again, it was cited in --

21 THE COURT: I just asked the number.

22 MR. WAGNER: Okay.

23 THE COURT: Hang on.

24 MR. WAGNER: Sorry.

25 MR. STEWART: We can't -- your Honor, are you sure

1 that's the right exhibit number?

2 MR. WAGNER: That's what I'm told, yeah.

3 THE COURT: It is -- it's not in evidence by our
4 final pretrial order.

5 MR. WAGNER: Right. I think that's right.

6 THE COURT: It's a Retiree Committee exhibit.

7 MR. WAGNER: I would ask that it be admitted, and I
8 think I've established the foundation under 803(17). It's
9 also been -- it's been cited by Ms. Kopacz in her report, and
10 it's been cited by Ms. Nichol in her report.

11 THE COURT: Have you seen this before?

12 THE WITNESS: Yes, I have seen this.

13 THE COURT: Is it anything that you relied on when
14 you were preparing your work for the city?

15 THE WITNESS: No, it is not.

16 MR. STEWART: And, your Honor, I object for any
17 number of reasons, but I would also point out we did not
18 offer Mr. Bowen as an expert. The questions are getting into
19 expert testimony. We will consider the door now open, and if
20 what Mr. Wagner is doing is to -- going into this having
21 conceded this is an expert witness, we will withdraw our
22 objection, but the redirect will be using him as an expert.

23 MR. WAGNER: Your Honor, I don't think I've opened
24 the door. I asked him a question, whether industry
25 surveys --

1 THE COURT: Well, let's deal with whether the door
2 is open when and if you actually decide to do that.

3 MR. WAGNER: Okay.

4 THE COURT: Right now we're just going to deal with
5 the admissibility of this document. My question for you is
6 if the witness didn't rely upon it for any purpose here, how
7 is it admissible?

8 MR. WAGNER: Because the issue isn't whether he
9 relied on it. The issue is whether I can use it to cross-
10 examine him with respect to the 6.75 rate and the 7.2 rate.
11 That's what this is about. These are rates used by public
12 pension funds that are much higher than what's being used
13 here, and Mr. Bowen has already testified -- though he tried
14 to walk away from it, he's already testified that surveys of
15 this type are useful data. And I'd also note that Ms. Kopacz
16 relies on it, and Ms. Nichol relies on it.

17 MR. STEWART: Then perhaps when those witnesses take
18 the stand, it could be used. This is the sort of cross-
19 examination one uses with an expert witness. The witness did
20 not see -- did not rely upon this. I don't see it is
21 admissible in his examination. And I object as well to the
22 use of evidentiary --

23 THE COURT: Mr. Stewart, I'm sorry. I need to cut
24 you off and ask you to speak right into the microphone,
25 please.

1 MR. STEWART: I'm sorry, your Honor.

2 THE COURT: And you can have a seat while you do
3 that.

4 MR. STEWART: Okay. I apologize. Sorry. I don't
5 see the relevance that Ms. Kopacz and Ms. Nichol relied on
6 it. That means nothing. This witness, unless he is deemed
7 an expert, should not be examined on matters he did not rely
8 on. This would be for an expert something he could be asked,
9 but I thought Mr. Wagner said he's not treating the witness
10 as an expert.

11 MR. WAGNER: I'm just posing him questions on
12 something that he believed is -- he said himself is relevant.

13 THE COURT: The objection is sustained.

14 BY MR. WAGNER:

15 Q Now, sir, in your November 2013 letters, you used a rate
16 of inflation of two and a half percent; correct?

17 A That is correct.

18 Q And using a two and a half-percent rate of inflation, you
19 came up with a 7.2 percent return; correct?

20 A Yes.

21 Q And if the rate of inflation were three percent, the rate
22 of return would have been closer to 7.7 percent; correct?

23 A Yes.

24 Q And I'm right that there are lots of Milliman plans that
25 use rates of inflation higher than two and a half percent;

1 isn't that true?

2 A There are.

3 Q I'm right L.A. County uses an inflation rate of 3.45
4 percent?

5 A I imagine you have it in a survey somewhere. I don't
6 know that off the top of my head.

7 MR. WAGNER: Your Honor, may I show him Exhibit
8 103 -- 1040, which has been admitted into evidence and the
9 city hasn't objected to?

10 BY MR. WAGNER:

11 Q Can you turn to Exhibit 1040? Actually, why don't we use
12 1036? I think it's a little bit easier. Sir, L.A. County,
13 that's -- you look -- it's supposed to be alphabetical, but I
14 guess it's alphabetical by state, so L.A. comes under --
15 comes after Arizona on the first page. Do you see that?
16 L.A. County, you see that?

17 A Yes, I do.

18 Q That's a Milliman -- Milliman is the actuary for that
19 plan; right?

20 A Yes, we are.

21 Q And there the rate of return is 7.7 percent; right?

22 A Correct.

23 Q Inflation rate is 3.45 percent; right?

24 A Both as of June 30, 2011; correct.

25 Q Okay. California Teachers, is that another Milliman --

1 is that another plan for which Milliman is the actuary?

2 A Yes.

3 Q Okay. And there the rate of inflation used is 3.5 --
4 is -- I'm sorry -- three percent?

5 A Correct.

6 Q And the rate of return is seven and a half percent?

7 A Yes.

8 Q By the way, do you happen to know the funded status of
9 that plan?

10 A Of California Teachers?

11 Q California.

12 A I do not.

13 Q Would it surprise you if it was about 67 percent?

14 MR. STEWART: Objection, your Honor.

15 THE COURT: What is the objection?

16 MR. STEWART: "Would it surprise you if."

17 THE COURT: Yeah. His surprise is of no relevance.

18 The objection is sustained.

19 MR. STEWART: Okay.

20 BY MR. WAGNER:

21 Q Can you turn to Florida RS? Is that another Milliman
22 plan?

23 A Yes, it is.

24 Q And there the rate of inflation used is three percent?

25 A As of 7-1, 2012, yes.

1 Q Idaho, is that another Milliman plan?

2 A Yes.

3 Q Rate of inflation there uses 3.25 percent?

4 A As of 7-1-12, yes.

5 Q Okay. New Jersey Teachers, that's a Milliman plan, is it
6 not?

7 A Yes, it is.

8 Q And the other -- the inflation rate used is 2.75 percent,
9 is it not?

10 A As of 2011, yes.

11 Q Okay. By the way, that's a pension plan that's serviced
12 from your office, is it not?

13 A Yes, it is.

14 Q And by my math, five plans out of the 126 listed here use
15 an inflation rate of about two and a half percent. Is
16 that -- is your math the same as mine?

17 A I have not looked through the survey exhaustively, so I
18 don't know the answer to that.

19 Q Well, can you turn to Exhibit 1040, which arranges the
20 plans based on the rate of inflation? Can you count how many
21 use an inflation rate of two and a half or less?

22 MR. MONTGOMERY: If I may --

23 THE COURT: No, you may not. If you want to, you
24 can step forward and approach a microphone.

25 MR. MONTGOMERY: Your Honor, this is not an

1 unobjected to exhibit, and I just wanted to make the record
2 clear that the Retiree Committee had objected to the
3 admission of 1040.

4 THE COURT: Oh, well --

5 MR. WAGNER: Well, it's a little bit late for that.
6 I mentioned that the city didn't object to it, and I never
7 heard anything from the back.

8 THE COURT: Was it admitted?

9 MR. WAGNER: I think you admitted it.

10 MR. STEWART: Yes, your Honor. You admitted it.

11 THE COURT: 1040 was admitted. All right.

12 MR. WAGNER: Okay.

13 BY MR. WAGNER:

14 Q Do you see that there are five plans out of the 126
15 listed here that use a rate of inflation of two and a half or
16 less?

17 A On Exhibit 1040, I see seven back in the time frame 2010
18 to 2012.

19 Q Okay. So seven out of 126; right?

20 A If there's 126 here, then yes.

21 Q Okay. That's about -- well, you're the actuary, but
22 that's about six percent or so; right?

23 A You're in the ballpark, I'm sure.

24 THE COURT: I think we've got enough percentages to
25 deal --

1 MR. WAGNER: Okay.

2 THE COURT: -- with without having to worry about
3 that one.

4 MR. WAGNER: That's fine.

5 BY MR. WAGNER:

6 Q Let me move to another subject, sir, ASF. Now, you were
7 asked some questions on direct about ASF. Do you recall
8 that?

9 A Yes.

10 Q And I'm right that in calculating from an actuarial point
11 of view the amount of actuarial liability for a pension fund,
12 you would include the amounts that are due under the relevant
13 plan?

14 A Yes.

15 Q And you would not include benefits that are not included
16 under the plan?

17 A Correct.

18 Q Now, Milliman has done some work on ASF; right?

19 A We have.

20 Q And we saw before that the unfunded liability calculated
21 by Milliman for GRS was about 1.879 billion; correct?

22 A I believe that's the figure.

23 Q Okay. And that figure includes an amount of ASF; right?

24 A The system has liability for both the pensions and the
25 ASF.

1 Q And you understand that there's an issue with respect to
2 ASF; correct?

3 A I do.

4 Q You understand that there were benefits presented to you
5 that were labeled as excess credits, right --

6 A We were provided --

7 Q -- excess interest credits; right?

8 A We were provided with that information.

9 Q And you understand the city is looking to recoup a
10 portion of those benefits; correct?

11 A Yes.

12 MR. WAGNER: Nothing further, your Honor.

13 THE COURT: Thank you. Any other cross-examination
14 of the witness? Redirect.

15 MR. STEWART: Just very briefly.

16 REDIRECT EXAMINATION

17 BY MR. STEWART:

18 Q First of all, here's your glass of water. You were just
19 shown Exhibit -- gosh, looks like 1036 -- and various
20 inflation numbers. Do you remember those questions a few
21 moments ago?

22 A Yes.

23 Q And you, in your answer, mentioned the dates of some of
24 those entries went back to 2011 or times a couple of years
25 ago. What change has there been in recent years in terms of

1 assumptions actuaries use about inflation?

2 A Well, I can speak specifically for Milliman. Our return
3 was 2.75 percent in our capital market assumptions model
4 prior to being reduced to 2.5. I don't recall the exact date
5 that our committee made that determination, but to address
6 your specific question more broadly, there has been a
7 decrease. The trend -- the general trend in recent years has
8 been a decrease.

9 Q Why?

10 A Again, I can't speak for the entirety of the industry,
11 but market interest rates have been low. Inflation has been
12 low. And to the extent that those recent experiences get
13 factored into forward-looking expectations, they're -- the
14 market is putting a lower price on inflation now than they
15 were several years ago is the best way to sum it up.

16 Q Let me ask you just briefly about this investment return
17 assumption that you were questioned about. The investment
18 return assumption represents what exactly?

19 A In these surveys that we've been looking at, these are
20 the --

21 Q No. Just in terms of the --

22 A Okay.

23 Q -- city's plans, not the surveys.

24 A In terms of the city's plans, the investment return
25 assumption is used to discount the expected future cash flows

1 to be paid from the plan to determine a present value.

2 Q And in terms of the city's agreement with the plans, the
3 investment return assumption also represents a certain
4 commitment by the city, does it not?

5 A I'm not sure I fully understand that.

6 Q Well, let me ask it better in that case. These are
7 defined benefit plans?

8 A Correct.

9 Q If the rate of -- if the investment return falls below
10 what the investment return assumption is, what is the
11 exposure of the city?

12 A Thinking back to the analysis we did earlier where we
13 were asked to determine specific targets, if the interim
14 period between now and the target date -- if experience is
15 not -- if experience is less positive than expected, the city
16 will have a larger exposure 2023 forward.

17 Q Fair to say that the investment return assumption from
18 the city's point of view represents the city's agreement on
19 the level of risk it is prepared to take on this obligation?

20 MR. PEREZ: Objection, your Honor. Leading.

21 MR. WAGNER: Objection. Yeah, leading --

22 MR. STEWART: I'll reask it.

23 MR. WAGNER: -- and argumentative.

24 THE COURT: The objection is sustained twice.

25 MR. STEWART: And it was only one question.

1 BY MR. STEWART:

2 Q From the city's point of view, what does the investment
3 return assumption reflect in terms of the city's risk?

4 A The way it was communicated to me originally was the
5 city --

6 MR. BRILLIANT: Objection, your Honor. Hearsay.

7 MR. WAGNER: Yes, yeah. It's hearsay.

8 MR. STEWART: Oh, I think by now that door, your
9 Honor, is off the hinges much less wide open.

10 MR. WAGNER: No, your --

11 THE COURT: The objection is sustained.

12 BY MR. STEWART:

13 Q Okay. From the standpoint -- put to one side what the
14 city communicated to you, simply as somebody who works with
15 these numbers. From the standpoint of the sponsor of the
16 system, what does the investment return assumption reflect in
17 terms of the sponsor's risk?

18 MR. WAGNER: Objection. Foundation.

19 THE COURT: Overruled. Go ahead, sir.

20 THE WITNESS: Let me try to phrase it this way. The
21 investment return is the hurdle rate that you have to hit in
22 practice year over year. To the extent you do better, the
23 plan sponsor is the recipient of that positive experience.
24 To the extent you do worse, the plan sponsor has to continue
25 to fund the plan and actually increase the contributions to

1 the plan to make up for that shortfall.

2 BY MR. STEWART:

3 Q And in this calculation, what is the lower rate of risk,
4 a lower investment return assumption or a higher investment
5 return assumption?

6 A Yes. A lower investment return assumption gives you a
7 lower hurdle to hit in investing your assets.

8 Q And a lower risk in terms of future contributions from
9 the city?

10 A Lower risk of volatility in contributions, yes.

11 MR. STEWART: Thank you. That's all I have, your
12 Honor.

13 MR. WAGNER: Your Honor, just a short --

14 THE COURT: Yeah. Go ahead.

15 MR. WAGNER: -- recross.

16 RECROSS-EXAMINATION

17 BY MR. WAGNER:

18 Q Do you understand that under the plan if the rate of --
19 if the returns exceed 6.75 percent, that money goes to the
20 retirees? Are you aware of that?

21 A I understand there's a provision for that.

22 Q And you understand that an investment return assumption
23 that is too low will overstate liabilities?

24 A Oh, I thought you said lower state. You said overstate?

25 Q Yes, overstate.

1 A Okay.

2 Q You want me to read it again? You want me to pose it to
3 you again?

4 A If you would, please.

5 Q Am I right that an investment return assumption that is
6 too low will overstate liabilities and costs?

7 A If you have a definition of "too low" and are asking that
8 in a general sense, I could agree to that's the way the math
9 works.

10 Q And in preparing the November 4 letters, am I right that
11 you didn't do an analysis of the historical rate of return
12 for GRS and PFRS, did you?

13 A We did not.

14 Q And you didn't take into account that in most years GRS
15 and PFRS actually exceeded their rate of -- their expected
16 rate of returns, did you?

17 A That was not taken into account in our specific November
18 analysis.

19 MR. WAGNER: Thank you.

20 THE COURT: Nothing further, sir?

21 MR. STEWART: Nothing further.

22 THE COURT: All right. I have some questions for
23 you. Addressing the investment return assumption, is there
24 one correct assumption that should be applied like
25 everywhere, or is it fair to say that there is an acceptable

1 range of such interest rate assumptions?

2 THE WITNESS: Well, to specifically answer the first
3 part of the question, I would say there is definitely not one
4 assumption, and I would say to the second part of your
5 question we believe there is a range of reasonable
6 assumptions, but that is not an absolute range. It's a range
7 which varies by plan.

8 THE COURT: What are the factors that impact where
9 within a range -- one second -- where within a range a
10 pension plan would choose its investment return assumption?

11 THE WITNESS: Certainly. In Actuarial Standard of
12 Practice 27, which deals with selection of investment
13 returns, the concept is that when the actuary gets done or
14 the investment consultant gets done with doing their
15 mechanics, which I can describe further if you would like, we
16 should recommend a range in which the expected rate of return
17 is more likely than not to fall, so the results of our
18 capital market assumptions model where we can take a specific
19 systems asset allocation and use it as an input to develop a
20 range of outputs will develop percentiles, and so we'll look
21 from the 25th percentile where three out of four times we
22 think we'll hit that hurdle and we'll go up to the 75th
23 percentile, which one out of four times we'll hit that. In
24 between those two end points is a 50-percent range centered
25 around the median expected return, and from the perspective

1 of the standard, when we recommend it in just that fashion,
2 we recommend to the sponsor that is our expected range based
3 upon your particular asset allocation. Where the plan
4 sponsor decides to fall within that range would be dependent
5 upon their tolerance for risk.

6 THE COURT: And that issue, the issue of the
7 sponsor's tolerance for risk, is that something that the
8 actuary makes a recommendation or even gets involved in
9 helping the client to assess?

10 THE WITNESS: That's not something that the actuary
11 recommends, and from the perspective of assessing, I would
12 not say it's typical for an actuary to assess a plan
13 sponsor's budgetary ability to handle volatility, but what --
14 I mean the way that I would approach this is if you think
15 back to the tank that we had on the earlier demonstrative,
16 lowering an investment return assumption would cause a higher
17 measure of liability currently, which would increase current
18 contributions, the "C" that was going into the tank, with a
19 lower hurdle of "I" in the future, so we could explain to
20 plan sponsors, as we did for the city -- we ran several
21 different investment return assumptions to illustrate how
22 sensitive the results were, and the lower -- to oversimplify,
23 but the lower "I" that you choose, the lower investment
24 return you assume you're going to have over time, the more
25 cash you may put in up front, but the much more likely you

1 are to hit your targets over time, and vice versa all of that
2 would be true as well.

3 THE COURT: So is it the role of an actuary for a
4 plan sponsor ever to say to the sponsor under the guidelines
5 that we, as actuaries, use, you should not use the investment
6 return assumption that you have chosen to use?

7 THE WITNESS: I would say it's close to that, not
8 exact. The plan sponsor -- the trustees for the system are
9 free to choose their rate of return. To the extent that we
10 feel it's outside our reasonable range, we have a
11 responsibility to disclose that.

12 THE COURT: Did you ever say to the city here that
13 the city and this pension plan should not choose 6.75
14 percent?

15 THE WITNESS: We did not.

16 THE COURT: In the beginning of your testimony, you
17 mentioned what your credentials were.

18 THE WITNESS: Yes.

19 THE COURT: Can you state for the Court what you had
20 to do or what you had to demonstrate to get those
21 credentials?

22 THE WITNESS: Sure. The first one I would have
23 mentioned is fellowship in the Society of Actuaries, and that
24 is the -- one of their significant roles is examinations and
25 continuing education, so a credentialing organization. The

1 examination process is several years in length. It took me
2 five or six years to get through the process. Having a
3 master's degree, I would characterize the fellowship process
4 as PhD level. It was significantly more intense.

5 The other examination credential I mentioned is
6 the -- I'm an enrolled actuary under ERISA, and that's what's
7 known as the joint board of the Department of Labor and
8 Treasury administers examinations for actuaries who want to
9 practice in private pensions and assist the plan sponsors in
10 filing their various governmental forms.

11 THE COURT: Um-hmm. You mentioned that you had, I
12 think you said, half a dozen publications.

13 THE WITNESS: Yes.

14 THE COURT: What was the name of what you consider
15 to be your most important publication, and where was it
16 published?

17 THE WITNESS: I'm not sure I could really say which
18 one was the most important from a personal perspective.
19 Well --

20 THE COURT: Well, then pick one.

21 THE WITNESS: From a personal perspective, I wrote
22 an article on GASB 45, which is an accounting standard that
23 came into place about ten years ago for governmental retiree
24 healthcare plans, and I practice significantly in that area
25 as well as pensions, so that one was very important to me

1 personally.

2 THE COURT: And where was that published, sir?

3 THE WITNESS: That was a Milliman publication for
4 our clients and general consumption.

5 THE COURT: Okay. All right. Anything further
6 questions for the witness?

7 MR. WAGNER: Nothing further.

8 THE COURT: No? All right. Sir, you may step down,
9 and you are excused.

10 THE WITNESS: Thank you.

11 (Witness excused at 12:04 p.m.)

12 THE COURT: We'll break for lunch now until 1:30.
13 Mr. Cullen.

14 MR. CULLEN: Over the smaller break we got a start
15 on our homework with respect to the Court's concern over the
16 objections and the schedule with respect to those objections,
17 and I think that I can say that we are in agreement that if,
18 first, they would agree to file their objections on Friday
19 and we would file our objections on the following Friday --

20 THE COURT: File your responses?

21 MR. CULLEN: File our responses -- sorry -- on the
22 following Friday. During that period in between those
23 Fridays we would do any factual depositions or discovery that
24 we agreed on during that period. They would file their
25 expert -- an expert report responsive to any changes affected

1 by the Syncora agreement at that next Friday.

2 MR. PEREZ: No.

3 MR. CULLEN: No?

4 MR. PEREZ: The following Monday. Next Friday is
5 Rosh Hashanah.

6 MR. CULLEN: Oh, the following Monday. And then
7 that expert -- the expert depositions with respect to that
8 would go on while the trial was going on. In order to get
9 that objection work done, what the objectors would like to
10 have happen is that they would like to do as much as we could
11 do through Thursday night this week, not have trial hearing
12 days next week, and start full bore on the next Monday, and
13 specifically with respect to doing as much as we could do,
14 that would absolve us of any break in the testimony, for
15 instance, of Mr. Malhotra or Mr. Orr while the objection
16 process was going on, so that seemed all sensible to us.

17 The thing that we remain somewhat at odds upon is
18 the issue of the additional expert to replace Mr. Murphy, the
19 expert on the subject of employee motivation. I had
20 interpreted the Court's rulings with respect to the first and
21 second aspect of the procedural concern to subsume the idea
22 of Mr. Murphy on the following reasoning, that on other
23 instances, for instance, on the art, when FGIC wanted their
24 own expert, they hired their own expert or provided for an
25 expert on that subject. That has not been done with respect

1 to Mr. Murphy, so we would retain -- we disagree with respect
2 to the need to schedule or to do things with respect to an
3 additional expert to replace Mr. Murphy, but, as we told
4 them, if the Court feels otherwise and there is an additional
5 expert, we will agree to a schedule for that.

6 THE COURT: I do. I think FGIC should have the
7 opportunity at this point to retain its own expert.

8 MR. PEREZ: And, your Honor, we've already talked
9 to -- Mr. Soto has already talked to him this -- I'll sit
10 down -- over the weekend, and the reason we picked the
11 Monday, 29th, date for an expert report is because I think
12 that's what they indicated they would need for an expert
13 report.

14 MR. CULLEN: If that is the Court's clarification,
15 then I think the city would agree to let them use Mr. Murphy,
16 and we will depose Mr. Murphy in the course of either next
17 week or the week thereafter.

18 MR. PEREZ: That's even better.

19 MR. CULLEN: Is that --

20 MR. SOTO: In other words, just if I'm understanding
21 that, we'll stay with Murphy. We just have him deposed.
22 That's fine, your Honor.

23 THE COURT: Okay. So let me ask the parties here to
24 memorialize --

25 MR. CULLEN: Yes.

1 THE COURT: -- this agreement into a stipulation. I
2 didn't quite understand from your presentation when we would
3 actually be resuming testimony in this scenario.

4 MR. CULLEN: End of the day Thursday we stop.
5 The -- a week -- the succeeding Monday we start, which I
6 believe is the 29th.

7 THE COURT: It is.

8 MR. PEREZ: And, your Honor, this is all on the
9 assumption that we actually get the plan tonight. I mean,
10 that -- if --

11 THE COURT: Yeah. I was going to -- I was going to
12 clarify that, too. Is there any issue about that as to --

13 MR. CULLEN: Not to the best of my knowledge, your
14 Honor, but I'm pledging others' labor on that, so -- there's
15 one other --

16 THE COURT: He wants to say something to you.

17 MR. CULLEN: Yes. There are a couple of things that
18 may happen as a result of this with respect to the order of
19 witnesses. In particular, we've talked about taking some of
20 the witnesses out of order with sufficient notice if we --

21 THE COURT: Right.

22 MR. CULLEN: -- allowing us to accommodate this
23 schedule. There's one other caveat for the Court. I
24 received a note from Mr. Chiara, who is listening over the
25 phone, who said that he wanted to be included in our meet and

1 confer on this. On the idea that it wasn't actually a meet
2 and confer and he wasn't on the motion and time runs, I
3 thought we would present this to the Court, but I don't mean
4 to prejudice Mr. Chiara.

5 MR. PEREZ: Your Honor --

6 MR. CULLEN: DeChiara. Sorry.

7 MR. PEREZ: -- he does raise a good point because I
8 forgot what date we were supposed to set aside for Mr.
9 DeChiara, and we don't want to disturb that. And it may have
10 been the 29th or the 30th. I'm not sure.

11 MR. CULLEN: I think it's the 30th.

12 THE COURT: Well, let me ask you to --

13 MR. CULLEN: Sorry.

14 MR. PEREZ: We can work --

15 THE COURT: -- dive into that over lunch, and we can
16 clarify it.

17 MR. CULLEN: Okay.

18 MR. WAGNER: More short term, at 1:30 are we
19 addressing anything left first with respect to Ms. Kopacz?

20 THE COURT: Yes.

21 MR. WAGNER: Is that still on for 1:30?

22 THE COURT: The Court intends to first examine
23 Ms. Kopacz herself regarding issues affecting her
24 qualifications and methodology, and we still have the Retiree
25 Committee's motion that's outstanding, and so I want to give

1 them an opportunity to question her as well. And we still
2 have to clarify what's happening with the Macomb County
3 objections as well, so, anyway, we've used up enough time
4 that we're going to push our start till 1:40.

5 MR. PEREZ: Thank you, your Honor.

6 MR. CULLEN: Thank you, your Honor.

7 MR. STEWART: Thank you, your Honor.

8 THE CLERK: All rise. Court is in recess.

9 (Recess at 12:11 p.m., until 1:40 p.m.)

10 THE CLERK: All rise. Court is back in session.
11 You may be seated. Recalling Case Number 13-53846, City of
12 Detroit, Michigan.

13 THE COURT: Looks like everyone is here. Please
14 stand by one moment, please. Okay. So on the matter of the
15 Macomb County objections, do we need to argue the issue that
16 the Court set for hearing today, or can we just say that
17 we're done with that?

18 MR. BRILLIANT: Your Honor, Allan Brilliant on
19 behalf of Macomb County by and through its public works
20 commissioner, Anthony Marrocco. We believe, your Honor, that
21 the issue is now, you know, moot and that there's no reason
22 to have argument on it.

23 THE COURT: What's the city's position on this?

24 MS. LENNOX: Good afternoon, your Honor. Heather
25 Lennox of Jones Day on behalf of the city. We believe, in

1 light of the withdrawal of the objection, even though it was
2 not withdrawn with prejudice, as long as it remains
3 withdrawn, we can avoid arguing the matter before your Honor
4 today. Should it be refiled, however, we would have to take
5 it up.

6 THE COURT: Okay. All right. The Court will
7 consider that matter resolved then and won't conduct any
8 further argument on it.

9 MR. BRILLIANT: Thank you, your Honor.

10 THE COURT: Okay. Let's turn our attention to the
11 matter relating to the Daubert motions for Ms. Kopacz. I may
12 have misspoken before the lunch break and suggested that the
13 Retiree Committee had filed a motion. It was not the Retiree
14 Committee. It was the Retirement Systems. My apologies for
15 that mixup. Ms. Kopacz, are you here? Step forward, please.
16 Slide all the way through, if you can, and we'll get you on
17 the witness stand. Please raise your right hand before you
18 sit down.

19 MARTHA E.M. KOPACZ, COURT'S WITNESS, SWORN

20 THE COURT: All right. Please sit down. All right.
21 Is there any objection if the Court proceeds with its
22 examination and then opens it up to others for their
23 examinations of the witness?

24 MR. STEWART: No objection.

25 MS. GREEN: No objection other than we are not going

1 to argue the motion first. We're going to do that after the
2 testimony or in the middle or --

3 THE COURT: Well, I -- well, we're going to have --
4 we would have argument after the testimony in any event, so I
5 would just prefer to defer until then.

6 MS. GREEN: Okay.

7 THE COURT: Okay.

8 DIRECT EXAMINATION

9 BY THE COURT:

10 Q What is your name?

11 A Martha Ellen Middleton Kopacz.

12 Q And what city do you live in?

13 A I live in Norwell, Massachusetts.

14 Q And where are you currently employed?

15 A I am employed with Phoenix Management Services in Boston.

16 Q And what kinds of work is Phoenix typically retained to
17 perform?

18 A Phoenix Management Services and its affiliated companies
19 are advisors to operationally and financially troubled
20 organizations. We also do investment banking and transaction
21 advisory work.

22 Q And what is your title at Phoenix?

23 A Senior managing director.

24 Q And what are your responsibilities in that position?

25 A I am a member of the senior partnership group of the

1 firm, and I service clients and promote our services to
2 nonclients. I write and speak and supervise staff.

3 Q What is your understanding of your assignment in this
4 case?

5 A My understanding of my assignment is to serve as your
6 independent expert and to fulfill the order you signed
7 appointing me to render an opinion on the feasibility of the
8 plan of adjustment for the City of Detroit and to render an
9 opinion on the reasonableness of the assumptions that
10 underlie the revenues, expenses, and the plan payments.

11 Q And did you fulfill that assignment?

12 A I did.

13 Q Before we get into the issues here --

14 A Um-hmm.

15 Q -- I want to make a complete record of our
16 communications.

17 A Okay.

18 Q First, did I ever state or suggest or imply what I
19 thought your opinions should be on the issues that I
20 presented or assigned to you?

21 A No, never.

22 Q Did I ever state, suggest, or imply the principles or
23 methods that you should use in this assignment?

24 A Not at all.

25 Q In fact, have we ever discussed your conclusions and

1 opinions in this case?

2 A No, never.

3 Q Have we ever discussed the substance of your work in any
4 way?

5 A Not at all.

6 Q Did we have a conversation about what your testimony will
7 be at this hearing?

8 A We had a conversation about this hearing, not what my
9 testimony would be.

10 Q What did we discuss?

11 A We discussed the logistics for today and that you would
12 be asking me questions, and that was really it. Oh, and
13 whether or not my attorneys could be here.

14 Q Did I e-mail to you the questions that I'm going to ask
15 you today?

16 A You e-mailed me a list, yes.

17 Q What is your understanding of why I did that?

18 A I'm not really sure other than to maybe help me focus my
19 preparation.

20 Q And did I request that you provide me comments or
21 feedback or suggestions regarding my questions?

22 A You said I could if I wanted to.

23 Q Did you do that?

24 A I did not.

25 Q Did we have any discussion about what your answers to

1 these questions would be or should be?

2 A No.

3 Q Did you keep a contemporaneous log of all of your
4 communications with me and my office?

5 A I did.

6 Q What is your understanding of why we are here today and
7 what this hearing is about?

8 A We're here today because the Retirement Systems have an
9 objection, and I don't mean that in a legal sense, but there
10 are a couple paragraphs in my report that they really don't
11 like.

12 Q Okay. You understand that other parties, FGIC and
13 Syncora, had also filed motions challenging your
14 qualifications or methods --

15 A Yes.

16 Q -- and that those have since been withdrawn?

17 A They have been, yes.

18 Q Okay. Only because those questions were raised, I intend
19 to address those issues here today even though no one is
20 pursuing those issues.

21 A Okay. That's fine.

22 Q Do you understand that today is not the day for you to
23 testify about your opinions and the grounds for them? It is
24 just to determine whether your opinions are admissible under
25 the criteria for the admission of expert testimony in Rule

1 702 of the Federal Rules of Evidence?

2 A I understand the first part of that. This is not my --
3 this is not my testimony as to my opinion. In terms of what
4 I did or didn't do, I know that there were objections raised
5 to not doing enough or doing too much or something like that.

6 Q Okay. So let me review Rule 702 with you. It says, "A
7 witness who is qualified as an expert by knowledge, skill,
8 experience, training, or education may testify in the form of
9 an opinion if: (a) the expert's scientific, technical, or
10 specialized knowledge will help the trier of fact to
11 understand the evidence or to determine an issue; (b) the
12 testimony is based on sufficient facts or data; the testimony
13 is the product of reliable principles and methods; and the
14 expert has reliably applied the principles and methods to the
15 facts of the case." So I want to review each of these
16 criteria with you carefully and then the specific issues
17 raised in the motions that challenge your qualifications or
18 methods --

19 A Um-hmm.

20 Q -- so that I can determine whether your opinions are
21 admissible. So let's begin with your knowledge, skill,
22 experience, training, or education. What is your education?

23 A I have a bachelor's of science in business from the
24 Kelley School of Business at Indiana University with a
25 concentration in marketing, and I have a master's of business

1 administration also from the Kelley School with a
2 concentration in finance and investments.

3 Q Um-hmm. And what continuing professional education have
4 you participated in since then?

5 A Since then most of my career I have been a consultant in
6 a public accounting firm, and I've also been certified
7 professionally since shortly after I got out of graduate
8 school, so I have had a 120-hour requirement every three
9 years, so on average 40 hours a year, so I've probably done
10 somewhere between 1,200 and 1,500 hours of continuing ed in
11 my career.

12 Q And what is your employment history?

13 A After graduate school, I joined a firm called Peterson &
14 Company in Chicago. It was a spinoff from Arthur Andersen.
15 I was there for nine years in Chicago, New York, and Boston.
16 I left Peterson in 1990 and joined Price Waterhouse, and I
17 was at Price Waterhouse through the merger with Coopers,
18 through the sale to FTI Consulting, and I left FTI in 2003.
19 I joined Alvarez & Marsal. I was recruited by them to start
20 their public sector not for profit practice, and I was there
21 until March of '06 when I was recruited by Grant Thornton to
22 start their United States corporate restructuring practice,
23 and I stayed at Grant through just about the end of 2011. I
24 intended to take a sabbatical, but I ended up with some
25 clients hiring me individually when I left, so I formed Brant

1 Point Advisors and continued to serve clients on a much
2 smaller scale and on a part-time basis until I joined Phoenix
3 about a year ago.

4 Q Do you have any licenses or certifications?

5 A I do. I'm a certified management accountant, and I'm a
6 certified insolvency and restructuring advisor.

7 Q And how did you achieve those certifications?

8 A Certified management accountant is very similar to a CPA
9 except most of the people that hold it are inside corporate
10 accounting and finance as opposed to public accounting. I
11 sat for the exam shortly after I finished graduate school,
12 and then I think there were some experience requirements, and
13 then I was licensed after that.

14 Q And who grants that certification?

15 A It is the association of certified management
16 accountants. It's like -- again, it's a trade -- I would say
17 it's a trade organization like the AICPA or something like
18 that, and so that's -- I immediately got into continuing
19 education requirements as a result of that. And then the
20 CIRA, I don't recall exactly when that certification was
21 promulgated, but it was a group of industry professionals
22 sometime back in -- I'm guessing the late '80s, the early
23 '90s, who wanted to add some rigor to our restructuring
24 advisory practice, and I was part of that group with Grant
25 Newton that was part of the first group certified in that.

1 Q Do you have any publications?

2 A I don't have any publications, but I've written some
3 articles, so most recently for the ABI Journal a couple
4 months ago.

5 Q What was that on?

6 A That was -- and they changed the title, but it was along
7 the lines of the missing link in successful restructurings,
8 and it was really a piece about how important the management
9 skill set and the talent is. It's not just the liabilities
10 and the assets and how the numbers all work together, but
11 it's really about the people that are going to be in charge
12 once all of the professionals leave.

13 Q Do you have any professional affiliations or memberships?

14 A I do. I'm a fellow of the American College of Bankruptcy
15 in the twelfth class, so a long time ago. I am a charter
16 member of the Turnaround Management Association. I'm a
17 charter member of the -- of IWIRC, which is the International
18 Women's Insolvency and Restructuring Confederation. I
19 started that chapter in Boston many years ago. I'm a member
20 of the ABI, 25-plus years with that. INSOL, and then the
21 rest of it is all more civic and whatever, but those are the
22 main professional associations.

23 Q Have you held any positions of leadership within those
24 organizations other than what you've already described?

25 A Yeah, I have, and the only one right now is I'm on the

1 admissions committee for Circuit American College.

2 Q Other than the American College of Bankruptcy, any other
3 professional honors or recognitions?

4 A I've received some service awards from the Legal Aid
5 Society in New York and from Judge Kaye in the State of New
6 York. I received some recognition from the National Women's
7 Conference, but, yeah.

8 Q Okay. Focusing now on your work in private sector
9 business cases --

10 A Okay.

11 Q -- please describe for us your experience in serving as
12 an expert either in bankruptcy cases or in out-of-court
13 business workout situations and identify some of the relevant
14 and significant cases and your assignments in them.

15 A Okay. The very first expert testimony I gave was back in
16 the mid-'80s in Louisville, Kentucky, in front of Judge
17 Roberts in a case called Belknap. It was a hardware chain
18 distributor and retailer, and that was testimony around
19 insolvency preferences, fraudulent conveyances. And there
20 were a lot of cases filed -- individual adversary
21 proceedings, so I probably testified before Judge Roberts I
22 would say 15 times, something like that, really early in my
23 career. And then sometime again I'm thinking more into the
24 '90s I was retained in a matter called Healthco. Originally,
25 the bankruptcy was in front of Judge Queenan, but the case

1 was tried in District Court in Massachusetts. It was about a
2 fraudulent conveyance, whether a leveraged buyout would be a
3 fraudulent conveyance. And I testified about the projections
4 and the assumptions that the company, its investment bankers,
5 and its accountants had made at that time. Also about the
6 same time I testified in Tennessee in a case called Tennessee
7 Hotel Associates, and I don't -- it was in Chattanooga, but I
8 know the judge has retired since then, and I don't recall his
9 name. That was a valuation case and some discussion around
10 reasonable value of use and occupancy and the like. And then
11 the last expert testimony prior to this occurred in late '95
12 or early '96 in front of Judge Cristol in Tampa in a case
13 called Lykes Brothers Steamship, and it was about the
14 condition of the debtor and its prospects for reorganization.
15 So those are the only cases that I've actually testified in
16 as an expert as opposed to a fact witness in Bankruptcy
17 Court, and while I have been retained to be an expert in some
18 other matters, I've never testified in court.

19 Q Um-hmm. In approximately how many of these kinds of
20 matters have you worked where you didn't actually testify,
21 where you were just a consultant or another kind of witness?

22 A I have -- I've participated in over a hundred
23 restructurings in my career, and I've really stopped counting
24 even though I keep a list of them to this day, and the --
25 and, again, my very first consulting engagement was the

1 bankruptcy of a public accounting firm in Chicago in April of
2 1982. And I just got involved in the business at that point
3 and have continued to this day, so I've done -- I would say
4 probably half have been in court and about half have been
5 out, and about half of them are debtor company organization
6 side, and about half are another -- you know, a creditor
7 constituency, a bank, a bondholder.

8 Q Approximately how many of them involved evaluation on
9 your part of the debtor's plan?

10 A I counted them last night, and there are 29 that are --
11 in which I evaluated the company's plan in a formal context
12 either in court or out of court but in a formal restructuring
13 context and about 22 that I prepared.

14 Q Do you have experience -- or what experience do you have
15 in evaluating executive leadership in the context of
16 evaluating the feasibility of a business or a municipal
17 restructuring?

18 A In every case, whether I've been involved in preparing
19 the projections in the plan or evaluating the projections in
20 the plan, I evaluated management and their ability to carry
21 out that plan.

22 Q Um-hmm. And why did you do that in each and every case?

23 A Because I believe that the plans, no matter what the
24 numbers say, they're predicated on having people in place who
25 can deliver.

1 Q Okay. You did work for the Nassau County Interim Finance
2 Authority?

3 A I did.

4 Q What was that work?

5 A I was retained by the Interim Finance Authority. We
6 called it NIFA. It is a state control board that was put in
7 place now probably 12 or 13 years ago when Nassau County got
8 into financial difficulty. I was retained in -- I'm
9 thinking -- I'm thinking back -- maybe 2010, early '10 or '11
10 when it was clear that the deficit in Nassau County was at a
11 point where it was challenging the viability of the county,
12 and the control board had the power under the state statute
13 to take control and to freeze wages and to, in essence, take
14 the checkbook. That required a finding by the control board
15 that the county was insolvent or likely to become insolvent.
16 There was a significant difference of opinion between the
17 county executives and the NIFA staff and the NIFA board as to
18 whether or not the county was structurally in a deficit
19 position, and I was retained at that time to advise NIFA on
20 whether or not a control period could be instituted. So the
21 first part of that work was really to look at not only the
22 annual budget through -- which was June, and I think I got
23 involved in July after the budget had been issued, and they
24 do three-year budgets there, but to look at those three years
25 as well as to look at some of the prior budgets in terms of

1 how the county had accounted for certain revenues. And then
2 I provided a written statement to the control board with my
3 findings as to what I believed the deficit was and whether or
4 not the county had the ability to do anything to get out from
5 under that deficit. That was the first part of it.

6 And then the second part of NIFA was during that
7 control period, we undertook a really kind of top to bottom
8 operational and business review of the county to identify
9 opportunities to reduce costs, improve services, make things
10 more efficient, and we did that through the lens of looking
11 at it on a time frame, what could be done in 90 days, what
12 would take a year or more, what would take three to five
13 years, so that there was a time frame, and we also looked at
14 with all of those initiatives, which ones impacted collective
15 bargaining agreements, which ones could be executed without
16 collective bargaining negotiations, and we did the same thing
17 and looked at those relative to legislation charter issues
18 and whether or not you would need enabling legislation to do
19 some of these things, so --

20 Q Did that work involve any evaluation on your part of any
21 pension-related issues?

22 A Yes, although pension is not as big of an issue in New
23 York because the pensions are funded, in essence, by the
24 state, so if you don't make your pension contribution, the
25 state simply withholds aid so that they get paid, so they

1 were not in as unfunded position as many other states and
2 municipalities.

3 Q What was your work in that case as it related to pensions
4 then?

5 A We looked at the -- what we expected to be the future
6 funding requirements over the next few years relative to were
7 they going up, were they going down, and -- because the state
8 had given -- had made some accommodations over the last few
9 years, which reduced the amount of contributions that Nassau
10 County had to make and when did we have to make those catch-
11 up payments.

12 Q Did that work involve evaluating on your part the
13 accuracy of the county's revenue forecasts?

14 A Very much so, yes.

15 Q What was the county's annual budget, if you can recall?

16 A Just about \$3 billion. If it were a state, it would be
17 the tenth largest state in the country, tenth -- I mean
18 tenth -- there would be ten states in this country that are
19 smaller than Nassau County. Sorry. I said that backwards.

20 Q And have you done work for the Legal Aid Society in New
21 York City?

22 A I did.

23 Q What was that work?

24 A In 2004 and 2005 I served as the interim president and
25 the chief restructuring officer of the Legal Aid Society in

1 New York.

2 Q And what were your responsibilities in that role?

3 A In that role Legal Aid was about 150 years old at the
4 time, \$150 million budget of which about 130 million are
5 funded by the State of New York and the City of New York.
6 The society was operating at a deficit although didn't really
7 know how much because there had been some embezzlement and
8 some intentional falsifying of records by the former CFO, so
9 while I was serving in those capacities -- and there was an
10 attorney in chief who handled the legal work obviously
11 because I couldn't do that, but in terms of restructuring, we
12 did a complicated out-of-court restructuring in which we had
13 to renegotiate both of our union contracts. The first one
14 was with the SEIU, who had the collective bargaining
15 agreement with our paralegals, our social workers, our
16 clerical people, and then with the UAW, who was the
17 collective bargaining agreement with our lawyers, so we had
18 to do -- we had to renegotiate those. We did a top to bottom
19 strategic plan, did a lot of cost cutting, did some fund-
20 raising, renegotiated leases, consolidated real estate. We
21 froze the existing pension plans and renegotiated with the
22 unions new pension programs going forward moving from a
23 defined benefit into more of a defined contribution mode.
24 What else did I -- oh, my gosh. We ended up taking about \$65
25 million of liability off the balance sheet and getting the

1 society from losing arguably a million plus a month to better
2 than break even.

3 Q Are there any other nonprofit or municipal assignments
4 that you've had that you think may have assisted you in
5 preparing for the work in this case?

6 A Yeah. There's one other, and it was a private out-of-
7 court restructuring in which I represented seven transit
8 authorities, including MTA in New York, MBTA in Boston, CTA
9 in Chicago, Minneapolis, Dallas, San Francisco. I'm
10 forgetting somebody. I'm forgetting a couple. Anyhow, had
11 an opportunity to work with the finance and budgeting teams
12 from each of those transit authorities in terms of working
13 with their annual development of revenue, so --

14 Q How would you say that that work helped you in this case?

15 A It really helped me when I was looking at the DDOT
16 deficit in this case, right, because DDOT -- DDOT is unique
17 in that it's an enterprise fund operation, but because it
18 operates at a deficit, it has to be funded by the general
19 fund, and that's really helpful. It also -- I think
20 anytime -- in all of those cases, we're looking at the
21 projection of revenues. Similarly, with Legal Aid, we're
22 very involved with the city and the state in terms of how
23 they were budgeting for our work and how we were getting
24 authorizations through the council and the legislature, so --

25 Q Focusing again on your work for the Legal Aid Society in

1 New York, you mentioned that you did some work on their
2 pension issues and that when you went in, there was a defined
3 benefit pension plan; is that right?

4 A Yes.

5 Q What was your work specifically in evaluating that, that
6 situation?

7 A Yeah. The first thing that I realized was that
8 because -- the Legal Aid Society is a not for profit, but
9 because it's not a public entity, it is subject to ERISA
10 laws, so there were going to be cash funding requirements
11 that -- some of which hadn't been made as timely as they
12 should have been in the past, but it was going to be a
13 significant crunch for the society to make those, so I
14 reached out to the society's actuaries. And one of the
15 unique things about Legal Aid is I had 17 law firms on
16 retainer on a pro bono basis, and we had 1 firm who was
17 really, really good in pensions, so I asked them to get
18 involved and to look at our options for how to do -- to
19 figure out how we were going to be able to do this. We also
20 got involved -- I also got involved immediately with the
21 unions because there was a union plan. There was also a plan
22 for our nonunionized workforce which had to be modified as
23 well. And it took probably I would say three or four months
24 of work between the society's pension advisory group, their
25 investment group, the subcommittee of the board that looked

1 at that, the outside lawyers, and we looked at a lot of
2 options as to how to handle that, and then ultimately we had
3 to negotiate what was the freezing of the plan and putting
4 together a new plan, so --

5 Q So what was it about your expertise or the scope of your
6 expertise that you felt allows you to work on pensions?

7 A Well, I mean I have -- I do have an MBA in finance and
8 investments. Okay. So I had educational training in higher
9 order finance concepts. I've been in the restructuring world
10 for, at that point, probably, you know, 20-plus years, having
11 come across pension issues and OPEB issues in the private
12 sector from time to time, having clients who've had to turn
13 their pensions over to PBGC, et cetera. And, quite frankly,
14 pension is the kind of topic that I will never say that I
15 like it, but you can put your head in it, and you can
16 understand it when you have to. It's not -- there's some
17 nuances to it. There's some things that are very complicated
18 about it. But at the end of the day, it's about obligations.
19 It's about investments. It's about finance, and that can be
20 understood by most people as long as somebody is willing to
21 teach you about that.

22 Q I take it this is the first time you've served as a
23 court-appointed expert?

24 A Yes.

25 Q Is there something you need to retrieve?

1 A Yes. I just dropped my glasses. I don't know why I have
2 them, but I dropped them.

3 Q What would you say has been different about your service
4 as a court-appointed expert in this case compared to your
5 service as experts for parties in prior cases?

6 A That's the main -- that's the main difference is I don't
7 really have a client that has a point of view. Every other
8 engagement I've had, whether it involved expert testimony or
9 just advisory work, I've always had a client that had some
10 point of view about something, and so the independent nature
11 of this role has been really very liberating and at some
12 points in time a little unsettling.

13 Q Did other professionals in the Phoenix firm participate
14 with you in meeting your responsibilities as the Court's
15 expert?

16 A Yes.

17 Q Can you please identify them and the specific roles that
18 each played?

19 A Yes. Let me go through that. First and foremost is
20 Brian Gleason, who is my partner at Phoenix. Brian has 20-
21 plus years' experience in this business and has done
22 extensive work in the public sector in southeast
23 Pennsylvania, in Philadelphia, in Delaware, in New Jersey,
24 both on an interim management in public sector as well as
25 advisory assessing sorts of things. Brian -- I made Brian be

1 my client during this engagement, and I made him challenge
2 what we were doing as a team and helping me really think
3 through to make sure that we were following a good approach
4 and being mindful. Brian also helped manage the rest of the
5 Phoenix team because I spent a significant portion of my
6 time, particularly early on, in reaching out to parties of
7 interest in the constituencies here, people that I felt that
8 could help me get up to speed quickly. And so while I was
9 focused on external sources of information, Brian was working
10 with our team making sure that we were getting what we needed
11 from the city, so -- and Brian was probably, along with me,
12 the chief architect of the feasibility definition.

13 Q Who else?

14 A Okay. Next would have been Bob Childree. Bob worked
15 with us as a subcontractor, but Bob and I had done the NIFA
16 engagement together and Jefferson County at Grant Thornton.
17 He had been involved in that, although I hadn't been involved
18 in it. He was the former comptroller of the State of Alabama
19 for 20-some years, and, you know, he's a government
20 accounting guy. He's an expert in all of those accounting,
21 finance, financing, budgeting, pensions, operations, ERP
22 systems. Anything that you would put under the
23 responsibility of a CFO for a state, Bob did that, and he did
24 it for 20-some years, plus he's very, very active in the
25 professional government accounting and finance groups. He's

1 just a very wise guy, and he was really helpful. He was the
2 one who helped in the very early part on NIFA in terms of
3 defining what revenue is and how GAAP applies in a government
4 context, so Bob did -- I asked Bob to work on finance,
5 accounting, and IT, clearly areas of his expertise. I asked
6 him to work on pensions, and at various points in time I
7 asked him to help on things like state revenue sharing, so
8 things that were within his domain.

9 The third member of the team was Al Mink. Al is
10 kind of one our resident geeky CPA, CFA, you know, those
11 kinds of guys, prior experience in the private sector as a
12 CFO. He was the CFO of the Philadelphia Gas Works on an
13 interim basis. Strong accountant, strong budgeter. And he
14 and Bob -- he really worked on all of the areas of finance
15 and accounting and the IT area. Next was Mike Gaul. Okay.
16 Right away I looked at that. And I was going to say Al
17 has -- I forget where his undergraduate degree is. His MBA
18 is from Seton Hall, and he's got a whole bunch of letters
19 behind his name.

20 And then the next would have been Mike Gaul. Mike
21 has a business degree from Georgetown, done a lot of interim
22 management on the finance and operations side. Mike handled
23 most of the revenue. He handled the revenue that -- most of
24 those revenue items. He worked on pension, did some
25 drafting, some first drafts on those sections, worked with me

1 on blight, and then -- okay. That was Mike. And then -- I'm
2 forgetting some of Mike's areas.

3 And then there was Kevin Barr. Kevin is analyst --
4 phenomenal analyst. He's a Wharton grad. He's a CFA. Oh, I
5 know. Mike Gaul is a licensed investment banker, not that he
6 does a lot of that, but he is. Anyhow, Kevin was the person
7 that really understood the ins and outs of all of the plans
8 and the models, so Kevin -- and he worked with Mike on a lot
9 of the other revenue issues and those sorts of things.

10 And then at the end we added a junior person by the
11 name of Jack Murdoch as we were getting into the report
12 writing, and he basically did anything that Mike or Kevin
13 told him to do. So that was my team.

14 Q Does your report include any analysis or conclusions that
15 are beyond your expertise or the expertise of your team?

16 A I don't think so.

17 Q Are there any other facts that you think the Court should
18 consider in determining whether you are qualified as an
19 expert by your knowledge, skill, experience, training, or
20 education to testify to the opinions that the Court has
21 requested of you?

22 A I don't think so.

23 Q Let's turn our attention to the next issue under Rule
24 702, whether your testimony is based on sufficient facts or
25 data.

1 A Okay.

2 Q Do you believe that your opinions are based on sufficient
3 facts or data?

4 A I do.

5 Q Take your time and identify as specifically as you can
6 the sources of facts and data that your opinions are based
7 on.

8 A Okay. They fall into two broad categories, and that -- I
9 guess three broad categories. One would be information that
10 I and my team gathered from interviews and working sessions
11 with people. The second category would be information that
12 we gathered and analyzed from the city or constituencies in
13 this proceeding, and the third would be information that came
14 from parties outside this proceeding. So we -- between when
15 I was appointed and when we issued the report, we
16 participated and conducted over 200 meetings in that time
17 frame. I have met -- we'll just go through this -- the
18 mayor, the emergency manager, their respective staffs. I've
19 met with almost all of the department heads in the city, with
20 their financial people. Most of the department heads also
21 have a finance person. We've met with all of them.
22 Extensive work with E&Y, Conway. I've met with the
23 creditors' lawyers and financial advisors. I've worked with
24 AlixPartners, with FTI, with Alvarez, with Goldin, with
25 Houlihan, had dialogue back and forth with most of the

1 lawyers that are involved in this case. I've met with the
2 land bank. I've met with the Art Institute people. I've met
3 with benefactors to the city. I've met with the foundation
4 people. I've met with the city council and the chief of
5 staff of the city council. I've met with former city council
6 people. And then my team, some people have been involved in
7 those meetings. A lot of those I've done -- I did on my own,
8 but they have met and worked with almost everybody on the E&Y
9 team, almost everybody on the Conway team. They've also
10 worked with all of the department heads in accounting and
11 finance, so risk management, purchasing, treasury,
12 accounting. They've met with the auditor general. They've
13 met with the assessor, all of the IT people, police, fire, so
14 it's -- it is -- those people provided an enormous amount of
15 information not only as to what the city is doing from
16 rendering services but how those services are delivered and
17 how the costs flow from that, you know. Similarly, on the
18 revenue side, you talk to people in treasury about how monies
19 are collected and the interplay with the county, but they
20 also lead you to documents, and I would say -- I can't even
21 count how many documents we've probably collectively looked
22 at. There is a seven-page list of the tiny -- like five-
23 point font of documents that came to us from the city that
24 came because we asked, not because they were already in the
25 data room. So the city has the data room, and then when we

1 started requesting more information, they kept a separate
2 list of that and put all that stuff in the data room so that
3 anybody -- so that whatever I had everybody else could have
4 if they wanted. Now, you know, there are parties here that
5 probably don't care about the resumes of all of the
6 department heads, the subdepartment heads in finance, but I
7 care about that, so those are things like -- it's tens of
8 thousands of pages of information. And then the outside
9 information came from the blight task force, Future City's
10 reports, consulting reports, people just voluntarily sending
11 me things. Some of the other experts that you had
12 interviewed sent me information that they had used that they
13 thought would be helpful, so an enormous amount of
14 information. And then sometimes we would go -- it wouldn't
15 be -- we would then go to the city itself to the people in
16 either the departments or the finance and accounting and get
17 really granular data, so --

18 Q Okay. So who did you or your team talk to relating to
19 the pension issues?

20 A I had the first meeting on pension with -- it was at
21 Clark Hill, the lawyers for the Systems, and it was Bob
22 Gordon, then two gentlemen who were the general counsels of
23 each system. There was another lawyer that was in and out
24 that I don't recall his name. And those were my first
25 meetings on the pension system. Once I had a good overall

1 view of kind of what the pension issues were going to be, I
2 then delegated that to Brian Gleason and Mike Gaul and to Bob
3 Childree, and they had subsequent meetings with that same
4 group and then with other people at the city. I reinserted
5 myself in the pension discussions when I met and got to know
6 Dick Ravitch because Dick has some interesting views. We had
7 all -- we had known about Dick through his work before at the
8 Rockefeller Institute and some of those publications, and
9 obviously I relied heavily on Bob Childree's view on pensions
10 and appropriate funding, but, yeah, that was how we did that.

11 Q Were there any meetings with any of the pension funds' or
12 pensions plans' professionals or their advisors?

13 A I didn't have -- other than lawyers, I did not have. My
14 staff did with some telephone calls. I don't believe there
15 were any in-person meetings.

16 Q Okay.

17 A And there were -- I'm sorry. There were also pension
18 meetings with the city and Jones Day. There were a lot of
19 those.

20 Q Did you keep a contemporaneous log of all of the people
21 with whom you and the members of your staff communicated in
22 this assignment?

23 A I would say I did a 95-percent job on my own behalf, and
24 I know that once we decided -- it was a couple of days into
25 it that we decided the team needed to do the same thing, I

1 think they made a similarly diligent effort to keep that --
2 to keep those records, and I think between our detailed time
3 records and the contemporaneous log, I think between those
4 two documents, we've got it.

5 Q And so those logs or that time record have been made
6 available to the parties in the case?

7 A Yes.

8 Q Did you keep a list of the documents that you reviewed?

9 A My team did, and I kept a drawer in my office at the
10 CAYMAC of anything that I looked at that wasn't in the data
11 room or that came from the city, so like my copy of the
12 blight report, my copy of the triennial budget that came from
13 the city, those sorts of things I kept in a big file drawer,
14 and then when we were preparing our exhibit of documents for
15 the report, one of my team members came in and inventoried
16 that.

17 Q What was the condition of the city's financial
18 information during the time when you were doing your work?

19 A Again, I think of it in a couple of different ways. When
20 we got involved, the city had financial -- had completed its
21 audits through June of '12, okay, and were working on fiscal
22 '13. However, Ernst & Young had control of cash, so as has
23 oftentimes been my experience with troubled businesses, when
24 the bookkeeping gets out of sync in a time frame or
25 completeness, you go to cash. And the good news with the

1 city is that E&Y has been controlling cash for probably three
2 years now so that you can actually get answers to questions,
3 you know. You can get how many people are on payroll, what
4 does this cost, those sorts of things. The historical
5 records are not timely. It's a concern of mine. I've talked
6 about it. I complain about it all the time. And that's
7 because the information systems are so bad, so it is -- you
8 can get the answer -- you can get an answer that I believe is
9 truthful and accurate from the city. It'll just take you
10 awhile, and you have to go find someone who knows how to pull
11 it out of the awful bookkeeping and information technology
12 systems, so I mean it's -- they're bad, but they're no worse
13 than what I'm -- what I see in other places.

14 Q Well, that's my next question. Is it common for an
15 entity in need of financial restructuring or experience
16 problems -- to experience problems in providing adequate data
17 to an expert who is asked to evaluate its projections?

18 A Almost never -- and I have one client that I've had
19 recently that this is not true -- almost never does a client
20 or a party, you know, a debtor or a debtor in waiting have
21 adequate information that they can give to you on a real time
22 basis; right? It's just --

23 Q DIW.

24 A DIW, debtors in waiting. And they just -- it's never --
25 it's not timely. It's where they cut staff. It's where they

1 don't pay attention. It's always a mess.

2 Q Did anyone from whom you requested information withhold
3 that data from you?

4 A Ultimately, no.

5 Q Okay. Okay.

6 A I had to get you involved. No. I had to --

7 Q What do you mean by "ultimately"?

8 A Recall that I never got the working models of the
9 projections until Memorial Day.

10 Q And then you did?

11 A And then I did.

12 Q Were there other sources of data that, in your
13 professional judgment, you should have accessed in forming
14 your opinions?

15 A I don't think so.

16 Q Is there anything else you want to tell the Court about
17 the sufficiency of the facts or data that you used?

18 A Again, I think that at the end of the day I got
19 sufficient information. I was confident in the information
20 that I received or was able to get, right, because had I not,
21 I wouldn't have been able to come to my opinion, so while I
22 would still like to have more information about certain
23 things because I'm curious and I'd like to know more, at the
24 end of the day, I got what I needed or I couldn't have
25 rendered an opinion.

1 Q Let's turn to the next criteria under Rule 702, which is
2 whether your opinions are the product of reliable principles
3 and methods. Do you believe that your opinions are the
4 product of reliable principles and methods?

5 A I do.

6 Q Let's first review what principles and methods you used
7 were, and then we will discuss why you believe they are
8 reliable --

9 A Okay.

10 Q -- so please note that this criteria is not about whether
11 you reliably applied the principles and methods -- we'll
12 discuss that later -- this is just about the principles and
13 methods themselves and whether they are reliable, so take
14 your time and tell us about the principles and methods or
15 steps that you used in carrying out your assignment.

16 A Okay. I think the -- I go back to my proposal, which
17 laid out an approach that I envisioned using if I was
18 appointed in this case, and now after the fact I can look
19 back at that approach and say that's exactly what we did.
20 And it is -- is it a little bit different because of this
21 situation, sure, because everyone is, but it is the approach
22 that I have used my entire career and that other people in
23 the restructuring advisory community use, so in -- with the
24 City of Detroit, we collected about six years' worth of
25 historical data, sometimes a little bit more, sometimes a

1 little bit less, for all of the revenue and the expense
2 assumptions both in the ten-year plan, the ten-year, forty-
3 year plan and the RRI's, so we looked at historical
4 information. We looked at current spending levels or receipt
5 levels, depending on where it was because, again, didn't have
6 financial statements that were completed at that time.
7 Obviously looked at all of the reports that had been
8 developed by the various state agencies, the treasurer,
9 reports the emergency manager had done, gathered information
10 from all the outside consultants. I mean Detroit was a -- is
11 a -- was a city that was consulted to death, so used all of
12 that and then factored that in with all of the information we
13 gathered from all of the interviews and the analysis. And
14 what was going on from in late April and May until we got the
15 working models is Kevin Barr was, in essence, building a
16 bridge between the projections and the RRI's, so by the time I
17 actually got the working models and could say, ah, that's the
18 assumption for this revenue projection or, oh, I really see
19 that now for the expense, Kevin had reverse engineered most
20 of this model so that we actually could look at the
21 underlying assumptions, look at the baseline, what the
22 starting numbers were, and see if those projections made
23 sense going forward, so it is -- in restructuring history,
24 it's important for certain kinds of revenues and expenses if
25 they're going to continue, but the other thing that happens

1 with restructuring, thank goodness, is activities in the past
2 can be radically changed as a result of the restructuring, so
3 sometimes you can -- you know, perfect example here is with
4 lighting; right? You wouldn't project lighting revenues to
5 go forward when you've transferred the lighting authority
6 over to a different entity, so you just make an individual
7 assessment on each assumption. And after you do that, then
8 you do the sensitivity analysis on your critical assumptions
9 to see if you're going to be wrong and you know you will be
10 wrong with projections, right, which are the assumptions that
11 a small change in the assumption will create a big impact in
12 the projections.

13 Q So to what extent did the fact that this is a municipal
14 case rather than a business case impact the principles or
15 methods that you used?

16 A It didn't impact the principles or the methods or the
17 approach. The difference in it is that there is not an
18 option to stop doing things because the city has to deliver
19 some sort of basic service. You can't -- just because it
20 costs too much to run that bus route doesn't mean you get to
21 stop it.

22 Q To what extent did the time deadline that the Court
23 imposed upon you impact the principles and methods that you
24 used?

25 A It did not impact -- I mean it did impact; right? It

1 impacted the level of effort. It impacted the size of my
2 team; right? For the kinds of work we do at Phoenix, you
3 know, six people in one place full time is a huge team of
4 resources.

5 Q Right, but my question is the impact on the methods and
6 principles.

7 A It didn't -- it really didn't impact the method and the
8 principles. I think there are points where when I got
9 satisfied with an issue or something, I said stop doing that;
10 right? So, you know, at the end of the day when I knew what
11 my perspective was going to be on IT, right, it's like stop
12 going deeper onto that; right? Just stop. So I think there
13 were points in time where I probably pulled my team back from
14 continuing to go deeper into issues that I felt we had
15 adequately covered.

16 Q So did the time limit result in any compromise of your
17 professional judgment or conclusions or methods in the case?

18 A No, because I asked you twice for extensions; right? I
19 mean I knew that first time that there was no way that I
20 could get done what I needed to get done given when I had got
21 in the working models, and then at the end I needed those
22 last few days because we had gotten a new set of projections,
23 so --

24 Q Um-hmm. Apart from what you've already mentioned, are
25 there any other factors in the case that impacted the

1 principles and methods that you used?

2 A No, not really. I was asked in my deposition about
3 methods, and I actually went back and looked at those because
4 I hadn't heard those words since I was in grad school. So
5 there's a big method and a little method. I think the little
6 method, the approach that I used in this engagement, is the
7 approach that restructuring advisors, whether they're working
8 for a debtor, a company, a municipality, or advising a
9 creditor, that's what you do. You look at history. You
10 sensitize it. You judgmentize it. You talk to people about
11 it. You get down to source documents. And then you make a
12 projection with -- that you feel is reasonable, and I think
13 that's what we do. Do we do things like time series
14 analysis? We do. Do we do regression analysis? We do. But
15 we don't sit down and say, "Oh, my God, I'm going to use the
16 delphi method to estimate this," or, "I'm going to use the
17 naive" -- those are just -- those are like Wikipedia words,
18 and I recall them now that -- from a long, long time ago, but
19 we did do some of that.

20 Q Was it part of the methods that you used in this case to
21 reconstruct from scratch the -- or a set of financial
22 projections for the city's general fund?

23 A No. That was not -- that was not my scope, and that's
24 not what I would do in the role of evaluating any plan.

25 Q Do experts in your field when evaluating feasibility

1 normally reconstruct financial projections like that?

2 A No.

3 Q Are there any circumstances when this is done within the
4 scope of this kind of an assignment?

5 A I thought about that. I did it once in 1991 in a case
6 called Lang Laboratories, and I represented the creditors.
7 And about 30 days into that case, the CEO resigned. We
8 agreed with the company to do a complete exchange of debt for
9 equity, and at that point in time the creditors' committee
10 advisors took over all the rest of the work on the
11 reorganization plan, and, yes, so we really -- we started all
12 over, but that was -- it was like 1991 that I did that.

13 Q Just so our record is complete, why did you not do that
14 in this case?

15 A Because it doesn't make sense to do that. My job was to
16 evaluate the plan -- or my job still is to evaluate the plan
17 and the projections that underlie that.

18 Q Okay. Let's turn our attention to the reliability of the
19 principles and methods that you used. Do you believe that
20 your education, training, and experience has given you an
21 understanding of the principles and methods that others use
22 in your field and that are generally accepted when assessing
23 the feasibility of municipal restructuring plans or a debt
24 adjustment plan in a Chapter 9 case?

25 A I do.

1 Q Are any of the principles and methods that you used in
2 this case materially different from the principles and
3 materials -- principles and methods that are generally
4 accepted in your field when the assignment is like it was in
5 this case?

6 A I don't think so.

7 Q Are there reliable principles and methods for evaluating
8 a 40-year projection for either a business or a municipality?

9 A I don't think so.

10 Q Why not?

11 A Because 40 years is so far into the future that it is
12 very, very, very, very hypothetical, and as I was thinking
13 about what 40 years ago was from today back, it's -- we were
14 all children, and I can't imagine what the city's budget
15 would have looked like 40 years ago because we had just had
16 the first oil embargo and, you know, how that would have
17 affected automobiles and the development of the city, so
18 it's -- 40 years is such a long time horizon that while I
19 think it is instructive to think about it, right, there's no
20 reliable method for projecting 40 years in the future.

21 Q Is that a view that you would say is generally held
22 within your field?

23 A It is.

24 Q What was the definition of feasibility that you decided
25 to apply in determining whether the city's plan of adjustment

1 is feasible?

2 A It was a definition that I developed.

3 Q What was it?

4 A We spent a lot of time getting the words right on this,
5 and it would be better if I had it to read. I know it's on
6 page 13, which was kind of an easy to remember page; right?
7 The feasibility definition -- and I'll do it as best I can
8 from memory -- is is it likely that the City of Detroit,
9 after confirmation of the plan of adjustment, will be able to
10 sustainably provide basic municipal services to the citizens
11 of Detroit and make the -- and meet the obligations in the
12 plan without the probability of a significant default.
13 That's close.

14 Q Um-hmm.

15 A But it has three concepts. It has provide services, meet
16 plan obligations, and not likely default.

17 Q Um-hmm. And how did you decide that that was the
18 appropriate definition?

19 A It evolved out of my view that feasibility is both a
20 quantitative and a qualitative measure, that, yes, there
21 are -- there's the numbers side. Can you generate the
22 revenue? Can you deliver the services at a price point such
23 that you've got enough cash to make plan payments? But it's
24 also about the skill and the will, and this goes to the
25 management, the human capital side. Do you have people who

1 are left behind who can execute on the plan?

2 Q Is that definition or one similar to it generally
3 accepted in your field as an appropriate definition of
4 feasibility?

5 A Well, I think time will tell. I think this is the first
6 time that anybody in my profession has tried to define
7 feasibility in a Chapter 9, so I think it makes sense, but I
8 think time will tell. Ultimately you'll decide.

9 Q Is that definition of feasibility or one like it
10 generally accepted in the business context?

11 A I think it is, and I think the -- again, we don't get any
12 help from the Code in terms of what feasibility is. On the
13 commercial side we've got a lot more case history, so, like I
14 said, it makes intuitive sense to me that it's both
15 qualitative and quantitative. There's clearly a time horizon
16 concept with feasibility, which I think is more challenging
17 in the Chapter 9 environment, and I also think the
18 feasibility is a range. It is a -- values can have -- can be
19 reasonable and feasible within a range. They're not just a
20 point estimate.

21 Q So do you see any reason to use a different definition in
22 a municipal case compared to a business case?

23 A Only to the extent that I think it is important that the
24 municipality be able to sustainably deliver basic municipal
25 services. They don't have to be best in class. I've said

1 that, but they've got to be able to deliver basic services.

2 Q Is there anything further that you'd like to tell the
3 Court about the principles and methods that you used or their
4 reliability?

5 A I don't think so.

6 Q So, finally, let's turn our attention to the last
7 criteria under Rule 702, whether you reliably applied to the
8 facts of this case the principles and methods that you chose
9 to use. Do you believe that you reliably applied to the
10 facts of the case the principles and methods that you chose
11 to use?

12 A I do.

13 Q One of your two tasks, as you've pointed out, was to
14 investigate and reach a conclusion on whether the assumptions
15 that underlie the city's cash flow projections and forecasts
16 regarding its revenues, expenses, and plan payments are
17 reasonable. Did you carry out that task?

18 A I did.

19 Q Could you define for the Court what is an assumption?

20 A An assumption is -- I'm thinking of synonyms. It's a
21 hypothesis. It's an axiom. It's a presumption. It is
22 something that you believe is going to happen. You take it
23 for granted that it's going to happen.

24 Q Is that the generally accepted definition of assumption
25 in the field?

1 A I think so, yes.

2 Q Can you estimate how many such assumptions underlie the
3 city's cash flow projections and forecasts regarding its
4 revenues, expenses, and plan payments?

5 A It's many hundreds and arguably probably thousands. The
6 projections are contained in over 300 spreadsheets that are
7 assimilated into the various projections in the RRI's, and
8 each of those have many columns and many lines. And you
9 would logically expect an assumption to be associated with
10 each line item over time, so, you know, it's clearly,
11 clearly, clearly, clearly into over the hundreds into the
12 thousands.

13 Q Did you investigate each and every one of those
14 assumptions?

15 A Kevin Barr has looked at every cell in every sheet and
16 can tell you where it comes from and how it's calculated.

17 Q Earlier you used the phrase "critical assumption."

18 A Yes.

19 Q What does that phrase denote or mean?

20 A Again, it's a word that I chose when we were putting our
21 proposal together in recognition of the complexity of what
22 these projections were going to look like. And I knew once
23 we got underneath them that they were going to be complex,
24 and I knew that the fact that there were multiple parts of it
25 that piece together was going to make it -- was going to make

1 it complicated, but -- and given the time frame, there are
2 critical assumptions that either lay the foundation for many
3 of the other assumptions or they're critical because they're
4 so sensitive to small changes having big impacts that you
5 really had to look at them, so --

6 Q Okay. So that's my next question.

7 A Yeah.

8 Q What is the purpose of identifying some of the
9 assumptions as critical assumptions?

10 A Because there are -- there is some subset of those
11 thousands of assumptions that are really, really important,
12 so, for example, right, one of the most critical assumptions
13 in the city's projections are the head count assumptions, so
14 at a foundational level, we've got to get comfortable that
15 the projected head count by department of people doing what
16 they're doing, right, makes sense.

17 Q You're talking about employment head count?

18 A Employment head count because, you know, again, you've
19 got 60-plus percent of your costs that are derived either
20 from salaries, wages, or benefits that are paid, so you
21 better have the head count projections. You better be
22 comfortable with that before you move on to say that, you
23 know, the budget for this department or that department is
24 okay, so that's an example.

25 Q Is it generally accepted within your field to separate

1 assumptions by how critical they are in --

2 A It is.

3 Q -- determining whether and to what extent to investigate
4 them?

5 A It is because it's the -- it's a cost-benefit analysis so
6 that you can -- you know, you want to make sure that you get
7 all of the important assumptions analyzed, critiqued,
8 evaluated, and the lesser assumptions either will have very
9 little impact or you may run out of time or you may run out
10 of budget to do them, so --

11 Q Was there ever an instance in the case when someone asked
12 you to investigate an assumption because they thought it was
13 a critical assumption but you decided not to?

14 A Not that I recall.

15 Q Were there any assumptions that, in your judgment, should
16 have been investigated as critical assumptions but for
17 whatever reason you did not investigate?

18 A No.

19 Q Well, what challenges or obstacles did you face in
20 reliably applying to the facts of the case the principles and
21 methods that you chose to use?

22 A Other than initially getting access to data that we felt
23 was important that maybe the city either hadn't already
24 collected or didn't think was important, once we kind of got
25 over that hump, then there really weren't any other

1 impediments.

2 Q Okay. So you're satisfied that you worked through those
3 challenges or obstacles?

4 A Yeah. I couldn't have rendered an opinion.

5 Q So there were no challenges in this regard that you did
6 not successfully meet or overcome?

7 A That's correct.

8 Q Is there anything further that you want to tell us about
9 the reliability of your application of the principles and
10 methods that you used?

11 A Not that I can think of.

12 Q Let's address some of the more specific objections or
13 issues regarding your testimony that the parties asserted in
14 their motions even though some of them have been withdrawn.

15 A Okay.

16 Q Are you generally familiar with those issues that the
17 parties have raised?

18 A I am.

19 Q How have you become familiar with them?

20 A I read the pleadings, and then I discussed them with my
21 attorneys.

22 Q Do you believe that any of those objections have merit?

23 A I don't.

24 Q All right. So what I'm going to do now is summarize each
25 objection and simply ask you how you respond to it.

1 A Okay.

2 Q One objection, for example, is that you did not actually
3 test the reasonableness of a majority of the city's
4 assumptions in its forecasts and that instead you opined that
5 the city's assumptions are reasonable when considered in the
6 aggregate.

7 A Okay.

8 Q What is your response to that objection?

9 A My response is that we did look at individual
10 assumptions. We did analyze them. We did critique them
11 individually. We looked at the assumptions in total
12 obviously in the result. My challenge is with the word
13 "test." Okay. This is not a blood test. You can't put a
14 dipstick in it and get something to turn blue or pink. Okay.
15 You have to look at the information about the assumptions and
16 the data, so when you look at my report, much of -- and let's
17 go back to the head count example; right? The head count
18 analysis that we did in looking at the individual assumptions
19 around head count by department over time, right, that
20 information is information that we pulled together so that we
21 could analyze it. That isn't something that somebody gave
22 us. That is something that Kevin developed. So did you test
23 it? I got a problem with the "testing" word. Did we analyze
24 it? Did we verify it? Did we make sure that the head count
25 that we looked at in different places made sense? Absolutely

1 we did. Did we do that for every single assumption? No,
2 because some of them are minor. Again, some of them are
3 minor, but I do believe that for all of the assumptions
4 individually, collectively we did it. I only -- in my report
5 I only called out certain of the assumptions that I either
6 thought were important to make a statement that I agreed with
7 or certain of the assumptions that I felt it was important
8 that I make a statement that I don't agree with. So I think
9 silence on some of the assumptions has maybe been
10 misconstrued as I didn't look at them, but that's not the
11 case.

12 Q Another objection that was made is that there is no way
13 to test some of your opinions on some specific assumptions.
14 How do you respond to that?

15 A Again, I don't know how to respond to that because it
16 doesn't make sense to me. This is not -- this is not a
17 laboratory experiment; right? We're not putting two
18 chemicals together to see if we get smoke; right? It is you
19 look at information, you analyze it, and you assess its
20 veracity and validity.

21 Q It is also asserted that you did not make any
22 determination about the quality of E&Y's work.

23 A I read that, and I remember at some point being asked
24 about that, and I didn't -- I relied on what E&Y did. I
25 trust their professionalism. I believe they were honest with

1 me. We checked all the math; right? So I didn't have to --
2 I didn't have to just accept it; right? We went and checked
3 all the math, and we verified the assumptions, so I just
4 didn't feel a necessity to make a statement about the quality
5 of their work or similarly about Conway's work, but I mean
6 they've done an amazing job; right? Do I agree with
7 everything they've done? Absolutely not; right? Would they
8 agree with everything I did? Absolutely not. But it's not
9 like anything is inferior or substandard or unprofessional.

10 Q Well, was your assessment, evaluation, review, reliance
11 on E&Y's work, consistent with what is generally accepted in
12 the industry in these kinds of circumstances?

13 A Absolutely. When you're the evaluator of the plan and
14 the projections as opposed to the developer, I think most
15 evaluators, based on reputation, prior experience, whatever,
16 would tend to rely on the preparer to some level based on
17 their own ability to review and analyze.

18 Q It is asserted that you did not understand the city's
19 methodology and, therefore, could not have evaluated it. How
20 do you respond to that?

21 A I got a little bit tripped up with this big M, little M
22 thing. I got asked about methodologies from an academic and
23 a textbook perspective, and I wasn't very facile with those
24 words. I knew what we did. We did trend analysis. We did
25 time series. We looked at regressions. We looked at

1 sensitivities. I didn't -- I don't think about that. That's
2 not the words that people in my business use even though when
3 I look in retrospect we absolutely did use some of those
4 methods.

5 Q It is asserted that you were forced to rely on the city's
6 unreliable and insufficient data and only when the city was
7 willing to provide it to you because you did not have
8 sufficient time to independently verify it.

9 A I don't believe that -- I mean there was -- there's never
10 been a context in my career where you go in and you reaudit
11 something. That doesn't make any sense. Okay. It's
12 historical. You rely on the information that's there that's
13 been audited by other folks that's been put into the city's
14 annual report, so there wasn't -- even if I'd had all the
15 time in the world, it's not something I would have done
16 because it wouldn't have provided much value.

17 Q It is asserted that you lack experience with municipal
18 finance and budgeting.

19 A I disagree with that.

20 Q Based on your work in Nassau County and with the Legal
21 Aid Society and --

22 A Yes.

23 Q -- with your staff's work with Jefferson County and
24 Philadelphia and the other experiences?

25 A We have a -- we have a lot of experience with municipal

1 budgeting and finance both from a preparer and an evaluator's
2 perspective.

3 Q We'll hear more about this in a moment, but it is
4 asserted that you lack the qualifications to give opinions
5 and conclusions relating to pension issues.

6 A I disagree with that. I agree that I am not an actuary,
7 that I could not do an actuarial calculation. Quite frankly,
8 I don't know how anybody did those things before computers
9 because they're just -- they're mind-numbing; right? But,
10 again, pension issues are not magical. They're not a super
11 science that we can't understand. Everybody in this room can
12 understand basic concepts around pensions, how benefits are
13 calculated, how liabilities are calculated, how investments
14 are made, how monies are discounted, so I just disagree with
15 that.

16 Q A theme that came through the objections was that you
17 were on the city's side in this case. Were you biased in
18 favor of the city?

19 A No. I don't think the city would say that at all.

20 Q Did you come into this assignment with any preconceived
21 notion regarding the feasibility of the city's plan of
22 adjustment or the reasonableness of its assumptions?

23 A I didn't. I would not have put myself forward if I had
24 had some perspective.

25 Q Is there anything else in the objections that you read

1 that you want to address?

2 A I don't remember them all, but I don't think so.

3 Q Okay. Just some final questions and conclusions here --
4 in conclusion here. Have you reviewed the transcript of your
5 deposition?

6 A I have.

7 Q Is there any testimony in your deposition that you want
8 to correct or clarify?

9 A No. There's nothing in my testimony that needs to be
10 corrected or clarified. There are typographical and phonetic
11 spelling errors which we've not undertaken to do an errata
12 sheet, but, you know, in reading it, are there things I'd
13 like to explain better, but realizing that that's not the
14 opportunity for me to have a say -- I'm just answering
15 questions -- I don't think that there's anything that's
16 technically wrong with my testimony.

17 Q In these circumstances, the Supreme Court made the
18 following statement, and for the lawyers in the room it's
19 Kumho Tire versus Carmichael, 526 U.S. 137, 1998 -- quote,
20 "The objective of that requirement is to ensure the
21 reliability and relevancy of expert testimony. It is to make
22 certain that an expert, whether basing testimony upon
23 professional studies or personal experience, employs in the
24 courtroom the same level of intellectual rigor that
25 characterizes the practice of an expert in the relevant

1 field." Did your work in this case meet that standard of
2 intellectual rigor that the Supreme Court described?

3 A Absolutely.

4 Q Finally, do you plan to update your report?

5 A I have heard that we're getting a new plan maybe later
6 today or tomorrow with new projections, so probably.

7 Q I take it that until you see that, you're probably not in
8 a position to see how much work that would involve or what
9 the timing of that would be?

10 A I don't. I don't have any idea.

11 Q Okay.

12 THE COURT: All right. That's all the questions I
13 have. Let's take a break now for 15 minutes until 3:30, and
14 then we'll see if others have questions, so I will see you
15 then.

16 THE CLERK: All rise. Court is in recess.

17 (Recess at 3:13 p.m., until 3:29 p.m.)

18 THE CLERK: All rise. Court is back in session.
19 You may be seated.

20 THE COURT: Okay. Ms. Green, do you have questions?

21 MS. GREEN: Yes, I do.

22 MR. STEWART: I have no questions.

23 CROSS-EXAMINATION

24 BY MS. GREEN:

25 Q Good afternoon. It's Kopacz as in rhymes with topaz;

1 correct?

2 THE COURT: Could you --

3 MS. GREEN: Thank you.

4 THE COURT: -- pull the mike --

5 MS. GREEN: Yes.

6 THE COURT: -- right in front of you and talk
7 right --

8 MS. GREEN: Just wanted to make sure --

9 THE WITNESS: Yes, yes.

10 MS. GREEN: -- I had the pronunciation right.

11 BY MS. GREEN:

12 Q I wanted to go over a little bit of your prior experience
13 at Nassau County. You identified your engagement there as
14 involving some pension-related work; correct?

15 A I'm sorry. My involvement where?

16 Q At Nassau County.

17 A Oh, in Nassau County, yes.

18 Q And you identified your involvement there as having some
19 pension-related work; correct?

20 A Pension was a significant budgetary item for Nassau
21 County, so, yes, we did look at it.

22 Q But there the state provided a backstop, and so you did
23 not have to opine as to the cause of the underfunding;
24 correct?

25 A The state actually funded and took a deduction from the

1 county.

2 Q And I believe you stated that you only looked at the
3 future funding requirements for Nassau County as part of that
4 engagement; correct?

5 A That's correct.

6 Q And at the Legal Aid Society you testified that your
7 involvement with respect to pensions was to change a defined
8 benefit plan to a defined contribution plan?

9 A We froze one and changed one.

10 Q Okay. But your role in this case has nothing to do with
11 changing the Retirement Systems in Detroit from a defined
12 benefit plan to a defined contribution plan; correct?

13 A That's correct.

14 Q And the scope of your engagement here is on two items,
15 correct, feasibility and the reasonableness of the city's
16 projections?

17 A Yes.

18 Q And you were not retained to opine on past investment or
19 actuarial practices of the Detroit Retirement Systems;
20 correct?

21 A Correct.

22 Q And you were not retained to opine about the
23 appropriateness of the former assumed rate of return for the
24 pension systems; correct?

25 A I don't believe I have. That's correct.

1 Q And you were not retained to opine on the appropriateness
2 of any smoothing method or amortization period used by the
3 Detroit Retirement Systems; correct?

4 A Correct.

5 Q And you were not retained to recommend proper pension
6 plan reporting requirements for the Detroit Retirement
7 Systems; correct?

8 A I said during my interview with the judge that to the
9 extent that my involvement -- out of my involvement I would
10 hope that it would improve aspects of the plan or aspects of
11 the communication around the plan that I intended to include
12 that in my report.

13 Q But that's not laid out in the order appointing you as an
14 expert witness; correct?

15 A It is not in my order.

16 Q Okay.

17 A Correct.

18 Q Thank you. And you were not retained to opine on the
19 causes of the pension plan's underfunding; correct?

20 A Correct.

21 Q And I believe you just testified earlier that you admit
22 that you are not an expert in the realm of public pensions.

23 A I am not. I said I am not an expert. I am not an
24 actuary. I do not consider myself to be a pension expert.

25 Q And you're also not experienced as an investment manager

1 of a public pension fund; correct?

2 A No. That's correct.

3 Q And you've never opined or given any conclusions as to
4 the proper rate of return for a public pension fund; correct?

5 A Correct.

6 Q And you're unfamiliar with smoothing mechanisms and
7 amortization periods used by public pension funds; correct?

8 A I don't think that's correct. I mean I'm familiar with
9 them.

10 Q If I asked you if you could opine on the appropriateness
11 of, for instance, a seven-year smoothing period, you would
12 agree with me that you would not be able to answer that
13 question; correct?

14 A I would have to study that question.

15 Q And similarly with respect to an appropriate amortization
16 period, you would have no basis to know whether a five- or a
17 ten- or a twenty- or thirty-year amortization period would be
18 an appropriate period for a public pension plan such as
19 Detroit's; correct?

20 A I would have to study that, yes.

21 Q And you're not published in the area of public pensions
22 or actuarial science; correct?

23 A Correct.

24 Q And when asked when any of the pension risks that you
25 cite in your report give you any pause with respect to the

1 city's plan of adjustment, you would agree that the long-term
2 risks associated with the pension plans do not negatively
3 impact your assessment of feasibility; correct?

4 A I'm sorry. Could you either repeat it or break it down?

5 Q I can. I can.

6 A Thanks.

7 Q The pension risks that are cited in your report, you
8 would agree with me that your conclusions do not impact
9 feasibility or your assessment of feasibility of the city's
10 plan of adjustment; correct?

11 A I think we need to talk about what pension risks we're
12 talking about.

13 Q Well, you didn't identify any particular pension risk
14 that caused you to conclude that the city's plan was not
15 feasible; correct?

16 A That's correct.

17 Q I believe you just stated that pensions are not magical.
18 They're not a super science. But you agree that you are here
19 being offered solely as an expert witness; correct?

20 THE COURT: I would agree with that.

21 THE WITNESS: Okay. Then I'll agree with that.

22 BY MS. GREEN:

23 Q Okay. So you did not personally interact with the
24 Detroit pension systems prior to your engagement in 2014;
25 correct?

1 A Correct.

2 Q Okay.

3 A Correct.

4 Q So you have no first-hand knowledge before your
5 engagement by the Court into the Detroit Retirement Systems?

6 A That's correct.

7 Q With respect to investment rates of return used
8 previously by the Retirement Systems, you did not do a
9 detailed comparison of the Detroit Retirement Systems assumed
10 rate of return compared to other public pension plans in your
11 work --

12 A Correct.

13 Q -- correct? And you did not make any efforts to quantify
14 what portion of any funding shortfall was attributable to any
15 allegedly aggressive rates of return; correct?

16 A I did not analyze the causes of the shortfall.

17 Q Let's discuss your conclusions relating to the Retirement
18 Systems investment practices.

19 A Um-hmm.

20 Q You had no quarrel with the Systems' investment
21 distributions or asset allocation; correct?

22 A I don't recall having any quarrel with that.

23 Q And you never looked at the written investment policies
24 for either of the Detroit Retirement Systems?

25 A I did not, but someone on my team did.

1 Q And if asked about which specific investments you believe
2 to be risky, you cannot identify any particular investment by
3 name; correct?

4 A I have -- other than the supposed investments that the
5 former mayor directed to his business associates and friends.

6 Q But you did not quantify whether that particular
7 investment actually contributed to any funding shortfalls;
8 correct?

9 A Correct.

10 Q And you did not actually analyze the asset mix in the
11 Retirement Systems' investment portfolio; right?

12 A Like I said, I didn't do it. I know someone on my team
13 looked at that asset mix and gave me their perspective, yes.

14 Q And after looking at it, then there was no quarrel with
15 the particular asset mix used by the Systems?

16 A It was not something that we went further into; correct.

17 Q And at the time you prepared your report, you had no
18 information reflecting negatively on the current pension
19 advisors to the city; correct?

20 A No. That's correct.

21 Q And at the time you prepared your report, you had not met
22 with any of the Retirement Systems professional investment
23 consultants; correct?

24 A Correct. I did not. I don't know -- like I said, I
25 think people on my team had conversations with them but

1 didn't -- I don't think that they met with them.

2 Q Well, let's identify who those professional consultants
3 were. If your communications log did not list meetings with
4 NEPC or Wilshire, would that change your testimony as to
5 whether people on your team met with the --

6 A Those are the current consultants; correct?

7 Q Correct.

8 A Correct. Yes. Like I said, I don't -- I can't tell you
9 anything more than I've told you. I don't know that they
10 have not met. I believe they met with somebody at least
11 telephonically at some point.

12 Q And, similarly, you did not meet with or consult with the
13 Retirement Systems chief investment officer, Ryan Bigelow;
14 correct?

15 A That's correct.

16 Q And you never met with the Systems' actuaries -- the
17 current actuaries either; correct?

18 A I did not; correct.

19 Q Or any of the trustees for either System?

20 A I think that maybe one of the people that I met with at
21 Clark Hill was on the board.

22 Q Would you be able to identify that person? Let's do it
23 this way. If they were not listed on your communications log
24 as being present at the meeting --

25 A A trustee? Okay.

1 Q -- would that reflect that they were not present?

2 A That would reflect my -- that would be correct.

3 Q Okay. And you did not investigate when the Systems were
4 fully funded versus when they became underfunded; correct?

5 A Correct.

6 Q And you agree that in terms of feasibility, knowing the
7 timeline of events relating to the underfunding is not
8 something that you cared about in your analysis; correct?

9 A Correct.

10 Q And you admit that there are no allegations of misconduct
11 against current trustees in relation to either Retirement
12 System?

13 A I have no knowledge of that one way or another.

14 Q And you're aware that there are certain governance
15 changes being imposed under the plan within each Retirement
16 System; correct?

17 A Like I said, I don't know that one way or another.

18 Q You would agree with me that past misconduct, whether
19 true or not, did not impact your feasibility analysis?

20 A That's correct.

21 Q And you never attempted to quantify the actual economic
22 impact that you would have attributed to any alleged
23 misconduct within the Retirement Systems; correct?

24 A That's correct.

25 Q And you admit that certain portions of your report

1 consisted of words that you took from a declaration of
2 Charles Moore; right?

3 A Yes.

4 Q And you never independently verified the factual points
5 that you took from the Charles Moore declaration; correct?

6 A I did not personally. That's correct.

7 Q And your instructions to your team were to cite
8 information that already existed in the record; correct?

9 A That is correct.

10 Q Let's talk about the due diligence relating to the cause
11 of the Systems' underfunding. You did not look at what
12 typical losses were to other public pension systems during
13 the great recession; correct?

14 A I did not.

15 Q And you did not consult any publications or studies to
16 compare how the Detroit Retirement Systems fared compared to
17 other public systems as a result of the great recession;
18 correct?

19 A Generally, I'm aware of what happened both in the public
20 and the private sector during that time frame, so I didn't
21 really feel a need to look historically in terms of that.

22 Q And you did not review any data from the U.S. Census
23 Bureau related to public pensions during that time period?

24 A Not that I recall, no.

25 Q And you did not review the NASRA public funding survey

1 for that time period; correct?

2 A I think we did review NASRA.

3 Q And do you agree that the NASRA report concluded that the
4 market decline in 2008 resulted in a median investment return
5 for public pension funds of a negative 25.3 percent for the
6 year 2008?

7 A I would have to look at the publication again, but the
8 losses were in the 20-plus percent category.

9 Q And you would agree that the losses to the Detroit
10 Retirement Systems were actually in line with the figures
11 that were published by NASRA; correct?

12 A As I said, I don't remember the two data points. I know
13 that they were both in the minus 20's.

14 THE COURT: Let me caution you to restrict your
15 questions to those that relate to Daubert issues. This
16 sounds like it's wandering into more substantive --

17 MS. GREEN: It does relate --

18 THE COURT: -- opinion testimony.

19 MS. GREEN: -- your Honor, to the -- whether she
20 looked at particular data points and whether her methodology
21 would have been reliable based on what she looked at, but I
22 only have a few more questions and I'm done.

23 THE COURT: Well, but you're asking her what her
24 opinions were having done that.

25 MS. GREEN: Okay.

1 THE COURT: That's where the --

2 MS. GREEN: I will restrict them.

3 THE COURT: -- line gets crossed.

4 BY MS. GREEN:

5 Q Regardless of the cause of the underfunding, you agree
6 that in terms of your feasibility analysis, what was
7 important to you when you wrote your report is how the
8 Retirement Systems are being dealt with in the future under
9 the city's plan; correct?

10 A That's correct.

11 MS. GREEN: Thank you, your Honor.

12 THE COURT: Okay. Does anyone else have any
13 questions for the witness? I have nothing further. You are
14 excused. Thank you very much for coming today. We will let
15 you know when we need you back. And let me know when you
16 come to a conclusion about when you'll do your supplemental.

17 (Witness excused at 3:44 p.m.)

18 THE COURT: Ms. Green, did you want to make an
19 argument?

20 MS. GREEN: I have to admit that objecting to the
21 testimony offered by the Court-appointed expert is a little
22 awkward. I feel like Mr. Hackney must have last week when he
23 objected to your questions of Chuck Moore. But as you
24 commented then, every once in awhile the Court sustains its
25 own objection, and --

1 THE COURT: That's true.

2 MS. GREEN: -- so I will proceed. Our motion is
3 limited, and it is not intended in any way to --

4 THE COURT: Hang on. Hang on. I always sustain my
5 own objections. What I only sometimes do is sustain other
6 parties' objections to my questions.

7 MS. GREEN: Either way, our motion is limited. It's
8 not intended to stifle in any way Ms. Kopacz's feasibility or
9 her opinions regarding the reasonableness of the city's
10 projections, and we're not disputing her qualifications in
11 that aspect. Her municipal finance and restructuring
12 expertise were well-established during your direct
13 examination of her. But as she admitted, she's not a
14 pensions expert and not an actuary. She's not an investment
15 manager. And to the extent that certain of her opinions
16 relate to pension systems and the cause of the underfunding
17 and all those sorts of things, we feel that it's
18 inappropriate to have her testify.

19 She also stated that pensions are not magical,
20 they're not a super science and that they don't even require
21 expert testimony under 702. If that's the case and she's
22 only being offered as an expert witness, then I don't think
23 it's appropriate to have her testify at all because she's not
24 a percipient witness. And under Rule 601, as a lay witness,
25 she would be unable to have any firsthand knowledge about our

1 underfunding, mismanagement, actuarial practices, things of
2 that nature, so for that reason, had I known that before we
3 submitted our motion to the Court, I would have added the
4 argument that if she's not an expert, then -- I'm sorry -- if
5 it doesn't require expert testimony, then there would be no
6 need for her to opine on those either way.

7 Furthermore, the scope of her testimony was limited
8 by your order to two discrete subjects, and all of the
9 pension-related opinions that she lists in her report go well
10 outside the bounds of that. She affirmed today that her
11 feasibility analysis is not impacted by any of her
12 conclusions relating to past investment practices or past
13 actuarial practices of the systems, and, therefore, under
14 your order, it's not relevant to these proceedings or to plan
15 confirmation. And I believe that the reason that you had
16 appointed a feasibility expert was because you were concerned
17 that there would be no adversarial process relating to
18 feasibility, but, as you've seen, that's not the problem with
19 the pension issues. There are experts on both sides, and
20 it's hotly contested outside of Ms. Kopacz's testimony.
21 Therefore, I think, again, it's almost duplicative or
22 cumulative of the other testimony that you'll hear in the
23 proceedings.

24 Finally, if she is not an expert, as we stated in
25 our other motion, which has not yet been decided, regardless

1 of whether she's an expert, the report itself should not come
2 in. It's inadmissible hearsay. The protocol we've been
3 using throughout these proceedings is not to admit an expert
4 witness' report because it is hearsay, and so the Retirement
5 Systems also object to the admissibility of her report into
6 the record as evidence. Thank you.

7 THE COURT: Thank you. Would anyone else like to
8 say anything about the Daubert issues? I want to hold on the
9 issue of admissibility for right after this.

10 MR. STEWART: Your Honor, Geoffrey Stewart of Jones
11 Day for the city, and I'll be very brief. First of all, as
12 to the scope of the assignment, feasibility is a very broad
13 charge, and nothing is more key to feasibility than whether
14 the city in the years that are yet to come is going to be
15 able to service the pension obligations it will see, which
16 could well be crushing. It is for that reason issues such as
17 the investment return assumption, pension, all the other
18 things we heard from Bowen, we'll hear from others, are, in
19 fact, key to that just as they're key to other things, too,
20 so I don't think it's beyond the scope of the assignment, per
21 se.

22 As to expertise, Ms. Kopacz testified that although
23 she may not be an expert in this, she is able to understand
24 it, and she dealt with at least three, if not four, people
25 who were experts, first of all, Mr. Gaul, then Mr. Childree,

1 then Mr. Gleason, and finally Mr. Ravitch, who needs no
2 introduction because of his enormous expertise, and she dealt
3 with all of those, and, therefore, her opinion is informed by
4 those. It is not fair to claim that either she or her effort
5 lacked expertise.

6 As to, though, the relevance of these issues about
7 past behavior and conduct of the Systems, I think actually
8 she dealt with that in a telling answer that she gave, and
9 I'm going to have to read from my notes for obvious reasons,
10 but let me grab them. In response to one of your Honor's
11 questions, she testified that -- about executive leadership.
12 She said in every case she evaluated management and their
13 ability to carry out the plan because every plan depends on
14 the debtor's ability to carry it out and execute it
15 faithfully. It may well be that there's new management in
16 these Retirement Systems, and that's a good thing; however,
17 it's not possible to wholly ignore the history, and it's not
18 possible in confirming a plan or looking at feasibility to
19 turn a blind eye at things that went before that to many of
20 us are shocking. So I don't believe this disqualifies
21 Ms. Kopacz in any way nor do I think it renders unreliable or
22 irrelevant the observations she made or the materials she
23 relied upon in reaching her conclusions. And a good portion
24 of her report going beyond pensions deals with the question
25 of post-confirmation governance and who's going to run the

1 city and how they're going to do this difficult job. And I
2 don't think pensions or Retirement Systems should be excluded
3 from that because she has spoken about other parts of the
4 city as well. That's all I have, your Honor.

5 THE COURT: Okay. I'm going to take this under
6 advisement and issue a written opinion. Let's focus our
7 attention on the admissibility of Ms. Kopacz's report, per
8 se. Ms. Green, was there anything further you wanted to say
9 about that?

10 MS. GREEN: Only to reiterate that the clear
11 standard in the Sixth Circuit is that expert reports are, in
12 fact, hearsay. And in addition to that, Ms. Kopacz stated
13 again today on the record that several of the statements
14 contained in the pension-related conclusions of her report
15 were, in fact, taken from a declaration of Chuck Moore and
16 were not her own words. We cited case law in our brief that
17 stated it's inappropriate for an expert to simply rely on
18 someone else's hearsay, plop that into their report, and then
19 use that as sort of a subterfuge to get around hearsay rules.
20 And she stated several times during her deposition rather
21 than write our own language, we chose to use someone else's
22 declaration, and she stated that she was just reciting
23 someone else's kind of version of the facts. So, in addition
24 to the entire report being hearsay, we have specific
25 objections to portions of her report since they are merely

1 words taken from another person's document and basically word
2 for word placed into her own expert report.

3 MR. STEWART: Your Honor, I wonder if to some degree
4 a lot of this is moot anyway since other expert reports have
5 been marked and admitted as demonstrative exhibits, which
6 might pretermitt a lot of the issues that are discussed by all
7 sides here. However, I would make a couple of very brief
8 observations. Part of the Court's task here is to determine
9 whether or not Ms. Kopacz's opinions are well-considered and
10 are well-founded, and the statements contained in the report
11 are probative of that because it shows what she considered,
12 what her sources were, and in many cases what weight she gave
13 them. This is not hearsay if it is used to demonstrate the
14 basis of the expert's opinion because it's not offered for
15 the truth of the underlying statement. It's offered instead
16 to corroborate the rigor of the expert's work.

17 Finally, I would say that as to forecasting, which
18 is not something we've talked about today, a lot of the
19 content of the report that comes from others is relevant
20 because it is necessary to demonstrate that the forecasts and
21 other assumptions Ms. Kopacz is opining about are, indeed,
22 the same ones that we're seeing in the plan that will be
23 before the Court. That's all I have, your Honor.

24 MR. SOTO: Your Honor --

25 THE COURT: Sir.

1 MR. SOTO: -- Ed Soto on behalf of FGIC. Our
2 position has consistently been that -- actually two
3 positions. One is that as a demonstrative piece of evidence
4 that it could be admitted without admitting the truth of it,
5 and I think Mr. Stewart alluded to that. Our second position
6 has also been experienced here, and that is to the degree
7 that a subsequent witness -- expert witness, indeed,
8 testifies throughout about the substance of the report, it is
9 no longer hearsay and may be admitted in another way, so we
10 would like to adhere to those positions. And until
11 Ms. Kopacz is able to do -- well, we have no problem with it
12 coming in as a demonstrative, and if she's able --

13 THE COURT: Okay.

14 MR. SOTO: -- to do the latter, we would address it
15 then.

16 THE COURT: Thank you. Does anyone else want to be
17 heard regarding the admissibility of Ms. Kopacz's report?
18 All right. The Court will take that under advisement as
19 well. Can we return to our trial sequence?

20 MR. MILLER: Your Honor, may I approach with some
21 documents?

22 THE COURT: Sir?

23 MR. MILLER: May I approach with some documents?

24 THE COURT: Yes.

25 MR. MILLER: Good afternoon, your Honor. Evan

1 Miller, Jones Day, for the City of Detroit. And the city
2 would like to call as a witness Mr. Alan Perry.

3 THE COURT: Please raise your right hand.

4 ALAN H. PERRY, CITY'S WITNESS, SWORN

5 THE COURT: Please sit down.

6 DIRECT EXAMINATION

7 BY MR. MILLER:

8 Q Good afternoon, Mr. Perry.

9 A Good afternoon.

10 Q Please state your full name for the record.

11 A Alan Hopkins Perry.

12 Q And where do you live, Mr. Perry?

13 A Wynnewood, Pennsylvania.

14 Q And could you please describe your educational
15 background, specifically any college and graduate school?

16 A I have a bachelor's in business administration from the
17 Wharton School at the University of Pennsylvania and a
18 master's in science and actuarial science from the Temple
19 University Graduate School of Business in Philadelphia.

20 THE COURT: Excuse me one second. Can you pull that
21 microphone slightly closer to you? I think the base may
22 slide. There you go. See if that works better. Go ahead.

23 BY MR. MILLER:

24 Q And what years did you receive those degrees?

25 A Undergraduate degree was 1988, and my master's degree was

1 1990.

2 Q And what is your profession, sir?

3 A I'm an actuary.

4 Q And how long have you been doing actuarial work?

5 A The last 24 years.

6 Q So that would be since 1990. What kind of work did you
7 do before you began doing actuarial work?

8 A I worked as an equity and equity derivatives trader for
9 an investment firm.

10 Q And what firm was that?

11 A It was called the Chicago Corporation.

12 Q And where was that based?

13 A Chicago and Philadelphia.

14 Q And do you have any designations in the actuarial field?

15 A I'm a fellow of the Society of Actuaries and a member of
16 the American Academy of Actuaries.

17 Q And how does one become a fellow in the Society of
18 Actuaries?

19 A It takes a long series of actuarial examinations.

20 Q And what do those examinations cover?

21 A Mathematics, economics, finance, principles of insurance,
22 principles of employee benefits, so on.

23 Q Are there subspecialties in the actuarial profession?

24 A Right. During the fellowship, you have to have in-depth
25 knowledge in a particular actuarial practice area such as

1 insurance or life insurance or investments.

2 Q And do you yourself have a subspecialty in the field?

3 A Yes. My practice field is investments.

4 Q And in addition to your being a fellow in the Society of
5 Actuaries, what other professional designations do you hold?

6 A I have my CFA charter, Chartered Financial Analyst.

7 Q And what entity issues a CFA or Chartered Financial
8 Analyst designation?

9 A The CFA Institute.

10 Q And how does one become a Chartered Financial Analyst?

11 A I know there's the professional examinations, and there
12 are also experience requirements.

13 Q When you began in the actuarial field in 1990, where were
14 you employed?

15 A Milliman in Philadelphia.

16 Q And is that where you work today?

17 A Yes.

18 Q And do you work in the same office as Mr. Bowen?

19 A I do.

20 Q And is that office in Philadelphia proper or a suburb of
21 Philadelphia?

22 A In the suburbs, Wayne, Pennsylvania.

23 Q Okay. And where else does Milliman have offices?

24 A We have 31 offices throughout the United States and I
25 believe another 27 outside of the United States.

1 Q What type of services does Milliman provide to its
2 clients?

3 A Actuarial and other general business consulting to life
4 insurance companies, property casualty insurance, healthcare
5 providers, and employee benefits plans and investment
6 consulting.

7 Q I'm sorry. You said and investment consulting?

8 A And investment consulting.

9 Q In brief, can you summarize the work that you did in your
10 first several years at Milliman?

11 A Primarily investment analysis of pension portfolios,
12 developing capital market assumptions for our pension
13 clients.

14 Q Okay. And what is your current title at Milliman?

15 A I'm a principal consulting actuary and a senior
16 investment consultant.

17 Q And what are your current roles at Milliman?

18 A I have many roles. My primary role is to manage
19 Milliman's pension asset liability modeling services.

20 Q And what is that?

21 A We provide -- we team up with pension actuaries and
22 provide asset liability studies periodically for our pension
23 clients.

24 Q And who are the clients that would use these asset
25 liability studies?

1 A Generally, they'd be intermediate to large size public
2 and corporate and multi-employer pension funds.

3 Q And how would they use and apply these studies that you
4 would provide to them?

5 A Asset liability studies are a very in-depth look at the
6 long-term funding and risks to pension plans typically
7 focusing on asset allocation, risk management, long-term
8 costs.

9 Q And approximately how many asset liability studies does
10 the pension asset liability modeling group perform in a given
11 year?

12 A Typically ten to fifteen per year.

13 Q And I think you previously indicated that this work has
14 been provided to public sector pension plans; is that right?

15 A Public and corporate and multi-employer.

16 Q And can you name some of the public plan clients who've
17 received these pension asset liability modeling studies?

18 A Sure. City of Hartford, Connecticut; Iowa Public
19 Employees Retirement System; Kansas Public Employees
20 Retirement System. I've also done a lot of the same kind of
21 modeling more recently for the State of New York, State of
22 New Jersey, State of Minnesota, Oregon Public Employees
23 Retirement System, City of Portland.

24 Q Thank you. Do you have any other roles at Milliman?

25 A I also sit on Milliman's investment oversight committee.

1 Q And can you describe for us what the investment oversight
2 committee does?

3 A The investment oversight committee provides oversight to
4 Milliman's investment consultants in situations where the
5 investment consultants have some discretionary authority over
6 the asset management for their pension clients.

7 Q So if a Milliman investment consultant has the
8 discretionary authority with respect to a Retirement System
9 to terminate an investment manager, say a large cap
10 investment manager, how would he or she interact with your
11 committee?

12 A He or she would have to take that decision to the
13 investment oversight committee, explain the rationale for
14 that, and then the committee would approve it or not.

15 Q And you would evaluate the decision and opine whether the
16 investment consultant on behalf of Milliman could execute his
17 recommendation?

18 MR. WAGNER: Objection.

19 THE WITNESS: Yes.

20 MR. WAGNER: Leading.

21 THE WITNESS: Yes.

22 THE COURT: The objection is sustained.

23 BY MR. MILLER:

24 Q Mr. Perry, do you speak on actuarial matters or financial
25 advisory matters?

1 A From time to time I do.

2 Q And at what organizations would you typically speak?

3 A National Association of State Treasurers, International
4 Foundation of Employee Benefit Plans, public pension fund
5 conferences like the Pension Fund Summit, the Enrolled
6 Actuaries meeting.

7 Q And what would typically be the topics that you might
8 speak on at these meetings?

9 A Typically it would be asset allocation or pension risk
10 management.

11 Q Have you authored any publications in the field of
12 investment advisory services?

13 A Just a few.

14 Q And can you give us some examples of those?

15 A Published an article in Contingencies, which is a
16 publication by the American Academy of Actuaries, an article
17 in Benefits Quarterly, and I'm co-author of Milliman's
18 corporate pension funding study.

19 Q And tell us -- tell the Court about that study.

20 A That study -- there's a full study that goes out once a
21 year reporting on the funded status of the 100 largest
22 corporate pension -- defined benefit pension plans in the
23 U.S., and then the data -- the funding ratio index is updated
24 every single month.

25 Q And is that study widely used in the actuarial field?

1 A It's widely quoted.

2 Q Do you have any leadership positions at Milliman?

3 A I am chair of Milliman's capital markets committee.

4 Q How long have you served on that committee?

5 A About 19 years.

6 Q And how long have you served as chair of that committee?

7 A The last two or three.

8 Q And what does Milliman's capital markets committee do?

9 A Develops capital market assumptions to be used by both
10 Milliman's investment consultants and Milliman's pension
11 actuaries in their work providing guidance to their pension
12 clients.

13 Q And these capital market assumptions would be related to
14 what sort of projections?

15 A Typically it's expected returns and risk measures for all
16 the asset classes that our pension clients invest in.

17 Q And how is this -- how is the work product, the capital
18 market assumptions that are developed by the capital markets
19 committee, used by Milliman clients?

20 A Our investment consultants use them to help their clients
21 make asset allocation decisions, and Milliman's pension
22 actuaries use them to provide guidance to their clients on
23 setting the expected return assumption for their valuations.

24 Q And approximately how many pension plans throughout the
25 United States use the capital market assumptions that are

1 developed by the committee that you chair?

2 A Hundreds.

3 Q How many of them are governmental pension plans or public
4 pensions plans?

5 A I'd say about 50.

6 Q And approximately how many retiree health plans in the
7 U.S. use the capital market assumptions that are developed by
8 the capital markets committee that you chair?

9 A I'd say more than a thousand.

10 MR. MILLER: Your Honor, the city moves to have Mr.
11 Perry qualified as an expert witness on the subject of
12 actuarial science and pension investment analysis.

13 MR. WAGNER: No objection.

14 THE COURT: You may proceed.

15 MR. MILLER: Thank you.

16 BY MR. MILLER:

17 Q I'd like to begin the more substantive part of the exam
18 by talking about core principles of pension plan investing.
19 In the field of pension plan investing, what is the most
20 important decision that a governmental pension plan must
21 make?

22 A I would consider the asset allocation decision to be the
23 most important.

24 Q And what do you mean by asset allocation decision?

25 A The way the pension plan divides up their investments

1 into the -- among the different asset classes such as stocks
2 and bonds and real estate.

3 Q And can you offer the Court a hypothetical example of a
4 pension plan asset allocation portfolio?

5 A Sure. A plan might have, you know, 30 percent in U.S.
6 stocks, 30 percent in non-U.S. stocks, 30 percent in fixed
7 income, and 10 percent in real estate. That would be their
8 asset allocation.

9 Q Why is the asset allocation decision the most important
10 investment decision that a governmental pension plan can
11 make?

12 A Many studies have shown, studies by companies such as
13 Morningstar Associates, that, you know, asset allocation is
14 the dominant factor in the level of long-term returns that
15 pension funds earn.

16 Q And who's Morningstar?

17 A Morningstar is a Chicago-based investment research mutual
18 fund rating organization widely followed.

19 Q And do investments in certain asset classes tend to
20 produce higher returns than investments in other asset
21 classes?

22 A Yes.

23 Q And which asset classes have historically provided higher
24 returns than the others?

25 A Equity, equity-like asset classes have typically provided

1 the highest returns.

2 Q What type of equity classes?

3 A Public equity common stocks and also private equity.

4 Q In that case, why don't all retirement systems --
5 governmental pension plans, that is -- invest entirely in
6 equities?

7 A That would be too risky. If the equity markets suffered
8 a major correction, the entire portfolio would suffer that
9 correction, too. There would be no other assets to diversify
10 away some of that risk from the equity markets.

11 MR. MILLER: Can you put up City Demonstrative
12 Exhibit 633?

13 BY MR. MILLER:

14 Q Mr. Perry, have you seen this demonstrative before?

15 A Yes, I have.

16 Q And the equation that is at the top of the demonstrative,
17 contributions plus investments equal benefits plus expenses,
18 have you seen that formula before?

19 A Yes, I have.

20 Q And is this a widely recognized formula in the actuarial
21 field?

22 A Yes, indeed.

23 Q Can you explain to the Court the mathematical role that
24 investment risk plays in this C plus I equals B plus E
25 equation?

1 A Investment risk, volatility of investment returns
2 generally would need to be balanced out by similarly volatile
3 contributions to keep the fund in balance, so if investment
4 returns aren't as high as anticipated, then contributions
5 would need to be increased to make up for the difference.

6 Q So volatility of "I" or investments affects volatility of
7 contributions?

8 A Yes.

9 Q Who typically makes the asset allocation decision for
10 retirement systems?

11 A Pension trustees, pension committee.

12 Q Do actuaries often make the asset allocation decision?

13 A Not that I'm aware of.

14 Q So how do governmental pension plans, retirement system
15 trustees make their asset allocation decisions? How do they
16 go about doing that?

17 A Ideally they conduct an asset liability study, and what
18 they're trying to do there is explore and discover the
19 intersection with their investment return objectives and
20 their risk tolerance.

21 Q What determines a retirement system's investment risk
22 tolerance?

23 A Generally the financial strength of the plan sponsor.
24 That governs the plan's ability and willingness to take risk.

25 Q If the sponsor of a retirement system -- that is, a city

1 or county, a governmental entity that makes the pension
2 promise -- does not have the ability to take on significant
3 risk, how should the retirement system trustees then go about
4 making their asset allocation decision?

5 MR. WAGNER: Objection, your Honor. This is not in
6 his expert report. None of this is in his expert report. He
7 opined on one thing in his expert report, the proper return
8 rate, not on how trustees make decisions.

9 THE COURT: The objection is overruled. You may
10 proceed, sir.

11 THE WITNESS: If the plan sponsor is not strong
12 enough to step in and increase contributions if investments
13 are too volatile, then they should have a less aggressive
14 investment policy such that they can handle the kind of
15 losses that would be occurred -- incurred under a lower risk
16 portfolio.

17 BY MR. MILLER:

18 Q Now I want to move away briefly from asset allocations
19 and discuss another concept in the field of pension plan
20 investing, the investment return assumption. In pension plan
21 investing, what is your understanding of the concept of
22 investment return assumption?

23 A Generally, the investment return assumption is related to
24 the expected long-term rate of return on the pension
25 portfolio.

1 Q In your experience, who typically decides the investment
2 return assumption?

3 A It's also the plan, the plan trustees.

4 Q Okay. Are you aware of certain instances involving
5 governmental plans where the decision is not made by the
6 trustees, by another party?

7 A There are a few public plans such as New York, the State
8 of New Jersey, I believe Minnesota, where that assumption is
9 set by the legislature.

10 Q What is the mathematical relationship between the asset
11 allocation decision and the investment return assumption?

12 A They're generally positively correlated. The higher the
13 expected return --

14 THE COURT: Excuse me one second.

15 THE WITNESS: Pardon me.

16 THE COURT: We're having a technical issue we need
17 to address. Caroline, what's being done here? Can we
18 proceed?

19 THE CLERK: Believe so.

20 THE COURT: Good.

21 MR. MILLER: Thank you, your Honor. I do want to
22 make a request of the witness.

23 BY MR. MILLER:

24 Q If you could speak a little bit louder and a little bit
25 closer to the microphone and a little bit more slowly -- I

1 apologize. I was having a little trouble hearing you.

2 A I'll try.

3 Q Thank you.

4 THE COURT: What did you say? No, seriously.

5 THE WITNESS: I will try.

6 BY MR. MILLER:

7 Q Yeah, please. Just closer to the microphone and a little
8 louder. Thank you.

9 MR. MILLER: Your Honor, can I repeat the question
10 that was pending?

11 THE COURT: Yes. Good idea.

12 MR. MILLER: Thank you so much.

13 BY MR. MILLER:

14 Q Again, what is the mathematical relationship between the
15 asset allocation decision and the investment return
16 assumption?

17 A They're generally highly positively correlated, meaning
18 the higher the expected return on the portfolio, the higher
19 the expected return assumption.

20 Q And the converse is also true?

21 A Yes.

22 Q Are you familiar with the terms of the pension settlement
23 that the city reached with the Retiree Committee and the two
24 Retirement Systems?

25 A At a general level, yes.

1 Q And are you familiar with the terms governing the use of
2 a 6.75-percent investment return assumption?

3 A Yes.

4 MR. MILLER: Can you put up City Exhibit 1, page 44?
5 And can you blow up capital B in the middle of the page
6 there? Little lower. There we go. Thank you. Thank you.

7 BY MR. MILLER:

8 Q Mr. Perry, can you read and review that sentence? And
9 please read it into the record.

10 A During the period that ends on June 30th, 2023, the
11 trustees of the PFRS or the trustees of any successor trust
12 or pension plan shall adopt and maintain an investment return
13 assumption and discount rate for purposes of determining the
14 assets and liabilities of the PFRS that shall be 6.75
15 percent.

16 Q And what is your understanding of that requirement that
17 is a part of the pension settlement?

18 A I interpret this sentence as the plan addressing the idea
19 of a risk budget that the trustees should be targeting a
20 portfolio with an expected return of 6.75 percent and
21 maintain a portfolio that will be expected to deliver 6.75
22 percent with no more risk.

23 Q And this phrase that you just used, "risk budget," is
24 that a concept or phrase that investment consultants --
25 pension investment consultants use?

1 A Yes.

2 Q And what does "risk budget" mean?

3 A It means developing a strategy that has some sort of a
4 cap on the amount of risk that the plan can take.

5 Q So it -- I'm sorry. Go ahead. So is it fair to say and
6 is it your view that the requirement of a 6.75-percent
7 investment return assumption through the period ending June
8 30, 2023, essentially acts as a cap on risk?

9 A Yes, it is.

10 Q In your judgment, how does the 6.75-percent investment
11 return assumption that's required by the pension settlement
12 through 2023 compare to the investment return assumptions
13 that are selected by other governmental pension plans?

14 A It's low. It's at or near the bottom of the assumption
15 that we would see for the largest public plans.

16 Q Do you know of any governmental pension plans with lower
17 investment return assumptions?

18 A Just one or two that I'm aware of.

19 Q And what are those plans?

20 A I believe the District of Columbia is at 6-1/2, and I
21 believe the State of Indiana is at 6.75.

22 Q Any other plans -- governmental pension plans that you're
23 aware of that use either a 6.75-percent investment return
24 assumption or something lower?

25 A Not that I'm aware of based on, you know, the surveys and

1 things that we've been looking at, which have a lag to them.

2 Q And, again, if you could speak a little bit more slowly.

3 I'm sorry. I'm having trouble hearing. I now want to talk

4 about Milliman's capital markets model and how that capital

5 markets model is constructed and operated. You testified

6 earlier that you're the current chair of Milliman's capital

7 markets committee. What does the capital markets model

8 develop and make assumptions for?

9 A The capital markets model develops expected average

10 returns, expected standard deviation of returns, and expected

11 correlations between the returns of different assets for a

12 large set of asset classes that our pension clients invest

13 in.

14 Q Does it attempt to predict returns for all of the asset

15 classes that pension plans, corporate and governmental, tend

16 to invest in?

17 A Most of them. They keep finding new ones.

18 Q Okay. And what kind of software program do you use for

19 this capital markets model?

20 A When the model is put together, it's an Excel program.

21 Q And who determines the various assumptions that go into

22 and are yielded by application of the model?

23 A Milliman's capital markets committee.

24 Q The committee you chair?

25 A Yes.

1 Q And how many members does that committee have?

2 A It varies. In a typical year it's -- it could be as low
3 as five, as high as eight or nine.

4 Q And what's the expertise of the men and women who serve
5 on that committee?

6 A Generally, they are senior investment consultants.

7 Q Are there also actuaries on that committee?

8 A Right now there are two actuaries, me -- you know, myself
9 and one other, and we're both actuaries who are investment
10 consultants.

11 Q Okay. And, again, just to repeat for the record, what
12 are the three categories of assumptions that your committee
13 develops as part of this capital markets model?

14 A Right. Expected average returns, expected standard
15 deviations as a measure of the volatility of the annual
16 returns, and the expected correlations between the returns of
17 different asset classes.

18 Q And, again, just for the record, what do you mean by
19 correlations between asset classes?

20 A Correlation is the statistical measure that shows how
21 closely related the returns of two different asset classes
22 are. If they tend to move in lockstep together, if they're
23 both high at the same time or they're both low at the same
24 time, those have a high positive correlation. Two asset
25 classes that move in the opposite direction, when one has a

1 high return, the other one tends to have a low return, those
2 have a negative correlation. And asset classes that appear
3 to be not related to one another in terms of their returns,
4 they're independent, they generally have a zero correlation.

5 Q And why is it important to measure correlations between
6 asset classes in developing capital market assumptions?

7 A Correlations allow us to reflect the diversification
8 that's in a particular portfolio. If the assets in the
9 portfolio are not perfectly correlated, that'll reduce the
10 expected volatility or the standard deviation at the total
11 portfolio level, and that's -- you know, that's the holy
12 grail of investing is to be -- is to be very diversified.

13 Q And that can affect return?

14 A Absolutely.

15 Q Okay. Let's focus on the first category of assumptions
16 that you identified, expected future average returns on asset
17 classes. How does the capital markets committee go about
18 forecasting expected future average returns on asset classes?

19 A We use a lot of data and capital markets theory, the idea
20 being that capital market theory, sometimes known as modern
21 portfolio theory, suggests that expected returns are driven
22 by risk, and it's not just the volatility of one asset class.
23 It's not just that asset class of standard deviation. It's
24 really the amount of risk that that asset class adds to a
25 portfolio or a portfolio of all assets. That risk is called

1 covariance. So the portfolio theory says that expected
2 return on an asset class is directly related to its
3 covariance. The data that we use, historical returns, that
4 allows us to estimate those covariances over historical
5 periods, you know, how have each asset class' returns varied
6 with the portfolio of all assets, and if we can establish
7 what that relationship is, you know, what is the expected
8 return per unit of that covariance risk, we can develop a set
9 of capital market assumptions for all these asset classes.

10 Q And is there a particular asset class or two that you
11 focus on first in developing these expected returns among a
12 spectrum of asset classes?

13 A Right. To estimate what the expected return per unit of
14 risk is, we independently develop expected returns for
15 probably the two key assets classes that particular U.S.
16 pension funds hold. That would be U.S. large cap stocks such
17 as the S&P 500 and U.S. investment grade bonds, perhaps
18 Barclays Aggregate Bond Index.

19 Q And how do you go about projecting future average returns
20 on large cap U.S. domestic equity?

21 A Right. We primarily rely on the widely used dividend
22 discount model, which is kind of a building block model, but
23 it basically says that the price of the stock market is equal
24 to the present value of all the expected cash flows to be
25 received from holding those stocks. We have the price --

1 Q Let me stop you right there. Those cash flows being
2 what?

3 A Dividends, you know -- you know, perpetuity of dividends.

4 Q Okay.

5 A Right. Growing dividends hopefully. And if we know the
6 price today and we have the projected cash flows in the
7 security, we can estimate what the discount rate is that
8 equates those projected cash flows with the price. That's
9 the expected return on -- on this case, on stocks. And
10 taking that apart, the answer is it's the sum of three
11 components. The first component is today's dividend yield.
12 The next component is a forecast of the expected growth rate
13 in corporate earnings, thus the growth rate in dividends they
14 can pay out, and that's a real number. It's based on real
15 growth in earnings. And the third number is expected
16 inflation over the measurement period that we're forecasting.

17 Q And what is the inflation assumption that the capital
18 markets committee is currently using in its capital market
19 assumptions for purposes of developing expected future
20 average returns?

21 A It is currently two and a half percent per year.

22 Q And what are the sources that your committee used and
23 referred to in determining an inflation assumption of 2.5
24 percent?

25 A Right. We rely on what's called break even inflation,

1 which is the difference between the yields on conventional
2 U.S. treasury bonds and the yields on inflation indexed U.S.
3 treasury bonds. And break even inflation is the rate of
4 inflation that would need to -- that we would need to
5 experience such that returns on, for example, a 30-year
6 conventional treasury bond and a 30-year inflation index
7 treasury bond would be the same, so that's regarded as the
8 bond market's forecast for expected inflation over -- you can
9 look at a ten-year, twenty-, thirty-year horizon. We also
10 look at forecasts of inflation from economists, which are
11 published in survey form. We also look at --

12 Q Well, let me stop you there and ask what surveys in
13 particular do you refer to to obtain economists' view of
14 future inflation?

15 A Right. We use the survey called the Blue Chip Financial
16 Forecasts published monthly by Aspen Publishers. It's widely
17 followed.

18 Q Okay. And in addition to looking at economists'
19 forecasts and the break even inflation rate, anything else
20 that you refer to in developing that inflation assumption?

21 A Right. Another source is the U.S. Congressional budget
22 office. They put out the longest forecast of anybody that
23 I'm aware of, which runs out to 100 years, so they have their
24 forecast for inflation for each of the next 100 years.

25 Q Anything else or --

1 A We look at history, but, you know, more just to, you
2 know, get an idea of, you know, volatility measures of
3 inflation and correlations between inflation and real
4 returns.

5 Q And how long has the capital markets committee been
6 employing a 2.5-percent inflation assumption in connection
7 with its development of expected future average returns on
8 asset classes?

9 A It's been about the last two, possibly three years. It
10 was 2.75 percent two or three years ago.

11 Q Was it higher or lower more than two years ago?

12 A A couple years ago for maybe a year or two it was 2.75.
13 Before that it was 2.5. Again, it's been down there for
14 awhile.

15 Q So you indicated that there were essentially three
16 building block tools that you used to forecast expected
17 future average returns as it relates to this large cap
18 domestic equity class --

19 A Yes.

20 Q -- dividend yield, real growth in earnings, and
21 inflation. Do I have that right?

22 A Yes.

23 Q Great. And the expected future average returns on that
24 large cap equity class is the sum of those three data points
25 over a period of time?

1 A Essentially, yes.

2 Q And after developing the expected future average return
3 on large cap equities, what is the next asset class that you
4 focus on in order to develop these returns across an asset
5 class spectrum?

6 A Right. Our other anchor, so to speak, is U.S. investment
7 grade fixed income, you know, the broad investment grade U.S.
8 bond market.

9 Q I'm sorry. Can you repeat that? I couldn't hear.

10 A The broad U.S. investment grade fixed income market
11 sometimes referred to as the aggregate fixed income market.

12 Q Thank you. And how do you go about developing the
13 expected future average returns on that investment grade bond
14 portfolio?

15 A Right. Well, the nice feature of bonds is they have a
16 stated yield. They are referred to as fixed income, so we
17 don't have to forecast what the cash flows will be. They're
18 built into the bonds, so you can get a quote on the yield to
19 maturity of the entire bond market. And generally with bonds
20 what you see is what you get. The future return is going to
21 be very close to the yield when you buy it. However, we are
22 in an environment right now where, due to the actions of the
23 U.S. Federal Reserve and other central banks, they are
24 influencing the interest rate markets significantly. Short-
25 term interest rates are near zero, and long-term interest

1 rates are still just a little above historical lows. Those
2 Blue Chip Financial Forecasts and other forecasts that we
3 look at, the consensus is that interest rates will be moving
4 up over the next five years and even a little bit beyond five
5 years out ten years, so I feel it's important to reflect that
6 expectation of rising interest rates when we develop the
7 assumption for fixed income. Fixed income -- you know, bonds
8 have a fixed maturity. It's not in perpetuity like equities,
9 so bonds are going to mature. You're going to roll over and
10 you're going to buy new bonds. We expect them to have a
11 higher interest rate, a higher yield as we go forward. So we
12 reflect where we think interest rates are going based on
13 these economists' forecasts, and based on the interest rate
14 sensitivity of this bond market, we can calculate total
15 returns, which would be, you know, coupon yield and also a
16 price impact, generally bad as interest rates go up, and we
17 can get the average return over the time period you're
18 interested in by following and playing that out.

19 Q Got it.

20 A Right.

21 Q So once you have what I think you referred to as the two
22 anchors, your projected returns on large cap domestic U.S.
23 equities and investment grade bonds, how do you go about
24 filling in the expected returns for the rest of the asset
25 classes that pension plans would ordinarily invest in?

1 A Right. With those two anchors -- as I say, two points
2 determine a line -- we can determine what we think is the
3 market's expected return per unit of risk where, again, risk
4 is that covariance measure. So we have it for the two
5 points. We can figure out what it is because we're assuming
6 that it's constant. It's a constant function of what the
7 covariance is, so historically we can measure the covariance
8 of all of the asset classes and then we can determine sort of
9 by interpolation where the expected return is for each of the
10 other asset classes based on that measure of covariance and
11 how it compares to those two anchors.

12 Q So it's essentially an interpolation exercise?

13 A Right. It starts out that way.

14 Q You had mentioned a second category of inputs, which are
15 expected standard deviation. How does the capital markets
16 committee go about forecasting expected standard deviation of
17 annual returns for asset classes that pension plans may
18 invest in?

19 A Generally for standard deviations we use the historical
20 standard deviation measured over a long time period. There
21 are a couple of asset classes that are assets that don't
22 trade in regular markets, things like private equity and
23 private real estate. They suffer from some appraisal-based
24 pricing and so, based on some research, we make some
25 adjustments to those standard deviations, but for most of the

1 other asset classes, it's based on actual historical standard
2 deviations.

3 Q Okay. And how does the capital markets committee go
4 about forecasting that third category and last category of
5 inputs, correlation between asset classes?

6 A Same way as the standard deviation. We base that on
7 historical returns over that same time period that we use for
8 the standard deviation.

9 Q Okay. And is there a deliberative process that the
10 capital markets committee undertakes before it approves the
11 assumptions in each of these categories?

12 A Yes. After the data is collected and the model is put
13 together and we've set the returns for the two anchors and we
14 have the set for all the capital asset classes, we go through
15 them one by one, you know. Essentially the committee
16 discusses them, if needed, and we approve them.
17 Particularly, we approve any changes over what the
18 assumptions were, you know, at the previous calibration of
19 the model.

20 Q Okay. And, indeed, how often do you recalibrate and
21 update the model?

22 A Generally every six months, December 31st and June 30th.

23 Q And as part of each six-month update, do you undertake
24 any checks on your capital market model result?

25 A Yeah. Because of the size of Milliman, we benefit from

1 seeing the capital market assumptions of a lot of other
2 consulting firms and actuarial firms. We are joint
3 consultants often for the same client. And, you know, we
4 keep track of how our assumptions compare to other investment
5 consulting firms and actuarial firms' assumptions. There are
6 also some forecasts of particularly U.S. large cap equity and
7 investment grade fixed income that we can look at to see, you
8 know, how we compare with those.

9 Q And generally how do Milliman's capital market assumption
10 results compare to those of peer groups?

11 A Very close. We're kind of in the middle of the pack more
12 often than not.

13 Q And what are some of the other firms that, in your
14 judgment, are part of this peer group that you compare your
15 results to?

16 A Right. Certainly the other large actuarial consulting
17 firms such as Mercer, Towers Watson, Aon Hewitt, and then
18 some of the larger widely used investment consulting firms
19 such as Wilshire and NEPC and Callan and Frank Russell and
20 others.

21 Q You mentioned Wilshire. Does Wilshire Associates have
22 any current relationship to any of the two Retirement Systems
23 that the City of Detroit sponsors?

24 A My understanding, they are the investment consultant for
25 PFRS.

1 Q And NEPC, that's New England Pension Consultants; is that
2 right?

3 A Yes.

4 Q Yeah. Do they have a current relationship with any of
5 the Retirement Systems that the City of Detroit sponsors?

6 A It's my understanding they are the investment consultant
7 for GRS.

8 Q And you said that generally Milliman's capital markets
9 assumptions fare -- compare closely to the assumptions that
10 are generated by these sorts of investment consultants?

11 A Generally, yes.

12 Q Let me ask this question. In forecasting expected future
13 average returns on asset classes, do you look at what
14 governmental pension plans have historically been returning
15 on these asset classes?

16 A Not as a matter of setting our assumptions, you know.
17 Obviously as an investment consultant I see those returns all
18 the time, but they do not go into our model. They're not one
19 of the inputs.

20 Q And why is that?

21 A The returns are forward looking. As I said, they're
22 based on prices today and forecasts of future cash flows
23 received from investments, and, you know, what they've been
24 in the past doesn't influence, you know, that math at all.

25 Q And it's the -- is it your judgment that in forecasting

1 expected future average returns on asset classes, it is not
2 important to look at what institutional investors such as
3 pension plans have returned on those asset classes --

4 MR. WAGNER: Objection.

5 BY MR. MILLER:

6 Q -- in the past?

7 MR. WAGNER: Objection. Leading.

8 MR. MILLER: I'll withdraw it.

9 BY MR. MILLER:

10 Q I now want to turn to the work that you did for the City
11 of Detroit. Did there come a time when the city retained you
12 to project investment returns for its two Retirement Systems,
13 GRS and PFRS?

14 A Yes.

15 Q And when was that assignment given to you?

16 A June of 2014.

17 Q And over what time horizons did the city ask you to
18 project investment returns?

19 A Investment returns for the next ten years and for the
20 next thirty years.

21 Q And how would you compare the two requested time horizon
22 periods, a ten-year time horizon and a thirty-year time
23 horizon? How would you compare them to the investment
24 horizon periods that are typically requested by your clients
25 that seek investment projection work?

1 A Those are typically the two standard time horizons.
2 Certainly for investment consultant -- investment consulting,
3 ten years is the common time period. Occasionally you'll see
4 seven years, something like that. And on the actuarial side,
5 30 years is also a very common projection. Sometimes you'll
6 see 20, but 30 is very common. We've been using it for 20
7 years.

8 Q And did you, in fact, undertake the assignment?

9 A Yes.

10 Q Yeah. And did you complete the assignment?

11 A Yes.

12 Q And did you prepare and submit an expert report in
13 connection with the assignment?

14 A Yes.

15 Q And does that expert report contain a summary of your
16 results of the assignment?

17 A Yes.

18 MR. MILLER: Could you put up City Exhibit 465? And
19 why don't you turn to page 11, which is called Exhibit 1
20 within that document? Blow that up.

21 BY MR. MILLER:

22 Q And this document -- or this page relates to the work
23 that you did in connection with which of the two Retirement
24 Systems?

25 A Exhibit 1 is PFRS.

1 Q Okay. Before we get into the particulars of this page,
2 Mr. Perry, you mentioned before that your capital markets
3 committee updates its capital markets model every six months.
4 What was the date for the capital market assumptions that
5 were used in undertaking this project for the city?

6 A December 31, 2013.

7 Q And had there been any changes made to the capital market
8 assumptions between July 1, 2013, and December 31, 2013?

9 A Yes, there were changes.

10 Q And what were the most important of those changes?

11 A Generally, the expected return on equities and most of
12 the alternative asset classes were decreased by 25 basis
13 points, a quarter of a percent, and the -- due to higher
14 yields by the end of the year, the expected returns on fixed
15 income were increased very slightly, just a few basis points.

16 Q Okay. So what would have been the impact on the
17 projected investment returns that would have been yielded by
18 application of the December 31, 2013, capital market
19 assumptions relative to the ones that you had for July 1,
20 2013?

21 A For a pension plan with a lot of equities and
22 alternatives in it, they would have decreased.

23 Q Thank you. Okay. What was the first step that you
24 employed in the process to complete this investment
25 projection assignment you had received several weeks ago?

1 A The first step was to obtain information about the
2 investment policy targets for the two systems.

3 Q And how did you obtain that information?

4 A We requested it from the city, and we received an exhibit
5 from the city, and we also received reports from the two
6 investment consultants, Wilshire and NEPC.

7 Q Okay. And why did you request policy target allocations
8 rather than the actual asset class percentages based on the
9 actual value of investments at the time of the measurement?

10 A We think it's more appropriate to use the investment
11 policy. That's their home base. That's what's supposed to
12 be guiding their long-term asset allocation. The actual
13 allocation on any one day generally deviates from that just
14 due to market movements, so we prefer to use the targets
15 because that's what we think is going to be the long-term
16 average asset allocation over the measurement period.

17 MR. MILLER: And can you highlight the vertical
18 column that's denominated 12 -- December 31, 2013, policy
19 target allocation?

20 BY MR. MILLER:

21 Q And are those the policy target percentages that you
22 recall working with?

23 A Yes.

24 Q Okay. Okay. After receiving the policy target
25 allocations for PFRS, what was the next step?

1 A Well, we study those targets so we can map the asset
2 classes that are represented in those targets as accurately
3 as possible into our model, make sure that we have the best
4 match on each of the asset classes that the system is
5 invested in.

6 Q Okay. And then once you've reached a judgment that you
7 have properly mapped the policy targets to asset classes in
8 your model, what is the next step?

9 A The next step is to enter them into the model and examine
10 the results.

11 Q Got it. And I want to focus your attention right now to
12 the three vertical columns under the heading "Milliman Ten-
13 Year Assumptions as of December 31, 2013."

14 MR. MILLER: And can you highlight those three
15 columns in the box right under there?

16 BY MR. MILLER:

17 Q And, Mr. Perry, what are those percentages?

18 A The first column labeled "Geometric Mean," that's another
19 word for the annualized rate of return. The middle column is
20 the arithmetic mean. That's the expected average return in
21 any one year. And the third column is the expected standard
22 deviation for that asset class.

23 Q And these three columns of numbers, are these the actual
24 ten-year capital market assumptions for the model for these
25 particular asset classes?

1 A Yeah. These are the general -- the results for the
2 general model that would apply for any plan -- any plan
3 invested in these asset classes.

4 Q So these capital market assumptions that you see on this
5 table, they weren't developed exclusively for the city's
6 assignment?

7 A No.

8 Q Okay. They would apply to any pension plan or other
9 entity seeking a capital market projection of returns?

10 A Yes.

11 MR. WAGNER: Objection. Leading.

12 THE COURT: Sustained.

13 MR. MILLER: Okay. I now want to highlight the
14 numbers right under that table under the heading "Milliman
15 Ten-Year Assumptions." Okay.

16 BY MR. MILLER:

17 Q Mr. Perry, can you walk the Court through the process by
18 which you developed those numbers that are shown in the
19 highlighted yellow?

20 A Sure. The first step is relatively easy. We start with
21 the middle column, the arithmetic mean, because the
22 arithmetic mean return on a portfolio of assets is the simple
23 weighted average mean of the individual asset classes
24 weighted by that asset class' allocation, so we can just
25 multiply those together, 12 percent times 8.25, 7 percent

1 times 9.20 and so forth, and when we add those up, we'll get
2 the number at the bottom under the arithmetic mean column,
3 the 7.43 percent. And that's essentially an intermediate
4 step. Unfortunately, for the risk of the portfolio, the
5 standard deviation at the portfolio level, it's a more
6 complicated weighted average because we have to reflect also
7 those correlation coefficients that we discussed. They're
8 not shown here, but they have to be reflected. The weighted
9 average on the portfolio is not a simple weighted average of
10 the standard deviations. We reflect correlations, and that
11 leads to the standard deviation for the total portfolio,
12 which is the 12.75-percent number you see under the standard
13 deviation column.

14 Q Yes.

15 A Now, armed with those two numbers, the arithmetic mean
16 for the portfolio and the standard deviation of the annual
17 return for the portfolio, we can calculate the expected
18 geometric mean, the annualized rate of return, over the ten-
19 year period.

20 Q And what is that number?

21 A And that's the 6.75-percent number.

22 Q And that's the number that your capital markets model
23 showed for this portfolio of target allocations?

24 A Right.

25 MR. WAGNER: Same objection. There's just way too

1 much leading here.

2 MR. MILLER: Go ahead.

3 THE COURT: The objection is sustained.

4 THE WITNESS: Okay.

5 THE COURT: No. The objection is sustained.

6 MR. MILLER: Oh, I'm sorry. Withdraw the question.

7 BY MR. MILLER:

8 Q Continue going through the process.

9 A All right. So the 6.75 is the expected mean annualized
10 rate of return over ten years, but due to the way investment
11 returns compound over time, that number has a little positive
12 skew to it, so as actuaries we don't like to use that.
13 That's not the most likely outcome. The most likely outcome
14 is the median or the 50th percentile of this possible return
15 distribution, so we make one final adjustment down to that
16 6.68-percent number. That is the median or 50th percentile
17 expected return and most likely return over the next ten
18 years.

19 Q And then can you explain to the Court the impact of the
20 horizontal line that says net of .10 percent investment
21 management fees?

22 A Right. Actuarial Standards of Practice 27 generally
23 discourages assuming that actively managed investments will
24 outperform sort of index funds or benchmarks, and you pay a
25 lot of extra fees for that, so we're developing expected

1 returns for essentially index funds or passive investments,
2 and they have very small fees, so we're estimating the fees
3 on that kind of a portfolio at only .1 percent or ten basis
4 points. So after we take those fees off, we're down at 6.58
5 percent as the expected net of fees median most likely return
6 over the next ten years.

7 Q So what figure does represent your best estimate of the
8 PFRS projected returns for the next ten years?

9 A 6.58 percent.

10 Q Now let's move to the table on the far right under the
11 column "Milliman 30-Year Assumptions." And did you
12 essentially undertake the same process in determining your
13 best estimate of the return for the PFRS portfolio over the
14 next 30 years?

15 A Yes. We followed the exact same process. We're just
16 using different individual asset class expected returns.

17 Q And what is your best estimate of PFRS returns for the
18 next 30 years under your capital markets model?

19 A 7.12 percent.

20 Q Why is the 30-year best estimate higher than the 10-year
21 best estimate for the PFRS portfolio?

22 A It's because, as I mentioned earlier, built into our
23 capital market assumptions is the expectation of rising
24 interest rates in general over the next ten years, so the 30-
25 year assumptions have the same first ten years as the 10-year

1 assumptions, but then when we get out, for example, to year
2 11, we're anticipating higher interest rates plus higher
3 returns on the fixed income asset classes that will then --
4 the portfolio would then benefit from those for the remaining
5 20 years of the 30-year horizon, so that's going to push
6 those 30-year numbers up within the fixed income asset
7 classes.

8 Q Okay. Mr. Perry, did you yourself prepare these tables?

9 A Yes, I did.

10 Q Okay. And do these tables and the results on those
11 tables, in fact, show the projected returns that your
12 analysis concluded?

13 A Yes.

14 MR. WAGNER: Objection. Leading.

15 THE COURT: Overruled. What's your answer?

16 THE WITNESS: Yes.

17 MR. MILLER: Steve, can you put on the screen the
18 next page of City Exhibit 465? It's called Exhibit 2. And
19 let's highlight, right, on the top left. And can you yellow
20 the top left corner? Right.

21 BY MR. MILLER:

22 Q And what does this exhibit represent, Mr. Perry?

23 A This is the same analysis but for GRS.

24 Q Okay. And did you follow the same process to develop the
25 projected investment returns for GRS that --

1 A Yes.

2 Q -- you had for PFRS?

3 A Yes.

4 Q And what is the best estimate of the projected GRS
5 returns for the next ten years?

6 A 6.52 percent.

7 Q And for the next 30 years?

8 A 7.04 percent.

9 Q And, again, the 30-year projection is higher than the 10-
10 year projection, and why is that so?

11 A Same reason. We have higher expected average returns in
12 fixed income over 30 years than we do over the next 10.

13 Q Now, when Milliman runs a capital markets projection,
14 does that projection provide, in addition to a single best
15 estimate that you've testified to, a range of best estimates?

16 A Yes, it does.

17 Q And why is that, sir?

18 A Because Actuarial Standard of Practice 27, which is the
19 standard covering the development of economic assumptions for
20 measuring pension obligations, it calls for the actuary to
21 develop a best estimate range, and the pension industry
22 generally has interpreted that to mean the 25th to 75th
23 percentile of this median long-term return distribution.

24 MR. MILLER: Steve, can I ask you to stick with City
25 Exhibit 465 and now move to page 2 of that exhibit? And can

1 you highlight the two charts near the top of that page?

2 Thank you.

3 BY MR. MILLER:

4 Q And, Mr. Perry, the top chart, what does that represent?

5 A Those are the expected returns and the best estimate
6 range for the two systems for the ten-year horizon.

7 Q And the bottom chart?

8 A The same for the 30-year horizon.

9 Q Okay. And can you explain how the capital markets
10 committee determined the best estimate range percentages that
11 are shown on the top chart for DGRS and DPFRS?

12 A So based on the same data, the same results we just
13 developed on the previous exhibits, with the expected average
14 return and the standard deviation for the portfolio, we can
15 use that information to estimate the 25th and the 75th
16 percentile just as we did for the 50th percentile.

17 MR. WAGNER: Your Honor, can -- I'm sorry. Can I
18 ask whether the -- what's being offered -- is this being
19 offered into evidence, and what part of the document is being
20 offered into evidence, whether it's the charts?

21 THE COURT: Good question.

22 MR. MILLER: Yeah. Your Honor, the city moves to
23 offer into evidence as demonstratives the Exhibit 1 chart
24 respecting PFRS, the Exhibit 2 charts respecting GRS, and
25 these charts on this page.

1 MR. WAGNER: No objection as demonstratives.

2 THE COURT: All right. For that limited purpose,
3 these -- those identified parts of this exhibit are admitted.
4 And it is closing time, so we will take our --

5 MR. MILLER: Your Honor, I'm sorry.

6 THE COURT: We will not take our break now.

7 MR. MILLER: We will not. I beg your indulgence.
8 The city would like to extract these materials from the
9 expert report and move to have them entered into and admitted
10 as evidence and not merely demonstratives.

11 THE COURT: Okay. So just for the record, what
12 would your next exhibit number be? Anybody know?

13 MR. STEWART: 706.

14 MR. MILLER: 706.

15 THE COURT: Is there any objection to that?

16 MR. MILLER: No.

17 THE COURT: All right. Then for all purposes, the
18 Court will admit Exhibit 706.

19 (City Exhibit 706 received at 5:00 p.m.)

20 THE COURT: Now can I call a recess for the day?

21 (Proceedings concluded at 5:00 p.m.)

INDEX

<u>WITNESSES:</u>	<u>Direct</u>	<u>Cross</u>	<u>Redirect</u>	<u>Recross</u>
Glenn Bowen	35	89	120	124
Martha E.M. Kopacz	137	186		
Alan H. Perry	206			

<u>EXHIBITS:</u>	<u>Received</u>
City Exhibit 473	76
City Exhibit 474	76
City Exhibit 491	60
City Exhibit 495	97
City Exhibit 496	97
City Exhibit 632 (demonstrative)	70
City Exhibit 633 (demonstrative)	44
City Exhibit 706	248
Syncora Exhibit 4054	41
Syncora Exhibit 4776	41
COPs Exhibit 1001	52
COPs Exhibit 1004	52
COPs Exhibit 1008	60
COPs Exhibit 1023	52
COPs Exhibit 1024	52
COPs Exhibit 1028	97
COPs Exhibit 1029	97
COPs Exhibit 1036	110
COPs Exhibit 1040	110

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

September 21, 2014

Lois Garrett

EXHIBIT F

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:
City of Detroit, Michigan,
Debtor,

Chapter 9
Case No. 13-53846
Hon. Steven W. Rhodes

**SUPPLEMENTAL REPORT OF MARTHA E.M. KOPACZ
REGARDING THE FEASIBILITY OF THE CITY OF DETROIT PLAN OF
ADJUSTMENT**

On April 22, 2014, Judge Rhodes entered an Order¹ appointing me as the Court's expert witness. Pursuant to that Order, "(t)he Court's expert shall investigate and reach a conclusion on:

- (a) Whether the City's plan is feasible as required by 11 U.S.C. § 943(b)(7);
- and
- (b) Whether the assumptions that underlie the City's cash flow projections and forecasts regarding its revenues, expenses and plan payments are reasonable."

I am providing this Report under Fed. R. Evid. 706(a). On July 18, 2014, I served my initial Expert Report (the "Initial Report") on parties in interest.² Except as noted below, I incorporate the Initial Report by reference in its entirety.

¹ Docket #4215 - Order Appointing Expert Witness

² Docket #6156 - Certificate of Service regarding Expert Report of Martha E. M. Kopacz.

I submit this supplemental Expert Report for three purposes:

- To reaffirm my expert opinions after a review of the 5th and 6th Amended Plans of Adjustment filed after the submission of my initial Expert Report;
- To provide certain additional analyses based on information received from the City after the issuance of my Initial Report; and
- To correct typographical errors in the Initial Report.

Section I – Reaffirmation of Expert Opinion

Subsequent to July 18, 2014, the City filed two amendments to its Plan of Adjustment (“POA” or “Plan”).³ My team and I have reviewed the amended Plans in order to determine what impact, if any, the changes might have on my Opinions. Of particular note, the financial projections supporting the amended POAs have not changed from the financial projections I analyzed in connection with my Initial Report. Thus, there are no new or additional forecasts, or *quantitative* information, to be evaluated or critiqued.

However, some of the changes reflected in the amended Plans, as well as the more recent approved tender offer for DWSD bonds, do impact my *qualitative* assessment of the current POA. The settlements reached with creditors after the date of the Initial Report and the DWSD bond tender approved by the Court on August 25, 2014 help to reduce uncertainties for the City post-confirmation and, in some cases, reduce the amount of long term cash outflows from the City. The DWSD bond refinancing increases the likelihood that DWSD will be able to make its contribution to the pension obligations, as contemplated in the most recently

³Docket #6257 - July 25, 2014 Fifth Amended Plan; Docket #6379 - July 29, 2014 Corrected Fifth Amended Plan; Docket #6908 - August 20, 2014 Sixth Amended Plan

amended POA, and also provides some encouraging data that may benefit the City in its future efforts to tap the capital markets.

Based on the foregoing, I reaffirm my opinions in the Initial Report that:

(a) The City's plan is feasible as required by 11 U.S. C. § 943(b)(7); and

(b) The assumptions that underlie the City's plan of adjustment projections regarding its revenues, expenses and plan payments are reasonable.

Section II – Supplemental Analysis Regarding Unfunded Pension Liabilities

Section J in my Expert Report addresses Pension Issues. I conclude that section of the Report with future reporting recommendations⁴. These recommendations stem from my concern that the City may have continuing unfunded pension obligations far into the future and that these obligations may increase beyond the assumptions presented in the July 2, 2014 financial projections.

Prior to issuing my Initial Report, the City provided me and my team with information regarding a sensitivity analysis of the future unfunded pension obligations. At that time, the information was limited to the obligations of the

⁴ Initial Expert Report of Martha E. M. Kopacz, beginning on page 154.

Police & Fire Retirement System (“PFRS”) under several scenarios. This sensitivity analysis was prepared at my request by the City’s actuarial firm, Milliman, Inc., and is discussed on pages 152 through 154 of the Initial Report.

Subsequent to the conclusion of my deposition, the City provided me with a similar analysis, prepared by Milliman, Inc., regarding future unfunded obligations of the General Retirement System (“GRS”). For the sake of clarity and simplicity, I am incorporating below the identical PFRS sensitivity analysis from my Initial Report, to which I have added a new sensitivity analysis for GRS. Adding the potential unfunded obligation related to GRS to that of the PFRS, which was identified in the Initial Report, provides a more complete picture and bolsters the recommendations for systematic and robust reporting contained in the Initial Report.

Sensitivity Analysis

The Society of Actuaries issued a *Report of the Blue Ribbon Panel on Public Pension Funding* in February 2014. The Blue Ribbon Panel recommended stress tests measuring the effect of investment returns over a 20-year period that are three percentage points above and below those used in calculating standardized plan

contributions⁵. The panel believes that +/- 3% points represents “plausible stresses” based on its review of prior market returns⁶.

In response to my request for an appropriate sensitivity analysis for the pension plans, Milliman has analyzed the PFRS and GRS plans assuming various average rates of return for the FY2014-2023 period and the aforementioned scenarios of 1) a bear market 5-year period followed by a bull market 5-year period and 2) a bull market 5-year period followed by a bear market 5-year period.

PFRS Sensitivity Analysis

As illustrated below, if the PFRS plan averages a 6% rate of return (75 basis points lower than the assumed rate of return) over the nine years ending June 2023, the Plan is forecasted to be only 70% funded in June 2023, resulting in an additional \$236 million of unfunded liability versus the POA projections. That unfunded variance expands to \$527 million if the PFRS plan averages a 5% rate of return during this time period. Finally, if PFRS is negatively impacted by a bear market/bull market cycle (as opposed to the inverse) with five years averaging 0%

⁵ The Society of Actuaries “Report of the Blue Ribbon Panel on Public Pension Plan Funding”; February 2014

⁶ The Society of Actuaries “Report of the Blue Ribbon Panel on Public Pension Plan Funding”; February 2014

followed by five years averaging 10%, the pension plan would have \$342 million more in unfunded liabilities during the 10-year period in question.

PFRS Average Rate of Return Scenario Analysis⁷

Average Rates of Return July 2014 - June 2023	Estimated Funding Status June 2023	Estimated Projected Unfunded Liability June 2023	Estimated Projected Unfunded Liability Variance
3.00%	43%	\$ 1,717	\$ 1,036
5.00%	60%	\$ 1,208	\$ 527
6.00%	70%	\$ 917	\$ 236
6.75%	78%	\$ 681	\$ -
8.00%	92%	\$ 252	\$ (429)
0% - 1st 5 years; 10% - 2nd five years	53%	\$ 1,439	\$ 758
10% - 1st 5 years; 0% - 2nd five years	64%	\$ 1,097	\$ 416

GRS Sensitivity Analysis

Similar to the PFRS analysis above, if the GRS plan averages a 6% rate of return (75 basis points lower than the assumed rate of return) over the nine years ending June 2023, the plan is forecasted to be only 69% funded in June 2023, resulting in an additional \$163 million of unfunded liability versus the POA projections. At an average 5% rate of return during this time period, the unfunded variance expands to \$359 million. Lastly, if GRS is negatively impacted by a bear market/bull market cycle (as opposed to the inverse) with five years averaging 0%

⁷ Milliman, Inc. letter; dated July 9, 2014

followed by five years averaging 10%, the pension plan would have \$165 million more in unfunded liabilities during the 10-year period in question.

GRS Average Rate of Return Scenario Analysis⁸

Average Rates of Return July 2014 - June 2023	Estimated Funding Status June 2023	Estimated Projected Unfunded Liability June 2023	Estimated Projected Unfunded Liability Variance
3.00%	47%	\$ 1,209	\$ 665
5.00%	61%	\$ 903	\$ 359
6.00%	69%	\$ 707	\$ 163
6.75%	76%	\$ 544	\$ -
8.00%	89%	\$ 247	\$ (297)
0% - 1st 5 years; 10% - 2nd five years	57%	\$ 964	\$ 420
10% - 1st 5 years; 0% - 2nd five years	65%	\$ 799	\$ 255

Section III – Errata Items

Set forth below are certain non-substantive “errata” changes to the Initial Report.

Date Change

On page 59 of my Initial Report, there is an error in paragraph 2, line six. The second reference to “FY 2015” in the statement “....property assessments in FY2015 and a 3-4% drop in FY2015.” should instead be “FY 2016.”

⁸ Milliman, Inc. letter; dated July 22, 2014

Footnote 47

During my deposition, it was brought to my attention that Footnote 47 of my Initial Report was in error. Following the deposition, I determined that Footnote 47 applied to a different sentence in the Initial Report. As explained below, I am incorporating in full the relevant section of the Initial Report and correcting the misapplied footnote to the proper text.

Pension

Within the Pension Issues section of my Report (Section J) is a subsection dealing with “Pension Funding Level”, beginning on page 126 and concluding in the middle of page 129. The Detroit Retirement Systems have sought to exclude this portion of my Initial Report based on the mistaken belief that my statements and conclusions are erroneous. Although I will leave to the Court the decision whether to exclude these passages, the record should be clear as to the relevant sources on which I relied. As I noted in my Initial Report, I relied on information and data supplied by the parties in this case. To clarify, set forth below are the same pages from my Initial Report to which I have added footnotes which reference the relevant source.

Pension Funding Level

The accounting for defined benefit plans can be very complex. The calculations used to determine the appropriate funding levels required each year are dependent upon macro-economic factors, actuarial assumptions, and other variables that can be difficult to understand and can be manipulated to bias the required funding levels.

Historically, a number of different practices have contributed to a significant funding shortfall in the two pension plans. The Retirement Systems utilized unrealistic rate of return assumptions and managed the pension plans in accordance with questionable investment strategies that resulted in considerable underfunding of the respective Plans. The Retirement Systems assumed aggressive annual rates of return on investment (PFRS: 8.0%; GRS: 7.9%), allocated asset gains and losses over a seven-year period which masked potential funding shortfalls, and utilized renewing 29- (PFRS) and 30- (GRS) year amortization periods for funding the unfunded pension obligations.⁹

The calculation of this funding shortfall, or the Unfunded Actuarial Accrued Liability (“UAAL”), is dependent upon the use of assumptions as noted above.

⁹ Docket #4391 – Fourth Amended Disclosure Statement; page 120, ¶ (b)(ii)

Based on the assumption methodologies used by the retirement systems previously, the UAAL was projected, at the end of FY2012, to have been approximately \$977 million.¹⁰ At June 30, 2013, that UAAL estimate was \$1.5 billion as PFRS reported it was 89% funded with a UAAL of \$415 million. At that same time, GRS reported it was 70% funded with a UAAL of \$1.1 billion.¹¹ Using what the City now believes are more accurate assumptions, the City's actuary - Milliman, Inc. - has estimated that the combined systems' UAAL, at June 30, 2013, was approximately \$3.5 billion.¹²

In addition to issues involving the aggressiveness of the rate of return assumption used to determine funding levels, also contributing to the increase of the UAAL were a number of questionable activities engaged in by the retirement systems, which included:

- Utilizing GRS fund assets to pay the promised returns on the Annuity Savings Program which, upon members of GRS allocating 3%, 5% or 7% of their after-tax salaries into a discreet defined contribution plan, effectively guaranteed a minimum 7.9% annual investment return

¹⁰ Docket #13 - Declaration of Charles M. Moore; ¶11

¹¹ Docket #4391 - Fourth Amended Disclosure Statement; page 120, ¶ (b)(i)

¹² Docket #13 - Declaration of Charles M. Moore; ¶13

regardless of the actual investment performance of the pension plans' assets¹³

- Using actual market returns for crediting purposes rather than the guarantee, the City believes that over \$387 million of excess investment earnings were credited to Annuity Savings Funds from 2003-2013¹⁴
- GRS trustees, when the plan's actual returns were higher than the assumed rate of return, paid a portion of the positive variance between the actual investment return and the assumed rate of return in an additional pension check to already retired pensioners in what is commonly referred to as the "13th check" program¹⁵
- The City periodically deferred its required year-end PFRS contributions, and then borrowed to pay those deferrals with debt priced at a rate of 8%¹⁶
- Retirement System officials have been accused and/or indicted of material fiduciary misconduct, allegedly draining the pension of necessary liquidity and contributing to the underfunding of the Retirement Systems.¹⁷

The foregoing represents my Supplemental Report. Except as expressly set forth herein, my Initial Report remains valid without modification. Should additional

¹³ Docket #4391 – Fourth Amended Disclosure Statement; page 121, ¶(iii)(A)

¹⁴ Docket #4391 – Fourth Amended Disclosure Statement; page 39, second full paragraph

¹⁵ Docket #4391 – Fourth Amended Disclosure Statement; page 121, ¶(iii)(A)

¹⁶ Docket #13 – Declaration of Charles Moore; ¶20 and Docket #4391 - Fourth Amended Disclosure Statement; page 122/771, ¶(iii)(C)

¹⁷ Docket #4391 – Fourth Amended Disclosure Statement; page 121 and 122, ¶(iii)(B). *(Note this is the original location of Footnote 47 found to be in error.)*

information become available after the issuance of this Supplemental Report, I respectfully reserve the right to amend or supplement this Supplemental Report.

Respectfully submitted,

Dated: August 27, 2014

/s/ **Martha E. M. Kopacz**

Martha E.M. Kopacz

EXHIBIT G

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846
MICHIGAN, .
. Detroit, Michigan
. September 29, 2014
Debtor. . 9:06 a.m.
.

HEARING RE. (#7667) EMERGENCY MOTION FOR RELIEF FROM
STAY AND WAIVING THE FRBP 4001(a)(3) FILED BY
CREDITOR CITIZENS UNITED AGAINST CORRUPT GOVERNMENT;
CONTINUED TRIAL RE. OBJECTIONS TO CHAPTER 9 PLAN
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Debtor:

Jones Day
By: HEATHER LENNOX
222 East 41st Street
New York, NY 10017
(212) 326-3837

Jones Day
By: GREGORY M. SHUMAKER
GEOFFREY S. STEWART
THOMAS CULLEN
51 Louisiana Avenue, N.W.
Washington, DC 20001
(202) 879-3939

Jones Day
By: DAVID G. HEIMAN
North Point, 901 Lakeside Avenue
Cleveland, OH 44114
(216) 586-3939

Pepper Hamilton, LLP
By: ROBERT S. HERTZBERG
4000 Town Center, Suite 1800
Southfield, MI 48075-1505
(248) 359-7333

Miller, Canfield, Paddock & Stone, PLC
By: MEGAN P. NORRIS
150 West Jefferson, Suite 2500
Detroit, MI 48226
(313) 963-6420

APPEARANCES (continued):

For Citizens Paterson Law Office
 United Against By: ANDREW A. PATERSON, JR.
 Corrupt Government: 46350 Grand River Avenue, Suite C
 Novi, MI 48374
 (248) 568-9712

For Financial Weil, Gotshal & Manges, LLP
 Guaranty Insurance By: EDWARD SOTO
 Company: 1395 Bricknell Avenue, Suite 1200
 Miami, FL 33131
 (305) 577-3177

For Macomb County Dechert, LLP
 Drain Drainage By: DEBRA O'GORMAN
 District: 1095 Avenue of the Americas
 New York, NY 10036
 (212) 698-3600

For AFSCME: Miller Cohen, PLC
 By: RICHARD MACK, JR.
 6700 West Lafayette Blvd., 4th Floor
 Detroit, MI 48226-3191
 (313) 566-4787

For Ad Hoc Water Kramer Levin Naftalis & Frankel, LLP
 and Sewer By: JONATHAN M. WAGNER
 Bondholders: 1177 Avenue of the Americas
 New York, NY 10036
 (212) 715-9393

Court Recorder: LaShonda Moss
 United States Bankruptcy Court
 211 West Fort Street, 21st Floor
 Detroit, MI 48226-3211
 (313) 234-0068

Transcribed By: Lois Garrett
 1290 West Barnes Road
 Leslie, MI 49251
 (517) 676-5092

Proceedings recorded by electronic sound recording,
 transcript produced by transcription service.

1 THE COURT: Let's turn our attention to the
2 emergency motion for relief from stay, please.

3 MR. PATERSON: Andrew Paterson on behalf of the
4 petitioners.

5 MS. NORRIS: Megan Norris of Miller Canfield --

6 THE COURT: All right. Stand by one second while
7 those who would like to leave the courtroom get an
8 opportunity to do that.

9 MR. THORNBLADH: Thank you, your Honor.

10 MS. JENNINGS: Thank you, your Honor.

11 THE COURT: You're welcome. Let's give folks one
12 more minute. And I think we are ready to proceed, sir.

13 MR. PATERSON: Your Honor, this is petitioner's --
14 movant's motion for relief from the stay for purposes of
15 filing in the Wayne County Circuit Court an open meetings
16 case against the Detroit City Council. And I would first
17 indicate that the ideal of a democratic government is too
18 often thwarted by bureaucratic secrecy and unresponsive
19 officials. Citizens frequently find it difficult to discover
20 what decisions are being made and what facts lie behind those
21 decisions. The Open Meetings Act protects citizens' right to
22 know what's going on in government by opening to full public
23 view the process by which elected and nonelected officials
24 make decisions on citizens' behalf. Those are not my words.
25 Those are the words of the Michigan legislature upon the

1 introduction of the Open Meetings Act and the Freedom of
2 Information Act in 1976 in the post-Watergate era. The
3 Section 3 of the Open Meetings Act states in its very first
4 sentence, "All meetings of a public body shall be open," and
5 the law as it is developed construes exemptions from that
6 narrowly and broadly protects the right of citizens to know
7 what's going on in their government.

8 The response from the debtor on behalf of the city
9 council indicated, and I think correctly, that the violation
10 of the Open Meetings Act is not really the issue before this
11 Court, and I think that's correct, although the bulk of the
12 response did try to repeat over and over and over again that
13 it was a permitted meeting under various exemptions,
14 particularly the legal matters. The evidence that the
15 movants intend to introduce would be the extensive public
16 statements about the meetings from the participants in the
17 meetings indicating that there were negotiations and
18 discussions for three full days. I think it was a patent
19 violation of the Open Meetings Act, and the plaintiffs intend
20 to seek as well as a declaration of that an injunction
21 against further violations by the Detroit City Council with
22 respect to the Open Meetings Act.

23 THE COURT: Well, how do you deal with the city's
24 argument that your claim is moot?

25 MR. PATERSON: It's not. I mean they've

1 indicated --

2 THE COURT: How do you deal with it? What's your
3 response?

4 MR. PATERSON: They've indicated repeatedly that
5 these were meetings and discussions addressing the facts
6 behind the decisions, and those are clearly covered by the
7 Open Meetings Act. The city's response or the debtor's
8 response is the response that it may want to make to a
9 circuit judge, but for purposes of this Court's relief, the
10 merits of the case aren't really before it, although I'm
11 confident this is a lay-down open meetings violation. The
12 city has failed in its response to point to any specific harm
13 that would happen to this proceeding or in this court.
14 They've made --

15 THE COURT: Well, but I need an answer to my
16 question because if the matter is moot, there's no sense in
17 granting relief from the stay.

18 MR. PATERSON: I'm seeking an injunction.

19 THE COURT: What's not moot about it?

20 MR. PATERSON: I'm seeking --

21 THE COURT: What relief can a court provide to your
22 clients?

23 MR. PATERSON: The Circuit Court can and probably
24 will enjoin them from further violations of the Open Meetings
25 Act. Citizen's right to know. It's a fundamental right of

1 every citizen of this state to see that public bodies --

2 THE COURT: But there's no more --

3 MR. PATERSON: I did in our motion --

4 THE COURT: Let me just -- let me just finish my
5 question.

6 MR. PATERSON: Yeah. Go ahead.

7 THE COURT: There's no more imminent or threatened
8 violation of the Open Meeting Act at this point.

9 MR. PATERSON: The circuit judge may determine that
10 and may not issue an injunction, but I am going to seek an
11 injunction against further violations. I must say I have in
12 the past sued the city's city council for past violations.
13 This is not a new thing to disregard the public's right to
14 know. I don't understand it as a philosophy of governance.
15 I would think that you would want to educate your
16 constituents as to all of the issues behind all of your
17 decisions so that they better understand it and don't suspect
18 that there's some secret deal, I think particularly in this
19 case. There's not been any decision made by this city
20 council other than the initial one back 18 months ago that's
21 been more important. The citizens are wondering.

22 THE COURT: What happened 18 months ago?

23 MR. PATERSON: Mr. Orr was accepted and appointed to
24 the emergency manager position under Act 43 --

25 THE COURT: Did the city council do that?

1 MR. PATERSON: City council did not oppose it. I
2 think it was a five to four vote, as I recall, or four -- it
3 was a one vote majority. That's that last decision that the
4 council made that had the importance to this decision, and I
5 don't think that there's any particular dispute with the
6 merits of the decision. It's probably a good thing. I don't
7 think that's the issue. I think the way they have gone about
8 it in hiding it from their constituents is the issue. That
9 doesn't serve the public interest well. It doesn't --

10 THE COURT: Does the law require a public body to
11 open up its meetings when it's seeking legal advice from its
12 attorneys?

13 MR. PATERSON: I think it's pretextual that they
14 said that. How do you negotiate --

15 THE COURT: Please answer my question.

16 MR. PATERSON: Oh, the law permits certain matters
17 that are legal matters that are involved in litigation but
18 also in the public body's obligations under contract or the
19 law to be discussed, and they do allow them to be discussed
20 in private.

21 THE COURT: And so why -- where is the evidence that
22 something other than that happened here?

23 MR. PATERSON: The evidence is in the public
24 statements of the participants in the meeting.

25 THE COURT: Like what?

1 MR. PATERSON: Pardon?

2 THE COURT: Like what? Name one.

3 MR. PATERSON: Three days of negotiations. Even in
4 their own brief, they talked about reaching a consensus. All
5 of the facts that underlie the decision that was made and the
6 agreements that were reached have been excluded from the
7 public view.

8 THE COURT: Now, you said there were public
9 statements that suggest that something at these meetings
10 happened other than council deliberating with its attorneys
11 on legal matters.

12 MR. PATERSON: I do say that. I do say that, and I
13 think the defendants --

14 THE COURT: I'd ask you to identify one.

15 MR. PATERSON: The defendants indicate that in their
16 response. They indicate that the closed sessions were
17 conducted for the purposes of obtaining legal advice.
18 They've said that repeatedly, repeatedly, repeatedly, but
19 they also indicate --

20 THE COURT: The fact that they state it repeatedly
21 doesn't make it wrong.

22 MR. PATERSON: No, but if I call a dog's tail a leg,
23 he still only has four legs, as Lincoln observed.

24 THE COURT: Okay.

25 MR. PATERSON: The statement in the defendant's

1 response indicates that they reached a consensus and that the
2 consensus was reflected in the agreements that were signed
3 and authorized by the city council. Those agreements --

4 THE COURT: Well, but they were -- it was a -- it
5 was a consensus concerning this litigation.

6 MR. PATERSON: It's a consensus as to how to proceed
7 with respect to the future --

8 THE COURT: This litigation.

9 MR. PATERSON: I don't see that as an exemption
10 under the Open Meetings Act.

11 THE COURT: Well, but --

12 MR. PATERSON: All public meetings -- all
13 meetings --

14 THE COURT: I thought you had already admitted that
15 there was an exemption for legal advice relating to
16 litigation.

17 MR. PATERSON: Yes, and I think the public
18 statements by the participants in the meeting indicate that
19 was pretextual, very simply pretextual.

20 THE COURT: Okay. But I'm asking you --

21 MR. PATERSON: In fact, you don't need to see the
22 smirk of the mayor when he was asked that question to know
23 that it was pretextual. Other members that attended the
24 meeting saw that they had a lot of negotiations to do over
25 the timing and all of those issues that were involved that

1 are substantive.

2 THE COURT: But I'm asking you why isn't all of that
3 covered by the exemption?

4 MR. PATERSON: It's not. It's not legal matters.

5 THE COURT: But to tell me it's not doesn't answer
6 my question. Why isn't it? What's the --

7 MR. PATERSON: Participating --

8 THE COURT: What's the legal analysis that
9 establishes that it's not?

10 MR. PATERSON: Participating in a negotiation with
11 parties is not legal analysis. That's not discerning legal
12 analysis. That's my right to participate in a negotiation,
13 and the city council is told that in their legal opinion, and
14 then they proceed to negotiate. Those are public
15 discussions.

16 THE COURT: But it's negotiation over a legal matter
17 in litigation.

18 MR. PATERSON: It does not exempt the facts that
19 underlie the decision and the consensus and the discussions
20 that were reached with respect to this. Not all legal --

21 THE COURT: What's the best case you've got in
22 support of your position?

23 MR. PATERSON: I think I cited them in my brief, and
24 they do address the scope of the legal exemption. It's
25 certainly in the context of litigation it can arise. It is

1 also, though, important to know what were the bases reached
2 for some compromise within those litigations or the facts
3 underlying -- the discussion of the facts underlying and the
4 truth of those facts. The substance of that decision is the
5 kind of decision that a Circuit Court would make.

6 THE COURT: Well, let me propose -- let me propose
7 to you a hypothetical. Counsel for the city wants to give --
8 all right. The term "counsel" obviously has two distinct
9 meaning here. The attorney for the city wants to give the
10 council -- the city council legal advice on how to settle a
11 personal injury suit and explain why he's recommending a
12 settlement at X dollars. Okay. They go into closed session
13 because it's in litigation, and one of the members says, "I
14 don't want to -- I don't think we should settle this for X.
15 I think we should settle it for Y," and they continue to have
16 a discussion with the attorney about the legal merits of the
17 case, the strengths and weaknesses on each side, and they
18 come to a resolution to offer a settlement at Z. How much,
19 if any, of that needs to be in public under the Open Meetings
20 Act?

21 MR. PATERSON: The legal obligations or the
22 recommendation of the attorney if it's in writing is
23 certainly something that can be discussed. Why did you reach
24 that number, why do you propose settling it, and here's what
25 I propose settling it for because of and gives them the

1 merits, objections to it, discussion of it, starts to
2 borderline whether or not that is exempt. That's the circuit
3 judge's obligation to determine in the proceeding, and the
4 minutes --

5 THE COURT: So your position is that even the
6 attorney's statement of reasons why the case should not be
7 settled at Y, it should be settled at X, is something that
8 might be subject to the Open Meetings Act?

9 MR. PATERSON: Might be; might be. Not likely, but
10 might be. More than often -- more often than not there will
11 be a consensus reached, but the discussions here travel
12 beyond the settlement of a lawsuit. This is the active
13 participation of the city in its future of the most
14 fundamental aspects of it and the regaining of the power to
15 do that. That was what was on the table according to Mr. Orr
16 and his orders that were entered in respect to that. Those
17 are matters that reach well beyond the legal obligations of
18 the city and involve widespread negotiation over the
19 regaining of the power of the elected members of the city
20 council.

21 THE COURT: Well, but all in relation to the
22 administration of this bankruptcy from the city's
23 perspective.

24 MR. PATERSON: The city is also obligated and the
25 emergency manager is also obligated to administer the city

1 and administer under the law all of the obligations of the
2 city and the business of the city. They can't blanket the
3 business of the city with a, well, it's in Bankruptcy Court;
4 therefore, the stay is a shield against violations of the
5 Open Meetings Act and other violations of law.

6 THE COURT: Anything further, sir?

7 MR. PATERSON: No, other than I did in my motion
8 indicate to the Court that I'm not seeking to undo, as I'd
9 have the right to do under the Open Meetings Act, the actions
10 taken. The relief that we're seeking in the Circuit Court
11 would be prospective only, and it would be prospective with
12 respect to further violations of the Open Meetings Act by the
13 Detroit City Council.

14 THE COURT: And of course you'd want attorney fees.

15 MR. PATERSON: And of course I would want attorney's
16 fees.

17 THE COURT: Thank you.

18 MR. PATERSON: Thank you.

19 MS. NORRIS: Good morning, your Honor. Megan Norris
20 on behalf of the city. I'll be brief. It's clear that
21 you've reviewed everything. First of all, the timing of the
22 motion and the substance of plaintiff's motion makes it clear
23 that the events at issue are over. Plaintiffs filed their
24 motion mid-day on Thursday. By the end of the day Thursday,
25 the city and state had filed with this Court a joint notice

1 of transition plan, which outlines a proposed transition from
2 the emergency manager to the city elected officials.
3 Plaintiff in their motion does not -- petitioners don't argue
4 that there have been any other violations of the Closed
5 Meetings Act by city council. City council has been in and
6 out of closed session for a number of reasons on a number of
7 occasions since this bankruptcy trial began. The only issue
8 are the meetings that have just taken place. One of the
9 Garzoni factors is the creditor's claim -- whether the
10 creditor's claim is likely to succeed on the merits, and as
11 the Court has noted, there is no evidence of any violation.
12 The meeting was properly closed. The statute was cited. The
13 transition -- the subject being the transition, specifically
14 PA 436 transition matters, was cited in city council's
15 closure resolution. This was not a blanket business of the
16 city closure. This was not even a blanket attorney-client
17 privilege closure. This was specifically to discuss the
18 memoranda of counsel and the advice of counsel and discussion
19 of the memoranda relating to the transition. Clearly there
20 can be harm to the city if this is allowed to go forward at
21 this time, and that really is the question. It's not whether
22 it can go forward. It's whether it can go forward at this
23 time, whether the stay should be lifted. As this Court has
24 noted repeatedly in the trial in front of it as we speak, the
25 issue on the plan of adjustment is not simply whether debts

1 can be resolved. The issue is also whether the city has a
2 viable plan to go forward, and a big part of that plan is how
3 the city moves from the emergency manager that has
4 effectively guided the city through this bankruptcy back to
5 the elected officials as the city goes forward to allow a
6 lawsuit against exactly those players, city council, but
7 obviously the mayor would be involved. Obviously the
8 emergency manager would be involved. To allow a lawsuit
9 involving those folks to go forward at this time would be
10 detrimental to exactly what this Court is trying to
11 accomplish in smoothing the transition of the city out of
12 bankruptcy. If you have any questions, I'm happy to answer
13 them.

14 THE COURT: What's the connection given that Mr.
15 Paterson says all he wants is an injunction against future
16 violations of the Open Meetings Act?

17 MS. NORRIS: Right. So the connection is it's a
18 law -- first, he has to prove a violation, so there's a
19 lawsuit, and in that lawsuit there will be arguments about
20 what happened or didn't happen. That will require at minimum
21 an in camera review of what happened in closed session. In
22 many cases Mr. Paterson has sought to take depositions of
23 people involved to determine whether the mayor's smirk -- I
24 use Mr. Paterson's term -- means anything, to determine
25 whether, as in the Wyoming case, there were winks or nods or

1 slips of paper across the table, so there's discovery in that
2 case. So before there's any finding of a violation, before
3 any injunction is issued, before any attorney's fees are
4 awarded, there has to be a finding, and that is exactly the
5 kind of action that the city does not need to be going
6 through right now. It is a very sensitive area. The orders
7 have been issued. You've seen the transition, the joint
8 notice of transition. As Mr. Paterson noted, there was a
9 city council meeting at the beginning not to oppose the
10 appointment of Kevyn Orr, and there has been a meeting at the
11 end. The parties have agreed that there is a date certain --
12 i.e., the effective date of the plan of adjustment -- and
13 Mr. Orr has begun the transition, so there's no evidence that
14 there would be meetings on this topic going forward. If
15 there were, they would be noticed in the same way, but to say
16 that the notice was pretextual in some way when the results
17 of the meeting are exactly the topic identified in the legal
18 memoranda, it's not like the results of the meeting are
19 something unrelated to exactly what was identified. The
20 transition plan is absolutely without any support.

21 THE COURT: Thank you.

22 MS. NORRIS: Thank you.

23 MR. PATERSON: If the Court is concerned, I'm fairly
24 satisfied that there's ample evidence that won't require the
25 deposition of the mayor or the emergency manager in this

1 case. Statements made by city council members and others are
2 public and ample, and I, frankly, expect that they will have
3 to admit those statements once the proceeding has begun.

4 THE COURT: The city questions why this can't wait,
5 if it needs to be pursued at all, until after the bankruptcy
6 is over.

7 MR. PATERSON: The injunction relief would prevent
8 further violations of the Open Meetings Act and allow the
9 citizens to see what decisions are being made in public and
10 what the facts are that lie behind those decisions.

11 THE COURT: Well, fair enough, but you don't have
12 any evidence of any imminent or threatened violation of the
13 Open Meetings Act other than, well, they did it once, so they
14 might do it again.

15 MR. PATERSON: I think that question flips the
16 burden. I think the proceeding, if the stay were lifted, is
17 not going to affect this Court's actions or anything in this
18 Court whatsoever. It's going to carry on independent of
19 that, and there's absolutely no burden on this Court by
20 removing and lifting the stay with respect to this
21 litigation, and, in fact, I think that --

22 THE COURT: Well, the argument isn't based on burden
23 on this Court. The argument is based on burden to the city
24 in having to address your lawsuit while it's trying to wrap
25 up this --

1 MR. PATERSON: The city --

2 THE COURT: -- critical litigation here.

3 MR. PATERSON: The city law department has had
4 little to do during this proceeding because many of the cases
5 that were stayed did not proceed. I know for --

6 THE COURT: You're concerned about full employment
7 for the city law department?

8 MR. PATERSON: I think they're more than able and
9 capable of defending this action.

10 THE COURT: Well, but it's not just the law
11 department. It's the city.

12 MR. PATERSON: I don't see how potentially, I guess,
13 a deposition -- if there's a failure to admit public
14 statements that were made and a request for that admission is
15 denied, I suppose at that point I need to take the deposition
16 of the person that made the statement, and in most cases it's
17 members of the city council that were explaining their vote
18 and why they carried out for three days the discussions on
19 this matter. That doesn't seem to impose any burden on this
20 Court.

21 THE COURT: All right. Thank you. Anything
22 further?

23 MR. PATERSON: Thank you.

24 MS. NORRIS: No, your Honor.

25 THE COURT: All right. I'll take this under

1 advisement for 15 minutes, and we'll reconvene at 9:45,
2 please.

3 THE CLERK: All rise. Court is in recess.

4 (Recess at 9:30 a.m., until 9:50 a.m.)

5 THE CLERK: All rise. Court is back in session.
6 You may be seated.

7 THE COURT: It appears everyone is present. The
8 standard by which the Court determines this and other motions
9 for relief from the stay is whether the moving party has
10 established cause. The matter is, of course, addressed to
11 the Court's discretion. In evaluating whether there is cause
12 for relief from the stay, the Court considers the harm to the
13 moving party if the stay is maintained and the harm to the
14 debtor if this motion is granted and relief from stay is
15 granted. In this case, if relief from the stay is denied and
16 the stay is maintained in effect, the plaintiffs will be
17 forced to wait to pursue their claim against the city until
18 the stay terminates, which would happen either upon
19 confirmation or dismissal of the case. If the motion is
20 granted, the city will be, of course, required to defend the
21 lawsuit that would be filed.

22 The city maintains that the lawsuit is moot and that
23 it otherwise lacks merit under the Open Meetings Act and that
24 it should not be forced to defend a lawsuit that is either
25 moot or lacks merit or both. There are certainly aspects of

1 the claimed violation of the Open Meetings Act that are moot,
2 but it appears that there are aspects that are not moot. For
3 example, the motion states that if the Circuit Court were to
4 find a violation of the Open Meetings Act, the plaintiffs
5 would seek disclosure of certain materials relating to the
6 closed meeting such as minutes or transcripts, et cetera.

7 The Court also must find in the circumstances that
8 the claimed violation of the Open Meetings Act is not a
9 frivolous claim. If it were, the Court, of course, would not
10 grant relief from the stay since no party should be required
11 to defend a frivolous action. The claim is not frivolous.
12 The city has a defense to it, perhaps even a strong defense,
13 but the claim itself is not a frivolous claim.

14 On the city's contention that the requirement to
15 defend the lawsuit may somehow impact its ability to
16 efficiently pursue this bankruptcy, the Court must find that
17 there is really nothing to support or suggest that.

18 Accordingly, in the circumstances, the Court
19 concludes that its discretion should be exercised in favor of
20 granting the motion, and the motion is granted. Mr.
21 Paterson, please prepare an order, have it approved as to
22 form by city counsel -- the city's attorneys and have it --
23 and then submit it to the Court.

24 MR. PATERSON: Will do, your Honor. Thank you.

25 THE COURT: All right. Let's turn our attention

1 back to the trial then. And let's stand by one second while
2 the courtroom settles down again. Sir.

3 MR. HEIMAN: Good morning, your Honor. David Heiman
4 of Jones Day for the city. I would like to just take a
5 minute, with your indulgence, to mark the moment of the
6 transition that was just the subject of your prior hearing,
7 and we did not want to let this moment pass. At a time like
8 this, many thoughts race through one's mind, and I'm sure in
9 Mr. Orr's case hundreds or thousands of thoughts race through
10 his mind based on the last 18 months. But as your Honor
11 knows, his term, if I can call it that, essentially expired
12 yesterday at the conclusion of the 18 months, and that term
13 was dealt with by the four legal authorities, government
14 entities, including Mr. Orr, that have some participation in
15 this matter. That would be the state, the mayor, Mayor
16 Duggan, city council, and Mr. Orr himself. And at least in
17 my view, this should be looked upon as somewhat of a right of
18 passage for the City of Detroit, a very momentous occasion
19 even though we are, indeed, in the middle of a trial seeking
20 confirmation of the plan of adjustment. So I would like to
21 address both perhaps gratuitously all the benefits that have
22 been derived from the implementation of 436 and explain to
23 the Court, as I assume you've read in the newspapers as well
24 as the papers that were filed, the joint notice that was
25 filed, but an event that is perhaps new and different for

1 those who have lived in Detroit the last few decades where
2 four legal authorities that impact the City of Detroit have
3 come together in a unified fashion in the best interest of
4 Detroit.

5 So in doing that and explaining what we see is
6 happening now, I would also like to make it clear to the
7 Court that we -- that I rise without presumption. We are
8 fully cognizant that it is and will continue to be the city's
9 burden to demonstrate that it has earned the right to emerge
10 from Chapter 9. We are in the process of doing that. We
11 have every hope and expectation we will be able to do that,
12 but we also totally recognize that the gavel remains in the
13 hands of your Honor and that we submit ourselves to that
14 process with the hope that we will swiftly emerge from
15 Chapter 9.

16 As I said, Mr. Orr's statutory reign, if you will,
17 has expired, but not without a lot of consideration on how to
18 transition from Mr. Orr's supervision back to the city
19 council and the mayor, and so what you've seen through the
20 joint notice is a 9-0 resolution of the city -- city council,
21 that is -- which is confirmed by the mayor, and as
22 acknowledged and confirmed by Mr. Orr, that the city itself
23 is ready to take back the reins through the mayor's office
24 and city council. And the good news for the bankruptcy is
25 that the city council, the mayor, and the state have

1 recognized that we are here today this far in the progress --
2 in the process as a result of Mr. Orr's supervision, and it
3 only makes good sense to provide that Mr. Orr shall see it to
4 its conclusion hopefully and that his ability to continue to
5 supervise the bankruptcy, the pursuit of the confirmation of
6 the plan of adjustment as well as implementation of a plan of
7 adjustment should it be confirmed should remain intact, and,
8 therefore, the authorities have determined that he should
9 stay in place for that limited purpose until the effective
10 date of the plan.

11 With that, I would like to refer you to the
12 specifics of the city council resolution. There is a recital
13 on the first page that confirms that the city council is
14 supportive of the plan of adjustment and seeks a smooth
15 completion and that it has agreed to retain with Mr. Orr
16 those powers necessary to see that occur. And Mr. Orr
17 himself has issued Order #42, Emergency Manager Order Number
18 42, which delineates the allocation of responsibilities among
19 himself, the city council, and the mayor, and, of course, his
20 role will continue to be, as I said, the management of the
21 bankruptcy proceeding and the implementation of the plan of
22 adjustment, so with that -- and if the Court has any
23 questions, I'd be happy to try to address them.

24 THE COURT: No. Thank you, sir.

25 MR. HEIMAN: Thank you.

1 MR. HERTZBERG: Good morning, your Honor. Robert
2 Hertzberg, Pepper Hamilton, on behalf of the city. Tomorrow
3 is a date that the Court set aside to handle the objection
4 filed by the UAW. We've been in discussions with the UAW.
5 We have a mediation now set up for tomorrow in a hope to try
6 and resolve the dispute with the UAW. Based upon that, we
7 would ask that the Court allow us to go to mediation
8 tomorrow, adjourn the hearing on the UAW's objection, and
9 allow them to come back if we're not able to resolve our
10 differences in the future and have a full hearing.

11 THE COURT: Who is your mediation with?

12 MR. HERTZBERG: Mr. Driker.

13 THE COURT: Does the UAW support this request?

14 MR. HERTZBERG: I believe they do, your Honor.

15 THE COURT: Is there anyone here from the UAW?

16 MR. MACK: Richard Mack, your Honor, with AFSCME.
17 We've actually filed objections as well over a similar issue,
18 and we do, in fact, support the request.

19 THE COURT: Are you involved or is your client
20 involved in the mediation also?

21 MR. MACK: Yes.

22 THE COURT: What time is the mediation set for?

23 MR. MACK: 9:30. I just got the e-mail a little bit
24 ago.

25 THE COURT: All right. Well, it's been the Court's

1 practice and policy when these kinds of situations arise to
2 consult with the mediator and to follow the mediator's advice
3 regarding my processes, and so that's what I'll do here, and
4 I'll get back to you.

5 MR. HERTZBERG: Thank you, your Honor.

6 MR. MACK: Thank you, your Honor.

7 THE COURT: One more thing before we get underway.
8 My apologies to you for not printing out the compilation of
9 your remaining time for today. I'm showing for the city a
10 balance of 46 hours and 53 minutes and for the objectors 67
11 hours and 9 minutes. And while we're on the subject, I want
12 to have a discussion with you all tomorrow about the extent
13 to which it is appropriate to reduce these times in light of
14 the Syncora settlement.

15 MR. SHUMAKER: Certainly, your Honor. Greg
16 Shumaker, Jones Day, for the city, your Honor. Just a couple
17 of housekeeping matters that we wanted to raise with you.

18 THE COURT: Go ahead.

19 MR. SHUMAKER: First of all, your Honor, as you
20 know, we broke last week, and the city and the objectors had
21 multiple discussions about discovery in light of the Syncora
22 settlement. I wanted to advise you -- your Honor probably
23 noticed -- that FGIC issued two 30(b)(6) deposition notices,
24 one to the city and one to Syncora. Those depositions are to
25 take place tomorrow and -- tomorrow is going be Mr. Doak's

1 deposition. He's going to be the gentleman from Miller
2 Buckfire who is the 30(b)(6) witness for the city. And --
3 I'm sorry -- M.J. is the name of the woman who was being
4 designated for Syncora. I don't know her last name. She is
5 being deposed on Wednesday, so that's proceeding apace.

6 The city also, as we informed your Honor last
7 probably Tuesday or two Tuesdays ago, put forth a
8 supplemental expert report for Mr. Buckfire, and so that went
9 out in the middle of last week, and the objectors agreed that
10 they did not want to depose Mr. Buckfire, so that took place
11 as well.

12 Another matter -- just a couple of other things. We
13 understand that the objectors, FGIC in particular, will be
14 submitting a supplemental expert report from Mr. Spencer, and
15 I believe that's going to come on Friday of this week, if I'm
16 not mistaken, and so that's also moving forward. And then
17 also the parties got together about stipulating to two
18 declarations from two witnesses at KCC, the voting tally --
19 voting tallier, and so we're putting together those
20 declarations, and we'll be able to submit those to the Court
21 later today or tomorrow.

22 The impact of UAW day on witness scheduling and
23 order I wanted to raise with your Honor. What we were hoping
24 to do is Mr. Malhotra will go today. We'll see how long he
25 takes. He will have a significant amount of testimony.

1 Obviously don't know how long cross will last. But then
2 Mr. Buckfire is scheduled to go after Mr. Malhotra. What the
3 city plans on doing is trying to move up Mr. Kaunelis, who is
4 a DWSD witness on the capital expenditures, going to move him
5 up in front because the Doak deposition is going forward
6 tomorrow. We're trying to work this so that then Mr. Doak
7 can testify after Mr. Kaunelis, and then Mr. Orr would
8 testify, so that's a slight modification to the order that
9 was currently -- that's currently in place or that the city
10 has filed. One issue, though, your Honor, because of UAW day
11 perhaps moving to keep in mind is notice to the pro se
12 objectors about Mr. Orr's appearance. Depending on how fast
13 this moves, Mr. Orr could come up sometime tomorrow, and I
14 just wanted to raise that with your Honor because I know
15 that's something your Honor has been concerned about in the
16 past.

17 THE COURT: So are you representing that if we
18 adjourn the UAW testimony or portion of the trial off of
19 tomorrow, that Mr. Doak would testify after Mr. Orr or still
20 before?

21 MR. SHUMAKER: Well, we're hoping Mr. Doak could
22 testify before Mr. Orr about the Syncora settlement so that
23 your Honor has the benefit of his before Mr. Orr gets on and
24 starts, you know, talking about why the Syncora settlement
25 was a good thing. That's why we had ordered it the way we

1 had.

2 THE COURT: It still feels a little aggressive to
3 suggest that Mr. Orr might testify tomorrow, but I do want to
4 thank you for alerting the Court to the possibility because
5 we do want to try to notify people. It will either be
6 tomorrow or Wednesday might be --

7 MR. SHUMAKER: That's fine, your Honor. Wonderful.

8 THE COURT: -- might be the message we should send.

9 MR. SHUMAKER: And then one final matter, your
10 Honor, was during the break the city took the opportunity to
11 review its exhibit list and to take a look at those exhibits
12 that with the withdrawal of the objections by the DWSD
13 parties, the counties, and Syncora, there are no longer any
14 outstanding objections to those exhibits, and -- in other
15 words, neither FGIC nor the COPs holders nor MIDDD has
16 objected to them, so we would ask that those exhibits be
17 admitted into the record pursuant to the Court's protocol
18 previously. We have a list of those. There are about 144.
19 I could read them into the record, but I also have copies
20 that I could hand up to you and proceed in that way.

21 THE COURT: Let me suggest a slightly different
22 procedure. Please share that list with the remaining
23 objecting parties, and then perhaps after lunch I can hear
24 from them on any issues arising from your request.

25 MR. SHUMAKER: Will do, your Honor.

1 THE COURT: Is that all right with you, sir?

2 MR. SOTO: Yes, your Honor.

3 MR. SHUMAKER: I think that's all I had, your Honor.
4 Thank you.

5 THE COURT: All right.

6 MR. SOTO: Your Honor, with respect to those
7 logistics -- by the way, Ed Soto, FGIC. With respect to
8 those logistics, we have --

9 THE COURT: Pull the microphone closer to in front
10 of you.

11 MR. SOTO: -- we have only an issue with the timing
12 of Doak, which we thought we had discussed with the city.
13 Mr. Doak can only be made available to be deposed tomorrow.
14 We are going to, in fact, depose him tomorrow. We did get
15 access to M.J. prior to that through the people at Syncora,
16 but we had hoped to be able to take his deposition, as we've
17 now read his 30-page expert report, prepare for his testimony
18 and then do his testimony, and we hope to be able to do that
19 on Friday, your Honor, because of the sequence of the
20 difficulty of just trying to get it all together. From a
21 timing standpoint, that's where we are.

22 One other thing, your Honor, the -- we're now -- and
23 we've informed the city of this -- working on trying to
24 obtain our fifth labor expert. We've gone through four of
25 them who were unable to appear either because of timing or

1 because of some other conflicts. We know the Court has given
2 us an opportunity to do that. We know the time is getting
3 short. We just wanted to let the Court know we're --

4 THE COURT: Right.

5 MR. SOTO: -- frantically deciding whether we need
6 that expert or if we can obtain that expert.

7 THE COURT: Mr. Shumaker, it does feel appropriate
8 to have Mr. Doak's testimony after his deposition, doesn't
9 it?

10 MR. SHUMAKER: I would agree that would be fair,
11 your Honor.

12 THE COURT: All right. Well, let's work that out
13 then.

14 MR. SHUMAKER: Yes. And part of this complication
15 is there are some witnesses can -- only can testify on
16 Friday, so we're trying to --

17 THE COURT: And Friday is a half a day --

18 MR. SHUMAKER: That's right, your Honor. That's
19 right.

20 THE COURT: -- or at least part -- we're going to
21 stop at one.

22 MR. SHUMAKER: Correct; correct. So we will
23 continue to work on that.

24 THE COURT: All right. All right.

25 MR. SHUMAKER: But the Mr. Orr issue is still out

1 there because --

2 THE COURT: Right.

3 MR. WAGNER: Your Honor, Jonathan Wagner on behalf
4 of the COPS. You may remember that if the -- when the UAW
5 hearing was scheduled, Ms. Thomas, the executive director of
6 the pension plans, was going to testify, and then we were
7 going to do our cross, so if that's -- if we're going forward
8 tomorrow, we'll do the cross tomorrow. If not, we'll do it
9 probably at the beginning of our case.

10 THE COURT: Okay.

11 MR. WAGNER: The second point is there are, I think,
12 six witnesses on the city's may call list. It would be good
13 to have a date by which we know whether those witnesses are
14 going to be called.

15 THE COURT: Any thoughts on that, Mr. Shumaker?

16 MR. SHUMAKER: I would think, your Honor, that we
17 would be in a position to tell the objectors that by the end
18 of the week. I think that's right.

19 THE COURT: Okay.

20 MR. SHUMAKER: Thank you.

21 THE COURT: Can we get underway now?

22 MR. STEWART: Your Honor, Geoffrey Stewart of Jones
23 Day for the city. The city would call its next witness,
24 Mr. Gaurav Malhotra.

25 THE COURT: Raise your right hand.

1 GAURAV MALHOTRA, CITY'S WITNESS, SWORN

2 THE COURT: Please sit down.

3 MR. STEWART: Your Honor, if I may approach, I have
4 binders and USB drives for the exhibits. Just for the
5 record, the binders are full of paper. We have five exhibits
6 which are, in fact, the EY model of the city's finances,
7 which are only in electronic form, so we've reduced them to
8 USB drives, which --

9 THE COURT: Okay.

10 MR. STEWART: -- I would bring forward.

11 THE COURT: Thank you for that, sir. You may
12 proceed.

13 MR. STEWART: Thank you, your Honor.

14 DIRECT EXAMINATION

15 BY MR. STEWART:

16 Q Mr. Malhotra, could you please give for us your name and
17 address?

18 A Gaurav Malhotra. I live in Chicago, Illinois.

19 Q Okay. And tell us if you could -- you, by the way, have
20 testified before in the court, have you not?

21 A Yes, I have.

22 Q Okay. Tell us briefly, if you could, about your
23 education.

24 A I went to -- for my undergrad to the University of Delhi
25 where I graduated with a bachelor's in commerce, and then I

1 went for my grad school to Case Western Reserve University
2 where I got an MBA in finance and business policy.

3 Q What year did you receive your MBA from Case?

4 A In 2001.

5 Q Okay. What was your first job after you received your
6 MBA?

7 A I joined Ernst & Young in the corporate finance practice.

8 Q In Chicago?

9 A In Cleveland.

10 Q In Cleveland. And how long were you with them in
11 Cleveland?

12 A I was with Ernst & Young in Cleveland for, I think,
13 approximately five years.

14 Q Okay. And then what happened?

15 A And then I moved to Michigan. I stayed here for five
16 years, again, with Ernst & Young, doing restructuring and
17 distressed M&A transactions following which the restructuring
18 practice of Ernst & Young was sold to Giuliani Capital, and I
19 continued to do restructuring advisory work there.

20 Q Okay. Let me stop you right there. You just used the
21 phrase "restructuring and distressed asset analysis." Just
22 for the record, tell us what that is.

23 A So restructuring advisory is where we help distressed
24 clients evaluate their business plans, their operations, and
25 long-term projections in order to -- how to recover as a part

1 of an overall restructuring strategy.

2 Q Okay. And then you said there came a time when that part
3 of EY's practice was sold.

4 A That is correct.

5 Q And when was it sold, and who was it sold to?

6 A In 2004 the U.S. restructuring practice was sold to
7 Giuliani Capital Advisors.

8 Q You better slow down. I'm having trouble following you.
9 It just may be the acoustics of the room. So it was sold to
10 who again?

11 A To Giuliani Capital Advisors.

12 Q Okay. All right. And did you still remain in the office
13 you'd occupied before?

14 A Yes.

15 Q And did your practice change at all after Giuliani
16 Capital Advisors purchased the practice?

17 A No. It was essentially a different name but continued to
18 do restructuring.

19 Q Okay. Did there come a time when the name changed again?

20 A Yes. The Giuliani Capital Advisors restructuring and M&A
21 practice was sold to Macquarie Capital Advisors.

22 Q Okay. And then how long did Macquarie control the
23 practice?

24 A For about three years.

25 Q What year are we up to by now?

1 A 2009.

2 Q Okay. And after that what came of the practice?

3 A Well, I was offered an opportunity to come back to Ernst
4 & Young --

5 Q Okay.

6 A -- and join the restructuring practice at EY, so I left
7 Macquarie and came to Ernst & Young.

8 Q What year did you return to EY?

9 A It was 2009.

10 Q '09. And you've been at Ernst & Young ever since?

11 A That is correct.

12 Q Been five years?

13 A Yes.

14 Q What is your title at Ernst & Young?

15 A I am a principal and a senior managing director in our
16 restructuring practice --

17 Q Okay.

18 A -- as well as I lead our central region restructuring
19 practice.

20 Q All right. And so tell the Court, if you could, the sort
21 of work your restructuring practice has involved since you
22 returned to Ernst & Young in 2009.

23 A It has involved helping distressed companies and -- in
24 terms of developing their business plans, taking some through
25 bankruptcy, involving asset sales as well as developing long-

1 term business plans for either a city or a public school
2 district.

3 Q Let me ask you just the names of some of the
4 representative private sector clients that you've worked with
5 since you returned to Ernst & Young.

6 A Schutt Sports, which we took through Chapter 11 process,
7 ongoing with Liberty Medical that we are helping with right
8 now are two that come to mind straightaway.

9 Q Now, in addition to the private sector clients, what work
10 have you done for public sector clients?

11 A On the public sector side, we have been involved with the
12 Detroit Public Schools.

13 Q And when did you start your involvement with the public
14 schools?

15 A Sometime in late 2011.

16 Q Is that ongoing?

17 A It is still ongoing in some fashion, yes.

18 Q Okay. Any other public sector clients?

19 A Yes. We've also helped two other cities in terms of
20 helping evaluate their cash flows and long-term projections.

21 Q And what cities are those, if you can disclose them?

22 A They're confidential in terms of our involvement with
23 them.

24 Q Okay. When did you begin your work for the City of
25 Detroit?

1 A Approximately just over three years ago.

2 Q And when you began your work, what was Ernst & Young
3 hired to do?

4 A Our role initially was to help the city assess its short-
5 term cash flow projections.

6 Q Okay. And what did that entail?

7 A It entailed first trying to just get a clear
8 understanding of what the city's cash position truly was for
9 the general fund and trying to break out the cash that was
10 restricted or that was related to enterprise funds, so we had
11 to sort of manually create reports based on the information
12 that was given that, to the best our ability, we could
13 ascertain what the general fund's starting cash position was
14 and from there on based on discussions with departments,
15 going through budgets, going through bank balance -- bank
16 statements, developing short-term projections to really
17 highlight what the city's cash and liquidity position would
18 be in the coming 12 months or so.

19 Q Now, you used a term a moment ago "general fund."

20 A Yes.

21 Q What is the general fund?

22 A The general fund is what essentially is the core
23 operating fund that is not related to any enterprise fund, so
24 it's where the majority of the taxes are collected and
25 services such as police and fire and budget are paid for.

1 Q And then you used the term "enterprise fund." What is an
2 enterprise fund? What's an example of an enterprise fund?

3 A Until now Detroit Water and Sewer Department has been an
4 enterprise fund in which their operations are essentially
5 break-even and not -- should not be impacting the operations
6 of the general fund.

7 Q Now, let me direct your attention to spring of last year.
8 Did there come a time in the spring of 2013 when the scope of
9 EY's work changed?

10 A Yes.

11 Q How did it change?

12 A It began to evolve in terms of expanding the outlook of
13 what the cash and revenue and expense projections were going
14 to be over a longer time frame versus looking at it on a much
15 shorter time frame.

16 Q What had been the time frame you were using?

17 A I would say all through 2011 and majority of the year
18 2012 we were looking at 12, 18, or 24 months of cash flows.
19 That was the context of what we were working within.

20 Q Okay. And how did things change?

21 A Well, they changed in which we started to go over to ten-
22 year projections and to look at what the city's financial
23 profile would look like over a ten-year time frame under a
24 couple of different scenarios, and then from there it just
25 evolved into looking at 40-year estimates in terms of what

1 the city's revenues and expenses could be over a much longer
2 time frame.

3 Q And what was the purpose of forecasting the city's
4 financial position out so long as ten years or even forty
5 years?

6 A Well, on the ten-year projections, we used that to really
7 highlight what the city's cash and deficit position would be
8 over the next ten years really to illustrate the cost and the
9 weight of the legacy liabilities the city was carrying and
10 what revenues it would have or not have in order to service
11 those liabilities, and over forty years we had wanted to
12 expand it to really ascertain the commitments that the city
13 was making to its creditors that are long-term commitments as
14 to what the potential was and how the city would make up for
15 those commitments.

16 Q Now, the city filed for Chapter 9 protection on July 18,
17 2013?

18 A That is correct.

19 Q At that time, just describe for us what was the work EY
20 was doing for the city? Just enumerate what projects EY had
21 going on.

22 A We were developing the cash flow projections in detail.
23 We were continuing to work on the ten-year plan on a
24 department-by-department basis. We were also looking at the
25 different claims information that was coming through. We

1 were assisting with the -- assisting the city's management
2 team with vendor management because of all the vendor issues
3 that were taking place, and we were really trying to develop
4 the -- at least at that point of time right around the filing
5 is what sort of funds the city would have available for its
6 unsecured obligations.

7 Q Okay. Now, in the 18 -- well, 14 months since the
8 bankruptcy filing, has E&Y added additional tasks to its
9 scope of work?

10 A We have been assisting with all those. In addition, our
11 technology teams are helping the city evaluate its HR
12 technology and ERP technology footprint, but the majority of
13 these services have been related to what I mentioned earlier.

14 Q What is the total amount of fees Ernst & Young has
15 charged or billed the city for since it began its work three
16 years ago?

17 A Over the last three-plus years, I believe we've been paid
18 roughly \$20 million in total over the -- and majority of that
19 I believe are during the bankruptcy process.

20 Q Now, do I understand correctly that the city negotiated
21 something called a holdback arrangement with Ernst & Young?

22 A Yes.

23 Q What's being held back and why?

24 A Ten percent of all of our invoices post-bankruptcy
25 separate and apart from the fee examiner holdback are being

1 held back over and above, which was an additional
2 accommodation we provided to -- provided we could wrap up the
3 bankruptcy case prior to the end of December of this year.

4 Q So if the bankruptcy case is wrapped up before December
5 31, what happens to the money that's being held back?

6 A If the case is wrapped up by December 31st, the ten-
7 percent holdbacks would be payable to EY.

8 Q And if it's not wrapped up, what happens?

9 A Those amounts are in no way payable to EY.

10 Q Now, you served as an expert witness before.

11 THE COURT: Excuse me one second. What does
12 "wrapped up" mean?

13 THE WITNESS: Your Honor, I believe our engagement
14 letter says that a plan -- it's tied to the plan of
15 confirmation date is -- has to be prior to December 31st.

16 BY MR. STEWART:

17 Q Now, Mr. Malhotra, you've testified before in this
18 proceeding and, in fact, have testified as an expert witness
19 before, have you not?

20 A Yes, I have.

21 Q Before this case, you had never served as an expert
22 witness before?

23 A No, I have not.

24 Q And fair to say that when you took on the engagement for
25 the city, no one told you it would involve being an expert

1 witness; is that right?

2 A That is correct.

3 Q But you understand that the city has designated you as an
4 expert witness for purposes of this hearing?

5 A Yes.

6 Q And you've submitted an expert report?

7 A Yes.

8 Q Now, you testified earlier that you work in the field of
9 restructuring, and tell us, since you received your graduate
10 degree, what percentage of your time has been spent in that
11 field?

12 A I would say pretty much a hundred percent.

13 Q Okay. Now, in order to be a specialist in the field of
14 financial restructuring, what sort of things does a
15 professional need to know?

16 A Have a robust knowledge of the interplay of financial
17 statements, be able to understand Excel working models to
18 take large amounts of data and to be able to analyze trends
19 as well as what are short-term events versus long-term
20 trends, is to interview management teams and to understand at
21 a very detail level, to break down large components of data
22 into smaller pieces and then once you deconstruct the data to
23 build back up with some robust assumptions.

24 Q Now, when you're dealing with a client that is a
25 municipality, what else do you need to know?

1 A I think you have to know the interplay between the
2 general fund versus enterprise funds and also how different
3 departments come together in terms of the buildup of each
4 department and the services that are being provided by
5 certain departments, and so -- as well as to really
6 understand clearly what the legacy liabilities are versus
7 core operating cash flows are, but really to understand the
8 different departments and how they come together is something
9 that's important.

10 Q What knowledge do you need to have of the manner in which
11 municipalities account for their funds?

12 A I think you have to have a pretty decent understanding of
13 the overall impact of a general fund and its transfers and
14 revenues and expenses and compared to how they break out from
15 enterprise funds overall.

16 Q And do I understand correctly that municipalities use a
17 principle called fund accounting and do not follow what is
18 often known as generally accepted accounting principles?

19 A That is correct.

20 Q What do you need to know in order to apply what you've
21 learned in the private sector to assignments in the public
22 sector when it comes to understanding their accounting?

23 A It's actually pretty straightforward in terms of the
24 principles that are applied with respect to financial reviews
25 and analyses. I would say they are very identical in terms

1 of how the auditors who deal with municipalities may deal
2 with versus situations in the corporate side may differ
3 slightly, but from a financial review standpoint, the
4 principles are pretty much similar of going through the
5 financial analytics.

6 Q Now, and since the time of the bankruptcy -- actually,
7 let me start earlier than that. In the past two years, what
8 sort of analyses -- in other words, work product -- has Ernst
9 & Young generated for the city?

10 A We have helped the city in developing ten-year
11 projections on a department-by-department basis with detailed
12 revenue and expense assumptions. We have then developed 40-
13 year projections that show on a line item basis what the
14 revenues and expenses could be predominantly for the general
15 fund, and as a part of that, we have also overlaid the
16 construct of the city's restructuring plan and its overall --
17 in terms of the settlements that have been reached with
18 various creditors, how those payments are going to be funded
19 over the next 10 and 40 years.

20 Q Okay. Now, in preparing these analyses, where do you get
21 the information that you need in order to do your work?

22 A It's a combination of places. It starts with the city's
23 management team and their core data and reports that are
24 available in the system.

25 Q And just by name, who would some of those individuals be

1 or by position? Excuse me.

2 A People like Rick Drumb from the finance department, folks
3 that we dealt with extensively, people in the treasury
4 department that we dealt with, John Hill, the CFO; Pam
5 Scales, the budget director. So I would say there are a
6 number of people that we have gone through to try and pull
7 the data together in terms of the raw data. And then in the
8 course of building up these projections, we have also relied
9 on other subject matter experts where their expertise on
10 particular topics has been taken into consideration. And
11 then we sort of build it up piece by piece to ascertain how
12 all of the information comes together before -- as we build
13 up the projections.

14 Q You used the phrase "raw data." What's an example of
15 some of the raw data you would have compiled or worked with
16 in preparing your analyses?

17 A So we have this in our financial models, but it was raw
18 data that we got from the city for 2008, 2009, '10, '11, and
19 '12 historically that was the files that they used to develop
20 their audited financial statements.

21 Q Okay. The audited financial statements were sometimes
22 called a CAFR?

23 A That is correct.

24 Q Okay. And who audits them?

25 A KPMG.

1 Q That's another large auditing firm?

2 A Yes.

3 Q Okay. Now, you'd mentioned earlier that you relied upon
4 the work of other advisors to the city.

5 A Yes.

6 Q Who are those entities or people?

7 A For pieces when it came to the quality of life, all the
8 exit financing assumptions, we had and relied upon the
9 discussions with Miller Buckfire.

10 Q Okay.

11 A When it came to developing specific revenue assumptions
12 that required our economist to be involved, I relied on Bob
13 Cline and Caroline Sallee. When it came to some of the
14 reinvestment initiatives, I relied on the information given
15 by Chuck Moore.

16 Q At Conway MacKenzie?

17 A That is correct.

18 Q Okay.

19 A When it came to understanding all of the other revenues
20 and all of the expenditure line items, it was myself and my
21 team that I was working with, and also we relied upon the
22 plan of adjustment in terms of certain other revenues that
23 were coming through as a part of the overall plan so I could
24 sit back and see how these pieces were coming together and
25 what impact they were having on the city's financial profile.

1 Q Now, you mentioned your team, and I apologize for not
2 having asked you before. How large was your team at EY?

3 A The team that I have working here is roughly about ten or
4 fifteen people at any given point of time.

5 Q Now, is there a standard methodology in your field that
6 is used to create financial models?

7 A Yes. It's generally in Excel.

8 Q Okay. Walk us through how professionals in your field
9 create financial models.

10 A So we start with the raw data that -- to the best of the
11 information that we have available from the client, and then
12 we really deconstruct it to understand what the different
13 components are of that particular buildup versus just taking
14 the high level information. We kind of understand the data
15 at a very detailed level. We look at it on a line-by-line
16 basis to understand what of that information is one-off
17 events versus ongoing trends. We have discussions with the
18 management team to understand our understanding of their data
19 to make sure that we corroborate what we think we are seeing.
20 We also then use either run rates as assumptions for short-
21 term and long-term projections as well as we overlay specific
22 changes that we know are going to happen based on discussions
23 with the management team of the client to then at a very
24 detailed level forecast changes, and then on a longer-term
25 basis also rely upon information that we have from public

1 agencies for inflation-type assumptions to overlay those
2 items that may not be specifically highlighted over the long
3 term but may grow because of an inflationary component.

4 Q What do you do to test the accuracy of this information
5 that you rely upon?

6 A We compare the raw data to the information in the audited
7 financial statements. For some of the items where we can, we
8 actually compare it to the cash receipts and disbursements
9 activity of the client to ensure that we can understand the
10 linkage between the financial statements and the cash
11 activity, and so we scrub through the data to make sure we
12 understand what the components are, and the process of the
13 interviews with the management team is in large part a
14 validation process also.

15 Q Now, a couple of times you've mentioned the computer
16 application called Excel. Just for the record, what is
17 Excel?

18 A It's a Microsoft application that helps on addition,
19 subtraction, and just basic financial analyses.

20 Q And your model is actually put into a Microsoft Excel
21 workbook?

22 A That is correct.

23 Q Okay. So tell us then how you went about preparing the
24 financial analyses that you did prepare from the information
25 that the city gave you in this case as opposed to as you do

1 it, you know, theoretically.

2 A We started with getting the raw information by department
3 for the last five years. By "raw information," I mean
4 detailed sales and expense categories that were not only
5 broken down by department but by fund because a particular
6 department could have operations that impact different funds,
7 and we started the process of first analyzing all of that
8 information on a department-by-department basis. Then we
9 actually took that department information and broke it down
10 by fund so that we could focus our efforts on all of that
11 activity across every department that was impacting the
12 general fund. Once we did that, we were then at a much lower
13 level of detail able to come up with for all of the revenue
14 and expense line items after discussions with the management
15 team what specifically items would change in a baseline
16 scenario if nothing had changed, so went through and looked
17 at the 2012-2013 information as well as the previous four
18 years to ascertain what were ongoing trends where we saw big
19 changes in either the revenue line items or the expense line
20 items, what was driving that change, and so that's where we
21 started to develop the forecast at a much more granular level
22 to understand what each department and each department's fund
23 position would be from a forecast standpoint.

24 Q Thank you.

25 MR. STEWART: Your Honor, I would proffer

1 Mr. Malhotra as an expert witness based upon his testimony
2 about his qualifications and background.

3 THE COURT: Expert witness on --

4 MR. STEWART: Issues of restructuring and financial
5 analysis, your Honor.

6 THE COURT: Any objections?

7 MR. SOTO: No objection, your Honor.

8 MR. WAGNER: No objection.

9 THE COURT: All right. You may proceed.

10 MR. STEWART: Thank you.

11 BY MR. STEWART:

12 Q If we could, Mr. Malhotra, let's now turn to the details
13 of your work. Let's begin, if we could, with Exhibit 738.
14 Do you have 738 before you, Mr. Malhotra?

15 A Yes, I do.

16 Q 738 is -- I think you've already testified about the
17 sources you relied upon in your work, but I wanted to ask you
18 in a little bit more detail about the organization of the
19 effort that led to the construction of your financial models.
20 Have you seen 738 before?

21 A Yes, I have.

22 Q And who prepared it?

23 A It was the Jones Day team along with our input.

24 Q Does this reflect in a schematic way the organization of
25 the effort that was put together in order to prepare the

1 financial analyses for the city?

2 A Yes, it does.

3 MR. STEWART: Your Honor, I would move admission of
4 738 as a demonstrative exhibit.

5 THE COURT: Any objections?

6 MR. SOTO: Well, your Honor, I see that it is a
7 chart, and I see the names. I don't see how it is a
8 schematic of what he did. I assume he will testify about
9 that at some point, so I'm wondering if he shouldn't give
10 some meat to these bones, and then I have no problem with it
11 as a demonstrative. And I certainly don't mind him using it
12 while he testifies about it.

13 THE COURT: Well, all right. Subject to that
14 connection, the Court will admit it into evidence.

15 (City Exhibit 738 received at 10:44 a.m.)

16 BY MR. STEWART:

17 Q Mr. Malhotra, so let's look at Exhibit 738. Your name is
18 in the upper left-hand corner?

19 A That's correct.

20 Q In the upper right-hand corner who appears?

21 A Kevyn Orr, Mayor Duggan, and John Hill.

22 Q And why are they in the upper right-hand corner in this
23 structure?

24 A Because they're essentially the client at the end of the
25 day that has to review and approve what we're seeing in

1 aggregate.

2 Q Okay. Now, on the left-hand side of Exhibit 738 is a
3 column entitled "revenues."

4 A Yes.

5 Q On the right-hand side a column entitled "expenditures"?

6 A That is correct.

7 Q Do I understand correctly the left-hand side lists the
8 sources of information you relied upon for revenues?

9 A That is correct.

10 Q Could you tell us then quickly what each of the persons
11 or groups on the left-hand side contributed to your analysis?

12 A Sure. So from Bob Cline from EY, the detailed
13 information that he provided us was with respect to the
14 forecasts over ten and forty years for the income, wagering,
15 and utility users' taxes under two different scenarios, and I
16 was able to take the information that Bob had provided, have
17 a number of discussions with him in terms of the assumptions
18 and look at the output that was being provided by Bob as well
19 as make sure that it was consistent with the numbers we're
20 using and overall also look at some of the public sources of
21 information that he had used with respect to the assumption,
22 so that built up the -- once we had the final information
23 from Bob, the input for the income, wagering, and utility
24 taxes.

25 Q And then below Mr. Cline is Caroline Sallee?

1 A Yes. With Ms. Sallee we did the similar process for
2 property taxes and state revenue sharing in which I went
3 through the files that they had sent over. We had
4 discussions about it and also made sure that I understood the
5 broad assumptions that were being used in addition to some of
6 the public sources of data that were being relied upon.

7 Q Okay. And the next, it's the EY restructuring team?

8 A Yes. That's essentially my day-to-day team where I
9 looked at the other revenue items and sales and charges for
10 services, some other transfers that were coming into the
11 general fund in addition to UTGO-type property tax
12 collection, so -- that were related to debt service as well
13 as the overall assumption of the DWSD revenue stream that has
14 been incorporated into the plan of adjustment.

15 Q And then city management is the next line.

16 A Yes. And this is similar to the line item up above on
17 other revenue items because there are a number of line items
18 that make up the other revenue category, and we went through
19 department by department to make sure we understood what were
20 certain run rates and what changes were being made or should
21 have been made to those line items going forward.

22 Q Now, the next two boxes are for the advisors you've
23 spoken of, Conway MacKenzie and Miller Buckfire. In a
24 nutshell, what did they -- what input did they have to your
25 work?

1 A So Mr. Moore provided us the information with respect to
2 the department revenue initiatives on a department-by-
3 department basis where I actually wanted to make sure that
4 there was no double count between the other revenue line
5 items or any of the information that Mr. Cline or Ms. Sallee
6 used compared to the information that Mr. Moore was using, so
7 that was a process to make sure that there was no double
8 counting. And from Mr. Buckfire it was the assumptions in
9 terms of the quality of life loan proceeds as well as the
10 assumptions related to the exit financing.

11 Q And, finally, what inputs were there from the plan of
12 adjustment itself?

13 A It was predominantly the proceeds from the grand bargain.

14 Q Okay. On the right-hand side under expenditures, the EY
15 team, again, what did they give you in terms of information
16 there?

17 A So I worked with my team there on looking at all of the
18 salaries and benefit costs for the active employees as well
19 as the expenditures related to the legacy liabilities of the
20 city in terms of the assumptions we used for the contingency
21 reserve, and those would be -- and the other expense
22 categories with respect to the main operating costs of the
23 city.

24 Q And actually all of the remaining boxes are people or
25 entities that you dealt with on the revenue side as well.

1 Just quickly run down what their input was to you on the
2 expenditure side.

3 A So in city management it was the input on the operating
4 expenditures as well as the information we received on debt
5 schedules to highlight the nonrestructured debt service.
6 From Mr. Moore it was the information with respect to
7 incremental costs required on a department-by-department
8 basis and the blight budget. For Mr. Buckfire it was the
9 costs and structure of the quality of life and exit
10 financing. And then in terms of the plan of adjustment is
11 where we have incorporated the settlements or the
12 potential -- the settlements that were reached with the
13 various classes in terms of what the financial implications
14 of those would be.

15 Q Thank you. And we can take that down if you'd like.
16 Now, did there come a time when you began the construction of
17 the financial model?

18 A Yes.

19 Q When? When did that start?

20 A I would say it was early part of 2013 is where we really
21 started to build out the projections over ten years.

22 Q And who was it on your team if there was only one
23 person -- or who on your team constructed the model?

24 A It was several people, but I would say two or three of
25 our analysts did the heavy lifting with respect to the actual

1 construction of the model, but we had different people build
2 up specific modules for different work streams, and that's
3 how the models came together.

4 Q How well do you know the model personally?

5 A I know it very well.

6 Q What did EY do to test the model for its completeness?

7 A For its completeness, we made sure that, "A," the model
8 was accurate, and we go through internal quality check
9 processes. I spot-checked a significant number of places in
10 the model to make sure that the accuracy was valid as well as
11 from a completeness standpoint is the sources of information
12 that we were relying upon for the input that I was able to
13 tie back to the sources of data that were used for some of
14 the assumptions.

15 MR. STEWART: Let's put up, if we could, Exhibit
16 112, and I believe that's an electronic document.

17 BY MR. STEWART:

18 Q Mr. Malhotra, we've put up on the screen here Exhibit
19 112. Can you tell us what Exhibit 112 is?

20 A Exhibit 112 is the ten-year financial projections model,
21 which I think this would be the baseline scenario.

22 Q Now, at the bottom I see a number of tabs. What do those
23 represent?

24 A Those are individual worksheets that contain information
25 either on a summary or department-by-department basis.

1 Q How many worksheets are there?

2 A I think there's over 300-plus worksheets in this model.

3 Q Okay.

4 MR. STEWART: Your Honor, I'd move the admission of
5 Exhibit 112.

6 THE COURT: Any objections?

7 MR. SOTO: No, your Honor.

8 BY MR. STEWART:

9 Q Now --

10 THE COURT: It is admitted.

11 MR. STEWART: I'm sorry, your Honor.

12 (City Exhibit 112 received at 10:52 a.m.)

13 BY MR. STEWART:

14 Q Mr. Malhotra, this is an Excel spreadsheet?

15 A Yes, it is.

16 Q And the spreadsheet itself sometimes is known as a
17 workbook?

18 A Yes.

19 Q And the pages sometimes are called worksheets; correct?

20 A Correct.

21 Q Let's go to any worksheet you'd like. Just choose one,
22 if you could.

23 A We can go to ESUM or --

24 Q Right there. Okay. Okay. Let's scroll to the center.

25 Okay. Now, the construction of worksheets is such that

1 vertically you have something called columns?

2 A Yes.

3 Q Okay. And this column is entitled "Column A"; correct?

4 A That's correct.

5 Q What's in Column A?

6 A Those are -- highlight the revenue titles and the expense
7 titles on this page.

8 Q Okay. And then across, those are called rows; correct?

9 A Yes.

10 Q What is Row 17, for example? What is that? What is
11 that?

12 A That shows general fund reimbursements.

13 Q Okay. Now, when rows and columns intersect, you have
14 something called a cell?

15 A Yes.

16 Q Let's highlight cell G-17. Now, up at the top there's a
17 box. Do you see that? There's a -- I don't know what you
18 call -- you tell me what you call it. Do you see at the top
19 there's something that says "sum," and then there's a bunch
20 of words after it or figures after it?

21 A Yes.

22 Q What is that?

23 A It's a formula.

24 Q It's a formula, and the formulas or the values of cells
25 appear in that box?

1 A That's correct.

2 Q What does that formula represent, if you can tell?

3 A It's summing up from the EDET tab, which would be the
4 detail tab, rows 21 through 23 of Column G, so this tab, for
5 instance, would be a more summary view of the detail tab on
6 the EDET tab.

7 Q Okay. So, in other words, these worksheets borrow from
8 each other?

9 A Yes.

10 Q How complex is the borrowing of one worksheet to another?

11 A In my view, it's not overly complex. I mean it's --
12 they're formulas, and once you understand the logic, it's not
13 overly complex.

14 Q Okay.

15 MR. STEWART: Let's, if we could, scroll to the
16 right just to show the number -- no -- just of the workbook
17 just to show the number of -- not the sheet, the workbook
18 itself -- just to show the number of tabs we're talking about
19 here.

20 BY MR. STEWART:

21 Q Each of those tabs, Mr. Malhotra, represents a set of
22 calculations?

23 A I would say the information on the raw data that would be
24 in the model would not be calculations, but a lot of these
25 tabs would have some calculations on them unless they're raw

1 data files.

2 Q And so the tabs we see scrolling by would be where the
3 raw data was captured or compiled?

4 A The tabs that we are looking at right now would be
5 where -- would be the output of the information that would
6 have been after the raw data had been analyzed.

7 Q Okay. And we're still scrolling. I should have asked
8 you something earlier. You're aware that the Court has
9 appointed an expert, Marti Kopacz of Phoenix, as the Court's
10 expert?

11 A Yes, I am.

12 Q What access has Phoenix had to this model?

13 A Full access of working Excel models.

14 Q In this -- in the native format as we see it here on the
15 screen?

16 A That is correct.

17 Q Okay. Now, what is done on your model to take all of
18 this raw data and put it in one place?

19 A Well, it's sort of like that summary tab that we were
20 looking at is you take all of the raw data that is developed
21 that is provided by fund by department, and you take that
22 information and then deconstruct it to basically highlight
23 for every single department how that information is then
24 broken out between each fund, so we take all of the
25 information that is given to us by every department, break it

1 down by every individual department for every single tab, and
2 then that department is further broken down into a general
3 fund component or the enterprise fund component. And then we
4 sum up all of the general fund only tabs for every single
5 department.

6 Q Now, let's turn in your book, if we could, to Exhibit
7 109.

8 MR. STEWART: And please put, Tom, if you could --
9 BY MR. STEWART:

10 Q Mr. Malhotra, could you tell us what is Exhibit 109?

11 A This is a sample of the ten-year projections of the city.

12 Q Okay. Is this the hard copy version of the model we were
13 just looking at?

14 A Yes. I believe this is the July 2nd version, so it -- I
15 think it is.

16 MR. STEWART: Your Honor, I'd move the admission of
17 Exhibit 109.

18 THE COURT: Any objections?

19 MR. WAGNER: No, your Honor.

20 BY MR. STEWART:

21 Q Could you show us --

22 (City Exhibit 109 received at 10:58 a.m.)

23 THE COURT: It is admitted.

24 MR. STEWART: Sorry, your Honor.

25 BY MR. STEWART:

1 Q Mr. Malhotra, could you show us on Exhibit 109 where
2 you'd see the summary page you described to us just a minute
3 ago?

4 A It would be on page 6 of 82.

5 Q Okay. And so that is a page where all of the data we saw
6 in the model ultimately bubbles up to to become a one-page
7 analysis?

8 A Yes. For the baseline information, that would be the
9 page that it would all sum up to.

10 Q Okay.

11 MR. STEWART: Let's now put up on the screen Exhibit
12 113.

13 BY MR. STEWART:

14 Q Mr. Malhotra, we've now placed on the screen Exhibit 113.
15 Could you tell us what is Exhibit -- what is Exhibit 113?

16 A Exhibit 113 looks like the tab from the 40-year
17 projections as the tab from what I can tell.

18 Q What's the relationship between the 40 -- is this the 40-
19 year model?

20 A This should be the 40-year model, yes.

21 Q What is the relationship between the ten-year model --
22 and what's the date, by the way, of this version of the
23 forty-year model?

24 A I believe this one is the July 2nd version.

25 Q What's the relationship between the 40-year model and the

1 10-year model?

2 A Well, the ten-year model is 300 plus tabs, so we have to
3 bring in the summary information off the ten-year into the
4 forty-year and then on a line-by-line item basis project over
5 the forty years what the revenues and expenses would be using
6 primarily the same sources I had talked about earlier, and
7 then the forty-year model was used to really illustrate
8 what -- how the city was going to pay for the overall
9 settlements it has reached with various classes, so the
10 forty-year was more of an expansion of the ten-year but
11 looking at it purely from the lens more so of how the
12 restructuring plan comes together.

13 Q Okay.

14 MR. STEWART: Now, let's put up Exhibit 111, please.

15 BY MR. STEWART:

16 Q Could you tell us, Mr. Malhotra, what is Exhibit 111?

17 A Exhibit 111 is the 40-year projections of the city.

18 Q Is this the hard copy version of the model we just looked
19 at?

20 A Yes.

21 MR. STEWART: Your Honor, I'd move the admission of
22 Exhibit 111.

23 THE COURT: Any objections?

24 MR. SOTO: No.

25 MR. WAGNER: No, your Honor.

1 MR. SOTO: No. Sorry.

2 THE COURT: It is admitted.

3 (City Exhibit 111 received at 11:02 a.m.)

4 BY MR. STEWART:

5 Q Now, during the period of time --

6 MR. STEWART: And you can take down 111 if you'd
7 like.

8 BY MR. STEWART:

9 Q During the period of time you've been preparing the
10 model, is it fair to say there have been a succession of
11 models?

12 A Yes.

13 Q And some have had different forecast periods; correct?

14 A That is correct.

15 Q And some have had different assumptions in them?

16 A Yes.

17 Q Has EY archived each version of each model?

18 A We do the best we can. There's hundreds of versions, but
19 I think most of them are saved somewhere.

20 Q Okay. Let me ask you just about a few of the models
21 leading up to where we are today, and let's start with
22 Exhibit 33. Mr. Malhotra, do you have Exhibit 33 in front of
23 you?

24 A I do.

25 Q And could you tell us what is Exhibit 33?

1 A Exhibit 33 is the original June 14th proposal for
2 creditors.

3 Q Did you prepare any part of Exhibit 33?

4 A I did.

5 Q Let's go, if we could --

6 MR. STEWART: And, your Honor, I am going -- I'm not
7 going to move the admission of the entire exhibit because the
8 witness did not prepare the entire exhibit. I would move to
9 pages he did prepare and move those into evidence and leave
10 it to another witness to get the larger document in.

11 BY MR. STEWART:

12 Q Mr. Malhotra, let's go, if we could, to page 90, nine
13 zero, of our document here.

14 MR. STEWART: It would be nine zero in the -- Tom,
15 it would be -- apparently, your Honor, I'm advised it's
16 already been admitted into evidence.

17 MR. SOTO: Your Honor, it's one of those that was --
18 the only objecting party was Syncora, and they're no longer
19 here, so we have no objection to this.

20 THE COURT: All right. The Court will admit Exhibit
21 33.

22 (City Exhibit 33 received at 11:04 a.m.)

23 BY MR. STEWART:

24 Q Okay. All right. But I'm still going to confine my
25 questions to page 90 and 91. You have page 90 of the exhibit

1 before you, Mr. Malhotra. Could you tell me, first of all,
2 what is Exhibit 190 -- I mean -- I'm sorry -- what is page
3 90? Confused myself.

4 A Page 90 shows the operating revenues and operating
5 expenditures of the general fund for the next ten years as
6 was presented in the June 13th proposal absent any
7 restructuring.

8 Q And let's just go down briefly the revenues. First of
9 all, we have various taxes and revenue sharing; correct?

10 A That is correct.

11 Q And from whom did you get those numbers?

12 A The municipal income taxes and state revenue sharing
13 would have been provided by -- the income tax would have been
14 provided by Bob Cline. State revenue sharing would have come
15 from Caroline Sallee. And the wagering taxes would have come
16 from Bob Cline, and the property taxes would have come from
17 Caroline Sallee. And the utility users would have come from
18 Bob Cline as well. I'm positive about the income taxes and
19 property taxes. I don't know about the other two if Bob and
20 Caroline were doing it for us at that point in time or not,
21 but they were for income taxes and property taxes for sure.

22 Q All right. And these were projected out for the coming
23 ten years; correct?

24 A That is correct.

25 Q And tell us how you went about being able to project

1 these numbers out for ten years.

2 A Well, we would have started by looking at each one of
3 those categories on a historical basis, so for the income
4 taxes it would have been what the city's historical
5 performance was but also, more importantly, as to where the
6 city was headed in terms of projected population and wage
7 assumptions to ascertain what the income levels were assuming
8 there were no changes in the property tax or in the income
9 tax rates. State revenue sharing, we get input even from the
10 state budget department. Wagering taxes was again based on
11 what some of the historical casino revenues were and sort of
12 using a small reduction based on the introduction of the new
13 Ohio casinos and then a one-percent growth rate over the
14 forecast period. For the sales and charges for services, it
15 would have been looking at each one of the departments in
16 detail to understand what the charges were for the services
17 being offered. Property taxes would have been developed on a
18 commercial and residential standpoint. The other revenue
19 would have also been broken down in terms of what was the
20 overall other taxes or other revenues that were not included
21 in the services above, whether it was court fines or parking
22 tickets, and then general fund reimbursements for the
23 reimbursements that come from some of the historical -- on a
24 by fund basis and even on a projected basis, and then what
25 the UTGO millage was in certain non-general fund POCs, so --

1 Q Sure.

2 A -- it was the historical information combined with the
3 forecast on a line-by-line basis.

4 Q While we're at it, could you tell us what is meant when
5 you have a line that says "general fund reimbursements"?

6 A Those are items such as reimbursements from the
7 Department of Transportation for their share of the insurance
8 costs or risk management costs, come in as a general fund
9 reimbursement, but there's a corresponding expense in the
10 operating expenditures, so there's at times a net effect for
11 some of these revenues and expenses based on how the city
12 accounts for them.

13 Q Okay. And then you have transfers in for UTGO millage
14 and non-general fund POCs. Tell us what that represents.

15 A The transfers in from the UTGO millage represents the --
16 would have represented the portion that comes in as UTGO tax
17 collections. There would be a corresponding transfer out to
18 reflect the transfer that would be made to the debt service
19 fund, so this was basically reflected to show what the
20 activity was. And also on non-general fund POCs there were a
21 certain portion of the COPs that were allocated to the
22 different enterprise funds, and we wanted to make sure that
23 those reimbursements under a base case scenario or a no
24 restructuring scenario were shown up above.

25 Q Okay. Now, the expenditures, without going into a lot of

1 detail, also done generally the same way?

2 A Yes.

3 Q At the bottom you have something called net operating
4 surplus. Just, first of all, what is it?

5 A It is the difference between the operating revenues and
6 the operating expenditures.

7 Q Okay. Let's go, if we could -- and, by the way, this was
8 presented at the June 2013 meeting with the creditors;
9 correct?

10 A That's correct.

11 Q Did you speak at that meeting?

12 A I did.

13 Q And what did you speak about at that meeting?

14 A Well, in addition to the city's precarious cash position,
15 this was one of the -- a couple of the pages that I talked
16 about that showed that on an operating basis the city was
17 actually generating potentially a \$3 billion surplus over the
18 next ten years or roughly 300 million a year without
19 accounting for any of the costs related to the city's legacy
20 liabilities.

21 Q So let's go to the next page of Exhibit 33. Is this a
22 continuation of the calculations we just looked at?

23 A Yes.

24 Q And what does this page reveal?

25 A So on this page, as we continue from the previous page

1 where we had three -- the city was projecting almost \$3
2 billion of surplus over ten years, this page showed the
3 nonrestructured costs of debt service, the POCs, the swaps as
4 they stood, the pension contributions under the assumption
5 the city was using at that point of time, under changed
6 assumptions that the city wanted to use at that point of
7 time, the ongoing costs of health benefits for retirees,
8 which in aggregate from the line items up above, it showed
9 that the city would have almost \$7 billion potentially in
10 forthcoming legacy liability expenditures over the next ten
11 years.

12 Q And you called these in this page legacy expenditures;
13 correct?

14 A Yes.

15 Q What do you mean by "legacy"?

16 A Our way of looking at the legacy expenditures was what
17 the -- the costs that were not associated with providing
18 service or operations today, so it was -- we were trying to
19 exclude the majority of the share of costs related to the
20 active employees and supplies as well as exclude the costs
21 associated with debt that the city had taken on in prior
22 periods.

23 Q Now, we have a line that says "total surplus" and then in
24 parentheses the word "deficit." What does that line
25 represent?

1 A That line represents that the -- the delta between the
2 operating surplus that we saw on the prior page, and if you
3 reduce that operating surplus by the full impact of the cost
4 of the legacy expenditures, what the delta is.

5 Q Okay. So so far in our analysis, on an operating basis,
6 the city actually had a surplus, but once the legacy
7 expenditures were taken into account, that turned into the
8 deficit we see in the middle of the page?

9 A That's correct.

10 Q Okay. And the deficit is how much projected over ten
11 years back in June of 2013?

12 A For the ten years, the projection showed in excess -- or
13 just shy of \$4 billion or roughly 390 to \$400 million a year.

14 Q Below that is a series of lines under the heading
15 "reinvestment in the city." What is that section of this
16 page about?

17 A In that section, we were showing the information that we
18 had gotten from Conway MacKenzie that was provided with
19 respect to revenue and operating expenditure assumptions on a
20 by department basis as well as capital investments and blight
21 that were at that point in time estimated for the city, which
22 in aggregate added up to about a billion dollars net.

23 Q But how could the city be spending money on reinvestment
24 when it had a deficit at the levels we see in the middle of
25 the -- of page 91?

1 A It was probably unlikely that the city would have been
2 able to.

3 Q So why did we have -- why do you have here a section
4 about reinvestment at all?

5 A Well, the reason we wanted to show it is because based on
6 the discussions we had with the city that the reinvestment
7 was a necessity. It was in order to get the city back and
8 avoid a spiral, but that was the assumption as of then.

9 Q Okay. Is this analysis, page 90 and 91, sometimes called
10 a baseline analysis?

11 A Yes.

12 Q Why is it called a baseline analysis?

13 A Because on 90 and 91 we have not incorporated any
14 bankruptcy-type provisions, so it's sort of outside of a
15 bankruptcy what the projections could look like, but it does
16 not take into impact any of the restructuring activities that
17 the city has undertaken as a part of the bankruptcy.

18 Q Okay. Thank you.

19 MR. STEWART: And we can take down that exhibit.
20 Your Honor, I'm reminded I failed to move Exhibit 113 into
21 evidence. That was the native -- in other words, the
22 electronic version -- of the 40-year forecast, and I'd move
23 it into evidence now.

24 THE COURT: Any objections?

25 MR. WAGNER: No, your Honor.

1 THE COURT: All right. It is admitted.

2 (City Exhibit 113 received at 11:15 a.m.)

3 MR. STEWART: Let's, if we could, put up Exhibit 3.

4 BY MR. STEWART:

5 Q Mr. Malhotra, Exhibit 3 is in front of you. Can you tell
6 us what is Exhibit 3?

7 A That's the fourth amended disclosure statement.

8 Q Okay.

9 MR. STEWART: And, your Honor, I believe this has
10 been admitted into evidence, although I'm susceptible of
11 correction if I have that wrong.

12 BY MR. STEWART:

13 Q Mr. Malhotra, did this disclosure statement also set
14 forth forecasts that Ernst & Young had prepared?

15 A Yes.

16 MR. STEWART: Let's go, if we could, to page 89 of
17 212, so we have to go to the appendix, Appendix A, page 89.
18 No, that's not it.

19 BY MR. STEWART:

20 Q While they're doing that, let me just ask you some
21 questions about the disclosure statement, Mr. Malhotra.

22 THE COURT: Excuse me. Excuse me just one second,
23 please.

24 MR. STEWART: Yes.

25 THE COURT: So what I'm showing is -- I'm sorry.

1 One more second. What I'm showing is that on September 9th
2 the document was admitted during the testimony of Terri
3 Renshaw but only to show what she relied upon --

4 MR. STEWART: Okay.

5 THE COURT: -- for what she did, and then I'm also
6 showing that, although Exhibit 3 was initially admitted as
7 part of the final pretrial order, that was vacated and only
8 Exhibit M to Exhibit 3 was subsequently admitted on September
9 8th.

10 MR. SOTO: Your Honor, we have no objection to the
11 admission of Exhibit 3. I think the only party that had
12 objected on the exhibit list, again, was Syncora. There's
13 some of their objections which we would adopt, but this is
14 not one of them.

15 THE COURT: All right. Would you like to offer
16 Exhibit 3 then?

17 MR. STEWART: Yes, your Honor.

18 THE COURT: All right. Exhibit 3 is admitted for
19 all purposes.

20 (City Exhibit 3 received at 11:17 a.m.)

21 BY MR. STEWART:

22 Q Now, Mr. Malhotra, I'm now going to direct you to one of
23 the appendices of Exhibit 3, page 89 of 200 and -- I think of
24 212.

25 MR. STEWART: Let's go back, if we could. Just go

1 one more page. Do you have -- sorry. It's page 99. Oops.
2 Where were we? Just next page, please, and keep going. One
3 more. Keep going. Keep going. There you go. Page 94.

4 BY MR. STEWART:

5 Q Tell us, if you could, what page 94 of 212 is on Exhibit
6 3.

7 A This would have been the same slightly updated baseline
8 scenario that was used for the disclosure statement, so I
9 believe this would be the May 5th version of the projections.

10 Q Okay. And did the disclosure statement also have a
11 comparable summary of the 40-year model that E&Y had
12 produced?

13 A I believe so, yes.

14 Q Okay. Let's move on. Let's go back, if we could, now to
15 Exhibit 109 and use the hard copy form of 109, and this has
16 been admitted into evidence. So a couple of months after the
17 disclosure statement, you had a new edition of your model?

18 A Yes.

19 Q Okay. And that's what you have before you is Exhibit
20 109?

21 A That is correct.

22 Q Now, it appears to be 82 pages long?

23 A That is correct.

24 Q Now, the cover has this red language there. Can you tell
25 me what that's doing on the cover of your model?

1 A It's our standard disclaimer.

2 Q Okay. What are you disclaiming?

3 A That the assumptions and the data are at the end of the
4 day the product of the client.

5 Q Are you disclaiming the accuracy of the model?

6 A No.

7 Q Are you disclaiming that you believe it to be an accurate
8 forecast?

9 A Yeah. Based on the assumptions, we believe this is --
10 it's accurate.

11 Q Okay. So now let's go to page 3.

12 MR. SOTO: You know, Judge, on that one -- forgive
13 me for interrupting, but I couldn't read a thing of what he
14 was -- what he had there, so I have no idea what he was
15 disclaiming, so -- and I would point that out, your Honor.

16 MR. STEWART: Well, we could go back, and can we
17 make it any bigger?

18 MR. SOTO: Could you? Thanks.

19 MR. STEWART: There we go. Probably going to have
20 to read it in halves.

21 MR. SOTO: Thank you, Geoff. Thank you, your Honor.

22 BY MR. STEWART:

23 Q If we could, let's go to page 5. And what is page 5 of
24 the model?

25 A It's a continuation of the assumptions --

1 Q Okay.

2 A -- that are being used, the primary assumptions that are
3 being used in the model.

4 Q So the beginning of the model, we set forth what your
5 assumptions are?

6 A Yes.

7 Q Okay. Now let's go to page 6. And just for the
8 record -- I think we've seen this before -- what is page 6?

9 A Page 6 is the slightly updated baseline scenario that was
10 used for the disclosure statement projections. I think it
11 was around May 5th.

12 Q Okay. So this is an updated version of the forecast we
13 saw that had also been in the June 2013 documentation;
14 correct?

15 MR. WAGNER: Objection. Leading. I think in
16 general there's been too much leading.

17 THE COURT: I agree, and that objection is
18 sustained.

19 MR. STEWART: Okay.

20 BY MR. STEWART:

21 Q How does this relate to the pages we looked at, page 91
22 of Exhibit 33?

23 A 109 is the July 2nd update of the projections, and so we
24 would have updated it since May 5th for the items that we
25 knew we had changed because it was during this time frame

1 that there were a couple of settlements that were reached,
2 but on the baseline scenario, other than some changes that we
3 would have made for new information that we would have
4 received, majority of this would have essentially remained
5 the same or close to it.

6 Q What is the next page of the exhibit?

7 A Well, on this page of the exhibit we have tried to show
8 the restructuring scenario specifically before distributions
9 are made or could be made to unsecured creditors because what
10 we have done on this page is taken the operating revenues and
11 expenditures from the prior page, eliminated majority of
12 the -- eliminated the majority of the unsecured creditor
13 payments, included in here the reinvestment expenditures to
14 show what funds the city would have available for the next
15 ten years to make payments for its unsecured creditors.

16 Q Okay. Let's look at the next page. What is this page?

17 A Page 8 of 82 on Exhibit 4. I think it is a detailed
18 version of the pages we saw two pages prior, which was the
19 summary view of the baseline. This is a detailed view of the
20 baseline.

21 Q Okay. Let's now go to page 10. This says it's a general
22 fund department detail. What is a department detail?

23 A This is how we have built up the ten-year projections, so
24 it shows the detail of the summary view and the summary
25 detail view but now being broken down by department.

1 Q Let's go to the next page then. What is page 11?

2 A This is the summary of the budget department.

3 Q That's a department of the city?

4 A Yes.

5 Q And why is this page organized the way that it is
6 organized?

7 A Because all the pages after this on every single
8 department is organized the same way.

9 Q And how many such pages are there that go through the
10 department detail?

11 A Probably 50-plus.

12 Q Let's go to one in particular just so I can ask you about
13 it, which will be page 17 of 82. This is the detail for the
14 fire department.

15 MR. STEWART: And can we blow that up so it's easier
16 to see? Just blow up the left-hand half of it. Maybe
17 that'll be easier.

18 BY MR. STEWART:

19 Q So, Mr. Malhotra, I want you to walk us through how this
20 detail was done for, in this case, the fire department.

21 A So the information that is here on the left would have
22 been the information that we would have gotten first in the
23 raw data from the city by line item, and this would have
24 probably been only for the general fund because fire just has
25 the general fund essentially, and then we would have gone

1 through actually the details that broke up the licenses,
2 permits, and charges, and the same things for sales and
3 charges for services and then looked at each one of the
4 expense categories in terms of the salaries, the overtime,
5 what the pension allocation was, the basis for the fringe
6 benefits that were allocated to the fire department, so there
7 would be another layer down in terms of the detail. And
8 based on that, we would have actually developed the
9 projections on a headcount basis for the fire department.

10 Q What part of this sheet is purely historical information?

11 A The left part, 2008 through 2012.

12 Q Okay. So let's now expand the right side so we can see
13 some of the projected information. Now, Mr. Malhotra, how
14 did you go about projecting revenue and expense items as they
15 related to the fire department?

16 A Well, when it came to the revenues, the fire department
17 does not have a lot of revenues, so we would have looked at
18 the assumptions with respect to like the first line here
19 would have been the -- I believe it would be the inspection
20 charges, but they had generally been following a consistent
21 trend, and then based on discussions with management for any
22 specific initiative that was being undertaken to increase the
23 overall fees or the inspection charges, we would have
24 increased it and then left it flat over the forecast period
25 because there was not necessarily a plan in terms of how

1 those inspection charges would continue to go up.

2 Q Now -- go ahead. Have you finished?

3 A The second line, I think, is the sales and charges for
4 services, and those, again, would be EMS fees or charges that
5 could be generated by the fire department. And, again,
6 between 12.6 and the 14.9, we would have been specifically
7 highlighting any specific initiative based on discussions
8 with the management team that were being used or looking at
9 even what those charges were historically to come up with
10 what the 2014 number would be and also for keeping that flat
11 depending on the kind of revenue initiative it was. The
12 grant revenue was essentially the SAFER grant in which we
13 knew that the city has gotten the SAFER grant extended
14 through fiscal year '15 and '16, so we left that in but
15 dropped it '17, '18, and '19 in the baseline, but when you
16 will look below in the revenue initiatives that are not shown
17 on this page, we assumed that the grant would actually get
18 renewed for two more years, but we did not want to
19 incorporate that in the baseline that's shown down below in
20 terms of the reinvestment initiatives.

21 Q Then under "expenditures," just in a nutshell, tell us
22 how you went about coming up with the numbers that we see.

23 A So the biggest line item again, which is salaries and
24 wages, that would have been developed based on -- again, we
25 have schedules in the back -- based on the assumptions of the

1 actual headcount by department. We had that historically as
2 well as the most current state, and we would have used the
3 current assumptions of the headcount at the average salary
4 level that we had been provided for that particular
5 department and forecast that over the course of the time
6 frame. And, again, we would have based headcount assumptions
7 compared to what the headcount assumptions were a few months
8 ago because there had been an ongoing attrition, and so we
9 assumed in the baseline that the attrition would be replaced
10 in the projections.

11 Q Okay. Now, at the bottom of this page -- let's go to the
12 whole page once again. What do we have in the bottom couple
13 of lines?

14 A So those are the operational restructuring and
15 reinvestment initiatives, which was the information that was
16 given to us by Conway MacKenzie on a department-by-department
17 basis, but we ensured that there was -- that these
18 expenditures were reviewed, so there was not a double
19 counting of either a revenue or an expense between what was
20 in the baseline versus not.

21 Q Okay. And this was done for how many of the city's
22 departments?

23 A All the departments that impacted the general fund.

24 Q And if we could just flip to the next page and the page
25 after that, what sort of departments do we have here? That's

1 fire. What's the next one?

2 A Health and wellness.

3 Q Do you see it on your screen, Mr. Malhotra? It may be
4 easier to see it on the screen.

5 A Yes. The health and wellness department.

6 Q And after that? And let's do the next page after that.

7 A The human resources department.

8 Q Okay. And could we go on until we've gone through every
9 department in the city?

10 A Yes.

11 Q And where were these all compiled in this forecast?

12 A All of the information for the general fund came together
13 in the summary tab, which we had looked at earlier.

14 Q That's what? Page 6 and 7?

15 A Yes. Page 6 was the baseline view, which is where all of
16 the individual departments would add up to, and then page 7
17 was more for restructured view.

18 Q Now, let's look at Exhibit -- we can put that down.

19 Let's look at Exhibit 111, and if we can go back to page 4 of
20 11. What does page 4 do?

21 A Page 4 is -- shows the projected ten-year and forty-year
22 view of the city under the restructuring view scenario, which
23 shows what funds are available to pay unsecured claims over
24 the next ten, twenty, thirty, or forty years.

25 Q Okay. All right.

1 MR. STEWART: So now let's go back to Exhibit 111
2 and, in particular, to pages 5 and 6. Sorry. Let's make it
3 page 6 actually. Is that 6? I'm losing my eyesight. I'm
4 sorry. Make it 109, page -- that's the wrong page -- make it
5 page 109 -- sorry -- Exhibit 109, page 6, please, and let's
6 highlight, if we could, the left-hand column that has the --
7 all the way down, please. There we go. Thank you. Okay.

8 BY MR. STEWART:

9 Q So I think I've already asked you, Mr. Malhotra, about
10 the sources of some of the information you have here, and I
11 believe we talked about other revenues.

12 MR. STEWART: Could we put up, if we could --

13 BY MR. STEWART:

14 Q We have sales and charges for services. Do you see that?

15 A Yes, I do.

16 Q And also other revenues?

17 A Yes, I do.

18 Q Okay.

19 MR. STEWART: Let's put up --

20 BY MR. STEWART:

21 Q I'm going to ask you about the details of sales and
22 charges for services.

23 MR. STEWART: Let's put up demonstrative Exhibit
24 716. Okay.

25 BY MR. STEWART:

1 Q And, Mr. Malhotra, what I would like to do is ask you
2 what the detail is that is behind the line that says "sales
3 and charges for services." First of all, what is Exhibit
4 716?

5 A It shows the build-up of the sales and charges for
6 services by department.

7 Q Who prepared Exhibit 716?

8 A We did.

9 Q Okay.

10 MR. STEWART: Your Honor, I'd move the admission of
11 716 solely for purposes of being a demonstrative exhibit.

12 MR. SOTO: No objection, your Honor.

13 MR. STEWART: Could we --

14 THE COURT: It is admitted.

15 (City Exhibit 716 received at 11:35 a.m.)

16 MR. STEWART: Sorry. I'm never going to get this
17 right, your Honor.

18 BY MR. STEWART:

19 Q Mr. Malhotra, could you walk us through and tell us what
20 items of revenue there are that underlie the line that's
21 entitled "Sales and Charges for Services"?

22 A Yes. The main categories are by department. The first
23 one is nondepartmental in which you have probably three or
24 four main items that are captured in there, the first one
25 being the municipal service fee. The second main item that

1 is also captured in there is the overall reimbursements that
2 come from other departments for services that are provided by
3 the general fund, so it's almost a netting out of an expense
4 with a revenue. The PLD Department also has all of -- has
5 the costs or the revenues related to its customers, which are
6 continuing to show -- go down, which is as the grid is
7 transitioned to a third party provider, the PLD Department is
8 no longer going to be collecting revenues from those
9 particular customers. The fire department is, again -- this
10 specifically relates to predominantly the fees that are being
11 charged also by EMS. That is sort of built up in the fire
12 department. The 36th District Court as well, this is related
13 to the fees that are historically charged, so -- and we can
14 go down, but those are sort of the main components of the
15 sales and charges for services.

16 Q Okay. And then if we went back to Exhibit 109, there's
17 also this category entitled -- pardon me -- "Other Revenue."

18 MR. STEWART: Let's put up, if we could, Exhibit
19 717.

20 BY MR. STEWART:

21 Q Do you have Exhibit 717 before you, Mr. Malhotra?

22 A Yes, I do.

23 Q What is Exhibit 717?

24 A Exhibit 717 breaks down the other revenues into more
25 detail in terms of how we -- the items that we had included

1 in other revenues in the summary.

2 Q Who prepared Exhibit 717?

3 A We did.

4 MR. STEWART: Your Honor, I'd move its admission as
5 a demonstrative exhibit.

6 MR. SOTO: No objection, your Honor.

7 THE COURT: It is admitted.

8 (City Exhibit 717 received at 11:37 a.m.)

9 BY MR. STEWART:

10 Q Mr. Malhotra, could you walk us through what items
11 comprise the line entry that has been entitled "Other
12 Revenues"?

13 A The items there would be other taxes, which I believe is
14 an industrial facility tax; the parking and court fines,
15 which is predominantly parking tickets; grant revenue, which
16 would be related to the grant revenues in specific
17 departments such as the SAFER grant or the COPs grant. The
18 licenses and permits would be fees charged by the building
19 department and building permits and the inspections by even
20 the fire department. The revenue from use of assets would be
21 some rental income, some one-time asset sales. The general
22 fund reimbursements would be, again, predominantly
23 reimbursements coming from the Department of Transportation
24 for paying the self-insurance funds. The transfers in from
25 UTGO would be the component of property -- of tax collections

1 that were related to the UTGO millage. The department
2 revenue initiatives would be the operating initiatives by
3 department that would be shown on a department-by-department
4 basis that would be flowing into other revenue.

5 Q Let me ask you about the transfers in for the UTGOs. Why
6 is that treated as revenue?

7 A Because there is an incoming source that is coming in in
8 terms of the taxes that are collected and then a
9 corresponding transfer, though, to the debt service fund
10 under a baseline scenario initially, yes.

11 Q And then the department revenue initiatives, I believe
12 we've talked about those before. Are those existing revenues
13 or projected revenues?

14 A Those are projected revenues coming through the
15 reinvestment initiatives. We got that line from Conway
16 MacKenzie.

17 MR. STEWART: So let's go back to Exhibit 109 and to
18 the general fund summary that we were looking at there, and
19 let's expand the lower left-hand corner. Now, we're going to
20 want to go higher up to the expense part. See the -- yeah,
21 there we are.

22 BY MR. STEWART:

23 Q What was the source of your information for the items,
24 first of all, that are salaries, health benefits, and other
25 operating expenses?

1 A On a historical basis, it would be the city's information
2 that we got on a department-by-department basis of what
3 salaries and wages were allocated by fund by department.

4 Q Okay. Let me direct your attention. The top line says
5 "salaries over time and fringe"; correct?

6 A Yes.

7 Q And that's projected out for a number of years?

8 A That is correct.

9 Q What inflation assumption did you make with respect to
10 wage inflation over that term of years?

11 A With respect to wage inflation in the first few years, we
12 used the information that was at the time being discussed
13 with the different unions with respect to five percent up
14 front in terms of the wage increase, zero following, and then
15 it was about 2-1/2, 2-1/2, 2-1/2 after that. Beyond the
16 first five years, we used a two-percent wage inflation
17 assumption.

18 Q Do you know how that compared with the wage rate of
19 inflation Dr. Cline used in his projections of income taxes?

20 A The two percent should be similar.

21 Q Okay.

22 MR. STEWART: Now, if we go further down, under net
23 operating surplus, we have -- oops -- let's see. Go, if you
24 could, back to what we -- just stay with what we had
25 originally, if you could. Thank you. You got to go to the

1 next page. Let's go to the next page, if we could. And you
2 see the upper left-hand corner? Go further down. Oops.
3 There you go. Thank you.

4 BY MR. STEWART:

5 Q Under expenses we have a variety of expenses I wanted to
6 ask you about. Let's talk about the reinvestment. You have
7 OPEB payments for current and future retirees?

8 A That is correct.

9 Q Where did those -- where did those numbers come from?

10 A For the current retirees, we had the information based on
11 what the historical performance of the city was with respect
12 to payments for its existing plans as well as some of the
13 information we would have received from Milliman on the cost
14 of the plans on a per head basis.

15 Q Okay.

16 A And for future retirees, it was based on two percent of
17 healthcare -- two percent of wages for the nonuniform
18 employees, and for the uniform employees it was a million
19 dollar fixed payment for the forecast period.

20 Q Now, let's go, if we could, to the overall sheet, to the
21 overall page that we had, and as a result of your modeling
22 exercise that you've described to us, Mr. Malhotra, have you
23 reached an opinion looking at these pages of Exhibit 109 as
24 to the reasonableness of the city's projections of its
25 revenues and expenditures for the next ten years?

1 A Yes.

2 Q What is your opinion?

3 A My opinion is based on the assumptions here, the revenues
4 and expenditures appear to be reasonable as shown here until
5 the funds available for unsecured claims that the revenues
6 and expenses seem reasonable.

7 Q Let's now go -- pardon me -- if we could, to Exhibit 111
8 and, in particular, to page 4 of 9. I believe you looked at
9 this sheet before, Mr. Malhotra. As a result of the work you
10 did that you described to us, have you reached an opinion
11 about the reasonableness of the city's forecast of revenues
12 and expenditures for the 40-year period that's set forth on
13 page 4 of 9 of Exhibit 111?

14 A Yes.

15 Q What is your opinion?

16 A My opinion is that based on the assumptions we have here,
17 these revenues and expenses appear reasonable for 40 years in
18 terms of the line item up to the funds available for
19 unsecured claims.

20 Q Thank you. Now, more recently you updated your July
21 forecast just last week, did you not?

22 A That is correct.

23 Q Let's put up -- and tell us why you updated the July
24 forecast.

25 A The primary change for that was the Syncora settlement.

1 It is why we updated the projections recently, and there were
2 some other small changes as well.

3 MR. STEWART: Let's put up Exhibit 733, please.

4 BY MR. STEWART:

5 Q What is Exhibit 733?

6 A 733 is the ten-year projections that were prepared last
7 week.

8 Q And who prepared Exhibit 733?

9 A We did in conjunction with the other advisors and the
10 city.

11 Q What was Exhibit 733 based upon?

12 A It was the same information that we had in the prior
13 versions other than an update for the Syncora settlement as
14 well as some of the timing changes based on the updated
15 information we have.

16 MR. STEWART: Your Honor, I'd move the admission of
17 Exhibit 733.

18 MR. SOTO: No objections, your Honor.

19 MR. STEWART: Let's put up 734 if we could. Your
20 Honor, I'm never going to get this right. I mean I just give
21 up. I think you should imprison me or something. I've now
22 messed this up, I think, seven times.

23 THE COURT: It is admitted.

24 (City Exhibit 733 received at 11:45 a.m.)

25 MR. STEWART: I apologize. Let's put up --

1 BY MR. STEWART:

2 Q Exhibit 734, Mr. Malhotra, is front of you. Can you tell
3 us what is Exhibit 734?

4 A 734 is the 40-year projections that were prepared last
5 week.

6 Q And why was there an update as of last week of the 40-
7 year projections?

8 A It was to reflect the -- primarily the Syncora
9 settlement, and there were other -- some small changes from a
10 timing standpoint.

11 Q What's the relationship between the recent update for the
12 40-year projections and what we saw back in July?

13 A It's the -- essentially the same data. It's just been
14 updated for the settlement and the timing of the changes.

15 Q Do these documents also exist in native format?

16 A Yes.

17 MR. STEWART: Do we have those loaded? If not, we
18 can do it after the break.

19 BY MR. STEWART:

20 Q While we're waiting for that to happen, let me ask you
21 this. Are you familiar with something in analytics called a
22 bridge?

23 A Yes.

24 Q What is a bridge?

25 A It helps compare, in my view, the previous set of

1 projections to the current set of projections.

2 Q Did you prepare a bridge to span the change from the July
3 projections to the September projections?

4 A Yes.

5 MR. STEWART: Let's put up Exhibit -- I'm sorry.
6 Let's go to page 11 of this exhibit.

7 BY MR. STEWART:

8 Q What is page 11 of our exhibit?

9 A Page 11 shows the annual changes over the next ten years
10 and forty years of the changes that were made to the July 2nd
11 projections to the most recent projections.

12 MR. STEWART: Your Honor, I'm wondering if I
13 remembered to move into evidence Exhibit 734. I'm not sure
14 that I did.

15 MR. SOTO: Your Honor, our only point on Exhibit
16 734, the witness said there were some minor -- I think he
17 called them changes. Could he describe what it is so we can
18 find them or see them? I don't have a problem with it,
19 but --

20 MR. STEWART: I'm doing it right now.

21 MR. SOTO: Is that what you're doing? Okay. Then
22 no objection, your Honor.

23 THE COURT: All right. It is admitted.

24 (City Exhibit 734 received at 11:48 a.m.)

25 BY MR. STEWART:

1 Q All right. So let's focus, if we could, on page 11 of
2 14. Please tell us how this page connects the July forecast
3 to the September forecast.

4 A So each one of these sections are highlighting the
5 changes that have been made since the July projections, so
6 the first section is the financing changes.

7 MR. STEWART: Let's blow up that left side of this
8 so we can see those all the way down. There you go. Thank
9 you.

10 BY MR. STEWART:

11 Q So please tell us what the changes were.

12 A The first section shows the financing changes in terms of
13 the assumptions on the quality of life borrowings and amount
14 of exit financing. The next section shows the changes in
15 terms of the Syncora settlement as well as other items that
16 were related to Syncora. The next section showed the 36th
17 District Court settlement, and the fourth section showed the
18 changes in terms of the timing of when the quality of life
19 proceeds were being drawn and when the expenditures were
20 made. And there's also a slight change in the contingency
21 amount based on the new borrowing. The blight timing was
22 updated. There was amount included for a draw from the
23 state-controlled escrow as well as the professional fees were
24 updated based on the latest information we had, and the
25 overall reinvestment deferrals were also updated.

1 Q Okay.

2 MR. STEWART: Let's go back to the full view, if we
3 could, again, Tom.

4 BY MR. STEWART:

5 Q And so what do these numbers mean as they're scheduled
6 across the columns of this page?

7 A The first line shows a negative number in '15 and '16
8 which essentially represents that the city is borrowing less
9 cash. The initial assumption in July was that the city would
10 borrow \$300 million in exit financing whereas the latest
11 assumption that the -- that we are using is the city will
12 only borrow \$275 million of exit financing. The line below
13 just shows the changes in the assumptions with respect to the
14 principal and interest payments for the exit financing based
15 on the latest information we had from Miller Buckfire. The
16 POC settlements show for note C the Syncora portion of note
17 C, which is a payment of roughly \$2.4 million a year for 12
18 years. There were some nonbankruptcy settlement items, which
19 was about a \$5 million cash payment, as well as the extension
20 of a tunnel lease or foregone rent from the tunnel until a
21 period of time in which it capped out at about \$8 million.
22 We also updated for increased other fund reimbursements and
23 increased DWSD revenue stream to allocate the increased cost
24 of the Syncora settlement to DWSD and the other funds because
25 they typically have about 11-1/2 percent allocation of the

1 POCs. The 36th District Court settlement was based on what's
2 in the plan with respect to the settlement of claims. It's
3 about \$2 million over the next five years. The contingency
4 was just changed to reflect the one-percent amount based on
5 updated revenues. Quality of life proceeds, in July we had
6 still assumed that we would have borrowed 52-1/2 million in
7 2014, which we did not, so we pushed it forward to 2015.
8 Also, the timing of certain expenditures that were
9 incorporated through fiscal year '14 of 131.2 million were
10 forecasted to be made in the following year in terms of when
11 the cash is really going to go out. Blight timing in terms
12 of where the city was, instead of \$100 million expense in
13 2015, it was taken down to 80, so this reflected the \$20
14 million variance for 2015 that would subsequently get caught
15 up over the following four years. We also had now shown the
16 full draw of the available escrow proceeds. While the city
17 has to continue to reserve for some self-insurance reasons,
18 there is -- the remaining balance in the escrow proceeds was
19 assumed to be drawn. We also did on an advisor-by-advisor
20 basis analysis of the invoices that the city has been
21 receiving and updated the estimate of the professional fees
22 through the end of December 2015 based on the information we
23 had from the various professionals. And then we had -- we
24 changed some of the reinvestment deferrals so increased a
25 portion of the deferrals in '16 and '17 cumulatively between

1 2017 of about 25-plus million dollars and then caught those
2 up in the subsequent years in the forecast period, so there
3 was a timing change in terms of how the reinvestments were
4 being spread.

5 Q Let me ask about the professional fees. Those increased
6 between your July forecast and your September forecast by \$52
7 million?

8 A That is correct.

9 Q How did that happen?

10 A We asked for all the professionals to give us their
11 estimates, and we wanted to -- we included them in the
12 forecast.

13 Q And who are the professionals we're talking about whose
14 projections or invoices are combined in that line,
15 "additional professional fees"?

16 A It is a combination of the city's advisors, which
17 includes the financial and the legal advisors, as well as the
18 Retiree Committee's advisors and the other advisors the city
19 has been using in this process. It included some estimates
20 through December.

21 Q Is there a detail on this document or another document
22 that sets -- that breaks that down by advisor?

23 A Yes. We have the information by advisor. It's not -- I
24 don't think it's in this document, but we have the supporting
25 schedules that break down all of the variances.

1 Q Okay. All right. So now you've told us about --

2 THE COURT: Excuse me. Do you have that here?

3 THE WITNESS: I don't have it here, but I can get it
4 over the break, but I do have it, yes, your Honor.

5 THE COURT: Please.

6 BY MR. STEWART:

7 Q Now, you've described for us, Mr. Malhotra, this bridge,
8 and so if you take all these numbers, how do they connect the
9 two forecasts?

10 A If you take the July forecast, you incorporate these
11 changes, you will get to the September forecast.

12 Q Okay. Now, we've looked at the general fund summary
13 before. It has all sorts of lines. Why are there so few
14 lines, relatively speaking, on the bridge compared on the --
15 to the general fund summary?

16 A Because these are the only line items that changed.

17 Q Okay. Now, let's go, if we could, to page 10 of this
18 exhibit. What is page 10 of the exhibit?

19 A Page 10 of this exhibit is the 40-year bridge, which is a
20 summary view of the bridge that we were just looking at in
21 detail, and it just breaks down the financing charges
22 changes, the impact of the Syncora settlement plus some of
23 the other impacts from the nonbankruptcy changes with
24 Syncora, but it's just a summary view of what we were just
25 looking at, the detail view over 40 years.

1 Q And how does it connect the July 40-year forecast to the
2 September 40-year forecast?

3 A The detail line items would be the only changes that
4 would have been made since the July forecast.

5 Q Okay. Let's, if we could, now go to Exhibit 733. Okay.
6 And this is the ten-year; correct?

7 A That is correct.

8 Q Exhibit 109 was the ten-year forecast for the -- in July,
9 and, of course, this the one in September. What differences
10 are there in the format of these two forecasts?

11 A The September forecast on Exhibit 733 is about 113 pages.
12 The July projections for the ten-year were about 82 pages.
13 The first -- the format of the first 82 pages is essentially
14 identical, but in these projections we have included just a
15 different way of looking at the numbers, so none of the
16 numbers have essentially changed, but we recut the ten-year
17 projections as well based on input that we were receiving as
18 to a more -- a simpler view of looking at the department
19 budgets post-restructuring.

20 Q Okay. And where does that simpler view begin?

21 A It should be on page 83 of this.

22 MR. STEWART: Let's go, if we could, to page 83.

23 Back up to page 82 actually first.

24 BY MR. STEWART:

25 Q So these are Appendices E to F?

1 A Yes.

2 Q Okay. So what is it that begins on page 83?

3 A So what page 83 does is it's, again, a summary view of
4 the general fund, revenues and expenditures, in which all of
5 the restructuring revenue initiatives, restructuring expenses
6 have been flown -- have been followed through by department,
7 so this is a sum of a department view again, but unlike the
8 restructuring initiatives or expenditures or revenues being
9 broken out separately or just using the historical
10 nonrestructured legacy liabilities, what we have tried to do
11 here is to show a more simplistic view of the general fund,
12 probably a more realistic view as to how the financial
13 information will come about post-restructure.

14 Q Does this analysis have a name?

15 A It's a post-restructuring view.

16 Q Have you heard the phrase used "the mayor's view"?

17 A Yes. At times we have referred to this format and
18 another format as the mayor's view because it is a better
19 format to kind of look at the overall picture.

20 Q Did the mayor ask for it to be done this way?

21 A No, not directly. We did it.

22 Q What conversations did you have with the Court's expert,
23 Ms. Kopacz, about preparing a different view to set forth the
24 data in the way you've just described to us?

25 A I mentioned to the Court's expert that this is another

1 way that we are looking at it, you know, based on some of the
2 comments that we had also read through in the report as to
3 how to make this more user friendly since we've been looking
4 at it over the evolution for the last couple of years as to
5 how to sort of make this a much more effective document going
6 forward. I'm sure there will be some more changes to the
7 format, but this is along the lines of making it more user
8 friendly going forward.

9 Q Does this view also have department-by-department
10 breakdowns?

11 A It does.

12 Q Let's go to the one for the fire department, if we could.

13 THE COURT: Actually, before we do that, let's stop
14 now for lunch.

15 MR. STEWART: Your Honor, in three minutes I can
16 wrap up this whole section --

17 THE COURT: Oh, all right. Go for it.

18 MR. STEWART: -- because it's just one page and then
19 two questions, and then we --

20 THE COURT: Okay.

21 MR. STEWART: -- move on to something perhaps more
22 interesting.

23 MR. SOTO: I don't believe it.

24 BY MR. STEWART:

25 Q Do you have the fire department before you, Mr. Malhotra?

1 A Yes, I do.

2 Q How does this compare to the sheet we looked at earlier
3 in the other view for the fire department?

4 A It should be very similar in terms of the line items, but
5 the sales and charges for services, like, for instance, in
6 2015 would be a summation of what was in the baseline plus
7 the revenue initiatives below the line that were highlighted
8 would now be captured together.

9 Q Okay. You've heard of the -- pardon me -- the phrase
10 "harmonization"?

11 A Yes.

12 Q What is harmonization?

13 A It's syncing up essentially of two different files'
14 formats.

15 Q Okay. What role does this part of the exhibit play in
16 the process of harmonization between the forecast of Ernst &
17 Young and the budgeting process of the city?

18 A I think it's the first couple of steps because 2015 is
19 going to be a transition year for the budget department as
20 well as as we continue to look at the projections, but this
21 is along the road of trying to harmonize the budget
22 department, but like I said, there will still continue to be
23 some changes the way the budget department creates the
24 budget, but this will definitely go -- be sort of the first
25 step of that harmonization process.

1 MR. STEWART: Thank you. Your Honor, if this is a
2 good time to break, this would be an appropriate time for me,
3 too.

4 THE COURT: Okay. We'll be in recess until 1:30,
5 please.

6 THE CLERK: All rise. Court is in recess.

7 (Recess at 12:03 p.m., until 1:30 p.m.)

8 THE CLERK: All rise. Court is back in session.
9 You may be seated. Recalling Case Number 13-53846, City of
10 Detroit, Michigan.

11 THE COURT: You may proceed.

12 MR. STEWART: Thank you, your Honor. Your Honor,
13 may I approach the bench, please?

14 THE COURT: Yes.

15 MR. STEWART: And may I also approach the witness?

16 THE COURT: Yes.

17 BY MR. STEWART:

18 Q Mr. Malhotra -- for the record, Geoffrey Stewart, Jones
19 Day, for the city. Mr. Malhotra, I placed before you a
20 document marked as Exhibit 767. Could you tell the Court
21 what Exhibit 767 is?

22 A This exhibit shows the breakdown of professional fees by
23 advisor for fiscal year '14 and the estimates through fiscal
24 year '15 and then the total column for professional fees by
25 advisor and also the breakdown of the variance that we had

1 spoken about earlier.

2 Q Is this a detail of fees that you testified to before the
3 lunch break?

4 A Yes, the variance of the professional fees by advisor.
5 That is correct.

6 Q Okay. And the detail that Judge Rhodes asked you to
7 prepare and bring to Court this afternoon?

8 A That is correct.

9 MR. STEWART: Your Honor, I'd move the admission of
10 Exhibit 767.

11 THE COURT: Any objections?

12 MR. WAGNER: No objection, your Honor.

13 MR. SOTO: No objection.

14 THE COURT: It is admitted.

15 (City Exhibit 767 received at 1:32 p.m.)

16 MR. STEWART: I also wanted to go back to some other
17 exhibits we spoke of this morning and move their admission.
18 Could we first put up Exhibit 757?

19 BY MR. STEWART:

20 Q Mr. Malhotra, do you see exhibit 757 on your screen?

21 A I do.

22 Q Could you tell us what Exhibit 757 is?

23 A 757 looks like the ten-year projections. I'm just trying
24 to see which version they would be.

25 Q I'm sorry.

1 A I'm just trying to figure out which version they would
2 be.

3 Q Perhaps at the bottom there would be a time or a date
4 shown on the first page.

5 A I would be able to tell if you could please go to the e-
6 summary tab. If you scroll to the bottom right, please.
7 These appear to be the September projections of the ten
8 years.

9 Q In native format?

10 A That is correct.

11 MR. STEWART: Your Honor, I'd move the admission of
12 Exhibit 757.

13 THE COURT: Any objections?

14 MR. SOTO: No objection, your Honor. I would note
15 for the record that he couldn't tell what it was from just
16 the front page.

17 THE COURT: I noticed. Okay. 757 is admitted.

18 (City Exhibit 757 received at 1:33 p.m.)

19 MR. STEWART: Let's put up 758.

20 BY MR. STEWART:

21 Q Could you tell -- if you'd like, go to the second or
22 third page of 758. Can you tell us, Mr. Malhotra, what is
23 Exhibit 758?

24 A 758 is the post-restructuring scenario which we spoke
25 about earlier from pages 83 onwards, which is a recut of the

1 ten-year financials under a different format.

2 Q Did you prepare 758?

3 A Yes.

4 MR. STEWART: Your Honor, I'd move the admission of
5 758.

6 MR. SOTO: No objection, your Honor.

7 THE COURT: It is admitted.

8 (City Exhibit 758 received at 1:34 p.m.)

9 MR. STEWART: Let's look up 759, please, 759.

10 BY MR. STEWART:

11 Q Mr. Malhotra, do you have Exhibit 759 before you?

12 A I do.

13 Q What is Exhibit 759?

14 A 759 should be the 40-year projections and should be the
15 September version, but I can just confirm if you go to the
16 40-year tab. Yeah. I believe these are the September
17 projections.

18 MR. STEWART: Your Honor, I'd move the admission of
19 Exhibit 759.

20 MR. SOTO: No objection, your Honor.

21 THE COURT: It is admitted.

22 (City Exhibit 759 received at 1:35 p.m.)

23 THE COURT: I meant to announce at the beginning of
24 court here after lunch that the mediator did recommend
25 adjourning tomorrow's proceedings relating to the UAW claim,

1 so the Court will agree to do that. Do you have a new date
2 in mind for that?

3 MR. HERTZBERG: We hadn't discussed a date, and what
4 I suggest is let's see how it goes tomorrow, and then I can
5 talk to the other side about slotting in a date and come back
6 to you.

7 THE COURT: I do want a date.

8 MR. HERTZBERG: Okay.

9 THE COURT: I don't want to leave it open.

10 MR. HERTZBERG: I'll take good care of it, your
11 Honor.

12 THE COURT: Before you leave the lectern, Mr.
13 Hertzberg -- and I don't know if you're the right person to
14 talk to about this, but we had an inquiry this morning from
15 Mr. Flynn on behalf of the Detroit Fire Fighters Association.
16 They were also scheduled for their issues tomorrow, and he
17 was asking about whether and how that was going to proceed.
18 Is that your issue or someone else's?

19 MR. HERTZBERG: I'm not aware of that issue, your
20 Honor. Let me check over here. Your Honor, could I suggest
21 that Mr. Flynn check with Heather Lennox? And we can track
22 it down, and then we can come back and report to you.

23 THE COURT: Okay. I will do that, but I will ask
24 you to try to communicate to Ms. Lennox to reach out to Mr.
25 Flynn also.

1 MR. HERTZBERG: I will, your Honor.

2 THE COURT: All right.

3 MR. STEWART: Your Honor, I'm sorry if I jumped the
4 gun even after the lunch break, but I have a note to myself
5 now stuck on the lectern which says "wait."

6 THE COURT: Always good advice.

7 BY MR. STEWART:

8 Q So, Mr. Malhotra, let me -- let's move on to a new area.
9 You understand that the city has settled with the claims of
10 some of its creditors?

11 A Yes.

12 Q What is the extent of your knowledge of those
13 settlements?

14 A It's pretty extensive.

15 Q And do you understand the city proposes to issue
16 securities as part of some of those settlements?

17 A Yes.

18 MR. STEWART: Let's put up Exhibit 728.

19 BY MR. STEWART:

20 Q Do you see Exhibit 728 before you, Mr. Malhotra?

21 A I do.

22 Q What is Exhibit 728?

23 A Exhibit 728 highlights the new notes that are going to be
24 issued as a part of the overall restructuring in order to
25 settle the claims of various classes.

1 Q Who prepared Exhibit 728?

2 A It was our team along with the Jones Day team.

3 MR. STEWART: Your Honor, I'd move the admission of
4 728 as a demonstrative exhibit.

5 THE COURT: Any objections?

6 MR. SOTO: No objection as a demonstrative.

7 THE COURT: It is admitted.

8 (City Exhibit 728 received at 1:38 p.m.)

9 BY MR. STEWART:

10 Q Mr. Malhotra, let's go, if we could, through the exhibit,
11 and at the top there's something called restructured UTGO
12 notes. Please tell us what those are.

13 A Those are the restructured unlimited tax general
14 obligation notes that will be issued in \$288 million in face
15 value and would be paid off over 14 years at various interest
16 rates by tranche, but essentially these notes are going to be
17 paid off over the same time frame and at the same interest
18 rate as the original UTGO notes.

19 Q So what about them has been restructured?

20 A The face value and the claim amount compared to the claim
21 amount.

22 Q And do you know what the original face value of the UTGO
23 claims was?

24 A The claim amount is about 388 million.

25 Q What's the next line?

1 A New LTGO bonds.

2 Q And what are those for?

3 A Those are new limited tax general obligation bonds that
4 are being issued by the city in order to settle the LTGO --
5 settle with the LTGO class, but the city does have the option
6 to pay off the entire amount in cash at emergence.

7 Q And please tell us about the face value and other terms
8 of the new LTGO bonds.

9 A The bonds would be \$55 million in face value payable over
10 23 years at an interest rate of 5.65 percent if the city does
11 not pay the -- those notes off earlier in its entirety in
12 cash.

13 Q And who will be the holders of these new notes?

14 A They would be the LTGO bondholders.

15 Q Okay. Now, below that is something called the new B
16 notes. What are the new B notes?

17 A The new B notes are new notes that are being issued as a
18 part of the plan for reaching settlement with the classes of
19 the LTGOs, the OPEBs, as well as a portion of the COPs and
20 other unsecured creditors. They would be \$632 million of
21 notes payable over 30 years at an interest rate of four
22 percent for the first 20 years and six percent for the last
23 decade, and they're going to be interest only for the first
24 ten years.

25 Q And you told us who the holders would be of the B notes?

1 A Yes. It would be a combination of the classes for OPEB,
2 LTGOs, the COPs, notes, and the other unsecured creditors.

3 Q Now, have you heard of something called a COPs reserve?

4 A Yes.

5 Q What is the COPs reserve?

6 A The COPs reserve is the -- it's a portion of the B notes
7 that was set aside in connection with the COPs litigation.

8 MR. STEWART: Let's put up demonstrative Exhibit
9 751, please.

10 BY MR. STEWART:

11 Q Do you see Exhibit 751 before you, Mr. Malhotra?

12 A I do.

13 Q Who prepared 751?

14 A We did along with the Jones Day team.

15 Q And what does 751 purport to depict?

16 A It breaks down the overall B notes of \$632 million into
17 as to how they get allocated between the different classes.

18 MR. STEWART: I'd move the admission of
19 demonstrative Exhibit 751, your Honor, but only as a
20 demonstrative.

21 MR. SOTO: No objection, your Honor.

22 THE COURT: It is admitted.

23 (City Exhibit 751 received at 1:42 p.m.)

24 BY MR. STEWART:

25 Q Mr. Malhotra, on the left-hand side we see a pie chart;

1 correct?

2 A That is correct.

3 Q What part of the pie chart represents the COPs reserve?

4 A The \$162 million.

5 Q And then there is a segment to the right, a bar chart, I
6 guess. Why is that there?

7 A That was there to illustrate as to depending on how the
8 COPs litigation plays out, how the COPs reserve would get
9 allocated between the OPEB class, the LTGOs, and the other
10 unsecured creditors.

11 Q Now, you mentioned the COPs litigation. What are you
12 referring to?

13 A There's ongoing litigation in terms of the validity of
14 the COPs.

15 Q And does that litigation affect the -- or how, if at all,
16 does that litigation affect the COPs reserve?

17 A Well, if the litigation -- from my understanding, if the
18 litigation goes in favor of the city, the \$162 million of
19 COPs reserve would be broken out pretty much between the
20 OPEB, the LTGOs, and the other unsecured creditors for the
21 most part.

22 Q And if it goes against the city, how does it get broken
23 up?

24 A If it goes against the city, the city would be reserving
25 that \$162 million of the B notes for the COPs holders.

1 Q Okay. Let's go back to Exhibit 728 now.

2 MR. SOTO: Excuse me, your Honor. Just to clarify
3 something in that last one, is that -- if you'd go back to
4 the last one --

5 MR. STEWART: Yeah.

6 MR. SOTO: It says sixth amended plan. Is that
7 what's intended there?

8 MR. STEWART: Let me ask.

9 BY MR. STEWART:

10 Q Mr. Malhotra, this says sixth amended plan, does it not?

11 A Yes, it does.

12 Q Do you know why it says sixth amended plan?

13 A This chart did not reflect on this particular page the
14 component of the COPs reserve that gets crystallized for
15 Syncora as a part of the seventh amended plan, so that
16 portion would change to reflect the Syncora settlement.

17 Q This is how things stood before there was a Syncora
18 settlement?

19 A That is correct.

20 Q Now, if we could go back to 728. Right. We're back to
21 728, and there's a category called new C notes. What are the
22 new C notes?

23 A The new C notes are new notes that are being issued for
24 Syncora in a face value of \$21 million that would be payable
25 over 12 years at an interest rate of five percent, so it's

1 approximately \$2.4 million a year.

2 Q Is there a particular stream of revenue that is pledged
3 to service the new C notes?

4 A I don't know if there's a revenue item that's
5 particularly pledged, but it is tied into some parking, but I
6 don't know if the parking revenue is pledged.

7 Q So let's look at the balance of 728. In the lower left-
8 hand corner we have a pie chart that says face value. What
9 is that intended to reflect?

10 A That reflects all the new notes that are going to be
11 issued under the plan.

12 Q And to the right there is a bar chart that says "debt
13 service." What is debt service intended to depict here?

14 A It shows the cost of servicing the new notes that are
15 being issued over the next approximately 40 years.

16 Q Okay. So could you walk us through the bar chart and
17 show us -- the bars are segmented by color, are they not?

18 A Yes.

19 Q If you could please walk us through the chart to show us
20 how the debt service depiction works here.

21 A So the first column or the first decade really from 2014
22 to 2023, lion's share of that debt service is the UTGO bonds
23 because, as I mentioned earlier, they're getting -- going to
24 get repaid over 14 years consistent with their original
25 repayment schedule, so the yellow gets -- UTGO bonds get paid

1 off in the first decade, and then there's a sliver in the
2 second decade. The second component is the LTGO bonds, which
3 is in purple, and in the assumptions that we have in the
4 projections, the city is assuming that the \$55 million will
5 be paid off in cash at emergence versus being paid off over
6 23 years, which is why that is only in the first stack chart.
7 The third section, which is the section in orange, represents
8 the servicing of the B notes, and the reason that is smaller
9 in the first ten years compared to the next two columns is
10 because that -- the new B notes are interest only for the
11 first ten years, and the last sliver is the new C notes,
12 which are getting paid off over 12 years, which is why we
13 have the stack in the first column and a small amount in the
14 second decade.

15 Q And then starting in year 2034 and thereafter, what
16 notes, if any, are still being serviced?

17 A At '34 and onwards it's only the new B notes that are
18 being serviced.

19 Q Okay. All right.

20 MR. STEWART: Thank you. You can take that down.

21 BY MR. STEWART:

22 Q Now, I think I've asked you about settlements the city
23 has reached with creditors, and let me go through them now.

24 MR. STEWART: Let's put up Exhibit 718.

25 BY MR. STEWART:

1 Q Do you see demonstrative Exhibit 718, Mr. Malhotra?

2 A Yes, I do.

3 Q Who prepared this exhibit?

4 A We did along with the Jones Day team.

5 Q And very briefly, what is it? What does it purport to
6 depict?

7 A It shows a summary of the settlement of the Class 7
8 claims and also shows what the claims actually were.

9 Q And do I understand correctly Class 7 claims are the LTGO
10 claims, the LTGO claims?

11 A Yes.

12 Q Please walk us through this, the terms of the settlement.

13 A So as a part of the settlement, the LTGO class is going
14 to get new LTGO bonds.

15 Q Actually, stop.

16 MR. STEWART: Your Honor, I move into evidence as a
17 demonstrative exhibit Exhibit 718.

18 MR. SOTO: No objection, your Honor.

19 BY MR. STEWART:

20 Q Sorry I interrupted you, Mr. Malhotra.

21 THE COURT: It is admitted.

22 (City Exhibit 718 received at 1:49 p.m.)

23 BY MR. STEWART:

24 Q Now, could you walk us through Exhibit 718?

25 A Yes. The settlement on -- with Class 7 is essentially to

1 settle the claims of the LTGO bondholders on the series that
2 are listed here. As a part of the settlement, the class is
3 going to get new LTGO bonds in the amount of \$55 million. In
4 addition, as a part of the settlement with Syncora, there is
5 a portion of the COPs reserve that now -- that was initially
6 being attributable to the LTGO notes that gets crystallized
7 and is given, and the LTGO class is given new B notes. So
8 essentially it's \$55 million of new LTGO bonds and \$4.2
9 million of B notes assuming a Syncora settlement in exchange
10 for \$164 million of claims. The interest is 5.65 percent on
11 the new LTGO bonds, and it is four to six percent on the B
12 notes, as I mentioned earlier, with a maturity of 23 years
13 for the new LTGO bonds and 30 years on the B notes. However,
14 the city is going to in its current assumptions pay the \$55
15 million with the exit financing in settlement of the new --
16 with the LTGO class.

17 Q Now, in the lower right-hand corner is a circle that says
18 "recovery illustrative." Could you tell me what that is?

19 A That shows under a five-percent discount rate what sort
20 of recovery is generated in the -- as a part of the
21 settlement against the claims of Class 7.

22 MR. STEWART: Let's put up Exhibit 719, please.

23 BY MR. STEWART:

24 Q Mr. Malhotra, do you see Exhibit 719 before you?

25 A Yes, I do.

1 Q Who prepared Exhibit 719?

2 A We did with the Jones Day team.

3 Q What does this represent?

4 A This represents the settlement with Class 8, the
5 unlimited tax GO bonds claims in which the existing claim is
6 being restructured as new -- as restructured UTGO bonds.

7 Q Let me stop you there so I can move the admission of our
8 exhibit.

9 MR. STEWART: Your Honor, I'd move the admission of
10 Exhibit 719 as a demonstrative exhibit.

11 MR. SOTO: No objection, your Honor, as a
12 demonstrative.

13 MR. WAGNER: No objection.

14 THE COURT: It is admitted.

15 (City Exhibit 719 received at 1:52 p.m.)

16 BY MR. STEWART:

17 Q Please continue, Mr. Malhotra.

18 A The face value of the new notes is -- of the new
19 restructured UTGO bonds is going to be \$288 million, and the
20 interest rate and the maturity of the these bonds will be the
21 same as it was as the original UTGO bonds. They will be paid
22 over the course of approximately 14 years consistent with the
23 way they were being scheduled to be paid off earlier, and
24 there is a portion of stub UTGO bonds that is reinstated, but
25 that's not a part of the settlement, but the overall

1 settlement of the UTGO bonds is the \$288 million.

2 Q What happens to the stub UTGO bonds that have been
3 reinstated?

4 A The stub UTGO bonds that are reinstated are broken down
5 into two components. They, too, will be being paid
6 consistent with the collections from the UTGO tax millage.
7 The 20 million of those bonds will be paid into the income
8 stabilization fund, and approximately \$23 million will be
9 paid into the General Retirement System.

10 Q What is the income stabilization fund?

11 A It's a fund that has been established to assist those
12 retirees whose pension does get cut and who are below certain
13 income threshold levels in order to provide assistance to get
14 their income back to either the level it was pre-cut or back
15 to a threshold level.

16 Q Now, once again, in the lower right-hand corner we have a
17 circle speaking of recoveries. What is that?

18 A That shows the illustrative recovery using a five-percent
19 discount rate.

20 Q And what is the recovery?

21 A Seventy-four percent.

22 Q Seventy-four percent of what?

23 A Of their claim.

24 MR. STEWART: Let's put up 737 now.

25 BY MR. STEWART:

1 Q Mr. Malhotra, you have Exhibit 737 before you. Who
2 prepared this exhibit?

3 A We did along with the input from the Jones Day team.

4 Q And what does it represent?

5 A It represents the settlement with Syncora of Class -- of
6 part of Class 9.

7 MR. STEWART: Your Honor, I would move the admission
8 of Exhibit 737 as a demonstrative exhibit.

9 MR. SOTO: No objection, your Honor.

10 THE COURT: It is admitted.

11 (City Exhibit 737 received at 1:55 p.m.)

12 BY MR. STEWART:

13 Q If you could, Mr. Malhotra, please walk us through
14 Exhibit 737 and what it depicts.

15 A It shows that the settlement with Syncora is -- in
16 exchange for their claim is going to be -- take the form of
17 new B notes in the amount of \$23-1/2 million, which would
18 essentially be coming out of the COPs reserve and at an
19 interest rate of four to six percent and payable over 30
20 years consistent with the overall B notes. In addition,
21 Syncora will be getting new C notes in the face value of
22 \$21.3 million at a five-percent interest rate payable over 12
23 years. In addition, Syncora will also receive as a part of
24 the bankruptcy settlement credits in the nominal amount of
25 \$6.3 million.

1 Q Credits to do what?

2 A My understanding is it's credits that can be used in
3 terms of purchases of real estate down the road.

4 Q Okay. And then what's the illustrative recovery for
5 Syncora?

6 A The illustrative recovery including the \$6.3 million of
7 credits, assuming those are at par, was 13 percent.

8 Q Okay. Now, you had mentioned that when it came to the B
9 notes, the 23.5 million came from the COPs reserve.

10 A That is correct.

11 MR. STEWART: Let's put up, if we could, Exhibit
12 727.

13 BY MR. STEWART:

14 Q Could you tell me, first of all, what is Exhibit 727?

15 A 727 shows the breakdown of the new B note -- of the B
16 notes of \$632 million and who the holders of those B notes
17 will be.

18 Q Okay. Now, in the pie chart on the left a segment has
19 been pulled out. What does that segment represent?

20 A On the left that segment represents the original COPs
21 reserve is the one that is in brackets.

22 Q Okay. And then the -- that's the COPs reserve, but it's
23 been subdivided now. Can you tell me why it has been
24 subdivided?

25 A It's been subdivided because there's a portion of the

1 COPS -- original COPS reserve in the amount of \$24 million
2 that's going to now become B notes for Syncora. That
3 remainder of the COPS reserve that was initially reserved for
4 Syncora in the amount of \$15 million is now split between the
5 OPEB and LTGO classes, so the \$15 million is broken down
6 between OPEB and LTGOs. Syncora gets its \$24 million, and
7 \$123 million remains in the COPS reserve.

8 Q How does this splitting of the \$15 million differ from
9 the original allocation of the COPS reserve among OPEB, LTGO
10 and the other unsecured creditors?

11 A I believe it is higher. The split of the \$15 million is
12 higher in favor of the OPEB and the LTGOs compared to the
13 previous split.

14 Q Now, the purple segment of our chart says 123 million.
15 What does that represent?

16 A That represents the remaining COPS reserve.

17 Q And who are the claimants, to your understanding, on the
18 remaining part of the COPS reserve?

19 A My understanding is it's in litigation, and it's with
20 FGIC.

21 Q So FGIC seeks it, but if FGIC doesn't get it, it goes to
22 these other people?

23 A That is my understanding.

24 Q Now, before we move from Class 9, let's go back, by the
25 way, to -- let's just leave it here. You understand, do you

1 not, that under the plan FGIC is also put into Class 9?

2 A That is correct.

3 Q What is the status, if any, to your knowledge, to the
4 extent you're free to disclose it, of FGIC's possible
5 settlement with the city?

6 A My understanding from reading the seventh plan is that
7 FGIC has an option to opt into a similar settlement as or the
8 same settlement as Syncora, but I don't know all the details.

9 Q If FGIC did opt in, what would the effect be on the COPs
10 reserve?

11 A If they were to opt in under the same structure, a
12 portion of that \$123 million would get allocated to FGIC, and
13 the remaining portion at a certain percentage would -- my
14 guess is get allocated between the unsecureds, the LTGOs --

15 MR. SOTO: Objection, your Honor. I don't think
16 he's here to guess.

17 MR. STEWART: Okay. We can move on. That's fine.
18 Let's put up Exhibit 720.

19 BY MR. STEWART:

20 Q Do you see Exhibit 720?

21 A I do.

22 Q What is Exhibit 720?

23 A 720 shows the settlement with the -- with Class 12, the
24 OPEB claims.

25 Q And who prepared 720?

1 A We did with the Jones Day team.

2 MR. STEWART: Your Honor, I'd move the admission of
3 Exhibit 720 as a demonstrative exhibit.

4 MR. SOTO: No objection.

5 THE COURT: It is admitted.

6 (City Exhibit 720 received at 2:01 p.m.)

7 BY MR. STEWART:

8 Q Please describe for us, Mr. Malhotra, what is set forth
9 in Exhibit 720.

10 A On Exhibit 720 shows the settlement with the -- with
11 Class 12, and it shows that the original claim of four
12 point -- in exchange for the original claim of \$4.303
13 billion, which represented the OPEB claim pursuant to the
14 settlement, the settlement is going to be \$450 million of B
15 notes contributed to GRS and PFRS VEBAs in total and also as
16 a -- pursuant to the Syncora settlement, \$11 million of
17 additional B notes that would be coming out of the COPs
18 reserve.

19 Q So let me stop you there. What is a VEBA?

20 A It's a voluntary employee beneficiary association trust.

21 Q And what does a VEBA do?

22 A It's supposed to go forward, manage the benefit plans for
23 the retirees or the employees that it is set up for.

24 Q And do I understand correctly all of the value going to
25 Class 12 is in B notes?

1 A That is correct. There are some other start-up costs,
2 but the value that is going to the VEBA trust is in the form
3 of B notes.

4 Q Now, on the amount line, we have on the right-hand side
5 the 11.0 million. Tell us where those B notes come from.

6 A They come from the original COPs reserve -- from the
7 original COPs reserve, from the portion that was left behind
8 after the Syncora settlement.

9 Q And is that consistent with the exhibit we looked at a
10 minute ago that showed how it was broken up?

11 A Yes. That's the breakdown of the \$15 million.

12 Q Please let's go to the line about interest. Tell us,
13 please, what is the interest relating to the B notes?

14 A It is four percent for the first two decades and six
15 percent for the last decade.

16 Q And maturity?

17 A It's 30 years.

18 Q And under "other" you have a few items. Please tell us
19 what those are.

20 A That shows certain start-up costs that are also going --
21 are benefitting the VEBA, which is \$8 million from the rate
22 stabilization fund and approximately \$3-1/2 million from
23 charitable contributions as well as advance of the October
24 2015 interest on the excess B notes to be advanced earlier.

25 Q Why were these start-up costs added as part of the

1 settlement with Class 12?

2 A It's a part of the settlement to essentially get the
3 VEBAs going.

4 Q Okay. And what's the recovery of Class 12 as you
5 calculated it?

6 A Ten percent.

7 MR. STEWART: And we can take that down. Actually,
8 no. Before you take it down -- sorry about that -- put up
9 721 or take that down and put up 721.

10 BY MR. STEWART:

11 Q What is Exhibit 721, Mr. Malhotra?

12 A 721 shows the nominal dollars and as a percentage of
13 general fund revenue, the comparison of both costs and
14 percentage both post-restructuring and before restructuring
15 in terms of what the trends were over the next 20 years.

16 Q Who prepared Exhibit 721?

17 A We did.

18 MR. STEWART: Your Honor, I'd move the admission of
19 Exhibit 721 as a demonstrative exhibit.

20 MR. SOTO: No objection as a demonstrative.

21 THE COURT: It is admitted.

22 (City Exhibit 721 received at 2:05 p.m.)

23 BY MR. STEWART:

24 Q Mr. Malhotra, let's focus on 721. There are two
25 different sets of bars and two different sets of lines.

1 First of all, if you could tell us what the bars represent in
2 the exhibit.

3 A The pink or orange bars that are on that chart represent
4 the projected payments on retiree healthcare obligations for
5 the existing retirees and forthcoming retirees over a 20-year
6 period.

7 Q Where did these projections come from?

8 A We got the inflation assumptions with respect to retiree
9 healthcare from Milliman, and we used the count of retirees
10 that we had.

11 Q All right. So the top bars, they show what for each
12 year?

13 A Show what the retiree healthcare payments would have been
14 absent a restructuring.

15 Q Okay. And then below that we have a line. What does
16 that line represent?

17 A The line represents what those payments for retiree
18 healthcare are as a percentage of general fund revenue as to
19 how it was going to continue to increase over the next 20
20 years.

21 Q So, for example, what would the number be for 2026 as a
22 percentage of general fund revenue absent restructuring?

23 A It would show that absent the restructuring the retiree
24 healthcare as a percentage of general fund revenue would
25 approximately be 23 percent, so 23 cents of every dollar

1 would be used to fund retiree healthcare.

2 Q So now let's look at the lower part of the chart. First
3 of all, explain to us what the bars mean. I guess they're
4 light blue.

5 A The light blue represents the portion of the B note that
6 is the city's obligation going forward in terms of this class
7 is going to be -- is shown in the blue chart. In addition,
8 we have added the ongoing potential cost of retiree
9 healthcare for active employees that will be retiring in the
10 future to ensure we can do an apples to apples comparison.

11 Q Why is the number higher in 2015 than it is in 2016?

12 A Because the existing run rate that the city is on for
13 fiscal year '15 was slightly higher than January 1, 2015,
14 when the city transitions to the new VEBA plans.

15 Q Why does it rise as it does in 2026?

16 A That's because that's when the city starts servicing the
17 principal on the B note, and we wanted to make sure that we
18 can show that it's not just the first ten years where it was
19 more of an interest only comparison but going forward 2026
20 onwards once we -- once the city is servicing the principal
21 on the B notes, what that delta still is.

22 Q Explain for us, if you would, the -- looks like a green
23 line across the bottom of the chart.

24 A It shows the retiree healthcare costs as a percentage of
25 revenue, general fund revenue.

1 Q So as a result of the settlement with the OPEB class, how
2 have the city -- how has the city's exposure to OPEB cost
3 changed?

4 A The city, as a part of the settlement, is not exposed to
5 OPEB costs any longer other than for the commitments that the
6 city is making to provide an amount -- a nominal amount for
7 its active employees and what their retiree healthcare plans
8 would be or their healthcare contribution would be, but in
9 terms of the city's obligations for its existing retirees,
10 the city's obligations are limited to it servicing the B
11 notes.

12 MR. STEWART: Let's put up Exhibit 722.

13 BY MR. STEWART:

14 Q Could you please tell us what is Exhibit 722?

15 A It is a settlement with Class 17 claims for the 36th
16 District Court.

17 Q And who prepared Exhibit 722?

18 A It was the Jones Day team primarily with some input from
19 us as well.

20 MR. STEWART: Your Honor, I would move the admission
21 of 722 as a demonstrative exhibit.

22 MR. SOTO: No objection.

23 MR. WAGNER: No objection.

24 THE COURT: It is admitted.

25 (City Exhibit 722 received at 2:10 p.m.)

1 BY MR. STEWART:

2 Q Please describe to us, if you could, Mr. Malhotra, the
3 settlement with Class 17 as set forth in our exhibit.

4 A It shows that as a part of the settlement in the claims
5 that were approximately \$6 million for those claims that are
6 less than \$100,000, 33 percent of the claim would be paid in
7 cash at emergence, and for those individual claims that
8 are -- or those claims that are greater than \$100,000 each,
9 33 percent of the claims would be payable in five equal
10 annual installments at -- and there's a simple interest rate
11 of five percent.

12 Q And what's the illustrative recovery of Class 17?

13 A Thirty-three percent.

14 Q I don't know if I remembered to ask you what the
15 illustrative recovery was of Class 12.

16 A Ten percent.

17 Q Do you remember what that was? How much?

18 A Ten percent.

19 Q Ten percent. Okay

20 MR. STEWART: We can take that down.

21 BY MR. STEWART:

22 Q Let me move to ask you about something else. Among other
23 things, what occasion did you have to look at the city's
24 pension liabilities?

25 A We've looked at the city's pension liabilities,

1 especially over the course of the last year, last 18 months.
2 Q Let's go back to Exhibit 33 and, in particular, to page
3 91. I believe we looked at this page before today. This is,
4 Mr. Malhotra, a page from the proposal to creditors of June
5 of last year that you talked about earlier. What analysis
6 had you done as of that time of the city's exposure to
7 pension liabilities?

8 A At that point in time, the main work that was done with
9 respect to the pension liabilities was under a variety of
10 assumptions like the changes in the rate of investment return
11 or the amortization period of the unfunded liability, what
12 the city's required contributions would be over the next ten
13 years.

14 Q And what had you found that those contributions would be
15 in 2023 as matters stood back in June of 2013?

16 A Based on the assumptions that were being used for the
17 preparation of this report, the pension contributions were
18 going to be close to \$3 billion under the assumptions that
19 were being used for this report.

20 Q So has the city reached a settlement with the Retirement
21 Systems?

22 A Yes.

23 MR. STEWART: And just for the record, let's put up
24 Exhibit 723. Maybe that will be simpler.

25 BY MR. STEWART:

1 Q Do you see Exhibit 723, Mr. Malhotra?

2 A I do.

3 Q What is this?

4 A It shows the key items of the settlement with GRS and
5 PFRS as a part of the plan of adjustment.

6 Q Okay. And just for the record, could you tell us what
7 are GRS and PFRS?

8 A The General Retirement System and the Police and Fire
9 Retirement System.

10 Q Do you know off the top of your head what class each is
11 in?

12 A Class 10 and 11.

13 Q Now, tell us --

14 MR. STEWART: Your Honor, if I could, I would move
15 the admission of Exhibit 723 as a demonstrative exhibit.

16 MR. SOTO: No objection, your Honor.

17 MR. WAGNER: Yeah. No objection as a demonstrative.

18 THE COURT: It is admitted.

19 (City Exhibit 723 received at 2:14 p.m.)

20 BY MR. STEWART:

21 Q Mr. Malhotra, could you explain to us what is set forth
22 on Exhibit 723?

23 A Yes. It shows the components of some of the changes
24 between what the assumptions were and what the funding status
25 was of the -- each of the pension plans compared to where

1 they are as a part of the plan of adjustment.

2 Q Okay. Let's start at the top. There's something called
3 an assumed rate of return. Please tell us how that has
4 changed.

5 A That has changed from 7.9 percent for GRS and eight
6 percent for PFRS to 6.75 percent for GRS and PFRS, which is
7 fixed for the next -- through 2023.

8 Q And do you know how the rate of 6.75 percent was derived?

9 A It was a part of the settlement.

10 Q Below that is UAAL?

11 A That's right.

12 Q First of all, what is UAAL?

13 A That's the unfunded actuarial accrued liability.

14 Q And please describe to us what this part of the
15 demonstrative shows.

16 A It shows that the pre-petition UAAL for GRS and PFRS was
17 about 1.879 billion and 1.25 billion respectively, so
18 collectively roughly about \$3.1 billion, and as of June 2013
19 and as a part of the plan of adjustment, the June 2014 UAAL
20 is 894 million for GRS and 553 million for PFRS.

21 Q And then underneath that it says "Target." How did those
22 targets come to be calculated?

23 A Those were calculated overall as the UAAL that would be
24 remaining based on the targeted funding percentage status, so
25 70 percent for GRS and 78 percent for PFRS.

1 Q And that takes us to the next line, which is funding
2 status. What does the term "funding status" mean?

3 A Funding status means the overall comparison of the assets
4 in the plan to the liabilities in the plan.

5 Q And what -- tell us -- walk us through what the funding
6 status percentages were and what they are projected to
7 become.

8 A They were 53 and 71 percent, and the target is by 2053 to
9 have these plans fully funded.

10 Q Do you know what the funding percentage is today?

11 A I believe it's pretty close to the target as of 2023, but
12 that's what I believe it is.

13 Q Do you know why today's funding status is so close to the
14 target in 2023?

15 A Well, the assets have returned better, so the assets have
16 done better than what -- so the funding status has improved
17 since June of 2013.

18 Q Do you know of a term called "defunding" as it applies to
19 retirement systems?

20 A I have a general understanding.

21 Q What, if anything, is going on with these retirement
22 systems in terms of defunding in the coming years?

23 A In the coming years, from the information that I have
24 seen, there's going to be ongoing defunding of these plans
25 based on the contributions that are going in relative to the

1 assets that are coming out of the pension systems.

2 Q And do you know why that is?

3 A It's the nature of the demographics and the profiles of
4 the plan.

5 Q Our next line says "POA liability reduction." Could you
6 tell us what that's -- what that describes?

7 A That describes some of the changes that have taken place
8 as a part of the overall plan of adjustment in each one of
9 the plans.

10 Q Okay. So what does "plan freeze" mean?

11 A It means that there's no more accrual of benefits under
12 these plans, so they are frozen, which has an impact of
13 reducing the liability of the plans.

14 Q And then there's a reference to monthly pension
15 reduction.

16 A Yes.

17 Q Can you tell us what that is?

18 A In GRS that's a 4-1/2 percent cut in the actual pension
19 checks that are going out, and there's no change in that
20 under PFRS, which also has an impact from a liability
21 reduction standpoint as a part of the plan of adjustment.

22 Q Okay. And then there is a reference to COLA. Is that
23 cost of living allowance?

24 A Yes.

25 Q What has happened to the cost of living allowance?

1 A It has been eliminated for GRS, and it has been reduced
2 by 55 percent for PFRS.

3 Q And then finally it's -- there's something called an ASF
4 recoupment. What is that?

5 A That is basically some of the excess interest that was
6 earned that is being transferred back into the General
7 Retirement System in the neighborhood of \$200 million.

8 Q Then at the bottom we have the segment entitled "Future
9 Contributions." Please tell us what those are and, more
10 importantly, how you calculated them.

11 A Those contributions through 2023 are 719 million and 261
12 million, and the majority of that funding is coming through
13 either the contributions through the grand bargain or from
14 the DWSD contributions, and beyond 2024 to 2053, that shows
15 the contributions required to amortize the UAAL at the end of
16 2023 as to what the cost would be assuming a 6.75-percent
17 interest rate. And majority of those contributions, though,
18 would be paid by the general fund, although there will still
19 be some portion through 2024 in that decade from external
20 funding.

21 Q And so the total of future contributions turns out to be
22 what?

23 A Through 2023 it is just shy of a billion dollars, and
24 then from 2024 to 2053, the nominal dollars over that time
25 frame are roughly \$2-1/2 billion, \$2.8 billion.

1 Q And so the total at the very bottom of the contributions
2 the city is facing turns out to be what?

3 A Just about \$3.8 billion.

4 MR. STEWART: So let's put up Exhibit 732.

5 THE COURT: Excuse me. Before we leave this one --

6 MR. STEWART: Sorry.

7 THE COURT: Thank you. What does the phrase we see
8 here, "equivalent to 8.8-percent reduction in liability,"
9 mean?

10 THE WITNESS: Your Honor, it means that as a part of
11 the overall changes from the ASF recoupment, the actual GRS
12 liability has been reduced by approximately \$200 million.

13 THE COURT: What is 8.8 percent? What is that a
14 percent of?

15 THE WITNESS: It would be a percentage of the actual
16 total accrued liability, your Honor, versus just the UAAL.
17 It would be the accrued liability in its entirety.

18 THE COURT: Does the plan commit the city to make
19 the payments in your section of the chart here called "Future
20 Contributions"?

21 THE WITNESS: Those contributions are assumed in the
22 plan, your Honor, and the city --

23 THE COURT: They are what?

24 THE WITNESS: They are assumed to be made in the
25 plan, your Honor, so the city is in the projections making

1 those payments beyond 2024 into the pension systems in the
2 plan.

3 THE COURT: My question was a slightly different
4 one. Does the plan commit the city, legally commit the city
5 to make those payments?

6 THE WITNESS: My understanding is the city is
7 committed to fund the unfunded liability. I just don't
8 know -- the city and the Retirement Systems have to decide
9 what the amortization methodology is of the UAAL at the
10 end -- at the end of year ten, and the city is committed to
11 fund that underfunded liability. Depending on what
12 amortization schedule gets picked, the payments can change
13 slightly because of the interest rate, but my understanding
14 is the city is committed to make the payments beyond 2024
15 into those pension systems.

16 THE COURT: Do you know the answer to my question?

17 MR. STEWART: Your Honor, I confess that I do not.

18 THE COURT: Anybody know the answer to my question?

19 MR. CULLEN: The answer is yes, your Honor.

20 THE COURT: All right. Thank you.

21 BY MR. STEWART:

22 Q Let me ask this. How would the change in amortization
23 after 2024 affect the contribution level?

24 A It depends on the amortization methodology. What we have
25 used in the projections is a straight line principle in which

1 the city is making higher payments in the first decade, and
2 over the course of the 30 years it makes lower payments going
3 forward. You can change the amortization methodology to make
4 it like a level payment over 30 years in which the city will
5 have lower payments in the first, say, ten years, but over
6 the course of the 30 years the city will end up paying more
7 because it has to pay more interest, so it's more on the
8 methodology aspect as to how that liability gets serviced.

9 MR. STEWART: Can we now put up Exhibit 732?

10 BY MR. STEWART:

11 Q Mr. Malhotra, what is Exhibit 732?

12 A 732 shows the pension contributions for the General
13 Retirement System and the Police and Fire Retirement System
14 over the first ten years and the sources of the funding.

15 Q And who prepared Exhibit 732?

16 A We did.

17 MR. STEWART: Your Honor, I would move the admission
18 of Exhibit 732 as a demonstrative exhibit.

19 MR. SOTO: No objection.

20 MR. WAGNER: Same.

21 THE COURT: It is admitted.

22 (City Exhibit 732 received at 2:25 p.m.)

23 BY MR. STEWART:

24 Q Mr. Malhotra, please explain to us what is depicted in
25 Exhibit 732.

1 A 732 for the General Retirement System shows that the
2 total contributions going into the retirement -- General
3 Retirement System are 719 million through 2023. \$428.5
4 million of that is coming through DWSD. \$31.7 million in
5 nominal dollars is coming through UTGOs, which are really the
6 stub UTGOs. \$98.8 million is coming from the state
7 settlement. \$45 million is coming from DIA, and the
8 remaining 114.6 million is coming from the general/other
9 funds, which is reimbursement from other funds. Of that
10 114.6 approximately \$90 million is general fund dollars.

11 Q Nine zero?

12 A That's right, about 90 million. That's right.

13 Q Why is such a large segment of the GRS side of this
14 coming from the DWSD?

15 A It's a part of the overall pension settlement in terms of
16 the required dollars for the -- for GRS.

17 Q Okay. Now, to the right we have another pie chart;
18 correct?

19 A Yes.

20 Q Why is it smaller than the one on the left?

21 A It's smaller because the overall contributions to the
22 police and fire system are 261 million compared to the 719
23 million on the left side. And one thing I would just
24 clarify, the DWSD contributions -- sorry -- are coming in
25 over nine years because they're fully repaying their unfunded

1 liability over a much shorter time frame, so I just wanted to
2 clarify that as well.

3 Q Let's go back and deal with it before we go to the PFRS.
4 You're saying that the 428.5 million is from the DWSD;
5 correct?

6 A That is correct.

7 Q What does that represent with respect to the DWSD?

8 A It represents DWSD paying its UAAL that exists today but
9 paying it over the course of the next nine years in its
10 entirety in addition to some professional fees and admin
11 expenses that are being allocated for to DWSD, but they're
12 essentially paying their UAAL at a much faster rate compared
13 to the rest of the General Retirement System.

14 Q How does one know how much of the UAAL for the GRS is
15 attributable to the DWSD as opposed to attributable to
16 everybody else?

17 Q It's given to us by Milliman.

18 Q By the actuaries?

19 A That is correct.

20 Q Then you mentioned the nine years. Tell me, once again,
21 why they're paying it in nine years instead of some other
22 period of time.

23 A They're paying it over nine years as a part of an overall
24 settlement because in aggregate the total dollars that are
25 coming from DWSD are still significantly lower than what DWSD

1 would have been responsible for outside of a restructuring.

2 Q Now let's go back to the PFRS, and I believe there are
3 two sources of payment there. Please describe those to us.

4 A The blue chart represents the -- the blue part of the pie
5 chart represents the money that is going to come in from the
6 foundations into PFRS over the first ten years and -- through
7 2023, and \$96 million is coming in from the state.

8 Q All right. Now, the contributions you've talked about,
9 are any of those the result of something known as the grand
10 bargain?

11 A Yes.

12 Q What is the grand bargain?

13 A The grand bargain in terms of the financial elements that
14 are -- the contributions that are coming into the city,
15 there's approximately \$366 million of contributions that are
16 supposed to come in from the foundations over a 20-year time
17 frame and nominal dollars -- excuse me -- approximately \$100
18 million from DIA in nominal dollars over 20 years and from
19 the state approximately \$194.8 million that are coming in up
20 front, which is their share of \$350 million at a present
21 value.

22 MR. STEWART: Let me ask to put up Exhibit 724.

23 BY MR. STEWART:

24 Q Do you have Exhibit 724 before you?

25 A I do.

1 Q Is that a summary of the terms of the grand bargain?

2 A Yes.

3 Q Who prepared this?

4 A Jones Day team along with our input.

5 MR. STEWART: Your Honor, I'd move the admission for
6 demonstrative purposes alone of Exhibit 724.

7 MR. SOTO: No objection, your Honor.

8 MR. WAGNER: No objection.

9 THE COURT: It is admitted.

10 (City Exhibit 724 received at 2:31 p.m.)

11 BY MR. STEWART:

12 Q Mr. Malhotra, I probably should have put this up before I
13 asked you the question I asked a minute ago, but could you
14 walk us through what the economic terms are for the grand
15 bargain?

16 A Yes. The state contribution agreement is -- provides for
17 \$194.8 million in cash, which is equal to the PV of \$350
18 million over 20 years at a 6.75-percent discount rate.

19 Q What does PV mean?

20 A Present value.

21 Q And why is there -- and that's at a discount rate of 6.75
22 percent?

23 A That's correct.

24 Q Where did that discount rate come from?

25 A The state was using the same discount rate that the

1 pension systems are using.

2 Q Okay. And why was the period of 20 years chosen?

3 A The general parameters of the contributions coming in for
4 the grand bargain was over 20 years.

5 Q So the state contribution, how much in dollars is it
6 going to end up being?

7 A I'm sorry.

8 Q How much will the state contribution end up being in
9 actual dollars?

10 A The present value dollars are \$194.8 million, which would
11 be dollars much earlier, versus \$350 million over 20 years.

12 Q Do you know when it is the state is going to make that
13 payment?

14 A I do not know the exact date. It's, of course, tied to
15 the effective date of the plan. I do not know the exact
16 date.

17 Q Let me ask a different way. Do you know what the state
18 will do versus making a single payment versus spreading the
19 payment out over a period of time?

20 A The state is planning to make a single payment.

21 Q And then going further we have the income stabilization
22 payments. Can you tell me what those are?

23 A Those are the payments that are going into the income
24 stabilization fund that are being paid through the stub
25 UTGOs, so this would be no less than \$20 million over 14

1 years in which the city continues to collect its UTGO taxes
2 per the millage, and a portion of that money is going to be
3 paid into the income stabilization fund.

4 Q Why is that not shown on your table here?

5 A That is basically money that's coming -- it's not new
6 money that's coming from the state. This is UTGO collections
7 that are going to be set aside, and it's just a part of the
8 overall state settlement in terms of the state also
9 contributing the 194.8 million is to ensure that this 20
10 million will be available for the income stabilization fund
11 that will be funded through the collection of UTGO taxes.

12 Q Please describe to us then the economic elements of the
13 DIA settlement.

14 A The foundations are required to contribute \$366 million
15 of nominal amount over 20 years, and the DIA is required to
16 contribute \$100 million in nominal dollars over 20 years.

17 Q And how does the grand bargain then affect the city's
18 unfunded actuarial accrued liabilities?

19 A It definitely will help reduce it or at least reduces the
20 city's requirement of funding those contributions.

21 Q Now, let me ask you --

22 MR. STEWART: Set's put up Exhibit 732, please.

23 BY MR. STEWART:

24 Q What is -- I believe we looked at 732 a minute ago, and
25 I'd ask you about the portion of this that's coming from the

1 DWSD, and that's the \$428.5 million; correct?

2 A That is correct.

3 Q Have you performed a calculation of the overall economic
4 effect on the DWSD of the city's plan of adjustment?

5 A Yes.

6 MR. STEWART: Let's put up Exhibit 201.

7 THE COURT: Excuse me. Before we do that, can we go
8 back to the screen that was up and now the one before this
9 one and back to the next one, please? Am I missing
10 something, or is the pie chart on the left for the General
11 Retirement System not showing the foundations' contribution?

12 THE WITNESS: Your Honor, this chart represents the
13 first ten years only, so the foundations' money that's coming
14 into the General Retirement Systems is coming in the second
15 decade, and so it's --

16 THE COURT: Okay.

17 THE WITNESS: -- a timing issue.

18 THE COURT: Okay. Thank you.

19 BY MR. STEWART:

20 Q Mr. Malhotra, I have Exhibit 201 on the screen, and we've
21 been able to blow it up. I realize this can be hard to read.
22 That's why it's in the binders, and it may be easier for
23 some --

24 THE COURT: I can read it. Thank you.

25 MR. STEWART: -- to look at in hard copy.

1 BY MR. STEWART:

2 Q Please tell us, if you could, Mr. Malhotra, first of all,
3 who prepared Exhibit 201.

4 A This was a schedule we had prepared some time ago.

5 Q And what is it a schedule of?

6 A It was -- it's a schedule that shows the pension payments
7 under the plan of adjustment and the OPEB payments under the
8 plan of adjustment for DWSD as compared to those under no
9 restructuring scenario.

10 Q Okay. So let me, if I could, ask you about it. At the
11 top -- and this was based on an Excel spreadsheet, I assume?

12 A That is correct.

13 Q Let's look at the top. The top segment says POA, and
14 what does that part of our exhibit discuss?

15 A The pension payments and the professional fees and the
16 pension administration costs that are assumed to come in from
17 DWSD as a part of the plan of adjustment.

18 Q And what period of time is covered by the POA segment of
19 Exhibit 201?

20 A It went through 40 years.

21 Q Okay. Now, we, first of all, have pension payments at
22 the top. What are those?

23 A Those are the payments that are coming in from DWSD over
24 the next nine years in terms of DWSD fully funding its UAAL
25 over the next nine years.

1 Q And then professional fees, what is that for?

2 A Professional fees is the allocation to DWSD of the total
3 professional fees that were projected at that point of time
4 for DWSD to get its pro rata share.

5 Q Would that be higher today?

6 A Yes.

7 Q Do you know how much higher it would be today?

8 A It would probably be seven or eight -- could be seven or
9 \$8 million higher.

10 Q What's the next line?

11 A Pension administration, administrative costs.

12 Q Okay. And what are those?

13 A Those are admin costs related to the General Retirement
14 System and DWSD's allocation.

15 Q Below that?

16 A That represents the OPEB for current retirees, so the
17 allocation of the B note to DWSD for its pro rata -- on the
18 basis of its pro rata share.

19 Q And that would be going forward as long as there are B
20 notes out there?

21 A Yes.

22 Q What's POC a reference to?

23 A Similar in terms of an allocation to DWSD of the B notes
24 or the reserve in some fashion to what would be allocated to
25 DWSD.

1 Q Has that changed recently?

2 A We have -- well, this schedule does not reflect the
3 Syncora settlement.

4 Q What would the effect of the Syncora settlement be on
5 this line?

6 A It would go up slightly.

7 Q How much?

8 A Probably a hundred or \$200,000 per year.

9 Q What does the reference to swaps mean?

10 A That's a part of the overall swaps settlement and a
11 portion that could be allocated to DWSD.

12 Q Okay. So let's go back so we can see the full view. As
13 a result of this, you have something called total DWSD legacy
14 payments. What does that represent?

15 A The total DWSD legacy payments represents the summation
16 of the subtotal up above -- that's the subtotal DWSD legacy
17 payments -- plus what DWSD could theoretically be paying --
18 or could be paying for its pension and OPEB obligations for
19 its current active employees.

20 Q And what is the assumption this part of the exhibit is
21 based on?

22 A The assumption is that DWSD, similar to the rest of the
23 general nonuniform employees, will be contributing
24 approximately 5.75 percent with respect to the pension for
25 active employees and on the future retirees would be paying

1 two percent of payroll.

2 Q So this segment shows what the effect would be on DWSD
3 under the plan. Do I understand that correctly?

4 A That is correct.

5 Q So let's go down to no restructuring. And before getting
6 into any numbers, what do you mean by "no restructuring"?

7 A No restructuring -- when we developed the schedule, it
8 was meant to reflect what DWSD's obligations were going to be
9 had none of the OPEB or POC obligations or swap obligations
10 been settled or restructured, and with respect to the pension
11 payment, given the fact that there are multiple scenarios,
12 all we did is we took the Gabriel, Roeder report and saw what
13 the 2015 pension payment was attributable to DWSD and kept
14 that flat.

15 Q So let's go look at the full view. You have a line,
16 "Total DWSD Legacy Payments," and so what does that
17 represent?

18 A That represents what the DWSD legacy payments would be
19 absent a restructuring and assuming these very conservative
20 pension payments.

21 Q And at the bottom we have "Savings/Additional Cost."
22 What are those calculations intended to depict?

23 A What they were intended to do was to show how much
24 savings are being generated as a part of the restructuring
25 that benefit DWSD.

1 Q And let's go back to the full view, and what did you
2 determine in terms of the overall economic effect on DWSD of
3 the plan as it exists -- proposed, I should say, today? Go
4 ahead.

5 A We saw that the total additional -- the total savings for
6 2015 to 2023 just on a conservative basis would be
7 approximately \$172.8 million -- could be higher than that --
8 just for those nine years, and then DWSD continued to benefit
9 from these savings going into the next two decades partly
10 because, of course, they have assumed to pay their pension
11 faster, but, more importantly, there's significant savings in
12 the OPEB costs for DWSD as a part of this plan of adjustment.

13 MR. STEWART: Your Honor, I would like to move
14 Exhibit 201 into evidence.

15 MR. SOTO: No objection, your Honor.

16 MR. WAGNER: Same.

17 THE COURT: It is admitted.

18 (City Exhibit 201 received at 2:44 p.m.)

19 BY MR. STEWART:

20 Q Let me ask you -- let's go, if we could, now to Exhibit
21 734 again and to page 3 of 14. Could you tell us,
22 Mr. Malhotra, what page 3 of 14 of Exhibit 734 sets forth?

23 A It sets forth per the September projections under the
24 assumptions in there -- the first section on top is -- first
25 section over the next ten years by different creditor

1 classes, what distributions are going to be in nominal
2 dollars for those classes and the source of that funding over
3 the next ten years, and that same has been repeated down
4 below for 40 years along with recovery calculations using a
5 five-percent discount rate.

6 Q So this is a table; correct?

7 A That's correct.

8 MR. STEWART: If we can, let's blow up the top part
9 and the left side of the top part so we can all see it more
10 legibly. That's fine. Good. All right.

11 BY MR. STEWART:

12 Q And so we have for the ten-year the various settlements
13 that we've talked about; correct?

14 A That's correct.

15 Q All right. Then walk us through this table and show how
16 you've scheduled out these various settlements.

17 A So for Class 7, which is the limited tax general
18 obligation bonds, those are assumed to get paid \$55 million
19 in full upon the effective date, so -- or right around the
20 effective date, so there is no interest that is being paid on
21 that. In addition, they're getting a portion of the B notes
22 as well.

23 Q Without going through each of these, tell us how this
24 table correlates to the settlements you described to us
25 earlier when we went through the various demonstratives.

1 A They're the same.

2 Q Okay. And it shows the amount of the claim and then what
3 the claimant is getting; correct?

4 A That's right. And this table reflects the cash over the
5 first ten years, and the table below it showed over forty.

6 Q So let's go to the 40-year now. Why, by the way, has it
7 been necessary to extend this table out to 40 years instead
8 of just stopping at 10?

9 A Because the commitments that the city is making in terms
10 of its B notes as well as its pension obligation commitments
11 at the end of ten years go nearly forty years, and that's the
12 reason we've developed a forty-year forecast.

13 Q So let's now focus on the right side of the part that we
14 have -- we've expanded here, and tell us, if you could, what
15 that depicts.

16 A The right side shows the nominal dollars that are getting
17 paid in the first column over the 40-year time frame and the
18 present value calculation assuming a five-percent discount
19 rate for all of these classes.

20 Q And then you have percentages there. Well, first of all,
21 let me ask this. Why do we -- the middle column is PV for
22 present value; correct?

23 A That is correct.

24 Q Why have you reduced these to present value?

25 A Because these are getting paid over a period of time to

1 reflect what the value today is assuming a five-percent
2 discount rate.

3 Q Okay. And then you have a percentage column. Tell us
4 again what that stands for.

5 A It stands for the percentage of the present value divided
6 by the claim.

7 Q And if we just look from the creditor line over to the
8 percentage line, that will tell us what each class is getting
9 as a percentage is. Have I read that correctly?

10 A That is correct.

11 Q So let's go now on the same exhibit to page 7. You can
12 just leave it like that for now. So I want to recap with you
13 where we've been in your testimony, Mr. Malhotra. As we look
14 at our page, have we now gone over all the elements of
15 revenues and expenditures for the city?

16 A On this page 7, we have gone through all of the revenues
17 and operating expenditures, but the settlements or the
18 payments are shown on the following page.

19 Q You're getting ahead of me. I wanted to go to the very
20 bottom line on this page and have you describe for me what
21 that represents.

22 A That represents the funds available for unsecured claims.

23 Q When you say "funds available for unsecured claims," what
24 are you referring to?

25 A It refers to the amount of cash the city will have

1 available to meet its unsecured -- to meet its obligations as
2 proposed under the plan of adjustment under these assumptions
3 going forward.

4 Q So let's now go to the next page, which would be eight of
5 fourteen. Now, eight of fourteen has a line called
6 "Sources." Do you see that?

7 A Yes.

8 Q And what do you mean when you use the word or you refer
9 to sources?

10 A An inflow of cash.

11 Q And what's the relation between what we just looked at,
12 which is funds available for unsecured claims, and where we
13 begin on page 8 with sources?

14 A It should be the same amount. It's carrying forward from
15 the previous page.

16 Q So that's the first line?

17 A That is correct.

18 Q Okay. Show us the additional sources then that we have
19 in the coming years as set forth on this page of our exhibit.

20 A Those are shown below in terms of the amounts that are
21 coming from DWSD for its pension obligations, its OPEB
22 obligations and POC, which both are essentially their pro
23 rata share of B note payments, some of the reimbursements
24 from other funds that include library and parking, the
25 funding from the grand bargain, which includes the

1 foundations, the DIA, and the state settlement, to come up
2 with the total sources that are going to be available for
3 making distributions.

4 Q And my eyes aren't as good as they once were, but it
5 appears to be 1664.5 as the total sources for the ten-year
6 period or the period that will end in 2023?

7 A That's correct.

8 Q So now let's go to uses, if we could. What do you mean,
9 first of all, by the phrase "uses"?

10 A An outflow of cash.

11 Q Okay. So let's go through them. Tell us what the top
12 part of uses is.

13 A The top part is the PFRS and GRS pension contributions
14 that are going to be made over the next ten years in
15 aggregate, some PFRS and GRS OPEB payments for current
16 retirees.

17 Q So we have a subtotal for retiree distributions; correct?

18 A That's correct.

19 MR. STEWART: Let's go back to the full view so we
20 can see what that adds up to if we can just expand that on
21 the right-hand side.

22 BY MR. STEWART:

23 Q That comes up to how much?

24 A Just shy of a billion dollars.

25 Q And below that we have "note and cash payments." Are we

1 on the same part of the document?

2 MR. STEWART: Actually, what you just had. Put that
3 back up. Thanks. There we go.

4 BY MR. STEWART:

5 Q What notes are we talking about here?

6 A The same notes we went through earlier, UTGOs, LTGOs, the
7 B notes, and the C notes.

8 Q And what do they add up to as uses during this period?

9 A \$620 million.

10 Q Okay. And then so we add up the uses, and what do they
11 aggregate to?

12 A Just north of a billion six, 1.61 billion.

13 Q Okay.

14 MR. STEWART: So let's now go back to the full view
15 again. I'm sorry to go back and forth this way.

16 BY MR. STEWART:

17 Q So we then have a line that says surplus or deficit. Do
18 you see that?

19 A Yes.

20 Q And where does that number come from?

21 A It's just the delta between the total sources and the
22 total uses.

23 Q Okay. And below that we have ending cash balance.

24 A That's correct.

25 MR. STEWART: Let's go back to the full view again.

1 BY MR. STEWART:

2 Q And the ending cash balance is going -- is projected to
3 be how much as of the end of 2015?

4 A The end of 2015 the ending cash balance is projected to
5 be 75.6 million.

6 Q Now, in the years after 2015, how much does that number
7 change?

8 A Not much. It only goes up to \$80 million.

9 Q Do you know why it is the ending cash balance remains the
10 way it is over the period of these years?

11 A That's because under these assumptions, the city is
12 distributing what it is collecting from an overall
13 perspective.

14 Q Has the city -- what policy decision, if any, has the
15 city made with respect to the cash balance it intends to keep
16 on hand in the coming ten years?

17 A Well, the assumption that's used in here is a two month
18 of payroll and benefits minimum cash balance or at the same
19 time to at least hold five percent of -- excuse me -- five
20 percent of the following year's budgeted expenditures to --
21 for the city to have that in cash at the end of the previous
22 fiscal year.

23 Q And although we didn't focus on it, fair to say that if
24 we looked at the previous page, we'd see an entry for
25 contingency there?

1 A Yes.

2 Q And why don't we go to the previous page and look at it
3 briefly at the bottom left? What is that a reference to?

4 A That is a contingency for unforeseen items of either a
5 revenue reduction or an increase in an expense, and we've
6 assumed a one percent of revenue contingency throughout this
7 forecast period.

8 Q Let's go then to the following page one more time and
9 look at the cash. Are you aware of recent legislation in
10 Michigan that would require the city to maintain reserves of
11 five percent of expenses?

12 A Yes.

13 Q And where is that reflected in your analysis?

14 A Our assumption is that in the ending cash balance of the
15 75 or \$80 million at the end of any fiscal year the city
16 should still have -- will still have at least five percent of
17 its following year's budgeted expenditures reserved in that
18 cash number, so it's basically at least a minimum cash
19 threshold over the forecast period.

20 Q Now, you've reviewed with us for some period of time
21 today the model that you prepared and the settlements and so
22 on. What does this analysis tell us in terms of the city's
23 ability in the coming years to satisfy its operating
24 expenses?

25 A Based on these assumptions, the city should be able to

1 satisfy its operating expenses.

2 Q What does this analysis say in the coming years about the
3 city's ability to pay its obligations under the plan?

4 A Based on the assumptions in this forecast, the city
5 should have the ability to pay its obligations as scheduled
6 in these distributions.

7 Q And, finally, what does this analysis say in terms of the
8 city's ability to maintain a cash reserve in the coming
9 years?

10 A Based on these assumptions, the city should be able to
11 maintain a cash balance consistent with these assumptions.

12 Q Let's go now to page 4 of this --

13 THE COURT: Excuse me. Before we leave this page,
14 is the five-percent contingency that the law requires
15 reflected here in the line called "Ending Cash Balance"? Is
16 that your testimony?

17 THE WITNESS: Yes, your Honor. That's the way we
18 are anticipating it, that these are June 30th, so these are
19 fiscal year-end cash balances, and so the city should at
20 least have five percent of the following year's expenditures,
21 which are roughly approximately a billion dollars. So the
22 city should at least have at any given point of time five
23 percent of those budgeted expenditures in its cash balance.

24 BY MR. STEWART:

25 Q Let me ask one thing about timing. Is it the case that

1 the city's revenue receipts are not steady month to month
2 over the course of the year?

3 A That is correct.

4 Q What is the time during the year when the cash on hand
5 typically is at its lowest?

6 A Typically it is at the end of the fiscal year before the
7 summer taxes start flowing in.

8 Q Sorry. Summer taxes?

9 A Sorry. Summer property taxes start coming into the city
10 in the July, August time frame, so end of the fiscal year
11 generally is a low point in terms of the city's cash balance.

12 Q Let's, if we could, then go to page --

13 THE COURT: All right. Before we move on, let's go
14 ahead and take our afternoon recess at this time, and we'll
15 reconvene at 3:15, please.

16 THE CLERK: All rise. Court is in recess.

17 (Recess at 3:00 p.m., until 3:17 p.m.)

18 THE CLERK: All rise. Court is back in session.
19 You may be seated.

20 MR. HERTZBERG: Your Honor, Robert Hertzberg. We
21 are trying to track down who Mr. Flynn is, and we're not
22 aware of what it is. We're going to check with Mr. Legghio
23 and Ms. Patek, but unless the Court has any other
24 information, we're struggling right now on it.

25 THE COURT: The only additional information I can

1 share with you is that he called my office today asking what
2 the consequences would be for tomorrow's hearing if he
3 withdrew his joinder in the DPOA objections, and, of course,
4 we were not able to answer that question, so --

5 MR. HERTZBERG: So it sounds like he --

6 THE COURT: -- we suggested that he reach out, you
7 know, to you all to try to work it out, whatever you could do
8 in terms of answering that question.

9 MR. HERTZBERG: It sounds like maybe he filed an
10 objection, he wants withdrawal, because we looked on the pro
11 se list also in the -- a scheduling order, and his name was
12 not in there.

13 THE COURT: No.

14 MR. HERTZBERG: Okay.

15 THE COURT: I mean --

16 MR. HERTZBERG: We'll keep trying to track it down,
17 though.

18 THE COURT: Let me ask you -- maybe the most
19 efficient way to get your question answered is for you to
20 talk to my assistant, Chris, directly --

21 MR. HERTZBERG: Okay.

22 THE COURT: -- you know, here in the next few
23 minutes, and she might be able to fill you in a little bit
24 better.

25 MR. HERTZBERG: Okay. Thank you, your Honor.

1 THE COURT: Okay.

2 MR. STEWART: Your Honor, one -- I think I neglected
3 to move into evidence demonstrative Exhibit 727, which I
4 would move into evidence now. Maybe we should put it up so
5 that others can see the document we're talking about. And I
6 would move it into evidence as a demonstrative exhibit.

7 THE COURT: Any objections?

8 MR. WAGNER: No.

9 MR. SOTO: No, your Honor.

10 THE COURT: All right. It is admitted.

11 (City Exhibit 727 received at 3:19 p.m.)

12 BY MR. STEWART:

13 Q So if we could, let's now go to page 4 of Exhibit 734.
14 Mr. Malhotra, do you have page 4 of Exhibit 734 in front of
15 you?

16 A I do.

17 Q And is this a sources and uses for the 40-year period?

18 A Yes.

19 Q And what does it have -- and the first column is for the
20 first ten years; correct?

21 A That is correct.

22 Q But then there are three more columns. Tell us, if you
23 could, what those three columns are intended to represent.

24 A They represent the revenue and expenditures over the next
25 three decades.

1 Q Now, where, if at all, here do the city's obligations
2 under the plan appear under the 30 years that begin in 2024?

3 A They are not included in here on this particular page.

4 Q Okay. Is there a page -- let's go to the next page then.
5 We've been looking at the sources page; correct?

6 A That is correct.

7 Q Let's go to the next page, page 5. And, first of all,
8 the top line, is that the carry-over from the previous page?

9 A That is correct.

10 Q And then further down, where does it appear what the
11 city's ongoing obligations will be under the plan if the plan
12 were confirmed?

13 A Under the uses.

14 Q Okay. Where in particular should we be looking?

15 A Under the uses you would see under the retiree payments
16 the PFRS and GRS payments extending all the way into 40 years
17 to reflect the amortization of the UAAL over the time frame,
18 and it shows that the second decade payments are higher, of
19 course, compared to the following two decades, and then
20 further down below it shows the obligations of the city under
21 the new notes, so it's the UTGOs, the LTGOs, the B notes, and
22 the payments on the C notes as well over the forecast period.

23 Q What is your analysis -- so this is the analysis for the
24 40-year period; correct?

25 A Yes. Under these assumptions, yes.

1 Q What does your analysis indicate in terms of the city's
2 ability in the coming 40 years to pay its operating expenses?

3 A Based on the assumptions that are included here, I
4 believe the city should be able to have the resources to make
5 its obligations.

6 Q And what does it indicate in terms of the city's ability
7 in that time frame to pay its obligations under the plan?

8 A Based on the assumptions that are included in these set
9 of projections, it shows that the city should be able to meet
10 its obligations.

11 Q And, finally, what does it indicate in terms of the
12 city's ability to retain a sufficient cash balance over those
13 40 years after having met its other obligations?

14 A So it shows under these obligations the city will have
15 \$80 million of cash and up to 160 -- \$160 million of cash at
16 the end of 2053, so the city is always maintaining a minimum
17 cash balance.

18 Q Now, under these two forecasts, you have included C
19 notes; correct?

20 A That is correct.

21 Q Now, have you -- what C notes have you included in these
22 two forecasts?

23 A The C notes related to Syncora.

24 Q Now, how would this change, if at all, if FGIC chose to
25 opt into a settlement like the Syncora settlement?

1 A Using the same assumptions as the Syncora settlement, the
2 cost of FGIC opting in is somewhere between 85 and \$90
3 million over a 12-year time frame, so we would have to look
4 at the assumptions with respect to the costs, the
5 reinvestment expenses to ascertain -- and certain policy
6 decisions that will have to be made by the leadership team of
7 the city to ascertain the appropriate way of handling a FGIC
8 settlement -- potential FGIC opt-in.

9 Q If they opted in. Okay. Let's go, if we could, to
10 Exhibit 614. Let me ask a background question or two. Who
11 prepared Exhibit 614?

12 A We did.

13 Q And what does it purport to set forth?

14 A It shows the COPs balances under the three components,
15 those COPs that had a fixed rate interest rate, those COPs
16 that had a variable interest rate through -- due 2029, and
17 those portion of the COPs that had a variable interest rate
18 and they were due in 2034.

19 MR. STEWART: Your Honor, I would move the admission
20 of Exhibit 614 as a set of calculations.

21 THE COURT: Any objections?

22 MR. SOTO: No, your Honor.

23 THE COURT: It is admitted.

24 (City Exhibit 614 received at 3:25 p.m.)

25 BY MR. STEWART:

1 Q Can you tell me why you prepared Exhibit 614?

2 A It was at the request of counsel.

3 Q Counsel being who?

4 A Mr. Bruce Bennett.

5 Q And let's go through the calculations, if we could. Tell
6 us, first of all, at the highest level what these
7 calculations purport to be calculating?

8 A The first three sections just calculate the total
9 principal and interest payments that would be due under these
10 three sets of COPs that were outstanding and with the LIBOR
11 assumptions over the forecast period that were provided to us
12 based on the spread that exists under the existing
13 agreements.

14 Q Let me stop you there. The upper left-hand corner it
15 says "fixed rate." Is that referring to any particular part
16 of the COPs?

17 A The fixed interest rate, yes.

18 Q Okay. What part of the COPs does variable rate 2029
19 refer to?

20 A The ones with the outstanding balance of 299.2 million.

21 Q Okay.

22 A Those ones had a variable interest rate.

23 Q And what part of the COPs does the entry "variable rate
24 2034" refer to?

25 A The COPs had about \$500.8 million of principal that was

1 outstanding that had a variable interest rate component.

2 Q And then there's a reference here to LIBOR in different
3 ways. First of all, what is LIBOR?

4 A It's the London Interbank Offered Rate.

5 Q Why is it relevant here?

6 A It's a forward looking interest rate curve or more like
7 an index that is used often.

8 Q Okay. And as a result of doing the analysis that you did
9 on these three issues of COPs, what did you calculate?

10 A We calculated what the payments would be. We got the
11 LIBOR forward forecast from Miller Buckfire, and we did the
12 calculation as to what the payments of interest and principal
13 would be on these COPs in the three different tranches that
14 we were looking at.

15 Q And where does that -- where does the sum of that appear
16 on Exhibit 614?

17 A Under the total payment section.

18 Q I see. And is that the bold number we see as the sum
19 there that starts with 39.7?

20 A Yes.

21 Q And were those added up to some overall amount at some
22 point?

23 A Yes.

24 Q Where is the sum of all those?

25 A In the total payments.

1 Q Okay. If we looked at the lower right, would there be a
2 number that sums up all the total payments?

3 A It doesn't appear to be the case.

4 Q Okay. So once you had calculated the total payments,
5 what did you next do?

6 A We were asked to discount those payments at a 6.75-
7 percent discount rate.

8 Q Why a 6.75 discount rate?

9 A That was what was given to us by counsel.

10 Q And did you do that?

11 A Yes.

12 Q And what was the result of your calculation?

13 A It showed that based on that payment stream, if you were
14 to discount it at 6.75 percent, it would equate to a sum of
15 about a billion one.

16 Q And is that what is shown in the lower left-hand
17 corner --

18 A Yes.

19 Q -- of the exhibit?

20 MR. WAGNER: Your Honor, just --

21 BY MR. STEWART:

22 Q Right now --

23 MR. WAGNER: I'm sorry. Just before we leave the
24 document, it does have a notation, which is very hard to
25 read, and you can't see it on the screen, "Privileged and

1 confidential settlement communication in court-ordered
2 mediation, not to be presented to or admitted into evidence
3 in any action or proceeding." I mean it's just numbers, so
4 maybe we don't have an objection to it, but that shouldn't be
5 taken as any sort of waiver that the mediation -- that
6 documents covered by the mediation order can be selectively
7 produced and shown to witnesses.

8 THE COURT: Okay. Thank you.

9 BY MR. STEWART:

10 Q If we could now go to Exhibit 742, what is Exhibit 742?

11 A 742 shows the present value at 6.75 percent of the
12 payments to the Retirement Systems for a 40-year period.

13 Q And who calculated the numbers we see on Exhibit 742?

14 A We calculated the payments based on the 6.75-percent
15 discount rate.

16 Q And why did you do that?

17 A At the request of counsel.

18 Q And who was the counsel who requested that of you?

19 A Bruce Bennett.

20 Q Let's put up --

21 MR. STEWART: Your Honor, I would move into evidence
22 Exhibit 742 as a demonstrative exhibit.

23 MR. SOTO: No objection, your Honor.

24 MR. WAGNER: Same.

25 THE COURT: It is admitted.

1 (City Exhibit 742 received at 3:30 p.m.)

2 MR. STEWART: Let's put up briefly Exhibit 749, and
3 we'll come back to this.

4 BY MR. STEWART:

5 Q What is Exhibit 749?

6 A 749 shows --

7 Q First of all, who prepared Exhibit 749?

8 A We did.

9 Q Okay. And why did you prepare it?

10 A The top part of 749, which shows the GRS and PFRS, was
11 the backup for the contributions by source that are going
12 into GRS and PFRS respectively. The section at the bottom
13 starting at Row 42 we added at the request of counsel to
14 present value those contributions at a 6.75-percent discount
15 rate.

16 MR. STEWART: Your Honor, I'd move into evidence
17 Exhibit 749.

18 MR. SOTO: No objection, your Honor.

19 MR. WAGNER: Same.

20 THE COURT: It is admitted.

21 (City Exhibit 749 received at 3:31 p.m.)

22 BY MR. STEWART:

23 Q Let's now go back to 742. Tell me, if you could,
24 Mr. Malhotra, what Exhibit 742 discloses to us. What does it
25 describe?

1 A It describes the total payments that are going into the
2 pension systems by various source over the course of the next
3 40 years,, what the present value of those contributions
4 would be at 6.75-percent discount rate.

5 Q And what did you determine that that present value would
6 be?

7 A As this chart shows, it would be about \$976 million for
8 GRS and about 608 million for PFRS.

9 Q Thank you.

10 MR. STEWART: We can take that down.

11 BY MR. STEWART:

12 Q Let's, if we could, go to Exhibit 733 and, in particular,
13 to page 6 of our document, of this exhibit. Can you tell me,
14 Mr. Malhotra, what is page 6 of Exhibit 733?

15 A Page 6 is the ten-year projections under a pre-
16 restructuring or sort of a no bankruptcy scenario.

17 Q Is this the baseline scenario you disclosed to us
18 earlier?

19 A Yes.

20 Q And what was the date on which you prepared page 6 of
21 Exhibit 733?

22 MR. SOTO: What exhibit is that?

23 MR. STEWART: 733.

24 MR. SOTO: Thank you.

25 THE WITNESS: It was slightly updated in September,

1 but most of the schedule has generally remained intact other
2 than some changes, but I would have updated it in September
3 consistent with the rest of the projections.

4 BY MR. STEWART:

5 Q All right. And the page we have before us, tell us just
6 in very general terms what it sets forth.

7 A It shows that under a no restructuring scenario, the
8 city's revenues over the next ten years were forecasted to be
9 approximately 10.4 billion, operating expenditures in total
10 of about 7.4 billion, so an operating surplus of roughly
11 three billion and legacy liabilities of the original debt and
12 UTGO debt service, POC principal and interest, the POC swaps
13 had the settlement not been made, the pension contributions
14 based on the assumptions that were being used from the June
15 13th proposal and the health benefits for the retirees, the
16 legacy expenditures were roughly seven billion, so resulting
17 in a deficit of approximately four billion over the next ten
18 years.

19 Q And then this below that talks about reinvestment in the
20 city?

21 A That's correct.

22 Q What's that a reference to?

23 A That refers to the latest reinvestment forecast, which
24 was a net 876 million.

25 Q Okay. So let's go to the next page, please. What does

1 the next page cover?

2 A It just covers the restructuring scenario and what the
3 funds available for unsecured claims were.

4 Q Now, so page 6 is the baseline, and page 7 is the
5 restructuring; is that right?

6 A Yes. Page 7 lays out a restructuring of the amounts
7 available for unsecured claims.

8 Q Okay. And in terms of the plan of adjustment, what does
9 page 7 describe? Let me ask a different question. Fair to
10 say page 7 is the representation of what would happen if the
11 plan were confirmed?

12 A That is correct. Under these assumptions, these would be
13 the funds that would then get allocated to the various
14 creditors if the plan were confirmed.

15 Q And what does page 6 represent today?

16 A Page 6 would represent what would happen if there was no
17 bankruptcy or if the city was just continuing as though
18 nothing had happened.

19 Q Have you heard of something called a dismissal analysis?

20 MR. SOTO: Objection, your Honor.

21 MR. STEWART: I think I'm allowed to ask him if he's
22 heard of it.

23 MR. SOTO: Well, I don't want to have another one of
24 these where we waived it.

25 THE COURT: What is the objection, sir?

1 MR. SOTO: In his expert report and during his
2 deposition Mr. Malhotra did not offer us -- he offered no
3 opinions regarding a dismissal analysis, exactly none. He
4 was specifically asked, as the city's Rule 30(b)(6) witness,
5 if he had prepared a dismissal analysis, and his answer was a
6 very clear, no, I had not, because he had not been asked to.
7 And what the city is about to try to do is to try to backfill
8 on the fact that this witness did not prepare a dismissal
9 analysis by asking him if he can prepare one or if the
10 baseline could be arguably one. When he answered his
11 questions at deposition and when he gave his expert report,
12 the baseline already existed, and yet he knew and he
13 testified and he admitted on behalf of the city that he had
14 not prepared a dismissal analysis. And it would be highly
15 prejudicial at this point to allow the city to try to turn
16 Mr. Malhotra into something that he already admitted he was
17 not.

18 MR. STEWART: The question was, "Have you heard" --

19 THE COURT: Excuse me one second.

20 MR. WAGNER: We join the objection, very eloquently
21 stated.

22 THE COURT: You, too?

23 MS. O'GORMAN: Yes.

24 MR. STEWART: The question was has he heard of
25 something called a dismissal analysis.

1 THE COURT: True enough, and normally I would deal
2 with objections on a question-by-question basis, but where
3 are you going with this?

4 MR. STEWART: I'm going to ask him how this is
5 different from a dismissal analysis.

6 THE COURT: How what is different?

7 MR. STEWART: This document is different.

8 THE COURT: What's the purpose of asking that?

9 MR. STEWART: It would be a foundation to something
10 else, but it would also be useful so that we could see what
11 we do have versus what we do not have.

12 MR. SOTO: Your Honor, this --

13 THE COURT: Is that just another way of saying you
14 want to use this as your dismissal analysis?

15 MR. STEWART: No. It's what it is. I, frankly,
16 don't think it's very far from one, but I'm not saying it is
17 a dismissal analysis. On the other hand, I think it's very
18 probative of other issues in the case.

19 THE COURT: What other issues?

20 MR. STEWART: Well, it's probative of what the
21 legacy liabilities look like if the case is dismissed. It's
22 probative of what the city's cash flows look like if the case
23 is dismissed. It's probative of all those things. The
24 question he was asked is did he do a dismissal analysis, and
25 he said he did not. Fair point. They didn't ask further

1 questions than that, but I don't think that should handcuff
2 him to talk about the things that he did do.

3 THE COURT: Well, but wasn't the city asked to
4 provide whatever -- well, wasn't the city asked to provide
5 whatever testimony it was going to provide about a dismissal
6 analysis, and isn't this that testimony?

7 MR. STEWART: It is not that testimony. He was
8 asked about dismissal analysis. He was not asked to prepare
9 one and so on. This, though, as Mr. Soto correctly says, has
10 been in the record one way or the other for over a year. He
11 was questioned about this at no small length, and he did
12 testify about this, so there's no surprise as to this
13 document. In fact, as we remember, this is something we
14 first saw in June of 2013, so I don't believe that. If the
15 objection instead is, well, this isn't called a dismissal
16 analysis, and you're not offering it as such, I'll say that's
17 certainly true, but on the other hand, I don't think it is an
18 absolutely irrelevant exercise that he went through, and I
19 think certain of the things that are shown here as a result
20 of the meticulous modeling we have been through all too much
21 today are improbative or not probative of anything. And I
22 would add, finally, much of this would even go to weight and
23 could be dealt with on cross-examination.

24 MR. SOTO: Your Honor, if I can respond when you
25 feel it's necessary.

1 THE COURT: It feels to me like the relevance that
2 you offer for this is a dismissal analysis, although you deny
3 that, so I'm going to sustain the objection.

4 MR. STEWART: Okay. Let me then ask a few
5 questions, and I will wrap up.

6 BY MR. STEWART:

7 Q What does -- what do these two pages of Exhibit 733 set
8 forth?

9 A Page 6 shows the baseline scenario or pre-restructuring
10 scenario, and page 7 -- which basically shows the deficit,
11 and page 7 shows the post-restructuring scenario and the
12 funds available for unsecured claims.

13 Q Did you discuss this with any of the other advisors to
14 the city?

15 A Yes. These pages have been in our -- in the ten-year
16 projections, and so they've been discussed with all the other
17 advisors.

18 Q What did you say, if anything, to Mr. Buckfire about it?

19 A Page 6 and 7 have been a package, so what we've talked
20 about at length is the cost of the legacy liabilities and the
21 projection of the legacy liabilities of the city.

22 Q What discussions, if any, have you had with Mr. Orr about
23 your baseline analysis?

24 A It was similar in terms of the assumptions behind the
25 projections and the cost of the legacy liabilities for the

1 city.

2 Q Thank you.

3 MR. STEWART: Your Honor, one last thing. I'm not
4 sure I moved Exhibit 742 into evidence, so if I failed to do
5 so, I would move it in now. If you could put that up --

6 THE COURT: Any objections?

7 MR. SOTO: No objection, your Honor.

8 MR. WAGER: As a demonstrative, that's fine.

9 MR. STEWART: As a demonstrative. That's right.

10 THE COURT: All right. It is admitted.

11 (City Exhibit 742 received at 3:42 p.m.)

12 MR. STEWART: Thank you. Your Honor, that is all I
13 have with Mr. Malhotra.

14 MR. SOTO: Your Honor, not to impose on the Court,
15 but if the Court wouldn't mind if I could turn the podium a
16 little.

17 THE COURT: Fine.

18 MR. SOTO: Okay. Thanks.

19 THE COURT: Yep.

20 CROSS-EXAMINATION

21 BY MR. SOTO:

22 Q Mr. Malhotra, I had a neck operation, and I'm not
23 supposed to turn to the right. That's why I'm --
24 Mr. Malhotra, we haven't met, and my name is Ed Soto. I have
25 a few questions on some of the exhibits that you just went

1 over. And I think I'll hit those first, and then we'll go to
2 some questions I have about your expert opinions and your
3 prior testimony. All right. So, first of all, if I could
4 ask you to take a look at Exhibit 728. I just had a question
5 about your testimony on that.

6 MR. SOTO: And if we could put up Exhibit 728 --

7 BY MR. SOTO:

8 Q So looking at Exhibit 728, under the column of interest
9 where it says -- so on the first line where it says
10 "restructured UTG notes," and it goes to interest, various,
11 3.7 to 5.375, you see that?

12 A Yes.

13 Q Okay. So as to that interest rate, in calculating it,
14 did you take into account whether or not the UTG notes were
15 taxable or nontaxable?

16 A No, because those interest rates are the same as they
17 were on the original UTGO bonds.

18 Q Okay. And going down to the --

19 THE COURT: Excuse me one second. I want to nip
20 this issue in the bud. I want you just to answer the
21 question. Do you see how you didn't just answer the last
22 question? It was, "Did you take into account the tax,"
23 whatever. You said, "No, because." Please just answer the
24 question. We'll be here, I think, much less time.

25 BY MR. SOTO:

1 Q And then again with respect to the new LTGO bonds where
2 you have a 5.65 percent, do you know whether the underlying
3 obligations of those LTGO bonds are taxable or nontaxable?

4 A No.

5 Q You don't know?

6 A I don't know.

7 Q And then again with respect to the new B notes where it's
8 four percent and four percent and six percent, do you know if
9 the obligations reflected under those notes are taxable or
10 untaxable?

11 A I do not.

12 Q And then again with respect to the new C notes where it
13 was five percent, do you know if the obligations reflected by
14 the new C notes are taxable or untaxable?

15 A No, I do not.

16 Q And with respect to the restructured UTGO notes, do you
17 know if those obligations are taxable or untaxable?

18 A I do not.

19 Q All right.

20 MR. SOTO: If you could put up 737. That's my next
21 slide I had a question on.

22 BY MR. SOTO:

23 Q So looking at -- I think it's -- yeah, 737, what discount
24 rate did you use to determine the value of the B notes?

25 A We used five percent.

1 Q Five percent? Okay. And what discount rate did you use
2 to determine the value of the C notes?

3 A We used a five-percent discount rate to calculate the
4 present value.

5 Q And how did you value the settlement credits of -- I
6 think it's 6.3 million?

7 A In the 13 percent, they were included at the value of 6.3
8 million.

9 Q That's it?

10 A Yes.

11 Q Did you value the extension of the tunnel lease in
12 connection with this exhibit?

13 A No.

14 Q Did you value what Syncora got under the development
15 agreement in connection with this exhibit?

16 A No.

17 Q Did you value any other consideration received by Syncora
18 like the \$5 million in cash in arriving at this exhibit?

19 A No.

20 Q So if I could -- this is so hard to read, but Exhibit
21 614 -- on Exhibit 614, if the city intends to reject the
22 service contracts, did you calculate the rejection damages in
23 connection with your preparation of this exhibit?

24 A There were no rejection damages that were a part of this
25 exhibit.

1 Q All right. Let's change gears just a second. It's true,
2 isn't it, that in your view the biggest source of untapped
3 revenue for the City of Detroit is asset sales; correct?

4 A Yes. That is a primary -- that was a primary
5 opportunity, yes.

6 Q And it's also true that other cities all over the country
7 have privatized assets, and by that I mean they've taken
8 public assets and sold them and, therefore, made them
9 private; correct?

10 A They've entered P3 partnerships, yes.

11 Q But in all of your projections that we just went through,
12 you didn't consider the impact of the sale of even a single
13 piece of the art from the DIA collection, the impact that
14 would have on the city's revenues, did you?

15 A That is correct.

16 Q And so the record is clear, you also didn't consider the
17 impact that the sale of the entire collection of the DIA
18 would have on the city's revenue either, did you?

19 A That is correct.

20 Q And you also didn't consider the impact that any
21 alternative form of monetization of that art -- for example,
22 a loan against that art or a lease against that art, you
23 didn't consider what impact that would have on the city's
24 revenues; right?

25 A We included the proceeds from the grand bargain, so I

1 don't know if that's what you mean by "alternate" or not, but
2 that's --

3 Q Other than the grand bargain, you didn't include any
4 other potential monetization of the art?

5 A That is correct.

6 Q And you haven't run any alternative ten-year or forty-
7 year forecast that provided for a different treatment of the
8 art than what is currently contemplated by what is referred
9 to as the grand bargain; correct?

10 A Not that I recall. That is correct.

11 Q And you didn't perform that alternative analysis because
12 you weren't asked to; correct?

13 A That's correct.

14 Q Switching gears again, Mr. Malhotra, you talked briefly
15 about the new B notes that are included in the plan of
16 adjustment, and in the 40-year projection you summarize
17 hypothetical distributions to creditors; right?

18 A That is correct.

19 Q And you've included a present value calculation of the
20 new B notes using a five-percent discount rate; right?

21 A We have used a five-percent discount rate to calculate
22 the present value of recoveries, yes.

23 Q And you base this discount rate in part on what the
24 average interest rate on the outstanding limited tax general
25 obligation debt is of the city or I think you called it the

1 LTGO debt rate; right?

2 A That's one of the factors.

3 Q And so when you considered the appropriateness of a five-
4 percent discount rate for the present valuing of, you know,
5 creditor distributions, you looked at the LTGO interest rates
6 but not at their yields; correct?

7 A That is correct.

8 Q And just to clarify for the Court, the interest rate is a
9 static rate; right? It's set at the time of the issuance of
10 the bonds; correct?

11 A That is correct unless it's a floating rate, yes.

12 Q And a bond's yield reflects not only the interest rate
13 but also the price the bond is trading at on the open market;
14 right?

15 A Sure.

16 Q So the bond's yields tells us how the market values that
17 bond, right, which would include not only the interest rate
18 but also other factors that might impact the price of the
19 bond on the open market; correct?

20 A Potentially, yes.

21 Q But you didn't know at the time that you did your
22 analysis whether or not the new B notes were going to be LTGO
23 bonds or some other type of obligation; right?

24 A That is correct.

25 Q And you don't know if the market will value the new B

1 notes in the same way the market values the city's LTGO debt,
2 do you?

3 A The market will value what the market will value. I do
4 not know what the market will value.

5 Q Thank you. I agree. Now, you also based the five-
6 percent discount rate for present valuing the new B notes in
7 part on the long-term interest rates of AA-rated municipal
8 bonds; right?

9 A That is correct.

10 Q But you don't know whether the city will be a AA-rated
11 municipality for purposes of bond financing upon emergence of
12 Chapter 9, do you?

13 A I do not.

14 Q Switching gears again, Mr. Malhotra, you've been working
15 with the city now on various projects, if I understood your
16 testimony, since May of 2011; correct?

17 A That is correct.

18 Q And before the city filed its Chapter 9 petition, the
19 city was already engaged in restructuring efforts to improve
20 its fiscal condition; correct?

21 A That is correct.

22 Q And prior to that Chapter 9 filing, the emergency manager
23 put together an operating plan; correct?

24 A I would have to think back. I believe that's the case,
25 but I would have to see it just to get the exact date.

1 Q Let me hone in on then something you did testify. And on
2 June 14th, 2013, prior to the commencement of this Chapter 9
3 case, the city provided creditors with a proposal that you
4 referred to earlier, the proposal to creditors; right?

5 A That is correct.

6 Q You had some input on the creation of that proposal;
7 correct?

8 A I did.

9 Q And that proposal to creditors included restructuring and
10 reinvestment initiatives, didn't it?

11 A That is correct.

12 Q And so you understand as you worked on that proposal that
13 the city didn't need to file a Chapter 9 filing in order to
14 identify and propose a plan of action with respect to those
15 operational restructuring reinvestment initiatives that it
16 had proposed in the proposal to creditors in June of 2013;
17 correct?

18 A You would have to repeat that question. It was way too
19 long.

20 Q So you understood as you worked on that proposal that the
21 city didn't need to file a Chapter 9 filing in order to
22 identify and propose reinvestment initiatives like they did
23 in the proposal to creditors; correct?

24 A I want to make sure I answer this in -- the way I
25 understand your question is --

1 Q Oh, please do. If I can help you, let me know.

2 A Yeah. If you could just break that down into two
3 components because all I'm -- this sounds like there's two
4 questions in there. The city identified at that point --

5 Q You knew -- so, for example, in June of 2013, you knew
6 you were working on a proposal that included reinvestment
7 initiatives; correct?

8 A Yes.

9 Q And you knew there was no Chapter 9 filing; right?

10 A At that point in time, there wasn't.

11 Q And yet you knew you were proposing a proposal to
12 creditors that included reinvestment initiatives; correct?

13 A Yes. It was meant to -- yes.

14 Q Okay. Now, the city was proposing to do those
15 initiatives outside of Chapter 9; right?

16 A The city was highlighting the need that it had for the
17 different departments, and I'm highlighting the funding
18 required for those costs, but --

19 Q And, in fact, it was proposing those initiatives, wasn't
20 it, in a proposal to creditors?

21 A It was proposing what the city wanted to do in terms of
22 right-sizing the city's operations.

23 Q And you were doing that outside of Chapter 9; correct?

24 A That is correct.

25 Q Now, Mr. Malhotra, you had done work for the Detroit

1 Public Schools before your engagement by the City of Detroit
2 here; right?

3 A That is correct.

4 Q But you hadn't done a forecast of an actual city or
5 municipality before you performed the forecasts for the City
6 of Detroit in this Chapter 9; correct?

7 A That is correct.

8 Q Before you worked for the City of Detroit in this Chapter
9 proceeding, you had never done forecasting specifically for
10 any city; correct?

11 A Yes. That's correct.

12 Q And you haven't published any publications on
13 forecasting; right?

14 A Not on -- no, I have not.

15 Q And you don't hold yourself out as an expert in Chapter 9
16 bankruptcy, do you?

17 A No, I don't.

18 Q In fact, this is the first Chapter 9 bankruptcy that
19 you've worked on; correct?

20 A It is.

21 Q Now, the model that you used for the forecasting was
22 created by you and the folks at E&Y for the City of Detroit;
23 correct?

24 A Yes.

25 Q It didn't exist before E&Y created it in this engagement;

1 correct?

2 A That's correct.

3 Q And in connection with your work for the city when you
4 were pulling together that model, you didn't look at any
5 other Chapter 9 financial models; correct?

6 A We did not look at other Chapter 9 financial models.

7 Q And, in fact, when you were putting together your model,
8 you didn't know the components of financial models used in
9 other Chapter 9 cases, did you?

10 A The components of -- no. I think the components of
11 financial models are revenues and expenses, so I don't know
12 about if there's a Chapter 9 model somewhere. I did not look
13 at other Chapter 9 models.

14 Q One second. Let me hand you your deposition, see if --

15 A Okay.

16 Q It's a copy of your July 15th, 2014, deposition, and I'll
17 ask you to look at page 38 starting at line 5 to line 9. Did
18 I ask you this question --

19 MR. STEWART: Could we wait till I can get to it in
20 my --

21 MR. SOTO: Sure.

22 MR. STEWART: Go ahead.

23 BY MR. SOTO:

24 Q "Question: That wasn't my question. You
25 haven't looked at any other Chapter 9 financial

1 models; correct?

2 Answer: I did not go and look at other Chapter
3 9 financial models. That is correct."

4 Is that your -- is that your answer to that
5 question?

6 A Yes.

7 Q And you were telling the truth then?

8 A Yes.

9 Q And, in fact, when you were putting together your
10 financial model, you didn't know the components is the next
11 question I asked you. Do you recall -- looking again at line
12 16 through 20 of page 39, did I ask you this question, and
13 did you give this answer?

14 MR. SOTO: Geoff, you ready?

15 MR. STEWART: Oh, yeah. I would object. I don't
16 think it's proper impeachment, your Honor, because I don't
17 think there was an inconsistent answer, but -- so I don't
18 think it's appropriate, but I'll leave that up to Court.

19 THE COURT: You may proceed.

20 BY MR. SOTO:

21 Q "Question: You don't know what financial models
22 have been used in Chapter 9's; correct?" is the
23 question.

24 "Answer: I do not know the components of the
25 financial models of other Chapter 9 cases. That is

1 correct."

2 Did I ask that question? Did you give that answer?

3 A Yeah. That was a question that was asked, and that was
4 the answer that I gave at that time, yes.

5 Q And you were telling the truth then; correct?

6 A Yes.

7 Q And you can't identify any Chapter 9 bankruptcy where an
8 expert has done forecasting similar to what you've done in
9 this case; right?

10 A That is correct.

11 Q In fact, before you put together your expert report in
12 this case, you didn't attempt to investigate what had been
13 done in other Chapter 9 bankruptcies; right?

14 A What had done with financial models in bankruptcies?

15 Q Right.

16 A That is -- could you ask me that question once again,
17 please?

18 Q Sure. The question I asked before was can you identify
19 any Chapter 9 bankruptcy where an expert has done forecasting
20 similar to what you've done in this case?

21 A I do not -- yes, I cannot.

22 Q Okay. Switching gears again so you get in the context,
23 it's correct, isn't it, that as of the time of your analysis
24 and, in fact, even when you were deposed, the city had made
25 no arrangement with Ernst & Young to continue updating your

1 forecast after this bankruptcy is done; right?

2 A Yeah. We had not reached a formal arrangement. That is
3 correct --

4 Q And the scope --

5 A -- at that point in time.

6 Q I'm sorry. Go ahead. I didn't mean to interrupt.

7 A At that point in time.

8 Q And the scope of Ernst & Young's role in the event that
9 the plan of adjustment is confirmed has not been agreed upon
10 yet, has it?

11 A It has.

12 Q Okay. Fair enough. Can you tell the Court what it is?

13 A EY's restructuring team is going to continue to assist
14 the city through December of 2015 in monitoring cash flows
15 and helping with actual versus forecast performance.

16 Separately, EY is engaged to help the city on its HR
17 implementation technology and its ERP program.

18 Q And, again, through December of 2015 on both of those?

19 A I'm not sure of the exact date of -- the outside date of
20 both of those. I'm confident of the date for the
21 restructuring services.

22 Q But it's a fact, isn't it, that you've produced many
23 versions of your -- I think I saw many today -- of your ten-
24 year projection and your forty-year projection; correct?

25 A Yes.

1 Q And that's because you've had to continuously update the
2 forecasts as assumptions change and other inputs change;
3 correct?

4 A That is correct.

5 Q And you agree that any of the assumptions in your model
6 can change over a ten-year and forty-year period; correct?

7 A Some assumptions can change over a ten-year and forty-
8 year period.

9 Q And you agree that the timing of the reinvestment
10 expenditures, for example, as they're paced could change,
11 which, again, would affect the assumptions in your model;
12 right?

13 A If you change the timing assumptions from what they are
14 today, the numbers will change.

15 Q And you agree that unforeseen changes can have an impact
16 on your forecast; right?

17 A Yes.

18 Q And, again, you haven't included a line item in your
19 forecasts -- I went back to look -- in which you've provided
20 for ongoing professional fees of Ernst & Young for a ten-year
21 period or a forty-year period consistent with your
22 projections; right?

23 A The fees for Ernst & Young for the forthcoming year after
24 the current fiscal year will be funded through specific
25 projects, but there are no additional fees over ten and forty

1 years.

2 Q Because you might not be there over ten or forty years;
3 correct?

4 A That is correct.

5 Q And it would also be fair to say that the assumptions in
6 your forecast depend on certain policy choices by Detroit
7 officials; correct?

8 A Yes.

9 Q And in the future during the ten-year period addressed by
10 your ten-year forecast, there might be different decision-
11 makers who are responsible for determining Detroit's
12 policies; right?

13 A Yes. People -- yes.

14 Q You would agree that the projections that you testified
15 about this morning and actually through the afternoon are
16 dependent on the successful implementation of the city's
17 budget and the reliability of other estimates and assumptions
18 that are the basis of your projections; correct?

19 A I'd request you to break that question down, please.

20 Q Sure. Would you agree that the projections that you
21 testified about today are dependent on the successful
22 implementation of the city's budget, that they stick to the
23 budget that's part of your projections?

24 A The city generally does a one-year budget or two --
25 they're going to go to a triennial budget. The 2015 budget

1 is going to be a transitional year, so the city is going to
2 use these projections to form the basis of a budget, so I'm
3 just not sure that I completely understand your question
4 because there isn't -- the budget is going to continue to
5 evolve and is an iterative process that continues to get
6 amended, so 15 and 16 and 17 will be essentially based on the
7 projections that are existing today.

8 Q So it's your view that, for example, the projections that
9 you created have both form of budgets in it. They presume
10 certain things are going to be done and certain items are
11 going to be in the city's budget; correct? That's part of
12 your projection for ten years. That's also part of your
13 projection for forty years; correct?

14 A Yes.

15 Q And if those presumptions are not carried on by the city,
16 if they're not included, for example, in the one-year budgets
17 that you just discussed, they would have an impact on your
18 projections; correct?

19 A I'm trying to just think of specifics. If you change the
20 assumptions, the numbers do change.

21 MR. SOTO: Thank you, Mr. Malhotra. Your Honor, we
22 have to proffer two clips of Mr. Malhotra's testimony as a
23 30(b)(6) witness for the city. We would proffer them at this
24 time and play them at this time.

25 THE COURT: Any objections?

1 MR. STEWART: I need to know what clips they are and
2 what page and lines they are.

3 MR. SOTO: Sure. They are the -- they're both from
4 the July 15th, 2014, deposition. They are page 144, lines 9
5 through 12, and page 115, line 25, through page 116, line 6.
6 They have actually both been played before in this courtroom.

7 MR. STEWART: I have no objection, but we'll have to
8 on redirect, your Honor, deal with a completeness issue as to
9 the second clip.

10 THE COURT: Okay. Mr. Stewart, can you pull that
11 microphone closer to you, please?

12 MR. STEWART: Very good.

13 THE COURT: All right. You may proceed, sir.

14 MR. SOTO: And actually I'm only playing the first
15 clip, so you won't have to worry about it. I don't know why
16 I said that. The first clip, which is page 144, nine through
17 twelve, is the only one we're proffering. If you could play
18 it --

19 (Deposition clip of Mr. Malhotra's deposition played as
20 follows:)

21 "Question: You haven't been asked to look at
22 what would happen if the petition is dismissed by
23 the city or the state; correct?

24 Answer: That is correct."

25 (Deposition clip concluded)

1 MR. SOTO: No further questions, your Honor.

2 THE COURT: Okay.

3 MR. WAGNER: Your Honor, Jonathan Wagner on behalf
4 of the COPs. May I proceed?

5 THE COURT: Yes, please.

6 CROSS-EXAMINATION

7 BY MR. WAGNER:

8 Q Good afternoon, Mr. Malhotra. You and I have never met,
9 have we?

10 A I don't believe so, no.

11 Q I also have some questions -- a few questions about the
12 exhibits that we're seeing for the first time today.

13 MR. WAGNER: Can you put up Exhibit 742?

14 BY MR. WAGNER:

15 Q Now, this is one of the calculations that you were
16 instructed to perform at the direction of counsel; is that
17 correct?

18 A That is correct.

19 Q Now, the totals there by my math equal about 1.6 billion;
20 is that fair?

21 A Yes.

22 Q And if the UAAL was 3.1 billion, then the -- or if the
23 liability -- if the amount of the claim was 3.1 billion, then
24 the return rate for the pension classes would be about 51, 52
25 percent, 1.6 over 3.1?

1 A Could you ask me that question again? I apologize.

2 Q If you add those two together and you divide by 3.1
3 billion, which is the size of the pension claim you testified
4 to earlier today, that's a recovery rate of about 52, 53
5 percent; right?

6 A That math sounds right.

7 Q Okay. But that's not anywhere in the plan, is it?

8 THE COURT: Excuse me one second. We've had a
9 disconnect here. The question was not or not entirely about
10 the math. The question was whether the recovery rate is 50
11 or 51 percent.

12 THE WITNESS: Your Honor, under -- using \$1.6
13 billion of a present value over a \$3.2 billion claim and
14 where the \$1.6 billion has been calculated at a 6.75-percent
15 discount rate, that recovery percentage equates as long as
16 the claim is also valued at \$3.2 billion.

17 THE COURT: Okay.

18 BY MR. WAGNER:

19 Q But the percentages in the plan are 59 and 60 percent,
20 are they not?

21 A Are we using a five-percent discount rate?

22 Q That's what you used in the plan; correct?

23 A That is the same -- that is the five percent discount
24 rate we have used, yes.

25 Q And the plan has been amended several times since you

1 first laid out -- since the city first laid out the 59- and
2 60-percent return rates?

3 A Yes. The plan has been amended.

4 Q The plan was amended as late as two weeks ago; correct?

5 A That is correct.

6 Q And it still uses 59 and 60 percent; right?

7 A Yes. We use the same discount rate.

8 Q And your projections that you prepared originally showed
9 a recovery rate of 59 and 60 percent, did they not?

10 A Yes. They showed a 59- or 60-percent on that claim
11 amount and the distributions assuming a five-percent discount
12 rate.

13 Q Okay. And the projections that you prepared just a week
14 ago also show 59- and 60-percent recovery, do they not?

15 A Based on the same assumptions that I just answered
16 earlier, yes.

17 Q And, again, the only reason you prepared -- used 6.75 is
18 because your counsel told you to; right?

19 A That is correct.

20 MR. WAGNER: Now, can you put up Exhibit 723? No.
21 The city has to put it up, 723.

22 BY MR. WAGNER:

23 Q Now, here you showed UAAL pre-petition of a billion eight
24 for GRS and a billion 250 for PFRS; correct?

25 A That's correct.

1 Q And now -- this is as of 2014 -- you've had a substantial
2 reduction in the UAAL; correct?

3 A Yes.

4 Q I think you testified that the unfunded liability has
5 gone from 53 percent -- about 53 percent and 71 percent to in
6 the 70s for both of them; is that correct?

7 A I think I said it was pretty close to the target. PFRS
8 may be slightly higher. I do not remember the exact funded
9 percentage status today. I think GRS may be close to 70, and
10 PFRS may be a little higher, but I do not remember the exact
11 numbers.

12 Q I'm right for PFRS you've already hit the target; right?

13 A Yes.

14 Q And by the way, the billion 879 and a billion 250, that
15 was calculated and used -- that was calculated using a 6.75
16 discount rate; correct?

17 A That is correct.

18 Q And if you used a higher discount rate, the UAAL would be
19 smaller, correct, or the unfunded portion would be smaller?

20 A If that is the only assumption that you changed, the
21 numbers would be different.

22 Q And you also testified that the 6.75 was a negotiated
23 rate; right?

24 A It was a part of the settlement, yes.

25 Q And are you aware that the retiree has said that the 6.75

1 is not based on pension practice?

2 A I'm not aware of that.

3 Q Okay. And are you aware that the expert for the Retiree
4 Committee --

5 MR. STEWART: Objection, your Honor. I'd like to
6 know why he's asking one witness about the testimony of
7 another.

8 THE COURT: Well, let me hear the whole question,
9 and then I'll hear your objection. Go ahead, sir.

10 BY MR. WAGNER:

11 Q Are you aware that the Retiree Committee expert has
12 testified that the 6.75 is an outlier?

13 MR. STEWART: I'd repeat my objection, your Honor.

14 MR. WAGNER: Well, he's testified to why he used
15 particular numbers. I think I'm entitled to show because he
16 has given testimony about the UAAL that the numbers he's used
17 misstate the UAAL.

18 THE COURT: The objection is sustained.

19 BY MR. WAGNER:

20 Q Now, this past year I'm right that the returns have
21 exceeded 6.75 percent?

22 A Yes.

23 Q And that's why the unfunded liability has gone down;
24 correct?

25 A That's only one of the reasons.

1 Q We'll get to that in a minute. You testified concerning
2 the fees that have been incurred. This is Exhibit 767. I
3 think the total fees are 182 million for 2014 and 2015;
4 correct?

5 A That is correct. It includes an estimate as well for
6 fiscal year '15, but that is what the schedule shows. That
7 is correct.

8 Q Now, does this figure also include the fees prior to
9 2014?

10 A No.

11 Q Do you know what the fees have been from the time -- all
12 the professional fees from the time you were retained in 2011
13 until this chart?

14 A I do not.

15 Q Was it \$10 million? Was it more than \$10 million?

16 A My recollection is it would be less than \$10 million.

17 Q Okay. But just the 182 million, that exceeds the amount
18 of the COP reserve, does it not?

19 A The \$182 million is larger than the \$162 million COPs
20 reserve.

21 Q You also gave some testimony about the return to COPs.
22 The total amount of COPs are a billion four; right?

23 A That's the COPs claim.

24 Q And the interest rate on those COPs under the B notes at
25 the beginning is four percent; right?

1 A Yes. The B notes the interest rate is four percent for
2 the first decade.

3 Q So am I right that the debt service on another ten
4 percent of the COPs, 140 million, would be \$5-1/2 million?
5 Putting aside amortization, just the interest cost would be
6 5-1/2 -- about 5.6 million, 140 times .04?

7 A Yeah. I mean that -- overall in terms of the actual
8 incremental interest, if you're just looking at interest, I
9 think that would be the rough math.

10 Q Now, you also gave some testimony about a plan freeze.
11 Do you recall that?

12 A Yes.

13 Q And I think you said there'd be no more accrual of
14 benefits under the plan on account of a plan freeze. Do you
15 recall that?

16 A Yes, under the old plan.

17 Q And do you recall that you said that that would reduce
18 the pension liability?

19 A Yes.

20 Q And there's no dispute about that, is there?

21 A I do not know there's a dispute or not.

22 Q Okay.

23 MR. WAGNER: Can you put up Exhibit 1009? Your
24 Honor, this is a letter from Milliman. It's already in
25 evidence based on your Honor's September 2nd order.

1 BY MR. WAGNER:

2 Q Can you turn to page 3 of the document?

3 MR. STEWART: Do you have a hard copy version of
4 that?

5 MR. WAGNER: I don't with me. I didn't realize he'd
6 be testifying about these issues, so I didn't know.

7 MR. STEWART: Excuse me a moment.

8 MR. WAGNER: Now, can you blow up the portion that
9 says "estimated plan freeze impact"?

10 BY MR. WAGNER:

11 Q Do you see it says, "Our preliminary result as of June
12 30, 2013, based on an investment return assumption of 6.75 is
13 that the impact of the plan freeze represents a decrease of
14 roughly 95 billion -- 95 million or roughly 12 percent of the
15 active liability"? Do you see that?

16 A Yes.

17 MR. WAGNER: And can you just go to page one of the
18 document, and can you highlight the "re." line?

19 BY MR. WAGNER:

20 Q So this is for -- this is for GRS; right?

21 A Yes.

22 Q So the impact of a plan freeze with respect to GRS is a
23 reduction of liability of 95 million; right?

24 MR. STEWART: Objection.

25 THE COURT: What is your objection?

1 MR. STEWART: That's what the document says. A
2 question is -- I don't know if he's saying that that's what
3 the document says or whether he's asking the witness his
4 independent view.

5 THE COURT: Which is it?

6 MR. WAGNER: I'm asking if he knows. He testified
7 he got input from Milliman. I'm asking whether he -- if
8 that's his understanding.

9 THE WITNESS: That's what the document says.

10 MR. WAGNER: Can you turn to Exhibit 1010? Can you
11 put up Exhibit 1010?

12 THE COURT: Well, let me say, counsel, that we don't
13 need you to have this witness read into the record documents
14 that are already in evidence. If there's some other purpose,
15 go for it, but --

16 MR. WAGNER: That's fine.

17 BY MR. WAGNER:

18 Q Now, you discounted the state contribution at a rate of
19 6.75 percent?

20 A That is correct.

21 Q And why did you do that? Is that also at the instruction
22 of counsel?

23 A That was part of the discussion with the state.

24 Q And was the 6.75 supposed to represent any risk that
25 payment would not be made?

1 A That's a question I guess to ask the state, but the 6.75-
2 percent discount rate used to calculate the present value of
3 the \$350 million the state is contributing was based on an
4 overall agreement with the state.

5 Q So that was simply another agreement that was negotiated;
6 correct?

7 A Yes.

8 MR. WAGNER: Nothing further, your Honor.

9 CROSS-EXAMINATION

10 BY MS. O'GORMAN:

11 Q Good afternoon, Mr. Malhotra. My name is Debra O'Gorman.
12 I represent MIDDD. Now, you're not an expert in tax policy,
13 are you?

14 A I am not.

15 Q And you're not an expert in tax forecasting, are you?

16 A I am not.

17 Q You're not an economist, are you?

18 A I am not.

19 Q You have no expertise in pensions; correct?

20 A I'm not an actuary.

21 Q You don't have any expertise in urban policy or planning,
22 do you?

23 A No, I do not.

24 Q You don't have any expertise in blight reduction, do you?

25 A No, I do not.

1 Q Are you an expert in art valuation?

2 A No.

3 Q Are you a CPA?

4 A I am not.

5 Q And you've never before been qualified as an expert in
6 accounting; correct?

7 A That is correct.

8 Q Now, in preparing your forecast, you relied on many
9 others to provide assumptions for you; is that correct?

10 A Input, yes.

11 Q And these were other experts as well as various people
12 from the city; correct?

13 A Yes.

14 Q And as to the anticipated tax revenues that are built
15 into your forecasts, you didn't perform your own work in that
16 regard; correct?

17 A We had experts for that, but I did look through the
18 assumptions.

19 Q Thank you. You answered my question. So you relied on
20 Mr. Cline and Ms. Sallee for that information?

21 A I relied on Ms. Sallee and Bob Cline.

22 Q And you're not offering any opinions on tax policy;
23 correct?

24 A That's correct.

25 Q And you're not offering any opinions on whether the city

1 could seek to increase taxes, are you?

2 A I'm not making any comment on policy, tax policy.

3 Q And you're not offering any opinion on whether the city
4 could ask the state to collect taxes on their behalf, are
5 you?

6 A That is correct.

7 Q Would you agree that Mr. Cline and Ms. Sallee are the
8 most knowledgeable about the analysis they performed with
9 respect to tax revenues?

10 A Yes, for each of the purposes that they -- for each of
11 the tax lines that they forecasted, yes.

12 Q And would you agree that taxes are the biggest driver of
13 city revenues?

14 A Yes.

15 Q And they're the primary source of revenue for any
16 municipality; correct?

17 A They are. They are. Taxes are a primary source of
18 revenues and -- yes.

19 Q Okay. And you relied on others for that work; right?

20 A I relied on experts for that work.

21 Q Okay. And you also relied on Conway MacKenzie; correct?

22 A Yes, for specific revenue and expense items.

23 Q And those were the reinvestment initiative items that you
24 relied on Conway MacKenzie for?

25 A Yes, and, as I said, in conjunction with the work that we

1 had already done to make sure there was no double counting.

2 Q And you didn't do any independent analysis or testing of
3 those numbers, did you?

4 A I did.

5 Q You did?

6 A Yes. I just said I made sure that none of the operating
7 revenue initiatives or any of the operating expenditures were
8 double counted in any fashion in the baseline.

9 Q So you just avoided the double counting, but you did no
10 other analysis of the accuracy of any of the numbers
11 themselves?

12 A In terms of the analysis, I mean we also went through the
13 headcount assumptions in a lot of detail in terms of what
14 were the average revenue -- average salary assumptions that
15 were being used in terms of all the headcount that was coming
16 in and regardless of any double counting to make sure that
17 the fringe rates and the average salary levels and the
18 headcount assumptions were vetted by department.

19 Q Okay. But you would agree that Conway MacKenzie would be
20 the most knowledgeable about their work; correct?

21 A Yes. People who only do specific work, yes, are more
22 knowledgeable about their work.

23 Q Okay. And you also relied on Miller Buckfire for your
24 assumptions?

25 A For the quality of life loan and the exit financing

1 assumptions, yes.

2 Q Did you verify the accuracy of Miller Buckfire's work?

3 A I had supporting information that was provided by the
4 financing sources, and we had discussions about the structure
5 based on what input they got from the financing sources, so
6 we did spend a lot of time discussing those versus just
7 plugging them into a model.

8 Q Okay. Did you also rely on Milliman in forming your
9 assumptions?

10 A Yes. We used Milliman's input on the assumptions in some
11 of the legacy liabilities.

12 Q And Milliman would be most knowledgeable about the work
13 that they performed; correct?

14 A Yes.

15 Q And you were asked by Mr. Soto about policy choices by
16 future decision-makers. Would you be required to speculate
17 in order to determine what policy choices Detroit's future
18 leaders would make over the next ten years?

19 A Could you ask me that question again, please?

20 Q Would it be speculation on your part for you to determine
21 now today what Detroit's future leaders -- what decisions
22 they would make?

23 A Yeah. I cannot decide or comment on all the policy
24 decisions the future governments make.

25 Q So you'd be speculating; right?

1 A Yes. I mean they -- yes. If any --

2 Q Okay. Thank you.

3 A I can't comment on all the policy decisions or policy
4 decisions that government leaders will make in the future.

5 Q Because you'd have no way of knowing what will happen;
6 right?

7 A Well, I would not know of anything about tax policies
8 that -- yes. I would not know what some administration does
9 down the road in the future.

10 Q You wouldn't know what decisions would be made in the
11 future; correct?

12 A That is correct, in the future.

13 Q Okay. Now, you didn't use any kind of mathematical
14 formula in identifying the historical trends that went into
15 your forecast; correct?

16 A No, that's not.

17 Q In what way is that incorrect?

18 A Well, I just want to make sure I'm -- there are lots of
19 line items if you've gone through individual line items, and
20 in terms of looking at the trends, we've looked at some of
21 the line items that needed either an average or we used some
22 of the last 2013 numbers in terms of the forecast, so --

23 Q So you used averages, but you didn't use a regression
24 analysis or any kind of sophisticated mathematical modeling;
25 correct?

1 A I don't know if regression analysis is sophisticated
2 mathematical modeling, but in terms of the actual costs that
3 were in specific departments or revenues, we did use
4 mathematical formulas in our forecasting.

5 Q But I'm asking you a different question about historical
6 trends. Didn't you just take a couple of years of data and
7 do an average and make some adjustments and carry those
8 numbers forward? Isn't that what you did?

9 A No. I think we went through a very robust process of
10 looking through and understanding what the changes were, what
11 the assumptions were. We spoke to the management team. We
12 reviewed those numbers with the management team and then
13 started to come up with forecasts versus just look at a
14 couple of years and put a number in there.

15 Q Right. So you had historical data, and you made some
16 adjustments based on your conversations with city department
17 heads; right?

18 A And analyses of each of those line items to understand
19 what was in there, what were one-time trends, what was
20 repeating numbers and going -- that would impact the forecast
21 going forward.

22 Q Now, would you agree that increased taxes would be a
23 potential source of revenue for the city? I'm just asking if
24 it could be a potential source of revenue.

25 A Leaving everything else aside and leaving everything else

1 the same, if taxes go up, the revenues -- the overall picture
2 will look better.

3 Q Right. And you were instructed by the emergency manager
4 to assume that tax rates would remain constant; correct?

5 A That's right.

6 Q And you were also asked to assume by the emergency
7 manager that there would be no new taxes, you know,
8 additional taxes that don't exist today?

9 A That is correct.

10 Q And you've done no analysis of the collection of
11 delinquent taxes in your model?

12 A We have not.

13 Q And I wanted to ask you about the B and C notes that we
14 talked about earlier. Now, the new B notes are interest only
15 for ten years; correct?

16 A That is correct.

17 Q And those are unsecured obligations of the city; correct?

18 A Yes.

19 Q And you don't know whether they're taxable or not?

20 A I do not.

21 Q Now, would you agree that as a general proposition that a
22 higher rate of return would typically be demanded by the
23 market for a taxable bond versus a nontaxable bond?

24 A I don't want to -- I can't comment on that.

25 Q Now, under the plan the city is issuing new C notes;

1 correct?

2 A That is correct.

3 Q And those have a 12-year maturity as opposed to 30 years
4 with B notes; correct?

5 A That is correct.

6 Q And would you agree that notes with shorter maturities
7 would typically have less payment risk than those with longer
8 maturities?

9 A I would not want to comment on that.

10 Q And the new C notes amortize principal with the first
11 annual payment; correct?

12 A That is correct.

13 Q And the B notes are interest only; correct?

14 A They are interest only for the first ten years.

15 Q And the C notes pay what interest rate?

16 A Five percent.

17 Q And the B notes pay four percent for the first 20 years;
18 correct?

19 A That is correct.

20 Q Would you agree that the amortizations -- that under the
21 new C notes there's less of a risk of nonpayment than the B
22 notes?

23 A The money is coming from the city. The risk profile is
24 the risk profile.

25 Q But the new C notes, there is a payment of principal from

1 the start; correct?

2 A That is correct. I'm saying the source of the funding is
3 the same. It's the city, its cash flows.

4 Q Well, that's not really true, is it, because the C notes
5 are paid from parking revenues; correct?

6 A At the end of the day, the C notes are paid through
7 improvement in parking revenues, but it's going to come out
8 of the general fund at the end of the day.

9 Q Okay. Well, is there any segregation of funds for
10 payment of the new B notes?

11 A No.

12 Q They come from the general obligations of the city;
13 correct?

14 A Yes.

15 Q Have you taken into account improvements in the economy
16 in the last four or five years in your forecast?

17 A In terms of the tax forecasts?

18 Q Generally, the economy in general.

19 A I would think that the pieces that impact Detroit, for
20 instance, for what we have seen in the trends and the sales
21 and charges for services -- I don't know if it's anything
22 related to the improvement in economy versus not, but I've
23 looked at in detail all the revenue items that are impacting
24 Detroit, so I don't know if -- what you would ascertain to an
25 improvement in economy versus not.

1 Q But you do agree that the economy of Detroit has been
2 improving since 2008, 2009; correct?

3 A I would say that overall since 2008, 2009 I think the
4 economy overall has improved.

5 Q And you didn't make any specific effort to include those
6 improvements in your forecast; correct?

7 A Well, we have looked at the trends from 2008, 2009 in all
8 of the department financials, so my point is they would be
9 imbedded in there if there was any direct improvement.

10 MS. O'GORMAN: Okay. Thank you. That's all I have.

11 THE COURT: Any other cross-examination of the
12 witness?

13 MR. SOTO: No, your Honor.

14 THE COURT: Redirect?

15 MR. STEWART: No redirect, your Honor.

16 THE COURT: Stand by one second, please. So to what
17 extent, sir, did you make independent judgment about the
18 reasonableness of the assumptions in the city's ten-year
19 forecast or projections?

20 THE WITNESS: It was quite extensive, your Honor.

21 THE COURT: It was. Are you familiar with the
22 concept of critical assumption?

23 THE WITNESS: Yes.

24 THE COURT: Okay. I want to ask you what are the
25 two or three most critical assumptions in the city's ten-year

1 forecast or projections that concern you the most?

2 THE WITNESS: The first one, your Honor, one would
3 be the unfunded pension liability of the city at the end of
4 the ten years because -- and a lot of this in terms of the
5 settlements of the creditors we have boxed in what the city's
6 liability will be. On the side of the pensions, we are still
7 using calculations to estimate what that ten-year unfunded
8 liability will be. So that would be my first one as a
9 concern because it's an unknown. It's an estimate, but it's
10 still not boxed in in terms of how we have boxed in our best
11 ability of the other claims.

12 The second assumption in terms of what would give me
13 concern is we are trying to get five-year labor agreements,
14 and we just want to make sure that even after those five
15 years there are various assumptions in the plan with respect
16 to retiree healthcare for our current active employees that
17 have been taken down significantly, so just so that the city
18 has gone through a painful process of dealing with the
19 retiree healthcare of its current retirees so that it does
20 not happen again could be a five-year contract, so I just
21 don't know what happens after those five years.

22 Those would be the top two, and then the last one,
23 which is more general, is just the implementation of the plan
24 now because the roadwork has been created in some fashion.
25 Our blueprint is existing, but I think the same amount of

1 rigor has to now go into the implementation or probably even
2 more rigor than in sort of developing the blueprint, and I
3 would say those, in my view --

4 THE COURT: What concerns you about the
5 implementation of the plan? Can you be more specific about
6 what your concerns are?

7 THE WITNESS: There's a lot of change, your Honor --
8 I mean that has to happen over the next four to five years
9 with respect to the -- all of the department revenue
10 initiatives as well as the process improvements, and so I
11 am -- from all the time I've spent with the mayor and the
12 CFO, I'm very comfortable there in terms of the
13 implementation ability, but it's just the speed of the
14 implementation. We have significant uptick in revenues in
15 the plan that are based on reinvestments. Yes, they come
16 five years down the road, but -- so I think we will just have
17 to make sure that we have the rigor to implement the plan.

18 THE COURT: Make sure we have the what?

19 THE WITNESS: A rigorous focus on implementing the
20 plan. I'm less concerned about line items moving up and down
21 in terms of costs, but I would not want to have a change in
22 terms of taking one-time CAPEX items and converting that into
23 long-term increased cost of the -- increasing the fixed cost
24 structure of the city long term.

25 THE COURT: Well, do you have any concern about

1 willingness or the ability of the city to implement the plan?

2 THE WITNESS: From all the conversations I have had
3 with the leadership team, I have -- I do not have concern
4 about the willingness to implement the plan. The ability of
5 the collective team to implement the plan is a function of
6 time and focus on these particular efforts once the city
7 exits from bankruptcy. And I've been involved with the city
8 for over three and a half years and understand the practical
9 limitations that the city will be faced with of implementing
10 the plan post-bankruptcy, and it's that constant focus of
11 making sure that the city is going to implement this plan is
12 critical.

13 THE COURT: Did you testify earlier that E&Y's
14 contract with the city has been extended through 2015?

15 THE WITNESS: That is correct, your Honor.

16 THE COURT: Calendar year or fiscal year?

17 THE WITNESS: December 31st, 2015.

18 THE COURT: December 31st. And will part of that
19 work continue the work that E&Y has done with respect to cash
20 management?

21 THE WITNESS: Yes, your Honor.

22 THE COURT: What is your judgment on whether the
23 city will be able to take over those cash management
24 functions that E&Y does now and will do through December of
25 2015 at that time?

1 THE WITNESS: It will -- it depends, your Honor, on
2 the people that are hired over the course of the next few
3 months, and so it's hard for me to comment today. Today I
4 wouldn't be comfortable saying that I could just hand it
5 over, but I think as the existing team at the city continues
6 to get some more resources around them, there is a potential
7 that these cash management services can be transitioned,
8 especially once we have a little more stability through this
9 transitional year that the city is going to be going through.

10 THE COURT: What would the consequences be if the
11 city did not renew the contract after December of 2015 or
12 find a substitute contractor to do the work and it were not
13 ready to assume proper cash management functions?

14 THE WITNESS: The risk in that scenario, your Honor,
15 is exactly twofold, one, because of the state law and having
16 a clear amount -- a handle on cash before you're going into
17 the next budget year because you have to maintain that five
18 percent, so it's a controls issue in terms of that may get
19 impacted, and really so -- and I would say what would get
20 impacted is the long-term forecast ability of the city will
21 get impacted because a lot of -- a lot of the issues have
22 come up because the city did these one-year budgets or one-
23 year outlooks whereas looking at cash flows over a longer
24 time frame and managing cash over the long term, so that is
25 the risk that we run into in which we can again focus back

1 into the very short term and make decisions based on the
2 outlook of a very short term.

3 THE COURT: So is it fair to say that it is your
4 judgment that maintaining adequate cash flow competency
5 either by an outside contractor or adequate inside resources
6 is critical to the implementation and feasibility of the
7 plan?

8 THE WITNESS: I do, your Honor.

9 THE COURT: All right. That's all I have. Any
10 follow-up questions? All right. Before we break for the
11 day -- you're excused, sir.

12 (Witness excused at 4:45 p.m.)

13 THE COURT: I think that rather than start on
14 another witness, we will recess here in a moment, but,
15 Ms. Lennox, I want to talk to you, please.

16 MS. LENNOX: Yes, sir.

17 THE COURT: First, I have a news flash for you.

18 MS. LENNOX: Okay.

19 THE COURT: You have a message from my assistant,
20 Chris. Please call her.

21 MS. LENNOX: Okay. I will do that, your Honor.

22 THE COURT: Have you had any conversation with Mr.
23 Flynn about the plans to deal with the Detroit Fire Fighters'
24 issues tomorrow?

25 MS. LENNOX: I have, your Honor, and --

1 THE COURT: Where are we with that?

2 MS. LENNOX: So I guess we were confused where this
3 came from, and apparently it came from an entry that your
4 Honor put on the docket on September 3rd stating that the
5 issues for the UAW and the DFFA will be presented on
6 September 30th.

7 THE COURT: Right.

8 MS. LENNOX: Well, the DFFA had never designated any
9 witnesses. They were not -- they did not indicate to us that
10 they were planning to put on a fact case, and so we were a
11 little confused by what DFFA issues because they hadn't
12 designated witnesses. After I spoke with Mr. Flynn, he
13 indicated that they do not intend to present factual issues.
14 In fact, they will be withdrawing the objections to
15 confirmation as to certain factual matters. They are
16 preserving their objections with respect to the legal issues,
17 which, as your Honor may recall, Mr. Legghio and I argued
18 back in July. So I believe it is their view -- and we would
19 concur since they don't plan to present witnesses -- that
20 they would have no need to come into court tomorrow unless
21 your Honor has questions for them that you'd like them to
22 answer.

23 THE COURT: Okay. Thank you for that report. Has
24 the mediation with the Detroit Fire Fighters Association
25 concluded yet?

1 MS. LENNOX: It has not concluded. I can report
2 that we've made --

3 THE COURT: It has not concluded?

4 MS. LENNOX: No. And I believe they're planning to
5 meet again this Wednesday. I can report that we have made
6 significant progress actually since last time we were before
7 your Honor. Certainly it's our view that we'd like to
8 conclude this as soon as we can.

9 THE COURT: All right. So it sounds like we will be
10 proceeding with our regular trial schedule tomorrow
11 uninterrupted by any previously slotted in issues. Does that
12 sound right? Wednesday we do have to carve out some time for
13 objections to claims; right?

14 MS. LENNOX: Correct, your Honor.

15 THE COURT: That's what --

16 MS. LENNOX: I believe the MIDD trial is on
17 Wednesday as well.

18 THE COURT: You believe what?

19 MS. LENNOX: The MIDD objection is up Wednesday.

20 THE COURT: I think that's what Ms. Sikula wants to
21 talk to you about.

22 MS. LENNOX: Okay.

23 THE COURT: All right. Anything further for today?
24 Sir?

25 MR. STEWART: Nothing further from me, your Honor.

1 THE COURT: Thank you.

2 MS. LENNOX: Thank you, your Honor.

3 MR. SHUMAKER: Your Honor, one thing on Mr. Orr. I
4 just wanted to let you know that I've been talking with Mr.
5 Soto about when Mr. Doak will testify, and I don't think that
6 that's going to happen until Thursday or Friday, which would
7 mean tomorrow's lineup would be Mr. Buckfire, Mr. Kaunelis
8 from the DWSD, and then Mr. Orr. And I just wanted to advise
9 your Honor of that for notice purposes.

10 THE COURT: All right.

11 MR. SHUMAKER: Thank you, your Honor.

12 THE COURT: Anything else for today? All right.

13 We're in recess until tomorrow morning then.

14 THE CLERK: All rise. Court is adjourned.

15 (Proceedings concluded at 4:49 p.m.)

INDEX

<u>WITNESSES:</u>	<u>Direct</u>	<u>Cross</u>	<u>Redirect</u>	<u>Recross</u>
-------------------	---------------	--------------	-----------------	----------------

Gaurav Malhotra	32	180/199/208		
-----------------	----	-------------	--	--

<u>EXHIBITS:</u>	<u>Received</u>
------------------	-----------------

City Exhibit 3	74
City Exhibit 33	65
City Exhibit 109	61
City Exhibit 111	64
City Exhibit 112	57
City Exhibit 113	73
City Exhibit 201	152
City Exhibit 614	167
City Exhibit 716 (demonstrative)	85
City Exhibit 717 (demonstrative)	87
City Exhibit 718 (demonstrative)	117
City Exhibit 719 (demonstrative)	119
City Exhibit 720 (demonstrative)	125
City Exhibit 721 (demonstrative)	127
City Exhibit 722 (demonstrative)	130
City Exhibit 723 (demonstrative)	133
City Exhibit 724 (demonstrative)	144
City Exhibit 727 (demonstrative)	164
City Exhibit 728 (demonstrative)	110
City Exhibit 732 (demonstrative)	140
City Exhibit 733	92
City Exhibit 734	94
City Exhibit 737 (demonstrative)	121
City Exhibit 738 (demonstrative)	51
City Exhibit 742 (demonstrative)	171/180
City Exhibit 749	172
City Exhibit 751 (demonstrative)	112
City Exhibit 757	106
City Exhibit 758	107
City Exhibit 759	107
City Exhibit 767	105

I certify that the foregoing is a correct transcript
from the sound recording of the proceedings in the above-
entitled matter.

/s/ Lois Garrett

October 3, 2014

 Lois Garrett

EXHIBIT H

<p style="text-align: right;">Page 236</p> <p style="text-align: center;">CHARLES MOORE IN THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF MICHIGAN</p> <p>In re:) Chapter 9 CITY OF DETROIT, MICHIGAN,) Case No. 13-53846 Debtor.) Hon. Steven W. Rhodes</p> <hr/> <p>The Videotaped Deposition of CHARLES MOORE - Volume 2, in his personal capacity as a Rule 30(b)(6) witness, Taken at 1114 Washington Boulevard, Detroit, Michigan, Commencing at 9:00 a.m., Thursday, July 24, 2014, Before Cheri L. Poplin, CSR-5132, RPR, CRR.</p>	<p style="text-align: right;">Page 238</p> <p>1 CHARLES MOORE 2 JENNIFER K. GREEN, ESQ. 3 Clark Hill, PLC 4 500 Woodward venue 5 Suite 3500 6 Detroit, Michigan 48226 7 Appearing on behalf of the Retirement Systems for the 8 City of Detroit. 9 10 11 12 ANTHONY B. ULLMAN, ESQ. 13 Dentons US LLP 14 1221 Avenue of the Americas 15 New York, New York, 10020-1089 16 Appearing on behalf of the Retiree Committee. 17 18 19 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 237</p> <p>1 CHARLES MOORE 2 APPEARANCES: 3 4 ROBERT W. HAMILTON, ESQ. 5 Jones Day 6 325 John H. McConnell Boulevard 7 Suite 600 8 Columbus, Ohio 43215 9 Appearing on behalf of the Debtor. 10 11 12 13 LAIRD E. NELSON, ESQ. 14 Jones Day 15 222 East 41st Street 16 New York, New York 10017 17 Appearing on behalf of the Debtor. 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 239</p> <p>1 CHARLES MOORE 2 ROBERT A. SCHWINGER, ESQ. 3 Chadbourne & Parke, LLP 4 30 Rockefeller Plaza 5 New York, New York 10112 6 Appearing on behalf of Assured Guaranty Municipal 7 Corp. 8 9 10 11 GUY S. NEAL, ESQ., 12 KATHLEEN M. HITCHINS, ESQ. 13 Sidley Austin, LLP 14 1501 K. Street, N.W. 15 Washington, D.C. 20005 16 Appearing on behalf of the National Public Finance 17 Guarantee Corp. 18 19 20 21 22 23 24 25</p>

1 (Pages 236 to 239)

<p style="text-align: right;">Page 240</p> <p>1 CHARLES MOORE 2 MARK R. JAMES, ESQ. 3 Williams, Williams, Rattner & Plunkett, P.C. 4 380 North Old Woodward Avenue 5 Suite 300 6 Birmingham, Michigan 48009 7 Appearing on behalf of the Financial Guaranty 8 Insurance Company. 9 10 11 12 JAYE QUADROZZI, ESQ. 13 Young & Associates 14 27725 Stansbury Boulevard 15 Suite 125 16 Farmington Hills, Michigan 48334 17 Appearing on behalf of Oakland County, Michigan. 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 242</p> <p>1 TABLE OF CONTENTS 2 3 WITNESS PAGE 4 CHARLES MOORE 5 6 EXAMINATION BY MR. NEAL 243 7 EXAMINATION BY MS. QUADROZZI 371 8 9 EXHIBITS 10 11 EXHIBIT PAGE 12 (Exhibit attached to transcript.) 13 14 DEPOSITION EXHIBIT 8 289 15 16 17 18 19 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 241</p> <p>1 CHARLES MOORE 2 COURTNEY ROGERS, ESQ. 3 Waller, Lansden, Dortch & Davis, LLP 4 511 Union Street 5 Suite 2700 6 Nashville, Tennessee 37219 7 Appearing on behalf of U.S. Bank National Association, 8 as Trustee for the Water and Sewer Bonds. 9 10 11 12 DORON YITZCHAKI, ESQ. 13 Dickinson Wright, PLLC 14 350 South Main Street 15 Suite 300 16 Ann Arbor, Michigan 48104 17 Appearing on behalf of the State of Michigan. 18 19 20 21 ALSO PRESENT: 22 John Schmitzer - Video Technician 23 24 25</p>	<p style="text-align: right;">Page 243</p> <p>1 CHARLES MOORE 2 Detroit, Michigan 3 Thursday, July 24, 2014 4 9:00 a.m. 5 6 CHARLES MOORE, 7 was thereupon called as a witness herein, and after 8 having been previously duly sworn to testify to the 9 truth, the whole truth and nothing but the truth, was 10 examined and testified as follows: 11 EXAMINATION 12 BY MR. NEAL: 13 Q. Good morning, Mr. Moore. 14 A. Good morning. 15 Q. You recognize that you are still under oath? 16 A. Yes. 17 MR. NEAL: I think just for housekeeping 18 purposes, because there may be new people in the room, 19 such as myself, the parties in the room and on the 20 phone should identify themselves for the record. Bob, 21 do you want to begin? 22 MR. HAMILTON: Robert Hamilton, Jones Day, 23 on behalf of the City of Detroit. 24 MS. NELSON: Laird Nelson from Jones Day on 25 behalf of the City.</p>

2 (Pages 240 to 243)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

<p style="text-align: right;">Page 244</p> <p>1 CHARLES MOORE</p> <p>2 MR. ULLMAN: Anthony Ullman, Dentons, for</p> <p>3 the Retiree Committee.</p> <p>4 MS. QUADROZZI: Jaye Quadrozzi, Young &</p> <p>5 Associates, on behalf of Oakland County.</p> <p>6 MR. YITZCHAKI: Doron Yitzchaki on behalf</p> <p>7 of the State of Michigan.</p> <p>8 MS. GREEN: Jennifer Green, Clark Hill, on</p> <p>9 behalf of the Retirement Systems for the City of</p> <p>10 Detroit.</p> <p>11 MR. JAMES: Mark James, Williams, Williams,</p> <p>12 Rattner & Plunkett on behalf of Financial Guaranty</p> <p>13 Insurance Company.</p> <p>14 MS. ROGERS: Courtney Rogers for U.S. Bank,</p> <p>15 National Association, as Trustee for the water and</p> <p>16 sewer bonds.</p> <p>17 MR. SCHWINGER: Robert Schwinger from</p> <p>18 Chadbourne & Parke for Assured Guaranty Municipal</p> <p>19 Corporation.</p> <p>20 MS. HITCHINS: Kathleen Hitchins with</p> <p>21 Sidley Austin on behalf of National Public Finance</p> <p>22 Guarantee Corporation.</p> <p>23 MR. NEAL: Guy Neal, Sidley Austin,</p> <p>24 National Public Finance Guarantee Corporation.</p> <p>25 BY MR. NEAL:</p>	<p style="text-align: right;">Page 246</p> <p>1 CHARLES MOORE</p> <p>2 wholesale contract renewals." Do you see that, sir?</p> <p>3 A. Yes.</p> <p>4 Q. And Topic 9-g, "The use(s) that will be made under the</p> <p>5 Plan of the 428.5 million to be contributed by the</p> <p>6 DWSD." Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. Oh, excuse me. I missed the intervening b, c, and d.</p> <p>9 I'm not going to read those out loud. But I misread</p> <p>10 the notice. Why don't we just turn to the next page.</p> <p>11 It says here at the top of the next page,</p> <p>12 "... Mr. Charles Moore to testify on its behalf for</p> <p>13 the general topic and subtopics (a) through (e) and</p> <p>14 (g)." Do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. With that clarification, are you prepared to</p> <p>17 testify today on Subtopics a through e and g?</p> <p>18 MR. HAMILTON: Well, but you left out some</p> <p>19 of our objections in there, but that's okay.</p> <p>20 Go ahead and answer the question.</p> <p>21 A. Yes.</p> <p>22 BY MR. NEAL:</p> <p>23 Q. Okay. I'd like to show you what's in Tab 2 of our</p> <p>24 binder set. Mr. Moore, I'm going to hand you a</p> <p>25 document previously marked as Malhotra Number 4. For</p>
<p style="text-align: right;">Page 245</p> <p>1 CHARLES MOORE</p> <p>2 Q. Mr. Moore, you have been designated in response to a</p> <p>3 couple 30(b)(6) deposition notices, and I'm going to</p> <p>4 show you those designations to you and ask you to</p> <p>5 confirm that you are so designated on these topics.</p> <p>6 So I'm going to show you what's in the binder set as</p> <p>7 Tab 1. It's a document that has previously been</p> <p>8 marked as Malhotra Exhibit Number 2. And, Mr. Moore,</p> <p>9 I would turn your attention to Topic Number 3-F.</p> <p>10 A. Yes.</p> <p>11 Q. There is a deposition topic Number 3-f reads, "Any</p> <p>12 planned or projected collection issues." And on the</p> <p>13 next page you are designated as the City's designee</p> <p>14 for Subtopic f. Do you see that?</p> <p>15 A. I do, yes.</p> <p>16 Q. And you are prepared to testify on that issue today?</p> <p>17 A. Yes.</p> <p>18 Q. Turning to Topic Number 9. There are three subtopics</p> <p>19 in Deposition Topic Number 9. That would be 9-a, "The</p> <p>20 methodology used for the City's determination of the</p> <p>21 amount of the DWSD's full allocable share of the past,</p> <p>22 present and future GRS UAAL." Do you see that, sir?</p> <p>23 A. I do, yes.</p> <p>24 Q. The next topic is Topic 9-e, "Any pro forma impact on</p> <p>25 rates and the potential impact of higher rates on</p>	<p style="text-align: right;">Page 247</p> <p>1 CHARLES MOORE</p> <p>2 the record, Malhotra Number 4 is the City of Detroit's</p> <p>3 Identification of 30(b)(6) Witnesses in response to</p> <p>4 Oakland County's Notice of Rule 30(b)(6) Deposition to</p> <p>5 the City of Detroit. Direct your attention to Topic</p> <p>6 Number 1, "All financial projections for DWSD</p> <p>7 operations through June 30th, 2023." Do you see that,</p> <p>8 sir?</p> <p>9 A. Yes.</p> <p>10 Q. And you're prepared to testify today on that topic?</p> <p>11 A. Yes.</p> <p>12 Q. Deposition Topic Number 5, "The factual and legal</p> <p>13 basis for and the assumptions underlying Exhibits L</p> <p>14 and M to the Plan." Do you see that, sir?</p> <p>15 A. I see that.</p> <p>16 Q. And you are prepared to testify today on that topic?</p> <p>17 A. If you look at the response, I'm prepared to testify</p> <p>18 to the factual basis but not the legal basis for the</p> <p>19 assumptions.</p> <p>20 Q. Deposition Topic Number 6, "The factual and legal</p> <p>21 basis for the Plan proposal for DWSD to pre-fund</p> <p>22 pension liabilities, including the means by which such</p> <p>23 pre-funding will be made and the effect on DWSD's</p> <p>24 operations of such pre-funding."</p> <p>25 Sir, you've been designated to testify as</p>

3 (Pages 244 to 247)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

CHARLES MOORE

to the factual basis with respect to this topic?

A. Yes.

Q. And just two more, sir. Deposition Topic Number 7, "The factual and legal basis to require the DWSD to fund 100 percent of the GRS for fiscal years 2014 to 2023." Do you see that, sir?

A. Yes.

Q. And it appears that this topic has been reworded as follows: "The factual basis to require the DWSD to fund the UAAL of the GRS for fiscal years 2014 to 2023." And with that rewording, you are designated to testify on this topic?

A. Yes.

Q. Lastly, sir, the very last topic in Malhotra 4, Deposition Topic Number 21, "The City's determination of the size of the PFRS and GRS Pension Claims, and its decision to utilize a 6.75 percent discount rate to value liabilities and a 6.75 percent investment return rate."

And you have been designated to testify on the City's behalf with respect to the size of the PFRS and GRS pension claims; is that correct?

A. Yes.

Q. And you're prepared to do so today?

CHARLES MOORE

topic.

Q. Can we make the same assumption with respect to Topic 4-f, Page 5 of the document? 4-f, "Restructuring and reinvestment initiatives help the City provide adequate levels of municipal services."

A. There are three sub bullets below that. Do you want me to just focus on f right now?

Q. Why don't you just read to yourself f-i, Romanette i, Romanette ii, and Romanette iii where your name appears under each. Excuse me. I misstated that. It's early in the morning. F-ii and f-iii. That's where your name appears.

A. I think it's reasonable to assume that I might be asked to testify to those two items at the confirmation hearing, yes.

Q. Turning to Page 7. Topic Number 6-c and 6-c Romanette i. Is it reasonable to assume that you may provide testimony at the confirmation hearing on those topics?

A. It is reasonable to assume that I may provide testimony at the confirmation hearing on 6-c Romanette i.

Q. And moving up, so I don't forget this one, 6-b Romanette iii, "The Plan's distribution percentages

CHARLES MOORE

A. Yes.

Q. I'm going to show you what is Tab 3 in our binder set, a document previously marked as Orr Exhibit Number 19. Orr Exhibit Number 19 is Plan Confirmation Factual Propositions. I believe this was filed on the docket as Docket Number 5704-1. First, sir, have you seen this document before?

A. I have not.

Q. I'm going to point you to several of these topics. The first one where your name appears is 1-b Romanette iii, "Restructuring and reinvestment initiatives are reasonably expected to lead to a slightly increased" -- let me start again. "Restructuring and reinvestment initiatives are reasonably expected to lead to slightly increased revenues and decreased expenses over the next ten years."

Do you see your name there?

A. I do.

Q. Do you anticipate providing testimony on this issue?

A. Today or at the confirmation hearing?

Q. At the confirmation hearing.

A. I have not been told on which topics that I would be testifying to, but I think it's reasonable to assume that I would be testifying to those topics or to that

CHARLES MOORE

should be regarded as lower than calculated based on settlement assumption of 6.75 percent."

Is it reasonable to assume that you may provide testimony on this topic?

A. It is reasonable to assume that.

Q. Okay, sir. I'm going to show you Tab 4 of the binder set, but it was a document that was marked yesterday, and that's your expert report. Sir, I'm going to hand you what is Moore Exhibit Number 1 from yesterday's deposition. Ask you to turn to Pages 8 and 9.

First, let me ask you what was your understanding of the scope of your engagement related to your expert report?

A. When I was initially engaged, and when I say I, I'm referring to Conway MacKenzie, in January of 2013, there was not a specific scope item that related to preparation of an expert report. However, as the City filed for Chapter 9 and the Chapter 9 proceeding continued, it became clear to me that the City would like for me to prepare an expert report related to the reinvestment initiatives.

Q. Is that a shorthand way of calling it or do you also call it restructuring and reinvestment initiatives? How do you refer to it?

<p style="text-align: right;">Page 252</p> <p>1 CHARLES MOORE</p> <p>2 A. Sure. In this document, that is essentially a</p> <p>3 shorthand way of referring to it. The reinvestment</p> <p>4 initiatives are a defined term in my expert report.</p> <p>5 The -- in the Disclosure Statement, the 70-page</p> <p>6 document is titled "Restructuring and Reinvestment</p> <p>7 Initiatives," which contain all of the financial</p> <p>8 information tying into what are referred to here as</p> <p>9 the reinvestment initiatives.</p> <p>10 Q. Do Pages 8 and 9, do they provide a summary of all the</p> <p>11 opinions that you provide in this expert report?</p> <p>12 A. Yes.</p> <p>13 Q. Do they provide a summary of all the opinions that you</p> <p>14 intend to provide as an expert in this case?</p> <p>15 A. It is unclear to me if I may be asked to provide</p> <p>16 additional opinions, but at least as it relates to</p> <p>17 this report, these are my opinions.</p> <p>18 Q. For clarification, sir, are you providing an expert</p> <p>19 opinion on the City's ten-year projections?</p> <p>20 A. Could you define what you mean by ten-year</p> <p>21 projections?</p> <p>22 Q. Well, I will show you later, but I'm making specific</p> <p>23 reference to Exhibit M that contains the DWSD ten-year</p> <p>24 projections.</p> <p>25 A. I am not making an expert opinion at this point in</p>	<p style="text-align: right;">Page 254</p> <p>1 CHARLES MOORE</p> <p>2 A. This is a document that was prepared by Ernst & Young.</p> <p>3 Q. And what involvement did Conway MacKenzie have in the</p> <p>4 preparation of this document?</p> <p>5 A. There are certain line items within the 40-year</p> <p>6 projections for which Conway MacKenzie provided input</p> <p>7 in values.</p> <p>8 Q. Can you identify those line items?</p> <p>9 A. Yes. The -- Conway MacKenzie had involvement in the</p> <p>10 PFRS and GRS pension contributions as well as if you</p> <p>11 look at Page, I believe it's 4 of 9, the print is on</p> <p>12 top of it, but Exhibit 3-A under the "Revenue" section</p> <p>13 where it says "Restructuring" near the bottom,</p> <p>14 "Department Revenue Initiatives," and then down below</p> <p>15 under "Expenditures," under the "Restructuring"</p> <p>16 section, "Additional Operating Expenditures," the</p> <p>17 reorganization and then in parenthetical "Capital</p> <p>18 Investments, Blight, and Reinvestment Deferrals."</p> <p>19 Q. Are you providing any expert opinion with respect to</p> <p>20 either Exhibit K or any of the numbers contained</p> <p>21 therein?</p> <p>22 MR. HAMILTON: I'm going to object to form.</p> <p>23 But you can go ahead and answer if you</p> <p>24 understand the question.</p> <p>25 A. As I just went through, the -- there are line items</p>
<p style="text-align: right;">Page 253</p> <p>1 CHARLES MOORE</p> <p>2 this expert report on Exhibit M to the Disclosure</p> <p>3 Statement, and when I say Disclosure Statement, I'm</p> <p>4 referring to the Fourth-Amended Disclosure Statement</p> <p>5 filed May 5th.</p> <p>6 Q. Are you providing an expert opinion on the City's</p> <p>7 40-year projections?</p> <p>8 A. Can you clarify what you mean by the 40-year</p> <p>9 projections?</p> <p>10 Q. Certainly. It may take me a minute to find it. Sir,</p> <p>11 rather than hold up the deposition -- oh. No. Very</p> <p>12 good. Exhibit K to the Disclosure Statement, and I'll</p> <p>13 just show it to you for purposes of completeness here.</p> <p>14 Tab F in the binder set. Sir, I'm going to hand you</p> <p>15 what has previously been marked as McCormick Exhibit</p> <p>16 Number 13.</p> <p>17 MR. ULLMAN: What tab is that?</p> <p>18 MR. NEAL: It's Tab F in the binder set.</p> <p>19 It's Exhibit K to the Disclosure Statement, Forty-Year</p> <p>20 Financial Projections.</p> <p>21 BY MR. NEAL:</p> <p>22 Q. And, sir, can you identify this document?</p> <p>23 A. This is a document referred to as Plan of Adjustment,</p> <p>24 40-year projections.</p> <p>25 Q. And who prepared this document?</p>	<p style="text-align: right;">Page 255</p> <p>1 CHARLES MOORE</p> <p>2 within Exhibit K that tie directly to my expert</p> <p>3 report. Within my expert report, I don't have</p> <p>4 opinions specifically related to the 40-year</p> <p>5 projections, so at this point I have not been asked to</p> <p>6 render an expert opinion on the 40-year projections</p> <p>7 other than what is contained within my expert report.</p> <p>8 BY MR. NEAL:</p> <p>9 Q. Mr. Moore, I'm going to go back to the -- the ten-year</p> <p>10 projections for DWSD. Are you providing any opinion</p> <p>11 testimony with respect to the forecasted revenues and</p> <p>12 expenses that the DWSD may expect in future years?</p> <p>13 MR. HAMILTON: Object to form.</p> <p>14 You can answer.</p> <p>15 A. It's unclear if I will be asked to provide opinion</p> <p>16 testimony on Exhibit M.</p> <p>17 BY MR. NEAL:</p> <p>18 Q. Are you providing any opinion testimony at all with</p> <p>19 respect to the DWSD?</p> <p>20 MR. HAMILTON: Object to form.</p> <p>21 You can answer.</p> <p>22 A. Again, it's unclear if I will be asked to provide any</p> <p>23 opinion testimony to Exhibit M.</p> <p>24 BY MR. NEAL:</p> <p>25 Q. Is there anything in Moore Exhibit Number 1, your</p>

5 (Pages 252 to 255)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

<p style="text-align: right;">Page 256</p> <p>1 CHARLES MOORE</p> <p>2 expert report, that provides an opinion with respect</p> <p>3 to any matters related to the DWSD?</p> <p>4 A. No, sir.</p> <p>5 Q. My understanding is that Conway MacKenzie was engaged</p> <p>6 around the January 2013 time period; is that correct?</p> <p>7 A. That's correct.</p> <p>8 Q. And what was Conway MacKenzie hired to do with respect</p> <p>9 to the DWSD?</p> <p>10 A. First of all, to clarify, Conway MacKenzie was engaged</p> <p>11 by the City of Detroit, I think it was implied in what</p> <p>12 you said but just to be clear, and Conway MacKenzie</p> <p>13 was engaged to be the operational restructuring</p> <p>14 advisor to the City. The initial activity that Conway</p> <p>15 MacKenzie was asked to perform related to DWSD began</p> <p>16 in about July of 2013, and that was to assist in the</p> <p>17 development of ten-year projections for the water and</p> <p>18 sewer funds.</p> <p>19 Q. Okay. So between the time period of January 2013 and</p> <p>20 the end of June of 2013, what -- what was Conway</p> <p>21 MacKenzie asked to do or what did -- let me rephrase</p> <p>22 it. What did Conway MacKenzie do with respect to the</p> <p>23 DWSD?</p> <p>24 A. Again, just to clarify, from January of 2013 until</p> <p>25 July of 2013?</p>	<p style="text-align: right;">Page 258</p> <p>1 CHARLES MOORE</p> <p>2 Q. At this time was the City -- is it your understanding</p> <p>3 that the City was looking for ways to monetize the</p> <p>4 DWSD?</p> <p>5 A. I have heard that word used a number of times</p> <p>6 throughout the 18 months that I've been engaged by the</p> <p>7 City. I can't recall specifically when I would have</p> <p>8 heard that the first time, if that was before July of</p> <p>9 2013 or after.</p> <p>10 Q. Do you recall the context in which the word "monetize"</p> <p>11 or "monetization" was used?</p> <p>12 A. Generally I recall it being used in the context of</p> <p>13 figuring out ways to potentially create value or</p> <p>14 realize value on an asset of the City.</p> <p>15 Q. And that value would be created or realized for whom?</p> <p>16 A. Well, in the context of a transaction, that value</p> <p>17 could potentially, and I underscore the word</p> <p>18 "potentially," benefit the general fund of the City of</p> <p>19 Detroit.</p> <p>20 Q. And a transaction could include a regional authority</p> <p>21 or a third party sale or Operating Agreement?</p> <p>22 A. Yes. Possibly. There are other benefits that could</p> <p>23 be realized from a transaction as well. The general</p> <p>24 fund of the City is one example. The DWSD itself</p> <p>25 could also benefit. And then there could be other</p>
<p style="text-align: right;">Page 257</p> <p>1 CHARLES MOORE</p> <p>2 Q. Yes.</p> <p>3 A. Very little, if any, activity related to DWSD.</p> <p>4 Q. So starting in the July 2013 time frame, you said that</p> <p>5 you were asked to assist in the development of</p> <p>6 ten-year projections for the water and sewer funds; is</p> <p>7 that right?</p> <p>8 A. Yes.</p> <p>9 Q. And who asked you to provide that assistance?</p> <p>10 A. The Emergency Manager.</p> <p>11 Q. Do you recall specifically what he asked you to do?</p> <p>12 A. This was in conjunction with activities being</p> <p>13 undertaken by Miller Buckfire, and there were thoughts</p> <p>14 about potential alternatives for DWSD, and to</p> <p>15 facilitate pursuing those alternatives, there was a</p> <p>16 need -- it was identified that there was a need for</p> <p>17 ten-year financial projections for the water and sewer</p> <p>18 funds, and so Conway MacKenzie was specifically to</p> <p>19 assist in the development of those financial</p> <p>20 projections for use in pursuing various alternatives.</p> <p>21 Q. What were those alternatives?</p> <p>22 A. As I understood it at that time, the alternatives</p> <p>23 could include formation of a regional authority, a</p> <p>24 transaction with a third party or a separate private</p> <p>25 party, or no transaction or no changes at all.</p>	<p style="text-align: right;">Page 259</p> <p>1 CHARLES MOORE</p> <p>2 beneficiaries as well from different types of</p> <p>3 transactions.</p> <p>4 Q. So that we're speaking the same language, when you say</p> <p>5 a transaction, a transaction could include an</p> <p>6 authority, a sale, or an Operating Agreement?</p> <p>7 A. Yes. That's what I'm referring to when I say</p> <p>8 transaction.</p> <p>9 Q. Not just an authority?</p> <p>10 A. Correct.</p> <p>11 Q. Okay. When you started this process in July of 2013,</p> <p>12 was there a particular dollar amount you were looking</p> <p>13 for out of the DWSD?</p> <p>14 MR. HAMILTON: Object to form.</p> <p>15 You can answer.</p> <p>16 A. When you say a dollar amount that we were looking for</p> <p>17 out of DWSD, can you clarify that?</p> <p>18 BY MR. NEAL:</p> <p>19 Q. Sure. Were you looking for a certain dollar amount in</p> <p>20 the form of a -- of a lease payment, transaction</p> <p>21 payment, a PILOT payment?</p> <p>22 A. No.</p> <p>23 Q. So there was no dollar amount in mind?</p> <p>24 A. Correct.</p> <p>25 Q. But going back over different ways to -- what are the</p>

6 (Pages 256 to 259)

Elisa Dreier Reporting Corp. (212) 557-5558
950 Third Avenue, New York, NY 10022

CHARLES MOORE

different ways in which to realize value? Would it be -- a lease payment would be one of them?

A. Certainly. And since I'm not the investment banker on the engagement, I can list out some areas that I have been made aware of, but I'm sure that my listing is not going to be complete or all-inclusive. The lease payment that you just referred to to the extent that that lease payment benefits DWSD or -- and/or the general fund of the City, that could certainly be a benefit. And if you could repeat the question just so I make sure that I answer any other --

Q. Sure. I appreciate that. I will move on. Sticking with the lease payment for now, how does that provide any benefit to the DWSD?

A. Well, to the extent that there is a lease payment made and a portion of those lease payments or lease proceeds go to DWSD, presumably that would be a benefit for DWSD, but it would all have to depend on what the other terms and conditions surrounding the lease payment are.

Q. The lease payment would go from -- would not go to DWSD, would it?

A. We're talking about a hypothetical here. A lease payment -- and I have no idea what different types of

CHARLES MOORE

surrounding specific lease payments, and at that point I was involved in discussions that constituted amounts of a lease payment, but not at this time that we're referring to in the July 2013 time period.

Q. Okay. Sticking with the July 2013 time period, what exactly were you doing with respect to DWSD?

A. As I mentioned before, specifically developing a ten-year or assisting in the development of a 10-Year Business Plan, ten-year set of financial projections for the water and sewer funds, so that -- those activities were being undertaken without regard to what transaction alternatives would be pursued or considered.

Q. Who were you working with at the DWSD in connection with this effort to put together and develop a ten-year business plan and a ten-year set of financials?

A. There were four primary individuals. However, there were a significant number of other people that were interacted with, but the four primary individuals were Sue McCormick, Nickie Bateson, Bill Wolfson, and then Bart Foster. I include Bart Foster even though he's not an employee of DWSD.

Q. And who were your primary team members on the Conway

CHARLES MOORE

transactions there could be.

Q. Okay.

A. So I'm -- my point is is that I can't exclude a scenario whereby some portion of a lease payment could either be retained with DWSD or somehow otherwise benefit DWSD.

Q. At any time did Conway MacKenzie explore or evaluate a PILOT payment?

A. Could you explain what you mean by explore or evaluate?

Q. Are you familiar with what a PILOT payment is?

A. Yes.

Q. And that would be a payment in lieu of taxes; correct?

A. Yes.

Q. And the purpose of a -- of structuring a PILOT payment is to make up for lost tax revenue; correct?

A. Yes.

Q. Did you look into structuring any type of transaction that would result in a PILOT payment?

A. Subsequent to the activities that we're talking about here, I had some involvement in discussions with the counties, as they're commonly referred to, the surrounding county -- counties, and in those discussions, certainly there were discussions

CHARLES MOORE

MacKenzie side?

A. Sure. I had two colleagues of mine that were very actively involved in this process. Mike Hausman, Hausman, and Wade Johnston, J-o-h-n-s-t-o-n.

Q. Mr. Moore, can you describe generally the process by which you put together these financials? In other words, how long did it take? How many meetings were held? Just big picture, what was the process in putting together the ten-year business plan and financials?

A. Sure. It followed the process that we would normally undertake for pretty much any organization in terms of developing longer term financial projections, and in no particular order and certainly not listing every activity that would have been undertaken, first seeking to understand historical financial information, a significant number of meetings and interviews with management itself, understanding how the operation is being handled or -- or how it's being operated today as well as various factors that may impact its operation in the future, understanding in this case previous activities that had been explored, as an example, operational studies that were conducted as to potential operational savings that could be

CHARLES MOORE

realized, management's own plans, their financial projections that existed at that time, the changes from the standpoint of the litigation that had been dismissed, however, focal points of that that were being implemented by the management team. And all of that took place from approximately mid July until the end of September, so I believe that we completed the ten-year financial projection on or around September 30th of 2013.

Just one further point. We certainly interacted with other advisors as well. Other advisors include, number one, there was an engineering group specifically tasked with developing the capital improvement plan during that ten-year period, OHM Advisors. And then we also interacted with Miller Buckfire and the Emergency Manager and his staff.

Q. How is Miller Buckfire's role distinct from the role of Conway MacKenzie?

A. Miller Buckfire as the investment banker for the City was specifically looking at transaction alternatives or ways to harness value, those are my words, not their words, out of DWSD, and in order to do that, Miller Buckfire needs good financial information. The -- DWSD had some amount of financial projections

CHARLES MOORE

that time period from July through September. The conversations would have revolved around number -- early on in the process the information and the approach that they were using, followed by the observations of the information that they had reviewed, the cooperation that they were receiving. We had been instructed to complete the projections by the end of September, and so I certainly was focused in on making sure that we were on track to deliver what we were asked to do. I had a pretty significant amount of involvement as it relates to how some of the legacy costs would be handled in the projections, and then I queried Mr. Hausman and Mr. Johnston on several of the assumptions that underlie various line items in the projections.

Q. Had you ever prepared a business plan for a water or sewer district before?

A. Over the last 20 years, I have worked on well over a hundred financial projections, so I can't say if I've worked on specifically water or sewer operations or not. I have been involved with developing projections for municipalities. I just can't recall if they would have included water or sewer operations or not.

Q. Do you know if either Mr. Hausman or Mr. Johnston had

CHARLES MOORE

when we were asked to take on the task, but they only went out a few years, and they were not developed in the type of format that an investment banker typically would be looking for. That was one of the reasons why we were tasked with that activity. So getting into the details of developing these ten-year projections is something that is more our forte than say a -- an investment banker.

Q. To your knowledge, had DWSD ever prepared a set of ten-year business plan and -- let me restart.

To your knowledge, had DWSD ever prepared a ten-year business plan or set of projections?

A. I don't know.

Q. Did they have a five-year set of projections when you started this project?

A. I believe that's the duration of the projections that existed at the time that we began our process.

Q. And can you describe your personal level of involvement between this July, August, and September time frame?

A. Yes. Mike Hausman, a managing director with Conway MacKenzie, was the point person with Wade Johnston assisting him, and I probably had at least ten conversations with Mr. Hausman and Mr. Johnston during

CHARLES MOORE

ever prepared a business plan before for a water or a sewer district?

A. I don't know.

Q. I'm going to show you what is Tab Number 6 in our binder set. Mr. Moore, this has previously been marked as Orr Exhibit Number 10. Orr Exhibit Number 10 is Detroit Water and Sewer Department 10-Year Business Plan dated October 2nd, 2013. Sir, have you seen this document before?

A. Yes.

Q. And is this the --

MR. NEAL: Whoever's on the phone, if you could go on mute, that would be great.

BY MR. NEAL:

Q. Is this the final version of the Detroit Water and Sewer Department 10-Year Business Plan that you and your team prepared?

A. When you say final version, I just want to clarify. This was final as of this point. Exhibit M to the Disclosure Statement has certain updates to the 10-Year Business Plan. But yes, this is the -- the final that was presented to a number of parties on October 2nd.

Q. And who was it presented to?

CHARLES MOORE

A. There were probably 40 or more people in the room where this was presented, but that would have included representatives of at least Wayne, Oakland, and Macomb Counties and various advisors of theirs. There may have been other people involved as well, other external parties to whom this was presented.

Q. Were you involved in negotiations with the counties prior to October 2nd, 2013?

A. No.

Q. Do you know if the City had been involved in negotiations with the counties between the time of its Chapter 9 bankruptcy filing July 18th and August 2nd of 2013?

A. When you say the City, are you including its advisors?

Q. Yes, sir.

A. It is unclear to me what conversations, if any, may have taken place with the counties prior to this time.

Q. And what was the purpose of the meeting?

A. To present two documents. One was the business plan. I think actually we may have used a shortened version of it for the actual presentation, but we would have distributed this full document. And the other document was a -- a document prepared by Miller Buckfire which utilized quite a bit of the information

CHARLES MOORE

associated with the line items that you see there would be addressed.

Q. And they may appear elsewhere, sir, but at least I can spot those assumptions on Pages 6 and 7 of the document. Is that where some of them at least reside?

A. Yes. It does appear multiple places throughout the document, and specifically on Page 7 the assumption -- the individual assumption that I'm referring to is the second bullet under "Lease Payment," "Anticipated savings that have been factored into the lease payment include legacy liabilities retained by the City of Detroit . . ." And so what this is specifically getting at or what I was referring to in my comment earlier is the assumption about how certain costs would be handled as part of a -- assumed to be handled as part of a transaction.

Q. So going back to Page 40.

A. Yes.

Q. The table here based on bullet point one represents a summary of the estimated payment and expense reductions including legacy and debt service savings?

A. Yes.

Q. Do they include any operational savings?

A. Yes.

CHARLES MOORE

in the business plan but talked a little bit more about the basis for a proposed lease payment.

Q. Mr. Moore, I'm going to show you what is Tab 7 of the binder set previously marked, twice. One is Orr Exhibit 9 and McCormick Exhibit 30. Sir, can you identify the document I just handed you?

A. This appears to be that second document that I was referring to that was prepared by Miller Buckfire that was also discussed at the October 2nd meeting.

Q. If we could go back to Orr Number 10, your firm's 10-Year Business Plan. If I could ask you to turn to Page 40 of that document.

A. This is Bates stamp 70 -- ending 7084?

Q. Yes, sir.

A. Yes. I'm there.

Q. Actually going back one page to Page 39. It's Section VII, "Estimated Cost Savings"; is that correct?

A. Yes.

Q. So you and your team prepared a section in this report on the estimated cost savings that would be realized in the event of a transaction?

A. Yes. This section was prepared based on certain assumptions as it relates to how these costs

CHARLES MOORE

Q. Where are they?

A. The line item that is entitled "Optimization" are operational -- projected operational savings.

Q. And how are those numbers determined? In other words, what did you look at? Who did you talk to?

A. Sure. We spent a significant amount of time with the management team. We also reviewed the report that had been prepared by an outfit within perhaps the two years or so before we performed our work, and if I recall correctly, I think that was EMA --

Q. Yes.

A. -- was the name of the firm. And that contained a number of operational savings. So between discussing with management what was possible, looking at various trends in the expenses, understanding how the system was anticipated to be operated in the future, as well as benchmarking that against, at a minimum, the EMA information, there were a number of cost savings primarily related to labor that were built into the business plan. What you see here are actually only 50 percent of those. So there were certain labor -- or I'll call it optimization savings identified in total, and then as it relates to this specific table, only 50 percent of those are included here.

<p style="text-align: right;">Page 272</p> <p>1 CHARLES MOORE</p> <p>2 Q. And why only 50 percent?</p> <p>3 A. If I recall correctly, this is based on -- this --</p> <p>4 this was based on a specific lease scenario, and the</p> <p>5 underlying thinking was you would want the management</p> <p>6 team to be incentivized to deliver on these savings,</p> <p>7 and having the system retain some portion of the</p> <p>8 benefit, which here 50 percent is used, is a way of</p> <p>9 providing management that incentive.</p> <p>10 Q. There is a line item here on Page 40 for debt service</p> <p>11 savings. Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. And there's also a section in your report, that's</p> <p>14 Section 10 starting on Page 51, that concerns debt</p> <p>15 service.</p> <p>16 A. Yes.</p> <p>17 Q. So how did you arrive at the debt service savings?</p> <p>18 A. This actually is all based on information that was</p> <p>19 provided by Miller Buckfire, so Conway MacKenzie did</p> <p>20 not do anything as it relates to calculation of the</p> <p>21 potential savings that you're referring to for debt</p> <p>22 service.</p> <p>23 Q. So going back to Page 40, the bottom line in the chart</p> <p>24 is for the -- says "Lease Payment"; right?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 274</p> <p>1 CHARLES MOORE</p> <p>2 A. -- but if you were to add -- if you were to add up the</p> <p>3 water and the sewer system amounts, that same amount</p> <p>4 in total is being retained by the system.</p> <p>5 Q. Any other savings being retained by the system?</p> <p>6 A. Well, what's not contemplated in here is additional</p> <p>7 savings that could result as a result of a different</p> <p>8 management approach. So perhaps if there was a</p> <p>9 regional authority or perhaps as a result of a private</p> <p>10 operator, there could be additional savings that could</p> <p>11 be realized that would be retained by the system.</p> <p>12 Q. Was any analysis undertaken to determine the amount of</p> <p>13 those additional savings if there were a change in</p> <p>14 management?</p> <p>15 A. No. We typically would stay away from something like</p> <p>16 that because those aren't our assumptions to make.</p> <p>17 Obviously it would depend on who that other party is</p> <p>18 and the approach that they would take.</p> <p>19 Q. Was there ever a time when the lease payment that was</p> <p>20 being proposed was not tied to anticipated cost</p> <p>21 savings?</p> <p>22 MR. HAMILTON: I'm going to object because</p> <p>23 of the way you've worded that question. I have to</p> <p>24 instruct the witness not to answer to the extent his</p> <p>25 answer would disclose anything that was discussed or</p>
<p style="text-align: right;">Page 273</p> <p>1 CHARLES MOORE</p> <p>2 Q. So at this time on October 2nd, 2013, it was</p> <p>3 contemplated that the lease payment would be</p> <p>4 determined by the total cost savings that DWSD would</p> <p>5 experience if there were a transaction?</p> <p>6 A. I would characterize it a little bit differently.</p> <p>7 This is really providing a basis for how this level of</p> <p>8 lease payment could be supported, but the lease</p> <p>9 payment itself would be a payment for a number of</p> <p>10 factors, including a transfer of control.</p> <p>11 Q. At this time was there any consideration by the City</p> <p>12 and its professional advisors to keep the savings</p> <p>13 within the systems?</p> <p>14 A. Well, I just went through right now under this -- this</p> <p>15 page here --</p> <p>16 Q. Yes.</p> <p>17 A. -- 50 percent of the optimization of what is referred</p> <p>18 to as the operational savings are being retained in</p> <p>19 the system.</p> <p>20 Q. And what would that total be? Is it reflected in the</p> <p>21 chart?</p> <p>22 A. It is not reflected in this chart here. But if you --</p> <p>23 if -- if you add up all of those rows, we don't have a</p> <p>24 total here on the far right, --</p> <p>25 Q. Sure.</p>	<p style="text-align: right;">Page 275</p> <p>1 CHARLES MOORE</p> <p>2 done in connection with court-ordered mediation.</p> <p>3 But putting -- if you can answer the</p> <p>4 question with respect to anything that was considered</p> <p>5 outside of the mediation, you should do so.</p> <p>6 THE WITNESS: Understood.</p> <p>7 A. I want to -- Mr. Neal, if I can clarify.</p> <p>8 BY MR. NEAL:</p> <p>9 Q. Sure.</p> <p>10 A. Because I think your question is different than what I</p> <p>11 had responded to before. I think your question was is</p> <p>12 there a time that the lease payment was not tied to</p> <p>13 cost savings. As I indicated before, what is really</p> <p>14 shown here is how a lease payment could be supported</p> <p>15 because of these cost savings, but the lease payment</p> <p>16 itself has not been specifically tied to the actual</p> <p>17 cost savings. So there have been times that the lease</p> <p>18 payment that has been discussed has varied, but in</p> <p>19 each of those instances the cost savings are more to</p> <p>20 show how a lease payment could be supported rather</p> <p>21 than the basis for the lease payment.</p> <p>22 Q. Thank you. At this time was the City asking for a</p> <p>23 lease payment in the amount reflected here on Page 40,</p> <p>24 that is, 94.2 million in 2015 going all the way up to</p> <p>25 228.5, I believe, million in 2023?</p>

10 (Pages 272 to 275)

<p style="text-align: right;">Page 276</p> <p>1 CHARLES MOORE</p> <p>2 A. I believe that's what was being requested. This --</p> <p>3 this is sort of the transition point from the work</p> <p>4 that Conway MacKenzie was doing to then getting into</p> <p>5 the investment banker approach that Miller Buckfire</p> <p>6 used.</p> <p>7 Q. What was the county's reaction to the -- can I call</p> <p>8 this a proposal, sir? Would you characterize this as</p> <p>9 a proposal?</p> <p>10 A. When you say this, can you clarify what this is?</p> <p>11 Q. Yes. Or Exhibit 10, your 10-Year Business Plan and</p> <p>12 the lease payment reflected on Page 40.</p> <p>13 A. The document itself is just the business plan. It</p> <p>14 contains information about a potential lease payment.</p> <p>15 I don't know if the word "proposal" is used in here.</p> <p>16 From Conway MacKenzie's standpoint, we were not</p> <p>17 developing a business plan for a specific proposal.</p> <p>18 The output of our work, I believe, was generally used</p> <p>19 to make various proposals. But I don't -- I would not</p> <p>20 consider this a proposal. I don't know if that word</p> <p>21 is used anywhere in this document.</p> <p>22 Q. What was the county's reaction to the 10-Year Business</p> <p>23 Plan as reflected in Orr Exhibit 10?</p> <p>24 A. Can you clarify what you mean by their reaction?</p> <p>25 Q. Sure. I will be a little more focused. What was</p>	<p style="text-align: right;">Page 278</p> <p>1 CHARLES MOORE</p> <p>2 they agree with your estimated cost savings for each</p> <p>3 of the years from 2015 to 2023?</p> <p>4 A. I don't know if they agreed with them or not. I know</p> <p>5 that a transaction at least at this point hasn't</p> <p>6 gotten done.</p> <p>7 Q. But you don't know if the counties or their</p> <p>8 representatives had a view or opinion with respect to</p> <p>9 your calculation of the estimated cost savings at this</p> <p>10 time?</p> <p>11 A. Well, when you say at this time, are you referring to</p> <p>12 just October 2nd or following October 2nd?</p> <p>13 Q. Well, I know there was a tremendous amount of</p> <p>14 activity. If it -- if you can answer the question in</p> <p>15 the October, November, December time frame.</p> <p>16 A. Yes. So what I do recall is a fair amount of</p> <p>17 correspondence from one county in particular, Oakland</p> <p>18 County, from Mr. Daddow indicating various questions</p> <p>19 and views on these two documents, the two documents</p> <p>20 that we previously discussed that were presented on</p> <p>21 October 2nd, 2013.</p> <p>22 Q. And do you recall whether Oakland agreed or disagreed</p> <p>23 with the cost savings estimates as reflected on Page</p> <p>24 40 of Orr 10?</p> <p>25 A. Well, rather than speculate on whether they agree or</p>
<p style="text-align: right;">Page 277</p> <p>1 CHARLES MOORE</p> <p>2 their reaction to the estimated cost savings that are</p> <p>3 reflected in Orr Exhibit 10?</p> <p>4 A. Well, I don't know specifically what the reaction is,</p> <p>5 but what I can tell you is that as a result of this</p> <p>6 meeting, actually the -- I don't know if it was a</p> <p>7 consortium of the counties or one county in</p> <p>8 particular, but an accounting firm by the name of UHY</p> <p>9 was engaged. They -- by the county or counties. They</p> <p>10 attended this meeting and then subsequent to this</p> <p>11 meeting undertook a variety of due diligence efforts</p> <p>12 through which we provided them additional information.</p> <p>13 And that transpired over the period of, if I recall</p> <p>14 correctly, the month of October, maybe into early</p> <p>15 November.</p> <p>16 Q. And did you have any direct interaction with this</p> <p>17 accounting firm during this time period?</p> <p>18 A. I personally did not. I have interacted with an</p> <p>19 individual that I believe oversaw the team for UHY,</p> <p>20 but not in detail, more just acknowledging that they</p> <p>21 were undertaking efforts, due diligence efforts, but</p> <p>22 Mr. Hausman and Mr. Johnston interacted with them</p> <p>23 quite a bit.</p> <p>24 Q. Let me state it a different way. Did the counties</p> <p>25 agree with the calculations reflected on Page 40? Did</p>	<p style="text-align: right;">Page 279</p> <p>1 CHARLES MOORE</p> <p>2 disagree, I would let the communications from the</p> <p>3 county or counties speak for themselves.</p> <p>4 Q. Is it fair to say there was a -- that Oakland County</p> <p>5 disagreed with the cost savings summary that you</p> <p>6 prepared?</p> <p>7 MR. HAMILTON: Can you put a time period on</p> <p>8 that question or do I have to object again?</p> <p>9 MR. NEAL: I'm happy to put a time frame on</p> <p>10 it.</p> <p>11 BY MR. NEAL:</p> <p>12 Q. And that's in the October, November, December time</p> <p>13 frame.</p> <p>14 A. What I seem to recall is that there were -- there was</p> <p>15 not necessarily a good understanding of a number of</p> <p>16 the calculations. I think that lack of understanding</p> <p>17 perhaps caused them to not agree, but at the same</p> <p>18 time -- and -- and there are a variety of -- obviously</p> <p>19 there's a lot of information here, so I'm using a very</p> <p>20 general statement. I think that a significant amount</p> <p>21 of information was provided on areas where there may</p> <p>22 not have been a good understanding and -- and the</p> <p>23 perception as a result that they didn't agree. I am</p> <p>24 aware also of, and this is information that was very</p> <p>25 commonly reported on in the -- in the press, their</p>

11 (Pages 276 to 279)

<p style="text-align: right;">Page 280</p> <p>1 CHARLES MOORE</p> <p>2 differing views on the amount of capital improvement</p> <p>3 that was required. So I -- that's the information</p> <p>4 that was coming my way.</p> <p>5 Q. During this time period did you ever receive emails</p> <p>6 directly or copies of emails from Robert Daddow of</p> <p>7 Oakland County?</p> <p>8 A. Yes.</p> <p>9 Q. And did you ever respond to emails that -- that he</p> <p>10 sent to your team about your estimate of the cost</p> <p>11 savings?</p> <p>12 A. Specifically between October and December, I recall</p> <p>13 one response in particular that we, we being Conway</p> <p>14 MacKenzie, had significant involvement in terms of</p> <p>15 providing information for the response, help --</p> <p>16 helping to draft the response. I don't recall how</p> <p>17 many communications there were from Mr. Daddow during</p> <p>18 that October through December time period beyond I</p> <p>19 think it was the initial communication from</p> <p>20 Mr. Daddow, the reply to which I was just referring to</p> <p>21 where we had pretty significant involvement. I don't</p> <p>22 know if we provided significant input on any other</p> <p>23 responses. We were not, when I say we again, Conway</p> <p>24 MacKenzie, was not the primary point for</p> <p>25 communications with the counties. That was Miller</p>	<p style="text-align: right;">Page 282</p> <p>1 CHARLES MOORE</p> <p>2 undertaken. That may have been before the end of</p> <p>3 December. I don't recall.</p> <p>4 Q. What was your understanding of the City's motivation</p> <p>5 for pursuing a proposed authority?</p> <p>6 A. There could have been multiple reasons for it.</p> <p>7 Certainly one that was -- or I should say two primary</p> <p>8 items that I believe that I heard mentioned multiple</p> <p>9 times was positioning DWSD as a stronger entity and</p> <p>10 realizing value from DWSD.</p> <p>11 Q. Are those two motivations or one?</p> <p>12 A. Two.</p> <p>13 Q. Okay. So the first would be positioning DWSD as a</p> <p>14 stronger entity, and the second would be -- if you</p> <p>15 could say it again.</p> <p>16 A. Sure. Realizing value. I think that's what I said.</p> <p>17 Q. Okay. And how would an authority position DWSD as a</p> <p>18 stronger entity?</p> <p>19 A. Well, to the extent that you have stronger management,</p> <p>20 that could potentially strengthen it. To the extent</p> <p>21 that the cost structure is different, that could</p> <p>22 position it as a stronger entity. There are a variety</p> <p>23 of -- of ways that the -- the management and operation</p> <p>24 of the entity could potentially be improved through</p> <p>25 some sort of transaction.</p>
<p style="text-align: right;">Page 281</p> <p>1 CHARLES MOORE</p> <p>2 Buckfire.</p> <p>3 Q. Last question along these lines and I'll move on. In</p> <p>4 the October through December time period, did you have</p> <p>5 meetings with Oakland County? You being you,</p> <p>6 Mr. Moore, not the broader group. But, I mean, did</p> <p>7 you have any meetings with Oakland County in this time</p> <p>8 period?</p> <p>9 A. I've -- we've covered the October 2nd meeting.</p> <p>10 Q. Yes.</p> <p>11 A. Following the October 2nd meeting, the following week</p> <p>12 was a comprehensive mediation day, and counsel will</p> <p>13 stop me if I'm going too far on this, I don't think</p> <p>14 this is, but at the beginning of the mediation day</p> <p>15 Conway MacKenzie presented information that we have</p> <p>16 here, again, these documents, to all of the parties</p> <p>17 involved in the mediation, and I believe the counties</p> <p>18 were there then. I'm not positive about that, but I</p> <p>19 think the counties were there then. After that time,</p> <p>20 through the end of December, I don't -- I don't</p> <p>21 believe that I met with anyone else from the counties.</p> <p>22 There was a time that I had a sit-down discussion with</p> <p>23 Brooks Patterson, the Oakland County Executive. I</p> <p>24 can't recall when exactly that was. But we did -- we</p> <p>25 did discuss the -- the process that was being</p>	<p style="text-align: right;">Page 283</p> <p>1 CHARLES MOORE</p> <p>2 Q. Was one of the reasons to pursue an authority to</p> <p>3 obtain a better credit rating for the systems?</p> <p>4 A. Certainly I heard that numerous times. The general</p> <p>5 belief that DWSD was tainted to a certain extent by</p> <p>6 its association with the City of Detroit and on a</p> <p>7 standalone basis may be a stronger rated credit.</p> <p>8 Q. And was it the belief that if the authority would be a</p> <p>9 stronger rated credit, that it would be able to obtain</p> <p>10 lower financing costs?</p> <p>11 MR. HAMILTON: Object to form.</p> <p>12 You can answer.</p> <p>13 A. That was the assumption, yes.</p> <p>14 BY MR. NEAL:</p> <p>15 Q. And that would lead to debt service savings?</p> <p>16 A. Presumably, yes.</p> <p>17 Q. And that was the assumption of the Emergency Manager</p> <p>18 and his professional advisors?</p> <p>19 A. Yes. And that is what is essentially contained,</p> <p>20 although Conway MacKenzie did not develop that when we</p> <p>21 were discussing before on Page 40 of this October 2nd</p> <p>22 document the debt savings or debt service savings.</p> <p>23 That was the underlying principle there.</p> <p>24 Q. Did Conway MacKenzie perform any analysis with respect</p> <p>25 to debt service savings as they related to the -- the</p>

12 (Pages 280 to 283)

<p style="text-align: right;">Page 284</p> <p>1 CHARLES MOORE</p> <p>2 DWSD at any time?</p> <p>3 A. No.</p> <p>4 Q. Conway MacKenzie relied upon the work of Miller</p> <p>5 Buckfire and others?</p> <p>6 A. Yes.</p> <p>7 Q. Okay. Was the proposed lease payment to the City</p> <p>8 presented as something that would be user rate neutral</p> <p>9 to the counties?</p> <p>10 A. I don't know about the word "user," but certainly we</p> <p>11 used multiple times the words "rate neutral."</p> <p>12 Management views rate increases of four percent per</p> <p>13 year to be what is referred to as rate neutral, and</p> <p>14 that is -- other than two years for the water fund,</p> <p>15 within this ten-year projection, those are the implied</p> <p>16 rate increases every year.</p> <p>17 Q. So if the lease payment did not require rates to be</p> <p>18 raised higher than four percent a year, it would be</p> <p>19 considered rate neutral?</p> <p>20 A. I think that's a fair statement.</p> <p>21 Q. Okay. Was there a general agreement among the</p> <p>22 Emergency Manager and his professional advisors that</p> <p>23 in the absence of the regional authority that DWSD's</p> <p>24 financing costs would be higher?</p> <p>25 A. Higher than what?</p>	<p style="text-align: right;">Page 286</p> <p>1 CHARLES MOORE</p> <p>2 projections they were working on for DWSD, and I don't</p> <p>3 think you intend to do that in your question, do you?</p> <p>4 MR. NEAL: No. I can be more specific.</p> <p>5 BY MR. NEAL:</p> <p>6 Q. Let me ask the question more broadly. Were you</p> <p>7 looking to fill a hole at all with this lease payment</p> <p>8 with respect to any of the operations of the City's</p> <p>9 general fund or any proposed Plan of Adjustment that</p> <p>10 was being contemplated at the time?</p> <p>11 A. As it relates to what's referred to as the</p> <p>12 restructuring and reinvestments, this -- in the</p> <p>13 Disclosure Statement, the 70-page document, it's</p> <p>14 Exhibit 5 in my expert report, --</p> <p>15 Q. Yes.</p> <p>16 A. -- there never has been and there still is not any</p> <p>17 cash from DWSD that plays a role in that. As it</p> <p>18 relates to the City's overall projections, as an</p> <p>19 example, what you referred to before, the 40-year</p> <p>20 projections or the ten-year projections, certainly</p> <p>21 from time to time throughout this entire process there</p> <p>22 have been funds that come from DWSD. In the ordinary</p> <p>23 course, there are funds that come from DWSD as an</p> <p>24 allocation of costs for services that are provided by</p> <p>25 the City. Scenarios that involve changes to cost</p>
<p style="text-align: right;">Page 285</p> <p>1 CHARLES MOORE</p> <p>2 Q. Higher than what they would be if an authority were</p> <p>3 created.</p> <p>4 A. I'm not sure that I understood your question. It</p> <p>5 seems like what we just talked about, which is --</p> <p>6 Q. It's the inverse of that.</p> <p>7 A. Yes. Yes. If it's the inverse of it, then yes. If</p> <p>8 there are savings with an authority, then as compared</p> <p>9 to the authority, it would be higher.</p> <p>10 Q. Going back to Page 40 of Orr Exhibit 10. The lease</p> <p>11 payment that's reflected there. How would these funds</p> <p>12 be used by the City as proposed?</p> <p>13 A. There's -- there's no proposal as to how these funds</p> <p>14 would be used, and I know Conway MacKenzie never took</p> <p>15 a position as it relates to this document as to how</p> <p>16 those proceeds would be used.</p> <p>17 Q. Let me ask it a little differently. The answer may</p> <p>18 very well be the same. At -- during this time period,</p> <p>19 were you plugging in any revenue stream from DWSD into</p> <p>20 any of your models that Conway MacKenzie was</p> <p>21 preparing, for instance, the restructuring or</p> <p>22 reinvestment initiatives?</p> <p>23 MR. HAMILTON: I'm going to object to the</p> <p>24 form of that question. He's already testified they --</p> <p>25 if you say the models, that includes the ten-year</p>	<p style="text-align: right;">Page 287</p> <p>1 CHARLES MOORE</p> <p>2 reimbursement certainly have been looked at throughout</p> <p>3 this entire process.</p> <p>4 Q. Other than legacy liability costs, at any time did you</p> <p>5 consider a dollar amount that the City would or should</p> <p>6 obtain from the DWSD?</p> <p>7 A. The only reason I'm hesitating here is I want to make</p> <p>8 sure that I don't run into any issues with the</p> <p>9 mediation. I think I can -- I think I can answer the</p> <p>10 question yes. I'm not sure if I can go further than</p> <p>11 that.</p> <p>12 Q. Well, let me see if you can answer the question if I</p> <p>13 restrict the time period. Leading up to the filing of</p> <p>14 the Fourth-Amended Plan of Adjustment on May 5th,</p> <p>15 2014, was the City at any time looking to obtain a</p> <p>16 certain dollar amount from DWSD aside from the legacy</p> <p>17 obligations to help fund its plan?</p> <p>18 MR. HAMILTON: Again, I'm going to have to</p> <p>19 object and instruct the witness not to disclose</p> <p>20 anything that was considered in connection with</p> <p>21 court-ordered mediation.</p> <p>22 A. So we've already discussed the October 2nd document,</p> <p>23 and this contains a lease payment, specific amounts.</p> <p>24 BY MR. NEAL:</p> <p>25 Q. Yes.</p>

13 (Pages 284 to 287)

CHARLES MOORE

A. Subsequent to that, there were discussions around a specific lease payment.

Q. Yes.

A. And I'm referring to in the January time period, January and February time period. After that, I really did not have any discussions with DWSD -- or I'm sorry, with -- with the counties, that is, from about early March on. I think mediation was ordered in April. So I can speak to what was discussed in the January and February time period, but that's probably it.

Q. Mr. Moore, that's very fair, and I'll show you a couple of the presentations that you prepared in that time period, and we'll deal with them in due course.

A. Okay.

MR. HAMILTON: Before we do that, can we take a break?

MR. NEAL: Yes. Now would be a good time.

VIDEO TECHNICIAN: The time is 10:14 a.m.

We are now off the record.

(Recess taken at 10:14 a.m.)

(Back on the record at 10:26 a.m.)

BY MR. NEAL:

Q. Mr. Moore, I'm going to show you what is Tab 22 in our

CHARLES MOORE

from Mr. Haggard on which I'm copied. Obviously you can imagine I have thousands of emails related to the City. But certainly the document that's attached here, Conway/Miller Buckfire Response, that's what I was referring to either -- earlier as it relates to something that my team and I provided a significant amount of input to.

Q. Do you recall seeing, independently of any email chain, the email from Robert Daddow to Ken Buckfire that's at the bottom of Page 1 and continues on to Pages 2, 3, and 4?

A. Actually that's the one that I don't recall specifically. I know that I'm not on that email. But it is part of Kevin's email. So I just don't -- I don't recall reviewing that one from Bob Daddow to Ken Buckfire.

Q. Do you ever recall Mr. Daddow or anyone from Oakland claiming that all the purported savings of the proposed new authority are going to the City and no benefits are going to the DWSD or words to that effect?

A. I generally -- I generally recall him saying something like that, yes. Or reading something where he had put that in.

CHARLES MOORE

binder set.

MR. NEAL: If I could have this marked. I don't know where we are in terms of exhibit numbers. Are we continuing with the numbering scheme from yesterday? Do we know which number we left off on yesterday? Can anyone provide assistance? I think we went through Number 7 yesterday I'm told. So if we could mark this as Number 8. This will be Moore Number 8.

MARKED BY THE REPORTER:

DEPOSITION EXHIBIT 8

10:27 a.m.

MS. QUADROZZI: And I'm sorry. What tab is this?

MR. NEAL: Tab 22.

BY MR. NEAL:

Q. Mr. Moore, if you could take a moment and familiarize yourself with this document. It purports to be an email from Kevin Haggard dated Monday, October 21, 2013, to Bob Daddow and you are cc'd it appears.

A. Yes.

Q. Mr. Moore, have you seen this -- these email exchanges before?

A. I don't specifically recall the email at the top here

CHARLES MOORE

Q. And do you agree or disagree with that position?

A. I disagree with that.

Q. On what basis?

A. Well, I specifically pointed out before the optimization savings, 50 percent of those were staying with the system, not to mention what I indicated before. What we did not do is we did not incorporate in with the projections any other potential savings that could be realized as a result of a different management team, a different approach to the operation.

Q. So focusing on the attachment, the caption is "City of Detroit: DWSD, Oakland County Business Issues Memo, Conway/Miller Buckfire Response, October 18th, 2013." Do you see that?

A. Yes.

Q. And this is a document you recall working on?

A. Yes.

Q. I see that it's broken down between the Miller Buckfire response and the Conway MacKenzie comments. Do you see that?

A. Yes.

Q. Did you provide any input with respect to the Miller Buckfire response?

<p style="text-align: right;">Page 292</p> <p>1 CHARLES MOORE</p> <p>2 A. I don't recall. It's very possible, yes. We -- we</p> <p>3 both would have prepared responses and then reviewed</p> <p>4 each other's work, if I recall correctly, to provide</p> <p>5 any comments for additional clarifications.</p> <p>6 Q. Thank you. I'm going to show you what is in Tab 24 of</p> <p>7 our binder set. This is a document previously marked</p> <p>8 as Orr Number 13. My first question, sir, is, have</p> <p>9 you seen this document before?</p> <p>10 A. Yes.</p> <p>11 Q. Did Conway MacKenzie provide any input with respect to</p> <p>12 this document?</p> <p>13 A. No.</p> <p>14 Q. And for the record, it purports to be an analysis of</p> <p>15 DWSD's savings dated December 2013. So when I asked</p> <p>16 you if you'd seen it before, had you seen it at or</p> <p>17 about the time this document was prepared?</p> <p>18 A. I saw it after it was prepared.</p> <p>19 Q. In what context? At a meeting?</p> <p>20 A. I believe that I received it directly from Miller</p> <p>21 Buckfire, I can't recall who from Miller Buckfire,</p> <p>22 after it had been presented to, at a minimum, Oakland</p> <p>23 County. I'm not sure if any other counties received</p> <p>24 it.</p> <p>25 Q. If you'd turn to Page 3. I'm not sure if you can</p>	<p style="text-align: right;">Page 294</p> <p>1 CHARLES MOORE</p> <p>2 Q. And you don't know how the number was arrived at?</p> <p>3 A. I do not.</p> <p>4 Q. On the next slide, Slide 4, there's a chart here, and</p> <p>5 one of the -- one of the shades in this bar chart is</p> <p>6 "DWSD Business Plan." Ask you, sir, do you know what</p> <p>7 that is in reference to?</p> <p>8 A. No. I did not prepare this document.</p> <p>9 Q. So in terms of the proposed breakdowns reflected in</p> <p>10 this chart, you're not in a position to provide any</p> <p>11 testimony on it?</p> <p>12 A. Correct. It's not my document.</p> <p>13 Q. Is it your document?</p> <p>14 A. It is not my document.</p> <p>15 Q. Very good. Show you what is marked as Tab -- what's</p> <p>16 in our binder set as Tab 25, previously marked as Orr</p> <p>17 Exhibit Number 14. Orr Exhibit Number 14 is</p> <p>18 Comparison of DWSD Frameworks, January 2nd, 2014, a</p> <p>19 document that appears to have been prepared by Miller</p> <p>20 Buckfire.</p> <p>21 A. Yes.</p> <p>22 Q. Have you seen this document before?</p> <p>23 A. I have.</p> <p>24 Q. When did you first see it?</p> <p>25 A. I believe that I saw it on or around January 2nd.</p>
<p style="text-align: right;">Page 293</p> <p>1 CHARLES MOORE</p> <p>2 provide an answer to my questions, but let me take a</p> <p>3 stab at it. You see the chart -- well, I don't know</p> <p>4 what you would call it. On Page 3. You're on Page 3,</p> <p>5 sir?</p> <p>6 A. Yes, I am.</p> <p>7 Q. And Page 3 is captioned "Use of Savings"; correct?</p> <p>8 And it's broken down between the City and the</p> <p>9 counties; correct?</p> <p>10 A. Yes.</p> <p>11 Q. So let me just ask you, did you prepare or provide any</p> <p>12 input with respect to the estimated NPV numbers that</p> <p>13 are reflected on this page?</p> <p>14 A. No.</p> <p>15 Q. Do you know what is meant by City of Detroit Retail</p> <p>16 Capital Improvements that's in one of the boxes on</p> <p>17 this chart?</p> <p>18 A. Again, I did not prepare this document. I can only</p> <p>19 speculate in terms of the City of Detroit has -- DWSD</p> <p>20 is comprised of a lot of infrastructure around</p> <p>21 southeastern Michigan, and there is a retail part</p> <p>22 servicing the City of Detroit that I would assume</p> <p>23 that's what that's referring to.</p> <p>24 Q. But you don't know for certain?</p> <p>25 A. I don't know for certain.</p>	<p style="text-align: right;">Page 295</p> <p>1 CHARLES MOORE</p> <p>2 Q. And what input did you and your team have with respect</p> <p>3 to Orr Exhibit 14?</p> <p>4 A. I don't recall if we provided input to this document</p> <p>5 or not.</p> <p>6 Q. And who was the intended audience for this document;</p> <p>7 do you know?</p> <p>8 A. I don't recall. There was -- I don't recall if it was</p> <p>9 intended for internal purposes, at least initially,</p> <p>10 which I'm inclined to recall that's -- I seem to</p> <p>11 recall that may be the case. But right around that</p> <p>12 same time is when significant mediation activities</p> <p>13 were occurring, so it could have been prepared for use</p> <p>14 in mediation.</p> <p>15 Q. If you turn to Slide 10 of this document. Did you or</p> <p>16 your team have any input in the -- in the construction</p> <p>17 of this slide, which is "Change in Transaction</p> <p>18 Savings"?</p> <p>19 A. I don't recall if we had any input on this document at</p> <p>20 all.</p> <p>21 Q. This document aside, did you prepare any different</p> <p>22 calculations of any proposed savings that could be</p> <p>23 achieved between the October 2nd time frame and the</p> <p>24 January 2nd time frame?</p> <p>25 A. Not that I recall.</p>

15 (Pages 292 to 295)

CHARLES MOORE

Q. There came a time when the Emergency Manager and his advisors were proposing a \$47 million annual lease payment; is that right?

A. Yes.

Q. And when was that time period?

A. I believe that was in January of 2014.

Q. And what supported the -- what was the basis for the \$47 million lease payment that was being proposed?

A. That was something that Mr. Buckfire came up with.

I -- again, going back to what I indicated earlier, any of the lease payments, there are a whole host of items that go into a lease payment, including transfer of control. There were -- as part of just the \$47 million, there were specific costs that were identified that were anticipated to be dealt with as part of the Chapter 9 process which supported payment of that \$47 million.

Q. And what were those specific costs that were identified?

A. The OPEB costs. By OPEB, other post-employment benefits. And also, if I recall correctly, savings that related to the Certificates of Participation.

Q. And how would those savings be achieved at that time period?

CHARLES MOORE

January, Stacy Fox, the Deputy Emergency Manager, became involved -- I think she had been involved before, but she took much more of a leadership role in interacting with the counties on behalf of the City. It had -- it seemed at that point that the discussions had hit some significant roadblocks, and so Ms. Fox asked me to get involved in the process, so I participated in multiple meetings with county representatives, and that would have been, as I recall, beginning in January, continuing through February and into early March, I believe, and that would have included face-to-face meetings as well as conference calls.

Q. And generally, broadly speaking, what was the purpose of those meetings?

A. To provide information that the counties were looking for, to understand other issues that the counties had, and essentially get to a conclusion in the most expeditious manner as to whether there was the possibility of a transaction to form a regional authority or not.

Q. And you were unable to get to such a conclusion during this time period, is that correct, between January and April of 2014?

CHARLES MOORE

A. It was based on what the anticipated treatment of those claims was going to be.

Q. Under a Plan of Adjustment?

A. Yes.

Q. So the operating assumption by the Emergency Manager and his advisors at that time is that to the extent the plan achieves savings on the part of OPEB and COPs in particular that DWSD should pay for its share?

A. I can't tell you what the thinking was, but what I'm referring to, again, going back to there were a variety of times that specific items were pointed to that would support the payment of a lease payment, and in that regard, to the extent that as a result of the treatment of certain claims costs that DWSD would otherwise be paying free up room to make a lease payment, that's what I was referring to.

Q. Such that the lease payment would be cost neutral to the DWSD?

A. Yes.

Q. During the period of January 2nd through early April of 2014, can you describe the level of Conway MacKenzie's involvement with negotiations over the creation of a new authority?

A. Somewhere in, I believe it may have been later

CHARLES MOORE

A. When you say such a conclusion, you're referring to the response that I just gave?

Q. Exactly.

A. Okay. We did not embark upon the process that I was advocating to get to that answer.

Q. Why not?

A. I think that there were a variety of reasons, some that were cited. The counties wanted support for payment of professionals. That was one factor. Another factor is the counties were looking for, I'll use the word a backstop from the State of Michigan as it relates to bad debts of DWSD, and the State was not able to provide the type of response that the counties were looking for, and, probably my words, not their words, but I think that that was deemed sort of a non-starter if that didn't exist. And there may have been -- oh. Another item. I think it's fair to say that the City, and when I say the City, the EM team and the advisors, didn't see eye to eye with the counties, in particular Oakland County, as it relates to the information that was critical to getting to the next point. The counties were looking for information that just did not exist but which the City did not feel was critical at that point to get to where we

CHARLES MOORE

were trying to go.

Q. Can you give me a couple of examples?

A. The 2013 audited financials, fiscal year 2013 audited financials.

Q. Did you view that as an unreasonable request by the counties?

A. What I indicated quite specifically is that I can understand how that information would be important, but really what we were -- the whole focus was to conduct diligence around the future business plan, and the 2013 audit report is certainly something that could be reviewed when it becomes available as part of confirmatory due diligence, but the critical element that we were -- that we should all be focused on was the future, not what happened in the past, because it would be the future operations of DWSD that would be critical.

Q. But isn't it fair to say you can only project future operations by looking at past performance?

A. Oh, there was plenty of past or historical information. So we had plenty of historical information. The -- I think the point of contention is -- I'm involved in a lot of transactions all the time, and people seem to be able to conduct diligence

CHARLES MOORE

appropriate funds -- appropriate funds for the counties' professionals, and the City was looking at potentially providing interim funds for those fees between now and when the State would be able to go through its process.

Q. Did the counties take particular issue with the \$47 million proposed lease payment?

A. What do you mean by particular issue?

Q. The number's too high, the number's not supported. Any issue with respect to the 47 million.

A. I think I probably heard both of those items.

Q. I assume you attempted to respond to those concerns; right?

A. Yes, sir.

Q. Were -- did you view it as your role to try to justify the \$47 million payment?

A. Certainly I -- I felt that it was important to provide information to the counties that supported what we had indicated, which is specific cost savings alone would cover this proposed \$47 million lease payment, and in that regard information was provided to the counties specifically as it relates to OPEB costs, both without any sort of restructuring in what was being contemplated as well as the potential treatment of the

CHARLES MOORE

without having the most recent audit report because they look at historical information and they look at, most importantly, the future information, which is what they're really buying into. So while that may be a condition or part of confirmatory due diligence, in my mind I did not think that that was a reasonable -- that item I'm referring to in particular, the 2013 audit report, as a reasonable basis to say without that that they would not be able to conduct due diligence.

Q. Going back to the issue of professional fees, what was the City requesting at that time?

A. Not the City. The counties were requesting payment for professionals.

Q. And what was the City's response?

A. I think the City actually indicated, Mr. Orr and Ms. Fox, indicated that that is something that we could talk about. I don't know if the City ever gave a concrete response, especially because of the -- the issue as it relates to the proposed backstop from the state. The City had conversations with the State about assisting with payment of professionals. There was going to be potentially a timing issue by when the State would be able to go through its process to

CHARLES MOORE

Certificates of Participation.

Q. What explains the shift from the City in proposing a lease payment that's 90 plus million a year in the early years to 200 plus million in the outer years to the \$47 million fixed lease payment?

A. I was not actively involved in those discussions from the time period of October through say early January.

Q. When did these -- well, let me ask the question differently. At a certain point in time in the spring of 2014 these negotiations over the formation of a new authority broke off; correct?

A. I don't -- I don't know if I could characterize it that way. Simply stated, we had proposed a process, a specific process with the counties, as I indicated, and that was late February time period. There were a number of roadblocks to embark upon that process and so as a result that process did not occur. And then there were a series of letters that went back and forth between the counties and the City. So there weren't many activities going on during that period, which would include March into April, and then mediation was ordered, and I had not been a part of that mediation. So it would seem to me that discussions continue but in the context of mediation.

CHARLES MOORE

- Q. I believe in the March 2014 time frame Brooks Patterson made a statement that no deal is better than a bad deal. Do you recall that statement being made?
- A. I recall that statement being made, at least reported in the press many times over about a six-month period, from September to -- or maybe October until that time period.
- Q. Do you recall Mr. Patterson making a statement that the City is -- has a take it or leave it approach?
- A. I don't recall Mr. Patterson saying that.
- Q. Do you know how much money the City spent in terms of professional fees on the effort to create an authority up through the filing of the May 5th Plan of Adjustment?
- A. I don't.
- Q. As part of your engagement, do you have to record your time?
- A. Yes, sir.
- Q. And do you provide a short description of the -- of the work and tasks performed?
- A. Yes.
- Q. And all of your fees go through the fee examiner process; is that right?
- A. Yes.

CHARLES MOORE

- Q. And how much has your firm been paid to date for its engagement by the City of Detroit from 20 -- excuse me, January 2013 to the present?
- A. Just for a clarification, there are two elements to our engagement. When we were engaged in January of 2013 -- or after we were engaged in January of 2013, there were a number of instances departments where there were critical positions that were not filled. The City was having a very difficult time finding qualified resources to fill those positions. They -- the City asked -- the CFO at that time asked Conway MacKenzie to provide interim management resources, which we do quite often, for a number of positions, and so beginning around July of 2013, we have utilized subcontractors for various interim management positions. It's obviously -- I shouldn't say obviously. But the reason why we've used subcontractors is it's a very cost-effective way of doing it. Rather than using Conway MacKenzie professionals at their billing rates, we utilize qualified candidates at lower billing rates for those positions. So with that said, through the end of May, which is the last invoice that we have submitted, we have billed approximately eleven and a half million

CHARLES MOORE

- dollars and then an additional \$1.6 million for all of these interim management roles. So that's about \$13.1 million in total.
- Q. I'm going to show you what is Tab I in the binder set, a document previously marked Porter Number 11. I suspect after three weeks of asking witnesses about this document we have the right person. Tab I in the binder set, Porter Number 11, Exhibit L to the Disclosure Statement, DWSD Current and Historical Financial Information. Have you seen this before?
- A. Yes, sir.
- Q. Did Conway MacKenzie prepare this exhibit?
- A. Yes.
- Q. And can you describe generally the process by which Conway MacKenzie prepared it?
- A. We, we being Conway MacKenzie, compiled this information from previous annual financial statements.
- Q. And these would be previous audited financial statements for the water and sewer funds?
- A. Yes. And the item that I -- I think June 30th of 2013 are preliminary at the time that we compiled this. I don't think that the audit was finalized.
- Q. For your benefit, sir, I think there's a footnote that may direct you on that point.

CHARLES MOORE

- A. Yeah. Exactly. Thank you.
- Q. And where -- where do audited results stand for fiscal year ended June 30th, 2013? Where do they stand today?
- A. I have actually lost touch of that over the last couple of weeks. There was communication in late June that I was reviewing on some of the final items that were necessary in order to finalize the June -- June 30th, 2013, audited financials. I don't know if they have been finalized at this point or not, but at least as of, if I recall correctly, late June that was not the case.
- Q. Let me ask you, sir -- this was filed, as you know, on May 5, 2014. Between now -- between that period of time and today, was there any comparison made between the preliminary results and any subsequent refinement of those results or final results for fiscal year June 30th, 2013?
- A. The information that I reviewed, again, I believe it was in late June, contained financial information, and I reviewed that, but one of my colleagues reviewed it in more detail, Mr. Johnston, and I don't believe that we put together a comparison on that, but if I recall correctly, I don't believe that there were any

CHARLES MOORE

significant changes to this information.

Q. You're not aware of any material changes?

A. Correct. At least not that I recall.

Q. Does Exhibit L reflect how both the Water and Sewer Fund have historically reported their operating results?

A. There are -- when you look at the line items that are listed here, there are two different ways that we look at the information, and DWSD presents information in these different ways. The line -- as an example, the -- what's labeled as Page 182 of 212, the line items that you see there, "Source of Supply," "Low-lift Pumping," "High-lift Pumping, those are almost what you could consider cost centers rather than the types of cost elements that a lot of people look at. And so we prepare and certainly DWSD prepares and presents information in a different format oftentimes which is based on more traditional line items, such as salaries and benefits and a variety of those types of costs that would be underlying these various cost centers.

Q. Do you know the difference between low-lift pumping and high-lift pumping?

A. I don't know specifically, no. I could guess, but I'm

CHARLES MOORE

a 10-Year Business Plan and ten-year set of projections that were dated October 2nd, 2013; right?

A. Yes.

Q. And then you brought those projections forward with respect to what is now Exhibit M in the May 5th Disclosure Statement?

A. Yes.

Q. And this Exhibit M would be the product of the Conway MacKenzie team?

A. Yes. We would have also interacted with the DWSD management team to have them review this product as well.

Q. Did the DWSD management team sign off on these projections?

A. Yes.

Q. The assumptions that are contained within Exhibit M, --

A. Yes.

Q. -- whose assumptions are those? If you understand where I'm going with that.

A. Well, these are the assumptions that underlie these numbers. These numbers were prepared by Conway MacKenzie. There are projections that -- as an example, DWSD is in the process of seeking financing

CHARLES MOORE

not going to speculate.

Q. Did you work with anyone at the DWSD or any of the DWSD consultants in preparing Exhibit L?

A. Yes. Both Exhibits L and M, we worked closely with the management team to ensure that they were in agreement with this information.

Q. And were they in agreement?

A. Yes.

Q. Do you recall any areas of disagreement with respect to Exhibit L?

A. No.

Q. Okay. Show you what is in the plan binder as Tab J. If you give me a moment, sir. This may have been an exhibit yesterday, in which case we should use it again. I'm told it was not used yesterday. Sir, I just handed you what is previously marked as Porter 12, Exhibit M, DWSD Financial Projections. We talked briefly about this document earlier today. Sir, can you identify it?

A. Yes. This is Exhibit M to the Fourth-Amended Disclosure Statement filed around May 5th of 2014, and it contains the updated ten-year financial projections for the water and sewer funds.

Q. We went over this briefly this morning. You prepared

CHARLES MOORE

for the Sewer Fund right now, and as part of that, it has prepared financials -- financial projections, and from time to time what we will do is actually make sure that our numbers reconcile to those, so there are instances where the assumptions that you see here are assumptions that we have included. DWSD may have used different assumptions. But typically they are -- there are offsetting items to bring us back down to the same net point.

Q. I'm not sure I understand your prior answer. Let's try to unpack it a little bit. DWSD historically used perhaps in some instances a different set of assumptions?

A. The -- DWSD prepares its own projections from time to time for different purposes. It has recently prepared a set of projections that don't go out ten years but projections that are being used for financing for the Sewer Fund, and if you were to compare those projections to these, they would not match in every instance. There are different assumptions that underlie those projections versus these. However, to get to the second point, whereas they may have higher revenue, there would be a higher cost associated with that. So from a net standpoint, we are within a

CHARLES MOORE

million dollars of their projections, so they're incredibly close compared to anything that DWSD has prepared on its own.

Q. Was there a reason you chose not to use the DW -- the DWSD set of projections?

A. They did not exist at the time that these were prepared.

Q. They were subsequently prepared by DWSD management and consultants?

A. Yes. And when you say consultants, specifically Mr. Bart Foster, who, although he's been working with the department for many, many, many years, officially is not an employee.

Q. Understood. So your primary contacts with DWSD I believe you testified earlier, Ms. McCormick, Ms. Bateson, Mr. Foster, and Mr. Wolfson; correct?

A. Yes.

Q. Any changes in assumption between what the DWSD projections contain and what these projections in Exhibit M contain?

A. Yes. As I indicated, there are a variety of line items where there are different assumptions that are used, so some lines may be higher, but they would have corresponding offsets as well. Most importantly, the

CHARLES MOORE

A. Not necessarily. As -- first of all, this area in particular was provided by Miller Buckfire. So similar to in the October 2nd business plan, this is not something that Conway MacKenzie develops at all. The -- if I recall correctly, the proposed treatment of DWSD bonds in the plan have an option whereby the existing terms are continued to be paid, and that -- but there are other things that would not show up in these projections that happen in that instance. And so that is essentially the path that's been modeled here.

Q. So the -- the interest rate -- excuse me. The interest expense for both water and sewer reflected in years 2014 to 2023 is the same interest expense that is due and owing under the existing DWSD bonds; correct?

A. Yes.

Q. Same with respect to the amortization of bond issuance cost?

A. I believe so, yes.

Q. Looking at the base year -- is that an appropriate terminology, sir, base year being 2014?

A. That's not a term that I would use, but I understand what you're getting at.

CHARLES MOORE

projections are incredibly close from a bottom line perspective. Also, there are differences in allocations between water and sewer that are very easily reconcilable, how DWSD and its projections allocated amounts differently between water and sewer, and that's -- that's one other change.

Q. So the total for water and sewer may be the same, but the allocation between the two for a revenue or expense item may be slightly different?

A. That's right. Even with those differences in allocations, to put it in perspective, we're talking about maybe \$2 million, and so once you -- once you reconcile those allocations, you're incredibly close from a net basis.

Q. Turning to Page 3 of Porter 12. I want to ask you about the assumptions relating to financing. So as part of the assumptions for this Exhibit M for existing debt is that it represents existing debt amortization on currently outstanding DWSD debt; correct?

A. Yes.

Q. So this -- this set of projections does not include any -- does not assume that the DWSD bonds will be restructured; is that correct?

CHARLES MOORE

Q. What would you use?

A. I would say the initial year.

Q. Very good. Let's stick with that.

A. Okay.

Q. The initial year numbers for 2014, how have they tracked to the year-end numbers that were achieved as of June 30th, 2014?

A. I review the packet of information that DWSD produces for its Finance Committee, and through April, I believe that's the last month that I have reviewed, through April of 2014, revenues are down, and that is primarily due to a weather-related item. Usage last year -- the fiscal year begins July 1st obviously. There was not the water usage in the first fiscal year quarter that was anticipated, and so that sort of set DWSD behind from the get-go. I think things have tracked pretty close to budget from a revenue standpoint since that time. If I recall correctly, water may be down seven or eight percent below budget through April of 2014.

Q. What about with respect to sewer?

A. Sewer I think is less so. One of the reasons, and this -- this will certainly be the case going forward, is a transition to billing more just a fixed flat

<p style="text-align: right;">Page 316</p> <p>1 CHARLES MOORE</p> <p>2 amount. So I believe sewer is down, I'm thinking</p> <p>3 maybe five percent. I just -- I can't recall exactly.</p> <p>4 That will not be the case going forward, though, with</p> <p>5 how sewer billing is handled.</p> <p>6 Q. So if we were to focus just on the consolidated</p> <p>7 systems, Slide Number 4, Page Number 4, total</p> <p>8 operating revenues, 894.4 million; correct?</p> <p>9 A. Yes.</p> <p>10 Q. So as of July 24th, can you tell me whether that</p> <p>11 number is -- is right?</p> <p>12 A. I can't. The last -- as I indicated, I think the last</p> <p>13 financials that I've reviewed would have been through</p> <p>14 April 30th of 2014. What -- in addition, I should</p> <p>15 just point out a few other items. While revenue is</p> <p>16 below budget, expenses are below budget by even more.</p> <p>17 Q. That's where I was going next.</p> <p>18 A. Yes.</p> <p>19 Q. So that's helpful. Thank you. Do you know of any</p> <p>20 changes that you would consider material with respect</p> <p>21 to the initial year results?</p> <p>22 A. No.</p> <p>23 Q. And the projections for the subsequent years all are</p> <p>24 based off of initial year projections; correct?</p> <p>25 MR. HAMILTON: Object to form.</p>	<p style="text-align: right;">Page 318</p> <p>1 CHARLES MOORE</p> <p>2 Q. And how do those -- how does that budget compare with</p> <p>3 the Disclosure Statement, Exhibit M?</p> <p>4 A. I can't recall offhand the comparison.</p> <p>5 Q. Do you know if they sync up?</p> <p>6 A. Well, as I indicated before, from a sewer fund</p> <p>7 standpoint, and that's where we focused primarily</p> <p>8 because DWSD has prepared five-year projections for</p> <p>9 the sewer fund in anticipation of financing, and those</p> <p>10 sync up very well. I have not done a comparison</p> <p>11 between the sewer fund for fiscal year '15 and the</p> <p>12 fiscal year '15 budget, but I'm going to make the</p> <p>13 assumption that those are close, so based on those</p> <p>14 couple of assumptions, I'm -- I'm pretty sure that</p> <p>15 2015, especially on a net basis, would sync up very</p> <p>16 closely.</p> <p>17 Q. What about with respect to the water fund?</p> <p>18 A. The DWSD -- two responses there. First, I, again,</p> <p>19 have not done a comparison of the 2015 budget to this.</p> <p>20 My colleagues may have. I just -- I can't recall</p> <p>21 looking at that comparison. Secondly, DWSD has not</p> <p>22 prepared an updated projection for the water fund like</p> <p>23 it did for the sewer fund for the sewer fund</p> <p>24 financing.</p> <p>25 Q. Show you what is Tab 15 in the binder set and Tab 16.</p>
<p style="text-align: right;">Page 317</p> <p>1 CHARLES MOORE</p> <p>2 You can answer.</p> <p>3 A. Generally, yes, because it's all about growth or</p> <p>4 reduction based on the initial year. I'd have to walk</p> <p>5 through each line item. There may be some that are</p> <p>6 not based on growth or decline from that initial year.</p> <p>7 BY MR. NEAL:</p> <p>8 Q. So let me ask the question this way. Do you believe</p> <p>9 that there are any differences between DWSD's actual</p> <p>10 performance in fiscal year 2014 and the projections</p> <p>11 for fiscal year 2014 that weren't revision of any of</p> <p>12 these projections for the years beyond 2014?</p> <p>13 A. No, I don't.</p> <p>14 Q. Was DWSD able to pay all of its bond debt in full</p> <p>15 during fiscal year 2014?</p> <p>16 A. Yes. I understand that's the case.</p> <p>17 Q. Looking at it another way, did DWSD default on any of</p> <p>18 its bonds during fiscal year 2014?</p> <p>19 A. Not that I'm aware of.</p> <p>20 Q. Have you seen the fiscal year 2015 budget for DWSD?</p> <p>21 A. Yes, I have. It's been a little while. When we --</p> <p>22 when Conway MacKenzie developed this, we looked at the</p> <p>23 fiscal year '15 budget as well. So it's -- it's been</p> <p>24 a little while, but yes, I've generally viewed that</p> <p>25 before.</p>	<p style="text-align: right;">Page 319</p> <p>1 CHARLES MOORE</p> <p>2 I'm going to walk you through these documents in a</p> <p>3 second, sir. You've been provided what has previously</p> <p>4 been marked as Malhotra Exhibit Number 12. I'm now</p> <p>5 going to provide you a similar looking document that</p> <p>6 was marked as Malhotra 13. I have a representation to</p> <p>7 make on the record. We took the Malhotra Exhibit 12</p> <p>8 and 13 off of the court reporter website. The clarity</p> <p>9 of these two documents is less than ideal, so what we</p> <p>10 did is stapled to it a clean copy on Page 2, so Pages</p> <p>11 1 and 2 of each exhibit are -- should be identical.</p> <p>12 A. Okay.</p> <p>13 Q. You may want to operate off of the clean page unless</p> <p>14 your eyesight is better than mine.</p> <p>15 A. I'll do so based on your representation that they're</p> <p>16 the same.</p> <p>17 Q. Okay. And it's the same with respect to Malhotra 13.</p> <p>18 Have you seen these two documents before?</p> <p>19 A. Yes.</p> <p>20 Q. What involvement did you -- well, please identify</p> <p>21 these documents if you can.</p> <p>22 A. These documents represent savings that DWSD is</p> <p>23 anticipated to realize as a result of the proposed</p> <p>24 terms in the Plan of Adjustment for certain creditors,</p> <p>25 and there are two different scenarios represented</p>

21 (Pages 316 to 319)

<p style="text-align: right;">Page 320</p> <p>1 CHARLES MOORE</p> <p>2 here.</p> <p>3 Q. And one scenario is presented in Malhotra 12 and the</p> <p>4 other scenario in Malhotra 13; correct?</p> <p>5 A. Yes.</p> <p>6 Q. How would you describe the scenario in Malhotra 12?</p> <p>7 A. The scenario in Malhotra 12, the primary difference</p> <p>8 between 12 and 13 is the pension payments under the no</p> <p>9 restructuring comparative set are set at 31.3 million</p> <p>10 per year going all the way out through 2043, whereas</p> <p>11 in Exhibit 13 the pension payments are listed as the</p> <p>12 amounts under what are referred to as the June 4th</p> <p>13 Milliman letters assuming a continued pension plan</p> <p>14 with the contributions necessary based on the</p> <p>15 actuarial assumptions used in those letters.</p> <p>16 Q. Can you describe generally the prospe -- process by</p> <p>17 which these -- these two documents were created? And</p> <p>18 I'm talking just the basic mechanics. Did -- did you</p> <p>19 prepare this chart or did you simply provide data</p> <p>20 inputs to the E & Y team?</p> <p>21 A. Neither actually. E & Y prepared these. I did not</p> <p>22 provide any inputs to this.</p> <p>23 Q. I may have missed your earlier answer. When did you</p> <p>24 first see these charts?</p> <p>25 A. Sometime last week. A colleague of mine that has been</p>	<p style="text-align: right;">Page 322</p> <p>1 CHARLES MOORE</p> <p>2 a total budgeted amount of professional fees of 130</p> <p>3 million and four different potential allocation bases,</p> <p>4 head count, pension, OPEB, and Certificates of</p> <p>5 Participation, and the portion of -- that DWSD</p> <p>6 represents compared to the total for each of those</p> <p>7 four items to then come up with four different</p> <p>8 potential amounts for allocation to DWSD of that</p> <p>9 \$130 million total budgeted professional fee amount,</p> <p>10 and then an average of those four was taken, which, if</p> <p>11 I recall correctly, resulted in \$20.7 million and</p> <p>12 \$20 million as used here.</p> <p>13 Q. And did you do that work?</p> <p>14 A. No.</p> <p>15 Q. Did your team members do that work?</p> <p>16 A. No.</p> <p>17 Q. What about with respect to the pension administrative</p> <p>18 costs? I recognize there's a -- there's a lengthy</p> <p>19 footnote, and I'm not going to ask you to repeat</p> <p>20 what's in that footnote. So the same question. What</p> <p>21 role did you play personally or Conway MacKenzie team</p> <p>22 members in determining the number that's reflected</p> <p>23 here for pension admin costs?</p> <p>24 A. Prior to the time of the Fourth-Amended Disclosure</p> <p>25 Statement being filed, the actuary for the City,</p>
<p style="text-align: right;">Page 321</p> <p>1 CHARLES MOORE</p> <p>2 involved in DWSD, Mr. Johnston, was involved, not from</p> <p>3 the standpoint of providing input I don't believe, but</p> <p>4 just the distribution of these as they were being</p> <p>5 developed, and he provided them to me.</p> <p>6 Q. I'm going to go about it a different way based on your</p> <p>7 answer, Mr. Moore. Recognizing that you didn't</p> <p>8 prepare these charts, there are purported savings that</p> <p>9 are reflected in them, and I'm going to just go</p> <p>10 through some of the line items to see what your</p> <p>11 involvement or your team's involvement was in</p> <p>12 determining those savings. Okay?</p> <p>13 A. Okay.</p> <p>14 Q. We'll come back to the pension payment, but if we</p> <p>15 could start with -- and it's the same on both exhibits</p> <p>16 for Malhotra 12. Let's start with the professional</p> <p>17 fees. On Malhotra 12 it's \$20 million for fiscal year</p> <p>18 2015. Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. Do you know what comprises those fees?</p> <p>21 A. Yes.</p> <p>22 Q. And what are -- what's the composition of the</p> <p>23 \$20 million number? How does it break down?</p> <p>24 A. While I did not prepare that calculation, I've</p> <p>25 reviewed that and so I understand that it is based on</p>	<p style="text-align: right;">Page 323</p> <p>1 CHARLES MOORE</p> <p>2 Milliman, was conducting various analyses, and those</p> <p>3 analyses were utilized in the projections that were</p> <p>4 included in the Disclosure Statement, Fourth-Amended</p> <p>5 Disclosure Statement, and I would have weighed in on</p> <p>6 various assumptions that Milliman was using as well as</p> <p>7 reviewed the actual analyses.</p> <p>8 Q. The next line, "OPEB current retirees." What role did</p> <p>9 you and Conway MacKenzie have in arriving at the</p> <p>10 numbers reflected here?</p> <p>11 A. None.</p> <p>12 Q. Same question with respect to the POC.</p> <p>13 A. None.</p> <p>14 Q. Same question with respect to the swaps.</p> <p>15 A. None.</p> <p>16 Q. Are these numbers that are reflected in the POA</p> <p>17 scenario for fiscal years 2015 through 2023</p> <p>18 incorporated into your ten-year financial projections?</p> <p>19 A. Yes.</p> <p>20 Q. Turning to the difference between Malhotra 12 and</p> <p>21 Malhotra 13 as it relates to the -- the investment</p> <p>22 return for the pensions. Give me a moment, sir. I</p> <p>23 lost track. So for clarity of the record, Malhotra</p> <p>24 12, Footnote 8, what is being utilized here is the</p> <p>25 7.9 percent investment rate -- investment return</p>

22 (Pages 320 to 323)

CHARLES MOORE

assumption; correct?

A. Yes.

Q. And a 30-year UAAL amortization; correct?

A. Yes.

Q. And in Malhotra 13, same footnote. What is being utilized here, however, is a seven percent investment return assumption and an 18-year UAAL amortization; is that correct?

A. Yes. I would just point out one item. The Footnote 8 in Exhibit 13 is based on contributions that cover this time period. Footnote 8 in Malhotra 12 is based on taking the amount for fiscal year '15, the contribution -- projected contribution amount from the Gabriel Roeder June 30th, 2013, actuarial valuation report and running that forward every year. There's not a -- a ten-year projection that existed as it relates to that. The last time that I saw projected information from Gabriel Roeder using these assumptions was after the June 30th of 2011 actuarial valuation wherein actually the unfunded position was lower than it is now, and that projected contribution requirement's growing to the point where I think the last year in that scenario was 2021 and the pension contributions were just north of \$40 million per year.

CHARLES MOORE

in the past has been a combination of the anticipated normal cost for future benefits to be earned that year as well as the -- the amortization of the UAAL, unfunded actuarial accrued liability, that is specifically associated with DWSD for that year.

Q. So, in essence, the DWSD would be charged both the normal cost and the -- and its share of its UAAL for its DWSD employees?

A. Yes.

Q. And do you know whether those payments were made as part of operations and maintenance expenses historically?

A. Yes. My understanding is that they were part of O&M, operations and maintenance.

Q. And how did you obtain that understanding?

A. When I looked at the financial statements, I -- again, the financial statements sometimes were in the form of more cost centers, sometimes the underlying cost elements. When you look at the cost elements that support the cost centers, they are part of operations and maintenance, and that includes fringe payments in addition to wages.

Q. Show you what is in the plan binder as Tab E, McCormick Exhibit 10. Mr. Moore, I handed you what

CHARLES MOORE

And so my point here is that I think that the numbers on Malhotra 12 under the no restructuring scenario for pension payments could be low.

Q. Could potentially understate the pension liabilities in the outer years?

A. Could potentially understate the pension payments that would be required at least in the initial years based on what I had seen from Gabriel Roeder in the past through 2021.

Q. How have the pension costs of DWSD been allocated historically by the DWSD?

A. First of all, DWSD participates in the general retirement system, and, Mr. Neal, I apologize if -- if I go through information that you already know, but it would be important as sort of a logical argument here as I go through each step. So DWSD is a division within the general retirement system. Individuals that participate in the general retirement system may be flagged as belonging to the DWSD division. And so those individuals will have a liability associated with them for accrued benefits. In addition to that, those individuals may accrue benefits in the future, which is commonly referred to as normal cost. The DWSD calculation for what it should contribute to GRS

CHARLES MOORE

has previously been marked as McCormick 10. This is a section of the Disclosure Statement dated May 5, 2014, Section IV, "Means of Implementation of the Plan." And my questions are going to be restricted to B-2 on this very first page.

A. Okay.

Q. What role did you have in determining the DWSD pension funding contribution as set forth here on McCormick 10?

A. I worked with the City's actuary, its attorneys, and Ernst & Young in the calculation of that amount. And by the City's actuary, I'm referring to Milliman.

Q. And when you say that amount, you mean the 428.5 million?

A. Yes. That was the amount that you were asking about.

Q. And how is that amount calculated?

A. Could you clarify what you mean by that question?

Q. Yes. How did you determine ultimately that 428.5 million represents the UAAL for the DWSD?

A. There are three components that make up the 428.5 million. The first component we discussed earlier, which is \$20 million related to professional fees. The second component relates to DWSD's share, allocable share of administrative costs for the

CHARLES MOORE

pension, and that's approximately two and a half -- it is two and a half million dollars per year for nine years. And then the third element, which is the largest component of it, is the amount of contributions necessary to pay the calculated unfunded liability as of June 30th, 2014, in full by June 30th of 2023.

Q. And did you -- for that third component, did you rely upon Milliman to provide you with that number?

A. Yes.

Q. Did you do any independent calculations?

A. Yes.

Q. Describe your -- the work you did independent of Milliman.

A. Just simple present value type calculations. The underlying assumption within the Plan of Adjustment is that benefits under the defined benefit plans that exist today, GRS and PFRS, will be frozen, and in that regard the unfunded -- unfunded liability related to the accrued benefits which has been calculated for DWSD as of June 30th of 2014 at approximately \$292 million is essentially paid off over that nine-year period. So when you look at just simple payments using an equal payment in the middle of each

CHARLES MOORE

employed now or where they retired from, and the liability associated with that employee follows -- or -- or is then assigned to whatever department they're -- or whatever division they're flagged with.

Q. Was any analysis undertaken to determine whether the DWSD is a net beneficiary of the bumping or whether it's a -- comes out on the short end with respect to the bumping?

A. Well, bumping is just one way that someone could move from one department to another. There are a whole host of other reasons besides --

Q. They could move independent from bumping?

A. Yes. The answer to your question is no, no analysis has taken place that I'm aware of that would quantify the impact.

Q. Do you know what percentage of DWSD's payroll works on non-DWSD projects?

A. I don't.

Q. Do you know what are the average years of service for each W -- DWSD employee?

A. I don't know if I've ever seen that just for DWSD. I certainly have seen that information for GRS as a whole.

Q. Has the Conway MacKenzie team reached a conclusion

CHARLES MOORE

year using a 6.75 percent interest rate, you can get to this specific amount, this amount being the approximately \$42 million per year.

Q. Have you heard the term "bumping" before?

A. I've heard that term many times.

Q. Have you heard it in the context of your -- in the context of the City of Detroit and in specific the DWSD?

A. I have heard that term in the context of my engagement with the City of Detroit in a variety of departments.

Q. And what does it mean to you?

A. It's commonly -- at least when I have heard that term, it's commonly used in the context of a term within Collective Bargaining Agreements that allow for an individual that may be -- whose job may be impacted to bump into or move into a different area.

Q. Could there be a scenario where someone spends 15 years at the Department of Transportation, spends his last five years at DWSD, and that DWSD has to assume the entire UAAL for that individual?

A. My understanding based on conversations directly with the GRS pension system is that employees have one flag, and that is the department to which they're associated, whether that's where they are actively

CHARLES MOORE

that the DWSD head count is currently excessive?

A. The business plan itself contemplates head count going down to approximately 1,000 by the year -- fiscal year 2020, and right now the last head count that I saw for DWSD is just south of 1600, but you would not be able to, and this is the view both of Conway MacKenzie and DWSD management, you would not be able to eliminate 600 positions right now. So there are a number of things that have to happen to facilitate getting to that 1,000, but we certainly believe that that is possible.

Q. Do you know what the peak head count was for DWSD in the past ten years?

A. I have seen historical reports that have labor well into the 2,000s and I believe even north of 2500.

Q. Did you ever look to determine whether the head count of DWSD grew as the City's financial problems increased over the past decade?

A. I can't recall.

Q. Going back to McCormick 10 en and the provision here B-2 on DWSD pension funding contribution. It states here that this amount should be paid over a nine-year period ending June 30th, 2023; is that correct?

A. Yes.

CHARLES MOORE

Q. Why nine years?

A. There are a couple of factors here. As you can see, the interest rate that's being used is 6.75 percent, so that's why, as I referenced earlier, the calculated amount of the unfunded liability for DWSD as of June 30th of 2014 is approximately 292 million. The total payments over the nine-year period is approximately 380 million. I think it's maybe 383. I can't recall the exact number. Because of the interest cost there. The longer the period of time that is used to repay that liability which already exists, the greater the total payments would be. So as an example, if you were to take that \$292 million and pay it off over 40 years, DWSD would be paying approximately \$21 million per year instead of \$42 million per year, but it would end up paying well over \$800 million for that liability as compared to approximately 380 million, and when you look at the rate here, this is quite simple finance, which is to say if you have the cash, it would be better to pay off higher priced debt than to let that go on if you are -- if your cost of capital -- or you can otherwise raise capital for a lower cost.

Q. But these considerations are not unique to the DWSD,

CHARLES MOORE

than what we have here, which is an unfunded liability associated with a closed frozen plan.

Q. What's the basis for your statement that most plans are moving towards a shorter period?

A. I have reviewed many municipal plans and that is a trend that I have seen.

Q. There's no other city department that is paying off its UAAL over a nine-year period; correct?

A. In the context of this plan, and, again, I'm going to use the word "unfunded liability" versus UAAL, and I understand it's probably even used in our own documents, but to be technically correct, the unfunded liability, there are no other divisions within GRS that contemplate paying their unfunded amount as of June 30th of 2014 over nine years.

Q. So why should the DWSD have to do so?

A. Therein we go back to a couple of reasons. But first and foremost, if you have the cash to pay it, that's a wise thing to do based on the interest rate associated with that liability versus the anticipated costs for other debt that DWSD is expected to raise.

Q. Has the DWSD management or its consultants requested that this amount be paid over nine years as opposed to a longer period of time?

CHARLES MOORE

are they?

A. Well, the principle that I just indicated is a general finance concept.

Q. And, generally speaking, UAAL is amortized over a 30-year period; correct?

A. No. That's incorrect. We're talking about two different things here. First of all, I've been -- I've attempted to be very careful to say that \$292 million is an unfunded amount. UAAL stands for unfunded actuarial accrued liability. It's using an actuarial value of the assets which may or may not be the actual value of the assets, market value of the assets. In addition to that, this is a closed and frozen plan. There's no new accrual of benefits. So what you were referring to with an amortization of a UAAL, that's the amortization of an unfunded actuarial amount and in the context of a plan that is still accruing benefits. The last point is there's no set standard in terms of 30 years. As a matter of fact, most plans are moving towards a shorter period of amortization, plus you have to get into whether it's an open 30-year or closed 30-year period. So there are a variety of factors that go into amortizing UAAL, but regardless, that's a completely separate topic

CHARLES MOORE

A. Not that I'm aware of.

Q. Who made this determination that it's in the best interest of the DWSD?

A. This is just one factor that I was pointing to.

Q. Okay.

A. In terms of the decision that DWSD would fund this unfunded liability over nine years, that was a decision ultimately made by the Emergency Manager in conjunction with -- or based on the advice and input from his advisors in the context of this plan.

Q. Did Conway MacKenzie provide any advice or input?

A. Yes.

Q. And what was your advice and input? That it's a good thing to do?

A. Yes.

Q. For the reasons you've already said?

A. Yes.

Q. Did anyone disagree or express a different view in these meetings, excluding meetings that involved counsel of course?

A. I don't think that I had any meetings that did not include counsel.

Q. Okay. I mean, was nine years chosen because there would be no other pension contributions being made by

<p style="text-align: right;">Page 336</p> <p>1 CHARLES MOORE</p> <p>2 the City into the GRS during that nine-year period?</p> <p>3 A. There is certainly a factor that comes into play here.</p> <p>4 First of all, nine years takes us to June 30th of</p> <p>5 2023. That's when the first segment of the</p> <p>6 projections ends. As -- as you probably have seen,</p> <p>7 beyond the ten years, the information is less detail.</p> <p>8 It's based on a decade-by-decade basis. So through</p> <p>9 June 30th of 2023 is the -- the time period that we're</p> <p>10 talking about here. There are actually contributions</p> <p>11 coming from the general fund now. Initially the City</p> <p>12 did not contemplate that it would be making any other</p> <p>13 contributions itself to GRS during that time period.</p> <p>14 That has changed. And the amount that goes towards</p> <p>15 blight has been reduced from \$500 million down to</p> <p>16 \$420 million, and as a result of that, the amount</p> <p>17 going into the general retirement system during this</p> <p>18 time period includes money from the general fund.</p> <p>19 Q. How much money?</p> <p>20 A. There is 2.5 million a year coming from library.</p> <p>21 There's, I believe it's 92 million coming from the</p> <p>22 general fund, just the general City operations. So if</p> <p>23 you add those two amounts together, which would be 22</p> <p>24 million or thereabouts -- this is an exhibit to the</p> <p>25 Disclosure Statement, so I'm going off the top of my</p>	<p style="text-align: right;">Page 338</p> <p>1 CHARLES MOORE</p> <p>2 media -- mediation communications?</p> <p>3 MR. HAMILTON: Can we -- I think we're</p> <p>4 probably -- what is the pending question? Can you</p> <p>5 read back the pending question for me, please? Not</p> <p>6 his -- not what he just said but the previous</p> <p>7 question.</p> <p>8 (The requested portion of the record was</p> <p>9 read by the reporter at 11:54 a.m.)</p> <p>10 COURT REPORTER: Any other factor that goes</p> <p>11 to the determination of nine years versus any other</p> <p>12 period of time?</p> <p>13 MR. HAMILTON: What I'd like to do, I'd</p> <p>14 like to confer with the witness for a second to make</p> <p>15 sure we don't -- that we address the concern about</p> <p>16 mediation, but I do believe he can answer this</p> <p>17 question, but I'd like to confer with the witness for</p> <p>18 a second.</p> <p>19 MR. NEAL: Please do.</p> <p>20 VIDEO TECHNICIAN: The time is 11:54 a.m.</p> <p>21 We are now off the record.</p> <p>22 (Recess taken at 11:54 a.m.)</p> <p>23 (Back on the record at 11:56 a.m.)</p> <p>24 MR. HAMILTON: So what I would like to do</p> <p>25 is just have the court reporter read back the question</p>
<p style="text-align: right;">Page 337</p> <p>1 CHARLES MOORE</p> <p>2 head, but if you were to provide that exhibit to me, I</p> <p>3 could tell you exactly. The -- so if you were to take</p> <p>4 22 and a half million I believe from the -- from the</p> <p>5 library and add I believe it's \$92 million to that</p> <p>6 from the general fund, that would be the total amount</p> <p>7 coming from the City to GRS during this time period.</p> <p>8 There are other sources of funds, though, as well.</p> <p>9 Q. Any other factor that goes to the determination of</p> <p>10 nine years versus any other period of time?</p> <p>11 A. Well, the negotiations that have taken place as it</p> <p>12 relates to the pension systems and the Retiree</p> <p>13 Committee and the unions, especially as it relates to</p> <p>14 the treatment of accrued benefits under the defined</p> <p>15 benefit plans, have had elements associated with</p> <p>16 June 30th of 2023 as important inputs to those</p> <p>17 negotiations, one of which is funding level, and so</p> <p>18 the funding level related to the --</p> <p>19 MR. ULLMAN: I'll just interrupt. To the</p> <p>20 extent you're getting into things that were the</p> <p>21 subject of mediation, I just want to caution you not</p> <p>22 to disclose that.</p> <p>23 THE WITNESS: Thank you.</p> <p>24 BY MR. NEAL:</p> <p>25 Q. Can you answer the question without disclosing</p>	<p style="text-align: right;">Page 339</p> <p>1 CHARLES MOORE</p> <p>2 again that's pending and have the witness answer the</p> <p>3 question. Is that okay with you?</p> <p>4 MR. NEAL: Yes.</p> <p>5 MR. HAMILTON: All right.</p> <p>6 MR. ULLMAN: Are we striking what's already</p> <p>7 on the record or . . . ?</p> <p>8 MR. HAMILTON: No. Just starting over.</p> <p>9 MR. ULLMAN: So just for confirmation, what</p> <p>10 you've said so far does not reveal any confidential</p> <p>11 mediation --</p> <p>12 MR. HAMILTON: We don't believe it does.</p> <p>13 We believe it's appropriate to say how the number --</p> <p>14 what the number is designed to do in the plan, and</p> <p>15 that's appropriate. We're not going to disclose what</p> <p>16 happened in mediation that may have led to that. But</p> <p>17 what the number is in the plan and why it's there I</p> <p>18 don't think is -- requires us to disclose what was in</p> <p>19 mediation, and the witness is going to answer the</p> <p>20 question to that -- to that extent.</p> <p>21 MR. ULLMAN: Okay. I think we'll just</p> <p>22 reserve our rights to what's on the transcript and to</p> <p>23 the extent we think it improperly discloses anything</p> <p>24 from the mediation, we'll make an appropriate motion</p> <p>25 or consult with you as to how to deal with it.</p>

26 (Pages 336 to 339)

CHARLES MOORE

MR. HAMILTON: We're not making any representations as to what happened in mediation and his answer isn't going to do that.

MR. ULLMAN: Let's proceed.

MR. GREEN: Retirement Systems will join Mr. Ullman's reservation because the answer did state that negotiations took place between the pension system and the Retiree Committee, so just to be clear.

MR. HAMILTON: I'm not talking about his reference to the mediation earlier in his earlier answer. I'm talking about the answer he's going to give now.

MR. GREEN: Right. So we're just reserving the right to the prior answer that was already on the record.

MR. HAMILTON: I don't think he disclosed too much in that one, but go ahead.

(The requested portion of the record was read by the reporter at 11:58 a.m.)

COURT REPORTER: Any other factor that goes to the determination of nine years versus any other period of time?

A. As I indicated previously, June 30th of 2023 is the end of this first time period, so there are a number

CHARLES MOORE

A. Perhaps greater cuts to pension benefits, accrued pension benefits.

Q. Did Milliman recommend this nine-year amortization period?

A. No. Milliman just ran the analyses based on inputs from the City and its advisors.

Q. So the nine-year amortization period is not an actuarially determined period of time within which to amortize the unfunded liabilities?

A. I'm not sure I understand that question.

Q. So there -- I'll rephrase it. So there is no actuary, Milliman or otherwise, that said nine years is the state-of-the-art and the actuarial practice for amortizing unfunded liabilities?

A. Correct. I did not hear them make that statement.

Q. Nor did you hear them give an opinion one way or the other as to whether you should choose nine years, 15 years, or 30 years?

A. Correct.

Q. You gave Milliman a set of assumptions and they came back to you with what the funding levels would have to be; correct?

A. The -- just so we're clear, when you say the funding levels, what the project -- or what the contributions

CHARLES MOORE

of factors that we look at as of that date to say we want the City to be positioned a certain way financially at that point, and so having contributions during that time period provides a basis for getting the City to a certain point versus contributions outside of that ten-year period, and, again, that -- those -- if contributions occur during this nine-year period, that allows the City to understand what it's going to have in the way of liabilities beyond that ten-year period.

BY MR. NEAL:

Q. So one of the factors is trying to reach a certain funding level for the GRS at the end of this period, that being June 30th, 2023; correct?

A. Yes.

Q. And the desire was to reach a funding level at or about 70 percent?

A. Yes.

Q. And in the absence of this pension contribution from the DWSD, you would not be able to achieve the 70 percent funding level; correct?

A. Well, we could, but we would have to go about it in different ways.

Q. And what would those different ways be generally?

CHARLES MOORE

would need to be.

Q. Yes. Thank you. That was helpful. Cleaned up a messy question.

Did anyone at the City, including its professional advisors, determine what the impact would be if this amount, this unfunded liability was amortized over 30 years as opposed to nine?

MR. ULLMAN: Objection. Form.

A. I know that I've looked at what that contribution would be, but in terms of what the impact would be, it could impact a lot of things and there are a lot of moving parts, so it's a question of whether those other parts would move. So from that standpoint, it's -- it's really not just one other scenario, if you will. There are a variety of things that could come into play if the proje -- or if the contributions took place over a period longer than nine years.

BY MR. NEAL:

Q. And what are those variety of things, those moving pieces?

A. Well, as I just indicated, what the level of benefit reduction is plays into that. What contributions would be taking place in the sources to make those contributions after 2023 also comes into play.

<p style="text-align: right;">Page 344</p> <p>1 CHARLES MOORE</p> <p>2 Q. So there is the potential that benefit reductions to</p> <p>3 all retirees would be lower if the DWSD funded over a</p> <p>4 longer period of time?</p> <p>5 A. The reductions would be higher. You would need</p> <p>6 greater reductions or -- or more reductions</p> <p>7 potentially, but it all depends on the various</p> <p>8 parameters that you use.</p> <p>9 Q. Thank you. I'm 0 for two in my last questions. Let</p> <p>10 me try to wrap this section up and I think we should</p> <p>11 take a lunch break so I can get some sugar in my</p> <p>12 system.</p> <p>13 Is the Grand Bargain -- you've heard of the</p> <p>14 term "Grand Bargain"; correct?</p> <p>15 A. Yes.</p> <p>16 Q. Is that dependent on approval of the 428.5 million</p> <p>17 pension allocation?</p> <p>18 A. No. Those are completely separate items.</p> <p>19 Q. Is any part of the plan dependent upon the approval of</p> <p>20 this 428.5 pension allocation?</p> <p>21 MR. HAMILTON: Object to form.</p> <p>22 A. Not that I'm aware of.</p> <p>23 MR. NEAL: I think now would be a good time</p> <p>24 for -- for a lunch break.</p> <p>25 VIDEO TECHNICIAN: The time is 12:03 p.m.</p>	<p style="text-align: right;">Page 346</p> <p>1 CHARLES MOORE</p> <p>2 obligation?</p> <p>3 MR. ULLMAN: I'm going to object to the</p> <p>4 form.</p> <p>5 A. I just want to make sure that I understand the</p> <p>6 question.</p> <p>7 BY MR. NEAL:</p> <p>8 Q. Yes.</p> <p>9 A. You're asking what happens if the actual return on</p> <p>10 plan assets associated with DWSD is worse than the</p> <p>11 6.75 percent?</p> <p>12 Q. As always, you do a better job than I do in framing</p> <p>13 the question. That is my question.</p> <p>14 A. Okay. The payments that are contemplated in this</p> <p>15 nine-year period are not in any way a full settlement</p> <p>16 on that unfunded liability. It is -- they are the</p> <p>17 payments that are necessary in order to fund the</p> <p>18 unfunded liability amount as of June 30th of 2014. So</p> <p>19 to the extent that actual performance or return on</p> <p>20 plan assets is lower and therefore the contributions</p> <p>21 that are made do not fully pay for or fund the</p> <p>22 unfunded amount, then DWSD would have an additional</p> <p>23 amount to be funded.</p> <p>24 Q. Now, what if investment returns are greater than</p> <p>25 projected?</p>
<p style="text-align: right;">Page 345</p> <p>1 CHARLES MOORE</p> <p>2 We are now off the record.</p> <p>3 (Recess taken at 12:03 p.m.)</p> <p>4 (Back on the record at 12:50 p.m.)</p> <p>5 BY MR. NEAL:</p> <p>6 Q. Good afternoon, Mr. Moore.</p> <p>7 A. Good afternoon.</p> <p>8 Q. The 6.75 percent investment return that is used to</p> <p>9 calculate the DWSD pension contribution, how is that</p> <p>10 percentage selected?</p> <p>11 A. That was the product of negotiation.</p> <p>12 Q. In essence, a settlement between the City and the</p> <p>13 retirees?</p> <p>14 A. Yes.</p> <p>15 Q. What happens if projections are worse than projected?</p> <p>16 That is, what happens during that nine-year period if</p> <p>17 the projections come in at six percent? Does that</p> <p>18 mean --</p> <p>19 MR. HAMILTON: You mean the returns?</p> <p>20 MR. ULLMAN: Objection. Form.</p> <p>21 BY MR. NEAL:</p> <p>22 Q. Returns.</p> <p>23 MR. HAMILTON: Yeah.</p> <p>24 BY MR. NEAL:</p> <p>25 Q. What does that mean with respect to DWSD's payment</p>	<p style="text-align: right;">Page 347</p> <p>1 CHARLES MOORE</p> <p>2 A. Then we would have a situation where, all else being</p> <p>3 equal, potentially at the end of this period that</p> <p>4 we're talking about, June 30th of 2023, that the</p> <p>5 amount related to DWSD for GRS for the previously</p> <p>6 accrued benefits could be greater than 100 percent</p> <p>7 funded at that time.</p> <p>8 Q. Does that mean the DWSD gets a refund or rebate of</p> <p>9 sorts?</p> <p>10 A. That wouldn't be likely, but there are a variety of</p> <p>11 factors that could happen over time, so my guess, and</p> <p>12 this is purely a guess because there's nothing set in</p> <p>13 this regard, is that if, for instance, it's funded at</p> <p>14 105 percent at June 30th of 2023, it would be funded</p> <p>15 at that level to allow for or to absorb any future</p> <p>16 negative variances, negative variances not just</p> <p>17 related to return on plan assets but also actuarial</p> <p>18 variances.</p> <p>19 Q. All right. Let me explore that a little further.</p> <p>20 What if -- different scenario. What if the City,</p> <p>21 unfortunately and regrettably, has to file for</p> <p>22 bankruptcy again in 2024? Will the DWSD employees</p> <p>23 have their share of the -- of their pension</p> <p>24 contributions a hundred percent funded by virtue of</p> <p>25 this 428.5 payment over nine years?</p>

28 (Pages 344 to 347)

CHARLES MOORE

A. That's a hypothetical that I can't speculate on.

Q. Well, let's -- let's talk about the actual, and, that is, under the plan, as projected by 2023, the GRS will be 70 percent funded; correct?

A. Yes.

Q. Such that that 70 percent funding ratio applies to all employees and retirees that are subject to the GRS; correct?

A. Yes. GRS does maintain separate reporting for the four different divisions within GRS.

Q. So would it be fair to say at that point or not that if you're a DWSD employee you'd be a hundred percent funded but if you're a DOT employee you're only 70 percent funded?

A. Well, I'm going to continue on with the hypothetical as far as I can.

Q. Yes.

A. Just based on what we have in the plan, and if everything goes exactly as we anticipate, plan assets, return, 6.75 percent year, there are no unanticipated actuarial variances, positive or negative, and we get to June 30th of 2023, I would anticipate that the actuarial valuation report for GRS at that time, assuming that there are still four divisions of GRS,

CHARLES MOORE

A. I have not received all of the guidance that I think should be obtained before making a conclusion on that. Certainly as we sit here today, I'm not expressing an opinion on that. I'm just conveying how we have presented it.

Q. What other guidance are you awaiting?

A. We have sought questions of the City's accountants in terms of treatment, and I'm sure that there will also be legal input to that as well.

Q. And who are the City's accountants?

A. I believe the questions have been posed to Plante Moran at this point in time. The auditors for the City are KPMG.

Q. And when do you expect to hear back from Plante Moran?

A. I would expect fairly shortly, fairly shortly being within the next month I would assume.

Q. Do you have a view or an opinion as to whether DWSD's payment of its 428.5 million over nine years is something that is feasible for DWSD to do?

A. The projections -- the projections, specifically Exhibit L to the Disclosure Statement, would indicate that there is adequate cash to be able to do that.

Q. You testified in December 2013 in this case; is that right?

CHARLES MOORE

would show DWSD funded at 100 percent and the other three divisions at something less than 100 percent.

Q. At the time of the bankruptcy last year, July 18th, 2013, was there such a breakdown within each department?

A. Each division.

Q. Each division.

A. Yes.

Q. But you can't say one way or another whether in that hypothetical, a bankruptcy filing in 2024, whether the DWSD employees would get a hundred percent of their pension whereas a DOT employee would get 70 percent?

A. That seems to me like a legal issue that I'm not in a position to respond to.

Q. Are you expressing a view or an opinion as to whether or not this DWSD pension allocation should be treated as a current expense under the water or sewer indentures?

A. That's how it's been treated in the projections, so based on the information that I have, that and how it has been handled previously, that is how we've included it.

Q. But are you, Charles Moore, saying that's how it should be treated?

CHARLES MOORE

A. I believe that's when my deposition related to the post petition financing occurred, yes.

Q. And I'm going to read you part of that transcript and then show it to you. It's just a couple sentences. You testified that "DWSD does not operate at a deficit. The surplus, however, cannot flow to the general fund, so the proposal to creditors was based on a general fund projection, and as a result, the subsequent activities occurred related to the enterprise fund operations of the water and sewer funds."

Do you recall that testimony?

A. Not really. And I don't know what the question was that I was responding to. May I look at the question?

Q. Let me see if there is -- is a question. Okay. Let me hand you -- yes. The question starts at the bottom of Page 68 of this mini transcript and continues on to Page 69.

A. Okay. I see -- I've read the preceding question and what you pointed me to.

Q. And that was your understanding then and that is your understanding today; correct?

A. Just to clarify, the information that you read, which was my response, seemed to be getting at the fact that

<p style="text-align: right;">Page 352</p> <p>1 CHARLES MOORE</p> <p>2 we did not look at DWSD during the January to</p> <p>3 June 2013 time period, and I was responding that DWSD</p> <p>4 is a separate enterprise fund and therefore it's not</p> <p>5 included in the general fund, only enterprise funds</p> <p>6 that operate on a deficit or at a deficit were, and</p> <p>7 that DWSD does not operate at a deficit.</p> <p>8 Q. Well, let me just ask you. The second sentence that I</p> <p>9 read earlier, I'll read it again, "The surplus,</p> <p>10 however, cannot flow to the general fund," and the</p> <p>11 sentence continues from there. Do you see where I'm</p> <p>12 reading?</p> <p>13 A. Yes.</p> <p>14 Q. And that was your understanding then and that's your</p> <p>15 understanding today, correct, that there's no surplus</p> <p>16 that can flow from the general fund -- excuse me, can</p> <p>17 flow from the DWSD to the general fund; correct?</p> <p>18 A. I would just expand on that a little bit. Certainly</p> <p>19 my understanding then is the same as it is now, which</p> <p>20 is that funds to reimburse for the cost of services</p> <p>21 can flow from an enterprise fund to the general fund,</p> <p>22 but just in general, if an enterprise fund makes a</p> <p>23 profit, those profits can't flow over to the general</p> <p>24 fund.</p> <p>25 Q. Are you familiar with the concept of closed loop?</p>	<p style="text-align: right;">Page 354</p> <p>1 CHARLES MOORE</p> <p>2 Q. Let me expand the question a little bit. What are</p> <p>3 some of your larger debtor side engagements in your</p> <p>4 career, Chapter 11 cases?</p> <p>5 A. Certainly. Again, off the top of my head, it's --</p> <p>6 it's going to be fairly difficult because there are so</p> <p>7 many, but certainly Greektown Casino and Hotel was a</p> <p>8 very large debtor side case. The Budd Company is a</p> <p>9 very large debtor side case. And these are only</p> <p>10 Chapter 11 filings? Okay. One thing to just make</p> <p>11 clear, probably -- it would depend on any given year,</p> <p>12 but less than half of my work is done within</p> <p>13 bankruptcy court versus out-of-court work, even though</p> <p>14 the vast majority of my work is done on the debtor</p> <p>15 side. Hastings Manufacturing, Willard Corporation.</p> <p>16 I'd have to go back and look at my records for other</p> <p>17 large Chapter 11 cases.</p> <p>18 Q. In any of those engagements, had you been asked to</p> <p>19 prepare a liquidation analysis?</p> <p>20 A. Yes.</p> <p>21 Q. And what is your understanding of a liquidation</p> <p>22 analysis in the context of a Chapter 11 case?</p> <p>23 A. A liquidation analysis is oftentimes used in what's</p> <p>24 referred to as best interest to creditors to determine</p> <p>25 whether what is being proposed will be at least what</p>
<p style="text-align: right;">Page 353</p> <p>1 CHARLES MOORE</p> <p>2 Have you heard that term used before?</p> <p>3 A. I have, yes.</p> <p>4 Q. And what -- what's your understanding of that term as</p> <p>5 it relates to DWSD?</p> <p>6 A. Essentially that the profits, if there are any, stay</p> <p>7 within the system.</p> <p>8 Q. I want to spend five -- five minutes or so on -- on</p> <p>9 your background unrelated to the City of Detroit.</p> <p>10 Now, have you provided professional services to</p> <p>11 Chapter 11 debtors?</p> <p>12 A. Yes, I have.</p> <p>13 Q. Can you identify the Chapter 11 debtors that you've</p> <p>14 provided services to over the past five years?</p> <p>15 A. Sure. Let's see here. I'm involved in a case right</p> <p>16 now, The Budd Company which filed in Chicago. I was</p> <p>17 involved in the Greektown Casino and Hotel bankruptcy.</p> <p>18 These are debtor side cases.</p> <p>19 Q. That's all I'm asking for. Thank you.</p> <p>20 A. Within the last five years, just on the debtor side</p> <p>21 alone, that may be it. But I typically will work on</p> <p>22 25 cases a year, so I'd have to go back and review my</p> <p>23 files for any other debtor side cases that I've worked</p> <p>24 on in the five-year period besides City of Detroit</p> <p>25 obviously.</p>	<p style="text-align: right;">Page 355</p> <p>1 CHARLES MOORE</p> <p>2 creditors could get if the entity or the assets were</p> <p>3 liquidated.</p> <p>4 Q. Recognizing that municipalities cannot nor should</p> <p>5 liquidate. You and I would agree on that; correct?</p> <p>6 A. Yes.</p> <p>7 Q. And understanding that you had a brief exchange</p> <p>8 yesterday with Mr. Soto about a dismissal analysis,</p> <p>9 have you or your team at Conway MacKenzie prepared a,</p> <p>10 for lack of a better term, a dismissal analysis for</p> <p>11 the DWSD?</p> <p>12 A. No. The business plan that we put together</p> <p>13 essentially contemplates the operation of DWSD outside</p> <p>14 of Chapter 9. However, there are certain line items,</p> <p>15 which we've covered here today, that have been</p> <p>16 adjusted based on the proposed treatment of those</p> <p>17 liabilities, but when it comes to the operations of</p> <p>18 the DWSD projections, those would not differ whether</p> <p>19 DWSD was operating as part of the Chapter 9 process or</p> <p>20 not.</p> <p>21 Q. Do you know if anyone outside of Conway MacKenzie</p> <p>22 prepared a dismissal analysis for the DWSD?</p> <p>23 A. I don't know.</p> <p>24 Q. The adjustments that were made in Exhibit M, which is</p> <p>25 your -- Exhibit M to the Disclosure Statement, which</p>

30 (Pages 352 to 355)

<p style="text-align: right;">Page 356</p> <p>1 CHARLES MOORE</p> <p>2 is Porter Exhibit Number 12, the adjustments that were</p> <p>3 made to account for a post restructuring environment</p> <p>4 include adjustments for pension; is that right?</p> <p>5 A. Yes. Both accrued and prospectively earned benefits.</p> <p>6 Q. It also includes adjustments for OPEB; correct?</p> <p>7 A. Yes.</p> <p>8 Q. It includes adjustments for the DWSD's allocated share</p> <p>9 of the COPs; correct?</p> <p>10 A. Yes.</p> <p>11 Q. It includes the pension admin fee; correct?</p> <p>12 A. I would say that in -- in a sense it does because it</p> <p>13 calls out separately administrative charges. Those</p> <p>14 have always been paid by DWSD, but they have been just</p> <p>15 taken out of the contributions that DWSD makes. So I</p> <p>16 would not say that there is really a change. It's</p> <p>17 more of a change in approach or presentation.</p> <p>18 Q. It also includes payment of professional fees for the</p> <p>19 City's Chapter 9 professionals; correct?</p> <p>20 A. Yes.</p> <p>21 Q. Before I go on, and I know we covered this briefly</p> <p>22 before lunch, the professional fee number is not based</p> <p>23 on time actually devoted to DWSD matters; correct?</p> <p>24 A. The professional fee number that you're referring to</p> <p>25 is the \$20 million?</p>	<p style="text-align: right;">Page 358</p> <p>1 CHARLES MOORE</p> <p>2 is included in the plan for DWSD bondholders.</p> <p>3 Q. And that is the option to elect to receive existing</p> <p>4 rate DWSD bonds; correct?</p> <p>5 A. That's correct.</p> <p>6 Q. Anything else?</p> <p>7 A. No. I believe that's it.</p> <p>8 Q. So I have listed here seven items. I just want to go</p> <p>9 over it with you again. Pension, number one; OPEB,</p> <p>10 number two; COPs, number three; pension admin, number</p> <p>11 four; professional fees, number five; swaps, number</p> <p>12 six; and the option to elect existing rate DWSD bonds</p> <p>13 is number seven?</p> <p>14 MR. HAMILTON: If that's a question, I'm</p> <p>15 going to object to form because I don't think that's</p> <p>16 fair to characterize pension admin as a change given</p> <p>17 what his testimony was, but . . .</p> <p>18 MR. NEAL: And I'll accept what his</p> <p>19 testimony was.</p> <p>20 BY MR. NEAL:</p> <p>21 Q. I'm not trying to put words in your mouth. But do</p> <p>22 you -- other than those seven items, can you think of</p> <p>23 any other items or obligations that are being</p> <p>24 restructured in the Chapter 9 plan that are reflected</p> <p>25 in the ten-year business projections for DWSD?</p>
<p style="text-align: right;">Page 357</p> <p>1 CHARLES MOORE</p> <p>2 Q. Yes, sir.</p> <p>3 A. It -- it is -- that's correct. The calculation is</p> <p>4 based off of, as I indicated before, the \$130 million</p> <p>5 allocated under four different methods and then using</p> <p>6 an average of those four methods.</p> <p>7 Q. Do you know if the professional fees devoted to DWSD</p> <p>8 matters is more or less than the \$20 million that is</p> <p>9 reflected in the ten-year projections?</p> <p>10 A. I don't know. Obviously the City has not actually</p> <p>11 incurred or paid, at least to the best of my</p> <p>12 knowledge, \$130 million yet, so that \$130 million</p> <p>13 takes into account fees to be earned and/or paid in</p> <p>14 the future, which certainly could get to \$20 million</p> <p>15 or more related to DWSD if it's not already there.</p> <p>16 Q. So going back to the restructured obligations under</p> <p>17 the ten-year projections that you and your team</p> <p>18 prepared, pension, OPEB, COPs, the pension admin fee</p> <p>19 subject to your qualification -- or clarification,</p> <p>20 excuse me, and professional fees; correct?</p> <p>21 A. Yes. The swaps as well.</p> <p>22 Q. Thank you. Anything else?</p> <p>23 A. Well, it doesn't have a -- an impact on the numbers,</p> <p>24 again, as I indicated, which we received from Miller</p> <p>25 Buckfire. It does take into account the option that</p>	<p style="text-align: right;">Page 359</p> <p>1 CHARLES MOORE</p> <p>2 A. No others that I can think of.</p> <p>3 Q. If the Chapter 9 case were dismissed, the DWSD would</p> <p>4 have to pay its unstructured obligations with</p> <p>5 respect to let's just assume all of the items, items</p> <p>6 one through seven that we went through; is that right?</p> <p>7 A. I haven't done that specific analysis, and I'm sure</p> <p>8 that there are legal considerations involved in what</p> <p>9 DWSD would have to do if the Chapter 9 case was</p> <p>10 dismissed.</p> <p>11 Q. Do you have any basis to believe that the DWSD would</p> <p>12 not be able to charge rates sufficient to pay these</p> <p>13 obligations as well as its -- all of these obligations</p> <p>14 under the ten-year forecast if the Chapter 9 case were</p> <p>15 dismissed?</p> <p>16 A. Certainly it would be a concern.</p> <p>17 Q. What do you mean by a concern?</p> <p>18 A. Well, there are multiple aspects of what DWSD or any</p> <p>19 utility, for that matter, charges. It's one thing to</p> <p>20 say we're going to increase rates as necessary to</p> <p>21 cover costs, but an important consideration is</p> <p>22 affordability, and to the extent that you have to --</p> <p>23 or to the extent that you increase rates beyond what</p> <p>24 would be considered affordable, then what you would</p> <p>25 see is that it really doesn't matter what rates you</p>

31 (Pages 356 to 359)

<p style="text-align: right;">Page 360</p> <p>1 CHARLES MOORE</p> <p>2 charge if you're not actually collecting. And so</p> <p>3 based on how you asked the question, while DWSD may be</p> <p>4 able to increase the rates to whatever, and I'm not --</p> <p>5 and I'm not fully aware of the various legal framework</p> <p>6 within the State of Michigan for caps or other</p> <p>7 constraints on increasing those rates, assuming that</p> <p>8 there aren't any, even if DWSD was able to raise its</p> <p>9 rates as necessary to cover these costs, you would</p> <p>10 still have to at a minimum consider the affordability</p> <p>11 aspect.</p> <p>12 Q. Well, recognizing that you view it as a concern and</p> <p>13 taking into consideration your prior answer, have you</p> <p>14 prepared any analysis that would demonstrate whether</p> <p>15 or not the DWSD would be able to charge rates</p> <p>16 sufficient to meet all of these obligations outside of</p> <p>17 a Chapter 9 case?</p> <p>18 A. I have not been asked to prepare that analysis.</p> <p>19 Q. Have you seen an analysis prepared by anyone?</p> <p>20 A. Not that I recall.</p> <p>21 MR. NEAL: Can I have what's in Tab 35 of</p> <p>22 the binder set?</p> <p>23 BY MR. NEAL:</p> <p>24 Q. Mr. Moore, I've handed you what has previously been</p> <p>25 marked as Orr Exhibit Number 18. And as an aside, I</p>	<p style="text-align: right;">Page 362</p> <p>1 CHARLES MOORE</p> <p>2 Q. You were a consultant for a preeminent bond insurance</p> <p>3 company; is that correct?</p> <p>4 A. I was.</p> <p>5 Q. If I could have you turn to the last page, A-25. What</p> <p>6 I ask you to do here, sir, is to read Points 1 through</p> <p>7 6, and my question is going to be the same with</p> <p>8 respect to each point, and that is, do you have any</p> <p>9 information that would lead you to disagree with any</p> <p>10 of the factual propositions in 1 through 6?</p> <p>11 A. Would you like me to read those out loud or to myself?</p> <p>12 Q. Read them to yourself.</p> <p>13 A. Okay. Thank you.</p> <p>14 Q. Take as much time as you need.</p> <p>15 MR. HAMILTON: While he's reading them,</p> <p>16 counsel, I don't want to get into a philosophical</p> <p>17 dispute as to the difference between a factual</p> <p>18 proposition and an opinion, but given the first</p> <p>19 sentence on that -- of those, it's -- I'm not sure if</p> <p>20 your question is asking the witness to distinguish</p> <p>21 between facts and opinions or if he's disagreeing with</p> <p>22 anything, whether it's a fact or an opinion, on this</p> <p>23 page. Because your question was just about facts.</p> <p>24 MR. NEAL: Then I will broaden my question</p> <p>25 to include anything.</p>
<p style="text-align: right;">Page 361</p> <p>1 CHARLES MOORE</p> <p>2 can't stress to you how difficult it is to take Orr</p> <p>3 and Moore depositions in the same week. You can</p> <p>4 ignore that comment. I'm going to represent on the</p> <p>5 record this is an appendix. I think it's Appendix</p> <p>6 1-A, Feasibility Report. Well --</p> <p>7 MR. HAMILTON: II-A.</p> <p>8 MR. NEAL: II-A. Thank you.</p> <p>9 BY MR. NEAL:</p> <p>10 Q. That has a cover letter dated July 17th, 2014, Foster</p> <p>11 Group letterhead, letter to Ms. Sue McCormick. The</p> <p>12 first question is, have you seen this document before?</p> <p>13 A. I have not.</p> <p>14 Q. Have you ever prepared a feasibility report for a bond</p> <p>15 issuance?</p> <p>16 A. I don't believe that I have.</p> <p>17 Q. Have you ever prepared any rate analysis or rate</p> <p>18 studies for a water or sewer department?</p> <p>19 A. That has come into play with previous work that I've</p> <p>20 done, yes.</p> <p>21 Q. What previous work are you referring to?</p> <p>22 A. In the Jefferson County, Alabama, case, that was an</p> <p>23 important topic, and while certainly I was not serving</p> <p>24 as a rate consultant, I looked at analyses associated</p> <p>25 with their issues.</p>	<p style="text-align: right;">Page 363</p> <p>1 CHARLES MOORE</p> <p>2 BY MR. NEAL:</p> <p>3 Q. Do you disagree with either the fact or the opinions?</p> <p>4 A. Can you restate your question one more time?</p> <p>5 Q. Certainly. I will reframe it. You've had an</p> <p>6 opportunity in the past few minutes to review what you</p> <p>7 said is for the first time what is on Page A-25 of</p> <p>8 Exhibit -- of Orr Exhibit 18; correct?</p> <p>9 A. Yes.</p> <p>10 Q. And you've read through all the items on Page A-25;</p> <p>11 correct?</p> <p>12 A. Items 1 through 6, yes.</p> <p>13 Q. Do you have any disagreement with any of the facts or</p> <p>14 opinions that are set forth in Items 1 through 6 on</p> <p>15 Page A-25?</p> <p>16 A. None of the underlying data that I would assume --</p> <p>17 which would support these items has been provided to</p> <p>18 me, so I'm not in a position to have an opinion either</p> <p>19 way, to agree or to disagree or even to take a</p> <p>20 position as it relates to these.</p> <p>21 Q. Thank you. You can put the document aside.</p> <p>22 What is the subject of litigation, and</p> <p>23 there are several subjects of litigation for the DWSD</p> <p>24 parties in this case, is the Interest Rate Reset Chart</p> <p>25 in the Plan of Adjustment. Have you seen that chart</p>

32 (Pages 360 to 363)

<p style="text-align: right;">Page 364</p> <p>1 CHARLES MOORE</p> <p>2 before?</p> <p>3 A. I've scanned it.</p> <p>4 Q. What involvement did you have in the determination of</p> <p>5 whether or not to impair or leave unimpaired certain</p> <p>6 series of bonds?</p> <p>7 A. I had no involvement.</p> <p>8 Q. What involvement did you have, if any, with respect to</p> <p>9 whether or not to strip or modify the call protection</p> <p>10 features of certain of the DWSD bonds?</p> <p>11 A. I had no involvement.</p> <p>12 Q. Do you have any view or opinion as to whether or not</p> <p>13 the proposed new interest rates under the plan are</p> <p>14 market?</p> <p>15 A. No, I don't.</p> <p>16 Q. As you may know, the DWSD is pursuing a new sewer bond</p> <p>17 issuance in the rough approximate amount of 150</p> <p>18 million. What involvement do you have in that</p> <p>19 process?</p> <p>20 A. I made mention of that a few times earlier today in my</p> <p>21 testimony, and my involvement has been, first of all,</p> <p>22 to understand the projections, the draft projections</p> <p>23 that have been put together by DWSD in support of that</p> <p>24 financing and differences that exist between Exhibit M</p> <p>25 and those projections for the sewer fund. In addition</p>	<p style="text-align: right;">Page 366</p> <p>1 CHARLES MOORE</p> <p>2 court-ordered mediation.</p> <p>3 A. I'm not aware if any of that analysis has been</p> <p>4 developed outside of use with counsel or as part of</p> <p>5 the mediation process.</p> <p>6 BY MR. NEAL:</p> <p>7 Q. As part of the ten-year projections that you put</p> <p>8 together as Exhibit M, are you projecting that the</p> <p>9 DWSD will have to access the capital markets beyond</p> <p>10 the 150 million new sewer bond issuance proposed for</p> <p>11 this year?</p> <p>12 A. Yes.</p> <p>13 Q. And you have an assumption in Exhibit M as to the cost</p> <p>14 of financing; correct?</p> <p>15 A. Yes.</p> <p>16 Q. I just want to make sure I'm reading the right line.</p> <p>17 You could certainly pull it up. It's Porter Exhibit</p> <p>18 12. I believe it's Page 3.</p> <p>19 A. Yes.</p> <p>20 Q. And so you have an assumption as to the cost of</p> <p>21 financing that the interest rate will be approximately</p> <p>22 4.63 percent?</p> <p>23 A. Yes.</p> <p>24 Q. And that's based on a Miller Buckfire analysis?</p> <p>25 A. Correct.</p>
<p style="text-align: right;">Page 365</p> <p>1 CHARLES MOORE</p> <p>2 to that, I participated in a meeting with DWSD</p> <p>3 management and several others, including DWSD's bond</p> <p>4 counsel, to address a number of questions as it</p> <p>5 relates to the Plan of Adjustment and Exhibit M, and</p> <p>6 through my colleagues, Mr. Hausman and Mr. Johnston, I</p> <p>7 have essentially kept tabs on the status of the</p> <p>8 financing process.</p> <p>9 Q. Have you done any analysis to determine whether the</p> <p>10 DWSD will experience higher financing costs as a</p> <p>11 result of the proposed impairment of certain of the</p> <p>12 DWSD bonds?</p> <p>13 A. No.</p> <p>14 Q. Do you know if that matter has been discussed amongst</p> <p>15 the Emergency Manager and his professionals outside of</p> <p>16 counsel and outside of mediation?</p> <p>17 A. I'm not sure if it's been discussed outside of counsel</p> <p>18 or mediation.</p> <p>19 Q. Do you know if any sensitivity analysis has been</p> <p>20 conducted to determine what if scenarios, that is, if</p> <p>21 the D -- the new DWSD bonds are rated below investment</p> <p>22 grade or above investment grade?</p> <p>23 MR. HAMILTON: Object and instruct the</p> <p>24 witness not to disclose any information in response to</p> <p>25 that question that was developed in connection with</p>	<p style="text-align: right;">Page 367</p> <p>1 CHARLES MOORE</p> <p>2 Q. And you did not perform any such analysis yourself or</p> <p>3 as a group within Conway MacKenzie?</p> <p>4 A. Correct.</p> <p>5 Q. And excuse me. I should have -- maybe I could be able</p> <p>6 to find this myself, but since I have the author here,</p> <p>7 where is the cost of -- where are the future</p> <p>8 financings reflected in your projections?</p> <p>9 A. Okay. So let me point you to a couple of things here.</p> <p>10 If you look at Page 6, this is on a consolidated</p> <p>11 basis, which is probably the easiest way to show this</p> <p>12 to you. What you have here at the top is the</p> <p>13 projected capital spending and then down below you</p> <p>14 have the sources and uses. The improvement and</p> <p>15 extension fund refers to revenue-financed capital</p> <p>16 improvements, and then you have down below that this</p> <p>17 relates to the new debt that is anticipated to be</p> <p>18 obtained. And so the bond issuance row is that new</p> <p>19 debt, and I believe that that totals approximately</p> <p>20 \$1.6 billion.</p> <p>21 Q. Sorry. What totals? Where would I -- what would I</p> <p>22 total to reach that total?</p> <p>23 A. Sure. Do you see the section called "Construction</p> <p>24 Bond Fund"?</p> <p>25 Q. Yes.</p>

33 (Pages 364 to 367)

CHARLES MOORE

A. The second row, "Plus: Bond issuance."

Q. Um-hmm.

A. And beginning in 2015, 123.8, 253.6, 208.5. Those across I believe will total to approximately 1.6 billion.

Q. Thank you. And this is for the consolidated systems; correct?

A. Correct.

Q. Okay. Just a few more questions, sir, and then I'm going to yield to others in the room. I want to go just all the way back to your expert report, so Moore Exhibit Number 1. And I suspect this may be self-evident, but I'm good at belaboring the obvious. If you could look at Pages 6 through 8. And this would include a section that provides an overview of the reinvestment initiatives that are the subject of your expert report; is that correct?

A. Yes.

Q. And, generally speaking, that's about \$1.7 billion that the City proposes to invest through fiscal year ending June 30th, 2023; correct?

A. Just to clarify, I use three words here: Investment, which is 1.7 billion, revenue initiatives, which are 482 million, and then cost reductions or cost savings

CHARLES MOORE

MR. NEAL: Let the record note Jones Day is proud of Exhibit 3.

BY MR. NEAL:

Q. The total of the investment -- none of these investment initiatives go toward or benefit the DWSD; correct?

A. Not directly.

Q. Any benefits would be indirect based on improving life within the City of Detroit?

A. That certainly could be one of them. The -- the strength of the City in general I would assume could have indirect benefits to DWSD as well.

Q. But a decision was made not to direct -- not to invest directly within the DWSD; right?

A. I'm not sure I understand your question.

Q. Let me go back. There's no direct investment of any of these proceeds within the DWSD; correct?

A. No. But separately within Exhibit M there's approximately \$2.9 billion in capital improvements that are being invested in DWSD. Part of that actually relates to its operations, including enhanced information systems and other operational efficiencies. So that is included within Exhibit M. This relates to the general fund as well as any

CHARLES MOORE

of 358 million. The three of those together are a net approximately \$877 million, and that's what -- the three together is what we refer to as reinvestment initiatives. So investment is 1.7 billion. You had used the word "reinvestment," I believe.

Q. I take it would this jump out at me on Slide -- Page 8, that you have your subtotal for investment is 1.7; correct?

A. Yes. If you -- actually if you look at Page 7.

Q. Um-hmm.

A. The second paragraph which begins "As set more fully."

Q. Okay.

A. You see \$1.7 billion there, and the rest of that paragraph just breaks out the 1.7 into six categories, and then below that it indicates cost, this is in the paragraph after that, cost savings of 358 million and then revenue initiatives of 482 million, and on Page 8, then, you see the total net reinvestment initiatives of approximately 877 million.

MR. HAMILTON: If you'll look at Exhibit 3, there's a really cool graphic representation of that if you want to see it. The second page of Exhibit 3 of his report. We worked hard on that.

MS. NELSON: We did.

CHARLES MOORE

enterprise funds that are operating at a -- with a subsidy from the general fund.

Q. What about with respect to the department cost savings initiatives?

A. Same thing. That is included in Exhibit M, not included here.

Q. And, lastly, the revenue initiatives?

A. Same response.

MR. NEAL: If we can go off the record. I need five minutes to see if I have just a few more questions.

VIDEO TECHNICIAN: The time is 1:34 p.m.

We are now off the record.

(Recess taken at 1:34 p.m.)

(Back on the record at 1:39 p.m.)

EXAMINATION

BY MS. QUADROZZI:

Q. Good afternoon.

A. Good afternoon.

Q. I have a few questions for you. Just a few.

Can you take a look at Exhibit M? I think it was identified as Porter 12 in front of you.

MR. HAMILTON: That's correct.

MR. ULLMAN: Do you remember what tab

<p style="text-align: right;">Page 372</p> <p>1 CHARLES MOORE</p> <p>2 number that was?</p> <p>3 MR. NEAL: J.</p> <p>4 A. Yes. I have it.</p> <p>5 BY MS. QUADROZZI:</p> <p>6 Q. The capital improvement line -- lines in Exhibit M are</p> <p>7 based on the OHM report; correct?</p> <p>8 A. For the most part.</p> <p>9 Q. Okay.</p> <p>10 A. They're --</p> <p>11 Q. I want to talk to you about the not most part, in</p> <p>12 particular those. So if you take a look at what is,</p> <p>13 and I'm using the numbers that you previously looked</p> <p>14 at, so Page 193 out of 212 --</p> <p>15 A. Yes.</p> <p>16 Q. -- at the bottom. There is a line underneath "Capital</p> <p>17 spending." It describes OHM Advisors, CIP estimates,</p> <p>18 and then there is a line item "Unidentified capital</p> <p>19 projects." And those are for the years 2020 through</p> <p>20 2023.</p> <p>21 A. Yes.</p> <p>22 Q. From where did you derive those numbers?</p> <p>23 A. These numbers are a placeholder based on the City --</p> <p>24 I'm sorry, DWSD and its operating metrics by that time</p> <p>25 in terms of how much cash that it would have. There</p>	<p style="text-align: right;">Page 374</p> <p>1 CHARLES MOORE</p> <p>2 change based on what the actuals in those years</p> <p>3 yielded?</p> <p>4 A. Not necessarily.</p> <p>5 Q. Okay. Explain to me how that is not correct.</p> <p>6 A. To the extent that actual results for, as you say,</p> <p>7 2014 and 2015 differ than what's in here, favorably or</p> <p>8 un -- or unfavorably, what would be more likely to</p> <p>9 happen is that in the future years, '16, '17, '18, as</p> <p>10 an example, rates would likely be adjusted to make up</p> <p>11 for that one way or another, and so you would have</p> <p>12 quite a bit of operating experience that would take</p> <p>13 place between '14 and '15, as you mentioned before,</p> <p>14 you would get out to 2020, and as the process occurs</p> <p>15 every year, rates are set taking into account not only</p> <p>16 what the costs are anticipated to be but also what has</p> <p>17 happened in the past.</p> <p>18 Q. Okay. Let's -- let's stay with that for a minute.</p> <p>19 Let's assume that the results of '14 and '15 are</p> <p>20 unfavorable. Let's assume that the revenue is not as</p> <p>21 you had projected. Let's then assume that you keep</p> <p>22 everything else constant, that rates don't go up.</p> <p>23 Fair to say that the amounts for the capital projects,</p> <p>24 unidentified capital projects in those outlying years</p> <p>25 would have to be adjusted?</p>
<p style="text-align: right;">Page 373</p> <p>1 CHARLES MOORE</p> <p>2 was capacity to take on additional capital</p> <p>3 improvements. So while there were not specific</p> <p>4 projects that were identified outside of the OHM work,</p> <p>5 we put this in as a placeholder to provide for even</p> <p>6 more capital improvements if those were necessary to</p> <p>7 show that they would be able to -- that DWSD would be</p> <p>8 able to fund those.</p> <p>9 Q. Let me just make sure that I understand that. The</p> <p>10 placeholder that you're describing, was that a</p> <p>11 function just of a roll forward of dollars based on</p> <p>12 your forecasts that would be in the system?</p> <p>13 A. I'm not sure I understand your question.</p> <p>14 Q. Okay. Well, let me see if I can make it clearer for</p> <p>15 you. What I'm trying to understand is whether or not</p> <p>16 there were any factors other than the forecasts, the</p> <p>17 financial forecasts, that you used that allowed you to</p> <p>18 decide what the size of those placeholders would be.</p> <p>19 A. No. The amounts that you see, those four years, are</p> <p>20 based purely on capacity, if you will, to fund</p> <p>21 additional projects to the extent that those projects</p> <p>22 would be identified and validated.</p> <p>23 Q. So, for example, if your assumptions that led to the</p> <p>24 2014 and 2015 revenue numbers proved to be incorrect,</p> <p>25 those placeholder amounts could -- would be subject to</p>	<p style="text-align: right;">Page 375</p> <p>1 CHARLES MOORE</p> <p>2 A. No.</p> <p>3 Q. Okay. Other than raising rates, would the -- would</p> <p>4 the other option be to increase financing?</p> <p>5 A. No.</p> <p>6 Q. What would be the third option?</p> <p>7 A. Most likely cost would be adjusted so that to the</p> <p>8 extent that there's a variance in revenue, cost would</p> <p>9 also be adjusted, and, as I indicated earlier, right</p> <p>10 now revenues for fiscal year '14 at least to date as</p> <p>11 far as I saw them, which I believe was through April</p> <p>12 of 2014, revenue was below plan, but expenses are also</p> <p>13 below plan, and they're even more favorable in terms</p> <p>14 of a variance than the revenue variance. So we would</p> <p>15 have a situation where the net for 2014 would</p> <p>16 potentially come in better than the net, and it's</p> <p>17 really all about the net cash flow in the end.</p> <p>18 Revenue can be higher or lower, expenses can be higher</p> <p>19 or lower, but it's about the net amount of cash flow</p> <p>20 that the operation generates.</p> <p>21 Q. Would you agree that it has been historically the</p> <p>22 case, based on your expert review of the DWSD</p> <p>23 financials, that the manner in which DWSD has operated</p> <p>24 is to provide a decrease in capital expenditures in</p> <p>25 order to make up in the bottom line a loss in revenue</p>

35 (Pages 372 to 375)

CHARLES MOORE

over the past say seven of the last ten years?

A. No. I would not agree with that. If you look at the OHM study, their ten-year capital improvement plan, you can actually see, and I'd have to have the study in front of me, but there are years within the ten-year period that you're referencing, several years, where you see a pretty significant spike in capital improvements that were undertaken. So this has not been a situation where capital improvement dollars have actually been shrinking. There was a lot spent on capital within the last ten years.

Q. To your knowledge, based on the DWSD, so I'm not talking the OHM, I'm talking the typical five-year DWSD Capital Improvement Plans that they perform within that department. You're familiar with those?

A. Yes.

Q. Okay. So based on just those, is -- is it fair to say that DWSD has underspent its Capital Improvement Plans in each of the last seven of ten years?

A. I don't recall looking at that specific analysis, meaning going back and looking at five-year plans and comparing that to what was actually spent, so I don't think I can answer that question.

Q. I think when you were speaking this morning with

CHARLES MOORE

understand the specific question and I'd like to see the answer. She may not have seen a cover page that says Exhibit M on it. But that would definitely surprise me if there was an indication that she had not seen these projections.

BY MS. QUADROZZI:

Q. Okay. When you were talking this morning, this might have been this afternoon, with Mr. Neal, you were talking about the -- your involvement in connection with the discussions about a regional authority. Do you remember that testimony generally?

A. Yes.

Q. You talked in specific with Mr. Neal about your involvement in connection with a proposal, you can correct me if you don't like that word, that included a \$47 million a year lease payment. Do you remember that?

A. Yes.

Q. And you also remember that there -- prior to that 47 million number there was an analysis that Conway MacKenzie and you were involved in that had a larger lease payment; correct?

A. Yes. We discussed two things this morning.

Q. Right.

CHARLES MOORE

Mr. Neal, you indicated that DWSD, you might have called it executive staff, I might have the wording wrong, approved your -- the work that you had done in connection with Exhibit M, and my question to you is, who specifically at DWSD did you review Exhibit M with who said yes, we sign off on this?

A. My colleague, Wade Johnston, who I referenced earlier, before Exhibit M was included with the Disclosure Statement, I made sure that the DWS -- DWSD management team, that was for sure Ms. Bateson, it may have been Mr. Wolfson and it may have been Mr. Foster as well, did not have any remaining concerns on this information before it went into the Disclosure Statement.

Q. Would it surprise you that Ms. McCormick testified that she did not see Exhibit M prior to the time that it was included in the Plan of Adjustment?

A. No. That doesn't surprise me, especially based on the answer that I just gave.

Q. Does it surprise you that that was also Ms. Bateson's testimony?

MR. HAMILTON: I'm not sure it was, but let's assume it was. Would it surprise you?

A. If -- if Ms. Bateson -- I guess I would like to

CHARLES MOORE

A. The business plan that had a higher lease payment in it, and then when I was brought in by Ms. Fox around the end of January, the discussions were around a \$47 million constant lease payment over 40 years.

Q. Okay. And I wasn't trying to reget your testimony. I was just kind of trying to bring you back to where I'm now going to leap off with with some questions. Were you involved at all in a analysis that had a \$44 million a year constant payment?

A. I don't recall a \$44 million. It certainly could be. I just don't recall right now.

Q. Okay. Let me -- let me see if we can -- if we can -- if I can refresh your recollection at all, understanding it's not a memory test. In January -- in December '13, January '14, during the discussions with the counties, were you involved in any meetings at which there was a proposal outlined by Miller Buckfire with a constant \$44 million lease payment?

A. Not that I can recall. My first involvement with the counties after the initial time period in October was in January.

Q. Do you recall in January any discussions with anyone at Miller Buckfire or anyone else within Conway MacKenzie, including Mr. Hausman, about whether or not

<p style="text-align: right;">Page 380</p> <p>1 CHARLES MOORE</p> <p>2 there had been a refinement of the -- of a constant</p> <p>3 lease payment that made a jump from 44 to 47?</p> <p>4 A. Not that I can recall. The \$47 million number is the</p> <p>5 one that always sticks out in my head, and I just</p> <p>6 don't recall discussions around \$44 million. It</p> <p>7 certainly could be the case. Again, I -- I just don't</p> <p>8 recall offhand discussions around 44 million.</p> <p>9 Q. Okay. One more area, sir. If you can take a look</p> <p>10 at -- this was Orr Exhibit 10. The tab is Tab 6.</p> <p>11 A. What did this relate to?</p> <p>12 Q. I don't believe that we --</p> <p>13 MR. HAMILTON: It's the October 2nd 10-Year</p> <p>14 Business Plan.</p> <p>15 BY MS. QUADROZZI:</p> <p>16 Q. Yeah. I don't believe it was separately marked, but</p> <p>17 if you recall, there was a bit of discussion this</p> <p>18 morning about in particular Page 40 of that.</p> <p>19 A. Yes. I have it.</p> <p>20 Q. Okay. Now, you -- and you can take a look at Page 40</p> <p>21 if you want, but I just have a few questions on this.</p> <p>22 You talked with Mr. Neal this morning about</p> <p>23 optimization savings and how that was the line item</p> <p>24 where only 50 percent was included in the business</p> <p>25 plan number and the other amount was to be a benefit</p>	<p style="text-align: right;">Page 382</p> <p>1 CHARLES MOORE</p> <p>2 A. The EMA report largely related to head count, and</p> <p>3 there were a variety of reasons why the EMA number was</p> <p>4 not used. This is the plan that management is</p> <p>5 pursuing right now as it relates to head count in</p> <p>6 particular.</p> <p>7 Q. Well, you're aware, sir, that the EMA report was done</p> <p>8 in 2012?</p> <p>9 A. Yeah. I had indicated within the last two years, yes.</p> <p>10 Q. Okay. And you are aware that the -- the EMA report,</p> <p>11 just for clarification, was not improved -- approved</p> <p>12 in its entirety by the City Council; correct?</p> <p>13 A. I actually don't know that.</p> <p>14 Q. Okay. The activities that were recommended in the EMA</p> <p>15 report had begun to be put into place at DWSD within</p> <p>16 calendar year 2013; correct?</p> <p>17 A. Yes.</p> <p>18 Q. So they were working along those lines, the head count</p> <p>19 reductions, at least the portion that they were doing</p> <p>20 of the EMA report, that was happening in 2013?</p> <p>21 A. Yes.</p> <p>22 Q. And continuing to this day?</p> <p>23 A. Yes.</p> <p>24 Q. What of this optimization savings is attributable to</p> <p>25 the bankruptcy, sir?</p>
<p style="text-align: right;">Page 381</p> <p>1 CHARLES MOORE</p> <p>2 that DWSD achieved. Do you remember that testimony?</p> <p>3 A. A benefit that DWSD would retain.</p> <p>4 Q. Correct.</p> <p>5 A. Yes.</p> <p>6 Q. My question to you, sir, is, and correct me if I'm</p> <p>7 wrong, your testimony also was that you -- that</p> <p>8 optimization savings was something that you analyzed</p> <p>9 in connection with the EMA report?</p> <p>10 A. The --</p> <p>11 MR. HAMILTON: Go ahead.</p> <p>12 A. The EMA report, as I testified earlier today, that was</p> <p>13 something that was looked at. The optimization</p> <p>14 savings is more based on the discussions with</p> <p>15 management on the initiatives that they're</p> <p>16 undertaking, and one of the -- one of the activities</p> <p>17 that we looked at or that we undertook specifically</p> <p>18 was to sit down with management and understand the</p> <p>19 items in the EMA report versus -- and get management's</p> <p>20 thoughts on the achievability of those as well as why</p> <p>21 certain items could not be undertaken.</p> <p>22 BY MS. QUADROZZI:</p> <p>23 Q. And those items in the EMA report were a portion or</p> <p>24 were considered and rolled into the optimization</p> <p>25 savings that you have on that -- on that table?</p>	<p style="text-align: right;">Page 383</p> <p>1 CHARLES MOORE</p> <p>2 A. Well, as we've talked about here, the -- I think</p> <p>3 Mr. Neal essentially asked this question already. As</p> <p>4 it relates to adjustments to the projections,</p> <p>5 specifically for the Chapter 9 process, we covered</p> <p>6 what he referred to as seven categories, Mr. Hamilton</p> <p>7 objected about pension administrative costs, but as</p> <p>8 you can tell, I didn't respond and we didn't cover</p> <p>9 anything related to optimization as part of the</p> <p>10 Chapter 9 process. So these activities are activities</p> <p>11 that can and are being effectuated regardless of</p> <p>12 whether the City is in bankruptcy or not.</p> <p>13 MS. QUADROZZI: Okay. I don't have any</p> <p>14 other questions.</p> <p>15 MR. HAMILTON: Anybody else?</p> <p>16 VIDEO TECHNICIAN: This concludes today's</p> <p>17 deposition. The time is 1:57 p.m. We are now off the</p> <p>18 record.</p> <p>19 (The deposition was concluded at 1:57 p.m.</p> <p>20 Signature of the witness was not requested by</p> <p>21 counsel for the respective parties hereto.)</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

37 (Pages 380 to 383)

CHARLES MOORE
 CERTIFICATE OF NOTARY
 STATE OF MICHIGAN)
) SS
 COUNTY OF WAYNE)

I, Cheri L. Poplin, certify that this
 deposition was taken before me on the date
 hereinbefore set forth; that the foregoing questions
 and answers were recorded by me stenographically and
 reduced to computer transcription; that this is a
 true, full and correct transcript of my stenographic
 notes so taken; and that I am not related to, nor of
 counsel to either party nor interested in the event of
 this cause.

Cheri L. Poplin, CSR 5132, RPR, CRR
 Notary Public,
 Wayne County, Michigan
 My Commission expires: August 21, 2019

EXHIBIT I



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, MI 48226
Phone: (313) 628-2535
Fax: (313) 224-2135
E-Mail: OCFO@detroitmi.gov

March 31, 2021

The Honorable Detroit City Council
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, MI 48226

Re: FY 2021 – 2030 Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations

Dear Honorable City Council Members:

The Office of the Chief Financial Officer (OCFO) respectfully submits its annual Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations. The OCFO also publishes this report on the City's website.

This report is provided in accordance with the requirements included in Detroit Financial Review Commission (FRC) Resolution 2020-03, which granted the City its waiver of active FRC oversight through June 30, 2021. It includes long-term forecasts for the City's legacy pension plans, debt obligations, revenues and expenditures, and the assumptions used for the analysis.

Best regards,

Jay B. Rising
Acting CFO

Att: FY 2021 – 2030 Long-Term Forecast Report for Legacy Pension Plans and Debt Obligations

Cc: Mayor Michael E. Duggan, City of Detroit
Hakim Berry, Chief Operating Officer
Tanya Stoudemire, Chief Deputy CFO/Policy & Administration Director
John Naglick, Jr., Chief Deputy CFO/Finance Director
Christa McLellan, Deputy CFO/Treasurer
Steve Watson, Deputy CFO/Budget Director
Avery Peeples, City Council Liaison



Long-Term Forecast Report

FY 2021–2030

Office of the Chief Financial Officer
Office of Budget

Table of Contents

Section	Page No.
Executive Summary	3
Legacy Pension Obligations	4
Debt Obligations	10
Long-Term Forecast	14

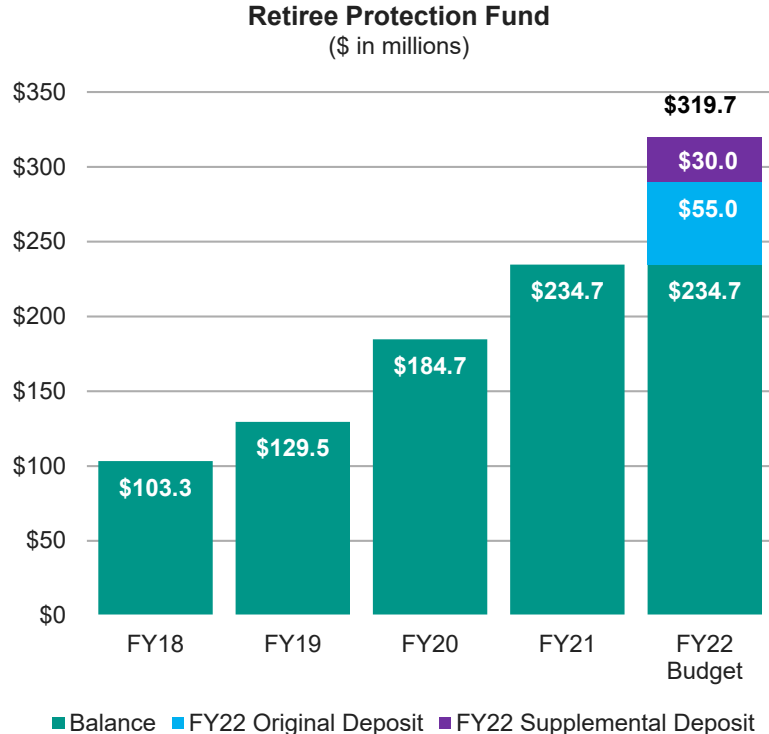
Executive Summary

- Detroit continues to face long-term financial challenges following the COVID-19 pandemic's impact on the economy and City's finances
- In response, we have proactively maintained balanced budgets through the pandemic and have not wavered in our commitment to our retirees and meeting our long-term obligations
- The proposed FY 2022 - FY 2025 Four-Year Financial Plan includes all of the originally scheduled Retiree Protection Fund ("RPF") deposits, plus an additional \$30M in FY22
- To achieve fiscal sustainability, we will need to identify additional RPF funding, reduce recurring spending through new efficiencies and innovations, and continue to grow and diversify our revenues
- Targeted one-time investments that achieve these goals will be crucial to the City's future

13-53846-tjt Doc 13634-20 Filed 02/09/23 Entered 02/09/23 18:52:03 Page 35 of 54

Legacy Pension Obligations

Legacy Pensions Background



- The Bankruptcy Plan of Adjustment gave the City a 10-year “pension holiday” for the legacy plans to rebuild the tax base by investing in operations, capital, and blight removal
- It assumed only the fixed “Grand Bargain” pension contributions prior to FY 2024 followed by a 30-year amortization
- Instead of waiting for this “pension cliff” in FY 2024, the City began setting aside surplus funds in 2016
- The City established the Retiree Protection Fund (“RPF”) in FY 2018 to conservatively invest the funds in a new irrevocable trust that can only be used for future pension funding and to help the City build room within its recurring budget over time
- The FY 2022 Budget includes the scheduled \$55M deposit, plus another \$30M supplemental deposit, for a total of \$85M
- The RPF is critical to the City’s pension funding strategy, and

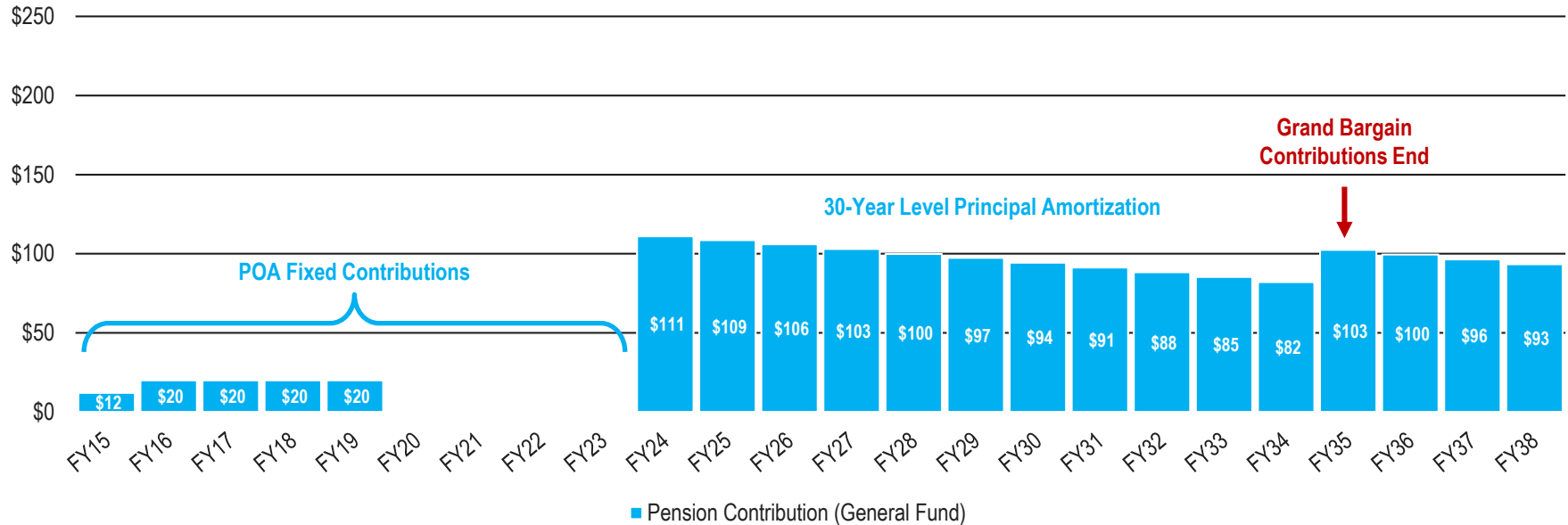
13-53846-tjt Doc 13634-20 Filed 02/09/23 Entered 02/09/23 18:52:03 Page 734

of 254 contributions



Plan of Adjustment (“POA”) Requirement (with October 2014 POA Projections)

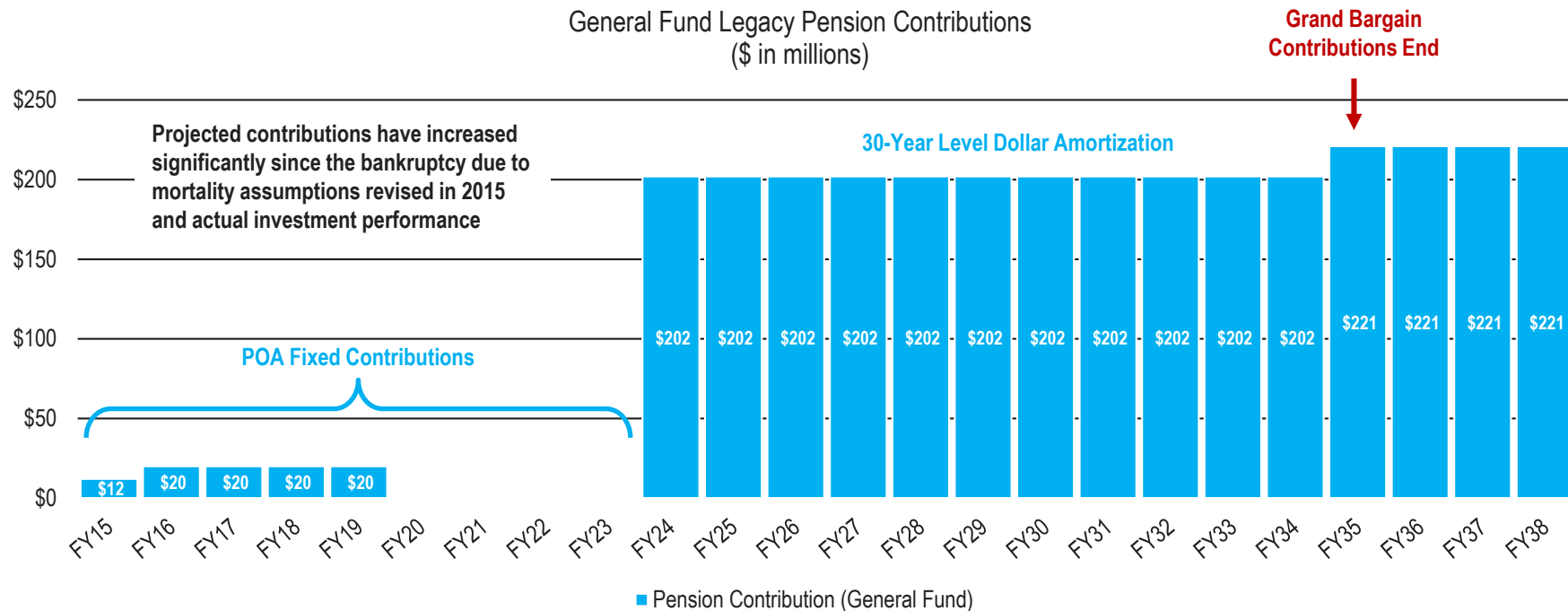
General Fund Legacy Pension Contributions
(\$ in millions)



* Excludes “Grand Bargain” contributions from State of Michigan, Foundation for Detroit’s Future (FDF), and Detroit Institute of Arts (DIA). DWSD and Library liabilities and contributions are separate.

13-53846-tjt Doc 13634-20 Filed 02/09/23 Entered 02/09/23 18:52:03 Page 8 of

Plan of Adjustment (“POA”) Requirement (with City’s March 2021 Projections)



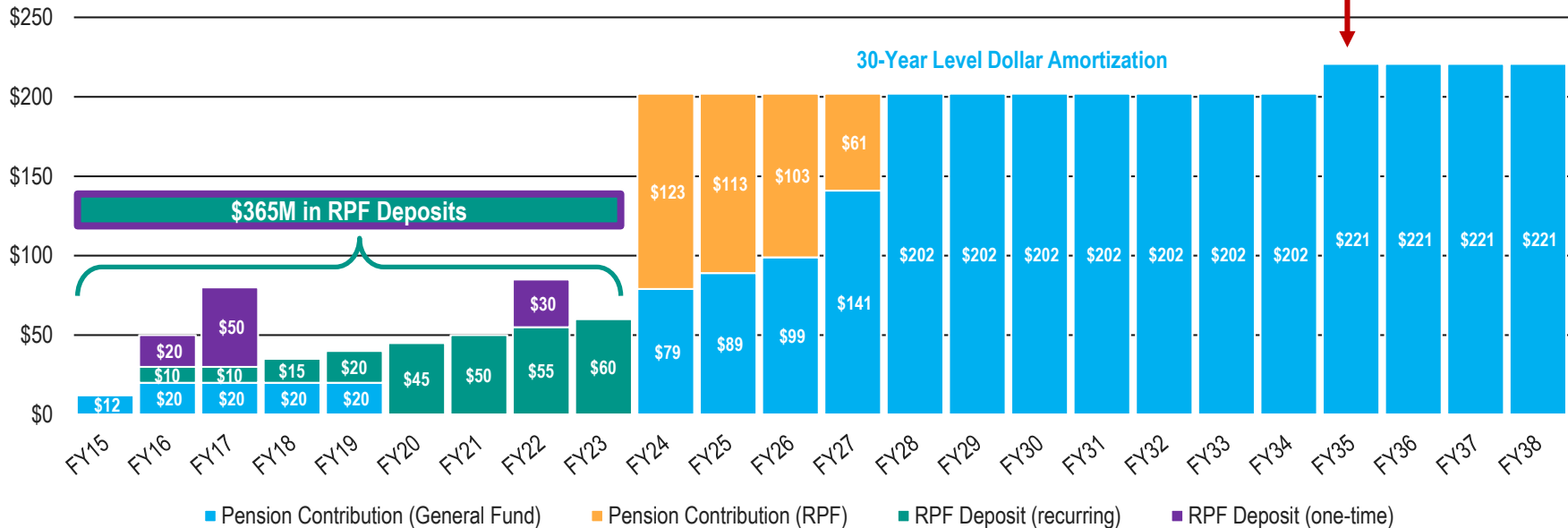
* Excludes “Grand Bargain” contributions from State of Michigan, Foundation for Detroit’s Future (FDF), and Detroit Institute of Arts (DIA). DWSD and Library liabilities and contributions are separate.

13-53846-tjt Doc 13634-20 Filed 02/09/23 Entered 02/09/23 18:52:03 Page 9 of

Retiree Protection Fund Plan

(with City's March 2021 Projections)

General Fund Legacy Pension Contributions
(\$ in millions)



* Excludes "Grand Bargain" contributions from State of Michigan, Foundation for Detroit's Future (FDF), and Detroit Institute of Arts (DIA). DWSD and Library liabilities and contributions are separate.

FY 2022 Pension Plan and RPF Review

- Prior to developing the FY 2022 Budget recommendation, the OCFO reviewed the latest actuarial valuations, pension plan returns, and RPF returns
- No change to funding policy assumptions
- Projected FY 2024 net contribution from General Fund increased \$36M vs. last year's review
 - Projected increases last year and this year are driven by investment performance below 6.75% assumed rate of return

Pension Model Updates and Assumptions	
Actuarial Valuation ⁽¹⁾	FY 2019 valuation
Latest Pension Plan Returns	-0.96% GRS, 1.6% PFRS FY 2020 actual return
Future Pension Plan Returns	6.75% projected
Amortization / Funding Policy ⁽²⁾	30-year level dollar
FY 2024 Projected Contribution	\$233.2M gross (\$31.2M) FDF/DIA/DWSD/DPL ⁽³⁾ \$202M net from General Fund
Latest RPF Returns	5.8% FY 2020 actual return
Future RPF Returns	1.56% for FY 2021 and declining to 1% post-FY 2023

(1) Actuarial valuations for FY 2020 may be completed by spring 2021.

(2) The Retirement Systems have not yet established funding policies

(3) Foundation for Detroit's Future and Detroit Institute of Arts are the "Grand Bargain" outside sources through FY 2034. Detroit Water and Sewerage Department and Detroit Public Library are pension liabilities that do not impact the General Fund.

113-53846-111 Doc 113874-101 Filed 09/29/22 Entered 09/29/22 16:52:23

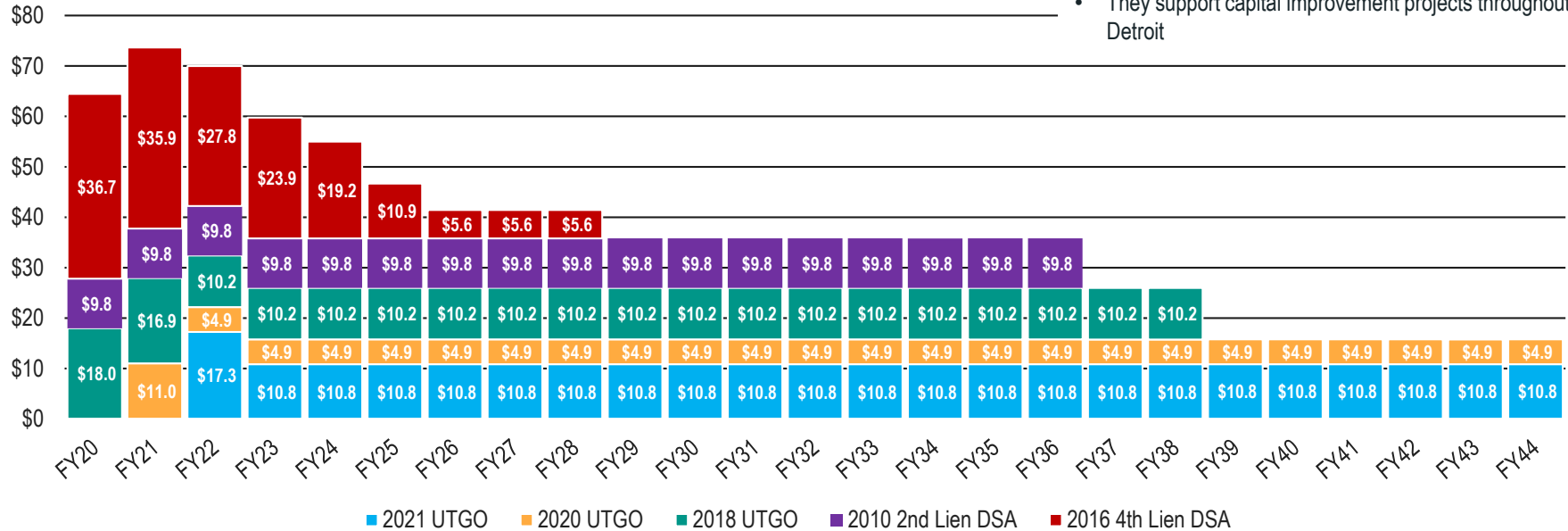
113-53846-111 Doc 113874-101 Filed 09/29/22 Entered 09/29/22 16:52:23 Page 14 of 26

Debt Obligations

Unlimited Tax General Obligation Debt Service

Debt Service Fund
(\$ in millions)

- UTGO bonds are authorized by voters and repaid from the City's debt millage
- They support capital improvement projects throughout Detroit



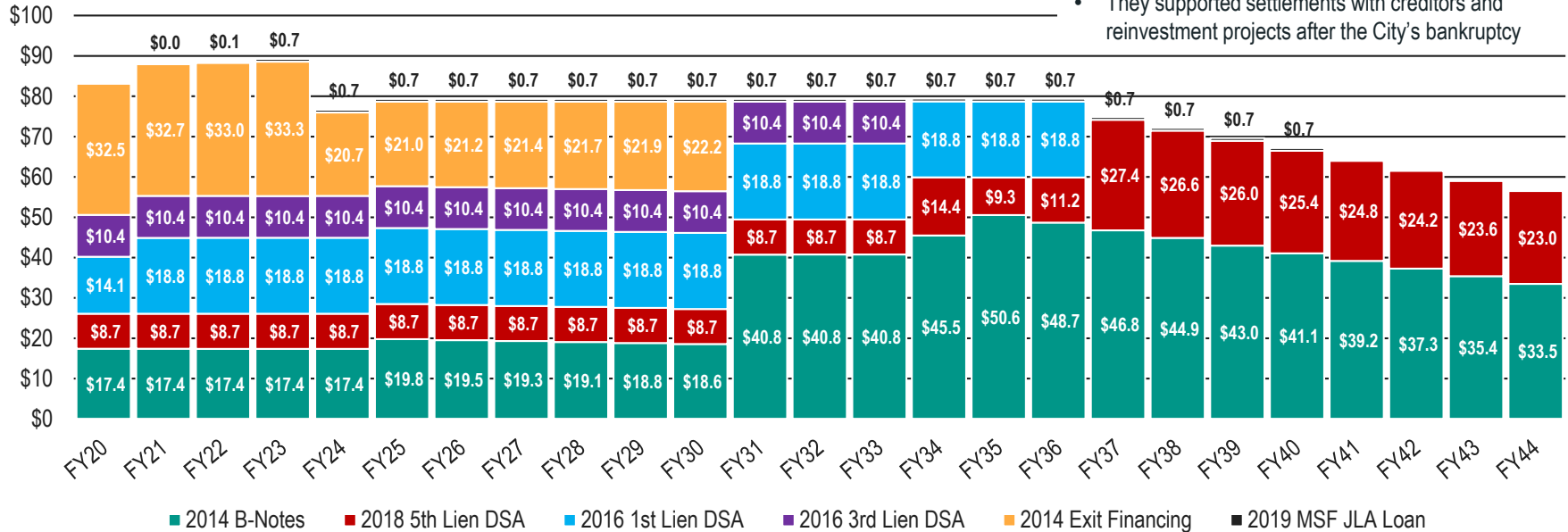
* Does not include projected debt service for remaining authorizations for unissued \$40M in Capital Improvement UTGO bonds and \$75M in Neighborhood Improvement Plan UTGO bonds.

Source: OCFO – Office of the Treasurer

Limited Tax General Obligation Debt Service

General Fund and Enterprise Funds*
(\$ in millions)

- LTGO bonds are primarily repaid from the City's General Fund revenues
- They supported settlements with creditors and reinvestment projects after the City's bankruptcy



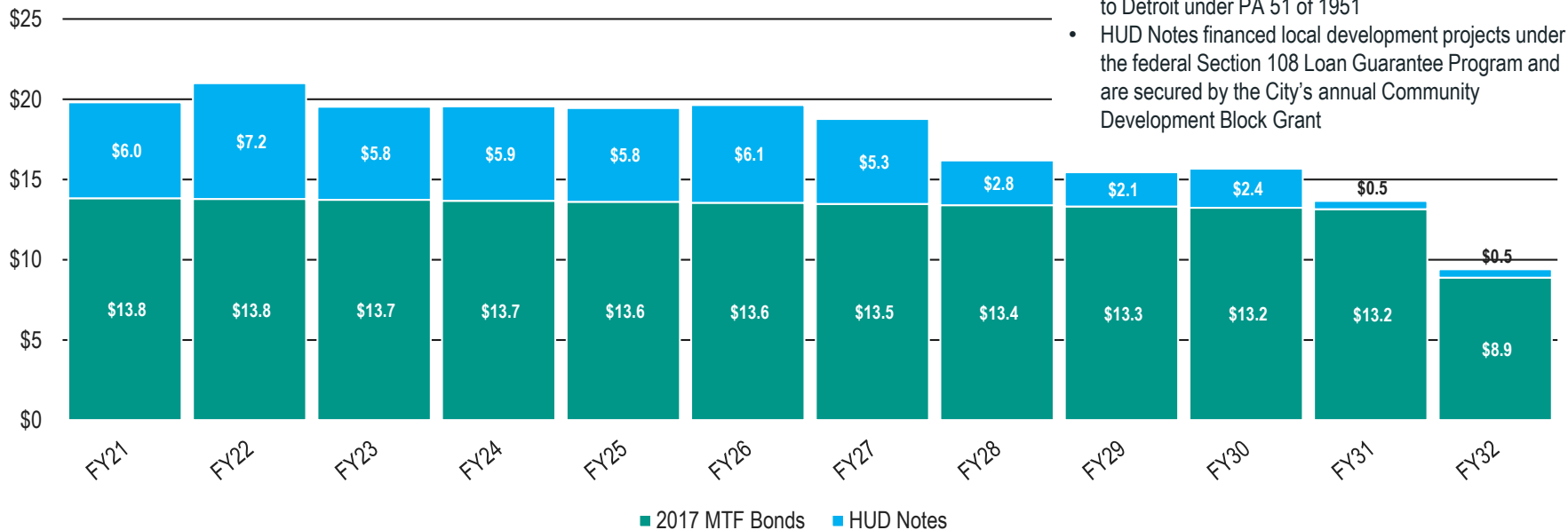
* 2014 B-Notes are split approximately 80% General Fund and 20% Enterprise Funds.

Source: OCFO – Office of the Treasurer

1353846.tjt Doc 13834-101 Filed 09/09/23 Entered 09/09/23 18:52:28 Page 14 of 14

Michigan Transportation Fund Bonds and HUD Notes Debt Service

Street Fund and Block Grant Fund
(\$ in millions)



- MTF Bonds support streetscape improvement projects and are repaid from gas and weight taxes distributed to Detroit under PA 51 of 1951
- HUD Notes financed local development projects under the federal Section 108 Loan Guarantee Program and are secured by the City's annual Community Development Block Grant

Source: OCFO – Office of the Treasurer
13553846.tjt Doc 136341-101 Filed 09/09/23 Entered 09/09/23 18:52:28 Page 15 of 26

Long-Term Forecast

1353846.tjt Doc 136341-101 Filed 09/09/23 Entered 09/09/23 18:52:28 Page 16 of 16

Baseline Forecast Assumptions

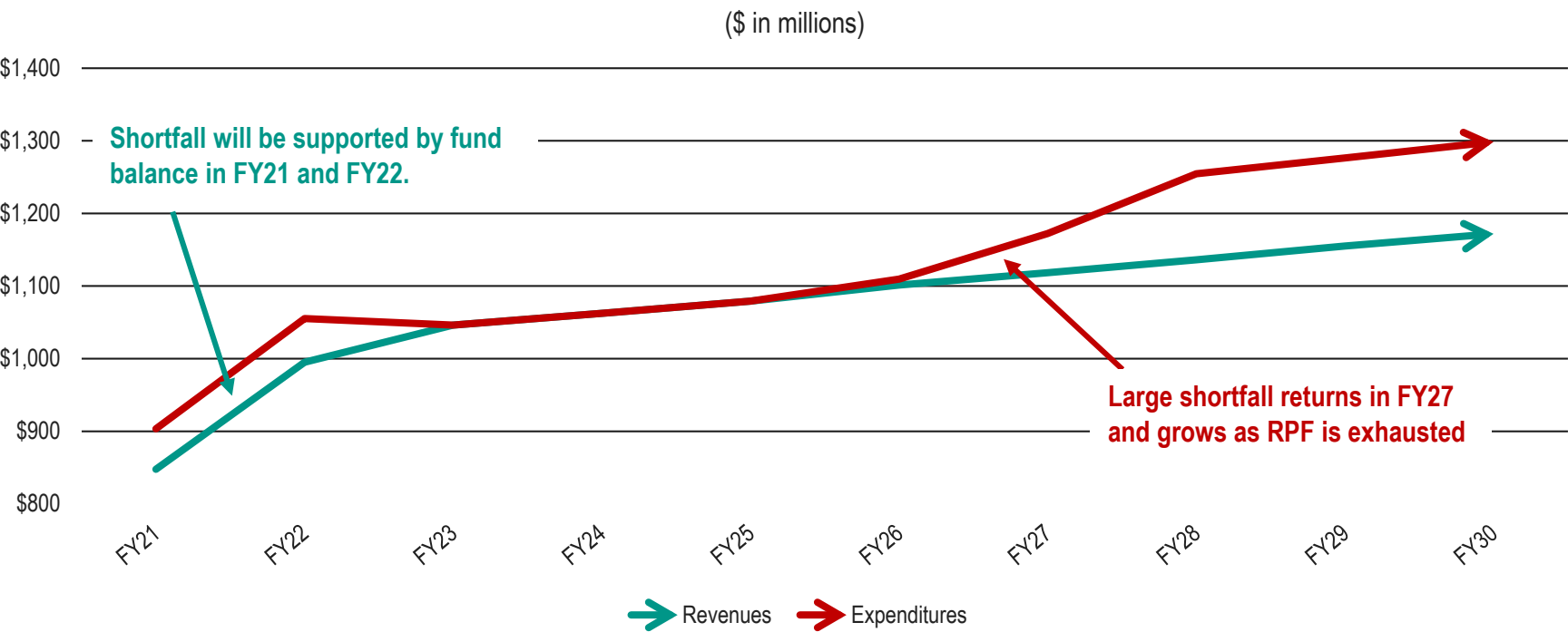
Revenues

- Based on the approved February 2021 Revenue Estimating Conference results for FY 2022 – FY 2025
- Revenue growth generally continues along revenue conference trends after FY 2025
- Forecast does not include one-time federal American Rescue Plan Act funding
- Forecast does not include potential significant negative effects of the proposed charter revisions presented to the Governor

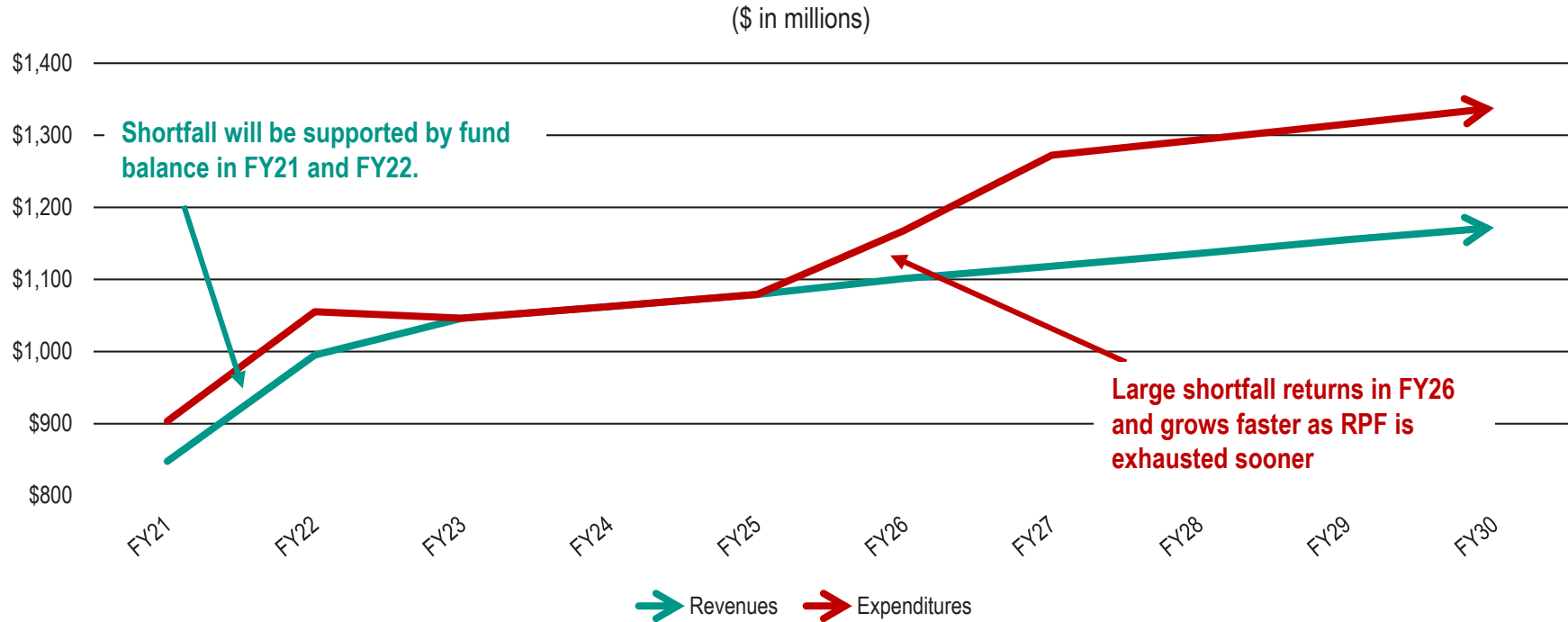
Expenditures

- Generally forecasted from FY 2020 actuals and known adjustments
- Annual wage growth based on current labor agreements and inflationary increases thereafter
- Healthcare, dental, and vision benefits include inflationary growth
- Legacy Pension cost based on proposed FY 2022 budget and 30-year level dollar amortization
 - An additional graph is provided to show the impact of a 20-year level dollar amortization
- Debt service based on existing debt service schedules
- Other operating expenditures include 2% inflationary growth
- Includes turnover, overtime, and other savings based on proposed FY 2022-2025 four-year financial plan
- Forecast does not include one-time spending from fund balance (e.g., blight, capital); it only includes recurring revenues and expenses
- Projections do not assume any corrective action beyond the four-year financial plan that would be taken to balance the budget

FY 2021-2030 Long-Term Forecast Baseline



FY 2021-2030 Long-Term Forecast Baseline with 20-Year Pension Amortization



* The Retirement Systems are considering a 20-year level dollar amortization as the funding policies for the legacy pension plans.

13-53846-lt Doc 13634-10 Filed 02/09/23 Entered 02/09/23 18:52:03 Page 19 of

Potential Upside and Downside Risks

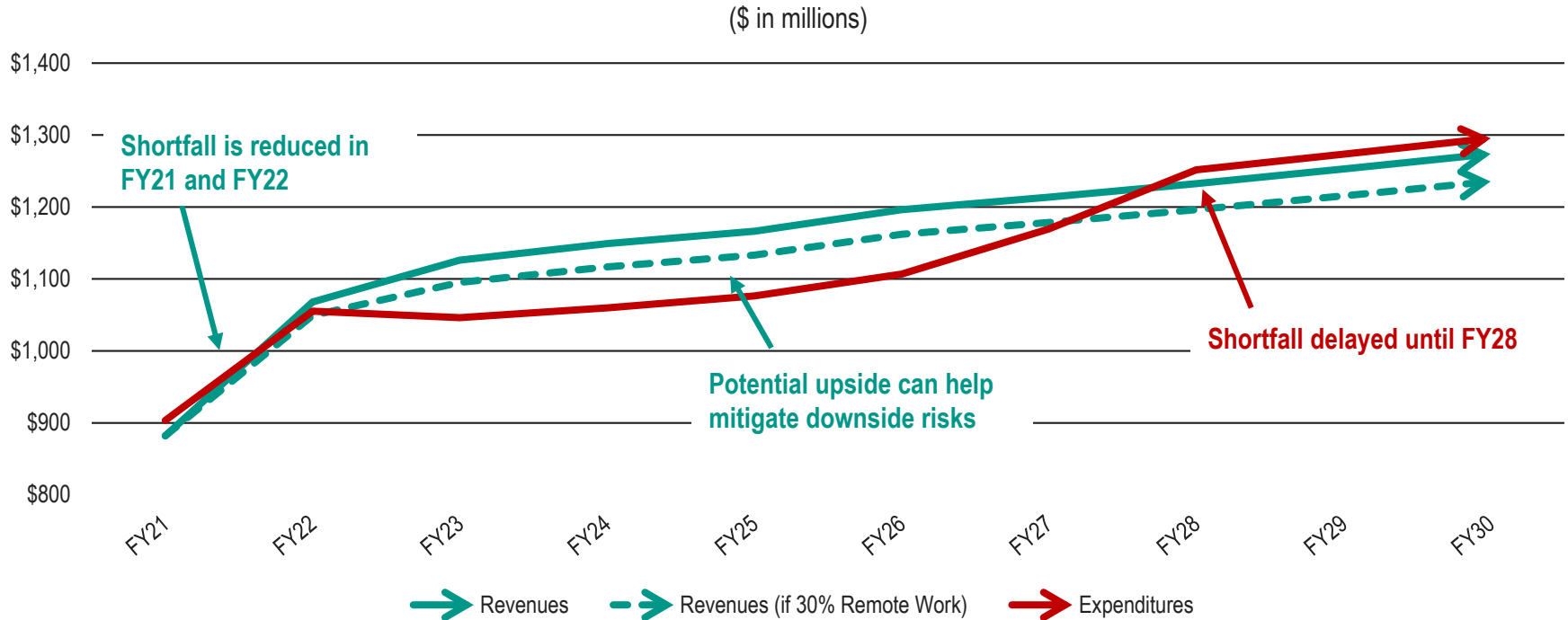
Potential Upside (added to forecast)

- Income and property taxes from economic development projects underway
- Internet gaming and sports betting taxes (launched Jan 2021)
- State-shared excise tax from adult-use marijuana (City authorized in Nov 2020, implementation underway)
- Departmental revenue gains from Emergency Medical Services and Municipal Parking improvements
- Potential income tax gains by reducing the resident poverty rate by 10% during the forecast period

Downside Risk (not included in forecast)

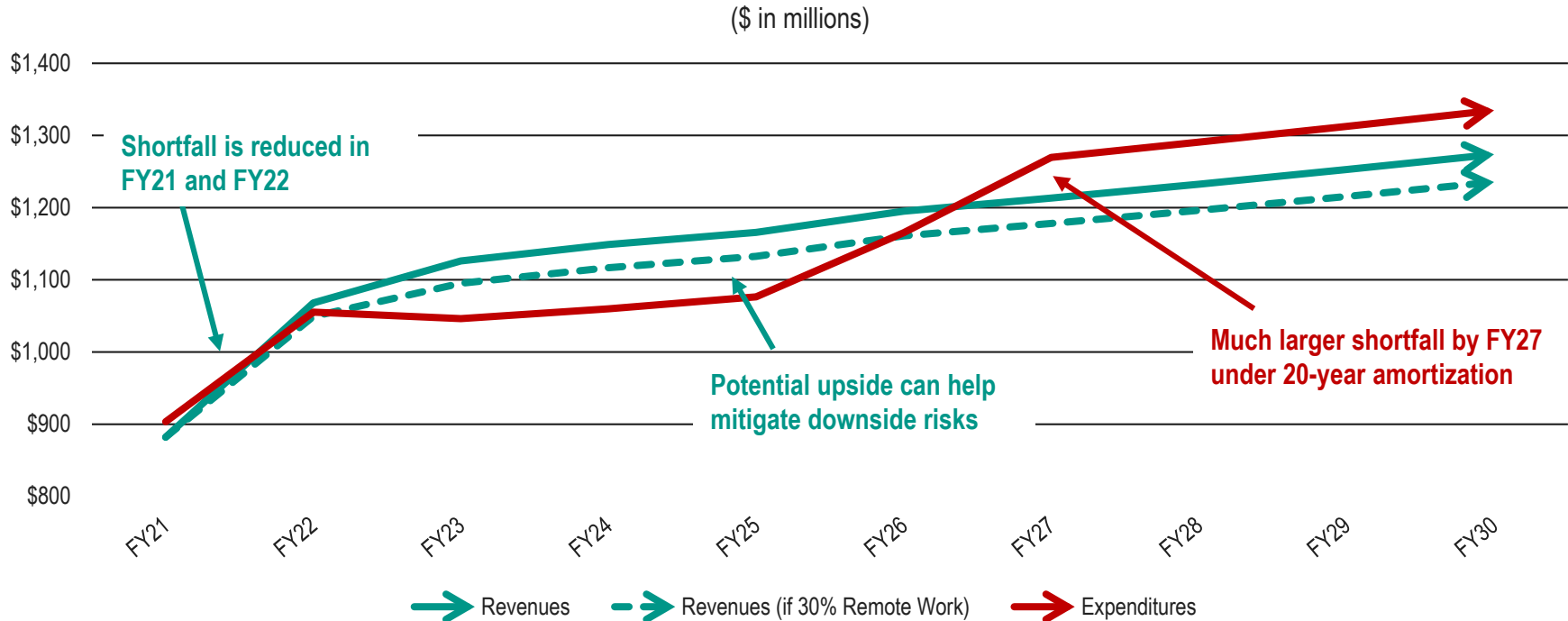
- Slower on-site casino recovery than expected
- Slower than anticipated recovery from recession
- Larger income tax losses from nonresidents who continue to work remotely (reduces taxable income)
 - Baseline assumes an ongoing 10% remote work loss, and a 30% loss is shown to illustrate risk
- Longer lasting changes in local economic activity due to workplace and behavior changes
- Future state and federal budget pressures causing reductions in local funding

FY 2021-2030 Long-Term Forecast with Potential Upside



* Baseline forecast assumes an ongoing 10% nonresident income tax loss from commuters who continue to work remotely. The dotted line shows the impact if the ongoing loss is 30% instead.

FY 2021-2030 Long-Term Forecast with Potential Upside and 20-Year Amortization



* The Retirement Systems are considering a 20-year level dollar amortization as the funding policies for the legacy pension plans.

* Baseline forecast assumes an ongoing 10% nonresident income tax loss from commuters who continue to work remotely. The dotted line shows the impact if the ongoing loss is 30% instead.

13-53846-jt Doc 13631-20 Filed 09/29/22 Entered 02/09/23 18:52:03 Page 22 of 26

Long-Term Forecast Report

EXHIBIT J



September 28, 2020

Board Trustees, General Retirement System of the City of Detroit;
Board Trustees, Police and Fire Retirement System of the City of Detroit;
Investment Committee Trustees, General Retirement System of the City of Detroit; and
Investment Committee Trustees, Police and Fire Retirement System of the City of Detroit
One Detroit Center
500 Woodward Avenue, Suite 3000
Detroit, Michigan 48226

Attention: Mr. David Cetlinski, Executive Director

Re: City Funding Presentations

Dear Trustees:

We have been asked to provide comments on the City's recent presentation regarding the development of a funding policy for 2024 and beyond. Please note that we have not received numerical details of the City's proposal and have not been asked or attempted to verify the numerical accuracy of the presentations. Therefore, our comments are limited to the general information contained in the presentations and the City's verbal comments made at the meetings.

We appreciate this opportunity to comment and we commend the City for the initiative they have taken regarding the development of a funding policy for 2024 and beyond. However, as the actuary for the Retirement Systems, we have some concerns about the funding policy that is being proposed by the City. They are outlined below.

The City stated that its budget is not sustainable with a 30-year level dollar amortization.

The City has established a Retiree Protection Fund (RPF) and included projections using those funds to partially offset contributions based on a 30-year level dollar amortization, referred to in the presentation as the RPF Plan. A 30-year amortization is the longest allowable under Michigan law. The City then states "But City Budget not sustainable with current RPF Plan" on a slide that shows a City budget shortfall each year from FY 2020 to FY 2029. This is of critical importance to the Retirement Systems.

As part of the verbal presentation, the City representatives indicated that the City's financial situation had worsened during the pandemic. They indicated that not only has there been significant lost tax revenue due to the shutdowns, but that they believe tax revenue may be permanently reduced. They also indicated that they successfully closed near term budget gaps only by taking advantage of funds available through the CARES act.

As actuaries for the Retirement Systems, we do not have the data (nor the technical expertise) to assess the City's financial situation. However, assuming those comments to be accurate, ***the Retirement Systems face significant risk that the City will default on any funding policy, even the absolute minimum 30-year amortization.***

The City's argument relative to their financial position seems to favor accelerating contributions rather than delaying or reducing them and supports our continued recommendation of getting as much money as possible into the retirement system trust as soon as possible, preferably now.

The City is proposing a benefit payment plan that allows for the Retirement Systems to run out of money.

The City's proposal discusses a fixed initial 30-year rolling amortization (of unfunded liability) method that is intended to transition to pay-as-you go funding in 2045 (when benefit payments are projected to be lower than the fixed contributions). As we understand it, the proposed annual contribution amount would increase by 1% every year. ***There is a risk with a fixed contribution schedule that assets in the trust could deplete before the City is able to afford paying benefits directly. In other words, there is a risk that promised benefits will not be paid under this approach.*** The City indicated that from its perspective a fixed contribution schedule is more important than the risk that plan assets will deplete or that benefits may not be paid. We are not in favor of a policy that increases the risks of depletion of trust assets.

Our specific comments on the mechanics of this method are:

- *A fixed contribution schedule does not reflect gains and losses that will occur.* Presumably, the 1% annual increase in contributions is intended to mitigate the risk that the fixed contributions will fall below the minimum required by Michigan law. There was some discussion related to potential future adjustments if Plan experience results in an insolvency before the City believes it can afford the annual pay-as-you-go benefits. However, exactly how and when the initial contribution is determined and how and when future contribution adjustments are made are not detailed in the presentation. We would suggest that these details are critical and should be completely known before any decision is made regarding the viability of the proposed funding policy.
- *The initial period being used is too long.* In order to reduce the risk of Plan insolvency or the need to make future adjustments to any fixed contribution schedule, we recommend a higher initial contribution such as one determined with a shorter initial amortization period. In mature plans like the Legacy plans, the risk of plan insolvency is increased when amortization periods are longer than 10 or 15 years.
- *The City's proposal is a non-traditional funding method.* There may be standard methods that could be used to meet the same objectives and we would suggest they should be used instead. Again, we recommend use of a traditional funding method that funds 100% of the liabilities in the plan and that pays all plan benefits from the system trust.



It seems to be implicit in the City's proposal that the fixed contributions will be compared with a 30-year rolling amortization of the unfunded actuarial accrued liability with each valuation, arguably the minimum required by Michigan Law. In our opinion, a 30-year rolling amortization is an inappropriate actuarially determined contribution for the annual valuations for closed plans of this maturity and is a significant departure from all of our previous discussions about funding policy with the Boards and Investment Committees. As the actuary for the Retirement Systems, we reiterate the need for a funding policy that stipulates an appropriate actuarially determined contribution – even if its sole purpose is to be used in comparison to a fixed contribution schedule. Again, we reiterate our recommendation for closed amortization periods (dropping one year each year) of 20 years or less.

We expect that our projection tool can easily model a fixed contribution schedule as described in the City's presentation. However, the full technical details of the City's exact proposal for funding have not yet been provided to us. Once they are, we can then perform scenario/sensitivity tests of the proposal using our projection tool. We suggest that this should be done before any decisions are made regarding the viability of the policy. Please see one of our several supplemental reports for a more complete discussion of funding policies in general (for example, the Police and Fire report, dated January 11, 2019 or the General Employees report, dated September 18, 2019).

Other Comments

The presentation referred to the use of "outdated" mortality assumptions. In an effort to clear up any confusion, we would remind everyone of the following:

- The actuarial assumptions to be used in bankruptcy modeling were agreed upon by all parties (as required by the Court) and were different than those used in the actuarial valuations preceding the Bankruptcy;
- The City, the Retirement System and the Retiree Group, and their representative actuaries were the parties involved in the selection; and
- The mortality tables currently used in the subsequent actuarial valuations of the Retirement Systems were based on a study of mortality experience performed after the bankruptcy discussions had ended.

The City compared unfunded liabilities from the POA projections with unfunded liabilities from the June 30, 2014 actuarial valuations and attributed all of the difference in those numbers to the change in mortality which they verbally referred to as "the mortality mistake". Please note that POA unfunded liability amounts were:

- Developed by the City's actuaries (not the Retirement System's actuaries);
- Based on different census data (the June 30, 2014 census data was not available during the bankruptcy mediation – there has been significant data auditing/cleanup by the Retirement Systems and the City since Bankruptcy); and



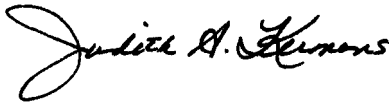
- Possibly based on different assets. While we did not perform the POA projections and cannot definitively state what was used, we can state that we did not have final asset information available to use until after we had completed our participation in the mediation – final asset information was used for the June 30, 2014 valuation which was published in 2015.

We would appreciate the opportunity to meet with you to go over these comments in detail.

Sincerely,



Kenneth G. Alberts



Judith A. Kermans, EA, FCA, MAAA



David T. Kausch, FSA, EA, FCA, MAAA, PhD

KGA/JAK/DTK:dj

cc: Gail Oxendine, City of Detroit Retirement Systems
Kelly Tapper, City of Detroit Retirement Systems
Ryan Bigelow, City of Detroit Retirement Systems
Jamal Adora, GRS



EXHIBIT K

CRAIN'S DETROIT BUSINESS

You may not reproduce, display on a website, distribute, sell or republish this article or data, or the information contained therein, without prior written consent. This printout and/or PDF is for personal usage only and not for any promotional usage. © Crain Communications Inc.

March 08, 2022 03:46 PM

Duggan vows to go back to bankruptcy court or Legislature over cuts to pension payment timeline

ANNALISE FRANK

City of Detroit via Flickr

Detroit Mayor Mike Duggan (center) presents his administration's budget proposal to Detroit City Council on Monday at the Coleman A. Young Municipal Center. The city wants to put \$90 million in its Retiree Protection Fund that was created to prepare for the year 2023 when Detroit will need to start paying down its pension debt.

Detroit Mayor Mike Duggan plans to go to court over what he called an irresponsible decision by a pension board to shorten the time the city has to pay off legacy pension debt.

The city will take action in bankruptcy court to attempt to get a judge to reverse the Police & Fire Retirement System board's adoption of a 20-year amortization period, or payment schedule, Duggan said Monday during a [budget presentation before City Council](#).

The city has been planning for a 30-year period when those post-bankruptcy payments resume in 2023 — a time that's nearing quickly and has been dubbed the "[pension cliff](#)" because it's a massive financial lift for the city. The city got a nine-year break from paying on that debt as part of renegotiated debts during its historic 2013-14 bankruptcy.

The Police & Fire Retirement System says it's obligated to make choices that are best for the funds' health, and thus its retirees. But Detroit officials disagree, seeing the shorter timeline as less tenable because it will make the city's costs even higher on the front end.

"We definitely will go back to bankruptcy court, and I think I may go to the state Legislature (if that doesn't work)," Duggan said, adding later that he's "pretty angry about this."

The mayor said that if the city can't get the payment schedule changed, "we're going to be looking at budget cuts here for no reason."

Duggan said his overall frustration lies in the fact that his administration lacks control over the decision. The payment schedule is determined by the boards and investment committees of Detroit's Police & Fire and General retirement systems.

"My bigger question is, why does the city of Detroit have no role in picking the investment committee that's making the decision on our retirees' pensions? And they're clearly not behaving in a responsible manner, and so if we don't get help in the bankruptcy court we may go to the Legislature and say, 'This just isn't right.'"

The disagreement between the city and retirement system board is complex, but important because of the major impacts it could have on the city's bottom line, its ability to spend on services for businesses and residents in the future and the pension systems that serve retirees.

Many of those retirees, who are watching this process with interest, are worried about more cuts — they already saw their benefits slashed as the city renegotiated debts during its bankruptcy.

20-year vs. 30-year schedule

The Police & Fire pension board moved to adopt a 20-year payment schedule because it found it was the best move to ensure the solvency of the pension funds — stated simply, to assure retired civil servants' benefits are safe. They approved it over objections from city-aligned members including city Finance Director John Naglick and Deputy Mayor Conrad Mallett.

A rolling 30-year amortization is like "having a huge credit card bill and making the minimum payment every month," Joe Bogdahn, chair of the investment committee for the Police & Fire Retirement System, or PFRS, told Crain's last year.

"The (Police & Fire Retirement System) has a fiduciary obligation is to ensure that benefits are paid to retired police, firefighters and their beneficiaries," Chairman Ron Thomas said in a Tuesday news release. "Further it is our job as a Board to ensure the system's funds are properly invested and managed to provide for future funding. Trustees have heard from our actuarial and other financial advisors that have run numerous what-if scenarios based on multiple funding models including 30-year, 20-year and others with respect to paying down the unfunded portion of future pension obligations. The 20-year model is clearly in the best interest of retirees."

But much like shaving 10 years off a 30-year mortgage, the chosen plan will drastically increase the city's costs on the front end.

The city agreed during its bankruptcy to a 30-year amortization with the pension systems "in the room," Duggan said Monday.

"They agreed to that," he said. "Now we've got an investment committee that was essentially appointed by (former Gov. Rick Snyder) that doesn't report to anybody, that has voted to shorten the amortization to 20 years."

Detroit financial officials estimate pension contributions will total \$130 million-\$200 million a year, depending on the schedule, equivalent to up to 20 percent of the annual budget.

While the police and fire pension board has decided on a 20-year amortization, the General Retirement System for other city employees, separate from police and fire, is still assumed at 30 years in the city's documents.

A request for comment from the general retirement system was not returned Tuesday.

In a June 2020 report, actuaries at Gabriel Roeder Smith & Co. warned that a 30-year level dollar amortization would cause the General Retirement System's funding level to drop dramatically to just 12 percent by 2045 as benefits paid to retirees outpace deposits from the city and investment gains. That's not good because if asset levels get low enough in later years, to the point of insolvency, benefits get paid out of the already stressed city budget year to year, David Draine, a principal public sector retirement system investigator for The Pew Charitable Trusts, told Crain's last year.

Saving up

Duggan also on Monday praised his administration and City Council for preparing for the pension cliff. They created [a Retiree Protection Fund](#) starting in 2018 where the city is socking away cash to help cushion the blow those payments will present to the budget.

There's about \$370 million in the fund now and on [Monday Duggan proposed](#) putting an additional \$90 million in it this coming fiscal year, an increase from the previously proposed annual infusion of \$60 million.

"We have planned from the beginning to fund that 2024 cliff, so our retirees are not back in bankruptcy court and having their pension benefits cut again," Duggan said. "... To have somebody say to us, 'We're going to shorten the amortization for 20 years,' after we behaved

in such a responsible manner, I think is flat-out wrong. So as you can probably tell, I'm pretty angry about this and we're working on strategies to deal with it."

The Police & Fire Retirement System's Tuesday news release also applauded the \$90 million addition.

"We appreciate the Mayor and City Administration's stewardship of the City and ability to manage its budget amid the pandemic," Thomas said in the release. "While we may not agree with all aspects of future proposed city funding, there is a good spirit of cooperation with the administration of Mayor Duggan and we are encouraged by the city's funding of the Retiree Protection Fund to help bolster payments to the pension system in 2024 and beyond."

Inline Play

Source URL: <https://www.crainsdetroit.com/government/detroit-mayor-duggan-vows-go-back-bankruptcy-court-or-legislature-over-cuts-city-pension>

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**REPLY BRIEF IN SUPPORT OF CITY OF DETROIT'S
MOTION TO ENFORCE PLAN OF ADJUSTMENT AND REQUIRE
30-YEAR AMORTIZATION OF THE ACCRUED LIABILITY IN THE
POLICE AND FIRE RETIREMENT SYSTEM PENSION PLAN**

Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-8451
swansonm@millercanfield.com

Attorneys for the City of Detroit

October 31, 2022

Charles N. Raimi (P29746)
Deputy Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Coleman A. Young Municipal Ctr
Detroit, Michigan 48226
Telephone: (313)-237-5037
raimic@detroitmi.gov

TABLE OF CONTENTS

	<u>Page</u>
Index of Authorities	ii
I. This Court's rulings requiring 30-year amortization were integral to the Court's determination of feasibility and confirmation of the POA	2
A. The Ernst & Young financial projections formed the foundation of the POA and expressly require 30-year amortization	2
B. Kopacz opines the POA is feasible expressly based on 30-year amortization.....	5
C. This Court has ruled that the POA required the legacy plans' UAAL as of June 30, 2023 to be amortized over thirty-years, which was integral both to the Court's finding of feasibility and confirmation of the POA	6
II. This Court's multiple rulings requiring 30-year amortization bind PFRS; the retirees never once suggested otherwise	9
III. PFRS' arguments are devoid of merit	11
A. The City does not rely on extrinsic evidence, it relies on this Court's rulings and the entire trial record.....	11
B. The State Contribution Agreement provides no support to PFRS.....	14
C. PFRS' reliance on out-of-context snippets of discovery deposition testimony is disingenuous and completely misplaced	18
D. PFRS' reliance on the City's pre-bankruptcy defaults is shameful.....	19

Conclusion and Relief.....22

INDEX OF AUTHORITIES

Page(s)

Cases

<i>Andrusz v. Andrusz</i> , 320 Mich App 445 (2017).....	17
<i>In re A.P. Liquidating Co.</i> , 421 Fed. Appx. 583 (6th Cir. 2011).....	17
<i>In re Moye</i> , 437 Fed.Appx. 338 (6th Cir. 2011).....	9
<i>Mason v. Telefunken Semiconductors America, LLC</i> , 797 F.3d 33 (1st Cir. 2015).....	17
<i>Toder v. Progressive Mi. Ins. Co.</i> , 2017 WL 3316939 (Mich. Ct. Apps. 2017).....	17
<i>Winget v. JP Morgan Chase Bank, N.A.</i> , 537 F.3d 565 (6th Cir, 2008).....	10

Statutes

11 U.S.C. § 943(b)(7).....	6, 9
----------------------------	------

Rules

Fed. R. Bankr. P. 7001(7)	22
---------------------------------	----

Attached for the Court's convenience are particularly relevant excerpts of the Confirmation Opinion and Order. Exhibits 15 and 16; (exhibits 1-14 were appended to the City's opening brief). They address all relevant issues and expressly hold the POA requires 30-year amortization of PFRS' UAAL as of June 30, 2023. E.g., "The City will then [beginning FY 23] amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%. *Id.*" Ex. 15, p. 231.

PFRS completely ignores this Court's rulings. PFRS erroneously argues that because the POA allegedly is "silent" on the amortization term, PFRS has "unfettered discretion" over the term. PFRS brief, pp. 10, 31 (subheading A). The opening sentence of PFRS' brief dramatically proclaims that the POA's alleged silence on amortization is the "supreme irony" of the City's motion.

The POA is not "silent." This Court has ruled that the POA requires 30-year amortization. And the Confirmation Order states: "*** * *** the terms of the Plan **and this Order** shall be binding upon, and inure to the benefit of: (a) the City; (b) any and all holders of Claims [which includes, of course, PFRS] *** * ***." Ex. 16, p. 86, ¶E(28), emphasis added. That one sentence destroys PFRS' entire theory of this case.

PFRS' other theory is that language in the State Contribution Agreement gives PFRS "unfettered discretion" over the amortization term after FY 2023. So, while PFRS has purported to accelerate amortization from 30 to 20 years, under PFRS'

“unfettered discretion” argument both PFRS and GRS could demand that the UAAL be amortized in 10 years, 5 years, or even 1 year.

The State Contribution Agreement language upon which PFRS relies does not even mention the amortization term and does not remotely support PFRS’ position. At no time during the bankruptcy proceedings or thereafter did PFRS ever make the claim of “unfettered discretion.” That claim is rejected by the Court’s 30-year amortization rulings and would have been laughed out of this bankruptcy court had it been asserted. PFRS’ position would have given two of the many unsecured creditors – PFRS and GRS – the sole right to accelerate hundreds of millions of dollars of payments as they saw fit - and thereby unilaterally destroy the POA’s feasibility and the City’s finances. Such a “plan” would have been unconfirmable.

I. This Court’s rulings requiring 30-year amortization were integral to the Court’s determination of feasibility and confirmation of the POA.

A. The Ernst & Young financial projections formed the foundation of the POA and expressly require 30-year amortization.

The Court incorporated 40-year projections prepared by Ernst & Young (E&Y) as the foundation of the POA. The Confirmation Opinion’s discussion of the POA and its feasibility cites to and incorporates City trial exhibit 793 (E&Y’s final 40-year projection, ex. 17 here) more than 30 times. See ex. 15, pages 224-233.

In analyzing E&Y’s projections the Court relied on and incorporated the reports and testimony of its independent feasibility expert (Martha Kopacz) and

E&Y's financial and restructuring expert Gaurav Malhotra. *Id.* Malhotra's most relevant testimony from his initial trial appearance is discussed below.¹

Malhotra testified that City trial exhibit 723 (ex. 18) "shows the key items of the settlement with GRS and PFRS as a part of the plan of adjustment." PFRS ex. G, p. 133. The City's contributions to PFRS and GRS are to run until 2053, i.e., 30-year amortization, at which time the plans would be fully funded. Ex. 18.

E&Y ultimately prepared four versions of its 40-year projections which are appended here as exhibits 17, 19, 20 and 21 (City trial exhibits 793, 111, 734, 779). The second page of each 40-year projection sets forth the POA's key assumptions for each of the unsecured claims including the following for PFRS:

- Contributions (years 1-10) – Estimated to be \$261m from foundations/State Settlement
- Contributions (years 11-40)- UAAL as of June 30, 2023 estimated to be ~681m **amortized over 30yr**, including contributions in second decade from DIA and foundations (Emphasis added)

GRS' UAAL likewise was to amortized over 30 years. Ex. 17, p. 2.

¹Malhotra testified first on September 29, 2014. On October 21, 2014 he addressed supplemental projections that had been created after the important settlements with Syncora and FIGC.

PFRS' brief attached as its exhibit G Malhotra's trial testimony from September 29, 2014. To avoid adding several hundred additional pages to this filing, the City cites to PFRS exhibit G. The referenced page numbers are those in the top right-hand corner of the pages of that exhibit.

Malhotra explained the 40-year projections as follows: “[O]n a line-by-line basis [they] project over the forty years what the revenues and expenses would be using primarily the same sources I had talked about earlier, and the forty-year model was used to really illustrate how the City was going to pay for the overall settlements it has reached with various classes * * *.” PFRS ex. G, p. 63.

The 40-year projections set forth (by decade) the City’s anticipated operational expenses not considering unsecured POA claims. E.g., City trial ex. 734 (ex. 20), p. 4. The bottom line, “funds available for unsecured claims,” is carried over to page 5. The top half of page 5 identifies additional sources of funds (e.g., Grand Bargain) to assist the City in paying its unsecured claims.

The bottom half of page 5 is critical. It identifies the City’s many unsecured claims and when, **by decade**, the City will pay those claims. Ex. 20, p. 5. The City’s pension contributions to PFRS alone were estimated to be (in millions) \$261M for 2014-2023, \$618M for 2023-2033, \$464M for 2034-2043, and \$311M for 2044-2053. *Id.* The City is also liable over those four decades for payment of hundreds of millions of dollars for other unsecured claims. *Id.* For example, after 2023, payments on B notes will be \$470M for 2023-2033, \$451M for 2034-2043, and \$69M for 2044-2053. *Id.* The B notes include \$450 million owed under the OPEB (retiree health care) settlement, which also inures exclusively to the benefit of PFRS and GRS members. Ex. 15, pp. 185-186.

Malhotra testified “the city should be able to satisfy its operating expenses” and “the city should have the ability to pay its obligations **as scheduled in these distributions.**” PFRS ex. G, pp. 152-162 and specifically pp. 160-161, referring to City exhibit 734, emphasis added. Malhotra returned to Court on October 21, 2014 and testified that the City would be able to meet its operating expenses and pay its obligations under the POA as scheduled in E&Y’s final 40 year projection which incorporated the Syncora and FGIC settlements. City exhibit 793 (ex. 17 here).

B. Kopacz opines the POA is feasible expressly based on 30-year amortization.

Kopacz’ expert report was admitted into evidence as Court exhibit 12000, and excerpts are appended as exhibit 22. Section J discusses pensions and observes: “Critical decisions made today will have a substantial impact on the City’s liquidity in future years. The magnitude and importance of these decisions will be critical to Detroit’s viability in the decades to come.” Ex. 22, pp. 124-125.

The report specifically addresses how the estimated UAAL existing as of FY 2023 will be amortized under the POA and states: “**The POA proposes that the City will amortize the remaining UAAL for each Retirement System – as of June 30, 2023 – over the following thirty-year timeframe.**” Id, p. 133. Emphasis added.

The report incorporates and relies upon E&Y’s 40-year projections which provide for 30-year amortization. Id, pp. 135- 136. Kopacz ultimately opined that

“The assumptions that underlie the City’s [E&Y’s] plan of adjustment projections regarding its revenues, expenses and plan payments are reasonable;” and “The City’s plan is feasible as required by 11 U.S.C. § 943(b)(7).” Ex. 22, p. 10. Kopacz thereafter filed supplemental reports which addressed updated versions of the POA. Those reports found the updated plans feasible but expressed grave concern about the additional debt being imposed on the City by the FGIC and Syncora settlements.²

C. This Court has ruled that the POA required the legacy plans’ UAAL as of June 30, 2023 to be amortized over thirty-years, which was integral both to the Court’s finding of feasibility and confirmation of the POA.

Feasibility is a legal requirement for confirmation and “the Court has an independent duty to determine the issue and to make specific findings of fact.” Ex. 15 at p. 220. The Court adopted the following feasibility test:

“Is it likely that the City of Detroit, after the confirmation of the Plan of Adjustment, will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the Plan without the significant probability of a default?” Ex. 15, p. 222.

²PFRS ignores Kopacz’ reports and testimony with one exception, namely, Kopacz’ testimony that she was “not retained to opine on the appropriateness of any smoothing method or amortization period used by the Detroit Retirement Systems.” PFRS’ brief, pp. 21-22, footnote 12. That testimony was elicited by PFRS’ counsel during Kopacz’ Daubert examination. The Court rejected PFRS’ objections and held that Kopacz was qualified as an expert on feasibility and whether E&Y’s projections of revenue and expense were reasonable. Order, Doc7511.

Kopacz is not an actuary and obviously was not retained to opine on actuarial issues. Kopacz was specifically asked to opine on the feasibility of the POA which expressly required 30-year amortization.

The Court found the POA was feasible. The Court repeatedly cites to the final E&Y 40-year projection (trial ex. 793, ex. 17) which requires 30-year amortization. Ex. 15, pp. 223-229. The Opinion finds reasonable the exhibit's decade-by-decade revenue and expenditure projections based on 30-year amortization. Ex. 15, pp. 225-226.

The Court adopted and incorporated into the Court's Opinion Kopacz's entire report which, as quoted above, confirms the 30-year amortization period. Ex. 15 at p. 221, ex 22 at p. 133. The Court likewise adopted Kopacz' conclusion that the final plan – which included significant additional debt due to the FGIC and Syncora settlements - remained feasible. Ex. 15, pp. 228-230. But the Court reiterated Kopacz' concern, namely, “It is not realistic or prudent to believe that the City could take on additional Plan obligations and remain within the continuum of reasonableness necessary to establish feasibility.” Ex. 15, p. 228. The Court reviewed the City's projected 40-year revenues and expenditures on a decade-by-decade basis and noted the severe financial stress the City will be under beginning July 1, 2023:

“For the period FY2024-FY2033, the City will be required to spend \$541 million servicing the B Notes, C Notes, and Restructured UTGO Notes. The City projects that it will be required to spend \$1.241 billion to service its obligations to the GRS and PFRS UAAL, [fn23] for a total of \$1.7891 billion. The City projects that it will also have \$1.7891 billion for plan-related expenses during that time period.

Therefore, the City projects that it will break even at the end of this time.” Ex. 15, p. 230.

Footnote 23 states:

“As discussed in part III.F. above, the City's obligations to the GRS and the PFRS are fixed under the plan from FY2014–FY2023. During this time, as the City works to stabilize its finances and implement the RRI, the majority of the City's contributions to the GRS and the PFRS will come from the DWSD, the State Contribution Agreement, and the Grand Bargain funding. See **Ex. 793** at 3. However, after 2023, the City projects the retirement systems will remain somewhat underfunded. See Ex. 12000 at 133. **The balance of the underfunding in 2023 will be amortized over a thirty year period of time.** Id.” Ex. 15, footnote 23, emphasis added.

The footnote cites City trial exhibit 793 (ex.17), and Kopacz’ report, trial exhibit 120000 (ex. 22), both of which confirm the 30-year amortization period.

The next section (8) of the Court’s feasibility discussion addressed “the feasibility of the City’s plan to address its pension obligations.” Ex. 15, pp. 231-233. The Court held, with respect to the remaining UAAL for GRS and PFRS as of June 30, 2023, the POA provided as follows: **“The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%.”** Id, p. 231, emphasis added.

The POA, which requires 30-year amortization, was held to be in the best interest of the creditors. Ex. 15, pp. 219-220. The Court found “the City has effectively done all that it can do for its creditors in its plan.” Id, and:

“There is no more money available for creditors in the City's already tight budget projections. Every dollar is accounted for in

providing necessary services, in implementing the necessary RRI's, and in meeting plan obligations. All of those cash uses are essential to the City's future. In this plan, the floor of the best interest test and the ceiling of the feasibility test have, for all practical purposes, converged.

“Accordingly, the Court finds that the plan will provide creditors all that they can reasonably expect under the circumstances and that it is therefore in their best interests, as required by § 943(b)(7).” *Id.*

The Confirmation Opinion was incorporated in its entirety into the Confirmation Order. Ex. 16, p. 6, ¶(F). The Order, like the Opinion, relies on Kopacz’ reports and E&Y’s 40-year projections in concluding the POA was feasible and, therefore, should be confirmed. Ex. 16, pp. 36-38. The Order observes: “It is more likely than not that the Plan is sustainable over the long term. **Based on the Projections**, the City will have sufficient liquidity to sustain normal municipal operations, issue and perform under the New Securities, satisfy the Settlements and otherwise meet its financial obligations after the Effective Date.” Ex. 16, p. 41, ¶17.

II. This Court’s multiple rulings requiring 30-year amortization bind PFRS; the retirees never once suggested otherwise.

The Confirmation Order provides “* * * the terms of the Plan **and this Order** shall be binding upon, and inure to the benefit of: (a) the City; (b) any and all holders of Claims [which includes PFRS] * * *.” Ex. 16, p. 86, ¶E(28), emphasis added. Even if the Confirmation Order/Opinion did not expressly so provide, the Court’s 30-year amortization rulings would bind PFRS under the law of the case doctrine and res judicata. *In re Moye*, 437 Fed.Appx. 338, 341 (6th Cir. 2011), (“Under the

law-of-the case doctrine, a court follows its prior final decisions in the case as the law of the case, except for a few narrow exceptions [not applicable here]”); *Winget v. JP Morgan Chase Bank, N.A.*, 537 F.3d 565, 578 (6th Cir, 2008), (“res judicata principles bar relitigation of any issues raised or that could have been raised in the confirmation proceeding”).

The Court’s thirty-year amortization rulings were final and binding. PFRS did not challenge them at any time during the confirmation hearing, on reconsideration or on appeal. And for good reason – the retirees did very well under the POA.

Ron Bloom was the retiree committee’s highly sophisticated, Harvard Business School educated, financial advisor. Bloom testified the retiree committee’s primary objective was to “maximize the value of the claims.” Ex. 26, p. 19. That goal was achieved beyond anyone’s wildest dreams. Despite this Court’s holding that the pension claims had no special protection in bankruptcy court, PFRS members sustained only a 55% reduction in COLA. Bloom testified the committee supported the POA, despite the “long period of time” over which payments would be made by the City, because the committee recognized the City’s sincere commitment to revitalization. Ex. 15, pp. 249-250. Bloom never once suggested that the legacy plans would have “unfettered discretion” to accelerate City funding as it saw fit after 2023. To the contrary, Bloom explained: “we cared about revitalization [because] we were relying on the City of Detroit to be there to honor

these promises on into the future.” Ex. 26, p. 20. Indeed, the very first time PFRS even raised the arguments upon which it now relies was when it filed its response brief in this case.

III. PFRS’ arguments are devoid of merit.

A. The City does not rely on extrinsic evidence, it relies on this Court’s rulings and the entire trial record.

PFRS completely ignores this Court’s rulings and offers no explanation why PFRS is not bound by them. PFRS instead argues the City “resorts to extrinsic evidence * * *.” Brief, p.1. PFRS cites as “extrinsic evidence” exhibit 14 appended to the City’s brief. The City provided that as one example of E&Y’s 40-year projections that formed the basis of the POA and required 30-year amortization.³

The City relies on this Court’s Confirmation Opinion and Order which are not “extrinsic evidence,” and which incorporate E&Y’s 40-year projections. PFRS only discussion of the 40-year projections appears at page one of its brief. There, PFRS ridicules the City’s reliance on exhibit 14 on the following four grounds, each of which is dead wrong or, at best, seriously misleading:

- 1. The exhibit “states on its face that it was merely a ‘hypothetical scenario’ for payment of the PFRS claim that was ‘subject to change.’”**

³Ex. 14 was an excerpt of City trial ex. 111, the full document is appended here as ex. 19. E&Y’s later 40-year projections are appended here as exhibits 17, 20 and 21.

E&Y's 40-year projections each has a disclaimer on its face. Ex. 19. The disclaimer points out that the exhibit is providing financial projections and "[T]here will usually be differences between forecasted information and actual results because events and circumstances frequently do not occur as expected and those differences may be material."

It is too obvious for words that future events cannot be predicted with certainty. But the provisions of the exhibit relevant to this dispute are not the precise numbers which everyone knew would change. Rather, they are (i) page 2, setting forth the key POA provisions for the legacy plans settlement including 30-year amortization, and (ii) pages 4-5 which project revenue and expenses by decade, and show how 30-year amortization is key to spreading out the City's POA liabilities. Malhotra explained the disclaimer:

"A. Its our standard disclaimer.

"Q. Okay. What are you disclaiming?

"A. That the assumptions and the data are at the end of the day the product of the client.

"Q. Are you disclaiming the accuracy of the model?

"A. No." Malhotra testimony, PFRS ex. G, pp. 75-76.

E&Y's 40-year projections confirmed that the POA incorporated a settlement between Kevyn Orr and GRS/PFRS that required 30-year amortization. Ex. 723 and Malhotra testimony, PFRS ex. G at p. 133. PFRS' new claim – that it was given "unfettered discretion" to decide when the City would have to pay the UAAL after

June 30, 2023 - would have blown up the POA had PFRS or any retiree representative ever articulated such a claim – which they did not.

2. The exhibit “was one of 2,300 exhibits introduced at trial and was never incorporated into the Plan.”

E&Y’s 40-year forecasts were among a very few trial exhibits that were incorporated in the Confirmation Opinion and Order. Ex. 15, 224-233; ex. 16, pp. 36-38. Their requirement of 30-year amortization was the foundation of the POA.

3. The exhibit “was cited by the Court in its Confirmation Opinion only in passing.”

The exhibit cited by PFRS (excerpt of ex. 17, City trial exhibit 111) addressed an early version of the POA. The Confirmation Opinion cited E&Y’s final 40-year forecast (ex. 793) more than 30 times. Ex. 15, pp. 223-228.

4. The exhibit’s “author admitted at trial that the parties would have to ‘decide what the amortization methodology is of the UAAL at the year 10.’”

PFRS cites the following exchange between the Court and Malhotra to support the alleged “admission” cited above. (PFRS brief, pp. 1, 19-20, emphasis added):

“THE COURT: My question was a slightly different one. Does the plan commit the city, legally commit the city to make those payments?

“THE WITNESS: My understanding is the city is committed to fund the unfunded liability. I just don’t know - - the city and the Retirement Systems have to decide what the amortization **methodology** is of the UAAL at the end - - at the end of year ten, and the city is committed to fund that underfunded liability. Depending on what amortization schedule gets picked, the payments can change slightly because of the

interest rate, but my understanding is the city is committed to make the payments beyond 2024 into those pension systems. * * *

“Q Let me ask this. How would the change in amortization after 2024 affect the contribution level?

“A It depends on the amortization **methodology**. What we have used in the projections is a **straight-line principle** in which the city is making higher payments in the first decade, and over the course of the **30 years** it makes lower payments going forward. You can change the amortization **methodology** to make it like a **level payment over 30 years** in which the city will have lower payments in the first, say, ten years, but over the course of the **30 years** the city will end up paying more because it has to pay more interest, so it’s more on the **methodology** aspect as to how that liability gets serviced.”

Malhotra’s testimony addressed only the amortization **methodology**, while confirming that the amortization **term** was **30-years**. PFRS argues that Malhotra “outright admitted that the amortization **period** was not yet determined * * *.” Brief, p. 10, emphasis added. The testimony and this Court’s rulings prove the opposite.

B. The State Contribution Agreement provides no support to PFRS.

PFRS’ brief (pp. 9-16) quotes three times the following language emanating from the State Contribution Agreement which, according to PFRS, is the source of its “unfettered discretion” over the amortization term:

“For purposes of this Combined Plan, “investment management decisions” and “investment management matters” shall include: * * *

“(d) review and affirmation or rejection of the correctness of any an all calculations, actuarial assumptions and/or assessments used by the Actuary including, but not limited to (i) those underlying the restoration of the pension benefits, funding levels and amortization thereof, all in accordance with the pension restoration program

attached to the Plan of Adjustment (as more fully described in Article K of Component II of this Combined Plan Document), (ii) those underlying the determination of **annual funding levels and amortization thereof**, and (iii) on or after Fiscal Year 2024, the recommended annual contributions to the Retirement System in accordance with applicable law; * * *

“Interpretation of Retirement System governing documents, existing law, **the Plan of Adjustment or other financial determination that could affect funding or benefit levels[.]**”

PFRS’ brief, double emphasis (bold and underline) added by PFRS.

PFRS offers no explanation of how any of that language purports to give PFRS unfettered discretion over the **amortization term** for the UAAL as of 2023 or any other time. The first part of section (d), which defines the provision’s scope, simply gives the Investment Committee (IC) authority to review the “correctness” of “calculations, actuarial assumptions and/or assessments.”

The provision goes on to give the IC authority to determine the “correctness” of “annual funding levels and amortization thereof.” “Correctness” means checking the calculations. Nothing in the language even purports to give PFRS authority over the amortization term. Indeed, the phrase “amortization thereof” makes no sense because an “annual funding level” does not get “amortized.” It is the amount that must be paid in the given year. PFRS’ brief simply quotes the language – with dramatic double emphasis - but offers no analysis of its meaning.

The City can only presume that the quoted language was intended to address actuarial considerations that underlie the calculation of annual funding payments

during the thirty-year amortization. Those are, for example, whether the amount will be determined using straight-line principle calculations or level-payments over the 30-year amortization term. See Malhotra's testimony quoted earlier where he discusses these "methodology" issues while confirming that the amortization term was 30-years. Presumably, the IC was given authority to determine the "correctness" of those calculations.

If there were any possible doubt on this subject it is dispelled by another provision in the PFRS plan that addresses the same subject, annual funding levels, but uses entirely different language. The PFRS plan document addresses both the Component I (hybrid) plan and the Component II (frozen legacy plan). Ex. 23 (plan excerpts). Component II uses the language quoted above drawn from the State Contribution Agreement. Ex. 23, p. 62, sec 16.2(1)(d). In direct contrast, Component I (hybrid plan) states in relevant part as follows:

"For plan years commencing July 1, 2023 and later, the accrued pension liabilities for Members shall be determined by the Actuary using reasonable and appropriate actuarial assumptions approved by the Board and the Investment Committee. The City's annual contributions to finance the normal costs of benefits and any such unfunded accrued pension liabilities shall be determined by the Actuary amortizing such unfunded accrued pension liabilities over a period or period of future years as established by the Board and approved by the Investment Committee." Emphasis added.

The fact that PFRS was given authority over the amortization term for the hybrid plan, but not the legacy plan, makes perfect sense. The hybrid plan was

created by the POA. It had no UAAL. The required annual funding was expected to avoid accrual of anything more than nominal UAAL. Amortization of UAAL for the hybrid plan was and is a moot point.

“Where the same word or phrase might have been used...in different portions of a [contract] but a different word or phrase having different meaning is used instead, the construction employing that different meaning is to be favored.” *Toder v. Progressive Mi. Ins. Co.*, 2017 WL 3316939 (Mich. Ct. Apps. 2017) at *7, quoting *Mason v. Telefunken Semiconductors America, LLC*, 797 F.3d 33, 42 (1st Cir. 2015). See also *Andrusz v. Andrusz*, 320 Mich App 445, 454 (2017), (construing consent judgment); *In re A.P. Liquidating Co.*, 421 Fed. Appx. 583, 589 (6th Cir. 2011), (“Having used different words he must have had different meanings.”)

Here, when the authors wanted to empower PFRS with the authority to determine the amortization term for the **hybrid plan** they knew exactly how to do so. No such authority was granted for the Component II (legacy) plans because both the settlement with GRS/PFRS, and the POA, require thirty-year amortization. For further proof, the state of Michigan and its counsel have received notice of the City’s motion to enforce 30-year amortization and have submitted no opposition.

Finally, PFRS, in misplaced reliance on the State Contribution Agreement, argues that as between the City and PFRS, PFRS “gets to decide” the amortization term. Brief, p. 2. In fact, this Court “gets to decide” and has already decided on 30-

year amortization. Because the POA requires 30-year amortization, PFRS has no authority under law or the PFRS plan document to “alter or depart from” that requirement. See the City’s initial brief, p. 26, discussion of PFRS plan ¶16.6.

C. PFRS’ reliance on out-of-context snippets of discovery deposition testimony is disingenuous and completely misplaced.

PFRS argues that the City’s “own experts did not support [30-year amortization].” Brief, subheading 3, p. 21. PFRS’s argument is specious.

Glen Bowen. PFRS’ brief (pp. 22-24) devotes three full pages to discovery deposition testimony of actuary Glen Bowen. But PFRS does not bother to tell the Court that the entire quoted exchange related to a letter written by Bowen to the City of Detroit on **January 28, 2013** – before the bankruptcy was even filed. Bowen dep., PFRS ex. B, pp. 295-296. The opening question in the exchange (PFRS brief p. 22) states “Scenario three, if you look at it, changes to a closed 30-year amortization. Do you see that?” “Scenario three” was one of a myriad of hypotheticals appearing in a series of letters sent by Bowen to the City in 2012 and early 2013. PFRS ex. B, pp. 263-290. In the quoted testimony Bowen was asked his opinion on the various hypotheticals – all of which had absolutely nothing to do with the POA.

Bowen’s opinion, and those of other actuaries, were completely irrelevant because none of them had any authority to decide the amortization term. Their job was to provide actuarial calculations. The City and the legacy plans settlement

expressly incorporated 30-year amortization. The Court was the ultimate decision-maker and its rulings confirm 30-year amortization.

Charles Moore. PFRS (pp. 24-25) quotes Moore’s discovery deposition testimony stating: “I have reviewed many municipal plans and that is a trend that I have seen [shorter than 30-year amortization].” The exchange related to the Plan’s requirement that the City’s water and sewer department (DWSD) pay its share of GRS’ unfunded liability during the period 2014-2023, as part of the City’s 10-year pension holiday. Moore dep, PFRS ex. H, pp. 331-334. The creditor attorney was attempting to show that 10-years was too short – on the theory that a longer period would allow DWSD to use its funds to increase the creditor’s payout. That morphed into an esoteric and hypothetical discussion of other plan amortization periods generally, completely unrelated to the POA. Like Bowen’s opinion, Moore’s opinion about amortization period “trends” for other plans is completely irrelevant.

D. PFRS’ reliance on the City’s pre-bankruptcy defaults is shameful.

Not only is PFRS’ position legally unsound, but PFRS’ actuary and the City’s expert actuary agree that there is no need for acceleration to protect pension beneficiaries. City’s initial brief, pp. 12-13, 23-24. Rather, PFRS argues it has “unfettered discretion” to do so and such action is justified by the City’s pre-bankruptcy defaults.

PFRS' characterizes the City's opposition to 20-year amortization as follows: "Unfortunately, as was all too common pre-petition, the City wants to ignore its pension obligations and divert cash to meet other needs – which was a recipe for disaster pre-bankruptcy." Brief, pp. 4-5. That argument is repeated throughout PFRS' brief, e.g., PFRS is entitled to consider "the long history of payment defaults that nearly bankrupted the Retirement Systems;" and "the City once again wants to avoid its pension obligations and spend the money elsewhere * * *." Brief, pp. 27, 28-29.

PFRS believes it is entitled to inflict severe financial distress on the City – contrary to the POA and this Court's Orders- based on the City's prebankruptcy sins. That position is directly contrary to the entire purpose of the POA and Chapter 9 of the Bankruptcy Code:

"The purpose of the Plan is to adjust the City's debts to enable the City to reverse its decades-long financial decline, eliminate its service delivery insolvency, restore adequate municipal services to its residents and meet its future financial obligations, consistent with the overarching remedial purpose of chapter 9 and the objectives and purposes of the Bankruptcy Code." Ex. 16, p. 20.

"In every case [chapter 9 or other], a debtor needs help, made mistakes, took unwarranted risks, accepted bad advice, exercised bad judgment, was too long in denial, or had just plain bad luck.

"But no matter, our society holds dear the values of a fresh start and of second chances. That value is manifested with brilliant clarity in our bankruptcy laws. * * * The current leadership of the City is now

getting the City back from the emergency manager and from us in the bankruptcy world. The City will have the fresh start that it needs and deserves under our federal bankruptcy laws. It is now the responsibility of City leadership to implement this plan. The City's true and full fresh start depends on it.” Ex. 15, p. 277.

Equally shameful is PFRS’ discussion of feasibility. PFRS completely ignores the overwhelming trial evidence, Kopacz’ report and this Court’s rulings requiring 30-year amortization as a key component of the POA’s feasibility. Instead, PFRS states (brief, p. 4):

“Moreover, raising the specter of “feasibility” now gets the City nowhere. It is undisputed that the City *has* the money. To its credit, the City has set aside hundreds of millions of dollars in trust **to fund the 2023 Payment**. The issue is not whether the City can afford a shorter 20-year amortization – it admits it can – the issue is that the City would rather spend the money on other things.” Emphasis added.

Of all PFRS’ unsound and cynical arguments that is the worst. PFRS is fully aware that the \$355 million in the Retiree Protection Trust Fund is **not**, as PFRS claims, “to fund the 2023 payment.” The Trust Fund was created because, in reliance on Gabriel Roeder’s use of outdated mortality tables, the actuaries in this case underestimated the legacy plans’ UAAL by some \$500 million. The Trust Fund was created specifically to address that mammoth error and “ensure proper funding of legacy pensions * * *.” Duggan dec’l, City ex. 1, ¶¶16-19. Under the POA, “proper funding” is determined by 30-year amortization.

30-year amortization was ordered so the City’s POA creditor claims would be spread out, to ensure the City could make those payments and deal with its many

difficult operational issues. The City's funding of the Retiree Protection Trust Fund has come at the expense of other priorities including public safety. A recent Detroit News article explained that the City had lost 223 police officers since January 2022. They were leaving for suburban jobs with higher pay, better benefits and safer working conditions. Ex. 24. In response, the City has negotiated a new agreement providing officers with very significant pay raises. Ex. 25. This is exactly why the POA requires 30-year amortization.⁴

CONCLUSION AND RELIEF

The City asks the Court to grant its motion and order PFRS to use 30-year amortization.

By: /s/ Marc N. Swanson
Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
swansonm@millercanfield.com

By: /s/ Charles N. Raimi
Charles N. Raimi (P29746)
City of Detroit Law Department
2 Woodward Ave., Suite 500
Detroit, MI 48226
Telephone: (313)-237-5037
raimic@detroitmi.gov

Attorneys for the City of Detroit

October 31, 2022

⁴PFRS' final argument is that the City should have filed an adversary proceeding rather than a motion. However, there is no need to file an adversary proceeding when a chapter 9 plan provides for injunctive or other equitable relief. Fed. R. Bankr. P. 7001(7). The POA here provides for such relief, POA pp. 50, 70, and that is the relief the City seeks. This Court has routinely dealt with such issues under the POA by motion.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:
City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

**EXHIBITS TO REPLY BRIEF IN SUPPORT OF CITY OF
DETROIT'S MOTION TO ENFORCE PLAN OF ADJUSTMENT AND
REQUIRE 30-YEAR AMORTIZATION OF THE ACCRUED LIABILITY
IN THE POLICE AND FIRE RETIREMENT SYSTEM PENSION PLAN**

(EXHIBITS 1-14 FILED WITH THE CITY'S INITIAL BRIEF)

- Ex. 15 – Excerpts of the Confirmation Opinion (524 B.R. 147)
- Ex. 16 – Excerpts of the Confirmation Order (Court Doc 8272)
- Ex. 17 – City trial exhibit 793
- Ex. 18 – City trial exhibit 723
- Ex. 19 – City trial exhibit 111
- Ex. 20 – City trial exhibit 734
- Ex. 21 – City trial exhibit 779
- Ex. 22 – Expert report of Martha Kopacz re POA feasibility (excerpts)
- Ex. 23 – Combined Plan for the Police & Fire Retirement System (excerpts)
- Ex. 24 – Detroit News article, 8/31/22, Detroit losing a cop nearly every day
- Ex. 25 – Detroit News article, 9/30/22, sharp pay raises for Detroit police
- Ex. 26 – Testimony of Ron Bloom – financial advisor to retirees (excerpts)

EXHIBIT 15



524 B.R. 147
United States Bankruptcy Court,
E.D. Michigan,
Southern Division.

In re CITY OF DETROIT, Michigan, Debtor.

No. 13-53846.

Signed Dec. 31, 2014.

Synopsis

Background: Chapter 9 debtor-city sought confirmation of eighth amended plan of adjustment, and approval of settlements with creditors.

Holdings: The Bankruptcy Court, Steven Rhodes, J., held that:

- [1] proposed settlement was fair and equitable, warranting its approval;
- [2] plan was in the best interests of creditors, as required for confirmation;
- [3] plan was feasible, as required for confirmation;
- [4] plan was proposed in good faith, as required for confirmation;
- [5] plan did not discriminate unfairly in favor of pension classes, as required for confirmation;
- [6] impairing and discharging § 1983 claims against city would not violate Fourteenth Amendment; and
- [7] Takings Clause claims against city would be excepted from discharge.

Plan confirmed.

West Headnotes (65)

- [1] Bankruptcy ⇐ Judicial authority or approval

Bankruptcy ⇐ Adjustment of Debts of a Municipality

Proposed state contribution agreement, whereby state of Michigan agreed to contribute \$194.8 million to general retirement system and police and fire retirement system for Chapter 9 debtor-city in settlement of city's pension underfunding claim, which city and state contended was equal to net present value of \$350 million payable over 20-year period, was fair and equitable, warranting its approval, given that obligation not to impair municipal pensions established in Michigan constitution was absolute, if city's claim against state were successful, state would be responsible for potentially \$3 billion, and many skilled and capable representatives of pension creditors concluded that agreement was fair. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.; M.C.L.A. Const. Art. 9, § 24.

- [2] Bankruptcy ⇐ Judicial authority or approval
- Bankruptcy ⇐ Adjustment of Debts of a Municipality

Release of liabilities against state and its related entities in debtor-city's state contribution agreement, whereby state agreed to contribute \$194.8 million to general retirement system and police and fire retirement system for city in settlement of city's pension underfunding claim, was necessary and appropriate to implementation of proposed Chapter 9 plan, warranting approval; agreement was part of a "grand bargain" settlement that was the cornerstone of city's plan, and without that settlement, several other settlements would also collapse, impacted classes had overwhelmingly voted to accept the plan, and both city and state needed finality regarding city's pension liabilities. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.; 11 U.S.C.A. § 524(e).

- [3] Bankruptcy ⇐ Judicial authority or approval
- Bankruptcy ⇐ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable and in best interests of creditors, proposed settlement whereby Chapter 9 debtor-city, in exchange for payment commitments from municipally owned art museum and various funders, would transfer all of its right, title, and interest in pieces of art to the museum to be held in perpetual charitable trust for benefit of people of city and state, free and clear of all liens, encumbrances, claims, and interests of city or its creditors; museum asserted that the donors of many of the pieces of art imposed specific transfer restrictions on them and that museum and many of its individual donors would vigorously challenge any attempt by city to sell any of the art, any such litigation would take years to conclude and would be costly to pursue, nationally accepted standards for museums prohibited the de-acquisition of art to pay debt, and de-accessing many highly valuable pieces at the same time would flood the art market and could cause prices to fall significantly. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.; 11 U.S.C.A. § 943(b)(7).

- [4] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable, proposed pension global settlement, whereby Chapter 9 debtor-city agreed to allowed claim amount of unfunded accrued actuarial liability (UAAL) of \$1.25 billion for police and fire retirement system and \$1.879 billion for general retirement system; pension reductions for retirees on account of the UAAL were significantly less than city had originally concluded would be necessary, and a substantial majority of pension classes voted in favor of city's plan and accepted the necessity of shared sacrifice for the common good of the city. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.

- [5] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable, proposed annuity savings fund (ASF) recoupment settlement, whereby Chapter 9 debtor-city would recoup excess interest from ASF participants, which had resulted from general retirement system (GRS) for city crediting interest in each participant's ASF account at the assumed rate of return even when the actual rate of return was less, to offset unfunded accrued actuarial liability (UAAL) and reduce pension cuts to GRS retirees; class of claims affected by the settlement accepted it by a vote of 73%, and caps and other limitations on the recoupment amount that the parties negotiated would reduce the hardship of it. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.

- [6] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable, proposed settlement whereby Chapter 9 debtor-city agreed to allowed claim amounts of \$2.208 billion for police and fire retirement system retirees and \$2.095 billion for general retirement system retirees for loss of certain post-employment benefits, including health, vision, dental, and life and death benefits, and city would establish voluntary employee benefit association boards to provide health benefits, including life insurance, to retirees and certain of their beneficiaries and dependents; the settlement avoided protracted and expensive litigation to resolve intense factual and legal disputes and settled one of city's largest liabilities, allowing city to bring its bankruptcy closer to conclusion. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.

- [7] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Proposed settlement of claims filed by creditors of state district court located in city, which Chapter 9 debtor-city was required to fund the operations of, for an allowed claim of \$6 million

with an ultimate distribution of \$2 million was reasonable, warranting its approval; claims against the court were obviously not frivolous, as they had been reduced to substantial awards in arbitration, and if city had chosen instead to continue to contest those claims, the number of claims would have made the expense of the litigation significant. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.; M.C.L.A. §§ 600.8103, 600.8104.

- [8] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable, proposed settlement whereby Chapter 9 debtor-city and bond insurers agreed to allowed claim in the amount of \$388 million relating to variable rate unlimited tax general obligation bonds (UTGO bonds), with just under \$288 million of the bonds to be restructured and reallocated among the holders of the bonds; the restructured bonds represented a 74% recovery for holders of the bonds, and issues relating to the bonds had already been vigorously litigated before the settlement was reached and any further litigation would have been lengthy, complex, and time consuming. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.

- [9] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable, proposed settlement between Chapter 9 debtor-city, bond insurer, and investment management company relating to limited tax obligation bonds (LTGO bonds), whereby city agreed to make a \$55 million cash payment and LTGO bond creditors would receive \$17.3 million in excess "New B Notes"; total estimated recovery for holders of LTGO bond claims was 41% and the class accepted the plan by a vote of 63%. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.

- [10] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable, proposed settlement whereby Chapter 9 debtor-city agreed to make \$5 million cash payment to creditor, a holder and insurer of pension related certificates of participation (COPs), and creditor would receive \$23.5 million in "New B Notes," \$21.3 million in "New C Notes," and \$6.25 million in certain settlement credits, as well as a five-year option to acquire and develop certain properties owned by city; value of the monetary portion of the settlement was estimated to be 13% of creditor's claims, and even if city were successful in litigation with creditor, it would have spent years and millions of dollars defending the results, and confirmation and the effectiveness of the plan may have been held in limbo as the issues made their way through the appellate process. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.

- [11] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve, as being fair and equitable, proposed settlement whereby Chapter 9 debtor-city and creditor, a holder and insurer of pension related certificates of participation (COPs), agreed to allowed claim for \$6.11 million, and creditor would receive approximately \$4.5 million in "New B Notes"; creditor held one of the largest claims against city and zealously litigated its objections, the COPs litigation involved highly complex and novel issues that would have taken significant time and expense to resolve, and creditor's estimated monetary recovery was 13% of its claims, which was comparable to what the general unsecured creditors were receiving. Fed.Rules Bankr.Proc.Rule 9019(a), 11 U.S.C.A.

- [12] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Chapter 9 debtor-city bears the burden of establishing each of the required elements for confirmation of its plan by a preponderance of the evidence. 11 U.S.C.A. §§ 943(b), ¹¹²⁹.

subject to impairment in bankruptcy; provision of Bankruptcy Code requiring that "the debtor is not prohibited by law from taking any action necessary to carry out the plan" did not prohibit that. M.C.L.A. Const. Art. 9, § 24; 11 U.S.C.A. §§ 943(b)(4), ^{1123(b)(1)}.

[13] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy court has an independent obligation to determine that a proposed Chapter 9 plan meets confirmation requirements, notwithstanding creditor approval. 11 U.S.C.A. § 943(b).

[18] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Eighth amended plan of adjustment proposed by Chapter 9 debtor-city was in the best interests of creditors, as required for confirmation; if the case were dismissed, state law remedies would not provide creditors with a better result than the plan, whether in bankruptcy or outside of bankruptcy, no provision of law allowed creditors to access city assets to satisfy their claims, and there was no more money available for creditors in the city's already tight budget projections. 11 U.S.C.A. § 943(b)(7).

[14] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy statute governing confirmation of Chapter 9 plan requires that all of debtor's professional fees in connection with the case be reasonable. 11 U.S.C.A. § 943(b)(3).

2 Cases that cite this headnote

[15] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy court could not accept, without further judicial review, fee examiner's findings that professional fees incurred by Chapter 9 debtor-city, whether paid or unpaid at the point of confirmation, were reasonable. 11 U.S.C.A. § 943(b)(3).

[19] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

"Best interests of creditors" requirement of Chapter 9 differs significantly from the best interests requirement in Chapter 11, which involves considering a liquidation analysis. 11 U.S.C.A. §§ 943(b)(7), ^{1129(a)(7)}.

2 Cases that cite this headnote

[16] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy statute governing confirmation of Chapter 9 plan only requires that the court determine that professional fees are reasonable and does not require the court to make this determination before it enters an order confirming the plan. 11 U.S.C.A. § 943(b)(3).

[20] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

"Best interests of creditors" requirement of Chapter 9 requires that a proposed plan provide a better alternative for creditors than what they already have. 11 U.S.C.A. § 943(b)(7).

1 Cases that cite this headnote

[17] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Pension claims were unsecured contract claims under the Michigan constitution and therefore

[21] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Under "best interests of creditors" requirement of Chapter 9, the question is whether the plan

is in the best interests of creditors as a whole; confirmation may not be denied simply because some creditors may do better upon dismissal. 11 U.S.C.A. § 943(b)(7).

2 Cases that cite this headnote

[22] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Eighth amended plan of adjustment proposed by Chapter 9 debtor-city was feasible, as required for confirmation; city's revenue and expense projections extended 40 years into the future and were reasonable, the plan reduced city's debt by over \$7 billion, and it was likely that city would be able to sustainably provide services to citizens of the city and meet obligations contemplated in the plan without significant probability of default. 11 U.S.C.A. § 943(b)(7).

1 Cases that cite this headnote

[23] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

As with cases in Chapter 11, a Chapter 9 feasibility finding should prevent confirmation of visionary schemes which promise creditors more under a proposed plan than the debtor can possibly attain after confirmation. 11 U.S.C.A. § 943(b)(7).

[24] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Under feasibility requirement of Chapter 9, a proposed plan should offer a reasonable prospect of success and be workable. 11 U.S.C.A. § 943(b)(7).

[25] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Feasibility requirement of Chapter 9 requires a practical analysis of whether the debtor can accomplish what the plan proposes and provide governmental services; although success need not be certain or guaranteed, more is required

than mere hopes, desires, and speculation. 11 U.S.C.A. § 943(b)(7).

[26] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

In determining feasibility of a Chapter 9 plan, probability of future success will depend upon reasonable income and expense projections. 11 U.S.C.A. § 943(b)(7).

[27] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

As with plans proposed under Chapter 11, if performance of a Chapter 9 plan is based upon deferred payments, projections of future income and expenses must be based upon reasonable assumptions and must not be speculative or conjectural. 11 U.S.C.A. § 943(b)(7).

[28] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy ⇌ Classification of claims

To be "substantially similar," for purposes of Bankruptcy Code provision requiring that claims in given class be substantially similar to each other in Chapter 11 plan, which provision is also applicable in Chapter 9 cases, claims need not be identical and there is certainly no requirement that claims be classified according to their values. 11 U.S.C.A. § 1122(a).

[29] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy ⇌ Classification of claims

Under Bankruptcy Code provision requiring that claims in given class be substantially similar to each other in Chapter 11 plan, which provision is also applicable in Chapter 9 cases, claims will be substantially similar if they are similar in legal nature or character. 11 U.S.C.A. § 1122(a).

- [30] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy ⇌ Classification of claims

Bankruptcy Code provision requiring that claims in given class be substantially similar to each other in Chapter 11 plan, which provision is also applicable in Chapter 9 cases, does not require that all similar claims be placed in one class. 11 U.S.C.A. § 1122(a).

- [31] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy ⇌ Classification of claims

Classification scheme satisfies Bankruptcy Code provision requiring that claims in given class be substantially similar to each other in Chapter 11 plan, which provision is also applicable in Chapter 9 cases, when a reasonable basis exists for the classification scheme, and the claims or interests within each particular class are substantially similar. 11 U.S.C.A. § 1122(a).

- [32] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy ⇌ Classification of claims

Under Bankruptcy Code provision requiring that claims in given class be substantially similar to each other in Chapter 11 plan, which provision is also applicable in Chapter 9 cases, plan proponent must not separately classify substantially similar claims solely to gerrymander favorable votes. 11 U.S.C.A. § 1122(a).

- [33] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Classification scheme of Chapter 9 debtor-city's proposed plan did not improperly gerrymander pension claims by including both impaired and unimpaired claims in the class; under the plan, all holders of pension claims were in the class and all such holders had similar claims, and each had a right to receive cost-of-living adjustment

(COLA) benefits and the plan reduced that benefit by 55%. 11 U.S.C.A. § 1122(a).

1 Cases that cite this headnote

- [34] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Eighth amended plan of adjustment was proposed by Chapter 9 debtor-city in good faith, as required for confirmation; city filed its plan with honest, good intentions and reasonable expectation that the plan was feasible, process the city undertook to seek confirmation of plan was fundamentally fair to city's creditors, and plan was designed to achieve the objectives and purposes of Chapter 9. 11 U.S.C.A. § 1129(a)(3).

3 Cases that cite this headnote

- [35] **Bankruptcy** ⇌ Good faith and legality

"Good faith," as required for confirmation of Chapter 11 plan, is generally interpreted to mean that there exists a reasonable likelihood that the plan will achieve a result consistent with the objectives and purposes of the Bankruptcy Code. 11 U.S.C.A. § 1129(a)(3).

2 Cases that cite this headnote


- [36] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Purpose of reorganization under Chapter 9 is to allow municipalities created by state law to adjust their debts through a plan voted on by creditors and approved by the bankruptcy court.

- [37] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality


Primary purpose of debt restructure for a municipality is not future profit, but rather continued provision of public services; another is to provide a municipality a breathing space and an opportunity to address its long term solvency through an organized process.

[38] **Bankruptcy** ⇌ Good faith and legality

“Good faith” requirement for confirmation of Chapter 11 plan generally requires that the plan be proposed with honesty and good intentions, and with a basis for expecting that a reorganization can be effected, and that the plan proponent deal with its creditors in a manner that is fundamentally fair.  11 U.S.C.A. § 1129(a) (3).


2 Cases that cite this headnote

[39] **Bankruptcy** ⇌ Good faith and legality

In deciding whether Chapter 11 plan has been proposed in “good faith,” pre-petition behavior is largely irrelevant; however, when considering the plan, courts consider the totality of the circumstances, and the court's own common sense and judgment.  11 U.S.C.A. § 1129(a) (3).


1 Cases that cite this headnote

[40] **Bankruptcy** ⇌ Good faith and legality

Deciding whether Chapter 11 plan has been proposed in “good faith” is an intensely fact-specific inquiry.  11 U.S.C.A. § 1129(a)(3).

1 Cases that cite this headnote

[41] **Bankruptcy** ⇌ Disclosure and Solicitation

Purpose of section of Bankruptcy Code requiring that proponent of Chapter 11 plan comply with applicable provisions of the Code is to assure that plan proponent has complied with disclosure requirements in connection with the solicitation of acceptances of the plan.  11 U.S.C.A. § 1129(a)(2).

[42] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Chapter 9 debtor-city adequately disclosed terms of annuity savings fund (ASF) recoupment

settlement, even though city did not disclose that amortization of the ASF recoupment amount over each creditor's life expectancy would include interest at 6.75%; although city did not separately identify the interest rate or the dollar amount of the interest when it disclosed individualized calculation of the monthly ASF recoupment amount for each affected creditor in the class, city's disclosure nevertheless would enable an employee or retiree in the class to make an informed judgment about the plan, and diverse group of attorneys had reviewed city's proposed disclosures on the ASF recoupment before the court approved them and apparently none of those attorneys considered that disclosing the interest rate or amount was necessary. 11 U.S.C.A. § 1125.

[43] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Although Chapter 9 debtor-city modified plan several times after court approved disclosure statement and city served it on creditors, and after the deadlines to vote had passed, city was not required to re-solicit ballots after the initial solicitation; none of the modifications in any of the successive amended plans adversely changed the treatment of any claims, but, rather, city had modified its plan to incorporate creditor settlements that maintained or improved the treatment of claims or otherwise clarified various plan provisions. 11 U.S.C.A. § 942; Fed.Rules Bankr.Proc.Rule 3019(a), 11 U.S.C.A.

[44] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Chapter 9 debtor-city's eighth amended plan of adjustment did not discriminate unfairly in favor of pension classes, as would prevent plan confirmation, given that state constitution singled out municipal pension claims for special protection, and city had a strong interest in preserving its relationships with its employees, in enhancing their motivation, and in attracting skilled new employees, consistent with its

financial resources. ¹¹ U.S.C.A. § 1129(b) (1); M.C.L.A. Const. Art. 9, § 24.

[45] **Bankruptcy** ⇌ Classification of claims
Bankruptcy ⇌ Fairness and Equity; “Cram Down.”
 Bankruptcy Code permits discrimination in the treatment of classes of claims; it only prohibits unfair discrimination. ¹¹ U.S.C.A. § 1129(b) (1).

[46] **Bankruptcy** ⇌ Fairness and Equity; “Cram Down.”
 Determining fairness, for purposes of Bankruptcy Code provision forbidding classifications that discriminate unfairly against creditors of debtor, is a matter of relying upon the judgment of conscience. ¹¹ U.S.C.A. § 1129(b).

1 Cases that cite this headnote

[47] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality
 Chapter 9 debtor-city's eighth amended plan of adjustment did not discriminate unfairly in favor of creditors of state district court located in city, given that city had a strong interest in maintaining efficiency of court operations and in maintaining the employees' morale, and city had a continuing legal and funding relationship with the court. ¹¹ U.S.C.A. § 1129(b)(1); M.C.L.A. §§ 600.8103, 600.8104.

[48] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality
 Chapter 9 debtor-city's eighth amended plan of adjustment did not discriminate unfairly against certain classes of unsecured creditors, even though some creditors in those classes might be involuntary creditors. ¹¹ U.S.C.A. § 1129(b) (1).

[49] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Chapter 9 debtor-city's eighth amended plan of adjustment was fair and equitable with respect to two dissenting classes of creditors, as required for confirmation, given that there was no misconduct that would require the court's remedy as a condition of confirmation, and very few of the creditors in the two classes filed objections to the plans. ¹¹ U.S.C.A. § 1129(b) (1).

[50] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Constitutional Law ⇌ Fourteenth Amendment in general

Impairing and discharging § 1983 claims against Chapter 9 debtor-city would not violate Fourteenth Amendment; the Fourteenth Amendment did not provide a substantive constitutional right to compensation for damages. U.S.C.A. Const.Amend. 14; ⁴² U.S.C.A. § 1983.

1 Cases that cite this headnote

[51] **Civil Rights** ⇌ Rights Protected

Congress enacted ¹ § 1983 for the express purpose of enforcing provisions of the Fourteenth Amendment; it provides a cause of action for the deprivation of any rights, privileges, or immunities secured by the Constitution and laws of the United States. U.S.C.A. Const.Amend. 14; ⁴² U.S.C.A. § 1983.

[52] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy Code did not provide for discharge of ¹ § 1983 claims against Chapter 9 debtor-city's officers in their individual capacity; a claim

against a city employee in his or her individual capacity was not a claim against the city for bankruptcy purposes. ¹42 U.S.C.A. § 1983.

[53] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Chapter 9 debtor-city's plan's proposed third-party release of ¹§ 1983 claims against officers of the city in their individual capacity was not essential to the plan, and therefore bankruptcy court would sustain creditors' objections to provisions of city's plan that would have the effect of discharging and releasing those claims; city had a strong interest in efficient and effective functioning of its police department, and protecting its officers from personal liability for ¹§ 1983 claims was necessary to that mission, and that protection appeared to be fully accomplished by contractual indemnity obligations that city assumed in the plan, specifically indemnity obligations in city's collective bargaining agreements with its public safety unions. ¹42 U.S.C.A. § 1983.

2 Cases that cite this headnote

[54] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Eminent Domain ⇌ Necessity of making compensation in general

Discharging Takings Clause claims against Chapter 9 debtor-city would violate the Fifth Amendment, warranting excepting the claims from discharge; if confirmed, the plan would deny creditors just compensation for private property that city took or allegedly took. U.S.C.A. Const.Amend. 5; 11 U.S.C.A. § 944(c) (1).

4 Cases that cite this headnote

[55] **Eminent Domain** ⇌ Necessity of making compensation in general

Eminent Domain ⇌ Recovery of compensation

Takings Clause violation is defined by two elements: (1) the public taking of private property, and (2) the subsequent denial of just compensation for that taking. U.S.C.A. Const.Amend. 5.

2 Cases that cite this headnote

[56] **Constitutional Law** ⇌ Avoidance of constitutional questions

Constitutional Law ⇌ Clearly, positively, or unmistakably unconstitutional

Courts should avoid interpreting a statute in a manner that would render it clearly unconstitutional if there is another reasonable interpretation available.

[57] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Municipal Corporations ⇌ Pensions and benefits

Public Employment ⇌ Funds and Contributions

Chapter 9 debtor-city's eighth amended plan of adjustment did not violate funding clause of Michigan constitution, even though objectors asserted the plan impermissibly provided city with a 10-year holiday on making pension contributions; municipal pension obligations were contractual obligations subject to impairment in confirmed plan in Chapter 9 bankruptcy case, and because city's only pension funding obligation was fixed in the plan, the city would fully comply with the funding clause when it fulfilled those obligations. M.C.L.A. Const. Art. 9, § 24.

[58] **Public Employment** ⇌ Funds and Contributions

Purpose of the funding clause of Michigan constitution is to check legislative bodies, requiring them to fund pension obligations annually, and thereby preventing back door spending. M.C.L.A. Const. Art. 9, § 24.

[59] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Municipal Corporations ⇌ Pensions and benefits

Public Employment ⇌ Pensions and Benefits

Chapter 9 debtor-city's plan's impairment of pension claims did not constitute improper impairment of claims against city's retirement systems under Michigan constitution, as city was the sole entity liable to participants of the retirement systems on account of their pension claims, and therefore their claims were not claims against the retirement systems, but, rather, were claims against the city. M.C.L.A. Const. Art. 9, § 24.

[60] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Pension claims of employees of Chapter 9 debtor-city's public library were properly included in city's eighth amended plan of adjustment, even though library might have, pursuant to collective bargaining agreements, contractual obligations to employees and retirees that were independent of city's obligations; the plan did not purport to affect library's independent obligations, and library and its unions were free to address, enforce, resolve, or renegotiate any such contractual obligations.

[61] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Municipal Corporations ⇌ Nature and purposes of improvements in general

Chapter 9 debtor-city's eighth amended plan of adjustment did not violate Michigan's Blighted Area Rehabilitation Act, even although objecting parties asserted that the plan did not provide for the involvement of residents and interested parties in blight remediation and rehabilitation; as part of its restructuring, city intended to spend \$440.3 million on blight remediation projects to stabilize and revitalize its neighborhoods. M.C.L.A. §§ 125.71–125.84.

[62] **Bankruptcy** ⇌ Judicial authority or approval
Bankruptcy ⇌ Adjustment of Debts of a Municipality

Proposed settlement, whereby state of Michigan agreed to, inter alia, contribute \$194.8 million to retirement systems for Chapter 9 debtor-city, was not improper, despite objector's argument that the settlement allocated funds from state's tobacco settlement that belonged "equitably and morally" to cities around the state; source of funds identified by state to fund its contribution to the proposed settlement was irrelevant to whether the plan met the requirements for confirmation under the Bankruptcy Code, and the objection cited no legal limitation on state's authority to distribute tobacco settlement money within its discretion or any legal basis for the argument that cities were "equitably and morally" entitled to the money.

[63] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Municipal Corporations ⇌ Pensions and benefits

Public Employment ⇌ Pensions and Benefits

Chapter 9 debtor-city's eighth amended plan of adjustment did not violate the Federal Transit Act as a result of impairment of pension claims of city department of transportation (DOT) retirees; with respect to active employees, city bargained with and ultimately entered into agreements with each of the six unions representing DOT employees, and city was not required to collectively bargain with retirees to satisfy the Federal Transit Act. 49 U.S.C.A. § 5333(b).

[64] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy court would approve exit financing of up to \$325 million proposed in Chapter 9 debtor-city's eighth amended plan of adjustment;

the proposed exit financing and city's proposed uses of the proceeds of the exit financing were necessary and appropriate to implement the plan, the financing was not inconsistent with any other provisions of the Bankruptcy Code, fees associated with the financing were reasonable, and terms of the exit financing were fair and reasonable. 11 U.S.C.A. §§ 943(b)(3), 1123(a)(5), 1123(b)(6).

[65] **Bankruptcy** ⇌ Adjustment of Debts of a Municipality

Bankruptcy ⇌ Construction, execution, and performance

Bankruptcy Code provision governing obtaining credit does not apply to post-confirmation exit financing. 11 U.S.C.A. § 364.

1 Cases that cite this headnote

Attorneys and Law Firms

*156 Bruce Bennett, Los Angeles, CA, Judy B. Calton, Honigman Miller Schwartz & Cohn LLP, Eric D. Carlson, Tamar Dolcourt, Timothy A. Fuscon, Eric B. Gaabo, Jonathan S. Green, Jeffrey S. Kopp, Foley & Lardner LLP, Stephen S. LaPlante, John A. Simon, Marc N. Swanson, Miller Canfield Paddock and Stone, P.L.C., Detroit, Robert S. Hertzberg, Deborah Kovsky-Apap, Pepper Hamilton LLP, Kay Standridge Kress, Southfield, MI, David Gilbert Heiman, Cleveland, OH, Heather Lennox, New York, NY, for Debtor.

Sean M. Cowley, Richard A. Roble, United States Trustee, Detroit, MI, for Trustee.

Brett Howard Miller, New York, NY, Geoffrey T. Pavlic, Mark H. Shapiro, Southfield, MI, for Creditor Committee.

Supplemental Opinion Regarding Plan Confirmation, Approving Settlements, and Approving Exit Financing

STEVEN W. RHODES, Bankruptcy Judge.

Table of Contents

I. INTRODUCTION.....	159
II. THE PLAN CONFIRMATION PROCESS.....	161
A. The City's Plans of Adjustment.....	161
B. An Overview of the City's Eighth Amended Plan of Adjustment.....	162
C. Objections Filed by Represented Parties.....	163
D. The Participation by Unrepresented Parties.....	165
1. The Unrepresented Parties' Oral Presentations.....	165
2. The Unrepresented Parties' Participation in the Confirmation Hearing.....	166
E. The City Tour.....	166
III. THE SETTLEMENTS IN THE PLAN.....	167
A. Mediation.....	167
B. The Applicable Law.....	168

C. The <i>Bard</i> Considerations Applicable to All of the Settlements.....	169
D. The Grand Bargain.....	169
E. The State Contribution Agreement.....	170
1. The Potential Claim Against the State of Michigan.....	170
2. The Terms of the State Contribution Agreement.....	170
3. The State Contribution Agreement Is Fair and Equitable.....	171
a. The State Contribution Agreement Is Reasonable in Amount.....	171
b. The Releases in the State Contribution Agreement Are Reasonable.....	172
F. The DIA Settlement.....	176
1. The Dispute over the DIA Art.....	176
2. The Terms of the DIA Settlement.....	176
3. The DIA Settlement Is Fair and Equitable.....	177
G. The Pension Global Settlement.....	179
1. The Terms of the Pension Global Settlement.....	179
a. The Treatment of Pension Claims.....	179
b. Restoration of Pension Benefits.....	180
c. Governance and Oversight.....	180
2. The Pension Global Settlement Is Fair and Equitable.....	180
H. The Annuity Savings Fund Recoupment Settlement.....	182
1. The Dispute Over the Excess ASF Credits.....	182
2. The Terms of the ASF Settlement.....	182
3. Objections to the ASF Settlement.....	182
4. The ASF Settlement Is Fair and Equitable, and Does Not Violate the Bankruptcy Code.....	183
I. The OPEB Settlement.....	184
1. The Disputes Over the OPEB Claims.....	184
2. The Terms of the OPEB Settlement.....	185

3. The OPEB Settlement Is Fair and Equitable.....	186
J. The 36th District Court Settlement.....	186
K. The UTGO Settlement.....	187
1. The Dispute Regarding the UTGO Bonds.....	188
2. The Terms of the UTGO Settlement.....	188
3. The UTGO Settlement Is Fair and Equitable.....	189
L. The LTGO Settlement.....	190
1. The Dispute Regarding the LTGO Bonds.....	190
2. The Terms of the LTGO Settlement.....	191
3. The LTGO Settlement Is Fair and Equitable.....	191
M. The Settlements Related to the Certificates of Participation.....	192
1. The Dispute Relating to the COPs Transactions.....	192
2. The Terms of the COPs Settlement.....	193
3. The Terms of the Syncora Global Settlement.....	194
4. The Syncora Global Settlement Is Fair and Equitable.....	195
5. The Terms of the FGIC Global Settlement.....	196
6. The FGIC Global Settlement Is Fair and Equitable.....	197
IV. SETTLEMENTS THAT THE COURT APPROVED DURING THE CASE.....	197
A. The Swaps Settlement.....	197
B. The DWSD Bondholders Settlement.....	198
C. The MIDDD Settlement.....	198
V. THE CREATION OF THE GREAT LAKES WATER AUTHORITY.....	198
VI. THE CLASSES OF CLAIMS IN THE CITY'S PLAN AND THE RESULTS OF THE BALLOTING.....	199
VII. THE STATUTORY REQUIREMENTS FOR CHAPTER 9 PLAN CONFIRMATION.....	200

VIII. THE COURT'S FINDINGS REGARDING CONFIRMATION OF THE CITY'S EIGHTH AMENDED PLAN OF ADJUSTMENT.....	202
IX. THE OUTSTANDING OBJECTIONS TO THE CITY'S PLAN.....	203
A. Objections Filed by Represented Parties.....	203
B. Objections Filed by Unrepresented Parties.....	203
X. ISSUES RELATING TO PLAN CONFIRMATION.....	204
A. The City's Professional Fees Will Be Fully Disclosed and Reviewed for Reasonableness As Soon As Practicable, As Required by § 943(b)(3)....	204
1. The City's Professional Fees Will Be Fully Disclosed.....	204
2. Section 943(b)(3) Requires the Court to Determine Whether the City's Professional Fees in the Case Are Reasonable.....	205
a. The Scope of § 943(b)(3).....	206
b. Reasonableness in This Case Is Insufficient to Comply with § 943(b)(3) and <i>City of Avon Park</i>	210
c. The Process for Reviewing Fees.....	211
B. The Debtor Is Not Prohibited by Law from Taking Any Action Necessary to Carry Out the Plan, As Required by § 943(b)(4).....	211
C. The Plan Is in the Best Interests of Creditors, As Required by § 943(b)(7).....	212
1. The Applicable Law.....	212
2. If the Case Were Dismissed, State Law Remedies Would Not Provide Creditors with a Better Result Than the Plan.....	213
a. The Creditors' Legal Remedies in the Event of a Dismissal.....	213
b. The Creditors' Recoveries in the Event of a Dismissal.....	215
c. The Creditors' Loss of Other Plan Benefits.....	217
3. The Creditors Can Access No Other Assets in This Bankruptcy Case.....	218
4. The Best Interests of Creditors and Feasibility.....	219
D. The Plan Is Feasible, As Required by § 943(b)(7) 108.....	219
1. Applicable Law.....	219

2.	An Overview of Feasibility.....	220
3.	Evidentiary Issues Regarding the Report and Testimony of the Court's Feasibility Expert..	222
4.	The Expert's Standard for Feasibility.....	222
5.	The City's Plan Is Feasible.....	223
6.	The City's Revenue and Expense Projections.....	224
a.	The City's Ten-Year Revenue Projections.....	224
b.	The City's Ten-Year Expense Projections.....	224
c.	The City's Forty-Year Revenue Projections.....	225
d.	The City's Forty-Year Expense Projections.....	225
e.	The Resulting Forty-Year Projections.....	225
f.	The Expert's Review of the Plan Projections.....	226
g.	The Revenue in the Plan Projections.....	226
h.	The Expenditures, Revenue and Cost Savings Associated with the RRI's.....	228
7.	The City's Obligations to Creditors Under the Plan.....	228
a.	The City's Post-Bankruptcy Debt.....	229
b.	The Cost of Servicing the Post-Bankruptcy Debt.....	229
c.	The City Will Be Able to Service Its Post-Bankruptcy Debt.....	230
8.	Obligations.....	231
a.	The City's Plan Regarding Its Pension Obligations.....	231
b.	Evaluating the Risks in the City's Plan to Address Its Pension Obligations.....	232
c.	Recommendations for Enhanced Disclosures to Reduce the Risk of Unmanageable Pension Obligations.....	233
9.	The City Will Be Able to Sustainably Provide Adequate Services.....	234
a.	The Blight Initiatives.....	235
b.	The Public Safety Initiatives.....	236
c.	The Organizational Efficiency Initiatives.....	238
d.	The Resident Services Initiatives.....	240
e.	The Business Services Initiatives.....	240

10. The City's Commitment to Implement the Plan.....	241
11. Final Thoughts and Recommendations on Feasibility.....	244
E. Each of the Claims in Each Class Is Substantially Similar to the Other Claims in the Class, As Required by § 1122(a).....	245
1. The Applicable Law.....	245
2. Creditors' Objections to Classification Are Overruled.....	246
F. The City Proposed the Plan in Good Faith, As Required by § 1129(a)(3).	247
1. The Applicable Law.....	247
2. The City's Good Faith.....	248
3. The City's Long-Term Solvency.....	249
4. Federalism Considerations in the Court's Good Faith Analysis.....	250
G. Bankruptcy Code, As Required by § 1129(a)(2).....	251
1. The ASF Interest Rate Disclosure Issue.....	252
2. Successive Plan Modifications Did Not Require Re-Solicitation of Ballots.....	253
H. The Plan Does Not Discriminate Unfairly Against Dissenting Classes 14 and 15, As Required by § 1129(b)(1).....	253
1. The Plan Discriminates Against Dissenting Classes 14 and 15.....	253
2. The Unfair Discrimination Standard.....	255
3. The Discrimination Against the Classes of General Unsecured Creditors and Convenience Creditors Is Not Unfair.....	257
a. The Discrimination in Favor of the Pension Classes Is Not Unfair.....	257
b. The Discrimination in Favor of the UTGO, LTGO and 36th District Court Classes Is Not Unfair.....	258
c. The Discrimination Against Classes 14 and 15 Is Not Unfair Even Though Some Creditors in Those Classes May Be Involuntary Creditors.....	258
I. The Plan Is Fair and Equitable with Respect to the Dissenting Classes, As Required by § 1129(b)(1).....	259
1. The Test of "Fair and Equitable" in Chapter 9.....	260
2. The Plan Is "Fair and Equitable".....	261
J. The Objections of the Creditors with Constitutional Claims Are Sustained.....	262

1. The Relevant Plan Provisions.....	262
2. The § 1983 Creditors' Objections.....	262
a. Impairing and Discharging the § 1983 Claims Against the City Does Not Violate the Fourteenth Amendment.....	263
b. The Bankruptcy Code Does Not Provide for the Discharge of § 1983 Claims Against the City's Officers in Their Individual Capacity.....	265
c. The City Has Not Established That a Third-Party Release of § 1983 Claims Against Its Officers in Their Individual Capacity Is Essential to Its Plan.....	266
3. The Takings Clause Creditors' Objection.....	267
a. Discharging Takings Clause Claims Would Violate the Fifth Amendment.....	268
b. Discharge.....	270
K. The Plan Does Not Violate the Funding Clause of the Michigan Constitution.....	270
L. Retirement Systems.....	271
M. Included in the Plan.....	272
N. The Plan Does Not Violate the Blighted Area Rehabilitation Act.....	273
O. The Grand Bargain Is Not an Improper Use of Tobacco Settlement Money.....	273
P. The Plan Does Not Violate the Federal Transit Act.....	273
XI. THE EXIT FINANCING PROPOSED IN THE PLAN IS APPROVED.....	275
XII. CONCLUSION.....	276

***159 I. INTRODUCTION ¹**

In chapter 9 of the bankruptcy code, the federal government offers help to the ^{*160} states in solving a problem that, under our constitutional structure, the states cannot solve by themselves. That problem is the adjustment of the debts of an insolvent municipality. In this case, this Court grants that help to the State of Michigan (the “State”) and the City of Detroit (the “City”).

On December 5, 2013, the Court entered an order for relief finding that the City was eligible to file a chapter 9 bankruptcy case under § 109(c).² (Dkt. # 1946) Both before and after that, nearly every creditor group filed litigation against the City seeking the full protection of its claims.

The City filed its first plan and disclosure statement on February 21, 2014. At that time, the City had no approved settlements with any of its creditors. After that, every creditor group filed objections to the City's plan.

Since then, however, through court-ordered mediation, the City has achieved settlements with every creditor group

that was represented by counsel, with one exception—creditors with claims that the City or its officers had violated their constitutional rights. Successive settlements resulted in successive plans. The settlements also resulted in the settling creditors' support of the plan and their withdrawal of their litigation against the City and their objections to the plan.

The City now seeks confirmation of its eighth amended plan of adjustment, filed on October 22, 2014. (Dkt. # 8045)

In the context of seeking confirmation of its plan, the City also seeks approval of its several settlements with creditors under bankruptcy rule 9019:

- The Grand Bargain settlement, which includes the State Contribution Agreement, the DIA settlement and the global pension settlement;
- The OPEB settlement;
- The 36th District Court settlement;
- The UTGO settlement;
- The LTGO settlement;
- The COPs settlement, including the Syncora settlement and the FGIC settlement.

As more fully described in parts III and IV below, the Court has reviewed each settlement included in the plan and determines that each is fair and equitable, and within the range of reasonableness. Accordingly, the Court approves those settlements.

Based upon its findings in part VIII below, the Court concludes that the City's eighth amended plan of adjustment meets the legal requirements for confirmation. Most significantly, the Court finds that:

- The plan was proposed in good faith.
- The plan is feasible. ✓
- The plan is in the best interests of creditors.
- The Court will determine the reasonableness and disclosure of the professional fees for which the City is responsible in connection with this case.
- The City's proposed exit financing meets the requirements of the bankruptcy code.

- The plan was accepted by all creditor classes but two—the classes of other unsecured claims and convenience claims.

- As to the two dissenting creditor classes, the plan is fair and equitable.

- *161 • As to the two dissenting creditor classes, the plan does not unfairly discriminate against them.

Accordingly, the Court confirms the plan.

It does so, however, with conditions. First, for the reasons stated in part X.J.2. below, creditors' claims against City employees in their individual capacity are neither discharged nor released. Second, for the reasons stated in part X.J.3. below, creditors' claims against the City that are based in the Takings Clause of the Fifth Amendment of the United States Constitution are excepted from the discharge.

The Court's confirmation of the City's plan also comes with recommendations in parts X.D.8.c. and X.D.11. below to take specific actions to assure that what happened in Detroit never happens again.

II. THE PLAN CONFIRMATION PROCESS

A. The City's Plans of Adjustment

The City filed ten plans of adjustment. Most of the amended plans were the result of successive creditor settlements and agreements.

The City filed its first plan and disclosure statement on February 21, 2014 (Dkt. 2708 and 2709), ahead of the March 1, 2014, deadline that this Court first set.

On March 31, 2014, the City filed an amended plan and disclosure statement. (Dkt. 3380 and 3382) This plan incorporated the Court-approved swap settlement agreement and the initial stages of the Grand Bargain, discussed in parts IV.A. and III.D., respectively.

On April 16, 2014, the City filed its second amended plan and disclosure statement. (Dkt. 4140 and 4141) It clarified and expanded on aspects of the Grand Bargain and added the settlements relating to the restoration of

benefits, the ASF recoupment and the income stabilization program, discussed in parts III.G.1.b., III.H and III.E.2, respectively. It also clarified and expanded on aspects of the OPEB settlement, discussed in part III.I. below, incorporated the UTGO settlement, discussed in part III.K. below, and introduced the concept of post-effective date oversight for the City.

On April 25, 2014, the City filed its third amended plan and disclosure statement. (Dkt. 4271 and 4272) This plan incorporated the parties' agreements that clarified and expanded upon the provisions for restoration of PFRS pension benefits and other aspects of the Grand Bargain and the OPEB settlement. It also clarified the treatment of claims relating to the operation of City vehicles, tax refund claims, utility deposits and pass-through claims.

On May 5, 2014, the City filed its fourth amended plan and disclosure statement. (Dkt. 4391 and 4392) The Court approved that disclosure statement. (Dkt. # 4401) The City served solicitation packages, including this plan and disclosure statement, and plan ballots. (Dkt. 4421 and 6179) It also published notice of the plan and the disclosure statement in the *Detroit News*, the *Detroit Free Press*, *USA Today* and the *Wall Street Journal*. (Dkt. 6209, 6211 and 6253) This amended plan incorporated the final aspects of the Grand Bargain, including final agreements relating to restoration of pension benefits and pension plan governance, as well as the OPEB settlement.³

^{*162} On July 25, 2014, the City filed a fifth amended plan. (Dkt. # 6257) This plan incorporated the LTGO settlement, discussed in part III.L. below, and the 36th District Court settlement, discussed in part III.J. below. It also added the cash payment option for the ASF recoupment settlement, and specified the composition of the two Voluntary Employee Benefit Association ("VEBA") boards created as part of the OPEB settlement. Clarifications and changes were also made to the Grand Bargain and the UTGO settlement.

On July 29, 2014, the City filed a corrected fifth amended plan. (Dkt. # 6379) This plan removed the provisions for post-confirmation reporting to the bankruptcy court that were apparently included in the fifth amended plan by mistake.

On August 20, 2014, the City filed its sixth amended plan. (Dkt. # 6908) This plan incorporated the DWSD bondholders settlement, discussed in part IV.B below.

On September 16, 2014, the City filed its seventh amended plan. (Dkt. # 7502) This plan incorporated the Syncora global settlement and set forth the treatment of COPs claims in class 9, discussed in part III.M. below. It also incorporated agreements with the retiree committee and the LTGO parties regarding the residual interests in the COP claims reserve. It also reflected the closing and completion of the DWSD bond tender offer and further specified how the two VEBA boards would be comprised. It also provided for the prepayment to creditors in classes 7, 12 and 14 of the October 2015 interest payment on the Excess New B Notes.

On October 22, 2014, the City filed its eighth and last amended plan. (Dkt. # 8045) This final plan reflects the City's settlement with FGIC, its last objecting financial creditor, discussed in part III.M. below. It also reflects the settlement with the UAW and AFSCME regarding the treatment of retirees of the *Detroit Public Library* and the *Detroit Regional Convention Facility Authority*.

For the reasons discussed in part X.G.2. below, the Court concluded that the plans that the City filed after the fourth amended plan did not require new balloting and therefore did not require a new disclosure statement.

B. An Overview of the City's Eighth Amended Plan of Adjustment

The plan that the City ultimately requested this Court to confirm contemplates a complete restructuring of the City's debt. The City has settled with every major creditor group. Because of the plan, the City has eliminated approximately \$7 billion in liabilities. Trial Tr. 70:4-7, Sept. 30, 2014. (Dkt. # 7821) Upon exiting bankruptcy, the City will issue "New B Notes" in the aggregate face amount of \$632 million and "New C Notes" in the aggregate face amount of \$88 million. These new notes will be used to ^{*163} restructure the City's obligations for post-retirement health benefits, debt service on several types of bonds and other unsecured liabilities. Ex. 791. The City has also restructured its unlimited tax general obligation bonds at a significant savings and will use exit financing to retire many of its limited tax general obligation bonds. Ex. 791. In addition, the settlements with FGIC, the City's largest creditor, and Syncora include real estate development agreements that give these creditors vested stakes in the City's recovery.

The plan also contemplates post-bankruptcy financial oversight of the City to ensure that the fiscal exigencies that resulted in the City's chapter 9 bankruptcy never happen again. The state legislation that implemented the Grand Bargain created a financial review commission to review the City's finances and budgets to ensure that the City adheres to the plan and continues to implement needed financial and operational reforms. ²⁷ Mich. Comp. Laws § 141.1631 *et seq.* The GRS and PFRS are also required to create investment committees whose role will be to make recommendations to, and approve certain actions by, the respective system's board of trustees. Mich. Comp. Laws § 38.1133g; Eighth Am. Plan of Adjustment (hereafter cited as "Plan"), Ex. I.A.332 at 2. (Dkt. # 8045)

Finally, because of the financial reforms contained in the plan, the City is able to invest approximately \$1.7 billion in several reinvestment and restructuring initiatives ("RRIs") over ten years to help improve the City government's infrastructure and its provision of services. Ex. 579. These RRIs are designed to "substantially improve and provide adequate levels of services, as well as enhance revenue and reduce costs." Trial Tr. 42:11–12, Sept. 5, 2014. (Dkt. # 7434) The City believes these RRIs will also result in approximately \$841 million in revenue savings and that they are critical to the City's recovery after bankruptcy. Ex. 592; *see also* Fourth Am. Disclosure Statement (hereafter cited as "Disc. Stmt.") at 160. (Dkt. # 4391) The RRIs will, among other things:

- (a) Provide basic, essential services to City residents; (b) attract new residents and businesses to foster growth and redevelopment; (c) reduce crime; (d) demolish blighted and dangerous properties; (e) provide functional streetlights that are aligned with the current population footprint; (f) improve information technology systems, thereby increasing efficiency and decreasing costs; and (g) otherwise set the City on a path toward a better future.

Disc. Stmt. at 10. (Dkt. # 4391)

C. Objections Filed by Represented Parties

The following represented parties objected to the plan and subsequently withdrew their objections due to settlements with the City:

- Oakland County (Dkt. 4627 and 6648);
- The United States (Dkt. # 4629);
- Macomb County (Dkt. 4636, 6666 and 7039);
- U.S. Bank National Association (Dkt. 4647 and 6679);
- BlackRock Financial Management, Inc., Eaton Vance Management, Fidelity Management & Research Company, Franklin Advisers, Inc. and Nuveen Asset Management (the "DWSD Bondholders") (Dkt. 4650, 4671 and 6681);
- Hypothekbank Frankfurt AG, Hypothekbank Frankfurt International S.A., Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A., *164 Deutsche Bank AG, London; Dexia Crédit Local, Dexia Holdings, Inc., and FMS Wertmanagement AöR (Dkt. 4653 and 5979);
- Wilmington Trust, N.A. (Dkt. 4656, 6678, 7050 and 7603);
- Berkshire Hathaway Assurance Corporation (Dkt. 4657 and 6680);
- Financial Guaranty Insurance Company ("FGIC") (Dkt. 4660, 6674 and 7611);
- Wayne County (Dkt. # 4663);
- National Public Finance Guarantee Corporation ("NPFGE") (Dkt. 4665 and 6687);
- Merrill Lynch Capital Services, Inc. and UBS AG ("the Swap Counterparties") (Dkt. # 4668);
- Assured Guaranty Municipal Corp. (Dkt. 4674 and 6677);
- Ambac Assurance Corp. (Dkt. # 4677);
- Syncora Capital Assurance Inc. and Syncora Guarantee Inc. ("Syncora") (Dkt. 4679, 6651, 7041 and 7213);

Any sale could result in the cancellation of the tri-county millage taxes that support almost 70% of the DIA's operating budget. Trial Tr. 113:6–19, Sept. 18, 2014. (Dkt. # 7634)

The DIA also presented credible historical documentary evidence in support of its position that the City holds the art in trust. Public Act 67 of 1919, which provided for the transfer of the DIA real property and its art from the **Detroit Museum of Art** (the predecessor to the DIA) to the City, required that the “property so conveyed shall in the hands of said city be faithfully used for the purposes for which the [**Detroit Museum of Art**] was organized.” Ex. 286. In January 1920, after the 1919 transfer of the art, the trustees of the **Detroit Museum of Art** held a special meeting to determine its future. The minutes of that meeting reflect that the trustees believed the restrictions in PA 67 of 1919 “give assurance that the property cannot be used excepting for the same purposes as were provided for in the incorporation of the **Detroit Museum of Art**.” Ex. 269 at 4. At that same meeting, the trustees resolved to continue in existence to “encourage and receive in trust and to administer future gifts and legacies.” *Id.* at 5; *see also* Ex. 268 at 11 (minutes of meeting of City Arts Commission in 1961 *178 noting that the purpose of the Founders Society, the successor to the **Detroit Museum of Art**, was to “assist the City of **Detroit** in the operation of the DIA and ... to promote the people's interest in and knowledge of art matters”).

Further, the recitals in the Operating Agreement between the City and the Founders Society dated May 15, 1984, first state that the City “has maintained and operated the DIA for over 60 years for the benefit of the citizens of the City and the State of Michigan.” It later states that the City would use state-allocated funds solely for the DIA, which was consistent with “the goal of continuing to benefit the citizens of the City and the State by preserving for their enjoyment the treasures of the DIA[.]” Ex. 281 at 1, 3.

Finally, the DIA's current Collection Management Policy states that “the [DIA] must be ever aware of its role as trustee of the collection for the benefit of the public.” Ex. 267 at 11. Even the façade of the DIA itself, built by the City in 1927, states that it is “Dedicated by the People of **Detroit** to the Knowledge and Enjoyment of Art.” *See* Trial Tr. 101:4–13, Sept. 18, 2014. (Dkt. # 7634)

This is strong evidence that the DIA was founded for the benefit of the residents of the City and the State, that the City believed that this was the case when the City received title

to the art in 1919, and that the City has treated the DIA as a public trust for over one hundred years.

The evidence further establishes that nationally accepted standards for museums prohibit the de-acquisition of art to pay debt. Annmarie Erickson, the executive vice president and chief operating officer of the DIA, testified that the DIA is a member of the Association of Art Museum Directors (the “AAMD”), which represents over one hundred sixty art museums throughout the United States, Canada and Mexico. The AAMD standards provide that “proceeds from the sale of accessioned works of art by an art museum be used only to replenish the collection through the acquisition of other works of art.” Ex. 273 at 2. A violation of this standard “will be considered a serious breach of professional responsibility and sanctions may be recommended by a vote of the members of [AAMD]. The imposition of sanctions or penalties may mean suspension of all professional interchange, including loans and shared exhibitions.” *Id.* at 3. This standard refers to the prohibition of the sale of art to pay operating expenses of a museum. However, Ms. Erickson testified that the standard would also apply to the sale of art for the purpose of paying City debt. Trial Tr. 114:16–115:19, Sept. 18, 2014. (Dkt. # 7634) Accordingly, it is likely that if the City sold any of its art to pay its debts, the national and international art community would refuse to do business with the DIA. Trial Tr. 29:17–23, Oct. 7, 2014 (Dkt. # 7878); Trial Tr. 115:2–19, Sept. 18, 2014. (Dkt. # 7634)

Further, the City presented credible evidence that de-accessing many highly valuable pieces at the same time would flood the art market and could cause prices to fall significantly. Trial Tr. 112:5–9, Sept. 16, 2014 (Dkt. # 7618); Trial Tr. 14:19–15:18, Sept. 18, 2014. (Dkt. # 7634) Consequently, there is no guaranty that the City would achieve the high returns that many creditors asserted.

On the other hand, the creditors did submit substantial evidence and legal grounds to support the contrary view that the City can legally sell or monetize the DIA art. For example, the current DIA Operating Agreement states that “[t]he City shall retain title to and ownership of the (a) *City art collection* and (b) the *DIA properties*.” Ex. 254 at 15 (italics in original).

*179 On balance, the Court concludes that in any potential litigation concerning the City's right to sell the DIA art, or concerning the creditors' right to access the art to satisfy their claims, the position of the Attorney General and the DIA would almost certainly prevail.

However, the evidence also establishes that any such litigation would take years to conclude and would be costly to pursue. It also would be difficult for the City to endure that delay and expense while at the same time attempting to revitalize itself.

In addition, because of the DIA settlement and the Grand Bargain, the GRS and the PFRS will receive \$816 million in outside funding that would not be available to them otherwise.

The Court therefore concludes that the DIA settlement was a most reasonable and favorable settlement for the City and its pension creditors. The Court overrules any remaining objections and approves the settlement under bankruptcy rule 9019.

G. The Pension Global Settlement

The final component of the Grand Bargain is the global settlement of pension-related issues, including the treatment of claims relating to the UAAL of the GRS and the PFRS.

1. The Terms of the Pension Global Settlement

The GRS, the PFRS and the retiree committee, on one hand, and the City, on the other hand, aggressively disputed the pension plans' UAAL. The GRS and PFRS reported that as of June 30, 2013, the GRS was 70% funded and the PFRS was 89.3% funded with a combined total UAAL for both retirement systems of only \$1.5 billion. Disc. Stmt. at 105. (Dkt. # 4391) The City claimed that the UAAL is actually \$2 billion for the GRS and \$1.4 billion for the PFRS, for a total of \$3.4 billion. *Id.* at 107.

a. The Treatment of Pension Claims

As part of the settlement, the parties agreed to an allowed aggregate UAAL claim of \$1.25 billion for the PFRS and \$1.879 billion for the GRS.

Because of the Grand Bargain, the GRS and the PFRS will receive \$816 million in outside funding that would not have been available to them otherwise. Consequently, the pension reductions for retirees on account of the UAAL are now significantly less than the City had originally concluded would be necessary.

For PFRS pension claims, the accrued pension amount will not be reduced. However, the annual cost of living adjustment ("COLA") will be reduced to 45% of the amount provided in pre-petition collective bargaining agreements.

For GRS pension claims, the accrued pension amount will be reduced by 4.5% and COLAs will be eliminated. Some GRS retirees will also be subject to the terms of an annuity savings fund ("ASF") recoupment. Some of those GRS retirees have objected to this ASF recoupment. The Court addresses this issue separately in part III.H. below.

Because of the outside money committed as part of the Grand Bargain, the City will have little responsibility for funding the GRS and the PFRS through June 2023. During that time period, the PFRS will be funded exclusively from contributions from the DIA, the DIA Funders, the Foundation Funders and the State under the Grand Bargain, as described previously.

Through 2023, GRS funding will come from: (a) the DWSD; (b) a portion of the contributions from the State, the DIA, the DIA Funders, and the Foundation Funders as part of the Grand Bargain, (c) the proceeds from the Stub UTGO Bonds as part of the UTGO settlement, described in part III.K. below, and (d) certain revenues *180 from City departments, (e) the Detroit Public Library and (f) the Detroit Regional Convention Facility Authority.

In addition, the parties agree that the pension plans in effect on the petition date will be frozen as of July 1, 2014. Active employees continuing to work for the City after July 1, 2014, will have benefits accrue under new hybrid pension plans. The pension formulas contained in the new hybrid plans are less generous than those in the prior plans.

b. Restoration of Pension Benefits

As part of the settlement, the parties agree upon certain provisions for the restoration of pension benefit payments if funding levels for the retirement systems exceed certain targets. Through 2023, the funding targets for purposes of benefit restoration are 75% for GRS and 78% for PFRS. *See* Disc. Stmt. at 19–23 (Dkt. # 4391); Plan, Exs. II.B.3.q.ii.C. and II.B.3.r.ii.C. (Dkt. # 8045) If at any time these targets are exceeded, the amount by which the targets are exceeded will be credited to a restoration reserve account. When the

assets credited to the restoration reserve account can fully fund certain percentages of the reduced benefits (for example, when the GRS reserve account can fund 0.5% of the 4.5% benefit reduction), restoration payments will begin. As more money becomes available in the restoration reserve accounts, more benefits will be restored. If funding levels for the retirement systems drop, money in the restoration reserve accounts may no longer be available and restoration payments will be suspended.

c. Governance and Oversight

As described previously, the parties have agreed to establish investment committees for the PFRS and the GRS as required by the State Contribution Agreement. The retiree committee has also agreed to defer to the retirement systems, the City and the State regarding post-effective date governance of the prior pension plans and restoration mechanics.

The parties have further agreed that until June 30, 2023, the boards of trustees of each system will adopt and maintain an investment return assumption and discount rate of 6.75% for purposes of determining the assets and liabilities of the pension systems.

The plan also includes a provision that all parties are enjoined until June 30, 2023 from making any amendment to the terms, conditions and rules of operation of the GRS and the PFRS relating to the calculation of pension benefits, the selection of investment return assumptions, or the contributions to the pension systems.

The City has also set certain targets at which the UAAL for the GRS and the PFRS must be funded. For 2023, the funding targets are 70% for the GRS and 78% for the PFRS. For 2053, in 40 years, the targets are 100% for each. Ex. 723.

Finally, the retiree committee has agreed that it will support the plan and advise retirees to vote in favor of the plan. The committee further agreed to suspend its appeal of the Court's eligibility order and to dismiss the appeal upon the effective date of the plan.

The pension classes voted to accept the plan by 82% in class 10 (PFRS) and 73% in class 11 (GRS).

2. The Pension Global Settlement Is Fair and Equitable

[4] Despite these strong votes in favor of the plan, the treatment of pension claims in the City's plan has been a significant issue in this case. In the Court's eligibility opinion, it held that because of the Bankruptcy Clause of the U.S. Constitution, the federal bankruptcy power could be used to impair pension rights in this *181 case, even if the Michigan constitution protects them. *In re City of Detroit, Mich.*, 504 B.R. 97, 150–54 (Bankr.E.D.Mich.2013). The Court stands by that decision.

Here at the confirmation stage, the Court must determine whether the plan's treatment of pension claims meets the legal requirements for plan confirmation and settlement approval. The plan confirmation issues include good faith, best interests of creditors, feasibility and others. The Court addresses these questions separately in other parts of this opinion. The Court will now address whether the pension settlement is a reasonable settlement under bankruptcy rule 9019.

Despite the acceptance of the plan by the pension classes, a significant number of pension creditors still strongly oppose the impairment of their pension rights. They believe and assert in their many objections that under the Michigan constitution, their pension rights are not subject to impairment. They credibly state that they worked hard for the City, that they did nothing wrong, and that these pension impairments will cause them real hardship. Some also argue that the pension impairments in the plan are unnecessary because the pension plans are in fact fully funded. They further argue that if the pension plans are underfunded, as the City asserts, the City should sell the art at the DIA or other City assets. As discussed in part II.D. above, many of these objecting parties took the time to come to court to give a strong, sincere and personal voice to their objections.

The Court, however, finds that the pension settlement is a reasonable settlement and overrules those objections to the plan and to the pension settlement.

Several representatives of the pension classes appealed this Court's eligibility decision. The City, of course, takes the position that the eligibility decision was correct and should be affirmed. To determine the reasonableness of the settlement, it is incumbent upon this Court to estimate the parties' likelihood of success of the appeal. That is challenging here. The issue of whether pensions can be impaired in

bankruptcy despite state constitutional protection is a novel one. However, this Court believes that its reasoning in the eligibility decision is sound. The Court therefore estimates that the pension creditors' chances of success on appeal would be in the range of 25%.

The next step is to determine each side's best-case scenario. For the City, that would plainly be to prevail on appeal and to continue in this chapter 9 case. For the pension creditors, however, the best-case scenario is much less clear. The City presented convincing evidence at the confirmation hearing that it would have no ability to pay the UAAL even if the pension creditors were to prevail on appeal. Gaurav Malhotra, an expert on restructuring and financial analysis at Ernst & Young, LLP, testified that without restructuring, the City would have a \$4 billion deficit over the next ten years, or \$390 to \$400 million per year, due largely to the City's unsustainable legacy costs. Trial Tr. 71:10–13, Sept. 29, 2014 (Dkt. # 7819); Ex. 109 at 6.

It is therefore a vast understatement to say that the pension settlement is reasonable. It borders on the miraculous. No one could have foreseen this result for the pension creditors when the City filed this case. Without the outside funding from the Grand Bargain, the City anticipated having to reduce pensions by as much as 27%. Disc. Stmt. at 17. (Dkt. # 4391) The pension reductions in the pension settlement are minor compared to any reasonably foreseeable outcome for these creditors without the pension settlement and the Grand Bargain.

***182** At the same time, the Court recognizes that even these relatively minor pension reductions will cause real and, in some cases, severe hardship. However, this bankruptcy, like most, requires shared sacrifice because the City is insolvent and desperately needs confirmation of this plan to fix its future.

As noted, a substantial majority of both classes 10 and 11 voted in favor of the City's plan and accepted the necessity of shared sacrifice for the common good of the City. That collective judgment is entitled to substantial consideration here.

Accordingly, the Court finds that the pension settlement is reasonable and approves it.

H. The Annuity Savings Fund Recoupment Settlement

In the City's long-standing Annuity Savings Fund program, GRS employees could voluntarily contribute a percentage of their gross pay to a separate pension account. The GRS then invested these ASF contributions with the other GRS assets that the City contributed or that the GRS earned on its investments. Each participant's ASF account increased in value based on the participant's contributions and the interest that the GRS credited to that account.

1. The Dispute Over the Excess ASF Credits

For many years, the GRS credited interest in each participant's ASF account at the assumed rate of return even when the actual rate of return was less.

The City claims that this diversion of assets increased the GRS UAAL. It therefore contends that recoupment of the excess interest from the ASF participants is necessary and appropriate to offset the increased UAAL. That recoupment in turn reduces the pension cuts to the GRS retirees. The City calculates that the total of this claim is approximately \$387 million.

The ASF participants assert that there is no basis for recoupment.

2. The Terms of the ASF Settlement

The parties have settled this issue as part of the global pension settlement. The City and the retiree committee have agreed that the ASF recoupment amount for each retiree will be limited to the total amount of excess interest that was credited between July 1, 2003, and June 20, 2013. The GRS will amortize each ASF participant's recoupment amount over the participant's life expectancy with interest at 6.75%, to be deducted from the participant's monthly pension check or ASF account. In no event will the total ASF recoupment from any participant exceed the amount necessary to amortize the ASF excess amount calculated for the participant at 6.75% interest. Each ASF participant will have the option to pay the ASF recoupment amount in a single lump sum cash payment.

The parties also agreed upon limitations on the ASF recoupment. The ASF recoupment will be capped at 20% of

the highest value of each participant's ASF account between July 1, 2003, and June 30, 2013. An additional cap limits the combined pension reduction and ASF recoupment for each participant to 20% of such participant's annual pension.

The City anticipates that this settlement will result in an additional \$190 million for the GRS. City's Consol. Resp. to Certain *Pro Se* Objections, ¶ 8 at 9. (Dkt. # 7303) This is approximately 49% of the City's ASF claim.

3. Objections to the ASF Settlement

Several GRS participants object to the ASF recoupment in the plan. These include: Hassan Aleem (Dkt. # 5057); George Cannon (Dkt. # 5126); Roger N. *183 Check (Dkt. # 5947); Jamie S. Fields (Dkt. # 4404); Michael J. Karwoski (Dkt. 5089 and 5923); Mattie D. Pritchett (Dkt. # 5887); John P. Quinn (Dkt. # 5723); Dennis Taubitz (Dkt. # 5971); Gerald G. Thompson (Dkt. # 3352); Jean Vorkamp (Dkt. # 4578); Mary Jo Vorkamp (Dkt. # 4579); Steven Wojtowicz (Dkt. # 6870); and Demetria Wright (Dkt. # 5795). They argue:

1. The ASF recoupment violates the applicable statute of limitations.
2. Under state law, the City's recoupment claim has no merit.
3. They did nothing that justifies imposing this liability on them.
4. The GRS board of trustees did nothing wrong and was acting within its complete discretion under Sections 47–2–17 and 47–2–18 of the Detroit City Code by allocating the excess interest payments to ASF participants.
5. The City has no standing to assert the recoupment claim.
6. They do not consent to the lesser treatment of their pension claim in class 11 that results from the recoupment.
7. The treatment of the City's recoupment claim in the plan violates their right to be heard on the merits.
8. The City did not properly disclose the 6.75% interest rate.
9. The 6.75% interest rate is illegal, usurious and unfair.
10. The Court should carve the ASF settlement out of the plan and then approve the plan.

11. The ASF recoupment proposes a seizure of the assets of creditors holding class 11 claims without due process of law because the City has not brought any action under bankruptcy or non-bankruptcy law that would provide a legal basis for ASF recoupment.
12. The ASF recoupment settlement in the plan constitutes an improperly asserted preference or fraudulent transfer action.
13. The City is precluded from recouping the ASF excess interest amounts because the City had knowledge of, or participated in, the allocation of these amounts to the ASF participants.
14. As a result of the imposition of the 6.75% interest rate to annuitize the ASF excess amounts, amounts recovered from ASF distribution recipients will “greatly exceed” the ASF recoupment cap, which is 20% of the highest value of the ASF distribution recipient's annuity savings account during the ASF recoupment period.

4. The ASF Settlement Is Fair and Equitable, and Does Not Violate the Bankruptcy Code

[5] The ASF recoupment settlement is a part of the global pension settlement and therefore a part of the Grand Bargain. It is also a part of the City's plan. The bankruptcy code provides that a class of claims accepts a plan “if such plan has been accepted by creditors ... that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors ... that have accepted or rejected such plan.” 11 U.S.C. § 1126(c). Although there are dissenting creditors in class 11, “[i]n a Chapter 9 [case], dissenting creditors in an accepting class are bound by the accepting vote of the other members.” *In re City of Colorado Springs Spring Creek Gen'l Improvement Dist.*, 187 B.R. 683, 690 (Bankr.D.Colo.1995).

*184 The Court, therefore, has only two issues to consider. The first is whether the settlement is fair and equitable. The second is whether the plan provisions that incorporate the ASF settlement violate the bankruptcy code.

It is not for the Court to rule on the merits of the City's ASF recoupment claim. Nor is it for the Court to rule on the merits of the participants' defenses to that claim. The Court only

reviews the parties' respective positions to determine whether the settlement is fair and equitable.

The Court finds that the City's recoupment claim would quite likely succeed. As noted, the practice was to credit interest in each participant's ASF account at the assumed rate of return even when the actual rate of return was less. The legal authority of the GRS board to do that is doubtful. The prudence of the practice is even more doubtful. The practice ignored the practical reality that over the long term, the GRS needs to retain its earnings that exceed the assumed rate of return to offset the earnings shortfalls that result when the actual rate of return is less than the assumed rate of return. The City's claims of breach of fiduciary duties and diversion of assets are therefore quite strong. Its claim that recoupment against ASF participants is the proper equitable remedy is also quite strong.

On the other hand, the Court considers that the asserted defenses have less merit.

On balance, it appears that the City's recoupment claim would have a reasonable likelihood of success, in the range of 60–70%.

However, the length, complexity and expense of litigation would be substantial. If the City prevails, issues of collectability against ASF participants could also be substantial, depending upon the structure of the final judgment.

The Court also considers that this settlement is part of the much larger settlement of all pension-related issues. The class of claims affected by the settlement, class 11, accepted the settlement by a vote of 73%. Finally, the Court notes that the caps and other limitations on the recoupment amount that the parties negotiated should reduce the hardship of it.

Fairly weighing these factors suggests that the ASF recoupment settlement is well within the range of possible reasonable settlements. The Court, therefore, overrules the objections and finds the ASF recoupment portion of the pension settlement is fair and equitable. The Court further concludes that nothing about the ASF settlement violates the bankruptcy code.

I. The OPEB Settlement

In addition to their pension claims, retirees also have claims against the City for loss of other post-employment benefits ("OPEB claims") including post-employment health, vision, dental, life and death benefits. These OPEB claims constitute class 12 in the plan.

1. The Disputes Over the OPEB Claims

The amount of the City's outstanding obligation related to OPEB claims has been the subject of intense dispute, described more fully below. However, all estimates put the liability in the multi-billion dollar range. OPEB claims represent the single largest portion of the City's unsecured debt obligation. Trial Tr. 11:5–9, Oct. 2, 2014. (Dkt. # 7878)

In early 2014, the City notified its retirees that it would drastically change the healthcare plans that it offered to them, resulting in significantly lower benefit payments. In response, the retiree committee *185 filed an adversary proceeding against the City seeking an injunction to prohibit it from unilaterally changing the healthcare benefits that it provided to retirees. The committee asserted largely equitable grounds relating to the hardship that terminating these benefits would naturally cause retirees. There did not appear to be any substantial legal grounds for the requested relief. *See, Complaint, Official Comm. of Retirees v. City of Detroit (In re City of Detroit)*, No. 13–05244 (Bankr.E.D.Mich. Oct. 22, 2013). (Dkt. # 1)

The City and the retiree committee disputed the present value of the OPEB claims. The City estimated the amount of the claim to be roughly \$3.77 billion. The retiree committee estimated it to be approximately \$5 billion. City's Consol. Reply to Certain Objections to Confirmation of Fourth Am. Plan at 13. (Dkt. # 5034) The difference in the estimated values of the claim is the result of differing actuarial assumptions and discount rates that the parties used. *Id.*

The City and the retiree committee also disagreed on the characterization of payments that the City made on OPEB benefits after the City filed this case. The City's position was that these payments were a partial satisfaction of the OPEB claim and should reduce the amount of New B Notes that, under the plan, would be distributed on account of the allowed OPEB claim on a dollar-for-dollar basis. The retiree committee argued that the payments should be ignored for purposes of calculating the OPEB claim amount. *Id.* at 14.

2. The Terms of the OPEB Settlement

The City and the retiree committee reached a settlement of their disputes related to the OPEB claim as part of the pension global settlement.

Pursuant to the settlement, the total allowed amount of the OPEB claim is fixed at \$4.303 billion—\$2.208 billion for PFRS retirees and \$2.095 billion for GRS retirees.

In addition, the City and retiree committee have settled on the treatment of the OPEB claim. The City will establish VEBAs for the PFRS and the GRS. On the effective date, the City will distribute \$232 million in New B Notes to the PFRS VEBA and \$218 million in New B Notes to the GRS VEBA. The retiree committee also negotiated an improved interest rate for the New B Notes—4.0% for the first twenty years and 6.0% for the last ten years. The New B Notes have a thirty-year maturity.

The City will also distribute \$42.7 million in New B Notes to the VEBAs from the Excess New B Notes. As described in part III.M. below, the Excess New B Notes are a result of the settlement agreements with holders of class 9 claims.

The start-up costs for the VEBAs will be funded by: (1) \$8 million from a reserve fund held in the currently existing benefits plans; (2) approximately \$3.5 million from charitable contributions; (3) an advance of the interest payment on the Excess New B Notes due in October of 2015; and (4) \$18 million in grants from various local foundations and the Detroit Benefits Board. Ex. 720; *see also* Letter Agreement with Retiree Committee at 2–3, Nov. 4, 2014. (Dkt. # 8183)

The VEBAs will provide health benefits, including life insurance, to retirees and certain of their beneficiaries and dependents. Each VEBAs will be governed by boards of trustees that will be responsible for the management of its assets, for its administration, and for determining the beneficiaries' benefits.

As a result of this settlement and the creation of the VEBAs, the City will have no further responsibility to provide retiree *186 healthcare or other benefits for retirees. Further, the City will have no responsibility to provide life insurance or death benefits to current or former employees. The current death benefit plan will be frozen and will be self-liquidating. Any existing retirees who participate in the death benefit plan

will be given a one-time opportunity to receive a lump sum distribution of the present value of the actuarially determined death benefit.

The plan treats the OPEB claim in class 12. The estimated recovery for the class 12 OPEB claim is 10%. Class 12 accepted the plan by over 88%.

3. The OPEB Settlement Is Fair and Equitable

[6] The City contends that the OPEB settlement is fair and reasonable for several reasons. First, the City believes that the settlement avoids protracted and expensive litigation to resolve intense factual and legal disputes. Second, the City asserts that, given the range of estimated OPEB claim values between \$3.771 billion and \$5 billion, the settled allowed claim amount of \$4.303 billion is reasonable. Lastly, the City argues that the settlement is in the best interests of the City and its creditors because it settles one of the City's largest liabilities and at the time, allowed the City to bring the bankruptcy closer to its conclusion.

The Court agrees that litigation to resolve the amount of the City's OPEB liability would be complex, lengthy and very expensive. Resolution of the litigation would turn largely on actuarial opinion testimony with extensive discovery regarding multiple competing experts. Disc. Stmt. at 15. (Dkt. # 4391) The evidence would be intensely fact-specific. Trial Tr. 18:1–5, Oct. 2, 2014. (Dkt. # 7878) As the City points out, any litigation could also involve resolution of other fact-intensive issues, such as retiree census data and the proper discount rate to be applied to liabilities. Disc. Stmt. at 152. (Dkt. # 4391)

The outcome of any potential litigation to resolve the claim would be uncertain. The City's view that the retiree committee would zealously oppose the City's position is justified. Trial Tr. 17:12–15, Oct. 2, 2014. (Dkt. # 7878) It is also significant that the City would be responsible for the committee's professional fees in any such litigation. A settled claim amount that falls almost exactly midway between the disputed values is therefore reasonable.

The Court also finds that creation of the VEBAs to address the OPEB claim is reasonable. The City presented evidence that, without restructuring, OPEB liabilities would account for as much as 26% of expenditures from the City's general fund by the year 2023. Trial Tr. 177:10–13, Oct. 1, 2014 (Dkt. # 7850);

Ex. 721. Such a large liability would destroy the City's ability to make the financial and operational changes necessary to provide adequate municipal services.

The City's evidence also shows that transferring the OPEB legacy costs to the VEBAs will reduce the City's obligation to a much more manageable 3% of general fund expenditures over the next 30 years. Trial Tr. 173:21–174:15, Oct. 1, 2014 (Dkt. # 7850); Ex. 721.

Accordingly, the Court finds that the OPEB settlement is reasonable and approves it.

J. The 36th District Court Settlement

[7] Although the 36th District Court is a separate legal entity from the City, under state law, the City is required to fund the operations of the court. Mich. Comp. Laws §§ 600.8103 and 600.8104. When the City filed this bankruptcy case, the 36th District Court was defending various employment-related claims. Because the City is required to fund the 36th District *187 Court, it would ultimately be liable for the payment of any judgments against the 36th District Court on those claims.

During the bankruptcy proceeding, the creditors with claims against the 36th District Court participated in arbitration and obtained awards in the aggregate amount of approximately \$14 million. Trial Tr. 58:14–17, 59:24–25, Oct. 2, 2014. (Dkt. # 7878)

AFSCME is the bargaining agent for employees of the 36th District Court. AFSCME, the individual creditors and the 36th District Court itself filed proofs of claim related to the obligations arising from those arbitration awards.

The parties have settled. Under this settlement, the 36th District Court creditors are classified into class 17 and the aggregate liquidated allowed amount of their claims is fixed at \$6 million. The parties have agreed to settle the claims for a recovery of \$2 million (33%) and the 36th District Court will withdraw its proof of claim entirely with prejudice.

The 36th District Court creditors whose claims are less than \$100,000 will receive 33% of their allowed claim in cash. Creditors whose claims are more than \$100,000 will receive 33% of their allowed claims payable in five equal annual installments plus simple interest at a rate of 5% per year.

The parties have also agreed to release all of the claims that they may have against each other, except that AFSCME and some of the individual creditors do not release claims that they have against the 36th District Court related to certain identified pending proceedings. The City has also agreed to carve out an exception to the broad third-party releases in the plan to allow the 36th District Court creditors to pursue actions against the State and its related entities with respect to the liabilities that the 36th District Court creditors assert to the extent that the plan does not satisfy those liabilities.

AFSCME and the individual creditors are deemed to have voted their respective claims in favor of the plan in the amounts established by the Order Regarding the Voting of Claims Relating to the 36th District Court. (Dkt. # 5905)

The Court finds that this settlement is reasonable. The claims against the 36th District Court were obviously not frivolous, as they have been reduced to substantial awards in arbitration. Outside of bankruptcy, the City would be liable to pay those claims on behalf of the court. If the City had chosen instead to continue to contest those claims, the number of claims would have made the expense of the litigation significant. Trial Tr. 62:2–10, Oct. 2, 2014. (Dkt. # 7878)

Settling the dispute for an allowed claim of \$6 million with an ultimate distribution of \$2 million is reasonable. Consequently, the Court approves the 36th District Court settlement.

K. The UTGO Settlement

Under Michigan law, the City is authorized to issue variable rate unlimited tax general obligation bonds (“UTGO Bonds”) with approval from voters. Each year, the City is required to levy sufficient *ad valorem* property taxes to pay the debt service on those bonds without limitation as to rate or amount. Mich. Comp. Laws § 141.2701(1).

When the City filed this case, it had as much as \$480 million in outstanding UTGO Bonds, including principal and accrued interest (“Prior UTGO Bonds”). The claims related to Prior UTGO Bonds are in class 8.

*188 1. The Dispute Regarding the UTGO Bonds

confidence that the borrowings ... by the city will get repaid in the ordinary course.”).

Most importantly, the City and its creditors would lose the benefits of the RRIIs, *218 one of which is the creation of a sufficient operating budget surplus for the City to pay its obligations under the plan. *See* Trial Tr. 71–72, Sept. 29, 2014. (Dkt. # 7819) (Mr. Malhotra testifying that “it was probably unlikely that the city would have been able to” implement the RRIIs without the plan); Trial Tr. 228–29, Sept. 5, 2014. (Dkt. # 7434) (Mr. Moore testifying that “clearly” the RRIIs “would not have been able to get undertaken without some sort of restructuring based on the structural deficit that existed within the city in June of 2013”).

The evidence establishes, therefore, that the plan is a much better alternative for creditors than dismissal.

3. The Creditors Can Access No Other Assets in This Bankruptcy Case

Whether in bankruptcy or outside of bankruptcy, no provision of law allows the creditors to access City assets, most importantly including the DIA art, to satisfy their claims. The market value of the City's assets, including its art is, therefore, irrelevant in this case. As observed above, a judgment creditor's sole remedy is a court-ordered property tax assessment process under Michigan's Revised Judicature Act. Michigan law prohibits execution on municipal property.

Some creditors argue that even if the assets would not be accessible to unsecured creditors outside of bankruptcy, the best interests test in chapter 9 requires this Court's full consideration of all of the City's assets, including the art.

The Court rejects this argument. The legal limitations on the collection of judgments that apply outside of bankruptcy also constrain the best interests of creditors test in bankruptcy. Neither the bankruptcy code nor the case law suggests otherwise.

As noted, the City determined not to sell or monetize the DIA art in the art market. Under § 904, that decision is off-limits to the Court.

However, even if the law did give the Court some authority here, the Court would not have interfered with the City's decision. The City made the only appropriate decision.

Maintaining the art at the DIA is critical to the feasibility of the City's plan and to the City's future. The Court toured parts of the DIA and saw the art there, as well as how its many visitors were experiencing the art. It also accepts the testimony of Ms. Erickson on the priceless value that the DIA and the art create for the City, the region and the state. Trial Tr. 157–64, Sept. 18, 2014. (Dkt. # 7634)

The evidence unequivocally establishes that the DIA stands at the center of the City as an invaluable beacon of culture, education for both children and adults, personal journey, creative outlet, family experience, worldwide visitor attraction, civic pride and energy, neighborhood and community cohesion, regional cooperation, social service, and economic development. Every great city in the world actively pursues these values. They are the values that **Detroit** must pursue to uplift, inspire and enrich its residents and its visitors. They are also the values that **Detroit** must pursue to compete in the national and global economy to attract new residents, visitors and businesses. To sell the DIA art would only deepen **Detroit's** fiscal, economic and social problems. To sell the DIA art would be to forfeit **Detroit's** future. The City made the right decision.

Some creditors proposed using the art as collateral for a loan to pay creditors' claims. The City also rejected that concept. That decision was sound for at least two good reasons. First, that proposal would just substitute debt for debt and *219 would not help the City. Second, if the City defaulted, it might lose the art. The City made the right decision here too.

Beyond that, the record reflects that the City has made reasonable efforts to monetize other assets, including the **Detroit Windsor Tunnel**, certain real estate properties, certain parking properties, the Joe Louis arena property and certain other property that it no longer needs. It also entered into the Great Lakes Water Authority memorandum of understanding with Wayne, Oakland and Macomb Counties, which benefits all creditors. The Court finds that the City has made reasonable efforts to monetize its assets to satisfy the best interests of creditors test.

4. The Best Interests of Creditors and Feasibility

Finally, the Court finds that the “best interests of creditors” in chapter 9 is necessarily constrained by the second confirmation requirement found in § 943(b)(7)—that the plan is feasible. *See* 11 U.S.C. § 943(b)(7). In *In re Mount Carbon*,

the court observed that the “ ‘best interests’ test acts as a floor requiring a reasonable effort at payment of creditors by the municipal debtor and that the ‘feasibility’ requirement sets a corresponding ceiling which prevents the Chapter 9 debtor from promising more than it can deliver.” ²⁴² B.R. at 34. See also *In re Pierre Cnty. Hous. Auth.*, 414 B.R. at 718.

As a result, the City “may obtain confirmation of a plan, over objection, which does not utilize all of the assets of the estate to retire its obligations.” *In re Sanitary & Improvement Dist.*, No. 7, 98 B.R. at 974. This is a straightforward observation that if a city “gives away” too much under a plan, its future ability to fund its plan obligations and daily operations is lessened.

As the Court's expert witness on feasibility, Ms. Martha Kopacz, stated in her second supplemental report:

I want to emphasize, however, that there is little space remaining on the continuum of [feasibility]. The recent settlements and corresponding amendments to the Plan of Adjustment have served the laudable goals of efficiently resolving disputes and garnering additional support for the Plan of Adjustment. Conversely, they have imposed additional financial obligations on the City. I have already expressed concerns regarding the level of contingency provided for in the Plan of Adjustment. The financial obligations associated with the recent settlements only intensify this concern.

Ex. 12002 at 6.

The Court addresses Ms. Kopacz's conclusions as they impact feasibility in part X.D. below. However, the Court finds that Ms. Kopacz's observation supports a finding that the City has effectively done all that it can do for its creditors in its plan.

There is no more money available for creditors in the City's already tight budget projections. Every dollar is accounted for in providing necessary services, in implementing the necessary RRI's, and in meeting plan obligations. All of those

cash uses are essential to the City's future. In this plan, the floor of the best interest test and the ceiling of the feasibility test have, for all practical purposes, converged.

Accordingly, the Court finds that the plan will provide creditors all that they can reasonably expect under the circumstances and that it is therefore in their best interests, as required by § 943(b)(7).

D. The Plan Is Feasible, As Required by § 943(b)(7)

1. Applicable Law

[22] [23] [24] [25] [26] [27] Section 943(b)(7) provides, “The court shall confirm the plan if—... *220 (7) the plan is ... feasible.” Few creditors substantively challenge the feasibility of the City's plan. Regardless, the Court has an independent duty to determine the issue and to make specific findings of fact. See ²⁴² *In re Mount Carbon*, 242 B.R. at 36 (“Not only is feasibility an express requirement set out in § 943(b)(7), but the long history of Chapter 9 requires an objective evaluation of the [chapter 9 debtor's] proposed reorganization.”) (citing *Everglades Drainage Dist.*, 319 U.S. at 418–19, 63 S.Ct. 1141)

As with cases in chapter 11, a chapter 9 feasibility finding should “ ‘prevent confirmation of visionary schemes which promise creditors ... more under a proposed plan than the debtor can possibly attain after confirmation.’ ” A plan should offer a reasonable prospect of success and be workable. In Chapter 9, this requires a practical analysis of whether the debtor can accomplish what the plan proposes and provide governmental services. Although success need not be certain or guaranteed, more is required than mere hopes, desires and speculation. The probability of future success will depend upon reasonable income and expense projections. As with plans proposed under Chapter 11, if performance of a Chapter 9 plan is based upon deferred payments, projections of future income and expenses must be based upon reasonable assumptions and must “ ‘not be speculative or conjectural.’ ” Plan terms which provide for negative amortization, or for deferred payments over an extensive period of time, may make the showing of feasibility difficult. *Indeed a feasibility showing premised upon long-term repayment or negative amortization may be particularly difficult for the Chapter 9 debtor, which must not only demonstrate a probability that it will be able to*

pay on pre-petition debt in accordance with the plan, but most also demonstrate the probability that it can continue to provide public services while it repays debt.

In re Mount Carbon, 242 B.R. at 35 (citations omitted) (emphasis added).

2. An Overview of Feasibility

In this case, examining the feasibility of the plan is difficult for a number of reasons. The City's debt is enormous and the City proposes to pay most of its creditors over a long period of time. As the Court discusses below, the City's revenue and expense projections extend forty years into the future.

Second, the feasibility of the plan depends upon the City's ability to fix and maintain its broken governmental operations. This is significant because the chapter 9 feasibility inquiry requires an analysis of whether the City can reasonably provide sustainable municipal services, as the court found in *In re Mount Carbon*. It is also significant because the City's ability to repay its creditors pursuant to the plan depends upon the City's ability to increase its revenues from taxes and fees by improving the efficiency of City operations and by identifying and accessing untapped sources of revenue.

The feasibility analysis is yet more complex because several key parts of the plan depend upon performance by parties who are completely beyond the City's control. For example, because the City's contributions to the retirement systems are fixed through FY2023, a risk remains that the pension plans will be significantly more underfunded than anticipated if one of the many organizations participating in the Grand Bargain fails to perform in the time or manner promised.

As the City itself succinctly states in its pretrial brief in support of plan confirmation, "[T]he City was—and remains today *221 —enmeshed in a financial crisis of unsurpassed proportions and complexity." City's Pretrial Br. ¶ 1 at 17–18. (Dkt. # 7143) Despite efforts from both the City and the State of Michigan, "the City is trapped in a vicious circle of cash crises, general fund deficits, crushing long-term liabilities and tumbling credit ratings exacerbated by the City's bureaucratic structure and frequent deviations from established budgets." *Id.* ¶ 2 at 18.

Finally, overlaying these concerns is that throughout these proceedings, the City's creditors have focused much more heavily on whether the plan provides them with a sufficient recovery, rather than on whether the City is "promising more than it can deliver." See *In re Mount Carbon*, 242 B.R. at 34. Thus their litigation focus was on whether the plan is in the best interests of creditors, unfairly discriminates, and is fair and equitable, rather than on whether it is feasible.

For these reasons, the Court found that the adversarial system would not function to clarify the issues and elucidate the facts relating to feasibility. Accordingly, it decided to seek out an independent expert witness on the feasibility of the City's plan. After interviewing several candidates from diverse backgrounds, on April 22, 2014, the Court appointed Martha Kopacz as its expert witness on feasibility. See generally Order Appointing Expert Witness. (Dkt. # 4215) Ms. Kopacz is an experienced restructuring professional from the Boston-based firm, Phoenix Management Services. The Court instructed Ms. Kopacz to "investigate and reach a conclusion on: (a) Whether the City's plan is feasible as required by 11 U.S.C. § 943(b)(7); and (b) Whether the assumptions that underlie the City's cash flow projections and forecasts regarding its revenues, expenses and plan payments are reasonable." *Id.* ¶ 2 at 1.

After an evidentiary *Daubert* hearing on September 15, 2014, the Court determined Ms. Kopacz was qualified under Federal Rule of Evidence 702 to give expert testimony concerning these two questions, and that her opinion was the product of the application of reliable methods to sufficient facts and data. See Order Re: Expert Test. at 2–3. (Dkt. # 7511)

Ms. Kopacz fulfilled her assignment, as set forth in three expert reports, Ex. 12000, 12001, 12002, and in her testimony on October 22, 2014. See generally Trial Tr. 1–89, Oct. 22, 2014. (Dkt. # 8082) She provided the Court with a critical analysis of the City's financial projections and its qualitative assumptions, as well as invaluable guidance for interpreting and understanding the mountain of data that the City's financial professionals produced. Thus, although the City admirably shouldered the burden of producing the necessary raw financial data and projections, the efforts of Ms. Kopacz and her team were essential for the Court to discharge its duty under § 943(b)(7).

The Court finds Ms. Kopacz testified credibly. Therefore, the Court adopts Ms. Kopacz's findings and conclusions as expressed in her testimony and in her three expert reports

almost in their entirety, and incorporates them into the Court's feasibility analysis. The only conclusion that the Court cannot quite accept relates to her concerns about the expedited pace of this proceeding. The Court addresses this question in part X.F.4. below.

Before turning to the substance of Ms. Kopacz's findings and conclusions and the supporting evidence that the City's financial professionals compiled and testified to, the Court must address two evidentiary issues concerning Ms. Kopacz's testimony and expert reports.

*222 3. Evidentiary Issues Regarding the Report and Testimony of the Court's Feasibility Expert

Although the GRS and the PFRS do not object generally to Ms. Kopacz's expertise, they did file a joint motion to exclude certain portions of Ms. Kopacz's testimony relating to the systems' historical performance and management, and their future governance and reporting requirements. In their motion, the GRS and the PFRS assert that Ms. Kopacz lacks the necessary qualifications to give pension-related opinions and further that her investigation of these issues exceeded the scope of her assignment from the Court. Retirement Systems' Mot. to Exclude at 1–2. (Dkt. # 7061)

The GRS and the PFRS also moved to exclude these same portions of Ms. Kopacz's opinion and findings from admission into the evidentiary record as part of her expert reports. They argued that not only does Ms. Kopacz lack the expertise to give these opinions, but that any mention of them in her reports constitutes inadmissible hearsay. Retirement Systems' Br. in Opp'n to Admis. of Expert Report at 1–2.

(Dkt. # 6847) Relying on *Engbrechtsen v. Fairchild Aircraft Corp.*, 21 F.3d 721, 728–29 (6th Cir.1994), the GRS and the PFRS argue that expert reports in general may only be admitted into evidence to show the basis for the expert's opinion, “but not as general proof of the underlying matter.” Br. in Opp'n at 9. (Dkt. # 6847)

The Court concludes that the motion to exclude the expert's testimony is moot because the expert's testimony is now concluded and the testimony did not address the challenged matter. Accordingly, the Court denies that motion.

The Court further concludes that the motion to exclude the challenged matter from the expert's report should be denied. All of the challenged matter is within Ms. Kopacz's

expertise to investigate and pertinent to her opinion on the feasibility of the plan. Her supplemental report of August 27, 2014, clarifies that she derived her statements regarding these matters from either the disclosure statement (Dkt. # 4391) or the July 18, 2013 declaration of Charles M. Moore. (Dkt. # 13) These are hearsay sources, but under Fed. R. Evid 703, an expert may rely on hearsay. “If experts in the particular field would reasonably rely on those kinds of facts or data in forming an opinion on the subject, they need not be admissible for the opinion to be admitted.” Fed. R. Evid. 703.

While the challenged matter may be of marginal relevance to the greater issues before the Court, its prejudice to the GRS and the PFRS is equally marginal. The Court concludes that there is no cause to exclude it and denies this motion as well.

4. The Expert's Standard for Feasibility

Ms. Kopacz began her work by developing and articulating a standard for measuring the feasibility of the City's plan. The Court finds that Ms. Kopacz's articulation is appropriate and adopts it here:

Is it likely that the City of Detroit, after the confirmation of the Plan of Adjustment, will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the Plan without the significant probability of a default?

Ex. 12000 at 13. It closely tracks the standard articulated by the *Mount Carbon* court, set forth above. See *Mount Carbon Metro. Dist.*, 242 B.R. at 35.

Intertwined here are also the questions of whether the City is committed to implement the plan and whether it has sufficient resources to monitor its performance under the plan. The first question requires a review of the testimony of City leaders. *223 The second question requires an examination of the Financial Review Commission and the other controls under Public Acts 181 and 182 of 2014 (hereafter, “Grand Bargain Legislation”), Mich. Comp.

Laws §§ 141.1631–141.1643, 117.4s–t, as well as the internal systems created by the Mayor and the City's chief financial officer.

5. The City's Plan Is Feasible

The Court finds that the plan is feasible. As detailed below, this finding is based on the testimony and documentary evidence presented by Ms. Kopacz, Trial Tr. Oct. 22, 2014 (Dkt. # 8082), Kevyn Orr, Trial Tr. Oct. 1–3, 2014 (Dkt. 7850, 7878, 7894), and by the following independent professionals that the City retained:

- ✓ • Gaurav Malhotra of Ernst & Young, Trial Tr. Sept. 29 & Oct. 21, 2014 (Dkt. 7819 and 8098);
- Dr. Robert Cline, formerly of Ernst & Young, Trial Tr. Aug. 18, 2014 (Dkt. # 7015);
- Caroline Sallee of Ernst & Young, Trial Tr. Sept. 8–9, 2014 (Dkt. 7472 and 7473);
- Charles Moore of Conway MacKenzie, Inc., Trial Tr. Sept. 5 & 8, 2014 (Dkt. 7434 and 7462);
- Kenneth Buckfire of Miller Buckfire and Co., Trial Tr. Sept. 30, 2014 (Dkt. # 7821);
- James Doak of Miller Buckfire and Co., Trial Tr. Oct. 3, 2014 (Dkt. # 7894);
- Alan Perry of Milliman, Inc., Trial Tr. Sept. 15–16, 2014 (Dkt. 7617 and 7618);
- Glenn Bowen of Milliman, Inc., Trial Tr. Sept. 15, 2014 (Dkt. # 7617); and
- Gerald Salzman of Desman Associates, Trial Tr. Oct. 21, 2014 (Dkt. # 8098).

This finding is also based on the testimony and documentary evidence presented by the following elected and appointed leadership of the City and the State:

- ✓ • Michael Duggan, Mayor of the City of Detroit, Trial Tr. Oct. 6, 2014 (Dkt. # 7917);
- Brenda Jones, Detroit City Council President, Trial Tr. Oct. 6, 2014 (Dkt. # 7917);

- John Hill, the City's Chief Financial Officer, Trial Tr. Sept. 4–5, 2014 (Dkt. 7411 and 7434);
- Beth Niblock, the City's Chief Information Officer, Trial Tr. Sept. 8, 2014 (Dkt. # 7462);
- James Craig, Detroit Police Chief, Trial Tr. Sept. 9, 2014 (Dkt. # 7473);
- Edsel Jenkins, Detroit Executive Fire Commissioner, Trial Tr. Sept. 9, 2014 (Dkt. # 7473);
- Sue McCormick, Director of the Detroit Water and Sewerage Department, Trial Tr. Sept. 17, 2014 (Dkt. # 7638); and
- Brom Stibbitz, Senior Policy Advisor for the Michigan Department of Treasury, Trial Tr. Oct. 1, 2014 (Dkt. # 7850).

It is also based on the testimony and documentary evidence presented by:

- Annmarie Erickson, Executive Vice President and Chief Operating Officer of the DIA, Trial Tr. Sept. 18, 2014 (Dkt. # 7634);
- Rip Rapson, President of the Kresge Foundation, Trial Tr. Oct. 2, 2014 (Dkt. # 7878);
- Dan Gilbert, Chairman of Rock Holdings, Trial Tr. Oct. 1, 2014 (Dkt. # 7850); and
- Roger Penske, Chairman of the Penske Corporation, Trial Tr. Oct. 3, 2014 (Dkt. # 7894).

*224 6. The City's Revenue and Expense Projections

It is my opinion that, except where otherwise noted in my Report, the projections are generally mathematically correct and materially reasonable and therefore fall within the Feasibility Standard I have defined.

It is my opinion that, except where otherwise noted in my Report, the individual assumptions used to build the projections fall into a reasonable range and, that when taken as a group, these assumptions are also reasonable and fall within the Feasibility Standard.

Martha Kopacz, Ex. 12000 at 200.

✓ Exhibit 793, to which Mr. Malhotra testified on October 21, 2014, sets forth the City's income and expense projections over ten and forty-year periods of time. *See generally* Trial Tr. 45:16–86:8, Oct. 21, 2014. (Dkt. # 8098)

a. The City's Ten-Year Revenue Projections

✓ The City projects that it will receive approximately \$11.6903 billion in revenue under the plan¹⁹ from FY2014–FY2023. Ex. 793 at 7–8. This total amount includes \$11.1815 billion in general fund revenue from the City's eight primary sources:

1. Municipal income tax;
2. State revenue sharing payments;
3. Wagering taxes;
4. Property taxes;
5. Utility users' taxes;
6. Sales and charges for services;
7. Other revenue, such as permits and parking tickets; and
8. Normal general fund reimbursements and receipts from enterprise funds.

It also includes \$482.9 million in new revenue initiatives to be implemented under the plan and \$241.1 million in proceeds from cash loans. Id. at 7. The City will also receive \$508.8 million in plan-related reimbursements to the general fund from City enterprise funds, including \$464.4 million in reimbursements from the DWSD and \$44.4 million from other enterprise funds, including the library and parking systems. Id. at 7–8.

In addition, the City will receive approximately \$404.5 million from the Grand Bargain and the State Contribution Agreement over this ten-year period (and \$256.3 million over the next ten-year period from FY2024–FY2033) to be paid to the City's pension plans. Id. at 5.

b. The City's Ten-Year Expense Projections

On the operating expenditures side, the City projects that it will spend a total of \$10.3609 billion from FY2014–

FY2023. Id. at 7. This amount includes payroll and active employee healthcare and pension contributions (but not the pension underfunding claims), as well as repayment of the cash loans, an annual contingency,²⁰ several one-time costs of restructuring, and additional operating expenditures associated with the implementation of the *225 RRI's. This leaves approximately \$1.3294 billion for the City's plan obligations to its creditors from FY2014–FY2023, plus approximately \$404.5 million in Grand Bargain and State Contribution Agreement funds for the pension claims, for a total of \$1.7339 billion. Id. at 7–8.

c. The City's Forty-Year Revenue Projections

The forty-year revenue projections are grouped by decade and are largely an extension of the ten-year projections. *See, e.g.,* Trial Tr. 62–63, 83, 154, Sept. 29, 2014 (describing previous version of the forty-year projections). (Dkt. # 7819) For the most part, after FY2023 (the end of the first ten-year period) the City's experts applied a flat, positive growth rate for each component of the City's general fund revenue streams and the new general fund revenue initiatives. Ex. 793 at 4 (“Growth after FY23”). Other income components drop off. For example, most of the plan-related DWSD reimbursements to the general fund will end after the first decade. This is because most of the DWSD plan-related reimbursements will be used to satisfy DWSD's portion of the current pension underfunding, which the plan requires DWSD to pay over a ten-year period in annual payments of \$45.4 million. Ex. 793 at 8. Also, the City will receive all of the proceeds from the cash loans in the first two decades following the effective date of the plan. Id. at 5.

d. The City's Forty-Year Expense Projections

On the operating expenditures side, the City similarly assumes a flat growth rate in expenditures for employee salary, overtime, and other fringe benefits, as well as for active employee pensions and the additional operating costs arising from the Restructuring and Reinvestment Initiatives. Id. at 4. Other operating expenditures have growth assumptions built into the plan. For example, the City projects that it will be required to contribute \$2.2 million to the Income Stabilization Fund from FY2024–FY2033. *Id.*; *see also* Plan, § IV.D.2 at 55–56. (Dkt. # 8045)

e. The Resulting Forty-Year Projections

The resulting forty-year projections provide as follows:

1) From FY2024–FY2033, the City projects that it will collect \$12.2321 billion in revenue and have \$10.6993 billion in operating expenditures, leaving \$1.5328 billion to satisfy its plan obligations to creditors, plus \$256.3 million in Grand Bargain funds for satisfaction of the pension claims, for a total of \$1.7891 billion.

2) From FY2034–FY2043, the City projects that it will collect \$14.4455 billion and have \$13.0563 billion in operating expenditures, leaving \$1.3892 billion to satisfy its last remaining plan obligations to creditors.

3) From FY2044–FY2053, the City projects that it will receive \$17.3359 billion and have \$16.5230 billion in operating expenses, leaving \$812.9 million to satisfy its plan obligations to creditors. Ex. 793 at 4–5. ✓

The City began building these projections by constructing a baseline scenario that projects the City's finances in the absence of "the quantitative impacts of the restructuring initiatives, the cancellation of debt, the cash flow ramifications from the alterations in the City's pension plans and OPEB, and other impacts of the bankruptcy proceedings." Ex. 12000 at 32; Trial Tr. 72:13–17, Sept. 29, 2014. (Dkt. # 7819) Building from this baseline projection, the City constructed the projections in Exhibit 793 by taking into account all of these costs and benefits of the plan and the RRI's (hereafter, "Plan Projections"). Ex. *226 12000 at 25–26; Trial Tr. 78:7–15, Sept. 29, 2014. (Dkt. # 7819)

f. The Expert's Review of the Plan Projections

Ms. Kopacz and her team reviewed the Plan Projections in great detail. They interviewed the City's elected and appointed officials, the emergency manager, many City employees, advisors, creditors, leaders and members of labor unions, as well as representatives of the GRS and the PFRS, the DIA, the Land Bank Authority, and many charitable organizations. *Id.* at 4. They also reviewed thousands of pages of documents that the City and third parties produced. They then "critiqued the methodology used to develop the financial projections, as well as the data and information used as the foundation for the assumptions." *Id.* at 5.

Ms. Kopacz concluded that the projections are "mathematically correct and materially reasonable." *Id.* at 200. She further concluded that "the individual assumptions used to build the projections fall into a reasonable range and, that when taken as a group, these assumptions are also reasonable and fall within the Feasibility Standard." *Id.*

g. The Revenue in the Plan Projections

On the revenue side, Ms. Kopacz examined Dr. Cline's expert opinion with regard to the City's corporate and individual income taxes and wagering taxes, which are two of the City's largest sources of revenue. Trial Tr. 58–68, Aug. 18, 2014. (Dkt. # 7015) Dr. Cline explained that for income taxes, the Plan Projections are higher than the baseline projections due to "stronger growth in the underlying tax bases." *Id.* at 67. This is a function of more optimistic assumptions about wage and employment growth as the plan is implemented and the economic conditions of the City improve. *Id.* Ms. Kopacz reported that when compared to state and national estimates for wage and employment growth, the City's assumptions are "more conservative." Ex. 12000 at 47. She testified there is a reasonable chance that employment and wages will be higher than projected. Trial Tr. 37:8–11, Oct. 22, 2014. (Dkt. # 8082)

For wagering taxes, Dr. Cline testified that the key factor is the impact of new casinos in Toledo, Ohio, on the gross revenues of the City's casinos. Trial Tr. 75:2–77:25, Aug. 18, 2014. (Dkt. # 7015) As a result, he assumed a negative growth rate for the early years of the projections, but eventually returned to a 1% annual increase. *Id.* at 75:18–76:16; *see also* Ex. 112–C. Ms. Kopacz agreed with Dr. Cline's assessment of the risks, adding that it was completely outside the City's control and that the assumptions adequately took the Toledo casinos into account. Trial Tr. 40, Oct. 22, 2014. (Dkt. # 8082)

Ms. Sallee gave expert testimony with regard to the City's property taxes and state revenue sharing payments. In creating her projections for property tax revenues, Ms. Sallee testified that she assumed the revenue would decrease in the short term as a result of a citywide property reassessment, but that eventually revenues would increase due to improved collections and long-term rebounding property values. Trial Tr. 234, Sept. 8, 2014 (Dkt. # 7472) Ms. Sallee explained that increased collections will result from residents' improved "ability to pay," based on the lower amount of taxes and the

improvements in wage and employment growth that Dr. Cline projected. *Id.*

Ms. Kopacz agreed that it is reasonable to assume that “reduced assessments will result in improved property tax collection rates and, in the longer term, increased property values as Detroit becomes a more *227 desirable location.” Ex. 12000 at 59. Ms. Kopacz also testified that she found the City’s property tax revenue projections and assumptions to be “conservative,” particularly in the later years of the Plan Projections as the City begins to experience the full benefits of the implementation of the RRIs. Trial Tr. 44, Oct. 22, 2014. (Dkt. # 8082)

As for the state revenue sharing payments, Ms. Sallee testified that the City receives two types: 1) constitutional payments, which are calculated as a percentage of the statewide sales tax (15% of the first 4% of sales tax revenues), divided among Michigan municipalities based upon population, and 2) Economic Vitality Incentive Program (“EVIP”) payments, which are set forth in the state’s annual appropriation legislation and are thus at the discretion of the state legislature. Trial Tr. 241:10–21, 247:3–15, Sept. 8, 2014. (Dkt. # 7472) The legislature distributes the EVIP payments based on a municipality’s financial “accountability and transparency,” “consolidation of services,” and whether it has established a plan to deal with any existing pension underfunding. Ex. 12000 at 51. Ms. Sallee testified that she assumed the constitutional payments would decrease after the next census, in line with Dr. Cline’s population decline projections, and that the EVIP payments would remain constant throughout the forecast period. Trial Tr. 250:1–9, 252:14–255:10, Sept. 8, 2014. (Dkt. # 7472)

Ms. Kopacz agreed that these projections were reasonable. In particular, she testified that she finds it “hard to fathom” that the City would not receive the full EVIP payments going forward, “given the capability of the current Mayor and the CFO.” Trial Tr. 39:16–18, Oct. 22, 2014. (Dkt. # 8082)

As explained above, although the DWSD operates as an enterprise fund, it is another major source of revenue for plan payments. Exhibit M to the City’s Fourth Amended Disclosure Statement (Dkt. # 4391) and Exhibit 178 set forth the City’s projections of the DWSD’s revenues, operating and legacy expenditures, and capital improvement plan for FY2014–FY2023. Ms. Kopacz expressed skepticism in her original report regarding the feasibility of the DWSD payments under the plan. Ex. 12000 at 196 (“While DWSD’s

debt is impacted by the POA, the DWSD operations are not included in the Plan. DWSD does play a significant role in funding the City’s pension obligations during the forecast period.”).

However, following the Court’s approval of the DWSD Bondholders settlement on August 25, 2014 (Dkt. # 7028), Ms. Kopacz testified, “Based on the DWSD settlement [], the risk that I had identified with the DWSD contribution to the pension funding is now removed.” Trial Tr. 75, Oct. 22, 2014. (Dkt. # 8082) Ms. McCormick also testified that the DWSD will have sufficient resources to make all the necessary capital improvements to infrastructure so that it can continue providing adequate water and sewer services to its customers. Trial Tr. 99:4–100:6, Sept. 17, 2014. (Dkt. # 7638)

The City’s parking department is another important source for revenues needed in the plan.²¹ James Doak and Gerald Salzman testified about the City’s projected parking revenues. *See* Trial Tr. 123–126, Oct. 3, 2014 (Dkt. # 7894); Trial Tr. 9–45, Oct. 21, 2014. (Dkt. # 8098) Mr. Salzman works for Desman, a firm that *228 designs parking garages and optimizes parking system revenue. City Exhibit 783 reflects Mr. Salzman’s projections of the City’s parking revenues under four different scenarios—a “status quo” scenario; an “optimized,” but still City-run scenario; a “private” investment and development scenario; and a “private upside” scenario, which is identical to the private scenario except that parking rates increase every three years. Ex. 783 at 47, 52.

Mr. Doak testified that the Plan Projections include an assumption that the City’s parking revenues will exceed \$10 million per year, and that the status quo scenario would not be sufficient. Trial Tr. 130:2–9, Oct. 3, 2014. (Dkt. # 7894) However, he also testified that the City has “the prospective capacity to either run the parking operations more efficiently and more economically generating more cash flow, or seek a private partner” in order to achieve the projected parking revenues in the plan. *Id.* at 130.

Ms. Kopacz further confirmed that the assumptions underlying the plan’s parking revenue projections are “by and large ... not significantly different than the historical trend,” thus, while there is “some rate increase,” and “some increased usage,” she explained that “it’s not a hockey stick” projection, and she concluded, “from the revenue side, I think they’re reasonable.” Trial Tr. 20–21, Oct. 22, 2014. (Dkt. # 8082)

h. The Expenditures, Revenue and Cost Savings Associated with the RRI's

Mr. Moore provided expert testimony regarding the projected expenditures, revenue, and cost savings associated with the implementation of the RRI's. He testified that the projected expenses and gains associated with the RRI's are "reasonable and achievable." *See, e.g.*, Trial Tr. 75, 80–82, 152, Sept. 5, 2014. (Dkt. # 7434) To reduce risk, Mr. Moore and his team at Conway MacKenzie specifically targeted areas with historically high costs and within the City's immediate control. These include labor inefficiencies, high levels of employee downtime and overtime, inefficient processes, ineffective or non-existent management metrics and tools, and improper deployment and use of assets. Ex. 464 at 10–11. In determining which initiatives should be included in the RRI's, the Conway team omitted any initiative that had a high degree of risk in implementation or that was outside the reasonable influence of the City's leadership (for example, an initiative requiring state legislative action). Trial Tr. 74, Sept. 5, 2014. (Dkt. # 7434)

Mr. Orr also testified that the increased revenues and cost savings projections associated with the RRI's are reasonable "and achievable." Trial Tr. 124–25, Oct. 2, 2014. (Dkt. # 7878)

7. The City's Obligations to Creditors Under the Plan

While my opinion is the Plan of Adjustment remains feasible and there is not yet a 'significant probability of default' as described in the Standard, there is no denying the possibility of default has increased. It is not realistic or prudent to believe that the City could take on any additional Plan obligations and remain within the continuum of reasonableness necessary to establish feasibility.

Martha Kopacz, Ex. 12002 at 6.

The plan reduces the City's debt burden by over \$7 billion. *See, e.g.*, Trial Tr. 70:4–7, Sept. 30, 2014. (Dkt. # 7821) This is a truly remarkable achievement for the City, unprecedented in the history of municipal bankruptcy. However, the Court begins with the statement from Ms. Kopacz above to emphasize the magnitude of debt that *229 the City is undertaking and retaining under the plan, particularly in light of the ambitious revitalization plan that the City intends to implement over the next ten years.

a. The City's Post-Bankruptcy Debt

As Mr. Malhotra testified, and as reflected in Exhibit 791, the City will issue \$1.063 billion in new notes under the plan. This amount includes:

1. \$55 million in New LTGO Bonds, to be paid on the effective date from a part of the proceeds of the exit financing;
2. \$88 million in New C Notes, payable over twelve years at 5%;
3. \$288 million in Restructured UTGO Notes, payable over fourteen years, at the various pre-bankruptcy interest rates of between 3.7% and 5.375%; and
4. \$632 million in New B Notes, payable over thirty years at 4% for the first twenty years and 6% over the last ten years and interest-only for the first ten years.

See Ex. 791; Trial Tr. 63, Oct. 21, 2014. (Dkt. # 8098) In addition, the City is obligated under the plan to pay \$2.2 million in cash to class 17, the 36th District Court creditors, and \$20 million in cash to cover the VEBA start-up costs. *Ex. 793 at 2.* These obligations total \$1.0852 billion. This is in addition to other debts that the City retains, including debts associated with the DWSD and secured GO bonds. *See* Plan, § II.B.3.a–k at 33–35. (Dkt. # 8145)

The plan also obligates the City to pay \$3.795 billion to the GRS and the PFRS on account of the class 10 and 11 pension claims. *Id.* at 3. Of this amount, \$661 million will be paid through contributions from the Grand Bargain and the State Contribution Agreement. *Id.*

Finally, the City is required by the Grand Bargain Legislation to maintain a minimum cash balance equal to 5% of annual projected expenditures. *Mich. Comp. Laws* § 117.4t(1)(c) (vi). Although this is not a debt-service obligation, the Court must nevertheless determine whether it is feasible that this amount will be available after all other plan obligations are satisfied. Because the City's forecasted annual expenditures hover around \$1 billion, the minimum cash balance amount is approximately \$50 million. *City Ex. 793 at 7.*

b. The Cost of Servicing the Post-Bankruptcy Debt

✓ The cost of servicing these obligations and maintaining the minimum cash balance over the same ten and forty-year periods for which the City projected its income and operating expenditures is also reflected in City Exhibit 793, and was testified to by Mr. Malhotra. *See generally* Ex. 793; Trial Tr. Oct. 21, 2014. (Dkt. # 8098)

✓ For the time period FY2014–FY2023, the City will be required to spend \$709.5 million to service the notes and satisfy its cash obligations. This amount includes \$20 million in cash to the VEBAs, \$2.2 million in cash to the 36th District Court creditors in class 17, and \$687.3 million payable to service the B Notes. The City will also expend \$979.2 million to service its obligations to the GRS and PFRS on account of the UAAL. This totals \$1.6887 billion. Ex. 793 at 5.

As discussed above, the City projects that it will have \$1.7339 billion available to pay plan-related expenses.

Therefore, after paying its operating expenditures and satisfying its obligations to creditors, the City projects a surplus of \$45.2 million. *Id.* When added to the City's then-existing cash balance, the City projects that it will have a cash balance of *230 \$81.2 million at the end of FY2023, which is sufficient to meet the requirements of the Grand Bargain Legislation.²² *Id.* at 8.

Amest
30 years
For the period FY2024–FY2033, the City will be required to spend \$541 million servicing the B Notes, C Notes, and Restructured UTGO Notes. The City projects that it will be required to spend \$1.2481 billion to service its obligations to the GRS and PFRS UAAL⁽²³⁾ for a total of \$1.7891 billion. *Id.* at 5. The City projects that it will also have \$1.7891 billion for plan-related expenses during that time period. Therefore, the City projects that it will break even at the end of this time period, after paying its operating expenses and satisfying its plan obligations. *Id.* at 4–5. The City also projects that it will be able to maintain the \$81.2 million cash balance carried over from the first decade of projections through the end of FY2033. *Id.* at 5. The New C Notes, the New LTGO Bonds, the New UTGO Bonds, and the City's cash obligations to the 36th District Court creditors and the VEBAs are projected to all be satisfied by the end of FY2033. (Ex. 791; Ex. 793 at 5)

For the time period FY2034–FY2043, the City will be required to spend \$450.6 million servicing the New B Notes. Ex. 793 at 5. The City projects that it will also be required to contribute \$938.5 to the GRS and PFRS UAAL, for a total of \$1.3892 billion. *Id.* As detailed above, the City projects that it

will have \$1.3892 billion in funds left over after its operating expenses are paid, thus breaking even again for this ten-year period. *Id.* at 4–5. However, again, the City projects that it will be able to maintain the \$81.2 million cash balance through the end of FY2043. *Id.* at 5.

Finally, for the time period FY2044–FY2053, the City will be required to spend only \$68.9 million to fully satisfy the B Notes. *Id.* The City also projects that it will be required to contribute \$628.9 million to complete payment on the pension underfunding, for a total of \$697.8 million in plan obligations. *Id.* During this time period, the City projects that it will have \$813.0 million in revenue funds after paying its operating expenses, leaving a surplus of \$115.2 million. When this surplus is added to the City's projected then-existing cash balance, the City projects it will have an overall cash balance of \$196.4 million by the end of FY2053. *Id.*

c. The City Will Be Able to Service Its Post-Bankruptcy Debt

As Ms. Kopacz's opening cautionary note suggests, and the Court's review of *231 the projections demonstrates, the Plan Projections do not leave much room for error. In two of the four ten-year periods, the City projects that it will only "break even" after paying its operating expenses and its obligations to creditors. *Id.* at 4–5. For the first thirty years of the plan, the City maintains its mandated cash balance only by deferring certain RRI's and selling assets. *Id.* at 10–14.

Nevertheless, as the Court concludes above, the City's projections are reasonable. Ms. Kopacz reported that a number of the assumptions underlying the projections are even "conservative." Ex. 12000 at 200. In addition, as counsel for the City pointed out in closing arguments, a narrow margin of error is to be expected in a broadly consensual plan:

[T]he fact that the deals that were reached with creditors had the result of leaving the City with just about enough to accomplish its principal objectives through reinvestment and service improvement but did not create an overwhelming margin is the result you should exactly expect from a largely consensual plan. That's how they come out. Every side tries for as

much as they can get and leaves for the other side only what is perceived they need. No one gets extra.

Trial Tr. 130–131, Oct. 27, 2014. (Dkt. # 8156)

Accordingly, the Court concludes that the City is reasonably likely to have a balanced annual operating budget and to satisfy its plan obligations to creditors, while maintaining a cash balance that is sufficient to meet the requirements of the Grand Bargain legislation for the life of the plan.

8. The Feasibility of the City's Plan to Address Its Pension Obligations

The City must be continually mindful that a root cause of the financial troubles it now experiences is the failure to properly address future pension obligations.

Martha Kopacz, Ex. 12000 at 147.

a. The City's Plan Regarding Its Pension Obligations

The plan provides the City with fixed payments toward the pension underfunding for FY2014–FY2023. For the PFRS, 100% of the payments are covered by the funds from the State Contribution Agreement and the Grand Bargain. Ex. 732. For the GRS, which has a larger underfunding claim, the State Contribution Agreement and the Grand Bargain funds cover only 20%. *Id.* The City is obligated to contribute \$575 million in cash. However, approximately \$428.5 million of that will come from DWSD revenues to cover DWSD's portion of the GRS underfunding liability, and another \$31.7 million will come from the UTGO millage, as described in III.K. above. This leaves a balance of \$114.6 million. *Id.* Mr. Malhotra testified that \$80 million of this \$114.6 million will come from the City's general fund and that it is included in the Plan Projections. Trial Tr. 84, Oct. 21, 2014. (Dkt. # 8098) The balance will come from the City's parking and library revenues. *Id.* at 81.

However, at the end of FY2023, the GRS and PFRS will remain significantly underfunded. Using the assumptions from the global pension settlement, including the 6.75% discount rate, the City projects that the PFRS will only achieve 78% funding, leaving a UAAL of \$681 million. Ex. 793 at 2. For the GRS, the City projects a 70% funded status by the end of FY2023, leaving a UAAL of \$695 million. *Id.*

The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%. *Id.* Between FY2024 and FY2033, the City *232 will receive an additional \$68 million in Grand Bargain proceeds to pay toward the UAAL amortization for PFRS, and \$188 million for GRS. The balance of the amortized UAAL will come from the City. *Id.* at 5.

The plan greatly reduces the City's pension obligations, thanks to the State Contribution Agreement, the Grand Bargain funding, and the modification of the City's obligations to its current retirees. The Grand Bargain legislation reflects the State's ability and commitment to make its contribution. See Mich. Comp. Laws § 141.1602. Ms. Erickson credibly testified that the DIA has already raised \$85 million of the \$100 million that it committed, and that she is “completely confident” the DIA will be able to raise the balance. Trial Tr. 117, Sept. 18, 2014. (Dkt. # 7634) Mr. Rapson testified that the Kresge Foundation is fully committed to making its promised \$100 million contribution to the Grand Bargain, and furthermore that it “should not eat into the normal investments we would normally make in the City of Detroit.” Trial Tr. 202, Oct. 2, 2014. (Dkt. # 7878)

Mr. Orr testified that he has received letters also expressing commitment from representatives of the Ford Foundation, the Kellogg Foundation, the Davidson Foundation, the Erb Family Foundation, the Mott Foundation, the McGregor Fund, the Hudson–Webber Foundation, the Community Foundation for Southeast Michigan, and the Knight Foundation. See Ex. 352; Trial Tr. 54, Oct. 2, 2014. (Dkt. # 7878)

b. Evaluating the Risks in the City's Plan to Address Its Pension Obligations

However, the risk remains that at the end of FY2023, the UAAL could be much larger than currently projected. Ms. Kopacz testified that the fixed nature of the City's obligations for the next ten years supports the plan's feasibility. Trial Tr. 62, Oct. 22, 2014. (Dkt. # 8082) The primary risk that Ms. Kopacz cites is the City's decision to discount the pension underfunding (and thus reduce all pension contributions) by 6.75%, which is based on the City's assumption that its pension investments will grow at that rate if properly managed. Ex. 12000 at 144–51. Her report stated:

The City's assumption of a 6.75% rate of return implicitly requires the City to accept risk and volatility. Volatility is, of course, a positive and a negative force. At times, the City should be expected to achieve returns above 6.75% and, at times, the City should expect returns below this level. Over the past 10 years, the Retirement Systems have seen significant variations in their investment returns both above and below the average return. Because the City's defined benefit plans [as opposed to the new hybrid pension plans] are essentially in runoff, they will inevitably experience declining asset levels. In this environment of declining assets and volatility, returns over time are not equally weighted.

.... In an environment in which expected returns are low in the short term—as the current low-interest-rate, low-inflation environment may be—funds cannot simply balance low returns in the short term with high returns later; they will need much higher returns later because investible assets will be lower than they otherwise would have been.

Id. at 149–50 (footnote omitted).

She echoed this concern in her testimony:

The concern that I have is that if the City does not monitor the [pension] obligation that is going to be there in 2023 and beyond, ... is that they could wake *233 up with a bad nightmare, not unlike what they've been through with the pension systems to get to this point.

Trial Tr. 60, Oct. 22, 2014. (Dkt. # 8082)

The GRS and the PFRS have historically used significantly higher assumed investment rates of return, and thus discount rates, of 7.9 and 8.0%. Ex. 12000 at 127. Nevertheless, Ms. Kopacz stated, “Highlighting that the City's assumptions are low relative to history, a history that got them to this place, ... is not much consolation.” *Id.* at 147

The City presented testimony from actuaries to support the assumption that the City's investments will achieve the projected 6.75% growth rate. Glenn Bowen of Milliman testified that the 6.75% rate assumes a lower inflation

rate than the vast majority of large public pension plans. Trial Tr. 121, Sept. 15, 2014. (Dkt. # 7617) The City also presented testimony from Alan Perry, another actuary from Milliman, who testified that the 6.75% rate is “at or near the bottom of the assumption that we would see for the largest public [pension] plans.” *Id.* at 222:10–15. These two points support a conclusion that the City's assumptions regarding the investment return rate are conservative.

Mr. Bowen also testified that in November 2013, Milliman performed a series of calculations based on the City's asset allocations, and determined that the City could reasonably expect an investment return assumption of at least 7.2%. *Id.* at 91; Ex. 496.

Based on this evidence, the Court concludes that the City's projection of the UAAL for both retirement systems at the end of FY2023, including the 6.75% investment return assumption, is reasonable and supports a finding that the plan is feasible.

c. Recommendations for Enhanced Disclosures to Reduce the Risk of Unmanageable Pension Obligations

To improve the feasibility of the plan, Ms. Kopacz makes several recommendations to enhance the disclosures in the annual reports of the status of the pension UAAL. In her report, Ms. Kopacz recommends that on an annual basis, the City disclose three funding benchmarks:

The expected standard deviation of investment returns of the asset portfolio on the report date;

The plan liability and normal cost calculated at the risk-free rate, which estimates the investment risk being taken in the investment earnings assumption; and

A standardized plan contribution for assessing the aggregate risks to the adequacy of the recommended contribution.

Ex. 12000 at 155–56 (citing the Society of Actuaries “Report of the Blue Ribbon Panel on Public Pension Plan Funding,” February 2014).

Ms. Kopacz further recommended “that the City disclose the gross liability and the UAAL by year on an undiscounted basis.” *Id.* at 156. She explained, “This will allow third parties

a better understanding of the changes in the liabilities from year to year.” *Id.*

The Court strongly recommends that the City, the GRS and the PFRS give serious consideration to these additional disclosures. Based on the record, the Court agrees that “[t]imely, accurate financial reporting relating to the City’s pension plans will be an essential tool as the retirement systems manage the plans’ assets and liabilities and make critical decisions regarding future estimated rates of returns and annual funding requirements.” *Id.* at 155.

***234 9. The City Will Be Able to Sustainably Provide Adequate Services**

The RRI’s are one of the positive outcomes of the bankruptcy process. The RRI’s provide the backbone of improved services to the citizens of Detroit.

Martha Kopacz, Ex. 12000 at 207.

The Court has determined the City’s financial projections and the assumptions that underlie them are reasonable, including the projected expenditures and increased revenues associated with the RRI’s. Therefore, the only remaining feasibility questions are 1) whether the RRI’s, if implemented, are reasonably likely to enable the City to sustainably provide adequate services, and 2) whether the City is reasonably likely to be able to implement the RRI’s.

Charles Moore is the chief architect of the RRI’s. He was qualified as an expert in “advising municipal and corporate entities on organizational turnarounds and restructuring, including operational and financial revitalization.” Trial Tr. 75–76, Sept. 5, 2014. (Dkt. # 7434) During his testimony, he explained that the RRI’s can be broken down into seven categories:

1. Blight initiatives, which focus on the remediation of primarily residential blight;
2. Public safety initiatives, which focus on police and fire services to improve overall public safety;
3. Resident service initiatives, which focus on departments that primarily interact with residents (such as the Department of Transportation);
4. Business service initiatives, which focus on departments that interact with businesses (such as Buildings, Safety Engineering and Environmental Department);

5. Organizational initiatives, which focus on the departments that serve primarily to support City operations (such as the Finance Department and General Services);
6. Management initiatives, which relate to the mayor’s office, city council and the city clerk; and
7. Non-departmental initiatives, which relate to the 36th District Court.

Id. at 40–41.

In developing the RRI’s, Mr. Moore and his team at Conway MacKenzie reviewed each of the general fund departments and the enterprise funds that impact the general fund. This was done to understand the nature of each department, the services that each provides, and the way in which those services are provided. That information was reviewed against benchmark data to determine the level of deficiency in each department. From there, initiatives for improving the level of services were developed and compiled into the reinvestment plan. *Id.* at 66–67.

This process was conducted from the bottom up, meaning that Conway MacKenzie worked department by department with employees and department heads to develop individual projects and initiatives to address specific service deficiencies. *Id.* at 66. For example, with regard to labor requirements for a given department, it looked at how many employees would be required to complete all necessary tasks, the appropriate pay levels, and the amount of training required. It looked at departmental information technology requirements, the associated costs, and the necessity of outside contractors and consultants. *Id.* at 68–69. Where necessary, it relied on outside experts for additional input. For example, the Tridata Group was consulted as to the fire department, and both the Manhattan Institute and the Bratton Group were consulted as to the *235 police department. Trial Tr. at 69–72, 263–64, Sept. 5, 2014. (Dkt. # 7434)

Mr. Moore testified that in his expert opinion, each specific RRI is necessary and that if successfully implemented, the RRI’s will improve City services to an adequate level. *Id.* at 8283. The specific facts supporting these conclusions for the most significant RRI’s are summarized below.

a. The Blight Initiatives

In assessing the scope of the blight problem, Mr. Moore relied, in part, on a report issued by the Detroit Blight Removal Task Force in May 2014. *Id.* at 88:7–10. The Task Force was created in September 2013 to focus on reducing or eliminating blight in the City. *See* Ex. 73. The Task Force surveyed over 99% of the City's 380,000 lots and compiled the results in a comprehensive database known as the Motor City Mapping Project. Trial Tr. at 90:5–91:7, Sept. 5, 2014. (Dkt. # 7434) The Task Force identified an estimated 80,000 properties in the City that were either blighted or showing signs of blight. Approximately 30% of residential structures and 30% of commercial structures were blighted. Ex. 464 at 13–14, tables 1a and 1b.

In addition to relying on the Task Force report, Mr. Moore visited multiple blight removal sights, spoke with residents living in areas where blight removal activities were undertaken, met with members of the blight removal task force, and spoke with City personnel involved in blight removal from the planning and development department and the building department. Trial Tr. at 89–90, Sept. 5, 2014. (Dkt. # 7434)

The proposed blight initiatives contemplate \$440.3 million in total investment and \$72.3 million in revenue initiatives, resulting in net reinvestment of \$368 million. *Id.* at 92–93; Ex. 464 at 15, tables 1c and 1d.

This level of investment will not completely eradicate blight in the City. Eliminating all 80,000 properties that are “blighted or showing signs of blight” would cost approximately \$850 million. Ex. 464 at 17, table 1e. The initiative is focused primarily on structural blight (buildings) as opposed to non-structural blight (brush and other debris).

There is no direct financial revenue projected from these initiatives. There are, however, indirect benefits from blight removal. These include:

- The improved appearance of the City;
- The stabilization of neighborhoods;
- Reduced migration from the City;
- Increased demand for property;

- Decreased crime;
- Reduction in the number of fires;
- Improved fire rating (which ties to insurance rates);
- Reduced maintenance burden on the City;
- Efficient land utilization;
- More efficient delivery of City services; and
- Enhanced development opportunities.

Ex. 464 at 14–15; Trial Tr. 95–96, Sept. 5, 2014. (Dkt. # 7434)

The City's disclosure statement further states, “In developing its blight removal initiative, the City has taken into account the proposals set forth in the Detroit Future City Strategic Framework ... and the City believes that its strategies for blight removal are consistent with the goals set forth in the Strategic Framework.” Disc. Stmt. § IX.B.1, at 162. (Dkt. # 4391)

Mr. Rapson testified about the Detroit Future City Plan, which was developed primarily by the Kresge Foundation. Trial Tr. 182, Oct. 2, 2014. (Dkt. # 7878) He *236 explained that the Blight Task Force is “nested within” the Detroit Future City project. *Id.* at 183. More importantly, he testified that incorporating City's blight removal initiative into the highly-developed Detroit Future City plan the increases its feasibility. *Id.* at 182 (“[T]he Detroit Future City plan is really in many ways the way by which the City will operationalize its approach to blight.”).

Finally, the Court finds Mr. Rapson credibly testified that the blight removal initiatives “will help the City return to providing adequate services.” *Id.* at 203. He elaborated:

[T]hese investments in City services represent a return to the kind of investments that are going to be necessary for us to make progress on blight remediation and to improve the kind of public services and emergency services that any city depends on for its long-term health.

....

I think they will [] help stabilize the environment [so that the City can] build these other investments on top of an environment that is safe and that is not characterized by massive swaths of blighted land, but I think it will also

serve as an accelerant. My sense is that what the plan of adjustment ... does is to really accelerate the kind of progress that we need to make as a community if we're going to return to health....

Id. at 203–04.

b. The Public Safety Initiatives

The public safety initiatives are intended to improve the overall performance of the police and fire departments and to increase safety in the City.

In assessing how well the police department is currently functioning, Mr. Moore relied on numerous reports that have been written about the City, as well as nationwide data sources regarding the effectiveness of police departments (for example, the FBI's uniformed crime reporting statistics). The benchmarking data measures crime rates, case closures and response times. Trial Tr. 97–99, Sept. 5, 2014. (Dkt. # 7434)

The initiatives for the police department contemplate an investment of \$339.8 million, cost savings of \$87.6 million and revenue initiatives of \$32.6 million, for a net reinvestment of about \$220 million. *Id.* at 96–98; Ex. 464 at 20, table 2a. The specific investments required for the police department were determined by working closely with Police Chief James Craig as well as the finance and IT departments. Trial Tr. 105–06, Sept. 5, 2014. (Dkt. # 7434)

The \$339.8 million in proposed expenditures for the police department include:

- 1) \$175 million in operating expenses. This is primarily to address staffing issues such as shifting 250 uniformed officers who currently perform duties that civilians could perform back to patrol duty and hiring civilians to fill the open positions. This represents about 12% of the police force.
- 2) \$91.3 million in fleet expenditures. More than half of the department's vehicles are over ten years old; this investment will put the fleet replacement cycle at 3 ½ to 4 years, which is not ideal, but is a significant improvement.
- 3) \$38.4 million in technology related expenses. This includes replacing handheld and vehicle radios as well as implementing an integrated police information system. That system allows for sharing information

between precincts, accessing background information on individuals, automating paperwork and improving data access for management.

*237 4) \$34.2 million in capital expenditures. This includes funds for improving existing facilities (\$24 million for substantial repairs that have been delayed) as well as opening three new precincts (\$7 million) and a new training facility (\$3 million).

Id. at 100–06.

Chief Craig confirmed that these investments will enable the police department to adequately serve the residents of **Detroit**. He described a “plan of action,” prepared under his supervision and direction, that is designed to transform the department into a “premier law enforcement agency.” See Ex. 66; Trial Tr. 108–09, Sept. 9, 2014. (Dkt. # 7473) Chief Craig testified that the plan of action was his way of incorporating the public safety initiatives described in the disclosure statement into the actual day-to-day functioning of the police department. Trial Tr. 109–10, Sept. 9, 2014. (Dkt. # 7473) He testified that the police department's implementation of the plan of action is “roughly 65 percent complete,” citing, *inter alia*, an overall crime reduction of 19 percent from 2013, a murder clearance rate of 67% (up from 11% previously), and the successful transition out of an eleven year Department of Justice consent decree. *Id.* at 109–12. He also testified that “in-service training” has increased, and the department has successfully implemented its own “neighborhood police officer initiative,” designed to establish relationships between officers and the neighborhoods they protect. *Id.* at 115–16.

Chief Craig also testified that they had recently hired 133 new officers, but that they were only keeping up with attrition. *Id.* at 113. Part of the problem, he explained, is that officers in neighboring cities offer higher pay.

However, several weeks later Mayor Duggan testified that he has made efforts to address this problem. Trial Tr. 82, Oct. 6, 2014. (Dkt. # 7917) He testified that he was able to renegotiate contracts with the police unions in order to give all officers an 8% increase in base pay by reducing annual sick days and by moving 150 uniformed officers out of “non-core” roles, such as traffic enforcement, crime statistics, and prisoner transport, and into patrol positions. *Id.* He testified that the department plans to hire retired officers to fill the non-core positions at a lower hourly wage with no benefits, explaining, “It'll save us a huge amount of money, and when we bring the retired

officers back, we can move the 150 cops back to the street. And with the money we save, we can give [the] officers a base pay increase of eight percent.” *Id.* Mayor Duggan testified that these changes will allow the police department “to effectuate the plan ... much more quickly,” particularly by “putting officers on the street.” *Id.* at 82–83.

In assessing the Fire Department, Mr. Moore looked to the National Fire Protection Association's published standards and concluded that the City is not meeting those standards. The NFPA standard response time for firefighting and EMS is six minutes. The City department's response times were 9 minutes for firefighting and 18 minutes, 20 seconds for EMS. This is due to a lack of resources, both people and equipment. Trial Tr. 107–08, Sept. 5, 2014. (Dkt. # 7434)

The initiatives for the Fire Department contemplate a total investment of \$218.9 million, with cost savings of \$60.6 million and revenue initiatives of \$87 million, for a net reinvestment of \$71.3 million. Ex. 464 at 20, table 2a. This includes:

1. \$85.3 million in additional operating expenses. This is primarily for hiring additional firefighters. This will be offset by some attrition, as well *238 as increased efficiency as the department moves towards cross-training and cross-utilization of its fire and EMS resources.
2. \$58.6 million in fleet expenditures. This anticipates the purchase of about 17 vehicles per year. About 30% of the fleet will be replaced in 2015 and about 12% each year thereafter.
3. \$71.3 million in capital expenditures. This addresses repairing or replacing facilities. Many of the older facilities were not built to accommodate modern equipment and must be replaced or upgraded. \$30 million is allocated for that. In order to meet NFPA standards regarding response times, some firehouses need to be relocated. \$20 million is allocated for equipment replacement.
4. \$300,000 to combine firefighting and EMS. Most of this money has already been spent implementing Tridata's recommendations

Trial Tr. 107–11, Sept. 4, 2014. (Dkt. # 7434) *See also* Ex. 464 at 20, 26–28.

Executive Fire Commissioner Edsel Jenkins confirmed Mr. Moore's testimony that the proposed initiatives dedicated to the fire department will enable the department to come into compliance with—or close to compliance with—the NFPA standards. Trial Tr. 53, Sept. 9, 2014. (Dkt. # 7473) He explained that certain kinds of complex, large fires will likely continue to impact the Department's compliance with the NFPA standards. He explained, “[I]f we have all [of] our resources tied up at one or two fires, that's going to leave us really hard-pressed to meet the response times for EMS and fire for regular runs.” *Id.* at 88. However, he further explained that the RRI's provide a “great cash injection that the department needs,” and that while he could not say the department would be “perfect,” he testified, “we'll be very close.” *Id.* at 89.

The Court finds that Chief Craig and Commissioner Jenkins are fully committed to and capable of implementing the RRI's in their departments. The Court further finds that if these RRI's are implemented, they will enable the City to provide an adequate level of public safety service that will be sustainable over the long term.

c. The Organizational Efficiency Initiatives

These initiatives relate to departments that provide support for the City's operations, specifically: the finance department, the general services department, the human resources department, the law department, the office of the auditor general, the department of elections, and the human rights department. Implementation of the RRI's associated with these departments is essential to the City's improvement in its operations and ultimately the services it provides.

The RRI's for organizational efficiency contemplate a total investment of \$479.9 million, offset by cost savings of \$109 million, and revenue initiatives of \$98.2 million, for a net reinvestment of \$272.7 million. Ex. 464, at 57–58, tables 5a and 5b. The Court addresses the main components of the organizational efficiency initiatives below.

The income tax division of the finance department is marked for a \$12.2 million investment, primarily for the implementation of a tax software program known as “City Tax,” which is expected to create cost savings of \$10.4 million. Trial Tr. 142, Sept. 5, 2014. (Dkt. # 7434) The City also hopes to increase its income tax revenue by working with the IRS to obtain information on individuals whose federal tax

returns suggest that they should be filing a tax return with the City but who *239 have not done so. *Id.* at 143. Mr. Stibbitz testified that the State is similarly hoping to assist the City in collecting income taxes. He stated, “[W]e’ve been working on an agreement and building a system, ... through which we could actually collect city income taxes on behalf of the City.” Trial Tr. 91, Oct. 1, 2014. (Dkt. # 7850)

Mr. Orr testified that the investments in the income tax division will address another serious problem in the City—people who are trying to pay their municipal income taxes frequently have to wait in line for several hours to make their payments. Trial Tr. 122–23, Oct. 2, 2014. (Dkt. # 7878)

The grants division of the finance department is new and budgeted for a \$19 million investment. Trial Tr. 143, Sept. 5, 2014. (Dkt. # 7434) It is responsible for establishing a grants management system. The City gets a fair amount of grant revenue each year, but the money is not properly tracked. HUD and other granting authorities have indicated that without changes, the City is at risk of losing future grants and also possibly having to reimburse grants already received. *Id.* at 143–44. The new initiatives are designed to prevent this from happening. Mr. Hill testified that the City will continue to use an interim grants management program until the City completes all of its planned information technology upgrades. Trial Tr. 87–88, Sept. 4, 2014. (Dkt. # 7411) The expectation is to use the grant management module in the new financial control system once it is fully implemented. *Id.* at 88.

One major area that needs improvement is the human resources department, in which the City plans to invest \$40 million. Trial Tr. 152, Sept. 5, 2014. (Dkt. # 7434) Mr. Moore described reinvestment in this department as “another one of those critical elements that underlies all of the reinvestment initiatives.” *Id.* The department is understaffed and under-resourced. As a result, it can take the City six months to fill open positions. The plan calls for the City to eventually add over 800 employees. To free that process from the current constraints imposed by the condition of the HR department, the City plans to spend \$25 million in additional labor and training, including adding eleven employees dedicated to monitoring the City’s compliance with union contracts. *Id.* at 152–56. In addition, the City has hired a new director of human resources, who will start in January 2015. Trial Tr. 71, Oct. 22, 2014. (Dkt. # 8082)

The City plans to direct the bulk of the remaining organizational efficiency investment in the finance

department. The plan calls for a \$221.4 million reinvestment in the finance department, \$101 million of which will be dedicated toward information technology upgrades, including the implementation of a new enterprise resource planning system (“ERP”), as well as support staff, hardware and software. Trial Tr. 140, Sept. 5, 2014. (Dkt. # 7434) The City also intends to spend \$24.9 million on labor, including hiring new employees and budgeting for future training. The City plans to hire nine new people to track, monitor and maintain the implementation of the RRI’s citywide. These employees’ responsibilities will include “making sure that the City is able to close its books on a monthly basis, perform bank reconciliations, activities that you would expect any accounting and finance area to be able to accomplish.” *Id.* at 140–41.

Because these RRI’s are fundamental to the success of the plan, the City built flexibility into other RRI’s to ensure that the organizational efficiency initiatives would not be deferred. *See* Trial Tr. 71–72, Oct. 21, 2014. (Dkt. # 8098)

*240 Ms. Niblock testified that the IT reinvestment initiatives are reasonable and, when implemented, will address the City’s IT deficiencies. Trial Tr. 129, Sept. 8, 2014. (Dkt. # 7472) Mr. Hill will work with Ms. Niblock on the implementation of the finance department’s IT upgrades. *Id.* at 130. He testified that they have been working toward implementing best practices over the past several months, so that the finance department will be fully prepared when the new ERP system is implemented. Trial Tr. 172, Sept. 4, 2014. (Dkt. # 7411) To further reduce implementation risk, Mr. Hill explained that the City decided to use one of two cloud-based ERP systems. He testified that the benefit of a cloud-based system is that the responsibility for storage of information is not with the City, so it does not need to allocate assets and resources to data storage and organization. This is done by the cloud servicing company. *Id.* at 171–73.

Mr. Hill testified that the finance department will use the IT upgrades to improve the state of its financial controls systems, its ability to issue periodic accounting statements, and its cash management functions. *Id.* at 84–86.

d. The Resident Services Initiatives

The resident services initiatives focus on non-public-safety departments “that have the front facing impact on residents,” specifically transportation, ombudsperson, public works

(solid waste), recreation and vital records (health and wellness). Trial Tr. 114, Sept. 5, 2014. (Dkt. # 7434)

The RRI's for resident services contemplate total investment of \$170.9 million, with cost savings of \$64.7 million and revenue initiatives of \$52 million, for a net reinvestment of \$54.2 million. The largest expenditures are for transportation and recreation. Ex. 464 at 33, tables 3a and 3b.

First, the City contemplates spending \$111 million for the department of transportation ("DDOT"). The number of miles serviced by DDOT has declined significantly over the past five years, from sixteen million miles annually in 2009 to twelve million miles today. Trial Tr. 115, Sept. 5, 2014. (Dkt. # 7434) Mayor Duggan intends to restore service back to 2009 levels by the end of fiscal year 2023. This means DDOT will need between 225 and 230 buses for peak afternoon times. Presently, DDOT only has about 190 functioning buses. *Id.* at 115-16.

To address these problems, the \$111 million in proposed expenditures includes \$101 million in additional operating expenses (fuel, maintenance, parts, supplies, additional drivers, cameras and security personnel) and \$10.3 million in capital expenditures for facility improvements. *Id.* at 117-18.

Mayor Duggan's testimony supports the feasibility of the City's plan to improve its transportation services. He testified that the City is set to receive fifty new buses in early 2015. Trial Tr. 89, Oct. 6, 2014. (Dkt. # 7917)

The bulk of the remaining resident services investments relate to the reopening of the City's parks. Under the plan, the City will invest \$37.8 million to reopen 180 of the City's closed parks. Trial Tr. 122, Sept. 5, 2014. (Dkt. # 7434) Mayor Duggan testified that churches and business people have come together to sponsor parks that were not covered by the reinvestments in the plan. As a result, the City plans to reopen all 275 of its parks. Trial Tr. 89, Oct. 6, 2014. (Dkt. # 7917)

e. The Business Services Initiatives

The business services initiatives relate to the City departments that primarily interact with businesses, including the department of planning and development, and the buildings, safety engineering and *241 environmental department (BSEED). These initiatives also cover reinvestment in

the Coleman A. Young Municipal Airport, the parking department, the board of zoning appeals and the department of administrative hearings. These departments address overall planning for the City, licensing and permits for businesses, and monitoring how businesses operate within the City. Trial Tr. 124-25, Sept. 5, 2014. (Dkt. # 7434)

The RRI's for business services contemplate \$51.4 million in investment offset by cost savings of \$24.3 million and revenue initiatives of \$61.9 million. Thus, these initiatives are a net gain for the City. Ex. 464 at 43, tables 4a and 4b.

First, to reduce redundancies, the City planning commission will be combined with the City's department of planning and development. The City plans to spend \$22.5 million on this department, offset by \$1.9 million in cost savings. The most important component of the City planning commission initiatives is \$11 million directed toward the creation of a new master plan for development in the City, which will include provisions for tracking blight removal efforts and facility location planning for the fire and police departments. Trial Tr. 125-26, Sept. 5, 2014. (Dkt. # 7434)

The City also plans to invest \$20 million in the airport so that it can remain in compliance with federal guidelines and maintain its operating certificate. A portion of this amount will go toward developing a long-term plan for the airport and the remaining \$15.7 million will be dedicated to facility updates. *Id.* at 127-28.

For the municipal parking department, in addition to the Desman improvements addressed above, the City plans to spend \$8.2 million to improve the condition of City-owned impound lots, parking meters, and the department's vehicles. *Id.* at 128.

The Court concludes that the overall effect of these RRI's, and others not discussed here but detailed in the disclosure statement, will enable the City to sustainably provide adequate public services.

10. The City's Commitment to Implement the Plan

I can say, unequivocally, that without the positive and capable leadership of Mayor Duggan and the constructive relationship between the City Council and the Mayor, I would be unable to opine that the plan, as currently proposed, is feasible. The near term future will require

course adjustments as undoubtedly revenues and expenses will vary from projections and unforeseen events will demand changes in plan. The democratic system has put in plan individuals who, at least for the next three years, can choose to continue the positive course for the City. I believe they will do so.

Martha Kopacz, Ex. 12000 at 29.

Having concluded that the RRI's are likely to restore services, the Court will now address whether the City is likely to implement the RRI's. Mr. Orr testified that as his tenure as Emergency Manager draws to a close, he is confident the City will be able to implement the RRI's and sustain them over the long term:

First, the mayor and the city council have shown me since the time I've been here in the last nine months that they are working hard. We started out a little rough, and there was some concern, but we've managed to work together and push some of these reforms through. And they're working together ... to move the City forward.

Secondly, there's going to be a level of oversight in place with the Financial Review Commission, which is modeled on other commissions, the MAC, the DC Control Board, others. That commission *242 is designed to be a robust commission to make sure after all this effort and work that the City keeps fidelity with the plan going forward.

Third, my sense is at city hall there's a very high degree of sensitivity and concern that the eyes of the county, if not ... the world, are on them; that they have an obligation to this Court; that they recognize we're in a federal process, and this is going to be ordered. I certainly have emphasized that to them. And ... my impression is they feel very sincerely that they have an obligation to make this work.

Trial Tr. 123–24, Oct. 2, 2014. (Dkt. # 7878)

Mayor Duggan testified credibly that the City is committed to implementing the RRI's, and that he has already developed effective methods of tracking progress on the improvement of city services. Trial Tr. 84–88, Oct. 6, 2014. (Dkt. # 7917) He testified that the City is “probably about ten percent of where we need to be” in terms of providing adequate city services, but that under the plan and the RRI's, “we're building in the right order,” meaning the RRI's are properly prioritized to enable the City to maintain financial stability as it works to improve services. *Id.* at 96–97. He testified, “[I]t's going to be a multi-year process before the people of the city get the kind of services that people in a major city deserve, but it's getting

a little bit closer every month.” *Id.* at 97. For example, he testified that the City has seen 20,000 new LED street lights installed since January. *Id.* at 88.

Mayor Duggan further testified that he believes the City will be able to attract and train a sufficient number of qualified employees to fill the positions needed for implementation of the RRI's. He described a job fair in March of 2014, at which the City recruited bus drivers, bus mechanics, police officers and firefighters. *Id.* at 135. He testified that the City received hundreds of applications for every open position. *Id.* at 135.

He also enthusiastically testified that the City plans to invest \$15 million in training City employees to use “lean processes,” or methods designed to achieve maximum efficiency. Mayor Duggan first began using this type of training while working as the Director of the Detroit Medical Center, and testified that it was “very successful.” *Id.* at 69, 95–96. He testified that he identified eighteen of the “most screwed up processes in the City of Detroit,” and used a combination of outside “lean process” experts and City employees to develop ways to improve them. *Id.* at 95–96. He continued:

I went to the meetings [related to lean process implementation] ... and it's great to hear our employees reporting out on what they've done.... And we're going to continue to do this over and over until we get 400, 500 employees lean certified so that any employee can participate in a process to make their department more efficient.

Id. at 96.

City Council President Brenda Jones reiterated that the City is committed to implementing the plan. Trial Tr. 58, Oct. 6, 2014. (Dkt. # 7917) She characterized the RRI's as “help[ing] the City restructure so that the citizens can receive adequate services,” and testified that the level of service the City is currently providing its citizens is “improving.” *Id.* at 17, 2122. To make sure the RRI's are fully carried out, she testified:

[The City Council] will work as a team with the mayor collaboratively and the

departments collaboratively to make sure that the services are improving and are adequate for the citizens in the City of Detroit. We will do our part with *243 contracts and with the budget to ensure that the dollars that are being reinvested into the City will be spend where they should be spent.

Id. at 26.

Ms. Kopacz testified that the Mayor's decision to hire Mr. Hill as the CFO also supports feasibility, as does his decision to hire Ms. Niblock as the new CIO. Trial Tr. 53–54, Oct. 22, 2012. (Dkt. # 8082) She also testified that the Mayor has hired a “top notch” head of HR, who will start in January, as well as a new deputy mayor for economic policy. *Id.* at 83. The new deputy mayor for economic policy will focus on ensuring the City is achieving the plan's revenue projections. *Id.* Regarding the City's middle management, Ms. Kopacz testified, “I think there is a genuine desire to right the ship, to help the City prosper.” *Id.* at 70.

One of Ms. Kopacz's early concerns about the feasibility of the plan was that the City had not made sufficient efforts to harmonize the Plan Projections with the City's budgets and its finances more generally. Ex. 12000 at 25–29. Mayor Duggan testified that the City began addressing this concern on April 17, 2014, when he became aware that the Court required his input on whether the plan is feasible. Trial Tr. 99, Oct. 6, 2014. (Dkt. # 7917) He testified:

After the Court indicated that it expected me to testify as to whether I thought [the plan] was feasible, the relationship between the emergency manager and me changed dramatically. The inclusion in analysis in the operations changed. But what I did immediately was this went from some theoretical document the emergency manager was preparing to the blueprint that we were going to have to operate on.... And I wanted to validate every number in here and every risk so that I could be comfortable in my own mind either saying to the Court I

believe it was feasible or I did not. And so I put out a directive to each department head to first give me a preliminary analysis of how feasible they thought [the RRI]s were, and then over a six-week period from late May to early July I spent hours with the different departments—most of them came back two and three times until I was satisfied.

Id. at 100–01.

Another one of Ms. Kopacz's early concerns was the City's ability to monitor plan compliance.

The record establishes that the City will have adequate resources to monitor compliance with the plan. In addition to the initiatives in the finance department, Mr. Orr testified that the investments in the human resources department will allow the City to continue to monitor its progress and compliance with the plan throughout all of the City's departments:

So a particular component is that the City be able to [] assess, train, and gauge the efficacy of a particular job or function so that we can measure whether we're meeting the RRI, and [the HR-related RRI]s are designed to put those types of systems in place throughout the City's roughly ... 28 departments.

Trial Tr. 122, Oct. 2, 2014. (Dkt. # 7878)

The City also plans to invest \$15 million to implement a “311 system” to allow residents to report issues to the City and for the City to track resolution of those issues. *See* Trial Tr. 112, Sept. 8, 2014. (Dkt. # 7472)

Most importantly, Mr. Hill testified that the City now has “budget strings” to prevent City employees from spending money without a specific provision covering the expense in the budget. He testified, “[T]he City cannot spent money and pay *244 for things unless they have a budget string.” Trial Tr. 103, Sept. 4, 2014. (Dkt. # 7411)

Finally, in addition to these systems of internal control, the Court finds that the Grand Bargain Legislation enhances the feasibility of the plan. As Ms. Kopacz testified, “The existence of the Financial Review Commission, the oversight commission, I think is a very positive qualitative factor in ensuring that the City conducts itself in a way that—that ensures or helps to ensure that the—commitments of the plan are going to be met.” Trial Tr. 69, Oct. 22, 2014. (Dkt. # 8082)

The Grand Bargain Legislation establishes a nine-member Financial Review Commission, comprised of the state treasurer, the director of the department of technology, management, and budgeting, three members appointed by the governor, the mayor (or a designee of the mayor), two members chosen by the governor from nominations by the Speaker of the House and the Senate Majority Leader, and the president of the city council (or a designee). *See* Mich. Comp. Laws § 141.1635.

The statute provides for wide-ranging oversight of the City's finances and, more specifically, of the City's compliance with the plan. *See* Mich. Comp. Laws §§ 141.1636 and 141.1637. One significant responsibility of the commission is to review the City's 4-year financial plans required by § 117.4t of the Home Rule City Act. The commission may require modifications to the plan where necessary. Mich. Comp. Laws § 141.1636(4). The commission is also empowered to review and approve the City's collective bargaining agreements and to “review, modify, and approve proposed and amended operational budgets.” *Id.* at §§ 141.1636(9) and 141.1637(c).

11. Final Thoughts and Recommendations on Feasibility

For the foregoing reasons, the Court concludes that the plan is feasible, as required by § 943(b)(7). Specifically, the Court finds it is likely that the City will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the plan without the significant probability of default.

Nevertheless, significant risks remain. Most are beyond the City's control, but the Court recommends certain actions to the City and other stakeholders to improve the feasibility of the plan—from both a qualitative and quantitative perspective.

While remaining cautious due to the limitations on the Court's authority imposed by §§ 903 and 904, and the Tenth Amendment of the United States Constitution, the Court feels a duty to make these recommendations because of the unique position that the Court has held in this case over the past eighteen months.

The Court first appeals to the City's labor unions and retiree associations. In his closing argument, counsel for the City perceptively asserted that the goal of protecting municipal pensions in this City and in this country requires these parties to enhance their vigilance of municipal pension funding. Trial Tr. 32–33, 134, Oct. 27, 2014. (Dkt. # 8156) The Court agrees. The Court would only additionally ask these parties to consider whether this goal of protecting municipal pensions in the City and indeed the broader goal of revitalizing the City suggests that they should take a longer-term and broader view of the best interests of their members and retirees.

The second recommendation is to the State. The Revised Municipal Finance Act unequivocally states that the Michigan *245 department of treasury is “directed to protect the credit of this state and its municipalities.” Mich. Comp. Laws § 141.2201. The argument is powerful that this provision of State law, together with the constitutional protections of pensions, requires the State to take full responsibility to vigorously supervise and regulate its municipalities to assure adequate pension funding. The municipal employees and retirees of this City and State need and deserve the State's robust commitment to that obligation.

The Court has found that the State Contribution of \$194.8 million in exchange for a release of liability on the pensioners' constitutional claims is a reasonable settlement. *See* part III.E.3. History will judge the correctness of this finding. It will judge that this finding was correct only if what happened here in Detroit never happens again. The State can sustain that finding in history only by fulfilling its constitutional, legal, and moral obligations to assure that the municipalities in this state adequately fund their pension obligations. If the State fails, history will judge that this Court's approval of that settlement was a massive mistake.

However, the City's labor and retiree associations and the State can effectively carry out their responsibilities only if the City provides them with adequate accurate financial information. It is unrealistic and wasteful for these entities to replicate all of the City's accounting functions. Rather, the

City must provide the State, labor unions, and the public with the information they need.

Therefore, in addition to the requirements imposed by the Grand Bargain Legislation, the Court recommends that the City adopt the annual reporting requirements that Ms. Kopacz advocates in her expert report, discussed in part X.D.8.

**E. Each of the Claims in Each Class Is
Substantially Similar to the Other Claims
in the Class, As Required by § 1122(a)**

1. The Applicable Law

[28] [29] Section 1122 sets forth the basic rule governing the classification of claims and interests. With the exception of “convenience classes” of unsecured claims, the claims or interests within a given class must be “substantially similar” to the other claims or interests in that class. 11 U.S.C. § 1122(a). To be “substantially similar” for purposes of § 1122, “claims need not be identical ... [a]nd there is certainly no requirement that claims be classified according to their values.” *In re Dow Corning Corp.*, 244 B.R. 634, 655 (Bankr.E.D.Mich.1999) (citations omitted), *aff’d*, 255 B.R. 445 (E.D.Mich.2000), *aff’d in relevant part sub nom. Class Five Nev. Claimants v. Dow Corning Corp.* (In re Dow Corning Corp.), 280 F.3d 648 (6th Cir.2002). Under that section, “claims will be substantially similar if they are similar in legal nature or character.” 244 B.R. at 655.

[30] The bankruptcy code does not require the converse, that all similar claims be placed in one class. (In re Dow Corning Corp., 280 F.3d at 661 (“Section 1122(a) does not demand that all similar claims be in the same class.”).

The Sixth Circuit has stated, “the bankruptcy court has substantial discretion to place similar claims in different classes.... Congress incorporated into section 1122 ... broad discretion to determine proper classification according to the factual circumstances of each individual case.” *Id.* (citations and quotation marks omitted).

[31] “A classification scheme satisfies section 1122(a) of the Bankruptcy Code when a reasonable basis exists for the *246 classification scheme, and the claims or interests within each particular class are substantially similar.” (In

re Eagle-Picher Indus., Inc., 203 B.R. 256, 270 (S.D.Ohio 1996).

[32] A plan proponent must not separately classify substantially similar claims solely to gerrymander favorable votes. As explained by the Sixth Circuit:

[T]here must be some limit on a debtor's power to classify creditors in such a manner.... Unless there is some requirement of keeping similar claims together, nothing would stand in the way of a debtor seeking out a few impaired creditors (or even one such creditor) who will vote for the plan and placing them in their own class.

(Teamsters Nat'l Freight Indus. Negotiating Comm. v. U.S. Truck Co. (In re U.S. Truck Co.), 800 F.2d 581, 586 (6th Cir.1986) (footnote omitted). (See also *Phoenix Mut. Life Ins. Co. v. Greystone III Joint Venture* (In re Greystone III Joint Venture), 995 F.2d 1274, 1279 (5th Cir.1991) (Under § 1122 of the bankruptcy code, “thou shalt not classify similar claims differently in order to gerrymander an affirmative vote on a reorganization plan.”).

Upon a review of the classes in the plan, the Court finds that all of the claims in each class are similar and that therefore the plan complies with § 1122(a).

2. Creditors' Objections to Classification Are Overruled

[33] Certain individual objectors argue that the plan's classification scheme improperly gerrymanders class 10 (PFRS pension claims) by including both impaired and unimpaired claims in the class. They assert that certain retirees holding PFRS pension claims are essentially unimpaired under the plan because: (a) the impairment of class 10 claims arises solely from the elimination of future, not existing, claims to COLA adjustments, and (b) some retirees with claims in class 10 have no imminent likelihood of receiving COLA benefits regardless of whether the plan is confirmed. *See* Obj. of William Ochadleus, et. al. (Dkt. # 5788); Obj. of Jamie S. Fields (Dkt. # 4404).

demonstrates that the City has treated its creditors fairly in seeking confirmation of its plan. It is also strong evidence that the City's detailed financial projections support its reasonable expectation that the plan is feasible in the long term.

The City has proven through witness after witness that upon confirmation, it intends to implement its plan. The City has also proven its commitment and ability to begin the challenging process of revitalization.

The Court is compelled, however, to expand upon its conclusion that the plan is designed to achieve the objectives and purposes of chapter 9.

3. The City's Long-Term Solvency

Over the course of this case, many creditors, including retirees, have challenged the City's good faith in allocating as much as \$1.7 billion toward its RRIs while not satisfying all of its financial obligations to its creditors.

The Court rejects this challenge. The vast majority of the \$1.7 billion for the RRIs comes from improved efficiency of City operations, new revenue initiatives and the exit financing. More importantly, however, the plan is designed so that the City's creditors will share in any potential financial upside realized from the RRIs. This upside is in the form of reduced risk that the City will default on its financial obligations in the future. In turn, this should result in enhanced market values for the notes that the City is distributing in satisfaction of many of the creditors' claims.

Charles Moore, the chief architect of the RRIs, testified that the "ultimate goal" of the RRIs is "really stability within the City, stability of the population base and providing a platform so that both resident population as well as business growth can occur." Trial Tr. 42, Sept. 5, 2014. (Dkt. # 7434)

Particularly significant here is the testimony of Ron Bloom, the head of the financial advisory team for the retiree committee. Regarding the City's good faith, he testified:

What I'm trying to convey is that we saw the City taking a fresh start to how it dealt with long-seated problems, to be honest about them, and some of that came back on us in a bad way

because we had substantial reductions in benefits that we'd been promised, and we didn't like that.... *But I think one of the things the City persuaded us over the course of the case was [that] they were sincere ... we didn't like what they had to say often, but we felt that their commitment to revitalization was sincere. And when we saw evidence of that ... for instance how they were treating the active workers, that was to us a positive sign that our long-term interest was going to be served and the revised promises we got would eventually be honored.*

Trial Tr. 26, Sept. 17, 2014 (emphasis added). (Dkt. # 7638)

Mr. Bloom testified that the retiree committee realized early on that because a one-time "payout" for the retirement plans was simply not feasible, the City would have to pay the retirees' claims over a long period of time. Mr. Bloom added that without some major (and potentially very expensive) improvements in City operations to slow the long-term decline in the City, the committee's constituents would face a huge risk that the City would not be able to honor even its revised, reduced promises in the long term. *Id.* at 20–21.

The Court notes that the same observation holds true for virtually all of the City's creditors.

*250 The Court finds that the City's plan, particularly the RRIs and the settlements, demonstrates a good faith effort to achieve the purposes of chapter 9.

4. Federalism Considerations in the Court's Good Faith Analysis

The Court here addresses some findings that Ms. Kopacz made and clarifies the Court's own role in the City's bankruptcy case. Ms. Kopacz wrote in her first report, "This bankruptcy has been largely focused on deleveraging the City, often to the exclusion of fixing the City's broken operations." Ex. 12000 at 23. She further testified:

The speed of this proceeding has been a two-edged sword. And the good side of that is that ... in a little bit over a year

the City will have gone through a massive restructuring process.

And [the City] will have significantly de-levered its balance sheet. So going from in excess of \$10 [billion] down to ... less than \$4 [billion] is a huge de-levering of the City and that's a really good thing.

But because the focus has been on that de-levering and the speed [of] getting that done, there has not been until recently as much energy put into restructuring the operations of the City.... So fundamentally the City operationally was broken. And that's evident.... I believe you said it's service delivery insolvent, right?

... I believe the Emergency Manager had to pick one of two options. And, the focus was on de-levering, not fixing the operations. So ... the speed cut against what are necessary long term things that will now have to be accomplished outside of the bankruptcy which could be more difficult to accomplish ... than in the bankruptcy under the power of the Emergency Manager.

Trial Tr. 25–26, Oct. 22, 2014. (Dkt. # 8082)

The Court agrees with Ms. Kopacz that the City's focus on debt has created challenges, as has the expedited pace that this Court imposed on this bankruptcy. However, the Court finds this path is entirely consistent with the limitations of federalism that the Tenth Amendment of the United States Constitution imposes and that §§ 903 and 904 manifest.

The Tenth Amendment provides, “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” U.S. Const. amend. X.

Consistent with (or perhaps required by) that amendment, § 903 provides that chapter 9 “does not limit or impair the power of a State to control, by legislation or otherwise, a municipality ... in the exercise of the political or governmental powers of such municipality[.]” 11 U.S.C. § 903. Whether for clarity or emphasis, § 904 underscores that restriction on this Court's authority by providing, “Notwithstanding any power of the court, ... the court may not ... interfere with” a chapter 9 debtor's property, revenue, or use thereof, or with any of its “political or governmental powers.” 11 U.S.C. § 904.

Unlike chapter 11, chapter 9 requires that the debtor municipality establish that it is “insolvent” before it can

receive the protection of the bankruptcy court. 11 U.S.C. § 109(c)(3). The court in *In re Mount Carbon* astutely observed the significance of this distinction in identifying the purpose of chapter 9:

Consistent with the concept of limited federal jurisdiction over governmental entities created by state law, the insolvency requirement limits eligibility under Chapter 9. It also suggests that Chapter 9 is a means to remedy insolvency, *251 unlike Chapter 11 which can be used by a solvent entity to restructure its affairs for business purposes.

242 B.R. at 33.

The Court finds that the City's plan, the manner in which the City has prosecuted this bankruptcy case and assembled the plan, and the speed that the Court has imposed on the case have been entirely consistent with the constitutional and statutory limitations on this Court's authority and the policy underlying chapter 9. Properly, the focus has been on de-leveraging the City to the extent negotiated and allowed by law, and restructuring the City's remaining debt so that the City's remaining obligations are more predictable and manageable. The focus has also been on setting the City on a path to recovery. Under the Tenth Amendment, however, it is for the City, not this Court, to supervise the execution of that recovery. Accordingly, the City's plan represents a good faith acknowledgement of the demands of the United States Constitution and of the needs of democracy.

As Ms. Kopacz also testified, “[T]he debt that the City is taking on as part of the restructuring [has] enabled it to resolve its bad borrowing practices and bad financial decisions of the past.... It is a debt level that the City can manage.” Trial Tr. 24, Oct. 22, 2014. (Dkt. # 8082) She also testified, “[T]he good news is that some of the [City's expenses] as a result of the restructuring have been fixed at reasonable levels going forward, i.e., pension [s].” *Id.* at 48

Ms. Kopacz's report and testimony are irrefutable proof that the City's plan was filed to achieve a result consistent with the objectives and purposes of chapter 9—to adjust the City's

debts so that it can reinvest in itself, address its operational problems, recover its ability to provide adequate municipal services, and maintain long-term solvency.

For these reasons, the Court finds that the City proposed its plan in good faith, as required by § 1129(a)(3).

**G. The City Has Complied with the
Applicable Provisions of the Bankruptcy
Code, As Required by § 1129(a)(2)**

[41] Section 1129(a)(2) requires, “The proponent of the plan complies with the applicable provisions of this title.” 11 U.S.C. § 1129(a)(2). “The principal purpose of section 1129(a)(2) of the Bankruptcy Code is to assure that the plan proponents have complied with the disclosure requirements of section 1125 of the Bankruptcy Code in connection with the solicitation of acceptances of the plan.” *In re Trans World Airlines, Inc.*, 185 B.R. 302, 313 (Bankr.E.D.Mo.1995); *see also* *In re PWS Holding Corp.*, 228 F.3d 224, 248 (3d Cir.2000); *In re G-I Holdings Inc.*, 420 B.R. 216, 262 (D.N.J.2009); *In re Texaco Inc.*, 84 B.R. 893, 906–7 (Bankr.S.D.N.Y.1988); *In re Butler*, 42 B.R. 777, 782 (Bankr.E.D.Ark.1984); *In re Toy & Sports Warehouse, Inc.*, 37 B.R. 141, 149 (Bankr.S.D.N.Y.1984).

The City has complied with the requirements of § 1125 in the solicitation of acceptances to the plan. That section requires:

(b) An acceptance or rejection of a plan may not be solicited after the commencement of the case under this title from a holder of a claim or interest with respect to such claim or interest, unless, at the time of or before such solicitation, there is transmitted to such holder the plan or a summary of the plan, and a written disclosure statement approved, after notice and a hearing, by the court as containing adequate information[.]

11 U.S.C. § 1125(b).

On May 5, 2014, the Court entered an order approving the City's fourth amended *252 disclosure statement. (Dkt. # 4401) Nothing in the record suggests, and no party argues, that the City solicited acceptances before that approval. That is all that § 1125(b) and § 1129(a)(2) require. *In re Connector 2000 Ass'n, Inc.*, 447 B.R. 752, 763 (Bankr.D.S.C.2011).

Two issues, however, do require further discussion. The first is whether the ASF interest rate was properly disclosed. The second is whether a new disclosure statement and new balloting was required for any of the amended plans that the City filed after the balloting was underway or completed.

1. The ASF Interest Rate Disclosure Issue

[42] Several objecting parties have argued that the City did not adequately disclose the terms of the ASF recoupment because it failed to disclose that the amortization of the ASF recoupment amount over each creditor's life expectancy would include interest at 6.75%.

Under § 1125(a)(1), the issue is whether the disclosure statement and the accompanying materials were “in sufficient detail” that would enable a creditor in class 11 “to make an informed judgment about the plan.”

The detail that the City did disclose on this point was an individualized calculation of the monthly ASF recoupment amount for each affected creditor in class 11. This amount included the interest but the disclosure did not separately identify the interest rate or the dollar amount of the interest.

Nevertheless, the Court finds that the City's disclosure would enable an employee or retiree in class 11 to make an informed judgment about the plan. The disclosure statement would have been more complete if it had included the dollar amount of the interest and the rate of interest, but that is not the test. Every disclosure statement can always include more information. The only issue is whether the information that was disclosed was sufficient for creditors in class 11 to make an informed judgment about the plan.

In the Court's experience, two facts were most important to these creditors in making an informed judgment about whether to accept the amount of the ASF recoupment that

the plan proposes and therefore whether to accept the plan. The first fact is the actual dollar impact of ASF recoupment that the creditor would repay. The second fact is how long the ASF recoupment payments would last. As noted, the City did disclose to each class 11 creditor the full dollar amount of the ASF recoupment, including interest, and the time period of the recoupment.

Another factor fully persuades the Court that disclosure of the interest rate and amount was not necessary under § 1125(a)(1). A diverse group of attorneys reviewed the City's proposed disclosures on the ASF recoupment before the Court approved them. This group included attorneys for the City, the retiree committee, the two pension plans, and the several retiree associations. Apparently, none of those attorneys considered that disclosing the interest rate or amount was necessary to comply with § 1125. That is important here because those representatives, especially those on the creditor side, were the closest to the creditors in class 11 and therefore were in the best position to judge whether the City's disclosure statement was adequate under § 1125. Significantly, none of those representative groups or their representatives opposed confirmation on this ground.

Accordingly, the Court concludes that the City's disclosures of the ASF recoupment settlement did meet the disclosure requirements of § 1125. The Court overrules ²⁵³ this objection and finds that the City complied with § 1125, as required by ¹ § 1129(a)(2).

2. Successive Plan Modifications Did Not Require Re-Solicitation of Ballots

[43] The City modified the plan several times after the Court approved the disclosure statement and the City served it on creditors, and even after the deadlines to vote had passed. Section 942 permits this, stating, "The debtor may modify the plan at any time before confirmation, but may not modify the plan so that the plan as modified fails to meet the requirements of this chapter. After the debtor files a modification, the plan as modified becomes the plan." 11 U.S.C. § 942.

Bankruptcy rule 3019(a) identifies the circumstances in which a plan modification requires a new solicitation of ballots:

In a chapter 9 or chapter 11 case, after a plan has been accepted and before its confirmation, the proponent may file a modification of the plan. If the court finds after hearing on notice to the trustee, any committee appointed under the Code, and any other entity designated by the court that the proposed modification does not adversely change the treatment of the claim of any creditor or the interest of any equity security holder who has not accepted in writing the modification, it shall be deemed accepted by all creditors and equity security holders who have previously accepted the plan.

Fed. R. Bankr. P. 3019(a).

The Court finds that none of the modifications in any of the successive amended plans adversely changed the treatment of any claims. As noted in part II.A. above, the City modified its plan to incorporate creditor settlements that in each case, maintained or improved the treatment of claims or otherwise clarified various plan provisions. Accordingly, the Court concludes that the City was not required to re-solicit ballots after the initial solicitation.

H. The Plan Does Not Discriminate Unfairly Against Dissenting Classes 14 and 15, As Required by ¹ § 1129(b)(1)

[44] As noted, two classes of claims voted to reject the plan. These are class 14, consisting of the other unsecured claims, and class 15, consisting of the convenience claims under \$25,000. ¹ Section 1129(b) allows the Court to confirm the City's plan despite those dissenting class votes if, with respect to those dissenting classes, "the plan does not discriminate unfairly, and is fair and equitable."

The Court will first address the unfair discrimination test. In doing so, the Court will first identify the discrimination against the classes of other unsecured claims and convenience

- The transaction should not be affected by the reversal or modification of any of this Court's orders, including the order confirming the plan.

For these reasons, the Court approves the proposed exit financing.

XII. CONCLUSION

There has been much discussion throughout this case about how a chapter 9 case is different from the other types of bankruptcy cases. It is, but only around the edges. In fundamental ways, the **Detroit** bankruptcy case is just like every one of the other 30,609 bankruptcy cases that were filed in our court in 2013. In every case, a debtor needs help, made mistakes, took unwarranted risks, accepted bad advice, exercised bad judgment, was too long in denial, or had just plain bad luck.

*277 But no matter, our society holds dear the values of a fresh start and of second chances. That value is manifested with brilliant clarity in our bankruptcy laws. And that value is manifested the same in this \$18 billion case as it was in the no asset chapter 7 cases that were filed just before and just after this case was filed on July 18, 2013.

The current leadership of the City is now getting the City back from the emergency manager and from us in the bankruptcy world. The City will have the fresh start that it needs and deserves under our federal bankruptcy laws. It is now the responsibility of City leadership to implement this plan. The City's true and full fresh start depends on it.

The people of the City of **Detroit** have a passion for this City that is remarkable in its breadth, in its expression, and in its unwavering endurance. They are about to get their City back. It is their City.

A large number of them told the Court that they were angry that their City was taken from them and put into bankruptcy. They said that in their court papers. They said that in their statements in court. They said that in their blogs, letters, and protests. The Court heard them.

The Court urges the people of the City of **Detroit** not to forget that anger. Their enduring and collective memory of what happened here, and their memory of their anger about it, will be exactly what will prevent this from ever happening again. It must never happen again.

When Fredia Butler testified during the confirmation hearing, she quoted the great wisdom of Marian Wright Edelman, who said, "Democracy is not a spectator sport." Trial Tr. 44:3-4, Oct. 15, 2014. (Dkt. # 8033) And so the Court asks the people of the City, for the good of the City's fresh start, to move past their anger, to join in the work that is necessary to fix this City, and to help your City leaders do that. It is your City.

We have used the fitting phrase, the Grand Bargain, to describe the group of agreements that will fix the City's pension problem. In our nation, we join together in the promise and in the ideal of a much grander bargain. It is the bargain by which we interact with each other and with our government, all for the common good. That grander bargain, enshrined in our Constitution, is democracy. It is now time to restore democracy to the people of the City of **Detroit**. The Court urges the people of the City of **Detroit** to participate in that democracy, and hopes that they will soon realize its full, vibrant and everlasting potential.

All Citations

524 B.R. 147, 60 Bankr.Ct.Dec. 124

Footnotes

- 1 This opinion supplements the opinion that the Court announced on the record on November 7, 2014. See Trial Tr., Nov. 7, 2014. (Dkt. # 8257)
- 2 Unless otherwise specified, all references to code sections in this opinion are to the bankruptcy code, title 11 of the United States Code.

- 3 To fill out this chronology, it is important to note that on June 3, 2014, the Michigan Legislature enacted, and on June 19 and 20, 2014, the governor signed into law, the package of bills necessary to implement the Grand Bargain and for other purposes related to the City's plan of adjustment. These bills became effective on June 20, 2014. They include:

PA 181 (2014), "Michigan Financial Review Commission Act"

PA 182 (2014), "An Act to amend 1909 PA 279"

PA 183 (2014), "An Act to amend 1909 PA 279"

PA 184 (2014), "An Act to amend 2011 PA 152"

PA 185 (2014), "An Act to amend 1965 PA 314"

PA 186 (2014), "An Act to amend 2000 PA 489"

PA 187 (2014), "Michigan Settlement Administration Authority Act"

PA 188 (2014), "An Act to amend 1984 PA 431"

PA 189 (2014), "An Act to amend 1969 PA 312"






PA 190 (2014), "An Act to amend 1978 PA 566"



A summary of this package of bills prepared by the Michigan House Fiscal Agency is available at: www.legislature.mi.gov/documents/2013-2014/billanalysis/House/pdf/2013-HLA-5566-7780ED85.pdf.

- 4 These parties are William Ochadleus, Shelton Hayes, Shirley Berger, Raymond Yee, Frederick T. McClure Jr., John Clark, Jim Benci, Janice Butler, Morris Wells, Melvin F. Williams Sr., Kimberly Ann Sanders, Sarah E. Giddens, Deborah Ward, Jackie Fulbright, Catherine Tuttle, Rita Serra, Martin Treadwell, Ed Gaines, Barbara Triplett-Decrease, John J. O'Neill, Roy McCalister, Polly McCalister, Gail Wilson Turner, Loletha Porter Coleman, Afford Coleman, Jessie Banks, Lester Coleman, Deborah Lark, Moses Lark, Sharon Cowling, Michael Cowling, Robert Jackson, Rashelle Pettway, Michael A. Adams, John Hawkins, Laura Isom, Duane McKissic, Herbert Moreland, Cynthia Diane Moreland, Henry Ellis, Keith Jackson Sr., Deborah Robinson, James Alexander Jr., Debra J. Fair, Brenda Goss Andrews, Jamie Fields, Ricardo C. Jenkins, Jacqueline Jackson, Tommie Carodine, Lawrence V. Porter, Robbin Rivers, James R. Younger, Roscoe Mayfield, Charles Barbieri, Craig Schwartz, Glenda Cole-Dixon, Walter Long Jr., George Graves, Terrance Anderson, David Anderson, Nancy Fowler, George Chester, Anthony Klukowski Jr., Todd Klukowski, Roger Klukowski, Lois Klukowski-Hogen, Patricia E. McCabe, Daniel P. Root, Jeannetta Washington, Mike Foley, James Jones, Joe Smith, Reggie Barnes, Calvin Adkins, Jack Aliotta, Patti Graves, Andy Smith, Steve Leggatt, Paula Day, Deborah McCreary, Greg Jones, Andrew White, Christine Marie Jepsen, John Jepsen, Alicia Terry, Joyce Daniel, Bryan Glover, Tobi Ascione Young, Greg Huizar, Lori Gallman, Beverly Hoffman-Nichols, Barbara Stafford, Micelle Pierson, Shelley I. Foy, Parrie Lee Highgate, Renee Ellis-Sumpter, David Pomeroy, Jim Lemaux, Eric Heckman, Shelley Holderbaum, Keith Oleniacz, Edgardo Aponte, Jon Gardner, Judith Norwood, Kenneth Emerson, Patricia Lofton, Karen Leskie, Roosevelt Lawrence Jr., Sonja Hollis, William Anderson, Derek Hicks, Marsha Thompson-Kidd, Yvonne Williams Jones, Lula Millender, William Davis, Evelyn Owen Smith, Cecily McClellan, Belinda A. Myers-Florence, Jesse J. Florence, Sr., Paulette Brown, Linda White, Jo Fuller, David Malhalab, Gerald Williams, Douglas Kuykendall, Nancy Kuykendall, Roger Salado, Darius Clay, Nyra Turner Blackmon, and Rheuben Blackmon.

- 5 These parties are Jerry Ashley, Shumithia Baker, David Booth, Branden Brooks, Angel Brown, Teran Brown, Wendy Jefferson, Floyd Brunson, Laverne Covington, Ezekiel Davis, Jeremiah Duren, Otis Evans, Darnell

Fields, Keitha Gomez, Cheval Gomez, Jermaine Green, Terry Hardison IV, Anthony Harmon, Donald Harris, Rodney Heard, Tommie Hickey, Kevin Ivie, James Jackson, Leinathan Jelks, Quentin King, Daniel Lattanzio, April Lee, Mario Littlejohn, Ray Lizzamore, Orlando Marion, James Matson, Dave Mazur, Kevin McDonald, Kevin McGillivray, Robert McCowen, Michael McKay, Melvin Miller, Eddie Moore, Curtis Morris, Gary Musser, Winter Owens, Porter Hondra, Woodrow Roberson, Bradley Schick, Ali Sobh, Daniel Soto, Samiya Speed, Douglas Taylor, Jeffrey Theriot, Raymond Thompson, Jr., Bernard White, Christina Wilmore, and Joseph Wright.

- 6 The City's plan to address its blight and to modernize its police, fire and EMS services is addressed in the Court's discussion of the feasibility of the plan of adjustment in part X.D.9. below.
- 7 Another release in the plan is also the subject of objections. Specifically, the  § 1983 creditors object to the provision in the plan that would release officers of the City from claims against them in their individual capacity under  42 U.S.C. § 1983. Relying on the discussion of *Dow Corning* here, the Court sustains that objection in part X.J.2.c. below.
- 8 In  *In re Valley Health System*, 429 B.R. 692, 714 n. 57 (Bankr.C.D.Cal.2010), the court suggested in dicta,  Section 105(a) is not applicable to chapter 9 cases." This is mistaken. Section 103(f) states, "Except as provided in section 901 of this title, only chapters 1 and 9 of this title apply in a case under such chapter 9." Because  § 105 is in chapter 1, it does apply in a chapter 9 case. As a result, the statutory premise on which *Dow Corning* authorized third party releases in chapter 11 case also applies in chapter 9.
- 9 As discussed in part III.E., under the DIA settlement, the DIA and certain donors and foundations will pay \$466 million to the GRS and the PFRS over 20 years. The State Contribution of \$194.8 million is payable immediately, but is considered to be the net present value of \$350 million paid over 20 years at a 6.75% discount rate. The amount payable over 20 years, therefore, would be \$816 million: \$466 million from the DIA settlement and \$350 million from the State Contribution. Although confusing, this is the amount that the parties commonly identify as the funding that the Grand Bargain makes available to the pension plans.
- 10 This settlement was actually the third settlement that these parties had reached. The first was for approximately \$230 million, which the parties had reached before the City filed this case. The City deemed that this settlement was an executory contract, so it filed a motion and a corrected motion to assume this contract under § 365. (Dkt. 17 and 157) When the parties determined that the Court was not likely to approve that settlement, they engaged in mediation and negotiated a second settlement for \$165 million. (Dkt. # 2341) On January 17, 2014, the Court denied approval of that settlement, concluding that it was too high under the *Bard* standards. (Dkt. # 2511) The parties then negotiated the settlement for \$85 million, which the Court did approve.
- 11 See *In re City of Stockton, Cal.*, 486 B.R. 194, 199 (Bankr.E.D.Cal.2013) ("Hence, § 904 means that the City can expend its property and revenues during the chapter 9 case as it wishes.... When a chapter 9 debtor files a Rule 9019 motion to have the court approve a compromise or settlement, the municipality 'consents' for purposes of § 904 to judicial interference with the property or revenues of the debtor needed to accomplish the proposed transaction.").

In *Stockton*, the court suggested that an unapproved settlement in a chapter 9 case might still be the basis for a confirmation objection under  § 1129(b)(1) that the plan unfairly discriminates or is not fair and equitable, or an objection under  § 1129(a)(2) that the plan is not proposed in good faith or by a means

forbidden by law. *Id.* at 199–200 No such objections are raised in this case as to the Great Lakes Water Authority.

Moreover, although in a chapter 11 case, § 363(b) requires court approval of a non-ordinary course transfer like this, § 901 does not make that section applicable in a chapter 9 case. *See In re Richmond Unified Sch. Dist.*, 133 B.R. 221, 225 (Bankr.N.D.Cal.1991) (“[T]he debtor is free to use, sell or lease property without regard to the restrictions in section 363.”).

- 12 The reference in § 943(b)(1) to § 103(e) appears to be a mistake. Section 103(e) states:

Scope of Application—Subchapter V of chapter 7 of this title shall apply only in a case under such chapter concerning the liquidation of an uninsured State member bank, or a corporation organized under section 25A of the Federal Reserve Act, which operates, or operates as, a multilateral clearing organization pursuant to section 409 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

11 U.S.C. § 103(e). The reference probably should be to § 103(f), which provides, “Except as provided in section 901 of this title, only chapters 1 and 9 of this title apply in a case under such chapter 9.”

- 13 Section 901 also identifies other sections of chapter 11 that apply in chapter 9 cases. These include §§ 1122, § 1123(a)(1), § 1123(a)(2), § 1123(a)(3), § 1123(a)(4), § 1123(a)(5), § 1123(b), § 1123(d), 1124, 1125, 1126(a), 1126(b), 1126(c), 1126(e), 1126(f), 1126(g), 1127(d), and 1128. These sections will be reviewed as necessary to address the parties’ objections to confirmation.

- 14 Subsequently, as part of the DWSD settlement, the parties agreed that the fees and expenses of the U.S. Bank National Association in its capacity as trustee would be subject to a separate arbitration process to determine their reasonableness. (Dkt. # 7028)

- 15 It is worth observing that almost all of the secondary sources seem to agree with the majority of the courts that review all of the fees. This observation, however, must be tempered by the further observation that, like the cases, the secondary authorities have also not rigorously analyzed the question. *See, e.g.*, 5 Norton Bankr.L. & Prac.3d § 90:20 (2014) (“Third, the municipality must disclose all amounts paid for services in the case incident to the plan, and the amounts must be reasonable. This includes attorney’s fees.”) (footnotes omitted); Francis J. Lawall & J. Gregg Miller, *Debt Adjustments for Municipalities under Chapter 9 of the Bankruptcy Code: A Collier Monograph*, § 8[ix] (2012) (“Section 943(b)(3) requires that the plan fully disclose all amounts paid for services or expenses in the chapter 9 case or incident to the plan. Section 943(b)(3) further requires that all such services or expenses be reasonable.”) (footnotes omitted); 1981 Norton Ann. Survey of Bankr.Law 5 (“[T]he municipality must disclose all amounts paid for services in the case as incident to the plan and such amounts must be reasonable.”); Elizabeth M. Watkins, *In Defense of the Chapter 9 Option: Exploring the Promise of a Municipal Bankruptcy as a Mechanism for Structural Political Reform*, 39 J. Legis. 89, 95 (2012–2013) (“A municipality must pay legal and financial professionals to administer the case and to subsequently monitor compliance with the reporting requirements of the readjustment plan. These costs can easily range in the seven figures. Of course, this carries the risk that the bankruptcy court might reject the readjustment plan entirely”) (footnotes omitted); Eric S. Pommer & Mark M. Friedman, *Municipal Bankruptcy and Its Effects on Governmental Contractors*, 25 Pub. Cont. L.J. 249, 259 (1996) (“all amounts paid by the debtor-municipality or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable”); and David S. Kupetz, *Municipal Debt Adjustment Under the Bankruptcy Code*, 27 Urb. Law. 531, 568 (1995) (“The only court approval required is the retroactive approval necessary in order to satisfy the condition for confirmation of a plan of adjustment set forth in § 943(b)(3).”).

One secondary source specifically acknowledges the issue but concludes without discussion that § 943(b)(3) applies only to fees to be paid. *See Stanley H. McGuffin*, *Chapter 9 As a Remedy for Financially Stressed*

Municipalities, 2011 WL 5053634, at *9 ("It should be noted that the statute appears to have prospective application by virtue of the phrase 'to be paid.' Consequently, it is unclear whether the debtor must disclose fees previously paid or if the court must make a reasonableness determination as to such fees.").

Collier on Bankruptcy adopts both positions. Compare 6 Collier on Bankruptcy ¶ 943.03[3] at 943–19 ("Section 943(b)(3) requires that the plan must disclose all amounts paid for services or expenses in the case or incident to the plan, and that the amounts paid be reasonable.") with 6 Collier on Bankruptcy, ¶ 901.04[13][c] at 901–26.2 ("Indeed, section 943(b)(3) requires that professional fees to be paid under a plan must be disclosed and must be reasonable.").

- 16 The Court notes that in another significant respect, the plain language of the statute leads to a bizarre and demonstrably unintended result. To repeat, the language of § 943(b)(3) is "all amounts to be paid by the debtor or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable." Applying this language literally would require a determination of the reasonableness of any fees paid by "any person for services in the case." This would include determining the reasonableness of the fees of all of the professionals in the case, including the professionals retained by all of the creditors.

In re Colorado Centre Metro. Dist., 139 B.R. 534 (Bankr.D.Colo.1992), pointed out exactly how bizarre this can become. It observed, "[I]f the Court determines that the fees paid by a creditor to its attorney are unreasonable, the debtor's plan cannot be confirmed. Such an interpretation would enable an antagonistic creditor to purposefully overpay his attorney in order to defeat the debtors plan—a truly absurd result." *Id.* at 535.

The legislative history readily solves this problem by explaining what the phrase "by any person" was intended to accomplish. It states:

The inclusion of the phrase "by any person" is intended solely to prevent the petitioner from circumventing the requirement of this paragraph by making payments indirectly through some third person for the benefit of the petitioner. It is not intended that the court examine all payments made to all attorneys and agents that are in any way connected with the case.

H.R. REP. No. 94–686, 33–34(1975), reprinted in 1976 U.S.C.C.A.N. 539, 571–72.

The point is that this legislative history explicitly admits that Congress did not intend for the language of § 943(b)(3) to be applied literally, at least in this respect. It also casts doubt on how carefully § 943(b)(3) was drafted.

- 17 The City did not offer expert testimony on whether an increase in tax rates might yield greater revenue for property taxes, arguing that expert testimony is generally not required on the subject of "tax saturation." Trial Tr. 49–53, Oct. 27, 2014. (Dkt. # 8156) The Court finds that the City's proof is sufficient on this issue even though the City did not proffer expert testimony. This finding does not suggest, however, that an expert is never required on this issue. It may be that in some cases, expert testimony is necessary to meet the requirements of *Everglades Drainage District*, 319 U.S. at 419–420, 63 S.Ct. 1141 discussed above.
- 18 Mr. Malhotra explained that "legacy costs" include debt service on the LTGO and UTGO bonds, principal and interest payments on the COPs, payments owed to the COP Swap Counterparties, pension contributions, and retiree health benefits. See Ex. 33, City of Detroit Proposal for Creditors dated June 14, 2013 at 90–91; see also Trial Tr. 70, Sept. 29, 2014. (Dkt. # 7819) (further describing legacy costs as, "the costs that were not associated with providing service or operations today, so ... exclude[ing] the majority of the share of the costs related to the active employees and supplies as well as ... the costs associated with debt that the city had taken on in prior periods.").

19 The Court uses the phrase “under the plan” here to refer to the City’s financial projections that take into account all of the benefits of the plan, including the RRI’s.

20 Here, the Court is not referring to the cash balance required by the Grand Bargain Legislation. See Mich. Comp. Laws § 117.4(1)(c)(vi) (“A financial plan ... shall ... (c) Include a general fund reserve for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of the projected expenditures for the fiscal year.”). The Court is referring to the contingency that is built into the City’s annual budget as an operating expense. See Ex. 793 at 7; Trial Tr. 160, Sept. 29, 2014. (Dkt. # 7819)

21 As explained in part III.L.3. above, the primary use of the parking revenues will be to satisfy the New C Notes that the City will issue under the plan. However, for the sake of clarity, the Court discusses them here as simply a source of City revenue.

22 Page 8 of City Exhibit 793 shows the cash balance on a year-by-year basis. The City’s actual cash balance at the end of FY2014 was \$154.4 million, due to a surplus of \$118.4 million for FY2014. *Id.* at 8.

Because of a projected deficit in FY2015 of \$78.8 million related to the implementation of certain RRI’s, the City’s projected cash balance drops to \$75.6 million at the end of FY2015. *Id.* at 8. The City then projects that it will be able to maintain that cash balance of \$75.6 million through FY2019 by deferring implementation of other Reinvestment and Restructuring Initiatives and selling certain assets, such as older city-owned vehicles and copper wire from the decommissioning of the Public Lighting Authority. *Id.* at 10–12. At that point, the City projects that its cash balance will begin to slightly improve each year, such that by the end of FY2023, the City will have this \$81.2 million cash balance. *Id.* at 8.

23 As discussed in part III.F. above, the City’s obligations to the GRS and the PFRS are fixed under the plan from FY2014–FY2023. During this time, as the City works to stabilize its finances and implement the RRI’s, the majority of the City’s contributions to the GRS and the PFRS will come from the DWSD, the State Contribution Agreement, and the Grand Bargain funding. See Ex. 793 at 3. However, after 2023, the City projects the retirement systems will remain somewhat underfunded. See Ex. 12000 at 133. The balance of the underfunding in 2023 will be amortized over a thirty year period of time. *Id.*

24 As a matter of dicta, the Court finds merit in the City’s argument that the discount rate for valuing a long-term liability should reflect the nature of that liability rather than the market rate of return on assets. It does appear to the Court that the conventional linking of the assumed rate of return and the discount rate for municipal pensions in this country is a substantial contributing factor in their UAAL and that it is time to reconsider that convention.

The Court finds less merit in excluding the third party contributions from the calculation of the pension plans’ recovery percentage in this case. It is at least arguable that those contributions were on account of City assets, specifically, the DIA assets and the claim by the City’s pension plans against the State for relief from their unfunded liability based on article IX, § 24 of the Michigan constitution and the State’s failure to act to prevent the underfunding. If the connection between those assets and the third party contributions is found to exist, then the cases that the City cites in support of excluding the third party contributions are distinguishable and in fairness, those contributions arguably should be included in the recovery calculations.

Moreover, *City of Avon Park* seems to require that result. There, the City’s fiscal agent, Crummer, could have potentially recovered on three financial stakes in the City’s plan. The district court found one reasonable but did not evaluate the other two. 311 U.S. at 143, 61 S.Ct. 157. The Supreme Court stated, “Clearly, however, no finding could be made ... that the compensation to be received by the fiscal agent was

reasonable without passing on the worth of the aggregate of all the emoluments accruing to the Crummer interests as a result of consummation of the plan[.]” *Id.* at 144, 61 S.Ct. 157 (citation omitted).

As a final matter of dicta, the Court finds that whether to consider the 10% recovery on pension creditors' OPEB claims when deciding whether the treatment of their pension claims discriminates against unsecured creditors is a closer question. Normally, it would not seem appropriate to consider the recovery that creditors will realize on their claims in one class when determining whether the treatment of their claims in another class unfairly discriminates. The equities arguably tip, however, when the creditors are employees and retirees, and are or were mission-critical, contributing their time, labor and skill to advance the interests of not only the City, but also its other creditors, as discussed in part X.H.3.A. below.

- 25 See **Detroit City Code** § 47–2–18(c) (providing that the Pension Accumulation Fund of the GRS, from which pensions are paid, shall consist of the “accumulated reserves for the pensions and other benefits payable from the contributions made by the City ...”); **Detroit City Code** § 47–2–19 (specifying how the City's annual contribution to GRS shall be calculated and providing for no funding source other than the City); 1964 **Detroit City Code** § 54–2–1 (Ord. No. 77–H) (“ ‘Pension’ means the portion of a retirement allowance which is paid for by appropriations made by the city.”) (Chapter 54 of the 1964 **Detroit City Code** (as amended and supplemented from time to time by City Ordinance) was saved from repeal by Section 11–102 of the 1974, 1997 and 2012 **Detroit City Charters** and is incorporated by reference in Chapter 47 of the 1984 **Detroit City Code**.); 1964 **Detroit City Code** §§ 54–43–4 (Ord. No. 76–H), 54–43–5 (Ord. No. 04–05) (providing that the City shall fund the Pension Accumulation Fund of the PFRS), §§ 54–2–3 (Ord. No. 77–H), 54–2–4 (Ord. No. 77–H), 54–2–6 (Ord. No. 77–H), 54–2–7 (Ord. No. 77–H), 54–43–3 (Ord. No. 39–05) (specifying how the City's annual contribution to the PFRS shall be calculated and providing for no funding source other than the City).

EXHIBIT 16

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----X		
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----X		

**ORDER CONFIRMING EIGHTH AMENDED PLAN FOR
THE ADJUSTMENT OF DEBTS OF THE CITY OF DETROIT**



TABLE OF CONTENTS

FINDINGS OF FACT AND CONCLUSIONS OF LAW	4
Jurisdiction and Venue	4
Modifications of the Plan	5
Standards for Confirmation Under Section 943 of the Bankruptcy Code	6
Section 943(b)(1).....	6
Section 1122.....	7
Section 1123(a)(1).....	7
Section 1123(a)(2).....	8
Section 1123(a)(3).....	8
Section 1123(a)(4).....	8
Section 1123(a)(5).....	10
Section 1123(b)(1)	10
Section 1123(b)(2)	10
Section 1123(b)(3)	11
Section 1123(b)(5)	11
Section 1123(b)(6)	11
Section 1123(d).....	12
Section 1127(d).....	12
Section 1129(a)(2).....	12
Section 1129(a)(3).....	19
Section 1129(a)(6).....	20
Section 1129(a)(8).....	21
Section 1129(a)(10)	21
Section 1129(b)(1) – Unfair Discrimination.....	21
Sections 1129(b)(1), (b)(2) – Fair and Equitable.....	25
Section 943(b)(2).....	26
Section 943(b)(3).....	27

Section 943(b)(4).....	29
Section 943(b)(5).....	30
Section 943(b)(6).....	30
Section 943(b)(7).....	31
Best Interests of Creditors.....	31
Feasibility.....	36
Executory Contracts.....	42
Settlements and Releases.....	43
The DIA Settlement.....	44
The UTGO Settlement	48
The LTGO Settlement.....	52
The OPEB Settlement	53
The 36th District Court Settlement	54
The Syncora Settlement	55
The FGIC/COP Settlement.....	58
ASF Recoupment.....	60
Plan Releases	63
Miscellaneous	66
Exit Facility	66
Waiver of Stay of Confirmation Order	68
ORDER	68
A. Confirmation of Plan.....	68
B. Findings of Fact and Conclusions of Law.....	69
C. Approval of Settlements.....	70
D. Approval of Releases and Exculpation	78
E. Order Binding on All Parties.....	86
F. Discharge of Claims	87
G. Release of Liens	88
H. Injunction.....	89

I.	State Contribution Agreement.....	93
J.	DWSD Authority Transaction.....	94
K.	ASF Recoupment	95
L.	Survival of Indemnities	98
M.	Issuance of New Securities and Exemption From Securities Laws.....	99
N.	Executory Contracts and Unexpired Leases	100
O.	Plan Distributions	103
P.	Retained Causes of Action	103
Q.	Claims Bar Dates and Other Claims Matters	104
R.	Plan Implementation.....	109
S.	Cancellation of Existing Bonds, Bond Documents, COPs and COP Documents.....	110
T.	Binding Effect of Prior Orders	114
U.	Final Order; Waiver of Stay	115
V.	Reversal	115
W.	Notice of Confirmation of Plan.....	115
X.	Miscellaneous Provisions	116
Y.	No Diminution of State Power	124
Z.	Post-Effective Date Governance	125
AA.	Retention of Jurisdiction	125

Appendix I	Plan of Adjustment
Appendix II	Confirmation Notice

holders of Claims against the City be afforded an opportunity to change previously cast acceptances or rejections of the Fourth Amended Plan as filed with the Court. The filing of the Plan, and the disclosure of certain modifications and amendments to the Fourth Amended Plan contained therein on the record at the Confirmation Hearing, constitute due and sufficient notice thereof under the circumstances of the Chapter 9 Case. Accordingly, the Plan is properly before the Court, and, except as set forth in the Plan or later orders of the Court, all votes cast with respect to the Fourth Amended Plan prior to the filing of the Plan shall be binding and shall apply with respect to the Plan.

**STANDARDS FOR CONFIRMATION
UNDER SECTION 943 OF THE BANKRUPTCY CODE**

F. The evidentiary record of the Confirmation Hearing and the Confirmation Standards Exhibit support the findings of fact and conclusions of law set forth in the following paragraphs.

G. The Court's supplemental opinion regarding confirmation of the Plan (the "Confirmation Opinion"), to be issued, is incorporated fully herein.

no distributions under the Plan.²³ Therefore, Class 16 is conclusively presumed to reject the Plan in accordance with section 1126(g) of the Bankruptcy Code, and no votes were solicited from holders of Class 16 Claims.²⁴

- r) The Plan was voted on by each Class of impaired Claims that was entitled to vote pursuant to the Bankruptcy Code, the Bankruptcy Rules and the Solicitation Orders.
- s) Each of Classes 5, 7, 8, 9, 10, 11, 12, 13 and 17 have accepted the Plan by at least two-thirds in amount and a majority in number of the Claims in such Classes actually voting.²⁵
- t) The voting declarations admitted into evidence as City Exhibits 764 and 765, and the Second Supplemental Voting Declaration, set forth the tabulation of votes, as required by the Bankruptcy Code, the Bankruptcy Rules and the Disclosure Statement Order.²⁶

16. *Section 1129(a)(3)*. The Plan has been proposed (a) in good faith; (b) with honesty, sincerity and good intentions; (c) with a basis for expecting that an adjustment of the City's debts and an operational restructuring of the City can be effected in accordance with the purpose of chapter 9, and that the Plan is feasible; and (d) not by any means forbidden by law. The Plan and the treatment of Claims thereunder are, and the process pursuant to which the City has sought Confirmation thereof has been, fundamentally fair to the City's creditors.

²³ See Plan, at § II.B.3.w.i.

²⁴ See *id.*.

²⁵ See Second Supplemental Voting Declaration, at ¶¶ 8-9.

²⁶ See *id.* at Exhibits A-C.

The purpose of the Plan is to adjust the City's debts to enable the City to reverse its decades-long financial decline, eliminate its service delivery insolvency, restore adequate municipal services to its residents and meet its future financial obligations, consistent with the overarching remedial purpose of chapter 9 and the objectives and purposes of the Bankruptcy Code. The City's good faith in proposing the Plan and its prior versions, and fundamental fairness in dealing with its creditors, is further evidenced by the fact that the Plan (a) incorporates multiple key settlements that are the result of extensive arm's length negotiations (often conducted within the context of Court-ordered mediation) between the City and representatives of a large proportion of its creditors, (b) has been proposed with the support of the City's largest creditor constituencies and (c) is feasible (see ¶¶ N.10-18 below). In so finding, the Court has considered the totality of the circumstances in this Chapter 9 Case.

17. *Section 1129(a)(6)*. Section III.A.7 of the Plan provides that the obtaining of any authorizations, consents and regulatory approvals necessary under applicable nonbankruptcy law is a specific condition to the effectiveness of the Plan, consistent with the language of section 1129(a)(6) of the Bankruptcy Code.²⁷ The Board of Water Commissioners will continue to have all authority to set and approve the water and sewerage rates charged by the DWSD,

²⁷ See Plan, at § III.A.7.

25. Moreover, the Plan's treatment of Pension Claims is the result of a collection of interconnected settlements. The factors that inform the reasonableness of each individual settlement are the same factors that inform the Court's judgment regarding the fairness of discrimination under the Plan. Because each such settlement is fair and reasonable, the discrimination in claim treatment resulting from such settlements also is fair.

26. The treatment of Limited Tax General Obligation Bond Claims, Unlimited Tax General Obligation Bond Claims and Indirect 36th District Court Claims also is fair because, in each instance, such treatment is the result of arm's-length, intensely negotiated and reasonable settlements between the City and the respective creditors and their representatives and is based on the asserted differing legal rights of, and litigation brought by, such parties. Specifically, a reasonable basis exists for the differential treatment of Limited Tax General Obligation Bond Claims and Unlimited Tax General Obligation Bond Claims, because the treatment of such Claims reflects (a) the results of protracted and comprehensively negotiated settlements between the City and the holders of such Claims and (b) the claimants' arguments to relative priority and security under State law. In addition, the Plan's treatment of Indirect 36th District Court Claims is related to the City's mission, and therefore is fair, because of the City's continuing legal and funding relationship with the 36th District Court.

would lack the resources and ability to satisfy such judgment levies. In such a scenario, the City's pension obligations alone likely would quickly eradicate any meaningful recoveries for other unsecured creditors outside of chapter 9.

9. Dismissal of the Chapter 9 Case would deprive the City of the benefit of the Reinvestment Initiatives. Without such reinvestment, the City's ability to provide basic services would continue to decline below even today's inadequate levels. Without the ability to provide adequate levels of basic services, the City would be unable to reverse the exodus of residents and businesses from the City that has depleted the City's tax base, reduced land values and led to widespread abandonment and blight. In addition, the Plan offers financial benefits that would be unavailable to the City in the event of dismissal, including the \$816 million that will be contributed to the Retirement Systems in connection with the Grand Bargain, the Exit Facility and the cost savings to be realized by the Reinvestment Initiatives and the Settlements under the Plan.

10. *Feasibility.* The Plan is feasible, within the meaning of section 943(b)(7) of the Bankruptcy Code. On and after the Effective Date, it is more likely than not that the City will be able to (a) make all payments contemplated by the Plan without a significant probability of default and

(b) sustainably provide adequate municipal services to its residents.⁴¹ The City has demonstrated a reasonable prospect that the City will successfully implement the Plan and the Reinvestment Initiatives.⁴²

11. The City's revenue and expense projections contained in (a) the ten-year summary of the Reinvestment Initiatives (the "10-Year Reinvestment Initiative Summary") introduced into evidence as City Exhibit 108 (July 2014); (b) the ten-year statement of projected cash flows (the "10-Year Forecast") introduced into evidence as City Exhibits 109 (July 2014), 733 (September 2014), 780 (October 2014), 781 (October 2014) and 782 (October 2014); (c) the forty-year statement of projected cash flows (the "40-Year Forecast") introduced into evidence as City Exhibits 111 (July 2014), 734 (September 2014), 779 (October 2014) and 793 (October 2014); and (d) the ten-year statement of projected cash flows of the City's water and sewage disposal funds introduced into evidence as part of City Exhibit 3 (collectively with the 10-Year Reinvestment Initiative Summary, the 10-Year Forecast and the 40-Year Forecast, the "Projections"), are reasonable, made in good faith, accurate,

⁴¹ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 202-03; Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 5-6.

⁴² See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 29, 164-65, 202-03; Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 5-6.

consistent with other financial projections made by the City and based upon assumptions that are reasonable when considered individually or collectively.⁴³

12. The City will have employees that have the necessary skill and commitment to implement, and perform according to the terms of, the Plan. The City will also have adequate systems, controls and procedures (as modified, modernized and developed by the Reinvestment Initiatives) to (a) monitor the City's financial and operational performance and (b) minimize and eliminate fraud, abuse and waste (both in the City's day-to-day operations and in the implementation of the Reinvestment Initiatives).⁴⁴

13. The City is beginning to implement appropriate controls to reasonably ensure the City's ongoing compliance with the terms of the Plan.⁴⁵ These controls include, but are not limited to: (a) the Michigan Financial Review Commission (the "Financial Review Commission") established pursuant to Public Act 181 of 2014, M.C.L. §§ 141.1631, *et seq.* ("PA 181" or the "Financial Review Commission Act"); (b) the requirements imposed by Public Act 182 of 2014,

⁴³ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 10, 200-01; Court's Exhibit 12001 (Supplemental Expert Report of Martha E.M. Kopacz), at 3-4; Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 5-6.

⁴⁴ See Court's Exhibit 12002 (Second Supplemental Expert Report of Martha E.M. Kopacz), at 29-30.

⁴⁵ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 175, 202.

M.C.L. § 117.4s-t ("PA 182" and, together with PA 181, the "Grand Bargain Legislation"), that the City (i) adopt a sound, multi-year financial plan, (ii) appoint a Chief Financial Officer and (iii) post its financial forecasts and contracts to the City's official website; and (c) the adoption of governance and financial oversight mechanisms for the Retirement Systems in connection with the State Contribution Agreement. The Financial Review Commission will have broad authority, under the Grand Bargain Legislation, to obtain and review the City's financial records on an ongoing basis, and to conduct financial audits of the City.⁴⁶

14. The Reinvestment Initiatives provide for the reinvestment of approximately \$1.7 billion in the City between the Effective Date and June 30, 2023. The Reinvestment Initiatives will allow the City to achieve approximately \$483 million in additional revenue and \$358 million in cost savings during that same period, resulting in net reinvestment in the City of approximately \$877 million. The Reinvestment Initiatives are reasonably designed to, and more likely than not will, ensure that the City will be able to (a) remedy its service delivery insolvency and provide adequate municipal services to its residents, (b) meet its financial obligations on a prospective basis, (c) promote the stability of

⁴⁶ See M.C.L. § 141.1636.

adequate and significantly improved municipal and public safety services to City residents and businesses.⁴⁹ The Mayor's office and the City Council have been consulted in connection with the City's restructuring and are committed to working in concert to implement the Plan and the Reinvestment Initiatives.⁵⁰

17. It is more likely than not that the Plan is sustainable over the long term.⁵¹ Based on the Projections, the City will have sufficient liquidity to sustain normal municipal operations, issue and perform under the New Securities, satisfy the Settlements and otherwise meet its financial obligations after the Effective Date. The amount and terms of the Exit Facility are reasonable. The City will have sufficient resources to service the Exit Facility. The Plan and the Exit Facility will enable the City to resolve onerous debts related to the City's excessive prepetition borrowing. The City's commitment, under the Plan, to use its best efforts to prepay the New LTGO Bonds on the Effective Date, or as soon as reasonably practicable thereafter, is both reasonable and feasible. Credit markets

⁴⁹ See Court's Exhibit 12000 (Expert Report of Martha E.M. Kopacz), at 201-02.

⁵⁰ See Joint Notice of Transition Plan (Docket No. 7681), Exhibit A (Detroit City Council Resolution adopted Sept. 25, 2014), at 2-3 ("The City Council supports the confirmation and implementation of a Plan of Adjustment.... After, and assuming, confirmation of the Plan of Adjustment, the City Council will support the City's implementation of the confirmed Plan of Adjustment.").

⁵¹ See Court's Exhibit 12001 (Supplemental Expert Report of Martha E.M. Kopacz), at 3-4.

(a) any of the COP Swap Exculpated Parties to the Syncora Exculpated Parties or FGIC or (b) the Syncora Exculpated Parties or the FGIC/COP Exculpated Parties to any of the COP Swap Exculpated Parties. For the avoidance of doubt, notwithstanding anything in the Plan or this paragraph to the contrary, officers or employees of the City acting in their individual capacity shall not be exculpated from liability for claims asserted pursuant to 42 U.S.C. § 1983.

E. Order Binding on All Parties

28. Subject to the provisions of Section III.A of the Plan, in accordance with section 944(a) of the Bankruptcy Code and notwithstanding any otherwise applicable law, upon the occurrence of the Effective Date, the terms of the Plan and this Order shall be binding upon, and inure to the benefit of: (a) the City; (b) any and all holders of Claims (irrespective of whether (i) any such Claim is impaired under the Plan, (ii) proof of any such Claim has been filed or deemed filed under section 501 of the Bankruptcy Code, (iii) any such Claim is allowed under section 502 of the Bankruptcy Code or (iv) whether the holders of such Claims accepted, rejected or are deemed to have accepted or rejected the Plan); (c) the registered and beneficial holders of COPs; (d) any other person giving, acquiring or receiving property under the Plan; (e) any and all non-Debtor parties to Executory Contracts or Unexpired Leases with the City; (f) any party to any Settlement; and (g) the respective heirs, executors, administrators, trustees,

affiliates, officers, directors, agents, representatives, attorneys, beneficiaries, guardians, successors or assigns, if any, of any of the foregoing. All settlements (including, without limitation, the Settlements), compromises, releases (including, without limitation, the Plan Releases), waivers, discharges, exculpations and injunctions set forth in the Plan shall be, and hereby are, operative, effective and binding on all Persons who may have had standing to assert any settled, released, discharged, exculpated or enjoined causes of action, and no other Person or entity shall possess such standing to assert such causes of action after the Effective Date. The compromises and settlements (including, without limitation, the Settlements) embodied in the Plan, along with the treatment of any associated Allowed Claims, shall not be subject to any collateral attack or other challenge by any Entity in any court or other forum.

F. Discharge of Claims

29. The Plan discharge provisions set forth in Section III.D.4 of the Plan are approved in all respects, are incorporated herein in their entirety, are so ordered and shall be immediately effective on the Effective Date of the Plan without further order or action on the part of the Court or any other party.

30. In accordance with Section III.D.4 of the Plan, except as specifically provided otherwise in the Plan or this Order, as of the Effective Date, pursuant to sections 524(a)(1), 524(a)(2) and 944(b) of the Bankruptcy Code, all

EXHIBIT 17

Admitted Oct 21, 2014

Plan of Adjustment - 40 year projections

City of Detroit
Plan of Adjustment - 40 year projections



Ex. 17

The attached Plan of Adjustment preliminary forecast (the "POA Financial Projections"), its assumptions and underlying data are the product of the Client and its management ("Management") and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP ("EY") did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client's POA Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.



1 of 15

10/20/2014 6:12 PM

City's Ex 793

Plan of Adjustment - 40 year projections

Assumptions

(\$ in millions)

Plan of Adjustment - 40 year projections

General Fund Cash Flows	GF 40yr cash flows	\$4.3b funds available for unsecured claims
	Minimum cash requirement	Based on 2 months of payroll through FY23 and the 5% cash reserve thereafter
	DIP financing	Quality of Life (\$120m @ 3.5% assumed to be refinanced as part of exit facility)
	Exit financing	\$160.0m tax-exempt note @ 5.75% maturing in FY30
Revenue stream from DWSD		\$115.0m taxable note @ 5.75% maturing in FY23
	Swap treatment	Allocation and amortization are subject to tax counsel review
	Contingency	\$85m settlement
		Reflects 1.0% of total revenues
Reimbursement from other funds	Pension	\$429m for pension in the first 10 years
	OPEB	12.1% of OPEB - current retirees payments
	POC	11.5% of total POC payments
	Reimbursements from Parking (non-GF) and Library	
DIA settlement	Foundations	\$366m over 20 years
	DIA	\$100m over 20 years
State settlement	Contributions to pension	\$195m in FY15
Unsecured Claims treatment	Note A2 and Note B reserves	\$55m settlement note and \$17.3m Note B reserves
	Note A1	\$288m note funded with pass-through UTGO millage
	Notes C and B	\$21m of Note C and \$23.5m of Note B
	Notes C and B	\$67m of Note C and \$74.2m of Note B
	State and DIA Settlements	
	Contributions (years 1-10)	Estimated to be \$261m from foundations / State settlement
	Contributions (years 11-40)	UAAI as of June 30, 2023 estimated to be ~\$681m amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	78%
	State and DIA Settlements	
GRS Pension (Class 11)	Contributions (years 1-10)	Estimated to be \$99m from State settlement; \$429m from DWSD; \$45m from DIA; \$146m from GF & other funds
	Contributions (years 11-40)	UAAI as of June 30, 2023 estimated to be ~\$695m amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	70%
OPEB (Class 12)	Note B, Note B reserves, and cash	\$450m of Note B, \$42.7m Note B reserves, and \$20m cash
DDA (Class 13)	Note B	\$4m of Note B
Other unsecured (Class 14)	Note B and Note B reserves	\$16m of Note B and \$4.1m Note B reserves
36DC (Class 17)	Cash payment	\$22m cash (~\$500k upfront payment, and 4 equal annual payments thereafter of ~\$400k)

Plan of Adjustment - 40 year projections

Recovery summary

(\$ in millions)

10 Years

Distributions

Creditor	Class (a)	Claim	State settlement	DIA settlement	Cash	Notes					10-year 5
						A1	A2	B	B (reserves)	C	
LTGO	7	\$164					\$55		\$6		\$61
UTGO	8	\$388				\$328					\$328
POC - Syncona (b)	9	\$354						\$8		\$22	\$30
POC - FGIC (b)	9	\$1,119						\$25		\$68	\$93
PERS pension	10	\$1,250	\$96	\$165							\$261
GRS pension (c)	11	\$1,879	\$99	\$45	\$575						\$719
PERS OPEB	12	\$2,208			\$9			\$79	\$7		\$95
GRS OPEB	12	\$2,095			\$11			\$74	\$7		\$92
DDA	13	\$34						\$1			\$1
Other unsecured	14	\$150						\$6	\$1		\$7
36DC	17	\$6			\$2						\$2
		\$9,646	\$195	\$210	\$597	\$328	\$55	\$193	\$22	\$90	\$1,689

40 Years

Distributions

Creditor	Class (a)	Claim	State settlement	DIA settlement	Cash	Notes					Illustrative Recoveries			Adjusted %
						A1	A2	B	B (reserves)	C	\$	\$ PV (d)	%	
LTGO	7	\$164					\$55		\$33		\$88	\$68	41%	
UTGO	8	\$388				\$368					\$368	\$288	74%	
POC - Syncona (b)	9	\$354						\$45		\$29	\$74	\$41	12%	
POC - FGIC (b)	9	\$1,119						\$141		\$91	\$232	\$130	12%	
PERS pension	10	\$1,250	\$96	\$233	\$1,325						\$1,654	\$735	59%	
GRS pension (c)	11	\$1,879	\$99	\$233	\$1,809						\$2,141	\$1,118	60%	
PERS OPEB	12	\$2,208			\$9			\$442	\$42		\$493	\$231	10%	
GRS OPEB	12	\$2,095			\$11			\$416	\$40		\$466	\$220	10%	
DDA	13	\$34						\$7			\$7	\$3	10%	
Other unsecured	14	\$150						\$31	\$8		\$39	\$18	12%	
36DC	17	\$6			\$2						\$2	\$2	32%	
		\$9,646	\$195	\$466	\$3,156	\$368	\$55	\$1,082	\$122	\$120	\$5,565	\$2,855		

Includes
unsecured claims
Excludes State,
Foundation, and DIA
Funding

Description of notes

Note	Face value	Interest rate	Recipients	Term	Comments
Note A1	\$287.6	n/a	UTGO	14 years	Represents ~87% of UTGO scheduled debt service
Note A2	\$55.0	n/a	LTGO	n/a	Upfront payment; City retains the option to repay this note over 23 years
Note B (incl. reserves)	\$632.0	4%, 4%, 6%	OPEB, LTGO, POC, Notes & Other unsec.	30 years	10 yrs interest only, and straight-line amortization thereafter
Note C	\$88.4	5%	Syncona & PGIC	12 years	\$10m annual payment

Footnotes:

- (a) Excludes Secured Claims (Class 1 through Class 6), Convenience Claims (Class 15), and Subordinated Claims (Class 16).
 (b) Distributions and illustrative recoveries do not include settlement credits in the nominal amount of \$26m.
 (c) Cash payments include DWSD contributions of \$429m and other fund reimbursements of \$94m (over the 40yr period).
 (d) Present value amounts calculated assuming 5% discount rate.

City of Detroit

Exhibit 3a

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

		2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Revenues	Growth after FY23					
Municipal income tax	2.4% - 2.8%	\$ 2,770.3	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.2
State revenue sharing	0.1% - 1.7%	2,000.5	2,121.0	2,307.1	2,533.2	8,961.8
Wagering taxes	1.0%	1,732.6	1,905.6	2,105.0	2,325.2	8,068.4
Property taxes	1.5% - 2.2%	1,074.0	1,369.6	1,640.0	1,903.2	5,986.8
Utility users' taxes	1.5% - 1.7%	257.2	304.3	353.2	409.9	1,324.6
Sales and charges for services	2.0%	1,118.0	1,161.2	1,415.5	1,725.5	5,420.2
Other revenue	2.0%	706.9	747.2	918.3	1,119.7	3,492.1
General Fund reimbursements	2.0%	265.0	238.8	291.1	354.9	1,149.8
Transfers in for UTGO	n/a	532.8	147.6	22.1	-	702.4
Restructuring:						
Department revenue initiatives	2.0%	482.9	586.2	714.6	871.1	2,654.8
QOL / exit financing proceeds (net)	n/a	261.4	27.5	-	-	268.9
Total revenues		11,181.5	12,119.1	14,357.4	17,301.9	54,959.9
Expenditures						
Salaries/overtime/fringe - Public Safety (a)	2.0% - 2.25%	(2,864.3)	(3,524.5)	(4,356.5)	(5,442.1)	(16,187.4)
Salaries/overtime/fringe - Non-Public Safety	2.0% - 2.25%	(903.8)	(1,087.2)	(1,343.9)	(1,678.8)	(5,013.7)
Health benefits (b)	~4% inflation exp. beg. FY20	(752.6)	(928.2)	(1,373.9)	(2,033.7)	(5,088.4)
OPEB payments - future retirees (a)	\$1 m per year uniform / 2% of wages non-uniform	(32.2)	(37.0)	(43.2)	(51.1)	(163.4)
Active pension plan (a)	12.25% uniform / 5.75% non-uniform	(347.9)	(443.6)	(547.8)	(683.4)	(2,022.6)
Other operating expenses (c)	2.0%	(3,073.2)	(3,437.4)	(4,190.1)	(5,107.7)	(15,808.5)
Restructuring:						
Additional operating expenditures	2.0%	(357.5)	(359.1)	(437.7)	(533.5)	(1,687.7)
Escrow proceeds (2012 refunding bonds)	n/a	64.7	-	-	-	64.7
Working capital	n/a	(0.8)	-	-	-	(0.8)
Secured debt service	n/a	(390.5)	(391.0)	(67.2)	-	(848.6)
Contributions to income stabilization fund	n/a	(17.8)	(2.2)	-	-	(20.0)
Swap interest set-aside	n/a	(104.1)	-	-	-	(104.1)
QOL / exit financing principal/interest payments	n/a	(292.9)	(126.0)	-	-	(418.9)
Reorganization (Capital investments)	2.0%	(582.2)	(442.7)	(501.4)	(605.3)	(2,131.5)
Restructuring professional fees	n/a	(177.0)	-	-	-	(177.0)
Blight (excludes heavy commercial)	n/a	(420.0)	-	-	-	(420.0)
PLD decommission	n/a	(75.0)	-	-	-	(75.0)
Contingency	n/a	(98.9)	(120.9)	(143.6)	(173.0)	(536.4)
Reinvestment deferrals	n/a	65.0	200.4	(51.1)	(214.3)	-
Total expenditures		(10,360.9)	(10,699.3)	(13,056.3)	(16,523.0)	(50,639.4)
Funds available for unsecured claims		\$ 820.6	\$ 1,419.8	\$ 1,301.1	\$ 779.0	\$ 4,320.5

Footnotes:

(a) Assumes pending DPOA & DPFA deals are cash flow neutral.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

City of Detroit

Exhibit 3a

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Sources					
Funds available for unsecured claims	\$ 820.6	\$ 1,419.8	\$ 1,301.1	\$ 779.0	\$ 4,320.5
Revenue stream from DWSD - no transaction					
Pension	428.5	-	-	-	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	21.7	44.3	42.4	6.5	114.8
POC (based on 11.5% of total POC payments)	14.2	11.9	8.0	1.2	35.3
Subtotal: Revenue stream from DWSD	464.4	56.1	50.5	7.7	578.5
Reimbursement from other funds	44.4	56.9	37.6	26.3	165.2
Grand Bargain funding					
Foundation fundraising	164.7	201.3	-	-	366.0
DIA contributions	45.0	55.0	-	-	100.0
State settlement	194.8	-	-	-	194.8
Total sources	\$ 1,733.9	\$ 1,789.1	\$ 1,389.2	\$ 813.0	\$ 5,725.2
Uses					
Retiree payments					
PFRS pension payments	(260.7)	(617.7)	(464.5)	(311.3)	(1,654.2)
GRS pension payments	(718.5)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	(10.9)
Subtotal: retiree distributions	(999.2)	(1,248.1)	(938.5)	(628.9)	(3,814.8)
Note and cash payments					
Note A1 (UTGO)	(327.6)	(40.8)	-	-	(368.5)
Note A2 (LTGO)	(55.0)	-	-	-	(55.0)
Note B (incl. B reserves)	(214.9)	(470.2)	(450.6)	(68.9)	(1,204.6)
36DC cash payments	(2.2)	-	-	-	(2.2)
Note C (POC)	(89.8)	(29.9)	-	-	(119.7)
Subtotal: note and cash payments	(689.5)	(541.0)	(450.6)	(68.9)	(1,750.0)
Total distributions / total uses	\$ (1,688.7)	\$ (1,789.1)	\$ (1,389.2)	\$ (697.5)	\$ (3,564.8)
Surplus / (deficit)	\$ 45.2	\$ -	\$ -	\$ 115.2	\$ 160.4
Ending cash balance (a)	\$ 81.2	\$ 81.2	\$ 81.2	\$ 196.4	\$ 196.4

Footnote:

(a) Includes 5% of budgeted expenditures as required by State law.

City of Detroit

Exhibit 3a

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Total distributions to creditors					
PFRS pension (c)	\$ (260.7)	\$ (617.7)	\$ (464.5)	\$ (311.3)	\$ (1,654.2)
GRS pension (c)	(718.5)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB (cash)	(9.1)	-	-	-	(9.1)
GRS OPEB (cash)	(10.9)	-	-	-	(10.9)
UTGO (Note A1)	(327.6)	(40.8)	-	-	(368.5)
LTGO (Note A2)	(55.0)	-	-	-	(55.0)
Note B					
PFRS OPEB (incl. B reserves)	(86.3)	(188.9)	(181.0)	(27.7)	(483.9)
GRS OPEB (incl. B reserves)	(81.2)	(177.7)	(170.3)	(26.0)	(455.1)
LTGO (B reserves)	(5.9)	(12.9)	(12.4)	(1.9)	(33.0)
POC - Syncom	(8.0)	(17.5)	(16.8)	(2.6)	(44.8)
POC - FGIC (B reserves)	(25.2)	(55.2)	(52.9)	(8.1)	(141.4)
DDA	(1.3)	(2.7)	(2.6)	(0.4)	(7.0)
Other unsecured items (incl. B reserves)	(7.0)	(15.3)	(14.7)	(2.2)	(39.3)
36DC cash payments	(2.2)	-	-	-	(2.2)
POC - Syncom (Note C)	(21.6)	(7.2)	-	-	(28.8)
POC - FGIC (Note C)	(68.2)	(22.7)	-	-	(90.9)
Total distributions to unsecured creditors	(1,688.7)	(1,789.1)	(1,389.2)	(697.8)	(5,564.8)
Total secured debt service (including QOL/Exit financing)	(683.4)	(517.0)	(67.2)	-	(1,267.6)
Total distributions to creditors	\$ (2,372.1)	\$ (2,306.1)	\$ (1,456.3)	\$ (697.8)	\$ (6,832.4)
Percentage of total revenues (including other sources)	19.6%	18.5%	10.1%	4.0%	12.1%

	Claims (a)				40 years	
	\$ in millions	%			Nominal (b)	PV @ 5.0% (b)
PFRS pension (c)	1,250.0	13%	1,325.2	106%	481.8	39%
GRS pension (c)	1,879.0	19%	1,808.9	96%	895.5	48%
PFRS OPEB	2,207.8	23%	493.1	22%	231.1	10%
GRS OPEB	2,095.2	22%	466.0	22%	219.6	10%
UTGO	368.0	4%	368.5	95%	288.5	74%
LTGO	163.5	2%	88.0	54%	67.5	41%
POC - Syncom	354.4	4%	73.6	21%	41.3	12%
POC - FGIC (B reserves)	1,118.8	12%	232.3	21%	130.4	12%
DDA	33.6	0%	7.0	21%	3.2	10%
Other unsecured items	150.0	2%	39.3	26%	18.0	12%
36DC claims	6.0	0%	2.2	37%	1.9	32%
Total	\$ 9,646.4	100%	\$ 4,904.0	51%	\$ 2,378.7	

Footnotes:

(a) Subject to ongoing legal review/negotiation. Final allowed claim amounts under these categories may be materially different.

(b) Nominal pension system payments exclude \$661m for PFRS and GRS (State settlement & art proceeds) for the calculation of recoveries.

(c) Retirement system pension claims based on actuarial valuation as of June 30, 2013. Assumes a 6.75% discount rate.

City of Detroit

Exhibit 3b

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

	Preliminary forecast										2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.3
State revenue sharing	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wagering taxes	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	1,732.6
Property taxes	114.9	102.6	100.8	102.4	102.6	103.9	106.8	109.7	113.3	117.0	1,074.0
Utility users' taxes	20.1	24.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0	257.2
Sales and charges for services	131.5	118.0	115.8	113.6	111.4	109.2	107.0	104.4	103.3	104.0	1,118.0
Other revenue	79.8	86.2	78.0	66.5	65.3	65.5	65.8	66.2	66.6	66.9	706.9
General Fund reimbursements	29.8	43.7	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	265.0
Transfers in for UTGO	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
Restructuring											
Department revenue initiatives	-	95.2	45.1	49.7	52.9	42.5	46.9	46.8	51.3	52.5	482.9
QOL / exit financing proceeds (net)	-	217.7	23.7	-	-	-	-	-	-	-	241.4
Total revenues	1,051.6	1,371.6	1,117.7	1,073.1	1,083.7	1,080.0	1,094.8	1,096.5	1,099.0	1,111.5	11,181.5
Expenditures											
Salaries/overtime/fringe - Public Safety (a)	(245.2)	(263.3)	(276.7)	(277.5)	(284.4)	(291.5)	(297.4)	(303.3)	(309.4)	(315.6)	(2,864.3)
Salaries/overtime/fringe - Non-Public Safety	(85.7)	(86.9)	(88.1)	(86.1)	(88.0)	(90.2)	(92.0)	(93.8)	(95.4)	(97.3)	(903.8)
Health benefits (b)	(173.0)	(67.1)	(52.4)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(752.6)
OPEB payments - future retirees (a)	-	(6.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(32.2)
Active pension plan (a)	-	(52.1)	(34.1)	(34.9)	(35.8)	(36.7)	(37.4)	(38.2)	(38.9)	(39.7)	(347.9)
Other operating expenses (c)	(291.3)	(320.1)	(326.5)	(303.5)	(304.8)	(302.0)	(302.2)	(303.3)	(309.4)	(310.3)	(3,073.2)
Restructuring											
Additional operating expenditures	-	(72.6)	(45.3)	(39.9)	(35.6)	(33.0)	(33.0)	(33.3)	(32.5)	(32.1)	(357.5)
Escrow proceeds (2012 refunding bonds)	-	64.7	-	-	-	-	-	-	-	-	64.7
Working capital	13.4	(34.2)	4.0	4.0	4.0	4.0	4.0	-	-	-	(0.8)
Secured debt service	(35.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(390.5)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Swap interest set-aside	(45.9)	(58.2)	-	-	-	-	-	-	-	-	(104.1)
QOL / exit financing principal/interest payments	(0.7)	(10.3)	(15.8)	(15.8)	(15.8)	(15.8)	(39.8)	(62.4)	(59.6)	(56.9)	(292.9)
Reorganization (Capital investments)	-	(139.5)	(106.4)	(65.6)	(50.2)	(43.6)	(51.9)	(46.0)	(40.4)	(38.6)	(582.2)
Restructuring professional fees	(49.4)	(127.6)	-	-	-	-	-	-	-	-	(177.0)
Blight (excludes heavy commercial)	-	(82.0)	(46.0)	(50.0)	(50.0)	(51.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
PLD decommission	-	(2.5)	(5.0)	(15.0)	(10.0)	(10.0)	(10.0)	(12.5)	(10.0)	-	(75.0)
Contingency	-	(11.5)	(10.9)	(10.8)	(10.8)	(10.8)	(10.9)	(11.0)	(11.0)	(11.1)	(98.5)
Reinvestment deferrals	-	-	25.4	15.2	(2.7)	1.5	7.4	35.3	3.6	(20.5)	65.0
Total expenditures	(913.3)	(1,311.1)	(1,022.7)	(980.7)	(988.9)	(987.5)	(1,026.2)	(1,027.1)	(1,043.7)	(1,059.6)	(10,360.9)
Funds available for unsecured claims	\$ 138.4	\$ 60.4	\$ 95.0	\$ 94.4	\$ 94.8	\$ 92.5	\$ 68.6	\$ 69.4	\$ 55.3	\$ 51.8	\$ 820.6

Footnotes:

(a) Assumes pending DPOA & DFFA deals are cash flow neutral.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

City of Detroit

Exhibit 3b

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

	Preliminary forecast										2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Sources											
Funds available for unsecured claims	\$ 138.4	\$ 60.4	\$ 95.0	\$ 94.4	\$ 94.8	\$ 92.5	\$ 68.6	\$ 69.4	\$ 55.3	\$ 51.8	\$ 820.6
Revenue stream from DWSD - no transaction											
Pension	-	65.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	-	2.6	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	21.7
POC (based on 11.5% of total POC payments)	-	1.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	14.2
Subtotal: Revenue stream from DWSD	-	69.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	464.4
Reimbursement from other funds	-	(0.2)	4.7	5.3	3.9	3.7	6.9	6.8	6.7	6.6	44.4
Grand Bargain funding											
Foundation fundraising	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
DIA contributions	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
State settlement	-	194.8	-	-	-	-	-	-	-	-	194.8
Total sources	\$ 138.4	\$ 347.7	\$ 172.4	\$ 172.4	\$ 171.3	\$ 168.9	\$ 148.2	\$ 148.9	\$ 134.7	\$ 131.1	\$ 1,733.9
Uses											
Retiree payments											
PFRS pension payments	-	(114.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(260.7)
GRS pension payments	-	(188.2)	(76.9)	(76.9)	(76.8)	(76.6)	(56.5)	(56.5)	(55.2)	(54.9)	(718.5)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	-	-	-	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	-	-	-	-	-	-	(10.9)
Subtotal: retiree distributions	(20.0)	(302.5)	(95.2)	(95.2)	(95.1)	(94.9)	(74.8)	(74.8)	(73.5)	(73.2)	(999.2)
Note and cash payments											
Note A1 (UTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(24.1)	(20.8)	(327.6)
Note A2 (LTGO)	-	(55.0)	-	-	-	-	-	-	-	-	(55.0)
Note B (incl. B reserves)	-	(12.6)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(214.9)
36DC cash payments	-	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	-	-	-	-	(2.2)
Note C (POC)	-	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(89.8)
Subtotal: note and cash payments	-	(124.0)	(77.2)	(77.2)	(76.2)	(74.0)	(73.0)	(72.4)	(59.4)	(56.1)	(689.5)
Total distributions / total uses	\$ (20.0)	\$ (426.5)	\$ (172.4)	\$ (172.4)	\$ (171.3)	\$ (168.9)	\$ (147.9)	\$ (147.2)	\$ (132.9)	\$ (129.3)	\$ (1,688.7)
Surplus / (deficit)	\$ 118.4	\$ (78.8)	\$ -	\$ -	\$ -	\$ -	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 45.2
Ending cash balance (a)	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2
Memo:											
FY14 expenditures to be spent in FY15	(78.8)	78.8	-	-	-	-	-	-	-	-	-
Adjusted surplus / (deficit)	\$ 39.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 45.2

Footnotes:

(a) Includes 5% of budgeted expenditures as required by State law.

City's Ex 793-008

Appendices

9 of 15

10/20/2014 6:12 PM

City's Ex 793-009

Plan of Adjustment - 40 year projections
 Bridge - 40 year adjustments since 7/2/2014
 (\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
POA (7/2/2014) surplus / (deficit)	\$ 45.2	\$ 21.0	\$ 29.7	\$ 77.2	\$ 173.1
Adjustments (a):					
Financing changes	(8.3)	11.8	-	-	3.4
POC settlement	(89.5)	(34.8)	(2.9)	(0.4)	(127.7)
36DC settlement	(2.2)	-	-	-	(2.2)
Reinvestment deferrals & other differences	100.1	2.1	(26.8)	38.4	113.7
Total adjustments	(0.0)	(21.0)	(29.7)	38.0	(12.7)
Adjusted surplus / (deficit)	\$ 45.2	\$ -	\$ -	\$ 115.2	\$ 160.4
Original ending cash balance (7/2/2014)	\$ 81.2	\$ 102.2	\$ 131.9	\$ 209.1	\$ 209.1
Cumulative adjustments	(0.0)	(21.0)	(50.7)	(12.7)	(12.7)
Ending cash balance	\$ 81.2	\$ 81.2	\$ 81.2	\$ 196.4	\$ 196.4

Footnote:

(a) See next page for detailed adjustments.

Plan of Adjustment - 40 year projections

Detail of Adjustments since 7/2/2014

(\$ in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Financing changes															
QOL / exit financing proceeds (net)	-	(34.1)	(17.1)	-	-	-	-	-	-	-	(51.2)	27.5	-	-	(23.7)
QOL / exit financing principal/interest payments	-	3.1	2.2	2.2	2.2	30.8	19.4	(5.8)	(5.6)	(5.4)	42.9	(15.7)	-	-	27.2
Total	-	(31.0)	(14.9)	2.2	2.2	30.8	19.4	(5.8)	(5.6)	(5.4)	(8.3)	11.8	-	-	3.4
POC settlement															
Note C (POC)	-	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(89.8)	(29.9)	-	-	(119.7)
Non-bankruptcy settlement items	-	(5.4)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.7)	(0.6)	(0.6)	(10.9)	(6.3)	(0.3)	-	(17.5)
Increased other fund reimbursements	-	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.6	(0.4)	(1.1)	(0.2)	(0.1)
Increased DWSD revenue stream	-	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	9.6	1.8	(1.6)	(0.2)	9.5
Total	-	(14.0)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.4)	(9.3)	(9.3)	(89.5)	(34.8)	(2.9)	(0.4)	(127.7)
36DC settlement	-	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	-	-	-	-	(2.2)	-	-	-	(2.2)
Reinvestment deferrals & other differences															
Contingency	-	1.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.1	0.0	-	2.4
QOL proceeds - timing	(52.5)	52.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures - timing	131.2	(131.2)	-	-	-	-	-	-	-	-	-	-	-	-	-
Blight - timing	-	20.0	-	(10.0)	(7.0)	(3.0)	-	-	-	-	-	-	-	-	-
Escrow proceeds (2012 refunding bonds)	-	44.7	-	-	-	-	-	-	-	-	44.7	-	-	-	44.7
Increased Parking EF revenue stream	-	(3.5)	1.4	2.0	0.6	0.4	3.7	3.6	3.5	3.4	15.2	24.5	13.4	10.9	64.0
Copper wire and other asset sales	-	5.0	4.0	4.0	4.0	4.0	4.0	-	-	-	25.0	-	-	-	25.0
Litigation settlement	-	24.0	-	-	-	-	-	-	-	-	24.0	-	-	-	24.0
POC swap settlement delay	-	0.5	-	-	-	-	-	-	-	-	0.5	-	-	-	0.5
Additional professional fees	-	(47.0)	-	-	-	-	-	-	-	-	(47.0)	-	-	-	(47.0)
Reinvestment deferrals	-	-	19.0	11.8	7.1	(22.3)	(17.3)	13.3	12.4	11.3	35.2	(22.5)	(40.2)	27.5	0.0
Other	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total	78.8	(33.2)	24.8	7.7	4.7	(20.9)	(9.6)	16.9	16.0	14.7	100.1	2.1	(26.8)	38.4	113.7
Total adjustments (Post 7/2/2104)	\$ 78.8	\$ (78.8)	\$ -	\$ -	\$ (3.1)	\$ -	\$ 0.3	\$ 1.7	\$ 1.0	\$ (0.0)	\$ (0.0)	\$ (21.0)	\$ (29.7)	\$ 38.0	\$ (12.7)
Original ending cash balance (7/2/2014)	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 78.7	\$ 78.7	\$ 78.7	\$ 78.7	\$ 79.4	\$ 81.2	\$ 81.2	\$ 102.2	\$ 131.9	\$ 209.1	\$ 209.1
Cumulative adjustments	78.8	(0.0)	(0.0)	(0.0)	(3.1)	(3.1)	(2.8)	(1.0)	(0.0)	(0.0)	(0.0)	(21.0)	(50.7)	(12.7)	(12.7)
Ending cash balance	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2	\$ 81.2	\$ 81.2	\$ 196.4	\$ 196.4

Plan of Adjustment - 40 year projections

Adjustments since 9/25/2014

(\$ in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Financing changes															
QOL / exit financing proceeds (net)	-	(22.8)	(3.9)	-	-	-	-	-	-	-	(26.7)	27.5	-	-	0.8
QOL / exit financing principal/interest payments	-	(0.6)	-	-	-	-	-	-	-	-	(0.6)	-	-	-	(0.6)
Total	-	(23.3)	(3.9)	-	-	-	-	-	-	-	(27.2)	27.5	-	-	0.3
FGIC settlement															
Note C (POC)	-	(8.8)	(7.6)	(7.6)	(7.6)	(7.6)	(7.6)	(7.6)	(7.6)	(7.6)	(69.4)	(21.5)	-	-	(90.9)
Increased other fund reimbursements	-	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.2	(0.3)	(0.8)	(0.1)	(0.0)
Increased DWSD revenue stream	-	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	7.4	1.1	(1.3)	(0.2)	7.1
Total	-	(7.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)	(60.8)	(20.7)	(2.1)	(0.3)	(83.9)
Reinvestment deferrals & other differences															
Reinvestment deferrals	-	-	5.1	0.7	2.1	2.2	(1.1)	3.0	3.1	3.2	18.3	(31.3)	(11.3)	24.3	0.0
Reduction in professional fees	-	5.0	-	-	-	-	-	-	-	-	5.0	-	-	-	5.0
Increased Parking EF revenue stream	-	(3.5)	1.4	2.0	0.6	0.4	3.7	3.6	3.5	3.4	15.2	24.5	13.4	10.9	64.0
Copper wire and other asset sales	-	5.0	4.0	4.0	4.0	4.0	4.0	-	-	-	25.0	-	-	-	25.0
Litigation settlement	-	24.0	-	-	-	-	-	-	-	-	24.0	-	-	-	24.0
POC swap settlement delay	-	0.5	-	-	-	-	-	-	-	-	0.5	-	-	-	0.5
Total	-	31.0	10.5	6.6	6.6	6.6	6.6	6.6	6.6	6.6	88.0	(6.8)	2.1	35.2	118.5
Total adjustments (post 9/25/2014)	\$ -	\$ (0.0)	\$ -	\$ -	\$ -	\$ -	\$ 0.0	\$ (0.0)	\$ 0.0	\$ (0.0)	\$ (0.0)	\$ -	\$ -	\$ 34.9	\$ 34.9
Original ending cash balance (9/25/2014)	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2	\$ 81.2	\$ 81.2	\$ 161.5	\$ 161.5
Cumulative adjustments	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	34.9	34.9
Ending cash balance	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2	\$ 81.2	\$ 81.2	\$ 196.4	\$ 196.4

City of Detroit

Appendix 2a

Plan of Adjustment - 40 year projections

General Fund view

(\$ in millions)

	Preliminary forecast				Total
	2014-2023	2024-2033	2034-2043	2044-2053	2014-2053
Operating revenues					
Municipal income tax	\$ 2,770.3	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.2
State revenue sharing	2,000.5	2,121.0	2,307.1	2,333.2	8,961.8
Wageing taxes	1,713.6	1,905.6	2,105.0	2,328.2	8,046.4
Property taxes	1,074.0	1,369.6	1,640.0	1,903.2	5,986.8
Utility user fees	257.2	304.3	353.2	409.9	1,324.6
Other revenue	2,622.7	2,294.8	2,647.0	3,200.0	10,764.5
Depreciated revenue initiatives	410.6	386.2	714.6	871.1	2,382.5
Operating revenues	10,867.8	12,091.6	14,357.4	17,301.9	54,618.7
Operating expenditures					
Salaries/overseer/fees (a)	(1,768.1)	(4,611.4)	(5,702.3)	(7,120.9)	(21,201.1)
Health benefits	(609.8)	(928.2)	(1,373.9)	(2,033.7)	(4,945.6)
OPEB payments - future estimates (a)	(32.2)	(37.0)	(43.2)	(51.1)	(163.4)
Active pension plan (a)	(447.9)	(443.6)	(447.8)	(483.4)	(2,022.6)
Other operating expenses (b)	(1,073.2)	(1,437.4)	(4,190.1)	(5,107.7)	(15,808.5)
Additional operating expenditures	(715.7)	(803.6)	(979.5)	(1,194.1)	(3,692.9)
Cost savings	358.2	444.5	541.9	650.5	2,005.1
Total operating expenditures	(5,188.7)	(6,816.8)	(12,283.0)	(15,530.3)	(45,828.9)
Net operating cash flows	\$ 5,679.1	\$ 5,274.8	\$ 2,064.4	\$ 1,771.6	\$ 8,789.8
Financing cash flows					
Secured debt service	\$ (990.5)	\$ (991.0)	\$ (97.2)	\$ -	\$ (2,078.7)
Pension	(119.8)	(961.8)	(916.0)	(913.8)	(2,911.4)
Contributions to income stabilization fund	(17.8)	(2.2)	-	-	(20.0)
DWSD / other fund contributions for new notes	53.9	83.0	65.5	18.9	221.2
Note A1 (UTGO)	(327.6)	(60.8)	-	-	(388.5)
Note A2 (UTGO)	(55.0)	-	-	-	(55.0)
Note B (incl. B reserves)	(214.9)	(470.2)	(450.6)	(68.9)	(1,204.6)
SDC cash payments	(2.3)	-	-	-	(2.3)
Note C (POC)	(99.8)	(29.9)	-	-	(129.7)
Total financing cash flows	(1,343.7)	(1,513.0)	(1,368.3)	(663.8)	(5,008.8)
Net cash flows available for capital investments	\$ 4,335.4	\$ 3,761.8	\$ 696.1	\$ 1,107.8	\$ 3,781.0
Investment cash flows					
Reorganization (Capital investments)	\$ (682.2)	\$ (442.7)	\$ (501.4)	\$ (605.3)	\$ (2,131.5)
Blight (includes heavy commercial)	(430.0)	-	-	-	(430.0)
Hurlock Hill funds & Fee escrow	72.3	-	-	-	72.3
PLD decommission	(75.0)	-	-	-	(75.0)
Contingency	(98.9)	(120.9)	(143.6)	(173.0)	(536.4)
Reinsurance defaults	65.0	200.4	(51.1)	(214.3)	-
Total investment cash flows	(1,058.7)	(363.2)	(696.1)	(992.6)	(3,090.6)
Bankruptcy-related and other cash flows					
QOL / cas financing principal/interest payments	\$ (292.9)	\$ (126.0)	\$ -	\$ -	\$ (418.9)
QOL / cas financing proceeds (net)	241.4	27.5	-	-	268.9
Swap interest set-aside	(104.1)	-	-	-	(104.1)
OPEB payments - current estimates	(662.8)	-	-	-	(662.8)
Escrow proceeds (2012 refunding bonds)	64.7	-	-	-	64.7
Working capital	(0.8)	-	-	-	(0.8)
Reassessing professional fees (c)	(177.0)	-	-	-	(177.0)
Total bankruptcy cash flows	(971.4)	(98.5)	\$ -	\$ -	(1,070.0)
Surplus / (deficit)	\$ 45.2	\$ 0.0	\$ (0.0)	\$ 118.2	\$ 163.4
Ending cash balance (a)	\$ 81.2	\$ 81.2	\$ 81.2	\$ 196.4	\$ 196.4

Footnotes:

(a) Assumes pending DPOA & DFFA deals are cash flow neutral.

(b) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

(c) Any incremental professional fees are assumed to be funded by escrow account subject to State approval.

City of Detroit

Plan of Adjustment - 10 year projections

General Fund view

(\$ in millions)

Appendix 2b

	Preliminary forecast										2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Operating revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 263.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.3
State revenue sharing	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wageing cases	169.9	168.2	169.0	169.9	171.4	173.3	173.0	176.8	178.6	180.3	1,732.6
Property taxes	114.9	102.6	100.8	102.4	102.6	103.9	106.8	109.7	113.3	117.0	1,074.0
Utility users' rates	20.1	26.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0	257.2
Other revenue	307.7	310.5	293.1	289.1	284.6	280.2	247.6	244.7	229.0	226.2	2,622.7
Depreciated revenue initiatives	-	31.9	36.1	49.7	52.9	62.5	46.9	46.8	51.3	52.5	410.6
Operating revenues	1,051.6	1,090.6	1,085.0	1,075.1	1,083.7	1,080.0	1,094.8	1,096.5	1,099.0	1,111.5	10,867.8
Operating expenditures											
Salaries/overtime/fringe (a)	(311.0)	(350.2)	(364.8)	(363.4)	(372.5)	(381.8)	(389.4)	(397.1)	(404.8)	(412.9)	(3,768.1)
Health benefits	(49.2)	(48.0)	(52.4)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(609.8)
OPED payments - future retirees (a)	-	(6.1)	(5.1)	(5.1)	(5.2)	(5.2)	(5.3)	(5.3)	(5.4)	(5.4)	(52.2)
Active pension plus (a)	-	(52.1)	(44.1)	(44.9)	(45.8)	(46.7)	(47.4)	(48.2)	(48.9)	(49.7)	(447.9)
Other operating expenses (b)	(291.3)	(320.1)	(326.5)	(303.5)	(304.8)	(302.0)	(302.3)	(309.4)	(309.4)	(310.3)	(3,073.2)
Additional operating expenditures	-	(88.9)	(82.3)	(82.7)	(83.4)	(78.3)	(78.7)	(75.0)	(74.1)	(71.9)	(715.7)
Cost savings	-	15.3	37.0	42.8	49.0	45.3	45.7	41.7	41.6	39.8	365.2
Total operating expenditures	\$ (671.5)	\$ (649.2)	\$ (626.3)	\$ (601.0)	\$ (611.8)	\$ (620.3)	\$ (631.5)	\$ (644.0)	\$ (660.5)	\$ (672.8)	\$ (6,188.7)
Net operating cash flows	\$ 380.2	\$ 241.4	\$ 258.7	\$ 274.2	\$ 271.9	\$ 259.8	\$ 263.3	\$ 252.5	\$ 238.6	\$ 238.6	\$ 2,679.1
Financing cashflows											
Secured debt service	\$ (35.4)	\$ (39.4)	\$ (39.4)	\$ (39.4)	\$ (39.4)	\$ (39.4)	\$ (39.5)	\$ (39.5)	\$ (39.5)	\$ (39.4)	\$ (390.5)
Pension	-	(16.0)	(23.5)	(23.5)	(23.2)	(23.4)	(23.3)	(23.3)	(23.0)	(23.0)	(199.8)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
DWSD / other fund contributions for new notes	-	0.8	5.7	6.3	4.9	4.7	8.0	7.9	7.8	7.7	53.9
Note A1 (UTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(34.1)	(30.8)	(327.4)
Note A2 (LTGO)	-	(35.0)	-	-	-	-	-	-	-	-	(55.0)
Note B (incl. B overruns)	-	(12.6)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(214.9)
WDC cash payments	-	(6.5)	(6.4)	(6.4)	(6.4)	(6.4)	-	-	-	-	(2.2)
Note C (POC)	-	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(89.8)
Total financing cash flows	\$ (35.4)	\$ (181.0)	\$ (136.7)	\$ (136.1)	\$ (136.4)	\$ (134.1)	\$ (109.8)	\$ (109.2)	\$ (94.4)	\$ (90.7)	\$ (1,163.7)
Net cash flows available for capital investments	\$ 344.7	\$ 60.3	\$ 122.0	\$ 138.0	\$ 135.5	\$ 125.7	\$ 153.5	\$ 143.3	\$ 144.2	\$ 147.9	\$ 1,515.3
Investment cashflows											
Reorganization (Capital investments)	\$ -	\$ (139.5)	\$ (106.4)	\$ (53.6)	\$ (50.2)	\$ (43.6)	\$ (51.9)	\$ (46.0)	\$ (40.4)	\$ (38.6)	\$ (482.2)
Blight (excludes heavy commercial)	-	(62.0)	(64.0)	(60.0)	(50.0)	(51.0)	(53.0)	(45.0)	(25.0)	(19.0)	(420.0)
Hurlock Hlt funds & Fire escrow	-	63.3	9.0	-	-	-	-	-	-	-	72.3
PLD decommission	-	(2.5)	(5.0)	(15.0)	(10.0)	(10.0)	(10.0)	(12.5)	(10.0)	-	(75.0)
Contingency	-	(11.5)	(10.9)	(10.8)	(10.8)	(10.8)	(10.9)	(11.0)	(11.0)	(11.1)	(96.9)
Reinvestment deficits	-	-	25.4	15.2	(2.7)	1.5	7.4	35.3	3.6	(20.5)	65.0
Total investment cashflows	\$ -	\$ (172.2)	\$ (134.0)	\$ (126.2)	\$ (123.7)	\$ (113.9)	\$ (117.4)	\$ (79.2)	\$ (82.8)	\$ (69.3)	\$ (1,038.7)
Bankruptcy-related and other cashflows											
QOL / cas financing principal/interest payments	\$ (0.7)	\$ (10.3)	\$ (15.8)	\$ (15.8)	\$ (15.8)	\$ (15.8)	\$ (19.8)	\$ (63.4)	\$ (59.4)	\$ (56.9)	\$ (292.9)
QOL / cas financing proceeds (net)	-	217.7	23.7	-	-	-	-	-	-	-	241.4
Surp interest set-aside	(45.9)	(58.2)	-	-	-	-	-	-	-	-	(104.1)
OPED payments - current retirees	(143.7)	(19.0)	-	-	-	-	-	-	-	-	(162.8)
Escrow proceeds (2012 refunding bonds)	-	64.7	-	-	-	-	-	-	-	-	64.7
Working capital	13.4	(34.2)	4.0	4.0	4.0	4.0	4.0	-	-	-	(0.8)
Restructuring professional fees (c)	(49.4)	(127.6)	-	-	-	-	-	-	-	-	(177.0)
Total bankruptcy cashflows	\$ (236.3)	\$ 33.1	\$ 11.9	\$ (11.8)	\$ (11.8)	\$ (11.8)	\$ (35.8)	\$ (62.4)	\$ (59.4)	\$ (56.9)	\$ (431.4)
Surplus / (deficit)	\$ 118.4	\$ (78.8)	\$ (0.0)	\$ -	\$ 0.0	\$ (0.0)	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 48.3
Ending cash balance (a)	\$ 154.4	\$ 79.6	\$ 79.6	\$ 79.6	\$ 79.6	\$ 79.6	\$ 79.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2

Footnotes:

(a) Assume pending DPOA & DFPA deals are cash flow neutral.

(b) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

(c) Any incremental professional fees are assumed to be funded by escrow account subject to State approval.

This page intentionally left blank

15 of 15

10/20/2014 6:12 PM

City's Ex 793-015

EXHIBIT 18

Changes in Pension Terms Under the Plan

	GRS	PFRS
<u>Assumed Rate of Return</u>		
Pre-petition (June 2013)	7.9%	8.0%
POA	6.75%	6.75%
<u>UAAL</u>		
Pre-petition (June 2013)	\$1,879M	\$1,250M
POA	\$894M	\$553M
Target 2023	\$695M	\$681M
<u>Funding Status</u>		
Pre-petition (June 2013)	53%	71%
Target 2023	70%	78%
✓ Target 2053	100% ✓	100% ✓
<u>POA Liability Reduction</u>		
Plan Freeze	Yes	Yes
Monthly Pension Reduction	4.5%	None
COLA	Eliminated	Reduced by 55%
ASF Recoupment	Equivalent to 8.8% reduction in liability	N/A
<u>Future Contributions</u>		
Through 2023	\$719M	\$261M
✓ 2024-2053	\$1,422M ✓	\$1,393M ✓
Total	\$2,141M	\$1,654M

Admitted Sept. 29, 2014

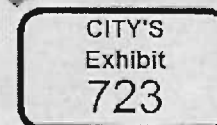
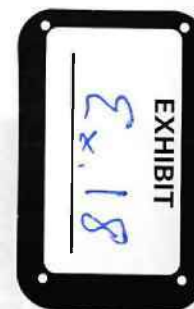


EXHIBIT 19

Admitted Sept 29, 2014,
projections as of
July 2014

Plan of Adjustment - 40 year projections

City of Detroit
Plan of Adjustment - 40 year projections



(trial ex. 111)

The attached Plan of Adjustment preliminary forecast (the "POA Financial Projections"), its assumptions and underlying data are the product of the Client and its management ("Management") and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP ("EY") did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client's POA Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.



1 of 9

POA00706603

City's Ex 111

①

Plan of Adjustment - 40 year projections

Assumptions

(\$ in millions)

Plan of Adjustment - 40 year projections

General Fund Cash Flows	GF 40yr cash flows	\$4.3b funds available for unsecured claims
	DIP financing	Quality of Life (\$120m @ 3.5% assumed to be refinanced as part of exit facility)
	Exit financing	\$300m note @ 6.0% maturing in FY26
	Swap treatment	\$85m settlement
	Contingency	Reflects 1.0% of total revenues
Revenue stream from DWSD	Pension	\$429m for pension in the first 10 years
	OPEB	12.1% of OPEB - current retirees payments
	POC	11.5% of total POC payments
Reimbursement from other funds	Reimbursements from Parking (non-GF) and Library	
Hypothetical art proceeds (a)	Foundations	\$366m over 20 years
	DIA	\$100m over 20 years
Hypothetical State settlement (a)	Contributions to pension	\$195m in FY15
Hypothetical claims treatment		
PFRS		
Pension	Contributions (years 1-10)	Estimated to be \$261m from foundations / State settlement
	Contributions (years 11-40)	UAAAL as of June 30, 2023 estimated to be ~\$681m (b) amortized over 30yr, including contributions in second decade from DIA and foundations ✓
	Discount rate	6.75%
	Targeted funded status as of 2023	78%
GRS		
Pension	Contributions (years 1-10)	Estimated to be \$99m from State settlement; \$429m from DWSD; \$45m from DIA; \$146m from GF & other funds
	Contributions (years 11-40)	UAAAL as of June 30, 2023 estimated to be ~\$695m (b) amortized over 30yr, including contributions in second decade from DIA and foundations ✓
	Discount rate	6.75%
	Targeted funded status as of 2023	70%
UTGO	Hypothetical Note A1	\$287.5m note funded with pass-through UTGO millage
LTGO	Hypothetical Note A2	\$55m settlement note
Other unsecured	Hypothetical Notes B	\$632m note paid over 30 years - \$450m OPEB, \$162m POC, \$4m notes/loans and \$16m other

Footnotes:

- (a) Hypothetical art and State settlement proceeds are subject to a consensual agreement with respect to the treatment of pension-related claims.
 (b) Estimated pension contributions to retirement systems and unfunded pension liabilities as of June 30, 2023 are subject to change.

Plan of Adjustment - 40 year projections

Recovery summary

(\$ in millions)

10 Years

10 Years		Hypothetical distributions						
Creditor	Claim	State settlement	Art proceeds	Cash	Notes			10 year \$
					A1 (UTGO)	A2 (LTGO)	B	
PFRS pension	\$1,250	\$96	\$165					\$261
GRS pension	\$1,879	\$99	\$45	\$575				\$719
PFRS OPEB	\$2,208			\$9			\$79	\$88
GRS OPEB	\$2,095			\$11			\$74	\$85
UTGO	\$388				\$328			\$328
LTGO	\$164					\$55		\$55
POC	\$1,473						\$55	\$55
Notes/loans payable	\$34						\$1	\$1
Other unsecured items	\$150						\$6	\$6
	\$9,640	\$195	\$210	\$595	\$328	\$55	\$215	\$1,597

40 Years

40 Years

Hypothetical distributions												
Creditor	Claim	State settlement	Art proceeds	Cash	Notes			Illustrative Recoveries			Adjusted %	
					A1 (UTGO)	A2 (LTGO)	B	\$	\$ PV (a)	%		
PFRS pension	\$1,250	\$96	\$233	\$1,325				\$1,654	\$735	59%	Excludes State, Foundation, and DIA proceeds	39% 48%
GRS pension	\$1,879	\$99	\$233	\$1,809				\$2,141	\$1,118	60%		
PFRS OPEB	\$2,208			\$9			\$443	\$452	\$212	10%		
GRS OPEB	\$2,095			\$11			\$415	\$426	\$201	10%		
UTGO	\$388				\$368			\$368	\$288	74%		
LTGO	\$164					\$55		\$55	\$52	32%		
POC	\$1,473						\$308	\$308	\$141	10%		
Notes/loans payable	\$34						\$7	\$7	\$3	10%		
Other unsecured items	\$150						\$31	\$31	\$14	10%		
	\$9,640	\$195	\$466	\$3,154	\$368	\$55	\$1,205	\$5,443	\$2,767	29%		

Description of Hypothetical notes					
Note	Face value	Interest rate	Recipients	Term	Comments
Note A1	\$287.5	n/a	UTGO	14 years	Represents ~87% of UTGO scheduled debt service
Note A2	\$55.0	n/a	LTGO	n/a	Paid in full with proceeds from exit financing
Note B	\$632.0	4%, 4%, 6%	OPEB, POC, Notes & Other unsec.	30 years	10 yrs interest only, and straight-line amortization thereafter

Footnotes:

(a) Present value amounts calculated assuming 5% discount rate

3 of 9

POA00706605

City's Ex 111-003

3

City of Detroit

Exhibit 3a

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

		2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Revenues	<i>Growth after FY23</i>					
Municipal income tax	2.4% - 2.8%	\$ 2,770.2	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.1
State revenue sharing	0.1% - 1.7%	2,000.5	2,121.0	2,307.1	2,533.2	8,961.8
Wagering taxes	1.0%	1,732.6	1,905.6	2,105.0	2,325.2	8,068.4
Property taxes	1.5% - 2.2%	1,074.0	1,369.6	1,640.0	1,903.2	5,986.8
Utility users' taxes	1.5% - 1.7%	257.2	304.3	353.2	409.9	1,324.6
Sales and charges for services	2.0%	1,118.0	1,161.2	1,415.5	1,725.5	5,420.2
Other revenue	2.0%	712.8	753.5	918.5	1,119.7	3,504.5
General Fund reimbursements	2.0%	264.1	238.8	291.1	354.9	1,149.0
Transfers in for UTGO	n/a	532.8	147.6	22.1	-	702.4
Restructuring:						
Department revenue initiatives	2.0%	482.9	586.2	714.6	871.1	2,654.8
QOL / exit financing proceeds (net)	n/a	292.7	-	-	-	292.7
Total revenues		11,237.8	12,097.9	14,357.6	17,301.9	54,995.2
Expenditures						
Salaries/overtime/fringe - Public Safety (a)	2.0% - 2.25%	(2,864.3)	(3,524.5)	(4,356.5)	(5,442.1)	(16,187.4)
Salaries/overtime/fringe - Non-Public Safety	2.0% - 2.25%	(903.8)	(1,087.2)	(1,343.9)	(1,678.8)	(5,013.7)
Health benefits (b)	~4% inflation cap beg. FY20	(752.6)	(928.2)	(1,373.9)	(2,033.7)	(5,088.4)
OPEB payments - future retirees (a)	\$1m per year uniform / 2% of wages non-uniform	(32.2)	(37.0)	(43.2)	(51.1)	(163.4)
Active pension plan (a)	12.25% uniform / 5.75% non-uniform	(347.9)	(443.6)	(547.8)	(683.4)	(2,022.6)
Other operating expenses (c)	2.0%	(3,073.2)	(3,437.4)	(4,190.1)	(5,107.7)	(15,808.5)
Restructuring:						
Additional operating expenditures	2.0%	(357.5)	(359.1)	(437.7)	(533.5)	(1,687.7)
Working capital	n/a	(24.8)	-	-	-	(24.8)
Secured debt service	n/a	(390.5)	(391.0)	(67.2)	-	(848.6)
Contributions to income stabilization fund	n/a	(17.8)	(2.2)	-	-	(20.0)
Swap interest set-aside	n/a	(103.7)	-	-	-	(103.7)
QOL / exit financing principal/interest payments	n/a	(335.8)	(110.3)	-	-	(446.1)
Reorganization (Capital investments)	2.0%	(582.2)	(442.7)	(501.4)	(605.3)	(2,131.5)
Restructuring professional fees (d)	n/a	(130.0)	-	-	-	(130.0)
Blight (excludes heavy commercial)	n/a	(420.0)	-	-	-	(420.0)
PLD decommission	n/a	(75.0)	-	-	-	(75.0)
Contingency	n/a	(101.3)	(121.0)	(143.6)	(173.0)	(538.8)
Reinvestment deferrals	n/a	29.8	222.9	(10.9)	(241.8)	-
Total expenditures		(10,482.8)	(10,661.1)	(13,016.1)	(16,550.4)	(50,710.3)
Funds available for unsecured claims		\$ 755.0	\$ 1,436.8	\$ 1,341.6	\$ 751.5	\$ 4,284.9

Footnotes:

(a) Assumes DPOA & DPFA deals are consistent with that of DPLSA.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

(d) Any incremental professional fees are assumed to be funded by escrow account subject to State approval.

(4)

City of Detroit

Exhibit 3a

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Sources					
Funds available for unsecured claims	\$ 755.0	\$ 1,436.8	\$ 1,341.6	\$ 751.5	\$ 4,284.9
Revenue stream from DWSD - no transaction					
Pension	428.5	-	-	-	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	19.9	40.4	38.7	5.9	105.0
POC (based on 11.5% of total POC payments)	6.4	13.9	13.3	2.0	35.6
Sub-total: Revenue stream from DWSD	454.8	54.3	52.1	8.0	569.1
Reimbursement from other funds	27.6	32.8	25.2	15.5	101.2
Hypothetical art proceeds					
Foundation fundraising	164.7	201.3	-	-	366.0
DIA contributions	45.0	55.0	-	-	100.0
State settlement	194.8	-	-	-	194.8
Total hypothetical sources	\$ 1,641.9	\$ 1,780.2	\$ 1,418.9	\$ 775.0	\$ 5,616.0
Uses					
Hypothetical retiree payments					
PFRS pension payments	(260.7)	(617.7)	(464.5)	(311.3)	(1,654.2)
GRS pension payments	(718.6)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	(10.9)
Subtotal: hypothetical retiree distributions	(999.3)	(1,248.1)	(938.5)	(628.9)	(3,814.9)
Hypothetical notes					
Note A1 (UTGO)	(327.5)	(40.8)	-	-	(368.4)
Note A2 (LTGO)	(55.0)	-	-	-	(55.0)
Note B (\$632m - 10yr Interest only)	(214.9)	(470.2)	(450.6)	(68.9)	(1,204.6)
Subtotal: hypothetical notes	(597.4)	(511.1)	(450.6)	(68.9)	(1,628.0)
Total hypothetical distributions / total uses	\$ (1,396.7)	\$ (1,759.2)	\$ (1,389.2)	\$ (697.8)	\$ (5,442.9)
Surplus / (deficit)	\$ 45.2	\$ 21.0	\$ 29.7	\$ 77.2	\$ 173.1
Ending cash balance	\$ 81.2	\$ 102.2	\$ 131.9	\$ 209.1	\$ 209.1

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Total distributions to creditors					
PFRS pension (c)	\$ (260.7)	\$ (617.7)	\$ (464.5)	\$ (311.3)	\$ (1,654.2)
GRS pension (c)	(718.6)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB	(9.1)	-	-	-	(9.1)
GRS OPEB	(10.9)	-	-	-	(10.9)
UTGO (Note A1)	(327.5)	(40.8)	-	-	(368.4)
LTGO (Note A2)	(55.0)	-	-	-	(55.0)
Note B					
PFRS OPEB	(78.9)	(172.7)	(165.5)	(25.3)	(442.5)
GRS OPEB	(74.1)	(162.1)	(155.3)	(23.7)	(415.2)
POC	(55.0)	(120.4)	(115.4)	(17.6)	(308.5)
Notes/loans payable	(1.3)	(2.7)	(2.6)	(0.4)	(7.0)
Other unsecured items	(5.6)	(12.3)	(11.8)	(1.8)	(31.4)
Total hypothetical distributions to unsecured creditors	(1,596.7)	(1,759.2)	(1,389.2)	(697.8)	(5,442.9)
Total secured debt service (including QOL/Exit financing)	(726.3)	(501.3)	(67.2)	-	(1,294.7)
Total distributions to creditors	\$ (2,323.0)	\$ (2,260.5)	\$ (1,456.3)	\$ (697.8)	\$ (6,737.7)
Percentage of total revenues (including other sources)	19.2%	18.2%	10.1%	4.0%	12.0%

	Claims (a)		40 years			
	\$ in millions	%	Nominal (b)	%	PV @ 5.0% (b)	%
PFRS pension (c)	1,250.0	13%	1,325.2	106%	481.8	39%
GRS pension (c)	1,879.0	19%	1,808.9	96%	895.5	48%
PFRS OPEB	2,207.8	23%	451.7	20%	212.1	10%
GRS OPEB	2,095.2	22%	426.0	20%	201.3	10%
Sub-total: Pension and OPEB	7,432.1	77%	4,011.8	54%	1,790.6	24%
UTGO (Note A1)	387.9	4%	368.4	95%	288.4	74%
LTGO (Note A2)	163.5	2%	55.0	34%	52.4	32%
Note B (excl. OPEB)						
POC	1,472.9	15%	308.5	21%	141.5	10%
Notes/loans payable	33.6	0%	7.0	21%	3.2	10%
Other unsecured items	150.0	2%	31.4	21%	14.4	10%
Sub-total: Note B (excl. OPEB)	1,656.5	17%	346.9	21%	159.1	30%
Total	\$ 9,640.0	100%	\$ 4,782.1	50%	\$ 2,290.5	24%

Footnotes:

(a) Subject to ongoing legal review/negotiation. Final allowed claim amounts under these categories may be materially different.

(b) Nominal pension system payments have each been adjusted by \$661m for PFRS and GRS combined (State settlement & art proceeds) for the calculation of recoveries.

(c) Retirement system pension claims based on actuarial valuation as of June 30, 2013.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	Preliminary forecast										2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.2
State revenue sharing	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wagering taxes	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	1,732.6
Property taxes	114.9	102.6	100.8	102.4	102.6	103.9	106.8	109.7	113.3	117.0	1,074.0
Utility users' taxes	20.1	24.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0	257.2
Sales and charges for services	131.5	118.0	115.8	113.6	111.4	109.2	107.0	104.4	103.3	104.0	1,118.0
Other revenue	79.8	86.6	78.7	67.3	66.0	66.3	66.6	66.9	67.2	67.5	712.8
General Fund reimbursements	29.8	42.9	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	264.1
Transfers in for UTGO	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
Restructuring:											
Department revenue initiatives	7.2	88.0	45.1	49.7	52.9	42.5	46.9	46.8	51.3	52.5	482.9
QOL / exit financing proceeds (net)	52.5	199.4	40.8	-	-	-	-	-	-	-	292.7
Total revenues	1,111.3	1,345.6	1,135.6	1,075.9	1,084.4	1,080.8	1,095.5	1,097.1	1,099.6	1,112.0	11,237.8
Expenditures											
Salaries/overtime/fringe - Public Safety (a)	(245.2)	(263.3)	(276.7)	(277.5)	(284.4)	(291.5)	(297.4)	(303.3)	(309.4)	(315.6)	(2,864.3)
Salaries/overtime/fringe - Non-Public Safety	(85.7)	(86.9)	(88.1)	(86.1)	(88.0)	(90.2)	(92.0)	(93.8)	(95.4)	(97.3)	(903.8)
Health benefits (b)	(173.0)	(67.1)	(52.4)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(752.6)
OPEB payments - future retirees (a)	(3.0)	(3.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(32.2)
Active pension plan (a)	(18.8)	(33.3)	(34.1)	(34.9)	(35.8)	(36.7)	(37.4)	(38.2)	(38.9)	(39.7)	(347.9)
Other operating expenses (c)	(291.3)	(320.1)	(326.5)	(303.5)	(304.8)	(302.0)	(302.2)	(303.3)	(309.4)	(310.3)	(3,073.2)
Restructuring:											
Additional operating expenditures	(8.0)	(64.6)	(45.3)	(39.9)	(35.6)	(33.0)	(33.0)	(33.3)	(32.5)	(32.1)	(357.5)
Working capital	(39.8)	15.0	-	-	-	-	-	-	-	-	(24.8)
Secured debt service	(35.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(390.5)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Swap interest set-aside	(45.9)	(57.8)	-	-	-	-	-	-	-	-	(103.7)
QOL / exit financing principal/interest payments	(0.7)	(13.4)	(18.0)	(18.0)	(18.0)	(46.6)	(59.1)	(56.6)	(54.0)	(51.4)	(335.8)
Reorganization (Capital investments)	(20.6)	(118.9)	(106.4)	(65.6)	(50.2)	(43.6)	(51.9)	(46.0)	(40.4)	(38.6)	(582.2)
Restructuring professional fees (d)	(82.2)	(47.8)	-	-	-	-	-	-	-	-	(130.0)
Blight (excludes heavy commercial)	(2.0)	(100.0)	(46.0)	(40.0)	(43.0)	(48.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
PLD decommission	-	(2.5)	(5.0)	(15.0)	(10.0)	(10.0)	(10.0)	(12.5)	(10.0)	-	(75.0)
Contingency	-	(13.5)	(11.4)	(10.8)	(10.8)	(10.8)	(11.0)	(11.0)	(11.0)	(11.1)	(101.3)
Reinvestment deferrals	-	-	6.4	3.4	(9.8)	23.8	24.7	22.0	(8.9)	(31.8)	29.8
Total expenditures	(1,051.7)	(1,219.1)	(1,048.3)	(988.6)	(995.2)	(997.0)	(1,032.3)	(1,034.6)	(1,060.5)	(1,065.5)	(10,482.8)
Funds available for unsecured claims	\$ 59.6	\$ 126.5	\$ 87.3	\$ 87.2	\$ 89.2	\$ 83.8	\$ 63.3	\$ 62.6	\$ 49.0	\$ 46.5	\$ 755.0

Footnotes

(a) Assumes DPOA & DFFA deals are consistent with that of DPLSA.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

(d) Any incremental professional fees are assumed to be funded by escrow account subject to State approval.

7

City of Detroit

Exhibit 3b

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

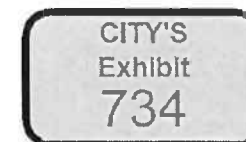
	Preliminary forecast										2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Sources											
Funds available for unsecured claims	\$ 59.6	\$ 126.5	\$ 87.3	\$ 87.2	\$ 89.2	\$ 83.8	\$ 63.3	\$ 62.6	\$ 49.0	\$ 46.5	\$ 755.0
Revenue stream from DWSD - no transaction											
Pension	-	65.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	-	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	19.9
POC (based on 11.5% of total POC payments)	-	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	6.4
Sub-total: Revenue stream from DWSD	-	68.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	454.8
Reimbursement from other funds	-	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0	3.0	27.6
Hypothetical art proceeds											
Foundation fundraising	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
DIA contributions	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
State settlement	-	194.8	-	-	-	-	-	-	-	-	194.8
Total hypothetical sources	\$ 59.6	\$ 416.0	\$ 162.0	\$ 162.0	\$ 164.0	\$ 158.6	\$ 137.9	\$ 137.2	\$ 123.6	\$ 121.1	\$ 1,641.9
Uses											
Hypothetical retiree payments											
PFRS pension payments	-	(114.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(260.7)
GRS pension payments	-	(188.2)	(76.9)	(76.9)	(76.8)	(76.6)	(56.5)	(56.5)	(55.2)	(54.9)	(718.6)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	-	-	-	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.5)	-	-	-	-	-	-	-	-	-	(10.9)
Subtotal: hypothetical retiree distributions	(20.0)	(302.5)	(95.2)	(95.2)	(95.1)	(94.9)	(74.8)	(74.8)	(73.5)	(73.2)	(999.3)
Hypothetical notes											
Note A1 (UTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(24.1)	(20.8)	(327.5)
Note A2 (LTGO)	-	(55.0)	-	-	-	-	-	-	-	-	(55.0)
Note B (\$632m - 10yr Interest only)	-	(12.6)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(214.9)
Subtotal: hypothetical notes	-	(113.4)	(66.8)	(66.8)	(65.8)	(63.7)	(63.0)	(62.4)	(49.4)	(46.1)	(597.4)
Total hypothetical distributions / total uses	\$ (20.0)	\$ (416.0)	\$ (162.0)	\$ (162.0)	\$ (160.9)	\$ (158.6)	\$ (137.9)	\$ (137.2)	\$ (122.9)	\$ (119.3)	\$ (1,596.7)
Surplus / (deficit)	\$ 39.6	\$ 0.0	\$ -	\$ -	\$ 3.1	\$ -	\$ -	\$ -	\$ 0.7	\$ 1.8	\$ 45.2
Ending cash balance	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 78.7	\$ 78.7	\$ 78.7	\$ 78.7	\$ 79.4	\$ 81.2	\$ 81.2

EXHIBIT 20

City of Detroit Plan of Adjustment - 40 year projections

The attached Plan of Adjustment preliminary forecast (the "POA Financial Projections"), its assumptions and underlying data are the product of the Client and its management ("Management") and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP ("EY") did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client's POA Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

(Trans 62,734)



Admitted Sept. 23, 2014
Projections as of Sept. 2014

POA00752751

Plan of Adjustment - 40 year projections

Assumptions

(\$ in millions)

Plan of Adjustment - 40 year projections

General Fund Cash Flows	GF 40yr cash flows	\$4.3b funds available for unsecured claims
	Minimum cash requirement	Based on 2 months of payroll through FY23 and the 5% cash reserve thereafter
	DIP financing	Quality of Life (\$120m @ 3.5% assumed to be refinanced as part of exit facility)
	Exit financing	\$160.0m tax exempt note @ 5.75% maturing in FY30
		\$115.0m taxable note @ 5.75% maturing in FY24
	Swap treatment	\$85m settlement
	Contingency	Reflects 1.0% of total revenues
Revenue stream from DWSD	Pension	\$429m for pension in the first 10 years
	OPEB	12.1% of OPEB - current retirees payments
	POC	11.5% of total POC payments
Reimbursement from other funds	Reimbursements from Parking (non-GF) and Library	
DIA settlement	Foundations	\$366m over 20 years
	DIA	\$100m over 20 years
State settlement	Contributions to pension	\$195m in FY15
Unsecured Claims treatment		
LTGO (Class 7)	Note A2 and Note B reserves	\$55m settlement note and \$4.2m Note B reserves
UTGO (Class 8)	Note A1	\$288m note funded with pass-through UTGO millage
POC (Class 9) - Syncora	Notes C and B	\$21m of Note C and \$23.5m of Note B
POC (Class 9) - FGIC	Notes B reserves	\$122.9m of Note B reserves
PFRS Pension (Class 10)	State and DIA Settlements	
	Contributions (years 1-10)	Estimated to be \$261m from foundations / State settlement
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$681m amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	78%
GRS Pension (Class 11)	State and DIA Settlements	
	Contributions (years 1-10)	Estimated to be \$99m from State settlement; \$429m from DWSD; \$45m from DIA; \$146m from GF & other funds
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$695m amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	70%
OPEB (Class 12)	Note B, Note B reserves, and cash	\$450m of Note B, \$11m Note B reserves, and \$20m cash
DDA (Class 13)	Note B	\$4m of Note B
Other unsecured (Class 14)	Note B and Note B reserves	\$16m of Note B and \$0.2m Note B reserves
36DC (Class 17)	Cash payment	\$2.2m cash (~\$500k upfront payment, and 4 equal annual payments thereafter of ~\$400k)

Plan of Adjustment - 40 year projections

Recovery summary

(\$ in millions)

10 Years

10 Years			Distributions								
Creditor	Class (a)	Claim	State settlement	DIA settlement	Cash	Notes				10 year	
						A1	A2	B	B (reserves)	C	\$
LTGO	7	\$164					\$55		\$1		\$56
UTGO	8	\$388				\$328					\$328
POC - Syncora (b)	9	\$354						\$8		\$20	\$28
POC - EGIC	9	\$1,119							\$42		\$42
PFRS pension	10	\$1,250	\$96	\$165							\$261
GRS pension (c)	11	\$1,879	\$99	\$45	\$575						\$719
PFRS OPEB	12	\$2,208			\$9			\$79	\$2		\$90
GRS OPEB	12	\$2,095			\$11			\$74	\$2		\$87
DDA	13	\$34						\$1			\$1
Other unsecured	14	\$150						\$6	\$0		\$6
36DC	17	\$6			\$2						\$2
		\$9,646	\$195	\$210	\$597	\$328	\$55	\$168	\$47	\$20	\$1,619

40 Years

40 Years			Distributions											
Creditor	Class (a)	Claim	State settlement	DIA settlement	Cash	Notes					Illustrative Recoveries			Adjusted
						A1	A2	B	B (reserves)	C	\$	\$ PV (d)	%	%
LTGO	7	\$164					\$55		\$8		\$63	\$56	34%	13%
UTGO	8	\$388				\$368					\$368	\$288	74%	
POC - Syncora (b)	9	\$354						\$45		\$29	\$74	\$41	12%	
POC - EGIC	9	\$1,119							\$234		\$234	\$107	10%	
PFRS pension	10	\$1,250	\$96	\$233	\$1,325						\$1,654	\$735	59%	
GRS pension (c)	11	\$1,879	\$99	\$233	\$1,869						\$2,141	\$1,118	60%	39%
PFRS OPEB	12	\$2,208			\$9			\$442	\$11		\$462	\$217	10%	
GRS OPEB	12	\$2,095			\$11			\$416	\$10		\$437	\$206	10%	
DDA	13	\$34						\$7			\$7	\$3	10%	
Other unsecured	14	\$150						\$31	\$0		\$32	\$15	10%	
36DC	17	\$6			\$2						\$2	\$2	32%	48%
		\$9,646	\$195	\$466	\$3,156	\$368	\$55	\$941	\$264	\$29	\$5,474	\$2,790		

Includes
settlement credits
Excludes State,
Foundation, and LJA
funding

Description of notes

Note	Face value	Interest rate	Recipients	Term	Comments
Note A1	\$287.6	n/a	UTGO	14 years	Represents ~ 87% of UTGO scheduled debt service
Note A2	\$55.0	n/a	LTGO	n/a	Upfront payment; City retains the option to repay this note over 23 years
Note B (incl. reserves)	\$672.0	4%, 4%, 6%	OPEB, LTGO, POC, Notes & Other unsec	30 years	10 yrs interest only, and straight line amortization thereafter
Note C	\$21.3	5%	Syncora	12 years	\$2.4m annual payment

Footnotes:

- (a) Excludes Secured Claims (Class 1 through Class 6), Convenience Claims (Class 15), and Subordinated Claims (Class 16).
 (b) Distributions and illustrative recoveries do not include settlement credits in the nominal amount of \$6.3m.
 (c) Cash payments include DWSID contributions of \$429m and other fund reimbursements of \$94m (over the 40yr period).
 (d) Present value amounts calculated assuming 5% discount rate.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

		2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Revenues	<i>Growth after FY23</i>					
Municipal income tax	2.4% - 2.8%	\$ 2,770.3	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.2
State revenue sharing	0.1% - 1.7%	2,000.5	2,121.0	2,307.1	2,533.2	8,961.8
Wageing taxes	1.0%	1,732.6	1,905.6	2,105.0	2,325.2	8,068.4
Property taxes	1.5% - 2.2%	1,074.0	1,369.6	1,640.0	1,903.2	5,986.8
Utility users' taxes	1.5% - 1.7%	257.2	304.3	353.2	409.9	1,324.6
Sales and charges for services	2.0%	1,118.0	1,161.2	1,415.5	1,725.5	5,420.2
Other revenue	2.0%	706.9	747.2	918.3	1,119.7	3,492.1
General Fund reimbursements	2.0%	264.1	238.8	291.1	354.9	1,149.0
Transfers in for UTGO	n/a	532.8	147.6	22.1	-	702.4
Restructuring:						
Department revenue initiatives	2.0%	482.9	586.2	714.6	871.1	2,654.8
QOL / exit financing proceeds (net)	n/a	268.1	-	-	-	268.1
Total revenues		11,207.3	12,091.6	14,357.4	17,301.9	54,958.3
Expenditures						
Salaries/overtime/fringe - Public Safety (a)	2.0% - 2.25%	(2,864.3)	(3,524.5)	(4,356.5)	(5,442.1)	(16,187.4)
Salaries/overtime/fringe - Non-Public Safety	2.0% - 2.25%	(903.8)	(1,087.2)	(1,343.9)	(1,678.8)	(5,013.7)
Health benefits (b)	---4% inflation cap beg. FY20	(752.6)	(928.2)	(1,373.9)	(2,033.7)	(5,088.4)
OPEB payments - future retirees (a)	\$1m per year uniform / 2% of wages non-uniform	(32.2)	(37.0)	(43.2)	(51.1)	(163.4)
Active pension plan (a)	12.25% uniform / 5.75% non-uniform	(347.9)	(443.6)	(547.8)	(683.4)	(2,022.6)
Other operating expenses (c)	2.0%	(3,073.2)	(3,437.4)	(4,190.1)	(5,107.7)	(15,808.5)
Restructuring:						
Additional operating expenditures	2.0%	(357.5)	(359.1)	(437.7)	(533.5)	(1,687.7)
Escrow proceeds (2012 refunding bonds)	n/a	64.7	-	-	-	64.7
Working capital	n/a	(49.8)	-	-	-	(49.8)
Secured debt service	n/a	(390.5)	(391.0)	(67.2)	-	(848.6)
Contributions to income stabilization fund	n/a	(17.8)	(2.2)	-	-	(20.0)
Swap interest set-aside	n/a	(103.7)	-	-	-	(103.7)
QOL / exit financing principal/interest payments	n/a	(292.3)	(126.0)	-	-	(418.4)
Reorganization (Capital investments)	2.0%	(582.2)	(442.7)	(501.4)	(605.3)	(2,131.5)
Restructuring professional fees	n/a	(182.0)	-	-	-	(182.0)
Blight (excludes heavy commercial)	n/a	(420.0)	-	-	-	(420.0)
PLD decommission	n/a	(75.0)	-	-	-	(75.0)
Contingency	n/a	(98.9)	(120.9)	(143.6)	(173.0)	(536.4)
Reinvestment deferrals	n/a	46.7	231.6	(39.8)	(238.6)	-
Total expenditures		(10,432.3)	(10,668.0)	(13,044.9)	(16,547.2)	(50,692.5)
Funds available for unsecured claims		\$ 775.0	\$ 1,423.6	\$ 1,312.4	\$ 754.7	\$ 4,265.8

Footnotes:

(a) Assumes pending DPOA & DFFA deals are cash flow neutral.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Sources					
Funds available for unsecured claims	\$ 775.0	\$ 1,423.6	\$ 1,312.4	\$ 754.7	\$ 4,265.8
Revenue stream from DWSB - no transaction					
Pension	428.5	-	-	-	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	20.4	41.4	39.7	6.1	107.5
POC (based on 11.5% of total POC payments)	8.1	13.5	12.1	1.8	35.6
Subtotal: Revenue stream from DWSB	457.0	55.0	51.7	7.9	571.6
Reimbursement from other funds	28.0	32.7	25.0	15.5	101.2
Grand Bargain funding					
Foundation fundraising	164.7	201.3	-	-	366.0
DIA contributions	45.0	55.0	-	-	100.0
State settlement	194.8	-	-	-	194.8
Total sources	\$ 1,664.5	\$ 1,767.6	\$ 1,389.2	\$ 778.1	\$ 5,599.4
Uses					
Retiree payments					
PFRS pension payments	(260.7)	(617.7)	(464.5)	(311.3)	(1,654.2)
GRS pension payments	(718.5)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	(10.9)
Subtotal: retiree distributions	(999.2)	(1,248.1)	(938.5)	(628.9)	(3,814.8)
Note and cash payments					
Note A1 (UTGO)	(327.6)	(40.8)	-	-	(368.5)
Note A2 (LTGO)	(55.0)	-	-	-	(55.0)
Note B (incl. B reserves)	(214.9)	(470.2)	(450.6)	(68.9)	(1,204.6)
36DC cash payments	(2.2)	-	-	-	(2.2)
Note C (POC)	(20.4)	(8.4)	-	-	(28.8)
Subtotal: note and cash payments	(620.1)	(519.4)	(450.6)	(68.9)	(1,659.0)
Total distributions / total uses	\$ (1,619.3)	\$ (1,767.6)	\$ (1,389.2)	\$ (697.8)	\$ (5,473.9)
Surplus / (deficit)	\$ 45.2	\$ -	\$ -	\$ 80.3	\$ 125.5
Ending cash balance (a)	\$ 81.2	\$ 81.2	\$ 81.2	\$ 161.5	\$ 161.5

Footnotes:

(a) Includes 5% of budgeted expenditures as required by State law.

POA00752755

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Total distributions to creditors					
PFRS pension (c)	\$ (260.7)	\$ (617.7)	\$ (464.5)	\$ (311.3)	\$ (1,654.2)
GRS pension (c)	(718.5)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB (cash)	(9.1)	-	-	-	(9.1)
GRS OPEB (cash)	(10.9)	-	-	-	(10.9)
UTGO (Note A1)	(327.6)	(40.8)	-	-	(368.5)
LTGO (Note A2)	(55.0)	-	-	-	(55.0)
Note B					
PFRS OPEB (incl. B reserves)	(80.8)	(176.8)	(169.4)	(25.9)	(453.0)
GRS OPEB (incl. B reserves)	(75.9)	(166.2)	(159.3)	(24.3)	(425.7)
LTGO (B reserves)	(1.4)	(3.1)	(3.0)	(0.5)	(8.0)
POC - Syncora	(8.0)	(17.5)	(16.8)	(2.6)	(44.8)
POC - FGIC (B reserves)	(41.8)	(91.4)	(87.6)	(13.4)	(234.3)
DDA	(1.3)	(2.7)	(2.6)	(0.4)	(7.0)
Other unsecured items (incl. B reserves)	(5.7)	(12.4)	(11.9)	(1.8)	(31.8)
36DC cash payments	(2.2)	-	-	-	(2.2)
POC - Syncora (Note C)	(20.4)	(8.4)	-	-	(28.8)
Total distributions to unsecured creditors	(1,619.3)	(1,767.6)	(1,389.2)	(697.8)	(5,473.9)
Total secured debt service (including QOL/Exit financing)	(682.9)	(517.0)	(67.2)	-	(1,267.0)
Total distributions to creditors	\$ (2,302.1)	\$ (2,284.6)	\$ (1,456.3)	\$ (697.8)	\$ (6,740.9)
Percentage of total revenues (including other sources)	19.0%	18.4%	10.1%	4.0%	12.0%

	Claims (a)		40 years			
	\$ in millions	%	Nominal (b)	%	PV @ 5.0% (b)	%
PFRS pension (c)	1,250.0	13%	1,325.2	106%	481.8	39%
GRS pension (c)	1,879.0	19%	1,808.9	96%	895.5	48%
PFRS OPEB	2,207.8	23%	462.1	21%	216.9	10%
GRS OPEB	2,095.2	22%	436.6	21%	206.1	10%
UTGO	388.0	4%	368.5	95%	288.5	74%
LTGO	163.5	2%	63.0	39%	56.0	34%
POC - Syncora	354.4	4%	73.6	21%	41.3	12%
POC - FGIC (B reserves)	1,118.8	12%	234.3	21%	107.4	10%
DDA	33.6	0%	7.0	21%	3.2	10%
Other unsecured items	150.0	2%	31.8	21%	14.6	10%
36DC claims	6.0	0%	2.2	37%	1.9	32%
Total	\$ 9,646.4	100%	\$ 4,813.1	50%	\$ 2,313.2	

Footnotes:

(a) Subject to ongoing legal review/negotiation. Final allowed claim amounts under these categories may be materially different.

(b) Nominal pension system payments exclude \$661m for PFRS and GRS (State settlement & art proceeds) for the calculation of recoveries.

(c) Retirement system pension claims based on actuarial valuation as of June 30, 2013. Assumes a 6.75% discount rate.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	Preliminary forecast										2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.3
State revenue sharing	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wagering taxes	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	1,732.6
Property taxes	114.9	102.6	100.8	102.4	102.6	103.9	106.8	109.7	113.3	117.0	1,074.0
Utility users' taxes	20.1	24.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0	257.2
Sales and charges for services	131.5	118.0	115.8	113.6	111.4	109.2	107.0	104.4	103.3	104.0	1,118.0
Other revenue	79.8	86.2	78.0	66.5	65.3	65.5	65.8	66.2	66.6	66.9	706.9
General Fund reimbursements	29.8	42.9	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	264.1
Transfers in for UTGO	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
Restructuring:											
Department revenue initiatives	-	95.2	45.1	49.7	52.9	42.5	46.9	46.8	51.3	52.5	482.9
QOL / exit financing proceeds (net)	-	240.5	27.6	-	-	-	-	-	-	-	268.1
Total revenues	1,051.6	1,393.5	1,121.6	1,075.1	1,083.7	1,080.0	1,094.8	1,096.5	1,099.0	1,111.5	11,207.3
Expenditures											
Salaries/overtime/fringe - Public Safety (a)	(245.2)	(263.3)	(276.7)	(277.5)	(284.4)	(291.5)	(297.4)	(303.3)	(309.4)	(315.6)	(2,864.3)
Salaries/overtime/fringe - Non-Public Safety	(85.7)	(86.9)	(88.1)	(86.1)	(88.0)	(90.2)	(92.0)	(93.8)	(95.4)	(97.3)	(903.8)
Health benefits (b)	(173.0)	(67.1)	(52.4)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(752.6)
OPEB payments - future retirees (a)	-	(6.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(32.2)
Active pension plan (a)	-	(52.1)	(34.1)	(34.9)	(35.8)	(36.7)	(37.4)	(38.2)	(38.9)	(39.7)	(347.9)
Other operating expenses (c)	(291.3)	(320.1)	(326.5)	(303.5)	(304.8)	(302.0)	(302.2)	(303.3)	(309.4)	(310.3)	(3,073.2)
Restructuring:											
Additional operating expenditures	-	(72.6)	(45.3)	(39.9)	(35.6)	(33.0)	(33.0)	(33.3)	(32.5)	(32.1)	(357.5)
Escrow proceeds (2012 refunding bonds)	-	64.7	-	-	-	-	-	-	-	-	64.7
Working capital	13.4	(63.2)	-	-	-	-	-	-	-	-	(49.8)
Secured debt service	(35.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(390.5)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Swap interest set-aside	(45.9)	(57.8)	-	-	-	-	-	-	-	-	(103.7)
QOL / exit financing principal/interest payments	(0.7)	(9.7)	(15.8)	(15.8)	(15.8)	(15.8)	(39.8)	(62.4)	(59.6)	(56.9)	(292.3)
Reorganization (Capital investments)	-	(139.5)	(106.4)	(65.6)	(50.2)	(43.6)	(51.9)	(46.0)	(40.4)	(38.6)	(582.2)
Restructuring professional fees	(49.4)	(132.6)	-	-	-	-	-	-	-	-	(182.0)
Blight (excludes heavy commercial)	-	(82.0)	(46.0)	(50.0)	(50.0)	(51.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
PLD decommission	-	(2.5)	(5.0)	(15.0)	(10.0)	(10.0)	(10.0)	(12.5)	(10.0)	-	(75.0)
Contingency	-	(11.5)	(10.9)	(10.8)	(10.8)	(10.8)	(10.9)	(11.0)	(11.0)	(11.1)	(98.9)
Reinvestment deferrals	-	-	20.3	14.5	(4.7)	(0.7)	8.5	32.3	0.5	(23.7)	46.7
Total expenditures	(913.3)	(1,344.2)	(1,031.8)	(985.4)	(995.0)	(993.7)	(1,029.1)	(1,030.1)	(1,046.8)	(1,062.8)	(10,432.3)
Funds available for unsecured claims	\$ 138.4	\$ 49.3	\$ 89.8	\$ 89.8	\$ 88.7	\$ 86.3	\$ 65.7	\$ 66.4	\$ 52.2	\$ 48.6	\$ 775.0

Footnotes:

(a) Assumes pending DPOA & DFFA deals are cash flow neutral.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	Preliminary forecast										2014-2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Sources											
Funds available for unsecured claims	\$ 138.4	\$ 49.3	\$ 89.8	\$ 89.8	\$ 88.7	\$ 86.3	\$ 65.7	\$ 66.4	\$ 52.2	\$ 48.6	\$ 775.0
Revenue stream from DWSB - no transaction											
Pension	-	65.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	-	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	20.4
POC (based on 11.5% of total POC payments)	-	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	8.1
Subtotal: Revenue stream from DWSB	-	68.4	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.6	457.0
Reimbursement from other funds	-	3.2	3.2	3.2	3.2	3.2	3.0	3.0	3.0	3.0	28.0
Grand Bargain funding											
Foundation fundraising	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
DIA contributions	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
State settlement	-	194.8	-	-	-	-	-	-	-	-	194.8
Total sources	\$ 138.4	\$ 339.0	\$ 164.8	\$ 164.8	\$ 163.7	\$ 161.3	\$ 140.6	\$ 141.3	\$ 127.1	\$ 123.5	\$ 1,664.5
Uses											
Retiree payments											
PFRS pension payments	-	(114.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(260.7)
GRS pension payments	-	(188.2)	(76.9)	(76.9)	(76.8)	(76.6)	(56.5)	(56.5)	(55.2)	(54.9)	(718.5)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	-	-	-	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	-	-	-	-	-	-	(10.9)
Subtotal: retiree distributions	(20.0)	(302.5)	(95.2)	(95.2)	(95.1)	(94.9)	(74.8)	(74.8)	(73.5)	(73.2)	(999.2)
Note and cash payments											
Note A1 (UTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(24.1)	(20.8)	(327.6)
Note A2 (LTGO)	-	(55.0)	-	-	-	-	-	-	-	-	(55.0)
Note B (incl. B reserves)	-	(12.6)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(214.9)
36DC cash payments	-	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	-	-	-	-	(2.2)
Note C (POC)	-	(1.2)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(20.4)
Subtotal: note and cash payments	-	(115.2)	(69.6)	(69.6)	(68.6)	(66.4)	(65.5)	(64.8)	(51.8)	(48.5)	(620.1)
Total distributions / total uses	\$ (20.0)	\$ (417.7)	\$ (164.8)	\$ (164.8)	\$ (163.7)	\$ (161.3)	\$ (140.3)	\$ (139.6)	\$ (125.3)	\$ (121.7)	\$ (1,619.3)
Surplus / (deficit)	\$ 118.4	\$ (78.8)	\$ -	\$ -	\$ -	\$ -	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 45.2
Ending cash balance (a)	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2
Memo:											
FY14 expenditures to be spent in FY15	(78.8)	78.8	-	-	-	-	-	-	-	-	-
Adjusted surplus / (deficit)	\$ 39.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 45.2

Footnotes:

(a) Includes 5% of budgeted expenditures as required by State law.

Appendices

Plan of Adjustment - 40 year projections

Bridge - 40 year adjustments

(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
POA (7/2/2014) surplus / (deficit)	\$ 45.2	\$ 21.0	\$ 29.7	\$ 77.2	\$ 173.1
Adjustments (a):					
Financing changes	18.9	(15.7)	-	-	3.2
POC settlement	(28.8)	(14.1)	(0.8)	(0.1)	(43.8)
36DC settlement	(2.2)	-	-	-	(2.2)
Reinvestment deferrals & timing differences	12.1	8.8	(28.9)	3.2	(4.8)
Total adjustments	(0.0)	(21.0)	(29.7)	3.1	(47.6)
Adjusted surplus / (deficit)	\$ 45.2	\$ -	\$ -	\$ 80.3	\$ 125.5
Original ending cash balance (7/2/2014)	\$ 81.2	\$ 102.2	\$ 131.9	\$ 209.1	\$ 209.1
Cumulative adjustments	(0.0)	(21.0)	(50.7)	(47.6)	(47.6)
Ending cash balance	\$ 81.2	\$ 81.2	\$ 81.2	\$ 161.5	\$ 161.5

Footnotes:

(a) See next page for detailed adjustments.

Plan of Adjustment - 40 year projections

Detail of Adjustments

(\$ in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Financing changes															
QOL / exit financing proceeds (net)	-	(11.3)	(13.2)	-	-	-	-	-	-	-	(24.6)	-	-	-	(24.6)
QOL / exit financing principal/interest payments	-	3.7	2.2	2.2	2.2	30.8	19.4	(5.8)	(5.6)	(5.4)	43.5	(15.7)	-	-	27.7
Total	-	(7.7)	(11.0)	2.2	2.2	30.8	19.4	(5.8)	(5.6)	(5.4)	18.9	(15.7)	-	-	3.2
POC settlement															
Note C (POC)	-	(1.2)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(20.4)	(8.4)	-	-	(28.8)
Non-bankruptcy settlement items	-	(5.4)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.7)	(0.6)	(0.6)	(10.9)	(6.3)	(0.3)	-	(17.5)
Increased other fund reimbursements	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	(0.1)	(0.3)	(0.0)	(0.0)
Increased DWSD revenue stream	-	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.2	0.6	(0.3)	(0.0)	2.5
Total	-	(6.4)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(2.8)	(2.7)	(2.7)	(28.8)	(14.1)	(0.8)	(0.1)	(43.8)
36DC settlement	-	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	-	-	-	-	(2.2)	-	-	-	(2.2)
Reinvestment deferrals & timing differences															
Contingency	-	1.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.1	0.0	-	2.5
QOL proceeds - timing	(52.5)	52.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditures - timing	131.2	(131.2)	-	-	-	-	-	-	-	-	-	-	-	-	-
Blight - timing	-	20.0	-	(10.0)	(7.0)	(3.0)	-	-	-	-	-	-	-	-	-
Escrow proceeds (2012 refunding bonds)	-	44.7	-	-	-	-	-	-	-	-	44.7	-	-	-	44.7
Additional professional fees	-	(52.0)	-	-	-	-	-	-	-	-	(52.0)	-	-	-	(52.0)
Reinvestment deferrals	-	-	13.9	11.1	5.0	(24.5)	(16.2)	10.3	9.3	8.1	16.9	8.8	(28.9)	3.2	(0.0)
Other	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total	78.8	(64.1)	14.3	1.1	(2.0)	(27.5)	(16.2)	10.3	9.3	8.1	12.1	8.8	(28.9)	3.2	(4.8)
Total adjustments (Post 7/2/2104)	\$ 78.8	\$ (78.8)	\$ -	\$ -	\$ (3.1)	\$ -	\$ 0.3	\$ 1.7	\$ 1.0	\$ 0.0	\$ (0.0)	\$ (21.0)	\$ (29.7)	\$ 3.1	\$ (47.6)
Original ending cash balance (7/2/2014)	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 78.7	\$ 78.7	\$ 78.7	\$ 78.7	\$ 79.4	\$ 81.2	\$ 81.2	\$ 102.2	\$ 131.9	\$ 209.1	\$ 209.1
Cumulative adjustments	78.8	(0.0)	(0.0)	(0.0)	(3.1)	(3.1)	(2.8)	(1.0)	(0.0)	(0.0)	(0.0)	(21.0)	(50.7)	(47.6)	(47.6)
Ending cash balance	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2	\$ 81.2	\$ 81.2	\$ 161.5	\$ 161.5

Plan of Adjustment - 40 year projections

General Fund view

(\$ in millions)

	Preliminary forecast				Total
	2014-2023	2024-2033	2034-2043	2044-2053	2014-2053
Operating revenues					
Municipal income tax	\$ 2,770.3	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.2
State revenue sharing	2,000.5	2,121.0	2,307.1	2,533.2	8,961.8
Wagering taxes	1,732.6	1,905.5	2,105.0	2,325.2	8,068.4
Property taxes	1,074.0	1,369.6	1,640.0	1,903.2	5,986.8
Utility user/ taxes	257.2	304.3	353.2	409.9	1,324.6
Other revenue	2,621.8	2,294.8	2,647.0	3,200.0	10,763.7
Department revenue initiatives	410.5	586.2	714.6	871.1	2,582.5
Operating revenues	10,866.7	12,091.6	14,357.4	17,301.9	54,617.9
Operating expenditures					
Salaries/overtime/fringe (a)	(3,768.1)	(4,611.8)	(5,700.3)	(7,120.9)	(21,201.1)
Health benefits	(609.8)	(728.2)	(1,373.9)	(2,033.7)	(4,945.6)
OPBB payments - future retirees (a)	(32.2)	(37.9)	(43.2)	(51.1)	(164.4)
Active pension plan (a)	(347.9)	(443.6)	(547.8)	(883.4)	(2,022.5)
Other operating expenses (b)	(3,073.2)	(3,437.4)	(4,190.1)	(5,107.7)	(15,808.5)
Additional operating expenditures	(715.7)	(903.6)	(779.5)	(1,194.1)	(3,592.9)
Cost savings	358.2	444.5	541.0	\$60.5	2,005.1
Total operating expenditures	\$ (6,188.7)	\$ (7,816.8)	\$ (12,263.0)	\$ (15,530.3)	(45,828.9)
Net operating cash flows	\$ 2,678.2	\$ 2,274.8	\$ 2,064.4	\$ 1,771.6	\$ 8,788.9
Financing cashflows					
Secured debt service	\$ (590.3)	\$ (591.0)	\$ (67.2)	\$ -	\$ (848.6)
Refusion	(119.8)	(561.8)	(916.0)	(613.8)	(2,611.4)
Contributions to income stabilization fund	(17.8)	(2.2)	-	-	(20.0)
DWSD / other fund contributions for new notes	30.1	57.7	54.1	8.3	150.2
Note A1 (LTGO)	(327.6)	(40.8)	-	-	(368.5)
Note A2 (LTGO)	(55.0)	-	-	-	(55.0)
Note B (incl. B reserves)	(214.9)	(470.2)	(450.6)	(68.9)	(1,204.6)
36DC cash payments	(2.2)	-	-	-	(2.2)
Note C (POC)	(20.4)	(8.4)	-	-	(28.8)
Total financing cashflows	\$ (1,118.2)	\$ (1,816.8)	\$ (1,379.6)	\$ (674.4)	(4,989.0)
Net cash flows available for capital investment	\$ 1,560.1	\$ 458.0	\$ 684.8	\$ 1,097.2	\$ 3,800.0
Investment cashflows					
Reorganization (Capital investments)	\$ (582.2)	\$ (442.7)	\$ (501.4)	\$ (605.3)	\$ (2,131.5)
Blight (excludes heavy commercial)	(420.6)	-	-	-	(420.6)
Hardest hit funds & Fire escrow	72.3	-	-	-	72.3
PLD decommission	(75.0)	-	-	-	(75.0)
Contingency	(38.9)	(120.9)	(143.6)	(173.0)	(536.4)
Reinvestment defaults	46.7	231.6	(39.8)	(238.6)	-
Total investment cashflows	\$ (1,057.0)	\$ (331.9)	\$ (664.8)	\$ (1,016.9)	(3,050.6)
Bankruptcy-related and other cashflows					
QOL / exit financing principal/interest payments	\$ (202.3)	\$ (126.0)	\$ -	\$ -	\$ (418.4)
QOL / exit financing proceeds (net)	268.1	-	-	-	268.1
Swap interest set-aside	(103.7)	-	-	-	(103.7)
OPBB payments - current retirees	(162.8)	-	-	-	(162.8)
Escrow proceeds (2012 refunding bonds)	64.7	-	-	-	64.7
Working capital	(49.5)	-	-	-	(49.5)
Restructuring professional fees (c)	(182.0)	-	-	-	(182.0)
Total bankruptcy cashflows	\$ (457.8)	\$ (126.0)	\$ -	\$ -	(583.9)
Surplus / (deficit)	\$ 45.2	\$ 0.0	\$ (0.0)	\$ 80.3	\$ 125.5
Ending cash balance (a)	\$ 81.2	\$ 81.2	\$ 81.2	\$ 161.5	\$ 161.5

Footnotes

(a) Assumptions pending DPOA & DFFA deals are cash flow neutral.

(b) The impact of the first decade increase in CDOT subsidy is assumed to be offset by operational savings beyond 2023.

(c) Any incremental professional fees are assumed to be funded by escrow account subject to State approval.

Plan of Adjustment - 10 year projections

General Fund view

(\$ in millions)

	Preliminary forecast										2014-2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Operating revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.3
State revenue sharing	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wagering taxes	168.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	1,732.6
Property taxes	114.8	102.6	100.8	102.4	102.6	103.9	106.8	109.7	113.3	117.0	1,074.0
Utility users' taxes	26.1	24.5	24.9	25.5	26.0	26.4	26.6	27.2	27.6	28.0	257.2
Other revenue	307.7	319.7	293.1	259.1	254.6	250.2	247.6	244.7	229.0	256.2	2,621.8
Department revenue initiatives	-	31.9	36.1	49.7	52.9	42.5	46.9	46.8	51.3	52.5	410.6
Operating revenues	1,051.6	1,099.7	1,085.0	1,075.1	1,083.7	1,080.0	1,094.8	1,096.5	1,099.0	1,111.5	10,866.9
Operating expenditures											
Salaries/overtime/benefits (a)	(331.0)	(350.2)	(364.8)	(365.6)	(372.5)	(381.8)	(389.4)	(397.1)	(404.8)	(412.9)	(3,768.1)
Health benefits	(48.2)	(48.0)	(52.4)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(609.8)
CPFB payments - future retirees (a)	-	(6.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(32.2)
Active pension plan (a)	-	(52.1)	(34.1)	(34.9)	(35.8)	(36.7)	(37.4)	(38.2)	(38.9)	(39.7)	(347.9)
Other operating expenses (b)	(291.3)	(320.1)	(326.5)	(303.5)	(304.9)	(302.0)	(302.5)	(303.3)	(309.4)	(310.3)	(3,073.2)
Additional operating expenditures	-	(68.9)	(82.3)	(82.7)	(83.6)	(78.3)	(78.7)	(75.6)	(74.1)	(71.9)	(715.7)
Cost savings	-	16.3	37.0	42.8	48.0	45.3	45.7	41.7	41.6	39.8	358.2
Total operating expenditures	\$ (871.5)	\$ (949.2)	\$ (886.3)	\$ (901.0)	\$ (811.6)	\$ (820.3)	\$ (831.5)	\$ (844.6)	\$ (860.5)	\$ (872.8)	\$ (8,188.7)
Net operating cash flows	\$ 380.2	\$ 240.5	\$ 258.7	\$ 274.2	\$ 271.8	\$ 259.8	\$ 263.3	\$ 252.5	\$ 238.6	\$ 238.6	\$ 2,678.2
Financing cashflows											
Secured debt service	\$ (35.4)	\$ (39.4)	\$ (39.4)	\$ (39.4)	\$ (39.4)	\$ (39.4)	\$ (39.5)	\$ (39.5)	\$ (39.5)	\$ (39.6)	\$ (330.5)
Refusion	-	(16.0)	(23.5)	(23.5)	(23.4)	(23.2)	(23.3)	(23.2)	(23.0)	(22.9)	(119.8)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.9)	(1.8)	(17.8)
DWSD / other fund contributions for new notes	-	3.1	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	30.1
Note A1 (LTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(24.1)	(20.8)	(327.6)
Note A2 (LTGO)	-	(55.0)	-	-	-	-	-	-	-	-	(55.0)
Note B (incl. B reserves)	-	(12.6)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(214.9)
36DC cash payments	-	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	-	-	-	-	(2.2)
Note C (POC)	-	(1.2)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(20.4)
Total financing cashflows	\$ (35.4)	\$ (106.9)	\$ (131.4)	\$ (131.4)	\$ (130.3)	\$ (127.8)	\$ (106.9)	\$ (106.2)	\$ (91.3)	\$ (87.5)	\$ (1,118.2)
Net cash flows available for capital investment	\$ 344.7	\$ 70.6	\$ 127.3	\$ 142.7	\$ 141.5	\$ 132.0	\$ 156.4	\$ 146.3	\$ 147.3	\$ 151.2	\$ 1,560.1
Investment cashflows											
Reorganization (Capital investments)	\$ -	\$ (130.5)	\$ (106.4)	\$ (65.6)	\$ (50.2)	\$ (43.6)	\$ (51.9)	\$ (46.6)	\$ (40.4)	\$ (36.6)	\$ (582.2)
Blight (excludes heavy commercial)	-	(82.0)	(46.0)	(56.0)	(50.0)	(51.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
Hardest hit funds & Fire escrow	-	63.3	9.0	-	-	-	-	-	-	-	72.3
PLD decommission	-	(2.5)	(5.0)	(15.0)	(10.0)	(10.0)	(10.0)	(12.5)	(10.0)	-	(75.0)
Contingency	-	(11.5)	(10.0)	(10.8)	(10.8)	(10.8)	(10.8)	(11.0)	(11.0)	(11.1)	(98.9)
Reinvestment deferrals	-	-	29.3	14.5	(4.7)	(0.7)	8.5	32.3	0.5	(23.7)	46.7
Total investment cashflows	\$ -	\$ (172.2)	\$ (139.1)	\$ (126.9)	\$ (125.7)	\$ (116.1)	\$ (116.3)	\$ (62.2)	\$ (85.9)	\$ (92.5)	\$ (1,057.0)
Bankruptcy-related and other cashflows											
QOL / ext financing principal/interest payments	\$ (6.7)	\$ (9.7)	\$ (15.8)	\$ (15.8)	\$ (15.8)	\$ (15.8)	\$ (39.8)	\$ (62.4)	\$ (59.6)	\$ (56.9)	\$ (262.3)
QOL / ext financing proceeds (net)	-	240.5	27.6	-	-	-	-	-	-	-	269.1
Swap interest income	(45.5)	(57.8)	-	-	-	-	-	-	-	-	(103.3)
CPFB payments - current retirees	(142.7)	(19.6)	-	-	-	-	-	-	-	-	(142.9)
Escrow proceeds (2012 refunding bonds)	-	64.7	-	-	-	-	-	-	-	-	64.7
Working capital	13.4	(63.2)	-	-	-	-	-	-	-	-	(49.8)
Restructuring professional fees (c)	(46.4)	(132.6)	-	-	-	-	-	-	-	-	(182.0)
Total bankruptcy cashflows	\$ (228.3)	\$ 22.8	\$ 11.6	\$ (15.8)	\$ (15.8)	\$ (15.8)	\$ (39.8)	\$ (62.4)	\$ (59.6)	\$ (56.9)	\$ (457.8)
Surplus / (deficit)	\$ 118.4	\$ (78.5)	\$ (0.0)	\$ 0.0	\$ 0.0	\$ (0.0)	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 45.2
Ending cash balance (a)	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2

Footnotes

(a) Assumes pending DPOA & DFFA deals are cash flow neutral.

(b) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

(c) Any incremental professional fees are assumed to be funded by escrow account subject to State approval.

This page intentionally left blank

EXHIBIT 21

Ex. 779

Admitted Oct 21, 2014

City of Detroit

Plan of Adjustment - 40 year projections

The attached Plan of Adjustment preliminary forecast (the "POA Financial Projections"), its assumptions and underlying data are the product of the Client and its management ("Management") and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP ("EY") did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client's responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client's POA Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

(trial ex. 779)



①

Plan of Adjustment - 40 year projections

Assumptions

(\$ in millions)

General Fund Cash Flows	GF 40yr cash flows	\$4.3b funds available for unsecured claims
	Minimum cash requirement	Based on 2 months of payroll through F-Y23 and the 5% cash reserve thereafter
	DIP financing	Quality of Life (\$120m @ 3.5% assumed to be refinanced as part of exit facility)
	Exit financing	\$160.0m tax-exempt note @ 5.75% maturing in F-Y31
		\$115.0m taxable note @ 5.75% maturing in F-Y24
	Swap treatment	\$85m settlement
	Contingency	Reflects 1.0% of total revenues
Revenue stream from DWSD	Pension	\$429m for pension in the first 10 years
	OPEB	12.1% of OPEB - current retirees payments
	POC	11.5% of total POC payments
Reimbursement from other funds	Reimbursements from Parking (non-GF) and Library	
DIA settlement	Foundations	\$366m over 20 years
	DIA	\$100m over 20 years
State settlement	Contributions to pension	\$195m in F-Y15
Unsecured Claims treatment		
LTGO (Class 7)	Note A2 and Note B reserves	\$55m settlement note and \$17.4m Note B reserves
UTGO (Class 8)	Note A1	\$288m note funded with pass-through UTGO millage
POC (Class 9) - Syncora	Notes C and B	\$21m of Note C and \$23.5m of Note B
POC (Class 9) - FGIC	Notes C and B	\$67m of Note C and \$74.2m of Note B
PFRS Pension (Class 10)	State and DIA Settlements	
	Contributions (years 1-10)	Estimated to be \$261m from foundations / State settlement
	Contributions (years 11-40)	UAAI as of June 30, 2023 estimated to be ~\$681m amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	78%
GRS Pension (Class 11)	State and DIA Settlements	
	Contributions (years 1-10)	Estimated to be \$99m from State settlement; \$429m from DWSD; \$45m from DIA; \$146m from GF & other funds
	Contributions (years 11-40)	UAAI as of June 30, 2023 estimated to be ~\$695m amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	70%
OPEB (Class 12)	Note B, Note B reserves, and cash	\$450m of Note B, \$42.7m Note B reserves, and \$20m cash
DDA (Class 13)	Note B	\$4m of Note B
Other unsecured (Class 14)	Note B and Note B reserves	\$16m of Note B and \$4m Note B reserves
36DC (Class 17)	Cash payment	\$2.2m cash (~\$500k upfront payment, and 4 equal annual payments thereafter of ~\$400k)



Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

		2014- 2023	2024- 2023	2034- 2043	2044- 2053	40-year total
Revenues						
	<u>Growth after FY23</u>					
Municipal income tax	2.4% - 2.8%	\$ 2,770.3	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.2
State revenue sharing	0.1% - 1.7%	2,000.5	2,121.0	2,307.1	2,533.2	8,961.8
Wagering taxes	1.0%	1,732.6	1,905.6	2,105.0	2,325.2	8,068.4
Property taxes	1.5% - 2.2%	1,074.0	1,369.6	1,640.0	1,903.2	5,986.8
Utility users' taxes	1.5% - 1.7%	257.2	304.3	353.2	409.9	1,324.6
Sales and charges for services	2.0%	1,118.0	1,161.2	1,415.5	1,725.5	5,420.2
Other revenue	2.0%	706.9	747.2	918.3	1,119.7	3,492.1
General Fund reimbursements	2.0%	264.1	238.8	291.1	354.9	1,149.0
Transfers in for UTGO	n/a	532.8	147.6	22.1	-	702.4
Restructuring:						
Department revenue initiatives	2.0%	482.9	586.2	714.6	871.1	2,654.8
QOI. / exit financing proceeds (net)	n/a	241.4	27.5	-	-	268.9
Total revenues		11,180.6	12,119.1	14,357.4	17,301.9	54,959.1
Expenditures						
Salaries/overtime/fringe - Public Safety (a)	2.0% - 2.25%	(2,864.3)	(3,524.5)	(4,356.5)	(5,442.1)	(16,187.4)
Salaries/overtime/fringe - Non-Public Safety	2.0% - 2.25%	(903.8)	(1,087.2)	(1,343.9)	(1,678.8)	(5,013.7)
Health benefits (b)	~4% inflation cap beg. FY20	(752.6)	(928.2)	(1,373.9)	(2,033.7)	(5,088.4)
OPEB payments - future retirees (a)	\$1m per year uniform / 2% of wages non-uniform	(32.2)	(37.0)	(43.2)	(51.1)	(163.4)
Active pension plan (a)	12.25% uniform / 5.75% non-uniform	(347.9)	(443.6)	(547.8)	(683.4)	(2,022.6)
Other operating expenses (c)	2.0%	(3,073.2)	(3,437.4)	(4,190.1)	(5,107.7)	(15,808.5)
Restructuring:						
Additional operating expenditures	2.0%	(357.5)	(359.1)	(437.7)	(533.5)	(1,687.7)
Escrow proceeds (2012 refunding bonds)	n/a	64.7	-	-	-	64.7
Working capital	n/a	0.2	-	-	-	0.2
Secured debt service	n/a	(390.5)	(391.0)	(67.2)	-	(848.6)
Contributions to income stabilization fund	n/a	(17.8)	(2.2)	-	-	(20.0)
Swap interest set-aside	n/a	(103.7)	-	-	-	(103.7)
QOI. / exit financing principal/interest payments	n/a	(292.9)	(126.0)	-	-	(418.9)
Reorganization (Capital investments)	2.0%	(582.2)	(442.7)	(501.4)	(605.3)	(2,131.5)
Restructuring professional fees	n/a	(177.0)	-	-	-	(177.0)
Blight (excludes heavy commercial)	n/a	(420.0)	-	-	-	(420.0)
PLD decommission	n/a	(75.0)	-	-	-	(75.0)
Contingency	n/a	(98.9)	(120.9)	(143.6)	(173.0)	(536.4)
Reinvestment deferrals	n/a	60.2	204.7	(51.1)	(213.8)	-
Total expenditures		(10,364.4)	(10,694.9)	(13,056.3)	(16,522.4)	(50,638.0)
Funds available for unsecured claims		\$ 816.3	\$ 1,424.2	\$ 1,301.1	\$ 779.5	\$ 4,321.1

Footnotes:

(a) Assumes pending DPOA & DIFA deals are cash flow neutral.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOT subsidy is assumed to be offset by operational savings beyond 2023.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

Sources

Funds available for unsecured claims

Revenue stream from DWSD - no transaction

Pension

OPEB (based on 12.1% of OPEB - current retirees payments)

POC (based on 11.5% of total POC payments)

Subtotal: Revenue stream from DWSD

Reimbursement from other funds

Grand Bargain funding

Foundation fundraising

DIA contributions

State settlement

Total sources

Uses

Retiree payments

PIRS pension payments

GRS pension payments

PIRS OPEB payments - current retirees

GRS OPEB payments - current retirees

Subtotal: retiree distributions

Note and cash payments

Note A1 (UTGO)

Note A2 (LTGO)

Note B (incl. B reserves)

36DC cash payments

Note C (POC)

Subtotal: note and cash payments

Total distributions / total uses

Surplus / (deficit)

Ending cash balance (a)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Funds available for unsecured claims	\$ 816.3	\$ 1,424.2	\$ 1,301.1	\$ 779.5	\$ 4,321.1
Revenue stream from DWSD - no transaction					
Pension	428.5	-	-	-	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	21.7	44.3	42.4	6.5	114.8
POC (based on 11.5% of total POC payments)	13.6	12.4	8.0	1.2	35.3
Subtotal: Revenue stream from DWSD	463.8	56.7	50.5	7.7	578.6
Reimbursement from other funds	44.3	57.0	37.6	26.3	165.2
Grand Bargain funding					
Foundation fundraising	164.7	201.5	-	-	366.0
DIA contributions	45.0	55.0	-	-	100.0
State settlement	194.8	-	-	-	194.8
Total sources	\$ 1,728.9	\$ 1,794.1	\$ 1,389.2	\$ 813.5	\$ 5,725.7
Uses					
Retiree payments					
PIRS pension payments	(260.7)	(617.7)	(464.5)	(311.3)	(1,654.2)
GRS pension payments	(718.5)	(630.4)	(474.0)	(317.7)	(2,140.7)
PIRS OPEB payments - current retirees	(9.1)	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	(10.9)
Subtotal: retiree distributions	(999.2)	(1,248.1)	(938.5)	(628.9)	(3,814.8)
Note and cash payments					
Note A1 (UTGO)	(327.6)	(40.8)	-	-	(368.5)
Note A2 (LTGO)	(55.0)	-	-	-	(55.0)
Note B (incl. B reserves)	(214.9)	(470.2)	(450.6)	(68.9)	(1,204.6)
36DC cash payments	(2.2)	-	-	-	(2.2)
Note C (POC)	(84.8)	(34.9)	-	-	(119.7)
Subtotal: note and cash payments	(684.5)	(546.0)	(450.6)	(68.9)	(1,750.0)
Total distributions / total uses	\$ (1,683.7)	\$ (1,794.1)	\$ (1,389.2)	\$ (697.8)	\$ (5,564.8)
Surplus / (deficit)	\$ 45.2	\$ -	\$ -	\$ 115.7	\$ 160.9
Ending cash balance (a)	\$ 81.2	\$ 81.2	\$ 81.2	\$ 196.9	\$ 196.9

Footnotes:

(a) Includes 5% of budgeted expenditures as required by State law.

5

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Total distributions to creditors					
PFRS pension (c)	\$ (260.7)	\$ (617.7)	\$ (464.5)	\$ (311.3)	\$ (1,654.2)
GRS pension (c)	(718.5)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB (cash)	(9.1)	-	-	-	(9.1)
GRS OPEB (cash)	(10.9)	-	-	-	(10.9)
UTGO (Note A1)	(327.6)	(40.8)	-	-	(368.5)
LTGO (Note A2)	(55.0)	-	-	-	(55.0)
Note B					
PFRS OPEB (incl. B reserves)	(86.3)	(188.9)	(181.0)	(27.7)	(483.9)
GRS OPEB (incl. B reserves)	(81.2)	(177.7)	(170.3)	(26.0)	(455.1)
LTGO (B reserves)	(5.9)	(12.9)	(12.4)	(1.9)	(33.2)
POC - Syncora	(8.0)	(17.5)	(16.8)	(2.6)	(44.8)
POC - FGIC (B reserves)	(25.2)	(55.2)	(52.9)	(8.1)	(141.4)
DDA	(1.3)	(2.7)	(2.6)	(0.4)	(7.0)
Other unsecured items (incl. B reserves)	(7.0)	(15.3)	(14.6)	(2.2)	(39.1)
36DC cash payments	(2.2)	-	-	-	(2.2)
POC - Syncora (Note C)	(20.4)	(8.4)	-	-	(28.8)
Total distributions to unsecured creditors	(1,683.7)	(1,794.1)	(1,389.2)	(697.8)	(5,564.8)
Total secured debt service (including QOL/Exit financing)	(683.4)	(517.0)	(67.2)	-	(1,267.6)
Total distributions to creditors	\$ (2,367.1)	\$ (2,311.1)	\$ (1,456.3)	\$ (697.8)	\$ (6,832.4)
Percentage of total revenues (including other sources)	19.6%	18.5%	10.1%	4.0%	12.1%

	Claims (a)		40 years			
	\$ in millions	%	Nominal (b)	%	PV @ 5.0% (b)	%
PFRS pension (c)	1,250.0	13%	1,325.2	106%	481.8	39%
GRS pension (c)	1,879.0	19%	1,808.9	96%	895.5	48%
PFRS OPEB	2,207.8	23%	493.1	22%	231.1	10%
GRS OPEB	2,095.2	22%	466.0	22%	219.6	10%
UTGO	388.0	4%	368.5	95%	288.5	74%
LTGO	163.5	2%	88.2	54%	67.6	41%
POC - Syncora	354.4	4%	73.6	21%	41.3	12%
POC - FGIC (B reserves)	1,118.8	12%	232.3	21%	130.4	12%
DDA	33.6	0%	7.0	21%	3.2	10%
Other unsecured items	150.0	2%	39.1	26%	17.9	12%
36DC claims	6.0	0%	2.2	37%	1.9	32%
Total	\$ 9,646.4	100%	\$ 4,904.0	51%	\$ 2,378.7	

Footnotes:

(a) Subject to ongoing legal review/negotiation. Final allowed claim amounts under these categories may be materially different.

(b) Nominal pension system payments exclude \$661m for PFRS and GRS (State settlement & art proceeds) for the calculation of recoveries.

(c) Retirement system pension claims based on actuarial valuation as of June 30, 2013. Assumes a 6.75% discount rate.

5

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	Preliminary forecast										2014-
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023
Revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.3
State revenue sharing	191.2	196.6	198.7	200.3	202.0	203.8	205.6	199.1	200.8	202.5	2,000.5
Wagering taxes	169.9	168.2	169.0	169.9	171.6	173.3	175.0	176.8	178.6	180.3	1,732.6
Property taxes	114.9	102.6	100.8	102.4	102.6	103.9	106.8	109.7	113.3	117.0	1,074.0
Utility users' taxes	20.1	24.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0	257.2
Sales and charges for services	131.5	118.0	115.8	113.6	111.4	109.2	107.0	104.4	103.3	104.0	1,118.0
Other revenue	79.8	86.2	78.0	66.5	65.3	65.5	65.8	66.2	66.6	66.9	706.9
General Fund reimbursements	29.8	42.9	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	264.1
Transfers in for UTGO	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
Restructuring:											
Department revenue initiatives	-	95.2	45.1	49.7	52.9	42.5	46.9	46.8	51.3	52.5	482.9
QOL / exit financing proceeds (net)	-	212.8	28.6	-	-	-	-	-	-	-	241.4
Total revenues	1,051.6	1,365.9	1,122.6	1,075.1	1,083.7	1,080.0	1,094.8	1,096.5	1,099.0	1,111.5	11,180.6
Expenditures											
Salaries/overtime/fringe - Public Safety (a)	(245.2)	(263.3)	(276.7)	(277.5)	(284.4)	(291.5)	(297.4)	(303.3)	(309.4)	(315.6)	(2,864.3)
Salaries/overtime/fringe - Non-Public Safety	(85.7)	(86.9)	(88.1)	(86.1)	(88.0)	(90.2)	(92.0)	(93.8)	(95.4)	(97.3)	(903.8)
Health benefits (b)	(173.0)	(67.1)	(52.4)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(752.6)
OPEB payments - future retirees (a)	-	(6.1)	(3.1)	(3.1)	(3.2)	(3.2)	(3.3)	(3.3)	(3.4)	(3.4)	(32.2)
Active pension plan (a)	-	(52.1)	(34.1)	(34.9)	(35.8)	(36.7)	(37.4)	(38.2)	(38.9)	(39.7)	(347.9)
Other operating expenses (c)	(291.3)	(320.1)	(326.5)	(303.5)	(304.8)	(302.0)	(302.2)	(303.3)	(309.4)	(310.3)	(3,073.2)
Restructuring:											
Additional operating expenditures	-	(72.6)	(45.3)	(39.9)	(35.6)	(33.0)	(33.0)	(33.3)	(32.5)	(32.1)	(357.5)
Escrow proceeds (2012 refunding bonds)	-	64.7	-	-	-	-	-	-	-	-	64.7
Working capital	13.4	(33.2)	4.0	4.0	4.0	4.0	4.0	-	-	-	0.2
Secured debt service	(35.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(390.5)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Swap interest set-aside	(45.9)	(57.8)	-	-	-	-	-	-	-	-	(103.7)
QOL / exit financing principal/interest payments	(0.7)	(10.3)	(15.8)	(15.8)	(15.8)	(15.8)	(39.8)	(62.4)	(59.6)	(56.9)	(292.9)
Reorganization (Capital investments)	-	(139.5)	(106.4)	(65.6)	(50.2)	(43.6)	(51.9)	(46.0)	(40.4)	(38.6)	(582.2)
Restructuring professional fees	(49.4)	(127.6)	-	-	-	-	-	-	-	-	(177.0)
Blight (excludes heavy commercial)	-	(82.0)	(46.0)	(50.0)	(50.0)	(51.0)	(52.0)	(45.0)	(25.0)	(19.0)	(420.0)
PLD decommission	-	(2.5)	(5.0)	(15.0)	(10.0)	(10.0)	(10.0)	(12.5)	(10.0)	-	(75.0)
Contingency	-	(11.5)	(10.9)	(10.8)	(10.8)	(10.8)	(10.9)	(11.0)	(11.0)	(11.1)	(98.9)
Reinvestment deferrals	-	-	20.5	15.2	(2.7)	1.5	7.4	35.3	3.6	(20.5)	60.2
Total expenditures	(913.3)	(1,309.8)	(1,027.5)	(980.7)	(988.9)	(987.5)	(1,026.2)	(1,027.1)	(1,043.7)	(1,059.6)	(10,364.4)
Funds available for unsecured claims	\$ 138.4	\$ 56.1	\$ 95.0	\$ 94.4	\$ 94.8	\$ 92.5	\$ 68.6	\$ 69.4	\$ 55.3	\$ 51.8	\$ 816.3

Footnotes:

(a) Assumes pending DPOA & DFFA deals are cash flow neutral.

(b) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

(c) The impact of the first decade increase in DDOF subsidy is assumed to be offset by operational savings beyond 2023.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

Sources

	Preliminary forecast										2014-2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Funds available for unsecured claims	\$ 138.4	\$ 56.1	\$ 95.0	\$ 94.4	\$ 94.8	\$ 92.5	\$ 68.6	\$ 69.4	\$ 55.3	\$ 51.8	\$ 816.3
Revenue stream from DWSD - no transaction											
Pension	-	65.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	428.5
OPEB (based on 12.1% of OPIB - current retirees payments)	-	2.6	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	21.7
POC (based on 11.5% of total POC payments)	-	0.8	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	13.6
Subtotal: Revenue stream from DWSD	-	68.8	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	463.8
Reimbursement from other funds	-	(0.3)	4.7	5.3	3.9	3.7	6.9	6.8	6.7	6.6	44.3
Grand Bargain funding											
Foundation fundraising	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
DIA contributions	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
State settlement	-	194.8	-	-	-	-	-	-	-	-	194.8
Total sources	\$ 138.4	\$ 342.7	\$ 172.4	\$ 172.4	\$ 171.3	\$ 168.9	\$ 148.2	\$ 148.9	\$ 134.7	\$ 131.1	\$ 1,728.9

Uses

Retiree payments											
PFRS pension payments	-	(114.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(260.7)
GRS pension payments	-	(188.2)	(76.9)	(76.9)	(76.8)	(76.6)	(56.5)	(56.5)	(55.2)	(54.9)	(718.5)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	-	-	-	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	-	-	-	-	-	-	(10.9)
Subtotal: retiree distributions	(20.0)	(302.5)	(95.2)	(95.2)	(95.1)	(94.9)	(74.8)	(74.8)	(73.5)	(73.2)	(999.2)
Note and cash payments											
Note A1 (UTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(24.1)	(20.8)	(327.6)
Note A2 (LTGO)	-	(55.0)	-	-	-	-	-	-	-	-	(55.0)
Note B (incl. B reserves)	-	(12.6)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(25.3)	(214.9)
36DC cash payments	-	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	-	-	-	-	(2.2)
Note C (POC)	-	(5.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(84.8)
Subtotal: note and cash payments	-	(119.0)	(77.2)	(77.2)	(76.2)	(74.0)	(73.0)	(72.4)	(59.4)	(56.1)	(684.5)
Total distributions / total uses	\$ (20.0)	\$ (421.5)	\$ (172.4)	\$ (172.4)	\$ (171.3)	\$ (168.9)	\$ (147.9)	\$ (147.2)	\$ (132.9)	\$ (129.3)	\$ (1,683.7)

Surplus / (deficit)	\$ 118.4	\$ (78.8)	\$ -	\$ -	\$ -	\$ -	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 45.2
Ending cash balance (a)	\$ 154.4	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.6	\$ 75.9	\$ 77.6	\$ 79.4	\$ 81.2	\$ 81.2
Memo:											
FY14 expenditures to be spent in FY15	(78.8)	78.8	-	-	-	-	-	-	-	-	-
Adjusted surplus / (deficit)	\$ 39.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.3	\$ 1.7	\$ 1.7	\$ 1.8	\$ 45.2

Footnotes:

(a) Includes 5% of budgeted expenditures as required by State law.

EXHIBIT 22

Admitted Oct 3, 2014

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:
City of Detroit, Michigan,
Debtor,

Chapter 9
Case No. 13-53846
Hon. Steven W. Rhodes



**EXPERT REPORT OF MARTHA E.M. KOPACZ
REGARDING THE FEASIBILITY OF THE CITY OF DETROIT PLAN OF
ADJUSTMENT**

On April 22, 2014, Judge Rhodes entered an Order¹ appointing me as the Court's expert witness. Pursuant to that Order, "(t)he Court's expert shall investigate and a reach a conclusion on:

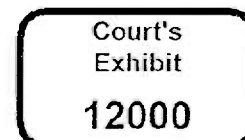
(a) Whether the City's plan is feasible as required by 11 U.S.C. § 943(b)(7);

and

(b) Whether the assumptions that underlie the City's cash flow projections and forecasts regarding its revenues, expenses and plan payments are reasonable."

I am providing this Report under Fed. R. Evid. 706(a). Should additional information become available, I reserve the right to amend or supplement this Report.

¹ Docket #4215, Order Appointing Expert Witness



Section A – Introduction, Scope and Approach

Introduction

I am a Senior Managing Director with Phoenix Management Services, LLC (“Phoenix”), Boston, MA and my *curriculum vitae* is attached as Exhibit 1. I have been assisted throughout this engagement by my colleagues from Phoenix. My billing rate is \$595 per hour and the billing rates of my colleagues range from \$100 per hour to \$550 per hour. As a courtesy, we are reducing our rates by 10% in this case. I have testified previously as noted in my proposal.²

Scope and Approach

The scope of my engagement is limited to providing an opinion *only* as to feasibility of the Plan of Adjustment (“POA” or “Plan”) of the City of Detroit (“Detroit” or the “City”). My engagement does not include providing an opinion regarding the best interest of creditors. There is little applicable case law related to what constitutes feasibility in a chapter 9 proceeding and even less guidance on my

² Docket #4068, Notice Regarding Interviews of Expert Witness Applicants, pages 266-267

role as the Court's independent expert. As such, I developed an approach for this assignment based upon my professional experience and taking into account the facts and circumstances of this matter that I believed to be most relevant. In large measure, I and my team, ("we") have followed the outline contained in my proposal, which is included below.³

- Understand the framework and methodology used to prepare the Ten-Year Plan including reliance on historical information
 - Conduct interviews of key personnel and financial advisors
 - Review documentation used to develop the forecasts
 - Review other third party information to independently verify assumptions
- Perform a detailed analysis of the Plan's financial and cash flow forecasts to determine baseline and critical assumptions
- Critique and analyze critical assumptions - those that have significant dollar and/or timing impact and, if not achieved, could decrease cash flow significantly
 - Revenue and/or cash receipts
 - Cost cutting initiatives
 - Reinvestment initiatives and capital spending
 - Interest rate variations
 - Provisions for contingencies
- Evaluate the execution risks associated with the Ten-Year Plan
 - Availability of financial and human capital
 - Reasonableness of timing assumptions
 - Reasonableness of dollar impact (cost or benefit)
 - Adequacy of contingencies
- Perform sensitivity analysis related to the forecast and critical assumptions, as appropriate, to better assess the achievability of the projections
- Form an opinion as to the feasibility of the Ten-Year Plan, as presented

³Docket #4068, Notice Regarding Interviews of Expert Witness Applicants, pages 256-257

- Prepare a written report supporting the opinion including additional information that facilitates communication and understanding by stakeholders of the likelihood of Plan success and the potential risks associated with Plan execution

We began with stakeholder interviews amongst the groups listed below. The “Contact Log” as directed in Judge Rhodes’ Order, is included as Exhibit 3. This fact- and perception-gathering phase was important to understanding the current situation with the City, the status of bankruptcy case and how the City was approaching its restructuring.

- City of Detroit elected and appointed officials (including the Mayor, City Council President, Chief Financial Officer, Chief of Police and department heads)
- Emergency Manager
- City employees
- City of Detroit retained advisors
 - Jones Day
 - Ernst & Young
 - Conway MacKenzie
 - Miller Buckfire & Co.
- City’s retirement systems (PFRS and GRS) and their advisors
- City’s public safety labor unions and their advisors
- Creditor constituencies and their advisors
- Detroit Land Bank Authority
- Detroit Institute of Art and their advisors
- Charitable foundations and City benefactors

We then approached the analytical phase, which was iterative. We reviewed and analyzed documents relevant to the City’s Plan and the financial projections. We reviewed other City data and third party information to provide background and

perspective on the Ten Year (“10 Yr”) and Forty Year (“40 Yr”) projections and the Restructuring and Reinvestment Initiatives (“RRIs”). We asked more questions of the City, its advisors and other stakeholders, requested more information, and analyzed that information. This process was repeated as necessary until our questions were answered. Some general categories of data, documents and information we reviewed and analyzed are identified below. A more complete listing is included in Exhibit 2.

- Court Documents – POA, Disclosure Statement, City Motions and Creditors’ Objections, Eligibility Opinion, Court Orders, Court Docket
- May 5, 2014 and July 2, 2014 10 Yr projections, 40 Yr projections and RRIs, including working models
- Third Party Reports
 - Detroit Blight Removal Task Force Plan
 - Detroit Future City Strategic Framework Plan
 - Consulting reports – McKinsey
 - State and various task force reports on Detroit’s financial condition
 - Various federal, state and regional government reports

We critiqued the methodology used to develop the financial projections, as well as the data and information used as the foundation for the assumptions. An explanation of these models is contained in Part II, Section E. We identified the assumptions used to create the June 2013 Baseline Projections and the assumptions that formed the 40 Yr projections. We identified and analyzed the assumptions contained in the RRIs and tested both projections (May 5th and July 2nd) for mathematical integrity.

My assessment focused primarily on operations that are accounted for in the City's General Fund. In addition to the City's General Fund activities, the City has numerous operations that are accounted for in Enterprise Funds. Only Enterprise Funds that have an impact on the City's General Fund were evaluated to determine their impact on the feasibility.⁴

The Report

This Report is comprised of four parts. Part I includes my opinion and the building blocks I used to formulate that opinion. This includes background and contextual information that underpin my assessment as well as the definition I and my team formulated for "feasibility" which establishes the framework for my opinion. Part I includes Sections A through D.

Part II is comprised of Sections E through H and provides insight into the quantitative factors that impact my feasibility assessment. Part III consists of

⁴For example the Detroit Department of Transportation (DDOT) operates primarily as an Enterprise Fund but receives a significant subsidy from the General Fund to fund negative cash flow in the Enterprise Fund; therefore, the failure of DDOT to achieve its plans directly impacts the City General Fund.

Sections I through O and include those issues that affect feasibility in a qualitative manner. Part IV contains the Conclusion. A Table of Contents follows.

Table of Contents

PART I		<u>Page</u>
Section A	Introduction, Scope and Approach	2
Section B	Statement of Expert's Opinion	9
Section C	Feasibility Definition	12
Section D	Context	22
PART II		
Section E	City of Detroit Financial Forecast Summary	31
Section F	Revenue and Macro Assumptions	39
Section G	Operating Expenditures	64
Section H	RRIs and Non-Operating Expenditures	85
PART III		
Section I	Systems, Controls and Reporting	111
Section J	Pensions	124
Section K	Human Capital and Leadership	157
Section L	Blight	167
Section M	Post Confirmation Oversight	175
Section N	Unresolved Issues	180
Section O	Other Risks and Opportunities	192
Part IV		
Section P	Conclusion	199

Section B – Statement of Expert’s Opinion

On April 22, 2014, Judge Rhodes entered an Order⁵ appointing me as the Court’s expert witness. Pursuant to that order, “(t)he Court’s expert shall investigate and a reach a conclusion on:

(c) Whether the City’s plan is feasible as required by 11 U.S.C. § 943(b)(7);
and

(d) Whether the assumptions that underlie the City’s cash flow projections and forecasts regarding its revenues, expenses and plan payments are reasonable.”

This Report contains my expert opinion and the basis for that opinion. I was assisted by my colleagues at Phoenix Management Services LLC. My work has been guided by the approach that was outlined in my proposal⁶ and discussed during

⁵ Docket # 4215, Order Appointing Expert Witness

⁶ Docket # 4068, Notice Regarding Interviews of Expert Witness Applicants, pages 256 and 257

my interview on April 18, 2014⁷. I, and members of my team, have conducted more than two hundred interviews and fact gathering meetings with persons involved in this matter or with persons I believed to be helpful to me in forming my opinion.

Based on this work, I conclude that:

- (a) The City's plan is feasible as required by 11 U.S. C. § 943(b)(7); and
- (b) The assumptions that underlie the City's plan of adjustment projections regarding its revenues, expenses and plan payments are reasonable.

It should be noted that this opinion is rendered in an environment where there are many factors that will have influence on the City's conditions post confirmation that are unknown and unknowable. Throughout this Report, I have noted some of these factors, while other factors may not even be recognized today as potentially having an impact. My opinion is necessarily limited by these unknown factors. It should be recognized, that these factors, when known, could have a material impact on my view of feasibility.

The above statement should only be viewed in the context of this entire Report. No reliance should be made on these statements outside of the context of this Report.

⁷ Transcript of Hearing, April 18, 2014

The remainder of this Report will provide my definition of feasibility, the context in which I am rendering my opinion and my assessment of the key factors affecting my feasibility assessment. While my opinion is arguably very narrowly limited to “feasibility”, the assessment I and my team did to arrive at my opinion is multifaceted. This Report attempts to clearly and succinctly lay out the foundation, framework and details supporting my opinion.

The following section, Section C, addresses my definition of feasibility and relies upon numerous resources – legal and otherwise – and my own experience to establish the benchmarks against which I assessed feasibility. Section D discusses the context in which I am rendering my opinion. While there are common experiences among every restructuring and even among municipalities, the unique mix that is Detroit and this chapter 9 proceeding, necessarily impact my perspective and opinion. My intent is not to rehash every issue or pleading that has occurred in this case or even Detroit’s recent history, but rather, to highlight a few aspects of the facts and circumstances of this case which have had an important impact on the formulation of my opinion. The last sections of the Report provide a more in depth review of the issues, quantitative and qualitative, I found particularly relevant to my assessment of feasibility. By no means does this Report include every factor I reviewed or considered but does include those issues that shaped my opinion to the greatest extent.

Section C – Feasibility Definition

Defining a Feasibility Standard

Section 943(b)(7) of the Bankruptcy Code requires that before a plan of adjustment may be confirmed the Court must determine that the plan is feasible. However, the Bankruptcy Code does not define “feasible.” Few chapter 9 cases address the feasibility requirement⁸ and there is little in the way of authoritative writing published regarding feasibility.⁹

In assessing feasibility, I have examined available legal authority and consulted with counsel and other experienced professionals to assist in the formation of an appropriate approach to determining feasibility of the City’s POA. Every

⁸ In re *Mount Carbon Metropolitan District*, 242 B.R. 18, 31 (Bankr. D. Colo. 1999) (“The Code does not define feasibility in Chapter 9 nor does it specify what factors the Court should consider in determining whether the Plan is feasible. Due to the relative rarity of Chapter 9 cases, neither the parties nor the Court have found case law specifically addressing the issue.”)

⁹ Pryor, Scott C., Who Bears the Cost? The Necessity of Taxpayer Participation in Chapter 9, (June 11, 2014) Available at SSRN, <http://ssrn.com/abstract=2448997>. The author referring to feasibility: “(w)hat is merely unclear in chapter 11 is an impenetrable fog in chapter 9.”

restructuring professional, with some degree of experience, probably believes they understand what feasibility is and what it is not. However, in my early discussions with professionals in this case, my own research, and consultations with professionals not involved in the Detroit matter, I found a variety of nuanced points of view regarding a definition of feasibility. Therefore, while it will ultimately be up to the Court to articulate the precise legal parameters of feasibility in this Case, I, along with the Phoenix team, have developed the following feasibility definition (the “Standard”), which I believe is crucial to serving the Court’s purpose for my appointment:

‘Is it likely that the City of Detroit, after the confirmation of the Plan of Adjustment, will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the Plan without the significant probability of a default?’

Two Dimensions of the Standard

While I believe that there are certain imposed limitations on feasibility within this Standard, I have taken a relatively structured approach to my view of what is included in feasibility. The Standard includes both quantitative and qualitative components:

Quantitative

- Are the projections contained in the POA mathematically correct and materially reasonable?
- Are the assumptions that the City has used to develop its projections individually, and when taken as a group, reasonable?
- Is there an adequate contingency included in the projections?

Qualitative

- Does the City have the human resources, or can it likely recruit the human resources, required to meet its obligations under the POA?
- Does the City have the appropriate systems and procedures to monitor its financial performance and to provide early warning signs of variances in performance that might cause the City to fall short of the projections and be unable to meet its obligations under the POA?
- Are there appropriate structures to ensure the City's compliance with the POA and with reasonable government standards of operation?
- Will the City be able to reasonably deliver a minimum level of municipal services?
- Is the City's trajectory sustainable?

The quantitative assessment of feasibility is straightforward but exacting. As will be more fully discussed in Part II, the projections¹⁰ in the POA are (correctly

¹⁰ For purposes of this Report, "projections in the Plan" are inclusive of the 10 Yr plan, the 40 Yr plan and the RRI's. If only one of these is discussed, it will be noted. The term "forecast" is often used as a synonym for "projections". While this is not technically correct within accounting literature, the terms will be used interchangeably in this Report to provide variety. The term "model" is used in this Report to describe the one or more excel spreadsheets that together form a financial projection. A "values only model" or "flat model" is essentially a printout of the excel spreadsheets, although it may be provided in electronic format rather than in hard copy. A "working model" contains all the cell references, formulas and

so) quite detailed in many areas. Financial modeling is a highly subjective undertaking that is affected by the assumptions made and the professional biases of the analyst developing the model. Financial modeling is both a science and an art. When the analyst forecasts growing revenue, declining costs, or a change in headcount, he or she has a number of ways to write the mathematical formulas which arrive at the intended numbers. In this case, the POA projections are comprised of multiple forecasts, inclusive of hundreds of individual spreadsheets, prepared by many different individuals and then concatenated into what we all simply call the “projections”¹¹. Simple questions, such as “are the salaries used to determine the cost of newly hired employees reasonable?” become detailed. For example, the salary estimates are multifaceted depending on which model and which analyst did the modeling and appear in many of the RRI projections. Because of this, the

“macro” commands that are within the spreadsheets and allows a reviewer of the model to understand what the inputs and assumptions are that create the projections. It is in the working model that a reviewer can understand the “art” of the analyst’s modeling.

¹¹ Expert Report of Charles M. Moore, CPA, CTP, CFF in re City of Detroit, Michigan. In footnote 2, Mr. Moore provides a similar explanation of modeling methodology: “Given the number and diversity of the departments my team and I examined, the specific methodology utilized was not exactly the same for each department. Notwithstanding any particular deviations that were necessary, this core methodology and approach was generally utilized across our analysis and development of the Reinvestment Initiatives.” This is an example of differences that can occur within a model built by the same firm. There were also differences in modeling approach used by Conway MacKenzie, Mr. Moore’s firm, and Ernst & Young, the City’s other financial advisor.

quantitative assessment of “reasonableness” surrounding the individual assumptions, and assumptions taken as a group, of the POA projections was more involved than I would have expected.

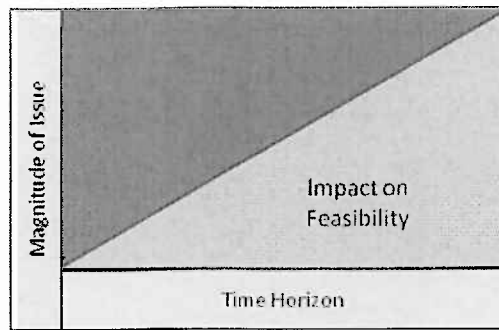
The qualitative aspects of the Standard include what I have come to refer to, as “skill and will” and are as important as the quantitative assessment. Qualitative aspects also include external influences that can affect the implementation of the Plan. Part III, Section K – Leadership and Human Capital, discusses the City’s need for more highly skilled employees. Another qualitative issue is the upcoming transition from the leadership of the Emergency Manager to the leadership of Mayor Duggan and his administration. When that transition occurs, there will be little more than three years remaining within which the current elected officials will have the responsibility to operate the City consistent with the POA – therefore political ‘will’ must be passed to future elected officials. This is not a problem limited to Detroit, but to all municipal proceedings. Section M – Post-Confirmation Oversight discusses ways to mitigate this variable.

The Aspect of Time on the Standard

A municipal government is an entity designed to exist in perpetuity. Therefore, as we considered feasibility there is a requirement to determine the timeframe for the feasibility assessment. As we developed the feasibility Standard, we considered the following questions:

- Given the electoral system and the requirement for strong leadership, do we limit the timeframe to the next election cycle?
- Is there some other timeframe at which feasibility stops? For example, if after 5 years, visibility into the operations of the City becomes more opaque, do we only consider the first 5 years?
- Do we consider the timeframe over which financial commitments are made in the POA? That is, do we look at the restructured pension obligations of the retirees and current employees and attempt to determine whether the POA is feasible during their entire lifetimes?

Ultimately, we based our Standard on an indeterminate time period. However, I believe that the issues of feasibility must be viewed both in terms of their quantitative or qualitative impact and the time horizon over which the impacts may occur. That is, as the time horizon expands, so too does the magnitude required for an issue to impact feasibility. For example, a potential \$50 million shortfall in year 1 will have a much more significant impact on the assessment of feasibility than the same shortfall in year 20.



The Standard Allows for a Range of Values

An additional aspect to my definition of feasibility is the concept that the reasonableness of the quantitative and qualitative components of the Standard can be a range of values. When looking at the reasonableness of assumptions and projections, most people understand that “reasonable” can exist along a continuum. Projections can be reasonable and favor the views of the debtor and projections can be reasonable and favor the views of creditors. Of course, at the outer edges of “reasonable”, values become unreasonable, either because they are exceptionally conservative or wildly aggressive. We have evaluated the assumptions imbedded with the financial forecasts within this continuum of reasonableness.

Detroit differs from a company emerging from chapter 11 in that the City does not have to be service delivery solvent to emerge from bankruptcy. It will be on a

trajectory towards service delivery solvency¹² and in some areas, the current level of service is adequate. I do not need to envision that Detroit will become a best in class municipality to determine that the POA is feasible. For Detroit, emerging from essential services failure to adequate and reasonable service delivery will be a success.¹³

What Feasibility is Not

When we developed the feasibility definition, we also considered what feasibility does not include. First, and foremost, feasibility is not a guarantee. If the City were to propose a plan under which, based on reasonable assumptions, the City could not help but meet its obligations – effectively a guaranteed outcome – it is likely that while feasible, such plan would not satisfy the best interests of creditors test under section 943(b)(7) of the Bankruptcy Code.¹⁴

¹² Eligibility Opinion of Judge Rhodes

¹³ Anderson, Michelle Wild “The New Minimal Cities” <http://yalelawjournal.org/article/the-new-minimal-cities>; March 2014

¹⁴ The “best interest test of creditors” is specifically outside the scope of my appointment and as such, is not part of the opinion I have formed. See Docket #4215, Order Appointing Expert Witness, ¶2 and 3.

Similarly, but at the other end of the spectrum, a feasible plan should avoid visionary schemes primarily based on “mere hopes, desires and speculation”¹⁵. Further, the Court must determine whether there is a reasonable prospect of successful completion of the proposed plan.¹⁶ As a point of reference, a frequently cited legal standard for feasibility in Chapter 11 is whether the factual showing at the plan confirmation hearing establishes a “reasonable assurance of success,” though “success need not be guaranteed.”¹⁷

Lastly, I do not believe the Standard entails: (1) whether the projections in the POA may generate more cash to distribute and therefore provide greater recoveries for creditors or (2) whether there may be alternative plans that could produce a better outcome for the City or its creditors. During my team’s evaluation of feasibility, we have been exposed to numerous views on these subjects. Because this is outside my scope and not included in our Standard, I have not attempted to form, nor have I formed, any opinion on these matters.

¹⁵ 242 B.R. 18 (1999) in re Mount Carbon Metropolitan District.

¹⁶ Lawall, Francis J. and Miller, J. Gregg, Debt Adjustments for Municipalities Under Chapter 9 of the Bankruptcy Code, a Collier Monograph, 2012.

¹⁷ Case, Stephen H., Some Confirmed Chapter 11 Plans Fail, So What?, 47 B.C. L. Rev. 59 (2005), <http://lawdigitalcommons.bc.edu/bclr/vol47/iss1/4>.

In summary, the Standard we have defined includes both quantitative and qualitative assessments of feasibility, including a risk assessment measured against a time horizon and allows for a reasonable range of values within the projections. This Standard is the backdrop against which the remainder of this Report should be read.

Section D - Context

This section of the Report attempts to identify some of the contextual parameters for my expert opinion. The role as the Court's expert on feasibility is both vast and specific, and subsumed within a unique set of facts and circumstances surrounding the City of Detroit, its history and plethora of challenges. Included amongst these topics are:

- The impact of the bankruptcy process on the feasibility assessment
- An "as is" perspective of Detroit which anchors my opinion
- An explanation of what the Plan of Adjustment is and is not
- Identification of factors that affect my opinion separate and apart from the proposed POA

Bankruptcy Process Impact

I am humbled and honored to have been selected as the Court's expert in this matter. The speed with which this restructuring and bankruptcy case has progressed is nothing short of extraordinary. The speed has been both an advantage and a disadvantage to the feasibility of the POA.

The restructuring profession generally views quick trips through the bankruptcy process to be advantageous for a variety of reasons: less distraction of the management team, lower professional costs, more negotiated (vs. litigated) solutions, quicker payments to creditors, and less uncertainty for employees and vendors. This could all be true with the Detroit case.

However, I believe the speed of this proceeding has negatively impacted the level of feasibility of the POA. This bankruptcy has been largely focused on deleveraging the City, often to the exclusion of fixing the City's broken operations. The bilateral mediations between the City and the creditor groups worked well to quickly deliver settlements of key disputes. However, the lack of time available for multiparty negotiation has resulted in settlements that, taken in total, greatly reduce the contingency available in the Plan. Pain sharing is an important component of the restructuring process that helps ensure that all the stakeholders appreciate the "size of the pie" as opposed to creating the proverbial "win-lose" tug of war between the debtor and the creditor.

Detroit “As Is”

Detroit is at a tipping point. While some may consider the chapter 9 filing as the low point in this great City’s history, I believe that it was the beginning of creating what can become a virtuous cycle of revitalization, improving economics and quality of life betterments for those who choose to live and work within the City. It is hard to imagine that people with such diverse political and socio-economic perspectives would have come together as they have in this process without the bankruptcy filing. Traditional political maneuverings are working to Detroit’s advantage and residents have the prospect of once again living in a community that is more safe and supportive. Black, white, Republican, Democrat, poor, wealthy, educated, illiterate and everyone in between have an opportunity to contribute to the virtuous cycle of revitalization, or not.

The City of Detroit’s chapter 9 filing has justifiably received extensive attention across international media and within legal and financial circles. The outcomes will be referenced extensively for years, for what was accomplished and arguably, what could have been accomplished during the proceedings. As the largest chapter 9 to date, if any municipality ever needed the protection and tools of the bankruptcy process, it is Detroit. At every level, Detroit was failing as a city – as measured by the shrinking of its population, useful infrastructure and purposeful

enterprises - and as a government – as measured by its inability to deliver essential services. Having spent a large amount of time in Detroit since my appointment, my interaction with citizens, City employees and stakeholders in the bankruptcy have influenced my view of both the in-court restructuring and the out-of-court work that is equally important to Detroit’s ability to effectuate its POA.

The Plan of Adjustment

Even after many years of practice with dysfunctional, insolvent, operationally troubled enterprises, I was confused by the City’s projections in POA. Section E of this Report provides detail on how the projections and RRI’s are structured. Suffice it to say that the “10 Yr projections”, the “10 Yr/40 Yr projections,” and the “Restructuring and Reinvestments Initiatives” form an unusual construct for a financial plan for an enterprise attempting to emerge from bankruptcy. The baseline projections (“10 Yr projection, Exhibit J to the Disclosure Statement) were prepared in June 2013 to show what would happen to the City without a restructuring, which they did very well. The “10 Yr/40 Yr projection” (Exhibit K in the Disclosure Statement) expands the baseline, steady state projection for the 40 Yr time horizon of the POA. Then, in order to begin to understand how the restructured Detroit might operate – delivering services and paying creditors – one must factor in the RRI’s

contained in Exhibit J to the Disclosure Statement. This is convoluted and contributes to the feelings amongst many creditors in this case that the financial projections in the POA are a “black box” and that it was the City’s intent to obfuscate important information. I choose to believe that it was simply an unfortunate result of two advisory firms sharing responsibilities¹⁸ rather than one firm “owning” the financial projections start to finish, as is, and should be, the norm.

The City’s Plan of Adjustment is primarily limited to a “balance sheet” restructuring, as chapter 11 veterans would characterize it, and it includes only some of the City’s operations. This is loosely analogous to a company that files a bankruptcy for the parent company and some, but not all, of the subsidiaries. The chapter 9 proceeding has been overwhelmingly focused on deleveraging the City for the long term, reducing future obligations. That is good. However, the operational restructuring that often occurs with commercial reorganizations will be left largely to Mayor Duggan and his managers for the post confirmation period. That is

¹⁸Ernst & Young, originally retained by the City of Detroit in May 2011, and Conway MacKenzie, originally retained by the City of Detroit in January 2013, have served the City post-petition in a collaborative arrangement. Each firm has taken responsibility for certain aspects of typical debtor “financial advisory” services and the firms work well together. No comments herein should be construed as criticism of this collaboration; rather, I believe it would have been preferable for a single firm to have prepared a single, integrated financial projection for the POA.

unfortunate but is understandable given the speed with which this bankruptcy has occurred and the Emergency Manager's priorities during his similarly short tenure.

Readers of the POA should view the Plan projections as a "sources and uses" statement which describes cash available to fund delivery of some of the services the City provides and certain payments to creditors. As such, these projections are useful only for purposes of confirming the POA (or not, as the case may be) and directionally providing guidance for the City to plan its finances going forward for those operations that are addressed in the POA. It is important to understand that the POA projections are not a business plan for the City. They are not the City's budget. They are not the "financial plan" referenced in Public Acts 181 and 182 of 2014, also referred to as the "Grand Bargain" legislation.

The confusion about the projections in the POA and these other financial plans is evident within the City including its employees, amongst the media and the stakeholders. The projections in the POA have not been harmonized with the City's budget that was passed by the City Council on June 5, 2014. As such, any funding of the RRI's will require first identification of a funding source, and then approval by the CFO and Mayor, and finally, approval by the City Council of a budget amendment to support the appropriations. Although the City has many financial reporting priorities, it is highly advisable that the budget department amend the

approved June budget for the numerous anticipated changes post confirmation, harmonizing the current headcounts and spending levels with the RRI's that the City intends to execute in the coming year, and submit a new budget to the City Council for approval.

The sooner the City can divorce itself from the confusion created by the POA projections, the better. The City needs a multi-year Business Plan which can act as a single financial and operational plan, including all departments and enterprise activities (of which an amended budget would be a part) as well as capital plans that can be publicly communicated and compared to actual performance. A "bridge" should be prepared which identifies the components of the POA projections that are included in the City's Business Plan and then the POA projections can be archived.

Another confusion I believe exists in the POA is the investment plan for infrastructure and service delivery improvements that are required to revitalize the City. Those funds will necessarily come from reducing costs of existing service delivery either through efficiency improvements or elimination of activities. The media has created the impression that the City's investment of more than \$1 billion over the course of the coming years is a "given". This is incorrect. There is no funding source for these investments, including blight removal, other than the Exit

Financing¹⁹ and the projected structural surplus in the POA projections; that is: the projected revenues must exceed the projected expenses of the City for the foreseeable future. It is important that readers of the POA understand there is no cash in a bank account to fund the RRI's. The cash for the investments will come from the Mayor and the departmental leaders delivering services as economically and efficiently as the POA forecasts.

Outside Factors of Influence

I can say, unequivocally, that without the positive and capable leadership of Mayor Duggan and the constructive relationship between the City Council and the Mayor, I would be unable to opine that the plan, as currently proposed, is feasible. The near term future will require course adjustments as undoubtedly revenues and expenses will vary from projections and unforeseen events will demand changes in plans. The democratic system has put in place individuals who, at least for the next three years, can choose to continue the positive course for the City. I believe they will do so.

¹⁹ The City's investment banker, Miller Buckfire & Co. has prepared solicitation materials as is the process of sourcing this financing.

Southeast Michiganders and Detroiters are extensively engaged in civic and charitable pursuits that benefit the revitalization of Detroit. While detractors cite crime rates and nonfunctioning public works, there are a similar group of enthusiastic, impassioned supporters of Detroit's bright future. Two tangible examples are the Detroit Future City plan and the Blight Task Force report. Each of these privately funded efforts resulted in professionally stellar frameworks that current and future elected officials should consider as components of Detroit's master plan. I find it encouraging that there are the underpinnings of business plans for the City which can be blended with financial plans to improve the prospects of success.

In addition, the level of private funds invested in Detroit annually is significant. During my interviews, one executive estimated that private foundations, collectively, spend between \$150-\$200 million annually on "public" works to support investments in the safety, health and welfare and economic development within the City of Detroit. This level of funding is significant to the overall revitalization efforts outlined in the POA.

Section E - City of Detroit Financial Forecast Summary

Introduction

The City's Plan of Adjustment incorporates multiple, interrelated financial forecasts that must be individually and collectively evaluated in order to fully understand how the City intends to operate after a confirmation of the Plan of Adjustment. These forecasts, which vary in both duration and intended scope, emanated from the various City professional advisors and their original responsibilities. To fully appreciate the operating plan for the City, Phoenix has reviewed each of the financial forecasts and has worked with the City and its professionals to understand how each of these documents bridge to one another.

The Plan of Adjustment's financial forecasts are as follows:

1. Plan of Adjustment – Ten Year Financial Projections (the “10 Yr Plan”),
2. Plan of Adjustment – Forty Year Financial Projections (the “40 Yr Plan”)
3. Plan of Adjustment – Restructuring and Reinvestment Initiatives (the “RRIs”)
4. City of Detroit – Triennial Executive Budget (“City Budget”)

Plan of Adjustment – Ten Year Financial Projections

The 10 Yr Plan, built and modified by Ernst & Young (“E&Y”), is the City’s financial forecast for the fiscal years 2014-2023. This plan was originally developed to show how Detroit would operate exclusive of the chapter 9 bankruptcy proceeding. That is, it is effectively the baseline plan. This forecast was built on a department level basis and does not include the quantitative impacts of the restructuring initiatives, the cancellation of debt, the cash flow ramifications from the alterations in the City’s pension plans and OPEB²⁰, and other impacts of the bankruptcy proceedings.

The City and its advisors produced, as part of the Fourth Amended Plan for the Adjustment of Debts of the City of Detroit and the corresponding Fourth Amended Disclosure Statement (dated May 5, 2014), an updated version of the 10 Yr Plan which reflected the then most current forecast assumptions and terms of negotiated agreements. In light of the incremental negotiations, modified forecast assumptions and other changes, a newer 10 Yr Plan (in concert with an updated 40 Yr Plan and modified RRI’s) has been produced by the City advisors and is dated July 2, 2014. For the purpose of this Report, Phoenix used the July 2, 2014 version

²⁰ Other Post Employment Benefits

Section J - Pensions

Introduction

Detroit's legacy retirement obligations, combining both pensions and OPEB, are the City's largest liability when combining the funded and unfunded liabilities. Additionally, these liabilities are arguably the most visible to the City's retirees, current employees, and to its citizens, generally. Despite the relative importance, the magnitude of the City's retirement obligations and the methods for calculating them are largely unknown. Assessing the City's future pension and OPEB responsibilities involves, among other factors, forecasted health care costs, complex actuarial models⁴³, and assumptions for the anticipated rate of returns on the pensions' assets and the rate used to discount the plans' future liabilities. Critical decisions made today will have a substantial impact on the City's liquidity in future

⁴³ Traditional actuarial forecasts imbed assumptions related to pensioners' mortality, rates of retirement, salary increases, overtime, disability rates, interest earned on assets, and pension plan administrative expenses.

years. The magnitude and importance of these decisions will be critical to Detroit's viability in the decades to come.

Background

The City of Detroit has historically maintained two separate defined benefit plans, one for uniformed personnel and one for all other City employees. The City's existing pension plans are administered by the respective Retirement Systems, the Police & Fire Retirement System of the City of Detroit ("PFRS") and the General Retirement System of the City of Detroit ("GRS"). The bankruptcy claims related to PFRS claims are classified as Class 10, while the GRS claims are designated as Class 11 in the POA. These plans provided for a calculated amount of retirement income based on earnings and longevity of each individual employee. As typical with defined benefit plans, the benefits are fixed and are not dependent on investment returns or other outside factors.

Detroit's Plan, in an effort to mitigate the City's expanding legacy pension issues, proposes to fundamentally restructure the City's pension obligations for both its current retirees and its active employees, effective June 30, 2014. The Plan provides that, on the Effective Date, the City will assume the obligations related to already accrued benefits under the GRS and the PFRS pension plans *as those benefits will have been modified in the POA*. The POA pension proposal modifies

each plan under revised structures that impose reduced monthly pension amounts and/or reduced or eliminated COLA adjustments. The POA also proposes to restructure the accrual of pension benefits of active employees beginning on July 1, 2014, the parameters of which are detailed below.

City of Detroit Retirees Demographics

As of June 30, 2013, the Retirement Systems for the City of Detroit had approximately 32,247 members. The demographics of the each Retirement System are detailed below:

	PFRS		GRS		RS Total	
Active	3,272	26%	5,658	28%	8,930	28%
Retirees	9,054	73%	12,118	61%	21,172	65%
Other	111	1%	2,214	11%	2,325	7%
	<u>12,437</u>		<u>19,990</u>		<u>32,427</u>	

Of the City's estimated 21,172 retirees, roughly 7,200 (or 34%) are over the age of 75, with another 35% between the ages of 65 and 75. The average PFRS pension in FY2013 was \$30,607 as compared to the average FY2013 GRS pension of \$19,213.

Pension Funding Level

The accounting for defined benefit plans can be very complex. The calculations used to determine the appropriate funding levels required each year are dependent upon macro-economic factors, actuarial assumptions, and other variables that can be difficult to understand and can be manipulated to bias the required funding levels.⁴⁴

Historically, a number of different practices have contributed to a significant funding shortfall in the two pension plans. The Retirement Systems utilized unrealistic rate of return assumptions and managed the pension plans in accordance with questionable investment strategies that resulted in considerable underfunding of the respective Plans. The Retirement Systems assumed aggressive annual rates of return on investment (PFRS: 8.0%; GRS: 7.9%), allocated asset gains and losses over a seven-year period which masked potential funding shortfalls, and utilized renewing 29- (PFRS) and 30- (GRS) year amortization periods for funding the unfunded pension obligations.

The calculation of this funding shortfall, or the Unfunded Actuarial Accrued Liability ("UAAL"), is dependent upon the use of assumptions as noted above.

⁴⁴ Declaration of Charles M. Moore in Support of Detroit, Michigan's Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code; Docket No. 13; Page 5

Based on the assumption methodologies used by the retirement systems previously, the UAAL was projected, at the end of FY2012, to have been approximately \$977 million.⁴⁵ At June 30, 2013, that UAAL estimate was \$1.5 billion as PFRS reported it was 89% funded with a UAAL of \$415 million. At that same time, GRS reported it was 70% funded with a UAAL of \$1.1 billion. Using what the City now believes are more accurate assumptions, the City's actuary - Milliman, Inc. - has estimated that the combined systems' UAAL, at June 30, 2013, was approximately \$3.5 billion.⁴⁶

In addition to issues involving the aggressiveness of the rate of return assumption used to determine funding levels, also contributing to the increase of the UAAL were a number of questionable activities engaged in by the retirement systems, which included:

- Utilizing GRS fund assets to pay the promised returns on the Annuity Savings Program which, upon members of GRS allocating 3%, 5% or 7% of their after-tax salaries into a discreet defined contribution plan, effectively guaranteed a minimum 7.9% annual investment return

⁴⁵ Declaration of Charles M. Moore in Support of Detroit, Michigan's Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code; Docket No. 13; Page 5

⁴⁶ Declaration of Charles M. Moore in Support of Detroit, Michigan's Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code; Docket No. 13; Page 7

regardless of the actual investment performance of the pension plans' assets;

- Using actual market returns for crediting purposes rather than the guarantee, the City believes that over \$387 million of excess investment earnings were credited to Annuity Savings Funds from 2003-2013
- GRS trustees, when the plan's actual returns were higher than the assumed rate of return, paid a portion of the positive variance between the actual investment return and the assumed rate of return in an additional pension check to already retired pensioners in what is commonly referred to as the "13th check" program
- The City periodically deferred its required year-end PFRS contributions, and then borrowed to pay those deferrals with debt priced at a rate of 8%;
- Retirement System officials have been accused and/or indicted of material fiduciary misconduct, allegedly draining the pension of necessary liquidity and contributing to the underfunding of the Retirement Systems.⁴⁷

Pension Treatment

The City's Plan of Adjustment proposes to "freeze" the accruing of pension benefits under the terms of the City's legacy pension plans and, effective June 30, 2014, institute restructured, distinct pension plans for the City's active employees. For the current employees, their future pensions will be a combination of that which was accrued under the legacy plan through June 30, 2014, and after that date, what will be accrued under the new revised plan as detailed below. For the City's retirees,

⁴⁷ Declaration of Charles M. Moore in Support of Detroit, Michigan's Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code; Docket No. 13; Page 10

depending on whether they are members of PFRS or GRS, the POA proposes to modify their accrued benefits under the legacy pension plans via reductions in gross pensions, cost of living adjustments, or reductions in investment earnings in the Annuity Savings Program.

Active City Employees

The Plan of Adjustment proposes a “hybrid” pension plan for the City’s active employees for their accrued employment time after June 30, 2014. The adjusted pension plan – for both PFRS and GRS – endeavors to combine the features of a fixed contribution plan with the estimated investment performance of a fixed benefit plan. The City and its actuaries constructed this hybrid plan to generate accrued pension payments to its active employees upon retirement commensurate with a 6.75% estimated annual investment return.

For active PFRS employees, the updated pension formula will be equivalent to their Final Average Compensation (“FAC”) – defined as the average base compensation (excluding overtime, sick leave, longevity, etc. over the last ten consecutive years) times years of service times 2.0%. For example, a theoretical PFRS employee whose FAC was \$40,000 with 25 years of experience would accrue an annual pension of \$20,000 ($\$40,000 \times 25 \times 2.0\%$). This calculation represents

the defined benefit portion of the new hybrid plan. The defined contribution portion of the new plan incorporates an annual 12.25% contribution from the City of employees' base compensation and requires an employee contribution of 6%, if the employee was hired before July 1, 2014, or 8% if hired after that date. In addition, PFRS employees will be eligible for retirement at ages 50-52, depending on their rank, with twenty-five years of service.

The revised GRS pension plan for active employees is similar to the PFRS plan, albeit adjusted for Social Security (GRS pensioners are eligible for Social Security in contrast to PFRS pensioners). The updated pension formula will be equivalent to FAC over the last ten consecutive years times years of service times 1.5%. For example, a theoretical GRS employee whose FAC was \$40,000 with 30 years of experience would accrue an annual pension of \$18,000 ($\$40,000 \times 30 \times 1.5\%$). The City will contribute 5.75% of the employee's base compensation annually, while the employee will contribute 4%. In addition, GRS employees will be eligible for retirement at age 55 with thirty years of service.

Proposed POA Restructured Terms

	PFRS	GRS
Pension Formula	FAC x # of years x 2.0%	FAC x # of years x 1.5%
Investment Return	6.75%	6.75%
ER Contribution	11-12% of base compensation	5% of base compensation
EE Contribution	Hired before 7/1/14: 6%; after 7/1/14: 8%	4% of base compensation
Retirement Age	Age 50-52 with 25 years experience	Age 55 with 30 years experience
COLA Eligibility	0-1% compounded, variable	Variable after 4 years and 100% funded
Annuity Savings Fund	n/a	Interested credit at actual return (0-5%)
Theoretical Annual Pension (\$40k FAC with 25/30 years experience)	\$20,000 = \$40,000 x 25 x 2.0%	\$18,000 = \$40,000 x 30 x 1.5%

The fundamental amendments to the future pension plans lend themselves favorably to the POA's feasibility. Redefining base compensation as an average of the last ten years' pay as opposed to last three, eliminating non-base compensation such as overtime and sick leave from the calculation, reducing the estimated rate of return, and incorporating a defined employee contribution all contribute to the increased likelihood that the City can meet the requirements of the new pension plan. A concern remains, though, that embedded within the "hybrid" nature of this pension plan, is the concept that a fixed contribution will, *over time*, produce the required, fixed benefit. Pension plans with fixed contributions are generally just that -- defined contribution plans, not defined benefit plans. To the degree that the actual investment return underperforms the targeted levels or the employee population exhibits life expectancies in excess of the actuarial assumptions, the City has the potential to again be saddled with an underfunded pension plan.

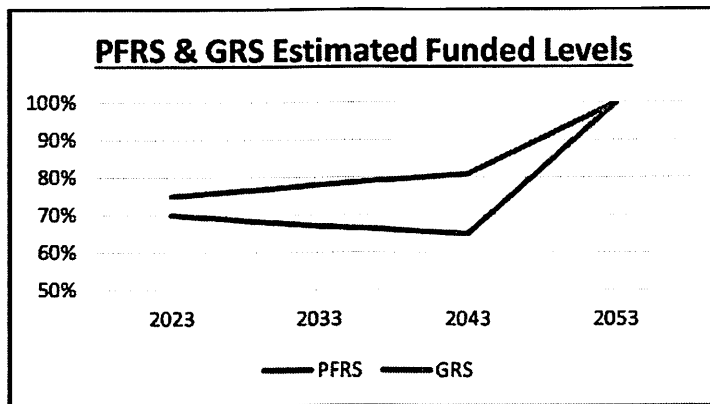
Current Retirees

The combined UAAL for both Retirement Systems was approximately \$3.5 billion as of June 30, 2013. The City's Plan of Adjustment, for the current retirees' pension plan, establishes targeted funding rates by the end of fiscal year 2023 for each Retirement System, specifically 75% for PFRS and 70% for GRS, based upon a heavily-negotiated 6.75% assumed investment rate of return. While I assume this investment rate of return as a "given" in all pension analyses to follow, further discussion with regards to the appropriateness of this assumed investment rate of return, and more particularly, its use as the assumed liability discount rate, is detailed below. These targeted funding levels, combined with the proposed benefit reductions for each pension plan, dictate the required cash contributions to the Retirement Systems during the period ending June 30, 2023. The POA proposes that the City will amortize the remaining UAAL for each Retirement System – as of June 30, 2023 – over the following thirty-year timeframe.

The following graph illustrates, per the City's actuary – Milliman, Inc. – the estimated funding levels for PFRS and GRS at ten-year intervals during the period FY2014-2053⁴⁸. Based on the City's actuarial tables, the POA projections assume

⁴⁸ Both PFRS and GRS plans are forecasted to initially have decreasing funding levels; PFRS is forecasted to decrease from 87% in FY2015 to 78% in 2023; GRS is estimated to decrease from 74% in FY2015 to 65% in FY2043

that the pension plans' funding levels significantly improve in the last ten years of this forty year period in question⁴⁹.



The POA assumed investment rate of return of 6.75% was a heavily negotiated component of the POA amongst the City, its retirees, the Retirement Systems, the Retiree Committee, and the labor unions. The POA stipulates that the board of trustees of the PFRS and GRS “must” maintain a 6.75% investment return assumption through the period ending June 30, 2023; thereafter, that rate is at the discretion of the Retirement Systems. While the new, proposed rate is more conservative than the historically-used 7.9% and 8.0% rates, current debate abounds as to whether a municipal pension plan, that is not 100% funded, should use any rate for its liability discount rate other than the government risk-free rate.

⁴⁹ Milliman, Inc. letter, dated May 7, 2014

The following table illustrates where the City's proposed 6.75% investment rate compares to other comparable municipal pension plan assumptions⁵⁰:

<u>Public Pensions - Assumed Investment Returns - Dec 2013</u>	
City of Detroit	6.75%
Connecticut Teachers	8.50%
Houston Firefighters	8.50%
Ohio Police & Fire	8.25%
Ohio PERS	8.00%
Michigan Municipal/SERS/Public Schools	8.00%
U.S. National Average	7.72%
CALPERS	7.50%
Indiana PERF/Teachers	6.75%
DC Police & Fire/Teachers	6.50%

Pension Funding

In an effort to partially alleviate the City of Detroit's liquidity concerns and to fund some portion of the proposed RRI's in the first ten years, the Plan of Adjustment incorporates dedicated external funding for the Retirement Systems aimed at reducing the respective UAALs, portions of which the receipt is predicated upon Classes 10 (PFRS) and 11 (GRS) voting to accept the Plan. The following analyses illustrate the POA's proposed funding sources for the respective Retirement Systems over the 2014-2053 timeframe encompassed in the POA's 40 Yr Plan.

Plan of Adjustment – Proposed PFRS Contributions – FY2014-2053

⁵⁰ NASRA Issue Brief: "Public Pension Plan Investment Return Assumptions"; April 2014

(\$ Millions)	2014 - 2023	2024 - 2033	2034 - 2043	2044 - 2053
City-specified Contributions				
State of Michigan	\$ 96	\$ -	\$ -	\$ -
Foundations (DIA Settlement)	\$ 165	\$ 201	\$ -	\$ -
Other/City GF	\$ -	\$ 416	\$ 465	\$ 311
Total	\$ 261	\$ 618	\$ 465	\$ 311

Plan of Adjustment – Proposed GRS Contributions – FY2014-2053

(\$ Millions)	2014 - 2023	2024 - 2033	2034 - 2043	2044 - 2053
City-specified Contributions				
DWSD	\$ 429	\$ -	\$ -	\$ -
UTGO	\$ 32	\$ -	\$ -	\$ -
State of Michigan	\$ 99	\$ -	\$ -	\$ -
DIA (DIA Settlement)	\$ 45	\$ 55	\$ -	\$ -
Other/City GF	\$ 115	\$ 575	\$ 474	\$ 318
Total	\$ 719	\$ 630	\$ 474	\$ 318

In order of magnitude, the City-specified contributions in the 2nd, 3rd, and 4th decades reflect the estimated 30-year amortization payments on the respective plans' UAALs at June 2023. The DWSD is expected to contribute to GRS roughly \$428 million from FY2015-2023, constituting DWSD's allocable share of the remaining GRS UAAL, after considering the pension modifications proposed in the POA. The State of Michigan has committed to contribute the present value of \$350 million, approximately \$194 million⁵¹, for the benefit of pensioners. The State's contribution, signed into law by Governor Snyder on June 20, 2014, requires the approval of Classes 10 and 11, requires support from the Retirement Systems,

⁵¹ The \$350 million contribution is discounted at the 6.75% rate.

cessation of all bankruptcy-related litigation, and the full commitment of other external financing sources dedicated to the pension plans.

In addition to the identified pension funding sources highlighted above, the POA assumes implementation of the DIA Settlement, in which the City, DIA, and certain charitable foundations agree to irrevocably transfer the DIA art collection to the DIA Corporation. The art will be held in perpetual charitable trust within Detroit's city limits, in exchange for future payments of \$366 million, pledged by the charitable foundations, and a commitment from the DIA Corporation to raise \$100 million. Both DIA Settlement commitments are designated to be paid into the pension plans over the next twenty years.

The following tables illustrate the proposed funding contributions into PFRS and GRS for the fiscal years 2014-2023:

Plan of Adjustment – Proposed PFRS Contributions – FY2014-2023

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10 Year Total
<u>City-specified Contributions</u>											
State	\$ -	\$ 96.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96.0
Foundations	\$ -	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 154.7
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 114.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 260.7

Plan of Adjustment – Proposed GRS Contributions – FY2014-2023

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10 Year Total
<u>City-specified Contributions</u>											
DWSD	\$ -	\$ 65.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 45.4	\$ 428.6
UTGO	\$ -	\$ 4.4	\$ 4.0	\$ 4.0	\$ 3.9	\$ 3.7	\$ 3.7	\$ 3.6	\$ 2.3	\$ 2.0	\$ 31.6
State	\$ -	\$ 98.8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98.8
DIA	\$ -	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 45.0
Other/City GF	\$ -	\$ 14.6	\$ 22.5	\$ 22.5	\$ 22.5	\$ 22.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 114.6
Total	\$ -	\$ 188.2	\$ 76.9	\$ 76.9	\$ 76.8	\$ 76.6	\$ 56.6	\$ 56.5	\$ 55.2	\$ 54.9	\$ 718.6

Plan of Adjustment – PFRS (Class 10)

The POA proposes two alternative restructuring scenarios of the PFRS pension, with the respective depth of the assumed pension cuts being dependent on whether *both* Classes 10 and 11 approve the Plan of Adjustment.

PFRS – Scenario A

In the event that both Classes 10 and 11 vote for the POA, with an assumed investment return of 6.75% and a targeted funding rate of 75% in 2023, the POA proposes that PFRS pensioners will receive 100% of their current/accrued pension, but will have their lifetime Cost of Living Adjustments (“COLAs”) reduced by 55%. With COLAs estimated to represent approximately 18% of the total PFRS liabilities, the proposed 55% COLA elimination translates into a 9.9% reduction in estimated PFRS liabilities.

PFRS – Scenario B

If either Classes 10 or 11 vote against the POA, and maintaining the assumed investment return of 6.75% and a targeted funding rate of 75% in 2023, PFRS pensioners will still receive 100% of their current/accrued pension, but their lifetime COLAs will be completely eliminated.

Police and Fire Retirement Systems of the City of Detroit
Projection of Liabilities and Assets
Scenario A
Assuming 55% COLA Reduction, 75% Targeted Funded Status,
and 6.75% Investment Return⁵²

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10 Year Total
City-specified Contributions	\$ -	\$ 114.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 18.3	\$ 260.7
Market Value of Assets	\$ 3,071	\$ 3,096	\$ 3,024	\$ 2,946	\$ 2,863	\$ 2,775	\$ 2,681	\$ 2,579	\$ 2,470	\$ 2,354	
Actuarial Accrued Liability	\$ 3,624	\$ 3,573	\$ 3,521	\$ 3,464	\$ 3,404	\$ 3,340	\$ 3,271	\$ 3,198	\$ 3,118	\$ 3,035	
Unfunded Liability	\$ (553)	\$ (477)	\$ (497)	\$ (518)	\$ (541)	\$ (565)	\$ (590)	\$ (619)	\$ (648)	\$ (681)	
Funded Ratio - BOY		86.6%	85.9%	85.0%	84.1%	83.1%	82.0%	80.6%	79.2%	77.6%	
Expected FY Benefit Payments		\$ (285)	\$ (283)	\$ (284)	\$ (284)	\$ (283)	\$ (283)	\$ (284)	\$ (285)	\$ (283)	\$ (2,554)
Expected FY Admin Expenses		\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (8)	\$ (8)	\$ (8)	\$ (66)
Expected FY Net Investment Return		\$ 201	\$ 200	\$ 195	\$ 190	\$ 184	\$ 178	\$ 172	\$ 165	\$ 157	\$ 1,642

⁵² Milliman, Inc. letter, dated April 23, 2014

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10 Year Total
Market Value of Assets - Roll Forward											
Market Value of Assets - BOY	\$ 3,071	\$ 3,094	\$ 3,023	\$ 2,945	\$ 2,862	\$ 2,775	\$ 2,681	\$ 2,579	\$ 2,469	\$ 2,354	\$ 3,071
City-specified Contributions	\$ 114	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 261
Expected FY Net Investment Return	\$ 201	\$ 200	\$ 195	\$ 190	\$ 184	\$ 178	\$ 172	\$ 165	\$ 157	\$ 157	\$ 1,642
Expected FY Benefit Payments	\$ (285)	\$ (283)	\$ (284)	\$ (284)	\$ (283)	\$ (283)	\$ (284)	\$ (285)	\$ (283)	\$ (283)	\$ (2,554)
Expected FY Admin Expenses	\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (8)	\$ (8)	\$ (8)	\$ (8)	\$ (66)
Market Value of Assets - EOY	\$ 3,071	\$ 3,094	\$ 3,023	\$ 2,945	\$ 2,862	\$ 2,775	\$ 2,681	\$ 2,579	\$ 2,469	\$ 2,354	\$ 2,354
Actuarial Accrued Liability - Roll Forward											
Actuarial Accrued Liability - BOY	\$ 3,624	\$ 3,573	\$ 3,521	\$ 3,464	\$ 3,404	\$ 3,340	\$ 3,271	\$ 3,198	\$ 3,118	\$ 3,035	\$ 3,624
Expected FY Benefit Payments	\$ (285)	\$ (283)	\$ (284)	\$ (284)	\$ (283)	\$ (283)	\$ (284)	\$ (285)	\$ (283)	\$ (283)	\$ (2,554)
Add'l Accrued Liability	\$ 234	\$ 231	\$ 227	\$ 224	\$ 219	\$ 214	\$ 211	\$ 205	\$ 200	\$ 200	\$ 1,963
Actuarial Accrued Liability - EOY	\$ 3,624	\$ 3,573	\$ 3,521	\$ 3,464	\$ 3,404	\$ 3,340	\$ 3,271	\$ 3,198	\$ 3,118	\$ 3,035	\$ 3,035

Plan of Adjustment – GRS (Class 11)

Similar to Class 10, the POA proposes two alternative restructuring scenarios of the GRS pension, with the respective depth of the assumed pension cuts being dependent on whether *both* Classes 10 and 11 approve the Plan of Adjustment.

GRS – Scenario A

In the event that both Classes 10 and 11 vote for the POA, with an assumed investment return of 6.75% and a targeted funding rate of 70% in 2023, GRS pensioners will receive 95.5% of their current/accrued pension, will have their lifetime COLAs eliminated, and pensions will be subjected to a maximum of a 15.5% recoupment of their Annuity Savings Fund excess return⁵³. The combined impact of these proposed changes represents an approximate 27% reduction in

⁵³ Not all GRS retirees will be subject to ASF recoupment; only those retirees who ASF annual return, for FY2004-2013, was greater than the plan assets' actual return up to a maximum recoupment of 15.5% of the pensioner's peak ASF balance

GRS's estimated liabilities comprised of 4.5% from reduced pensions, roughly 9% from the Annuity Savings Fund recoupment, and 14% from the eliminated COLAs.

GRS – Scenario B

If either Classes 10 or 11 vote against the POA, and maintaining the assumed investment return of 6.75% and a targeted funding rate of 70% in 2023, GRS pensioners will receive 73% of their current/accrued pension, will have their lifetime COLAs eliminated, and the ASF recoupment will vary from 0.01% to 100% of a retiree's pension, based upon the excess amount of the pension. The combined impact of these proposed changes represents an approximate 50% in GRS's estimated liabilities comprised of 27% from reduced pensions, roughly 9% from the Annuity Savings Fund recoupment, and 14% from the eliminated COLAs.

General Retirement Systems of the City of Detroit Projection of Liabilities and Assets Scenario A

Assuming 4.5% Benefit Reduction, 100% COLA Reduction, 70% Funded Status, Annuity Savings Fund Recoupment, and 6.75% Investment Return⁵⁴

⁵⁴ Milliman, Inc. letter, dated April 25, 2014

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10 Year Total
City-specified Contributions	\$ -	\$ 196.2	\$ 65.3	\$ 65.3	\$ 65.3	\$ 65.3	\$ 65.3	\$ 65.3	\$ 65.3	\$ 65.3	\$ 718.6
Market Value of Assets	\$ 2,027	\$ 2,106	\$ 2,057	\$ 2,005	\$ 1,951	\$ 1,893	\$ 1,831	\$ 1,764	\$ 1,695	\$ 1,622	
Actuarial Accrued Liability	\$ 2,921	\$ 2,866	\$ 2,809	\$ 2,751	\$ 2,688	\$ 2,622	\$ 2,552	\$ 2,477	\$ 2,399	\$ 2,317	
Unfunded Liability	\$ (894)	\$ (760)	\$ (752)	\$ (746)	\$ (737)	\$ (729)	\$ (721)	\$ (713)	\$ (704)	\$ (695)	
Funded Ratio		73.5%	73.2%	72.9%	72.6%	72.2%	71.7%	71.2%	70.7%	70.0%	
Expected FY Benefit Payments		\$ (243)	\$ (241)	\$ (239)	\$ (239)	\$ (239)	\$ (238)	\$ (238)	\$ (237)	\$ (235)	\$ (2,149)
Expected FY Admin Expenses		\$ (9)	\$ (9)	\$ (10)	\$ (10)	\$ (10)	\$ (10)	\$ (11)	\$ (11)	\$ (11)	\$ (91)
Expected FY Net Investment Return		\$ 135	\$ 136	\$ 133	\$ 129	\$ 125	\$ 122	\$ 117	\$ 113	\$ 108	\$ 1,118

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10 Year Total
<u>Market Value of Assets - Roll Forward</u>											
Market Value of Assets - BOY		\$ 2,027	\$ 2,106	\$ 2,058	\$ 2,007	\$ 1,952	\$ 1,893	\$ 1,833	\$ 1,766	\$ 1,696	\$ 2,027
City-specified Contributions		\$ 196	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 65	\$ 719
Expected FY Net Investment Return		\$ 135	\$ 136	\$ 133	\$ 129	\$ 125	\$ 122	\$ 117	\$ 113	\$ 108	\$ 1,118
Expected FY Benefit Payments		\$ (243)	\$ (241)	\$ (239)	\$ (239)	\$ (239)	\$ (238)	\$ (238)	\$ (237)	\$ (235)	\$ (2,149)
Expected FY Admin Expenses		\$ (9)	\$ (9)	\$ (10)	\$ (10)	\$ (10)	\$ (10)	\$ (11)	\$ (11)	\$ (11)	\$ (91)
Market Value of Assets - EOY	\$ 2,027	\$ 2,106	\$ 2,058	\$ 2,007	\$ 1,952	\$ 1,893	\$ 1,833	\$ 1,766	\$ 1,696	\$ 1,624	\$ 1,624
<u>Actuarial Accrued Liability - Roll Forward</u>											
Actuarial Accrued Liability - BOY		\$ 2,921	\$ 2,866	\$ 2,809	\$ 2,751	\$ 2,688	\$ 2,622	\$ 2,552	\$ 2,477	\$ 2,399	\$ 2,921
Expected FY Benefit Payments		\$ (243)	\$ (241)	\$ (239)	\$ (239)	\$ (239)	\$ (238)	\$ (238)	\$ (237)	\$ (235)	\$ (2,149)
Add'l Accrued Liability		\$ 188	\$ 184	\$ 181	\$ 176	\$ 173	\$ 168	\$ 163	\$ 159	\$ 153	\$ 1,545
Actuarial Accrued Liability - EOY	\$ 2,921	\$ 2,866	\$ 2,809	\$ 2,751	\$ 2,688	\$ 2,622	\$ 2,552	\$ 2,477	\$ 2,399	\$ 2,317	\$ 2,317

Pension Restoration

The Plan of Adjustment incorporates, for both PFRS and GRS, the potential for previously-reduced pension benefits to be restored if the funding levels of the respective Retirement Systems improve to agreed-upon restoration levels at designated timeframes, the fiscal years ending 2023, 2033, and 2043. These pension restoration payments are designed to be variable, in that, they are only distributed to

the pensioners if the investment performance of the pension plans is at least three percentage points above the targeted funding levels.

The pension restoration thresholds, for both PFRS and GRS, are perpetually three percentage points above each pension plan's targeted funding level throughout the FY2014-2053 time period. If the funding levels exceeds the plan's restoration targeted funding level, i.e. are more than 3 percentage points above the targeted funding level, monies will be allocated to a "restoration reserve account". Once the restoration reserve account equals at least 10% of the lifetime value of the previously-reduced COLA payments, restoration payments will commence in the following year. According to the POA, restoration payments for PFRS will be conditional until 2023, and until 2028 for GRS. If, as a result of the funds' assets subsequently underperforming the targeted investment levels, which would mean that the returns fall below the 3 percentage point threshold for restoration payments, COLA restoration payments are immediately suspended. Beginning in FY2023 for PFRS and FY2028 for GRS, to the degree the plans' funding levels are in excess of the restoration targeted levels, those specific restoration payments become fixed, or "guaranteed", going forward.

It should be clearly understood, in FY2023 (FY2028 for GRS), FY2033 and FY2043, the *maximum* funded level of the GRS and PFRS is the amount shown in the table below. As a result of the negotiations with the parties, the provisions of the

POA relative to the pension settlements ensure that the pension plans at these benchmark dates will never be funded above the restoration funding rate for either the PFRS or GRS plans. If the funding level is above this targeted amount at the benchmark dates, the excess will be swept to a permanent restoration fund such that the funding level will be reduced to the amount shown. In the event that the funding levels at these benchmark dates are below these levels, the City is responsible for this unfunded amount and must fund it in the future. Therefore, as the City considers the average rate of return, it must keep in mind it is “giving away” some of the upside, yet retaining all of the downside.

The following table summarizes both PFRS and GRS’s targeted and pension restoration funding levels for the 2014-2043 timeframe (pension restoration payments cease in 2043)⁵⁵.

	PFRS		GRS	
	Funding Target	Restoration Target	Funding Target	Restoration Target
2014-2023	75%	78%	70%	73%
2024-2033	81%	84%	70%	73%
2034-2043	84%	87%	70%	73%

Impact on Feasibility

⁵⁵ Multiple Milliman, Inc. Pension reports; multiple Phoenix discussions with Jones Day attorneys re: Pension plans

There is considerable debate regarding the selection of the discount rate for calculating liabilities in government sponsored defined benefit (DB) plans. At one end of the debate is the thought that the discount rate of liabilities should equal the expected return on pension assets; at the other end is the thought the liabilities have a very strong contractual and legal requirement and therefore represent a certainty of payment and therefore should be discounted at, or near, the risk free rate. This seemingly academic question has real world consequences when viewing Detroit's POA and its perceived feasibility.

The Nelson A. Rockefeller Institute of Government's recent analysis on this issues - The Blinken Report - dated January 2014, notes⁵⁶:

The problem begins with mismeasurement of liabilities and the cost of funding them securely, for financial reporting purposes. The proper way to value future cash flows such as pension benefit payments is with discount rates that reflect the risk of the payments. This is separate from the question of the rate pension funds will earn on their investments.

This bears repeating: The proper rate for valuing pension liabilities on financial statements is separate from the question of what pension funds will earn on their investments. Different rates may be appropriate for valuing liabilities than for assumed investment returns — and we recommend, later, that different rates be used. The major

⁵⁶ The Blinken Report- Strengthening the Security of Public Sector Defined Benefit Plans, dated January 2014. Donald J Boyd and Peter J Kiernan. *Expert's Note: In the preface of this Report special note is made of the contribution to the analysis and work by Dick Ravitch. Mr. Ravitch is Judge Rhodes' non-testifying consultant in this chapter 9.*

significance of valuing liabilities incorrectly is that it leads to inadequate funding policies, and encourages the mistaken belief that benefits can be greater, services can be greater, or taxes lower while still funding benefits securely. (Blinken Report Emphasis)

Because pensions are promises that should be kept, and have strong legal protections, they should be valued using discount rates that reflect the riskiness of expected benefit payments. Unfortunately, the longstanding practice for public pension plans in the United States, developed before modern financial theory, is to use the expected return on pension fund assets to value liabilities, even though there is no logical connection between how much is owed to workers and what assets will earn. This practice is not used by public pension plans in other countries, or by private plans in the United States, or by economists or financial analysts valuing other cash flows. Our nation's public pension plans stand virtually alone, and recent accounting rule changes by the Governmental Accounting Standards Board (GASB) have not addressed this properly. Rates that reflect the expected risk of benefit payments ordinarily are much lower than the rates public pension funds use to value liabilities, and as a result, public pension liabilities are underestimated by at least \$1-2 trillion, and the annual costs of funding them securely are underestimated by at least \$100-200 billion.

The City of Detroit, in its POA, has used a rate of 6.75% to discount the liabilities of the pension plans. This rate is lower than the historical rates that PFRS and GRS have previously used and lower than recent investment returns, although recent market returns are heavily impacted by the recovery from the Great Recession. It is also low relative to peers (see previous chart on comparison of Assumed Investment Returns of comparable public plans). In fact, there are few other major government sponsored plans that use a lower rate to discount the liabilities in their pension plans. On the surface, this appears to be a conservative

assumption. However, I am not convinced that the City appreciates the opportunity it has to provide stewardship in this area. Highlighting that the City's assumptions are low relative to history, a history that got them to this place, and low relative to their peers - peers who collectively may be underfunded by \$2 trillion or more, is not much consolation.⁵⁷

We believe that the selection of a discount rate has relevance as to the feasibility of the Detroit POA, in that, in the future without the benefit to change pension obligations, pension funding requirements become a de facto first priority on cash flows. This results in crowding out other cash flow priorities. The City must be continually be mindful that a root cause of the financial troubles it now experiences is the failure to properly address future pension obligations. Below we address two main concerns regarding the selection of the discount rate for valuing future liabilities in the Plan.

The investment return at 6.75% appears to be based on future investment returns. This rate clearly reflects a rate above the current risk free rate of return and therefore indicates a level of assumed volatility and risk. The argument for using a discount rate that is related to investment returns typically states that using a rate

⁵⁷ Blinken Executive Summary pg. vii.

that is higher than the risk free rate is acceptable due to the long “runway” of a municipal pension. The argument goes: a municipal entity differs from an individual in that, as an individual ages, they typically must moderate their investment behavior towards lower risk investments due to shortening time horizons and, therefore, often lock in losses in down markets. The argument continues: the long time horizon of a municipal pension plan allows it to avoid this phenomenon. Of course, pension plans are not able to defer plan payments during down markets, and therefore, in significant down markets, the loss of principal as a result of making payments to pensioners, without offsetting investment returns, can result in a plan that “locks in” losses. These “locked in” losses create underfunding.

Further, the current POA contemplates Pension Restoration provisions. These provisions essentially allow pension plan beneficiaries to have some opportunity for restoration of lost pension benefits. Post confirmation, until June 2023 for PFRS and June 2028 for GRS, if the pension plans exceed 78% for PFRS or 73% for GRS, despite still being underfunded nearly 22% and 27%, respectively, additional funds can be set aside into a pension restoration fund. The funding levels and the ability of beneficiaries to receive restoration benefits are limited to actuarial and investment return adjustments and not to additional city contributions. However, under this plan, the City can be underfunded in FY2043 and still be in the mode of restoring pension benefits to then existing retirees. Based on the settlement terms and the

assumptions made, there does not appear to be recognition that a pension plan, someday, will need to be 100% funded. The City appears to adopt an institutional philosophy of underfunding.

On top of the conceptual argument that funding targets should be set at no less than 100%, before additional commitments are made to increase benefits, a larger concern exists. The City's assumption of a 6.75% rate of return implicitly requires the City to accept risk and volatility. Volatility is, of course, a positive and a negative force. At times, the City should be expected to achieve returns above 6.75% and, at times, the City should expect returns below this level. Over the past 10 years, the Retirement Systems have seen significant variations in their investment returns both above and below the average return. Again, this is the argument for municipal pensions to use investment returns because over the long term, there should be smoothing. Because the City's defined benefit plans are essentially in runoff, they will inevitably experience declining asset levels. In this environment of declining assets and volatility, returns over time are not equally weighted.

Thus, order matters when returns are volatile. It is much better to receive high returns early and low returns later, even though both streams provide the same simple average growth rate. Examples of the impact of timing on returns in a given 10-year period are detailed in the Sensitivity section below. This is not a trivial

issue, even though it is quite technical. As pension funds mature and net outflows increase, asset values will be more volatile and more susceptible to the order in which returns occur. In an environment in which expected returns are low in the short term — as the current low-interest-rate, low-inflation environment may be — funds cannot simply balance low returns in the short term with high returns later; they will need much higher returns later because investible assets will be lower than they otherwise would have been.⁵⁸

As example from the Blinken report: *Blinken Report Footnote #96*

Consider a pension fund that has net outflows equal to 4.5 percent of assets, with benefits and contributions both growing 7 percent annually (roughly consistent with recent experience). If it earns 4 percent on investments for five years, followed by 12 percent for five years, its assets at the end of ten years will be nearly 13 percent lower than if the returns come in the opposite order, even though annual average return is 7.9 percent either way. $[(1.04^{10} \times 1.12^{10}) - 1 = (1.12^{10} \times 1.04^{10}) - 1 = 7.93\%$.] If the fund earns 4 percent for ten years followed by ten years of 12 percent, its assets after twenty years would be 90 percent less than if returns had come in the opposite order. These calculations assume no change in contributions to amortize asset shortfalls in the early years. Amortization would narrow the difference between the two sequences of returns.

⁵⁸ Blinken pg 25.

Further exacerbating this issue, the City is agreeing to give up part, or maybe all, of its upside investment returns by virtue of the pension restoration benefits, but it is retaining all of the downside risk. If the funds' assets participate in a bull market in the first ten years of the POA, and the pension plans move to a funded level of 88%, the City would provide significant restoration benefits. If this bull market was then followed by a five year bear market, all of the restoration benefits paid during the bull market would serve to exacerbate the unfunded level of the pension plans and the City could be responsible for considerable funding risk.

It appears that the combination of a need to continue to invest in assets with risk and volatility in order to achieve investment returns and the restoration benefit to the pensioners, even at a level of low plan funding, acts as a one sided collar. That is, the City gives away much of the upside in investment earnings, while retaining all of the downside investment risk.

Legality of POA's Proposed Pension Cuts

Numerous parties in this bankruptcy, namely employees, retirees, Retirement Systems, and certain labor unions, have argued that the City is not legally able to

impair accrued pension benefits as they are protected under Article IX, Section 24 of the Michigan State Constitution of 1963. These same groups were granted permission to appeal the Bankruptcy Court's eligibility ruling to the U.S. Court of Appeals for the Sixth Circuit. To the degree that these parties are successful in their appeal of the Bankruptcy Court's eligibility ruling, the City's chapter 9 could be dismissed or may be unable to effectuate reductions in accrued vested pension benefits.

Sensitivity Analysis

The Society of Actuaries issued a *Report of the Blue Ribbon Panel on Public Pension Funding* in February 2014. The Blue Ribbon Panel recommended stress tests measuring the effect of investment returns over a 20-year period that are three percentage points above and below those used in calculating standardized plan contributions⁵⁹. The panel believes that +/- 3% points represents "plausible stresses" based on its review of prior market returns⁶⁰.

⁵⁹ The Society of Actuaries "Report of the Blue Ribbon Panel on Public Pension Plan Funding"; February 2014

⁶⁰ The Society of Actuaries "Report of the Blue Ribbon Panel on Public Pension Plan Funding"; February 2014

In response to my request for a sensitivity analysis for the pension plans assuming various average rates of return for the FY2014-2023 period and the aforementioned scenarios of 1) a bear market 5-year period followed by a bull market 5-year period and 2) a bull market 5-year period followed by a bear market 5-year period, the City's actuary has analyzed the PFRS plan.

As illustrated below, if the PFRS plan averages a 6% rate of return (75 basis points lower than the assumed rate of return) over the nine years ending June 2023, the plan is forecasted to be only 70% funded in June 2023, resulting in an additional \$236 million of unfunded liability versus the POA projections. That unfunded variance expands to \$527 million if the PFRS plan averages a 5% rate of return during this time period. Finally, if PFRS is negatively impacted by a bear market/bull market cycle (as opposed to the inverse) with five years averaging 0% followed by five years averaging 10%, the pension plan would have \$342 million more in unfunded liabilities during the 10-year period in question.

PFRS Average Rate of Return Scenario Analysis⁶¹

Average Rates of Return July 2014 - June 2023	Estimated Funding Status June 2023	Estimated Projected Unfunded Liability June 2023	Estimated Projected Unfunded Liability Variance
3.00%	43%	\$ 1,717	\$ 1,036
5.00%	60%	\$ 1,208	\$ 527
6.00%	70%	\$ 917	\$ 236
6.75%	78%	\$ 681	\$ -
8.00%	92%	\$ 252	\$ (429)
0% - 1st 5 years; 10% - 2nd five years	53%	\$ 1,439	\$ 758
10% - 1st 5 years; 0% - 2nd five years	64%	\$ 1,097	\$ 416

We have requested sensitivity analysis for GRS consistent with the PFRS sensitivity analysis highlighted above. At the time of this Report's release, we have not been provided the GRS sensitivity analysis.

Recommendations on Reporting Requirements

The City of Detroit will be bound by numerous reporting requirements and financial oversight when it emerges from bankruptcy. Going forward, these intended protocols are designed to assist the City in managing its cash flow and liquidity relative to its POA commitments and its future budgets. In addition, it will be important for the City to report its financial condition to various constituencies on a regular basis.

⁶¹ Milliman, Inc. letter; dated July 9, 2014

Timely, accurate financial reporting relating to the City's pension plans will be an essential tool as the retirement systems manage the plans' assets and liabilities and make critical decisions regarding future estimated rates of returns and annual funding requirements. At the end of June 2012, the Governmental Accounting Standards Board ("GASB") issued standards intended to reform how state and local governments report the financial status of their pension funds and how they finance them. GASB 67 defines how government pension funds must report finances related to pension activities. GASB 68 pertains to state and local government reporting of activities associated with pension finances.⁶² Both GASB standards are effective in FY2015 and will enhance the City's financial disclosures relating to its pension plans.

As the asset features and credit quality of the pension plans' investments evolve over time, so, too, will the reporting corresponding to those investments. The City's pension plans should establish a baseline level of financial reporting that will be accurate and illustrative of the condition of the pension plans at any point in time. The Society of Actuaries' report recommended that actuarial funding reports should contain, for at least the previous ten years, information presenting the relationship of benefit payments, funding liabilities, and assets to payroll; the relationship

⁶² Governmental Accounting Standards Board

between the recommended contribution to payroll and to the sponsor's budget or revenue source; and the ratio of contributions made to the total recommended contribution.⁶³

Additionally, to understand current risk levels, three benchmarks should be disclosed:

- 1) The expected standard deviation of investment returns of the asset portfolio on the report date;
- 2) The plan liability and normal cost calculated at the risk-free rate, which estimates the investment risk being taken in the investment earnings assumption; and
- 3) A standardized plan contribution for assessing the aggregate risks to the adequacy of the recommended contribution.⁶⁴

Further, we recommend that the City disclose the gross liability and the UAAL by year on an undiscounted basis. This will allow third parties a better understanding of the changes in the liabilities from year to year.

⁶³ The Society of Actuaries "Report of the Blue Ribbon Panel on Public Pension Plan Funding"; February 2014

⁶⁴ The Society of Actuaries "Report of the Blue Ribbon Panel on Public Pension Plan Funding"; February 2014

Section K - Human Capital and Leadership

Detroit's fifty year decline was caused by changing demographics, economics and the failure of elected officials to respond effectively. The downward spiral finally resulted in the City filing for Bankruptcy. Beyond the financial crises, the City has suffered from a deterioration of the efficiency and effectiveness of its City's workforce, as measured by the cost of service delivery versus the benefit the citizens received from those services.⁶⁵ Inadequate investment in human capital and poor leadership during the decline served to exacerbate the situation.

At its core, this chapter 9 is a fundamental change project. The City, through the guidance of its bankruptcy advisors, has fundamentally changed the City's balance sheet and reduced its long term obligations. The Emergency Manager has begun the even harder task of reshaping the operations of the City for the benefit of the taxpayers. The Mayor, and other elected and appointed officials, will need to continue this part of the change project. Human capital and leadership are two of

⁶⁵ Docket # 14, page 29 of 106, Memorandum in Support of Statement of Qualifications Pursuant to Section 109 (c) of the Bankruptcy Code

EXHIBIT 23

**COMBINED PLAN
FOR THE
POLICE AND FIRE
RETIREMENT SYSTEM OF
THE CITY OF DETROIT, MICHIGAN**

Amendment and Restatement Effective July 1, 2014

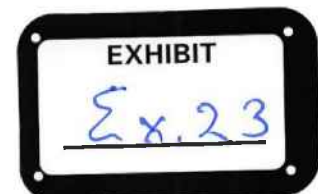


TABLE OF CONTENTS

	Page
COMPONENT I	1
ARTICLE 1. GENERAL PROVISIONS.....	1
Sec 1.1. Police and Fire Retirement System Established; Adoption of 2014 Plan Document	1
Sec 1.2. Retirement System Intended to be Tax-Qualified; Governmental Plan.....	1
Sec 1.3. Compliance With Plan of Adjustment.....	1
Sec 1.4. Board of Trustees	2
Sec 1.5. Board of Trustees – Membership; Appointment.....	2
Sec 1.6. Board of Trustees; Scheduling of Elections for Active and Retiree Trustees	3
Sec 1.7. Procedures for election of Retiree Trustees	3
Sec 1.8. Board of Trustees; Oath; Term; Vacancies	4
Sec 1.9. Board of Trustees; Officers and Employees.....	4
Sec 1.10. Board of Trustees; Meetings; Rules of Procedure; Votes; Quorum.....	4
Sec 1.11. Board of Trustees; Compensation; Expenses	5
Sec 1.12. Rules for Administration of Funds.....	5
Sec 1.13. Board of Trustees; Certain Data to be Kept	5
Sec 1.14. Board of Trustees; Annual Audit Report	5
Sec 1.15. Board of Trustees; Legal Advisors.....	5
Sec 1.16. Board of Trustees; Medical Director.....	6
Sec 1.17. Designation of Actuary; Authority to Engage Additional Actuaries	6
Sec 1.18. Board of Trustees; Adoption of Mortality and Other Tables of Experience and Rates of Interest; Limitations on Payments by the Retirement System	7
Sec 1.19. Board of Trustees; Annual Actuarial Valuation of Assets and Liabilities.....	7
Sec 1.20. Board of Trustees; Powers and Duties; Fiduciary Status; Fiduciary Duties.....	7
Sec 1.21. Investment Committee; Establishment; Purpose; Fiduciary Status; Fiduciary Duties	8
Sec 1.22. Investment Committee; Membership; Appointment.....	8

TABLE OF CONTENTS

(continued)

	Page
Sec 1.23. Investment Committee; Term; Resignation and Removal; Vacancies.....	9
Sec 1.24. Investment Committee; Operation; Meetings; Quorum; Voting.....	10
Sec 1.25. Investment Committee; Compensation; Expenses; Employment of Advisors.....	11
Sec 1.26. Investment Committee; Special Reporting Obligation	11
ARTICLE 2. DEFINITIONS	14
Sec 2.1. Definitions	14
ARTICLE 3. MEMBERSHIP	22
Sec 3.1. Eligible Employees.....	22
Sec 3.2. Cessation of Membership; Re-Employment	22
Sec 3.3. Report From City.....	23
ARTICLE 4. SERVICE CREDIT	24
Sec 4.1. Credited Service	24
Sec 4.2. Vesting Service.....	24
Sec 4.3. Service Credit; Military Service.....	24
Sec 4.4. Service Credit; Qualified Military Service.....	25
ARTICLE 5. ELIGIBILITY FOR RETIREMENT	26
Sec 5.1. Eligibility for Unreduced Normal Retirement Benefit.....	26
Sec 5.2. Eligibility for Deferred Vested Retirement Benefit	26
Sec 5.3. Eligibility for Disability Retirement Benefit – Duty Disability	26
Sec 5.4. Eligibility for Disability Retirement Benefit – Non-Duty Disability.....	28
Sec 5.5. Disability Retirees; Reexamination.....	29
Sec 5.6. Disability Benefits; Procedures for Determination of Disability	30
Sec 5.7. Return of Accumulated Mandatory Contributions to Non-Vested Member	32
Sec 5.8. Benefits Offset by Workers’ Compensation and Benefits; Subrogation	32
ARTICLE 6. RETIREMENT ALLOWANCE; VARIABLE PENSION IMPROVEMENT FACTOR (ESCALATOR).....	33
Sec 6.1. Retirement Allowance.....	33
Sec 6.2. Variable Pension Improvement Factor (Escalator)	33

TABLE OF CONTENTS
(continued)

	Page
ARTICLE 7. DEATH BENEFITS.....	34
Sec 7.1. Accidental Death Benefit; Performance of Duty	34
Sec 7.2. Non-Duty Death Benefits.....	35
Sec 7.3. Refund of Accumulated Mandatory Contributions Upon Death of Member	35
ARTICLE 8. FORMS OF PAYMENT	36
Sec 8.1. Retirement Allowance Options	36
Sec 8.2. Disposition of Surplus Benefits upon Death of Retiree and Beneficiary	37
ARTICLE 9. FUNDING AND RESERVES	38
Sec 9.1. Funding Objective of the Retirement System	38
Sec 9.2. Funds	38
Sec 9.3. Method of Financing Retirement System Benefits	39
Sec 9.4. Member Contributions Picked-Up	40
Sec 9.5. Fiscal Responsibility: Benefit Reductions and Increased Funding Obligations	40
ARTICLE 10. VOLUNTARY EMPLOYEE CONTRIBUTIONS.....	43
Sec 10.1. Voluntary Employee Contributions; Amount; Vesting.....	43
Sec 10.2. Changing an Election to Contribute	43
Sec 10.3. Individual Member Accounting; Crediting of Earnings.....	43
Sec 10.4. Distribution of Accumulated Voluntary Employee Contributions.....	43
ARTICLE 11. LOAN PROGRAM FOR VOLUNTARY EMPLOYEE CONTRIBUTIONS.....	45
Sec 11.1. The Loan Program.....	45
Sec 11.2. Eligibility for Loan.....	45
Sec 11.3. Amount of Loan	45
Sec 11.4. Terms and Conditions	45
Sec 11.5. Loan Balance.....	46
Sec 11.6. Default.....	46
Sec 11.7. Distribution.....	47
Sec 11.8. Annual Report	47

TABLE OF CONTENTS
(continued)

	Page
ARTICLE 12. DEFERRED RETIREMENT OPTION PLAN ("DROP") PROGRAM	48
Sec 12.1. General Provisions	48
Sec 12.2. Conversion to Retirement Allowance	48
Sec 12.3. Investment of DROP Assets	48
Sec 12.4. Distribution of Amounts Credited to DROP Account	49
Sec 12.5. Death of Member While Participating in the DROP Program	49
Sec 12.6. Disability of Member While Participating in the DROP Program	50
Sec 12.7. Cost Neutrality	50
ARTICLE 13. LIMITATION ON BENEFITS AND CONTRIBUTIONS	51
Sec 13.1. Compliance With Code Section 415(b) And Regulations	51
Sec 13.2. Compliance with Code Section 415(c) and Regulations	54
ARTICLE 14. RETIREMENT SYSTEM ADMINISTRATION	55
Sec 14.1. Board of Trustees as Retirement System Administrator	55
Sec 14.2. Powers and Duties of Board	55
Sec 14.3. Executive Director; Employees	57
Sec 14.4. Discretionary Authority	57
Sec 14.5. Administrator's Decision Binding	58
ARTICLE 15. MANAGEMENT OF FUNDS	59
Sec 15.1. Board as Trustee of Retirement System Assets	59
Sec 15.2. Maintenance of Segregated Funds	59
Sec 15.3. Custodian of Funds	59
Sec 15.4. Exclusive Purpose	59
Sec 15.5. Prohibited Conduct	59
ARTICLE 16. INVESTMENT OF RETIREMENT SYSTEM ASSETS	61
Sec 16.1. Investment Powers of the Board and the Investment Committee	61
Sec 16.2. Investment Management	62
Sec 16.3. Best Practices	63
Sec 16.4. Chief Investment Officer	63
Sec 16.5. Investment Consultants	64
ARTICLE 17. RETIREE MEDICAL ACCOUNT	66

TABLE OF CONTENTS
(continued)

	Page
Sec 17.1. Establishment of Account	66
Sec 17.2. Effective Date	66
Sec 17.3. Funding of Benefits	66
Sec 17.4. Limitation on Contributions	66
Sec 17.5. Impossibility of Diversion	67
Sec 17.6. Administration	67
Sec 17.7. Right to Amend or Terminate Medical Plans	67
Sec 17.8. Reversion	67
Sec 17.9. Limitation of Rights	67
ARTICLE 18. MISCELLANEOUS	68
Sec 18.1. Nonduplication of Benefits	68
Sec 18.2. Assignments Prohibited	68
Sec 18.3. Protection Against Fraud	68
Sec 18.4. Errors	68
Sec 18.5. Conviction of Felony; Forfeiture of Rights	68
Sec 18.6. Amendment; Termination; Exclusive Benefit	69
Sec 18.7. Expenses of Administration; Forfeitures Not to Increase Benefits	69
Sec 18.8. Required Distributions - Compliance with Code Section 401(a)(9) and Regulations	69
Sec 18.9. Direct Rollovers	70
Sec 18.10. Construction	71
Sec 18.11. Severability	71
COMPONENT II	72
ARTICLE A. COMMON PROVISIONS OF THE POLICE AND FIRE RETIREMENT SYSTEM	73
Sec. A-1. Common Provisions	73
ARTICLE B. FREEZE OF POLICE AND FIRE RETIREMENT SYSTEM AS OF JUNE 30, 2014	75
Sec. B-1. Freeze of Police and Fire Retirement System as of June 30, 2014	75
ARTICLE C. DEFINITIONS	78
Sec. C-1. Definitions	78

TABLE OF CONTENTS

(continued)

	Page
ARTICLE D. MEMBERSHIP	85
Sec. D-1. Generally	85
Sec. D-2. Membership election option prior to July 1, 2014	86
Sec. D-3. Cessation of membership	87
ARTICLE E. SERVICE CREDITABLE	88
Sec. E-1. Members to file statement of service, etc.....	88
Sec. E-2. Credit for service	88
Sec. E-3. Employees in military service commencing prior to July 1, 2014.....	88
Sec. E-4. Verification of service claimed	91
Sec. E-5. Prior Service certificates	91
Sec. E-6. Creditable service at retirement.....	91
ARTICLE F. BENEFITS PROVIDED TO MEMBERS	92
Sec. F-1. Petition for retirement, mandatory age.....	92
Sec. F-2. Old Plan/New Plan	94
Sec. F-3. Pension Multiplier	95
Sec. F-4. Disposition of surplus benefits upon death of retired member	96
Sec. F-5. Retirement allowance for certain persons leaving City employment after eight years service (40 & 8)	96
Sec. F-6. Reduced Early Pension Benefits (40 & 8 Vesting Retirees).....	97
Sec. F-7. Duty disability	98
Sec. F-8. Duty disability benefits; Members in service on or after July 1, 1941 but prior to January 1, 1969.....	98
Sec. F-9. Duty disability benefits; Members beginning service on or after January 1, 1969 and becoming disabled prior to the dates set forth in Section F-10	100
Sec. F-10. Duty Disability benefits; DFFA, DPOA and DPLSA members beginning service on or after January 1, 1969 and becoming disabled on or after the dates set forth below.....	101
Sec. F-11. Non-duty disability.....	103
Sec. F-12. Disability retirement procedures	105
Sec. F-13. Generally	107
Sec. F-14. Increase of Benefits; Pension Improvement Factor (Escalator).....	107

TABLE OF CONTENTS
(continued)

		Page
Sec. F-15.	Payment	108
Sec. F-16.	Generally	108
Sec. F-17.	Payment of Accumulated Contributions	110
Sec. F-18.	Allowances to surviving spouses	110
Sec. F-19.	Payment of benefits to employees who became Members before January 1, 1969.....	112
Sec. F-20.	Payment of benefits to employees who became Members on or after January 1, 1969	113
Sec. F-21.	Deferred vested benefits.....	113
Sec. F-22.	Forfeiture of rights.....	113
Sec. F-23.	Generally	114
Sec. F-24.	Disposition of surplus benefits upon death of Member and Beneficiary	116
Sec. F-25.	Generally	116
Sec. F-26.	Generally	116
Sec. F-27.	Authority of Board	116
Sec. F-28.	Member With Twenty or Twenty-Five Years of Service.....	117
Sec. F-29.	Disabled Member	118
Sec. F-30.	Optional Annuity Withdrawal	118
ARTICLE G.	METHOD OF FINANCING.....	121
Sec. G-1.	General	121
Sec. G-2.	Annuity Savings Fund	121
Sec. G-3.	Annuity Reserve Fund.....	122
Sec. G-4.	Alternative Financing Method.....	122
Sec. G-5.	Contributions to and payments from Pension Accumulation Fund	123
Sec. G-6.	Retiree payments from Pension Reserve Fund; reinstatement of disability Retirees to active service	124
Sec. G-7.	Expense Fund	124
Sec. G-8.	Deferred Retirement Option Plan Fund.....	124
Sec. G-9.	Appropriations prior to July 1, 2014 and after June 30, 2023.....	124
Sec. G-10.	Maintenance of reserves.....	124

TABLE OF CONTENTS (continued)

	Page
Sec. G-11. Survivors Benefit Fund	125
Sec. G-12. Computation of Annuity and Pension Reserve liabilities for Members, Retirees and Beneficiaries	126
Sec. G-13. Determination of City's annual contribution — Disability Pension liabilities	129
Sec. G-14. Determination of City's annual contribution — Death Pension liabilities	129
Sec. G-15. Determination of City's annual contribution — Actuarial evaluation of annuity and Pension Reserve liabilities	130
Sec. G-16. Determination of City's annual contribution — Service Pension liabilities for Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023	130
Sec. G-17. Board of trustees to compute City's annual contribution.....	130
Sec. G-18. Employer Contribution.....	131
ARTICLE H. MISCELLANEOUS.....	132
Sec. H-1. Recall of Retirees during emergencies	132
ARTICLE I. DEFERRED RETIREMENT OPTION PLAN.....	133
Sec. I-1. General provisions.....	133
Sec. I-2. Conversion to Retirement Allowance	133
Sec. I-3. Investment of DROP assets.....	133
Sec. I-4. Distribution of amounts credited to DROP Account	134
Sec. I-5. Death of Member while participating in the DROP program	134
Sec. I-6. Disability of Member While Participating in the DROP Program.....	135
Sec. I-7. Cost Neutrality	135
ARTICLE J. PARTICIPANT ANNUITY SAVINGS FUND LOAN PROGRAM.....	137
Sec. J-1. Participant Annuity Savings Fund Loan Program.....	137
ARTICLE K. SPECIAL PLAN OF ADJUSTMENT PROVISIONS	140
Sec. K-1. Benefit Changes implemented in accordance with the terms of the Plan Of Adjustment.....	140
Sec. K-2. Income Stabilization Benefits	140
Sec. K-3. Restoration of Pension Benefits	143
APPENDIX A	152

TABLE OF CONTENTS
(continued)

	Page
ARTICLE IX, SECTION 24 OF STATE OF MICHIGAN CONSTITUTION.....	152
CITY OF DETROIT CHARTER.....	153
DETROIT CITY CODE.....	154
COLLECTIVE BARGAINING AGREEMENTS	155

thereon, provided that the DROP Accounts are held and invested within the Retirement System.

- (6) The Medical Benefits Account Fund shall be the fund in which shall be accumulated the amounts contributed to the Retirement System for the purposes of funding Medical Benefits, together with earnings thereon.
- (7) The Expense Fund shall be the fund to which shall be credited funds, if any, provided to the Retirement System by the City to pay the administrative expenses of the Retirement System, and from which shall be paid certain expenses incurred in connection with the administration and operation of the Retirement System.
- (8) The Income Fund shall be the Fund to which shall be credited all interest, dividends, and other income derived from the investments of the assets of Component I of the Retirement System and earnings thereon, all gifts and bequests received by Component I of the Retirement System, and all other moneys credited to Component I of the Retirement System, the disposition of which is not specifically provided for in this Article 9. There shall be paid or transferred from the Income Fund, all amounts required to credit earnings and losses to the various Funds of the Retirement System in accordance with the provisions of Component I of this Combined Plan Document. Amounts credited to the Income Fund in excess of amounts needed to credit earnings and losses of the Retirement System as provided in this Component I for any Plan Year shall be used in the following manner in the following order: (i) to pay administrative expenses of Component I (to the extent there are insufficient funds for this purpose credited to the Expense Fund), and/or (ii) transferred to the Pension Accumulation Fund and used to pay Retirement Allowances and other benefits on account of Members.

Sec 9.3. Method of Financing Retirement System Benefits

- (1) The pension liabilities for Members under this Component I shall be determined by the Plan's Actuary using the Entry Age Actuarial Cost Method of actuarial valuation.
- (2) The City's annual contribution to finance the prospective pension liabilities during the nine Plan Year period commencing July 1, 2014 and ending June 30, 2023 shall be (a) eleven and two-tenths percent (11.2%) of the Compensation of active employees who are members of the DFFA (for pay periods ending on or before November 6, 2014) and members of DPOA (for pay periods ending on or before October 3, 2014) and (b) twelve and one-quarter percent (12.25%) of the Compensation of active employees who are members of the DPCOA, the DPLSA, the DPOA (for pay periods beginning on or after October 3, 2014) and the DFFA (for pay periods beginning on or after November 6, 2014). A portion of the City's annual contribution for each Plan Year shall be credited to the Pension Accumulation Fund and a portion shall be credited to the Rate Stabilization Fund, each amount as determined by the City in its sole discretion. For plan years commencing July 1, 2023 and later, the accrued pension liabilities for Members shall be determined by the Actuary using reasonable and appropriate actuarial assumptions approved by the Board and the Investment Committee. The City's annual contributions to finance the normal cost of benefits and any such unfunded accrued pension liabilities

shall be determined by the Actuary amortizing such unfunded accrued pension liabilities over a period or periods of future years as established by the Board and approved by the Investment Committee.

- (3) Except as provided in Section 9.5, for each Plan Year, a Member who was an active employee as of June 30, 2014 ("current active") shall contribute to the Retirement System an amount equal to six percent (6%) of his or her Compensation for such Plan Year and a Member who is hired or rehired by the City on or after July 1, 2014 ("new employee") shall contribute to the Retirement System an amount equal to eight percent (8%) of his or her Compensation for such Plan Year. A Member's Mandatory Employee Contributions for the Plan Year beginning July 1, 2014 and ending June 30, 2015 shall commence as of the Member's first payroll date occurring in August 2014. The officer or officers responsible for processing the payroll shall cause a Member's Mandatory Employee Contributions to be deducted from the Member's Compensation on each and every payroll, for each and every payroll period, from the later of (i) the Member's first payroll date occurring in August 2014 and (ii) the Member's date of hire, to the date he or she ceases to be an active Member. The contribution shall be deducted from a Member's Compensation, notwithstanding that the minimum compensation provided by law for any Member shall be reduced thereby. Payment of compensation, less said Mandatory Employee Contributions, shall be a complete discharge of all claims and demands whatsoever for the services rendered by the said Member during the period covered by such payment. Member Mandatory Employee Contributions will be used for the purpose of funding the normal cost of the Retirement System.

Sec 9.4. Member Contributions Picked-Up

- (1) The City shall pick up Member Mandatory Employee Contributions required pursuant to Sections 9.3(3) and 9.5 in accordance with Code Section 414(h).
- (2) The picked-up contributions, although designated as employee contributions shall be treated as City contributions for the purpose of determining a Member's tax treatment under the Internal Revenue Code. The City shall pay the contributions picked-up on behalf of a Member from the same source of funds that are used for paying compensation to the Member.
- (3) The City shall pick up Member Mandatory Employee Contributions by a reduction in the Member's cash salary or an offset against a future salary increase, or both. The City shall designate the Mandatory Employee Contributions that are picked-up and paid to the Retirement System as employer contributions and not as employee contributions. No Member who participates in the Retirement System shall have the option of choosing to receive the contributed amounts directly instead of having those amounts paid by the City to the Retirement System.

Sec 9.5. Fiscal Responsibility: Benefit Reductions and Increased Funding Obligations

- (1) To safeguard the long-term actuarial and financial integrity of the Retirement System, in the event the funding level of Component I of the Retirement System projected over a

granted the express right to seek to preliminarily enjoin such action without the need to show irreparable harm.

Sec 16.2. Investment Management

- (1) For purposes of this Combined Plan, "investment management decisions" and "investment management matters" shall include:
 - (a) development of an investment policy statement with sound and consistent investment goals, objectives, and performance measurement standards which are consistent with the needs of the Retirement System;
 - (b) within 120 days after the effective date of the Plan of Adjustment, placement of all of the assets of the Retirement System not already under qualified management with qualified investment managers selected by the Investment Committee;
 - (c) evaluation, retention, termination and selection of qualified managers to invest and manage the Retirement System's assets;
 - (d) review and affirmation or rejection of the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Actuary including, but not limited to (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the pension restoration program attached to the Plan of Adjustment (as more fully described in Article K of Component II of this Combined Plan Document), (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after Fiscal Year 2024, the recommended annual contributions to the Retirement System in accordance with applicable law;
 - (e) in accordance with approved actuarial work as provided in paragraph (d) above and based on the annual actuarial valuation reports and any other projections or reports as applicable from the Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of all or a portion of the lost COLA payments, all in conformance with the pension restoration program attached to the Plan of Adjustment;
 - (f) communication of the Retirement System's investment goals, objectives, and standards to the investment managers, including any material changes that may subsequently occur;
 - (g) determination and approval of the Retirement System's investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Retirement System;
 - (h) the taking of corrective action deemed prudent and appropriate when an investment manager fails to perform as expected;

- (i) interpretation of Retirement System governing documents, existing law, the Plan of Adjustment or other financial determination that could affect funding or benefit levels;
- (j) review and approval, prior to final issuance, of the annual audit and all financial reports prepared on behalf of the Retirement System and meet and confer with the Auditor or other professional advisors as necessary prior to approval of the annual audit or other financial reports;
- (k) determination of the funding status of the Retirement System and any remedial action to be taken pursuant to Section 9.5; and
- (l) performance of an asset/liability valuation study for the Retirement System every three years, or more often as requested by the Investment Committee or the Board.

All actions of the Investment Committee shall comply with the provisions of pertinent federal, state, and local laws and regulations, specifically *Public Act 314* and *Plan Investment Guidelines*.

Sec 16.3. Best Practices

Prior to adopting investment guidelines and asset allocation policies, selecting investment managers or adopting investment return assumptions, the Investment Committee shall have an understanding of and shall give appropriate consideration to the following:

- (a) the fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets;
- (b) the objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the pension restoration program described in the Plan of Adjustment and Component II of this Combined Plan Document, to the extent that it is prudent and consistent with the overall funding, liquidity needs and actuarial assumptions governing the Retirement System; and
- (c) the liquidity needs of the Retirement System.

Sec 16.4. Chief Investment Officer

The Investment Committee shall have the exclusive power to select, retain and terminate the services of a chief investment officer for the Retirement System. The Investment Committee shall determine any and all compensation and other terms of employment of any chief investment officer hired by it. The chief investment officer shall report directly to the Investment Committee and the Executive Director of the Board. The chief investment officer shall be responsible for assisting the Investment Committee and the Board with respect to oversight of the Retirement System's investment portfolio. The chief investment officer shall

EXHIBIT 24

The Detroit News



DETROIT

Detroit is losing a cop nearly every day: 'A lot of officers are saying: Screw it'



George Hunter

The Detroit News

Published 11:00 p.m. ET Aug. 31, 2022 | Updated 10:33 a.m. ET Sept. 1, 2022

Detroit — During a summer of multiple mass shootings, an explosion in carjackings and random gun violence, dozens of Detroit cops are leaving the police force for neighboring agencies, despite the city's efforts to stem the blue flight to the suburbs.

The Detroit Police Department has lost 223 sworn officers since January, an average of about 28 per month. With four months remaining in the year, the number of outgoing officers has already more than doubled the 103 cops who turned in their DPD badges in 2021.

About half the officers who have left this year joined suburban law enforcement agencies that are struggling to fill their own vacant positions amid a nationwide labor shortage, Detroit police officials said. Other officers went to police departments outside Metro Detroit, officials said.

The departure of Detroit cops to the suburbs for more money, better benefits and safer working conditions has been an issue for years, despite repeated attempts by the city and police department to halt the exodus. In the most recent effort, the Detroit City Council in March approved a proposal by Mayor Mike Duggan to pay each officer a \$2,000 "retention incentive bonus."

When the bonuses were announced March 8, 19 officers had left the department in 2022. Since then, another 204 have departed as of Wednesday.

"One of the big issues we have is, we're losing officers to the suburbs at a good rate," Detroit Police Assistant Chief David LeValley said. "We get them, train them in the academy and then the suburban agencies are not shy about recruiting and taking our officers."

But one factor driving Detroit police to other departments is the "lack of respect" officers in the city often encounter, said Steve Dolunt, a former Detroit Police assistant chief who retired in 2017.

"You arrest someone, and they get right back out because judges are giving low or no bonds," Dolunt said. "You've got people spitting on you, antagonizing you, egging you on, while someone else

13-55846-tjc Doc 1356324 Filed 10/9/22 Entered 10/21/22 16:52:49 Page 36 of 100

is filming you with their cell phone. People are getting in the officers' faces and saying, 'If you arrest me, I'll be back out tomorrow.'

"A lot of officers are saying, 'Screw it, I'll go to work in the suburbs, where I can make more money and I don't have to deal with all that crap,'" Dolunt said. "Can you really blame them?"

Detroit isn't the only city losing cops in recent years. A June 2021 nationwide survey by the Police Executive Research Forum of 194 police departments showed a nearly 20% increase in resignations in 2020-21 compared with the previous year.

But the emigration of Detroit officers has been especially significant, with the 326 cops who have left since 2021 representing 14% of the current police force. Longtime current and ex-DPD officials say they've never seen so many officers resigning in such a short period.

LeValley said ramped-up recruitment efforts have resulted in 138 new officers being hired this year, bringing the force up to 2,250 sworn officers, still 200 short of the 2,450 budgeted positions. Another 61 recruits are expected to graduate by the end of the year, LeValley said.

But replacing experienced officers with rookies comes at a cost, Dolunt said.

"It takes years to learn the city's culture," said Dolunt, who led various street units during his 31-year career, including the Violent Crimes Task Force. "A lot of these kids are from the suburbs, and they don't know how to deal with the different situations that come up on the job.

"There are things you can only learn by being out in the street; you can't learn them in the academy, and you need people with experience to patrol a city like Detroit. You've got kids out there with no experience, and the people training them only have a few years on the job themselves. That's not good."

Spike in violence

There were 30 DPD resignations in August, a violent month in Detroit that included 33 homicides, 112 non-fatal shootings, 56 sexual assaults and 116 robberies and 26 carjackings, according to police statistics.

Aside from a 38% increase in carjackings, there has been a decrease in most violent crimes in Detroit this year. Homicides were up 2%, but nonfatal shootings are down 13%, sex assaults down 11% and overall violent crime down 12% year-to-date from the same Aug. 1-30 period in 2021.

But there has been a recent spike in violence, including 24 nonfatal shootings and nine homicides last weekend. There have been three mass shootings in the city since July 31.

And then there was the tragic death this summer of Officer Loren Courts, who was killed when he and his partner were ambushed while responding to a 911 call reporting shots fired on the city's west side.

"Our officers are dealing with all sorts of dangerous situations every day," said Mark Young, president of the Detroit Lieutenants and Sergeants Association. "Our manpower numbers are down, but look at the way the officers handled that shooter (19-year-old Dontae Smith, who was charged Wednesday with initiating a shooting spree that left three people dead).

"DPD is out there performing with valor, but if we don't start paying our officers a competitive wage, with competitive benefits, this hemorrhaging is going to continue," said Young, whose union is in contract negotiations with the city, along with the Detroit Police Officers Association and the Detroit Command Officers Association.

The three unions' contracts expired July 1, but the parties agreed to extend the pact to continue negotiating.

'Not nearly enough'

Starting annual salary for Detroit police officers is about \$42,000, LeValley said. That compares with starting yearly salaries of \$51,861 in Warren, \$44,160-\$54,355 in Southfield and \$49,346 in Sterling Heights.

"The mayor and the chief are committed to getting a new contract, and there's no question we need to get our pay competitive with other agencies," LeValley said. "The starting pay was \$28,000 in 2014, so there has been progress, although it's not nearly enough."

Detroit is one of the few municipalities in Michigan that pays for officer training. Other departments require candidates to foot the bill for Michigan Coalition on Law Enforcement Standards training, which state officials estimate can run from about \$6,000 to \$10,000.

Candidates often take the free training and then bolt for higher-paying jobs in the suburbs. For years, Detroit officials have complained about representatives from other police agencies showing up at the Detroit Police Academy to recruit officers as soon as they graduate.

"A lot of these officers are leaving for other departments as soon as they walk across the stage (during their Detroit Police graduation ceremonies)," Dolunt said. "Although there are a few suburban departments that won't take officers right out of the academy."

Ronald Haddad, who spent 34 years on the Detroit police force, said he hired several ex-Detroit cops while serving as Dearborn chief from 2008-20 — "but when they'd apply right out of the police academy, I wouldn't take them," he said.

"I wouldn't hire them until at least they'd gone through their (one-year) probationary period," Haddad said. "I think they should have to give back something in return for the training that Detroit paid for. Plus, there was the matter of them not having any experience. I just didn't think they were good hires."

Taylor Police Chief John Blair said he also rejects applicants fresh out of the Detroit Police Academy but said he's "hired a bunch" of officers from Detroit in recent years, including four who are scheduled to start in September.

"We don't hire officers out of the academy, but what we are doing is offering lateral transfers, and that's made a huge difference," said Blair, whose department pays a starting annual salary of "just over \$50,000."

"We were struggling tremendously to fill open positions, but then the City Council and the mayor backed us offering lateral transfers, and where we had three to four people on the hiring list, now we have 18," Blair said.

"With lateral transfers, you're paid at a higher rate, depending on your level of experience, similar to what happens in the corporate world," Blair said. "A lot of departments are starting to go to lateral transfers to attract officers."

Blair said Taylor allows officers to transfer up to five years of their experience, and that five-year police veterans start at about \$75,000 annually.

More money, benefits

Detroit Police Capt. Aric Tosqui, vice president of the Detroit Police Command Officers Association union, said when he talks to outgoing police officers, "they tell me they're leaving for more money, better benefits and a better pension system."

"Those are things that are out of our hands as supervisors, so we try to do what we can, such as making for a good work environment, and stress things like health and wellness, making time for family, and explaining that there's a lot of room for advancement here," Tosqui said. "If you go to a department that has 20 people, it may be 10 years before you're promoted. Here, you can advance fast."

"But it's a different conversation when it's a young officer who's thinking about leaving, as opposed to someone who's older," Tosqui said. "We just had a sergeant in the 10th Precinct who had 33 years of DPD service, who retired and is now working for the (Oakland County Sheriff's Office). It's harder to talk those officers into staying."

LeValley said Duggan recently approved paying officers double-time instead of time-and-a-half for overtime shifts.

"Offering double-time was like the (retention) bonuses — it's a show of good faith that we believe the officers should be making more money, and while we're going through contract negotiations, it's a way for us to incentivize the worker," he said.

Paid to leave

During the early discussions of the plan to give \$2,000 bonuses to Detroit officers and \$1,000 to part-time police assistants, Council President Mary Sheffield suggested spreading out the bonus payments over the course of a year, said her spokesman, Brian White.

"There were concerns about paying the entire amount up front because we were afraid officers would just take the money and leave, which is what happened," White said of the bonuses that were paid for by using \$5 million in federal American Rescue Act funds, some of the city's General Fund and money that was allotted for overtime.

"But, it was a short conversation; the administration didn't want that," White said. "They didn't give a reason."

Duggan spokesman John Roach said the ongoing negotiations with the three police unions played a role in how the bonuses were paid.

"It was clear last year that the contract negotiations with the three police unions were going to be so complicated that they were going to run well past the June 30 expiration," Roach said in an email.

"Chief White was very concerned about officer morale during this period and felt that the city needed to deliver a concrete show of good faith, letting the officers know the city was genuinely committed to raising their compensation for the long run.

"No one at DPD believed a one-time of \$2,000 was enough of an incentive to change the mind of an officer leaving for higher compensation in another department. DPD leadership felt strongly that it would be ineffective if structured as a retention bonus with a specific time requirement, but would be much more effective as a show of good faith to help get through a difficult negotiation process."

White, Sheffield's spokesman, said despite the councilwoman's misgivings about paying officers in one lump sum, she voted to pass the measure anyway.

"Nobody wanted to be seen as not supporting police officers," he said.

ghunter@detroitnews.com

EXHIBIT 25

4

NEWS

LOCAL 4+

WEATHER

SPORTS

FEATURES

LIVE IN THE D

ANN

NEWS

LOCAL 4+

WEATHER

SPORTS

FEATURES

LIVE IN THE D

ANN ARBOR

NEI



LOCAL NEWS

Detroit police officers to get pay raises under new agreement

'I was extremely pleased when we got the notice in September that we had \$35 million to \$45 million more than we expected'

Megan Woods, Reporter

Published: **September 30, 2022 at 8:30 PM**

Tags: **Detroit, Detroit Police Department, Mayor Mike Duggan, Chief James White, Local, Detroit Police Officers Association, DPOA, Mark Young**



It's been a significant problem plaguing Detroit police for years, but now a new deal with the city's police unions is raising pay for officers and helping keep them on the force.



DETROIT – The **Detroit Police Department** is trying to fill 300 vacancies while keeping the officers they do have, and they plan to do it by increasing pay. **Mayor Mike Duggan**, Detroit police **Chief James White**, and union leaders made the announcement Friday morning.

Rumors about pay bumps had leaked within the department before the announcement, and White says because of that, they are already getting feedback.

"Already, as of yesterday, I had five officers hand walk to my office a request to return to the police department," said White. "That's the impact; five officers from suburban agencies."

It says a lot given that the Detroit Police Department lost 72 officers in August and September alone, and two-thirds of those went to other police departments.



The agreement with the lieutenants and sergeants union would raise the pay of detectives by \$11,000, sergeants by an average of \$10,000, and lieutenants by an average of \$11,000.

Duggan says the money is coming from the city's income tax revenue after having a revenue estimating conference in February and again in September.

"I was extremely pleased when we got the notice in September that we had \$35 million to \$45 million more than we expected as far as I was concerned the number one priority was public safety," Duggan said.

White said he knows the change in pay will make a difference.

"You can't have the number of officers that we're going to hire without having a robust training program, and there's money here to pay our trainers separate and apart from patrol, something we didn't have in the past," White said.

Mark Young, president of DPOA, said, "All we want is this to be a better place for people to live, work, play, and to socialize. I'm already receiving calls from people trying to come back to our department, which is a good sign."

To move forward, unions must approve the agreement within a week. Duggan says they will also need to submit a budget amendment for \$25 million for the contract to go into effect.

Click here to watch the full announcement.

EXHIBIT 26

Ron Bloom testimony

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846
MICHIGAN, .
Debtor. . Detroit, Michigan
September 17, 2014
8:32 a.m.

TRIAL RE. OBJECTIONS TO CONFIRMATION OF CHAPTER 9 PLAN
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

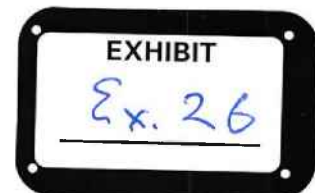
For the Debtor: Jones Day
By: EVAN MILLER
THOMAS CULLEN, JR.
GEOFFREY S. IRWIN
51 Louisiana Avenue, N.W.
Washington, DC 20001
(202) 879-3939

Jones Day
By: ROBERT W. HAMILTON
325 John H. McConnell Blvd., Suite 600
Columbus, OH 43215
(614) 281-3848

For Financial Guaranty Insurance Company: Weil, Gotshal & Manges, LLP
By: EDWARD SOTO
1395 Bricknell Avenue, Suite 1200
Miami, FL 33131
(305) 577-3177

Weil, Gotshal & Manges, LLP
By: ALFREDO PEREZ
700 Louisiana, Suite 1600
Houston, TX 77002
(713) 546-5040

For County of Macomb, Michigan: Dechert, LLP
By: ALLAN BRILLIANT
1095 Avenue of the Americas
New York, NY 10036
(212) 698-3600



APPEARANCES (continued):

For Official Committee of Retirees: Dentons, US, LLP
 By: DAN BARNOWSKI
 1301 K Street, NW
 Suite 600, East Tower
 Washington, DC 20005-3364
 (202) 408-6417

For Ad Hoc Water and Sewer Bondholders: Kramer Levin Naftalis & Frankel, LLP
 By: JONATHAN M. WAGNER
 1177 Avenue of the Americas
 New York, NY 10036
 (212) 715-9393

Court Recorder: LaShonda Moss
 United States Bankruptcy Court
 211 West Fort Street, 21st Floor
 Detroit, MI 48226-3211
 (313) 234-0068

Transcribed By: Lois Garrett
 1290 West Barnes Road
 Leslie, MI 49251
 (517) 676-5092

Proceedings recorded by electronic sound recording,
 transcript produced by transcription service.

Ron Bloom testimony

17

1 promised people pension and it had promised people
2 healthcare. Those were two promises that, in our view, were
3 important promises, and so we always viewed our job as trying
4 to represent and advocate on behalf of both of those
5 promises.

6 Q Okay. And how did that play out in terms of -- I don't
7 want you to talk about discussions with the city or
8 mediation, but in terms of the negotiations, was the
9 committee willing to give a little on one side in order to
10 get more on the other, or --

11 A Early in the case -- early in the case, the committee
12 determined that pensions would be a priority, and I think
13 there were a number of different reasons for that, but, in
14 any event, the committee concluded that there were other
15 options, at least to a degree, on the healthcare. And while
16 changes in retiree healthcare would be very painful for
17 people, the committee determined perhaps because we believed
18 we had a better legal argument on the pension, perhaps
19 because of people's emotional connection to their pension,
20 for a constellation of reasons, the committee strongly
21 believed that the priority should be on pensions. And so as
22 we approached the situation, that's what we did on behalf of
23 the committee, and the committee, as it advocated for itself,
24 determined that its highest priority was protecting the
25 pension. And, again, our initial position was the pension

1 should remain untouched in its entirety, but pretty early on
2 we signaled that we could see a compromise in the OPEB, in
3 the retiree insurance arena.

4 MR. WAGNER: Your Honor, just note my objection. To
5 the extent the testimony is being offered as the witness'
6 subjective views concerning OPEB and pension, I believe
7 that's not relevant with respect to the reasonableness of any
8 settlement, and also to the extent that OPEB and pension are
9 being combined we have an objection.

10 MR. SOTO: A separate objection, your Honor, would
11 also be that to the extent the witness is talking about
12 anything that has to do with the mediation, I think the
13 mediation order is still in place, and it's hard for me to
14 figure that out yet.

15 THE COURT: Well, I think it's a little bit broad to
16 prohibit the witness from talking about anything that has to
17 do with mediation. What the Court's order prohibits is
18 disclosure of anything that took place during mediation, and
19 the Court will abide that order, of course. Beyond that, the
20 objections are overruled. You may proceed.

21 BY MR. BARNOWSKI:

22 Q Did the committee have any other goals going into the
23 negotiations with the city? And, again, don't talk about
24 what was talked about with the city or the actual
25 negotiations.

1 A No. I would talk about how we approached it.

2 Q Right.

3 A The committee's objective, at least as I perceived it and
4 as one of their advisors what I believe the direction they
5 were giving to me was to do as best as we could -- and I
6 described the relative weighting of the claims, but to do as
7 best as we could to maximize the value of the claims. But we
8 viewed it in a -- within what I would call constraints or
9 context. The committee early on established or believed that
10 the city's objective, which had been stated early on in the
11 June presentation and the city had been very public and vocal
12 about, was a key priority of the proceeding -- and this was
13 before the filing, but even after the filing -- was that
14 Detroit be able to revitalize itself. Detroit had been --
15 and this was well-documented and discussed, you know, quite
16 broadly -- self-evident I think would be fair, at least from
17 my perspective, self-evident, that Detroit had been in
18 decline for a long time. And, you know, I'd been observing
19 that from a distance. And when you work with GM and
20 Chrysler, you can't help observe what's going on in Detroit,
21 so to me those -- that was self-evident that Detroit was in a
22 long-term decline and that part of the test of whether a
23 reorganization would be successful was whether or not Detroit
24 was given a reasonable chance to revitalize itself. So for
25 us we determined for some different reasons which I can talk

1 about, but we determined that anything we put forward we had
2 to in good faith feel was consistent with revitalizing the
3 City of Detroit. We felt that, number one, because we had no
4 expectation -- again, from the beginning, we had no
5 expectation that we were going to get a one-time lump sum
6 cash payout. We had these big claims. They are reducible to
7 present value. In theory, they could be resolved simply by
8 the city, you know, writing a check as it were for the whole
9 amount, and we would go away. We had no expectation that
10 that was feasible. It didn't take, again, long looking at
11 the public documents that the city -- were available to
12 anybody that the city would not be capable of writing
13 enormous checks. So for one -- so one reason we cared about
14 revitalization was at the end of the day we were relying on
15 the City of Detroit to be there to honor these promises out
16 on into the future. And while we felt like we had strong
17 legal arguments that no matter what the city agreed to on
18 pension in this case it should be protected by the
19 Constitution, the reality is, as we observed, when you get
20 yourself in bankruptcy, bad things happen. And so for us to
21 bet -- so we were, whether we liked it or not, betting on the
22 city because our promises, the promise -- the revised
23 promises that the city would make, whatever they would be,
24 would be promises that would pay out over time, and so we had
25 to have belief that revitalization could occur because if the

1 city continued in this long-term decline, the revised
2 promises it made would likely be challenged, not as a legal
3 matter but as a financial matter, so for that reason we were
4 concerned about revitalization. Second -- I'm sorry. Go
5 ahead.

6 Q No. I was going to say were there any other reasons why
7 you were interested in revitalization?

8 THE COURT: Excuse me. Before you answer that
9 question --

10 THE WITNESS: Yes, sir.

11 THE COURT: -- was the "we" that you referred to
12 many times in that answer you, Lazard, the committee, you and
13 Lazard, or some other answer?

14 THE WITNESS: Okay. Well, I was the leader of the
15 Lazard team, so I think I can speak for Lazard on this
16 matter. And I think I am reflecting the views of the
17 committee, yes. It is also Lazard's view, but I think in
18 this case it's coincident with the view of the committee --

19 THE COURT: Okay.

20 THE WITNESS: -- yes.

21 THE COURT: It would help me if you could -- if you
22 could explicitly state who your answers refer to.

23 THE WITNESS: Yes, sir. Okay.

24 BY MR. BARNOWSKI:

25 Q So the question was --

1 THE COURT: We're waiting for -- we're waiting for a
2 question. What was your question?

3 MR. BARNOWSKI: Right.

4 BY MR. BARNOWSKI:

5 Q The question was were there any other reasons why the
6 committee was interested in the city's ability to revitalize
7 itself through this bankruptcy?

8 A Yeah. I think the -- I think the committee also believed
9 that the political overlay -- this is a political
10 environment. The city is a political entity. There are many
11 stakeholders who are political entities who are involved in
12 this case whether it be the -- whether it be the other
13 counties or whether it be the State of Michigan itself, and
14 our perception -- the committee's perception was they had a
15 keen interest in revitalization as well, and so, again, we
16 felt like to put ourselves adverse to that view that
17 revitalization was key, we thought to put ourselves adverse
18 to that would make it very unlikely that we would be
19 successful in our advocacy to bring other stakeholders into
20 support of our overall view. So irrespective of whether we
21 were getting a long-term payout, which we were, but separate
22 and apart from that, we believed that the resolution of this
23 case would involve the -- would include the involvement of
24 other stakeholders, and, again, reading the newspapers,
25 watching -- and, again, everyone on the committee, you know,

1 lived in and around Detroit. They had views of what the
2 politics were, and so, again, the committee felt like being
3 on the wrong side of revitalization was just not a place that
4 would get us where we needed to go.

5 Q Okay. Now, you talked a little bit about the committee's
6 goals or purposes going into the negotiations. I want to
7 fast forward a little bit and just ask you did the committee
8 achieve all it hoped to do through the negotiations?

9 A No, I don't think we achieved all that we hoped to
10 achieve. Certainly in the beginning, again, we had been very
11 public and vocal about the fact that we thought the pensions
12 should be left untouched. I believe what the committee
13 thought and the reason they determined to support the plan
14 was we believe that we received enough, that it was enough to
15 get -- again, in the context of the situation, given the
16 constraints I've prior talked about, given the reality of the
17 various other stakeholders and the other contending matters
18 in the case, and given the alternative in the city's
19 solicitation, we felt like support of the plan was
20 appropriate and in the best interest of the people we were
21 representing. But there was -- you know, there was enormous
22 disappointment by the members of the committee that they were
23 going to be recommending to their fellow retirees that they
24 vote in favor of having their pensions reduced. That's a --
25 you know, in my experience, that's a challenging thing to ask

1 an elected or appointed representative to do.

2 Q Did the committee believe that the settlement proposal
3 would further the city's ability to revitalize itself in the
4 ways that you've described?

5 A I think the committee felt that the -- our settlement and
6 the POA generally would help to facilitate the revitalization
7 of the city. There are no guarantees. We did not view there
8 is guarantees, but we believed that it was a reasonable
9 amount that could be done in the context of a court
10 proceeding to set the stage for possible revitalization.

11 Q Okay. And putting aside the financial means of
12 revitalization, were there other purposes of the
13 revitalization or ways that the plan would further
14 revitalization in the committee's mind?

15 A Well, one thing we observed, some of it in the plan and
16 some of it simply in the city's behavior as we watched them
17 negotiate with us and with other entities, was we saw the
18 city taking a different view toward its workforce, and,
19 again, our view was that a workforce that is motivated and
20 excited about the opportunity to participate in the
21 revitalization of Detroit is an important element of that
22 revitalization. You know, we believed that the city needed
23 money, just, you know, money to remove blighted houses, to
24 buy new police cars, et cetera, and that was critical, and
25 that had to be provided for in the plan, but at the end of

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 31, 2022, he filed a copy of the foregoing *Reply in Support of City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* with the Clerk of the Court via the Court's ECF electronic filing system which will provide notice of the filing to all registered participants in this matter.

Dated: October 31, 2022

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

By: /s/ Marc N. Swanson
Marc N. Swanson (P71149)
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 496-7591
Facsimile: (313) 496-8451
swansonm@millercanfield.com

Attorneys for the City of Detroit

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

***EX PARTE* MOTION FOR OR LEAVE TO FILE SUR-REPLY**

The Police and Fire Retirement System of the City of Detroit, by its undersigned counsel, Clark Hill PLC, files this *ex parte* motion for leave to file a sur-reply in support of its response to the City's *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* (the "Motion") [Dkt. No. 13602], as follows:

1. The City initially filed the Motion on August 4, 2022. The Motion was thirty pages in length and had fourteen exhibits.
2. PFRS filed a response to the Motion on September 9, 2022. [Dkt. No. 13634]
3. The City filed a Reply in support of the Motion which was twenty-two pages in length, contained eleven additional exhibits, and presented a total of 259 pages of additional information to the Court. [Dkt. No. 13663].
4. The Court recently set the Motion for a hearing on February 8, 2022.
5. In its Reply, the City raised several new legal and factual issues that the PFRS would like to respond to in writing before the hearing in order to give the

Court the opportunity to fully review the PFRS's response and consider its argument prior to the hearing on February 8, 2022. The hearing is set to be conducted by Zoom and as a result, it will presumably be more convenient for both the City and the Court to have a copy of the PFRS's response in writing prior to the hearing.¹

6. The PFRS has prepared a sur-reply in the same page length that the City submitted for its Reply, although the length of the sur-reply exceeds the typical page limit requirements. Given the complexity and importance of the issues addressed in the Motion, however, the PFRS requests the length of the response brief be extended to 22 pages, which is the same length of supplemental briefing submitted by the City.

7. The PFRS sought concurrence from the City to file a sur-reply and the City did not object to the PFRS filing a sur-reply; however, the City objected to the length of the sur-reply prepared by the PFRS.

WHEREFORE, the PFRS respectfully requests that the Court enter an order, substantially in the form attached as **Exhibit 1**, granting the PFRS leave to file a sur-reply in support of its response to the Motion.

¹ The hearing is currently set to be conducted by Zoom. To the extent the Court believes it may be more effective to conduct the hearing in person due to the volume of the papers and exhibits submitted, the PFRS will certainly appear for the hearing in person.

Respectfully submitted,

Date: January 26, 2023

By: /s/ Jennifer K. Green

Jennifer K. Green

Ronald A. King

Clark Hill PLC

151 S. Old Woodward, Ste 200

Birmingham, MI 48009

(248) 988-2315

jgreen@clarkhill.com

rking@clarkhill.com

Attorney for Creditor – PFRS

SUMMARY OF ATTACHMENTS

The following documents are attached to this Motion, labeled in accordance with E.D. Mich. LBR 9014-1(c).

Exhibit 1: Proposed Form of Order

Exhibit 2: None [Motion Seeks Ex Parte Relief]

Exhibit 3: None [Brief Not Required]

Exhibit 4: Certificate of Service

Exhibit 5: None

Exhibit 6: None

Exhibit 7: Sur-Reply in Support of Response to City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan

EXHIBIT 1 – PROPOSED ORDER

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**PROPOSED ORDER GRANTING *EX PARTE* MOTION FOR LEAVE TO
FILE SUR-REPLY**

This matter coming before the Court on the *ex parte* motion of the City of Detroit Police and Fire Retirement System (“PFRS”) for entry of an order granting leave to file a sur-reply, in substantially the same page length as the City’s Reply, in support of its response to the City’s *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* [Doc 13602], and the Court finding good cause for the entry of this Order; and the Court being fully advised in the premises;

THE COURT ORDERS THAT the motion for leave is granted and PFRS may file a sur-reply support of its response to the City’s *Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan*.

EXHIBIT 2 – NONE

EXHIBIT 3 – NONE

EXHIBIT 4 – CERTIFICATE OF SERVICE

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-
53846 Judge Thomas J. Tucker
Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on January 26, 2023, she served a copy of the foregoing *Ex Parte Motion for Leave to File Sur-Reply* with the Clerk of the Court via the Court's ECF electronic filing system which will provide notice of the filing to all registered participants in this matter.

Respectfully submitted,

Date: January 26, 2023

By: /s/ Jennifer K. Green
Jennifer K. Green
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
Attorney for Creditor – PFRS

EXHIBIT 5 – NONE

EXHIBIT 6 – NONE

**EXHIBIT 7 – SUR-REPLY IN SUPPORT OF RESPONSE TO CITY OF
DETROIT’S MOTION TO ENFORCE PLAN OF ADJUSTMENT AND
REQUIRE 30-YEAR AMORTIZATION OF THE UAAL IN THE POLICE
AND FIRE RETIREMENT SYSTEM PENSION PLAN**

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**SUR-REPLY IN SUPPORT OF RESPONSE TO CITY OF DETROIT'S
MOTION TO ENFORCE PLAN OF ADJUSTMENT AND REQUIRE 30-
YEAR AMORTIZATION OF THE UAAL IN THE POLICE AND FIRE
RETIREMENT SYSTEM PENSION PLAN**

Respectfully submitted,

By: /s/ Jennifer K. Green

Jennifer K. Green

Ronald A. King

Clark Hill PLC

151 S. Old Woodward, Ste 200

Birmingham, MI 48009

(248) 988-2315

jgreen@clarkhill.com

rking@clarkhill.com

Attorney for Creditor – PFRS

Date: January 26, 2023

TABLE OF CONTENTS

INDEX OF AUTHORITIES.....	ii
I. INTRODUCTION	1
II. LEGAL ANALYSIS	3
A. Under The Terms Of The Plan, The PFRS Does Not Need To Allow The City To Amortize <i>Any</i> Of The Post-2023 Pension Payments—Let Alone For 30 Years	3
(1) The PFRS Pension Plan Documents Contemplate Full Payment By The City After 2023 With No Amortization Period	4
(2) If The City Had Wanted To Include An Amortization Period For The PFRS, It Knew How To	7
B. The Financial Projections, Maholtra’s Summary Chart, And Maholtra’s Testimony Are Not “The Plan” And Cannot Be Enforced As The Plan	8
C. Financial Projections Designed To Demonstrate Feasibility Of A Plan Are Not “The Plan”	12
D. Even With The Uncertainty As To Both The Pension Payment Amount And The Amortization Period, The Plan Was Found Feasible	13
E. The Plan Controls Over The Confirmation Opinion And Order	19
F. Neither Law Of The Case Nor Res Judicata Apply Here	21
G. An Adversary Proceeding Is Necessary	22

INDEX OF AUTHORITIES

Cases

<i>Brady–Morris v. Schilling (In re Knight Trust)</i> , 303 F.3d 671 (6th Cir. 2002)	22
<i>EEOC v. United Ass'n of Journeymen and Apprentices of the Plumbing & Pipefitting Indus. of the United States and Canada, Local No. 120</i> , 235 F.3d 244 (6th Cir.2000).....	22
<i>Gomez v. Great Lakes Steel Div.</i> , 803 F.2d 250 (6th Cir. 1986).....	10
<i>In re Adelphia Bus. Solutions, Inc.</i> , 341 B.R. 415 (Bankr.S.D.N.Y.2003)	15
<i>In re City of Detroit</i> , 538 B.R. 314 (E.D. Mich. Bkr. 2015).....	11
<i>In re City of Detroit</i> , 614 B.R. 255 (E.D. Mich. Bkr. Crt. 2020)	4
<i>In Re Davis Offshore, L.P. v. Nancy Sue Davis Trust</i> , 644 F.3d 259 (5th Cir. 2011)	19, 20
<i>In re Doty</i> , 129 B.R. 571 (Bkrcty.N.D.Ind.,1991)	20
<i>In re Young Broadcasting Inc.</i> , 430 B.R. 99 (Bkrcty.S.D.N.Y. 2010).....	15
<i>Rodriguez v. Village of Port Chester</i> , 535 F.Supp.3d 202 (S.D.N.Y., 2021).....	9
<i>United States v. Milkiewicz</i> , 470 F.3d 390 (1st Cir. 2006)	10
<i>Winget v. JP Morgan Chase Bank, N.A.</i> , 537 F.3d 565 (6th Cir. 2008).....	21

Rules

Fed. R. Bank. P. 7001(7)	22, 23
Fed. R. Evid. 1006	10

I. INTRODUCTION

Once again proving the PFRS’s entire point, the City has attached twenty-six separate documents to its papers in an effort to convince this Court what *another* document says. The City points to these twenty-six other exhibits—over 300 pages in total—in an attempt to show what *the Plan* allegedly says. Remarkably absent from the City’s Reply, though, are citations to salient pages or excerpts from *the Plan*. The Plan is not the testimony of the City’s witnesses. The Plan is not the Financial Projections. The Plan is not the Confirmation Opinion.

Under the Plan itself, as set forth in the PFRS’s Response, funding policy decisions (which is what an amortization period is) fall squarely within the ambit of the PFRS Board and Investment Committee. Further, the amended PFRS Pension Plan (the “PFRS Pension Plan”) sets forth the payment procedures for Component II (the legacy/frozen plan) and it clearly states that “after July 1, 2023... the City shall pay such contributions to the Retirement System *during the ensuing Fiscal Year*.” It does *not* say “after July 1, 2023... the City may pay such contributions over thirty years.” And unlike the Financial Projections that the City hangs its hat on, this Court has already held that the amended PFRS Pension Plan is part of the Plan of Adjustment and supersedes any settlement terms that were not expressly included in the Plan. As a result, this quoted language from the PFRS Pension Plan clearly trumps a mere “assumption” used by the City in formulating its Financial Projections—projections which were used to demonstrate the *feasibility* of the Plan but which were not, in and of themselves, “the Plan.”

But because the Plan is not favorable to the City, it instead seeks to build a record of circumstantial evidence to argue that the Plan *must* include a 30-year amortization period; otherwise, the Plan would not have been feasible. While the “record” from plan confirmation is largely irrelevant, as the Plan itself is controlling, the record is clear that ten years ago, at the time of confirmation—even with (i) the amount of the pension underfunding that would exist in 2023 being a complete unknown, and (ii) no amortization period set in stone—the City’s financial expert, the Court’s independent feasibility expert, and this Court all agreed the Plan was still feasible. Plus, feasibility is a red herring because the City *has* the money to pay using the shorter 20-year amortization period selected by the PFRS (it just does not want to).

In the end, after canvassing the entirety of the confirmation trial record in an effort to drum up evidence that a 30-year amortization is required under the Plan, the *only* place the City could find an explicit reference to an amortization period was in the Financial Projections, which were only briefly summarized by the Court—and in a footnote, no less—in the Confirmation Opinion. In the face of express language in the State Contribution Agreement giving the PFRS discretion to set its own funding policies and express language in the PFRS Pension Plan requiring payment by the City “during the ensuing Fiscal Year”, however, the City’s reliance on the Financial Projections falls flat and its Motion should be denied.

II. LEGAL ANALYSIS

A. Under The Terms Of The Plan, The PFRS Does Not Need To Allow The City To Amortize *Any* Of The Post-2023 Pension Payments—Let Alone For 30 Years

Treatment of the PFRS Claim is laid out in the Plan as follows—and notably, the only express term in the Plan itself is that the City will pay the amounts owed after 2023, but there is nothing about an amortization period for these payments:

During the Fiscal Years from the Effective date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.1.ii.A. The exclusive source for such contributions shall be certain DIA proceeds and a portion of the State Contribution. **After June 30, 2023 . . . the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto[.]”**

(Plan of Adj., Dkt. No. 8045-1, pg. 315 of 809, filed 10/22/2014) (emphasis added).

The Plan says nothing of the 40-year Financial Projections when it describes the treatment of the PFRS claim—it does not cite them, reference them, quote them, or incorporate them as an exhibit. It does, however, expressly incorporate the State Contribution Agreement, which as set forth in the PFRS’s Response, bestows the PFRS Board and Investment Committee with the authority to set the appropriate funding policy for the PFRS. In addition, as will be set forth below, the baseline funding policy for Component II (*i.e.*, the legacy/frozen plan) is laid out in the PFRS Pension Plan, which (unlike the Financial Projections) *is* part of the Plan of

Adjustment, as it was expressly incorporated into the Plan. See *In re City of Detroit*, 614 B.R. 255, 266-67 (E.D. Mich. Bkr. Ct. 2020).

(1) The PFRS Pension Plan Documents Contemplate Full Payment By The City After 2023 With No Amortization Period.

The PFRS would be fully within its rights to insist on a one-time lump sum payment for the contributions owed by the City with *no* amortization period given the discretion it was given in the State Contribution Agreement and the PFRS Pension Plan. Article G to Component II (the Legacy/Frozen Plan)—entitled “Method of Financing”—governs the City’s payments for funding Component II after the ten-year pension hiatus and this section expressly states that payment is due from the City “during the Fiscal Year” the contribution obligation arises:

Sec. G-5. Contributions to and payments from the Pension Accumulation Fund.

Contributions to and payments from the Pension Accumulation Fund shall be made as follows:

(b) Subject to the Plan of Adjustment, for Fiscal Years commencing prior to July 1, 2014, **and on or after July 1, 2023**, the Board of Trustees annually ascertained and reported to the Mayor and the Council **the amount of contributions due the Retirement System by the City**, and the Council shall appropriate and **the City shall pay such contributions to the Retirement System during the ensuing Fiscal Year.** When paid, such contributions shall be credited to the Pension Accumulation Fund.

(c) For Fiscal Years commencing after June 30, 2014 and prior to July 1, 2023, the City shall make contributions to the Pension Accumulation Fund only as provided in the Plan of Adjustment.

(Ex. D to PFRS Response, Article G-5) (emphasis added). Thus, the payment due

“after July 1, 2023” has no amortization period associated with it. Instead, the amended PFRS Pension Plan—which was revised specifically to address the changes under the Plan of Adjustment—explicitly states that the City “shall pay such contributions to the Retirement System *during the ensuing Fiscal Year.*” It does not say that after July 1, 2023, the City “may amortize such payment over thirty years.”

The ten-year hiatus followed by a resumption of normal, unfettered payment obligations is echoed in the next section, too, which addresses appropriations by the City:

Sec. G-9. Appropriations prior to July 1, 2014 and after June 30, 2023.

- (a) The Board of Trustees shall certify to the City Council **the amount of the appropriation necessary to pay to the various funds of the Component II** of the Retirement System the amounts payable by the City as enumerated in this Component II, according to legal budget procedure.
- (b) **To cover the requirements of Component II** prior to July 1, 2014 **and after June 30, 2023**, such amounts **as shall be necessary to cover the needs of Component II shall be paid into the Pension Accumulation Fund¹ and the Expense Fund by special appropriations or transfers to the Retirement System**; provided, however that no transfers can be made from the Accrued Liability Fund other than the annual transfer of the scheduled amortizing amount, or transfers under special circumstances pursuant to Section G-4 (as in effect prior to July 1, 2014).²

¹ The “Pension Accumulation Fund” or “PAF” is one of several funds that comprise Component II. (Ex. D to PFRS Response, Article G-1) (“The funds of Component II... shall be the Annuity Savings Fund, Annuity Reserve Fund, Pension Accumulation Fund, Pension Reserve Fund, Deferred Retirement Option Plan Fund, Expense Fund and the Survivors Benefit Fund.”) All payments from the City are paid to the PAF first before being allocated to the other funds.

² The reference to the Accrued Liability Fund and Section G-4 relates to a special account that was set up in 2005 to receive the proceeds from the Certificates of Participation (“COPs”) transaction and that account was dissolved after the City’s bankruptcy. (See Article G-5(b), stating “[a]s soon as practicable following the effective date of the Plan of Adjustment, any amounts remaining credited to the Accrued Liability Fund shall be transferred to the Pension Accumulation Fund and

(Ex. D to PFRS Response, Article G-9) (emphasis added). The PFRS Pension Plan documents state only that the “amount of the appropriation necessary to pay the various funds of the Component II” will be made and that after June 30, 2023, “such amounts as shall be necessary to cover the needs of Component II shall be paid into the Pension Accumulation Fund”—but again, nowhere do these documents state that these payments “shall be paid over thirty years.” Such language simply does not exist.

As the PFRS has repeatedly stated, it has no obligation to allow the City to amortize the payment *at all* (let alone for 30 years). The PFRS has every right to enforce the Plan as written and demand a more aggressive payment schedule for the amounts owed for Component II. However, the PFRS *is* mindful of the City’s desire to fund its reinvestment initiatives. Accordingly, after consultation with its actuaries, the PFRS has set a funding policy that allows the City to pay using a 20-year amortization period—a result which fairly balances the City’s desire to fund its reinvestment initiatives, while still ensuring that the PFRS has faithfully discharged its fiduciary duties to its members. Forcing an amortization period of thirty years as though it is actually written in the Plan of Adjustment is not merited—and the order the City has requested from this Court violates the Plan by stripping the PFRS Board and Investment Committee of their right to make these critical funding policy

the Accrued Liability Fund shall cease to exist.”). Thus, any reference to a “scheduled amortizing amount” in Article G-9(b) relates to the COPs transaction and an account that no longer exists, so this section does not aid the City’s argument that amortization is permitted.

decisions as contemplated by the State Contribution Agreement. The combination of these three inter-related documents (the Plan, the amended PFRS Pension Plan, and the State Contribution Agreement) control over the Financial Projections—which were not referenced or incorporated into the Plan, nor attached as an exhibit.

(2) If The City Had Wanted To Include An Amortization Period For The PFRS, It Knew How To.

The lack of any express term for amortization for the PFRS payment is particularly glaring because in other contexts within the Plan, where amortization periods were expressly negotiated and agreed upon as a material financial term, those amortization periods are explicitly set forth in the Plan itself. For example, for the new LTGO Bonds, the City expressly spelled out the specific amortization terms:

Schedule 1	
Financial Terms of New LTGO Bonds	
Principal:	\$55 million
Interest Rate:	5.65% per annum (first 10 years, 5.00% payable in cash and 0.65% capital appreciation added to principal)
Final Maturity:	23 years
Amortization:	Interest payable semi-annually
	On each anniversary from the sixth through tenth anniversary—\$2 million principal due per year
	On each anniversary from the eleventh through twenty-third anniversary—principal payment equal to one-thirteenth (1/13) of the principal outstanding immediately prior to the eleventh anniversary (approximately \$3,735,115 per year)

(Plan of Adj., Dkt. No. 8045, pg. 282 of 809). Similarly, with respect to the New B Notes, the amortization terms were expressly written out in the Plan itself:

NEW B NOTES
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New B Notes and distribute them as set forth in the Plan. The definitive documentation governing the New B Notes shall provide generally for the following terms:

Obligation	The City's obligations with respect to the New B Notes shall be a general and unsecured obligation of the City.
Initial Principal Amount	\$632.0 million.
Interest Rate	4.0% for the first 20 years; 6.0% for years 21 through 30.
Maturity	30 years.
Amortization	Interest only for 10 years; amortization in 20 equal annual installments beginning on the interest payment date nearest to the 11th anniversary from issuance.
Disclosure	The City will provide a continuing disclosure undertaking under 17 C.F.R. § 240.15c2-12 in connection with the delivery of the New B Notes.

Id. at pg. 315. No similar language was used for the PFRS claim.

B. The Financial Projections, Maholtra's Summary Chart, And Maholtra's Testimony Are Not "The Plan" And Cannot Be Enforced As The Plan

The City claims in its Reply: "E&Y's 40-year projections confirmed that the POA incorporated a settlement between Kevyn Orr and GRS/PFRS that required 30-year amortizations." (Reply at pg. 12) In support of this statement that the POA "incorporated" a settlement with a 30-year amortization, the City cites two items: (i) Maholtra's testimony, and (ii) Exhibit 723 from the confirmation trial. However, neither of these is "the Plan." Witness testimony is not "the Plan." Exhibits admitted at the confirmation trial are not "the Plan." The "Plan" is a defined term:

273. "Plan" means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

(Plan of Adj., pg. 23). Unless the exhibit is attached to or referenced in the Plan itself (like the State Contribution Agreement and the PFRS Pension Plan), it is not the Plan.

Moreover, Exhibit 723 from the confirmation trial (attached to the City's Reply as Exhibit 18) is merely a summary chart that according to Maholtra, showed the "key

items of the settlement with GRS and PFRS.” Even this summary chart, though, does not include the word “amortization.” Further, this document was not an excerpt from the Plan. As such, Exhibit 723 was admitted as merely a “demonstrative aide” and was never intended to be substantive evidence of the Plan:

MR. STEWART [from Jones Day]: And just for the record, let’s put up Exhibit 723. . . Do you see Exhibit 723, Mr. Maholtra?

A. I do.

Q. What is this?

A. It shows the key items of the settlement with GRS and PFRS as a part of the plan of adjustment.

Q. Okay. . . could you tell us what are GRS and PFRS?

A. The General Retirement System and the Police and Fire Retirement System.

Q. Do you know off the top of your head what class each is in?

A. Class 10 and 11.

Q. Now, tell us . . . Your honor, if I could, I would move the admission of Exhibit 723 *as a demonstrative exhibit*.

MR. SOTO: No objection, your Honor.

MR. WAGNER: Yeah. No objection as a demonstrative.

THE COURT: It is admitted.

(Ex. G to PFRS Response Brief, Maholtra Tran. at pg. 132-33) (emphasis added). A “demonstrative exhibit” is not substantive evidence and should not be relied upon by a finder of fact. “[D]emonstrative exhibits ‘ha[ve] no probative value in [themselves],’” but “they may be admissible for the purpose of ‘illustrat[ing] oral testimony.’” *Rodriguez v. Village of Port Chester*, 535 F.Supp.3d 202, 218 (S.D.N.Y., 2021) (citation omitted). Courts caution against demonstrative exhibits for precisely the reason presented here—the risk that a demonstrative will improperly relied upon for its “truth.” *Id.* at 219 (noting that when “determining the admissibility of

demonstrative exhibits... courts must carefully weigh whether the exhibits are unduly prejudicial” because the factfinder could “interpret them as real-life recreations of substantive evidence that they must accept as true.”) Unless a summary is being admitted as a summary of a voluminous writing under Fed. R. Evid. 1006 (which Exhibit 723 was not), a summary introduced as a demonstrative aide is “more akin to argument than evidence[.]” *Gomez v. Great Lakes Steel Div.*, 803 F.2d 250, 257 (6th Cir. 1986); *United States v. Milkiewicz*, 470 F.3d 390, 396-98 (1st Cir. 2006) (citations omitted) (noting demonstratives are by definition “less neutral in [their] presentation” and thus not properly considered evidence). Hence, Exhibit 723 should be ignored altogether in favor of the actual Plan language.

Similarly, witness testimony is undisputedly *not* part of the Plan. And even if it was, Maholtra’s testimony actually supports the PFRS’s position:

THE COURT: Excuse me. Before we leave this one [Exhibit 723] . . . Does the plan commit the city to make the payments in your section of the change here called “Future Contributions”?

THE WITNESS: Those contributions are assumed in the plan, your Honor, and the city—

THE COURT: They are what?

THE WITNESS: They are assumed to be made in the plan, your Honor, so the city is in the projections making those payments beyond 2024 into the pension systems in the plan.

THE COURT: My question was a slightly different one. Does the plan commit the city, legally commit the city to make those payments?

THE WITNESS: My understanding is the city is committed to the fund the unfunded liability. I just don’t know—the city and the Retirement Systems have to decide what the amortization methodology is of the UAAL at the end—at the end of year ten, and the city is committed to

fund that underfunded liability. Depending on what amortization schedule gets picked, the payments can change slightly because of the interest rate, but my understanding is the city is committed to make the payments beyond 2024 into those pension systems.

(Ex. G to PFRS Response, Maholtra, 9/29/2014 Hrg. Tran., pg. 139-140). Maholtra's testimony is actually 100% aligned with the PFRS's position: the City is legally obligated to make the payment under the Plan (period) and the amortization (if any) gets decided after year ten.

Lastly, the City's argument that Kevyn Orr and the PFRS reached "a settlement" containing a 30-year amortization period is entirely unavailing. The City blasted this exact argument when the RDPFFA made a similar attempt to claim that it had "reached a settlement" during mediation but the particulars of that settlement did not make their way into the Plan and instead were only on the term sheet from mediation. In the face of that argument, this Court has already held—as it should—that unwritten settlement terms not expressly incorporated in the Plan of Adjustment are not enforceable. *In re City of Detroit*, 538 B.R. 314, 320 (E.D. Mich. Bkr. 2015) (holding that the RDPFFA term sheet was not "incorporated into or made part of the Plan" and thus the term sheet "did not survive confirmation of the Plan"). Although at least in the RDPFFA case, the disputed term was part of a written term sheet signed by the parties, which is not true with respect to the amortization issue. Here, there is even less basis to find the Financial Projections part of the Plan, as they were created unilaterally by the City (without input or approval by the PFRS or any of the other 27

constituents involved in the pension settlement), they were ever-evolving (indeed, they were changed at least ten times by the City's own admission), and the 30-year amortization period was merely an "assumption" baked into the projections by the City's financial expert (presumably because that's what period the City used before the bankruptcy). But perhaps most importantly, financial projections used to show that a plan of adjustment is "feasible" are not *the Plan*. They are merely a piece of evidence used at confirmation trials to demonstrate feasibility but they do not set forth "the Plan."

C. Financial Projections Designed To Demonstrate Feasibility Of A Plan Are Not "The Plan"

The City attempts to convince the Court that its Financial Projections are "part of the Plan" and not extrinsic evidence because they "were among a very few trial exhibits that were incorporated in the Confirmation Opinion and Order." (Reply, pg. 13). But the "Plan" is a defined term and exhibits referenced in the Court's Confirmation Opinion are not part of the Plan:

273. "Plan" means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

(Plan of Adj., pg. 23). *Of course* the City's Financial Projections were discussed at length in the Confirmation Opinion. They had to be, since demonstrating that the Plan was financially feasible was an element of the City's case. But that is a far cry from one line item in the Financial Projections—which were a guess 40 *years* into the future—being transformed into a "contract" or a promise to perform. The purpose of these Financial Projections were merely to show the Court, hypothetically, how the

City's finances could progress in the future. The City is now treating them as gospel. If the opposite was true (and in some cases it is)—that the City fared worse under its projected financial condition—the City would not be here arguing that it should be held to the projections. If the City's revenues faltered one year and it could not perform as it thought it could a decade ago, the Plan would not retroactively fail the feasibility test and be unwound.

D. Even With The Uncertainty As To Both The Pension Payment Amount And The Amortization Period, The Plan Was Found Feasible

Perhaps the best evidence that the Plan was feasible even without an amortization period set in stone in the Plan is the fact that the City undisputedly *has* the money to pay the unfunded liability for Component II. Under the Plan, the City had ten full years to plan for this part of its financial reorganization, and to its credit, the City planned accordingly and set aside the money. Thus, the Plan as it is actually spelled out in the documents (with no certainty as to the amount of the pension payment after 2023 and with no amortization schedule agreed upon beforehand) *was* feasible as presented to this Court at plan confirmation—in part, because the Plan gave the City *an entire decade* to plan and budget accordingly.

But because the Plan language is not favorable to the City, it instead seeks to build a record of extrinsic evidence to argue that the Plan *must* include a 30-year amortization period; otherwise, the Plan would not have been feasible. The City attempts to backfill this argument by speculating that any other “plan” would not have

been approved by the Court. The record is clear, though. Ten years ago, at the time of confirmation—even with (i) the amount of the pension underfunding after the ten years an unknown, and (ii) no concrete amortization schedule set in stone—the experts and the Court agreed the Plan was still feasible. Kopacz cited the potential wild swing of *over \$1 billion dollars* that could be owed at the end of the ten-year hiatus depending on how the markets fared yet she still concluded it was feasible:

PFRS Average Rate of Return Scenario Analysis⁷

Average Rates of Return July 2014 - June 2023	Estimated Funding Status June 2023	Estimated Projected Unfunded Liability June 2023	Estimated Projected Unfunded Liability Variance
3.00%	43%	\$ 1,717	\$ 1,036
5.00%	60%	\$ 1,208	\$ 527
6.00%	70%	\$ 917	\$ 236
6.75%	78%	\$ 681	\$ -
8.00%	92%	\$ 252	\$ (429)
0% - 1st 5 years; 10% - 2nd five years	53%	\$ 1,439	\$ 758
10% - 1st 5 years; 0% - 2nd five years	64%	\$ 1,097	\$ 416

Kopacz also acknowledged in her Supplemental Report that “the City may have continuing unfunded pension obligations far into the future” and “*these obligations may increase beyond the assumptions presented in the July 2, 2014 financial projections.*” (Ex. F to PFRS Response, Kopacz Supp. Report) (emphasis added).

The City’s financial expert, Maholtra, echoed this exact concern and cited the uncertainty as to the amount of the pension payments due after 2023 as the biggest risk to feasibility. He explained to the Court that unlike the other creditor settlements—which were locked in, both in terms of amount and other economic terms—the pension liability at the end of the ten-year hiatus was not:

THE COURT: Okay. I want to ask you, what are the two or three most critical assumptions in the City's 10-year forecast or projections that concern you the most?

A. The first one, Your Honor, would be the unfunded pension liability of the City at the end of the 10 years because in a lot of this in terms of the settlement to the creditors, we have boxed in what the City's liability will be. On the side of the pensions, we are still using calculations to estimate what that 10-year unfunded liability will be. So that will be my first one as a concern because it's an unknown, it's an estimate, but it's still not boxed in in terms of how we have boxed in our best ability of the other claims.

(Ex. G, Maholtra Hrg. Tr. 9/29/2014, pg. 272). The City pretends as though the uncertainty as to how much would be owed to cover the pension shortfall after the ten-year pension holiday would have prevented the City from being able to prove the Plan was feasible. Not so. “Just as speculative prospects of success cannot sustain feasibility, the mere prospect of financial uncertainty cannot defeat feasibility.” *In re Young Broadcasting Inc.*, 430 B.R. 99, 129 (Bkrtcy.S.D.N.Y.,2010) (citing *In re U.S. Truck Co.*, 47 B.R. 932, 944 (E.D.Mich.1985). “Success need not be guaranteed, so long as the plan has a ‘reasonable likelihood of success.’” *In re Adelphia Bus. Solutions, Inc.*, 341 B.R. 415, 421–22 (Bankr.S.D.N.Y.2003).

The pension-related uncertainties were risks but every plan has some level of risk. The Court even acknowledged this risk but still ultimately found the Plan feasible. *In re City of Detroit*, 524 F.R. 147 at 232 (noting “the risk remains that at the end of FY2023, the UAAL could be much larger than currently projected”).

The City lastly claims the Court’s Confirmation Opinion “adopted and incorporated” the entirety of Kopacz’s report—a report that the City claims “confirms

the 30-year amortization period.” (Reply, pg. 7). This is entirely circular, as Kopacz was just summarizing the same portion of the Maholtra Financial Projection. Neither expert’s report—not the Maholtra Financial Projections and not the Kopacz feasibility report—are part of the Plan of Adjustment. The City pretends that the Financial Projections and the Kopacz feasibility report somehow magically transform into “the Plan.” Feasibility, though, was established by more than just a set of Financial Projections and the Kopacz report—it was established (as the Court expressly listed in its Conformation Opinion) by the testimony of twenty-two witnesses, ranging from Kevyn Orr, Maholtra, Charles Moore, Glenn Bowen of Milliman, Michael Duggan, Brenda Jones (City Council President), Dan Gilbert, and Roger Penske. And exactly none of those witnesses testified that the Plan would only be feasible if the PFRS pension payment in 2023 was paid over a thirty-year period. In fact, to the contrary: both Kopacz and Moore went on record outright *criticizing* the City and the Retirement Systems’ prior use of lengthy amortization periods and cited it as one of a handful of “practices” that led to chronic underfunding and “contributed to a significant shortfall in the two pension plans” (Ex. F to PFRS Response, Kopacz Supp. Report, Dkt. No. 13634-7, pg. 127) (criticizing the use of “renewing 29- (PFRS) and 30-(GRS) year amortization periods for funding the unfunded pension obligations”) (citing Dkt. No. 13).

The City attempts to undermine the PFRS’s assertion in its Response that the City’s own experts did not support a 30-year amortization period by claiming that (i) the

Glenn Bowen deposition testimony cited by the PFRS related to his work early in the bankruptcy case, not at the confirmation phase of the case; and (ii) Chuck Moore’s deposition testimony was an “esoteric and hypothetical discussion of other plan amortization periods[.]” (Reply, pg. 18-19). But the absence of any testimony during plan confirmation from either Bowen or Moore—the two key pension task force experts—in favor of a 30-year amortization period is telling. The reason the record is bereft of any such testimony is because those experts were decidedly *against* long amortization periods and those experts would have been promptly impeached with the testimony cited by the PFRS in its Response if they had shown up at plan confirmation and abandoned their prior unequivocal testimony that lengthy amortization periods were inappropriate for the City. In fact, in addition to his later deposition testimony, Moore’s first-day declaration has an entire section dedicated to his criticism of the 29-year and 30-year amortization periods previously used by the City. In a section literally entitled **“GRS’ Amortization Method Is Unreasonable,”** Moore chastised the use of a 30-year open amortization because “[t]his causes the UAAL to grow rapidly (due to compounding), and essentially ‘kicks the can’ of responsible pension funding ‘down the road.’” (Dkt. No. 13, Moore Declaration at page 8-9) (emphasis in original). He further noted that while “many governmental plans use long amortization periods to fund liabilities—in part to justify lower current contributions to their pension systems—use of a 30-year amortization period on an open-ended basis simply defers indefinitely the

cost to the City of the Systems’ liabilities” which he explained “is especially problematic in mature pension funds like GRS and PFRS[.]” Moore also explained in his declaration that the City asked Milliman to “determine the City’s future contribution obligations using more reasonable amortization periods” and Moore specifically identified more “reasonable” amortization periods as “shorter, closed amortization periods—15 years for PFRS (to account for the fact that the PFRS is already closed for new hires) and 18 years for the GRS.” *Id.* This is *precisely* the position urged by the PFRS’s actuaries (Gabriel Roeder) as set forth in the PFRS Response. Gabriel Roeder advised the PFRS to reject the City’s request for a 30-year amortization period because “[i]n mature legacy plans, the risk of plan insolvency is increased when amortization periods are longer than 10 or 15 years.” (See Ex. J to PFRS Response, Gabriel Roeder Report). This advice is in line with the City’s *own* pension experts’ dim view of lengthy amortization periods.

In short, after fly-specking the entire confirmation record, the City’s whole case hangs on a self-admitted “assumption” used by a financial expert. That “assumption” was then blindly regurgitated by Kopacz in her report without questioning whether it was actually part of the Plan—yet incredibly, the City stretches this to claim that Kopacz “confirmed” in her report that a 30-year amortization was part of the Plan. The PFRS does not dispute that the City may have used a 30-year amortization period a placeholder in its Financial Projections—what it does dispute is that this term was ever formally incorporated into the Plan itself. It was not.

E. The Plan Controls Over The Confirmation Opinion And Order

Contrary to the City's argument, the Plan controls over the conflicting Confirmation Opinion and Order. See e.g., *In Re Davis Offshore, L.P. v. Nancy Sue Davis Trust*, 644 F.3d 259 (5th Cir. 2011). In *Davis Offshore*, an adversary proceeding was filed six months after the plan was finalized and the confirmation order was entered, at which time it was discovered that the release and exculpation provisions contained in the plan were different than the ones set forth in the confirmation order. The scope of the release and exculpation provisions were critical to determining whether the adversary proceeding could move forward because under the plan, claims against the buyer of the debtor's assets in the bankruptcy proceeding were discharged. Under the release in the confirmation order, however, they were not. The bankruptcy court, in analyzing the conflicting interpretations of the plan versus the confirmation order, ruled that as a matter of law, the confirmation order took precedence over the plan. *Id.* at 268. The Fifth Circuit reversed, reasoning:

[A]llowing an order of confirmation always to trump the plan, if the two documents are in conflict, encourages error and abuse. In the flurry of activity that normally precedes plan confirmation, the parties have more likely negotiated and studied the terms of the plan itself than the often boilerplate language embodied in the court's order of confirmation. . . . An error in the confirmation order should not overcome the parties' negotiated deal.

Id. at 268. Moreover, the court continued, "allowing the order of confirmation to stand alone, separate and apart from the plan, in the interpretive process would tempt parties

to insert other provisions in the confirmation order that might not coincide with a plan...[.]” *Id.*

The same is true here. As pointed out in the PFRS’s Response Brief, no less than *twenty-seven* separate parties here heavily negotiated the pension portion of the Plan. The various inter-related documents that form the Grand Bargain (*i.e.*, the State Contribution Agreement and the PFRS Pension Plan) were negotiated by and between numerous parties—the City, State, the Foundations, the two Retirement Systems, and the Retiree Committee. The Plan was voted on by tens of thousands of retirees. A confirmation opinion—and a mere footnote in that opinion, no less—should not “overcome the parties’ negotiated deal.”

The absurdity of the City’s stance is perhaps best illustrated by the fact that the City has now put forth not one, not two, but *ten* iterations of its financial projections, and under the City’s reasoning, each one of these ever-evolving financial projections was binding and could be unilaterally updated and amended by the City until the close of confirmation trial—even if that financial projection altered the specifically negotiated terms by the parties. “At its simplest, a plan is an offer of promises made by a debtor and accepted by the creditors following serious and frequently protracted negotiations. In many of its most vital aspects, a plan is a kind of contract involving, as it does, matters of offer, acceptance, performance and the like[.]” *In re Doty*, 129 B.R. 571, 590–91 (Bkrtcy.N.D.Ind.,1991) (citations omitted). A plan is *not* a unilaterally

crafted financial projection.

F. Neither Law of the Case Nor Res Judicata Apply Here

The City attempts to raise two preclusion doctrines to argue that the PFRS is bound by this Court’s Confirmation Opinion and Order but neither apply.³ Res judicata bars relitigation of a legal “claim” or “cause of action” but it does not apply to a factual issue or a party’s legal position on a discrete issue. “[A] claim is barred by the res judicata effect of prior litigation if all of the following elements are present: “(1) a final decision on the merits by a court of competent jurisdiction; (2) a subsequent action between the same parties or their ‘privies’; (3) an issue in the subsequent action which was litigated or which should have been litigated in the prior action; and (4) an identity of the causes of action.” *Winget v. JP Morgan Chase Bank, N.A.*, 537 F.3d 565, 577–78 (6th Cir. 2008). The parties’ current dispute was not litigated at the confirmation trial, as the City’s recent objection to the PFRS’s decision to utilize a 20-year amortization period was the first time it became apparent that the parties even *had* a disagreement relating to the amortization issue. Moreover, as even Maholtra admitted, the amortization issue was always contemplated to be an issue decided in 2023—at the end of the ten-year pension hiatus—so by definition, it could not have been raised and litigated back in 2013.

³ As an aside, this Court’s ruling that the PFRS Pension Plan is part of the Plan of Adjustment is entitled to both res judicata and law of the case deference. See *In re City of Detroit*, 538 B.R. 314, 320 (E.D. Mich. Bkr. 2015).

Similarly, the law of the case doctrine does not aid the City. “Issues decided at an early stage of the litigation, either explicitly or by necessary inference from the disposition, constitute the law of the case.” *EEOC v. United Ass'n of Journeymen and Apprentices of the Plumbing & Pipefitting Indus. of the United States and Canada, Local No. 120*, 235 F.3d 244, 249 (6th Cir.2000) (quotation omitted). As set forth above, this issue has not been litigated previously in this case. Moreover, while the “‘law of the case’ ... expresses the practice of courts generally to refuse to reopen what has been decided[,]” courts will diverge from a prior ruling if there is a “cogent reason to show the prior ruling is no longer applicable, such as if our prior opinion was a clearly erroneous decision which would work a manifest injustice.” *Brady–Morris v. Schilling (In re Knight Trust)*, 303 F.3d 671, 677-78 (6th Cir. 2002) (quotations omitted). Here, to the extent the Court previously relied on a document that was not the Plan and was inconsistent with the express terms of the Plan, a “cogent reason” certainly exists to depart from (or at least clarify) the footnote in the Confirmation Opinion which summarized the Financial Projection as though it represented the Plan of Adjustment itself.

G. An Adversary Proceeding Is Necessary

The City takes the position that an adversary proceeding is unnecessary. Fed. R. Bank. P. 7001(7) states “[a]n adversary proceeding is governed by the rules of this Part VII. The following are adversary proceedings: . . . (7) a proceeding to obtain an injunction or other equitable relief, except when a chapter 9, chapter 11, chapter 12 or

chapter 13 plan provides for the relief.” (emphasis added). The City’s position is that a mere motion is permissible because the Court has authority under the Plan to issue injunctions to “restrain interference by any Entity with consummation, implementation, or enforcement of the Plan or Confirmation Order.” The City’s stance is that the 30-year amortization is part of the consummation/implementation of the Plan, and therefore, the Court has the authority to issue an injunction to enforce it. Thus, the key issue is whether the 30-year amortization period is, in fact, provided for in the Plan and/or Confirmation Order. If the Court finds that the Plan is silent on the amortization period and finds it necessary to inspect the external record (including the exhibits and testimony from trial) or if the Court finds that the City otherwise needs the funds to implement its “revitalization efforts,” then under FRBP 7001(7), the City needs to invoke an adversary proceeding in order to properly adjudicate this issue.

Respectfully submitted,

By: /s/ Jennifer K. Green
Jennifer K. Green
Ronald A. King
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
rking@clarkhill.com
Attorney for Creditor – PFRS

Date: January 26, 2023

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**ORDER ADDRESSING TWO RECENT *EX PARTE* MOTIONS, AND
ADJOURNING THE FEBRUARY 8, 2023 TELEPHONIC HEARING ON
THE CITY OF DETROIT’S MOTION TO ENFORCE PLAN OF
ADJUSTMENT, ETC. (DOCKET # 13602)**

The Court is currently scheduled to hold a telephonic hearing on Wednesday, February 8, 2023 at 2:00 p.m., on the City of Detroit’s motion entitled “City of Detroit’s Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan” (Docket # 13602, the “Primary Motion”). Recently, two *ex parte* motions have been filed that are related to the Primary Motion.

First, on January 26, 2023, the Police and Fire Retirement System of the City of Detroit (the “PFRS”) filed an *ex parte* motion entitled “*Ex Parte* Motion for . . . Leave to File Sur-Reply” (Docket # 13675, the “PFRS Motion”). The PFRS should have submitted a proposed order when it filed that motion, but it has not done so, so the Court has not yet acted on it.

Second, earlier today (February 3, 2023), the City of Detroit filed an *ex parte* motion entitled “*Ex Parte* Motion of the City of Detroit for Entry of an Order

Authorizing Filing of a Short Supplement” (Docket # 13676, the “City Motion”).

The Court will now rule on the two pending *ex parte* motions, and finds good cause to enter this Order.

IT IS ORDERED that:

1. The City Motion (Docket # 13676) is granted.
2. The City must file its proposed supplement no later than Monday, February 6, 2023.
3. The PFRS Motion (Docket # 13675) is granted.
4. The PFRS may file its proposed Sur-Reply, which may be modified to also respond to the City’s supplement referred to in paragraph 2 of this Order. The Sur-Reply must be filed, if at all, no later than Monday, February 13, 2023.
5. The telephonic hearing on the Primary Motion (Docket # 13602),¹ currently scheduled for February 8, 2023 at 2:00 p.m., is adjourned to **February 22, 2023 at 2:00 p.m.**

Signed on February 3, 2023



/s/ Thomas J. Tucker

Thomas J. Tucker
United States Bankruptcy Judge

¹ In its *ex parte* motion, the PFRS referred to the hearing as being held by Zoom. That is not correct. The hearing is not being held by Zoom. It is to be held by telephone only. The telephone number and access code to use for the hearing are stated in the January 6, 2023 notice of hearing (Docket # 13674).

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**CITY OF DETROIT’S SUPPLEMENT FILED IN CONNECTION WITH
THE CITY OF DETROIT’S MOTION TO ENFORCE
PLAN OF ADJUSTMENT AND REQUIRE
30-YEAR AMORTIZATION OF THE UAAL IN THE
POLICE AND FIRE RETIREMENT SYSTEM PENSION PLAN**

The City of Detroit (“City”), by its undersigned counsel, Miller, Canfield, Paddock and Stone, P.L.C., files this supplement in connection with its *City of Detroit’s Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* [Doc. No. 13602].

RELEVANT DOCUMENT EXCERPTS

Exhibit 1 – Forty-Year Financial Projections and Explanation of Projected Financial Information from the Disclosure Statement

The Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (Doc. No. 4391) was filed and circulated in May 2014. This was the first and only Disclosure Statement served on voters in connection with the solicitation of the plan of adjustment.

Attached as Exhibit 1 to this Supplement is the Forty-Year Financial Projections from the Disclosure Statement¹ and Section XI of the Disclosure Statement which is titled “Projected Financial Information.” Section XI was included to “provide details regarding the City’s projected operations under the Plan, subject to the assumptions set forth below.” Disclosure Statement, p. 170 (Doc. No. 4391, p. 185 of 197). Those assumptions were described in a set of exhibits including “Exhibit K.” *Id.*

Page 173 of 212 of Exhibit K states that the amortization period for the pensions’ unfunded actuarial accrued liability (UAAL) was to be 30 years using a 6.75% discount rate. As discussed in the City’s previous filings, the Opinion and Order approving the final Plan expressly requires 30-year amortization and cites and incorporates the referenced financial projections.

Exhibits 2 and 3 – The version of the State Contribution Agreement attached to the Disclosure Statement and the revised version of the State Contribution Agreement attached to the Plan

Attached as Exhibit 2 to this Supplement is the State Contribution Agreement that was attached to the Disclosure Statement and served on all voting parties for their consideration in deciding whether to vote for or against the City’s proposed plan of adjustment as proposed at that time. Exhibit B to the State Contribution Agreement is a document entitled “PFRS Governance Terms.”

¹ The Forty-Year Financial Projections were Exhibit K to the Disclosure Statement.

Attached as Exhibit 3 to this Supplement is the version of the State Contribution Agreement that was included with the final filed version of the Plan.² Exhibit B to that version of the State Contribution Agreement is a document entitled “PFRS Governance Terms.”

The PFRS Governance Terms circulated to voters did not mention amortization at all. *See* Exhibit 2. The revised version of the PFRS Governance Terms does include two instances of the word. *See* Exhibit 3. They appear in the revised definition of “Investment Management,”³ which includes a “reviewer” role for the Investment Committee concerning calculations made by the Plan Actuary. *See* Investment Management definition, point 4, Exhibit 3, p. 5.

As discussed in the City’s reply brief, nothing in the Governance Agreement purported to give the Investment Committee any authority, let alone “unfettered discretion,” to change the Plan’s express requirement of 30-year amortization. If it had, such a change would have been extraordinarily material. It would have allowed PFRS and GRS to accelerate several **billion** dollars of payments from the Plan specified amortization term of 30 years to whatever shorter term they wanted - based on, in PFRS’ words, their “unfettered discretion.” Such a change would have

² *Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (October 22, 2014)* (Doc. No. 8045).

³ *See* page 737 of 809.

required an explanation to all creditors, as well as notice to the feasibility expert (Ms. Kopacz) and other interested parties, and a new round of balloting. In truth, had PFRS' current position ever been articulated it would have blown up the Plan.

The attached documents, which are part of the record in this case, fully support the City's position that the State Contribution Agreement cannot be read, and was never intended, to give the PFRS and GRS Investment Committees authority to change the Plan's express requirement of 30-year amortization.

Dated: February 6, 2023

Respectfully submitted,

By: /s/ Marc N. Swanson

Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK AND
STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-8451
swansonm@millercanfield.com

and

By: /s/ Charles N. Raimi

Charles N. Raimi (P29746)
Deputy Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Coleman A. Young Municipal Center
Detroit, Michigan 48226
Telephone: (313)-237-5037
raimic@detroitmi.gov

ATTORNEYS FOR THE CITY OF DETROIT

SUMMARY OF ATTACHMENTS

The following documents are attached.

- Exhibit 1 Forty-Year Financial Projections and Explanation of Projected Financial Information
- Exhibit 2 Version of State Contribution Agreement Attached to Disclosure Statement
- Exhibit 3 Revised Version of State Contribution Agreement Attached to Plan
- Exhibit 4 Certificate of Service

EXHIBIT 1

Forty-Year Financial Projections and Explanation of Projected Financial Information

XI.

PROJECTED FINANCIAL INFORMATION

A. Projections

Attached to this Disclosure Statement as Exhibit I, Exhibit J and Exhibit K are certain financial documents (together, the "Projections"), which provide details regarding the City's projected operations under the Plan, subject to the assumptions set forth below. In particular, the Projections consist of:

- A ten-year summary of restructuring initiatives, attached hereto as Exhibit I
- A ten-year statement of projected cash flows, attached hereto as Exhibit J
- A forty-year statement of projected cash flows, attached hereto as Exhibit K

THE PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE FINANCIAL ACCOUNTING STANDARDS BOARD, THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD OR THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE CITY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM HAS NEITHER COMPILED NOR EXAMINED THE ACCOMPANYING PROJECTIONS AND, ACCORDINGLY, DOES NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUMES NO RESPONSIBILITY FOR THE PROJECTIONS AND DISCLAIMS ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE CITY DOES NOT PUBLISH PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION. THE CITY DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE OF THIS DISCLOSURE STATEMENT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

WHILE PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT THE CITY BELIEVES ARE REASONABLE (WHICH ASSUMPTIONS ARE DESCRIBED IN FURTHER DETAIL IMMEDIATELY BELOW). THE ESTIMATES AND ASSUMPTIONS MAY NOT BE REALIZED, HOWEVER, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CITY'S CONTROL. NO REPRESENTATIONS CAN BE OR ARE MADE AS TO WHETHER THE ACTUAL RESULTS WILL BE WITHIN THE RANGE SET FORTH IN THE PROJECTIONS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THEREFORE MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

1. Assumptions

The Projections were prepared by the City with the assistance of its professionals to present the anticipated impact of the Plan. The Projections all assume that the Plan will be confirmed before and implemented on the Effective Date in accordance with its stated terms. In addition, the Projections and the Plan are premised upon other assumptions, including the anticipated future performance of the City, general economic and business conditions, no material changes in the laws and regulations applicable to the operation of municipalities such as the City, and other matters largely or completely outside of the City's control. Each of the Projections should be read in conjunction with the significant assumptions, qualifications, and notes set forth in the Disclosure Statement, the Plan, the Plan Supplement, the Projections themselves, the historical financial information for the County contained or referenced herein, and other information submitted to the Bankruptcy Court during the course of the City's chapter 9 case.

(a) Revenue Assumptions

- Municipal Income Tax. Municipal income tax revenues increase over the period of the Projections due to (i) a general improved employment outlook and (ii) anticipated wage inflation. Projected revenues for Fiscal Year 2013 reflect the impact of certain one-time items, including a tax amnesty program and a one-time benefit from an increase in the capital gains tax rate.
- State Revenue Sharing. Projected revenues for state revenue sharing were developed in consultation with the Treasury. These revenues increase due to anticipated higher tax revenue collections and distribution by the State.
- Wagering Tax. The Projections assume that wagering tax revenues will decrease through Fiscal Year 2015 due to competition from other casinos, primarily those in Ohio, before recovering as a result of an improved general economic outlook.
- Sales and Charges for Services. Revenues from sales and charges for services are projected to decline primarily as a result of the transfer of: (i) vital records operations from the City's Department of Health and Wellness Promotion (the "Health & Wellness Department") to Wayne County effective December 2013; and (ii) electricity distribution services from the Public Lighting Department to third party provider.
- Property Tax. The City projects that property tax revenues will continue to decline through Fiscal Year 2020 as a result of ongoing reductions in assessed property values with modest increases beginning in Fiscal Year 2021.
- Utility Users Tax. The Projections assume that utility users tax revenues will decrease from Fiscal Year 2013 as a result of the transfer of lighting operation, service and repair to the PLA and the related allocation of \$12.5 million of utility users tax revenues to the PLA. Inflationary revenue increases have been assumed beginning in Fiscal Year 2017.
- Other Taxes. Inflationary revenue increases have been assumed for all other taxes, beginning in Fiscal Year 2017.
- Parking/Court Fines and Other Revenue. The amounts provided in the Projections for parking and court fines and other revenue are derived from recent trends.
- Grant Revenue. The City projects that grant revenues will decrease as a result of the (i) transition of the Health & Wellness Department to the Institute for Population Health ("IPH") and (ii) expiration of certain public safety grants.
- Licenses, Permits and Inspection Charges. The amount provided in the Projections for licenses, permits and inspection charges is derived primarily from recent trends. The City's projection for Fiscal Year 2013 includes one-time permit and inspection revenues from utility providers.
- Revenue from Use of Assets. The City's projected revenue for Fiscal Year 2014 includes proceeds from sale of Veteran's Memorial Building.
- Street Fund Reimbursement. Street Fund reimbursement from solid waste revenues are projected to decline beginning in Fiscal Year 2015. The solid waste portion of the Street Fund, therefore, would no longer reimburse the General Services Department (a department accounted for in the General Fund) for maintenance costs.
- DDOT Risk Management Reimbursement. The projected revenues for DDOT risk management reimbursement are based on recent trends. No reimbursement is reflected in Fiscal Year 2013 because, as set forth in subsection (b) below, in Fiscal Year 2013, the General Fund made risk management payments from refunding proceeds.

included for Fiscal Year 2012. The costs for Fiscal Year 2013 exclude a risk management payment, made from refunding proceeds.

- Grant Related Expenses. Projected grant expenses have been captured within the specific expense line items.

(c) Legacy Expenditure Assumptions

- Debt Service. The Projections assume treatment consistent with the Plan.
- COP and Swap Service. The Projections assume treatment consistent with the Plan.
- Pension Contributions. The Projections assume treatment consistent with the Plan.
- Health Benefits (Retirees). The Projections assume treatment consistent with the Plan.

EXHIBIT K

FORTY-YEAR FINANCIAL PROJECTIONS

City of Detroit
Plan of Adjustment - 40 year projections

The attached Plan of Adjustment preliminary forecast (the “POA Financial Projections”), its assumptions and underlying data are the product of the Client and its management (“Management”) and consist of information obtained solely from the Client. With respect to prospective financial information relative to the Client, Ernst & Young LLP (“EY”) did not examine, compile or apply agreed upon procedures to such information in accordance with attestation standards established by the AICPA and EY expresses no assurance of any kind on the information presented. It is the Client’s responsibility to make its own decision based on the information available to it. Management has the knowledge, experience and ability to form its own conclusions related to the Client’s POA Financial Projections. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. EY takes no responsibility for the achievement of forecasted results. Accordingly, reliance on this report is prohibited by any third party as the projected financial information contained herein is subject to material change and may not reflect actual results.

Plan of Adjustment - 40 year projections
Assumptions
(\$ in millions)

Plan of Adjustment - 40 year projections		
General Fund Cash Flows	GF 40yr cash flows	\$4.2b funds available for unsecured claims
	DIP financing	Quality of Life (\$120m @ 6.5% assumed to be refinanced as part of exit facility)
	Exit financing	\$300m note @ 6.0% maturing in FY23
	Swap treatment	\$85m settlement
	Contingency	Reflects 1.0% of total revenues
Revenue stream from DWSD	Pension	\$429m for pension in the first 10 years
	OPEB	12.1% of OPEB - current retirees payments
	POC	11.5% of total POC payments
Reimbursement from other funds	Reimbursements from Parking (non-GF) and Library	
Hypothetical art proceeds (a)	Foundations	\$366m over 20 years
	DIA	\$100m over 20 years
Hypothetical State settlement (a)	Contributions to pension	\$195m in FY15
Hypothetical claims treatment		
PFRS		
Pension	Contributions (years 1-10)	Estimated to be \$261m from foundations / State settlement
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$681m (b) amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	78%
GRS		
Pension	Contributions (years 1-10)	Estimated to be \$99m from State settlement; \$429m from DWSD; \$45m from DIA; \$146m from GF & other funds
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$695m (b) amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	70%
UTGO	Hypothetical Note A	\$287.5m note funded with pass-through UTGO millage
Other unsecured	Hypothetical Notes B	\$650m note paid over 30 years - \$450m OPEB, \$18m LTGO, \$162m POC, \$4m notes/loans and \$16m other

Footnotes:

- (a) Hypothetical art and State settlement proceeds are subject to a consensual agreement with respect to the treatment of pension-related claims.
- (b) Estimated pension contributions to retirement systems and unfunded pension liabilities as of June 30, 2023 are subject to change.

Plan of Adjustment - 40 year projections
Recovery summary
(\$ in millions)

10 Years

10 Years		Hypothetical distributions					
Creditor	Claim	State settlement	Art proceeds	Cash	Notes		10 year
					A (UTGO)	B	\$
PFRS pension	\$1,250	\$96	\$165				\$261
GRS pension	\$1,879	\$99	\$45	\$575			\$719
PFRS OPEB	\$2,208			\$9		\$79	\$88
GRS OPEB	\$2,095			\$11		\$74	\$85
UTGO	\$388				\$328		\$328
LTGO	\$164					\$6	\$6
POC	\$1,473					\$55	\$55
Notes/loans payable	\$34					\$1	\$1
Other unsecured items	\$150					\$6	\$6
	\$9,640	\$195	\$210	\$595	\$328	\$221	\$1,548

40 Years

40 Years

Hypothetical distributions											
Creditor	Claim	State settlement	Art proceeds	Cash	Notes		Illustrative Recoveries				Adjusted
					A (UTGO)	B	\$	\$ PV (a)	%		%
PFRS pension	\$1,250	\$96	\$233	\$1,325			\$1,654	\$735	59%	Excludes State, Foundation, and DIA proceeds	39%
GRS pension	\$1,879	\$99	\$233	\$1,809			\$2,141	\$1,118	60%		48%
PFRS OPEB	\$2,208			\$9		\$436	\$445	\$212	10%		
GRS OPEB	\$2,095			\$11		\$409	\$420	\$201	10%		
UTGO	\$388				\$368		\$368	\$288	74%		
LTGO	\$164					\$34	\$34	\$16	10%		
POC	\$1,473					\$304	\$304	\$141	10%		
Notes/loans payable	\$34					\$7	\$7	\$3	10%		
Other unsecured items	\$150					\$31	\$31	\$14	10%		
	\$9,640	\$195	\$466	\$3,154	\$368	\$1,221	\$5,404	\$2,730	28%		

Description of Hypothetical notes					
Note	Face value	Interest rate	Recipients	Term	Comments
Note A	\$287.5	n/a	UTGO	14 years	Represents ~87% of UTGO scheduled debt service
Note B	\$650.0	4%, 4%, 6%	OPEB, LTGO, POC, Notes & Other unsec.	30 years	10 yrs interest only, and straight-line amortization thereafter

Footnotes:
(a) Present value amounts calculated assuming 5% discount rate.

13-53846-Sub D
13-53846-Sub E
13-53846-Sub F
13-53846-Sub G
13-53846-Sub H
13-53846-Sub I
13-53846-Sub J
13-53846-Sub K
13-53846-Sub L
13-53846-Sub M
13-53846-Sub N
13-53846-Sub O
13-53846-Sub P
13-53846-Sub Q
13-53846-Sub R
13-53846-Sub S
13-53846-Sub T
13-53846-Sub U
13-53846-Sub V
13-53846-Sub W
13-53846-Sub X
13-53846-Sub Y
13-53846-Sub Z

Doc 13-53846-Sub D
Doc 13-53846-Sub E
Doc 13-53846-Sub F
Doc 13-53846-Sub G
Doc 13-53846-Sub H
Doc 13-53846-Sub I
Doc 13-53846-Sub J
Doc 13-53846-Sub K
Doc 13-53846-Sub L
Doc 13-53846-Sub M
Doc 13-53846-Sub N
Doc 13-53846-Sub O
Doc 13-53846-Sub P
Doc 13-53846-Sub Q
Doc 13-53846-Sub R
Doc 13-53846-Sub S
Doc 13-53846-Sub T
Doc 13-53846-Sub U
Doc 13-53846-Sub V
Doc 13-53846-Sub W
Doc 13-53846-Sub X
Doc 13-53846-Sub Y
Doc 13-53846-Sub Z

Page 14 of 17
Page 15 of 17
Page 16 of 17
Page 17 of 17
Page 18 of 17
Page 19 of 17
Page 20 of 17
Page 21 of 17
Page 22 of 17
Page 23 of 17
Page 24 of 17
Page 25 of 17
Page 26 of 17
Page 27 of 17
Page 28 of 17
Page 29 of 17
Page 30 of 17
Page 31 of 17
Page 32 of 17
Page 33 of 17
Page 34 of 17
Page 35 of 17
Page 36 of 17
Page 37 of 17
Page 38 of 17
Page 39 of 17
Page 40 of 17
Page 41 of 17
Page 42 of 17
Page 43 of 17
Page 44 of 17
Page 45 of 17
Page 46 of 17
Page 47 of 17
Page 48 of 17
Page 49 of 17
Page 50 of 17
Page 51 of 17
Page 52 of 17
Page 53 of 17
Page 54 of 17
Page 55 of 17
Page 56 of 17
Page 57 of 17
Page 58 of 17
Page 59 of 17
Page 60 of 17
Page 61 of 17
Page 62 of 17
Page 63 of 17
Page 64 of 17
Page 65 of 17
Page 66 of 17
Page 67 of 17
Page 68 of 17
Page 69 of 17
Page 70 of 17
Page 71 of 17
Page 72 of 17
Page 73 of 17
Page 74 of 17
Page 75 of 17
Page 76 of 17
Page 77 of 17
Page 78 of 17
Page 79 of 17
Page 80 of 17
Page 81 of 17
Page 82 of 17
Page 83 of 17
Page 84 of 17
Page 85 of 17
Page 86 of 17
Page 87 of 17
Page 88 of 17
Page 89 of 17
Page 90 of 17
Page 91 of 17
Page 92 of 17
Page 93 of 17
Page 94 of 17
Page 95 of 17
Page 96 of 17
Page 97 of 17
Page 98 of 17
Page 99 of 17
Page 100 of 17

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

		2014- 2023	2024- 2023	2034- 2043	2044- 2053	40-year total
Revenues	<u>Growth after FY23</u>					
Municipal income tax	2.4% - 2.8%	\$ 2,770.2	\$ 3,510.0	\$ 4,590.6	\$ 6,059.3	\$ 16,930.1
State revenue sharing	0.1% - 1.7%	1,963.9	2,076.3	2,262.5	2,488.6	8,791.3
Wagering taxes	1.0%	1,745.7	1,924.6	2,126.0	2,348.4	8,144.7
Property taxes	1.5% - 2.2%	1,089.7	1,368.5	1,638.6	1,901.7	5,998.4
Utility users' taxes	1.5% - 1.7%	257.2	304.3	353.2	409.9	1,324.6
Sales and charges for services	2.0%	1,118.9	1,162.6	1,417.2	1,727.5	5,426.2
Other revenue	2.0%	712.8	753.5	918.5	1,119.7	3,504.5
General Fund reimbursements	2.0%	264.1	238.8	291.1	354.9	1,149.0
Transfers in for UTGO	n/a	532.8	147.6	22.1	-	702.4
Restructuring:						
Department revenue initiatives	2.0%	477.2	578.3	704.9	859.3	2,619.6
QOL / exit financing proceeds (net)	n/a	292.7	-	-	-	292.7
Total revenues		11,225.1	12,064.6	14,324.6	17,269.2	54,883.5
Expenditures						
Salaries/overtime/fringe - Public Safety	2.0% - 2.25%	(2,858.7)	(3,524.5)	(4,356.5)	(5,442.1)	(16,181.8)
Salaries/overtime/fringe - Non-Public Safety	2.0% - 2.25%	(901.6)	(1,087.2)	(1,343.9)	(1,678.8)	(5,011.5)
Health benefits (a)	~4% inflation cap beg. FY20	(752.3)	(928.2)	(1,373.9)	(2,033.7)	(5,088.1)
OPEB payments - future retirees	~1% of wages uniform / 2% of wages non-uniform	(43.9)	(53.5)	(65.6)	(81.1)	(244.1)
Active pension plan	11.2%/12.25% uniform / 5.75% non-uniform	(326.7)	(417.5)	(515.6)	(643.2)	(1,903.0)
Other operating expenses	2.0%	(3,013.7)	(3,436.4)	(4,189.0)	(5,106.4)	(15,745.5)
Restructuring:						
Additional operating expenditures	2.0%	(368.9)	(379.2)	(462.3)	(563.5)	(1,774.0)
Working capital	n/a	(24.8)	-	-	-	(24.8)
Secured debt service	n/a	(390.5)	(391.0)	(67.2)	-	(848.6)
Contributions to income stabilization fund	n/a	(17.8)	(2.2)	-	-	(20.0)
Swap interest set-aside	n/a	(103.7)	-	-	-	(103.7)
QOL / exit financing principal/interest payments	n/a	(420.9)	-	-	-	(420.9)
Reorganization (Capital investments)	2.0%	(609.4)	(415.4)	(501.4)	(605.3)	(2,131.5)
Restructuring professional fees	n/a	(130.0)	-	-	-	(130.0)
Blight (excludes heavy commercial)	n/a	(420.0)	-	-	-	(420.0)
PLD decommission	n/a	(75.0)	-	-	-	(75.0)
Contingency	n/a	(101.1)	(120.6)	(143.2)	(172.7)	(537.7)
Reinvestment deferrals	n/a	45.2	146.6	52.3	(244.2)	-
Total expenditures		(10,513.8)	(10,609.2)	(12,966.2)	(16,570.9)	(50,660.1)
Funds available for unsecured claims		\$ 711.3	\$ 1,455.3	\$ 1,358.4	\$ 698.3	\$ 4,223.4

Footnotes:

(a) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

Sources

Uses

13-53846-tit Dec 13 2011 Filed 09/05/14 Entered 09/05/14 11:50:12 Page 176 of 176

Plan of Adjustment - 40 year projections
Preliminary forecast and distributions
(\$ in millions)

	2014- 2023	2024- 2033	2034- 2043	2044- 2053	40-year total
Total distributions to creditors					
PFRS pension (c)	\$ (260.7)	\$ (617.7)	\$ (464.5)	\$ (311.3)	\$ (1,654.2)
GRS pension (c)	(718.6)	(630.4)	(474.0)	(317.7)	(2,140.7)
PFRS OPEB	(9.1)	-	-	-	(9.1)
GRS OPEB	(10.9)	-	-	-	(10.9)
UTGO (Note A)	(327.5)	(40.8)	-	-	(368.4)
Note B					
PFRS OPEB	(78.9)	(176.9)	(167.2)	(13.0)	(436.0)
GRS OPEB	(74.1)	(166.0)	(156.8)	(12.2)	(409.0)
LTGO	(6.1)	(13.7)	(12.9)	(1.0)	(33.7)
POC	(55.0)	(123.4)	(116.5)	(9.0)	(304.0)
Notes/loans payable	(1.3)	(2.8)	(2.7)	(0.2)	(6.9)
Other unsecured items	(5.6)	(12.6)	(11.9)	(0.9)	(31.0)
Total hypothetical distributions to unsecured creditors	(1,547.8)	(1,784.3)	(1,406.5)	(665.2)	(5,403.9)
Total secured debt service (including QOL/Exit financing)	(811.4)	(391.0)	(67.2)	-	(1,269.5)
Total distributions to creditors	\$ (2,359.2)	\$ (2,175.3)	\$ (1,473.7)	\$ (665.2)	\$ (6,673.5)
Percentage of total revenues (including other sources)	19.5%	17.5%	10.2%	3.8%	11.9%

	Claims (a)		40 years			
	\$ in millions	%	Nominal (b)	%	PV @ 5.0% (b)	%
PFRS pension (c)	1,250.0	13%	1,325.2	106%	481.8	39%
GRS pension (c)	1,879.0	19%	1,808.9	96%	895.5	48%
PFRS OPEB	2,207.8	23%	445.1	20%	211.9	10%
GRS OPEB	2,095.2	22%	419.9	20%	201.1	10%
Sub-total: Pension and OPEB	7,432.1	77%	3,999.2	54%	1,790.3	24%
UTGO (Note A)	387.9	4%	368.4	95%	288.4	74%
Notes B (excl. OPEB)						
LTGO	163.5	2%	33.7	21%	15.7	10%
POC	1,472.9	15%	304.0	21%	141.4	10%
Notes/loans payable	33.6	0%	6.9	21%	3.2	10%
Other unsecured items	150.0	2%	31.0	21%	14.4	10%
Sub-total: Note B (excl. OPEB)	1,820.1	19%	375.6	21%	174.7	10%
Total	\$ 9,640.0	100%	\$ 4,743.1	49%	\$ 2,253.4	23%

Footnotes:

- (a) Subject to ongoing legal review/negotiation. Final allowed claim amounts under these categories may be materially different.
- (b) Nominal pension system payments have each been adjusted by \$661m for PFRS and GRS combined (State settlement & art proceeds) for the calculation of recoveries.
- (c) Retirement system pension claims based on actuarial valuation as of June 30, 2013.

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

	Preliminary forecast										2014- 2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Revenues											
Municipal income tax	\$ 247.9	\$ 256.2	\$ 262.3	\$ 268.3	\$ 274.0	\$ 279.9	\$ 286.0	\$ 292.2	\$ 298.5	\$ 304.9	\$ 2,770.2
State revenue sharing	191.5	192.9	194.5	196.1	197.8	199.6	201.4	194.9	196.6	198.3	1,963.9
Wagering taxes	169.9	168.2	169.9	171.6	173.3	175.0	176.8	178.5	180.3	182.1	1,745.7
Property taxes	114.9	104.5	106.8	105.2	105.3	106.6	106.8	109.6	113.2	116.9	1,089.7
Utility users' taxes	20.1	24.5	24.9	25.5	26.0	26.4	26.8	27.2	27.6	28.0	257.2
Sales and charges for services	131.5	118.0	115.8	113.7	111.5	109.3	107.1	104.5	103.4	104.1	1,118.9
Other revenue	86.3	80.1	78.7	67.3	66.0	66.3	66.6	66.9	67.2	67.5	712.8
General Fund reimbursements	29.8	42.9	41.7	21.4	21.4	21.4	21.4	21.4	21.4	21.4	264.1
Transfers in for UTGO	66.5	62.6	57.7	57.6	56.5	54.1	53.4	52.7	37.7	33.9	532.8
Restructuring:											
Department revenue initiatives	7.2	72.0	48.3	53.0	56.2	45.8	46.2	46.1	50.6	51.8	477.2
QOL / exit financing proceeds (net)	52.5	240.2	-	-	-	-	-	-	-	-	292.7
Total revenues	1,118.2	1,362.1	1,100.7	1,079.6	1,088.1	1,084.5	1,092.4	1,094.0	1,096.5	1,109.0	11,225.1
Expenditures											
Salaries/overtime/fringe - Public Safety	(245.2)	(264.1)	(270.3)	(277.5)	(284.4)	(291.5)	(297.4)	(303.3)	(309.4)	(315.6)	(2,858.7)
Salaries/overtime/fringe - Non-Public Safety	(85.7)	(86.9)	(86.0)	(86.1)	(88.0)	(90.2)	(92.0)	(93.8)	(95.4)	(97.3)	(901.6)
Health benefits (a)	(173.0)	(67.1)	(52.1)	(55.9)	(60.0)	(63.6)	(66.1)	(68.7)	(71.5)	(74.3)	(752.3)
OPEB payments - future retirees	(3.9)	(4.1)	(4.2)	(4.3)	(4.4)	(4.5)	(4.5)	(4.6)	(4.7)	(4.8)	(43.9)
Active pension plan	(17.0)	(31.4)	(32.0)	(32.9)	(33.7)	(34.5)	(35.2)	(35.9)	(36.6)	(37.4)	(326.7)
Other operating expenses	(290.9)	(313.6)	(312.8)	(293.3)	(296.7)	(295.7)	(297.6)	(299.4)	(306.1)	(307.7)	(3,013.7)
Restructuring:											
Additional operating expenditures	(12.6)	(68.9)	(51.3)	(42.6)	(32.9)	(29.7)	(32.2)	(31.7)	(33.1)	(34.0)	(368.9)
Working capital	(39.8)	15.0	-	-	-	-	-	-	-	-	(24.8)
Secured debt service	(35.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.4)	(39.5)	(39.5)	(39.5)	(39.6)	(390.5)
Contributions to income stabilization fund	-	(2.5)	(2.3)	(2.3)	(2.2)	(2.1)	(2.1)	(2.0)	(1.3)	(1.1)	(17.8)
Swap interest set-aside	(45.9)	(57.8)	-	-	-	-	-	-	-	-	(103.7)
QOL / exit financing principal/interest payments	(1.3)	(14.6)	(18.0)	(18.0)	(18.0)	(68.0)	(90.0)	(85.5)	(81.0)	(26.5)	(420.9)
Reorganization (Capital investments)	(31.2)	(152.1)	(91.0)	(61.7)	(52.4)	(49.3)	(45.5)	(44.4)	(41.8)	(40.0)	(609.4)
Restructuring professional fees	(82.2)	(47.8)	-	-	-	-	-	-	-	-	(130.0)
Blight (excludes heavy commercial)	(2.0)	(98.0)	(80.0)	(80.0)	(80.0)	(80.0)	-	-	-	-	(420.0)
PLD decommission	-	(25.0)	(25.0)	(25.0)	-	-	-	-	-	-	(75.0)
Contingency	-	(13.6)	(11.0)	(10.8)	(10.9)	(10.8)	(10.9)	(10.9)	(11.0)	(11.1)	(101.1)
Reinvestment deferrals	-	-	62.5	38.0	1.7	59.4	(15.4)	(10.9)	(16.0)	(74.2)	45.2
Total expenditures	(1,066.2)	(1,271.9)	(1,012.7)	(991.7)	(1,001.2)	(1,000.0)	(1,028.4)	(1,030.7)	(1,047.5)	(1,063.6)	(10,513.8)
Funds available for unsecured claims	\$ 51.9	\$ 90.3	\$ 88.0	\$ 87.9	\$ 86.9	\$ 84.5	\$ 64.0	\$ 63.3	\$ 49.1	\$ 45.4	\$ 711.3

Footnotes:

(a) Health benefits include \$142.8m of OPEB payments for current retirees in FY 2014 (\$123.8m) and FY 2015 (\$19m).

Plan of Adjustment - 40 year projections

Preliminary forecast and distributions

(\$ in millions)

Sources

	Preliminary forecast										2014-2023
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Funds available for unsecured claims	\$ 51.9	\$ 90.3	\$ 88.0	\$ 87.9	\$ 86.9	\$ 84.5	\$ 64.0	\$ 63.3	\$ 49.1	\$ 45.4	\$ 711.3
Revenue stream from DWSD - no transaction											
Pension	-	65.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	428.5
OPEB (based on 12.1% of OPEB - current retirees payments)	-	2.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	19.9
POC (based on 11.5% of total POC payments)	-	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	6.4
Sub-total: Revenue stream from DWSD	-	68.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	454.8
Reimbursement from other funds	-	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0	3.0	27.6
Hypothetical art proceeds											
Foundation fundraising	-	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	18.3	164.7
DIA contributions	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	45.0
State settlement	-	194.8	-	-	-	-	-	-	-	-	194.8
Total hypothetical sources	\$ 51.9	\$ 379.8	\$ 162.7	\$ 162.7	\$ 161.6	\$ 159.3	\$ 138.6	\$ 137.9	\$ 123.7	\$ 120.0	\$ 1,598.2

Uses

Hypothetical retiree payments											
PFRS pension payments	-	(114.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(18.3)	(260.7)
GRS pension payments	-	(188.2)	(76.9)	(76.9)	(76.8)	(76.6)	(56.5)	(56.5)	(55.2)	(54.9)	(718.6)
PFRS OPEB payments - current retirees	(9.1)	-	-	-	-	-	-	-	-	-	(9.1)
GRS OPEB payments - current retirees	(10.9)	-	-	-	-	-	-	-	-	-	(10.9)
Subtotal: hypothetical retiree distributions	(20.0)	(302.5)	(95.2)	(95.2)	(95.1)	(94.9)	(74.8)	(74.8)	(73.5)	(73.2)	(999.3)
Hypothetical notes											
Note A (UTGO)	-	(45.8)	(41.5)	(41.5)	(40.5)	(38.4)	(37.8)	(37.1)	(24.1)	(20.8)	(327.5)
Note B (\$650m - 10yr Interest only)	-	(13.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(26.0)	(221.0)
Subtotal: hypothetical notes	-	(58.8)	(67.5)	(67.5)	(66.5)	(64.4)	(63.8)	(63.1)	(50.1)	(46.8)	(548.5)
Total hypothetical distributions / total uses	\$ (20.0)	\$ (361.4)	\$ (162.7)	\$ (162.7)	\$ (161.6)	\$ (159.3)	\$ (138.6)	\$ (137.9)	\$ (123.7)	\$ (120.0)	\$ (1,547.8)
Surplus / (deficit)	\$ 32.0	\$ 18.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50.4
Ending cash balance	\$ 68.0	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4	\$ 86.4

EXHIBIT 2

Version of State Contribution Agreement Attached to Disclosure Statement

EXHIBIT I.A.268

FORM OF STATE CONTRIBUTION AGREEMENT

CONTRIBUTION AGREEMENT

This Contribution Agreement (“Agreement”), dated as of _____, 2014, is made by and among the Michigan Settlement Administration Authority, a Michigan body public corporate (the “Authority”), the General Retirement System for the City of Detroit, the Police and Fire Retirement System for the City of Detroit and the City of Detroit (the “City”).

RECITALS

A. The City filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 (the “Chapter 9 Case”) in the United States Bankruptcy Court for the Eastern District of Michigan (the “Court”).

B. During the course of the Chapter 9 Case, the City has asserted that the City’s Police and Fire Retirement System (the “PFRS” or a “System”) and the General Retirement System (the “GRS” or a “System”) are underfunded.

C. During the course of the Chapter 9 Case, there have been suggestions that the State of Michigan (the “State”) may be obligated to pay a portion of the underfunding of pension benefits payable to retirees, a suggestion the State vigorously disputes.

D. As part of the mediation process in the Chapter 9 Case, the mediators asked the State and other parties to consider contributing funds to assist in reducing the amount of underfunding in the PFRS and GRS pension funds by providing additional settlement funds for the benefit of pensioners that would not be otherwise available.

E. As part of its determination that the City was eligible to file the Chapter 9 Case, the Court determined that pension obligations of the City can be impaired or diminished in the Chapter 9 Case and are not protected from such impairment or diminution by the State Constitution.

F. In support of confirmation of the City’s Fourth Amended Plan of Adjustment dated May 2, 2014 (as may be further amended from time to time, the “Plan”), the State has agreed, subject to satisfaction of specific conditions, to make a contribution to the GRS and PFRS in return for releases from, among other things, any claims against the State and the State Related Entities described in this Agreement.

G. On _____, 2014, the Authority was established as the disbursement agent for the State with respect to the State Contribution (as defined below).

H. Capitalized terms used in this Agreement but not defined have the same meaning as set forth in the Plan.

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. State Contribution. On the later of (a) the date on which the Conditions Precedent have been satisfied, and (b) 60 days after the Effective Date of the Plan, the Authority shall disburse \$[_____] to GRS and \$[_____] to PFRS (collectively, the “State Contribution”)

for the purpose of increasing the assets of the PFRS and GRS. The total aggregate State Contribution is equal to the net present value of \$350,000,000 payable over 20 years determined using a discount rate of 6.75%, which results in a total contribution by the State of \$194,800,000. The State Contribution shall only be used to fund payments to holders of GRS Pension Claims and PFRS Pension Claims, each as defined in the Plan.

2. Governance Requirements of the GRS and PFRS. At all times during the 20 year period following the disbursement of the State Contribution to the GRS and PFRS, the GRS and PFRS each must establish an investment committee (the “Investment Committee”) for the purpose of making recommendations to, and approving certain actions by, the respective System's board of trustees and/or making determinations and taking action under and with respect to Investment Management, as set forth in the terms and conditions enumerated on **Exhibit A** and **Exhibit B**, respectively, each attached to and incorporated by reference into this Agreement.

3. Income Stabilization Funds and Income Stabilization Payments. The City, GRS and PFRS shall establish an income stabilization program and amend the governing documents for GRS and the governing documents for PFRS to include the following:

- a. A supplemental pension income stabilization payment (the “Income Stabilization Payment”) payable on an annual basis beginning not later than 120 days after the Effective Date, to each Eligible Pensioner equal to the lesser of (a) the amount needed to restore the Eligible Pensioner's reduced pension benefit to the amount of the pension benefit that the Eligible Pensioner received from GRS or PFRS in 2013, or (b) the amount needed to bring the total annual household income of the Eligible Pensioner up to 130% of the Federal Poverty Level in 2013.
- b. In addition, to the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income in any calendar year is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional benefit (“Income Stabilization Benefit Plus”). The Income Stabilization Benefit Plus shall be equal to the lesser of either (a) the amount needed to restore 100% of the Eligible Pensioner's pension benefits, including escalators and cost of living adjustments; or (b) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.
- c. An Eligible Pensioner's “Estimated Adjusted Annual Household Income” shall be calculated as follows: (i) the annual pension benefit amount paid in 2013 shall be subtracted from the Eligible Pensioner's 2013 total household income (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation), as adjusted for inflation or Social Security COLA increases, to create a base additional income amount, plus (ii) the following three items as applicable, (x) the reduced pension benefit that GRS or PFRS will pay the

Eligible Pensioner for that year, (y) any GRS or PFRS pension restoration due to an improved GRS or PFRS funding level, and (z) the Eligible Pensioner's Income Stabilization Benefit. Notwithstanding the foregoing, Income Stabilization Payments, including the Income Stabilization Benefit Plus, under both GRS and PFRS shall not exceed \$20 million in aggregate.

- d. A separate recordkeeping sub-account called the "Income Stabilization Fund" will be set up under each of GRS and PFRS for the sole purpose of paying the Income Stabilization Payments, including Income Stabilization Benefit Plus payments, to Eligible Pensioners. The assets credited to the sub-accounts will be invested on a commingled basis with the applicable System's assets and will be credited with a pro-rata portion of the System's earnings and losses.
- e. Amounts credited to the Income Stabilization Fund, including the Assigned UTGO Bond Tax Proceeds, may not be used for any purpose other than the payment of Income Stabilization Payments, including Income Stabilization Benefit Plus payments, to Eligible Pensioners, except as expressly provided in subparagraph (f) below.
- f. In 2022, provided that the State has not issued a certificate of default with respect to a System at any time prior to 2022, the Investment Committee for that System shall conduct a valuation to determine the Income Stabilization Payments, including Income Stabilization Benefit Plus payments, anticipated to be made from the System in the future, in order for the System to fulfill the obligation to make such payments (the "Estimated Future Liability"). In the event that 75% of the independent members of the Investment Committee determine that the GRS or PFRS Income Stabilization Fund is credited with assets in excess of its Estimated Future Liability (the "Excess Assets"), the Investment Committee may, in its sole discretion, recommend to the Board of Trustees that the Excess Assets, but not more than \$35 million, be used to fund that System's Adjusted Pension Benefits. The Investment Committee shall have the right to engage professionals to assist in this task as necessary, and such expenses shall be paid by the Systems. If any funds remain in the GRS or PFRS Income Stabilization Fund on the date upon which no Eligible Pensioners under their respective System are living, the remainder of that System's Income Stabilization Fund shall be used to fund that System's Adjusted Pension Benefits.
- g. "Eligible Pensioners" are those retirees or surviving spouses who are at least 60 years of age or those minor children receiving survivor benefits from GRS or PFRS, each as of the Effective Date, whose pension benefit from GRS or PFRS will be reduced by the confirmed Plan, and who have a total household income equal to or less than 140% of the Federal Poverty Line in 2013 (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation).

No new persons will be eligible to receive an Income Stabilization Payment at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.

- h. The initial determination of Eligible Pensioners, and the amounts of Income Stabilization Payments payable to Eligible Pensioners shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board of Trustees of GRS and PFRS, as applicable. The Board of Trustees, with the assistance of the Investment Committee of GRS and PFRS, shall be responsible for properly administering the respective Income Stabilization Fund and annually certifying to the Treasurer that it has properly administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners.

4. Conditions Precedent. The Authority's obligations under this Agreement are not effective or enforceable until each of the following conditions (the "Conditions Precedent") have been met to the satisfaction of the Authority and the Treasurer, unless any one or more of such conditions are waived in a writing executed by the Authority and the Treasurer:

- a. The Authority receives the State Contribution from the State.
- b. An endorsement of the Plan by the Official Retiree Committee which will include a letter from the Official Retiree Committee as part of the Plan solicitation package recommending to Classes 10 and 11 a vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in the respective classes.
- c. Cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, as it related to the City (a) challenging PA 436 or any actions taken pursuant to PA 436, including but not limited to, a dismissal with prejudice of the cases set forth on **Exhibit D**, or (b) seeking to enforce Article IX, Section 24 of the Michigan Constitution.
- d. Active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way (including funding) the litigation described in subparagraph 4(c) by the parties listed on **Exhibit C**, or equivalent assurance of litigation finality
- e. Classes 10 and 11 accept the Plan.
- f. By September 30, 2014, the Court enters a final, non-appealable order confirming the Plan that includes, at a minimum, the following:
 - i. A release of the State and State Related Entities by each holder of a Pension Claim of all Liabilities arising from or related to the

City, the Chapter 9 case (including the authorization to file the Chapter 9 Case), the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution.

- ii. A requirement that the governing documents of GRS and the governing documents of PFRS be amended to include:
 - a) the governance terms and conditions set forth in Paragraph 2, Exhibit A and Exhibit B of this Agreement; and
 - b) the Income Stabilization Payments, the Income Stabilization Benefit Plus payments, and Income Stabilization Fund described in Paragraph 3 of this Agreement.
- iii. Approval of, and authority for the City to enter into, the UTGO Settlement.
- iv. A requirement that the City irrevocably assigns the right to receive not less than an aggregate amount of \$20,000,000 of the payments on the Reinstated Stub UTGO Bonds to the Income Stabilization Funds of the GRS and PFRS. Such payments will be made to the Income Stabilization Funds in the form of annual installment payments over a 14 year period, **[pursuant to a payment schedule approved by the State.]**
- v. Approval of, and authority for the City to enter into, the DIA Settlement.
- vi. Agreement to and compliance with MCL 141.1561 and cooperation with the transition advisory board appointed pursuant to MCL 141.1563, or compliance with any new legislation that is enacted regarding post-bankruptcy governance.
- g. Evidence satisfactory to the State of an irrevocable commitment by:
 - i. The Foundations to fund \$366,000,000 (or the net present value thereof) as part of the DIA Settlement; and
 - ii. The DIA Corp. to fund \$100,000,000 (or the net present value thereof) as part of the DIA Settlement.
- h. The Plan Effective Date occurs on or before December 31, 2014.

5. Non-occurrence of Conditions Precedent. If the Conditions Precedent are not met to the satisfaction of the Authority and the Treasurer on or before December 31, 2014, upon

written request of the Treasurer, the Authority shall remit the State Contribution to the Department and shall have no further obligations under this Agreement.

6. Default by GRS and PFRS and Remedies.

- a. A System will be in default if the System has not complied with any of the conditions set forth in the Plan, its respective governing documents, or this Agreement, including but not limited to failing to make the required Income Stabilization Payments or Income Stabilization Benefit Plus payments, or using funds in the Income Stabilization Fund for unauthorized purposes.
- b. In the event of default by a System, and failure of the System to promptly cure such default to the satisfaction of the Treasurer within the time period reasonably established by the Treasurer, no portion of the total State Contribution to the defaulting System, as adjusted for earnings and losses, may be taken into consideration by the System during the remainder of the 20 year period following the date of such default for purposes of determining whether benefits reduced by the Plan may be restored. Notwithstanding the foregoing, in the event that a default is cured in a subsequent year, the Treasurer may determine in his or her sole discretion (taking into consideration such factors as the financial impact of the default on the System) that the defaulting System may once again include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.
- c. Each Board of Trustees shall provide reports to the Treasurer on a semi-annual basis and at such other times as the Treasurer reasonably may request in order for the Treasurer to determine that the conditions set forth herein have been satisfied. The Treasurer shall provide either a certificate of compliance, or in the event of a default that has not been cured to the Treasurer's satisfaction, a notice of default, upon request of the System or any of the independent members of the Board of Trustees.
- d. Notwithstanding the foregoing, in the event of a default, the Treasurer and the Authority shall have the right to pursue all available legal and equitable remedies against the Board of Trustees for the defaulting System, the Investment Committee, or any other person.

7. Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

8. Governing Law/Jurisdiction. This Agreement shall be construed in accordance with the laws of the State of Michigan, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with

such laws. The Bankruptcy Court of the Eastern District of Michigan shall have exclusive jurisdiction over any action or proceeding solely with respect to this Agreement, and each party, to the extent permitted by law, agrees to submit to such jurisdiction and to waive any defense based on venue or jurisdiction of such court.

9. Amendment. This Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived only by an instrument in writing signed by each of the Parties.

10. Limitation of Liability. The obligation to make the State Contribution is not a general obligation or indebtedness of the State or the Authority and is subject to satisfaction of the conditions described herein. Furthermore, neither the State nor the Authority has any liability or obligation arising from or related to the contributions and funding of the Income Stabilization Fund of each System. Notwithstanding anything contained herein to the contrary, no State Related Entity or board member of the Authority shall have any liability for the representations, warranties, covenants, agreements or other obligations of the State or the Authority hereunder or in any of the certificates, notices or agreements delivered pursuant hereto.

11. Severability. If any one or more of the covenants, agreements or provisions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of any such covenants, agreements and provisions shall in no way affect the validity or effectiveness of the remainder of this Agreement, and it shall continue in force to the fullest extent permitted by law.

12. Headings. Any headings preceding the text of the several articles and sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience or reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

[Remainder of Page Intentionally Left Blank – Signatures on Following Page]

**MICHIGAN SETTLEMENT ADMINISTRATION
AUTHORITY**

By: _____
Title: Authorized Officer

**GENERAL RETIREMENT SYSTEM FOR THE
CITY OF DETROIT**

By: _____
Title: Authorized Officer

**POLICE AND FIRE RETIREMENT SYSTEM FOR
THE CITY OF DETROIT**

By: _____
Title: Authorized Officer

CITY OF DETROIT

By: _____
Title: Emergency Manager

EXHIBIT A – GRS Governance Terms

In re City of Detroit, Michigan

INVESTMENT COMMITTEE GOVERNANCE
FOR GENERAL RETIREMENT SYSTEM

PREAMBLE	This document was prepared to set forth the pension governance requirements under the State Contribution Agreement applicable to the General Retirement System of the City of Detroit (GRS).
SCOPE OF GOVERNANCE	The GRS is currently administered by a ten (10) member Board of Trustees that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The GRS Board currently makes all administrative, actuarial and investment related decisions for the GRS. Upon the Effective Date under the POA, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee (“IC”) which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the GRS Board in the ordinary course of its affairs.
INVESTMENT COMMITTEE	<p>The GRS Investment Committee (“GRS IC”) shall consist of seven (7) voting members consisting of:</p> <ul style="list-style-type: none">i. Five (5) Independent Members;ii. One (1) Employee Member; andiii. One (1) Retiree Member. <p>Collectively, or individually, “Members” or “Member”.</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined by MCL 38.1132d (4).</p> <p>Each Independent Member of the GRS IC shall have expert knowledge or extensive experience with respect to either: (a) economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the GRS IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the GRS IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial GRS IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the GRS Board, in consultation with the Foundations, and named in the POA. Successor Independent Members shall be appointed by a majority of the remaining Independent Members after three (3) weeks’ notice to the GRS Board and the State Treasurer of the individuals chosen, in accordance with such rules and regulations</p>

	<p>as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>If the five (5) initial GRS IC Independent Members are not selected by mutual agreement by the time of confirmation of the City's Plan of Adjustment, then the five (5) initial GRS IC Independent Members shall be selected by the Bankruptcy Court.</p> <p>In the event the Bankruptcy Court selects the Independent Members as described immediately above, Successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the GRS Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Member shall be an employee-elected Member from the GRS Board appointed by the GRS Board. The initial Employee Member will be _____.</p> <p>The Retiree Member shall be a retiree-elected Member from the GRS Board appointed by the GRS Board. The initial Retiree Member will be _____.</p> <p>The terms of office of the initial GRS IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the GRS IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the GRS IC and neglects to perform those duties, (b) the Member has committed a material breach of GRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the GRS IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC</p>
--	--

	<p>Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by avote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the GRS IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the GRS IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the GRS shall be payable out of the investment returns of the GRS.</p> <p>The GRS IC shall be an investment fiduciary to the GRS. An IC Member or other fiduciary under the GRS shall discharge his or her duties with respect to the GRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the GRS IC shall comply with all GRS Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
GRS IC MEETINGS	<p>The GRS IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The GRS IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the GRS IC, so long as at least three (3) Independent Members are present. Each Member shall be entitled to one vote on each question before the IC and at least four (4) concurring votes shall</p>

	be necessary for a decision of the committee.
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The GRS IC shall serve in a fiduciary capacity with respect to the Investment Management of all GRS Plan Assets, the investment return assumption, and GRS Board compliance with benefit plan provisions, as set forth more fully below. The GRS IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5).</p> <p>All Investment Management decisions approved by the GRS Board shall require a recommendation by an affirmative vote of the GRS IC, in accordance with the provisions of this agreement. All actions and recommendations of the GRS IC shall be forwarded to the GRS Board for consideration and are subject to GRS Board approval. The GRS Board shall take no action with respect to any matter for which the GRS IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the GRS IC. If the GRS Board fails to act with respect to an Investment Management decision that has been recommended by an affirmative vote of the GRS IC, and such failure continues for 45 days after the date that the recommendation was made to the GRS Board, then the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the GRS Board disapproves action recommended by an affirmative vote of the GRS IC and does not provide a detailed written response outlining the reasons for such disapproval, then the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the GRS Board disapproves such action and provides a detailed written response outlining the reasons for such disapproval, the IC shall have 45 days after the receipt of the response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days of such request by the GRS IC, unless a later date is agreed to in writing by the GRS Board and the GRS IC, to discuss the disapproval by the Board described in the written response. Within ten (10) days of the conclusion of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the GRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision.</p> <p>"Investment Management" with respect to GRS Plan Assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing sound and consistent investment goals, objectives and performance measurement standards

	<p>which are consistent with the needs of the Plan.</p> <ol style="list-style-type: none"> 2. Within 120 days after the Effective Date of the POA, all of the GRS assets not already under qualified management, if any, must be managed by qualified managers selected by the IC. 3. Evaluating and selecting Qualified Manager(s) to invest and manage the Plan's assets. 4. Evaluating and selecting the Plan Actuary to prepare annual actuarial valuation reports and any other projections or reports used to determine restoration of pension benefits. 5. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 6. Determining how Plan assets should be allocated among various asset classes. 7. Determining, in conjunction with the Plan Actuary, any and all calculations and/or assessments underlying the restoration of pension benefits. 8. Reviewing and evaluating the results of the investment managers in context with established standards of performance, including restoration of pension benefits. 9. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 10. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 11. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 12. Reviewing and approving, prior to issuance, the annual audit and all financial reports prepared on behalf of the GRS. 13. Causing an asset/liability valuation study to be performed for GRS every two (2) years, or as requested by the GRS IC or GRS Board. <p>The GRS IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of asset allocation policy, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. In establishing the GRS investment allocation and
--	---

	<p>investment policy target return, the desire to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Variable Restoration Program, to the extent that is prudent.</p> <p>3. The liquidity needs of the GRS Plan.</p> <p>The fact that the IC makes a recommendation to the Board which is not recommended by the CRS CIO or the Investment Consultant shall not be a basis or factor in determining a breach of fiduciary duty.</p>
CHIEF INVESTMENT OFFICER (CIO)	The IC shall have the exclusive power to retain and discharge the GRS CIO, set and approve any and all compensation for, and terms of employment of, the GRS CIO. With respect to GRS plan assets, the GRS CIO shall report directly to the GRS IC and the GRS Board. The CIO shall be responsible for assisting the GRS IC and the GRS Board in overseeing the GRS's investment portfolio.
PLAN ACTUARY	[To Be Negotiated and Agreed Upon]
QUALIFIED MANAGER(S)	[To Be Negotiated and Agreed Upon]

DETROIT 56620-1 1313895v8

EXHIBIT B – PFRS Governance Terms

INVESTMENT COMMITTEE GOVERNANCE FOR POLICE AND FIRE RETIREMENT SYSTEM

PREAMBLE	This document was prepared to set forth the pension governance requirement under the State Contribution Agreement applicable to the Police and Fire Retirement System of the City of Detroit (PFRS).
SCOPE OF GOVERNANCE	The PFRS is currently administered by a ten (10) member Board of Trustees that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The PFRS Board currently makes all administrative, actuarial and investment related decisions for the PFRS. Upon the Effective Date under the POA, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee (“IC”) which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the PFRS Board in the ordinary course of its affairs.
INVESTMENT COMMITTEE	<p>The PFRS Investment Committee (“PFRS IC”) shall consist of nine (9) voting members consisting of:</p> <ul style="list-style-type: none"> i. Five (5) Independent Members; ii. Two (2) Employee Members; and iii. Two (2) Retiree Members. <p>There shall be one Employee Member elected by the active police officers eligible for a pension from the PFRS and one from the active firefighters eligible for a pension from the PFRS.</p> <p>There shall be one Retiree Member elected by the retired police officers receiving a pension from the PFRS and one retired firefighter receiving a pension from the PFRS. Each of the four (4) uniformed Members shall have one-half (1/2) vote.</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined in MCL 38.1132d(4).</p> <p>Each Independent Member of the PFRS IC shall have expert knowledge or extensive experience with respect to either: (a)</p>

	<p>economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the PFRS IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the PFRS IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial GRS IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the GRS Board, in consultation with the Foundations, and named in the POA. Successor Independent Members shall be appointed by a majority of the remaining Independent Members after three (3) weeks' notice to the GRS Board and the State Treasurer of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>If the five (5) initial GRS IC Independent Members are not selected by mutual agreement by the time of confirmation of the City's Plan of adjustment, then the five (5) initial GRS IC Independent Members shall be selected by the Bankruptcy Court.</p> <p>In the event the Bankruptcy Court selects the Independent Members as described immediately above, Successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the GRS Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the GRS IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Members shall be employee-elected Members from the PFRS Board appointed by the PFRS Board. The initial Employee Members will be _____.</p> <p>The Retiree Members shall be retiree-elected Members from the PFRS Board appointed by the PFRS Board. The initial Retiree Members will be _____.</p> <p>The terms of office of the initial PFRS IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent</p>
--	---

	<p>Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the PFRS IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the PFRS IC and neglects to perform those duties, (b) the Member has committed a material breach of PFRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the PFRS IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by a vote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the PFRS IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the PFRS IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the PFRS shall be payable out of the investment returns of the PFRS.</p> <p>The PFRS IC shall be an investment fiduciary to the PFRS. An</p>
--	--

	<p>IC Member or other fiduciary under the PFRS shall discharge his or her duties with respect to the PFRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the PFRS IC shall comply with all PFRS Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
PFRS IC MEETINGS	<p>The PFRS IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The PFRS IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the PFRS IC, so long as at least three (3) Independent Members are present. Each Independent Member shall be entitled to one vote on each question before the IC and each Employee Member and Retiree Member shall be entitled to one-half (1/2) vote on each question before the IC. In each case, at least four (4) concurring votes shall be necessary for a decision of the committee.</p>
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The PFRS IC shall serve in a fiduciary capacity with respect to the Investment Management of all PFRS Plan Assets, the investment return assumption, and PFRS Board compliance with benefit plan provisions, as set forth more fully below. The PFRS IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5).</p> <p>All Investment Management decisions approved by the PFRS Board shall require a recommendation by an affirmative vote of the PFRS IC, in accordance with the provisions of this agreement. All actions and recommendations of the PFRS IC shall be forwarded to the PFRS Board for consideration and are</p>

	<p>subject to PFRS Board approval. The PFRS Board shall take no action with respect to any matter for which the PFRS IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the PFRS IC. If the PFRS Board fails to act with respect to an Investment Management decision that has been recommended by an affirmative vote of the PFRS IC, and such failure continues for 45 days after the date that the recommendation was made to the PFRS Board, then the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the PFRS Board disapproves action recommended by an affirmative vote of the PFRS IC and does not provide a detailed written response outlining the reasons for such disapproval, then the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision. If the PFRS Board disapproves such action and provides a detailed written response outlining the reasons for such disapproval, the PFRS IC shall have 45 days after the receipt of the response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days of such request by the PFRS IC, unless a later date is agreed to in writing by the PFRS Board and the PFRS IC, to discuss the disapproval by the Board described in the written response. Within ten (10) days of the commencement of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the PFRS Board shall be deemed to have agreed to the recommended Investment Management decision and the Chief Investment Officer is authorized to implement the decision.</p> <p>“Investment Management” with respect to PFRS Plan Assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan. 2. Within 120 days after the Effective Date of the POA, all of the PFRS assets not already under qualified management, if any, must be managed by qualified managers selected by the IC.
--	---

	<ol style="list-style-type: none"> 3. Evaluating and selecting Qualified Manager(s) to invest and manage the Plan's assets. 4. Evaluating and selecting the Plan Actuary to prepare annual actuarial valuation reports and any other projections or reports used to determine restoration of pension benefits. 5. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 6. Determining how Plan assets should be allocated among various asset classes. 7. Determining, in conjunction with the Plan Actuary, any and all calculations and/or assessments underlying the restoration of pension benefits. 8. Reviewing and evaluating the results of the investment managers in context with established standards of performance, including restoration of pension benefits. 9. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 10. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 11. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 12. Reviewing and approving, prior to issuance, the annual audit and all financial reports prepared on behalf of the PFRS. 13. Causing an asset/liability valuation study to be performed for PFRS every two (2) years, or as requested by the PFRS IC or PFRS Board. <p>The PFRS IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of asset allocation policy, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. In establishing the PFRS investment allocation and investment policy target return, the desire to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Variable Restoration Program, to the extent that is prudent.
--	--

	<p>3. The liquidity needs of the PFRS Plan.</p> <p>The fact that the IC makes a recommendation to the Board which is not recommended by the CRS CIO or the Investment Consultant shall not be a basis or factor in determining a breach of fiduciary duty.</p>
CHIEF INVESTMENT OFFICER (CIO)	The IC shall have the exclusive power to retain and discharge the PFRS CIO, set and approve any and all compensation for, and terms of employment of, the PFRS CIO. With respect to PFRS plan assets, the PFRS CIO shall report directly to the PFRS IC and the PFRS Board. The CIO shall be responsible for assisting the PFRS IC and the PFRS Board in overseeing the PFRS's investment portfolio.
PLAN ACTUARY	[To Be Negotiated and Agreed Upon]
QUALIFIED MANAGER(S)	[To Be Negotiated and Agreed Upon]

DETROIT 56620-1 1314911v2

EXHIBIT C

1. General Retirement System
2. Police and Fire Retirement System
3. AFSCME
4. UAW
5. Detroit Police Officers Association
6. Detroit Police Command Officers Association
7. Detroit Police Lieutenants and Sergeants Association
8. Detroit Fire Fighters Association
9. Retired Detroit Police and Fire Fighters Association
10. Retired Detroit Police Members Association
11. Detroit Retired City Employees Association
12. Official Retirees Committee
13. City of Detroit

EXHIBIT D

LANSING 40432-1 490647v9

Cases to be dismissed:

1. GRS et al. v. Emergency Manager of Detroit (Ingham County Circuit Court)
2. United Retired Government Employees (URGE) et al. v. Governor, et al. (E.D. Mich.)
3. Webster et al. v. State of Michigan, Governor, and State Treasurer (Ingham County Circuit Court)
4. Detroit Library Commission v. Governor, State Treasurer, and Detroit Public Schools Emergency Manager (Ingham County)
5. Flowers et al. v. Governor, State Treasurer, and State of Michigan (Ingham County Circuit Court)
6. DPOA v. City of Detroit (Michigan Court of Appeals)

The settling parties will not attempt to amend to include the City of Detroit or its Emergency Manager as a defendant, or collaterally or retroactively attack the Detroit bankruptcy or actions of Detroit or its EM, or otherwise participate, support, fund, or appeal in the following cases:

1. Phillips et al v. Governor and State Treasurer (E.D. Mich.)
2. Michigan AFSCME Council 25 v. Governor, State Treasurer, et al. (E.D. Mich.)
3. NAACP v. Governor, State Treasurer, and Secretary of State (E.D. Mich.)
4. Robert Davis/Citizens United Against Corrupt Government v. Governor, State of Michigan, Dept. of Treasury, Dept. of State Police, et al. (Ingham County Circuit Court)
5. Robert Davis/Citizens United Against Corrupt Government v. Michigan Department of Treasury and Carla Robert (Wayne County Circuit Court)
6. Robert Davis v. Local Emergency Financial Assistance Loan Board (Ingham Court)
7. Robert Davis v. Weatherspoon, Governor, Attorney General, and State Treasurer (E.D. Mich.)
8. Allen Park Retirees v. EM Parker, City of Allen Park (Wayne Circuit)
9. Allen Park Retirees v. State (Court of Claims)
10. Deborah Moore-El v. Snyder (E.D. Mich.)
11. Faith, et al. v. Snyder (E.D. Mich.)
12. Sarella Johnson, et al. v. Snyder (E.D. Mich.)

EXHIBIT 3

Revised Version of State Contribution Agreement Attached to Plan

EXHIBIT I.A.332

STATE CONTRIBUTION AGREEMENT

EXECUTION VERSION

CONTRIBUTION AGREEMENT

This Contribution Agreement (“Agreement”), dated as of _____, 2014, is made by and among the Michigan Settlement Administration Authority, a Michigan body public corporate (the “Authority”), the General Retirement System of the City of Detroit, the Police and Fire Retirement System of the City of Detroit and the City of Detroit (the “City”).

RECITALS

A. The City filed a voluntary petition for relief under chapter 9 of the Bankruptcy Code on July 18, 2013 (the “Chapter 9 Case”) in the United States Bankruptcy Court for the Eastern District of Michigan (the “Court”).

B. During the course of the Chapter 9 Case, the City has asserted that the City’s Police and Fire Retirement System (the “PFRS” or a “System”) and the General Retirement System (the “GRS” or a “System” and collectively with the PFRS, the “Systems”) are underfunded.

C. During the course of the Chapter 9 Case, there have been suggestions that the State of Michigan (the “State”) may be obligated to pay all or a portion of the underfunding of pension benefits payable to retirees, a suggestion the State vigorously disputes.

D. As part of the mediation process in the Chapter 9 Case, the mediators asked the State and other parties to assist in reducing the amount of underfunding in the PFRS and GRS pension funds by providing settlement funds for the benefit of pensioners that would not be otherwise available.

E. As part of its determination that the City was eligible to file the Chapter 9 Case, the Court determined that pension obligations of the City can be impaired or diminished in the Chapter 9 Case and are not protected from such impairment or diminution by the State Constitution.

F. In support of confirmation of the City’s Fourth Amended Plan of Adjustment dated May 5, 2014 (as may be further amended from time to time, the “Plan”), the State has agreed, subject to satisfaction of the terms and conditions set forth herein and in the Plan, to make a contribution to the GRS and PFRS in return for releases from, among others, the GRS and PFRS as set forth in the Support and Release Agreement entered into by the State and each of the Systems in connection with this matter.

G. On June 20, 2014, the Authority was established as the disbursement agent for the State with respect to the State Contribution (as defined below).

H. Capitalized terms used in this Agreement but not defined have the same meanings as set forth in the Plan.

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. State Contribution. On the later of (a) the date on which the Conditions Precedent have been satisfied, and (b) 60 days after the Effective Date of the Plan, the Authority shall disburse \$98,800,000 to GRS and \$96,000,000 to PFRS (collectively, the “State Contribution”) for the purpose of increasing the assets of the PFRS and GRS. The total aggregate State Contribution is equal to the net present value of \$350,000,000 payable over 20 years determined using a discount rate of 6.75%, which results in a total contribution by the State of \$194,800,000. The State Contribution shall only be used to fund payments to holders of GRS Pension Claims and PFRS Pension Claims, each as defined in the Plan.

2. Governance Requirements of the GRS and PFRS. At all times during the 20 year period following the disbursement of the State Contribution to the GRS and PFRS, the GRS and PFRS each must establish an investment committee (the “Investment Committee”) for the purpose of making recommendations to, and approving certain actions by, the respective System's board of trustees and/or making determinations and taking action under and with respect to Investment Management, as set forth in the terms and conditions enumerated on **Exhibit A** and **Exhibit B**, respectively, each attached to and incorporated by reference into this Agreement. Further, the Emergency Manager for the City and any subsequently appointed emergency manager for the City, appointed under PA 436 or under any successor or replacement statutes to PA 436, shall not seek to exercise any powers granted under section 12(1)(m) of PA 436 (or equivalent provision under any successor or replacement statute) against the Board of GRS or the Board of PFRS until the earlier of (a) one year following entry of an order confirming the Plan, and (b) December 31, 2015.

3. Income Stabilization Funds and Income Stabilization Payments. The City, GRS and PFRS shall establish an income stabilization program and amend the governing documents for GRS and the governing documents for PFRS to include the following:

- a. A supplemental pension income stabilization payment (the “Income Stabilization Payments”) payable on an annual basis beginning not later than 120 days after the Effective Date, to each Eligible Pensioner equal to the lesser of (a) the amount needed to restore the Eligible Pensioner's reduced pension benefit to the amount of the pension benefit that the Eligible Pensioner received from GRS or PFRS in 2013, or (b) the amount needed to bring the total annual household income of the Eligible Pensioner up to 130% of the Federal Poverty Level in 2013.
- b. In addition, to the extent an Eligible Pensioner's Estimated Adjusted Annual Household Income in any calendar year is less than 105% of the Federal Poverty Level in that year, the Eligible Pensioner will receive an additional benefit (“Income Stabilization Benefit Plus”). The Income Stabilization Benefit Plus shall be equal to the lesser of either (a) 100% restoration of pension benefits, including escalators and cost of living adjustments; or (b) the amount needed to bring the Eligible Pensioner's Estimated Adjusted Annual Household Income in that calendar year up to 105% of the Federal Poverty Level in that year.

- c. An Eligible Pensioner's "Estimated Adjusted Annual Household Income" shall be calculated as follows: (i) the annual pension benefit amount paid in 2013 shall be subtracted from the Eligible Pensioner's 2013 total household income (per their (or in the case of minor children, their legal guardian's) 2013 income tax returns or equivalent documentation) as adjusted for inflation or Social Security COLA increases to create a base additional income amount, plus (ii) the following three items as applicable, (x) the reduced pension benefit that GRS will pay the Eligible Pensioner for that year, (y) any GRS pension restoration due to an improved GRS funding level, and (z) the Eligible Pensioner's Income Stabilization Benefit. Notwithstanding the foregoing, Income Stabilization Payments, including the Income Stabilization Benefit Plus, under both GRS and PFRS shall not exceed \$20 million in aggregate.
- d. A separate recordkeeping sub-account called the "Income Stabilization Fund" will be set up under each of GRS and PFRS for the sole purpose of paying the Income Stabilization Payments to Eligible Pensioners. The assets credited to the sub-accounts will be invested on a commingled basis with the applicable System's assets and will be credited with a pro-rata portion of the System's earnings and losses.
- e. Amounts credited to the Income Stabilization Fund, including the Assigned UTGO Bond Tax Proceeds, may not be used for any purpose other than the payment of Income Stabilization Payments to Eligible Pensioners, except as expressly provided in subparagraph (f) below.
- f. In 2022, provided that the State has not issued a certificate of default with respect to a System at any time prior to 2022, the Investment Committee for that System shall conduct a valuation to determine the Income Stabilization Payments anticipated to be made from the System in the future, in order for the System to fulfill the obligation to make Income Stabilization Payments (the "Estimated Future Liability"). In the event that 75% of the independent members of the Investment Committee determine that the GRS or PFRS Income Stabilization Fund is credited with assets in excess of its Estimated Future Liability (the "Excess Assets"), the Investment Committee may, in its sole discretion, recommend to the Board of Trustees that the Excess Assets, but not more than \$35 million, be used to fund each System's payment of Adjusted Pension Amounts. The Investment Committee shall have the right to engage professionals to assist in this task as necessary, and such expenses shall be paid by the Systems. If any funds remain in the GRS or PFRS Income Stabilization Fund on the date upon which no Eligible Pensioners under their respective System are living, the remainder of each System's Income Stabilization Fund shall be used to fund each System's payment of Adjusted Pension Amounts.

- g. “Eligible Pensioners” are those retirees or surviving spouses who are at least 60 years of age or those minor children receiving survivor benefits from GRS or PFRS, each as of the Effective Date, whose pension benefit from GRS or PFRS will be reduced by the confirmed Plan, and who have a total household income equal to or less than 140% of the Federal Poverty Line in 2013 (per their (or in the case of minor children, their legal guardian’s) 2013 income tax returns or equivalent documentation). No new persons will be eligible to receive an Income Stabilization Payment at any time in the future, and any minor child receiving survivor benefits shall cease to be an Eligible Pensioner after he or she turns 18 years of age.
- h. The initial determination of Eligible Pensioners, and the amounts of Income Stabilization Payments payable to Eligible Pensioners shall be made by the State in its sole discretion. The State shall transmit the list of Eligible Pensioners to the Investment Committee and the Board of Trustees of GRS and PFRS, as applicable. The Board of Trustees, with the assistance of the Investment Committee of GRS and PFRS, shall be responsible for properly administering the respective Income Stabilization Fund and annually certifying to the Treasurer that it has properly administered the requirements for eligibility and payment of benefits with respect to Eligible Pensioners.

4. Conditions Precedent. The Authority’s obligations under this Agreement are not effective or enforceable until each of the following conditions (the “Conditions Precedent”) have been met to the satisfaction of the Authority and the Treasurer, unless any one or more of such conditions are waived in a writing executed by the Authority and the Treasurer:

- a. The Authority receives the State Contribution from the State.
- b. An endorsement of the Plan by the Official Retiree Committee which will include a letter from the Official Retiree Committee as part of the Plan solicitation package recommending to Classes 10 and 11 a vote in favor of the Plan, or equivalent assurances from member organizations representing a majority of retirees in the respective classes.
- c. Cessation of all litigation, including the cessation of funding of any litigation initiated by any other party, as it relates to the City (a) challenging PA 436 or any actions taken pursuant to PA 436, including but not limited to, a dismissal with prejudice of the cases set forth on **Exhibit D**, or (b) seeking to enforce Article IX, Section 24 of the Michigan Constitution; provided, however, (i) until the State Contribution is received by the Systems, the Systems agree to stay any pending litigation described in this subparagraph, and (ii) that as a condition precedent to the GRS and the PFRS dismissing any pending litigation described in this subparagraph that they are prosecuting, the GRS and the PFRS have the right to receive written confirmation from the Authority

that the Authority is prepared and authorized to disburse the State Contribution in accordance with this Agreement and the Plan, subject only to the dismissal by the GRS and PFRS of any pending litigation described in this subparagraph that they are prosecuting.

- d. Active support of the Plan by, a release of and covenant not to sue the State from, and an agreement not to support in any way (including funding) the litigation described in subparagraph 4(c) by the parties listed on **Exhibit C**, or equivalent assurance of litigation finality (which, as to the Systems, shall be deemed satisfied by the execution of the Support and Release Agreement to be entered into by the State and each of the Systems in connection with this matter).
- e. Classes 10 and 11 accept the Plan.
- f. By December 31, 2014, the Court enters a final, non-appealable order confirming the Plan that includes, at a minimum, the following:
 - i. A release of the State and State Related Entities by each holder of a Pension Claim of all Liabilities arising from or related to the City, the Chapter 9 Case, including the authorization given to file the Chapter 9 Case, the Plan, all Exhibits, the Disclosure Statement, PA 436 and its predecessor or replacement statutes, and Article IX, Section 24 of the Michigan Constitution that such party has, had or may have against the State and any State Related Entities.
 - ii. A requirement that the governing documents of GRS and the governing documents of PFRS be amended to include:
 - a) the governance terms and conditions set forth in Paragraph 2, Exhibit A and Exhibit B of this Agreement; and
 - b) the Income Stabilization Payments and Income Stabilization Fund described in Paragraph 3 of this Agreement.
 - iii. Approval of, and authority for the City to enter into, the UTGO Settlement.
 - iv. A requirement that the City irrevocably assigns the right to receive not less than an aggregate amount of \$20,000,000 of the payments on the Reinstated Stub UTGO Bonds to the Income Stabilization Funds of the GRS and PFRS. Such payments will be made to the Income Stabilization Funds in the form of annual installment payments over a 14 year period, pursuant to a payment schedule approved by the State.

- v. Approval of, and authority for the City to enter into, the DIA Settlement.
- vi. Agreement to and compliance with MCL 141.1561 and cooperation with the transition advisory board appointed pursuant to MCL 141.1563, or compliance with any new legislation that is enacted regarding post-bankruptcy governance.
- g. Evidence satisfactory to the State of an irrevocable commitment by:
 - i. The Foundations to fund \$366,000,000 (or the net present value thereof) as part of the DIA Settlement; and
 - ii. The DIA Corp. to fund \$100,000,000 (or the net present value thereof) as part of the DIA Settlement.
- h. The Plan Effective Date occurs on or before April 1, 2015.

5. Non-occurrence of Conditions Precedent. If the Conditions Precedent are not met to the satisfaction of the Authority and the Treasurer on or before April 1, 2015, upon written request of the Treasurer, the Authority shall remit the State Contribution to the Department and shall have no further obligations under this Agreement.

6. Default by GRS and PFRS; Cure Period; Remedies.

- a. A System will be in default if the System has not materially complied with any of the terms and conditions set forth in (i) the Plan, (ii) the Governing Documents, or (iii) this Agreement, including, but not limited to, failing to make the required Income Stabilization Payments or using funds in the Income Stabilization Fund for unauthorized purposes. For the purposes of this Agreement, “Governing Documents” shall mean, (x) for the GRS, the Combined Plan for the General Retirement System of the City of Detroit, Michigan, and (y) for the PFRS, the Combined Plan for the Police and Fire Retirement System of the City of Detroit, Michigan. Notwithstanding subparagraph ‘e’ below, there shall not be an event of default for purposes of this paragraph 6 unless and until the Treasurer delivers to the alleged defaulting System a written notice declaring and specifically identifying the facts of an alleged default (the “Default Notice”). Nothing herein shall prohibit the subject System from contesting the alleged default; provided, however, until the contest over the alleged default is resolved, the subject System may not include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.
- b. In the event of a default by a System, the System shall have 100 days after receiving the Default Notice in accordance with subparagraph ‘a’ above (the “Cure Period”) to cure such default by remedying the damages sustained as a result of the default, as well as making any delinquent

Income Stabilization Payments, and restoring any funds improperly removed from any other fund maintained by the System, including the Income Stabilization Fund, as applicable. Prior to the expiration of the Cure Period, at least six of the seven total aggregate votes of the Investment Committee for the defaulting System must certify to the Treasurer that (i) the default has been cured, and (ii) that no material damages have been caused by the default that have not otherwise been remedied (the “Cure Certification”). During the Cure Period, the defaulting System may not include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.

- c. If the Investment Committee for the defaulting System provides the Cure Certification to the Treasurer in accordance with subparagraph ‘b’ above, then the default will be deemed cured and the defaulting System may once again include its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored.
- d. If the Investment Committee for the defaulting System fails to provide the Cure Certification to the Treasurer in accordance with subparagraph ‘b’ above, then no portion of the total State Contribution to the defaulting system, as adjusted for earnings and losses, may be taken into consideration by the System during the remainder of the 20 year period following the date of such default for purposes of determining whether benefits reduced by the Plan may be restored. Notwithstanding the foregoing, if at any time during or after the Cure Period the Investment Committee certifies by a simple majority vote, that (i) the default has been cured; and (ii) that no material damages have been caused by the default that have not otherwise been remedied, then the Treasurer may consent to the defaulting System once again including its State Contribution, as adjusted for earnings and losses, for purposes of determining whether benefits reduced by the Plan may be restored, which consent shall not be unreasonably withheld.
- e. Each Investment Committee shall provide compliance reports to the Treasurer on a semi-annual basis and at such other times as the Treasurer reasonably may request (each, a “Compliance Report”) that certifies that the Investment Committee is not aware of any defaults, or, if the Investment Committee is aware of a default, specifically identifying the facts of such default. After review of a Compliance Report, the Treasurer shall provide to the System either a certificate of compliance or a Default Notice.
- f. Notwithstanding the foregoing, in the event of a default, the Treasurer and the Authority shall have the right to pursue all available legal and

equitable remedies against the Board of Trustees for the defaulting System, the Investment Committee, or any other person.

7. Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

8. Governing Law/Jurisdiction. This Agreement shall be construed in accordance with the laws of the State of Michigan, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws. The Bankruptcy Court of the Eastern District of Michigan shall have exclusive jurisdiction over any action or proceeding solely with respect to this Agreement, and each party, to the extent permitted by law, agrees to submit to such jurisdiction and to waive any defense based on venue or jurisdiction of such court.

9. Amendment. This Agreement may be amended, modified, superseded or canceled, and any of the terms, covenants, representations, warranties or conditions hereof may be waived only by an instrument in writing signed by each of the Parties.

10. Limitation of Liability. The obligation to make the State Contribution is not a general obligation or indebtedness of the State or the Authority and is subject to satisfaction of the conditions described herein. Furthermore, neither the State nor the Authority has any liability or obligation arising from or related to the contributions and funding of the Income Stabilization Fund of each System. Notwithstanding anything contained herein to the contrary, no State Related Entity or board member of the Authority shall have any liability for the representations, warranties, covenants, agreements or other obligations of the State or the Authority hereunder or in any of the certificates, notices or agreements delivered pursuant hereto.

11. Severability. If any one or more of the covenants, agreements or provisions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of any such covenants, agreements and provisions shall in no way affect the validity or effectiveness of the remainder of this Agreement, and it shall continue in force to the fullest extent permitted by law.

12. Headings. Any headings preceding the text of the several articles and sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience or reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

[Remainder of Page Intentionally Left Blank – Signatures on Following Page]

**MICHIGAN SETTLEMENT ADMINISTRATION
AUTHORITY**

By: _____
Title: Authorized Officer

**GENERAL RETIREMENT SYSTEM OF THE
CITY OF DETROIT**

By: _____
Title: Authorized Officer

By: _____
Title: Authorized Officer

**POLICE AND FIRE RETIREMENT SYSTEM OF
THE CITY OF DETROIT**

By: _____
Title: Authorized Officer

By: _____
Title: Authorized Officer

CITY OF DETROIT

By: _____
Title: Emergency Manager

EXHIBIT A – GRS Governance Terms

In re City of Detroit, Michigan

INVESTMENT COMMITTEE GOVERNANCE
FOR GENERAL RETIREMENT SYSTEM

PREAMBLE	<p>This document was prepared to set forth the pension governance requirements under the State Contribution Agreement (as that term is defined in the City’s Fourth Amended Plan for the Adjustment of Debts of the City of Detroit, as amended from time to time) applicable to the General Retirement System of the City of Detroit (GRS).</p>
SCOPE OF SETTLEMENT	<p>The GRS is currently administered by a ten (10) member Board of Trustees (the “Board”) that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The Board currently makes all administrative, actuarial and investment related decisions for the GRS. Upon the Effective Date under the POA, but subject to consummation of the State Contribution Agreement, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee (“IC”) at GRS which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the Board in the ordinary course of its affairs.</p>
INVESTMENT COMMITTEE	<p>The IC shall consist of seven (7) voting members consisting of:</p> <ul style="list-style-type: none">i. Five (5) Independent Members;ii. One (1) Employee Member; andiii. One (1) Retiree Member. <p>Collectively, or individually, “Members” or “Member.”</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined by MCL 38.1132d (4) to the City or the GRS.</p> <p>Each Independent Member of the IC shall have expert knowledge or extensive experience with respect to either: (a) economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the City and the Board, in consultation with the Foundation for Detroit’s</p>

	<p>Future. The initial Independent Members and their terms of office will be as follows: Ken Whipple (2 years), David Sowerby (3 years), Robert Rietz (4 years), Doris Ewing (5 years) and Kerrie VandenBosch (6 years). Successor Independent Members shall be recommended by a majority of the remaining Independent Members and confirmed by the Board and the State Treasurer in consultation with the Foundation for Detroit's Future, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement. In the event the Board and the State Treasurer cannot agree on the successor Independent Member within thirty (30) days of the receipt of the recommendation of the IC, the remaining Independent Members of the IC shall appoint the successor Independent Member.</p> <p>If no mutual agreement is reached as to the selection of one or more of the initial IC Independent Members by the time of confirmation of the City's Plan of Adjustment, then the Bankruptcy Court shall select the Independent Members necessary to fill the five (5) initial IC Independent Member positions for which no agreement has been reached.</p> <p>In the event the Bankruptcy Court selects the initial Independent Members as described immediately above, successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Member shall be an employee-elected Member from the Board appointed by the Board. The initial Employee Member will be June Nickleberry.</p> <p>The Retiree Member shall be a retiree-elected Member from the Board appointed by the Board. The initial Retiree Member will be Thomas Sheehan.</p> <p>The terms of office of the initial IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the IC Independent Members shall be six years. Each successor Independent Member shall be selected in accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial</p>
--	--

	<p>term.</p> <p>The terms of office of the Employee Members and Retiree Members of the IC shall conform to their respective terms of office on the Board.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the IC and neglects to perform those duties, (b) the Member has committed a material breach of GRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by a 70% or higher vote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the IC, including but not limited to the purchase of insurance, shall be payable out of the assets of the GRS. The IC may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the IC as it deems reasonably necessary to perform its functions and such parties or persons may be reasonably compensated from the assets of the Plan; such engagements shall not be subject to the approval of the Board.</p> <p>The IC shall be an investment fiduciary to the GRS. An IC Member or other fiduciary under the GRS shall discharge his or her duties with respect to the GRS in compliance with the provisions of Public Act 314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the IC shall comply with all Board governance policies and procedures, including the Ethics and</p>
--	---

	Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.
IC MEETINGS	<p>The IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the IC, so long as at least three (3) Independent Members are present. Each Member shall be entitled to one vote on each question before the IC and at least four (4) concurring votes shall be necessary for a decision of the committee except as otherwise provided in this Term Sheet.</p>
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The IC shall serve in a fiduciary capacity with respect to the Investment Management of all GRS Plan Assets, determination of the investment return assumption, and Board compliance with benefit plan provisions, as set forth more fully below. The IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5) and (6).</p> <p>All Investment Management decisions approved by the Board shall require a recommendation by an affirmative vote of the IC, in accordance with the provisions of this agreement. All actions and recommendations of the IC shall be forwarded to the Board for consideration and are subject to Board approval. The Board shall take no action with respect to any matter for which the IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the IC. If (a) the Board fails to approve or disapprove an Investment Management decision that has been recommended by an affirmative vote of the IC, and such failure continues for 45 days after the date that the recommendation was made to the Board, or (b) the Board disapproves an Investment Management decision within such 45-day period but fails to provide to the IC within such 45-day period a detailed written response outlining the reasons for such disapproval, then the IC and the Chief Investment Officer are authorized to implement the decision. If the Board disapproves an Investment Management decision within such 45-day period and provides to the IC within such 45-day period a detailed written</p>

	<p>response outlining the reasons for such disapproval, then the IC shall have 45 days after the receipt of the Board response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days, but not less than five (5) business days, of such request by the IC, unless a later date is agreed to in writing by the Board and the IC, to discuss the disapproval by the Board described in the written response. Any such conference shall be conducted with at least three (3) Independent Members present in person or by phone. Within ten (10) days of the commencement of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the IC and the Chief Investment Officer are authorized to implement the decision. Any action taken by the Board or the IC in violation of the terms of this agreement shall constitute an ultra vires act and the IC or the Board, whichever is applicable, is granted the express right to seek to preliminarily enjoin such violation of the breaching party without the need to show irreparable harm.</p> <p>“Investment Management” with respect to plan assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing an Investment Policy Statement with sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan. 2. Within 120 days after the Effective Date of the POA, all of the plan assets not already under qualified management, if any, must be managed by qualified managers selected by the IC. 3. Evaluating, retaining, terminating, and selecting qualified managers to invest and manage the plan assets. 4. Reviewing and affirming or rejecting the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Plan Actuary including, but not limited to, (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the Pension Restoration Program attached to the City's Plan of Adjustment, (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after fiscal year 2024 the recommended annual contributions to GRS in accordance with applicable law. 5. In accordance with approved actuarial work as provided in the immediate preceding paragraph and based on the annual actuarial valuation reports and
--	---

	<p>any other projections or reports as applicable from the Plan Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of a portion of the 4.5% reduction in base monthly pension amounts and the payment of lost COLA payments, all in conformance to the Pension Restoration Program between the City and the Board attached to the Plan of Adjustment.</p> <ol style="list-style-type: none"> 6. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 7. Determining and approving the Plan's investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Plan. 8. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 9. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 10. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 11. Reviewing and approving, prior to final issuance, the annual audit and all financial reports prepared on behalf of the GRS and meet and confer with the Plan's outside auditor or other professional advisors as necessary prior to approving the annual audit or other financial reports. 12. Causing an asset/liability valuation study to be performed for GRS every three (3) years, or as requested by the IC or Board. <p>The IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of the investment guidelines and asset allocation policies, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. The objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Pension Restoration Program, to the extent that is prudent and consistent with the overall funding, liquidity needs and actuarial
--	--

	<p>assumptions governing the Plan.</p> <p>3. The liquidity needs of the GRS Plan.</p>
CHIEF INVESTMENT OFFICER (CIO)	<p>The IC shall evaluate and select the CIO, set and approve any and all compensation for, and terms of employment of, the CIO. With respect to plan assets, the CIO shall report directly to the IC and the Executive Director of the Board. The CIO shall be responsible for assisting the IC and the Board in overseeing the GRS's investment portfolio.</p> <p>The initial CIO is Ryan Bigelow [subject to State due diligence.]</p>
PLAN ACTUARY	<p>The current Plan Actuary is Gabriel Roeder Smith & Company. In the event the Board desires to retain a new actuary, the Board and IC shall collectively participate in the evaluation and selection of a qualified Plan Actuary. The Plan Actuary shall be responsible for assisting the Board and IC in performing its actuarial duties and shall comply with all requests for information or modeling requested by the IC, and shall attend meetings of the IC as requested, so as to allow the IC to perform satisfactorily the rights and duties set forth herein. Furthermore, the Board shall not act on any recommendation made by the Plan Actuary based on any calculation, assumption or assessment rejected by the IC.</p> <p>Nothing herein shall be interpreted as limiting the IC's authority to engage an actuarial consulting firm other than the Plan Actuary to perform actuarial services deemed necessary to fulfill its fiduciary duties to the GRS and other duties to GRS as set forth herein.</p>
CONSISTENCY WITH PLAN OF ADJUSTMENT	<p>Nothing herein shall be interpreted as permitting the IC or the Board to alter or depart from the requirements set forth in the confirmed Plan of Adjustment.</p>

DETROIT 56620-1 1315511v11

EXHIBIT B – PFRS Governance Terms

In re City of Detroit, Michigan

INVESTMENT COMMITTEE GOVERNANCE
FOR POLICE AND FIRE RETIREMENT SYSTEM

PREAMBLE	<p>This document was prepared to set forth the pension governance requirements under the State Contribution Agreement (as that term is defined in the City's Fourth Amended Plan for the Adjustment of Debts of the City of Detroit, as amended from time to time) applicable to the Police and Fire Retirement System of the City of Detroit (PFRS).</p>
SCOPE OF SETTLEMENT	<p>The PFRS is currently administered by a seventeen (17) member Board of Trustees (the "Board") that is vested with the fiduciary authority for the general administration, management and operation of the Retirement System. The Board currently makes all administrative, actuarial and investment related decisions for the PFRS. Upon the Effective Date under the POA, but subject to consummation of the State Contribution Agreement, there shall be established, by appropriate action and amendments to governing documents, an Investment Committee ("IC") at PFRS which shall be vested with the authority and responsibilities as outlined herein for a period of twenty (20) years after the Effective Date of the POA. All administrative, managerial, and operational matters not addressed in this Term Sheet shall continue to be addressed by the Board in the ordinary course of its affairs.</p>
INVESTMENT COMMITTEE	<p>The IC shall consist of nine (9) voting members consisting of:</p> <ol style="list-style-type: none">Five (5) Independent Members;Two (2) Employee Members; andTwo (2) Retiree Members. <p>Collectively, or individually, "Members" or "Member."</p> <p>At least two (2) of the five (5) Independent Members of the committee shall be residents of the State of Michigan. None of the Independent Members shall be a party in interest as defined by MCL 38.1132d (4) to the City or the PFRS.</p> <p>Each Independent Member of the IC shall have expert knowledge or extensive experience with respect to either: (a)economics, finance, or institutional investments; or (b) administration of public or private retirement plans, executive management, benefits administration or actuarial science. At least one (1) of the IC Independent Members shall satisfy the requirements of (a) above and at least one (1) of the IC Independent Members shall satisfy the requirements of (b) above.</p> <p>The five (5) initial IC Independent Members shall be selected by mutual agreement of the appropriate representatives of the State, the</p>

	<p>City and the Board, in consultation with the Foundation for Detroit's Future. The initial Independent Members and their terms of office will be as follows: Rebecca Sorenson (2 years), Joseph Bogdahn (3 years), Robert C. Smith (4 years), McCullough Williams III (5 years) and Woodrow S. Tyler (6 years). Successor Independent Members shall be recommended by a majority of the remaining Independent Members and confirmed by the Board and the State Treasurer in consultation with the Foundation for Detroit's Future, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement. In the event the Board and the State Treasurer cannot agree on the successor Independent Member within thirty (30) days of the receipt of the recommendation of the IC, the remaining Independent Members of the IC shall appoint the successor Independent Member.</p> <p>If no mutual agreement is reached as to the selection of one or more of the initial IC Independent Members by the time of confirmation of the City's Plan of Adjustment, then the Bankruptcy Court shall select the Independent Members necessary to fill the five (5) initial IC Independent Member positions for which no agreement has been reached.</p> <p>In the event the Bankruptcy Court selects the initial Independent Members as described immediately above, successor Independent Members shall be appointed in the same manner as the Independent Member being replaced, as described immediately above, after three (3) weeks' notice to the Board of the individuals chosen, in accordance with such rules and regulations as may be adopted by the IC, provided such rules and regulations are not inconsistent with the POA and this agreement.</p> <p>The Employee Members shall consist of one active police member and one active fire member from the Board, appointed by the Board. The initial Employee Members will be Mark Diaz and Sean Neary.</p> <p>The Retiree Members shall consist of one retiree-elected police member and one retiree-elected fire member from the Board, each receiving a pension from PFRS and appointed by the Board. The initial elected Retiree Members will be Michael Simon and Louis Sinagra.</p> <p>Each of the four (4) uniformed Members shall have one-half (1/2) vote.</p> <p>The terms of office of the initial IC Independent Members shall be staggered at the time of appointment so that Independent Members shall have varying initial terms of office, with one each having a 2, 3, 4, 5 and 6 year term. Each initial Independent Member shall serve until the expiration of his/her initial term. After the initial term of office, the term of office of the IC Independent Members shall be six years. Each successor Independent Member shall be selected in</p>
--	--

	<p>accordance with the provisions above and shall serve until his or her death, incapacity, resignation or removal in accordance with the paragraph below. Upon expiration of his or her term of office, an Independent Member shall continue to serve until his or her successor is appointed. Nothing herein shall bar an initial Independent Member from becoming a successor Independent Member after his/her initial term.</p> <p>The terms of office of the Employee Members and Retiree Members of the IC shall conform to their respective terms of office on the Board.</p> <p>A Member may be removed by the remaining Members for any of the following reasons: (a) the Member is legally incapacitated from executing his or her duties as a Member of the IC and neglects to perform those duties, (b) the Member has committed a material breach of PFRS provisions, policies or procedures and the removal of the Member is in the interests of the system or its participants or its participants' beneficiaries, (c) the Member is convicted of a violation of law and the removal shall be accomplished by a vote of the IC in accordance with the voting procedures in this agreement, (d) if the Member holds a license to practice and such license is revoked for misconduct by any State or federal government, or (e) if an IC Member shall fail to attend scheduled meetings of the IC for four (4) consecutive meetings, unless in each case excused for cause by the remaining Members attending such meetings, the Member shall be considered to have resigned from the IC, and the IC shall, by resolution, declare the office of the Member vacated as of the date of adoption of such resolution. In addition, a Member of the IC may have voting privileges temporarily suspended by a 70% or higher vote of the other members if the Member is indicted or sued by a State or federal government for an alleged violation of the law that relates to his or her service on the IC, or for other alleged financial crimes, including fraud. Any vacancy occurring in the office of Member shall be filled within sixty (60) days following the date of the vacancy, for the unexpired portion of the term, in the same manner in which the office was previously filled.</p> <p>All members of the IC shall be reimbursed for the reasonable, actual and necessary expenses incurred in the performance of their duties. All reasonable and proper expenses related to the administration of the IC, including but not limited to the purchase of insurance, shall be payable out of the assets of the PFRS. The IC may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the IC as it deems reasonably necessary to perform its functions and such parties or persons may be reasonably compensated from the assets of the Plan; such engagements shall not be subject to the approval of the Board.</p> <p>The IC shall be an investment fiduciary to the PFRS. An IC Member or other fiduciary under the PFRS shall discharge his or her duties with respect to the PFRS in compliance with the provisions of Public Act</p>
--	--

	<p>314 of 1965, as amended. An IC Member shall discharge his or her duties with the care, skill, and caution under the circumstances then prevailing which a prudent person, acting in a like capacity and familiar with those matters, would use in the conduct of an activity of like character and purpose. Members of the IC shall comply with all Board governance policies and procedures, including the Ethics and Code of Conduct Policies, unless such compliance violates the Member's fiduciary duties or conflicts with the terms and conditions of this agreement.</p>
IC MEETINGS	<p>The IC shall meet at least once every other month. The Members shall determine the time for the regular meetings of the IC and the place or places where such meetings shall be held. The Secretary or his or her designee shall be responsible for giving notice of the time and place of such meetings to the other Members.</p> <p>Notice and conduct of all meetings of the IC, both regular and special, shall be held within the City of Detroit and in accordance with applicable law including the Michigan Open Meetings Act (MCL §15.261 <u>et seq.</u>).</p> <p>The IC shall adopt its own rules of procedure and shall keep a record of its proceedings. Five (5) Members shall constitute a quorum at any meeting of the IC, so long as at least three (3) Independent Members are present. Each Member shall be entitled to one vote on each question before the IC and at least four (4) concurring votes shall be necessary for a decision of the committee, except as otherwise provided in this Term Sheet.</p>
INVESTMENT COMMITTEE - RESPONSIBILITY	<p>The IC shall serve in a fiduciary capacity with respect to the Investment Management of all PFRS Plan Assets, determination of the investment return assumption, and Board compliance with benefit plan provisions, as set forth more fully below. The IC shall have all the powers as a fiduciary under the first sentence of MCL §38.1133(5) and (6).</p> <p>All Investment Management decisions approved by the Board shall require a recommendation by an affirmative vote of the IC, in accordance with the provisions of this agreement. All actions and recommendations of the IC shall be forwarded to the Board for consideration and are subject to Board approval. The Board shall take no action with respect to any matter for which the IC has responsibility and authority, including the Investment Management matters described in the next paragraph, unless and until such action has been approved by affirmative vote of the IC. If (a) the Board fails to approve or disapprove an Investment Management decision that has been recommended by an affirmative vote of the IC, and such failure continues for 45 days after the date that the recommendation was made to the Board, or (b) the Board disapproves an Investment Management decision within such 45-day period but fails to provide to the IC within</p>

	<p>such 45-day period a detailed written response outlining the reasons for such disapproval, then the IC and the Chief Investment Officer are authorized to implement the decision. If the Board disapproves an Investment Management decision within such 45-day period and provides to the IC within such 45-day period a detailed written response outlining the reasons for such disapproval, then the IC shall have 45 days after the receipt of the Board response to either (a) withdraw the recommended Investment Management decision, or (b) request, in writing, a conference with the Board to be held within ten (10) days, but not less than five (5) business days, of such request by the IC, unless a later date is agreed to in writing by the Board and the IC, to discuss the disapproval by the Board described in the written response. Any such conference shall be conducted with at least three (3) Independent Members present in person or by phone. Within ten (10) days of the commencement of the conference, or twenty (20) days following the IC's request for a conference if no conference is held, the IC shall either withdraw the recommended Investment Management decision or provide the Board a written explanation of the IC's decision to proceed with the recommended Investment Management decision. After delivery of such written explanation by the IC, the IC and the Chief Investment Officer are authorized to implement the decision. Any action taken by the Board or the IC in violation of the terms of this agreement shall constitute an ultra vires act and the IC or the Board is granted the express right to seek to preliminarily enjoin such action without the need to show irreparable harm.</p> <p>"Investment Management" with respect to plan assets shall mean:</p> <ol style="list-style-type: none"> 1. Developing an Investment Policy Statement with sound and consistent investment goals, objectives and performance measurement standards which are consistent with the needs of the Plan. 2. Within 120 days after the Effective Date of the POA, all of the plan assets not already under qualified management, if any, must be managed by qualified managers selected by the IC. 3. Evaluating, retaining, terminating and selecting qualified managers to invest and manage the plan assets. 4. Reviewing and affirming or rejecting the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Plan Actuary including, but not limited to, (i) those underlying the restoration of pension benefits, funding levels and amortization thereof, all in accordance with the Pension Restoration Program attached to the City's Plan of Adjustment, (ii) those underlying the determination of annual funding levels and amortization thereof, and (iii) on or after fiscal year 2024, the recommended annual contributions to PFRS in accordance with applicable law.
--	---

	<ol style="list-style-type: none"> 5. In accordance with approved actuarial work as provided in the immediate preceding paragraph and based on the annual actuarial valuation reports and any other projections or reports as applicable from the Plan Actuary or other professional advisors, the determination of the extent of restoration of pension benefits, including but not limited to the payment of lost COLA payments, all in conformance to the Pension Restoration Program between the City and the Board attached to the Plan of Adjustment. 6. Communicating the investment goals, objectives, and standards to the investment managers; including any material changes that may subsequently occur. 7. Determining and approving the Plan's investment and asset allocation guidelines, taking into account the appropriate liquidity needs of the Plan. 8. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels. 9. Taking whatever corrective action is deemed prudent and appropriate when an investment manager fails to perform as expected. 10. Complying with the provisions of pertinent federal, state, and local laws and regulations, specifically Public Act 314 and Plan Investment Guidelines. 11. Reviewing and approving, prior to final issuance, the annual audit and all financial reports prepared on behalf of the PFRS and meet and confer with the Plan's outside auditor or other professional advisors as necessary prior to approving the annual audit or other financial reports. 12. Causing an asset/liability valuation study to be performed for PFRS every three (3) years, or as requested by the IC or Board. <p>The IC shall give appropriate consideration to and have an understanding of the following prior to the adoption of the investment guidelines and asset allocation policies, the selection of manager(s), and/or the adoption of investment return assumptions:</p> <ol style="list-style-type: none"> 1. The fiduciary best practices and institutional standards for the investment of public employee retirement system plan assets. 2. The objective to obtain investment returns above the established actuarial investment return assumption to support the restoration of benefits under the Pension Restoration Program, to the
--	--

	<p>extent that is prudent and consistent with the overall funding, liquidity needs and actuarial assumptions governing the Plan.</p> <p>3. The liquidity needs of the PFRS Plan.</p>
CHIEF INVESTMENT OFFICER (CIO)	<p>The IC shall evaluate and select the CIO, set and approve any and all compensation for, and terms of employment of, the CIO. With respect to plan assets, the CIO shall report directly to the IC and the Executive Director of the Board. The CIO shall be responsible for assisting the IC and the Board in overseeing the PFRS's investment portfolio.</p> <p>The initial CIO is Ryan Bigelow [subject to State due diligence.]</p>
PLAN ACTUARY	<p>The current Plan Actuary is Gabriel Roeder Smith & Company. In the event the Board desires to retain a new actuary, the Board and IC shall collectively participate in the evaluation and selection of a qualified Plan Actuary. The Plan Actuary shall be responsible for assisting the Board and IC in performing its actuarial duties and shall comply with all requests for information or modeling requested by the IC, and shall attend meetings of the IC as requested, so as to allow the IC to perform satisfactorily the rights and duties set forth herein. Furthermore, the Board shall not act on any recommendation made by the Plan Actuary based on any calculation, assumption or assessment rejected by the IC.</p> <p>Nothing herein shall be interpreted as limiting the IC's authority to engage an actuarial consulting firm other than the Plan Actuary to perform actuarial services deemed necessary to fulfill its fiduciary duties to the PFRS and other duties to PFRS as set forth herein.</p>
CONSISTENCY WITH PLAN OF ADJUSTMENT	<p>Nothing herein shall be interpreted as permitting the IC or the Board to alter or depart from the requirements set forth in the confirmed Plan of Adjustment.</p>

DETROIT 56620-1 1315534v8

EXHIBIT C

1. General Retirement System
2. Police and Fire Retirement System
3. AFSCME
4. UAW
5. Detroit Police Officers Association
6. Detroit Police Command Officers Association
7. Detroit Police Lieutenants and Sergeants Association
8. Detroit Fire Fighters Association
9. Retired Detroit Police and Fire Fighters Association
10. Retired Detroit Police Members Association
11. Detroit Retired City Employees Association
12. Official Retirees Committee
13. City of Detroit

EXHIBIT D

Cases to be dismissed:

1. GRS et al. v. Emergency Manager of Detroit (Ingham County Circuit Court)
2. Webster et al. v. State of Michigan, Governor, and State Treasurer (Ingham County Circuit Court)
3. Detroit Library Commission v. Governor, State Treasurer, and Detroit Public Schools Emergency Manager (Ingham County)
4. Flowers et al. v. Governor, State Treasurer, and State of Michigan (Ingham County Circuit Court)
5. DPOA v. City of Detroit (Michigan Court of Appeals)

The settling parties will not attempt to amend to include the City of Detroit or its Emergency Manager as a defendant, or collaterally or retroactively attack the Detroit bankruptcy or actions of Detroit or its EM, or otherwise participate, support, fund or appeal in the following cases:

1. Phillips et al v. Governor and State Treasurer (E.D. Mich.)
2. Michigan AFSCME Council 25 v. Governor, State Treasurer, et al. (E.D. Mich.)
3. NAACP v. Governor, State Treasurer, and Secretary of State (E.D. Mich.)
4. Robert Davis/Citizens United Against Corrupt Government v. Governor, State of Michigan, Dept. of Treasury, Dept. of State Police, et al. (Ingham County Circuit Court)
5. Robert Davis/Citizens United Against Corrupt Government v. Michigan Department of Treasury and Carla Robert (Wayne County Circuit Court)
6. Robert Davis v. Local Emergency Financial Assistance Loan Board (Ingham Court)
7. Robert Davis v. Weatherspoon, Governor, Attorney General, and State Treasurer (E.D. Mich.)
8. Allen Park Retirees v. EM Parker, City of Allen Park (Wayne Circuit)
9. Allen Park Retirees v. State (Court of Claims)
10. Deborah Moore-El v. Snyder (E.D. Mich.)
11. Faith, et al. v. Snyder (E.D. Mich.)
12. Sarella Johnson, et al. v. Snyder (E.D. Mich.)
13. United Retired Government Employees (URGE) et al. v. Governor, et al. (E.D. Mich.)

DETROIT 56620-1 1314985v13

EXHIBIT 4 – CERTIFICATE OF SERVICE

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:
City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846
Judge Thomas J. Tucker
Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 6, 2023, he filed a copy of the foregoing *City of Detroit's Supplement Filed in Connection with the City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* with the Clerk of the Court via the Court's ECF electronic filing system which will provide notice of the filing to all registered participants in this matter.

Dated: February 6, 2023

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

By: /s/ Marc N. Swanson
Marc N. Swanson (P71149)
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 496-7591
Facsimile: (313) 496-8451
swansonm@millercanfield.com

Attorneys for the City of Detroit

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**SUR-REPLY IN SUPPORT OF RESPONSE TO CITY OF DETROIT'S
MOTION TO ENFORCE PLAN OF ADJUSTMENT AND REQUIRE 30-
YEAR AMORTIZATION OF THE UAAL IN THE POLICE AND FIRE
RETIREMENT SYSTEM PENSION PLAN**

Respectfully submitted,

By: /s/ Jennifer K. Green

Jennifer K. Green

Ronald A. King

Clark Hill PLC

151 S. Old Woodward, Ste 200

Birmingham, MI 48009

(248) 988-2315

jgreen@clarkhill.com

rking@clarkhill.com

Attorney for Creditor – PFRS

Date: February 13, 2023

TABLE OF CONTENTS

INDEX OF AUTHORITIES.....	ii
I. INTRODUCTION	1
II. LEGAL ANALYSIS	3
A. Under The Terms Of The Plan, The PFRS Does Not Need To Allow The City To Amortize Any Of The Post-2023 Pension Payments—Let Alone For 30 Years.....	3
(1) The PFRS Pension Plan Documents Contemplate Payment By The City After 2023 With No Amortization Period.....	4
(2) If The City Had Wanted To Include An Amortization Period For The PFRS, It Knew How To.	12
B. The Financial Projections, Malhotra’s Summary Chart, And Malhotra’s Testimony Are Not “The Plan” And Cannot Be Enforced As The Plan	13
C. Financial Projections Designed To Demonstrate Feasibility Of A Plan Are Not “The Plan”	17
D. Even With The Uncertainty As To Both The Pension Payment Amount And The Amortization Period, The Plan Was Found Feasible	18
E. The Plan Controls Over The Confirmation Opinion And Order	24
F. Neither Law of the Case Nor Res Judicata Apply Here	26
G. An Adversary Proceeding Is Necessary	28

INDEX OF AUTHORITIES

Cases

<i>Brady–Morris v. Schilling (In re Knight Trust)</i> , 303 F.3d 671 (6th Cir. 2002)	28
<i>EEOC v. United Ass'n of Journeymen and Apprentices of the Plumbing & Pipefitting Indus. of the United States and Canada, Local No. 120</i> , 235 F.3d 244 (6th Cir.2000).....	27
<i>Gomez v. Great Lakes Steel Div.</i> , 803 F.2d 250 (6th Cir. 1986).....	15
<i>In re Adelphia Bus. Solutions, Inc.</i> , 341 B.R. 415 (Bankr.S.D.N.Y.2003)	21
<i>In re City of Detroit</i> , 538 B.R. 314 (E.D. Mich. Bkr. 2015)	17
<i>In re City of Detroit</i> , 614 B.R. 255 (E.D. Mich. Bkr. Crt. 2020)	4
<i>In Re Davis Offshore, L.P. v. Nancy Sue Davis Trust</i> , 644 F.3d 259 (5th Cir. 2011)	24, 25
<i>In re Doty</i> , 129 B.R. 571 (Bkrty.N.D.Ind.,1991)	26
<i>In re Young Broadcasting Inc.</i> , 430 B.R. 99 (Bkrty.S.D.N.Y. 2010).....	20
<i>Rodriguez v. Village of Port Chester</i> , 535 F.Supp.3d 202 (S.D.N.Y., 2021).....	15
<i>United States v. Milkiewicz</i> , 470 F.3d 390 (1st Cir. 2006)	15
<i>Winget v. JP Morgan Chase Bank, N.A.</i> , 537 F.3d 565 (6th Cir. 2008).....	27

Rules

Fed. R. Bank. P. 7001(7)	28, 29
Fed. R. Evid. 1006	15

I. INTRODUCTION

Once again proving the PFRS’s entire point, the City has attached twenty-six separate documents to its papers in an effort to convince this Court what *another* document says. The City points to these twenty-six other exhibits—over 300 pages in total—in an attempt to show what *the Plan* allegedly says. Remarkably absent from the City’s Reply, though, are citations to salient pages or excerpts from *the Plan*. The Plan is not the testimony of the City’s witnesses. The Plan is not the Financial Projections. The Plan is not the Confirmation Opinion.

Under the Plan itself, as set forth in the PFRS’s Response, funding policy decisions (which is what an amortization period is) fall squarely within the ambit of the PFRS Board and Investment Committee. Further, the amended PFRS Pension Plan (the “PFRS Pension Plan”) sets forth the payment procedures for Component II (the legacy/frozen plan) and it clearly states that “after July 1, 2023... the City shall pay such contributions to the Retirement System *during the ensuing Fiscal Year*.” It does *not* say “after July 1, 2023... the City may pay such contributions over thirty years.” And unlike the Financial Projections that the City hangs its hat on, this Court has already held that the amended PFRS Pension Plan is part of the Plan of Adjustment and supersedes any settlement terms that were not expressly included in the Plan. As a result, this quoted language from the PFRS Pension Plan clearly trumps a mere “assumption” used by the City in formulating its Financial Projections—projections which were used to demonstrate the *feasibility* of the Plan but which were not, in and of themselves, “the Plan.”

But because the Plan is not favorable to the City, it instead seeks to build a record of circumstantial evidence to argue that the Plan *must* include a 30-year amortization period; otherwise, the Plan would not have been feasible. While the “record” from plan confirmation is largely irrelevant, as the Plan itself is controlling, the record is clear that ten years ago, at the time of confirmation—even with (i) the amount of the pension underfunding that would exist in 2023 being a complete unknown, and (ii) no amortization period set in stone—the City’s financial expert, the Court’s independent feasibility expert, and this Court all agreed the Plan was still feasible. Plus, feasibility is a red herring because the City *has* the money to pay using the shorter 20-year amortization period selected by the PFRS (it just does not want to).

In the end, after canvassing the entirety of the confirmation trial record in an effort to drum up evidence that a 30-year amortization is required under the Plan, the *only* place the City could find an explicit reference to an amortization period was in the Financial Projections, which were only briefly summarized by the Court—and in a footnote, no less—in the Confirmation Opinion. In the face of express language in the State Contribution Agreement giving the PFRS discretion to set its own funding policies and express language in the PFRS Pension Plan granting the PFRS Board with the authority to “compute the City’s annual contributions” and requiring payment by the City “during the ensuing Fiscal Year[.]” however, the City’s reliance on the Financial Projections falls flat and its Motion should be denied.

II. LEGAL ANALYSIS

A. Under The Terms Of The Plan, The PFRS Does Not Need To Allow The City To Amortize *Any* Of The Post-2023 Pension Payments—Let Alone For 30 Years

Treatment of the PFRS Claim is laid out in the Plan as follows—and notably, the only express term in the Plan itself is that the City will pay the amounts owed after 2023, but there is nothing about an amortization period for these payments:

During the Fiscal Years from the Effective date through Fiscal Year 2023, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.1.ii.A. The exclusive source for such contributions shall be certain DIA proceeds and a portion of the State Contribution. **After June 30, 2023 . . . the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto[.]”**

(Plan of Adj., Dkt. No. 8045-1, pg. 315 of 809) (emphasis added). The Plan says nothing of the 40-year Financial Projections when it describes the treatment of the PFRS claim—it does not cite them, reference them, quote them, or incorporate them as an exhibit.¹ It does, however, expressly incorporate the State Contribution Agreement, which as set forth in the PFRS’s Response, bestows the PFRS Board and Investment Committee with the authority to set the appropriate funding policy for the

¹ The City’s argument in its Supplemental brief [Dkt. No. 13678] that the Financial Projections were referenced in the Disclosure Statement is irrelevant, as the Plan controls. (Plan of Adj., Dkt. No. 8045-1, pg. 72) (“Plan Controls. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan shall control and take precedence.”)

PFRS. In addition, as will be set forth below, the Board’s authority to set an appropriate funding policy for Component II (*i.e.*, the legacy/frozen plan) is laid out in the PFRS Pension Plan, which (unlike the Financial Projections) *is* part of the Plan of Adjustment, as it was expressly incorporated into the Plan. See *In re City of Detroit*, 614 B.R. 255, 266-67 (E.D. Mich. Bkr. Ct. 2020).

(1) The PFRS Pension Plan Documents Contemplate Payment By The City After 2023 With No Amortization Period.

The PFRS would technically be within its rights to insist on payment for the contributions owed by the City with *no* amortization period given the discretion it was given in the State Contribution Agreement and the PFRS Pension Plan. Article G to Component II (the Legacy/Frozen Plan)—entitled “Method of Financing”—governs the City’s payments for funding Component II after the ten-year pension hiatus and this section expressly states that payment is due from the City “during the Fiscal Year” the contribution obligation arises:

Sec. G-5. Contributions to and payments from the Pension Accumulation Fund.

Contributions to and payments from the Pension Accumulation Fund shall be made as follows:

(b) Subject to the Plan of Adjustment, for Fiscal Years commencing prior to July 1, 2014, **and on or after July 1, 2023**, the Board of Trustees annually ascertained and reported to the Mayor and the Council **the amount of contributions due the Retirement System by the City**, and the Council shall appropriate and **the City shall pay such contributions to the Retirement System during the ensuing Fiscal Year.** When paid, such contributions shall be credited to the Pension Accumulation Fund.

(c) For Fiscal Years commencing after June 30, 2014 and prior to July 1, 2023, the City shall make contributions to the Pension Accumulation Fund only as provided in the Plan of Adjustment.

(Ex. D to PFRS Response, Article G-5) (emphasis added). Thus, the payment due “after July 1, 2023” has no amortization period associated with it. Instead, the amended PFRS Pension Plan—which was revised specifically to address the changes under the Plan of Adjustment—explicitly states that the City “shall pay such contributions to the Retirement System *during the ensuing Fiscal Year.*” It does not say that after July 1, 2023, the City “may amortize such payment over thirty years.”

The ten-year hiatus followed by a resumption of normal, unfettered payment obligations is echoed in the next section, too, which addresses appropriations by the City:

Sec. G-9. Appropriations prior to July 1, 2014 **and after June 30, 2023.**

- (a) The Board of Trustees shall certify to the City Council **the amount of the appropriation necessary to pay to the various funds of the Component II** of the Retirement System the amounts payable by the City as enumerated in this Component II, according to legal budget procedure.
- (b) **To cover the requirements of Component II** prior to July 1, 2014 **and after June 30, 2023**, such amounts **as shall be necessary to cover the needs of Component II shall be paid into the Pension Accumulation Fund² and the Expense Fund by special appropriations or transfers to the Retirement System**; provided,

² The “Pension Accumulation Fund” or “PAF” is one of several funds that comprise Component II. (Ex. D to PFRS Response, Article G-1) (“The funds of Component II... shall be the Annuity Savings Fund, Annuity Reserve Fund, Pension Accumulation Fund, Pension Reserve Fund, Deferred Retirement Option Plan Fund, Expense Fund and the Survivors Benefit Fund.”) All payments from the City are paid to the PAF first before being allocated to the other funds.

however that no transfers can be made from the Accrued Liability Fund other than the annual transfer of the scheduled amortizing amount, or transfers under special circumstances pursuant to Section G-4 (as in effect prior to July 1, 2014).³

(Ex. D to PFRS Response, Article G-9) (emphasis added). The PFRS Pension Plan documents state only that the “amount of the appropriation necessary to pay the various funds of the Component II” will be made and that after June 30, 2023, “such amounts as shall be necessary to cover the needs of Component II shall be paid into the Pension Accumulation Fund”—but again, nowhere do these documents state that these payments “shall be paid over thirty years.” Such language simply does not exist.

Next, Article G-17 expressly states that *the Board*—not the City—sets the City’s contribution payment amount, which necessarily includes the authority to choose any amortization schedule that may impact that contribution amount:

[T]he **Board of Trustees shall compute the City’s annual contributions for Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023... using actuarial valuation data... The Board shall report to the Mayor and to the City Council the contribution percents so computed, and such contribution percents shall be used in determining the contribution dollars to be appropriated by the City Council and paid to the Retirement System.**

³ The reference to the Accrued Liability Fund and Section G-4 relates to a special account that was set up in 2005 to receive the proceeds from the Certificates of Participation (“COPs”) transaction and that account was dissolved after the City’s bankruptcy. (Article G-5(b), stating “[a]s soon as practicable following the effective date of the Plan of Adjustment, any amounts remaining credited to the Accrued Liability Fund shall be transferred to the Pension Accumulation Fund and the Accrued Liability Fund shall cease to exist.”). Thus, any reference to a “scheduled amortizing amount” in Article G-9(b) relates to the COPs transaction and an account that no longer exists, so this section does not aid the City’s argument that amortization is permitted.

(Ex. D to PFRS Response, Article G-17) (emphasis added). As the PFRS has repeatedly stated, it has no obligation to allow the City to amortize the contribution payment *at all* (let alone for 30 years). The PFRS has every right to enforce the Plan as written and demand a more aggressive payment schedule for the amounts owed for Component II. However, the PFRS *is* mindful of the City’s desire to fund its reinvestment initiatives. Accordingly, after consultation with its actuaries, the PFRS has set a funding policy that allows the City to pay its contribution amount using a 20-year amortization period—a result which fairly balances the City’s desire to fund its reinvestment initiatives, while still ensuring that the PFRS has faithfully discharged its fiduciary duties to its members.

Lastly, the Plan itself only limits the discretion of the PFRS Board during the ten-year period colloquially referred to as the “pension hiatus” or the “pension holiday.” After that, computation of the City’s employer contribution reverts back to pre-bankruptcy procedures. The Plan of Adjustment states:

G. No Changes in Terms for Ten Years. Except as may be required to maintain the tax-qualified status of the PFRS or to comply with the terms of the Plan, the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, or any successor plan or trust, that govern the calculation of pension benefits ... or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B, *the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023*, notwithstanding whether that subsequent amendment or act is created or undertaken by contract, agreement (including collective

bargaining agreement), statute, rule, regulation, ordinance, charter, resolution or otherwise by operation of law.

(Plan of Adj., Section II.B.3.q.ii.G). Thus, the PFRS was forbidden from changing the amount of “the contribution to the PFRS” during the pension holiday, but after June 30, 2023, the amount of the “contribution to the PFRS” shifts back to being computed by the Board in consultation with its actuaries. The Plan does *not* say “after July 2053, the authority to determine the amount of the employer contribution will be returned to the PFRS Board.” Instead, every single citation related to the computation of the City’s pension contribution (in both the Plan of Adjustment as well as in the PFRS Pension Plan) carves out this ten-year period but reverts back to the ordinary employer contribution calculation procedures after 2023. When this provision of the Plan and Article G of the PFRS Pension Plan are read together, the answer to the amortization question is simple—after 2023, it is the Board’s decision (solely) and the only time period when the Board did not have authority to set an amortization period was during the ten-year pension hiatus. After that period ends, the Board resumes its normal fiduciary responsibilities and is once again free to set the applicable funding policy.

The order the City has requested from this Court, however, violates the Plan, the PFRS Pension Plan, the State Contribution Agreement and Michigan law by stripping the PFRS Board of its right to make this critical funding policy decision.⁴

⁴ Under the Plan of Adjustment, unless a rule of law or procedure is supplied by federal law, then “the laws of the State of Michigan. . . shall govern the rights, obligations,

Under well-established Michigan law, the PFRS Board has the sole discretion to calculate the employer contribution payment and set an appropriate amortization period (if any)—not the City. See *Policemen and Firemen Retirement System v. City of Detroit*, 270 Mich.App. 74, 75–77 (Mich. App. 2006), *leave denied*, 477 Mich. 892 (2006). In that case, just like here, the City wanted a longer amortization period to reduce its annual payment amount and argued that it controlled the amortization decision, not the PFRS. The court began its analysis by summarizing the PFRS Board’s authority as follows:

The Board is responsible for the general administration, management, and operation of the Policemen and Firemen Retirement System. . . Part of the Board’s responsibilities is to ensure that the retirement system is properly funded. Accordingly, the Board, after consultation with an actuary, determines the amount of Detroit’s annual pension contribution. . . The 2004 plan was underfunded and, therefore, one component of the pension contribution is the amount of time necessary for Detroit to meet the system’s unfunded accrued liabilities. Logically, the amount of time permitted to satisfy the accrued liabilities, also known as the amortization period, affects the amount Detroit is obligated to contribute to the plan each year. In March 2004, the Board, by a six-to-five vote, adopted a 14–year amortization period to calculate Detroit’s annual contribution to finance the unfunded accrued pension liabilities. However, Detroit maintained that a 20–year amortization period should apply under a local ordinance, notwithstanding that Detroit never followed the ordinance in the past and the Board had set the amortization period for many years.

construction and implementation of the Plan and any contract, articles or certificates of incorporation, bylaws, codes of regulations, similar constituent documents, instrument, release or other agreement or document entered into or delivered in connection with the Plan.” (Plan of Adj., pg. 72(I)). Further, under M.C.L. 38.1133g, the Investment Committee and the Board are obligated to carry out their fiduciary duties in accordance with “applicable law.”

Id. at 75-76. In response to the City’s insistence that it controlled the amortization period decision, the PFRS Board sought a declaratory judgment “that it has the right to determine the time period for the financing of unfunded accrued pension liabilities.” *Id.* at 76. The Board filed a motion for summary disposition and argued that under Michigan law, only it has “the authority to determine the amortization period and that Detroit must abide by its recommendation and pay the amount of pension contribution calculated by the Board.” The trial court disagreed with the PFRS, but the Michigan Court of Appeals reversed and ruled that the power to set amortization was strictly within the PFRS Board’s power, reasoning:

The Board has the authority to adopt the amortization period to finance unfunded accrued pension liabilities . . . Detroit argues that MCL 38.1140m merely places caps on the amortization periods starting in 2006, but that “[i]t does not give the Board the right to decide on the amortization period.” We disagree. The statute provides that the Board, acting on the recommendation of an actuary, makes “the determination of the required employer contribution.” MCL 38.1140m. Further, the statute explicitly provides that the Board “shall confirm” that the plan “provides for the payment of the required employer contribution” and “shall confirm” that the system receives “the required employer contribution....” *Id.* “The word ‘shall’ is unambiguous and is used to denote mandatory, rather than discretionary, action.” . . . Thus, the statutory language is unequivocal that the Board determines the amount the employer (Detroit) contributes annually to the retirement system and that the employer, in turn, is “required” to make the contribution. The Board’s determination also necessarily includes the amount of time in which Detroit must pay the unfunded accrued pension liabilities because the period directly affects the amount Detroit must contribute to the plan each year.

Id. at 81-82 (citation omitted). The court further reasoned:

As noted, MCL 38.1140m [of Act 314] states that the Board is to determine the annual contribution. . . Thus, the statute contemplates that the Board, through an actuary, shall determine the annual payment, which includes a determination of the “amortized portion of the unfunded principal liability.” *Id.* Moreover, the next portion of the statute provides . . . the required employer contribution shall not be determined using an amortization period greater than 30 years. . . A plain reading of this section, in conjunction with the rest of MCL 38.1140m, compels the conclusion that, while the amortization period is capped at no greater than 30 years at the end of 2005, the actuary and the Board have discretion, within that limit, to determine the appropriate amortization period. Indeed, the above language evidences the Legislature’s intent to grant the Board the authority to determine the amortization period because it included limits (caps) in its grant of authority to the Board to determine the employer’s annual contribution. Further, it is self-evident that, because the Board has the responsibility to determine the employer’s annual contribution to the system and to ensure that the system is adequately funded, an integral element of that calculation is how much the city must annually contribute to pay down its unfunded liabilities. Again, how long those liabilities are amortized, according to the calculations of the actuary, directly affects the adequacy of the system funding and the amount Detroit must pay each year.

Id. at 81-82. Thus, the court concluded: “The Legislature granted the Board the authority to determine the annual plan contributions, which necessarily includes the annual amortization period . . . We reverse the trial court’s decision and grant the Board a declaratory judgment that it has the authority under applicable law to set the amortization period.” *Id.*

The same is true here. The PFRS Board is vested with the authority (and the *autonomy*—independent from the pension plan’s funder) to set an appropriate policy to ensure the system is adequately funded. The Plan of Adjustment (at least, post-2023) did not change this. In fact, the PFRS Pension Plan drafted and enacted by the

City in connection with the Plan of Adjustment retains the same process that governed before the bankruptcy—*i.e.*, that the “***board of trustees*** shall annually ascertain and report to the mayor and the council the amount of contributions due the retirement system by the city . . . and the city shall pay such contributions to the retirement system during the ensuing fiscal year” and the “***Board of Trustees*** shall compute the City’s annual contributions[.]”⁵ (emphasis added). Accordingly, the Plan, the PFRS Pension Plan, the State Contribution Agreement (codified in Act 314) and Michigan law all dictate the same result: the PFRS has the sole discretion to select the amortization period.

(2) If The City Had Wanted To Include An Amortization Period For The PFRS, It Knew How To.

The lack of any express term for amortization for the PFRS payment is particularly glaring because in other contexts within the Plan, where amortization periods were expressly negotiated and agreed upon as a material financial term, those amortization periods are explicitly set forth in the Plan itself. For example, for the new LTGO Bonds, the City expressly spelled out the specific amortization terms:

⁵ See *Policemen and Firemen Retirement System*, 270 Mich.App. at 80-82, n. 3-4 (quoting Detroit City Code, § 54-43-4(b) and § 54-2-7); see also PFRS Pension Plan Article G-5, G-17.

Schedule 1
Financial Terms of New LTGO Bonds

Principal: \$55 million

Interest Rate: 5.65% per annum (first 10 years, 5.00% payable in cash and 0.65% capital appreciation added to principal)

Final Maturity: 23 years

Amortization: Interest payable semi-annually

On each anniversary from the sixth through tenth anniversary—\$2 million principal due per year

On each anniversary from the eleventh through twenty-third anniversary—principal payment equal to one-thirteenth (1/13) of the principal outstanding immediately prior to the eleventh anniversary (approximately \$3,735,115 per year)

(Plan of Adj., pg. 282). Similarly, with respect to the New B Notes, the amortization terms were expressly written out in the Plan itself:

NEW B NOTES
SUMMARY OF PRINCIPAL TERMS¹

On the Effective Date, the City shall issue the New B Notes and distribute them as set forth in the Plan. The definitive documentation governing the New B Notes shall provide generally for the following terms:

Obligation	The City's obligations with respect to the New B Notes shall be a general and unsecured obligation of the City.
Initial Principal Amount	\$632.0 million.
Interest Rate	4.0% for the first 20 years; 6.0% for years 21 through 30.
Maturity	30 years.
Amortization	Interest only for 10 years; amortization in 20 equal annual installments beginning on the interest payment date nearest to the 11th anniversary from issuance.
Disclosure	The City will provide a continuing disclosure undertaking under 17 C.F.R. § 240.15c2-12 in connection with the delivery of the New B Notes.

Id. at pg. 315. No similar language was used for the PFRS claim.

B. The Financial Projections, Malhotra's Summary Chart, And Malhotra's Testimony Are Not "The Plan" And Cannot Be Enforced As The Plan

The City claims in its Reply: "E&Y's 40-year projections confirmed that the POA incorporated a settlement between Kevyn Orr and GRS/PFRS that required 30-year amortizations." (Reply at pg. 12) In support of this statement that the POA

“incorporated” a settlement with a 30-year amortization, the City cites two items: (i) Malhotra’s testimony, and (ii) Exhibit 723 from the confirmation trial. However, neither of these is “the Plan.” Witness testimony is not “the Plan.” Exhibits admitted at the confirmation trial are not “the Plan.” The “Plan” is a defined term:

273. “Plan” means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

(Plan of Adj., pg. 23). Unless the exhibit is attached to or referenced in the Plan itself (like the State Contribution Agreement and the PFRS Pension Plan), it is not the Plan.

Moreover, Exhibit 723 from the confirmation trial (attached to the City’s Reply as Exhibit 18) is merely a summary chart that according to Malhotra, showed the “key items of the settlement with GRS and PFRS.” Even this summary chart, though, does not include the word “amortization.” Further, this document was not an excerpt from the Plan. As such, Exhibit 723 was admitted as merely a “demonstrative aide” and was never intended to be substantive evidence of the Plan:

MR. STEWART [from Jones Day]: And just for the record, let’s put up Exhibit 723. . . Do you see Exhibit 723, Mr. Malhotra?

A. I do.

Q. What is this?

A. It shows the key items of the settlement with GRS and PFRS as a part of the plan of adjustment.

Q. Okay. . . could you tell us what are GRS and PFRS?

A. The General Retirement System and the Police and Fire Retirement System.

Q. Do you know off the top of your head what class each is in?

A. Class 10 and 11.

Q. Now, tell us ... Your honor, if I could, I would move the admission of Exhibit 723 *as a demonstrative exhibit*.

MR. SOTO: No objection, your Honor.

MR. WAGNER: Yeah. No objection as a demonstrative.

THE COURT: It is admitted.

(Ex. G to PFRS Response Brief, Malhotra Tran. at pg. 132-33) (emphasis added). A “demonstrative exhibit” is not substantive evidence and should not be relied upon by a finder of fact. “[D]emonstrative exhibits ‘ha[ve] no probative value in [themselves],’” but “they may be admissible for the purpose of ‘illustrat[ing] oral testimony.’” *Rodriguez v. Village of Port Chester*, 535 F.Supp.3d 202, 218 (S.D.N.Y., 2021) (citation omitted). Courts caution against demonstrative exhibits for precisely the reason presented here—the risk that a demonstrative will improperly be relied upon for its “truth.” *Id.* at 219 (noting that when “determining the admissibility of demonstrative exhibits... courts must carefully weigh whether the exhibits are unduly prejudicial” because the factfinder could “interpret them as real-life recreations of substantive evidence that they must accept as true.”) Unless a summary is being admitted as a summary of a voluminous writing under Fed. R. Evid. 1006 (which Exhibit 723 was not), a summary introduced as a demonstrative aid is “more akin to argument than evidence[.]” *Gomez v. Great Lakes Steel Div.*, 803 F.2d 250, 257 (6th Cir. 1986); *United States v. Milkiewicz*, 470 F.3d 390, 396-98 (1st Cir. 2006) (citations omitted) (noting demonstratives are by definition “less neutral in [their] presentation” and thus not properly considered evidence). Hence, Exhibit 723 should be ignored altogether in favor of the actual Plan language.

Similarly, witness testimony is undisputedly *not* part of the Plan. And even if

it was, Malhotra’s testimony actually supports the PFRS’s position:

THE COURT: Excuse me. Before we leave this one [Exhibit 723] . . . Does the plan commit the city to make the payments in your section of the change here called “Future Contributions”?

THE WITNESS: Those contributions are assumed in the plan, your Honor, and the city—

THE COURT: They are what?

THE WITNESS: They are assumed to be made in the plan, your Honor, so the city is in the projections making those payments beyond 2024 into the pension systems in the plan.

THE COURT: My question was a slightly different one. Does the plan commit the city, legally commit the city to make those payments?

THE WITNESS: My understanding is the city is committed to the fund the unfunded liability. I just don’t know—the city and the Retirement Systems have to decide what the amortization methodology is of the UAAL at the end—at the end of year ten, and the city is committed to fund that underfunded liability. Depending on what amortization schedule gets picked, the payments can change slightly because of the interest rate, but my understanding is the city is committed to make the payments beyond 2024 into those pension systems.

(Ex. G to PFRS Response, Malhotra, 9/29/2014 Hrg. Tran., pg. 139-140). Malhotra’s testimony is actually 100% aligned with the PFRS’s position: the City is legally obligated to make the payment under the Plan (period) and the amortization (if any) gets decided after year ten.

Lastly, the City’s argument that Kevyn Orr and the PFRS reached “a settlement” containing a 30-year amortization period is entirely unavailing. The City blasted this exact argument when the RDPFFA made a similar attempt to claim that it had “reached a settlement” during mediation but the particulars of that settlement did not make their way into the Plan and instead were only on the term sheet from

mediation. In the face of that argument, this Court has already held—as it should—that unwritten settlement terms not expressly incorporated in the Plan of Adjustment are not enforceable. *In re City of Detroit*, 538 B.R. 314, 320 (E.D. Mich. Bkr. 2015) (holding that the RDPFFA term sheet was not “incorporated into or made part of the Plan” and thus the term sheet “did not survive confirmation of the Plan”). Although at least in the RDPFFA case, the disputed term was part of a written term sheet signed by the parties, which is not true with respect to the amortization issue. Here, there is even less basis to find the Financial Projections part of the Plan, as they were created unilaterally by the City (without input or approval by the PFRS or any of the other 27 constituents involved in the pension settlement), they were ever-evolving (indeed, they were changed at least ten times by the City’s own admission), and the 30-year amortization period was merely an “assumption” baked into the projections by the City’s financial expert (presumably because that is what period the City used before the bankruptcy). But perhaps most importantly, financial projections used to show that a plan of adjustment is “feasible” are not *the Plan*. They are merely a piece of evidence used at confirmation trials to demonstrate feasibility but they do not set forth “the Plan.”

C. Financial Projections Designed To Demonstrate Feasibility Of A Plan Are Not “The Plan”

The City attempts to convince the Court that its Financial Projections are “part of the Plan” and not extrinsic evidence because they “were among a very few trial exhibits that were incorporated in the Confirmation Opinion and Order.” (Reply, pg.

13). But the “Plan” is a defined term and exhibits referenced in the Court’s Confirmation Opinion are not part of the Plan:

273. “Plan” means this plan of adjustment and all Exhibits attached hereto or referenced herein, as the same may be amended, restated, supplemented or otherwise modified.

(Plan of Adj., pg. 23). *Of course* the City’s Financial Projections were discussed at length in the Confirmation Opinion. They had to be, since demonstrating that the Plan was financially feasible was an element of the City’s case. But that is a far cry from one line item in the Financial Projections—which were a guess 40 *years* into the future—being transformed into a “contract” or a promise to perform. The purpose of these Financial Projections were merely to show the Court, hypothetically, how the City’s finances could progress in the future. The City is now treating them as gospel. If the opposite was true (and in some cases it is)—that the City fared worse under its projected financial condition—the City would not be here arguing that it should be held to the projections. If the City’s revenues faltered one year and it could not perform as it thought it could a decade ago, the Plan would not retroactively fail the feasibility test and be unwound.

D. Even With The Uncertainty As To Both The Pension Payment Amount And The Amortization Period, The Plan Was Found Feasible

Perhaps the best evidence that the Plan was feasible even without an amortization period set in stone in the Plan is the fact that the City undisputedly *has* the money to pay the unfunded liability for Component II. Under the Plan, the City had ten full years to plan for this part of its financial reorganization, and to its credit,

the City planned accordingly and set aside the money. Thus, the Plan as it is actually spelled out in the documents (with no certainty as to the amount of the pension payment after 2023 and with no amortization schedule agreed upon beforehand) *was* feasible as presented to this Court at plan confirmation—in part, because the Plan gave the City *an entire decade* to plan and budget accordingly.

But because the Plan language is not favorable to the City, it instead seeks to build a record of extrinsic evidence to argue that the Plan *must* include a 30-year amortization period; otherwise, the Plan would not have been feasible. The City attempts to backfill this argument by speculating that any other “plan” would not have been approved by the Court. The record is clear, though. Ten years ago, at the time of confirmation—even with (i) the amount of the pension underfunding after the ten years an unknown, and (ii) no concrete amortization schedule set in stone—the experts and the Court agreed the Plan was still feasible. Kopacz cited the potential wild swing of *over \$1 billion dollars* that could be owed at the end of the ten-year hiatus depending on how the markets fared yet she still concluded it was feasible:

PFRS Average Rate of Return Scenario Analysis⁷

Average Rates of Return July 2014 - June 2023	Estimated Funding Status June 2023	Estimated Projected Unfunded Liability June 2023	Estimated Projected Unfunded Liability Variance
3.00%	43%	\$ 1,717	\$ 1,036
5.00%	60%	\$ 1,208	\$ 527
6.00%	70%	\$ 917	\$ 236
6.75%	78%	\$ 681	\$ -
8.00%	92%	\$ 252	\$ (429)
0% - 1st 5 years; 10% - 2nd five years	53%	\$ 1,439	\$ 758
10% - 1st 5 years; 0% - 2nd five years	64%	\$ 1,097	\$ 416

Kopacz also acknowledged in her Supplemental Report that “the City may have continuing unfunded pension obligations far into the future” and “*these obligations may increase beyond the assumptions presented in the July 2, 2014 financial projections.*” (Ex. F to PFRS Response, Kopacz Supp. Report) (emphasis added).

The City’s financial expert, Malhotra, echoed this exact concern and cited the uncertainty as to the amount of the pension payments due after 2023 as the biggest risk to feasibility. He explained to the Court that unlike the other creditor settlements—which were locked in, both in terms of amount and other economic terms—the pension liability at the end of the ten-year hiatus was not:

THE COURT: Okay. I want to ask you, what are the two or three most critical assumptions in the City's 10-year forecast or projections that concern you the most?

A. The first one, Your Honor, would be the unfunded pension liability of the City at the end of the 10 years because in a lot of this in terms of the settlement to the creditors, we have boxed in what the City's liability will be. On the side of the pensions, we are still using calculations to estimate what that 10-year unfunded liability will be. So that will be my first one as a concern because it's an unknown, it's an estimate, but it's still not boxed in in terms of how we have boxed in our best ability of the other claims.

(Ex. G, Malhotra Hrg. Tr. 9/29/2014, pg. 272). The City pretends as though the uncertainty as to how much would be owed to cover the pension shortfall after the ten-year pension holiday would have prevented the City from being able to prove the Plan was feasible. Not so. “Just as speculative prospects of success cannot sustain feasibility, the mere prospect of financial uncertainty cannot defeat feasibility.” *In re Young Broadcasting Inc.*, 430 B.R. 99, 129 (Bkrtcy.S.D.N.Y.,2010) (citing *In re U.S.*

Truck Co., 47 B.R. 932, 944 (E.D.Mich.1985). “Success need not be guaranteed, so long as the plan has a ‘reasonable likelihood of success.’” *In re Adelphia Bus. Solutions, Inc.*, 341 B.R. 415, 421–22 (Bankr.S.D.N.Y.2003).

The pension-related uncertainties were risks but every plan has some level of risk. The Court even acknowledged this risk but still ultimately found the Plan feasible. *In re City of Detroit*, 524 F.R. 147 at 232 (noting “the risk remains that at the end of FY2023, the UAAL could be much larger than currently projected”).

The City lastly claims the Court’s Confirmation Opinion “adopted and incorporated” the entirety of Kopacz’s report—a report that the City claims “confirms the 30-year amortization period.” (Reply, pg. 7). This is entirely circular, as Kopacz was just summarizing the same portion of the Malhotra Financial Projection. Neither expert’s report—not the Malhotra Financial Projections and not the Kopacz feasibility report—are part of the Plan of Adjustment. The City pretends that the Financial Projections and the Kopacz feasibility report somehow magically transform into “the Plan.” Feasibility, though, was established by more than just a set of Financial Projections and the Kopacz report—it was established (as the Court expressly listed in its Confirmation Opinion) by the testimony of twenty-two witnesses, ranging from Kevyn Orr, Malhotra, Charles Moore, Glenn Bowen of Milliman, Michael Duggan, Brenda Jones (City Council President), Dan Gilbert, and Roger Penske. And exactly none of those witnesses testified that the Plan would only be feasible if the PFRS pension

payment in 2023 was paid over a thirty-year period. In fact, to the contrary: both Kopacz and Moore went on record outright *criticizing* the City and the Retirement Systems’ prior use of lengthy amortization periods and cited it as one of a handful of “practices” that led to chronic underfunding and “contributed to a significant shortfall in the two pension plans” (Ex. F to PFRS Response, Kopacz Supp. Report, Dkt. No. 13634-7, pg. 127) (criticizing the use of “renewing 29- (PFRS) and 30-(GRS) year amortization periods for funding the unfunded pension obligations”) (citing Dkt. No. 13).

The City attempts to undermine the PFRS’s assertion in its Response that the City’s own experts did not support a 30-year amortization period by claiming that (i) the Glenn Bowen deposition testimony cited by the PFRS related to his work early in the bankruptcy case, not at the confirmation phase of the case; and (ii) Chuck Moore’s deposition testimony was an “esoteric and hypothetical discussion of other plan amortization periods[.]” (Reply, pg. 18-19). But the absence of any testimony during plan confirmation from either Bowen or Moore—the two key pension task force experts—in favor of a 30-year amortization period is telling. The reason the record is bereft of any such testimony is because those experts were decidedly *against* long amortization periods and those experts would have been promptly impeached with the testimony cited by the PFRS in its Response if they had shown up at plan confirmation and abandoned their prior unequivocal testimony that lengthy amortization periods were inappropriate for the City. In fact, in addition to his later deposition testimony, Moore’s

first-day declaration has an entire section dedicated solely to his criticism of the 29-year and 30-year amortization periods previously used by the City. In a section entitled “*GRS’ Amortization Method Is Unreasonable*,” Moore chastised the use of a 30-year open amortization because “[t]his causes the UAAL to grow rapidly (due to compounding), and essentially ‘kicks the can’ of responsible pension funding ‘down the road.’” (Dkt. No. 13, Moore Declaration at page 8-9) (emphasis in original). He further noted that while “many governmental plans use long amortization periods to fund liabilities—in part to justify lower current contributions to their pension systems—use of a 30-year amortization period on an open-ended basis simply defers indefinitely the cost to the City of the Systems’ liabilities” which he explained “is especially problematic in mature pension funds like GRS and PFRS[.]” Moore also explained in his declaration that the City asked Milliman to “determine the City’s future contribution obligations using more reasonable amortization periods” and Moore specifically identified more “reasonable” amortization periods as “shorter, closed amortization periods—15 years for PFRS (to account for the fact that the PFRS is already closed for new hires) and 18 years for the GRS.” *Id.* This is *precisely* the position urged by the PFRS’s actuaries as set forth in the PFRS Response. Gabriel Roeder advised the PFRS to reject the City’s request for a 30-year amortization because “[i]n mature legacy plans, the risk of plan insolvency is increased when amortization periods are longer than 10 or 15 years”⁶—

⁶ See Ex. J to PFRS Response, Gabriel Roeder Report.

advice that is in line with the City's *own* pension experts' dim view of lengthy amortization periods. In its current Motion, the City would have this Court believe that it engaged not just one pension expert—but an entire *task force* of pension experts—yet somehow came up with a Plan of Adjustment that adopted the same exact 30-year amortization that those experts lambasted on day one of the bankruptcy filing as well as during their discovery depositions prior to the confirmation trial.

In short, after fly-specking the entire confirmation record, the City's whole case hangs on a self-admitted "assumption" used by a financial expert. That "assumption" was then blindly regurgitated by Kopacz in her report without questioning whether it was actually part of the Plan—yet incredibly, the City stretches this to claim that Kopacz "confirmed" in her report that a 30-year amortization was part of the Plan. The PFRS does not dispute that the City may have used a 30-year amortization period a placeholder in its Financial Projections—what it does dispute is that this term was ever formally incorporated into the Plan itself. It was not.

E. The Plan Controls Over The Confirmation Opinion And Order

Contrary to the City's argument, the Plan controls over the conflicting Confirmation Opinion and Order. See e.g., *In Re Davis Offshore, L.P. v. Nancy Sue Davis Trust*, 644 F.3d 259 (5th Cir. 2011). In *Davis Offshore*, an adversary proceeding was filed six months after the plan was finalized and the confirmation order was entered, at which time it was discovered that the release and exculpation provisions contained in the plan were different than the ones set forth in the confirmation order.

The scope of the release and exculpation provisions were critical to determining whether the adversary proceeding could move forward because under the plan, claims against the buyer of the debtor's assets in the bankruptcy proceeding were discharged. Under the release in the confirmation order, however, they were not. The bankruptcy court, in analyzing the conflicting interpretations of the plan versus the confirmation order, ruled that as a matter of law, the confirmation order took precedence over the plan. *Id.* at 268. The Fifth Circuit reversed, reasoning:

[A]llowing an order of confirmation always to trump the plan, if the two documents are in conflict, encourages error and abuse. In the flurry of activity that normally precedes plan confirmation, the parties have more likely negotiated and studied the terms of the plan itself than the often boilerplate language embodied in the court's order of confirmation. . . . An error in the confirmation order should not overcome the parties' negotiated deal.

Id. at 268. Moreover, the court continued, "allowing the order of confirmation to stand alone, separate and apart from the plan, in the interpretive process would tempt parties to insert other provisions in the confirmation order that might not coincide with a plan...[.]" *Id.*

The same is true here. As pointed out in the PFRS's Response Brief, no less than *twenty-seven* separate parties here heavily negotiated the pension portion of the Plan. The various inter-related documents that form the Grand Bargain (*i.e.*, the State Contribution Agreement and the PFRS Pension Plan) were negotiated by and between numerous parties—the City, State, the Foundations, the two Retirement Systems, and

the Retiree Committee. The Plan was voted on by tens of thousands of retirees. A confirmation opinion—and a mere footnote in that opinion, no less—should not “overcome the parties’ negotiated deal.”

The absurdity of the City’s stance is perhaps best illustrated by the fact that the City has now put forth not one, not two, but *ten* iterations of its financial projections, and under the City’s reasoning, each one of these ever-evolving financial projections was binding and could be unilaterally updated and amended by the City until the close of confirmation trial—even if that financial projection altered the specifically negotiated terms by the parties. “At its simplest, a plan is an offer of promises made by a debtor and accepted by the creditors following serious and frequently protracted negotiations. In many of its most vital aspects, a plan is a kind of contract involving, as it does, matters of offer, acceptance, performance and the like[.]” *In re Doty*, 129 B.R. 571, 590–91 (Bkrtcy.N.D.Ind.,1991) (citations omitted). A plan is *not* a unilaterally crafted financial projection.

F. Neither Law of the Case Nor Res Judicata Apply Here

The City attempts to raise two preclusion doctrines to argue that the PFRS is bound by this Court’s Confirmation Opinion and Order but neither apply.⁷ Res judicata bars relitigation of a legal “claim” or “cause of action” but it does not apply

⁷ As an aside, this Court’s ruling that the PFRS Pension Plan is part of the Plan of Adjustment is entitled to both res judicata and law of the case deference. See *In re City of Detroit*, 538 B.R. 314, 320 (E.D. Mich. Bkr. 2015).

to a factual issue or a party's legal position on a discrete issue. "[A] claim is barred by the res judicata effect of prior litigation if all of the following elements are present: "(1) a final decision on the merits by a court of competent jurisdiction; (2) a subsequent action between the same parties or their 'privies'; (3) an issue in the subsequent action which was litigated or which should have been litigated in the prior action; and (4) an identity of the causes of action." *Winget v. JP Morgan Chase Bank, N.A.*, 537 F.3d 565, 577–78 (6th Cir. 2008). The parties' current dispute was not litigated at the confirmation trial, as the City's recent objection to the PFRS's decision to utilize a 20-year amortization period was the first time it became apparent that the parties even *had* a disagreement relating to the amortization issue. Moreover, as even Malhotra admitted, the amortization issue was always contemplated to be an issue decided in 2023—at the end of the ten-year pension hiatus—so by definition, it could not have been raised and litigated back in 2013.

Similarly, the law of the case doctrine does not aide the City. "Issues decided at an early stage of the litigation, either explicitly or by necessary inference from the disposition, constitute the law of the case." *EEOC v. United Ass'n of Journeymen and Apprentices of the Plumbing & Pipefitting Indus. of the United States and Canada, Local No. 120*, 235 F.3d 244, 249 (6th Cir.2000) (quotation omitted). As set forth above, this issue has not been litigated previously in this case. Moreover, while the "'law of the case' ... expresses the practice of courts generally to refuse to reopen

what has been decided[,]” courts will diverge from a prior ruling if there is a “cogent reason to show the prior ruling is no longer applicable, such as if our prior opinion was a clearly erroneous decision which would work a manifest injustice.” *Brady–Morris v. Schilling (In re Knight Trust)*, 303 F.3d 671, 677-78 (6th Cir. 2002) (quotations omitted). Here, to the extent the Court previously relied on a document that was not the Plan and was inconsistent with the express terms of the Plan, a “cogent reason” certainly exists to depart from (or at least clarify) the footnote in the Confirmation Opinion which summarized the Financial Projection as though it represented the Plan of Adjustment itself.

G. An Adversary Proceeding Is Necessary

The City takes the position that an adversary proceeding is unnecessary. Fed. R. Bank. P. 7001(7) states “[a]n adversary proceeding is governed by the rules of this Part VII. The following are adversary proceedings: . . . (7) a proceeding to obtain an injunction or other equitable relief, except when a chapter 9, chapter 11, chapter 12 or chapter 13 plan provides for the relief.” (emphasis added). The City’s position is that a mere motion is permissible because the Court has authority under the Plan to issue injunctions to “restrain interference by any Entity with consummation, implementation, or enforcement of the Plan or Confirmation Order.” The City’s stance is that the 30-year amortization is part of the consummation/implementation of the Plan, and therefore, the Court has the authority to issue an injunction to enforce it. Thus, the key issue is whether the 30-year amortization period is, in fact, provided for in the Plan

and/or Confirmation Order. If the Court finds that the Plan is silent on the amortization period and finds it necessary to inspect the external record (including the exhibits and testimony from trial) or if the Court finds that the City otherwise needs the funds to implement its “revitalization efforts,” then under FRBP 7001(7), the City must invoke an adversary proceeding in order to properly adjudicate this issue.

Respectfully submitted,

Date: February 13, 2023

By: /s/ Jennifer K. Green
Jennifer K. Green
Ronald A. King
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
rking@clarkhill.com
Attorney for Creditor – PFRS

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 13, 2023, she filed the foregoing *Sur-Reply in Support of Response to City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan* with the Clerk of the Court via the Court's ECF electronic filing system which will provide notice of the filing to all registered participants in this matter.

Respectfully submitted,

By: /s/ Jennifer K. Green

Jennifer K. Green

Ronald A. King

Clark Hill PLC

151 S. Old Woodward, Ste 200

Birmingham, MI 48009

(248) 988-2315

jgreen@clarkhill.com

rking@clarkhill.com

Attorney for Creditor – PFRS

1 UNITED STATES BANKRUPTCY COURT
2 EASTERN DISTRICT OF MICHIGAN
3 SOUTHERN DIVISION

4 IN RE: . Case No. 2:13-53846-tjt
5 CITY OF DETROIT, MICHIGAN, . Chapter 9
6 Debtor. .
7

8
9
10 **TRANSCRIPT OF HEARING REGARDING MOTION**
11 **TO ENFORCE PLAN OF ADJUSTMENT**

12
13
14 BEFORE THE HONORABLE THOMAS J. TUCKER
15 UNITED STATES BANKRUPTCY JUDGE

16 WEDNESDAY, MARCH 15, 2023
17 DETROIT, MICHIGAN
18
19
20
21
22
23
24
25

1 APPEARANCES:

2 For the Debtor:

Miller Canfield Paddock &
Stone, PLCBy: Marc N. Swanson*
150 West Jefferson Street
Suite 2500
Detroit, MI 48226
(313) 496-7591City of Detroit Law Department
By: Charles N. Raimi*
Deputy Corporation Counsel
Two Woodward Avenue
Suite 500
Detroit, MI 48226
(313) 237-5037

10 For Creditor, PFRS:

Clark Hill, PLC
By: Jennifer K. Green*
By: Roland A. King*
151 South Old Woodward
Suite 200
Birmingham, MI 48009
(248) 988-2315Clark Hill, PLC
By: William C. Price*
301 Grant Street
14th Floor
Philadelphia, PA 15219
(412) 394-777618 For Foundation for Detroit's
Future and Community
Foundation for Southeast
Michigan:Plunkett Cooney, PC
By: Douglas C. Bernstein*
38505 Woodward Avenue
Suite 2000
Bloomfield Hills, MI 48304
(248) 901-4091

21 For State of Michigan:

Dickinson Wright, PLLC
By: Steven G. Howell*
500 Woodward Avenue
Suite 4000
Detroit, MI 48226
(313) 223-3500

1 Appearances continued:

2 Also Present: John Naglick, Jr.*

3 Court Recorder: LaShonda Bryant
4 Clerk's Office
5 U.S. Bankruptcy Court
211 West Fort Street
Detroit, MI 48226

6 Transcription Service: Randel Raison
7 APLST, Inc.
6307 Amie Lane
8 Pearland, TX 77584
(713) 637-8864

9 *Appeared via Zoom.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25 Proceedings recorded by electronic sound recording;
transcript produced by transcription service.

1 (Time Noted: 2:02 p.m.)

2 THE COURT: Let's call our case that's scheduled
3 for hearing at 2:00 p.m., please.

4 THE COURT CLERK: We'll call the matter of the
5 City of Detroit, Michigan, case number 13-53846.

6 THE COURT: All right. Good afternoon again. The
7 matter scheduled for hearing this afternoon, of course, is
8 the City of Detroit's motion titled City of Detroit's Motion
9 to Enforce Plan of Adjustment and Require 30-Year
10 Amortization, et cetera. It was filed at docket number
11 13602.

12 I have reviewed the -- I believe all of the briefs
13 filed, and other papers filed with respect to this motion,
14 including most recently the City's supplement that was filed
15 on February 6th at docket number 13678.

16 And the corrected sur-reply was filed by the
17 Police and Fire Retirement System of the City of Detroit on
18 February 14th. That's docket 13681.

19 And, of course, the papers filed before those
20 dates and those filings.

21 Good afternoon. Let me begin by having entries of
22 appearance put on the record by the attorneys for the
23 parties.

24 The City of Detroit's attorney?

25 MR. SWANSON: Good afternoon, Your Honor. Marc

1 Swanson and Charles Raimi on behalf of the City of Detroit.

2 THE COURT: All right. Good afternoon to each of
3 you.

4 Attorneys for the Police and Fire Retirement
5 System of the City of Detroit? I, with no objection, will
6 refer to sometimes in this hearing in abbreviated form as the
7 PFRS.

8 MS. GREEN: Good afternoon, Your Honor. Jennifer
9 Green, Roland King, and William Price, on behalf of the PFRS.

10 THE COURT: All right. Good afternoon to each of
11 you.

12 Is there anyone else on the phone who wants to
13 enter an appearance in this case today?

14 MR. BERNSTEIN: Yes, Your Honor. Douglas
15 Bernstein on behalf of the Foundation for Detroit's Future
16 and the Community Foundation for Southeast Michigan.

17 MR. HOWELL: Steve Howell, --

18 THE COURT: Excuse me. Excuse me. Mr. Bernstein,
19 give me the name of the parties you represent again?

20 MR. BERNSTEIN: The Foundation for Detroit's
21 Future, and the Community Foundation for Southeast Michigan.

22 THE COURT: All right, thank you. And next?

23 MR. HOWELL: Steve Howell, Dickinson Wright,
24 appearing on behalf of the State of Michigan.

25 And also on with me today is Patrick Dostine, the

1 Executive Director of the Financial Review Commission.

2 THE COURT: All right, thank you. Good afternoon
3 to each of you.

4 Anyone else want to enter an appearance?

5 MR. RAIMI: This is Chuck Raimi, Deputy Corp
6 Counsel for the City of Detroit. And I believe we have on
7 our -- some of our chief financial officer personnel: Steve
8 Watson, I think is the head of our budget, and I'm not sure
9 if either Jay Rising or John Naglick is on for the City of
10 Detroit.

11 MR. NAGLICK: Yes, Chuck. And, Judge, this is
12 John Naglick, Chief Deputy CFO for the City of Detroit.

13 THE COURT: All right. Good afternoon to you. By
14 the way, we've got, I don't know, some 20 people on the phone
15 listening to this hearing at the moment, the last I heard.

16 Not everyone is here just to listen. They needed
17 to enter an appearance. You can if you want, but you don't
18 have to.

19 My objective in asking for entries of appearances
20 is to get the -- primarily get the attorneys for parties who
21 are appearing for the hearing today.

22 So are there any others?

23 (No response)

24 THE COURT: Anyone else want to enter an
25 appearance for the record in this hearing today?

1 (No response)

2 THE COURT: Someone is breathing. I'm hearing
3 breathing here. You'll need to mute your phone when you're
4 not speaking, please, so we don't hear that sort of noise.
5 Keep breathing, of course, but moot your phone, please.

6 All right. So thank you all, and good afternoon
7 again.

8 What I intend to do is to have your oral argument
9 today in this hearing regarding the City's motion, with first
10 hearing argument from the counsel for the City of Detroit,
11 the Movant, and then hearing argument from counsel for PFRS,
12 the responding party -- the respondent party and the party
13 that -- the only party that filed any response of any kind to
14 the City's motion.

15 And then I'll give an opportunity for the City, as
16 counsel for the moving party here, as I normally do, a brief
17 opportunity in response in support of their motion.

18 So, now, I guess after I hear the opening argument
19 from the attorney for the City, I will give the attorneys,
20 the two attorneys, as I understand it, for other parties who
21 have entered an appearance today an opportunity to speak, if
22 you want it. That's Mr. Bernstein and Mr. Howell.

23 Although, those parties that they represent did
24 not file anything regarding this motion.

25 So let's begin, then. I'll hear first from Mr.

1 Swanson. I assume you're going to argue for the City?

2 MR. SWANSON: No. Chuck Raimi and I are going to,
3 Your Honor.

4 THE COURT: Oh, Mr. Raimi. Okay, that's fine.
5 Thank you. Of course, you are an attorney and you represent
6 the City, and that's fine.

7 So go ahead, please.

8 MR. RAIMI: Thank you. SO, as I'm sure Your Honor
9 has discerned, the City's position here is that the UAAL for
10 the PFRS must be amortized over a 30-year term, as required
11 by the confirmation opinion and order.

12 And PFRS argues to the contrary.

13 And the crux of the dispute is that PFRS argues
14 that 30-year amortization is not required by "the Plan."

15 And PFRS characterizes that the City's position is
16 relying only on "extrinsic evidence," such as financial
17 projections, to support 30-year amortization.

18 And, again, the crux of this dispute is that PFRS
19 refuses to acknowledge or even address the City's actual
20 argument. The City does not rely on extrinsic evidence. The
21 City relies on this Court's confirmation opinion, which was
22 incorporated into the Court's confirmation order, which
23 mandates -- explicitly mandates 30-year amortization.

24 And the Court's confirmation order makes its
25 requirement of 30-year amortization as final and binding as

1 anything that appears in the Plan document itself.

2 And, in fact, as I'll discuss a little later, the
3 confirmation order requiring 30-year amortization actually
4 controls, even if there were anything inconsistent in the
5 Plan itself, which there is not.

6 And we believe that's the start and end of this
7 case.

8 So, again, the Court's confirmation opinion
9 directly rules on how the PFRS legacy plans unfunded
10 actuarial accrued liability, which I think we refer to as
11 UAAL, how that liability will be amortized.

12 The relevant section of the opinion is titled --
13 and this is the Court's confirmation opinion, "The City will
14 be able to service its post-bankruptcy debt." That's the
15 title of the Court section.

16 And in reaching the conclusion the City will be
17 able to service --

18 THE COURT: Excuse me, Mr. Raimi. If you're going
19 to quote from or cite to that opinion, give me the page
20 number, if you would. I'm looking at the published
21 Bankruptcy Reporter version of the opinion, if you can.

22 MR. RAIMI: Yes.

23 THE COURT: Give me the page citation for that so
24 I have it exactly. So what was the citation?

25 MR. RAIMI: Page 231.

1 THE COURT: Okay, thank you. So just for the
2 record, it's 524 B.R. at 231.

3 MR. RAIMI: Yes. Yes, thank you.

4 THE COURT: Again, just for the record, the
5 opinion is reported at 524 B.R. 147. That's where it begins,
6 and that's the citation from December 31, 2014.

7 Thank you, Mr. Raimi. Go ahead.

8 MR. RAIMI: Yes, Your Honor. I apologize. I put
9 the page 231 in my notes here. I didn't put the rest of it.

10 But, in any event, in concluding that the City
11 would be able to service its post-bankruptcy debt, at page
12 231 the Court said, after discussing the pension obligations,
13 the Court said: "The City will then amortize the remaining
14 UAAL for both plans over the next thirty years at an interest
15 rate of 6.75%."

16 And that same ruling appears in footnote 23 of the
17 opinion, "The balance of the under funding in 2023 will be
18 amortized over a thirty year period of time."

19 So the confirmation order, at page 6, paragraph
20 (g), incorporates the confirmation opinion.

21 And then the confirmation order states, at page
22 86, section (e)(28): "The terms of the plan and this order
23 shall be binding upon an inure to the benefit of (a) the
24 City; and (b) any and all holders of claims."

25 So the thirty year amortization ruling inures to

1 the benefit of the City, and is expressly binding on PFRS as
2 a claim holder.

3 So, again, PFRS's entire case relies on the fact
4 that 30-year amortization does not appear in the plan
5 document itself. But in view of the confirmation order's
6 mandate for 30-year amortization, PFRS's argument is
7 meaningless.

8 The confirmation order's requirement of 30-year
9 amortization has precisely the same effect as if the
10 requirement appeared in the plan document, with one
11 exception, and that is this: The confirmation order, at page
12 122, paragraph (x)(83), states: "In the event of a direct
13 conflict between the plan or any agreement, instrument, or
14 document, intended to implement the plan, on the one hand."

15 So on the one hand we're talking about the plan or
16 any related agreement or instrument. If there's a direct
17 conflict between that, "and this confirmation order, on the
18 other hand. The provisions of this order shall govern."

19 So the confirmation order's 30-year amortization
20 ruling actually controls over any conflicting provision of
21 the plan, but there is none.

22 So the Court's confirmation opinion, it not only
23 expressly requires 30-year amortization, it goes through in
24 excruciating detail why 30-year amortization was absolutely
25 critical to the confirmation of the plan.

1 So the plan of adjustment allowed the City to
2 erase many, many obligations. But it also required the City
3 to pay out over the 40-year forecast period billions of
4 dollars of legacy plan payments and other bankruptcy-related
5 obligations, as well as borrowings to fund the City's
6 revitalization initiatives.

7 So you have these billions of dollars that the
8 City needed to pay out over the 40-year forecast period.

9 The foundation of the plan of adjustment was
10 preparation of financial projections that laid out over that
11 40-year time frame the City's projected cash needs and where
12 the money would come from.

13 Now, there were several of those 40-year
14 projections. The earliest that we could find, the earliest
15 projection, was attached to the one and only disclosure
16 statement that was served on the voters who voted on
17 confirmation of the plan. And that was in May of 2014.

18 And that financial statement is exhibit 19 to the
19 City's reply brief.

20 So the second page of the financial projection,
21 and this is immediately after the cover page, is titled "Plan
22 of Adjustment, 40-Year Projection Assumptions."

23 And that page -- it's only a one page summary of
24 the most important provisions of the plan of adjustment, but
25 that page shows the UAAL amounts estimated for both of the

1 legacy plans, PFRS, which is Police and Fire, and GRS, which
2 is the General Retirement System.

3 So that page shows the UAAL amounts estimated for
4 both of those plans as of the date of June 30, 2023.

5 And the significance of that date, June 30, 2023,
6 that is the end of what was supposed to be, but turned out
7 not to be, the City's 10-year pension holiday. And, again,
8 I'll get to that a little later.

9 So then again at page 2 of that same document,
10 after identifying the estimated UAAL as of June 30, 2023, it
11 states that that UAAL will be amortized over 30 years at
12 6.75% interest.

13 Now, that same document also contains detailed
14 financial schedules which lay out the City's projected
15 sources and uses of cash over the 40-year period.

16 And so, for example, page 5 of the document shows
17 the payment by the City of almost \$4 billion dollars in
18 legacy pension obligations, decade-by-decade, over the 30-
19 year amortization period.

20 So all interested parties were clearly informed,
21 at least by May 2014 when they received the disclosure
22 statement, that the plan of adjustment would entail 30-year
23 amortization.

24 Now, there were several later versions of those
25 40-year projections that were introduced at the confirmation

1 trial. Each of those had the same estimate for the legacy
2 plans UAAL as of June 30, 2023.

3 Now, the numbers in the other schedules changed,
4 and that was primarily the result of settlements with the key
5 creditors in the bankruptcy case, Syncora and FGIC. Those
6 settlements added significant additional debt obligations for
7 the City, and the schedules showed when those additional
8 payments would be made in the 40-year forecast period.

9 But again, each of those later financial
10 projections had the same statement at the second page that
11 the UAAL would be amortized over 30 years. And all of the
12 attached schedules likewise showed that the pension
13 obligation, the UAAL, would be amortized over 30 years.

14 So those financial projections were the foundation
15 for the plan of adjustment. The attorneys and the Court
16 itself spent days at trial questioning witnesses about the
17 projections. And the Ernst & Young witness testified without
18 contradiction that the 40-year projection "shows the key
19 items of the settlement with GRS and PFRS as a part of the
20 plan of adjustment." So the settlement was the 30-year
21 amortization.

22 The witness also testified that the 40-year model
23 was "used to really illustrate how the City was going to pay
24 for the over all settlements it has reached with the various
25 classes."

1 GRS and PFRS were two of the many classes of
2 unsecured creditors in the case.

3 So the Court's confirmation opinion relies very
4 heavily on, and it actually incorporates in its entirety, the
5 feasibility opinion by Court appointed expert, Martha Kopacz.

6 The key to Ms. Kopacz's finding the plan was
7 feasible was the following statement in her report: "The
8 plan of adjustment proposes that the City will amortize the
9 remaining UAAL for each retirement system as of June 30,
10 2023, over the following 30-year time frame."

11 And it was on that basis that Kopacz, and
12 ultimately this Court, found the plan feasible.

13 Now, in addition to reliance on Kopacz's opinion,
14 the Court's confirmation opinion exhaustively discusses, and
15 actually cites more than 30 times, the final Ernst & Young
16 40-year projection, which is exhibit 17 to the City's reply
17 brief.

18 The Court approved the plan because the Court
19 found that the financial projects, each of which relied upon
20 and incorporated 30-year amortization, were reasonable.

21 In other words, the Court found that the City
22 would be able to pay out the obligations that it owed over
23 the 40-year forecast period precisely because the huge
24 liabilities to the pension system were to be amortized over
25 30 years.

1 And the Court unambiguously ruled in two separate
2 places in the opinion, and I've quoted those previously, but
3 I will again, that the legacy plans UAAL as of June 30, 2023
4 would be amortized over the following 30 years. That is this
5 Court's order.

6 Now, PFRS has filed a 40-page response brief, a
7 29-page sur-reply, but in those 69 pages. PFRS doesn't even
8 acknowledge or address the fact that this Court's order
9 unambiguously requires 30-year amortization, let alone
10 attempt to explain why PFRS is not bound by that order, an
11 order which by its terms inures to the benefit of the City
12 and is binding on PFRS.

13 Instead, PFRS repeatedly ignores the Court's order
14 and misrepresents the City's position as relying only on
15 extrinsic evidence.

16 So at page 1 of its initial response brief, PFRS
17 argues: "Because it cannot rely on the plan to support its
18 position, the City instead resorts to extrinsic evidence."

19 And at page 16 of its sur-reply, PFRS argues:
20 "The City pretends that the financial projections in the
21 Kopacz feasibility report somehow magically transform into
22 the plan."

23 And page 24 of its sur-reply, PFRS states: "In
24 short, after fly specking the entire confirmation record, the
25 City's whole case hangs on a self-admitted 'assumption' used

1 by the financial expert."

2 To put it as kindly as I can, PFRS completely
3 misstates the City's argument, and completely ignores this
4 Court's confirmation opinion and order which mandate 30-year
5 amortization.

6 So I'd like to change subjects and address some of
7 the PFRS's main arguments in the case, other than its
8 mischaracterization of the City's position.

9 PFRS's initial response brief relied almost
10 entirely on the State of Michigan contribution agreement.
11 And that was the agreement under which the State contributed
12 funds as part of the "grand bargain."

13 And a portion of that State contribution agreement
14 was incorporated into the plan of adjustment.

15 PFRS argued that the agreement, the portion of the
16 agreement incorporated into the plan, conferred on PFRS
17 "unfettered discretion" over the amortization term. So that
18 means that -- so PFRS currently wants 20-year amortization.

19 If it wins this motion under its "unfettered
20 discretion" argument, it would be free to reduce that to 5
21 years or 1 year.

22 And the General Retirement System, which operates
23 under the same language, is also bound by 30-year
24 amortization, by the way, but under PFRS's theory the General
25 Retirement System would be free to amortize to reduce the

1 amortization period in its "unfettered discretion."

2 So in support of its "unfettered discretion"
3 argument, PFRS's brief quotes three times the same language
4 from the State contribution agreement. And this is in its
5 initial response brief. Each quotation has lots of bolded
6 and underlined emphasis.

7 But PFRS makes no attempt to actually analyze the
8 language. PFRS offers no explanation of how the language
9 purports to give PFRS any authority over the amortization
10 term.

11 And, in fact, the quoted language doesn't mention
12 the amortization term.

13 So in our reply brief, we analyzed the actual
14 language and showed that the language cannot be read to give
15 PFRS any control over the amortization term, let alone
16 "unfettered discretion."

17 This Court's order of 30-year amortization
18 controls.

19 So this Court allowed PFRS to file a sur-reply,
20 and they did file a 29-page sur-reply brief. That brief
21 makes no attempt to respond to the City's reply brief
22 argument showing that the contribution agreement gives PFRS
23 no control over the amortization term.

24 PFRS's failure to address the City's discussion is
25 an admission that PFRS's argument has no merit.

1 But even if there were a conflict between the
2 confirmation order and the plan, or the portion of the
3 contribution agreement incorporated in the plan, and there is
4 not, there's no conflict, but even if there were, this
5 Court's ruling in the confirmation order of 30-year
6 amortization would control. And, again, that's paragraph
7 (x) (83) at page 122 of the confirmation order.

8 So in its sur-reply, rather than attempting to
9 defend its prior argument on the State contribution
10 agreement, PFRS makes an entirely new argument.

11 PFRS argues that the plan actually requires the
12 City to pay off the entire UAAL in the first year. In other
13 words, they claim the amortization term is zero years. And,
14 of course, nothing in the plan supports that.

15 PFRS relies on plan provisions that provide for
16 PFRS to compute the City's annual funding contributions
17 starting July 1, 2023. And PFRS does have that obligation.

18 So at page 4 of PFRS's sur-reply, they cite a
19 provision stating that PFRS shall annually determine the
20 required annual contribution, and the City shall pay that in
21 the ensuing fiscal year.

22 But here's the controlling point: In doing that
23 computation, PFRS is bound to use this Court's -- excuse me,
24 is bound by this Court's order to use 30-year amortization.

25 Now, PFRS's sur-reply includes a lengthy

1 discussion of a 2006 Michigan Court of Appeals case where the
2 dispute was between the City and PFRS, and the question was:
3 Who controlled the amortization term?

4 And PFRS raises this issue elsewhere in its briefs
5 as part of PFRS's attempt to frame the issue in this case as
6 "who gets to decide the amortization term? PFRS or the
7 City?"

8 So the answer to that one is easy. The correct
9 answer is that the Court gets to decide, and the Court did
10 decide on 30-year amortization.

11 PFRS's sur-reply points out that for financial
12 instruments such as notes and bonds, amortization periods
13 appear in the plan document itself.

14 Those financial instruments were intended to be
15 traded in financial markets, and it's entirely logical that
16 the plan would include the financial terms.

17 But, again, that has nothing whatsoever to do with
18 the amortization term, which, again, is controlled by the
19 Court's order.

20 I'd like to address for a moment some testimony
21 that was provided by the Ernst & Young witness at the
22 confirmation trial.

23 This was first raised -- this testimony was first
24 raised by PFRS in its initial response brief at pages 19 and
25 20, where it quotes the testimony.

1 PFRS argues that the testimony cuts against 30-
2 year amortization.

3 So we responded in our reply brief at pages 13 and
4 14 quoting the same testimony. And we point out that the
5 testimony upon which PFRS had relied discussed amortization
6 methodology, not the amortization term. And those are two
7 different things.

8 Just like a mortgage might have a 30-year term,
9 there are different ways that the mortgage can be paid
10 depending on whether it's level principal or how the
11 principal is being amortized, and so forth.

12 Similarly, for amortizing the UAAL here, under 30-
13 year amortization the annual funding amounts might differ
14 based on the methodology. For example, straight line
15 principal calculation or level payments are two different
16 methodologies.

17 But, again, that is entirely separate and distinct
18 from the 30-year amortization term.

19 So in our reply brief, when we address the
20 testimony that PFRS had quoted, we point out that the
21 testimony makes that distinction clear. It acknowledges the
22 methodology might affect the annual payments, but the
23 witness, no less than three times in this rather brief
24 quotation, testified that the amortization term is 30 years.

25 So PFRS came back to this subject in its sur-

1 reply. And again it quotes a portion of the testimony at
2 pages 15 and 16 of its sur-reply. But PFRS doesn't address
3 the fact that the witness was discussing amortization
4 methodology and not the amortization term, nor does PFRS even
5 acknowledge that he repeatedly confirmed the amortization
6 period was 30 years.

7 What PFRS did in its sur-reply, it simply deleted
8 the key paragraph of the testimony in which the witness
9 confirmed, again, three times, that the amortization term is
10 30 years.

11 The key testimony was in its initial response
12 brief, but disappeared in the sur-reply.

13 Now, PFRS's sur-reply points out that several City
14 witnesses criticized the General Retirement System pre-
15 bankruptcy conduct. There is a very long line of people that
16 that criticized that conduct, and to my knowledge no one has
17 ever defended it.

18 GRS used an open-ended amortization term, meaning
19 the term -- the amortization term kept rolling over and over
20 and nothing was ever amortized.

21 And making the problem worse, GRS was an open
22 plan, meaning there were new participants who were retiring
23 from the City and being added to the retirement rolls,
24 increasing the obligations.

25 Again, that has nothing to do with the current 30-

1 year amortization. The 30-year period is closed here, not
2 open, so the entire UAAL will be gone at the end of that
3 period.

4 Equally important, the legacy plans are frozen,
5 meaning no new participants are being added.

6 And our opening brief discusses reports, both by
7 PFRS's actuary, Gabriel Roder, and the City's actuarial
8 expert Kyra. Neither firm identified any funding risk, and
9 that was without even considering the \$400-plus million
10 dollars the City has put in to retiree protection trust
11 funds.

12 The only risk identified by either firm was
13 identify Kyra, the City's expert, it pointed out that
14 accelerated amortization would increase the market risk faced
15 by PFRS in the event of a sharp market downturn.

16 Now, PFRS's sur-reply advances another new
17 argument at page 24, "the plan controls over the conflicting
18 confirmation opinion and order."

19 So PFRS cites to the Fifth Circuit case of *In Re*
20 *Davis Offshore*. I don't have that cite. I could look it up
21 if the Court likes. It's in our reply brief. No, it's not
22 in there. It's in the PFRS sur-reply brief. *In Re Davis*
23 *Offshore*.

24 THE COURT: That's fine, Mr. Raimi. I know what
25 case you're talking about, and I did see that in their sur-

1 reply.

2 MR. RAIMI: Okay. All right. In any event, in
3 that case the Fifth Circuit found that the Bankruptcy Court
4 erred in the following conclusion: "The confirmation order
5 must always prevail over the terms of a conflicting plan."
6 That was the Bankruptcy Court's statement.

7 So the Fifth Circuit rejected that dogmatic
8 statement, and observed that confirmation orders are often
9 largely boilerplate, according to the Fifth Circuit.

10 The Court also pointed to the hasty and time
11 pressured process that led to the confirmation order in the
12 underlying bankruptcy case.

13 So here, we have exactly the opposite. First, and
14 again importantly, there is no conflict between the
15 confirmation order and the plan, because the plan document is
16 silent on the amortization term.

17 And, in fact, PFRS itself stated: "The plan is
18 silent as to the specific language of the applicable
19 amortization period." That statement is found at page 3 of
20 the initial response by PFRS.

21 But once again, even if there were some conflict,
22 paragraph (x)(83) of the Court's confirmation order
23 specifically provides that it controls over anything in the
24 plan or any associated document, which would include the
25 State contribution agreement.

1 And I want to apologize. We did not quote and
2 cite that provision to the confirmation order, that paragraph
3 (x) (83), in our papers because we saw no need, because PFRS
4 had conceded in its initial brief that the plan was silent on
5 the amortization term.

6 So it raised that issue in its sur-reply, and
7 that's why we think it's important to mention in oral
8 argument that specific provision of the confirmation order
9 that makes clear it controls over any conflicting provision
10 that might be in the plan or the contribution agreement.

11 So the final issue, and I appreciate the Court's
12 patience, the final issue I'd like to address is *res judicata*
13 and law of the case.

14 We discuss in our reply brief that both doctrines
15 apply, but I want to focus the argument on the law of the
16 case.

17 The parties actually agree on the definition of
18 when that doctrine applies: "Issues decided at an early
19 stage of the litigation, either explicitly or by necessary
20 inference from the disposition, constitute the law of the
21 case."

22 So here, we're not actually really dealing with
23 something that was decided at an early stage. We're dealing
24 with the confirmation order, which was entered after
25 extensive litigation and trial, and which specifically

1 requires 30-year amortization.

2 So in an attempt to get around that, PFRS, at page
3 28 of its sur-reply, relies on a narrow exception to the
4 doctrine of law of the case, as articulated by the Sixth
5 Circuit.

6 And PFRS's brief quotes this exception: "A
7 court's power to reach a result inconsistent with a prior
8 decision reached in the same case is to be exercised very
9 sparingly, and only under extraordinary circumstances."

10 The Court went on to say: "To differ, we must
11 find some cogent reason to show the prior ruling is no longer
12 applicable, such as if a prior opinion was a clearly
13 erroneous decision which would work a manifest injustice."
14 So that's the exception that PFRS relies on.

15 And at page 22 of the sur-reply, PFRS offers one
16 sentence. It's actually a run-on sentence, but it's one
17 sentence to justify application of the exception. That
18 sentence, again, once again, completely ignores this Court's
19 confirmation opinion and order, and, once again, rehashes
20 PFRS's false characterization of the City's position as
21 relying only on "extrinsic evidence" such as the financial
22 projections.

23 And for all of the reasons I've discussed, PFRS's
24 argument is false on all accounts.

25 But the exception that PFRS relies on also

1 requires a showing of manifest injustice. Truly, there could
2 be nothing more manifestly unjust than PFRS's position in
3 this dispute.

4 The Police and Fire retirees receive an enormous
5 benefit from 30-year amortization. Spreading out the
6 payments in that fashion allowed the PFRS retirees to retain
7 essentially their full pensions. The only cut was a 55
8 percent reduction in the cost of living increase.

9 At page 181 of this Court's confirmation opinion,
10 the Court stated that the pension settlement "borders on the
11 miraculous."

12 But now, years after the retirees have locked in
13 their miraculous pension settlement, achieved the 30-year
14 amortization, the retirees, for the very first time, the very
15 first claim, this claim was never raised during the
16 bankruptcy proceeding, was never raised before they filed
17 their brief in this case.

18 The retirees, for the very first time, claim they
19 have the right to accelerate the amortization in their
20 unfettered discretion. The City's finances be damned.

21 This, in our view, is a classic bait-and-switch.

22 Now, there was one other reason the retirees were
23 able to achieve such a miraculous pension recovery. And that
24 was because of a horrific mistake in the calculation of the
25 legacy plans UAAL during the bankruptcy proceedings.

1 The actuaries grossly miscalculated by some \$500
2 million dollars the actual UAAL of the legacy plans. And
3 this is discussed at some length in Duggins' declaration.

4 As he explains, the mistake surfaced in 2015, the
5 year after the City's exit from bankruptcy, and after the
6 miraculous pension settlements had been locked in.

7 The result of the mistake evidently, as far as we
8 can tell, it's never been clear, evidently resulted from the
9 actuaries using the wrong mortality tables. And our
10 understanding is that PFRS's own actuary was actually
11 intimately involved in those calculations.

12 So anyway, the upshot was this: Instead of
13 enjoying a 10-year pension holiday, as the plan of adjustment
14 envisioned, so the plan of adjustment basically said that the
15 City does not have to -- is not supposed to have to make any
16 pension contributions for 10 years, until June 30, 2023.
17 That was called the "pension holiday."

18 But instead of having a pension holiday, the City,
19 to protect the retirees, had put away, without recourse, more
20 than \$400 million dollars into retiree protection trust
21 funds. And that funding was at the cost of funding other
22 critically important City needs, such as public safety.

23 So here is PFRS's position on this, as stated at
24 page 4 of its initial response brief: "Moreover, raising the
25 specter of 'ferasibility,'" so PFRS put the word

1 "feasibility" in quotes for some reason, "raising the specter
2 of feasibility now gets the City nowhere. It is undisputed
3 that the City has the money. To its credit, the City has set
4 aside hundreds of millions of dollars in trust to fund the
5 2023 payment."

6 PFRS says to our credit we put hundreds of
7 millions of dollars away to fund the 2023 payment.

8 So the Mayor's declaration is quite clear, and the
9 City did not set aside hundreds of millions of dollars so
10 PFRS could grab the money and run.

11 The funding is to insure the financial health of
12 both legacy plans throughout the 30-year amortization period.

13 Everything about PFRS's position in this dispute
14 is legally unsound and manifestly unjust.

15 And for those reasons, we ask the Court to grant
16 the City's motion.

17 THE COURT: All right, thank you, Mr. Raimi. As I
18 mentioned earlier, I'll give an opportunity now if you want
19 to speak to the attorney for the parties who did not file any
20 response to the motion here today.

21 Mr. Bernstein, if you want to say anything, please
22 do, but you're not obligated to, of course.

23 MR. BERNSTEIN: No, Your Honor. The Foundation
24 for Detroit's Future's role is strictly to monitor compliance
25 for funding of the grand bargain. So the Foundation for

1 Detroit's Future takes no position on the motion.

2 THE COURT: All right. Thank you, Mr. Bernstein.
3 Mr. Howell, same thing. If you'd like to say anything, you
4 may, but you're not required to.

5 MR. HOWELL: No. I will echo Mr. Bernstein's
6 eloquence.

7 THE COURT: So including your client takes no
8 position on the motion?

9 MR. HOWELL: That is correct.

10 THE COURT: All right, thank you. I believe it's
11 time for the Court to hear oral argument from counsel for
12 PFRS.

13 Ms. Green, who is going to argue for PFRS?

14 (No response)

15 THE COURT: I'm not hearing anything. Are you
16 still on mute?

17 (No response)

18 THE COURT: Ms. Green, are you there?

19 MS. GREEN: We are. Our phone dropped for a
20 moment when you were asking if the Foundation had any
21 comments they would like to make. And our phone line got
22 cut, so we just dialed back in.

23 THE COURT: All right. So I was asking who is
24 going to argue for PFRS. Is that you, or one of the others?

25 MS. GREEN: That is me, Your Honor.

1 THE COURT: Okay. In case you missed it, the main
2 thing I took from what Mr. Bernstein stated and Mr. Howell
3 stated for their clients is that their clients take no
4 position on the City's motion, which I guess is sort of
5 evident from the fact that they filed nothing in response to
6 the motion.

7 So please go ahead. Ms. Green, what would you
8 like to say about the City's motion and PFRS's position on
9 it?

10 MS. GREEN: Well, it should come as no surprise
11 that we have a wildly different take on the matter, Your
12 Honor.

13 We don't believe the City's motion is a motion to
14 enforce the plan at all, but rather, a motion to enforce a
15 financial projection. And what they're really asking this
16 Court to do is to modify the plan.

17 The key sentence that Mr. Raimi has cited to the
18 Court, which states that the City will then amortize the
19 remaining UAAL for both plans over the next 30 years at an
20 interest of 6.5 percent, which is on page 231 of the opinion,
21 appears to be the lynchpin of the case.

22 That particular sentence is just wrong. Not only
23 on the UAAL amortization, but the interest rate of 6.5
24 percent isn't -- 6.75 percent is also in error.

25 The plan itself actually states that the 6.75

1 percent interest rate expires at the end of the 10 years.

2 So that sentence is wrong on both fronts.

3 And the 10-year pension hiatus coincides with an
4 entirely new system, which is where the board gets to decide
5 the amortization period.

6 In our view, the controlling documents that set
7 forth the framework for the Court is not the confirmation
8 opinion or the financial projections, but, rather, the plan
9 of adjustment itself, as well as the State contribution
10 agreement and the PFRS plan documents, and then supplemented
11 by Michigan law, which is Public Act 314 and the Michigan
12 Court of Appeals case that cited.

13 The plan of adjustment language, Your Honor, I
14 think it's important to remember that this board and the PFRS
15 has been deciding amortization for decades and decades before
16 the bankruptcy case ever occurred. And that went on from
17 1974 until the mid-2000s when this issue went to the Michigan
18 Court of Appeals.

19 And at that point in time, the City wanted to do
20 the same thing, which is control the amortization decisions.
21 And the Michigan Court of Appeals said "no, this is a board
22 decision."

23 The board continued until the bankruptcy case to
24 make the amortization decisions consistent with Michigan law.

25 In the bankruptcy case, there was the grand

1 bargain. And for 10 years, there was a period of time where
2 the board did not make that decision.

3 However, when that 10 years expired, that decision
4 remains with the board to decide an appropriate amortization
5 period.

6 The key provision of the plan, Your Honor, is on
7 page 315, which states: "The City will contribute sufficient
8 funds required to pay each holder of a PFRS pension claim,
9 his or her adjusted pension amount."

10 Contributing sufficient funds means that the City
11 has to give enough money to cover the UAAL for component two.
12 That contribution could not be changed for 10 years.

13 But under section (2) (b) (3) (q) (2) (g), which I'm
14 sorry because there's a lot of sections that have to be used
15 here, Your Honor, that expired at the end of the 10 years.
16 And at that point in time, then the PFRS was once again
17 permitted to change the 6.75 percent interest rate, as well
18 as any employer contribution by the PFRS.

19 And that particular section, Your Honor, even
20 states that the PFRS can change the terms, conditions, and
21 rules, of operation of the PFRS.

22 So the only intervening period of time where the
23 PFRS was ever unable to determine the amortization period was
24 during the pension holiday. And the State contribution
25 agreement, which is part of the plan of adjustment, states

1 that an investment committee would be formed to take action,
2 and with respect to certain investment management matters
3 relating to the retirement system, and that they would serve
4 in a fiduciary capacity.

5 The State contribution agreement also states that
6 the investment committee's scope of authority includes annual
7 funding levels and amortization thereof, and annual
8 contributions to the retirement system.

9 Therefore, the 30 years under the State
10 contribution agreement is something that the investment
11 committee has the authority to decide, not the City.

12 And, in fact, the City is not permitted under the
13 State contribution agreement to hold that decision, because
14 it is considered a party-in-interest, and, therefore, it is
15 specifically required to not be part of that voting block.

16 Then you move to the pension plan documents that
17 were attached to the plan of adjustment itself. And this
18 Court has already held, in the *RDPF* lawsuit that the pension
19 plan documents are part and parcel to the plan of adjustment.

20 And those documents lay out in specific detail
21 exactly how the pension plan will work, including that the
22 board sets the employer amount. And these are the citations
23 that were included in the PFRS sur-reply, including paragraph
24 (g) (5), which states that after July 1, 2023, the board of
25 trustees, not the City, will determine the amount of the

1 contributions due to the retirement system.

2 And that provision also states that the City shall
3 pay such contributions to the retirement system during the
4 ensuing fiscal year.

5 The last paragraph of that section, Your Honor,
6 states that after July of 2023, the City shall make the
7 contributions to the pension accumulation fund. That
8 provision, Your Honor, gives the board the right to calculate
9 the amount of the contribution owed by the City.

10 And the third point with that paragraph, Your
11 Honor, is that it once again ties the 10-year period as
12 expiring at 2023.

13 THE COURT: Excuse me, Ms. Green. Exactly where
14 in the PFRS plan documents are you referring to?

15 MS. GREEN: Article (g)(5), Your Honor. It's
16 exhibit E to our response.

17 THE COURT: Wait a minute. Your initial response,
18 right?

19 MS. GREEN: Yes. Article (g)(5). It's quoted in
20 the sur-reply, but it's attached to the response.

21 THE COURT: Hold it. I'm looking at -- what I've
22 got is a copy of the exhibits, the plan exhibits, that
23 consisted -- or that were the PFRS plan, the combined plan,
24 so exhibit 1A254.A, for example.

25 And I've got a copy of exhibit 1.A.281, which is

1 titled prior PFRS pension plan.

2 Which of those documents are you citing at the
3 moment?

4 MS. GREEN: I'm citing the new component to the
5 plan documents, Article (g)(5).

6 THE COURT: In other words, the form of new PFRS
7 active pension plan, exhibit 1A254(a)?

8 MS. GREEN: That should be correct, Your Honor.
9 And it's cited on page 4 of our sur-reply.

10 THE COURT: Okay. So in that document, page what
11 has your section (g)(5) in it? It's a long document. That's
12 why I'm asking.

13 MS. GREEN: Are you asking for the page number of
14 my sur-reply, or the page number in the exhibit?

15 THE COURT: In the actual document, the plan
16 exhibit document that I'm looking at. And I apologize.

17 MS. GREEN: Oh, yes.

18 THE COURT: I want to pin it to that, because
19 that's clearly one of the plan exhibits that was filed with
20 the eighth amended plan.

21 So do you happen to have a page reference?

22 MS. GREEN: I do. I do. And, Your Honor, the
23 version that I have is the one that was actually passed by
24 the emergency manager and attached to the emergency manager
25 order.

1 THE COURT: Yes.

2 MS. GREEN: Following the bankruptcy. So the
3 pinpoint citation in that document is page 123.

4 THE COURT: All right. That document, I believe I
5 know where that is in the record, and I've previously looked
6 at that in prior matters in this case.

7 The version attached to the emergency manager
8 order?

9 MS. GREEN: Yes. And it's exhibit 2 to our
10 initial response, Your Honor.

11 THE COURT: Okay. Thank you. Go ahead.

12 MS. GREEN: That provision, Your Honor, states
13 that the payment is owed during the ensuing fiscal year. And
14 it also states that the decision is of the board of trustees,
15 that the board of trustees will ascertain that amount that is
16 due.

17 And there's nothing in that provision that says
18 anything about an amortization period whatsoever.

19 And the next section is (g)(9), Your Honor, which
20 states that the board sets the amount of the appropriation
21 necessary to pay for component two after June 30th of 2023.

22 And that section (g)(9), Your Honor, which is
23 cited on page 5 of our brief. Again, it states that the
24 board of trustees will determine the amount of the
25 appropriation that will be necessary to cover component two,

1 but that provision says nothing about an amortization period
2 affiliated with the payment.

3 Article (g) (17) says the same thing, that the
4 board, not the City, sets the City's contribution payment
5 amount. And that section states the board of trustees shall
6 compute the City's annual contribution after June 30, 2023,
7 using actuarial valuations data. And it also states that City
8 Council will then appropriate the money. And then that money
9 shall be used in determining the contribution dollars to be
10 appropriated by the City Council and paid to the retirement
11 system.

12 And, once again, that allows the board of trustees
13 to compute that amount, not the City.

14 And an amortization period is part and parcel to
15 what that contribution amount would be. And how do we know
16 that? We know it because the Michigan Court of Appeals
17 already interpreted this language in 2006, and stated and
18 held that a contribution by an employer to a pension plan
19 necessarily requires a calculation and an amortization
20 period.

21 And under the plan of adjustment, that term could
22 not be changed for 10 years. But after the 10 years, and
23 this is in the actual plan of adjustment, not the pension
24 plan documents, the investment rate of return and the
25 contribution level for the PFRS, and a calculation or amount

1 of PFRS pension benefits, could all be changed after the end
2 of the 10 years.

3 And that is directly in conflict with page 231
4 that Mr. Raimi had quoted you earlier, because it states that
5 these are locked in for 30 years, both the interest rate and
6 the contribution amount.

7 If Your Honor would allow me to change gears a
8 little bit?

9 THE COURT: Well, excuse me, before you do that --
10 one moment, please.

11 (Pause)

12 THE COURT: Just a moment. I'm checking
13 something. One moment.

14 (Pause)

15 THE COURT: All right, thank you, Ms. Green. Go
16 ahead and continue, please.

17 MS. GREEN: For the argument by Mr. Raimi that the
18 confirmation opinion controls over the plan documents, the
19 financial projections were simply a placeholder. And the
20 opinion, at page 231, was merely summarizing those financial
21 projections.

22 And if the financial projections were absolutely
23 critical, as Mr. Raimi stated, to the entire plan of
24 adjustment, then why would the 30-year amortization period
25 not be expressly included in the plan itself?

1 And, furthermore, page 231 reliance by the City
2 does not control over the plan under that Fifth Circuit case
3 that we cited to Your Honor, the *In Re Davis* case, because
4 the plan of adjustment was expressly negotiated by the
5 parties in detail, including the detail that we just read
6 through, Article (g)(5), Article (g)(7), Article (g)(17),
7 which expressly states that it's up to the board to decide
8 the amount of the employer contribution.

9 The same goes for the State contribution
10 agreement, which specifically states that the amortization
11 period is something that the investment committee is
12 authorized to decide.

13 And the author of the projections themselves
14 admitted that the amortization and the amount of the UAAL was
15 not set in stone. And the projections were merely one piece
16 of evidence that were used to summarize and to present the
17 City's feasibility arguments, but they were in no way
18 controlling, and they were littered with assumptions,
19 including things about casino revenue, municipal taxes. And
20 it was essentially a best guess into the future.

21 But the amortization piece of it was merely an
22 assumption. A placeholder. And the 30-year amortization
23 period was previously used by the City in determining its
24 contribution amount before the bankruptcy, and they
25 apparently just continued that assumption in their

1 projections.

2 And if 6.75 was used as an assumption, because for
3 the first time you're filing the bankruptcy, that would have
4 been the amount that was going to be applied.

5 The City itself, Your Honor, has admitted that if
6 it's not retained the authority to make this decision, as you
7 may have read in our response brief, Mayor Duggan himself was
8 quoted by the press as stating that his frustration lies in
9 the fact that his administration lacks control over this
10 decision.

11 Similarly, Mr. Raimi, while professing for the
12 last hour that this decision is the City's and only the
13 City's, in exhibit 6 to the motion there is an email from Mr.
14 Raimi to the PFRS that states: "While we understand any
15 funding policy can be changed next year, seeking the adoption
16 of a policy now significantly changes those dynamics."

17 So it appears that both the Mayor and its counsel,
18 prior to filing their motion, admitted that this was a
19 decision for the PFRS.

20 And for the reliance on the Marti Kopacz
21 testimony, Your Honor, at trial she was asked point blank if
22 she was going to be offering an opinion on amortization. And
23 she testified that she was not.

24 She was also specifically asked about the
25 appropriate amortization period, not methodology, but the

1 period that would be used. And she stated she would have "no
2 basis to know whether a 5-year or a 10-year or a 20-year or a
3 30-year amortization period would be important."

4 So if this was so critical to feasibility, then
5 one would assume that the Court's expert, the independent
6 expert, would have offered testimony that this was, in fact,
7 critical to the City's plan of adjustment.

8 And to-date, Your Honor, the City has not at all
9 explained how the pension plan documents or the State
10 contribution agreement somehow don't require it to follow the
11 amortization decision made by the board.

12 The only argument is that the financial
13 projections have a 30-year period, or the Court summarized
14 the financial projections on page 231.

15 Lastly, Your Honor, the proposal for creditors, as
16 well as the pension task force memos that were created prior
17 to the bankruptcy demonstrate that the City has never
18 actually believed that a 30-year amortization period was a
19 sound financial policy.

20 Instead, both before the bankruptcy, as well as on
21 the first day filing, we cited this in our sur-reply, Your
22 Honor, but Chuck Moore's declaration in which he, as a
23 pension task force expert, mandates the City for using a
24 lengthy 29- or 30-year amortization period.

25 That testimony, then continues throughout the case

1 as Glenn Bowen and Chuck Moore both testified during the
2 discovery period leading up to the confirmation that lengthy
3 amortization periods were not sound financial policy for the
4 City.

5 There was no record during confirmation trial in
6 support of an amortization period at all, so it's not as
7 though the Court made a ruling after a detailed evidentiary
8 presentation by the City in order to support that finding.

9 It would be PFRS's position that the four corners
10 of the plan of adjustment control, as the plan is
11 unambiguous, that it requires that the investment committee
12 decide the amortization period, which then gets voted on by
13 the board of the PFRS.

14 THE COURT: Ms. Green, let me interrupt, if I
15 could, with a couple of questions.

16 MS. GREEN: Sure.

17 THE COURT: There's a chart that sort of speaks to
18 this that was put in by the City I think that may give some
19 clues about this.

20 But is there a hard number somewhere in the record
21 of how much more the City would have to contribute in each
22 year of the 20-year amortization period that the board wants
23 to have effective toward the UAAL in 2023, if compared to
24 what the City would -- how much the City would need to
25 contribute if it's a 30-year amortization?

1 MS. GREEN: As of the last valuation report from
2 Gabriel Roeder, Your Honor, I believe it would be \$12 million
3 dollars.

4 THE COURT: Per year?

5 MS. GREEN: Per year.

6 THE COURT: All right. And is that in one of the
7 Gabriel Roeder reports in the record?

8 MS. GREEN: I don't believe the valuation report
9 has been formally issued yet for this particular time period.
10 I believe that the board of trustees for PFRS would still
11 have to adopt that valuation report before it would be
12 formalized.

13 However, I could supplement the record once the
14 board approves that.

15 THE COURT: That's not necessary. But it sounds
16 like what you're saying is consistent with this color coded
17 chart that the City put into their -- I think it was Mayor
18 Duggan's declaration, and also into their motion. You
19 remember the chart I'm talking about.

20 That looks like it shows something a little more
21 than \$10 million dollars a year more from the 20-year versus
22 the 30-year.

23 It sounds like what you're saying is that's
24 correct.

25 MS. GREEN: That's correct, Your Honor.

1 THE COURT: Okay. Then the other thing is, you
2 know, if the Court -- and this is an "if." I'm not saying
3 that I'm going to rule this way, and I don't want you to take
4 -- anybody to take any hints from this. It's just a
5 hypothetical question purely at this point.

6 If the Court agrees that the 30-year amortization,
7 agrees with the City that the 30-year amortization term is
8 part of the plan of adjustment, then it's correct, isn't it,
9 that the documents that you rely on, the PFRS new plan
10 provision, the old plan for that matter, -- well, the new
11 plan, the combined plan, and the State contribution
12 agreement, exhibit B, governance terms, and the Michigan
13 Statute that you cite, Michigan Compiled Law sec. 38.1133(g),
14 all have in them a provision that essentially says, or says
15 in substance, that everything in those documents is subject
16 to a confirmed plan, or the plan of adjustment in the City's
17 case, so that if there's something inconsistent with any
18 provision in these documents with -- in the plan, a term of
19 the confirmed plan, then that does the latter, because the
20 term of the confirmed plan governs.

21 Do you agree with that? I'm not stating it very
22 artfully, really, but do you agree with that concept in
23 substance?

24 MS. GREEN: If I understand what you're saying,
25 the plan of adjustment itself should control. And are you

1 asking whether Michigan law does not permit the amortization
2 period to be 30-years?

3 THE COURT: No. It's really a more simple minded
4 question than that.

5 MS. GREEN: Okay.

6 THE COURT: So let me rephrase it. If I find that
7 the plan, the confirmed plan of adjustment unambiguously
8 includes a 30-year amortization here, as the City argues, and
9 I'm not saying that I'm going to do that yet, but assume
10 hypothetically that I do.

11 Then your arguments about the various terms that
12 you say point to a contrary result in the PFRS plan
13 documents, the State contribution agreement and its exhibit B
14 regarding governance terms, and the Michigan Statute, all
15 contain provisions that require that the term of the
16 confirmed plan trumps anything that might be to the contrary
17 otherwise in any of those documents.

18 Again, not a real artfully stated question, but
19 hopefully you understand what I'm asking.

20 So what's your answer?

21 MS. GREEN: I think I do. And what I would say is
22 the plan of adjustment, in terms of there being anything that
23 would be inconsistent, I think it does all tie out because
24 the plan of adjustment states that for the first 10 years the
25 funding for the pension comes from the grand bargain.

1 At the expiration of that 10 years, the board has
2 the authority to go outside of the plan of adjustment. The
3 plan of adjustment no longer control all of these issues.

4 THE COURT: Your answer is fighting my
5 hypothetical. You're rejecting my hypothetical.

6 MS. GREEN: Oh.

7 THE COURT: And maybe it's -- just giving you an
8 example.

9 As you know, the City cites section 16.6 of the
10 PFRS plan, which says "nothing herein shall be interpreted as
11 permitting the investment committee or the board to alter or
12 depart from the requirements set forth in the Plan of
13 Adjustment."

14 Now, I remember -- I recall your argument in your
15 briefs, one or more of your briefs, that plan of adjustment
16 there should be interpreted only to mean the actual plan, the
17 eighth amended plan filed, and nothing else.

18 But if I find that the confirmed plan of
19 adjustment in this case includes a 30-year amortization, as
20 the City argues, then under section 16.6 there can be nothing
21 in the PFRS plan that would permit the board or the
22 investment committee to alter or depart from the 30-year
23 amortization.

24 Is that a correct statement?

25 MS. GREEN: If I'm understanding what you're

1 saying, it sounds like that would require writing the 30-year
2 amortization period into the plan itself.

3 THE COURT: If I find that it is part of the
4 confirmed plan. That's the big "if" in that question, you
5 see. It's hypothetical at this point. See what I'm mean?
6 What I'm asking? And if not, I don't want to belabor this.

7 MS. GREEN: Well, if what you're saying is that
8 the confirmation opinion is then part of the plan of
9 adjustment, because I don't believe that the 30-year
10 amortization period itself is in the plan.

11 THE COURT: Let's suppose I do rule that way.
12 And, again, I'm not yet that I'm going to, but suppose I do.

13 That ends the dispute, doesn't it?

14 MS. GREEN: That would end -- apparently it would.
15 However, I think it would undermine all of the other
16 documents that are part of the plan of adjustment that do
17 give expressly certain rights to the PFRS board.

18 For example, why would there be an investment
19 committee appointed in the first place if they were not going
20 to have a fiduciary responsibility on any decision making on
21 a go-forward basis?

22 Why would there be a new pension plan document
23 that gives the board the right to compute the amount of the
24 contribution?

25 Why would there be an article in the pension plan

1 documents that states that the City shall appropriate the
2 amounts necessary to cover any needs of component two?

3 So then you would have a completely inconsistent
4 document with internal inconsistent provisions.

5 THE COURT: So then you're saying that what 16.6
6 says makes no sense -- would make no sense.

7 MS. GREEN: Yes. I think the only way that it all
8 ties out, Your Honor, is that, I mean, look at Article G of
9 the plan of adjustment itself, that at the end of the 10
10 years this decision would be decided by the board. And the
11 scrivener of the financial projection that they hang their
12 hat on basically admitted that in his testimony.

13 And there was no other testimony from anyone else
14 by the City, either Bowen or Chuck Moore, that testified
15 otherwise.

16 THE COURT: Well, I think the City disputes what
17 you're saying, but that's -- you know, the parties discussed
18 that in their briefs.

19 All right. So I've interrupted you with these
20 questions. I'll stop now and let you continue with whatever
21 else you wanted to say.

22 (Pause)

23 THE COURT: Ms. Green? You might be on mute. I
24 don't know. The floor is yours now, so go ahead.

25 MS. GREEN: I think the question that Your Honor

1 had was a good one. I think one other item that -- I don't
2 want to lose track of this. The Court has already held that
3 the pension plan documents themselves are, in fact, part of
4 the plan of adjustment.

5 So I think we have another inconsistency if the
6 pension plan documents are not found to be controlling on
7 this issue when in certain related circumstance, the RDPFSA,
8 the pension plan documents were enforced and were held to be
9 part of the plan itself.

10 THE COURT: Excuse me, somebody is breathing
11 without being on mute. So please mute your phones when
12 you're not speaking. Thank you.

13 Go on, Ms. Green.

14 MS. GREEN: Your Honor, one other item. The 6.75
15 percent, which is the interest rate, that's another item that
16 at the end of the 10 years reverts back to the board as a
17 decision. And that is explicit in Article G of the plan of
18 adjustment, the one that ties all of the board's authority to
19 the 10-year pension holiday.

20 And that is directly inconsistent with the
21 sentence that the City hangs its entire hat on, that the City
22 will amortize the remaining UAAL for both plans over the next
23 30 years at an interest rate of 6.75.

24 That is just an erroneous statement in the
25 confirmation opinion. It's completely inconsistent with the

1 plan itself, which says that the 6.75 interest rate expires
2 at the end of the 10 years. And that's part and parcel to
3 the board's authority to set a funding policy on behalf of
4 the pension.

5 And the City has never noted that there is that
6 inconsistency. And I would be curious what Mr. Raimi's
7 response would be to that, because the 6.75 could be changed
8 within the next year by the pension.

9 Quite frankly, if it was changed to a certain
10 interest rate that was low enough, the amortization period
11 would be irrelevant, to a certain extent, because the board
12 has the authority under the plan documents to make decisions,
13 including changing the interest rate, which could then raise
14 the City's contribution on an annual basis.

15 That's another inconsistency between the
16 confirmation opinion and the actual plan document itself.

17 And in terms of the 6.75, Your Honor, there was
18 extensive testimony by Glen Bowen and Alan Perry on that
19 issue at confirmation trial. Hours and hours of testimony.

20 And the Judge made a very specific ruling on page
21 232 going into the 6.75 and why it would be reasonable. And
22 there was no similar record made regarding amortization. The
23 confirmation trial record is basically void of any expert --
24 or even a lay witness, quite frankly, that talked about why a
25 30-year period would be absolutely critical to the plan.

1 THE COURT: By the way, Ms. Green, there's
2 different parties-in-interest here that involves -- have a
3 direct interest in the issue of how the PFRS -- how the UAALs
4 for the PFRS plan were to be paid by the City under the plan.

5 But was there ever an objection to confirmation
6 that objected to the -- or to the disclosure statement, for
7 that matter that was filed by the City, that objected to
8 there being a 30-year amortization either in the plan or
9 assumed for purposes of deciding feasibility of the plan?

10 MS. GREEN: I would say two things:

11 Number one, the document that everyone is
12 referring to in the financial projection calls the 30-year
13 amortization period an assumption, and calls it hypothetical.
14 So I don't know why we would be objecting to a hypothetical
15 scenario, number one. That could change.

16 Number two, we did file -- and I don't know if
17 this is what you mean when you say "an objection." But the
18 PFRS did file a motion to exclude testimony from the Court's
19 feasibility expert, Martha Kopacz, on the amortization issue.

20 Therefore, the record did not have any expert
21 testimony in favor of the 30-year amortization. So between
22 the financial projections themselves being merely a
23 hypothetical, or with an assumption that there would be a 30-
24 year amortization, and the Court's feasibility expert
25 expressly stating, and we quoted her testimony, Your Honor,

1 at page 21 and 22 of our response brief, the Court's
2 feasibility expert taking no position on amortization.

3 And with the other pension task force expert also
4 not speaking to any position on amortization, I don't know
5 what we would have objected to. There was no evidentiary
6 record made, unlike the 6.75 interest rate, which was days
7 worth of testimony.

8 THE COURT: Ms. Green, what was the outcome of the
9 motion in limine that you just referred to?

10 MS. GREEN: She admitted she was not testifying to
11 that issue at all. So if memory serves, the opinion that
12 Judge Rhodes later authored, he said it was moot because she
13 admitted she was not going to testify to amortization at all.

14 And I can read you the testimony. I have it in
15 front of me if you have questions, Your Honor.

16 But he considered it moot because she didn't offer
17 testimony on amortization.

18 THE COURT: Excuse me. Somebody is breathing into
19 the phone. Please mute your phone when you're not speaking.
20 Again I'll ask.

21 So, Ms. Green, back to you. Did the PFRS file --
22 it must have filed an objection to confirmation in order to
23 be involved with motions in limine. There are lots of
24 objections to confirmation, many of which got resolved.

25 But what about the PFRS?

1 MS. GREEN: Your Honor, the PFRS and the City at
2 that point had settled the dispute at confirmation in terms
3 of the settlement that had been reached. So we did not
4 object to the plan, but, again, the plan documents, in our
5 mind, is clear.

6 THE COURT: No, I'm not asking about that. I'm
7 just asking -- you never filed n objection to confirmation,
8 and you've just explained why.

9 Did the PFRS ever file any objection to the City's
10 disclosure statement?

11 MS. GREEN: We had limited objections that we did
12 file, Your Honor. I will say that the financial projection
13 that's attached to the disclosure statement changed ten more
14 times before it was ultimately submitted to the Court in
15 October of 2014. And they were all unilaterally changed by
16 the City after the plan had been negotiated in detail.

17 THE COURT: Excuse me, I didn't ask you about any
18 of that. I simply asked whether the PFRS filed any
19 objections to the disclosure statement.

20 You said you filed limited objections to that, is
21 that correct?

22 MS. GREEN: Yes, Your Honor.

23 THE COURT: And what became of those? What was
24 the result on those?

25 MS. GREEN: They were resolved. I don't believe

1 at the time that the amortization issue was an issue in the
2 case, Your Honor. It's always been --

3 THE COURT: Well, again, I didn't ask you that.
4 My question was pretty limited, and I think you've answered
5 it. It was resolved by what? Some sort of withdrawal of the
6 objection, or a stipulated order regarding the objection, or
7 what? Do you recall?

8 MS. GREEN: If memory serves, Your Honor, and I
9 would have to look back at the docket because it's been
10 decades, the objections I think were withdrawn as part of the
11 larger settlement between the PFRS and the City.

12 THE COURT: Is there an order saying that, or you
13 don't recall?

14 MS. GREEN: I don't recall, but there may have
15 been. I would have to look back at the docket.

16 THE COURT: All right. Thank you. I've again
17 interrupted with questions, but I'm through with those for
18 now. So go on. What else did you want to say, then, Ms.
19 Green?

20 MS. GREEN: Your Honor brings up a good point,
21 because I think that the fundamental disconnect between the
22 City and the retirement system is that, you know, we
23 negotiated these documents heavily over many months.

24 And the explicit provision in the investment
25 committee language that states that the investment committee

1 will be charged with the amortization period is directly
2 contradicted by the opinion of the Court.

3 And I have not heard from the City a distinction
4 between the Fifth Circuit case that states that if there is
5 some kind of inconsistency between the confirmation opinion
6 and the plan documents, that the plan should control, because
7 the plan was heavily negotiated by lots of constituencies.

8 And here, we had 27 different parties that were
9 all negotiating these plan documents. And the State was
10 involved, Foundations were involved, they are on the phone,
11 the retiree committee, tens of thousands of retirees voted on
12 this.

13 Quite frankly, at the end of the 10 years there is
14 nothing in the plan itself that continues to provide that the
15 plan of adjustment controls over the normal fiduciary
16 responsibilities of the board of the PFRS.

17 And to the extent that the extrinsic evidence is
18 delved into, Your Honor, we would also request an adversary
19 proceeding be commenced, to the extent that the Court is
20 going to look at testimony and things outside the four
21 corners of the documents. Things like expert reports and
22 witness testimony.

23 But we also don't think it's necessary because the
24 plan documents themselves, in particular the State
25 contribution agreement and the PFRS revised pension plan

1 documents, expressly state that the amortization decision, as
2 well as all other funding policies, are part of the larger
3 fiduciary responsibility of the investment committee and the
4 board.

5 The other thing, Your Honor, that the PFRS would
6 like to raise with the Court is the scope of the order that's
7 been requested by the City. It seeks to enjoin the PFRS from
8 making any decisions about the amortization or any funding
9 policies, which would then strip the PFRS board of its
10 fiduciary responsibilities in a manner that we believe is
11 inconsistent with our duties under the plan documents.

12 THE COURT: Ms. Green, I don't see where that is
13 in the proposed order that was attached to the City's motion.
14 For the record, this proposed order I'm looking at is docket
15 13602, starting .pdf page 5.

16 It simply is limited to the amortization term, it
17 does appear, isn't it?

18 MS. GREEN: Correct, Your Honor. But that would
19 enjoin us for the -- basically the life of the rest of the
20 particular pension funds from ever making an amortization
21 decision that would affect the funding policy.

22 THE COURT: Well, the lengthy of the amortization,
23 the number of years of amortization, is the only thing that
24 order would restrict you from changing from 30 years to
25 something else, isn't it?

1 MS. GREEN: I agree with you, Your Honor. I'm
2 saying the length of time. It just says that we are enjoined
3 forever from making any decision on that front.

4 THE COURT: Right. Yes. What's wrong with that
5 if I agree with the City's position that the plan requires
6 that? And that's again a big "if" at this point. But if.

7 MS. GREEN: We think that would undermine all of
8 the other parts of the plan that state that we have certain
9 fiduciary responsibilities to the pension itself, as well as
10 the sections that state that we are the ones that have to
11 consult with the actuaries and calculate the amount of the
12 employer contribution.

13 THE COURT: Okay. I guess you don't like my
14 hypothetical questions, because you're not answering them.
15 You're fighting them. And that's okay. I understand.
16 You're representing a client here.

17 So I'm done questioning with you for now, again.
18 Anything further you want to say, please do so concisely. Go
19 ahead.

20 MS. GREEN: I don't have anything further, Your
21 Honor.

22 THE COURT: All right. Thank you, Ms. Green. Mr.
23 Raimi on behalf of the City, as I mentioned at the outset of
24 this hearing, I was going to give you a chance, if you want
25 to, to reply briefly in support of the City's motion.

1 MR. RAIMI: Thank you very much, Your Honor. A
2 couple of points.

3 The Mayor's understanding, as set forth in his
4 declaration, was that the City and the retirement plans had
5 agreed on 30-year amortization. And that's -- we cite that
6 at pages 3 and 4 about that in our reply brief. He was
7 testifying about trial exhibit 723 that shows the UAAL being
8 amortized over the 30 years.

9 And he testified that shows the key items of the
10 settlement with GRS and PFRS as part of the plan of
11 adjustment. So that was certainly the Mayor's understanding,
12 and nobody said otherwise until just very recently when this
13 dispute arose.

14 There is absolutely nothing inconsistent
15 whatsoever about 30-year amortization and the board computing
16 the amount of the annual funding contribution.

17 As I mentioned, there are amortization
18 methodologies, you know, level principal and so forth, that
19 can affect the amount of the annual payment amount.

20 But the first thing you have to ask is: What is
21 the amortization term? And, you know, once again, counsel
22 suggests that the City says it wants to control, that it
23 wants to decide the amortization term.

24 The Court decided the amortization terms at a
25 question of the City versus PFRS. It's the Court's order

1 that controls.

2 And counsel repeatedly says that the State
3 contribution agreement gives the board the authority to
4 decide the amortization term. We addressed that -- they made
5 that blanket assertion. PFRS made that assertion in its
6 response brief, but they never explained how any of the
7 language actually gave the board that authority.

8 And so we addressed it in detail in our reply
9 brief, and said "no, that doesn't even mention amortization
10 term." There is nothing in there that purports to give the
11 board authority over the amortization term.

12 And there was nothing in PFRS's sur-reply that
13 even addressed, that even attempted to defend, the argument
14 that they had made.

15 But on the fundamental point, the fact that the
16 confirmation opinion and order expressly require a 30-year
17 amortization makes it crystal clear that is part and parcel
18 of the plan of adjustment.

19 And, in fact, what appears in the confirmation
20 opinion and order controls over anything to the contrary in
21 the plan of adjustment. So it's absolutely part and parcel
22 of the plan of adjustment.

23 Counsel raises the 6.75 percent interest rate
24 issue. They didn't raise that in any of their briefing. I'm
25 not here to argue about the interest rate. The only issue

1 before the Court is 30-year amortization.

2 And that's required -- there's not only the one
3 sentence that the Court quoted -- I mean, that counsel
4 quoted, that talks about 30-year amortization and the 6.75
5 percent interest rate.

6 But the ruling appears again in footnote 23 of the
7 opinion. The balance of the under-funding in 2023 will be
8 amortized over a 30-year period. It doesn't even mention the
9 interest rate. So that's not the issue before the Court.
10 It's the 30-year amortization.

11 And counsel refers to the funding provisions. And
12 as I wrote down in my notes, counsel said City will
13 contribute sufficient funds pursuant to what the board
14 calculates.

15 Well, that's true. But the overriding point is
16 that the plan, and as per the confirmation order, requires --
17 the calculation requires the board in its calculation to use
18 30-year amortization.

19 So there's nothing inconsistent about any of this.
20 There is nothing in the plan that purports to address the
21 amortization term, other than the requirement in the
22 confirmation order that makes the amortization term 30 years.

23 On the Fifth Circuit case, again, PFRS has already
24 admitted in its initial response brief that the plan document
25 is silent on amortization. So there is no conflict, but,

1 again, the confirmation order says that in the event there
2 were, the order controls. And the order requires 30-year
3 amortization.

4 When you look at the big picture here, it all adds
5 up to confirming that the financial schedules incorporated a
6 settlement, which was 30-year amortization. Otherwise, none
7 of this makes any sense at all.

8 The idea that they would prepare these detailed
9 financial schedules showing decade-by-decade, you know, how
10 the City is going to pay all of the enormous obligations it
11 had to pay, including the billions of dollars of pension
12 funding, and all of this was evidently a joke that after 10
13 years the pension funds could say "oh, we want immediate
14 payment of the amortization amount of UAAL."

15 Their theory is legally unsound. But it just
16 absolutely makes no sense whatsoever when you look at the
17 confirmation opinion, when you look at the exhibits, when you
18 look at the testimony. It just makes no sense whatsoever.

19 I think I may be done. And I appreciate the
20 Court's indulgence. I think that covers what I wanted to
21 say.

22 Oh, I do want to make this point: The idea that
23 Kopacz didn't opine on the amortization term, that wasn't her
24 job. The 30-year amortization term was encased when she was
25 hired to be the feasibility expert. Her job was to take the

1 facts in the proposed plan of adjustment, which required 30-
2 year amortization, and opine whether it would be feasible.

3 So the fact that she wasn't -- first of all, she's
4 not an actuary, nor was she -- that wasn't her job to opine
5 on that number. It was a given.

6 And, similarly, these other folks cited by
7 counsel, Moore and others, they gave deposition testimony
8 that, frankly, had nothing to do with what was going on in
9 the plan of adjustment.

10 But their opinions are -- they were hired to
11 decide that issue. The issue was decided, and everybody
12 agreed with it until just a few years ago when PFRS decided
13 they would like to grab City money sooner rather than later.

14 So for all of those reasons, we ask the Court to
15 grant our motion.

16 THE COURT: All right. Well, thank you all for
17 your arguments and comments in today's hearing. I appreciate
18 it very much. All of you.

19 The Court is going to -- I'm now going to take
20 this motion of the City's under advisement, and I intend to
21 issue a written decision regarding the motion, and to do so
22 as soon as possible. I know the parties are anxious to get a
23 ruling from the Court on this.

24 And 2023 is here, so I understand that. I'll get
25 a written decision out as soon as possible.

1 In the meantime, thank you all very much. That's
2 it for today. Thank you.

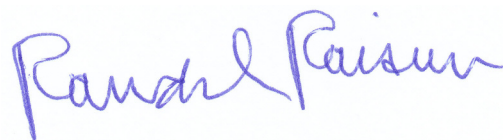
3 MR. RAIMI: Thank you, Your Honor.

4 (Time Noted: 3:51 p.m.)

5 * * * * *

6 CERTIFICATE

7 I, RANDEL RAISON, certify that the foregoing is a
8 correct transcript from the official electronic sound
9 recording of the proceedings in the above-entitled matter, to
10 the best of my ability.

11 
12

13 _____ March 24, 2023

14 Randel Raison
15
16
17
18
19
20
21
22
23
24
25

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

Case No. 13-53846

CITY OF DETROIT, MICHIGAN,

Chapter 9

Debtor.

Judge Thomas J. Tucker

**OPINION REGARDING THE CITY OF DETROIT'S MOTION
TO ENFORCE PLAN OF ADJUSTMENT AGAINST THE POLICE AND FIRE
RETIREMENT SYSTEM PENSION PLAN (DOCKET # 13602)**

I. Introduction

The Motion now before the Court in this Chapter 9 case requires the Court to resolve a dispute between the City of Detroit (the “City”) and one of its pension plans, the Police and Fire Retirement System of the City of Detroit, Michigan (the “PFRS”). The City’s motion is entitled “City of Detroit’s Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan” (Docket # 13602, the “Motion”). The PFRS objects to the City’s Motion. After two rounds of extensive briefing by the parties, and the filing of numerous exhibits, the Court held a telephonic hearing on the Motion on March 15, 2023, and then took the Motion under advisement.

In 2014, the City obtained confirmation of its plan of adjustment (the “POA”).¹ One of the City’s many obligations under the POA is to pay a certain unfunded liability to the PFRS for retirement benefits, known as the unfunded actuarial accrued liability (“UAAL”), existing as of June 30, 2023. More specifically, beginning with the year starting on July 1, 2023, the City must

¹ This bankruptcy case was assigned to Judge Steven W. Rhodes until his retirement in February 2015. The case was reassigned to the undersigned judge on February 17, 2015. See “Designation of Bankruptcy Judge,” filed February 17, 2015 (Docket # 9288).

begin making annual payments to the PFRS in order to reduce, and ultimately eliminate, the UAAL.

The City contends that one of the terms under the POA is that these payments are to be made over a period of 30 years, based on a 30-year amortization of the UAAL existing as of June 30, 2023. The PFRS disputes that such a 30-year amortization is part of the POA. Rather, the PFRS contends that *no* particular amortization is part of the POA.

The PFRS argues that it has the authority to decide the amortization term used to compute the City's annual contribution to the UAAL existing as of June 30, 2023. The PFRS argues that "under the terms of the Plan, the PFRS does not need to allow the City to amortize *any* of the post-2023 pension payments - let alone for 30 years[.]”²

The PFRS has recently decided that the City must make the payments over a period of only 20 years, based on a 20-year amortization. The PFRS's 20-year amortization would significantly accelerate the City's payments, compared to a 30-year amortization. The parties agree that if the City is required to pay based on a 20-year amortization, the City's payments will be roughly \$12 million more per year in each of years 1-20 than the payments would be in those years if the City pays based on a 30-year amortization.

The City's Motion seeks declaratory and injunctive relief against the PFRS, precluding the PFRS from shortening the 30-year amortization period.

² PFRS Sur-Reply (Docket # 13681) at pdf p. 6, caption II.A (initial capitalization and bold omitted) (italics on original).

For the reasons stated in this Opinion, the Court concludes that the City is correct, that a 30-year amortization is indeed part of the confirmed POA, and that the PFRS cannot change it. The Court will grant the City's Motion.

II. Background and facts

A. The City's confirmed plan of adjustment

The plan of adjustment in this Chapter 9 bankruptcy case was confirmed on November 12, 2014. The confirmed plan includes the document entitled "Eighth Amended Plan for the Adjustment of Debts for the City of Detroit," filed October 22, 2014 (the "Plan") and all of its many exhibits,³ and it also includes the Order entitled "Order Confirming Eighth Amended Plan for the Adjustment of Debts for the City of Detroit," filed November 12, 2014 (the "Confirmation Order").⁴ (The Plan and the Confirmation Order are collectively referred to as the "POA.") The POA became effective on December 10, 2014.⁵

Significantly, and as discussed below, the Confirmation Order expressly incorporated the Court's written opinion regarding confirmation, which is entitled "Supplemental Opinion Regarding Plan Confirmation, Approving Settlements, and Approving Exit Financing," filed December 31, 2014 (the "Confirmation Opinion").⁶

B. The PFRS UAAL

³ Docket # 8045.

⁴ Docket # 8272.

⁵ See Notice of (I) Entry of Order Confirming Eighth Amended Plan for the Adjustment of Debts for the City of Detroit and (II) Occurrence of Effective Date, filed December 10, 2014 (Docket # 8649).

⁶ Docket # 8993. The Confirmation Opinion was published. See *In re City of Detroit, Michigan*, 524 B.R. 147 (Bankr. E.D. Mich. 2014).

1. Background

The following background facts about the PFRS pension plan, recounted in the City's Motion, are undisputed:

The City historically had two defined benefit pension plans for employees and retirees. The Police and Fire Retirement System ("PFRS") managed the plan for public safety employees and retirees. The General Retirement System ("GRS") managed the plan for all other City employees and retirees. Both plans were frozen in bankruptcy and, under the POA, covered only City retirees and employees who performed services for the City prior to July 1, 2014.

Both plans were replaced going forward with hybrid plans that combined elements of both defined benefit and defined contribution plans. In the POA, the new hybrid plans are known as Component I plans, and the frozen plans are known as Component II plans.

At issue in this case is the PFRS Component II plan that was frozen in bankruptcy and now covers only public safety employees and retirees who provided services prior to July 1, 2014. References in this brief to the PFRS plan are to the PFRS Component II plan that was frozen in bankruptcy. Because the plan was frozen and no new beneficiaries are being added, it is a "closed plan" and will terminate after all beneficiaries have died.

....

At the time of the bankruptcy, both the public safety (PFRS) and general retirement (GRS) legacy (Component II) plans were underfunded. Under financial projections prepared for the POA, the plans were likewise projected to be underfunded at the end of the 10-year [period after confirmation]. Actuaries identify the amount of such underfunding as the plan's "unfunded actuarial accrued liability," or "UAAL."⁷

2. The Fourth Amended Plan and the Fourth Amended Disclosure Statement

⁷ City's Br. in Supp. of Mot. (Docket # 13602) at pdf pp. 17, 19-20 (record citations omitted).

The relevant history of the POA's treatment of the claims of the PFRS, including the UAAL, can be traced back to the plan and disclosure statement filed by the City on May 5, 2014, when the City filed its Fourth Amended Plan and its Fourth Amended Disclosure Statement.⁸

The Fourth Amended Plan treated the pension claims of the PFRS in Class 10 (the "PFRS Pension Claims"),⁹ and the pension claims of the General Retirement System for the City of Detroit (the "GRS") in Class 11 (the "GRS Pension Claims").¹⁰ Under the Fourth Amended Plan, the Class 10 PFRS Pension Claims were to be "allowed in an aggregate amount equal to the sum of approximately \$1,250,000,000,"¹¹ and the Class 11 GRS Pension Claims were to be "allowed in an aggregate amount equal to the sum of approximately \$1,879,000,000."¹²

The Fourth Amended Plan provided that from the Plan's Effective Date "through Fiscal Year 2023," the City would not be obligated to make any contributions to fund accrued benefits "under the Prior PFRS Pension Plan."¹³ During that time, such annual contributions were to come only from other sources, known as "certain DIA Proceeds and a portion of the State

⁸ "Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (May 5, 2014)" (Docket # 4392, the "Fourth Amended Plan"); "Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit" (Docket # 4391, the "Fourth Amended Disclosure Statement").

⁹ See Fourth Amended Plan (Docket # 4392) at pdf pp. 38-40.

¹⁰ See *id.* at pdf pp. 40-42; 19 (Definition 153, defining "GRS").

¹¹ See *id.* at pdf p. 38.

¹² See *id.* at pdf p. 40.

¹³ See *id.* at pdf p. 39 (Contributions to PFRS).

Contribution.”¹⁴ After June 30, 2023, the PFRS would receive “certain additional DIA Proceeds,” and the City would be required to contribute certain defined funding to the PFRS, discussed below.¹⁵

The Court approved the Fourth Amended Disclosure Statement in an Order filed on May 5, 2014.¹⁶ In that Order, the Court found that the disclosure statement “contains ‘adequate information’” about the Fourth Amended Plan, “as defined by” 11 U.S.C. § 1125(a)(1).¹⁷

Part of that “adequate information” about the plan was in the financial projections in the disclosure statement. Section XI of the Fourth Amended Disclosure Statement was captioned **“PROJECTED FINANCIAL INFORMATION.”**¹⁸ Section XI.A, captioned **“Projections,”** stated, in relevant part:

Attached to this Disclosure Statement as Exhibit I, Exhibit J and Exhibit K are certain financial documents (together, the “Projections”), which provide details regarding the City’s projected

¹⁴ See *id.* Under the Fourth Amended Plan, the “DIA Proceeds” are the “irrevocable funding commitments” of at least \$466 million described in Section IV.F.1 of that plan. See *id.* at pdf pp. 15 ¶ 88, 53-54 ¶ IV.F.1. In the Eighth Amended Plan “DIA Proceeds” means the “irrevocable funding commitments” of at least \$466 million as described in Section IV.E.1 of that plan. See Eighth Amended Plan (Docket # 8045) at pdf pp. 17 ¶ 123, 64 ¶ IV.E.1.

Under the Fourth Amended Plan “‘State Contribution’ means payments to be made to GRS and PFRS by the State [of Michigan (“State”)] or the State’s authorized agent for the purpose of funding Adjusted Pension Amounts in an aggregate amount equal to the net present value of \$350 million payable over 20 years using a discount rate of 6.75%, pursuant to the terms of the State Contribution Agreement.” Fourth Amended Plan (Docket # 4392) at pdf p. 29 ¶ 267. This definition of “State Contribution” also appears in the Eighth Amended Plan (Docket # 8045) at pdf p. 34 ¶ 331.

¹⁵ See Fourth Amended Plan (Docket # 4392) at pdf pp. 39-40.

¹⁶ “Order Approving the Proposed Disclosure Statement” (Docket # 4401).

¹⁷ *Id.* at 2 ¶ 3.

¹⁸ Docket # 4391 at pdf p. 185 (bold and capitalization in original).

operations under the Plan, subject to the assumptions set forth below. In particular, the Projections consist of:

- A ten-year summary of restructuring initiatives, attached hereto as Exhibit I
- A ten-year statement of projected cash flows, attached hereto as Exhibit J
- **A forty-year statement of projected cash flows, attached hereto as Exhibit K¹⁹**

Exhibit K of the Fourth Amended Disclosure Statement, in turn, was entitled “**City of Detroit** Plan of Adjustment - 40 year projections.”²⁰ Exhibit K projections included the assumptions under the Fourth Amended Plan that the City would make no payments on the pension claims of the PFRS and the GRS in the first 10 years of the Plan, and that during that time, payments to the PFRS and the GRS would be made by other parties. Then beginning in year 11, the City would make annual payments to the PFRS and GRS on the UAAL existing as of June 30, 2023. *Those annual payments would be determined by taking the UAAL existing as of June 30, 2023, and amortizing that amount over 30 years at a discount rate of 6.75%.* The projections for the payments to the PFRS included the following:

PFRS		
Pension	Contributions (years 1-10)	Estimated to be \$261m from foundations /State settlement
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$681m amortized over 30yr , including contributions in second decade from DIA and foundations

¹⁹ *Id.* (bolding of “Projections” and underlining in original) (other bolding added).

²⁰ Docket # 4391-2 at pdf pp. 171-79 (bold in original).

Discount rate	6.75%
Targeted funded status as of 2023	78% ²¹

Other pages in the 40-year projections detailed the sources of income for the City, the City's expenses, the amounts that would be paid on the pension claims of the PFRS and the GRS and other creditors' claims over forty years, and the sources of the payments to the PFRS and the GRS and other creditors.²² These pages *also* projected a 30-year amortization of the payments of the UAAL to the PFRS and the GRS. They listed substantial amounts for "PFRS pension payments" and for "GRS pension payments" over the years "2024-2033," "2034-2043," and "2044-2053."²³

Footnotes to the projections stated that certain payments on the pension claims were the result of settlements with the DIA and the State of Michigan, and that the amount of the UAAL as of June 30, 2023 was subject to change, and that therefore the amount of the City's annual contributions to the PFRS and GRS was subject to change.²⁴ Some of the numbers "subject to change" in the projections were changed, due to later settlements and the updated information received on account of those settlements. But as discussed below, one thing that never changed

²¹ *Id.* at pdf p. 173 (footnote omitted) (bold added).

²² *See id.* at pdf pp. 174-179.

²³ *See id.* at pdf pp. 176-77.

²⁴ *See id.* at pdf p. 173 nn.(a)-(b).

was that the UAAL, existing as of June 30, 2023, would be amortized over 30 years at a discount rate of 6.75%.²⁵

The projections regarding the claims of the PFRS and the GRS were developed by incorporating the key elements of the settlements that were reached with “a number of parties with an interest in the City’s two pension plans [(the PFRS and the GRS pension plans)] and in protecting the City’s art at the DIA[,]” which settlements were incorporated into the Fourth Amended Plan. *In re City of Detroit*, 524 B.R. 147, 169 (Bankr. E.D. Mich. 2014). This collection of settlements incorporated into the Fourth Amended Plan, and incorporated into the later amended plans that were filed, was known as “the Grand Bargain.” The Grand Bargain was the “cornerstone” of the Fourth Amended Plan and all later filed amended plans. *Id.*

The City served the Fourth Amended Plan and the Fourth Amended Disclosure Statement, including the 40-year projections, on all required parties. The Court’s Confirmation Opinion described this process and events that led up to the filing of the Eighth Amended Plan.

The City served solicitation packages, including this [fourth amended] plan and disclosure statement, and plan ballots. (Dkt. ## 4421 and 6179). It also published notice of the [fourth amended] plan and the disclosure statement in the Detroit News, the Detroit Free Press, USA Today and the Wall Street Journal. (Dkt. ## 6209, 6211 and 6253). This [fourth] amended plan incorporated the final aspects of the Grand Bargain, including final

²⁵ See discussion in Part II.C of this Opinion, below; *see, e.g.*, Trial Tr. (Sept. 29, 2014) (Docket # 7819) (testimony of Gaurav Malhotra, an expert on restructuring and financial analysis at Ernst & Young, LLP) at 77-78 (“[Exhibit] 109 is the July 2nd [2014] update of the [P]rojections, and so we would have updated it since May 5th [2014] for the items that we knew had changed because it was during this time frame that there were a couple of settlements that were reached, but on the baseline scenario, other than some changes that we would have made for new information that we would have received, [the] majority of this would have essentially remained the same or close to it.”)).

agreements relating to restoration of pension benefits and pension plan governance, as well as the OPEB settlement.²⁶

City of Detroit, 524 B.R. at 161 (footnote 3 omitted) (footnote added).

The pension creditors in Class 10 (PFRS) voted overwhelming to accept the Plan, by a margin of 82% of the votes cast. *City of Detroit*, 524 B.R. at 175, 180.

The Fourth Amended Plan was later amended several times, as a “result of successive creditor settlements and agreements. . . . On October 22, 2014, the City filed its eighth and last amended plan. . . . [T]he Court concluded that the plans that the City filed after the fourth amended plan did not require new balloting and therefore did not require a new disclosure statement.” *City of Detroit*, 524 B.R. at 147, 161-62. This was so because “[t]he Court [found] that none of the modifications in any of the successive amended plans adversely changed the treatment of any claims.” *Id.* at 253 (citing Fed. R. Bank. P. 3019(a)). The Court found that because “the City modified its plan to incorporate creditor settlements that in each case, maintained or improved the treatment of claims or otherwise clarified various plan provisions[,] . . . the City was not required to re-solicit ballots after the initial solicitation.” *Id.*

3. The Eighth Amended Plan

²⁶ The OPEB Claims are claims against the City for “post-retirement health, vision, dental, life, and death benefits,” for certain retirees “who retired on or before December 31, 2014 and are otherwise eligible for OPEB Benefits, and any eligible surviving beneficiaries of such retiree[,]” which are treated in Class 12 of the fourth amended plan and the Plan. *See* Plan (Docket # 8045) at pdf p. 28 ¶¶ I.A.259-60, 49 ¶¶ B.1., B.3.s.

As with the Fourth Amended Plan, the Eighth Amended Plan treated the pension claims of the PFRS in Class 10, and those claims still were to be “allowed in an aggregate amount equal to the sum of approximately \$1,250,000,000.”²⁷

As with the Fourth Amended Plan, the Eighth Amended Plan provided that from the Plan’s Effective Date “through Fiscal Year 2023,” the City would not be obligated to make any contributions to fund accrued benefits “under the Prior PFRS Pension Plan.”²⁸ During that time, such annual contributions were to come only from other sources, known as “certain DIA Proceeds and a portion of the State Contribution.”²⁹ After June 30, 2023, the PFRS would receive “certain additional DIA Proceeds,” and the City would be required to:

contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto.³⁰

4. Confirmation

The Court held a lengthy trial regarding confirmation of the Plan and approval of the settlements incorporated into the Plan, in September and October 2014. As discussed below, the feasibility of the Plan was one of the key issues, and the evidence at trial was premised on the City’s projections, including the 30-year amortization of the UAAL as of June 30, 2023.

²⁷ See Docket # 8045 at pdf p. 45.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

On November 7, 2014, the Court issued an oral opinion from the bench (the “Bench Opinion”), announcing that the Court would confirm the Plan and would approve all the settlements.³¹ The Court also stated in its Bench Opinion that “[t]he Court will soon issue a supplemental written opinion that will more fully address all of the issues.”³²

On November 12, 2014, the Court entered its Confirmation Order.³³ As noted above, the City’s POA includes the document entitled “Eighth Amended Plan for the Adjustment of Debtors for the City of Detroit,” filed October 22, 2014 (the Plan), and all of its many exhibits,³⁴ and it also includes the Confirmation Order.³⁵ (As noted above, the Plan and the Confirmation Order are collectively referred to as the POA.)

The Confirmation Order confirmed the Plan, and stated that the Plan and the Confirmation Order are “binding upon” the City and “any and all holders of Claims,” among many others.³⁶

The Confirmation Order incorporated by reference the Confirmation Opinion that was filed later. The Confirmation Order stated that “[t]he Court’s supplemental opinion regarding

³¹ A transcript of the bench opinion is filed at Docket # 8257.

³² *Id.* at 4; *see also id.* at 49, 53.

³³ Docket # 8272 (“Order Confirming Eighth Amended Plan for the Adjustment of Debts for the City of Detroit”).

³⁴ Docket # 8045. The Eighth Amended Plan states that all of the exhibits are part of the Plan. *See* Eighth Amended Plan (Docket # 8045) at pdf p. 30 ¶ 273 (defining “Plan”), pdf p. 22 ¶ 182 (defining “Exhibits”), pdf pp. 6-7 (“Table of Exhibits”). The Plan exhibits were filed at Docket ## 8045-1 through 8045-10.

³⁵ Docket # 8272.

³⁶ *See* Confirmation Order (Docket # 8272) at pdf p. 72 ¶ A.1; pdf p. 90 ¶ E.28; *see generally* 11 U.S.C. § 944(a).

confirmation of the Plan (the “Confirmation Opinion”), to be issued, is incorporated fully herein.”³⁷ Thus, the Confirmation Opinion is part of the Confirmation Order. As such, the Confirmation Opinion is part of the POA.

The Confirmation Order also incorporated by reference all of the findings and conclusions in the Confirmation Opinion. The Confirmation Order stated:

All findings of fact and conclusions of law announced by the Court on the record in connection with confirmation of the Plan or otherwise at the Confirmation Hearing or **in the Confirmation Opinion are incorporated herein by reference.** The findings of fact and conclusions of law set forth herein, **in the Confirmation Opinion** and in the record of the Confirmation Hearing constitute the Court’s findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, as made applicable herein by Bankruptcy Rules 7052 and 9014.³⁸

The Confirmation Order states:

In the event of a direct conflict between the Plan or any agreement, instrument, or document intended to implement the Plan, on the one hand, and this Order, on the other, the provisions of this Order shall govern.³⁹

By virtue of this language, the Confirmation Order made clear that its provisions, including the provisions of the Confirmation Opinion, which the Confirmation Order expressly incorporated, govern if they conflict with any provision in the Plan or any of its exhibits.

C. The incorporation of the 30-year amortization term into the POA

³⁷ Confirmation Order at pdf p. 10 ¶ G (underlining in original).

³⁸ *Id.* at pdf pp. 73-74 ¶ B.4 (footnote omitted) (emphasis added).

³⁹ *Id.* at pdf p. 126 ¶ 83.

The 30-year amortization of the PFRS UAAL, existing as of June 30, 2023, is part of the confirmed POA and is binding on the PFRS, by virtue of the Confirmation Order's express incorporation of the Confirmation Opinion. The Confirmation Opinion clearly shows the 30-year amortization. It states:

[T]he City's obligations to the GRS and the PFRS are fixed under the plan from FY2014–FY2023. During this time, as the City works to stabilize its finances and implement the [restructuring and reinvestment initiatives, known as the "RRIs"],⁴⁰ the majority of the City's contributions to the GRS and the PFRS will come from the DWSD [(Detroit Water and Sewerage Department)], the State Contribution Agreement,⁴¹ and the Grand Bargain funding. *See Ex.*

⁴⁰ Citing the trial testimony of Charles Moore, the expert who "is the chief architect of the RRs," the Court noted "that the RRs can be broken down into seven categories:"

1. Blight initiatives, which focus on the remediation of primarily residential blight;
2. Public safety initiatives, which focus on police and fire services to improve overall public safety;
3. Resident service initiatives, which focus on departments that primarily interact with residents (such as the Department of Transportation);
4. Business service initiatives, which focus on departments that interact with businesses (such as Buildings, Safety Engineering and Environmental Department);
5. Organizational initiatives, which focus on the departments that serve primarily to support City operations (such as the Finance Department and General Services);
6. Management initiatives, which relate to the mayor's office, city council and the city clerk; and
7. Non-departmental initiatives, which relate to the 36th District Court.

Confirmation Opinion, 524 B.R. at 234.

⁴¹ The State Contribution Agreement refers to the settlement agreement between the City, the State of Michigan (the "State"), the GRS, and the PFRS to settle the State's potential liability for the

793 at 3. However, after 2023, the City projects the retirement systems will remain somewhat underfunded. *See* Ex. 12000 at 133. **The balance of the underfunding in 2023 will be amortized over a thirty year period of time. *Id.***

....

a. The City's Plan Regarding Its Pension Obligations

The [P]lan provides the City with fixed payments toward the pension underfunding for FY2014–FY2023. For the PFRS, 100% of the payments are covered by the funds from the State Contribution Agreement and the Grand Bargain. Ex. 732. For the GRS, which has a larger underfunding claim, the State Contribution Agreement and the Grand Bargain funds cover only 20%. *Id.* The City is obligated to contribute \$575 million in cash. However, approximately \$428.5 million of that will come from DWSD revenues to cover DWSD's portion of the GRS underfunding liability, and another \$31.7 million will come from the UTGO [(Unlimited Tax General Obligation)] millage, . . . This leaves a balance of \$114.6 million. *Id.* Mr. Malhotra testified that \$80 million of this \$114.6 million will come from the City's general fund and that it is included in the Plan Projections. Trial Tr. 84, Oct. 21, 2014. (Dkt. # 8098) The balance will come from the City's parking and library revenues. *Id.* at 81.

However, at the end of FY2023, the GRS and PFRS will remain significantly underfunded. Using the assumptions from the global pension settlement, including the 6.75% discount rate, the City projects that the PFRS will only achieve 78% funding, leaving a UAAL of \$681 million. Ex. 793 at 2. For the GRS, the City projects a 70% funded status by the end of FY2023, leaving a UAAL of \$695 million. *Id.* **The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%. *Id.*** Between FY2024 and FY2033, the City will receive an additional \$68 million in Grand Bargain proceeds to pay toward the UAAL amortization for PFRS, and

UAAL of the GRS and the PFRS under Article IX, § 23 of the Michigan constitution. *See City of Detroit*, 524 B.R. at 170. ("It has been suggested that because pensions are protected by the Michigan constitution, the State may be obligated to pay all or a portion of the UAAL.").

\$188 million for GRS. The balance of the amortized UAAL will come from the City. *Id.* at 5.⁴²

Elsewhere in the Confirmation Opinion, the Court described what it called the “final component of the Grand Bargain,” namely, the “global settlement of pension-related issues, including the treatment of the claims relating to the UAAL of the GRS and the PFRS.”⁴³ In that description, the Court described how the UAAL was to be gradually paid down to zero (*i.e.*, reach 100% funding), ***over the 30-year period of 2023 to 2053:***

The City has also set certain targets at which the UAAL for the GRS and the PFRS must be funded. For 2023, the funding targets are 70% for the GRS and 78% for the PFRS. **For 2053, in 40 years, the targets are 100% for each.** Ex. 723.⁴⁴

Four trial exhibits were cited by the Court in the Confirmation Opinion excerpts quoted above. One of those exhibits (Exhibit 732) concerned only the pension contributions during the first ten years of the Plan.⁴⁵ Each of the other three exhibits clearly shows the 30-year amortization. One of those other exhibits (Exhibit 793), which is quoted below, included 40-year projections that clearly showed the 30-year amortization of the PFRS UAAL.⁴⁶ Another of the exhibits (Exhibit 723) reflected the 30-year amortization, in projecting a PFRS pension funding

⁴² Confirmation Opinion, 524 B.R. at 230 n.23, 231-32 (emphasis added) (footnotes added).

⁴³ *Id.*, 524 B.R. at 179.

⁴⁴ *Id.*, 524 B.R. at 180 (emphasis added).

⁴⁵ It appears that unlike the other exhibits, Exhibit 732 might not be on file in this case, so the Court is filing a copy of that Exhibit today, as a supplement to this Opinion.

⁴⁶ A copy of Exhibit 793 is attached to the City’s reply brief (Docket # 13663) as Exhibit 17, and appears at Docket # 13663-2, beginning at pdf p. 25.

level of 78% in 2023 moving up to a funding level of 100% *30 years later*, in 2053.⁴⁷ The fourth exhibit (Exhibit 12000) was the expert report of Martha E.M. Kopacz, regarding the feasibility of the Plan. The Court cited page 133 of that report, where Ms. Kopacz stated that “the City will amortize the remaining UAAL for each Retirement System – as of June 30, 2023 – over the following thirty-year timeframe.”⁴⁸ *None* of the trial exhibits cited in the Court’s Confirmation Opinion showed an amortization period shorter than, or other than, 30 years.

In Part II.B.2 of this Opinion, above, the Court discussed the 40-year projections that were filed with the City’s Fourth Amended Disclosure Statement on May 5, 2014. As quoted above, those clearly showed the 30-year amortization of the PFRS UAAL existing as of June 30, 2023. As the Court noted in Part II.B.2, those projections were later updated, to reflect later settlements. But in the later, updated projections, the 30-year amortization never changed.

The Court considered four updated 40-year projections during and after the confirmation trial, and cited each of them in the Confirmation Order. As listed by the Court, these were “Exhibits 111 (July 2014), 734 (September 2014), 779 (October 2014) and 793 (October 2014).”⁴⁹ The Court cited these projections in the Confirmation Order as part of the Court’s

⁴⁷ A copy of Exhibit 723 is attached to the City’s reply brief (Docket # 13663) as Exhibit 18, and appears at Docket # 13663-2, pdf p. 41.

⁴⁸ See Confirmation Opinion, 524 B.R. at 230 n.23. A copy of excerpts from the Kopacz expert report (Exhibit 12000) is attached to the City’s reply brief (Docket # 13663) as Exhibit 22, and appears at Docket # 13663-2, beginning at pdf p. 75. Page 133 of that report appears at Docket # 13663-3, pdf p. 14.

⁴⁹ Confirmation Order at pdf p. 41 ¶ 11. Copies of these trial exhibits are attached to the City’s reply brief (Docket # 13663) as Exhibits 19-21 and 17 (Docket # 13663-2).

finding that the Plan was feasible, and the Court found that these 40-year projections were “reasonable” and “accurate.”⁵⁰

Each of these 40-year projections clearly shows the 30-year amortization, in the same way. For example, Exhibit 793 (October 2014), which the Court also cited in the Confirmation Opinion, showed the 30-year amortization in the same way the May 5, 2014 projections did:

PFRS Pension (Class 10) . . .	
Contributions (years 1-10)	Estimated to be \$261m from foundations /State settlement
Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~\$681m amortized over 30yr , including contributions in second decade from DIA and foundations
Discount rate	6.75%
Targeted funded status as of 2023	78% ⁵¹

And, like all the other 40-year projections, this exhibit further showed the 30-year amortization of the payments of the UAAL to the PFRS, where it listed substantial amounts for “PFRS pension payments” over the years “2024-2033,” “2034-2043,” and “2044-2053.”⁵²

⁵⁰ Confirmation Order at pdf p. 41 ¶ 11.

⁵¹ Ex. 793 at 793-002 (copy attached as Exhibit 17 to the City’s reply brief at Docket # 13663-2 at pdf p. 26) (bold added).

⁵² Ex. 793 at 793-005 and 793-006 (Exhibit 17 to the City’s reply brief at Docket # 13663-2 at pdf pp. 29- 30).

The City says that in the Confirmation Opinion the Court cited this Exhibit 793 “more than 30 times.”⁵³ Actually, by this Court’s count, it was 17 times.⁵⁴ And the Court specifically cited the second page of this exhibit, quoted above, when it stated that under the Plan, after “the end of FY 2023,” “[t]he City will then amortize the remaining UAAL for both [the PFRS plan and the GRS plan] over the next thirty years at an interest rate of 6.75%.”⁵⁵

In both the Confirmation Order and the Confirmation Opinion, the Court relied heavily on the 40-year projections, including the 30-year amortization, among other things, in finding that the City’s Plan was feasible.⁵⁶

D. The recent attempt by the PFRS to shorten the amortization period from 30 to 20 years

The PFRS recently has attempted to reduce the 30-year amortization period for the City’s payment of the UAAL existing as of June 30, 2023, to 20 years. On March 4, 2021, the PFRS Board of Trustees adopted a resolution which provides that the UAAL existing at the end of June 30, 2023 be amortized over 20 years.⁵⁷ On October 18, 2021 the PFRS Investment Committee approved a resolution setting a 20-year amortization period for the UAAL existing as of June 30,

⁵³ City’s Reply Br. (Docket # 13663) at pdf p. 17.

⁵⁴ See Confirmation Opinion, 524 B.R. at 224-31.

⁵⁵ *Id.*, 524 B.R. at 231.

⁵⁶ See, e.g., Confirmation Order at pdf p. 45 ¶ 17 (relying on the “Projections” to find feasibility); pdf p. 41 ¶ 11 (defining the “Projections” to include the 10-year and the 40-year projections); Confirmation Opinion, 524 B.R. at 224-33.

⁵⁷ See Ex. 3 to Mot. (Docket # 13602-1) (Minutes of March 4, 2021 Meeting No. 3279 of the Board of Trustees of the PFRS) at pdf pp. 29-30.

2023.⁵⁸ That resolution by the Investment Committee was affirmed by the PFRS Board at a meeting held on November 18, 2021.⁵⁹

These actions were taken despite the City's repeated efforts to persuade the PFRS Investment Committee and the PFRS Board of Trustees not to take these actions.⁶⁰

E. The City's Motion

On August 3, 2022, the City filed the present Motion, seeking an order: (1) declaring that “[t]he resolutions passed and the votes taken by [the PFRS] and the Investment Committee which shortened the amortization period to 20 years are void and of no force or effect;” (2) enjoining and barring the PFRS and the Investment Committee “from shortening the 30-year amortization period;” and (3) requiring the PFRS to amortize the PFRS's UAAL “that will exist as of June 30, 2023, over an additional 30 years commencing on June 30, 2023.”⁶¹

III. Jurisdiction

This Court has subject matter jurisdiction over this Chapter 9 bankruptcy case and this contested matter under 28 U.S.C. §§ 1334(b), 157(a) and 157(b)(1), and E.D. Mich. LR 83.50(a). This is a core proceeding under 28 U.S.C. § 157(b)(2)(O), because it is a proceeding “affecting

⁵⁸ See Ex. 7 to Mot. (Docket # 13602-1) (Minutes of the October 18, 2021 Meeting No. 062 of the PFRS Investment Committee) at pdf p. 65.

⁵⁹ See Ex. 9 to Mot. (Docket # 13602-2) (Minutes of the November 18, 2021 Meeting No. 3296 of the PFRS Board) at pdf p. 9.

⁶⁰ See, e.g., *id.* at pdf p. 8 (proposed resolution not adopted by the PFRS Board, describing a July 21, 2021 memo from the City's office of Chief Financial Officer “sent to legal counsel for the PFRS [Investment Committee] . . . explaining the fundamental reasons why it would be improper for the PFRS [Investment Committee] to approve a shorter funding plan than the POA's 30-year plan and ask[ing] that the PFRS [Investment Committee] hear from both Mayor Duggan and the City's actuarial expert before the PFRS [Investment Committee] and the PFRS Board made any decisions on the funding policy”).

⁶¹ See proposed order attached to Mot. (Docket # 13602) at pdf pp. 5-6 ¶¶ 2-3.

. . . the adjustment of the debtor-creditor . . . relationship.” This is also a core proceeding because it is a proceeding “arising in” a case under title 11, within the meaning of 28 U.S.C. § 1334(b). Matters falling within this category are deemed to be core proceedings. *See Allard v. Coenen (In re Trans-Indus., Inc.)*, 419 B.R. 21, 27 (Bankr. E.D. Mich. 2009) (citing *Mich. Emp. Sec. Comm’n v. Wolverine Radio Co., Inc.*, 930 F.2d 1132, 1144 (6th Cir. 1991)).

Because the City’s Motion asks the Court to interpret and enforce its own Confirmation Order, this is a proceeding “arising in” a case under title 11. *See Palltronics, Inc. v. PALIoT Sols., Inc. (In re Lightning Tech., Inc.)*, 647 B.R. 76, 91-93 (Bankr. E.D. Mich. 2022) (detailed discussion of bankruptcy court’s jurisdiction to interpret and enforce its own orders); *see also In re Chesapeake Energy Corp.*, ___ F.4th ___, No. 21-20323, 2023 WL 3882721, at *6 (5th Cir. June 8, 2023) (citation omitted) (“Within its core jurisdiction, the [bankruptcy] court may also be called upon to interpret the terms of a confirmed reorganization plan.”). This is a proceeding “arising in” a case under title 11, because it is a proceeding that “by [its] very nature, could arise only in bankruptcy cases.” *See Allard v. Coenen*, 419 B.R. at 27.

This dispute is a type over which this Court retained jurisdiction under the confirmed POA. Article VII, Sections G and I of the POA state:

Pursuant to sections 105(c), 945 and 1142(b) of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 9 Case and the Plan to the fullest extent permitted by law, including, among other things jurisdiction to:

. . . .

G. Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any contract, instrument, release or

other agreement or document that is entered into or delivered pursuant to the Plan or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;

. . . .

- I. Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order[.]⁶²

IV. Discussion

A. Based on the Confirmation Order, the 30-year amortization is part of the POA.

As demonstrated in Parts II.B and II.C of this Opinion, above, the 30-year amortization of the City's payment of the UAAL existing as of June 30, 2023 was incorporated into the POA, by the Confirmation Order. This unambiguously means that the 30-year amortization is part of the confirmed POA. That confirmed POA must be enforced as written.

The PFRS is correct in pointing out that the new PFRS Plan and the State Contribution Agreement were incorporated into the Plan, by the Plan itself, and therefore are part of the POA. For the reasons discussed in Part IV.B of this Opinion below, however, those documents do not conflict with the 30-year amortization in the POA.

The PFRS argues that the Confirmation Order cannot be deemed to incorporate the 30-year amortization, because that would create a conflict with the Plan document and its exhibits, namely, the new PFRS Plan and the State Contribution Agreement. And, according to the PFRS, when there is a conflict between a debtor's plan document(s) on the one hand, and the order

⁶² Plan (copy appended at Docket # 8272) at pdf pp. 209-10; *see also* Confirmation Order (Docket # 8272) at pdf pp. 129-30.

confirming the plan, on the other hand, the plan document(s) must prevail over the confirmation order. In support of this argument, the PFRS cites a case from the Fifth Circuit Court of Appeals, *Evercore Cap. Partners II, L.L.C. v. Nancy Sue Davis Trust (In re Davis Offshore, L.P.)*, 644 F.3d 259 (5th Cir. 2011).

The PFRS is wrong in arguing that there is any conflict in the Plan-related documents. But also the PFRS is wrong in arguing that the Plan document and exhibits control if they conflict with the Confirmation Order. The opposite is true. The PFRS's reliance on the *Davis Offshore* case is misplaced. The *Davis Offshore* case is directly contrary to the law in the Sixth Circuit, and it is clearly distinguishable from this case in any event.

In *Davis Offshore*, one of the Chapter 11 debtor's equity holders filed an adversary proceeding against the debtor and several other defendants, seeking to revoke the confirmation of the debtor's plan, on the ground that it was procured by fraud. One of the issues on appeal was whether one of the defendants, Gregg Davis, had been released from fraud claims by the confirmed plan. The bankruptcy court and the court of appeals both held that Davis was not released by the exculpation clause in the plan of reorganization. But the bankruptcy court had held that Davis was released by the broader release provision in the order confirming the plan. *See* 644 F.3d at 265, 267. The bankruptcy court ruled that the "'broader' terms of the confirmation order would control over the Plan." *Id.* at 265.

On appeal, the Fifth Circuit characterized the bankruptcy court's ruling to be that "if a Plan and confirmation order conflict, the terms of the court's order are dispositive." *Id.* at 267 (footnote omitted); *see also id.* at 268-69. The appeals court described the bankruptcy court's ruling as, in effect, a *per se* rule, that "as a matter of law, . . . the confirmation order must always

prevail over the terms of a conflicting plan.” *Id.* at 268. The court of appeals held that such a *per se* rule is wrong, and noted that such a rule is supported by only “slender” and “minimal” legal authority that was “non-controlling” in the Fifth Circuit. *See id.* at 267-68. Importantly for this Court, however, the contrary legal authority cited by the *Davis Offshore* court includes a Sixth Circuit case. *See id.* at 267 n.8 (citing *Guardian Sav. & Loan Ass’n v. Arbors of Houston Assocs. Ltd. P’ship (In re Arbors of Houston Assocs. Ltd. P’ship)*, No. 97-2099, 172 F.3d 47, 1999 WL 17649, at *4 (6th Cir. Jan. 4, 1999)).

But after rejecting the bankruptcy court’s *per se* rule, the court of appeals in *Davis Offshore* went on to resolve the inconsistency between the plan and the confirmation order in the case before it, by ruling that the broader release provision in the confirmation order prevailed. *See id.* at 269.

In this case, *if* the Court were to find that there is a conflict between the Plan and the Confirmation Order (which the Court does not), then the Court would have to rule that the provisions of the Confirmation Order, including the incorporated 30-year amortization term, prevail. This is so for at least two reasons.

First, the law in the Sixth Circuit is contrary to the Fifth Circuit’s holding in the *Davis Offshore* case. In this circuit, the rule is that “[w]hen [the plan document and the confirmation order are] in conflict, the confirmation order prevails.” *Guardian Sav. & Loan Ass’n*, 1999 WL 17649, at *4 (citations omitted).⁶³ *See also Forklift LP Corp. v. iS3C, Inc. (In re Forklift LP*

⁶³ After so holding, the Sixth Circuit in *Guardian Savings* found that in the case before it, the plan and the confirmation order did not actually conflict.

Corp.), 363 B.R. 388, 396 (Bankr. D. Del. 2007) (citations omitted) (same) (noting that “[a] plan of reorganization has no effect without a court’s confirmation”).

Second, in this case, the Confirmation Order explicitly states that in the event of a conflict between the Plan and the Confirmation Order, the Confirmation Order governs. As noted in Part II.B.4 of this Opinion, the Confirmation Order states:

In the event of a direct conflict between the Plan or any agreement, instrument, or document intended to implement the Plan, on the one hand, and this Order, on the other, the provisions of this Order shall govern.⁶⁴

In this way, this case is different from the *Davis Offshore* case. There is no indication in the court of appeals opinion in *Davis Offshore* that either the confirmation order or the plan had any provision saying what happens in the event of a conflict between the two documents.

B. None of the documents cited by the PFRS conflict with the POA’s 30-year amortization.

In any event, there is no conflict between the Confirmation Order, which incorporates the Confirmation Opinion and therefore incorporates the 30-year amortization term, and any Plan provision. For example, there is nothing in the description of the Plan’s treatment of Class 10 claims that is inconsistent with the 30-year amortization term.

Contrary to the PFRS’s argument, there is no inconsistency between the 30-year amortization term, on the one hand, and any of the following, on the other hand: (1) the governance terms in Exhibit B to the State Contribution Agreement; (2) the new PFRS Plan; and (3) Michigan’s Public Act 314, as amended (Mich. Comp. Laws § 38.1133(g)). The Court will discuss each of these things.

⁶⁴ Confirmation Order (Docket # 8272) at pdf p. 126 ¶ 83.

1. The State Contribution Agreement

The State Contribution Agreement is an exhibit to the Plan,⁶⁵ and therefore is part of the Plan, and it is discussed in the Confirmation Opinion. *See* discussion in Part II.C of this Opinion. As quoted in Part II.B.3 above, the Plan requires the City to make PFRS contributions after June 30, 2023 “in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto.”⁶⁶ Under the Plan, and in accordance with the State Contribution Agreement, an Investment Committee for the PFRS was established. The Plan provides that “[t]he Investment Committee shall be vested with the authority and responsibilities set forth in the State Contribution Agreement for a period of 20 years following the Effective Date.”⁶⁷

Under the State Contribution Agreement, and its Exhibit B (the “Governance Term Sheet”), the PFRS Investment Committee was given certain “investment management” authority with respect to the PFRS Plan. The PFRS relies on the part of the Investment Committee’s authority to make recommendations to the PFRS Board about the following things (bold, italics, and underlining supplied by the PFRS):

4. Reviewing and affirming or rejecting the correctness of any and all calculations, actuarial assumptions and/or assessments used by the Plan Actuary including, but not limited to: (i) those underlying the restoration of pension benefits, **funding levels and amortization thereof**, all in accordance with the Pension Restoration Program [attached to the City’s Plan of Adjustment,]

⁶⁵ The State Contribution Agreement was Plan Exhibit I.A.332 (Docket # 8045-1 at pdf p. 714). A copy of it also is filed at Docket # 13678, at pdf p. 48.

⁶⁶ *See* Docket # 8045 at pdf p. 45 ¶ II.B.3.q.ii.A.

⁶⁷ *See id.* at pdf p. 46 ¶ II.B.3.q.ii.F.

(ii) those underlying the determination of annual funding levels and amortization thereof], and (iii) on or after fiscal year 2024, the recommended annual contributions to PFRS in accordance with applicable law.]

...

8. Any interpretation of Plan documents, existing law, the POA or other financial determination that could affect funding or benefit levels.⁶⁸

The PFRS contends that these provisions give it the authority to determine the term of any amortization of the UAAL existing as of June 30, 2023. The PFRS is wrong, for at least two reasons. First, the provisions quoted above say no such thing. The Court agrees with the City's argument on this point:

PFRS offers no explanation of how any of that language purports to give PFRS unfettered discretion over the **amortization term** for the UAAL as of 2023 or any other time. The first part of [the quotation], which defines the provision's scope, simply gives the Investment Committee (IC) authority to review the "correctness" of "calculations, actuarial assumptions and/or assessments."

The provision goes on to give the IC authority to determine the "correctness" of "annual funding levels and amortization thereof." "Correctness" means checking the calculations. Nothing in the language even purports to give PFRS authority over the amortization term. Indeed, the phrase "amortization thereof" makes no sense because an "annual funding level" does not get "amortized." It is the amount that must be paid in the given year.

....

The City can only presume that the quoted language was intended to address actuarial considerations that underlie the calculation of annual funding payments during the thirty-year amortization. Those are, for example, whether the amount will be determined using straight-line principle calculations or level-payments over the 30-year amortization term. See Malhotra's testimony quoted earlier

⁶⁸ PFRS Br. (Docket # 13634) at pdf p. 16 (quoting Ex. B to State Contribution Agreement (emphasis supplied by PFRS); Ex. B to State Contribution Agreement (Docket # 13678) at pdf pp. 72-73.

where he discusses these “methodology” issues **while confirming that the amortization term was 30-years.**⁶⁹ Presumably, the IC was given authority to determine the “correctness” of those calculations.⁷⁰

There is a second reason why the governance terms in the State Contribution Agreement do not conflict with the 30-year amortization in the POA: the Governance Term Sheet itself precludes the Investment Committee and the PFRS Board from taking any action that is inconsistent with the POA. It does this in two ways. First, it contains an overriding provision at the end of the Governance Term Sheet that says this:

⁶⁹ This reference by the City to Malhotra’s testimony is to Guarav Malhotra’s trial testimony, about how the “amortization methodology” used can affect the City’s required pension contribution level ***over the 30-year amortization*** starting in 2024. The PFRS cited Malhotra’s testimony. In doing so, the PFRS noted that Malhotra was the author of the 40-year financial projections, discussed in Part II.C of this Opinion. The PFRS quoted Malhotra’s testimony, in part, as follows:

Q. . . . How would the change in amortization after 2024 affect the contribution level?

A. ***It depends on the amortization methodology.*** What we have used in the projections is a straight line principal in which the City is making higher payments in the first decade and **over the course of the 30 years** makes lower payments going forward. You can change the amortization methodology to make it like a level payment **over 30 years** in which the City will have lower payments in the first say 10 years, but **over the course of the 30 years** the City will end up paying more because it has to pay more interest. ***So it's more on the methodology aspect as to how that liability gets serviced.***

PFRS Br. (Docket # 13634) at pdf pp. 25-26 (quoting 9/29/2014 testimony of G. Malhotra) (first and last emphasis in original; other emphasis added).

⁷⁰ City’s Reply Br. (Docket # 13663) at pdf pp. 15-16 (emphasis added) (footnote added).

CONSISTENCY WITH PLAN OF ADJUSTMENT	Nothing herein shall be interpreted as permitting the [Investment Committee] or the [PFRS] Board to alter or depart from the requirements set forth in the confirmed Plan of Adjustment. ⁷¹
-------------------------------------	--

Here, the phrase “the confirmed Plan of Adjustment” clearly means the Plan and its exhibits and the Confirmation Order, which incorporates the 30-year amortization. (There is no “confirmed” Plan of Adjustment without the Confirmation Order.)

Second, the Governance Term Sheet expressly requires each member of the PFRS Investment Committee to “discharge his or her duties with respect to the PFRS in compliance with the provisions of Public Act 314 of 1965, as amended.”⁷² As discussed below, that Michigan statute *also* precludes taking any action that is contrary to the POA.

These overriding provisions in the Governance Term Sheet clearly mean that the PFRS Investment Committee and the PFRS Board cannot exercise their authority to change the 30-year amortization term. That is true even if the “investment management” language cited by the PFRS, quoted above, otherwise could include authority to decide the length of the amortization of the City’s payment of the UAAL existing as of June 30, 2023.

2. The new PFRS Plan

The PFRS argues that the new PFRS Plan supports its position. A pre-confirmation form of the new PFRS Plan was an exhibit to the Plan⁷³ and it was finalized and adopted on December

⁷¹ Ex. B to State Contribution Agreement at 7 (Docket # 13678 at pdf p. 74).

⁷² *Id.* at 3-4 (Docket # 13678 at pdf pp. 70-71).

⁷³ Plan Ex. I.A.254.a (Docket # 8045-1 at pdf p. 448) (New Hybrid PFRS Pension Plan) (Component I); Plan Ex. I.A.281 (Docket # 8045-1 at pdf p. 590) (Prior PFRS Pension Plan) (Component II).

8, 2014 based on the confirmed POA.⁷⁴ The PFRS argues that this document shows that *no amortization period is required* for payment of the UAAL existing as of June 30, 2023, let alone a 30-year amortization. But that document does not support the PFRS argument.

The PFRS relies on provisions in Article G of Component II of the new PFRS Plan,⁷⁵ which it also refers to as the “Legacy/Frozen Plan.” First, the PFRS quotes Section G-5(b). In emphasizing certain parts of this Section, however, the PFRS fails to highlight the critical very first words of Section G-5(b) — “Subject to the Plan of Adjustment, . . .” Here is how the PFRS quotes this section (underlining, bold, and italics supplied by the PFRS):

Sec. G-5. Contributions to and payments from the Pension Accumulation Fund.

Contributions to and payments from the Pension Accumulation Fund shall be made as follows:

* * *

(b) Subject to the Plan of Adjustment, for Fiscal Years commencing prior to July 1, 2014, **and on or after July 1, 2023,** the Board of Trustees annually ascertained and reported to the Mayor and the Council **the amount of contributions due the Retirement System by the City,** and the Council shall appropriate and **the City shall pay such contributions to the Retirement System during the ensuing Fiscal Year.** When paid, such

⁷⁴ As this Court explained in detail in a prior opinion, the new PFRS Plan was adopted by Order No. 44 of the Emergency Manager, Kevin D. Orr, issued on December 8, 2014, two days before the effective date of the confirmed POA. *See In re City of Detroit, Michigan*, 614 B.R. 255, 260-61 (Bankr. E.D. Mich. 2020). A copy of the new PFRS Plan, which combines Components I and II, is in the record in this case in the following location, among other possible locations: as part of Exhibit 6I to an earlier motion filed by the City on August 9, 2019, at Docket # 13090. That Exhibit 6I is a copy of Emergency Manager Order No. 44, and a copy of the adopted new PFRS Plan is attached to that Emergency Manager Order as its Exhibit E. The exact location in the record of the adopted new PFRS Plan is Docket # 13090-1, beginning at pdf p. 13.

⁷⁵ The provisions quoted by the PFRS, which this Opinion quotes below, are in the record at Docket # 13090-1, at pdf pp. 147-48, 154.

contributions shall be credited to the Pension Accumulation Fund.⁷⁶

Next, the PFRS quotes Section G-9, which states the following (underlining and bold supplied by the PFRS):

Sec. G-9. Appropriations prior to July 1, 2014 **and after June 30, 2023.**

(a) The Board of Trustees shall certify to the City Council **the amount of the appropriation necessary to pay to the various funds of the Component II** of the Retirement System the amounts payable by the City as enumerated in this Component II, according to legal budget procedure.

(b) **To cover the requirements of Component II** prior to July 1, 2014 **and after June 30, 2023**, such amounts **as shall be necessary to cover the needs of Component II shall be paid into the Pension Accumulation Fund and the Expense Fund by special appropriations or transfers to the Retirement System;** provided, however that no transfers can be made from the Accrued Liability Fund other than the annual transfer of the scheduled amortizing amount, or transfers under special circumstances pursuant to Section G-4 (as in effect prior to July 1, 2014).⁷⁷

Finally, the PFRS quotes Section G-17, which states the following (underlining and bold supplied by the PFRS):

[T]he **Board of Trustees shall compute the City's annual contributions** for Fiscal Years commencing prior to July 1, 2014 **and after June 30, 2023**... using actuarial valuation data... The Board shall report to the Mayor and to the City Council the contribution percents so computed, and such contribution percents **shall be used in determining the contribution dollars to be**

⁷⁶ PFRS's Sur-Reply Br. (Docket # 13681) at pdf p. 7 (bold, underlining, and italics supplied by the PFRS).

⁷⁷ *Id.* at pdf pp. 8-9 (footnotes omitted) (bold and underlining supplied by the PFRS).

appropriated by the City Council and paid to the Retirement System.⁷⁸

These provisions in the new PFRS Plan do not support the PFRS's position. First, Section G-5(b) explicitly says that it is "[s]ubject to the Plan of Adjustment." And the new PFRS Plan defines "Plan of Adjustment" to mean the confirmed POA:

Plan of Adjustment means the Plan for the Adjustment of Debts of the City of Detroit, which has been approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan*, Case No. 13-53846.⁷⁹

Thus, in calculating the City's required annual contributions after June 30, 2023, the PFRS is subject to and bound by the POA's 30-year amortization. Therefore, under Section G-5(b), for each of the 30 years "on and after July 1, 2023," the PFRS is to calculate the City's required contribution for the ensuing Fiscal Year" based on the 30-year amortization, and the City is to pay the required contribution for that ensuing Fiscal Year. When Section G-5(b) is viewed in this light, Sections G-9 and G-17 add nothing that supports the PFRS's position.

In addition, the new PFRS Plan contains an overriding provision that requires the PFRS Board and Investment Committee to comply with the confirmed POA. Section 1.3 states:

The Retirement System is intended to comply with all relevant provisions (including Exhibits) of the Plan for the Adjustment of Debts of the City of Detroit, as approved by the United States Bankruptcy Court in *In re City of Detroit, Michigan, Case No. 13-53846* ("Plan of Adjustment"). Component I and Component II of the Combined Plan shall be interpreted and construed by the City, the Board of Trustees and the Retirement System to give full effect

⁷⁸ *Id.* at pdf p. 9 (bold and underlining supplied by the PFRS).

⁷⁹ New PFRS Plan, Section 2.1(45) (Docket # 13090-1) at pdf p. 42 (italics in original). This definition of "Plan of Adjustment" applies to both Components I and II of the new PFRS Plan. *See id.* at Section A-1(b) (Docket # 13090-1) at pdf p. 97-98.

to the Plan of Adjustment. To the extent that a conflict arises between the Combined Plan Document and the Plan of Adjustment, the City, the Board of Trustees, the Investment Committee and the Retirement System are directed to interpret any inconsistency or ambiguity to give full effect to the Plan of Adjustment.⁸⁰

For these reasons, the new PFRS Plan does not support the PFRS's position.

3. Michigan's Public Act 314, as amended (Mich. Comp. Laws § 38.1133(g))

The PFRS's cites Mich. Comp. Laws § 38.1133(g), but like the State Contribution Agreement and the new PFRS Plan, that statute's relevant provisions all are "subject to" the confirmed POA. The statute provides, in pertinent part:

(1) **Subject to a plan for adjustment**, each large sponsored system shall establish an investment committee.

(2) The investment committee shall recommend to the governing board of the large sponsored system investment management decisions, including, but not limited to, all of the following:

....

(d) **Subject to a plan for adjustment**, all calculations, actuarial assumptions, or assessments used by an actuary, including, but not limited to, those underlying the restoration of pension benefits, funding levels, and amortization of the restoration of pension benefits, and those underlying the determination of annual funding levels and amortization of annual funding levels, and recommended contributions to the large sponsored system in accordance with applicable law.

....

(g) Interpretation of the large sponsored system's governing documents, applicable laws, plans of adjustment approved by United States bankruptcy courts, and other financial determinations affecting the large sponsored system's funding or benefit levels.

⁸⁰ *Id.* at Section 1.3 (Docket # 13090-1) at pdf p. 25. This section applies to both Components I and II of the new PFRS Plan. *See id.* at Section A-1(a) (Docket # 13090-1) at pdf p. 97.

(h) Based on annual actuarial valuation reports and any other projections or reports, as applicable from an actuary or other professional advisors, the determination of the extent of restoration of pension benefits **all in conformance with a plan for adjustment.**

....

(6) As used in this section:

....

(d) **“Plan for adjustment” means a plan for the adjustment of debts entered and approved by a federal bankruptcy court** for a city that has established a large sponsored system.

Mich. Comp. Laws § 38.1133g (emphasis added).

This further confirms that the 30-year amortization in the confirmed POA is binding on the PFRS. It was incorporated into the POA by the Confirmation Order, and as that Order says, the Confirmation Order is “binding upon” the City and “any and all holders of Claims,” including the PFRS.⁸¹

4. Further comment

The 30-year amortization term in the POA did not and should not come as a surprise to anyone, and certainly not the PFRS. As described in detail in Parts II.B and II.C of this Opinion, the 30-year amortization was clear in the 40-year projections from at least as early as the filing of the City’s Fourth Amended Disclosure Statement on May 5, 2014, and in every such set of projections thereafter, and this was clear to everyone during the lengthy confirmation trial. These projections were used as a fundamental basis on which the feasibility of the City’s Plan was demonstrated at trial, and on which the Court found that the Plan was feasible. It should not surprise anyone that this 30-year amortization is part of the POA, based on the Court’s

⁸¹ Confirmation Order (Docket # 8272) at pdf p. 90 ¶ E.28.

Confirmation Order and the Confirmation Opinion that the Court expressly incorporated into the Confirmation Order. And as the Confirmation Order itself states, the Confirmation Order is binding on the PFRS.

C. The City is entitled to the injunctive relief sought in the Motion, and because that relief is provided for in the POA, an adversary proceeding is not required under Fed. R. Bankr. P. 7001(7).

The PFRS argues that the City cannot obtain the injunctive relief it seeks by motion. Rather, the PFRS argues that the City must file an adversary proceeding. The PFRS cites Fed. R. Bankr. P. 7001(7), for the proposition that “a proceeding to obtain an injunction or other equitable relief” requires an adversary proceeding. But that rule does not require an adversary proceeding “when a chapter 9 . . . plan provides for [such] relief.” The rule states:

An adversary proceeding is governed by the rules of this Part VII.
The following are adversary proceedings:

. . . .

(7) a proceeding to obtain an injunction or other equitable relief, except when a chapter 9, chapter 11, chapter 12, or chapter 13 plan provides for the relief[.]

Fed. R. Bankr. P. 7001(7).

The POA in this case provides for the very type of injunction that the City seeks here. As the Court has now ruled, the PFRS’s efforts to impose a 20-year amortization is contrary to the POA. As a result, the PFRS’s conduct violates the following injunction contained in the Confirmation Order:

On the Effective Date, except as otherwise provided in the Plan or in this Order, **all Entities that have been, are or may be holders of Claims against the City, . . . , along with their Related Entities**, shall be, and hereby **are, permanently enjoined from taking any of the following actions against or affecting the City**

or its property . . . (e) **proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of this Order**, the Plan or the Settlements (to the extent such Settlements have been approved by the Court herein); and (f) **taking any actions to interfere with the implementation or consummation of the Plan.**⁸²

Similarly, the PFRS's conduct violates the injunction in Article III of the Plan, which is applicable to "all Entities that have been, are or may be holders of Claims against the City,"⁸³ and which therefore enjoins the PFRS from:

proceeding in any manner in any place whatsoever that does not conform to or comply with the provisions of the Plan or the settlements set forth herein to the extent such settlements have been approved by the Bankruptcy Court in connection with Confirmation of the Plan; and . . . taking any actions to interfere with the implementation or consummation of the Plan.⁸⁴

Under the Plan, the Court retains jurisdiction to enter injunctions to enforce the confirmed POA. In Article VII, Section I of the Plan, quoted in Part III of this Opinion, the Court retains jurisdiction to:

Issue injunctions, enforce the injunctions contained in the Plan and the Confirmation Order, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order[.]⁸⁵

Given these provisions in the POA, the Court has authority to further enjoin the PFRS's

⁸² Confirmation Order (Docket # 8272) at pdf pp. 93-94 ¶ H.32 (emphasis added).

⁸³ Plan (copy appended at Docket # 8272) at pdf p. 190.

⁸⁴ *Id.* at pdf p. 190-91, Sections III.D.5.a.5 and III.D.5.a.6.

⁸⁵ *Id.* at pdf p. 210 (emphasis added).

conduct, in the way the City requests, without the need for an adversary proceeding.

V. Conclusion

For the reasons stated in this Opinion, the Court will grant the City's Motion, and will enter an order requiring the PFRS to amortize the UAAL existing as of June 30, 2023 over 30 years; and enjoining the PFRS from any further attempts to shorten that amortization period to 20 years or to any length of time less than 30 years from June 30, 2023 forward.

Signed on June 26, 2023



/s/ **Thomas J. Tucker**

Thomas J. Tucker
United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

Case No. 13-53846

CITY OF DETROIT, MICHIGAN,

Chapter 9

Debtor.

Judge Thomas J. Tucker

**ORDER GRANTING THE CITY OF DETROIT'S MOTION
TO ENFORCE PLAN OF ADJUSTMENT AGAINST THE POLICE AND FIRE
RETIREMENT SYSTEM PENSION PLAN (DOCKET # 13602)**

This case is before the Court on the motion by the City of Detroit (the "City") entitled "City of Detroit's Motion to Enforce Plan of Adjustment and Require 30-Year Amortization of the UAAL in the Police and Fire Retirement System Pension Plan" (Docket # 13602, the "Motion"). The Police and Fire Retirement System of the City of Detroit, Michigan (the "PFRS") has objected to the City's Motion. After holding a hearing on the Motion, the Court took the Motion under advisement.

Today the Court has filed a written opinion regarding the Motion (the "Opinion"). For the reasons stated by the Court in its Opinion, the Court enters this Order.

IT IS ORDERED that:

1. The Motion is granted.
2. The resolutions passed and the votes taken by the PFRS and the Investment Committee which shortened the amortization period to 20 years, as discussed in the Court's Opinion, are void and of no force or effect, and the PFRS and the Investment Committee are enjoined and barred from shortening the 30-year amortization period.

3. The PFRS must amortize the PFRS plan's unfunded actuarial accrued liability that will exist as of June 30, 2023, over an additional 30 years commencing on June 30, 2023.
4. The Court will retain jurisdiction over any and all matters arising from the interpretation or implementation of this Order.

Signed on June 26, 2023



/s/ Thomas J. Tucker

Thomas J. Tucker
United States Bankruptcy Judge

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re

Bankruptcy Case No. 13-53846

Hon. Thomas J. Tucker

City of Detroit, Michigan,

Chapter 9

Debtor.

**THE POLICE AND FIRE RETIREMENT SYSTEM'S MOTION TO
ALTER OR AMEND PURSUANT TO FEDERAL RULE OF
BANKRUPTCY PROCEDURE 9023, AND PURSUANT TO LOCAL RULE
9024-1 FOR RECONSIDERATION OF, THE COURT'S ORDER
GRANTING THE CITY OF DETROIT'S MOTION TO ENFORCE PLAN
OF ADJUSTMENT AGAINST THE POLICE AND FIRE RETIREMENT
SYSTEM PENSION PLAN (DOCKET # 13602)**

The Police and Fire Retirement System (“PFRS”) hereby moves pursuant to Federal Rule of Bankruptcy Procedure 9023 to alter or amend, and pursuant to Local Rule 9024(a) for reconsideration of, the Court’s Order Regarding the City of Detroit’s Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket # 13602) (“Order”) and its Opinion Regarding the City of Detroit Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (the “Amortization Opinion”) (Docket # 13704), dated June 26, 2023. Pursuant to Local Rule 9014-1, on July 10, 2023, the PFRS sought, but not receive, concurrence in this motion. WHEREFORE, the PFRS respectfully request that the Court grant this motion and alter or amend/reconsider its Order and the Amortization Opinion, deny the City’s request to enforce the Plan of Adjustment, and clarify its ruling as to the scope of its ruling in the Amortization Opinion as more fully set forth below.

Respectfully submitted,

CLARK HILL PLC

s/Jennifer K. Green

Jennifer K. Green

Ronald A. King

151 S. Old Woodward Ave., Suite 200

Birmingham, MI 48009

(248) (248) 988-2315

jgreen@clarkhill.com

rking@clarkhill.com

Attorneys for Creditor, PFRS

Date: July 10, 2023

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Hon. Thomas J. Tucker

Chapter 9

EXHIBIT LIST

Exhibit 1 Proposed Order

Exhibit 2 None

Exhibit 3 Brief

Exhibit 4 Certificate of Service

Exhibit 5 None

Exhibit 6 None

EXHIBIT 1 – PROPOSED ORDER

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Hon. Thomas J. Tucker

Chapter 9

**ORDER GRANTING THE POLICE AND FIRE RETIREMENT SYSTEM'S
MOTION TO ALTER OR AMEND PURSUANT TO FEDERAL RULE OF
BANKRUPTCY PROCEDURE 9023, AND PURSUANT TO LOCAL RULE
9024-1 FOR RECONSIDERATION OF, THE COURT'S ORDER
GRANTING THE CITY OF DETROIT'S MOTION TO ENFORCE PLAN
OF ADJUSTMENT AGAINST THE POLICE AND FIRE RETIREMENT
SYSTEM PENSION PLAN (DOCKET # 13602)**

This matter, having come before the Court on the Police and Fire Retirement System's Motion to Alter or Amend Pursuant to Federal Rule of Bankruptcy Procedure 9023, and Pursuant to Local Rule 2024-1 for Reconsideration of the Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan, upon proper notice and the Court being otherwise fully advised in the premises, and there being good cause to grant the relief requested,

THE COURT ORDERS THAT:

1. The Motion is granted.
2. The prior order dated June 26, 2023, is hereby vacated in full.
3. The Court shall retain jurisdiction over any and all matters arising from the interpretation or implementation of this Order.

The Police and Fire Retirement System (“PFRS”) hereby moves pursuant to Federal Rule of Bankruptcy Procedure 9023 to alter or amend, and pursuant to Local Rule 9024(a) for reconsideration of, the Court’s Order Regarding the City of Detroit’s Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket # 13602) (“Order”) and its Opinion Regarding the City of Detroit Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (the “Amortization Opinion”) (Docket # 13704), dated June 26, 2023. Pursuant to Local Rule 9014-1, on July 10, 2023, the PFRS sought, but not receive, concurrence in this motion. WHEREFORE, the PFRS respectfully request that the Court grant this motion and alter or amend/reconsider its Order and the Amortization Opinion, deny the City’s request to enforce the Plan of Adjustment, and clarify its ruling as to the scope of its ruling in the Amortization Opinion as more fully set forth below.

EXHIBIT 2 - NONE

EXHIBIT 3 - BRIEF

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re

Bankruptcy Case No. 13-53846

Hon. Thomas J. Tucker

City of Detroit, Michigan,

Chapter 9

Debtor.

**THE POLICE AND FIRE RETIREMENT SYSTEM'S MOTION TO
ALTER OR AMEND PURSUANT TO FEDERAL RULE OF
BANKRUPTCY PROCEDURE 9023, AND PURSUANT TO LOCAL RULE
9024-1 FOR RECONSIDERATION OF, THE COURT'S ORDER
GRANTING THE CITY OF DETROIT'S MOTION TO ENFORCE PLAN
OF ADJUSTMENT AGAINST THE POLICE AND FIRE RETIREMENT
SYSTEM PENSION PLAN (DOCKET # 13602)**

TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. LEGAL STANDARDS.....	3
III. LEGAL ANALYSIS.....	3
A. An Internal Inconsistency Exists in the Confirmation Opinion Itself On the Amortization and Interest Rate Issues, So It Cannot Serve as the “Plan”	3
B. There Was No Finding of Fact or Conclusion of Law In the Confirmation Opinion Approving an Amortization Or Extending the Interest Rate to 30 Years .	
.....	11
C. The City’s Experts Agreed at Trial That 6.75% Interest Ends 2023	14
D. The Parties Adopted the Same Language Governing Amortization Pre-Bankruptcy, Which Had Been Construed Under Michigan Law as Granting the PFRS Sole Discretion to Decide Amortization.....	21

TABLE OF AUTHORITIES

Page(s)

Cases

<i>In re City of Detroit</i> , Mich., 504 B.R. 97 (Bkrtcy.E.D.Mich.,2013).....	24
<i>In re Conco, Inc.</i> , 855 F.3d 703 (6th Cir. 2017).....	23
<i>In re Dow Corning</i> , 456 F.3d 668 (6th Cir. 2006).....	23
<i>Hillis Motors, Inc. v. Hawaii Auto. Dealers' Ass'n</i> , 997 F.2d 581 (9th Cir. 1993).....	23
<i>Leisure Caviar, LLC v. U.S. Fish & Wildlife Serv.</i> , 616 F.3d 612 (6th Cir. 2010).....	3
<i>PFRS v. City of Detroit</i> , 270 Mich.App. 74 (2006), <i>leave denied</i> , 477 Mich. 892 (2006)	21, 22

Rules

Federal Rules of Civil Procedure 59	3, 24
---	-------

Other Authorities

Actuarial Valuation for Component II, pg. 2, available at https://cms2.revize.com/revize/rscd/val_0002_CompII%20Report %20Revised.pdf , last accessed July 8, 2023	17
--	----

I. INTRODUCTION

The Court's Amortization Opinion¹ hinges on a sentence in the Confirmation Opinion which states that the remaining UAAL for the PFRS must be repaid using a 30-year amortization period at a 6.75% interest rate. The problem is that sentence is demonstrably wrong. The 6.75% interest rate does not extend for thirty years—it terminates after ten years under the express terms of the Plan, after which, just like amortization, the PFRS determines what interest rate to adopt based upon recommendations from its actuary and investment consultants.

Under the Plan, the PFRS was originally enjoined for a period of ten years from making changes to the “selection of the investment return assumptions [*i.e.*, the 6.75%]” as well as the calculation of the “contributions” owed by the City. After that, the PFRS was no longer enjoined from making changes to those terms. But this Court's new injunction re-starts the clock, and now the PFRS is enjoined from changing these terms for another thirty years. This is not only inconsistent with the Plan, it is also inconsistent with the Confirmation Opinion *itself*, which expressly approved the PFRS's ability to change terms after the ten-year “pension holiday” in a different section of the Opinion. Thus, elevating this one sentence (a sentence that contains errors, no less) to the status of the “Plan” has not only created irreconcilable inconsistencies within the various Plan-related documents, it has also created an

¹ Capitalized and previously defined terms shall have the same meaning as above and as used in the City of Detroit's Motion to Enforce Plan of Adjustment (Dkt. No. 13602) and PFRS's Response (Dkt. No 13634).

inconsistency within the Confirmation Opinion. In one part of the Confirmation Opinion, the Court approved the settlement between the PFRS and the City, specifically quoted the Plan provisions setting the 6.75% interest rate for only ten years, and affirmed the parties' right to make changes to the "terms" surrounding the amount of the City's annual contribution after that ten years—but now this Court has essentially overruled that portion of the Confirmation Opinion. The Plan is clear—there was supposed to be a decade long "pause," followed by the resumption of the previously agreed upon process for calculating the City's required contribution, and a release of the injunction that forbid the City and the PFRS from making any changes for ten years. This Court already approved those precise terms. Rather confoundingly, a new injunction has issued, and instead of returning the discharge of key fiduciary obligations back to the PFRS at the end of the ten years, the City has somehow managed to extend the original ten-year injunction by *three more decades*.

This goes beyond an inconsistency between the Plan and the Confirmation Opinion. The issue here is that (i) the sentence relied upon by the Court was factually incorrect and an error to begin with, and (ii) elevating that sentence to the weight of the "Plan" has now created a contradiction within the Confirmation Opinion *itself*. Accordingly, the PFRS seeks reconsideration of the Court's ruling, and it also seeks clarity from the Court regarding its adoption of the sentence in the Confirmation Opinion which states that the post-2023 UAAL will be repaid over a 30-year

amortization period using a 6.75% interest rate, because the Plan expressly states that the 6.75% expires on June 30, 2023, and the PFRS is currently analyzing what interest rate to adopt for the following fiscal year. The City acknowledged during the hearing that the issue of whether the 6.75% interest rate could be amended by the PFRS after 2023 was not currently before the Court; however, the Court's adoption of the entirety of the sentence on page 231 of the Confirmation Opinion as "the Plan" raises the question of whether the PFRS is also enjoined from changing the assumed rate of return on a go-forward basis. In an abundance of caution, the PFRS therefore requests clarification that the 6.75% interest rate is not part of this Court's current injunction.

II. LEGAL STANDARDS

As a general rule, Federal Rules of Civil Procedure 59 is applicable and the bankruptcy court may alter or amend a judgment if there has been "(1) a clear error of law; (2) newly discovered evidence; (3) an intervening change in controlling law; or (4) a need to prevent manifest injustice." *Leisure Caviar, LLC v. U.S. Fish & Wildlife Serv.*, 616 F.3d 612, 615 (6th Cir. 2010) (citation omitted). Pursuant to 9024-1(a)(3), the movant seeking reconsideration must not only demonstrate a palpable defect by which the court and the parties have been misled but also show that a different disposition of the case must result from a correction thereof.

III. LEGAL ANALYSIS

A. An Internal Inconsistency Exists in the Confirmation Opinion *Itself* On the Amortization and Interest Rate Issues, So It Cannot Serve as the "Plan"

The Court's Amortization Opinion ultimately rests on the following excerpt

from the Confirmation Opinion:

The Plan provides the City with fixed payments toward the pension underfunding for FY2014-FY2023 . . . However, at the end of FY2023, the GRS and PFRS will remain significantly underfunded. Using the assumptions from the global pension settlement, including the 6.75% discount rate, the City projects that the PFRS will only achieve 78% funding, leaving a UAAL of 681 million. Ex. 793 at 2.^[2] . . . **The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%.**

(Conf. Op. at pg. 231) (emphasis added). The imposition of a 6.75% interest rate for thirty years is a blatant error, though. The Plan explicitly states that the 6.75% interest rate expires after only *ten* years, after which a new interest rate (and an amortization period) can be set by the PFRS—and notably, as will be set forth below, the Court approved that process in a different part of the Confirmation Opinion, which again, proves the point that this entire sentence is erroneous. And even if it was accurate, it was still merely lifted from the “summary page” of the Financial Projections and the two terms quoted above were expressly labeled by both the City *and the Court itself* (see directly above) as “assumptions”—not Plan terms. If both amortization and the 6.75% interest rate are now being imposed for thirty years, it would violate numerous provisions of the Plan and the PFRS Pension Plan, as will be set forth below.

(1) The Plan’s Ten-Year Injunction Against Changes to the Interest Rate and Other Terms Relating to the City’s Contribution Amount

Under the Plan, the City’s annual contributions were paused for ten years, and

² Exhibit 793 is a version of the Financial Projections admitted at the Confirmation Trial.

the only funding was from the Grand Bargain (*i.e.*, the Foundations and the State):

During the Fiscal Years from the Effective date **through Fiscal Year 2023**, annual contributions shall be made to fund benefits accrued under the Prior PFRS Pension Plan only in the amounts identified on Exhibit II.B.3.1.ii.A. The exclusive source for such contributions shall be certain DIA proceeds and a portion of the State Contribution.

(Plan, Section II.B.3.q.ii.A) (emphasis added). After that ten-year period ended, responsibility for funding the pensions reverts back to the City:

After June 30, 2023 . . . the City will contribute sufficient funds required to pay each Holder of a PFRS Pension Claim his or her PFRS Adjusted Pension Amount in accordance with and as modified by the terms and conditions contained in the Plan and the Prior PFRS Pension Plan, in accordance with the State Contribution Agreement and exhibits thereto[.]”

Id. The only other express term in the Plan of Adjustment itself was the imposition of 6.75% as the assumed rate of return, but again—only for a period of ten years:

During the period that **ends on June 30, 2023**, the trustees of the PFRS... **shall adopt and maintain an investment return assumption** and discount rate for purposes of determining the assets and liabilities of the PFRS that **shall be 6.75%**.

(Plan, Section II.B.3.q.ii.B) (emphasis added). However, after that ten-year period, the investment rate of return and other contribution-related “terms” could be changed:

G. No Changes in Terms for Ten Years. ... the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and **against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, ... or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B, the contribution to the PFRS** or the calculation or amount of PFRS pension benefits **for the period ending June 30, 2023...** [.]

(Plan, Section II.B.3.q.ii.G) (emphasis added). The Plan imposed a ten-year

injunction. After that period ends on June 30, 2023, however, that injunction automatically *expires* and any of the “terms, conditions and rules of operation of the PFRS” including the “selection of the investment return assumption” (*i.e.*, the 6.75%) and “terms” relating to the City’s annual “contribution to the PFRS” can be changed. The Court’s recent adoption of the sentence imposing a 30-year amortization and extending the 6.75% interest rate to thirty years (instead of just ten) directly conflicts with these two provisions, which permit both the interest rate and any other “terms” that relate to the amount of the “contribution to the PFRS” to be amended after June 30, 2023. The Plan states that the parties are “enjoined” from making these changes for ten years—but this Court’s holding erroneously extended that injunction to *thirty* years. This is radically inconsistent with the above two provisions from the Plan (Sections (B) and (G)) as well as several provisions of the PFRS Pension Plan, as will be set forth below.

(2) The Ten Year Carve-Outs Under the PFRS Pension Plan

As it relates to funding policy decisions, every governing provision in both the Plan as well as the PFRS Pension Plan is tied to this ten-year period. After the ten-year “pension holiday,” the Plan returns the normal funding policy decisions to the PFRS. If the Court intended to hold that the entire sentence on page 231 is now “the Plan of Adjustment,” then the following provisions would be read out of the Plan altogether.

(i) Article G-5(c) States that the Amount of the City’s Contribution Is Not Limited by the Plan of Adjustment After 2023

Under the PFRS Pension Plan adopted as part of the Plan, the City’s contributions

are determined by the PFRS and are not solely dictated by the Plan after 2023:

Sec. G-5. Contributions to and payments from the Pension Accumulation Fund. **Contributions to and payments from the Pension Accumulation Fund shall be made as follows:**

(b) Subject to the Plan of Adjustment, for Fiscal Years commencing prior to July 1, 2014, and **on or after July 1, 2023, the Board of Trustees** annually ascertained and reported to the Mayor and the Council **the amount of contributions due the Retirement System by the City**, and the Council shall appropriate and **the City shall pay such contributions to the Retirement System during the ensuing Fiscal Year . . .**

(c) For Fiscal Years commencing after June 30, 2014 and **prior to July 1, 2023, the City shall make contributions to the Pension Accumulation Fund only as provided in the Plan of Adjustment.**

(Dkt. No. 13090-1, PFRS Pension Plan, Article G-5) (emphasis added). In the Amortization Opinion, the Court reasoned that Article G-5(b) contained the words “subject to the Plan of Adjustment,” and therefore, when viewed in conjunction with the sentence in the Confirmation Opinion which cited to the Financial Projection’s assumption that these contributions would be paid over a thirty-year period, it meant that the PFRS was constrained to calculate the annual contribution amount “based on the 30-year amortization.” (Amortization Opinion, pg. 32). What the phrase “subject to the Plan of Adjustment” meant in that section was a reference to the ten-year annual contribution hiatus, not an amortization period: “Subject to the Plan of Adjustment, for Fiscal Years ... on or after July 1, 2023[.]” If the Court’s interpretation was correct, this section should have said “after July 1, **2053.**”

Further, the Court’s ruling ignores subsection (c). Article G-5(c) makes clear that prior to June 2023, the City’s contributions are “*only* as provided in the Plan of

Adjustment,” but after June 2023, the PFRS Board determines the “amount of the contributions due” by the City. This is consistent with the Plan itself, which states that the parties are enjoined from making any changes to the City’s “contributions” for ten years. After June 30, 2023, subsection (c) explicitly states that the City’s “contributions” to the PFRS are no longer solely governed by the Plan of Adjustment. This is consistent with Article G in the Plan itself, which expressly states that the injunction preventing changes to the interest rate or other terms relating to the amount of the City’s “contribution” was lifted at the end of that ten-year period.³

(ii) After 2023, the Board Sets the “Amount of the Appropriation Necessary to Pay... for Component II”

The ten-year hiatus followed by a resumption of normal, unfettered payment obligations is echoed in the next section, too, which addresses appropriations by the City:

Sec. G-9. Appropriations prior to July 1, 2014 **and after June 30, 2023.**

- (a) The Board of Trustees shall certify to the City Council the amount of the appropriation necessary to pay to the various funds of the Component II...
- (b) To cover the requirements of Component II prior to July 1, 2014 and after June 30, 2023, such amounts as shall be necessary to cover the needs of Component II shall be paid . . . by special appropriations or transfers to the Retirement System[.]

³ As previously stated, Article G from the Plan permits the parties to change terms after 2023:

G. No Changes in Terms for Ten Years. ... the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, ... or against any action that governs the *selection of the investment return assumption* described in Section II.B.3.q.ii.B, *the contribution to the PFRS* or the calculation or amount of PFRS pension benefits *for the period ending June 30, 2023*[.]

(Plan of Adj., Section II.B.3.q.ii.G) (emphasis added).

Id. at Article G-9. This says nothing about a required 6.75% interest or a 30-year amortization; to the contrary, it requires the PFRS to calculate the number and the City to pay whatever amount is “necessary to cover the needs of Component II.”

(iii) After 2023, the Board “Computes the City’s Annual Contributions” Based On Recommendations by Its Actuaries—Not Based Upon the Plan

Lastly, Article G-17 expressly states that *the Board*—not the City—sets the contribution amount and that it is based upon *actuarial data*, not based on Plan terms:

[T]he Board of Trustees shall compute the City’s annual contributions for Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023... using actuarial valuation data... The Board shall report to the Mayor and to the City Council the contribution percents so computed, and such contribution percents shall be used in determining the contribution dollars to be appropriated by the City Council and paid to the Retirement System.

Id. at Article G-17 (emphasis added). This section, if it was intended to include a 30-year amortization and 6.75% interest rate until 2053, should have expressly stated so. Instead, this Section directs the Board to make this decision based on “actuarial data” to compute the City’s annual monetary contribution—not to apply a pre-determined 30-year amortization and a 6.75% interest rate assumption.⁴

(iv) The PFRS Pension Plan Requires the IC to Determine All Actuarial Assumptions—including Both Amortization & Interest Rate

The new PFRS Plan also expressly confers the amortization and interest rate

⁴ Notably, all of this language is the same language that governed the operation of the PFRS *before the bankruptcy* and the Michigan Court of Appeals held this language means it is the PFRS Board’s sole duty to select an amortization period, not the City. This same exact language was re-adopted by the City and incorporated into the Plan.

decisions upon the PFRS Investment Committee (“IC”):

[A]n Investment Committee is hereby created for the purpose of making recommendations to the Board of Trustees and taking action under and with respect to certain investment management matters relating to the Retirement System . . . The Investment Committee shall serve in a fiduciary capacity with respect to the investment management of Retirement System assets, determination of investment return assumptions, and Board compliance with provisions of the governing documents[.]

(Dkt. No. 13663, Ex. 23, PFRS Plan, Art. I, Sec. 1.21). Once again, after 2023, the PFRS is the only body authorized under the Plan to make a “determination of investment return assumptions”—*i.e.*, the 6.75% investment return rate. This provision is directly at odds with the sentence this Court adopted as the “Plan” in its Amortization Opinion which states that the amortization and the investment return rate for the post-2023 UAAL would be 6.75% for thirty years, rather than set by the PFRS. The assignment of these duties to the IC was repeated in Article 16.2 of the PFRS Plan:

(1) For purposes of this Combined Plan, “investment management decisions” and “investment management matters” shall include:

(d) *review* and affirmation or rejection of the correctness of *any and all* calculations, *actuarial assumptions* and/or assessments used by the Actuary including, but not limited to (i) those underlying the restoration of pension benefits, funding levels and *amortization* thereof... (ii) *those underlying the determination of annual funding levels and amortization thereof*, and (iii) on or after Fiscal Year 2024, *the recommended annual contribution to the Retirement System* in accordance with applicable law.

(PFRS Plan, Art. 16.2(1)(d)) (emphasis added). The City plucked one word out of this entire lengthy section (“correctness”) and urged the Court to limit the IC’s

authority to merely determining the “correctness” of these items, and the Court agreed. (Amortization Op., pg. 27-28). But such an interpretation wrongly strips the IC of any fiduciary discretion and relegates it to a purely ministerial function (one that IC members would not even be qualified to perform, as the City’s position would result in the dubious situation where IC members are expected to be qualified to double check the “correctness” of actuarial calculations when they are not themselves trained actuaries). Instead, when read in full, this section clearly confers the right upon the IC to “review” any and all “actuarial assumptions” (which is what amortization and assumed rates of return are)—and then decide which ones to adopt.

Moreover, the Court’s interpretation ignores Article 1.21, quoted above, which expressly states that the IC’s role includes the “*determination* of investment return assumptions”—not just reviewing the “correctness” of those assumptions, but actually determining what they should be in the first place. Thus, the Plan is clear—the decision as to amortization period *and* assumed rate of return are within the sole discretion of the PFRS after the ten-year period ends.

B. There Was No Finding of Fact or Conclusion of Law In the Confirmation Opinion Approving an Amortization Or Extending the Interest Rate to 30 Years

Despite the numerous explicit provisions placing actuarial assumptions such as amortization and the interest rate determinations within the PFRS’s sole discretion, the Court has now adopted the following sentence over those sections of the Plan: “The City will then amortize the remaining UAAL for both plans over the next thirty years at an

interest rate of 6.75%.” (Conf. Op., pg. 230). This is not a “ruling” as the City has claimed. This sentence is nothing more than a rote recitation of an exhibit used at trial and as will be set forth below, it is not even an accurate reflection of the assumption used by Malhotra for the limited purpose of his Financial Projections.

As set forth above, the key economic terms relating to the City’s post-2023 UAAL repayment were subject to change at the end of the ten years. (Plan, Section II.B.3.q.ii.G). But the Projections had to include some sort of “best guess” as to the amount the UAAL would be after Year 10 and also what hypothetical terms might govern its repayment in order to show some level of “feasibility,” which necessarily included using some sort of baseline assumption as to what the interest rate could be for those payments, as well as how long those payments could be made. *It was an unknown what interest rate would actually be selected because the Plan only set the 6.75% for a period of ten years—after that, it could be changed by the PFRS.*

Thus, a number had to be inserted as a placeholder in order to permit some sort of mathematical calculation to be performed. It was not entirely illogical for those projections to use the assumption of 6.75% as the assumed rate of return, because that was the rate of return being applied during the 10-year “pension holiday” under the Plan. It was similarly not entirely illogical for the City to use a 30-year amortization because that was the amortization period being used prior to the bankruptcy case. Not surprisingly, the Court agreed and found the Financial

Projections were “reasonable.” But that does not mean that those assumptions have now been converted into binding terms, superseding the Plan’s express terms to the contrary.

(a) The Court’s Ruling as to the 6.75% Interest Rate

In contrast to the amortization issue (which the Court largely ignored in the Confirmation Opinion), the Court *did* make a detailed ruling as it related to the the 6.75% assumed rate of return to be applied for the ten-year period—presumably because the 6.75% interest rate is actually *in the Plan*. In support of the 6.75%, the City offered extensive expert testimony and the Court noted this detailed evidence:

The City presented testimony from its actuaries to support the assumption that the City’s investments will achieve the projected 6.75% growth rate. Glenn Bowen of Milliman testified that the 6.75% rate assumes a lower inflation rate than the vast majority of large public pension plans... The City also presented testimony from Alan Perry, another actuary from Milliman, who testified that the 6.75% rate is “at or near the bottom of the assumption that we would see for the largest public plans.” . . . These two points support a conclusion that the City’s assumptions regarding the investment return rate are conservative. Mr. Bowen testified that in November 2013, Milliman performed a series of calculations based on the City’s asset allocations, and determined that the City could reasonably expect an investment return assumption of at least 7.2% ... **Based on this evidence, the Court concludes that the City’s projection of the UAAL for both retirement systems at the end of FY2023, including the 6.75% investment return assumption, is reasonable and supports a finding that the plan is feasible.**

Id. at 232. After undertaking this detailed evidentiary analysis, the Court reached an actual *conclusion* that this evidence “supports a *finding* that the plan *is feasible*.” This is an example of an actual “finding of fact and conclusion of law.” Not every single word in the Confirmation Opinion rises to that level. Notably, there is no similar “ruling” by the Court citing to any evidence in the record as it relates to the

amortization issue or the use of the 6.75% after 2023—because it was not actually contemplated that these two issues were set in stone after Year 10 under the Plan.⁵

In contrast, the only thing the Court said with respect to amortization and the interest rate to be applied for the UAAL *after* the pension holiday was a cite to an assumption used by the City for the limited purpose of its Financial Projection. (Conf. Op., pg. 231). This is not a finding of fact and conclusion of law. But even more important than this not being an actual “ruling” or “finding” by the Court is that this sentence is just plain *wrong*. Not only is the 30-year amortization portion wrong, the second part of the sentence (relating to the 6.75% interest rate) is demonstrably incorrect under the Plan. The Plan could not be more clear that the 6.75% only lasts for ten years, not thirty. After that ten years was over, the PFRS was free to use whatever interest rate it wanted. *Id.* at Section G. Indeed, as will be shown below, (i) the experts all agree with this, and (i) the Court *itself* approved those terms.

C. The City’s Experts Agreed at Trial That 6.75% Interest Ends 2023

As the City’s lead actuarial expert testified, the 6.75% ended on June 30, 2023:

Q. And are you familiar with the terms governing the use of the 6.75-percent investment return assumption?

A. Yes. . . ***During the period that ends on June 30, 2023***, the trustees of the PFRS ... shall adopt and maintain an investment return assumption and discount rate for purposes of determining the assets and

⁵ Notably, nowhere in this section of the Confirmation Opinion—entitled “Evaluating the Risks in the City’s Plan to Address Its Pension Obligations”—does the Court cite amortization as a “risk” to the City’s pension plan. One would assume that if the Court believed amortization was so crucial to the Plan’s feasibility, it would have identified the amortization period in the section literally entitled “[e]valuating the risks” to the City’s Plan as it relates to the pensions.

liabilities of the PFRS that shall be 6.75% percent.

(Bowen Tr., pg. 221, Dkt. No. 13634, Ex. E) (emphasis added). In fact, Malhotra himself admitted the 6.75% only lasted until 2023, not 2053—even though the Court later mistakenly interpreted his Financial Projection summary page as meaning something else:

Q. Ok. Let's start at the top. There's something called an assumed rate of return. Please tell us how that has changed.

A. That has changed from 7.9 percent for GRS and eight percent for PFRS to ***6.75 percent for GRS and PFRS, which is fixed for the next—through 2023.***

Q. And do you know how the rate of 6.75 percent was derived?

A. It was part of the settlement.

(Malhotra Tr., Ex. G to Dkt. No. 13634, p. 134) (emphasis added). Kopacz echoed this:

The POA assumed investment rate of return of 6.75% was a heavily negotiated component of the POA . . . The POA stipulates the board of trustees of the PFRS and GRS ***'must' maintain a 6.75% investment return assumption through the period ending June 30, 2023; thereafter, that rate is at the discretion of the Retirement Systems.***

(Kopacz Report, pg. 134, Dkt. No. 13663, Ex. 22) (emphasis added). As the City itself even admitted, the PFRS had discretion post-2023 to set its own funding policy terms. In late 2021, when the PFRS was debating the appropriate amortization period to adopt for the Funding Policy to take effect post-2023, the City's legal counsel flat out acknowledged that the PFRS had the discretion to the change the assumptions and adopt a new Funding Policy and admitted this in an email to the PFRS:

My understanding is that ***from the City's perspective, the funding policy need not be adopted until October of next year***, which coincides with the timeframe that the City will begin work on the FY 2024 budget. So, we are surprised at the rush to adopt something . . . ***While we understand any funding policy can be changed next year***, hasty

adoption of a policy now significantly changes the dynamics.

(Dkt. No. 13603, Ex. 6, pg. 1) (emphasis added). The parties both knew Financial Projections did not control the amortization and assumed rate of return post-2023, because there were certain key terms the parties knew could be changed in the future—*i.e.*, after the ten-year hiatus—but it would then have been impossible to forecast things in a way to demonstrate feasibility with any level of certainty at confirmation. At the time of the confirmation trial no one knew what the interest rate would be changed to a decade later—whether it would be changed to 5% or 8%, for example—so the City had to use “assumptions” to come up with a “hypothetical” repayment schedule that would show how this could work for feasibility purposes. But that is wholly different than those two assumptions, which were used to demonstrate feasibility, somehow morphing into binding terms or “the Plan.” In fact, contrary to the sentence in the Confirmation Opinion claiming that there was an amortization period and 6.75% interest rate both set for 30 years, Malhotra’s Financial Projections do not actually state that the 6.75% interest rate would continue for 30 years—it was listed below amortization as a totally separate line item:

PFRS Pension (Class 10)	<i>State and DIA Settlements</i>	
	Contributions (years 1-10)	Estimated to be \$261m from foundations/State settlement
	Contributions (years 11-40)	UAAL as of June 30, 2023 estimated to be ~ \$681m amortized over 30yr, including contributions in second decade from DIA and foundations
	Discount rate	6.75%
	Targeted funded status as of 2023	78%

Thus, while the Court cited this page of the Financial Projection as the “evidence” that the Plan included a 30-year amortization and a 6.75% for thirty years, that

citation is clearly an error. As even Malhotra *himself* testified, the 6.75% interest rate was never intended to be carried out of over thirty years. And that is the danger of viewing a mere “summary page” of the Financial Projections in isolation and not reading that document in conjunction with the actual Plan—in reality, neither the 30-year amortization nor the 6.75% for 30 years are actually in the Plan. As the City *itself* cautioned readers when viewing the Financial Projections,⁶ they must be reviewed in conjunction with the Plan document itself because the assumptions in the Financial Projections were subject to change.⁷

b. Elevating the Sentence from Pg. 231 to “the Plan” Renders the Confirmation Opinion Inconsistent Because It Held Otherwise on Pg. 180.

Further bolstering the PFRS’s position that the errant sentence on page 231 was nothing more than a recitation of an assumption used in a Financial Projection but not intended to operate as “the Plan” is that in a separate portion of the Confirmation Opinion, the Court *itself* made a *different* finding of fact and

⁶ The City expressly cautioned in the Disclosure Statement, that the “Projections are based upon a variety of estimates and assumptions” and that “some assumptions inevitably will not materialize and events and circumstances occurring subsequent to the date on which the projections were prepared may be different from those assumed” and “[e]ach of the Projections should be read in conjunction with the significant assumptions, qualifications, and notes set forth in the Disclosure Statement, the Plan... and other information submitted to the Bankruptcy court[.]” (Dkt. No. 4391, Fourth Am. Disc. Stmt., pg. 170).

⁷ And the City was right—these assumptions *did* change (dramatically). Ten years later, the UAAL for the PFRS was not \$681 million as set forth in the Projections; it was \$820 million as of June 2022 and the projected UAAL as of June 30, 2023 will be \$860 million. The funding level was not 78% in 2023; it was only 74%. *Id.* at pg. 20. Actuarial Valuation for Component II, pg. 2, available at https://cms2.revize.com/revize/rsd/val_0002_CompII%20Report%20Revised.pdf, last accessed July 8, 2023.

conclusion of law as to the 6.75% issue, which *is* consistent with the Plan. And moreover, in that instance, the Court was specifically referencing the actual Plan and the parties' negotiated settlement—not merely pulling from the “summary page” which listed “assumptions” used in the Financial Projections. In an earlier section of the Confirmation Opinion entitled “The Terms of the Pension Global Settlement” and “Governance and Oversight”, the Court explained the Plan terms as follows:

The parties have further agreed that **until June 30, 2023** [*i.e.*, **NOT thirty years**], the boards of trustees of each system will adopt and maintain an investment return assumption and discount rate of 6.75% for purposes of determining the assets and the liabilities of the pension systems.

The plan also includes a provision that all parties are enjoined **until June 30, 2023** [**Again, NOT thirty years**] from making any amendments to the terms, conditions and rules of operation of the GRS and the PFRS relating to the calculation of pension benefits, the selection of investment return assumptions, or the contributions to the pension systems.

(Conf. Op. at 180) (emphasis added). Based on these terms, the court then concluded that it “finds that the pension settlement is reasonable and approves it.” *Id.* at 182. *This* recitation of the *actual* Plan—not a citation pulled from the “summary page” of the Financial Projection—is the Court’s true ruling as to how long the investment return assumptions and the amount of the City’s contribution were set in stone for under the Plan. It was plainly ten years, *only*. And this Court approved it.

In the Court’s recent Amortization Opinion, however, it adopted the errant sentence on page 231 of the Confirmation Opinion as controlling the amortization and interest rate issues, which renders the Confirmation Opinion itself internally

inconsistent. A side-by-side comparison of these two conflicting statements by the Court as to how long the 6.75% interest rate applies is set forth below:

Conf. Op. pg. 180 – 6.75% goes for only 10 years, or “until June 30, 2023”	Conf. Op. pg. 231 – 6.75% continues for another 30 years, or until 2053
<p>The parties have further agreed that until June 30, 2023, the boards of trustees of each system will adopt and maintain an investment return assumption and discount rate of 6.75% for purposes of determining the assets and liabilities of the pension systems.</p> <p>The plan also includes a provision that all parties are enjoined until June 30, 2023 from making any amendment to the terms, conditions and rules of operation of the GRS and the PFRS relating to the calculation of pension benefits, the selection of investment return assumptions, or the contributions to the pension systems.</p> <p>[source = Plan of Adjustment itself]</p>	<p>However, at the end of FY2023, the GRS and PFRS will remain significantly underfunded. Using the assumptions from the global pension settlement, including the 6.75% discount rate, the City projects that the PFRS will only achieve 78% funding, leaving a UAAL of \$681 million. Ex. 793 at 2. For the GRS, the City projects a 70% funded status by the end of FY2023, leaving a UAAL of \$695 million. <i>Id.</i> The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%. <i>Id.</i> Between FY2024 and FY2033, the City *232 will receive an additional \$68 million in Grand Bargain proceeds to pay toward the UAAL amortization for PFRS, and \$188 million for GRS. The balance of the amortized UAAL will come from the City. <i>Id.</i> at 5.</p> <p>[source = summary page of the Financial Projections]</p>

The entry on the left is a correct and accurate recitation of the Plan’s terms—after the ten-year pension holiday ends in June of 2023, the PFRS Board will once again be permitted to change the assumed rate of return from 6.75% to some other actuarially determined assumption, and the Board is also once again permitted to calculate (on its own, without City interference) the “contributions” owed by the City for its pension obligations, which necessarily includes the amortization period.

The entry on the right is a recitation of a Financial Projection (and not even an accurate recitation, at that, since the 6.75% does not extend for 30 years) in which the City had to include *some* sort of assumptions as the repayment terms, since they

were not yet set in stone and would not be until ten years later, after 2023. But it was never intended to have the weight of “the Plan”—it was merely intended to show a hypothetical repayment schedule in order to demonstrate feasibility.⁸

The Court’s Amortization Opinion elevates the sentence on page 231 to “the Plan” and creates an obvious conflict within the Confirmation Opinion itself, which says in one place the 6.75% goes for ten years under “the Plan” but then later the 6.75% goes for thirty years (also, ostensibly, under the “Plan”). Such a result would be incongruous. The only fair read is the one posited by the PFRS. The Court would not have overridden the Plan’s express terms on page 231 after having just approved those terms on page 180. In fact, we know the Court never intended to implicitly override the express terms of the pension settlement because the Court even acknowledged the role that the PFRS would play in the future to select these very assumptions. For example, the Court observed certain recommendations set forth by Kopacz should be adopted because “accurate financial reporting relating to the City’s pension plans will be an essential tool *as the retirement systems* manage the plans’ assets and liabilities and *make critical decisions regarding future estimated rates of returns and annual funding requirements.*” (Conf. Op., pg. 233) (emphasis

⁸ The Court noted in the Amortization Opinion that the various iterations of the Financial Projections that the 30-year amortization did not change. True enough. But the PFRS had no reason to quibble with that assumption—a term had to be selected and dropped in as a placeholder for the time being. Further, while the 30-year amortization did not change as an assumption, neither did the express caveat by the City that this was a mere “assumption” that was subject to change.

added). In this excerpt, the Court (i) admits it is the “retirement systems” who make these “critical decisions,” and (ii) these decisions expressly include both the “rates of return” as well as the “annual funding requirements.”

D. The Parties Adopted the Same Language Governing Amortization Pre-Bankruptcy, Which Had Been Construed Under Michigan Law as Granting the PFRS Sole Discretion to Decide Amortization

For decades prior to the bankruptcy—from 1976 until 2014—the PFRS Board set the amortization period. See *PFRS v. City of Detroit*, 270 Mich.App. 74, 76 n.1 (2006), *leave denied*, 477 Mich. 892 (2006). In 2004, however, the City attempted to lengthen the amortization period in order to decrease the amount of its payments, so the PFRS sought a declaratory judgment that “it has the right to determine the time period for the financing of unfunded accrued pension liabilities” and argued that “under Michigan law, the Board has the authority to determine the amortization period and that Detroit must abide by its recommendation and pay the amount of pension contribution calculated by the Board.” The Michigan court—interpreting the *same exact language that the City agreed to in the Bankruptcy and re-incorporated into the Plan via the PFRS Pension Plan*—agreed with the PFRS, reasoning:

The [PFRS] Board is responsible for the general administration, management, and operation . . . Part of the Board’s responsibilities is to ensure that the retirement system is properly funded. Accordingly, the Board, after consultation with an actuary, determines the amount of Detroit’s annual pension contribution. . . one component of the pension contribution is the amount of time necessary for Detroit to meet the system’s unfunded accrued liabilities. Logically, the amount of time permitted to satisfy the accrued liabilities, also known as the amortization period, affects

the amount Detroit is obligated to contribute to the plan each year.

The City cited a contrary ordinance but the Court rejected it, reasoning it “directly interferes with the Board's *authority to decide the annual contribution, which includes a determination of the amortization period.*” *Id.* at 82. “[B]ecause the Board has the responsibility to determine the employer’s annual contribution to the system and to ensure that the system is adequately funded, an integral element of that calculation is how much the city must annually contribute to pay down its unfunded liabilities. Again, how long those liabilities are amortized, according to the calculations of the actuary, directly affects the adequacy of the system funding and the amount Detroit must pay each year.” *Id.* The court found that the controlling language “is *unequivocal* that the Board determines the amount the employer (Detroit) contributes annually” which “necessarily includes the amount of time in which Detroit must pay the unfunded accrued pension liabilities because the period directly affects the amount Detroit must contribute to the plan each year.” *Id.* at 81 n. 3-4 (emphasis added). Notably, the language the Michigan court found to be “unequivocal” *is the same language that was reincorporated into the Plan by the City as Articles G-17 and G-5 to the PFRS Pension Plan.* *Id.* at n. 3-4. Thus, the PFRS’s right to set the amortization period was not changed by the Plan—it was expressly retained by the Plan.

Further, the Plan’s own choice of law clause states that the PFRS Pension Plan

is to be interpreting under Michigan law—and a Michigan court already interpreted the key language as requiring the PFRS decide amortization, not the City. The Plan specifically adopts Michigan law and provides that unless a rule of law or procedure is supplied by federal law,⁹ then “the laws of the State of Michigan... shall govern the **rights, obligations, construction** and implementation of the Plan **and any contract** . . . instrument, release **or other agreement or document entered into or delivered in connection with the Plan.**” (Plan of Adj., pg. 71(I)) (emphasis added). The PFRS Pension Plan is a contract. The “construction” of that contract and the “rights” and “obligations” of the PFRS under that contract are all governed by Michigan law. A Michigan court has already construed the exact terminology used in the PFRS Pension Plan documents to mean that the PFRS has the “right” to decide amortization. This Court has now injected its own contrary construction, which is a violation of the Plan terms stating that Michigan substantive law governs this issue. Because the meaning of the key language in the PFRS Pension Plan has already been decided under Michigan law, this Court should not have construed the operative

⁹ “In interpreting a confirmed plan, courts use contract principles, since the plan is effectively a new contract between the debtor and its creditors.” *In re Conco, Inc.*, 855 F.3d 703, 711 (6th Cir. 2017). “State law governs those interpretations, and under long settled contract law principles, if a plan term is unambiguous it is to be enforced as written, regardless of whether it is in line with prior parties obligations.” *In re Dow Corning*, 456 F.3d 668, 676 (6th Cir. 2006). “Although a confirmed bankruptcy plan is a judgment rendered by a federal court in a case arising under federal law, because there is little need for a nationally uniform body of law regarding the interpretation of Chapter 11 plans and because state law is regularly incorporated into bankruptcy law, state law constitutes the federal rule of decision here and governs our interpretation of [the debtor’s] plan.” *Hillis Motors, Inc. v. Hawaii Auto. Dealers’ Ass’n*, 997 F.2d 581, 588 (9th Cir. 1993).

language in the PFRS Pension Plan documents in a different manner—instead, it was bound by pre-existing state law directly on point, interpreting the exact same words, in a dispute between the exact same parties.¹⁰ The City knowingly affirmed its prior arrangement with the PFRS and agreed to continue the same division of duties as between the parties that existed before the bankruptcy. If the City had wanted a different outcome, it could have changed the key provisions of the PFRS Pension Plan but it did not. Instead, the City chose to re-incorporate the same language assigning those rights to the PFRS. While there was an intervening bankruptcy, of course, the parties chose to reincorporate the same exact language and the only difference in those sections is the carve-out of the ten-year period where the PFRS was enjoined from deciding amortization for that time period.

In its Amortization Opinion, the Court quoted the same controlling language that the Michigan court interpreted as meaning that the Board controls the amortization decision and found that this language means nothing of the sort. (Amortization Op., pg. 29-32). The Court failed to even mention the Michigan state court case. This was an error of law subject to Rule 59 relief, and/or a palpable error

¹⁰ While this case is from an intermediate court, the Michigan Supreme declined to grant leave so it stands as the highest court's holding in Michigan. *In re City of Detroit*, Mich., 504 B.R. 97, 155 (Bkrcty.E.D.Mich.,2013) (“In construing questions of state law, the federal court must apply state law in accordance with the controlling decisions of the highest court of the state. . . If the state’s highest court has not addressed the issue, the federal court must attempt to ascertain how that court would rule if it were faced with the issue. . . A federal court should not disregard the decisions of intermediate appellate state courts unless it is convinced by other persuasive data that the highest court of the state would decide otherwise.”) (citations omitted).

subject to reconsideration. The Court held that none of the PFRS Pension Plan provisions permit the PFRS to determine amortization because it states that its provisions are “subject to the Plan of Adjustment.” *Id.* at 31-32. It would be one thing if the Plan itself—the portion that was specifically negotiated between the parties, that is—made mention of the alleged 30-year amortization. But the above analysis demonstrates that the Court, in the Confirmation Opinion, mistakenly relied on an assumption from the summary page of the Financial Projections, quoted that page inaccurately, and appears to have inadvertently misinterpreted the summary page as being reflective of the actual Plan rather than a mere “assumption” or “best guess” as to how repayment of the UAAL could look at the end of the ten-year pension holiday. Instead, after ten years, all actuarial assumptions reverted back to being determined at the discretion of the PFRS and extending the Plan’s ten-year injunction to a thirty-year injunction was plainly erroneous. Accordingly, the Amortization Opinion should be reconsidered (or at a minimum, clarified), because it has now rendered the Confirmation Opinion internally inconsistent.

Respectfully submitted,

s/Jennifer K. Green

Jennifer K. Green

151 S. Old Woodward Ave., Suite 200

Birmingham, MI 48009

jgreen@clarkhill.com

Attorney for Creditor PFRS

EXHIBIT 4 – CERTIFICATE OF SERVICE
UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Hon. Thomas J. Tucker

Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on July 10, 2023, she served a copy of the foregoing *Motion to Alter or Amend Pursuant to Federal Rule of Bankruptcy Procedure 9023, and Pursuant to Local Rule 9024-1 for Reconsideration of, The Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment against the Police and Fire Retirement System Pension Plan (Docket # 136302)* via the Court's ECF system which will provide service to all registered parties and in the manner described below:

Via first class mail and email:

Counsel to the City of Detroit
Marc N. Swanson
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
swansonm@millercanfield.com

Counsel to the Investment Committee
Valerie Brader
RIVENOAK LAW GROUP PC
3331 W. Big Beaver Rd., Suite 109
Troy, MI 48084
valerie@rivenoaklaw.com

Dated: July 10, 2023

By: /s/ Bridget L. Haicas

Bridget L. Haicas
151 S. Old Woodward Avenue, Suite 200
Birmingham, Michigan 48009
Office (248) 988-1814
bhaicas@clarkhill.com

EXHIBIT 5 - NONE

EXHIBIT 6 - NONE

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**CITY OF DETROIT'S BRIEF IN OPPOSITION TO PFRS' MOTION FOR
RECONSIDERATION (FILED AT THE COURT'S DIRECTION)**

Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-8451
swansonm@millercanfield.com

Charles N. Raimi (P29746)
Deputy Corporation Counsel
City of Detroit Law Department
2 Woodward Avenue, Suite 500
Coleman A. Young Municipal Ctr
Detroit, Michigan 48226
Telephone: (313)-237-5037
raimic@detroitmi.gov

Attorneys for the City of Detroit

August 10, 2023

TABLE OF CONTENTS

	<u>Page</u>
Index of authorities	ii
Standard of review	1
Argument.....	2
A. PFRS’ argument A: “An internal inconsistency exists in the Confirmation Opinion <i>itself</i> on the amortization interest rate issues so it cannot serve as the ‘Plan.’”	2
1. PFRS’ “conflict” claim is a new argument that has been waived.	2
2. PFRS’ waived “conflict” argument is premised on a clear misrepresentation of this Court’s Amortization Opinion. And the argument makes no sense	3
3. The remainder of PFRS’ argument “A” rehashes arguments that were previously argued and which the Court properly rejected in the Amortization Opinion.....	5
B. PFRS’ argument B: “There was no finding of fact or conclusion of law in the confirmation opinion approving an amortization or extending the interest rate to 30 years.”	7
C. PFRS’ argument C: “The City’s experts agreed at trial that 6.75% interest ends 2023.”	9
D. PFRS’ argument D: “The parties adopted the same language governing amortization pre-bankruptcy, which had been construed under Michigan law as granting the PFRS sole discretion to decide amortization.....	9
Conclusion and relief	11

INDEX OF AUTHORITIES

	<u>Page(s)</u>
<u>Cases</u>	
<i>Bank of Ann Arbor v. Everest Nat'l Ins. Co.</i> , 563 F. App'x 473 (6th Cir. 2014).....	1
<i>Century Indem. Co. v. Special Metals Corp. (In re Special Metals Corp.)</i> , 360 B.R. 244 (Bankr.E.D.Ky.2006).....	8
<i>Frank v. U.S. Food & Drug Admin.</i> , 998 F.Supp.2d 596 (E.D. Mich. 2014).....	5
<i>In re I.E. Liquidation, Inc.</i> , 2015 WL 1568248 (U.S. Bankruptcy Court, N.D.Ohio).....	8
<i>In re: Shefa, LLC</i> , 649 B.R. 881(Bankr. E.D. Mich. 2023).....	1, 2
<i>Nathan v. Great Lakes Water Authority</i> , 2020 WL 3868492 (E.D.Mi.).....	2, 3
<i>PFRS v. City of Detroit</i> , 270 Mich. App. 74 (2006).....	9, 10
<i>Schwab v. Oscar (In re SII Liquidation Co.)</i> , 517 B.R. 72 (B.A.P. 6th Cir.2014).....	8
<i>Scottsdale Ins. Co. v. Flowers</i> , 513 F.3d 546 (6th Cir. 2008).....	5, 6
<i>Stuart v. Mendenhall (In re Mendenhall)</i> , 572 Fed.Appx. 858 (11th Cir.2014).....	8, 9
<i>Whitney Bank v. SCC Kyle Partners, Ltd. (In re SCC Kyle Partners, Ltd.)</i> , 518 B.R. 393 (Bankr.W.D.Tx.2014).....	8

Rules

F.R.C.P. 59(e).....	1
---------------------	---

STANDARD OF REVIEW

This Court's recent decision of *In re: Shefa, LLC*, 649 B.R. 881 (Bankr. E.D. Mich. 2023), (Hon Thomas J. Tucker), addressed the standard of review when a litigant seeks to alter or amend a judgment under F.R.C.P. 59(e), or seeks reconsideration under Local Rule 9024-1(a)(3). Under Rule 59(e), "[A] motion to alter or amend judgment may be granted only: '(1) to correct a clear error of law; (2) to account for newly discovered evidence or an intervening change in the controlling law; or (3) to otherwise prevent manifest injustice.'" *Id.*, p. 883. Motions for reconsideration are governed by Local Rule 9024-1(a)(3):

"Generally, and without restricting the discretion of the court, a motion for reconsideration that merely presents the same issues ruled upon by the court, either expressly or by reasonable implication, will not be granted. The movant must not only demonstrate a palpable defect by which the court and the parties have been misled but also show that a different disposition of the case must result from a correction thereof."

The Court in *Shefa* found that the debtor had failed to meet either standard for multiple reasons. Debtor's motion attempted to reargue issues previously raised in violation of the quoted Local Rule. The Court also cited *Bank of Ann Arbor v. Everest Nat'l Ins. Co.*, 563 F. App'x 473, 476 (6th Cir. 2014), "reconsideration motions cannot be used as an opportunity to re-argue a case." *Id.* at 883.

The Court also denied the motion in *Shefa* because it attempted to raise new legal arguments that had been waived by debtor's failure to present them prior to the

Court's decision. Id. at 883-884, (citing Sixth Circuit authority for the proposition that "In a motion for reconsideration a party may not 'raise new legal arguments that could have been raised before a judgment was issued' * * *.")

These bedrock principles were recently reiterated by District Judge Paul D. Borman in *Tr. Est. Massey v. Great Lakes Water Authority*, 2020 WL 3868492 (E.D. Mich.):

"A motion for reconsideration [or rehearing] should not be used liberally to get a second bite at the apple, but should be used sparingly to correct *actual* defects in the court's opinion." * * * It should not be "used as a vehicle to re-hash old arguments or to advance positions that could have been argued earlier but were not." Id. at *2.

Before issuing its Amortization Opinion (D.E. 13704), this Court allowed exhaustive briefing and oral argument. PFRS' motion consists entirely of prior arguments that were carefully considered and properly rejected by the Court, or new arguments that not only have been waived but also are patently unsound. PFRS does not identify any "defects" in the Amortization Opinion and there are none.

ARGUMENT

A. PFRS' argument A: "An internal inconsistency exists in the Confirmation Opinion *itself* on the amortization interest rate issues so it cannot serve as the 'Plan.'"

1. PFRS' "conflict" claim is a new argument that has been waived.

The Court's Amortization Opinion carefully addressed and rejected PFRS' multiple arguments that 30-year amortization somehow conflicted with the "Plan"

or Michigan law. Opinion, pp. 24 – 34. The Court held that there was no conflict but, even if there had been, the Court’s express adoption of 30-year amortization in its Confirmation Opinion and Plan would control over any alleged inconsistent provision. Id.

PFRS now raises a new “conflict” issue – namely, whether the 6.75% discount rate used for computing legacy plan contributions expired at the end of ten years (i.e., June 30, 2023). This is a straw man argument because the City has always understood that the 6.75% discount rate could be changed after June 30, 2023; provided, of course, there were sound reasons for doing so.

In any event, this is a new argument that has been waived by PFRS’ failure to raise it in any of PFRS’ lengthy filings. It should be rejected for that reason alone.

2. PFRS’ waived “conflict” argument is premised on a clear misrepresentation of this Court’s Amortization Opinion. And the argument makes no sense.

The first sentence of PFRS’ argument “A” states: “The Court’s Amortization Opinion ultimately rests on the following excerpt from the Confirmation Opinion: [quoting a portion of the Confirmation Opinion including the following sentence “The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%.”].” PFRS brief pp. 3-4. Even if PFRS’ statement were true, and it is not, that one sentence would have been more than sufficient to

support the Court's 30-year amortization holding. But PFRS' claim that the Court's Opinion "ultimately rests" on that one sentence is a clear misrepresentation.

In fact, the very first provision of the Confirmation Opinion that is quoted in the Court's Amortization Opinion makes no mention of the discount rate. It simply states: "The balance of the underfunding in 2023 will be amortized over a thirty year period of time." Am. Op. at pp. 14-15. That sentence is dispositive.

The Confirmation Opinion also cites to, and adopts in its entirety, Martha Kopacz' feasibility report. The key provision of Kopacz' report likewise makes no reference to the discount rate and, instead, states: "The POA proposes that the City will amortize the remaining UAAL for each Retirement System – as of June 30, 2023 – over the following thirty-year timeframe." City ex. 22, p. 133 (Doc. No. 136663-3, page 14 of 74).

Moreover, the Court supported its 30-year amortization holding with a mountain of other evidence having nothing whatever to do with the discount rate. Those materials included the one and only disclosure statement, and the critical 40-year financial projections which formed the basis for the POA and made crystal clear that the UAAL as of June 30, 2023 would be amortized over 30 years. Indeed, the Confirmation Opinion's finding that the Plan was feasible was explicitly premised on 30-year amortization. Amortization Opinion, pp. 19, 34 (40-year projections incorporating 30-year amortization "were used as a fundamental basis on which the

feasibility of the City's Plan was demonstrated at trial, and on which the Court found that the Plan was feasible.")

The Confirmation Opinion's reference to the 6.75% discount rate in the one sentence quoted by PFRS was unnecessary and may have been an error. But that is entirely irrelevant to this Court's eminently correct 30-year amortization holding. Nor does PFRS even suggest how that sentence creates any "conflict" that could in any way cast doubt on the Court's holding.

One need not be an actuary to understand that the 6.75% discount rate, and 30-year amortization, are entirely separate and distinct elements in computing the City's annual contributions to the legacy plans. As this Court explained, 30-year amortization was fundamental to establishing the feasibility of the POA by spreading out the City's contributions to the legacy plans. Separately, it may be prudent in the future to change the discount rate over the 30-year amortization period to reflect then existing economic conditions. One has nothing to do with the other.

3. The remainder of PFRS' argument "A" rehashes arguments that were previously argued and which the Court properly rejected in the Amortization Opinion.

Pages 6-9 of PFRS' reconsideration brief restate PFRS' prior arguments relating to Articles G-5, G-9 and G-17 of the PFRS Plan. PFRS first raised those

arguments in its sur-reply, Doc. No. 13681, pages 3-7.¹ Pages 9-11 of PFRS' reconsideration brief restate PFRS' prior argument that the PFRS IC has "unfettered discretion" over the amortization term; i.e., that PFRS could demand immediate payment of the entire UAAL with no amortization period. PFRS raised that argument in its response brief, Doc. No. 13634, pp. 9-11, 31-33. A reconsideration motion cannot be used to rehash prior arguments and these arguments should be rejected for that reason alone.

Moreover, the Court's Amortization Opinion, at pages 25-34, carefully analyzed and rejected those same arguments. PFRS does not identify any "defect" in the Court's analysis. PFRS simply quotes the same provisions as in its prior briefs and repeats the same unsound arguments.

This Court's Amortization Opinion rejected PFRS's arguments on multiple grounds. The plain language of the provisions do not support PFRS' position. Op. pp 25-34. More fundamentally, all of the provisions upon which PFRS relies are subject to the POA which expressly incorporated 30-year amortization. *Id.* And the Confirmation Opinion expressly requires 30-year amortization which would control if there were any conflict, which there is not.

¹ Those were new arguments and did not respond to anything the City had filed. The Court could have deemed them waived for that reason. "Arguments made for the first time in a reply (or sur-reply) brief are generally considered waived." *Frank v. U.S. Food & Drug Admin.*, 998 F.Supp.2d 596, 602 (E.D. Mich. 2014) (citing *Scottsdale Ins. Co. v. Flowers*, 513 F.3d 546, 553 (6th Cir. 2008)).

PFRS' arguments have not improved with repetition. And the City cannot improve on the Court's Amortization Opinion. Neither this Court nor the City should be required to devote further time or resources on these unsound arguments.

B. PFRS' argument B: "There was no finding of fact or conclusion of law in the confirmation opinion approving an amortization or extending the interest rate to 30 years."

PFRS' argument B focuses on the 6.75% discount rate and essentially rehashes PFRS' waived Argument A. Argument B opens with the demonstrably false claim that the Court's Amortization Opinion rested entirely on one sentence in the Confirmation Opinion – which PFRS quotes once again at the outset of Argument B: "The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%." PFRS brief, pp. 11-12. As discussed earlier, that one sentence would have been fully sufficient to support 30-year amortization, but PFRS' claim that the sentence was the sole support for the Court's Amortization Opinion is clearly incorrect.

Based on that erroneous premise, PFRS goes on to argue that this Court erred in holding that the Confirmation Opinions' requirement of 30-year amortization did not constitute a "finding of fact or conclusion of law." PFRS' only support for that claim is that the one sentence it quotes above – requiring 30-year amortization – "is nothing more than a rote recitation of an exhibit used at trial * * *." PFRS brief, p. 12. Again, PFRS is wrong.

While PFRS refers vaguely to “an exhibit used at trial,” the Confirmation Opinion supports that sentence by citing City trial exhibit 793 (ex. 17 to the City’s reply brief, Doc. No. 13663-2, pages 24-39 of 102). Exhibit 793 is the final 40-year financial projection cited repeatedly in the Confirmation Opinion which was integral to the Confirmation Opinion’s feasibility finding.

Page 2 of exhibit 793 has entirely separate entries for amortization and the discount rate. The PFRS “contributions” entry states: “Contributions (years 11-40) - UAAL as of June 30, 2023 estimated to be ~681m amortized over 30yr, including contributions in second decade from DIA and foundation.” As this Court discussed in its Amortization Opinion, later pages of the exhibit show how the City’s post – June 30, 2023 contributions to PFRS will be spread out over thirty years. Amortization Opinion, pp. 17-19.

Exhibit 793 fully supports this Court’s conclusion that the Confirmation Opinion and POA require 30-year amortization. PFRS’ argument to the contrary is frivolous – even more so because this Court, in its Amortization Opinion, was construing this Court’s own Confirmation Opinion. See *In re I.E. Liquidation, Inc.*, 2015 WL 1568248 (Bankr., N.D. Ohio) at *4:

“Trial courts are given wide discretion when interpreting and enforcing their own prior opinions and orders. *Century Indem. Co. v. Special Metals Corp. (In re Special Metals Corp.)*, 360 B.R. 244, 247 (Bankr.E.D.Ky.2006); see also *Whitney Bank v. SCC Kyle Partners, Ltd. (In re SCC Kyle Partners, Ltd.)*, 518 B.R. 393, 404 (Bankr.W.D.Tx.2014). If a court’s interpretation of its own order or

opinion is appealed, the reviewing court applies an abuse of discretion standard. *Stuart v. Mendenhall (In re Mendenhall)*, 572 Fed.Appx. 858, 861 (11th Cir.2014); *Schwab v. Oscar (In re SII Liquidation Co.)*, 517 B.R. 72, 75–76 (B.A.P. 6th Cir.2014); *In re Special Metals Corp.*, 360 B.R. at 247. “The abuse of discretion standard allows for a range of choice for the court, so long as that choice does not constitute a clear error of judgment.” *In re Mendenhall*, 572 Fed.Appx. at 861. A deferential standard is appropriate because the trial judge “is in the best position to clarify any apparent inconsistencies” with his previous rulings. *Id.* (internal quotations marks omitted).”

C. PFRS’ argument C: “The City’s experts agreed at trial that 6.75% interest ends 2023.”

PFRS’ argument C is a continuation/restatement of its waived argument A. PFRS again argues that the 6.75% discount rate can be changed after June 30, 2023. As stated above the City does not disagree, but that has no relevance to this Court’s correct determination of 30-year amortization. Nor do PFRS’ newly raised, waived arguments about the discount rate suggest otherwise.

D. PFRS’ argument D: “The parties adopted the same language governing amortization pre-bankruptcy, which had been construed under Michigan law as granting the PFRS sole discretion to decide amortization.”

This is another new argument which has been waived. And, once again, it is premised on another misrepresentation.

PFRS’ argument D relies on *PFRS v. City of Detroit*, 270 Mich. App. 74 (2006). There, the Michigan court of appeals held that the PFRS Board determined the amortization period.

PFRS argues that the Michigan court, in that opinion, was “interpreting the **same exact language that the City agreed to in the Bankruptcy and re-incorporated into the Plan via the PFRS Pension Plan * * *.**” PFRS brief, p. 21, emphasis by PFRS in the original. In case the Court missed the point, on page 22 PFRS argues that the language construed by the Michigan court “is the same language **that was reincorporated into the Plan by the City as Articles G-17 and G-5 to the PFRS Pension Plan.**” Emphasis by PFRS in original.

PFRS does not identify, attach or quote the purported “exact same language” that allegedly existed in 2006 when the case was decided. That is because it is **impossible** that the language was “exactly the same.”

As this Court carefully explained, both the State Contribution Agreement and the new component II PFRS plan were part of, and expressly subject to, the POA which requires 30-year amortization. And in the event of any conflict between any provision in those documents and the POA, the Confirmation Opinion’s requirement of 30-year amortization controls. Amortization Op., pp. 24-34.

The Court points out that “Section G-5(b) explicitly says that it is “subject to the Plan of Adjustment.” Amortization Op., p.32. The Court continues: “Thus, in calculating the City’s required annual contributions after June 30, 2023, the PFRS is subject to and bound by the POA’s 30-year amortization.” Id.

Obviously, it would have been impossible for the 2006 plan document cited in the court opinion to contain language that made the calculation of the City's contributions "subject to the [2014] Plan of Adjustment." It is equally obvious that the City's bankruptcy and POA dramatically changed the operations of the legacy plans – and one of the important changes was 30-year amortization. PFRS' reliance on pre-bankruptcy law is specious.

CONCLUSION AND RELIEF

PFRS' motion is procedurally and substantively unsound. The City asks that the motion be denied.

By: /s/ Marc N. Swanson
Marc N. Swanson (P71149)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
swansonm@millercanfield.com

By: /s/ Charles N. Raimi
Charles N. Raimi (P29746)
City of Detroit Law Department
2 Woodward Ave., Suite 500
Detroit, MI 48226
Telephone: (313) 237-5037
raimic@detroitmi.gov

Attorneys for the City of Detroit

August 10, 2023

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 10, 2023, he filed the foregoing *City of Detroit's Brief in Opposition to PFRS' Motion for Reconsideration (Filed at the Court's Direction)* with the Clerk of the Court via the Court's ECF electronic filing system which will provide notice of the filing to all registered participants in this matter.

The undersigned further certifies that on August 10, 2023, he also served a copy of *City of Detroit's Brief in Opposition to PFRS' Motion for Reconsideration (Filed at the Court's Direction)* upon the following, via First Class Mail and email:

Jennifer K. Green
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
jgreen@clarkhill.com

Dated: August 10, 2023

By: /s/ Marc N. Swanson
Marc N. Swanson (P71149)
150 West Jefferson, Suite 2500
Detroit, Michigan 48226
Telephone: (313) 496-7591
Facsimile: (313) 496-8451
swansonm@millercanfield.com

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re: City of Detroit, Michigan, Debtor.	Bankruptcy Case No. 13-53846 Judge Thomas J. Tucker Chapter 9
---	---

***EX PARTE* MOTION FOR LEAVE TO FILE REPLY TO THE CITY OF
DETROIT’S RESPONSE TO MOTION FOR RECONSIDERATION**

The Police and Fire Retirement System of the City of Detroit (“PFRS”), by its undersigned counsel, Clark Hill PLC, files this *ex parte* motion for leave to file a Reply to the City of Detroit’s Response [Dkt. No. 13715] to its *Motion to Amend or alter pursuant to Federal Rule of Bankruptcy Procedure 9023, and pursuant to Local Rule 9024-1 for Reconsideration of, the Court’s Order Granting the City of Detroit’s Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)* [Dkt. No. 13707].

1. On June 26, 2023, the Court issued a 37-page *Opinion Regarding the city of Detroit’s Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket # 13602)*. [Dkt. No. 13704]

2. On July 10, 2023, the PFRS filed its *Motion to Amend or alter pursuant to Federal Rule of Bankruptcy Procedure 9023, and pursuant to Local Rule 9024-1 for Reconsideration of, the Court’s Order Granting the City of Detroit’s Motion to*

Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602). [Dkt. No. 13707]

3. On July 13, 2023, the Court ordered the City to file a response brief. [Dkt. No. 13709]

4. On August 10, 2023, the City filed its response brief. [Dkt. No. 13715]

5. Among the issues raised in the PFRS's Motion for Reconsideration, it asks the Court to reconsider or amend its holding that PFRS cannot change the 6.75% interest rate for the next 30 years.

6. In the City's Response, it admits that it "has always understood that the 6.75% discount rate could be changed after June 30, 2023." [Dkt. No. 13715, pg. 6]

7. As such, the City concedes that at least part of the Court's ruling was in error. However, the City offers no explanation as to why the error should not be corrected, or how reconsideration of the reasoning behind the erroneous holding and correction of the resulting error would not alter the Court's other rulings. The PFRS respectfully submit that the issues merit more attention than the City suggests and in light of the City's admission, requests the opportunity to file a Reply to the City of Detroit's Response.

8. In addition, the City recently made a public statement regarding certain changes to the pension benefits that will be made after the ten-year injunction in the Plan of Adjustment expires. These statements are directly relevant to arguments

raised in the Motion for Reconsideration but were not available to the PFRS when it filed its original Motion for Reconsideration. Accordingly, the PFRS seeks to apprise the Court of this new evidence.

9. The PFRS has prepared a reply (Exhibit 7) consisting of 22 pages. Although the length exceeds the typical page limit requirements, given the complexity and importance of the issues, the PFRS requests the length of the response brief be extended to this length pages.¹

10. The PFRS sought concurrence from the City on August 24, 2023, and the City had not responded as of the filing of this Motion.

WHEREFORE, the PFRS respectfully requests that the Court enter an order, substantially in the form attached as **Exhibit 7**, granting the PFRS leave to file a reply in support of its Motion for Reconsideration.

Respectfully submitted,

Date: August 24, 2023

By: /s/ Jennifer K. Green
Jennifer K. Green
Ronald A. King
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
rking@clarkhill.com
Attorney for Creditor – PFRS

¹ The PFRS is submitting its proposed reply brief without exhibits for purposes of seeking leave but will add the Exhibit A cited in the reply if leave is granted.

SUMMARY OF ATTACHMENTS

The following documents are attached to this Motion, labeled in accordance with E.D. Mich. LBR 9014-1(c).

Exhibit 1: Proposed Form of Order

Exhibit 2: None [Motion Seeks Ex Parte Relief]

Exhibit 3: None [Brief Not Required]

Exhibit 4: Certificate of Service

Exhibit 5: None

Exhibit 6: None

Exhibit 7: Reply in Support of Motion to Amend or alter pursuant to Federal Rule of Bankruptcy Procedure 9023, and pursuant to Local Rule 9024-1 for Reconsideration of, the Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)

EXHIBIT 1 – PROPOSED ORDER

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,

Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

**PROPOSED ORDER GRANTING *EX PARTE* MOTION FOR LEAVE TO
FILE REPLY TO THE CITY OF DETROIT’S RESPONSE TO MOTION
FOR RECONSIDERATION**

This matter coming before the Court on the *ex parte* motion of the City of Detroit Police and Fire Retirement System (“PFRS”) for entry of an order granting leave to file a reply in support of its *Motion to Amend or alter pursuant to Federal Rule of Bankruptcy Procedure 9023, and pursuant to Local Rule 9024-1 for Reconsideration of, the Court's Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602)*, and the Court finding good cause for the entry of this Order; and the Court being fully advised in the premises;

THE COURT ORDERS THAT the motion for leave is granted and PFRS may file a reply in excess of page limits in support of its *Motion to Amend or alter pursuant to Federal Rule of Bankruptcy Procedure 9023, and pursuant to Local Rule 9024-1 for Reconsideration of, the Court's Order Granting the City of Detroit's*

Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket #13602).

EXHIBIT 2 – NONE

EXHIBIT 3 – NONE

EXHIBIT 4 – CERTIFICATE OF SERVICE

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-
53846 Judge Thomas J. Tucker
Chapter 9

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 24, 2023, she served a copy of the foregoing *Ex Parte Motion for Leave to File Reply* with the Clerk of the Court via the Court's ECF electronic filing system which will provide notice of the filing to all registered participants in this matter.

Respectfully submitted,

Date: August 24, 2023

By: /s/ Jennifer K. Green
Jennifer K. Green
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
Attorney for Creditor – PFRS

EXHIBIT 5 – NONE

EXHIBIT 6 – NONE

**EXHIBIT 7 – [PROPOSED] REPLY IN SUPPORT OF MOTION TO
AMEND OR ALTER PURSUANT TO FEDERAL RULE OF
BANKRUPTCY PROCEDURE 9023, AND PURSUANT TO LOCAL RULE
9024-1 FOR RECONSIDERATION OF, THE COURT'S ORDER
GRANTING THE CITY OF DETROIT'S MOTION TO ENFORCE PLAN
OF ADJUSTMENT AGAINST THE POLICE AND FIRE RETIREMENT
SYSTEM PENSION PLAN (DOCKET #13602)**

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re: City of Detroit, Michigan, Debtor.	Bankruptcy Case No. 13-53846 Judge Thomas J. Tucker Chapter 9
---	---

**EXHIBIT 7 – [PROPOSED] REPLY IN SUPPORT OF MOTION TO
AMEND OR ALTER PURSUANT TO FEDERAL RULE OF
BANKRUPTCY PROCEDURE 9023, AND PURSUANT TO LOCAL RULE
9024-1 FOR RECONSIDERATION OF, THE COURT'S ORDER
GRANTING THE CITY OF DETROIT'S MOTION TO ENFORCE PLAN
OF ADJUSTMENT AGAINST THE POLICE AND FIRE RETIREMENT
SYSTEM PENSION PLAN (DOCKET #13602)**

I. INTRODUCTION

By admitting that the inclusion of the 6.75% interest rate over thirty years in the Confirmation Opinion was an error and *not* what the actual Plan calls for, the City has confirmed this Motion is meritorious and the Amortization Opinion requires reconsideration. It proves the point that these issues were inartfully referenced in the Confirmation Opinion, which is understandable given that it was a complex multi-week trial, with dozens of witnesses and 2,300 exhibits. But the City's attempt to divide the salient sentence in half and claim that one of the actuarial assumptions can be changed (the interest rate) whereas the other cannot (amortization) is nonsensical. This newly admitted "error" alone is grounds to warrant reconsideration.

Additional grounds also exist because the Court ignored controlling Michigan case law—the very law that the parties themselves agreed would govern the Plan of

Adjustment and its attendant documents—which has already interpreted the same pension plan language that the parties reincorporated into the new pension plan documents for post-2023 governance purposes. It also erred by ignoring Article G of the Plan of Adjustment which states that actuarial terms (and other terms) can be changed after the ten years—a provision which, as will be set forth below, the City has recently admitted in the media allows changes to be made, even to items that were explicitly *forbidden* under the Plan. This admission also supports the PFRS’s Motion, as newly-acquired evidence is a proper basis for such a request.

Most importantly, though, the Confirmation Opinion itself, which now both approves of the ten-year injunction as part of the Plan and simultaneously *disapproves* of that provision by ostensibly carving actuarial assumptions out of that clause altogether, has been rendered hopelessly inconsistent—even the City was forced to admit as much, as the 6.75% interest rate does not extend for thirty years and this was an error by the Court. But this “error” goes further than that. There is no rhyme or reason why certain actuarial assumptions could be changed but not others if—as the City claims—the “controlling” document in all of this is a set of Financial Projections that seemingly mandated a 6.75% interest rate over thirty years. The City itself was forced to admit in its Response that the Financial Projections it has hung its hat on this entire time are themselves *wrong*, as the 6.75% does *not* continue for 30 years as the City modeled in its Financial Projections.

Instead, the 6.75% over 30 years was merely an *assumption* the City plugged in for the time being in order to run calculations, but it was never intended to be binding for 30 years as “the Plan.” The City’s admission that the interest rate could be changed proves precisely what the PFRS has been arguing all along: the interest rate and amortization period used in the Financial Projections were only “assumptions”—mere placeholders—that would be updated in 2023 when the ten-year Plan injunction expired. Now, based on the City’s admission that the 6.75% over thirty years was an error, the need for reconsideration is irrefutable, as both the Confirmation Opinion *and* the underlying Financial Projections that were the crux of the City’s case are both *mistaken*. The Financial Projections used two crucial and inter-related actuarial assumptions over a thirty-year period but as even the City must now admit, at least one of those assumptions was not written in stone.

When one views the Financial Projections for what they really are as it relates to the PFRS—mere “funding targets” as the Court called them in the Confirmation Opinion—the City’s entire case falls apart. The Financial Projections are admittedly erroneous. A document that is admittedly wrong should not be morphed into a binding document with the weight of the “Plan.” The City’s Response does not even attempt to (i) make a substantive argument to address the internal conflict issue, (ii) distinguish the controlling Michigan case law, or (iii) refute the argument that Article G in the Plan of Adjustment permits changes after ten years to actuarial

assumptions and the amount of the City’s annual contributions—and in fact, the City has now publicly stated in a newspaper interview that the Plan *does* permit such changes after 2023 (and notably, the Court also never reconciled this provision with its amortization ruling). If the Court corrects any one of these errors, or considers either of the two new binding admissions by the City, the Motion should be granted, as a motion for reconsideration is properly brought if it calls “attention to an argument or controlling authority that was overlooked or disregarded in the original ruling, presents evidence or argument that could not previously have been submitted, or successfully points out a manifest error of fact or law.” *Davie v. Mitchell*, 291 F. Supp. 2d 573, 634 (N.D. Ohio 2003), aff’d, 547 F.3d 297 (6th Cir. 2008).

A. The City Has Yet to Craft Any Substantive Argument to Address the 10-Year Injunction in Article G of the Plan of Adjustment

Despite the PFRS raising Article G of the Plan—which clearly permits changes after ten years—in its prior briefing, as well as at oral argument and in its Motion for Reconsideration,¹ the City has still never once set forth a detailed

¹ These issues were not waived. (Dkt. No. 13681, pg. 10 of 33; Hrg. Tr. 3/15/2023 at pg. 56). Article G from the PFRS Claim Treatment Section of the Plan of Adjustment provides that no changes could be made for ten years, but after that, actuarial assumptions impacting the amount of the City’s “contribution,” including the “investment return assumption” could be changed:

G. No Changes in Terms for Ten Years. ... the City, the trustees of the PFRS and all other persons or entities shall be enjoined from and against the subsequent amendment of the terms, conditions and rules of operation of the PFRS, ... or against any action that governs the selection of the investment return assumption described in Section II.B.3.q.ii.B, the contribution to the PFRS or the calculation or amount of PFRS pension benefits for the period ending June 30, 2023... [.]

substantive explanation as how that provision is not dispositive to the issue at hand. The Court also did not address this provision, which is dispositive and outcome determinative. If this error is corrected, the PFRS would prevail. On this ground alone, this Motion should be granted.

B. The City Admits Half of the Sentence It Claims Is Controlling Is Wrong

The Amortization Opinion adopts the following sentence as the “Plan”—half of which the City now readily concedes is erroneous: “The City will then amortize the remaining UAAL for both plans over the next thirty years at an interest rate of 6.75%.” The City’s position is now—for the first time—that the first half of the sentence that relates to amortization is gospel, but the second half of the sentence that relates to the interest rate is rank error. The City cannot have it both ways.

The City half-heartedly attempts to claim that the Confirmation Opinion’s reference to the 6.75% discount rate “may have been an error.” (Response, pg. 5). To say it “may have been an error” is nonsensical, as the City in the next breathe also claims it “has always understood that the 6.75% interest rate could be changed after June 30, 2023[.]”² (Response, pg. 3). The City later reiterated that it “does not disagree” that the interest rate can be changed after June 30, 2023. *Id.* at pg. 9. Thus, the inescapable conclusion is that it was an error, not may have been an error.

Plan, Art. II.B.3.q.ii.G.

² It is inaccurate for the City to claim it has “always” acknowledged that the 6.75% could be changed after ten years, seeing as the PFRS outright asked the City’s counsel at the hearing and the City refused to answer the question, instead stating that it was irrelevant and not at issue.

Given that this acknowledged “error” in the Confirmation Opinion has now been repeated and carried through to the Amortization Opinion, the issue of who determines these actuarial assumptions deserves reconsideration. There are now at least three different reads of the Confirmation and the Amortization Opinions:

- (i) the UAAL has to be paid back over a 30-year period, but the assumed rate of return for that 30-year period can be changed by the PFRS after June 30, 2023 (based upon Footnote 23 of the Conf. Op. and the City’s new concession that the alleged 6.75% “finding of fact” by the Court was an error);
- (ii) the UAAL has to be paid back over a 30-year period and with an assumed rate of 6.75% for that entire 30 years (based upon pg. 231 of the Conf. Op. and the Amortization Opinion); or
- (iii) the actuarial assumptions used to calculate the City’s “contribution” amount can be decided by the PFRS after June 30, 2023—both the interest rate and the amortization period (based upon pg. 180 of the Conf. Op., Article G of the Plan, the State Contribution Agreement, and Articles G-5, G-9 and G-17 of the amended Pension Plan).

Only the third interpretation is viable now that the City has admitted that the interest rate can be changed; thus, the Court should revisit its ruling.

Moreover, the City misunderstands the PFRS’s “internal conflict” argument—it is not enough for the City to merely concede that the 6.75% does not continue for 30 years to resolve the internal conflict in the Confirmation Opinion. The point of raising what the City now agrees was an obvious error in the Confirmation Opinion was to demonstrate: (i) the Court was simply *not* referencing the “Plan” in the first place nor did it intend for that portion of its Opinion to have the force and effect of “the Plan,” and (ii) by deeming this erroneous sentence as part

of “the Plan,” it leads to even more inconsistencies supporting three different possible interpretations of the PFRS’s post-2023 governance authority.

Perhaps most importantly, it also undermines the very Financial Projections that the City claims to be controlling. The Financial Projections spread the UAAL repayment over thirty years, and they applied a 6.75% interest rate over that entire thirty-year time period. As the City now admits, that 6.75% was just a placeholder until such time as the interest rate was changed post-2023. *This renders the entire premise of the City’s argument in this case—that the Financial Projections terms were set in stone, could not be changed, and served as the future “Plan”—utterly baseless.* As the PFRS has repeatedly said, and the City now seemingly agrees, the City had to select *some* actuarial assumptions in order to lay out a hypothetical repayment plan, but everyone understood those assumptions were not set in stone post-2023. This is the one (and only) interpretation that actually reconciles why the Confirmation Opinion seemingly says one thing on page 180 but says something different on page 231, and this conflict should be resolved in a revised ruling.

C. The Confirmation Opinion Does Not Require a 30-Year Amortization

Contrary to the City’s Response, the “conflict” issue goes beyond just the 6.75% interest issue. (Dkt. No. 13715, pg. 3). The conflict is that the Court approved—in one part of the Confirmation Opinion—an express term of the Plan that gave the PFRS the right to make certain changes after ten years, but later—in a

different part of the Confirmation Opinion—seemingly takes away that right. Moreover, the Court calls the Financial Projections mere “funding targets” in one part of the Confirmation Opinion but later they somehow get transformed into binding Plan terms, under the Amortization Opinion. Yet the City repeatedly claims “the Confirmation Opinion expressly *requires* 30-year amortization,” which is simply not true. (Response, pg. 6; see also pg. 7-8) (noting Confirmation Opinion’s “requirement of 30-year amortization” and claiming “Exhibit 793 fully supports this Court’s conclusion that the Confirmation Opinion and POA *require* 30-year amortization”) (emphasis added). In the Confirmation Opinion, the Court was careful to distinguish which creditor payments were “required” and definite under the Plan versus which ones were mere “projections”—and the 30-year amortization period was never characterized as “required.” As set forth in the PFRS’s previous papers, after the ten-year injunction against changes expired, actuarial terms could be changed but there was no crystal ball to know what those terms would actually be a decade later, so the City had no choice but to “project” what *might* reasonably happen. When delving into the Financial Projections decade by decade, the Court was careful to make this distinction between “required” payments versus “projected” payments and “targets”:

For the time period **FY2034–FY2043, the City will be *required* to spend \$450.6 million servicing the New B Notes.** Ex. 793 at 5. **The City *projects* that it will also be required to contribute \$938.5 to the GRS and PFRS UAAL, for a total of \$1.3892 billion.** *Id.*

Finally, for the time period FY2044–FY2053, the City will be required to spend only \$68.9 million to fully satisfy the B Notes. *Id.* The City also projects that it will be required to contribute \$628.9 million to complete payment on the pension underfunding, for a total of \$697.8 million in plan obligations. *Id.*

In re City of Detroit, 524 B.R. at 230 (emphasis added). This is in line with the Court’s characterization of the future funding “targets” as the Court called them in its Confirmation Opinion—*i.e.*, the City was “targeting” full repayment in 30 years. Again, this was a mere “target”—not a “requirement.” As the Court explained:

c. Governance and Oversight

As described previously, the parties have agreed to establish investment committees for the PFRS and the GRS as required by the State Contribution Agreement... The parties have further agreed that until June 30, 2023, the boards of trustees of each system will adopt and maintain an investment return assumption and discount rate of 6.75% for purposes of determining the assets and liabilities of the pension systems.

The plan also includes a provision that all parties are enjoined until June 30, 2023 from making any amendment to the terms, conditions and rules of operation of the GRS and the PFRS relating to the calculation of pension benefits, the selection of investment return assumptions, or the contributions to the pension systems.

The City has also set certain targets at which the UAAL for the GRS and the PFRS must be funded. For 2023, the funding targets are 70% for the GRS and 78% for the PFRS. For 2053, in 40 years, the targets are 100% for each. Ex. 723.

In re City of Detroit, 524 B.R. at 180 (emphasis added). The cited exhibit (Ex. 723) was a version of the 40-year Financial Projections. But when referencing these projections, the Court characterized the 30-year repayment period as mere “targets.”

It was not a “requirement” of the Plan. The Court did not deem these as “imperatives” in order to approve the Plan. In fact, quite the opposite—the Court was careful to distinguish between the express Plan terms, as approved on page 180 of the Confirmation Opinion, versus a recitation of the Financial Projections, which were mere “targets.”

D. Footnote 23 Relies On Projections the City Now Admits Were Erroneous

The only other mention of a 30-year amortization is in footnote 23, which does not reference the 6.75% interest rate. However, now that the Financial Projections are admittedly erroneous as it relates to repayment of the UAAL, the second sentence that the City relies upon also ceases to have any import because these terms are admittedly mere “assumptions” subject to change in 2023. Footnote 23 states:

As discussed in part III.F. above, the City obligations to the GRS and the PFRS are fixed under the plan from FY2014-FY2023. During this time, as the City works to stabilize its finances and implement its RRI, the majority of the City’s contributions to the GRS and the PFRS will come from the DWSD, the State Contribution Agreement, and the Grand Bargain Funding. See Ex. 793 at 3. However, after 2023, the City projects the retirement systems will remain somewhat underfunded. *See* 12000 at 133. The balance of the underfunding will be amortized over a thirty year period of time. *Id.*

Exhibit 12000 cited here is the Kopacz Report, not “the Plan.” The Kopacz Report merely quoted the Financial Projections, *which even the City has now admitted were utilizing certain actuarial assumptions that could be changed in the future.*

Kopacz did not independently opine that feasibility hinged on a 30-year amortization

period (in fact, quite the opposite—she actually reiterated her concern, as pointed out the PFRS’s earlier filings, that a 30-year amortization was too lengthy).³ Instead, Kopacz merely recited the City’s Financial Projection—blindly, without confirming it against actual Plan terms—but either way, Kopacz did not say this amortization period was “required” for the Plan to be feasible. All she stated in her Report was that the City “proposes” to pay it back over thirty years. *Id.* “Proposing” to pay something back over thirty years is a far cry from *requiring* a 30-year amortization. Yet, this sentence in Footnote 23 has somehow transformed into “the City *must* pay over 30 years” based on faulty Financial Projections that the City now admits it fully understands were subject to change in material respects come 2023. Thus, this sentence does not aid the City.

E. The Internal Conflict Argument Was Not Waived

The City claims this “internal conflict” argument was waived, but during the hearing on this matter, the PFRS argued that the sentence ten-year injunction that permits plan changes was “directly in conflict with page 231,” which states that the actuarial assumptions “are locked in for 30 years, both the interest rate and contribution rate.” (Hrg. Tr., pg. 39). Regardless, the more nuanced internal conflict issue could not have been waived, as it was not fully ripe until this Court elevated

³ Ex. F. to PFRS Response, Kopacz Supp. Report, Dkt. No. 1364-7, pg. 127 (criticizing the “29-(PFRS) and 30-(GRS) year amortization periods for funding the unfunded pension obligations”).

the sentence on page 231 of the Confirmation Opinion over conflicting statements by the Court on page 180 (in which the Court approved the term permitting the parties to change actuarial assumptions after ten years—not thirty—and in which the Court called the repayment plan set forth in the Financial Projections mere “funding targets”—not a requirement under the Plan).

Moreover, the internal conflict problem arose in part based upon the manner in which the Court analyzed this issue in the Amortization Opinion. As set forth above, the hypothetical repayment plan set forth in the Financial Projections—as described by the Court itself when laying out the terms of the Plan on page 180—were mere “targets.” Yet in the Amortization Opinion, the Court focused on the fact that there were targets laid out over 30 years rather than focusing on the fact that the Court was merely calling them “funding targets” instead of “required amortization periods.” In the Amortization Opinion, the Court stated:

Elsewhere in the Confirmation Opinion, the Court described what it called the “final component of the Grand Bargain,” namely, the “global settlement of pension-related issues, including the treatment of the claims relating to the UAAL of the GRS and the PFRS.”⁴³ In that description, the Court described how the UAAL was to be gradually paid down to zero (*i.e.*, reach 100% funding), *over the 30-year period of 2023 to 2053*:

The City has also set certain targets at which the UAAL for the GRS and the PFRS must be funded. For 2023, the funding targets are 70% for the GRS and 78% for the PFRS. **For 2053, in 40 years, the targets are 100% for each.** Ex. 723.⁴⁴

(Amortization Opinion, pg. 16) (footnote 43 and 44 are references to pg. 179 and 180, respectively, of the Conf. Op.). The Court’s quotation of this paragraph, only—in a vacuum—while ignoring the directly preceding paragraph in the Confirmation, highlights the internal inconsistency in the Confirmation Opinion. The paragraph directly preceding the one quoted above acknowledged and approved the injunction against changes to repayment terms for the City’s contributions for the first ten years, after which changes could be implemented post-2023:

The plan also includes a provision that all parties are enjoined until June 30, 2023 from making any amendment to the terms, conditions and rules or operation of the GRS and the PFRS relating to the calculation of pension benefits, the selection of investment return assumptions, or the contributions to the pension systems.

Id. at 180. When the two paragraphs are together, the internal conflict is even more obvious, because if the “funding targets” were actually supposed to be pre-ordained and *required* 30-year amortization periods as the City urges, then these two paragraphs are in direct conflict.

When read in conjunction with the paragraph outlining Article G’s ten-year pause from making any changes, the paragraph cited by the Court in the Amortization Opinion—which merely cites to the Financial Projections regarding the City’s “hope” and “intent” to have the PFRS fully funded by a “target” date of 2053 makes sense. In the paragraph directly above, the Court was citing the “Plan” terms and in the next paragraph (the one cited by this Court in its Amortization

Opinion), the Court was merely reiterating the City’s “funding targets” based upon its Financial Projections. The original Confirmation Opinion was careful to note the distinction between the two—the first paragraph on page 180 was a recitation of the actual “Plan” and the next paragraph on page 180 was a recitation of a “funding target” from a Financial Projection. There was no indication in this portion of the Confirmation Opinion that the Court intended for these “funding targets” or Financial Projections to overtake the express terms of the Plan itself.

F. The Disclosure Statement Is Also Internally Inconsistent

The City claims the Disclosure Statement incorporating the Financial Projections, which were in a constant state of flux and expressly cautioned as “subject to change”—should somehow be relied upon as “crystal clear” evidence (Response, pg. 4) that the UAAL would be amortized over 30 years. This is rich, seeing as that exact same Disclosure Statement openly criticized the use of a 29- and 30-year amortization periods and deemed them an “unrealistic assumption” previously used by Retirement Systems that led to “misleading” UAAL figures because the lengthy amortization periods of 29- and 30-years were inappropriate actuarial assumptions that “served to understate substantially the Retirement Systems’ UAAL” and “allow[ed] unfunded liabilities to continue to grow rapidly as a result of compounding.” (Fourth Am. Disc. Stmt., Dkt. No. 4391, Page 120 of 197). The City can hardly claim with a straight face that this Disclosure Statement

made it “crystal clear” that the City intended to use an amortization period that the City *itself* deemed in that same exact document to be an “unrealistic” actuarial assumption that led to “misleading” UAAL figures in the first place.

G. The City Has Now Publicly Admitted the Ten-Year Injunction Has Expired and Changes Can Be Made—Even to Express Terms in the Plan

In its original Response Brief and Sur-Reply, the PFRS argued that the Plan allowed for changes to be made after the first ten years. (Response, pg. 16-17, Sur-Reply, pg. 7-11). The PFRS reiterated this argument at oral argument.⁴ Yet to date, the City has never formulated a substantive response as to why Article G of the Plan does not control the amortization issue (nor has the Court addressed this argument)—but it now appears it is because the City knows full well that the PFRS can make changes starting on June 30, 2023, when the Plan-imposed injunction expires. In fact, the City itself has even recently gone on record that it, too, intends to make changes now that the “shackles” of the ten-year injunction are behind it.

⁴⁴ See Hrg. Tr. 3/15/23 at pg. 46-49 (“for 10 years, there was a period of time where the board did not make that decision [amortization]... under (2)(b)(3)(q)(2)(g)... that expired at the end of the 10 years. And at that point in time, then the PFRS was once again permitted to change the 6.75% interest rate, as well as any employer contribution. And that particular section... even states that the PFRS can change the terms, conditions, and rules of operation of the PFRS. So the only intervening period of time where the PFRS was ever unable to determine the amortization period was during the pension holiday... the plan of adjustment... does all tie out because the plan of adjustment states that for the first ten years the funding for the pension comes from the grand bargain. At the expiration of that 10 years, the board has authority to go outside of the plan of adjustment. The plan of adjustment no longer controls all of these issues . . . look at Article G of the plan of adjustment itself, that at the end of the 10 years this decision would be decided by the board... The 6.75% percent, which is the interest rate, that’s another item that at the end of the 10 years reverts back to the board as a decision. And that is explicit in Article G of the plan of adjustment, the one that ties all of the board’s authority to the ten-year pension holiday”).

Just days after the PFRS filed its Motion for Reconsideration, the City publicly announced that it was considering reinstating the so-called “13th check” program, a pension benefit that had been outright banned under the Plan. During the bankruptcy, the so-called “13th Check Program”—which was where the Retirement Systems paid an additional check at the end of the year—was highly criticized by the City and its experts. The City blamed the “13th Check Program” as one of the leading causes of pension underfunding and outlawed the practice as part of the bankruptcy. (Fourth Am. Disc. Stmt., Dkt. No. 4391, pg. 121 of 197) (“Past Pension Practices. The Retirement Systems’ trustees and certain City officials also have engaged in a variety of practices that exacerbated and, in certain cases, masked the extent of the Retirement Systems’ UAAL... in years in which the actual investment return exceeded the assumed rate of return, the GRS Trustees paid out a portion of the excess to already retired pensioners. Referred to as the “13th check” program... these payments were made in excess of the pensioner’s earned pension and to the detriment of the Retirement Systems... the total cost to the City of the GRS practices of distributing pension-fund earnings over assumed rates of return to retirees and active employees – whether by direct payment via a “13th check” or through excess contributions to employees’ Annuity Savings Plan accounts – as of June 30, 2008, was \$1.92 billion”).

As a result, the Plan of Adjustment expressly forbid any 13th checks from being paid: “The Retirement System ... shall not make any payment ... other than payments that are required by the governing documents of the Retirement System. This prohibition applies to all payments that are not authorized by this Combined Plan, whether such payments are those commonly referred to as a “thirteenth check” or by any other name.” (Eighth Am. Plan of Adj., New Pension Plan Section 1.16(2); see also Art. 13.1(3) (same) and Art. 14.1(3) (same).

Yet the City has now gone to the media touting its plan of reinstate both the 13th check program and the cost-of-living increases that were stripped as a result of the bankruptcy. As the City now openly admits, even the 13th Check Program—a program expressly prohibited by the Plan itself—can be changed because the “shackles” of the ten-year period are off. This admission lines up with the Mayor’s prior public pronouncements on the amortization issue quoted in the PFRS’s original Response—that he is frustrated that the *City* does not have the power to decide the amortization issue—and is also consistent with the PFRS’s interpretation of Article G of the Plan. The Mayor recently gave the following interview:

When the city’s bankruptcy shackles come off next year, Mayor Mike Duggan would like to sweeten pension benefits for Detroit retirees and current employees. Duggan told The Detroit News this week he wants to restore a 13th pension check for retirees of Detroit’s General Retirement System and increase the cost-of-living allowances for retired police officers and firefighters—benefits that were slashed in the city’s bankruptcy a decade ago. The extra monthly pension check was

historically sent to pensioners in December each year. The mayor said the next budget proposal, due out in February, will attempt to restore some of what retired city workers lost in Detroit's historic bankruptcy... "There are two things we're looking at: the pension benefits for our active employees are not competitive enough in the market I'd like to see us make some improvements in those[.]" . . . He's also interested in adding a 13th pension check at the end of 2024 when the city's 2014 exit plan allows Detroit to negotiate changes to retirement benefits with its two pension funds . . . "How those things might be structured and how it might work, I don't know yet but we'll figure it out . . . I think some type of enhancement in terms of a 13th check is fair . . . I'm hopeful that the budget we propose in February will have a 13th check in it."

(Ex. A, Detroit Free Press Article, dated July 14, 2023). This is a party admission under Fed. R. Evid. 801(d) and is therefore admissible evidence.⁵

To be clear, the PFRS is not critical of the Mayor's plans to the extent these changes will assist its members and facilitate restoration of benefits that were lost as a result of the bankruptcy (assuming, of course, these changes do not exacerbate underfunding concerns). The point of raising these plans by the City is because these admissions (which were not available until July 14—four days after the PFRS filed its Motion for Reconsideration) once again support what the PFRS has maintained

⁵ This admission by the Mayor is admissible evidence. *Greene v. Scott*, 637 F. App'x 749, 752 (4th Cir. 2016) (finding Mayor's statements in newspaper article were non hearsay statement by a party-opponent under Fed. R. Evid. 801(d)(2)); *McCowan v. City of Philadelphia*, 603 F.Supp.3d 171, 182 (E.D.Pa., 2022) ("Because the press release was published directly by the Office of the Mayor and is being offered against the City, it falls under Rule 801(d)(2)'s exclusion for statements 'made by the [opposing] party's agent or employee on a matter within the scope of that relationship.'"); *Wilburn v. Robinson*, 480 F.3d 1140, 1148 (D.C. Cir. 2007) (finding deputy mayor's statement was an admission by a party opponent—the District—and therefore, admissible under Rule 801(d)(2)(D)).

all along: everyone knew that under Article G of the Plan of Adjustment, certain go-forward terms were going to have to be reset at the end of the ten years—and as the Mayor now apparently admits, even those terms that were expressly *forbidden* under the Plan, such as the 13th Check Program and COLA increases, could be reinstated.⁶ It appears the motive behind the City seeking to extend the amortization period to 30-years is control, pure and simple, because the inability to pay a higher amount under a 20-year amortization period is clearly not the issue seeing as the City is now proposing adding budget items to cover new, *enhanced* benefit payments.

Thus, the City *agrees* with the PFRS’s position—that even terms that were written in stone for the first ten years are now open to change—the assumed rate of return, contribution amounts, amortization periods, and pension benefit payments such as the 13th check and COLA. This new evidence—particularly when coupled with the City’s recent admission that the 6.75% interest rate can be changed at the ten-year mark—supports the PFRS’s request that the Court reconsider its prior ruling, as submission of new evidence is grounds for such a motion.

H. The Michigan Case Law Argument Was Not Waived; It Was Raised But Not Ruled Upon.

This case was cited by the PFRS, *PFRS v. City of Detroit*, 270 Mich. App. 74,

⁶ These changes—reinstatement of the 13th check and returning COLA increases—are directly contrary to the express provisions of the Plan and the Confirmation Opinion. See *In re City of Detroit*, 524 B.R. at 179 (noting for PFRS pension claims, the “annual cost of living adjustment (‘COLA’) will be reduced to 45% of the amount provided in pre-petition [CBAs]” and for GRS, “COLAs will be eliminated”); see also Pension Plan Section 1.16, Art. 13.1 and Art. 14.1.

81 n. 3-4 (2006), *leave denied*, 477 Mich. 892 (2006), was not waived. (See Sur-Reply, pg. 8-11, see also pg. 8, n. 4; Hrg. Tr., pg. 38). The Court, however, did not address this argument in its Amortization Opinion, so the PFRS's reconsideration request is proper. *Davie*, 291 F. Supp. 2d at 634 (noting motion for reconsideration is properly brought if it calls "attention to an argument or controlling authority that was overlooked or disregarded in the original ruling"). The City's only other real attack on the *PFRS* case is that the PFRS did not "identify, attach, or quote this purported language" that it claims was interpreted favorably by the Michigan Court of Appeals. This is not true. In its Motion, the PFRS quoted the salient provisions of the newly amended Pension Plan and explained that the two provisions interpreted in the *PFRS* case were Articles G-17 and G-5, both of which the PFRS quoted at length (Article G-5 on pg. 6-7 and Article G-17 on pg. 9). The PFRS also provided the pinpoint cite for the two former pension plan provisions, which were quoted by Michigan court in the *PFRS* case. (See Motion, pg. 22) (quoting *PFRS*, 270 Mich. App. at 81 n. 3-4). While the City claims the language between the pre- and post-bankruptcy pension plan provisions could not possibly be the same, this is not the precise argument the PFRS set forth. The PFRS made a slightly more nuanced argument, which was that the parties chose to "reincorporate the same exact language" with the "only difference in those sections" being the "carve-out of the ten-year period where the PFRS was enjoined from deciding amortization for that

time period.” *Id.* Regardless, for the sake of convenience, the PFRS will quote the two provisions side by side to demonstrate that but for the carve-out for the ten-year injunction period under the Plan of Adjustment when the PFRS could not change the actuarial terms or change the City’s contribution amount because it was being paid by third parties, the two provisions that the Michigan Court of Appeals interpreted to mean the PFRS was in control of the amortization period decision are the same:

Former Pension Plan Terms	Amended Pension Plan Post-Bankruptcy
<p>“The board of trustees shall annually ascertain and report to the mayor and the council the amount of contributions due the retirement system by the city, and the city council shall appropriate and the city shall pay such contributions to the retirement system during the ensuing fiscal year[.]”</p> <p>Source: <i>PFRS</i>, 270 Mich. App. at 81 n. 3 (quoting Detroit City Code, § 54–43–4(b))</p>	<p><u>“Subject to the Plan of Adjustment, for Fiscal Years commencing prior to July 1, 2014, and on or after July 1, 2023,</u> the Board of Trustees annually ascertained and reported to the Mayor and the Council the amount of contributions due the Retirement System by the City, and the Council shall appropriate and the City shall pay such contributions to the Retirement System during the ensuing Fiscal Year.”</p> <p>Source: Pension Plan Art. G-5 (emphasis added to reflect addition of ten-year carve-out for pension holiday and Plan injunction)</p>
<p>Based upon the provisions of this ordinance, including any amendments, the Board of Trustees shall compute the City's annual contributions, expressed as a percent of active member compensation, to the retirement system for the fiscal year beginning July 1, 1975, using actuarial evaluation data as of June 30, 1974, and for each subsequent fiscal year using actuarial evaluation data as of the June 30 date which is a year and a day before the first day of such fiscal year. The Board shall report to the Mayor and to the city council the contribution percents so computed and such contribution percent shall be used in determining the</p>	<p>Based upon the provisions of this Article, including any amendments, the Board of Trustees shall compute the City’s annual contributions <u>for Fiscal Years commencing prior to July 1, 2014 and after June 30, 2023,</u> expressed as a percent of active Member compensation, to the Retirement System for the Fiscal Year beginning July 1, 1975, using actuarial valuation data as of June 30, 1974, and for each subsequent Fiscal Year <u>prior to July 1, 2014 and after June 30, 2023,</u> using actuarial valuation data as of the June 30th date which date is a year and a day before the first day of such Fiscal Year. The Board shall report to the Mayor and to the City Council the contribution percents so computed, and such contribution presents shall be used in determining the contribution dollars to be</p>

contribution dollars to be appropriated by the city council and paid to the retirement system[.]” <i>Id.</i> at n. 4 (quoting Detroit City Code, § 54-2-7)	appropriated by the City Council and paid to the Retirement System[.]” Pension Plan, Art. G-17 (emphasis added)
---	--

Once this case is considered by the Court, the inescapable conclusion is that it was the PFRS’s sole discretion to decide amortization prior to the bankruptcy and far from this being “changed” in the bankruptcy, the parties actually re-incorporated the same language into the revised Pension Plan—the only difference being that this PFRS was prohibited from making this decision until after the ten-year period under the Plan of Adjustment expired on June 30, 2023.

II. CONCLUSION

For the reasons stated above, the PFRS respectfully requests the Court reconsider its prior ruling.

Respectfully submitted,

By: /s/ Jennifer K. Green
Jennifer K. Green
Clark Hill PLC
151 S. Old Woodward, Ste 200
Birmingham, MI 48009
(248) 988-2315
jgreen@clarkhill.com
Attorney for Creditor – PFRS

Date: August __, 2023

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE:

Case No. 13-53846

CITY OF DETROIT, MICHIGAN,

Chapter 9

Debtor.

Judge Thomas J. Tucker

**ORDER: (1) GRANTING THE MOTION BY THE POLICE AND FIRE RETIREMENT
SYSTEM FOR LEAVE TO FILE A REPLY (DOCKET # 13723); AND (2) DENYING
THE MOTION BY THE POLICE AND FIRE RETIREMENT SYSTEM FOR
RECONSIDERATION, AND TO ALTER OR AMEND
THE COURT'S JUNE 26, 2023 ORDER (DOCKET # 13707)**

This case is before the Court on the motion filed by The Police and Fire Retirement System of the City of Detroit (the "PFRS") (Docket # 13707, the "PFRS Motion"), entitled "The Police and Fire Retirement System's Motion to Alter or Amend Pursuant to Federal Rule of Bankruptcy Procedure 9023, and Pursuant to Local Rule 9024-1 for Reconsideration of, the Court's Order Granting The City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket # 13602)." The PFRS Motion seeks reconsideration of, and relief from, the Court's June 26, 2023 Order entitled "Order Granting the City of Detroit's Motion to Enforce Plan of Adjustment Against the Police and Fire Retirement System Pension Plan (Docket # 13602)" (Docket # 13706).

The Court ordered the City of Detroit to file a response to the PFRS Motion, and the City did so, on August 10, 2023 (Docket # 13715, the "City Response"). On August 24, 2023, the PFRS filed a motion seeking leave to file a reply to the City Response (Docket # 13723, the "PFRS Motion for Leave").

Today the Court has filed a written opinion regarding the PFRS Motion and the PFRS Motion for Leave. (Docket # 13831). For the reasons stated by the Court in the written opinion filed today, the Court enters this Order.

IT IS ORDERED that:

1. The PFRS Motion for Leave (Docket # 13723) is granted, and the reply brief attached as Exhibit 7 to the PFRS Motion for Leave is deemed filed.
2. The PFRS Motion (Docket # 13707) is denied.

Signed on November 22, 2023



/s/ Thomas J. Tucker

**Thomas J. Tucker
United States Bankruptcy Judge**